

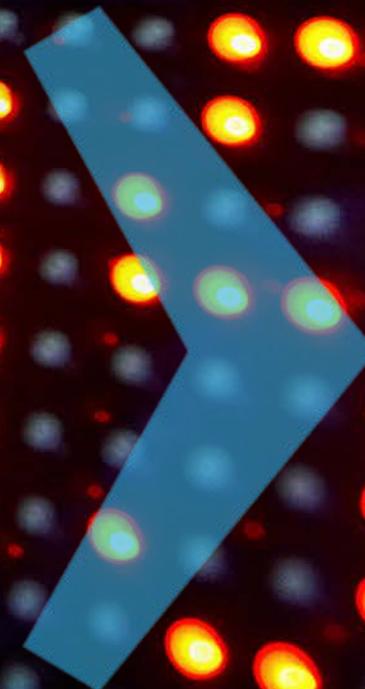
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Silicon Valley Bank

Fintech forecast for 2016

UK vs US analysis



Editor's note:



UK DATA

The UK data was collected on 1 December 2015 at Silicon Valley Bank and Anthemis's Fintech Panel event in London. The 68 survey respondents, who were among the attendees at the event, included financial technology founders and investors.



US DATA

The US data was collected on 3 November 2015 at Silicon Valley Bank's Fintech Mashup event in New York. The 101 survey respondents, who were among the attendees at the Fintech Mashup, included financial technology founders and investors.



US fintech panel – comments

Panellists included investors from Ribbit Capital, Bain Capital, Nyca Partners, Canvas Ventures, and execs from LearnVest, Transferwise, Klarna, Circle, CommonBond, Flywire, InVenture, Mastercard and Silicon Valley Bank.

Key themes they highlighted for US fintech included:

- Understanding and partnering with regulatory bodies is critical to fintech's success
- Provide customer value beyond the transaction...as “capital is a commodity”
- Don't poke incumbent banks in the eye (you may need them later)
- Don't fall in love with the platform...first identify a real problem to solve
- The fintech IPO path is strewn with landmines, so consider other exit possibilities. Don't count on big banks, for now. But non-banks, from telcos to tech businesses like PayPal, are active acquirers



US fintech panel – investment trends

Where is the smart money going? With payments and lending oversubscribed, we asked fintech investors where they are looking for better returns. The investors noted lending “took off because it provided the quickest opportunity to take on established business lines and the quickest return on capital. **Look now for sectors that still need capital, slower to adopt technology and a large market**” such as:

- Insurance: One investor quipped “insurance is where lending was in 2007; it won’t get you a date, but it is a great opportunity”
- Healthcare: “The intersection of healthcare and fintech is huge when considering healthcare insurance and medical payments”
- Commercial payments: “Lots of people are focusing on merchant payments, but the commercial space (B2B) shouldn’t be overlooked as it’s still mostly paper-based”
- Remittance: “Cross-border transactions have tremendous potential, especially in the little-tapped B2B space”
- Fintech investor Micky Malta of Ribbit Capital predicted in next 20 years we’ll see the “creation of massive new consumer financial brands”



UK fintech panel – comments

Our UK fintech panel included Execs from Funding Circle, Stripe and GoCardless and Silicon Valley Bank and investors from Passion Capital and Anthemis. Key areas they highlighted for UK fintech sector needs in 2016 included:

- Improve access to talent, and reduce visa restrictions for entrepreneurs
- Increase mentoring for fintech
- UK Regulators have been very helpful, open and progressive in discussions with UK fintechs and this should continue
- Clarify regulation for banks working with fintechs and resolve liability issues in order to encourage banks to work with more fintech startups



UK fintech panel – investment trends

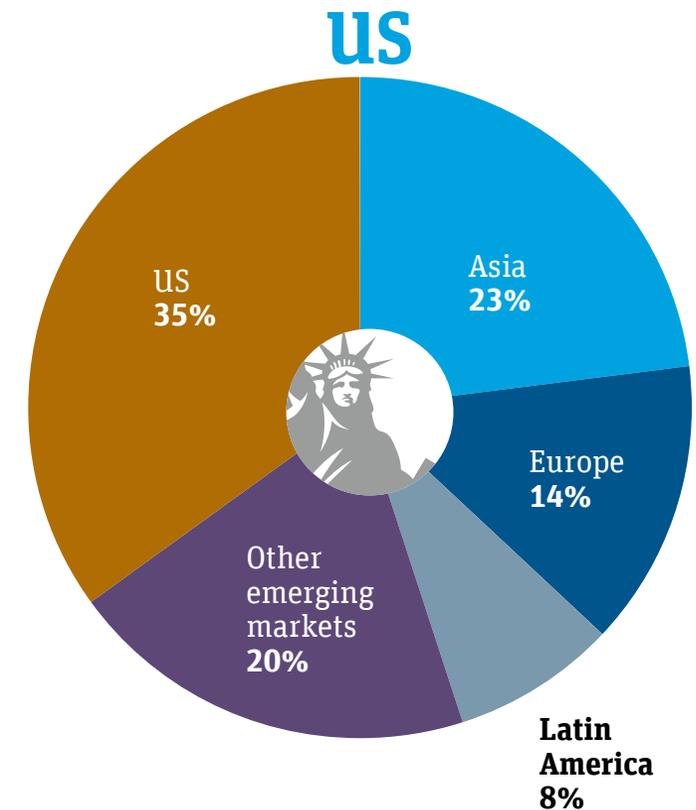
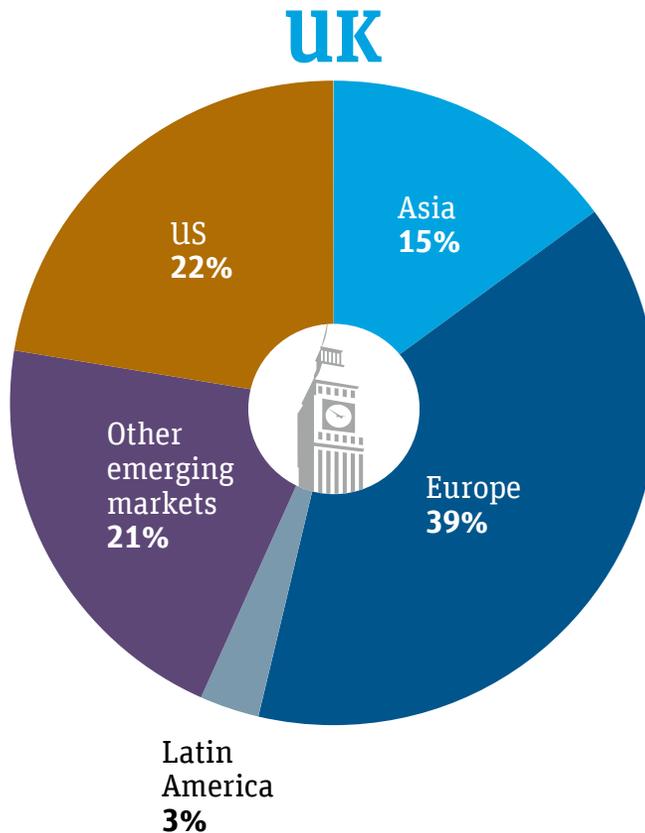
- Although the UK does have less venture capital than US in terms of \$ amounts, the number of startups in US competing for VC attention is far higher
- There is now sufficient venture capital in the UK and the best businesses will always raise funding
- If UK VCs don't invest, then they will lose out to US and Asian investors who are actively investing in UK now
- The ecosystem in Silicon Valley has developed over 50 years; whereas the UK has grown significantly only in the last five. We're at different stages – the UK VC sector will grow but will take more time
- Quality is more important than quantity – smart money is more valuable than big ticket investment round sizes



Globally, where do you see the greatest opportunity for growth/expansion for fintech businesses in 2016?

UK fintechs look to Europe for expansion, ...US fintechs mainly look to US and Asia

Focus of geographic expansion is the biggest difference between US and UK fintech businesses



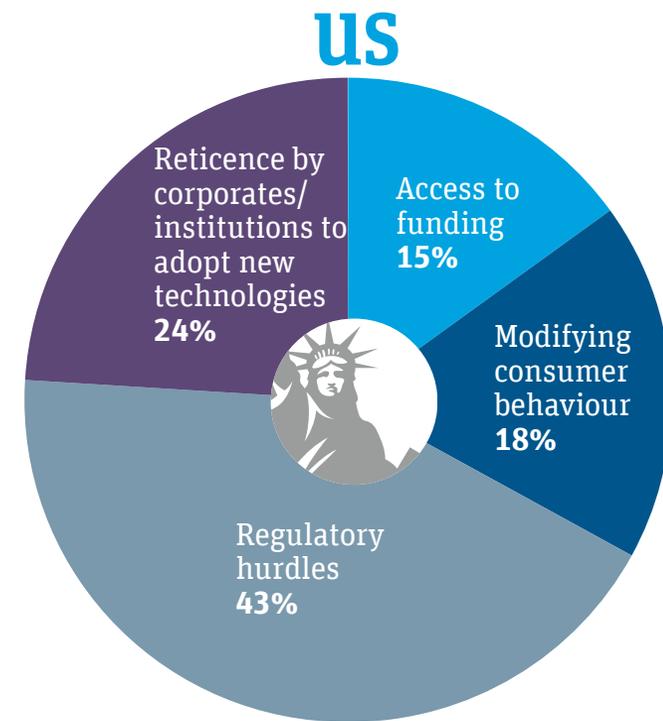
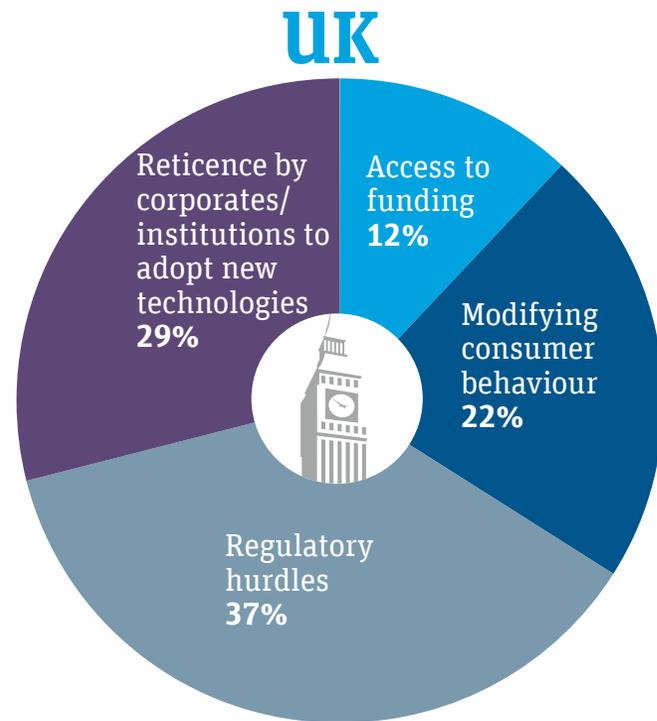


What is the biggest impediment to fintech businesses in the coming year?

Regulation, and reticence by corporates to adopt new technologies are biggest impediments to UK and US fintech

“An effective regulatory and compliance strategy is critical to success”

– Bruce Wallace,
Chief Digital Officer at Silicon Valley Bank



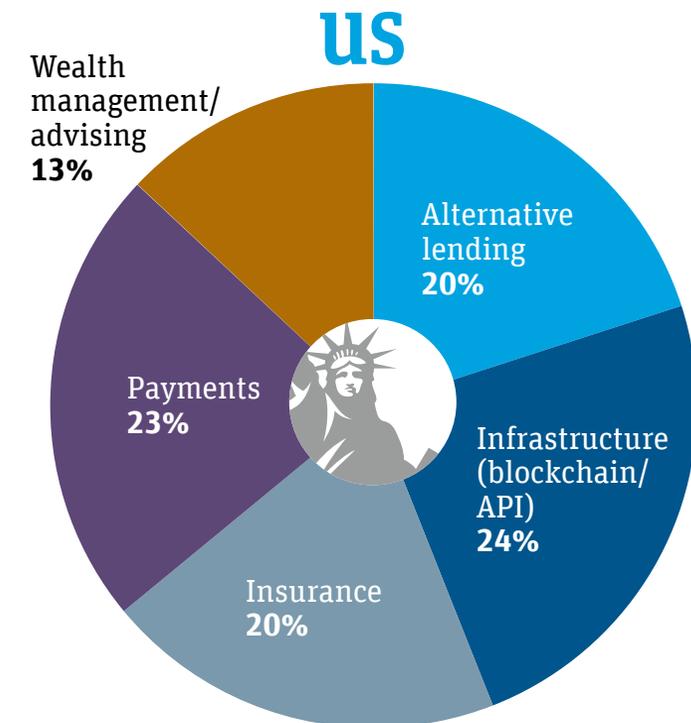
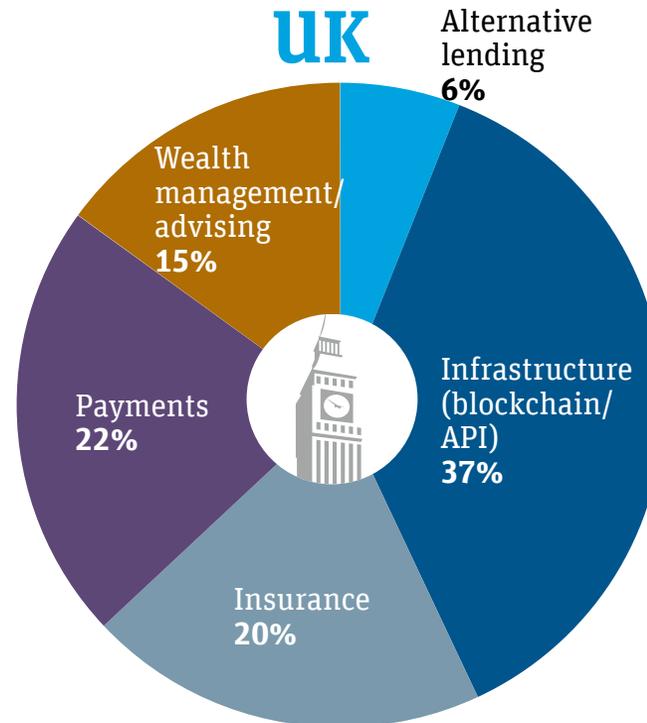


Where do you see the greatest
opportunity for disruption in fintech?

Infrastructure and Payments offer greatest opportunity in UK, but US sees more opportunity in alternative lending

“London is still in build mode on the payments and infrastructure side”

– Bruce Wallace,
Chief Digital Officer at Silicon Valley Bank

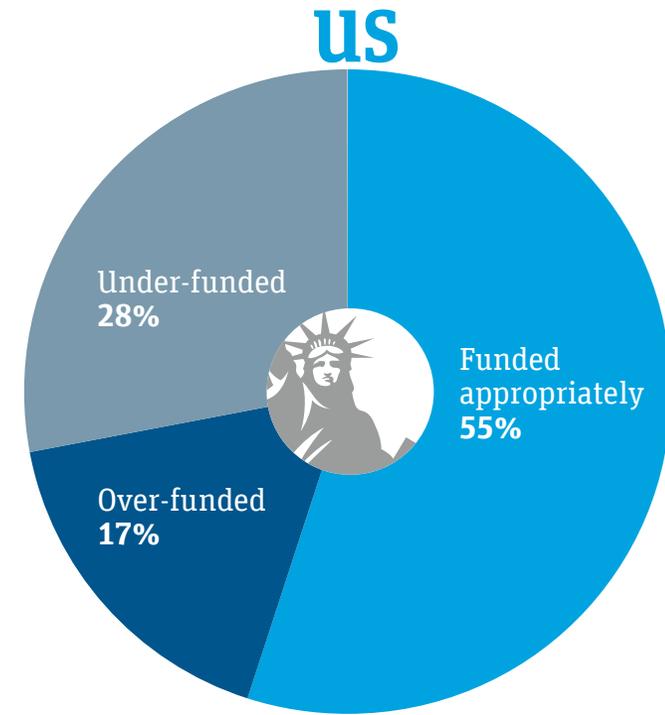
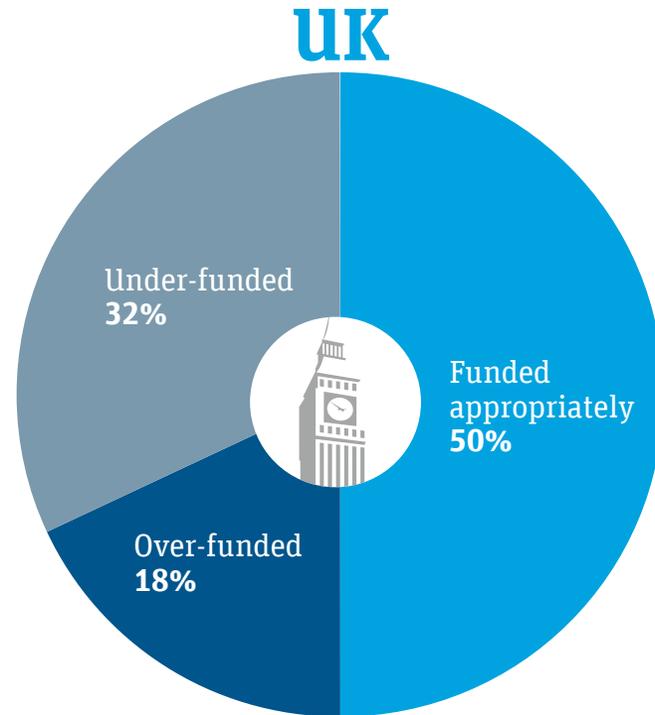




Is the fintech sector
underfunded?

Most UK and US fintechs agree that sector is appropriately funded

Though **30%** of total respondents think the sector is underfunded

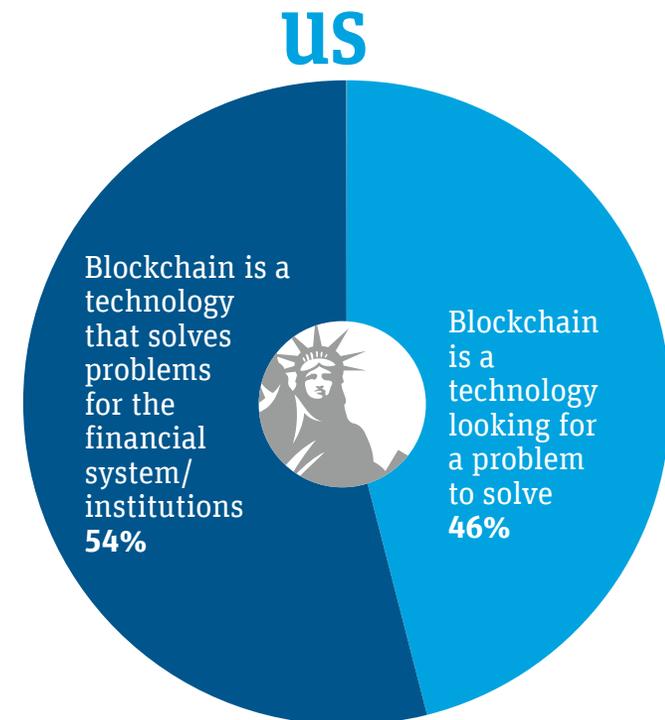
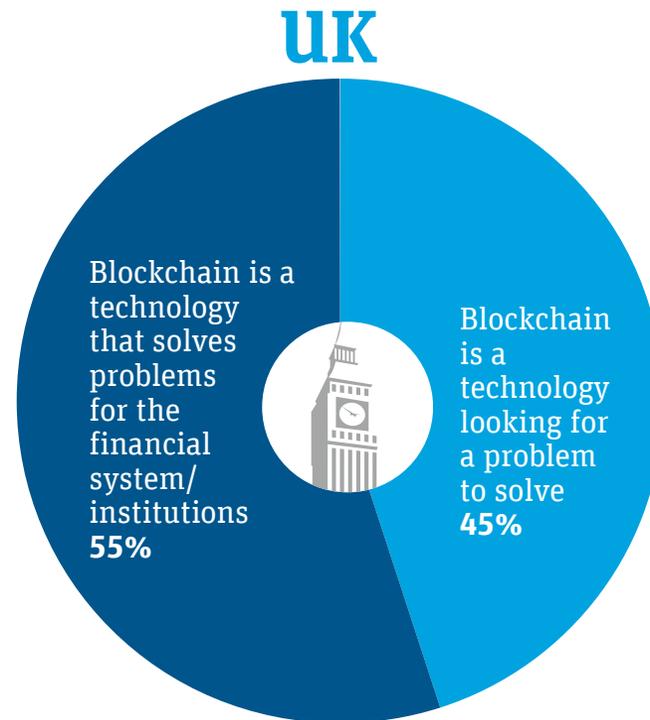




Is blockchain just looking
for a problem to solve?

Slight majority think blockchain solves problems

General but not overwhelming agreement that blockchain is a technology that solves problems



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Questions?

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