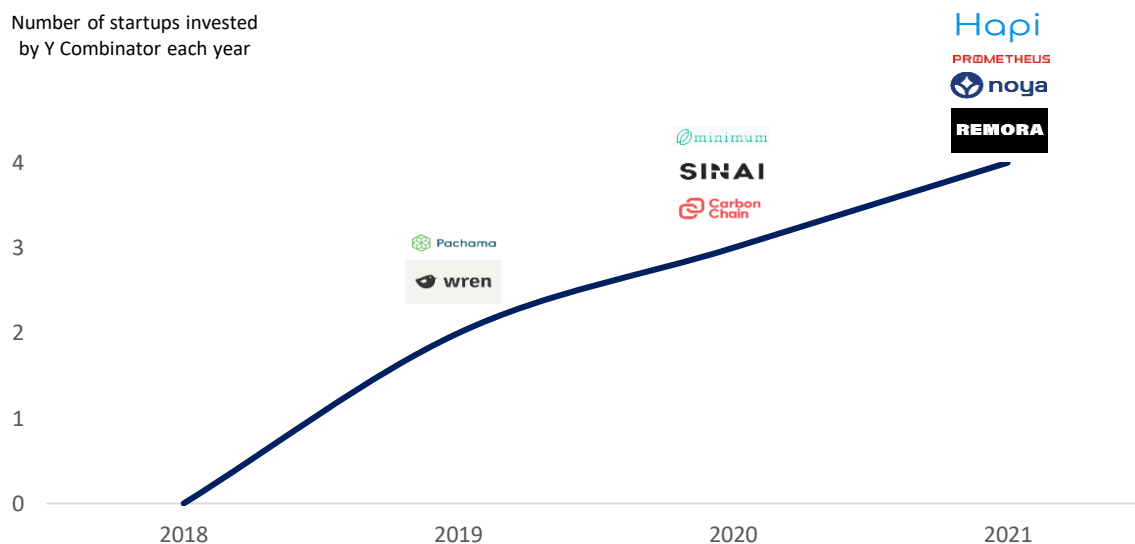


Global FinTech Biweekly vol.22



Highlight of this issue – Sustainable FinTech: A bottom-up approach to tackling climate changes

Figure 1: Sustainable FinTech companies invested by Y Combinator



Source: Companies disclosure, AMTD Research

FinTech innovations poised to boost accessibility to sustainable options and minimize the intention-action gap

There is an intention-action gap in tackling climate changes: the rising awareness of sustainability versus the limited options and premium prices of eco-friendly products. According to McKinsey's survey in 2020, 88% of respondents valued sustainable consumption, but only 57% of consumers said they have made certain changes to their lifestyles to reduce environmental impact.

Increasing FinTech innovations aim to enable more individuals and corporates to participate in dealing with climate changes. Some sustainable FinTech companies help individuals and companies calculate daily carbon footprint and provide advice or options on reducing or offsetting carbon emissions; some work as a financing bridge, help green companies obtain funding and offer investors access to climate-related investment products.

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FinTechs help achieve net zero emissions targets

A large proportion of sustainable FinTech companies work on promoting carbon neutrality:

- 1) **Carbon footprint tracker:** Help individuals and enterprises analyze the carbon consumption attached to their daily spending and workloads, such as Microsoft Sustainability Calculator, Sequoia-backed Joro, etc.
- 2) **Carbon emissions reduction:** Give advice or tools on going net zero, or offer rewards on environment-friendly activities – For example, UbiCar, Huddle, Real Insurance and other insurers introduced pay-as-you-drive car insurance that encourages people to drive less to reduce carbon emissions.
- 3) **Carbon footprint offsetting:** Open access to sustainable projects ranging from direct purchases of offsets, such as Y Combinator-backed Wren and Pachama, to reforestation, such as Ant Group's Ant Forest and EQT Ventures-backed TreeCard. According to McKinsey, global demand for voluntary carbon offsetting may expand 10x in the next decade, from 100 million tons in 2019 to over 1 billion tons of CO₂ equivalent in 2030.

Net zero-focused FinTechs usually either adopt a subscription model (e.g., Wren, NetZero) or charge a transaction fee for supporting every sustainable project (e.g., Joro, Pachama).

Reforestation projects, started by Ant Group, have successfully boosted awareness and improved consumption participation which swept the world. Ant Forest, first launched in 2016, has gained over 550 million users and planted over 200 million trees. TreeCard, Treeapp, EcoMatcher and other followers also enable users to plant trees for free, but usually partner with companies and foundations to sponsor the tree planting.

Major countries and businesses have made their net zero promises. Over 100 countries have pledged to achieve carbon neutrality in mid-century. The new US president Joe Biden has announced to step back to combat climate changes, including recommitting US to the Paris climate accord and investing US\$400bn in clean energy and innovation over the next decade. Carbon neutrality-themed shares in the Chinese stock markets posted a strong momentum at the beginning of March.

FinTech technologies including blockchain could fractionalize investments and increase efficiency, driving new demands

Application of blockchain technologies to improve efficiency and transparency, will boost the small sustainable investment market – Take the sustainable debt market as an example, green and sustainable related bonds and loans only accounted for around 2% of total debt issuance in 2020.

- 1) **Extend small businesses' reach to sufficient funding:** Through process automation and APIs, new products such as Bond-as-a-Service will provide more smaller issuers opportunities to launch sustainable financial tools. Some sustainable FinTechs provide a marketplace for green startups to collect funds, such as Koalect, Abundance, ECrowd!, etc.
- 2) **Increase retail investors participation:** Blockchain enables asset tokenization and allows the sale of a minor bond fraction, which may drive an increasing demand among retail investors. For example, Swedish FinTech Trine helps retail investors to invest in solar energy in emerging markets.
- 3) **Diversify investment portfolios:** Investors could also invest in an aggregation of investable sustainable assets with limited money. For example, Danish startup DoLand allows users to invest in sustainable themes for up to DKK500, and users pay DoLand for advice, order dissemination and investment monitoring.

- 4) **Track investments in real time:** For example, Finnish FinTech Cooler Future, which is said to be the Europe's first climate impact investing app, allow users to track the carbon impact of each euro invested alongside the financial returns.

According to Bloomberg, the total green and sustainability related bonds market size has expanded by 63% in the first 6 weeks of 2021, compared to 1Q20, mainly driven by social bonds issued to mitigate the pandemic's economic damage, which recorded a YoY increase of 810%.

Y Combinator topped the investor list in terms of deal number

Most of sustainable FinTech companies are at an early stage with a relatively small funding amount, but top VCs and accelerators start to pick their horses. Y Combinator issued a request for carbon removal startups in 2018, and since then has invested in 9 FinTech companies focused on net zero emissions, becoming the most active sustainable FinTech investor worldwide. Top VCs including Sequoia and a16z are also joining the race to invest in promising sustainable startups, including carbon emissions tracking and offsetting app Joro, enterprise carbon management software Watershed, and carbon offset API developer Patch.

News of the week

3 Mar 2021

Cryptocurrency

PayPal/Curv

PayPal in talks to buy crypto startup Curv at up to US\$500mn

PayPal is at the early-stage talks to buy crypto startup Curv at up to US\$500mn. Curv is a digital asset security infrastructure developer that helps crypto-native and financial institutions to create digital wallets. Curv completed its Series A funding round of US\$23mn last year, with investors including Coinbase Ventures, Franklin Templeton and Team 8. PayPal started to offer crypto services in Oct 2020 and has set a record in daily crypto volume of US\$242mn in January. PayPal planned to buy BitGo at US\$750mn of cash last year but fell. (Source: [Bloomberg](#))

3 Mar 2021

Payment

UK

UK government increased contactless payment limit to £100

The UK's Financial Conduct Authority (FCA) announced that the legal limit on contactless payments will more than double to £100 for single transaction and £300 for multiple transactions. The proportion of contactless debit card payments in UK has risen from 40% in 2019 to 60% in Sep 2020. The increased limits aim to help the retail sector while also making it easier for people to shop at physical stores. (Source: [Pymnts](#))

3 Mar 2021

Trading

Futu

Futu set up Southeast Asia headquarter in Singapore

Tech-oriented online broker Futu has set up its Southeast Asia headquarter in Singapore as a springboard into the ASEAN market. Futu will soon launch a stock trading App Moomoo with free commissions in March in Singapore. Then, the company plans to expand to Vietnam, Thailand and Philippines. Futu was listed on NASDAQ in 2019, and its stock price has surged 11x in the past year. (Source: [Business Times](#))

2 Mar 2021

Infrastructure

Xendit

Indonesian payments infrastructure firm Xendit raised US\$64.6mn

Indonesian digital payments infrastructure provider Xendit has raised US\$64.6mn in a Series B funding round. The round is led by Accel and joined by Y Combinator, bringing Xendit's total funding amount to US\$88mn. Xendit provides end-to-end digital payment solutions for SMEs and e-commerce startups to large enterprises. It processes more than 65 million transactions with a total amount of US\$6.5bn annually. The new funding will be used to scale its business, which mainly operates in Indonesia and the Philippines. (Source: [TechCrunch](#))

2 Mar 2021

Digital bank

Rewire

Israeli digital bank Rewire raised US\$20mn in Series B funding round

Israeli digital bank Rewire has closed a US\$20mn Series B funding round led by OurCrowd. Rewire has developed a cross-border international banking service for migrant workers. The funding came soon after Rewire was granted an EU Electronic Money Institution license, enabling it to issue electronic money, provide payment services, and engage in money remittance. Rewire intended to add new services such as bill payments and insurance, in addition to credit and loan services, investments, and savings. It processed US\$500mn in payments and tripled its customer base in 2020, and will soon hit 500,000 registered users. (Source: [Crowdfund Insider](#))

1 Mar 2021

Payment

Paytm

Paytm's monthly transactions reached 1.2 billion

Paytm reached 1.2 billion monthly transactions in February as e-commerce continued its boom in India, up from 1 billion transactions in January across several payments modes, including wallets, plastic cards, internet banking and UPI. Paytm takes credit for processing digital payments across over 600,000 villages and providing training to more than 2 million merchants, with over 50% of its merchant partners having an account at its digital bank – Paytm Payments Bank. (Source: [TechCrunch](#))

1 Mar 2021

BNPL

Klarna

Klarna became Europe's most valuable startup at US\$31bn

Swedish buy now pay later firm Klarna raised US\$1bn in a private fundraising round and tripled its valuation to US\$31bn, becoming Europe's most valuable startup again and second highest-valued worldwide. The new round was oversubscribed four times and came just 6 months after Klarna's last US\$650 funding round. Klarna reported that worldwide volume and revenue for 2020 grew 46% and 40% year-on-year to more than US\$53bn and US\$1bn respectively. It planned to pledge US\$100mn to a sustainability initiative. (Source: [Bloomberg](#))

1 Mar 2021

Payment

SoftBank

SoftBank to merge PayPay and Line Pay apps in Japan

SoftBank's telecom arm has completed the merger of its Japanese internet business with messaging service owner Line Corp, and planned to merge the payment apps of the two entities. Line Pay will be folded into SoftBank-backed PayPay in April 2022 upon regulatory approvals. SoftBank aimed to double the users of its PayPay QR code payments app in the next three to four years. PayPay and Line Pay now have 36 million and 39 million registered users in Japan, respectively, while Line's messaging service has over 80 million Japanese users. (Source: [Bloomberg](#))

1 Mar 2021

Sustainability

UK

FinTechs joined UK 'Tech Zero' climate taskforce

Revolut, Starling, Wise, GoCardless and other FinTech companies have joined a new 'Tech Zero' taskforce to tackle climate change in UK. The taskforce is led by green energy supplier Bulb, and aims to accelerate the UK government's plan to reach net zero emissions by 2050. FinTechs GoCardless, MoneySuperMarket and Onfido are among the 15 founding members of the taskforce. Bulb said that it hopes to get at least 1,000 UK tech companies on board before the COP26 UN Climate Conference, happening later this year. (Source: [FSTech](#))

27 Feb 2021

Payment

India

Google, Facebook, Amazon, Paytm vied for Indian digital payment license

The Reserve Bank of India has invited companies to create new umbrella entities (NUEs) to build payments networks that offer an alternative to the bank-owned not-for-profit National Payments Council of India, and is expected to award two licenses. Facebook and Google have partnered with Indian conglomerate Reliance Industries and FinTech firm Infibeam on an application to set up a national digital payment network in India. Amazon is said to have teamed up with ICICI Bank to explore its own NUE license. Paytm, together with Ola and private lender IndusInd Bank, is seeking an NUE license as well. (Source: [Reuters](#))

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