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Global fintech investment rebounds in Q2'17: KPMG Pulse of Fintech Report

Total global funding to fintechs doubles over Q1'17 to US\$8.4 billion; Fintech investment in Singapore increases despite continued decline in deal volume.

Total global fintech investment more than doubled quarter over quarter in Q2'17 to US \$8.4 billion, up from US\$3.6 billion in Q1'17, according to the [KPMG Pulse of Fintech](#) report.*

Global M&A investment helped drive the fintech market rebound, with US\$5.9 billion in deal value for M&A for the quarter. Comparatively, global VC funding to fintech companies declined slightly, with just over US\$2.5 billion in VC funding raised by fintechs in the quarter.

Asia funding holds steady amid continued absence of megadeals

Total fintech funding in Asia remained relatively steady quarter over quarter, with US\$760 million invested across 51 deals during Q2'17, compared to US\$790 million across 56 deals in Q1'17. Asia's Q2 fintech financing trends were characterised by geographic diversity and a lack of mega-financings.

Corporate participation continues to soar in the region, with CVC investment growing from a strong 22.5 percent in Q1'17 to a record high of 36.6 percent in Q2'17, revealing a deep interest in fintech innovation from strategic players in Asia.

Fintech investment in Singapore increases despite third quarter of decline in deal volume

Investment into fintech in Singapore was up quarter over quarter, at US\$61.5 million, although the volume of fintech deals continued to decline. Historical trends shows that this is not totally out of the ordinary. The apparent decline may be a result of the move towards a more partnership-oriented fintech model in the country. By all counts, Singapore's 2017 performance is cannot be judged just on volume, but deal value is poised to show an impressive result.

The Monetary Authority of Singapore (MAS) continues to drive the majority of fintech activity in the country. During Q2'17, MAS began to shift its focus from education and innovation to promoting technology adoption and attracting companies to launch offerings in Singapore.

“Over the longer term, MAS hopes to see more fintechs using Singapore as a base to pilot and then deploy solutions into other countries within Southeast Asia, such as Indonesia and Thailand. The success of these cross-border solutions could prove the viability of using Singapore as a springboard for Asia-based expansion,” said Chia Tek Yew, Head of Financial Services Advisory, KPMG in Singapore.

Key global Q2'17 highlights

- Total fintech investment increased from US\$3.6 billion in Q1'17 to US\$8.4 billion in Q2'17.
- VC funding remained solid globally with US\$2.5 billion invested across 227 deals.

- At mid-year, the global median VC fintech deal size of US\$12 million for late-stage deals was substantially lower compared to the 2016 total of US\$18 million. The median deal size was up for angel/seed stage deals (US\$1.3 million) and for early-stage rounds (US\$6.2 million).
- Corporate VC investment in fintech is on pace to near 2015's total, with US\$2.6 billion invested in deals with corporate participation by the end of Q2'17, compared to US\$9 billion in all of 2016, which was skewed by mega-deals. Corporate participation in fintech deals by volume is also up – with 21 percent participation in 2017 deals so far compared to 17 percent in 2016.
- Investment in regtech was up significantly in Q2'17, with the US\$591 million invested in the first half of 2017 already exceeding the US\$583 million raised during all of 2015, and on pace to significantly exceed 2016's total by year end.
- Business-to-business (B2B) fintech companies are getting a significant amount of attention, with three companies in the top10 global fintech deals this quarter: CCH Tagetik (US\$321 million), Pos Portal (US\$158 million) and ITRS Group (US\$140 million).

"Fintech continues to evolve with many established fintechs looking to expand their product offering and their geographic reach," said Brian Hughes, Co-Leader, KPMG Enterprise Innovative Startups Network, and National Co-Lead Partner, KPMG Venture Capital Practice, KPMG in the US. "In addition we are also seeing new fintechs moving beyond customer facing services to target mid and back office inefficiencies."

Trends to watch for in Asia

Looking ahead, blockchain is expected to remain a relatively hot area of investment across much of Asia, in addition to payments and lending. Commenting on this trend in Singapore, Tek Yew added: "There seems to be a major push to transform Singapore into the world's blockchain leader, with an ever-increasing number of use cases in the country aimed at testing blockchain in government trade, land registry and tax functions, in addition to traditional banking and insurance."

In China, regtech is also forecasted to attract more attention from investors, particularly related to anti-money laundering and digital identity management. Interest in solutions related to financial inclusion is also expected to grow over the next few quarters, given the significant underbanked and unbanked populations in Asia.

**Data for the Pulse of Fintech report provided by PitchBook.*

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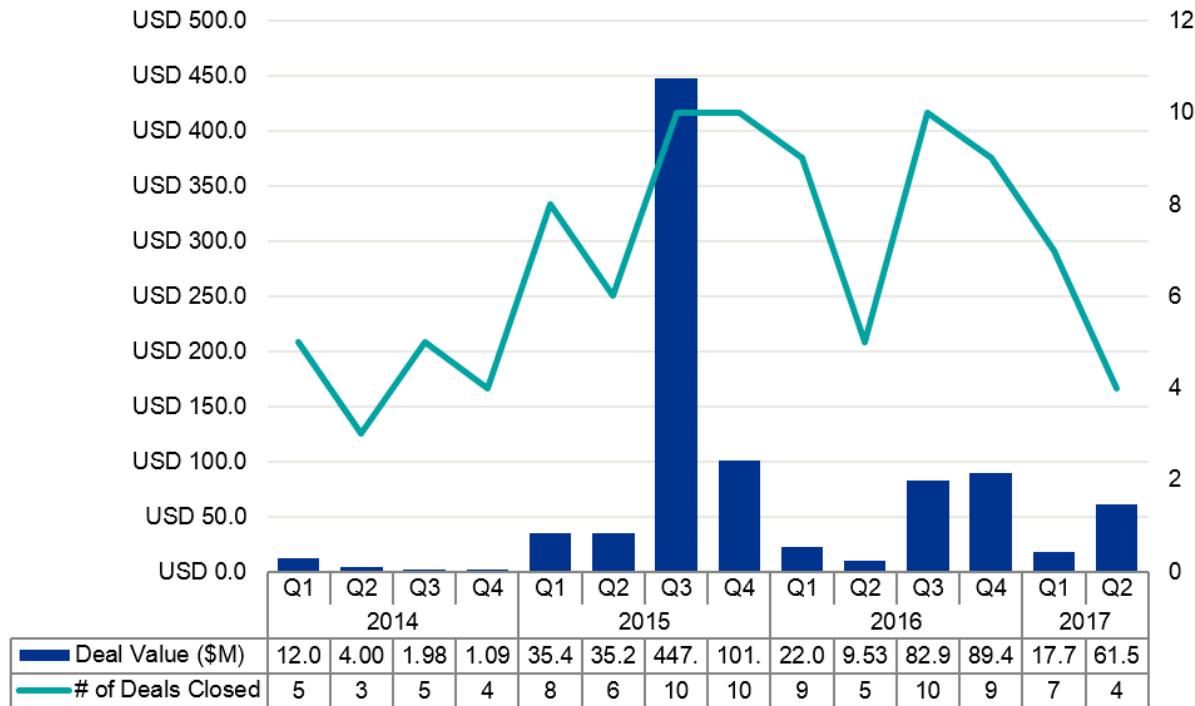
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Appendix

Fintech VC, PE and M&A activity in Singapore

2014 - Q2'17



Source: Pulse of Fintech Q2'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) August 1, 2017

For further information, please contact:

Lydia Koh
 External Communications
 Tel: +65 6507 1540
 Email: lkoh1@kpmg.com.sg

Kelvin Lee
 External Communications
 Tel: +65 6507 1534
 Email: kelvinlee1@kpmg.com.sg

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About KPMG Fintech

The Financial Services sector is transforming with the emergence of innovative products and solutions. This wave of innovation is primarily driven by changing customer expectations and continued regulatory and cost pressures. KPMG is passionate about supporting our clients to successfully navigate this transformation, working directly with emerging fintechs through 30 global fintech hubs. KPMG also brings its global fintech insight to financial institutions, helping them fully realise the potential fintech has to grow their business, meet customer demands, and help them stay relevant and competitive.

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