Global FinTech Biweekly

Wednesday
February 26, 2020

Highlight of this issue – Global FinTech Industry at an Inflection Point

Figure 1: 2019 VC backed FinTech unicorns – 23 new unicorns in 2019 and 8 in Q4 2019

Global FinTech industry at an inflection point – Public health concerns forge new demand
The recent public health event has undoubtedly brought great challenges to China’s and likely global economy, and also changed how Chinese are using tech in everyday life. New users are flooding into the “contactless” economy such as video conferencing, food delivery, online gaming, online education, etc., likely for the long term. In Hong Kong, citizens witnessed the first launch of the eight digital banks – account opening can be completed within a few minutes, cash loan application is just a few clicks away. 2020 could be an inflection point for global FinTech when pure online experience is appreciated more than before. From online onboarding, loan application, real time funds transfer to low cost remittance, FinTech firms offer services which are proactive, transparent, affordable and most importantly, do not require customers’ offline handling. However, challenges remain as the industry move towards a more mature stage.

Source: CB Insights, Bloomberg, AMTD Research; Note: Greater China and Southeast startups are not listed in the map

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2019 industry report suggests less funding for early startups
According to CB Insights’ annual FinTech report, global FinTech VC funding collected slightly went down from the peak of US$2.0trn in 2018 to US$1.9trn in 2019. If excluding Ant Financial’s record fund raising of US$14bn in 2018, 2019 actually saw a very healthy growth over 2018. However, funding for early-stage companies dropped to a 12-quarter low as there are more concentration in mega deals. Nearly 50% of all funding to FinTech startups was concentrated in 83-mega rounds (those of size US$100mn or above).

Southeast Asia and German FinTech startups are VC’s darlings
FinTech startups in Southeast Asia (SEA) raised US$993mn across 124 rounds in 2019 which marked their biggest year in history – this was a big jump compared to the US$588mn in 2018. Germany-based startups gained significant momentum in 2019, with 5 companies raising 7 mega rounds including N26, Wefox and Deposit Solutions. India added one more unicorn – Pine Labs.

Digital banking/InsurTech/remittance were the hottest verticals in 2019
Among the 23 new unicorns in 2019, digital banking, insurance and remittance are the three hottest verticals. Challenger banks raised over US$3.7bn across 96 deals in 2019, a record year in terms of both number of deals and fund raised. In insurance, new unicorns Lemonade, Hippo, NEXT Insurance, Wefox and Bright Health offer varied types of insurance coverage, making insurance experience automated and smart to individuals as well as small businesses. In remittance, Rapyd, Flywire and Airwallex joined the unicorn club. In capital market verticals, strong funding was supported by surging interest of incumbents seeking partnership with FinTech. At the same time, interest in ESG tech took off in 2019.

More M&A likely coming
As more incumbents accelerate their technology adoptions and make their services more affordable, as well as conduct active corporate venture investment, industry M&A is unavoidable. Charles Schwab and TD Ameritrade’s merge, Visa’s investment in Plaid, Allianz X’s investment into Lemonade, Munich Re’s investment into Next Insurance all highlight such trend.

News of the week

22 Feb 2020

JPMorgan Chase in talks to launch digital bank in UK
JPMorgan Chase is in talks with London regulators about launching a digital bank in the UK this year. The new operation is likely to provide both savings and lending products. Clive Adamson, former head of supervision at the Financial Conduct Authority, was asked to chair the new business. It will be a boost for the UK as international banks like Germany’s N26 are planning to leave the UK market due to Brexit. It is also a significant move for Chase, which has traditionally focused on its huge and profitable domestic market rather than international operations. (Source: FT)

22 Feb 2020

Intuit to buy Credit Karma for US$7bn
TurboTax maker Intuit reached an agreement to buy personal-finance technology portal Credit Karma for roughly US$7bn. The deal will be closed in cash and stock, and is Intuit’s largest acquisition by now. It will push Intuit further into the growing online consumer finance sector. Credit Karma would function as a stand-alone business with its current chief executive, Kenneth Lin, staying in charge. (Source: WSJ)
<table>
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<tr>
<th>Date</th>
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<tr>
<td>21 Feb 2020</td>
<td><strong>Morgan Stanley to buy ETrade for US$13bn</strong></td>
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<td>Morgan Stanley will buy online trading platform ETrade for US$13bn. The deal is the largest deal by a global bank since the 2008 financial crisis and the second largest deal by Morgan Stanley. ETrade has more than 5.2 mn clients and around US$360bn of retail client assets. After the deal, Morgan Stanley will make 57% of its pre-tax profits from wealth management and investment management — less cyclical businesses. (Source: FT)</td>
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<td>21 Feb 2020</td>
<td><strong>Malaysia's Axiata in talks with 11 partners for a digital banking license</strong></td>
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<td>Axiata Group, a Malaysian telecom firm, has been in talks with as many as 11 partners, including banks, to bid for a digital banking license in the country. The central bank in Malaysia will issue up to five licenses to online banks that offer either conventional or Islamic banking. The framework of the licensing is expected to be determined by the end of June. Other bidders included Grab, Razer, AirAsia and CIMB. (Source: Reuters)</td>
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<td>21 Feb 2020</td>
<td><strong>Facebook’s Libra Association added Shopify as a member</strong></td>
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<td>Shopify will join the Libra Association, the cryptocurrency collective launched by Facebook. Shopify is the first new member after several high-profile companies, including Mastercard, Visa, eBay, Stripe, Vodafone, etc., defected from the group due to regulatory concerns. The project still faces regulatory hurdles and scrutiny from governments around the world. One of the concerns is that the cryptocurrency may weaken the legal tender. (Source: CNBC)</td>
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<td>20 Feb 2020</td>
<td><strong>Citi launched digital payment solution PayAll in Philippines</strong></td>
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<td>Citi launched its digital payment solution Citi PayAll in Philippines. Citi Philippines credit cardholders can now make big payments usually settled via cash or cards through the Citi Mobile App. Citi claimed that PayAll is a first in the country’s digital finance landscape. Customers have a maximum limit of PHP200,000 per transaction and will incur a per transaction fee of up to 3%. (Source: Manila Times)</td>
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<td>20 Feb 2020</td>
<td><strong>Credit Suisse investment group NEXT Investors acquired NorthPoint Tech</strong></td>
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<td>Credit Suisse's fintech growth equity group NEXT Investors has acquired the NorthPoint product suite and technology consulting practice from ACA Compliance Group. North Point will be wholly owned by a new business intelligence company, Portfolio BI, which will be led by Jeremy Siegel, CEO of LUX Fund Technology and Solutions. ACA will retain its regtech offering, and will work with Portfolio BI to service mutual clients. (Source: Reuters)</td>
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<td>20 Feb 2020</td>
<td><strong>Goldman, JPMorgan led new funding round for Members Exchange</strong></td>
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<td>Goldman Sachs, JPMorgan and Jane Street Capital joined the 9 financial giants including UBS and America Merrill Lynch, to back the new equities exchange hoping to take on NYSE and NASDAQ. The three firms have led a new round of strategic financing for Members Exchange (MEMX), which plans to launch on 24 July. MEMX aims to increase competition, improve operational transparency, cut costs and simplify the execution of equity trading in the US, with a simple trading model using the latest technology. (Source: WSJ)</td>
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<td>19 Feb 2020</td>
<td><strong>Bloomberg to sell Bloomberg company if elected President</strong></td>
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<td><strong>Singapore FinTech startup Hoolah expands to Malaysia</strong></td>
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<td><strong>Softbank to invest US$100mn in AI startup Behavox</strong></td>
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<td><strong>LendingClub to acquire Radius Bank for US$185mn</strong></td>
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<td><strong>MUFG to invest US$700mn in Grab</strong></td>
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<td>17 Feb 2020</td>
<td><strong>80% Chinese banks will integrate cloud-based FinTech solutions by 2024</strong></td>
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17 Feb 2020

**Mastercard announced its first European Cyber Resilience Centre**
Mastercard announced that it is developing its first European Cyber Resilience Centre, a state-of-the-art cyber and security centre in Europe. It will drive collaboration between both public and private sectors, as well as regulatory bodies to further support enterprise resilience in the region. The centre is the first of its kind that the company has invested in outside of North America. Mastercard is launching an interim centre this spring, with the official facility expected to open in 2021. (Source: Mastercard)

17 Feb 2020

**Monzo to relaunch paid accounts**
Monzo will relaunch the paid-for accounts in 1Q20, implementing lessons learned from complaints following its abrupt cancellation of a premium account in Sept 2019. The decision may help it turn into a profit as the company is expected to reach 5.5 million users this year. Besides, Monzo plans to hire up to 500 people. Launched in 2015, Monzo has attracted 3.8 million customers in Britain with its bright coral debit card and spend-tracking data. (Source: Reuters)

17 Feb 2020

**Citi invested in blockchain-based trade finance network Contour**
Citi has become the latest banking giant to take a stake in Contour, the blockchain-based trade finance platform which made its commercial launch in last January. Contour is set up by 8 banks, including ING, BNP Paribas and HSBC in 2018 in Singapore, and has successfully landed in 14 countries. Contour’s network focuses on improving the Letters of Credit (LoCs) process. (Source: Contour)

14 Feb 2020

**SoftBank led 25% of the UK’s fintech investment in 2019**
In 2019, SoftBank’s Vision Fund invested US$800mn in Greensill and US$440mn in OakNorth, two London-based business lenders. Those investments accounted for 25% of the $4.9 billion raised by financial startups (Quartz member exclusive) in UK last year. It raised questions about valuations and whether some firms in its portfolio have too much money. The fund had invested in about 88 companies at the end of last year, and Softbank claimed that there were about 50 winners in the portfolio. (Source: Yahoo)
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