Pulse of Fintech H2'21

January 2022

home.kpmg/fintechpulse

Reaching new heights

2021 has been a remarkable year for the fintech market, with a record number of deals in every major region – including the Americas, EMEA, and the Asia-Pacific. Fintech investment was incredibly strong, with both VC and PE investment soaring to record highs. The breadth of fintech solutions attracting investment continued to expand and grow, with surging interest in cryptocurrencies and blockchain, wealthtech, and cybersecurity.

Looking across 2021 as a whole, there is a strong sense of renewal, with numerous trends working together to drive both established companies and startups to reimagine what financial services means and what it will likely look like in the post-pandemic world. Consider some of the key trends we've seen across the fintech sector over the past year:

— surging interest and investment in cryptocurrencies and blockchain as companies explored, tested, and discovered what roles crypto can play in modern financial services systems

— strengthening partnerships as financial services extend into a broader range of daily transactions through the use of embedded banking, insurance, and financial products

— growing focus on core banking systems as banks recognized how legacy infrastructure is holding them back from truly moving forward

— expanding reach of fintech into the farthest and most under-served regions of the world, including Africa, Southeast Asia, and Latin America

— increasing focus on global opportunities as corporates and VC investors looked all over the world for the right fintech opportunities and deals

Entering 2022, the optimism for fintech investment globally is very strong, with different subsectors well-positioned to keep evolving and new ones expected to emerge and flourish.

Whether you're the CEO of a large financial institution or the founder of an emerging fintech, the opportunities are near-boundless if you're willing to re-imagine what's possible and refuse to let legacy structures and thinking get in the way. As you read this edition of Pulse of Fintech, ask yourself: **What do we need to do today to become a more robust organization able to create unique value for our customers, clients, and investors?**

KPMG Fintech professionals include partners and staff in over 50 fintech hubs around the world, working closely with financial institutions, digital banks and fintech companies to help them understand the signals of change, identify the growth opportunities and develop and execute their strategic plans.

Anton Ruddenklau
Global Leader of Fintech,
Partner and Head of Financial Services Advisory,
KPMG in Singapore

All currency amounts are in US$ unless otherwise specified. Data provided by PitchBook unless otherwise specified.

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Global fintech investments in 2021 recorded

$210B with 5,684 deals

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Record number of fintech deals drives total investment to $210 billion in 2021

Global VC investment soars to new high of $115 billion

VC investment globally reached a record $115 billion in 2021, surpassing the previous high of $53.2 billion set in 2018. Corporate VC-related investment accounted for $50 billion of this total – more than double the $24 billion seen in 2020. The year saw a record seven fintech-focused VC funding rounds over $1 billion, including five in H2'21 – all in the Americas: a $2 billion raise by US-based Generate, a $1.1 billion raise by Brazil-based Nubank, a $1.1 billion raise by US-based Chime, and a $1 billion raise by Bahamas-based FTX. The largest VC rounds in EMEA during H2'21 consisted of a $900 million raise by Germany-based N26 and Sweden-based Klarna's $1.2 billion VC raise in H1'21.

Blockbuster year for crypto and blockchain, with $30 billion in investment globally

Investment in the crypto and blockchain space soared in 2021, rising from $5.4 billion in 2020 to over $30 billion. Globally, there was an incredible increase in the level of recognition for the potential role of crypto and its underlying technologies in modern financial systems. Increasing activity in the space has also sparked further action from central banks, some of which are considering the development of digital currencies in the footsteps of the digital yuan in China. It has also sparked increasing scrutiny from regulators; in H2'21, China completely banned crypto mining and trading, while India made the first moves to follow suit. Other countries, meanwhile, have continued to highly support development and solutions in the space.

'Buy now, pay later' space seeing large deals across jurisdictions

The BNPL space saw robust investment throughout 2021, ranging from Klarna's $1.2 billion VC raise in H1'21 to PayPal's acquisition of Japan-based Paidy for $2.7 billion in H2'21. During H2'21, Block (formerly Square) also announced a $29 billion acquisition of Australia-based Afterpay. The deal – the largest M&A in corporate history in Australia – is expected to close in 2022.

Increasing focus on core banking replacements

Globally, financial institutions are under significant pressure to reduce their reliance on legacy infrastructure and improve their core banking systems in order to facilitate better customer experiences leveraging the cloud. Over 2021, there has been a surge in interest in fintechs able to help with such activities, particularly from Tier 1 banks. During H2'21, JP Morgan Chase announced it would be transitioning to UK-based Thought Machine's core banking platform[1]; JP Morgan Chase also contributed to Thought Machine's $200 million raise during the period.[2]

[1] https://www.fintechfutures.com/2021/09/thought-machine-wins-major-core-banking-deal-with-jp-morgan-chase/
[2] https://www.cnbc.com/2021/11/29/thought-machine-hits-1-billion-valuation-in-jpmorgan-backed-funding.html

> "Since COP26, there has been seeing a lot of attention going to fintechs with ESG capabilities – including jurisdictions setting up incubators specifically focused on ESG solutions. While it's not a space that has been properly invested in to date, it has been gaining a lot of attention from governments and quite possibly has the biggest growth trajectory out of all fintech sub-sectors looking out over the next five years."

Anton Ruddenklau
Global Fintech Leader,
Partner and Head of Financial Services Advisory
KPMG in Singapore

Growing interest in data connectivity and analytics

During 2021, there was growing interest in fintechs able to help companies master their data and turn it into better decision-making – whether for lending, insurance, or AML and fraud prevention. During H2'21, UK-based Quantexa raised $153 million in Series D funding to support expansion of it's AI and machine learning driven contextual decision intelligence solution.

PE investment in fintech space more than doubles previous high

Globally, PE firms were more active in the fintech sector than ever before in 2021, with a record 144 deals accounting for over $12 billion in investment – twice the previous high of $5 billion in 2018. Building on a strong H1'21, H2'21 saw a number of large PE deals in the US (NYDIG – $767 million, Mindbody – $500 million, iCapital Network - $440 million), the UK (Genesis Digital Assets - $431 million, DivideBuy - $413 million), Brazil (Provo - $251 million), Vietnam (Vietnam Payment Solution - $250 million), and India (Vastu Housing Finance - $200 million).

Cross-border M&A makes big comeback in 2021

After falling to $10.7 billion in 2020, cross-border M&A in the fintech space made a strong resurgence in 2021, with a record 275 deals accounting for $36.2 billion in deal value compared to total global fintech M&A deal value ($83.1 billion). Both H1'21 and H2'21 saw strong activity, with the London Stock Exchange acquiring US-based Refinitiv for $14.8 billion and US-based Nasdaq acquiring Canada-based Verafin for $2.7 billion in H1'21 and Italy-based Nexi acquiring Denmark-based Nets for $9.2 billion and PayPal acquiring Japan-based Paidy for $2.7 billion in H2'21.

Trends to watch for in 2022

— Increasing M&A activity, with increasing deal sizes as both corporates and fintechs look to build scale in different markets and to obtain complementary offerings to their own business models.

— Continued rise in interest and investment in the crypto space, including in areas related to governance and assurance

— Growing focus on ESG capabilities offered by fintechs in the wake of COP26

— Increasing focus on banking replacements and the modernization of core banking platforms

"Notwithstanding the best intent in the world around identifying, investing in, or partnering with fintechs, the time and complexity and risk associated with integrating any new proposition into a legacy environment is very challenging. But banks around the world that have underinvested in core banking infrastructure are going to be at a distinct disadvantage next to those that have kept up. This is expected to drive a significant amount of focus on core banking systems in the future – because there's no other choice."

Judd Caplain
Global Head of Financial Services
KPMG International

Top fintech trends for 2022

During 2021, interest and investment in fintech grew significantly in many regions of the world — its scope broadening well-beyond its early definition. This expanding scope, combined with the growing maturity of a number of fintech subsectors, increasing investment in less mature jurisdictions, and surging corporate interest, is expected to keep investment high as we enter 2022. Looking forward, here are our top predictions for the fintech market globally:

1. Growing number of banks will offer embedded solutions

Embedded finance has been a growing trend over the past year and is well-positioned to grow even further as numerous banks embrace look to become service providers to non-bank and non-financial institutions looking to deliver a customer experience or service proposition involving financial services as a component of a larger offering.

2. There will be increasing regulatory scrutiny of embedded finance offerings

The increase in financial products or services embedded within and delivered through non-regulated entities is expected to drive greater levels of regulatory awareness and intervention over the next six-to-twelve months as regulators look to protect customers by clarifying issues like accountability and available recourse.

3. Fintechs will focus on branding themselves as data organizations

Many fintechs will reinvent themselves into data organizations and data providers that happen to provide payments and other financial services in order to differentiate their organizations in the eyes of investors and the market.

4. ESG-focused fintechs will have a big growth trajectory

Given the growing prioritization of ESG happening more broadly, there will likely be increasing interest in fintechs with ESG capabilities, including companies focused on climate change, decarbonization, and the circular economy.

5. There will be a stronger focus on dealmaking in under-developed regions

Investors will ramp up their targeting of jurisdictions considered to be under-developed in terms of financial services — making more deals in regions like Africa, Southeast Asia, Latin America, and the Middle East.

6. Unicorn status will lose some of lustre in developed markets, but remain key in emerging ones

The incredible rise in the number of unicorn companies, particularly in the US, will make the status less valuable for companies in developed markets — although it will continue to be an important building block for startups in emerging markets and less mature fintech hubs.

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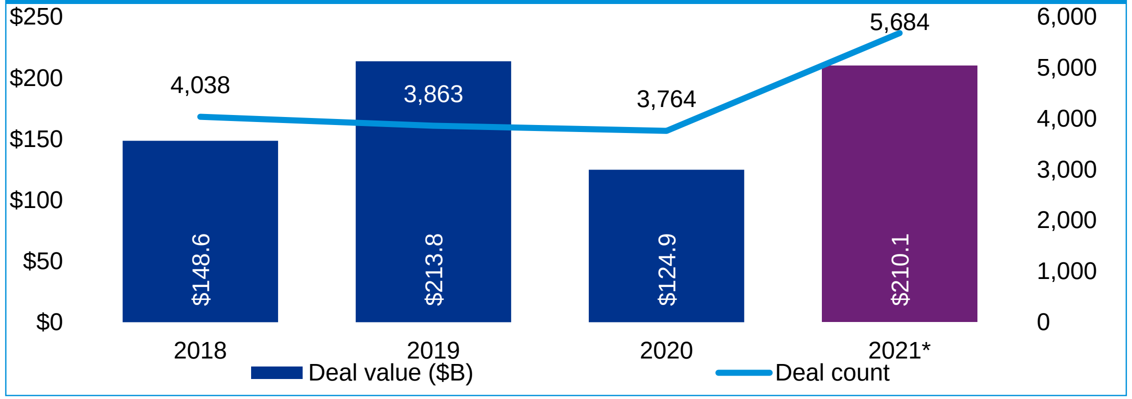
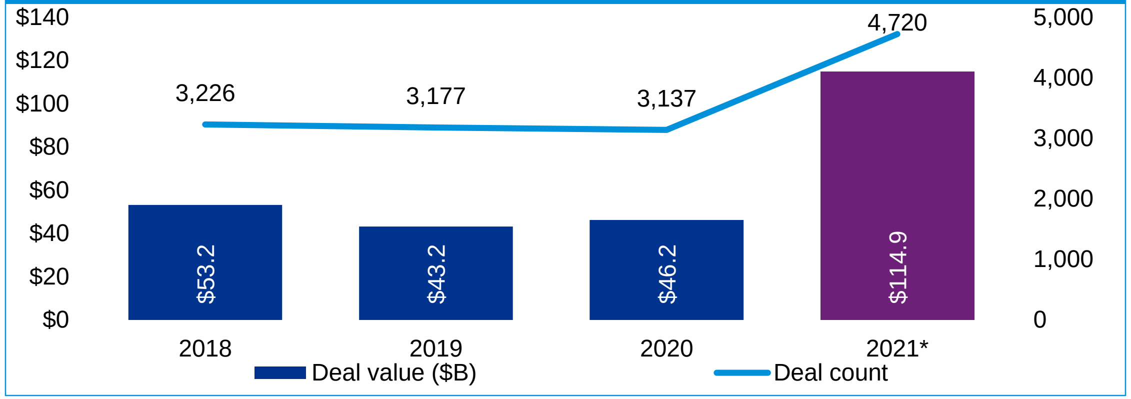
2021 ends with record volume

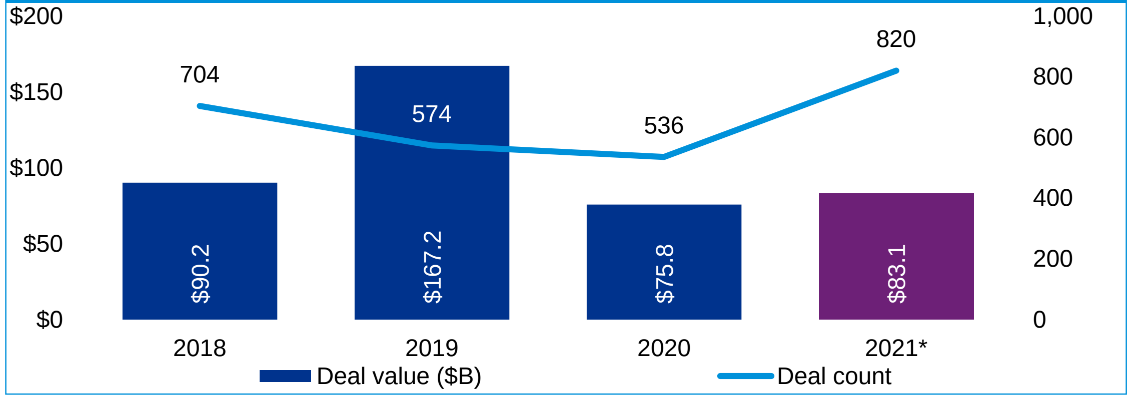
Total global investment activity (VC, PE and M&A) in fintech
2018—2021*



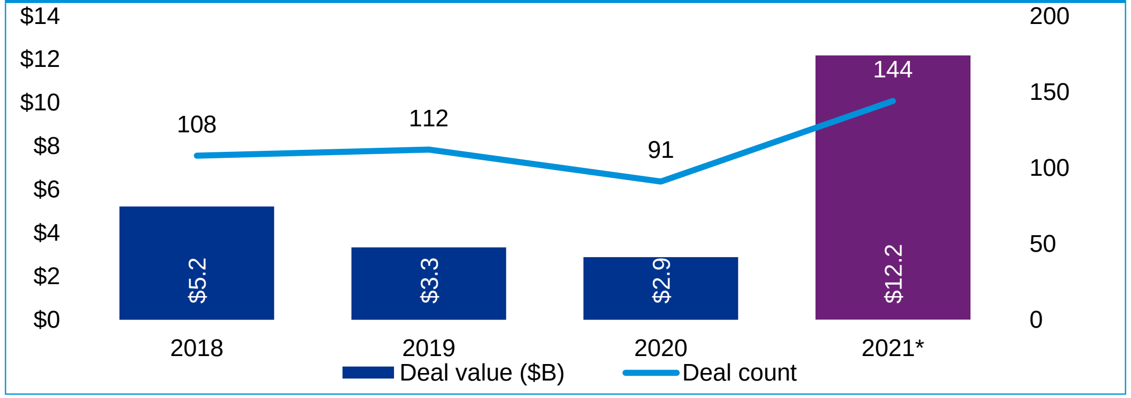
Global venture activity in fintech
2018—2021*



Global M&A activity in fintech
2018—2021*



Global PE growth activity in fintech
2018—2021*

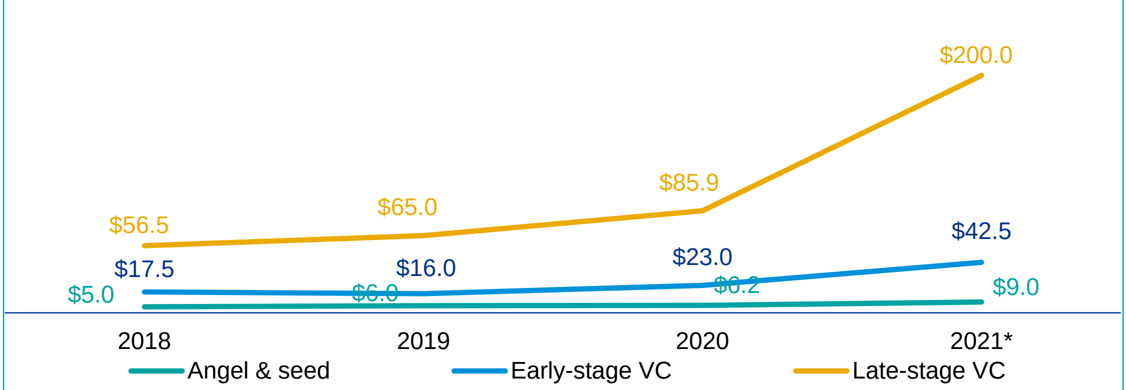


Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Venture valuations soar to a new high

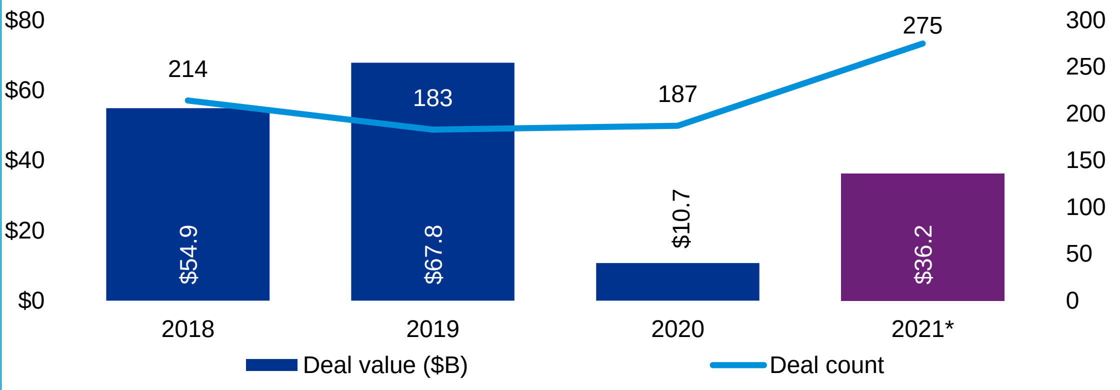
Global median pre-money valuations ($M) by stage in fintech

2018—2021*



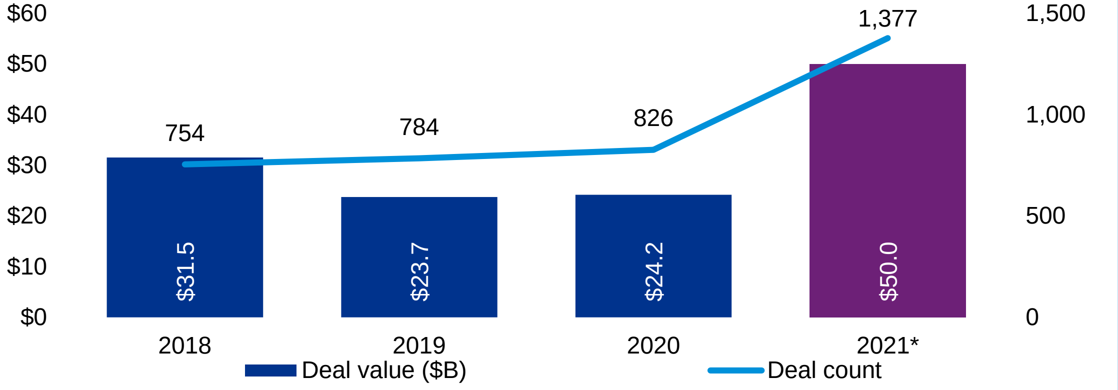
Global cross-border M&A activity in fintech

2018—2021*



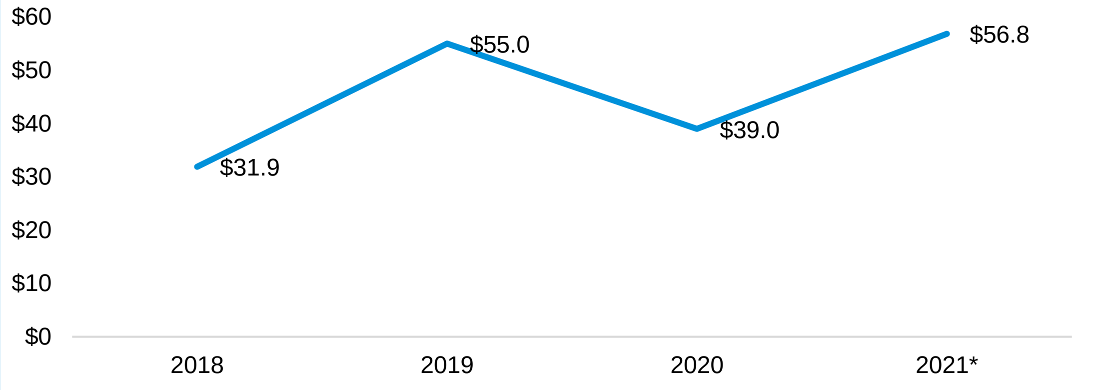
Global VC activity in fintech with corporate participation

2018—2021*



Global median M&A size ($M) in fintech

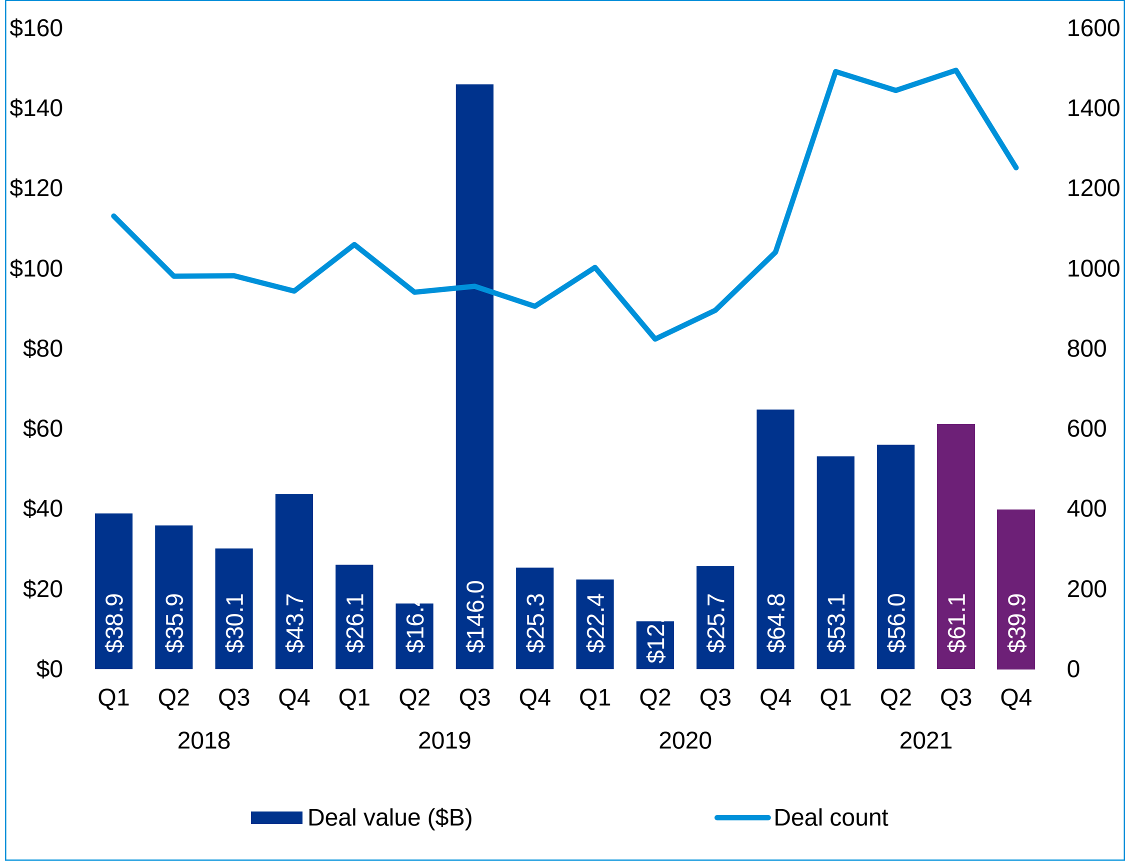
2018—2021*



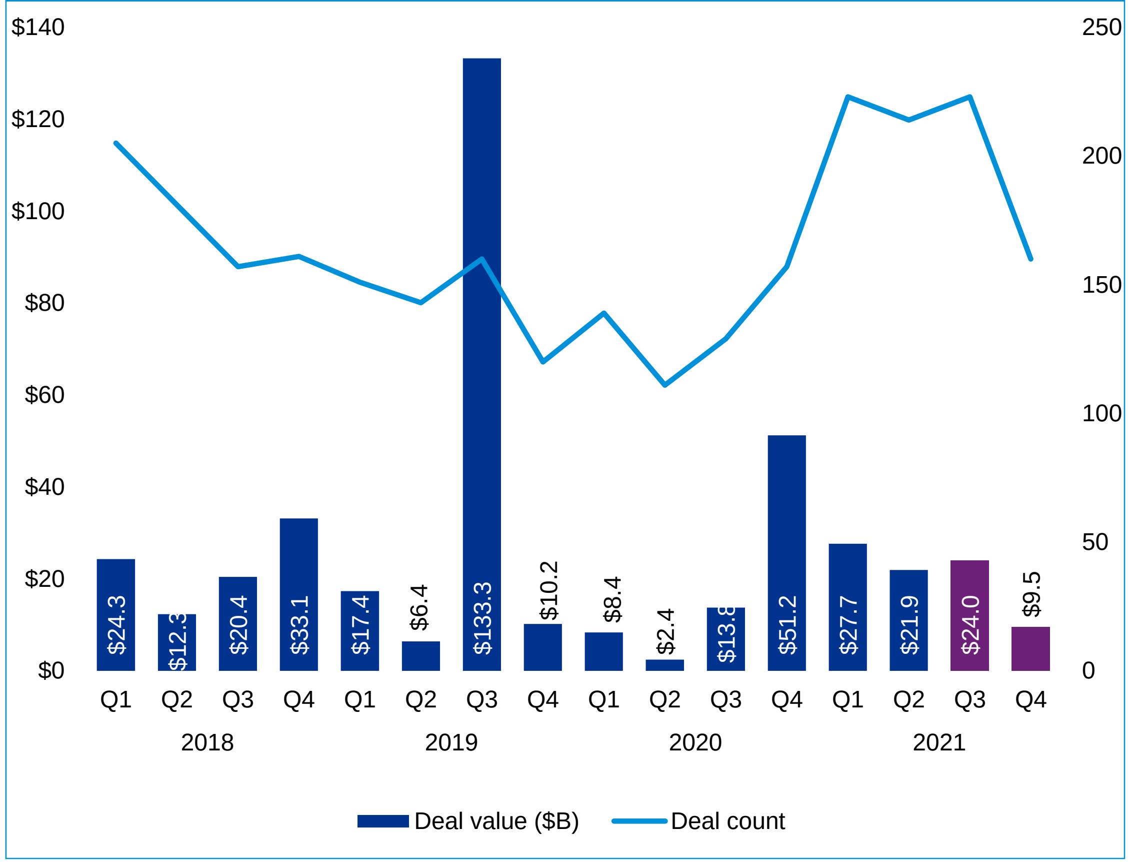
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Financing volume maintains consistent, record-breaking pace

Total global investment activity (VC, PE and M&A) in fintech
2018—2021*



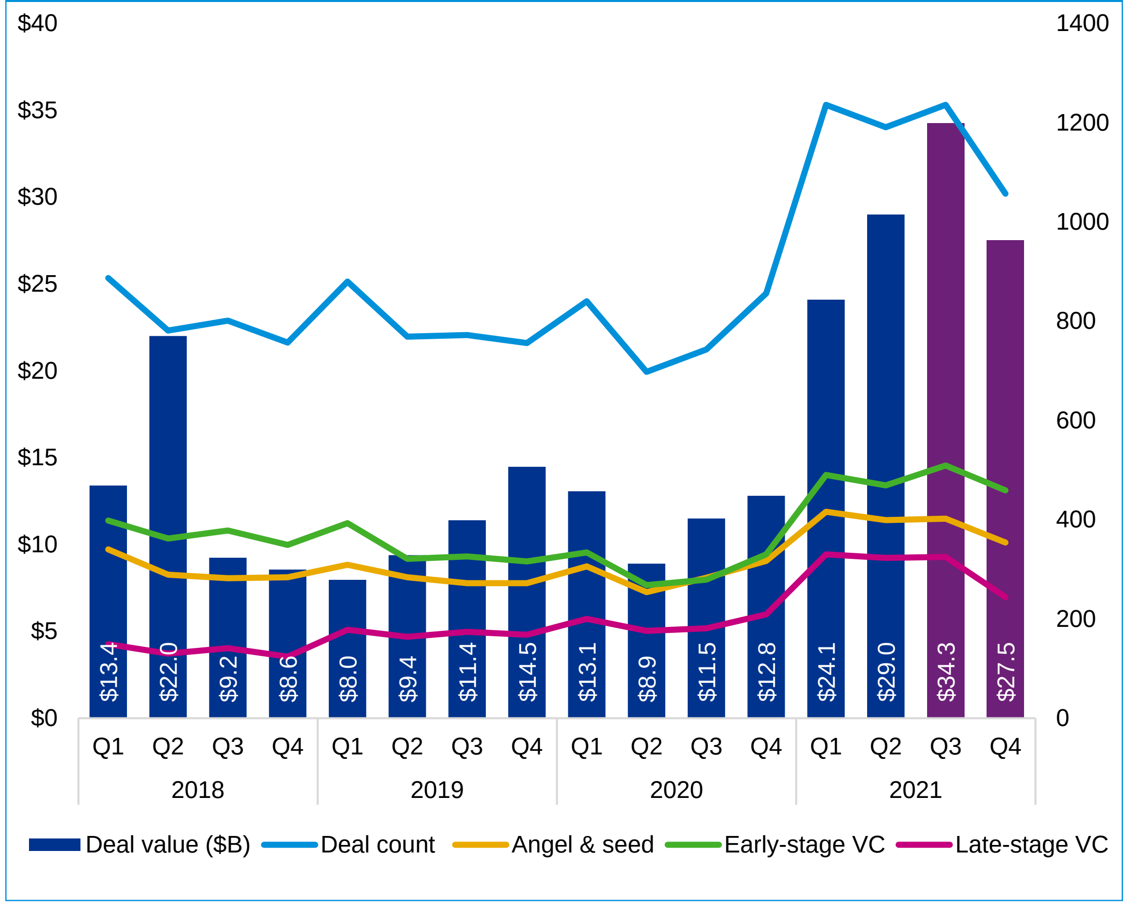
Global M&A activity in fintech
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Strongest consecutive stretch of VC invested per quarter on record

Global venture activity in fintech
2018—2021*



Global VC activity in fintech with corporate participation
2018—2021*

Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Top 10 global fintech deals in 2021

1. **Refinitiv** — $14.8B, London, UK — Institutional/B2B — *M&A*
2. **Nets** — $9.2B, Ballerup, Denmark — Payments — *M&A*
3. **Adenza** — $3.75B, San Francisco, US — Institutional/B2B — *Buyout*
4. **Robinhood** — $3.4B, Menlo Park, US — Wealth/investment management — *Series G*
5. **Verafin** — $2.75B, St. John's, Canada — Institutional/B2B — *M&A*
6. **Paidy** — $2.7B, Tokyo, Japan — Lending — *M&A*
7. **Itiviti Group** — $2.6B, Stockholm, Sweden — Institutional/B2B — *M&A*
8. **SoFi** — $2.4B, San Francisco, US — Lending — *Reverse merger*
9. **Divvy** — $2.3B, Draper, US — Payments/transactions — *M&A*
10. **Tink** — $2.2B, Stockholm, Sweden — Banking — *M&A*

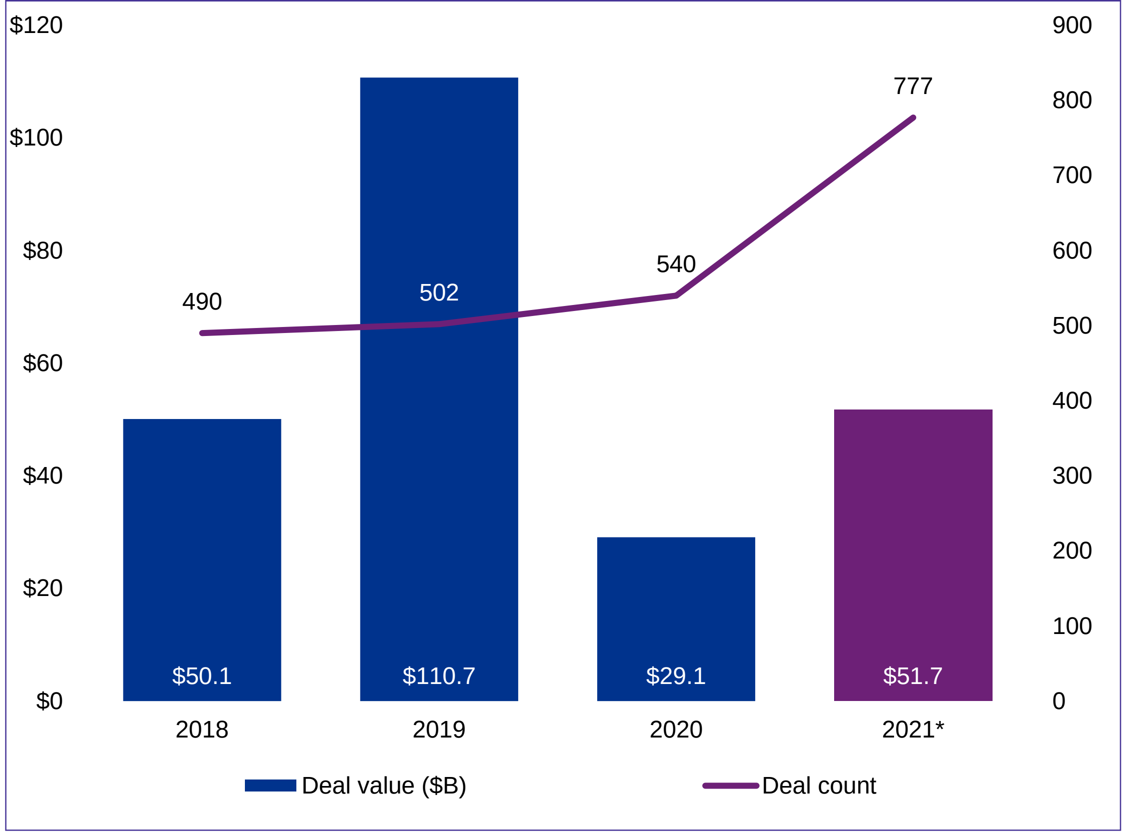
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Fintech segments

- Payments
- Insurtech
- Regtech
- Cybersecurity
- Wealthtech
- Blockchain/cyrptocurrency

Payments dominates fintech investment — draws record VC funding

Total global investment activity (VC, PE and M&A) in payments
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

2021 was an incredible year for global investment in the payments sector, driven by the continued acceleration of digital trends, the widespread uptake and use of digital and contactless payments, and increasing demand for alternative payments models like 'buy-now-pay-later.' While global VC investment in the payments sector soared to an annual record high, M&A accounted for the largest deals of the year – including the $9.2 billion acquisition of Denmark-based Nets by Nexi and the $2.7 billion acquisition of Japan-based Paidy by Paypal in H2'21. Key H2'21 highlights from the payments sector include:

Renewed focus on challenger banks

H2'21 saw investor attention turn significantly to the large challenger banks – with large VC funding rounds raised by Chime ($1.1 billion), Revolut ($800 million), and Varo ($510 million) amidst their push for profitability. Competition for domestic market share continued to heat up in the US, even as Europe-based challenger banks N26 and Monzo Bank pulled out of the US market, primarily due to regulatory complexity.

M&A growing amid rise of 'super apps'

M&A activity continued to gain steam in H2'21, with strong interest from 'super app' fintech firms looking to expand their capabilities – particularly in the BNPL space. In H2'21, PayPal acquired Paidy for $2.7 billion, while Goldman Sachs announced its acquisition of GreenSky for $2.2 billion[1] and Square announced its acquisition of Australia-based AfterPay for $29 billion.[2]

[1] https://www.goldmansachs.com/media-relations/press-releases/2021/goldman-sachs-to-acquire-greensky.html
[2] https://www.cnn.com/2021/08/01/tech/square-afterpay-intl-hnk/index.html

Fintech — Payments

Embedded banking driving partnerships and investments:

During 2021, interest in embedded payments continued to grow, with a diversity of marketplace platforms and industry players partnering with financial institutions and fintechs in order to move their capabilities upstream or to provide specialized payments options to customers – like installment financing. For example, in H2'21, JP Morgan took a majority stake in Volkswagen's payments platform,[3] while Walgreens and InComm Payments launched 'ScarletTM': a new bank account and debit card.[4]

Cross-border investments gain momentum as companies push to expand

With payments companies across jurisdictions maturing rapidly, many have set their sights on expanding regionally or internationally. This has driven quite a surge in cross-border investment activity. India was a big target market for H2'21, with Netherlands-based Prosus announcing its $4.7 billion acquisition of payments platform BillDesk [5] and Australia-based BNPL company Zip acquiring a minority share in ZestMoney. [6]

Unique trends driving focus of investment in Asia and Africa

Real-time payments adoption was a strong driver of investment in Asia, particularly in South Korea and China. In Southeast Asia and Africa, reaching the unbanked and underbanked was a major priority; during H2'21, Nigeria-based payments firm OPay raised $400 million in Africa's largest raise by a startup ever. [7]

What to watch for in H2'21

- Increasing investment in Latin America, in part driven by the move to real-time payments
- Growing focus on the B2B space amidst a push towards digitization and automation of B2B payments
- Increasing focus on blockchain-based solutions for cross-border transactions
- Growing emphasis on partnerships as companies digitize and expand and look for additional ways to embed payments options into non-financial activities

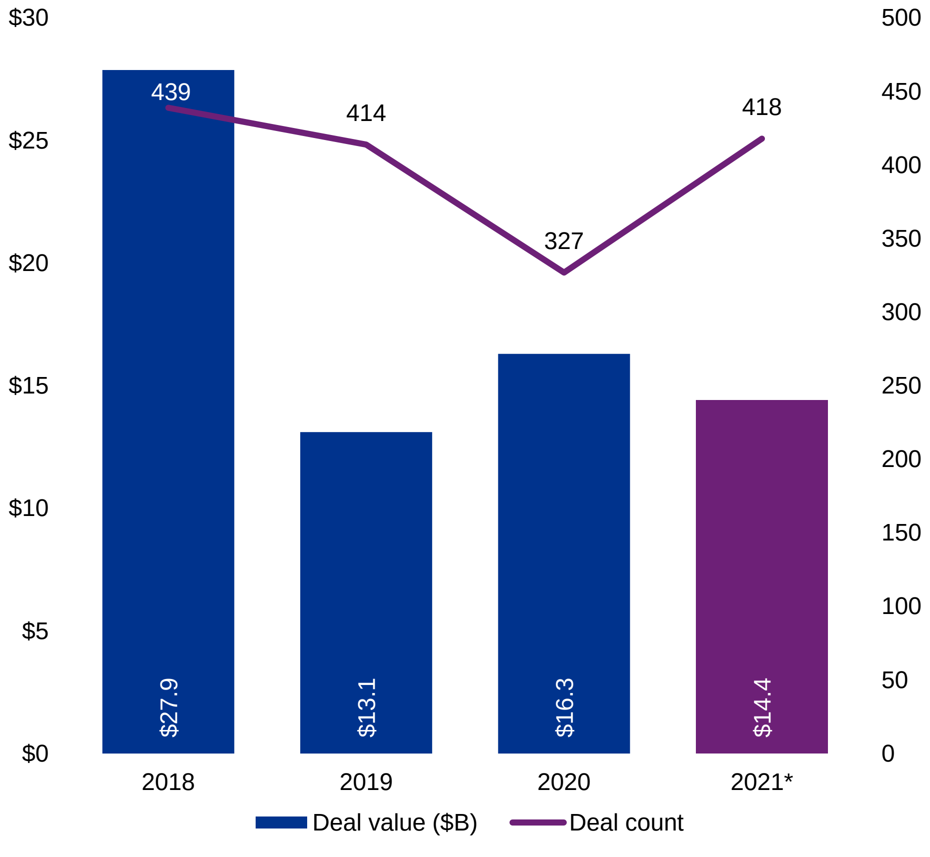
> "Investment in the payments space continues to boom, both in mature markets like the US and UK — and in emerging markets like Africa, Latin America, and Southeast Asia. Throughout 2021, there's been an extraordinarily high level of VC investment due to the nature of the global economic recovery combined with the digital transformation that has been accelerated by COVID-19."

Courtney Trimble
Global Leader of Payments, Principal, Financial Services, KPMG in the US

[3] https://www.jpmorgan.com/news/jpmorgan-to-take-majority-ownership-of-volkswagen-payments-business
[4] https://www.incomm.com/about/newsroom/scarlettm-a-new-bank-account-and-debit-mastercard-r-launches-exclusively-at-walgreens-promotes-a-path-to-financial-health-earns-rewards-on-purchases-at-walgreens-and-beyond
[5] https://www.reuters.com/world/india/prosus-buys-indian-payments-company-billdesk-47-billion-2021-08-31/
[6] https://www.reuters.com/business/finance/australian-buy-now-pay-later-zip-enters-india-with-50-mln-investment-2021-09-21
[7] https://www.itnewsafrica.com/2021/08/nigerias-opay-raises-400-million-in-largest-investment-round-by-african-startup/

Profitability becoming key focus as public insurtechs experience headwinds

Total global investment activity (VC, PE and M&A) in insurtech
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

The insurtech sector continued to gain a significant amount of attention in H2'21 – particularly in the VC market as insurtechs across regions attracted $100 million funding rounds, including China-based MediTrust Health ($308 million), India-based Acko ($255 million), Hong Kong (SAR), China-based Bolttech ($247 million), US-based At-Bay ($205 million), and France-based Leocare ($118 million). While the US continued to account for the vast majority of insurtech deals, the emergence and expansion of insurtech ecosystems in other regions is helping to catalyze investment in the sector. Key H2'21 highlights from the insurtech space include:

Funding primarily focused on MGAs, except in the US

Globally, insurtech funding focused largely on new insurance companies or MGAs during H2'21. As the most mature insurtech jurisdiction, the US was somewhat of an exception, seeing a greater breadth of insurtechs attracting attention – including those focused on the B2B solutions space. During H2'21, US-based B2B solutions companies CCC Intelligent Solutions and Doma Holdings both held SPAC mergers.

Headwinds in the public markets causing investors to focus on underwriting and profitability

Over the past eighteen months, a number of mature insurtech companies in the US have gone public, either through IPOs or SPAC mergers. Many of these companies have experienced strong headwinds in the public markets, underperforming compared to those in other sectors. This has caused both investors and companies to focus a lot more on underwriting performance. It may also spark some consolidation in the space heading into 2022, as evidenced by Lemonade's acquisition of Metromile – which was announced Q4'21.

High valuations leading corporates to focus on strategic alliances/partnerships

During 2021, insurance carriers focused on building strategic alliances and partnerships and on making CVC investments in order to better understand emerging technologies and capabilities rather than on making outright acquisitions. The lack of M&A activity could also reflect some concern about insurtechs with high valuations that have not yet generated positive returns. The M&A activity that did occur during the year centered primarily around the digital distribution space, such as American Family's acquisition of Bold Penguin.

Interest in commercial insurance growing

Investor interest in the commercial insurance space continued to grow during 2021, particularly around solutions for small and medium-sized businesses – such as US-based Vouch – a niche insurer focused on providing coverage to technology startups as they grow; Vouch raised $120 million in H2'21.[6]

What to watch for in H2'21

— Increasing investment from both carriers and non-carriers

— Closer partnerships between platform brands and insurance carriers on distribution

— Growing focus on embedded insurance as part of embedded finance offerings

— Increasing investment in unique commercial insurance solutions

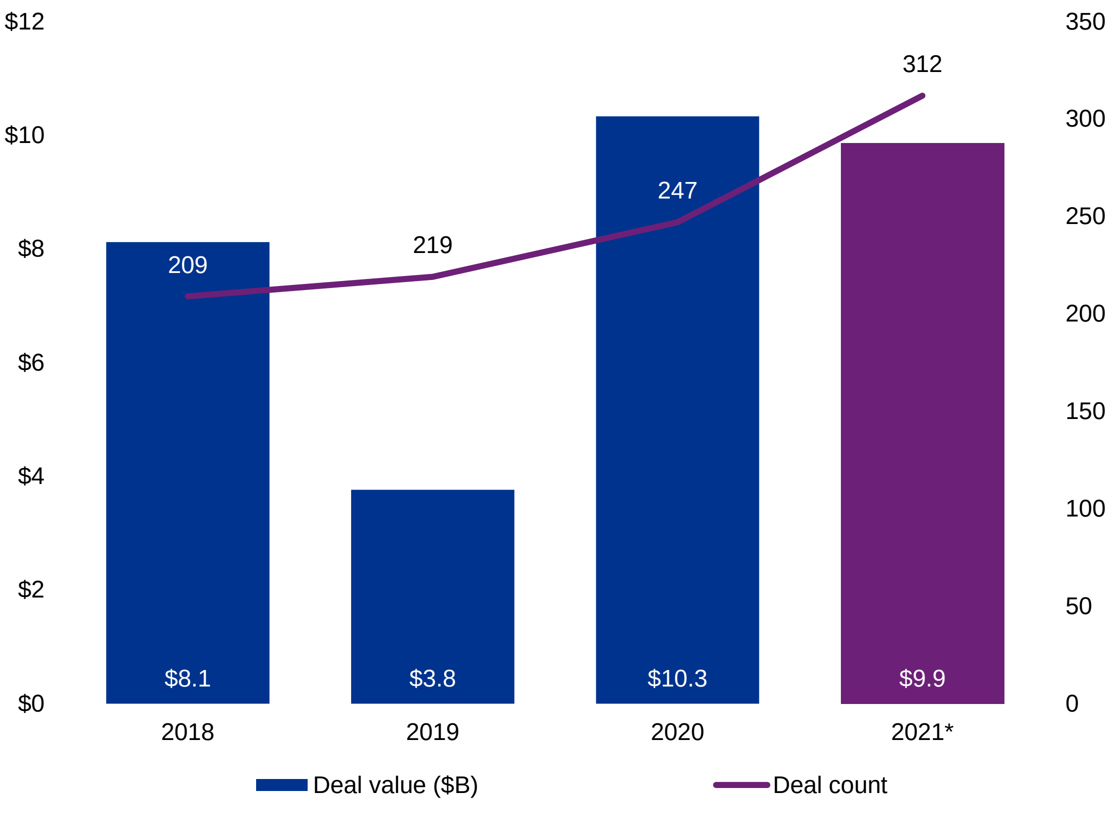
> "There are a lot of investments in digital insurance distribution across the ecosystem, as the industry aims to reduce complexity for their customers buying insurance. Digital distribution is expected to keep growing in 2022 and beyond – as more investments flow into the digital insurance marketplace for individuals and small- and medium-sized businesses; digital exchanges for insurance agents and distributors; and direct-to-consumer sales and marketing solutions that offer customized solutions and enhance customer experience."

Ram Menon
Global Head, Insurance Deal Advisory
KPMG International

[6] https://coverager.com/vouch-insurance-raises-90-million/

Regtech attracts robust investment and record number of deals in 2021

Total global investment activity (VC, PE and M&A) in regtech
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Total global investment in regtech was very strong in 2021, with a record number of deals driving almost $10 billion in investment — just shy of 2020's record high. While H1'21 included the $2.7 billion acquisition of Canadian-based Verafin and the $600 million buyout of Ireland-based Fenergo, H2'21 results were driven primarily by late stage VC deals, including a $500 million raise by Carta, a $425 million raise by Deel and a $153 million raise by Quantexa. H2'21 highlights from the regtech space include:

A diversity of segments driving regtech investment

While AML and payment systems continued to drive a significant amount of investment in the regtech space during 2021, there was also increasing interest in privacy-focused regtechs — like Deel and Wrapbook, crypto-focused companies — like Bullish Global and Chainalysis.

Cryptocurrency-focused solutions still hot despite ASPAC decline

During 2021, regtechs focused on cryptocurrency solutions remained a relatively hot area of investment despite shifting regulatory environments in different regions. While the Americas, particularly the US, continued to see significant investment in the space, investment in ASPAC dropped significantly following an outright ban on cryptocurrency transactions in China. A proposed bill in India suggests that it might follow China's lead in the near future.

Fintech — Regtech

Regulators helping drive investment in regtech

During 2021, regulators in a number of jurisdictions have enhanced their focus on regtech solutions. The Monetary Authority of Singapore has been particularly active. During H2’21, it launched a series of initiatives aimed at strengthening the AI abilities of Singapore’s financial services sector, including NovA! – a technical platform to help financial institutions assess the environmental risks of companies and Veritas – an AI governance program meant to help financial institutions utilize AI and data analytics. During H2’21, the Hong Kong Monetary Authority also launched an AML-focused Regtech Lab to encourage the development and adoption of regtech.

What to watch for in H2’21

- Continued investment in regtech solutions across a broad range of subsectors, including privacy, fraud prevention and detection, cryptocurrencies, and HR management
- The emergence of regtech firms outside of the traditional US and UK hubs
- Growing focus on regtech focused on Europe’s Whistleblower Directive, Capital Requirements Regulation 3, and new stress testing requirements related to climate risk.
- Increasing investment in the US following the release of its Strategy on Countering Corruption in December 2021
- Regulators continuing to support the evolution of regtech solutions

> “The regtech market saw quite a dichotomy in terms of funding during 2021 — with M&A driving a significant amount of investment in the first half of the year — led by the $2.7 billion acquisition of Verafin — and late stage VC investments driving investment in the second half — led by the $500 million raise by Carta. While the US continued to attract the vast majority of investments in regtech, Europe is well-positioned to see growth heading into 2022.”

Fabiano Gobbo
Global Head of Regtech,
Partner, Risk Consulting,
KPMG International

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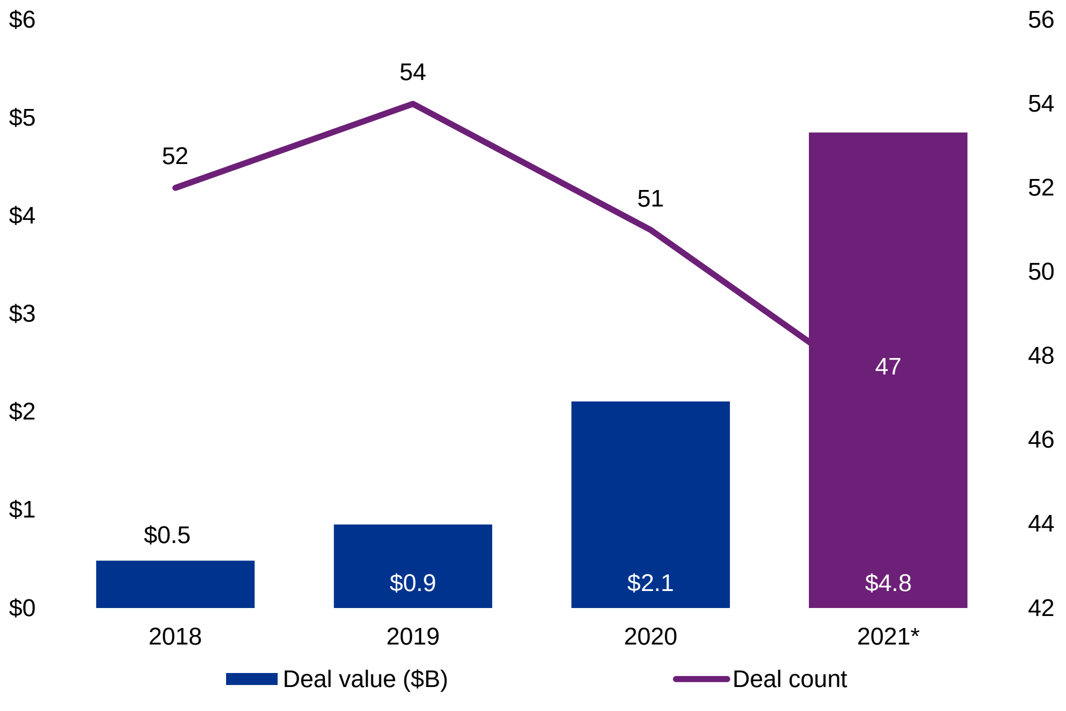
Cybersecurity investment more than doubles year-over-year

Total global investment activity (VC, PE and M&A) in fintech: cybersecurity
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Interest in cybersecurity skyrocketed in 2021, driven by disruptions that gained international attention, including major ransomware attacks and the use of exploitable malware on non traditional IT infrastructure. Between 2020 and 2021, investment in cybersecurity more than doubled, although the $2.7 billion acquisition of Verafin in H2'21 accounted for more than half of this total. H2'21 saw a combination of M&A and VC investment in the space, including a $310 million raise by US-based Fireblocks, the $250 million merger between Switzerland-based zero knowledge rollup blockchain company Hermez and India-based crypto company Polygon, and the acquisition of Israel-based cybersecurity firm GK8 by Celsius Network.[7] Key H2'21 highlights from the cybersecurity space include:

Fraud detection remains big priority

During 2021, fraud prevention continued to be a major priority for organizations across jurisdictions, evidenced by the $2.7 billion acquisition of Canadian fraud detection platform Verafin by Nasdaq in H1'21. Investors and corporates showed particular interest in proactive and pre-emptive security solutions, such as solutions aimed at connecting known cyber indicators of compromise with different types of fraud and solutions that use behavioral analytics to understand potential fraudulent behaviors.

[7] https://www.coindesk.com/business/2021/08/13/polygon-merges-with-hermez-network-in-250m-deal/

Interest in MDR and EDR growing

As a result of the significant increase in cloud-based activities and digital transactions — and the increasing bombardment of companies by malicious attackers — over the last two years, interest in managed detection and response (MDR) and endpoint detection and response (EDR) using AI, automation and robotics solutions has grown significantly. Over the next year, this will likely lead investors to focus on security platforms able to manage the complex array of security needs of companies. There will likely also be more M&A activity as platform providers acquire bolt-on solutions to extend their value.

Secure DevOps becoming critical

The reality is that cyberattacks are evolving as quickly as innovative technologies and processes, presenting enormous risk to organizations who might not be able to recover from a major attack. In 2021, as companies accelerated their activities in the cloud and the speed of their digital transformation efforts, they increasingly recognized the importance of secure DevOps. They also increased their investments in related areas, including cyber resilience, breach remediation, vulnerabilities testing, and ensuring basic security hygiene to ensure rapid change doesn't leave risk exposure.

What to watch for in H2'21

— An increasing focus on the use of AI, machine learning, and automation

— Increasing M&A activity as boutique cybersecurity firms get acquired by bigger providers looking to gain scale and breadth

— Growing focus on platform-based approaches to cybersecurity

— Increasing corporate investment, particularly in regulated sectors like banking

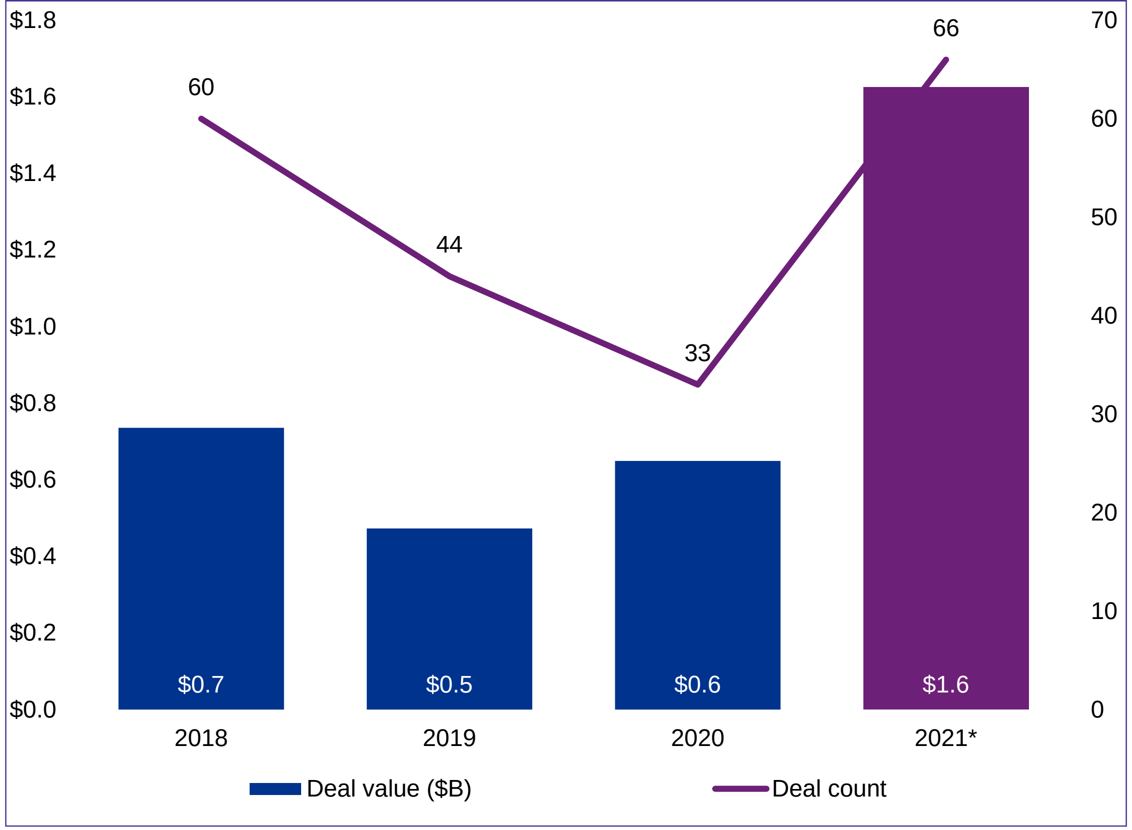
— Continued focus on fraud detection and anti-money laundering in the payments space

> "One major theme that can be seen in cybersecurity is the growing realization that security hygiene must keep pace with digital transformation or companies will likely leave themselves open to potentially catastrophic organizational and reputational risks. Moving forward, I believe you should see more companies developing and utilizing advanced technologies and techniques to help them gain new levels of sophistication for managing all aspects of security."

Charles Jacco
Americas Cyber Security Services, Financial services Leader, Principal, KPMG in the US

VC investment in wealthtech booming, particularly in the Americas and Europe

Total global investment activity (VC, PE and M&A) in wealthtech
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Both global investment and the number of wealthtech deals reached new highs in 2021, largely driven by increasing VC investment. After an H1'21 characterized by several large VC raises (e.g., Canada-based Wealthsimple — $600 million, US-based CleanCapital — $325 million) and the $989 million acquisition of UK-based Nutmeg by JP Morgan, H2'21, saw more moderate deal sizes, including $125 million and $104 raises by Germany-based wealthtechs Moonfare and Liquid. A number of acquisitions were also announced during H2'21 — most notably, the acquisition of Interactive Investor by Aberdeen for approximately $2 billion.[8] Key H2'21 highlights from the wealthtech space include:

Established financial institutions seizing the moment

Over the last year, a number of wealthtechs have matured considerably, proving the viability of their business models. This has driven a number of established financial institutions, particularly in the US and Europe, to prioritize acquisitions in order to jumpstart their own wealthtech innovation. The acquisition of Nutmeg by JP Morgan and the announced acquisition of Interactive Investor by Aberdeen are likely only the beginning of this trend, with more M&A activity expected heading into 2022.

Global wealth managers on the rise

In 2021, there has been a significant rise in global wealth managers looking to expand their footprint, particularly in Europe. This trend will likely continue as wealth managers look to build their wealth presence, particularly in the high net worth investment space.

[8] https://www.abrdn.com/corporate/media-centre/media-centre-news-article/proposed-acquisition-of-interactive-investor

Fintech — Wealthtech

Increasing focus on addressing the 'middle'

Over the past few years, wealth management companies and startups have focused on both ends of the wealth equation, differentiating their services for high net worth clients and introducing robo-advisory and self-serve options for new investors. This has led to a somewhat overlooked middle segment — a segment both established wealth managers and new wealthtechs are now beginning to target. This is expected to drive increasing interest and investment in solutions aimed at helping companies maximize service to this middle segment, such as digitally-enabled service platforms.

What to watch for in H2'21

- Established financial institutions looking to drive more value by including asset management and wealth distribution under their existing banking license
- More M&A activity as corporates look to play catch-up and smaller wealthtechs consolidate
- Growth in global financial institutions looking to acquire regional wealthtech players in order to bolt-on and globalize their wealth tech offerings

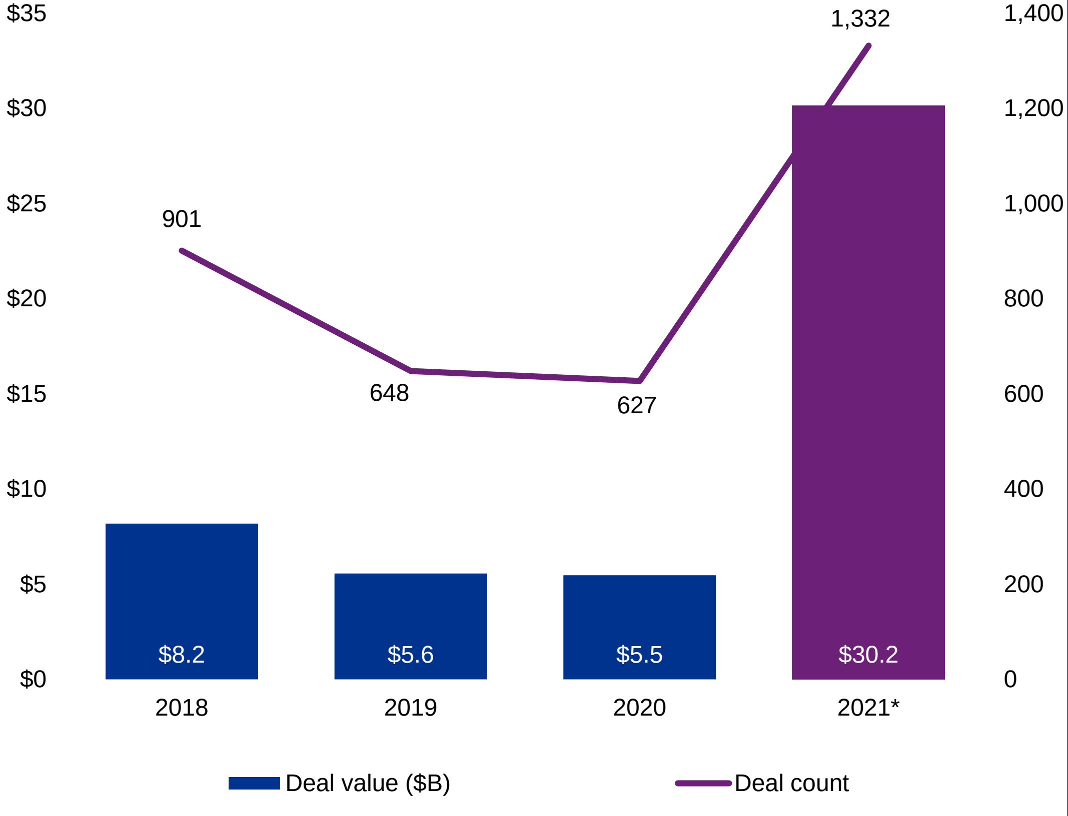
> "A year or two back, it was predicted that established financial institutions with deeper pockets would start to acquire emerging wealthtechs once they reached a certain level of maturity. This is exactly what's happening. Now that these wealthtechs have proven their business models and before their valuations get so big they become unaffordable, we're seeing established players are swooping in to acquire them."

Bill Packman
Partner and Wealth Management Consulting Lead,
KPMG in the UK

#fintechpulse

Crypto and blockchain reel in $30 billion in investment — shattering record

Total global investment activity (VC, PE and M&A) in blockchain & cryptocurrency
2018–2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Global investment in blockchain and cryptocurrencies soared past $30 million in 2021 — shattering the previous high of $8.2 billion set in 2018 and rising more than five times compared to the $5.5 billion in investment seen in 2020. Key H2'21 highlights in the crypto and blockchain space include:

Different jurisdictions taking vastly different approaches

2021 saw jurisdictions taking vary different tacks in terms of crypto. After banning cryptocurrency transactions in H1'21, China fully banned bitcoin mining and the facilitation of cryptocurrency trading in H2'21.[9] India took steps to follow suit, introducing a bill that would ban the use of cryptocurrencies as a method of payment in the country, in addition to activities related activities.[10] While interest in crypto plummeted in Asia as a result, it significantly picked up in other jurisdictions, including in the US, Canada, and Caribbean.

Universe of blockchain applicability is expanding

During 2021, investors began to get truly acclimated to the blockchain space — not only seeing the potential value it offers today, but also opening up to the possibilities for tomorrow. There's growing interest in the broad spectrum of blockchain opportunities, including the ability to use blockchains to support collaborative multi-jurisdictional activities — combining data, research and analysis related to a critical task into a single ledger for all.

[9] https://news.yahoo.com/china-bans-crypto-trading-mining-155020817.html
[10] https://www.reuters.com/markets/currencies/proposed-india-bill-banning-crypto-payments-could-mean-jail-violations-document-2021-12-07/

Fintech — Blockchain/cryptocurrency

Growing push for regulation from mature crypto companies

Over the past year, there's been growing pressure for regulators to implement clear rules and regulations related to cryptocurrency activities in different jurisdictions, including the US. Part of this pressure is coming from crypto firms and platforms directly, as they see the ambiguity of regulations as a major limiter to growing their businesses and the maturity of the crypto space as a whole.

What to watch for in H2'21

— An increase in Stablecoin issuers taking the initiative to provide transparency related to their reserves in order to drive adoption

— Increasing collaboration between crypto firms and regulators in order to introduce necessary regulations for the space

— Continued volatility related to different cryptocurrencies as markets continue to evolve and get tested

— Increasing interest from investors of all types — from individuals to institutional investors and corporations

— Increasing consideration of how blockchain and crypto will help enable Web 3.0

> "This was arguably one of the most significant years ever for crypto in terms of retail adoption, and investment. It's driven the sector from a market value perspective. There's an incredible number of companies trying to do a lot of things in the crypto and blockchain space right now — and while we don't know where all their efforts are going to land, there's a ton of curiosity and interest in the possibilities."

Brian Heaver
Managing Director, Tax, GMS Licensed Technology
KPMG in the US

Featured interviews

Vishal Marria, CEO and Founder
Quantexa

Paul Taylor, Founder and CEO
Thought Machine

Connecting data to help banks make better decisions: Lessons from Quantexa's funding journey

One of the most challenging issues facing financial institutions today is how to use data effectively to make more informed decisions — quickly, confidently, and without an inordinate amount of manual intervention.

For example, most banks have processes to identify potential financial crimes — like whether a customer is a money launderer — but those processes can be very labor intensive and time consuming. "One organization that I was working closely with was getting thousands of alerts coming from their traditional rules-based AML systems," Vishal Marria, Founder and CEO of Quantexa, explains. "They were looking at each alert and the first thing that they were doing was manually piecing together the data around the alert and then spending time investigating the alert…99% of which were false positives."

Making the right connections

It was interactions like these that had Marria realizing that surely the entire process could be improved significantly if a financial institution could build a connected view of data internal and external to their organization, and then apply the best machine learning and AI on top of it. That premise is what drove him to found Quantexa in 2016. "That's why Quantexa exists — to support our clients in connecting data together so they can make better decisions."

Of course, in order to grow the company, one of the first challenges that Marria had to overcome was convincing big banks that Quantexa not only understood what they wanted to achieve and their data problem, but that it could solve it effectively. Because banks are highly regulated entities, Marria knew that model validation, model governance, and ensuring transparency over the connections and analytics would be critical. "Understanding that problem, understanding the scale and transparency problem, and understanding that just connecting the data was a huge challenge in itself—" he explains "—is what allowed us to get through door one."

Since those early days, Quantexa has evolved very rapidly. While the company started with a focus on helping financial institutions tackle potential fraud and financial crime, over time, their mandate has grown as their clients looked to use their services to drive better decisions elsewhere within their organizations.

"More and more, our clients have taken us outside of financial crime," Marria explains. "[Now, we] support them in decision-making around credit risk, around customer intelligence, and more around data management right across the enterprise."

Building a fintech from scratch

Marria took a big risk when he started Quantexa — not only leaving an excellent position to found the company, but also pouring a significant amount of his own money into it. "We bootstrapped the company for the first twelve months between the [other] founders and myself," Marria shares. During that time, Quantexa's primary goal was to build a product and take it to market to get market validation.

And they did. "In the first nine months, I was in an RFP for one of the biggest banks in the world where I was testing the MVP of our product with some of the largest tech companies on the planet — and when we won that process and we won that RFP…it was not just market validation, it was self-validation that what we were creating was game changing." After winning that RFP, Quantexa started to take investment. The company has since completed four successful funding rounds — most recently a $153 million Series D round in July 2021.

Attracting funding: Lessons for entrepreneurs and startups

Marria remembers just how stressful his first Series A investment round was. He recommends that any CEO who is going to hold an investment round think of it as a process — like an RFP. “You must run it as a process because time can go very quickly, and you're still running the business, and you're still burning cash.”

He also stresses the importance of displaying company metrics in a way that makes it easy for investors to digest and easy for them to compartmentalize the company into potential segments. “This is especially true when you’re in Series A, Series A+, or Series B,” he explains. “Because you’re still making the business. You're still making the market. And, more importantly, you do not have that many customers or clients or users because of the infancy of your business.”

Marria also recommends that CEOs share with investors the vision that their company is going to fulfil and execute in the future. “What we did incredibly well [when we did Series A], is that we didn't just talk about the problem we were solving today. We talked about how we could take our capability and solve other problems — not just in financial services, but in government, telco, oil and gas, and other sectors,” he explains. “That gives a lot of comfort to a VC when they're looking at upturns and downturns in markets.”

Listen to the full interview with KPMG’s Global Fintech Leader, Anton Ruddenklau and Vishal Marria, CEO and Founder of Quantexa about how they are connecting data to help banks make better decisions. home.kpmg/fintechpulse

About Quantexa

Quantexa is a global data and analytics software company pioneering Contextual Decision Intelligence that empowers organizations to make trusted operational decisions by making data meaningful. Using the latest advancements in big data and AI, Quantexa’s platform uncovers hidden risk and new opportunities by providing a contextual, connected view of internal and external data in a single place. The Quantexa platform enhances operational performance with over 90% more accuracy and 60 times faster analytical model resolution than traditional approaches, solving major challenges across data management, financial crime, customer intelligence, credit risk, fraud and throughout the customer lifecycle.

Bringing core banking systems to the cloud: How Thought Machine is helping banks move beyond legacy infrastructure

In recent years, the banking sector has faced a storm of change as challenger banks and other fintechs have upended traditional banking systems and found ways to leverage innovative technologies to provide unique value to customers.

Faced with a rapidly changing industry, establish banks haven't remained still. They've invested in R&D, made corporate VC investments, and forged partnerships with fintechs. But while many banks continue to be enthusiastic about new possibilities, they've also realized that trying to combine and connect agile technologies with data held deep inside their legacy architecture can be a nightmare.

Recognizing the biggest hurdle for banking innovation

The challenges inherent in legacy systems is of one of the reasons Thought Machine now does what it does. "When we first started Thought Machine, we were initially thinking of doing a big data, data science, AI play on banking," explains Paul Taylor, Founder and CEO. "But then we realized just how difficult it was to get any data out of a bank."

Banks loved the concept of AI and big data, Taylor says, but he constantly heard the same message, 'Our core banking engine will never do it.' That's when Taylor thought, "Right. Let's build a core banking engine. Let's build it in the Cloud. Let's build it to be super flexible. Let's build it to have APIs. And let's build it to solve all these problems."

Getting banks on board

Eight years later, Thought Machine is a thriving fintech focused on helping banks become more flexible and agile. The company has several international clients, including Standard Chartered, Lloyds Banking Group, and Sweden-based financial services group, SEB — and is adding more every day. In September 2021, JP Morgan Chase announced plans to use Vault — Thought Machine's cloud-based core banking system — for its retail bank.[1]

Thought Machine has come along way since its inception. "We're now world experts at [core banking]. We've learned huge amounts about how to build really excellent banks…and how to do data, how to link the various bits back to the bank, and how to do risk and compliance and security," Taylor says. But at the same time, Thought Machine main value proposition hasn't changed. "Our core hypothesis hasn't changed at all, which is that [banks] cannot keep going on the mainframe with the legacy architectures. What has changed is that a lot of banks now agree with it — agree with us."

Setting sights on growth: New geographies and clients

While Thought Machine was started in London, it's quickly becoming global. In 2019, it opened an office in Singapore; in 2021, one in New York. "The technology works basically the same everywhere," Taylor explains. "We have particular configurations to make sure that it works in particular markets and obeys local regulations and the like, but it is essentially the same platform. When I look across our pipeline, it feels like very global business."

The company isn't only thinking about geographic growth, it's also thinking about who its clients are. While Thought Machine has a growing number of Tier 1 bank clients, it is also working with challenger banks that want to move to market quickly. Taylor also sees a big opportunity to work with middle market banks, but recognizes that they'd likely take the lead from the larger banks. "They don't have the R&D budgets of the top banks and, quite rightly, they want to do something that's been tried and tested," he explains.

[1] https://www.fintechfutures.com/2021/09/thought-machine-wins-major-core-banking-deal-with-jp-morgan-chase/

Featured interview: Thought Machine

Recipe for success: Having the right people

When asked why Thought Machine has become such a success story, Taylor readily points to the company's people. "People make everything better. You can do a lot more with fewer people if you can get to the top of the talent pool."

To that end, Taylor outlines how they got the people equation right. "Firstly, we weren't shy about paying well and we weren't shy about giving people options in the company," he shares. Next, they focused on attracting ambitious people from financial services who were of tired working in a backwater sector in terms of tech. "Thirdly," he adds. "We spend a lot of time on the soft side of things — on the culture and making the company a really pleasant paced at work."

Looking beyond Thought Machine's unicorn valuation

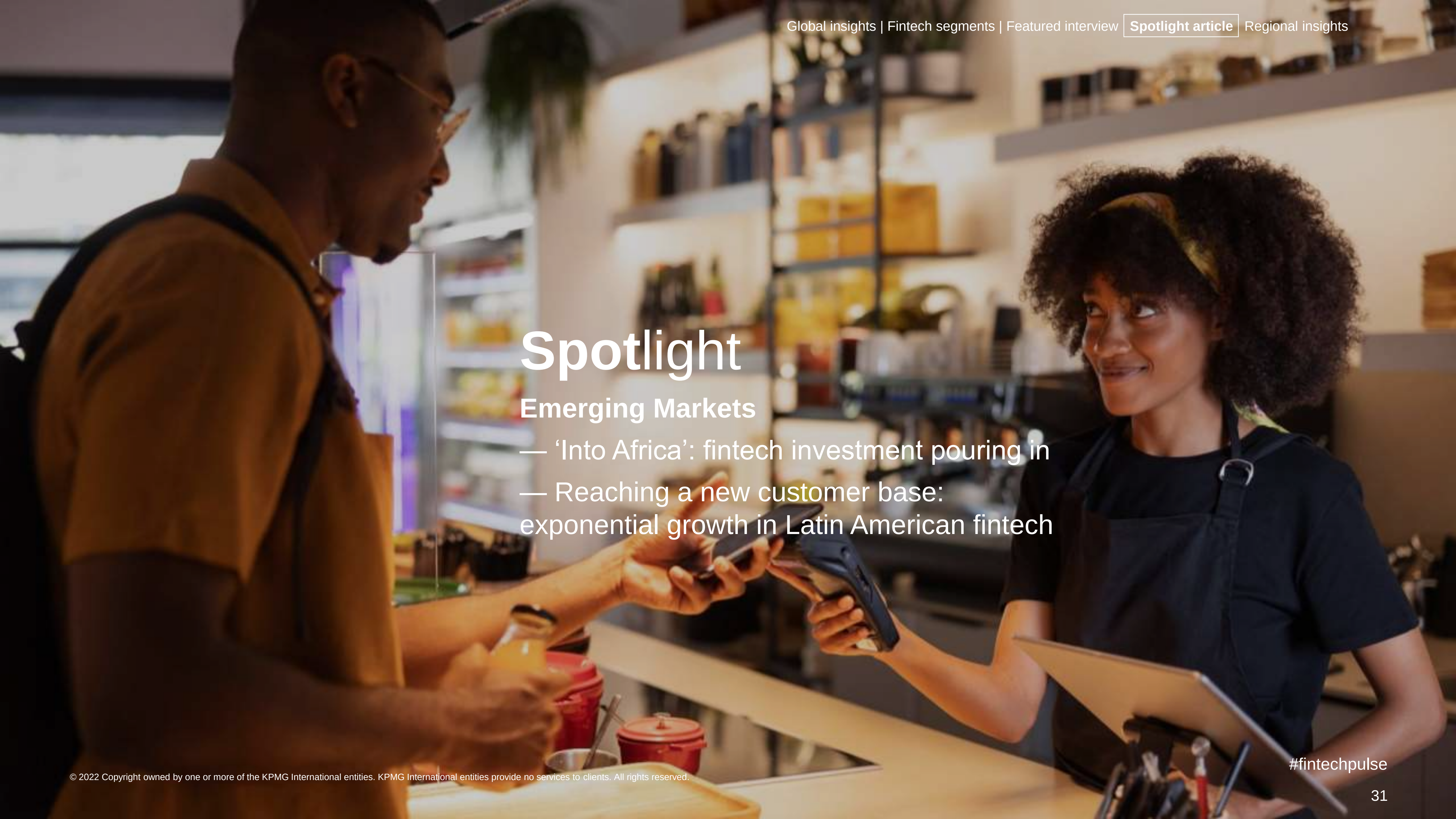
In November 2021, Thought Machine closed a $200 million Series C funding round led by Nyca Partners, with investors including ING Ventures, JPMorgan Chase Strategic Investments, Standard Chartered Ventures, and others. The round earned the company a $1 billion+ valuation, making it a new unicorn.

Taylor points out that the valuation is simply a consequence of success. "The thing that most motivates me is building a really excellent company," he emphasizes. He also appreciates seeing the value that's getting added in the banks — and the fact that they see it, too. "They really do believe they've done something good that is going to make a difference. That is a fantastic win and a worthwhile goal for us all."

Listen to the full interview as KPMG's Global Fintech Leader, Anton Ruddenklau and Paul Taylor, Founder and CEO about how Thought Machine is helping banks move beyond legacy infrastructure to the cloud: home.kpmg/fintechpulse

About Thought Machine

Thought Machine was born out of frustration with the limitations of legacy core banking technology that force banks to deliver a basic set of features to their customers. This led to Thought Machine tackling the banking industry's primary problem: reliance on outdated technology and legacy IT. Thought Machine's team of engineers built a future-proof core banking system which liberates banks from the constraints of legacy platforms through a platform that is agile, secure, scalable and easy to deploy, giving banks the freedom to build the products they want – not the products they are stuck with. We call this platform Vault.



Spotlight

Emerging Markets

— ‘Into Africa’: fintech investment pouring in

— Reaching a new customer base: exponential growth in Latin American fintech

‘Into Africa’: Fintech investment pouring in

Contributors: *Mike Louw, Partner, Head of M&A, KPMG South Africa, and Ladi Asuni, Partner, Emerging Technology, Data & Analytics, KPMG Nigeria*

2021 was a record year for fintech investment in Africa, and the momentum is only likely to increase. After a brief dip during the COVID-19 pandemic during 2020, the deals came back with foreign investment flooding in. Data shows that there was over US $1.6bn invested across 153 deals, two times the value of 2020 (US $800m) [1] and representing a 50 percent increase in transaction numbers.

The key markets remain Nigeria in the West, Kenya in the East, and South Africa in the South. Other countries such as Egypt have also seen some sizeable deals. In Nigeria, the value of deals in the first quarter of 2021 alone outstripped the total for the whole of 2020. To raise such a quantum of finance from foreign sources is unprecedented.

Smartphone spread

One of the key drivers of the uptake of fintech services is, of course, the spread of smartphones across the continent. They are becoming cheaper and much more prevalent, enabling users to access mobile apps and tools. In a sense, this is building on the foundations laid by the highly successful M-Pesa service for money transfers that started in Kenya on analogue phones.

Key services remain payments and transfers, with foreign remittances in and out an important part of this. This is something that the pandemic accelerated. For example, there is a large Zimbabwean diaspora in South Africa who used to physically take cash home across the border. COVID made this impossible for a number of months — and this fueled a growth in people trying out money transfers through their cell phones instead. That habit has now become much more entrenched.

Alongside individuals, small and micro businesses are a significant market too — enabling businesses without a card machine to take payments connected to a cell phone.

While the focus is on payment services and digital banking, at the same time lending is also a growth area. There is a huge untapped market, after all. In Nigeria, for example, credit penetration stands at only around 3 percent. With fintechs developing alternative ways for credit scoring through the use of AI and machine learning techniques, they are able to take on higher risk lending that traditional banks have largely opted out of.

As the market in Africa matures, you can expect to see more development of other areas such as wealthtech and insurtech.

An evolving market

The rise of fintechs is creating a number of new dynamics, and it should be fascinating to see how things play out. In South Africa, challenger banks have been launching with zero fees — a dramatic step in a market where fees had been universal even for basic banking. Whether traditional banks begin to lower or remove their fees remains to be seen.

Incumbent banks are reacting in a number of ways. Some are taking up a holding company license to set up fintech businesses of their own, carved out of the main institution. Others are setting up partnerships and collaborations with fintechs. This can work favorably on both sides: for the bank, it gives their customers access to fintech services; for the fintech, the bank’s customers are a ready-made distribution channel.

[1] KPMG analysis of the African Fintech landscape, KPMG 2020

> “The northern hemisphere is a crowded marketplace and multiples are at an all-time high. This makes Africa an attractive alternative. Global PE firms and investors are seeing the opportunity. It’s put the continent on the fintech map.”

Mike Louw
Partner, Head of M&A
KPMG South Africa

'Into Africa': Fintech investment pouring in

Fintechs also need such partnerships if they want to take money in, as to date no fintech has been given a deposit-taking license. Regulators in the region generally do not allow non-bank entities including fintechs to take deposits from customers. However, in some markets, fintechs have been able to overcome this barrier by taking up micro-finance bank licenses or through collaboration with licensed banks which act as their deposit taking partners.

Other traditional banks are concentrating on upgrading their own digital services, looking to improve the customer experience and provide more innovative services. The challenge they face with this is that they can't move at the same speed as their nimbler start-up rivals.

Global funding sources

In terms of the sources of funding, it is largely VC- and PE-based with significant investment from the US. Over a third of investment into Nigeria has been from US-based VC funds. Large corporates are investing too — in South Africa, for example, Visa and Fidelity have taken stakes in Jumo (which in fact mainly serves West African markets). There is substantial investment from Asia too, especially China. Nigeria's OPay raised US $400 million in 2021 and most of that came from Asian investors.

The foreign money flowing in has perhaps been something of a rude awakening for local investment funds. They are becoming more active, realizing however that they are late to the game. Nevertheless, plenty of opportunities remain for them to pursue.

Talent challenge

While the future looks bright for fintech in Africa and it is expected to continue to grow at speed, there is a significant challenge: the availability of talent. Fintechs depend on their software developers and engineers to create, maintain and develop their services and there are already acute shortages on the continent. But this is now being made worse by the remote working model created by the pandemic, with African developers taking up lucrative positions with employers based in the US, Europe or elsewhere.

Another possible concern is that if interest rates escalate in developed markets (as seems likely), it could reduce the available capital coming into Africa from overseas.

A race to scale

Overall, however, the outlook remains extremely positive. There is a race to scale unfolding, as entrants look to deploy their funds and acquire customers. In what remains a fragmented market, you are likely to see some consolidation over the coming years as winners (and losers) emerge. One thing is for sure — it won't be dull.

> "Success breeds success — so I expect investment to keep on coming. There is lots more to aim at, after all. Financial penetration is still incredibly low in many markets, and there is scope to move beyond payments and lending into other areas such as wealth services and insurtech."

Ladi Asuni
Partner, Emerging Technology, Data & Analytics
KPMG Nigeria

Reaching a new customer base: Exponential growth in Latin American fintech

Contributors: *Ricardo Anhesini, Head of Financial Services, LATAM, KPMG Brazil, and Blanca Cordova,Head of Fintech Advisory, KPMG Mexico*

2021 was a year of dramatic growth in fintech investment in Latin America. Data shows that investment levels reached US $5bn across 120 deals, up from US $2bn and 82 deals in 2020. It's a stratospheric level of growth that surprised even optimists.

In Mexico, for example, investment levels in 2021 matched what had been projected for the next five years combined. Meanwhile, the continent's biggest fintech market, Brazil, saw a deal that entered the top ten for the whole of the Americas — the US $1.15bn fundraising by Nubank which now boasts around 40 million customers. Its IPO in December 2021 gave it a value of some US $41bn. Countries such as Argentina, Colombia and Chile are also seeing rising levels of investment and activity. The number of unicorns (companies with a valuation in excess of US $1bn) has trebled to stand at a total of 15 across the region.

Key factors driving growth

There are a number of factors behind these striking numbers. Firstly, the unavoidable impact of the COVID-19 pandemic. It has been estimated that 10.8 million Latin Americans made their first ever online purchase during lockdown(s). Digital banking offerings rocketed. They also became highly fashionable. In Brazil, digital bank C6 — in which JP Morgan has a 40 percent stake — ran a highly successful advertising campaign fronted by model Giselle Bundchen. Digital banking became an "object of desire".

Secondly, the growth of fintech has been fueled by regulatory policy. Regulators and central banks alike are determined to increase levels of financial inclusion in a continent where 60 percent or more of populations may be unbanked. At the same time, fintech regulations have brought more certainty and trust into the system. Other market conditions — increasing interest in SPAC (special purpose acquisition company) mergers and in cryptocurrencies and blockchain — have contributed too.

Thirdly, just as regulators want to increase financial inclusion, so fintechs have more clearly defined the markets they want to reach — and their number one goal has become those under-served by traditional banks. This includes recent graduates and young people starting out on their first job, informal or casual workers, and those who may not have a credit history. Small businesses are also a major target, providing them with the ability to take payments digitally.

Payments and digital banking dominant

Payment services and digital banking have therefore become the dominant business lines in most countries, followed by lending (such as payday loans in advance of an individual's next salary payment). In many cases, the rates that fintechs offer on products such as loans and credit cards are significantly more competitive than those from more traditional entities. Fintechs are also democratizing access to financial products and services. In Mexico, Flink allows customers to buy fractions of a stock starting from just a dollar. The cryptocurrency exchange Bitso has been highly successful. There has been growth in insurtech too, enabling people to take just the cover they need from a flexible menu of options.

This democratization is most advanced in Brazil. With fintech payment and digital banking services relatively mature, the next big wave is likely to be in asset management. There are already a number of large platforms for investments. Wealthtech solutions will likely make investing and saving for retirement and other long-term needs available to those with lower levels of capital.

> "The growth of fintech in Latin America is a classic example of 'leapfrogging' — fintechs have leveraged the need for financial inclusion amongst large swathes of the population to move straight to a new generation of services."

Ricardo Anhesini
Head of Financial Services, LATAM
KPMG Brazil

Reaching a new customer base: Exponential growth in Latin American fintech

Funding dynamics

The investment pouring into fintechs is largely coming from private equity markets — and much of it is from overseas such as the US.

But the continent's big incumbent banks are not standing idly by and watching from the sidelines — there are increasing numbers of collaborations and partnerships as the traditional players seek to integrate fintech solutions into their value chains.

Market shifts?

At the same time, however, in a region notorious for its 'cash is king' mantra, some banks are hedging their bets that demand for traditional banking services will stay dominant overall. How this plays out remains to be seen. It's probably fair to assume that traditional banking and fintech solutions can co-exist side by side. But it seems inevitable that fintech will take a growing slice of the market. This will not least be driven by the ever-increasing penetration of smartphones across Latin America, and should play more and more into the hands of fintechs: according to one study, neobanks offer 42 percent more features in their mobile apps than traditional banks, and boast two times the login speed. The use of digital wallets is steadily growing.

Open Banking on the way

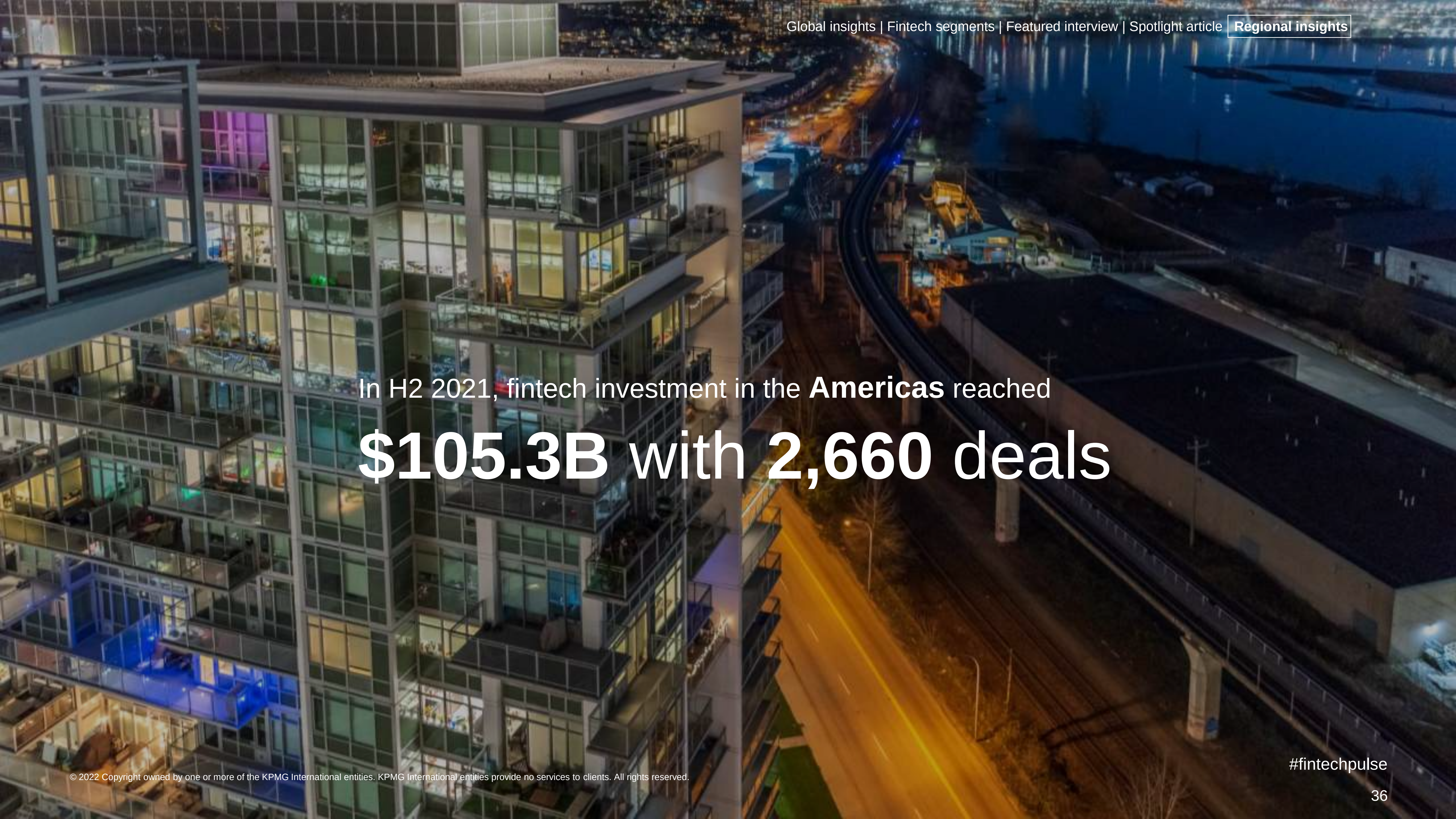
Further impetus for growth is likely to come from Open Banking-related initiatives. There are challenges across the region in terms of the technological infrastructure needed to create Open Banking systems with sufficient data storage and security, but there are signs of progress. Brazil is quite far down the road, while Mexico has an ambitious Open Finance initiative which is expected to oblige organizations with any financial services in their portfolio to open up their data, not just systemic banks.

More to come

The fintech market in Latin America is hot. Growth trends are expected to continue, with deal values to at least double this year. 2022 is going to be a big year for fintech, creating significant value creation potential for those players bold enough to seize the opportunity.

> "As current investments and valuations demonstrate, the market is highly effervescent, deriving from unexpected and unprecedented growth as a consequence of COVID-19. I firmly believe that the next wave of significant growth will be fueled by fintechs and incumbents changing mindsets and recognizing that they are not competitors but powerful allies that must bring the best of two worlds to thrive and drive financial inclusion."

Blanca Cordova
Head of Fintech Advisory
KPMG Mexico



In H2 2021, fintech investment in the **Americas** reached

$105.3B with **2,660** deals

Americas attracts $105 billion in fintech investment, record $65 billion from VC

Fintech investment in the Americas was robust in 2021, with a record 2,660 deals accounting for $105 billion in investment. After shattering the previous record of $25 billion (2020) at mid-year, VC investment climbed further to reach $65 billion for 2021. PE investment in fintech also reached a high of $5.8 billion — well above the previous record of $1.5 billion set in 2019. Despite M&A value dropping year-over-year, the record number of M&A deals highlights the incredible interest in fintech.

Payments and digital banking still hot in Americas

During 2021, the payments and digital banking space continued to drive significant fintech investment in the Americas. During H2’21, the US saw numerous deals, including the $1.4 billion acquisition of American First Finance by FirstCash and the $1.1 billion VC raise by Chime. Latin America also saw robust investment in H2’21, with Brazil-based Nubank raising $1.1 billion, Argentina-based Uala raising $350 million, and Mexico-based Kueski raising $202 million.

Corporate investment soars to new high

Corporate interest in fintech surged in the Americas in 2021, with CVC-related investment in particular accounting for a record $29 billion across 585 deals — with the US accounting for $22 billion of that total. There has been a strong push among traditional players in financial services to expand their offerings, grow top-line revenue, and capture more of the customer value chain, with both VC and M&A becoming a larger part of their strategies to do so.

Major surge in crypto-focused investments

One of the biggest areas of fintech investment growth in the Americas in 2021 was the crypto space, with interest ranging from crypto exchanges and crypto trading firms to startups offering support services — such as compliance or cybersecurity services — to crypto firms. H2’21 saw a number of large VC raises by crypto-focused companies, including a $1 billion raise by Bahamas-based crypto-exchange FTX and $767 million and $750 million raises by US-based bitcoin platform NYDIG and blockchain-based marketplace platform Celsius Network respectively.

Americas attracts $105 billion in fintech investment, record $65 billion from VC

SPAC activity slows in H2'21, remains viable exit option

Fintech-focused SPAC transactions were incredibly strong during H1'21, with reverse mergers by SoFi, Clover Health, Payoneer, and a number of other fintechs in the US. Changes to FTC rules slowed down the market down considerably in the second half of the year, although interest and activity among fintechs remained very robust — with CCI Intelligent Solutions, MoneyLion, Doma Holdings, OppFi, and Bakkt all going public via SPAC during H2'21. Given the tightening timeline for some SPACs to identify targets, interest in fintechs could continue into H1'22.

Investment in B2B fintech solutions growing quickly

B2B services has lagged behind other payments areas in the Americas in terms of innovation. In 2021, while there continued to be lot of investment in B2C companies, there was also a surge in B2B fintechs attracting investment — across VC, PE, M&A, and through reverse mergers — such as Brex, a one-stop finance shop for SMEs, which raised $300 million in H2'21. Particularly in demand are fintechs focused on helping companies manage their AR/AP payment flows.

Trends to watch for in 2022

— Increasing investment in crypto — in addition to a push for crypto regulations, driven in part by industry participants

— Growing number of corporates and fintechs looking to leverage AI and machine learning across all fintech subsectors, including B2B, cybersecurity, and insurtech

— An increasing number of SPACs looking to the fintech space for opportunities as their time horizon shortens

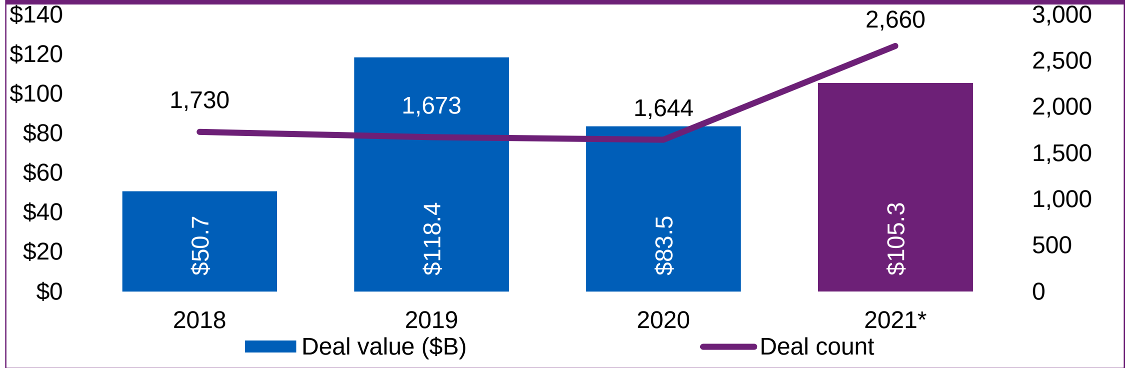
— Increasing deal sizes and a growing breadth of fintechs attracting investments in Latin America

"You can see that almost all companies are looking to accelerate their capabilities and their innovation by making acquisitions or investments in fintechs. You can also see that fintechs themselves are focusing more on acquiring additional capabilities — such as by moving beyond payments and into adjacent areas like providing accounts receivable or accounts payable automation services."

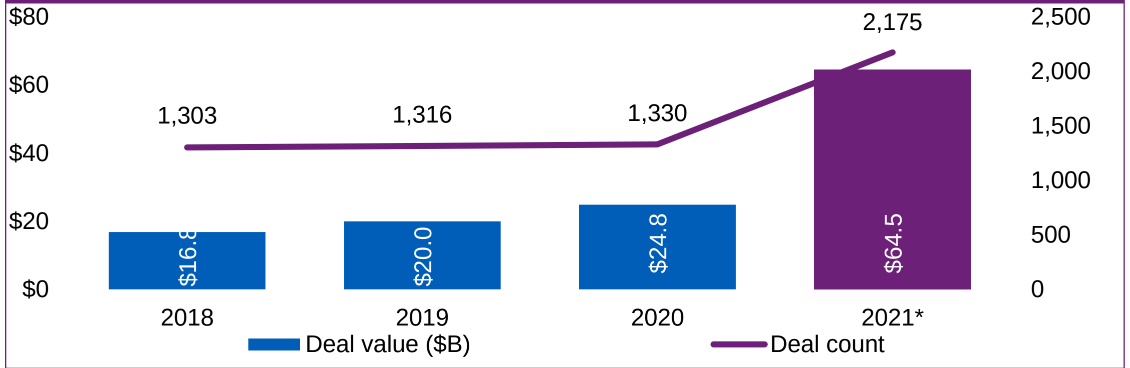
Robert Ruark
Principal, Financial Services Strategy and Fintech Leader, KPMG in the US

VC invested more than doubles year over year

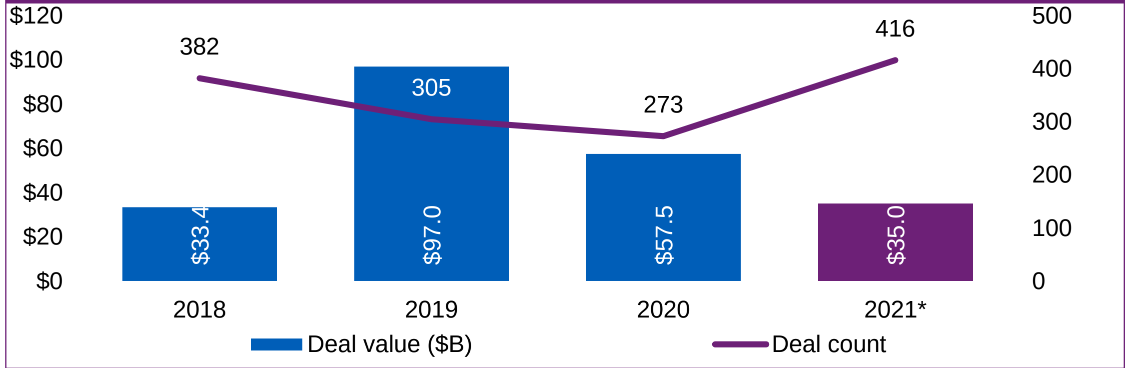
Total investment activity (VC, PE and M&A) in fintech in the Americas
2018—2021*



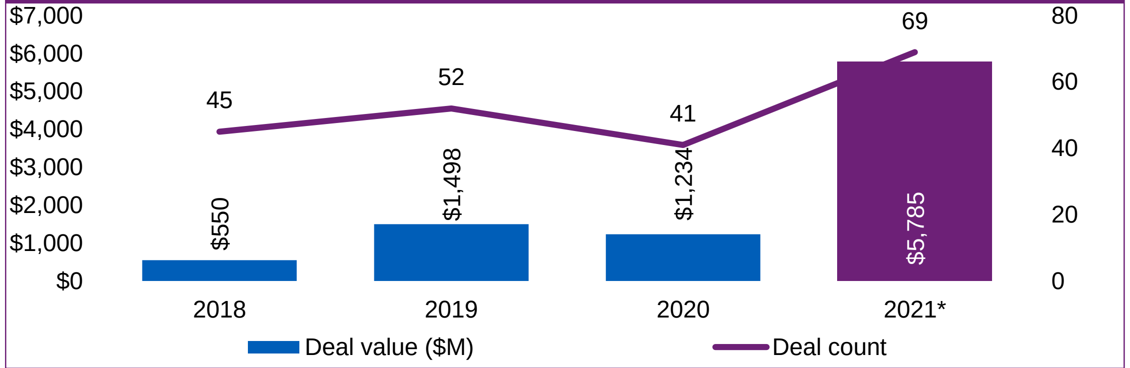
Venture activity in fintech in the Americas
2018—2021*



M&A activity in fintech in the Americas
2018—2021*



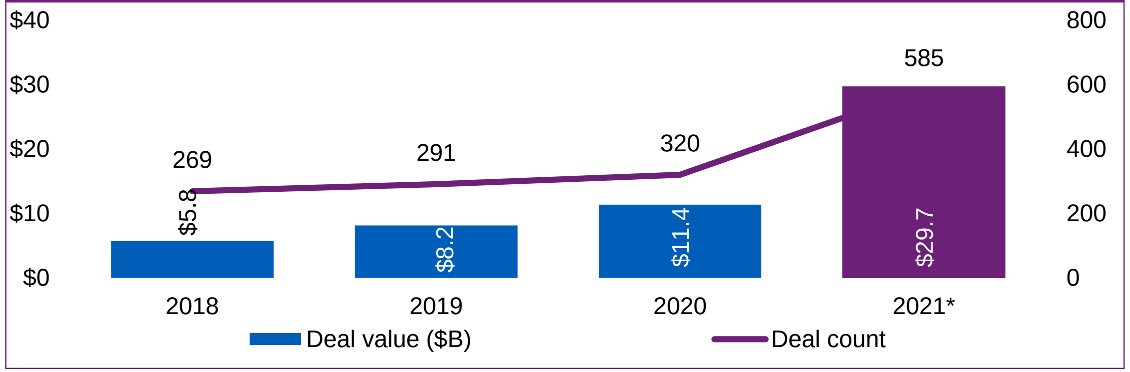
PE growth activity in fintech in the Americas
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

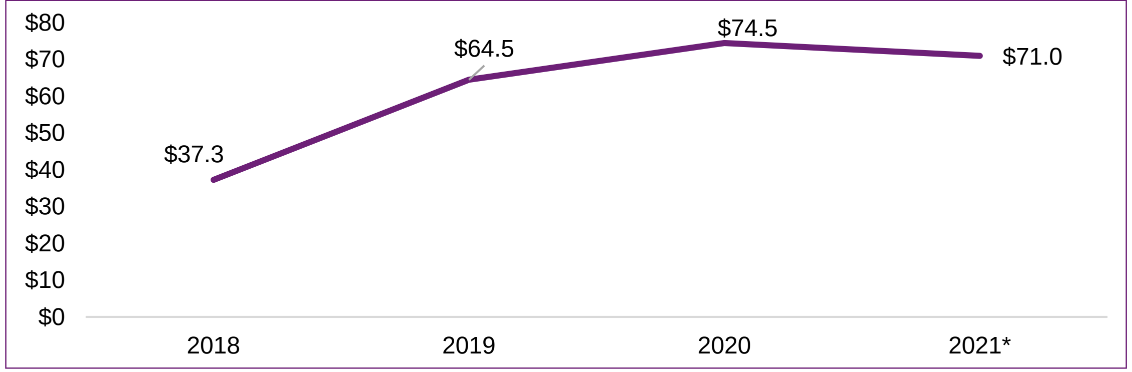
Corporates join in record sum of VC invested

VC activity in fintech with corporate participation in the Americas
2018—2021*

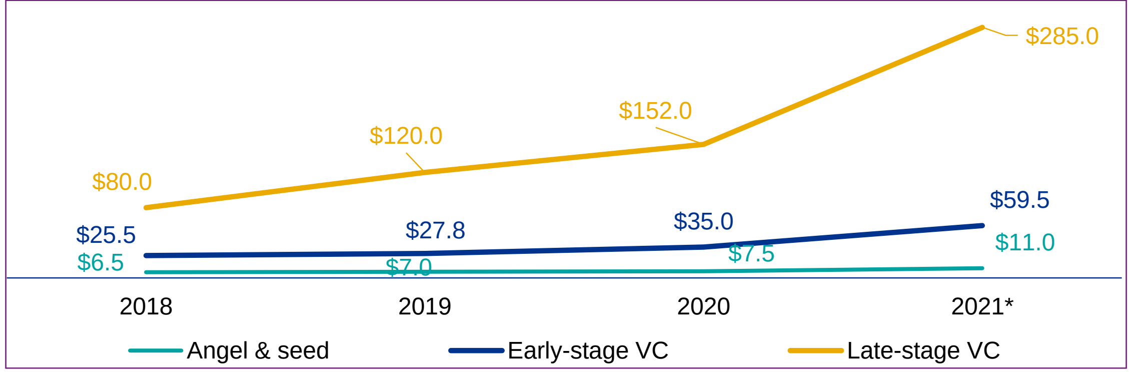


Thanks to a red-hot venture financing market, investment in fintech is on the rise nearly everywhere. Valuations have surged given the influx of capital in the space and investors' willingness to spend big, especially at the late stage. Corporations are seeking to become more exposed to multiple fintech segments as well, beyond incumbent financial services giants that are looking to augment and/or renovate their tech stacks. At the same time, M&A remains elevated given consolidation in various fintech segments, especially payments.

Median M&A size ($M) in fintech in the Americas
2018—2021*



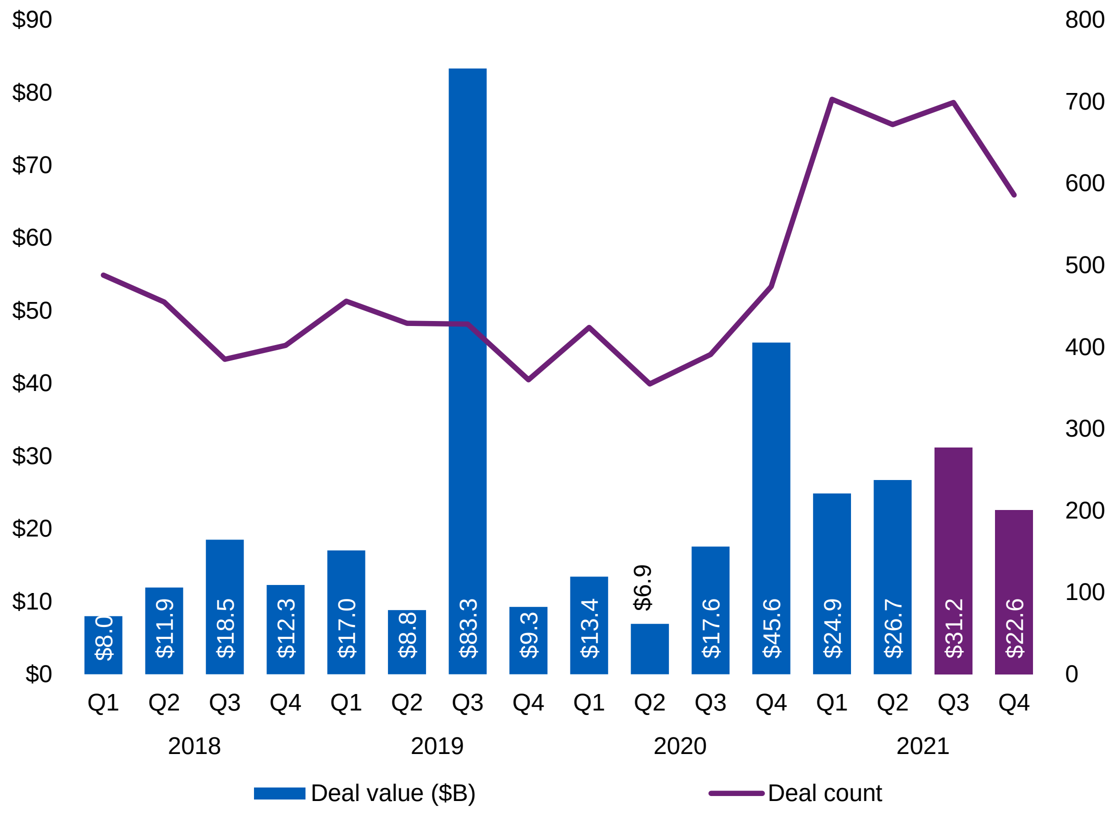
Median pre-money valuations ($M) by stage in fintech in the Americas
2018—2021*



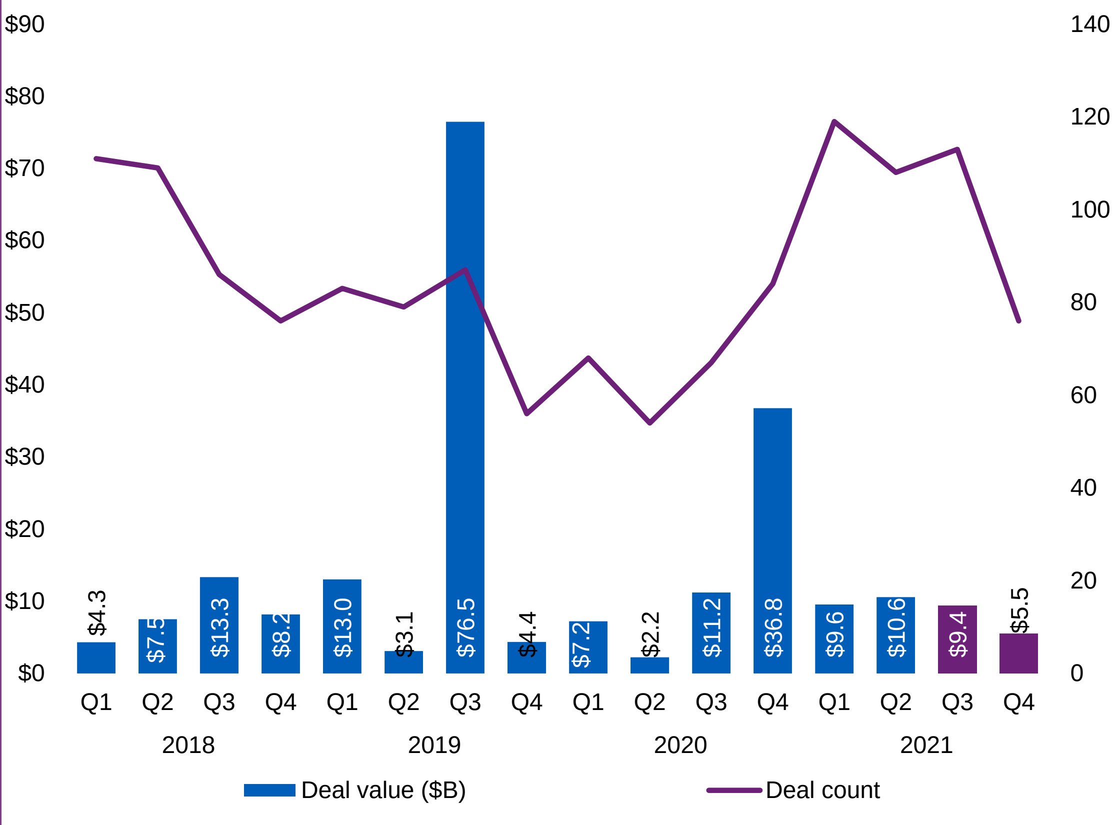
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

2021 sees highest level of financing volume ever

Total investment activity (VC, PE, M&A) in fintech in the Americas
2018—2021*



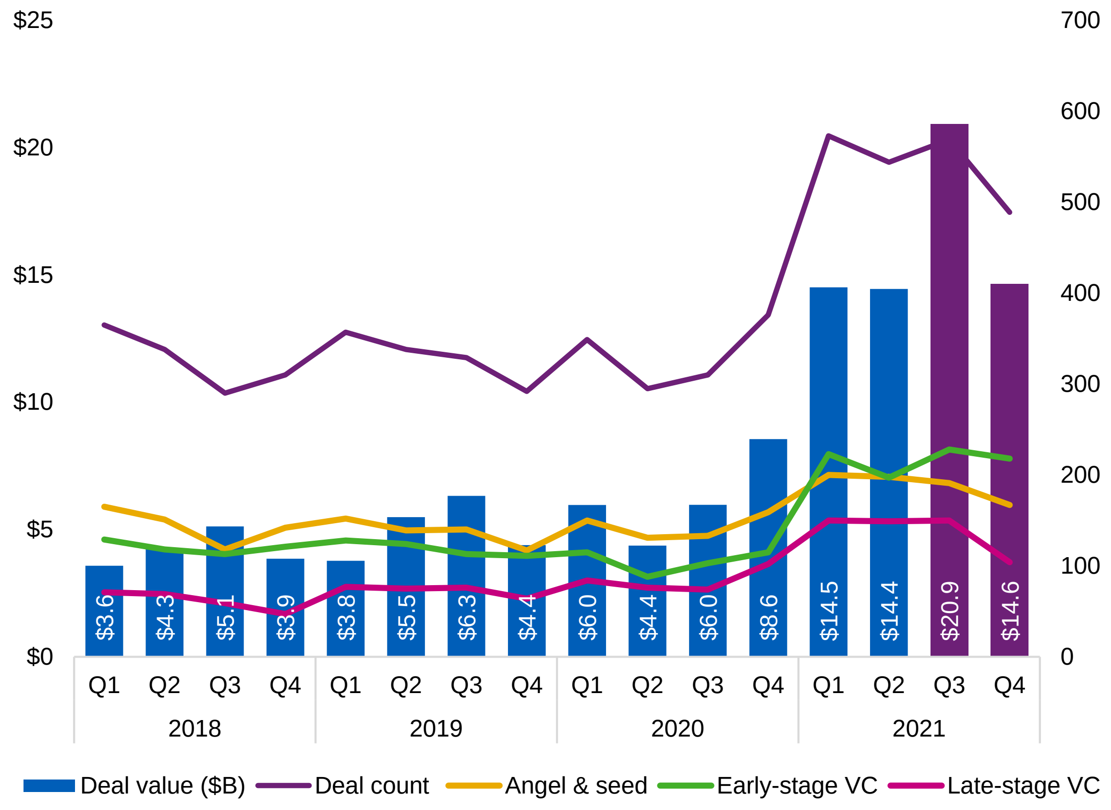
M&A activity in fintech in the Americas
2018—2021*



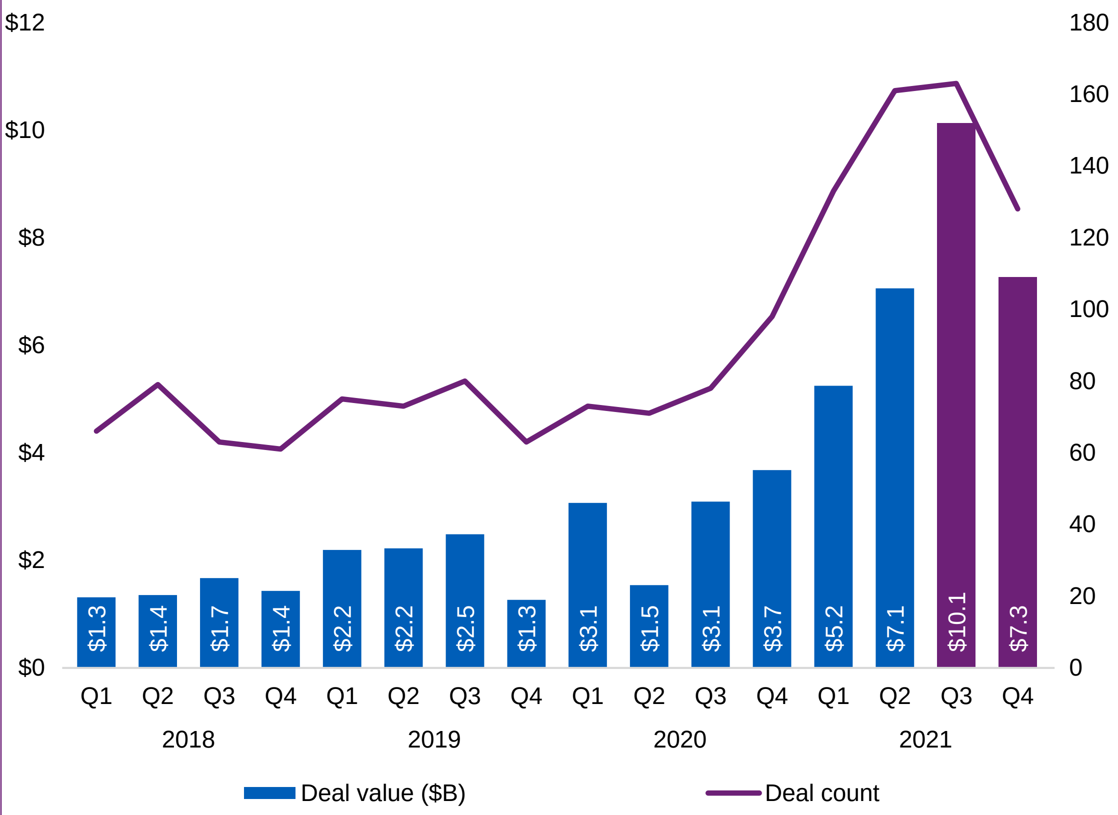
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Q3 2021 sees mammoth tally of VC invested

Venture activity in fintech in the Americas
2018—2021*



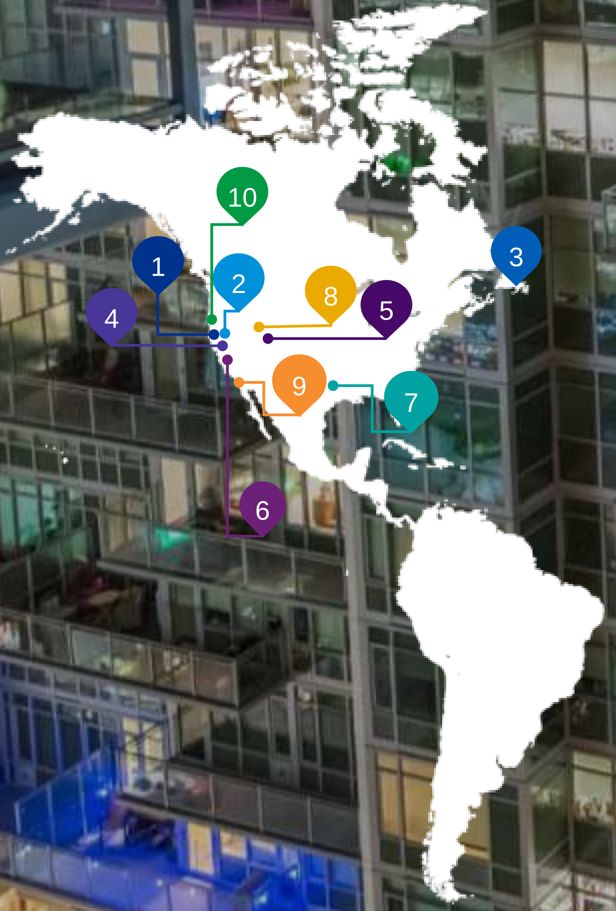
VC activity in fintech with corporate participation in the Americas
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

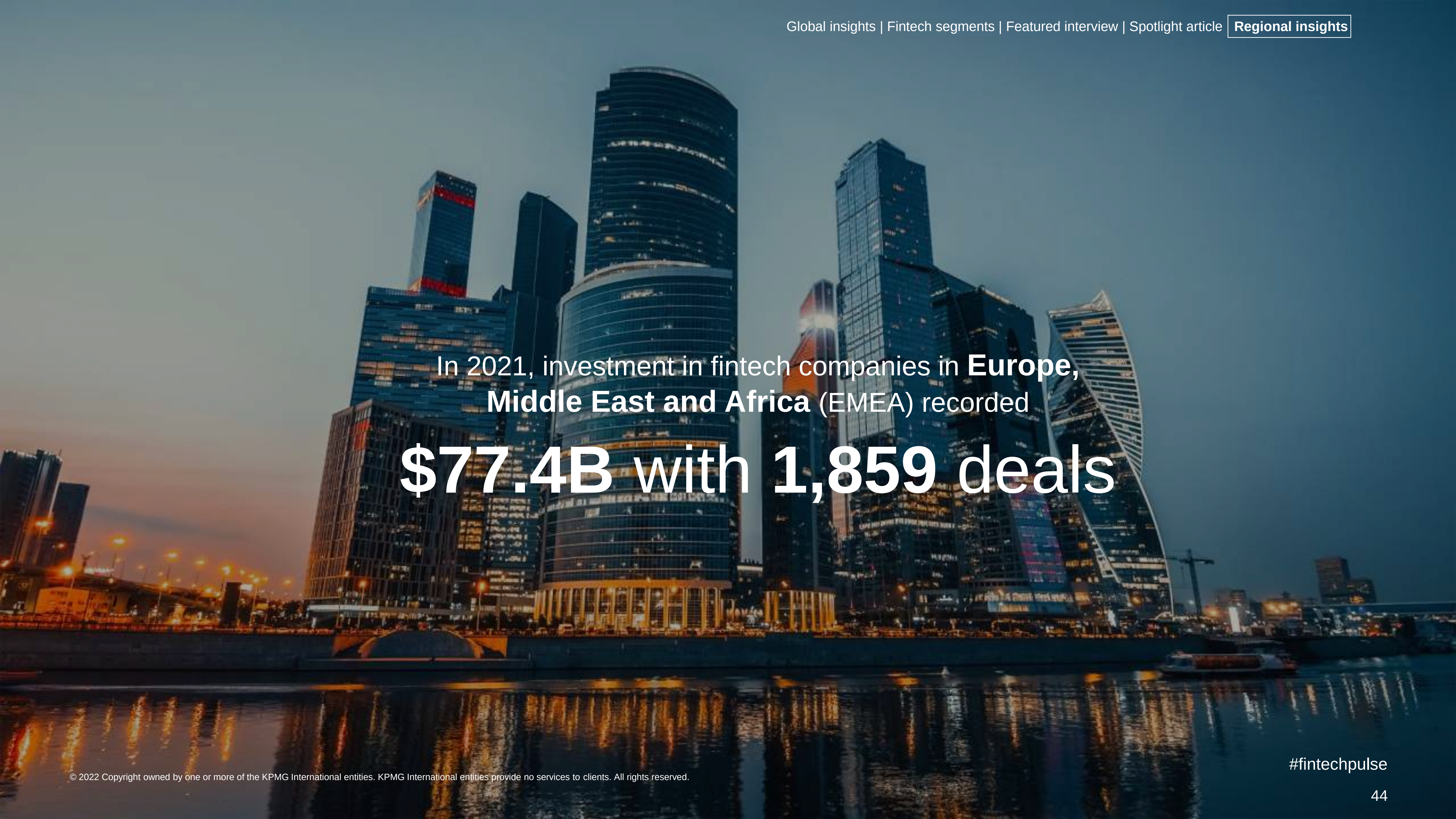
Americas

Top 10 fintech deals in the Americas in 2021



1. **Adenza** — $3.75B, San Francisco, US — Institutional/B2B — *Buyout*
2. **Robinhood** — $3.4B, Menlo Park, US — Wealth/investment management — *Series G*
3. **Verafin** — $2.75B, St. John's, Canada — Institutional/B2B — *M&A*
4. **SoFi** — $2.4B, San Francisco, US — Lending — *Reverse merger*
5. **Divvy** — $2.3B, Draper, US — Payments/transactions — *M&A*
6. **Generate** — $2B, San Francisco, US — Specialized finance — *Late-stage VC*
7. **American First Financial** — $1.5B, Fort Worth, US — Payments — M&A
8. **Acima Credit** — $1.4B, Sandy, US — Lending — *M&A*
9. **BTC.com** — $1.3B, Los Angeles, US — Blockchain/cryptocurrency — *M&A*
10. **BitGo** — $1.2B, Palo Alto, US — Blockchain/cryptocurrency — *Buyout*

Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.



In 2021, investment in fintech companies in **Europe, Middle East and Africa** (EMEA) recorded

$77.4B with **1,859** deals

EMEA sees record $77 billion in fintech investment in 2021

Total fintech investment in the EMEA region grew to a record $77 billion in 2021, driven in part by significant M&A activity. While many of the largest deals in EMEA occurred in H1’21 — including the $14.8 billion acquisition of Refinitiv by the London Stock Exchange and the $1 billion funding round of Buy Now Pay Later (BNPL) specialist Klarna, making it the highest valued private Fintech in Europe — H2’21 saw the $9.2 billion acquisition of Denmark-based payments processor Nets by Italy-based Nexi and the $929 million acquisition of foreign exchange payments platform CurrencyCloud by Visa. Key H2’21 highlights from the EMEA region include:

VC investment surpasses $30 billion

VC investment in fintech skyrocketed in the EMEA region during 2021 — more than tripling from it’s previous high of $9.9 billion in 2020. H2’21 saw numerous jurisdictions across the region raise $100 million+ megarounds, including lesser known fintech ecoystems like Nigeria ($400 million — Opay), Gibraltar ($400 million — Bullish Global), Iceland ($344 million — SaltPay), Denmark ($350 million — Pleo), and Austria ($263 million — Bitpanda), South Africa ($120 million — JUMO), and Ghana ($100 million — MFS Africa). The fintech ecosystem in the Middle East also continued to evolve, with a $75 million raise by Bahrain-based Rain and a $50 million raise by UAE-based Tabby in H2’21.

Payments space attracts large deals across EMEA

The payments space was incredibly hot across the EMEA region, with deals ranging from the $9.2 billion acquisition of Nets by Nexi to a $400 million raise by OPay in Nigeria — which earned the company unicorn status; the raise was also the largest single round raised by a startup in Africa ever.[1]

Digital banks remain in the spotlight

2021 saw a significant amount of VC funding flow to digital banks, with the lions share going to mature challenger banks in Europe — including a $900 million raise by N26 and an $800 million raise by Revolut in the second half of the year. H2’21 did throw some wrenches into the space as both N26 and Monzo bank decided to forgo the US market — primarily as a result of regulatory complexity. Profitability also continued to be a challenge — which could lead to some consolidation in the digital banking space longer term.

[1] https://techcabal.com/2021/08/23/led-by-softbank-nigerias-opay-raises-400m/

> “Quite a few Neobanks have been struggling with profitability despite the growth of their customer base. At the same time, they are forced to invest heavily in areas like AML to respond to increasing regulatory pressures. This combination will likely drive consolidation in the space as companies look to achieve better economies of scale.”

Dave Remue
Director, Fintech Advisory
KPMG in Belgium

> “Africa has seen a large upswell in fintech investment, with momentum only expected to increase as we head into 2022. To date, much of the investment has been in the digital banking and payments space, although lending is projected to grow as startups introduce ways to use AI and machine learning to improve credit risk assessments.”

Mike Louw
Partner, KPMG South Africa

EMEA sees record $77 billion in fintech investment in 2021

Increasing focus on embedded finance and insurtech

During 2021, a number of fintech players have shifted their focus from traditional finance offerings to the provision of embedded finance services and embedded insurtech services. This is driving a number of partnerships in the space, such as between Aion Bank, Temenos, and Vodeno [2] or Qover and Monese. [3]

Cryptocurrencies, NFTs and decentralized finance gaining traction

Investor interest in cryptocurrencies is growing in the EMEA region, particularly in jurisdictions like Portugal and Germany which have clear regulations. In 2021, Coinbase established its European headquarters in Germany; it also became the first company to get approved for crypto custody by Germany’s Federal Financial Supervisory Authority (BaFin).[4] French startup Sorare that offers a platform for trading football NFTs raised $680 million [5] sending its valuation to $4.3 billion, highlighting accelerated market interest for this new fintech space.

Trends to watch for in 2022

— Increasing investment in decentralized finance and a stronger push for the development of a common regulatory framework for crypto
— Finctechs looking to expand their footprint across the EU — and beyond
— Growing fintech deal sizes in the Middle East and Africa — primarily in the payments space
— Increasing interest in B2B fintech solutions and business models
— Increasing focus on IPO opportunities as investors in mature fintechs look to exit

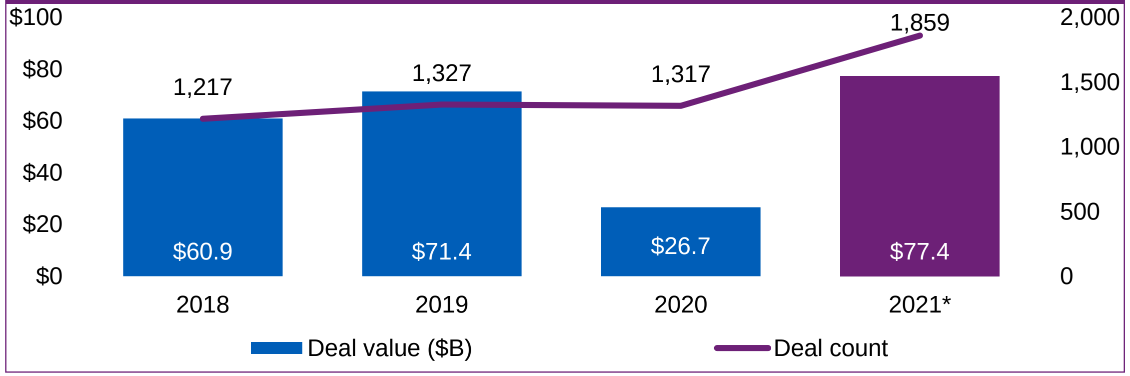
“A lot of fintech activity in the EMEA region to date has focused on the direct-to-consumer space. With many of those business models maturing, the next big fintech push, next to crypto, we expect to see will likely be in the B2B space as fintechs look to tackle more systemic issues and help existing businesses improve their financial processes and value to customers.”

Bernd Oppold
Partner, Advisory
KPMG Germany

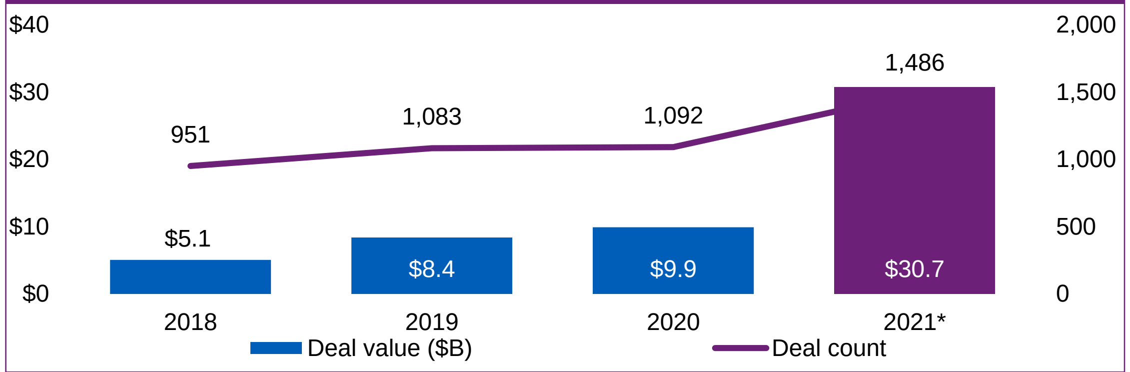
[2] https://www.temenos.com/us/news/2021/09/23/temenos-vodeno-and-aion-bank-announce-strategic-collaboration-to-accelerate-the-adoption-of-banking-as-a-service-in-europe/
[3] https://www.qover.com/blog/qover-insures-monese-customers-bills-purchases
[4] https://news.coincu.com/2114-coinbase-is-the-first-company-with-crypto-custody-in-germany/
[5] https://www.prnewswire.com/news-releases/sorare-raises-680m-series-b-to-create-the-next-sports-entertainment-giant-leveraging-nfts-301380764.html

2021 eclipses 2019 for highest annual deal value yet

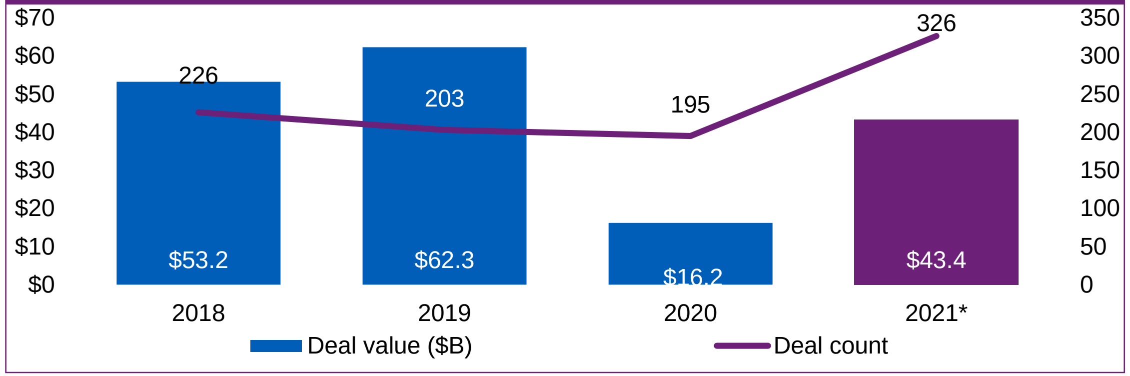
Total investment activity (VC, PE and M&A) in fintech in EMEA
2018—2021*



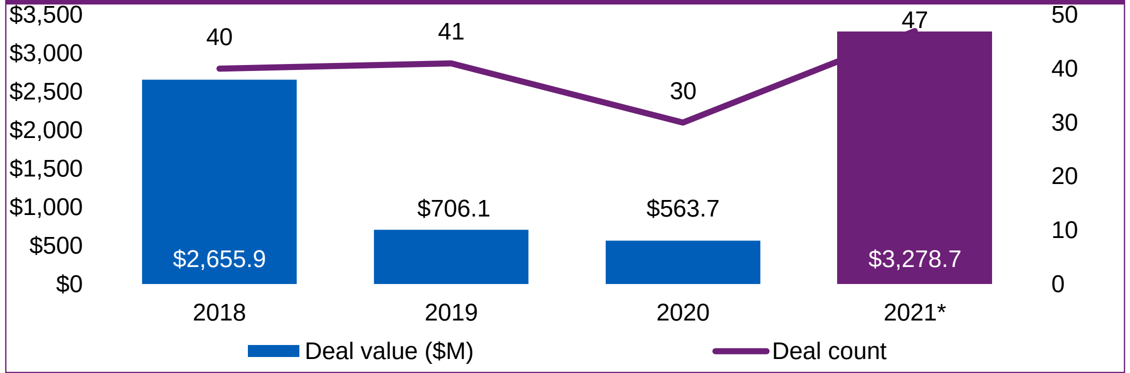
Venture activity in fintech in EMEA
2018—2021*



M&A activity in fintech in EMEA
2018—2021*



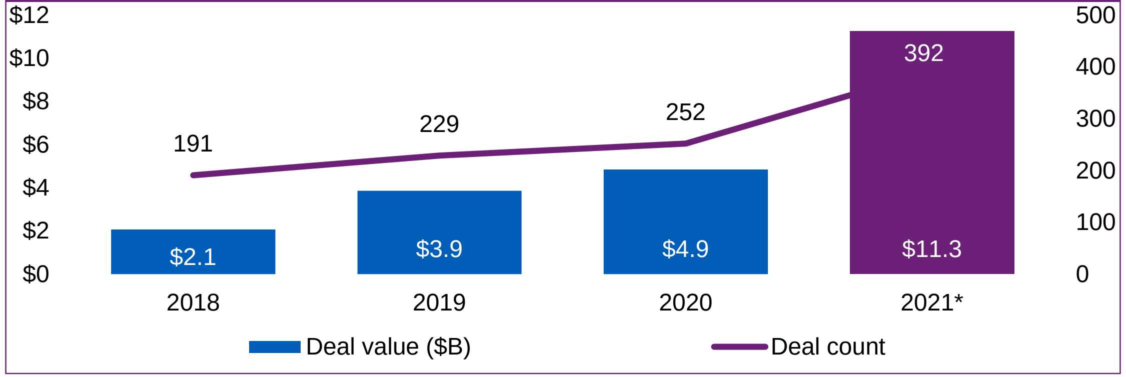
PE growth activity in fintech in EMEA
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

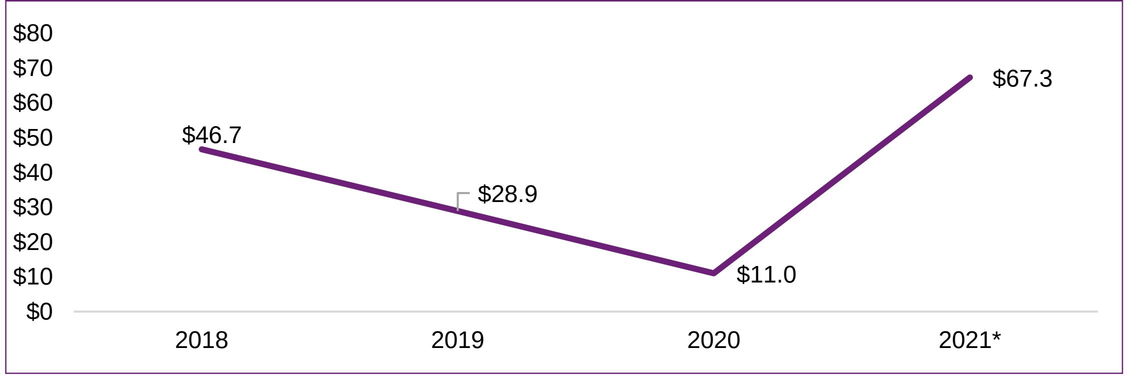
Amid strong investment levels, median M&A size surges

VC activity in fintech with corporate participation in EMEA
2018—2021*

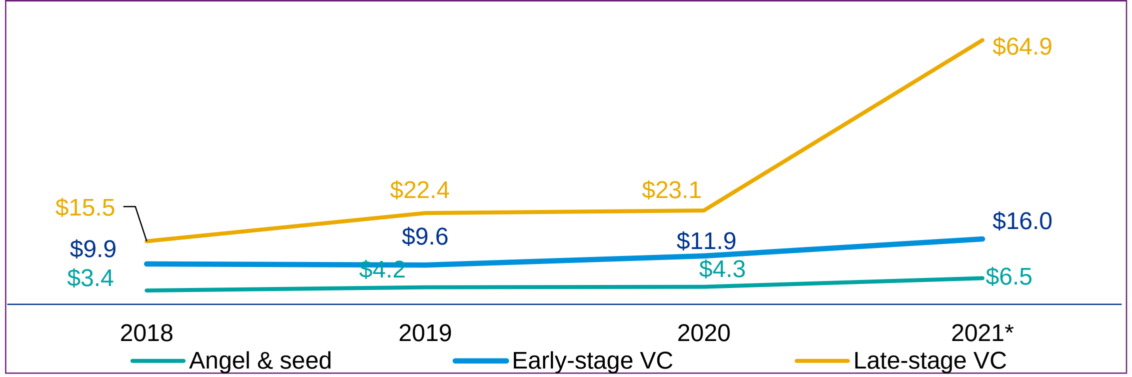


Even after the banner year of 2019, 2021 saw investment levels surge even higher, closing in on close to $80 billion in aggregate deal value. Such a swell in investment was due in part significant consolidation as well as massive late-stage financing activity in the venture realm. Valuations surged as a result, while the median M&A size more than quintupled year over year given competition for the best targets. The active investor base in fintech expanded, with more and more corporations joining in financing rounds and engaging actively in acquisitions of smaller fintechs.

Median M&A size ($M) in fintech in EMEA
2018—2021*



Median pre-money valuations ($M) by stage in fintech in EMEA
2018—2021*

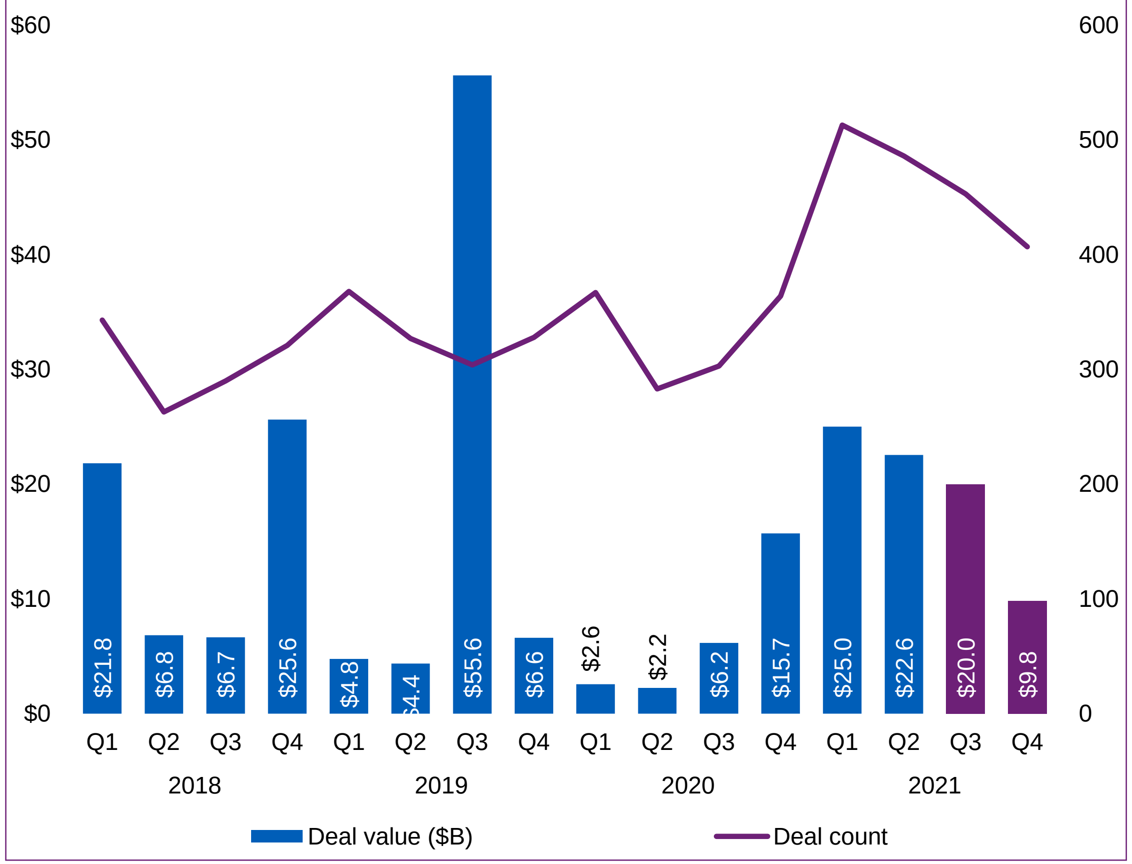


Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.
Note: The median M&A size in 2021* is based on a population where n = 22.

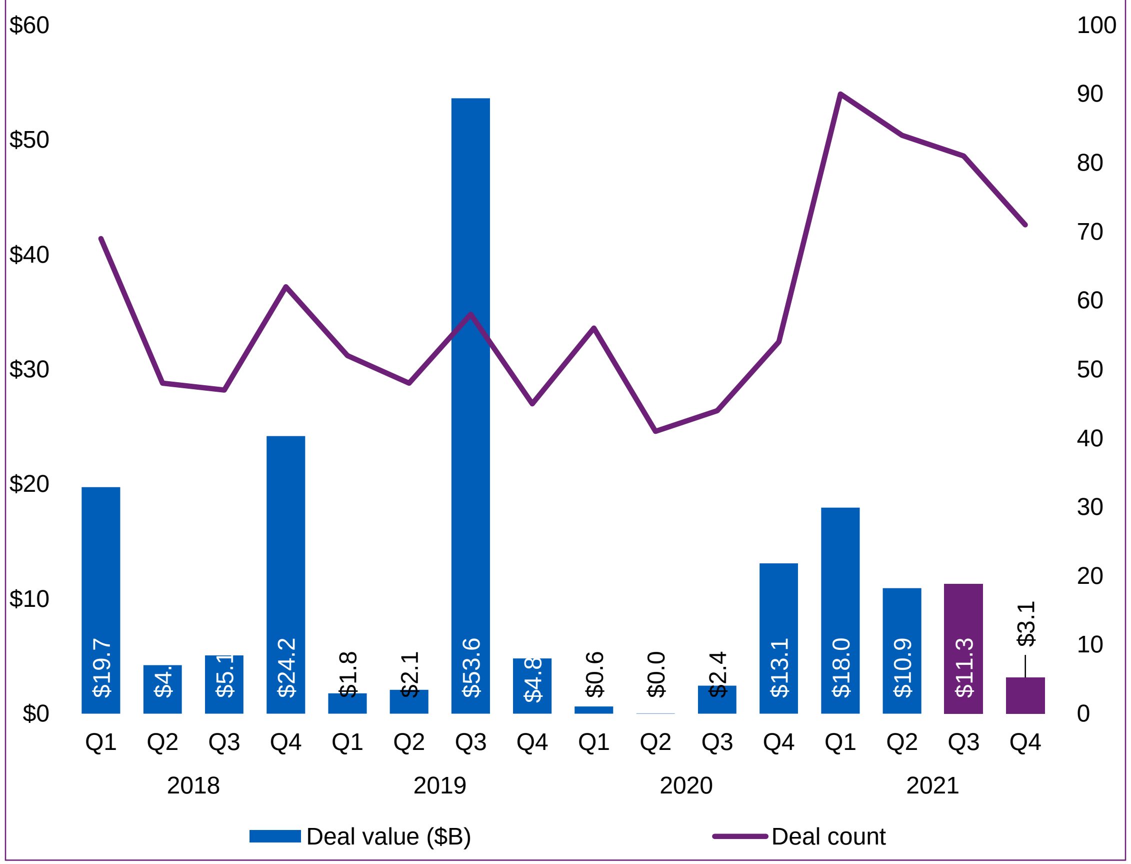
Regional insights — EMEA

M&A remains high despite diminishing after record Q1

Total investment activity (VC, PE and M&A) in fintech in EMEA
2018—2021*



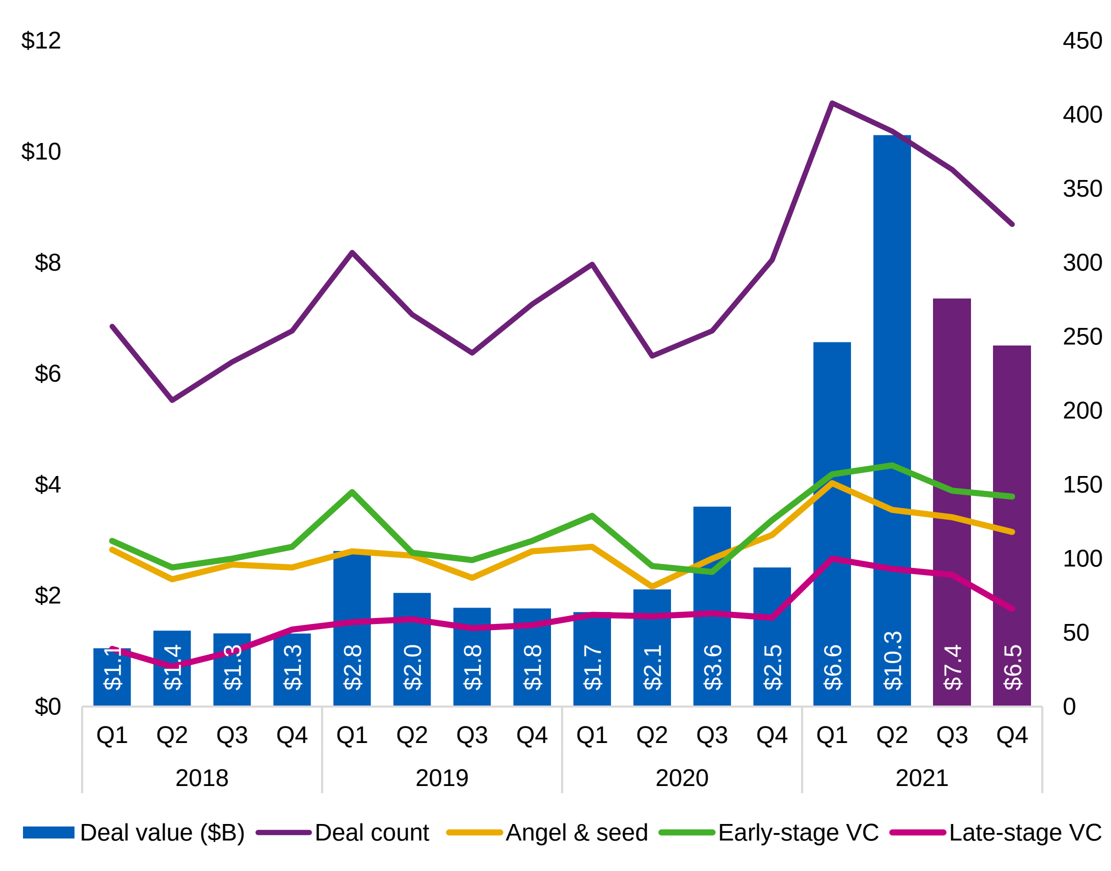
M&A activity in fintech in EMEA
2018—2021*



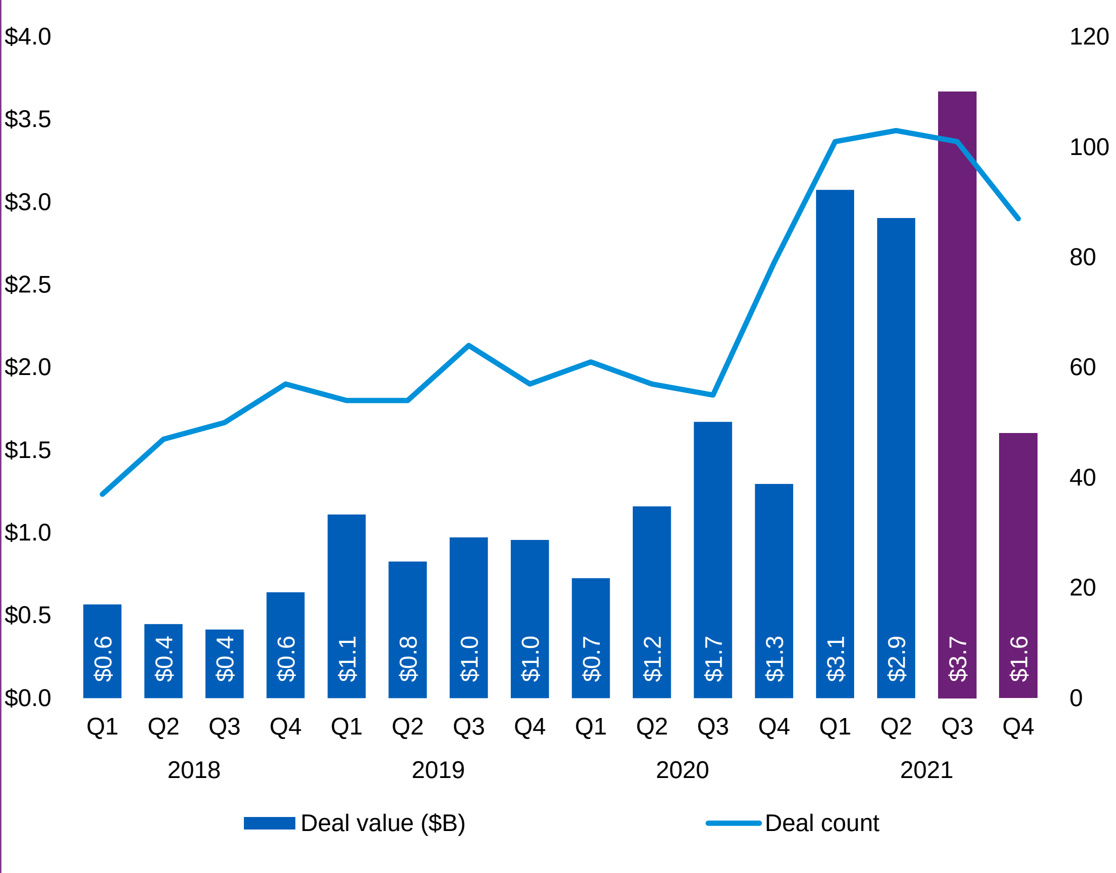
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Q3 2021 sees record rate of participation by corporates in terms of associated deal value

Venture activity in fintech in EMEA
2018—2021*



VC activity in fintech with corporate participation in EMEA
2018—2021*



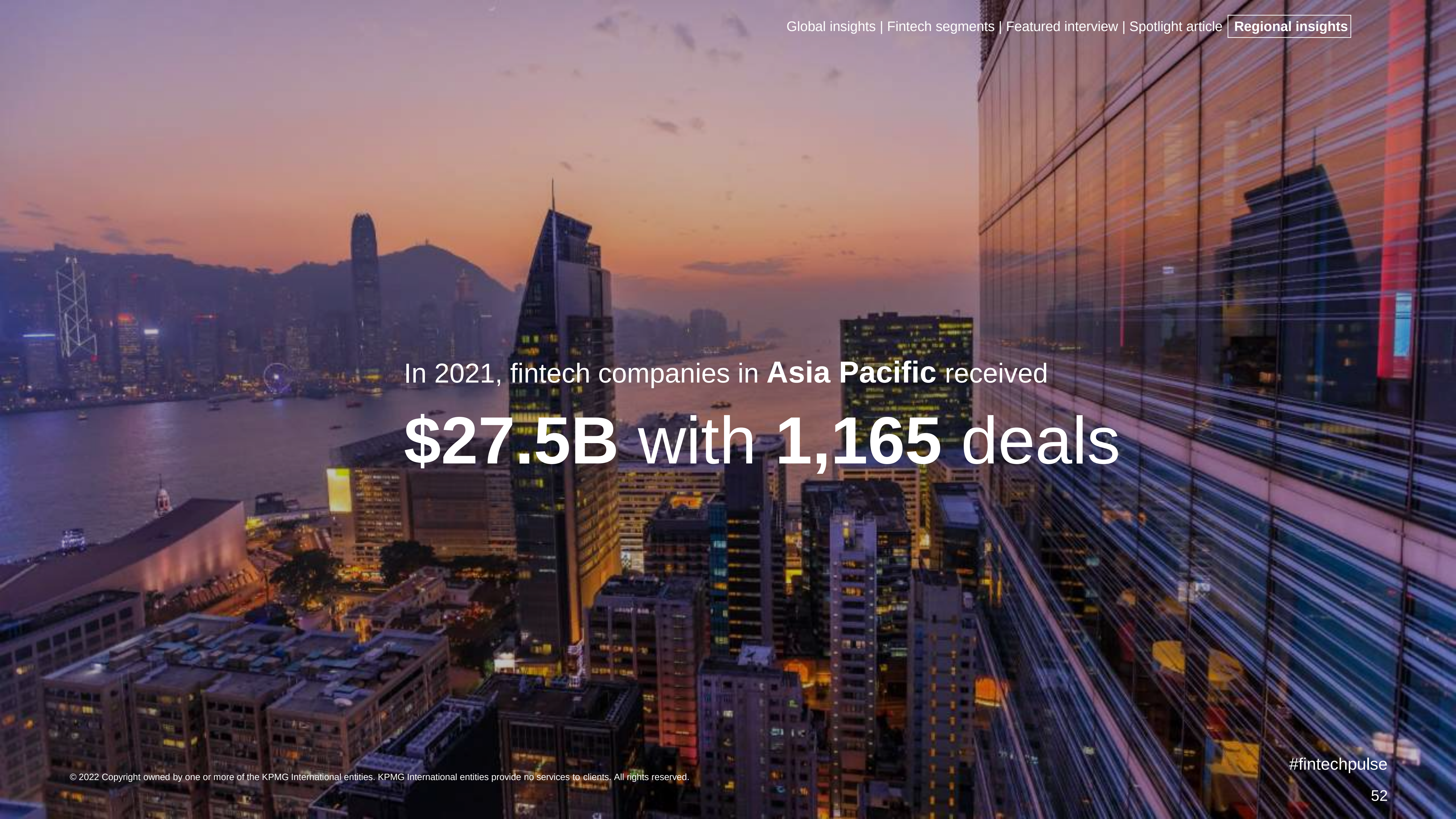
Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

EMEA

Top 10 fintech deals in EMEA in H2 2021

1. **Refinitiv** — $14.8B, London, UK — Institutional/B2B — *M&A*
2. **Nets** — $9.2B, Ballerup, Denmark — Payments — *M&A*
3. **Itiviti Group** — $2.6B, Stockholm, Sweden — Institutional/B2B — *M&A*
4. **Tink** — $2.2B, Stockholm, Sweden — Banking — *M&A*
5. **Unit4** — $2.15B, Sliedricht, Netherlands — Institutional/B2B — *Buyout*
6. **Capco Group** — $1.5B, London, UK — Institutional/B2B — *M&A*
7. **Paysafe Group** — $1.45B, London, UK — Payments/transactions — *Reverse merger*
8. **Klarna** — $1.3B, Stockholm, Sweden — Payments/transactions — *Later VC*
9. **Nutmeg** — $989.4M, London, UK — Wealth/investment management — *M&A*
10. **CurrencyCloud** — $929.6M, London, UK — Payments — *M&A*

Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.



In 2021, fintech companies in **Asia Pacific** received

$27.5B with **1,165** deals

#fintechpulse

2021 fintech investment in Asia-Pacific nearly doubles amid record deal volume

Fintech investment in the Asia-Pacific region reached $27.5 billion in 2021 across a record 1,165 deals. While total investment fell well shy of 2019's peak, it was almost twice the $14.7 billion seen in 2020. Investment was particularly strong in H1'21, led by the $2.7 billion acquisition of Japan-based BNPL firm Paidy by PayPal, a $600 million PE investment in India-based Pine Labs, and large VC funding rounds by India-based BharatPe ($395 million), Razorpay ($375 million), and OfBusiness ($325 million). Key H2'21 highlights from the Asia-Pacific region include:

Interest in embedded finance and BaaS models growing

During 2021, interest in embedded finance propositions grew in the Asia-Pacific region, particularly Southeast Asia where banks are increasingly looking for assistance to improve their embedded finance, digital wallet, and supply chain finance capabilities. Interest in BaaS solutions was also on the rise during the year with numerous banks and startups across the region focused on the issue — whether as service providers, partners, or potential clients. During H2'21, HSBC took a strong step into the BaaS space, announcing a partnership with NetSuite to embed international payments and expense management into the company's SuiteBanking platform.[4]

BNPL space continues to heat up

During 2021, the BNPL space in the Asia-Pacific region was incredibly hot, driving in part by PayPal's acquisition of Paidy for $2.7 billion in H2'21. 2022 is expected to start off on an incredibly high note given the H2'21 announcement of the $29 billion acquisition of Australia-based Afterpay by Block (formerly Square) — a deal likely to close in H1'22.[5]

Fintechs increasingly focus on data value propositions to attract investment

Over the last year, there's been a growing trend among scaling fintechs across the Asia-Pacific region to reinvent themselves as data organizations in order to attract more attention and investment — billing themselves as data providers that offer payments, lending, insurance, or other related activities rather than simply fintech companies.

[4] https://www.fintechfutures.com/2021/10/hsbc-launches-new-baas-offering-with-netsuite/
[5] https://www.cnn.com/2021/08/01/tech/square-afterpay-intl-hnk/index.html

2021 fintech investment in Asia-Pacific nearly doubles amid record deal volume

Regulatory activity in China helps drive attention to other markets in Asia-Pacific

During 2021, China continued to enhance regulations in the fintech space — most notably banning cryptocurrency transactions, bitcoin mining, and the facilitation of cryptocurrency trading. While the uptick in regulatory activity in China led some fintech investors to pull-back from China, it also raised the profile of other fintech hubs in the region — including India and Singapore. Among the top 10 deals in the region this year, only one — a $308 million raise by MediTrust Heath — occurred in China; deals in Japan, South Korea, India, and Singapore accounted for the others.

Trends to watch for in 2022

— Singapore growing on the radar of companies looking for a base from which to expand outside of the Asia-Pacific region

— Growing investment from Asia-Pacific based countries into developing regions, including the Middle East, Africa, and Southeast Asia

— Continued growth of embedded finance, including banking and insurance

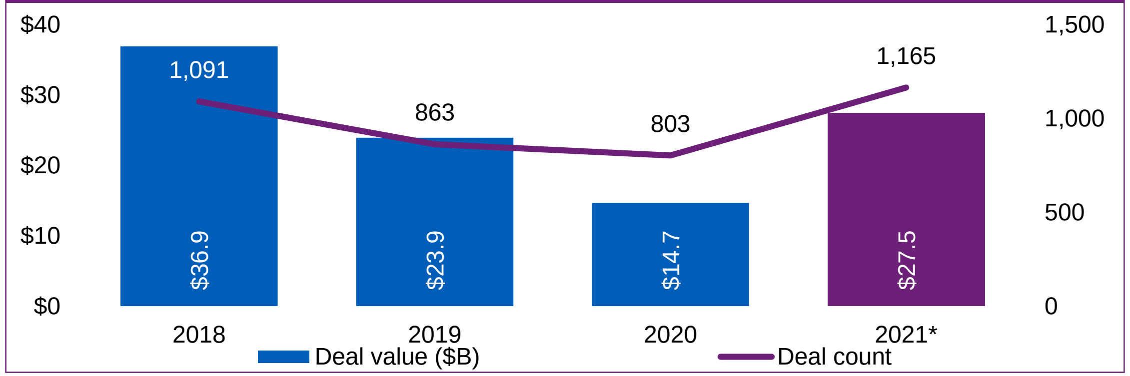
> "Global investors are starting to recognize the enormous size and scale of the Asia-Pacific fintech market. This is going to drive a lot of activity heading into 2022 as both investors and companies look to gain a share of the action in the region. Singapore and India could be big winners on the investment front as investors and companies that might have gone to China look for opportunities elsewhere in the region."

Anton Ruddenklau
Global Fintech Leader,
Partner and Head of Financial Services Advisory
KPMG in Singapore

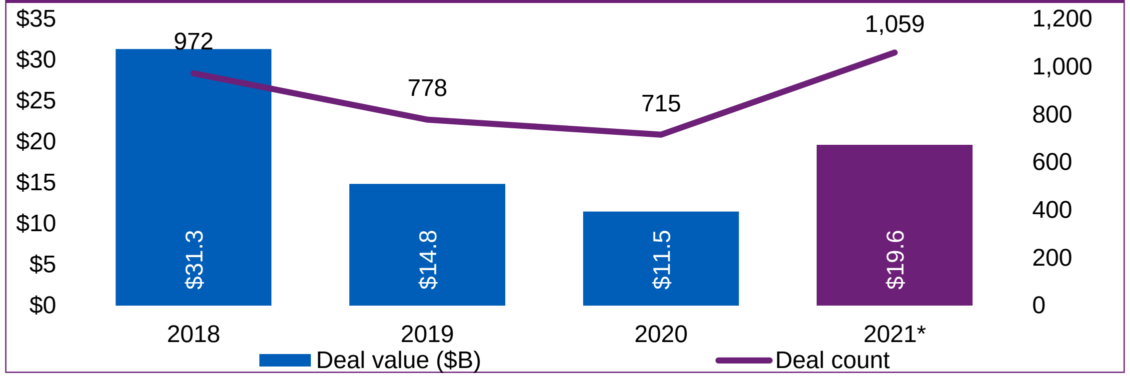
Regional insights — ASPAC

A record high in deal volume

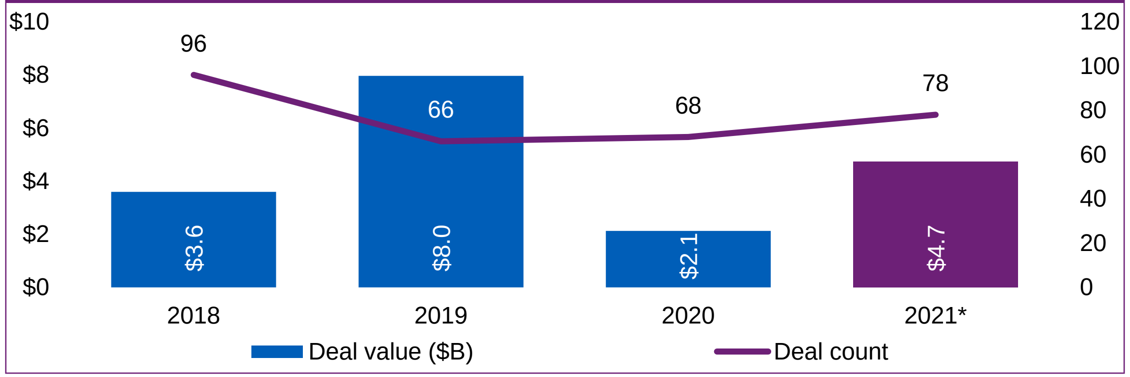
Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2018—2021*



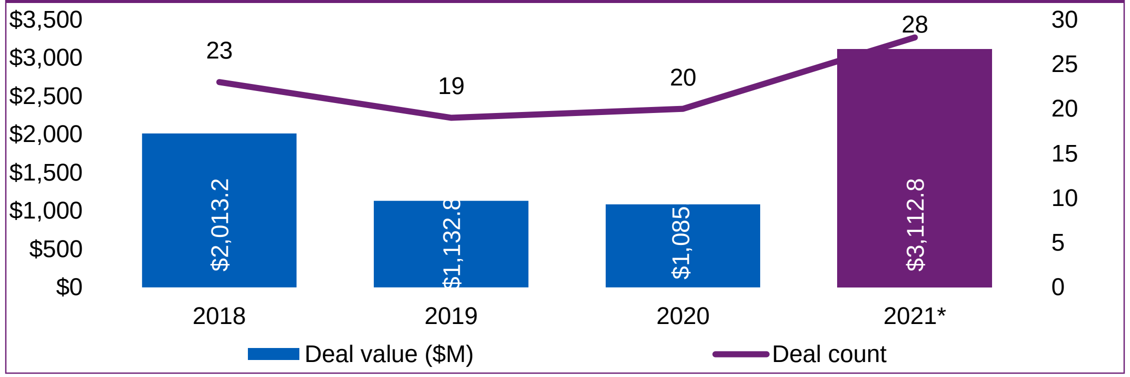
Venture activity in fintech in Asia Pacific
2018—2021*



M&A activity in fintech in Asia Pacific
2018—2021*



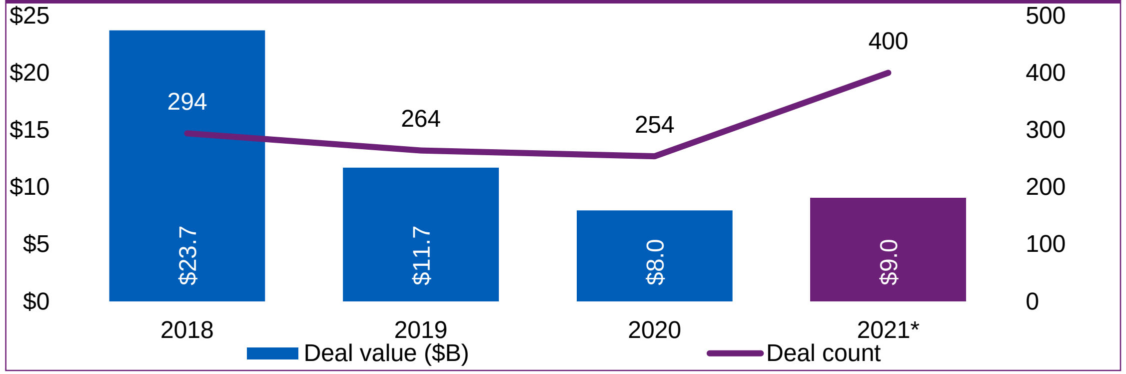
PE growth activity in fintech in Asia Pacific
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

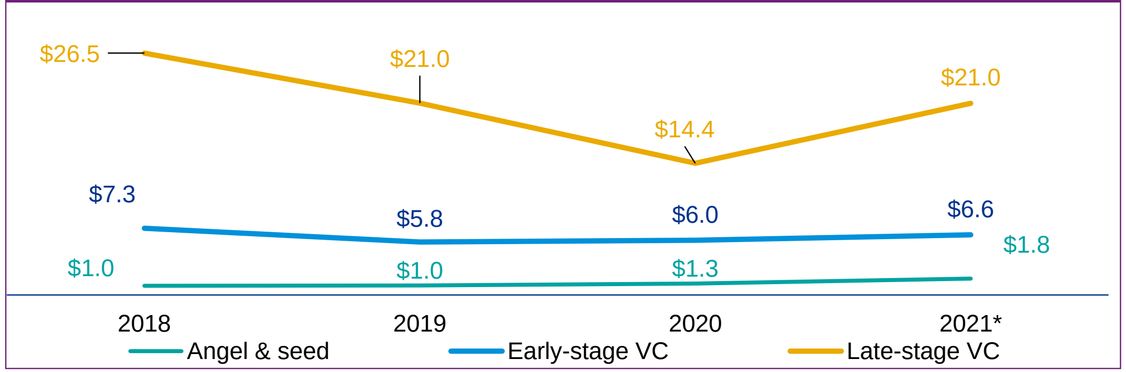
Late-stage venture valuations roar upwards

VC activity in fintech with corporate participation in Asia Pacific
2018—2021*

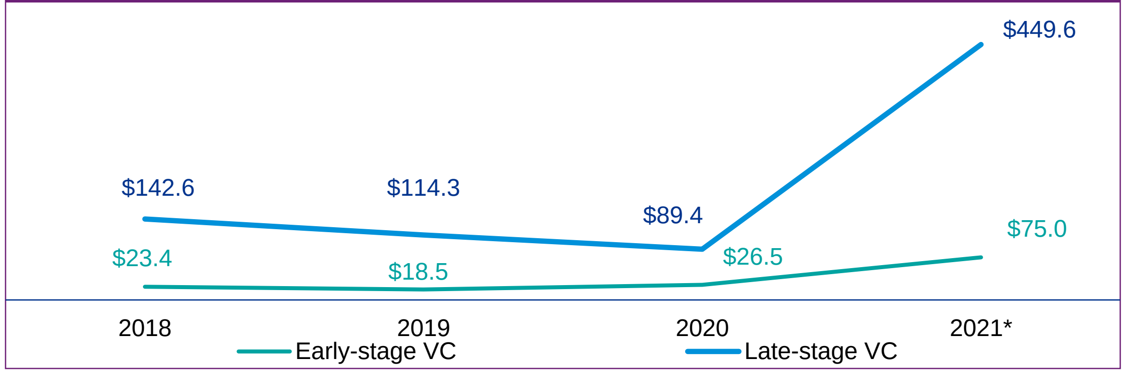


After dipping for two years straight, late-stage venture valuations for fintech roared back up to new heights, nearly hitting $450 million. Early-stage figures also surged, indicating that the entire fintech venture ecosystem grew considerably heated in 2021. At the same time, venture deal sizes rose across the board, likely propped by growing participation from corporates and their venture arms, which participated in a record tally of 400 completed fintech transactions. Consolidation stayed relatively robust in tandem, although private equity firms grew more active within fintech than previously seen before.

Median venture deal sizes ($M) by stage in fintech in Asia Pacific
2018—2021*



Median venture pre-money valuations ($M) by stage in fintech in Asia Pacific
2018—2021*

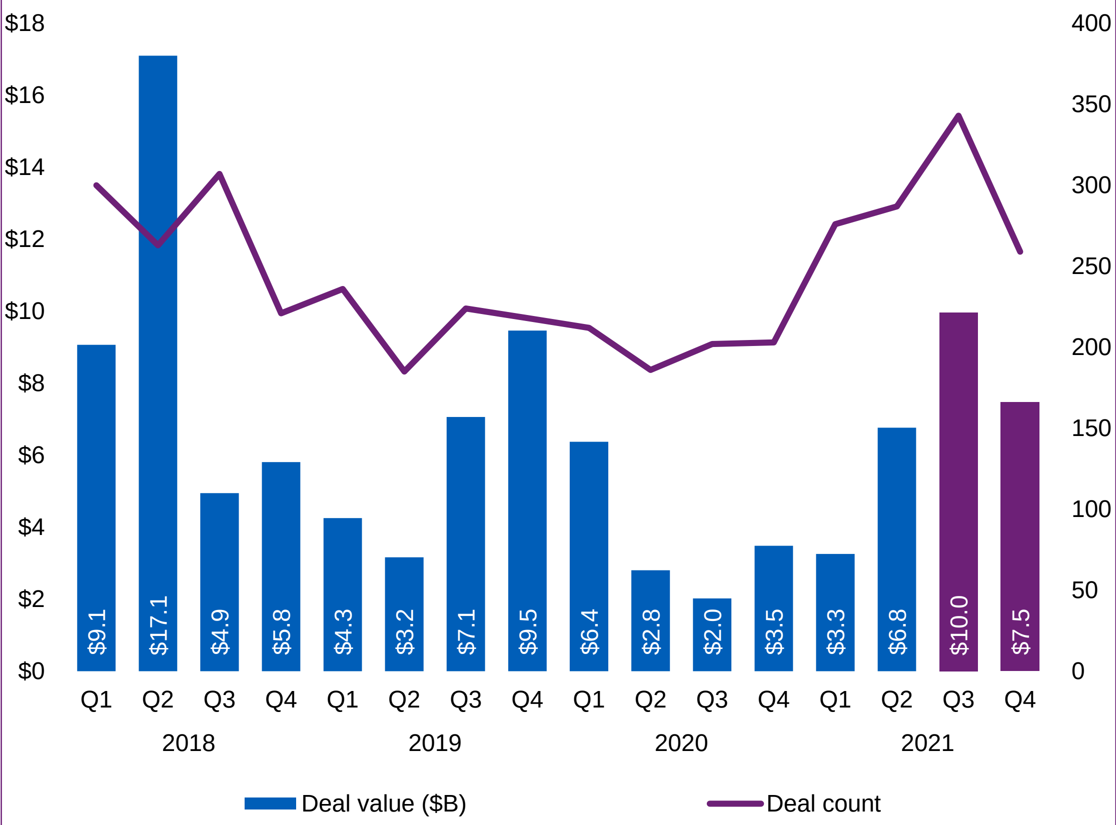


Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

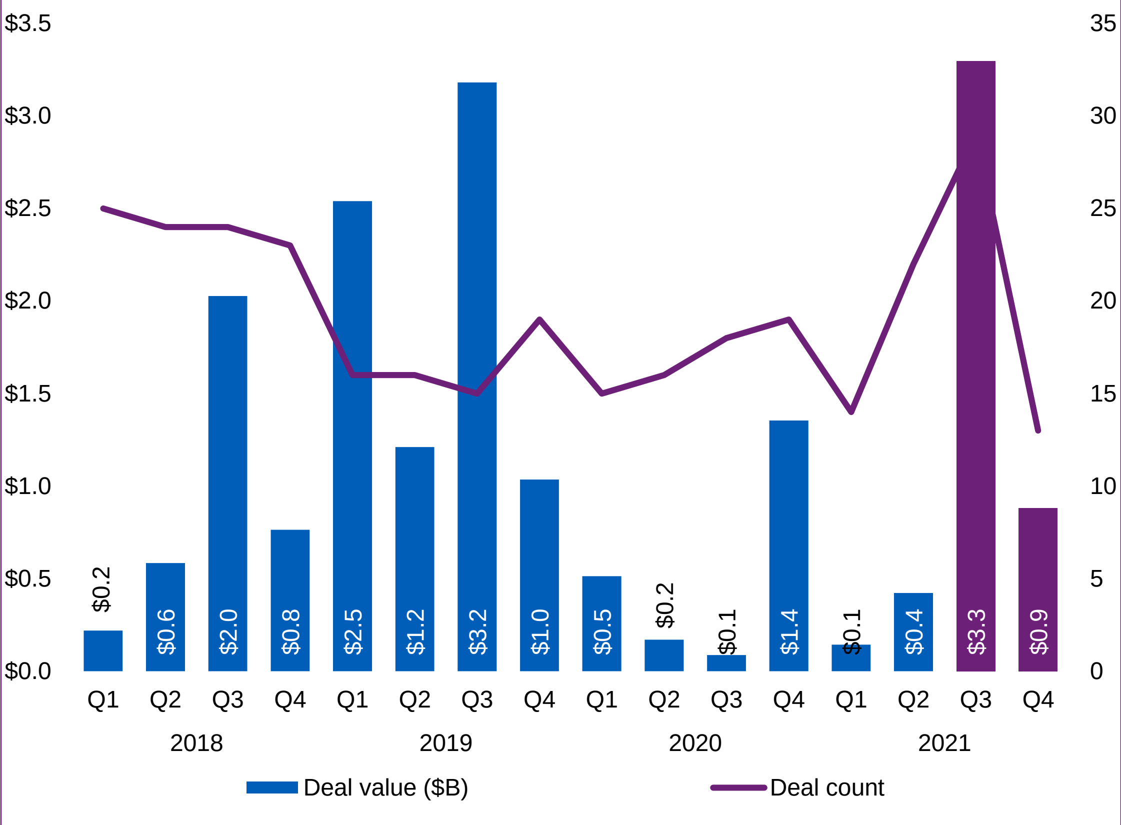
Regional insights — ASPAC

A record Q3 for 2021 in M&A volume

Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2018—2021*



M&A in fintech in Asia Pacific
2018—2021*

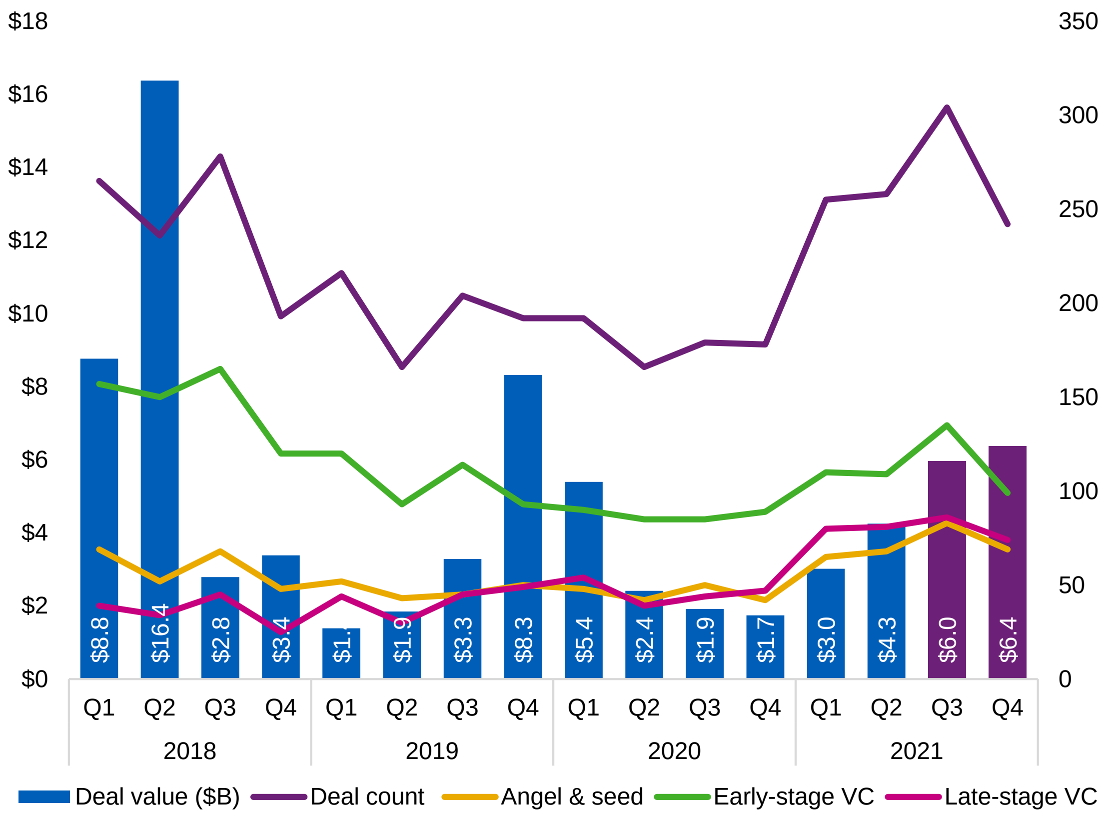


Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

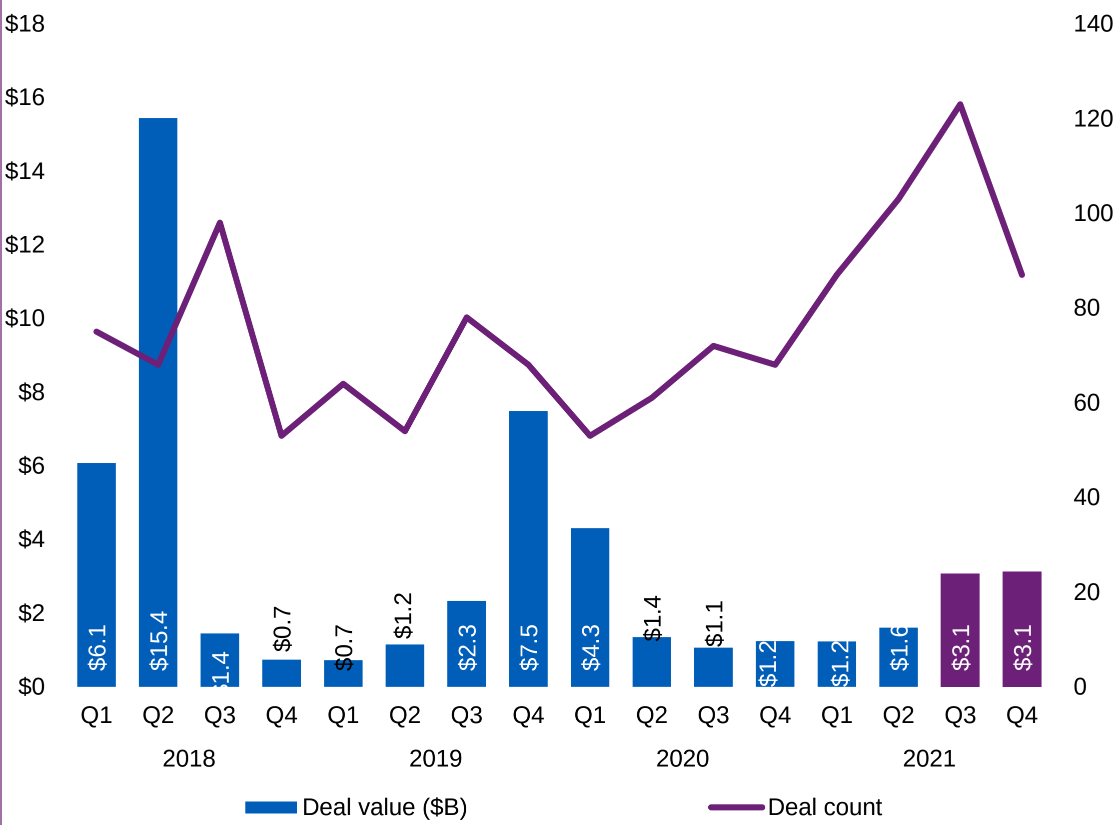
Regional insights — ASPAC

VC financing volume soars to new record quarter

Venture activity in fintech in Asia Pacific
2018—2021*



VC activity in fintech with corporate participation in Asia Pacific
2018—2021*



Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

Top 10 fintech deals in Asia Pacific in 2021

1. **Paidy** — $2.7B, Tokyo, Japan — Lending — *M&A*
2. **K Bank** — $1.1B, Seoul, South Korea — Banking — *PE growth*
3. **Pine Labs** — $600M, Noida, India — Payments/transactions — *PE growth*
4. **Grab** — $500M, Singapore — Payments/transactions — *Reverse merger*
5. **Toss** — $410M, Seoul, South Korea — Institutional/B2B — *Series G*
6. **BharatPe** — $395.5M, New Delhi, India — Payments/transactions — *Series E*
7. **Razorpay** — $375M, Bengaluru, India — Payments/transactions — *Series F*
8. **OfBusiness** — $325M, Gurugram, India — Lending — *Series G*
9. **MediTrust Health** — $308.6M, Shanghai, China — Insurtech — *Series C*
10. **Coverforce** — $302.3M, New South Wales, Australia — Insurtech — *M&A*

Source: Pulse of Fintech H2'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2021.

About us

KPMG's Global Fintech practice

The financial services industry is transforming with the emergence of innovative new products, channels and business models. This wave of change is driven primarily by evolving customer expectations, digitalization as well as continued regulatory and cost pressures.

KPMG firms are passionate about supporting clients to successfully navigate this transformation, mitigating the threats and capitalizing on the opportunities.

KPMG Fintech professionals include partners and staff in over 50 fintech hubs around the world, working closely with financial institutions and fintech companies to help them understand the signals of change, identify the growth opportunities and to develop and execute their strategic plans.

Visit home.kpmg/fintech

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Methodology

The underlying data and analysis for this report (the “Dataset”) was provided by PitchBook Data, Inc (“PitchBook”) on 7 July 2021 and utilizes their research and classification methodology for transactions as outlined on their website at https://help.pitchbook.com/s/. The Dataset used for this report considers the following investment transactions types: Venture Capital (including corporate venture capital) (“VC”), private equity (“PE”) Investment and Mergers and Acquisitions (“M&A”) for the FinTech vertical within the underlying PitchBook data. Family and friends, incubator and accelerator type funding rounds are excluded from the Dataset.

Due to the private nature of many of the transactions, the Dataset cannot be definitive, but is an estimate based on industry leading practice research methodology and information available to PitchBook at 7 July 2021. Similarly, due to ongoing updates to PitchBook’s data as additional information comes to light, data extracted before or after that date may differ from the data within the Dataset.

Only completed transactions regardless of type are included in the Dataset, with deal values for general M&A transactions as well as venture rounds remaining un-estimated if this information is not available or reliably estimated.

Venture capital deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms and corporate investors. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage VC: Rounds are generally classified as Series A or B (which PitchBook typically aggregates together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors and more.

Late-stage VC: Rounds are generally classified as Series C or D or later (which PitchBook typically aggregates together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method actually employed.

Corporate: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Pulse of Fintech as of March 2018.

Private equity investments

PitchBook includes both buyout investors, being those that specialize in purchasing mainly a controlling interest of an established company (in a leveraged buyout) and growth/expansion investors, being those that focus on investing in minority stakes in already established businesses to fund growth. Transaction types include: leveraged buyout (“LBO”; management buyout; management buy-In; add-on acquisitions aligned to existing investments; secondary buyout; public to private; privatization; corporate divestitures; and growth/expansion.

Methodology (cont'd)

M&A transactions

PitchBook defines M&A as a transaction in which one company purchases a controlling stake in another company. Eligible transaction types include control acquisitions, leveraged buyouts (LBOs), corporate divestitures, reverse mergers, mergers of equals, spin-offs, asset divestitures and asset acquisitions. Debt restructurings or any other liquidity, self-tender or internal reorganizations are not included. More than 50 percent of the company must be acquired in the transaction. Minority stake transactions (less than a 50-percent stake) are not included. Small business transactions are not included in this report.

The fintech vertical

A portmanteau of finance and technology, the term refers to businesses who are using technology to operate outside of traditional financial services business models to change how financial services are offered. Fintech also includes firms that use technology to improve the competitive advantage of traditional financial services firms and the financial functions and behaviors of consumers and enterprises alike. PitchBook defines the FinTech vertical as "Companies using new technologies including the internet, blockchain, software and algorithms to offer or facilitate financial services usually offered by traditional banks including loans, payments, wealth or investment management, as well as software providers automating financial processes or addressing core business needs of financial firms. Includes makers of ATM machines, electronic trading portals and point-of-sale software." Within this report, we have defined a number of Fintech sub-verticals:

1. Payments/Transactions — companies whose business model revolves around using technology to provide the transfer of value as a service including both B2B and B2C transfers.
2. Blockchain/Cryptocurrency — companies whose core business is predicated on distributed ledger (blockchain) technology with the financial services industry AND/OR relating to any use case of cryptocurrency (e.g. Bitcoin). This vertical includes companies providing services or developing technology related to the exchange of cryptocurrency, the storage of cryptocurrency, the facilitation of payments using cryptocurrency and securing cryptocurrency ledgers via mining activities.
3. Lending — any non-bank who uses a technology platform to lend money often implementing alternative data and analytics OR any company whose primary business involves providing data and analytics to online lenders or investors in online loans.
4. Proptech — companies that are classified as both fintech AND also who are developing and leveraging technology intended to help facilitate the purchase, management, maintenance and investment into both residential and commercial real estate. This includes sub-sectors such as property management software, IoT home devices, property listing and rental services, mortgage and lending applications, data analysis tools, virtual reality modeling software, augmented reality design applications, marketplaces, mortgage technology and crowdfunding websites.
5. Insurtech — companies utilizing technology to increase the speed, efficiency, accuracy and convenience of processes across the insurance value chain. This includes quote comparison websites, insurance telematics, insurance domotics (home automation), peer-to-peer insurance, corporate platforms, online brokers, cyber insurance, underwriting software, claims software and digital sales enabling.
6. Wealthtech — companies or platforms whose primary business involves the offering of wealth management services using technology to increase efficiency, lower fees or provide differentiated offerings compared to the traditional business model. Also includes technology platforms for retail investors to share ideas and insights both via quantitative and qualitative research.
7. Regtech — companies who provide a technology-driven service to facilitate and streamline compliance with regulations and reporting as well as protect from employee and customer fraud.

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