

Financial Technology

Thursday 28 May 2015

FinTech

- What is FinTech and How Big Is It?
- Bubbles?
- Regulatory Jurisdictions
- Discussion - Fintech in Ireland

Slides at www.fintechireland.com

What is FinTech?

- **Financial technology**, also known as FinTech, is a line of business based on using software to provide financial services. FinTech companies are generally startups founded with the purpose of **disrupting** incumbent financial systems and corporations that rely less on software
 - [["What is FinTech?"](#)]. Wharton FinTech. September 2014. Retrieved 9 December 2014 via Wikipedia]
- Originally, the term applied to technology applied to the back-end of established consumer and trade financial institutions.
 - [[Fintech Definition | Investopedia](#)]
www.investopedia.com/terms/f/fintech.asp]

How big is Fintech Investment

- Global investment in fintech companies tripled in 2014.
 - \$4.05 billion (£2.7bn) in 2013 to **\$12.2 billion (£8.2bn) in 2014**
 - Europe = the fastest growing region
 - **up 215% to \$1.48 billion in 2014**
 - [source: Accenture's new report 'The Future of FinTech and Banking' uses CB Insights 25/03/2015]

CBI Insights – 21 May 2015 (I)

HOW MUCH IS FUNDING TO FIN TECH STARTUPS BOOMING? ALMOST \$14B IN LAST 12 MONTHS

From less than \$1 billion in Q2 2010 to nearly \$3 billion in Q1 2015

\$13.7bn

Funding in last year

+45.83%

YoY Funding Growth

821

Deals in last year

+16.41%

YoY Deal Growth

150

Avg Deals per Quarter

\$1.31bn

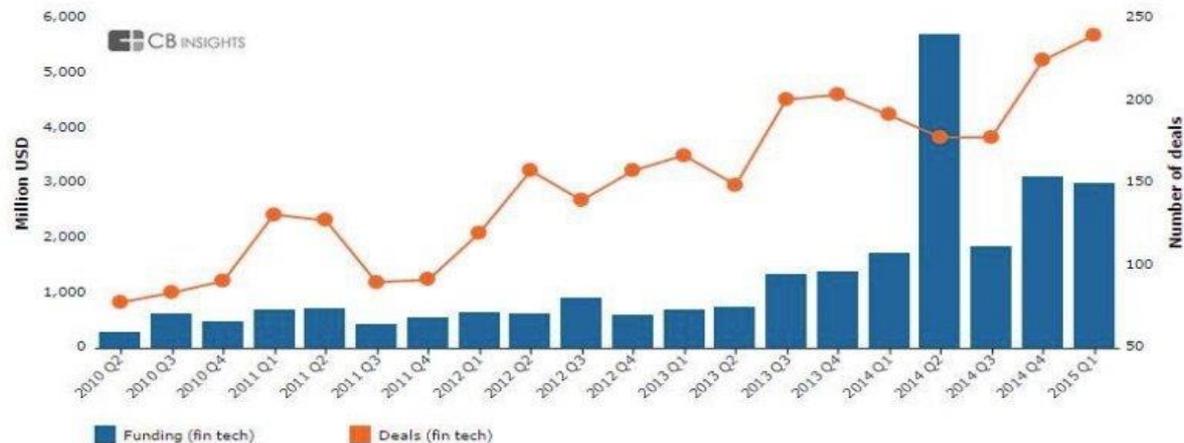
Avg Funding per Quarter

Q2'14

Biggest Quarter
(\$ Funding)

Q1'15

Biggest Quarter
(# of deals)



Acknowledge
copyright &
ownership of CBI
Insights

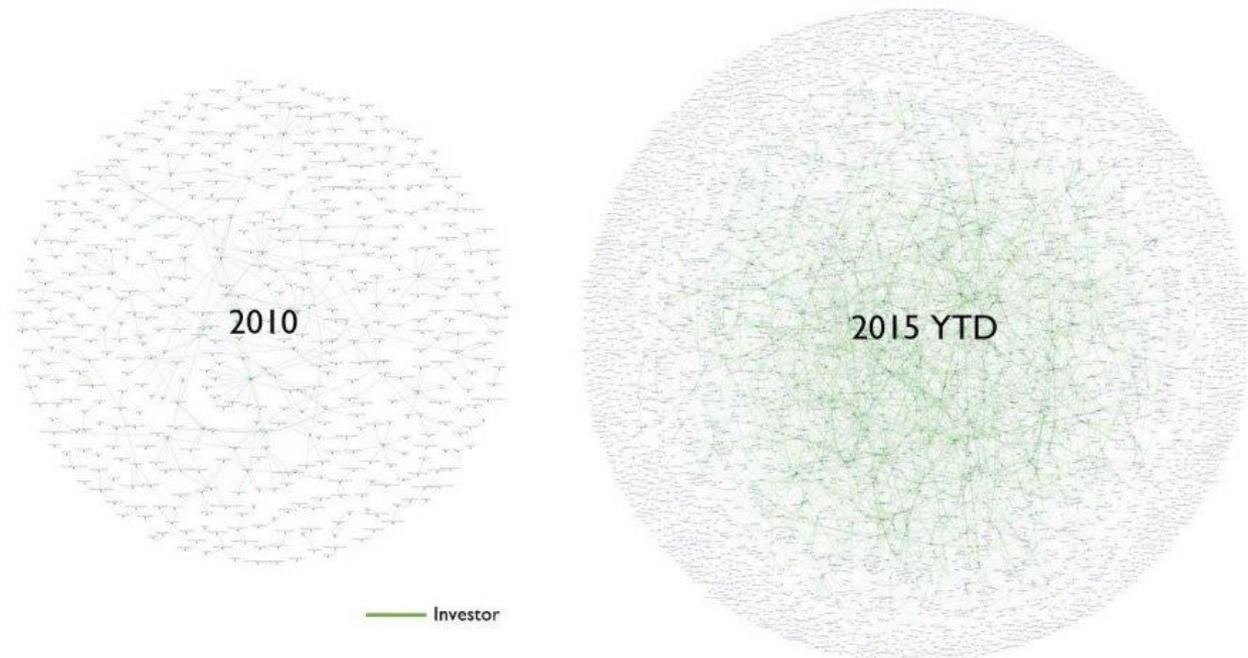
Source: https://www.cbinsights.com/industry?sector=281&setup=2&public_list

CBI Insights – 21 May 2015 (2)

VENTURE CAPITAL INVESTORS ARE TAKING AN INCREASING INTEREST IN FIN TECH

223 unique investors in Fin Tech in 2010. Now, there are 894. Investors see blood.

Investors in Fin Tech: Then and Now



Acknowledge
copyright &
ownership of CBI
Insights

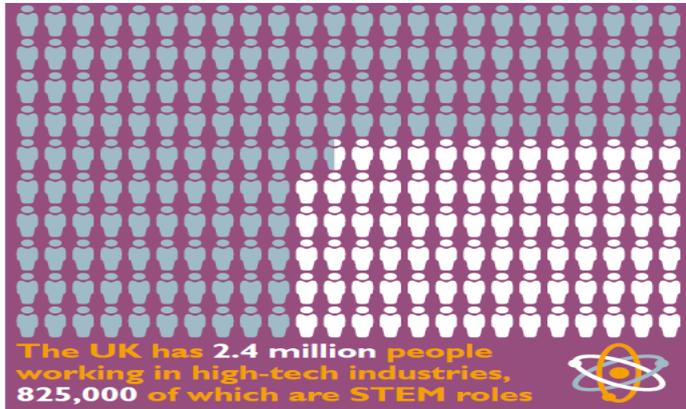
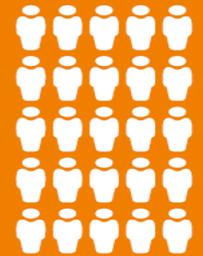
Source: <https://www.cbinsights.com/business-social-network>



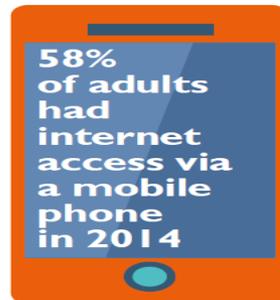
UK FinTech generated **£20bn** in revenue in 2014



FinTech could play a role in reaching the **2.5 billion** unbanked around the world



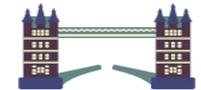
The FCA estimates smartphone penetration as high as **95%** in the future



Banking and securities institutions spent **£319bn** on IT in 2014



25% of global FinTech FDI projects in the last five years were in Europe, nearly half of which were in London



The technologies that could be involved in FinTech include:



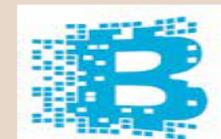
Machine learning and cognitive computing



Big data analytics



Digital currencies and blockchain

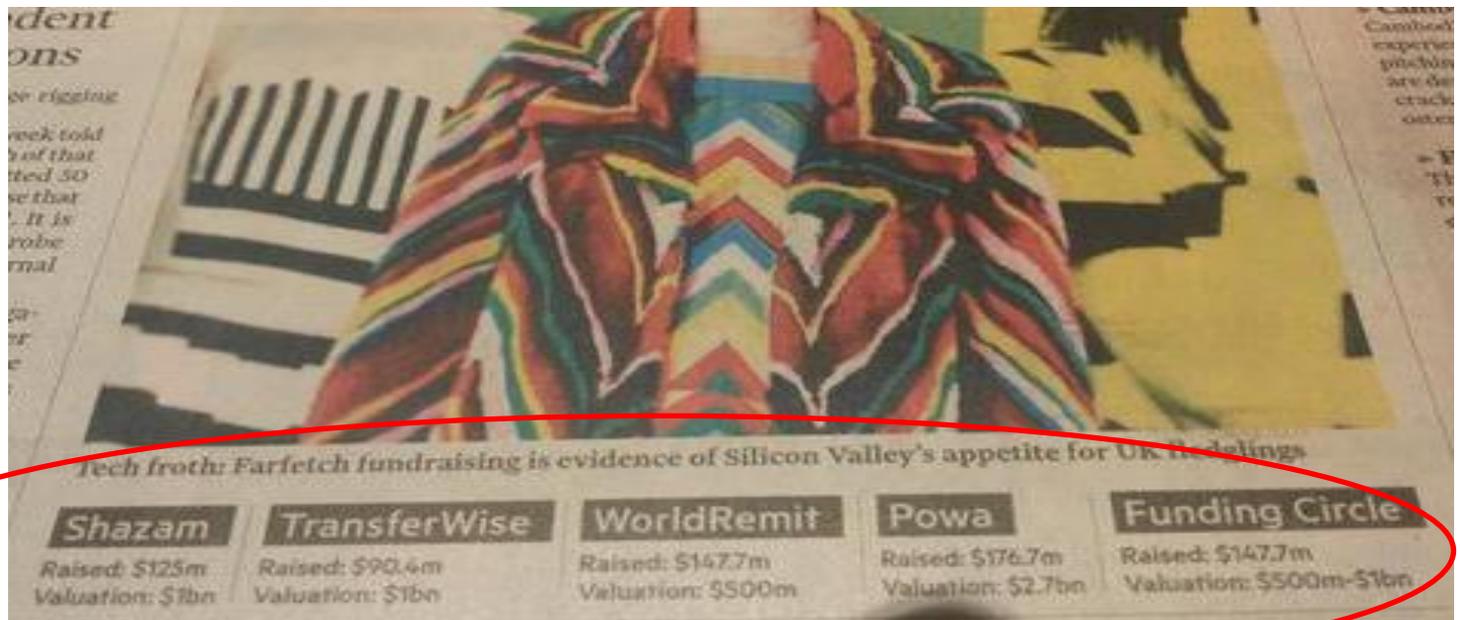


Mobile payments

Fintech & E-Commerce Bubbles? (1/3)



'We're fundamentally an ecommerce company' José Neves CEO, Farfetch



Fintech & E-Commerce Bubbles? (2/3)

Dead Unicorns?



The screenshot shows a web browser window with the URL fortune.com/2015/03/15/bill-gurley-predicts-dead-unicorns-in-startup-land-this-year/. The browser tabs include "Daniel McCarthy | LinkedIn" and "Venture investor Bill Gurley". The page header features the Fortune logo and navigation links for FORTUNE, MONEY, TIME, SPORTS ILLUSTRATED, GOLF, TRAVEL + LEISURE, and PEOPLE. The main article title is "Bill Gurley predicts 'dead unicorns' in startup-land this year" by Erin Griffith, dated MARCH 15, 2015, 2:46 PM EDT. A video player below the article shows a man speaking with the text "Is FOMO in tech startups driving valuation?". The Windows taskbar at the bottom shows various application icons and the system clock displaying 22:50 on 27/05/2015.

Fintech & E-Commerce Bubbles? (3/3)

- Reported in Ireland (23/03/2015) in “Is Silicon Valley’s investment bubble about to burst?”

www.irishtimes.ie

- *“I do think you’ll see some dead unicorns this year,” “There is no fear in Silicon Valley right now,” he said at the South by Southwest music and technology conference. “A complete absence of fear.”*
Bill Gurley, Partner at Benchmark (San Francisco ,VC Firm) firm
- *“In my experience, most Irish venture start-ups are focused on making money”* Paul Quigley, chief executive of Irish news aggregator NewsWhip

Australia – Regulatory Regime

- Australian Securities and Investments Commission to set up *Digital Finance Advisory Committee* manned by members of the fintech community, as the corporate regulator ramps up its attention on the technology sector and cyber risk.
- “Digital disruption offers new forms of access, greater competition and greater efficiency. It provides business with *new ways of creating and sharing value with their customers.*”
- “*Digital disruption does not change the outcomes we achieve, but it will change how we achieve them.*”



ASIC
Australian Securities &
Investments Commission

Greg Medcraft ,ASIC Chairman (November 2014)

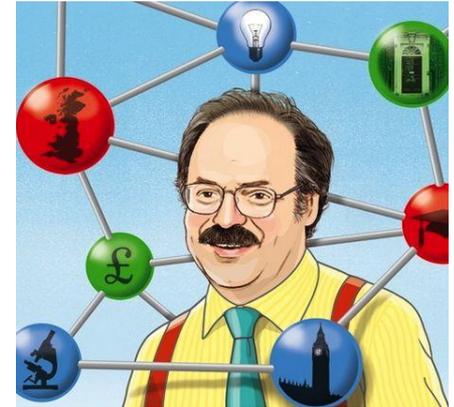
United Kingdom – Regulatory Regime (1/3)

- “That’s how we’re going to make the **UK the FinTech capital** of the world – as part of our long term economic plan to cement Britain’s position as the centre of global finance and global technology ... We’re giving you the backing you need to thrive”. **George Osborne, UK Chancellor (August 2014)**
- “in July, we set out our proposals for **Project Innovate** ... One of the big differences between the FCA and the FSA is that we have an objective to **promote competition** ... Today is the first day for the Innovation Hub.” **Martin Wheatley, CEO FCA (November 2014)**



United Kingdom – Regulatory Regime (2/3)

- Announcements - ‘Sandboxes’, ‘RegTech’ and virtual currencies to fall under AML law. [UK Government Chief Scientific Adviser \(11 March\)](#), [Budget Announcement and Digital Currency report \(18 March\)](#)
- “Specifically, regulator monitored ‘sandboxes’ for innovators to experiment with virtual environments or real people”. [UK Government Chief Scientific Adviser – Sir Mark Walpot](#)



FinTech Futures
The UK as a World Leader in Financial Technologies

A report by the UK Government Chief Scientific Adviser

United Kingdom – Regulatory Regime (3/3)

- The government considers that **digital currencies represent an interesting development** in payments technology ... the potential advantages are clearest for purposes such as micro-payments and cross-border transactions. **HM Treasury response to the call for information March 2015 (report on digital currency standards)**
 - **apply anti-money laundering (AML) regulations** to digital currency exchanges.
 - banks have claimed that the lack of regulation is the key reason for denying services to digital currency businesses, the report said. It noted that other submissions said **banks hadn't worked to correctly assess the risk posed** by digital currency companies



Ireland – Regulatory Regime

- “In particular, I must mention the **very exciting opportunities FinTech presents for Ireland**. Ireland is uniquely positioned to become a **leading global centre for FinTech** – where global multinationals can develop and implement their innovation strategies, side by side with Irish-owned start-ups who will scale and succeed in global markets.”
- “I don’t need to tell this audience that many of **the world’s leading and emerging technology and financial services companies are located in Ireland**. And Ireland is also establishing a **strong global reputation for innovative FinTech start-ups**.”
- “This Strategy contains a number of actions to ensure we have an effective ecosystem with the ultimate aim of **making Ireland a global leader for FinTech**.”



Simon Harris, T.D. Minister of State (March 2014)

IFS 2020 – Strategy (1/4)

Fintech & Action 12

In 2014, **three** FinTech Accelerators were launched in the Irish market: the National Digital Research Centre (NDRC), Mastercard and Accenture Innovation Labs. The launch of these FinTech accelerators should drive up the number of FinTech start-up companies over the coming years.

To establish Ireland’s credentials as one of the best countries in the world to set-up and scale a FinTech business, it is necessary to develop and maintain an effective ecosystem which addresses the needs of start-ups and scaling companies in terms of funding, skills, mentors, accelerators, an innovation-friendly regulatory environment, and access to key markets, while at the same time addressing the needs of foreign-owned IFS multinationals.

Action 12	Enhance Finuas Network
Enhance the Finuas Network to take account of the broadening of IFS activities in Ireland with a particular focus on <u>Payments and FinTech</u> .	
Responsible:	D/ES, Skillnets
Timeline:	Ongoing

IFS 2020 – Strategy (2/4)

Action 23 & 24

Action 23 Enhancing IFS – ICT sectoral collaboration, engaging both Irish-owned and foreign-owned SMEs and MNCs

IDA and Enterprise Ireland will work in partnership with other stakeholders to build a more cohesive financial technology ecosystem in Ireland to drive increased collaboration between Ireland's IT and international financial services sectors, indigenous and foreign-owned firms, and centres of research.

The agencies will expand and deepen the pool of Fintech companies and activities in Ireland by winning investment from both existing clients and new entrants.

Responsible: Enterprise Ireland, IDA and public and private stakeholders

Timeline: Q4, 2015

Action 24 Sources of Funding for FinTech

Identify both domestic and international sources of funding for FinTech companies and develop an engagement process to facilitate introductions to investor ready companies.

Review funding mechanisms for start-ups, including feasibility of developing a dedicated syndicate to fund FinTech start-ups.

Responsible: Enterprise Ireland

Timeline: Q4 2015

IFS 2020 – Strategy (3/4)

Action 25

Action 25 FinTech Accelerators

Partner with existing accelerators to support engagement and upskilling and mentoring process with participating companies. Leverage EI's existing in-market advisory panels to support market activities. Identify other potential accelerator partners and examine the success of FinTech models in other jurisdictions, including the approach in these jurisdictions in relation to key enablers for enhancing the business environment and innovation ecosystem.

Responsible: Enterprise Ireland and existing accelerators, private and public stakeholders

Timeline: Q4 2015

IFS 2020 – Strategy (4/4)

Action 18 Operational Metrics for Central Bank

Stakeholder engagement and consultation

The CBI is committed to having clear, open and transparent engagement with stakeholders in fulfilling its financial regulation and supervisory objectives and, in particular, when introducing new codes, regulations, standards or guidelines.⁶ This is reflected across the broad range of the CBI’s regulatory and supervisory interactions with industry:

- the operation of a risk-based supervisory framework with clear processes and levels of engagement⁷;
- setting out its annual programme of supervisory themed-inspections and enforcement priorities at the beginning of each year; and
- the period of open consultation operated by the Central Bank is, in general, 12 weeks.

Action 18	Operational Metrics for Central Bank
The Central Bank and Department of Finance will, in accordance with their respective legal roles, review the authorisation service standards reported by the Central Bank in 2015.	
Responsible:	D/Fin
Timeline:	Q3 2015

Ireland – Regulatory Regime

- Authorisation metrics are a start. Capture pre-application submission numbers too?
- No regulated E-Money firms
 - rumours of 2 going through the process.
 - what happened to Facebook (Media reports 14/04/2014)?
- 11 regulated Payment Services firms
 - last firm added to register in December 2013
- What can be read into these statistics?
 - Ireland not attractive?
 - Applicants cannot meet the EU requirements administered by the CBI as competent authority?
 - Issues of funding, support, competent advice?
 - Other?

Study on the impact of Payment Services Directive on cross-border payments – July 2013 (1/2)

Table 4: Number of e-€ (SPSPs) in the EEA

Country	Number of e-money insti- tutions	Number of Authorised PIs (APIs)	Number of small payment insti- tutions (SPSPs)	Share of total num- ber of e- money insti- tutions in the EEA (%)	Share of total number of APIs in the EEA (%)	Share of total number of small payment insti- tutions in the EEA (%)
AT	0	4	0	0.0%	0.7%	0.0%
BE	2	9	0	0.0%	1.6%	0.0%
BG	2	9	0	2.8%	1.6%	0.0%
CY	1	10	0	1.4%	1.8%	0.0%
CZ	1	13	60	1.4%	2.3%	2.7%
DE	5	37	0	7.0%	6.5%	0.0%
DK	2	6	55	2.8%	1.1%	2.5%
EE	0	8	0	0.0%	1.4%	0.0%
EL	0	11	0	0.0%	1.9%	0.0%
ES	1	46	0	1.4%	8.1%	0.0%
FI	2	5	9	2.8%	0.9%	0.4%
FR	4	12	0	5.6%	2.1%	0.0%
HU	0	2	0	0.0%	0.4%	0.0%
IE	0	10	0	0.0%	1.8%	0.0%
IT	4	45	0	5.6%	7.9%	0.0%
LT	1	20	0	1.4%	3.5%	0.0%
LU	3	4	0	4.2%	0.7%	0.0%
LV	5	0	34	7.0%	0.0%	1.5%

Study on the impact of Payment Services Directive on cross-border payments – July 2013 (2/2)

Table 4: Number of e-money institutions (EMIs) and small payment institutions (SPIs) in the EEA

Country	Number of e-money institutions	Number of Authorised Payment Institutions (APIs)	Number of small payment institutions (SPSPs)	Share of total number of e-money institutions in the EEA (%)	Share of total number of APIs in the EEA (%)	Share of total number of small payment institutions in the EEA (%)
MT	3	14	0	4.2%	2.5%	0.0%
NL	2	28	30	2.8%	4.9%	1.4%
NO	0	2	23	0.0%	0.4%	1.0%
PL	0	0	988	0.0%	0.0%	44.8%
PT	0	9	0	0.0%	1.6%	0.0%
RO	0	7	0	0.0%	1.2%	0.0%
SE	0	23	44	0.0%	4.0%	2.1%
SI	0	4	0	0.0%	0.7%	0.0%
SK	3	6	0	4.2%	1.1%	0.0%
UK	30	224	960	42.2%	39.4%	43.6%
Total	71	568	2,203	100.0%	100.0%	100.0%

Note: data as of last week of August 2012/first week of September 2012

list of competent authorities

> in Annex 8.3.

Recent comments - former European Commissioner for Internal Market and Services

- "Nuapay is exactly what we wanted to happen when the Commission introduced the Payment Institution. **It will completely revolutionise the market, not just in Ireland but across Europe,**" McCreevy told me last week.
- "Who knows, with the advancements in the fintech sectors, **the bank-dominated payments system as we know it could be obsolete in the next decade.**
- "Sentenial can be the category leader in the next generation of payments services in Europe. **It's a huge opportunity and we need companies like this in Ireland.**"



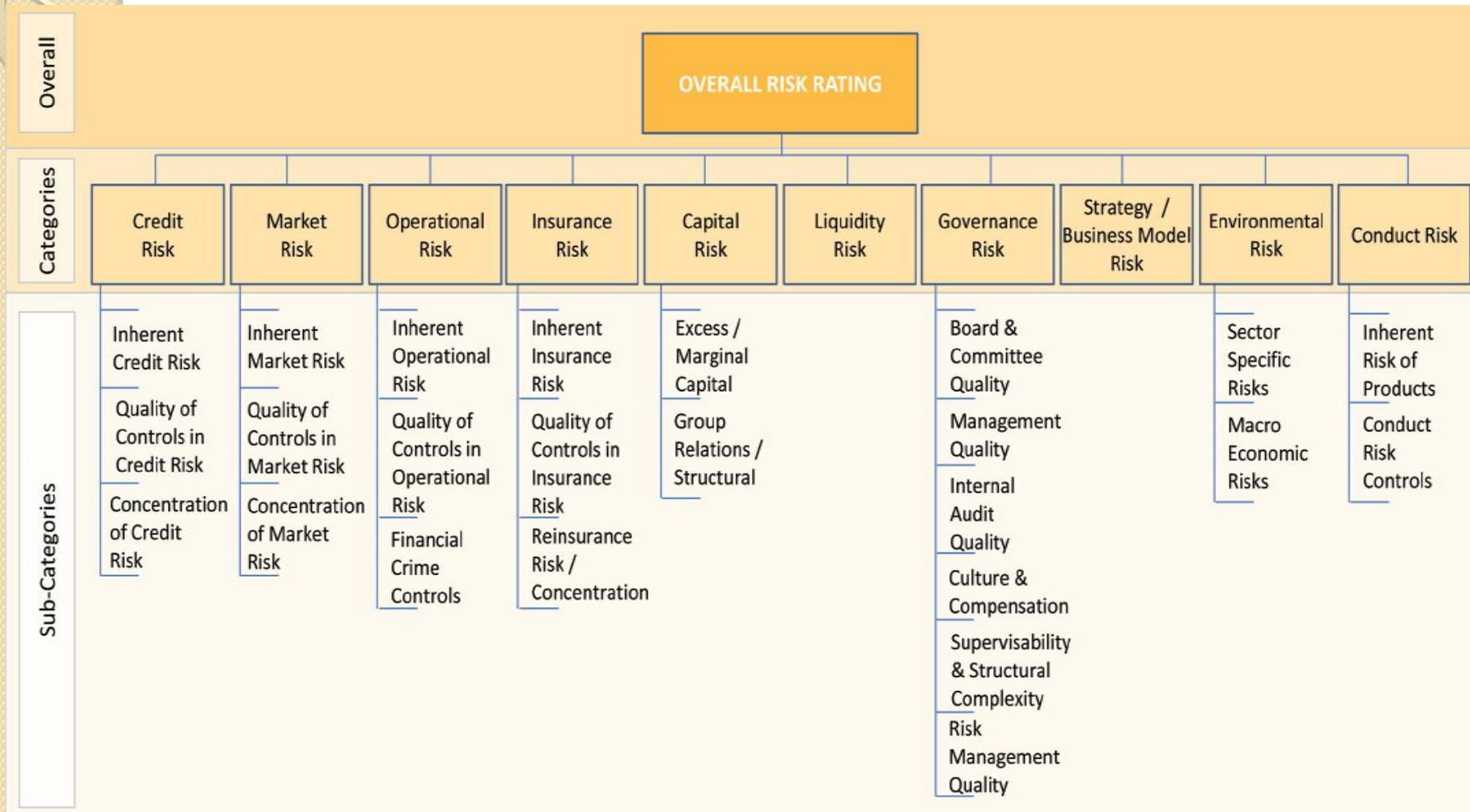
**Charlie McCreevy,
European Commissioner at
time PSD initiated & passed**

What to think about

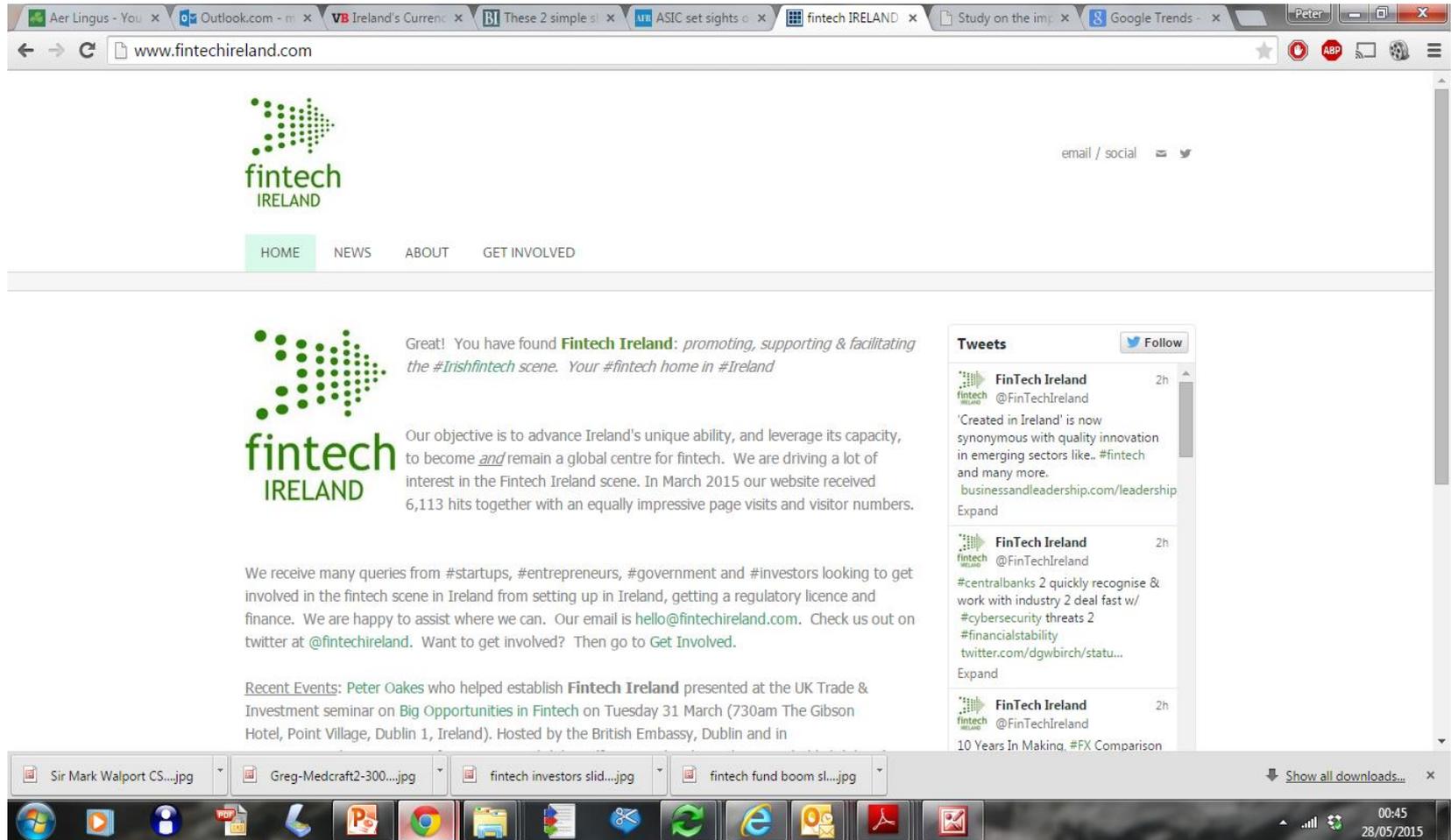
- General discussion on experiences of getting regulated

PRISM - engagement & assessment

Probability Risk Impact System



Fintech Ireland



www.fintechireland.com

email / social

HOME NEWS ABOUT GET INVOLVED

Great! You have found **Fintech Ireland**: *promoting, supporting & facilitating the #Irishfintech scene. Your #fintech home in #Ireland*

Our objective is to advance Ireland's unique ability, and leverage its capacity, to become *and* remain a global centre for fintech. We are driving a lot of interest in the Fintech Ireland scene. In March 2015 our website received 6,113 hits together with an equally impressive page visits and visitor numbers.

We receive many queries from #startups, #entrepreneurs, #government and #investors looking to get involved in the fintech scene in Ireland from setting up in Ireland, getting a regulatory licence and finance. We are happy to assist where we can. Our email is hello@fintechireland.com. Check us out on twitter at [@fintechireland](https://twitter.com/fintechireland). Want to get involved? Then go to [Get Involved](#).

Recent Events: Peter Oakes who helped establish **Fintech Ireland** presented at the UK Trade & Investment seminar on **Big Opportunities in Fintech** on Tuesday 31 March (730am The Gibson Hotel, Point Village, Dublin 1, Ireland). Hosted by the British Embassy, Dublin and in

Tweets [Follow](#)

FinTech Ireland @FinTechIreland 2h
 'Created in Ireland' is now synonymous with quality innovation in emerging sectors like.. #fintech and many more. businessandleadership.com/leadership
 Expand

FinTech Ireland @FinTechIreland 2h
 #centralbanks 2 quickly recognise & work with industry 2 deal fast w/ #cybersecurity threats 2 #financialstability [twitter.com/dgwbirch/statu...](https://twitter.com/dgwbirch/status...)
 Expand

FinTech Ireland @FinTechIreland 2h
 10 Years In Making, #FX Comparison

Sir Mark Walport CS...jpg Greg-Medcraft2-300...jpg fintech investors slid...jpg fintech fund boom sl...jpg

00:45 28/05/2015

Presenter



- Peter Oakes is Board Director & Chief Risk Officer for Bank of America Merchant Services Europe based in London, a non-executive director of a regulated MiFID Firm (fintech) and supports fintech initiatives for, and promotion of, Ireland and through Fintech Ireland (registered with the CRO) www.fintechireland.com / twitter [@fintechireland](https://twitter.com/fintechireland)
- Peter was appointed as the Central Bank's first Director of Enforcement and AML/CTF Supervision in October 2010. In this role Peter was a member of the Senior Leadership, Operations, Policy and Supervisory Risk committees. He is a solicitor admitted in Ireland, the United Kingdom and Australia. Over the past 25 years Peter has worked as a regulator (Ireland, UK & Australia) and in the investment management and funds industries (UK & Ireland). Peter has established a number of successful consultancy and training firms in Ireland. He has advised Central Banks, Regulators and their senior management on a wide range of supervisory and enforcement issues.
- Peter has lived in Dublin since 2003. Previously he worked in London for 6 years, moving from Sydney, Australia in 1997.
- This presentation and all comments are made in a personal capacity. I acknowledge the copyright of other referenced in this document

www.peteroakes.com / www.fintechireland.com / peter@peteroakes.com

Mob +353 87 273 1434 / Ph +353 1 639 2971

Thank you

Peter Oakes

www.fintechireland.com

hello@fintechireland.com