

# THE FINTECH ECOSYSTEM

Vision from an  
**ALTFINATOR** analysis

## Context and Background

**FinTech has become a major buzz word in banking and finance in recent years.**  
The **FinTech Revolution** (The Economist, 2015) is seen by many as the next evolutionary step of a whole sector whereby technologies are progressively integrated in the workflow of banks and financial firms. Pundits are edging their positions in order to benefit from the sweeping technological advancements and financial customers are presented with increasingly growing sets of options to carry out their business.

Within this hype, new financial actors are populating the market providing novel and enticing business propositions. Amongst these, Crowdfunding and Peer-to-Peer digital platforms are the main players in the alternative finance space. Other Alternative Finance providers are also moving their operations on digital platforms so that factoring/invoice trading, balance sheets lending, leasing and trade finance are increasingly part of the FinTech ecosystem.

However, this revolution is not playing out evenly. In a large financial market such as the European Union's, we can see many regions where the FinTech revolution is in full swing, while in other regions it is just unfolding or lagging behind.

In this scenario, **ALTFINATOR** project is engaging with stakeholders in these countries to foster awareness, disseminate good practices and initiate the dialogues amongst stakeholders to enable Alternative Finance to flourish.

**Under this frame, ALTFINATOR has conducted an analysis to provide a consistent and informative picture of the FinTech Ecosystem aiming at delivering an overview of the sector to prospective investors and entrepreneurs through valuable insights into emerging investment options.**

In particular, adopting a technology-service perspective, we present an overview of FinTech and a framework to interpret its recent evolution. We highlight **HOW, WHY and WITH WHAT EFFECTS** technological advancements are impacting on the structure of the sector.

We identify major players giving particular attention to their roles, their strategic positioning and their contribution to the innovative drive. We hover over the digital technological infrastructure upon which FinTech is extending its operations.

Moreover, we extend our research into the various technological domains contributing to or driving FinTech innovation (Security and Privacy; Digital Platform Technologies; Payment Technologies; Asset and wealth management technologies; Distributed Ledger Technologies & ICOs; Regulatory Technologies). We also present an overview of the regulatory framework and its increasing reach.

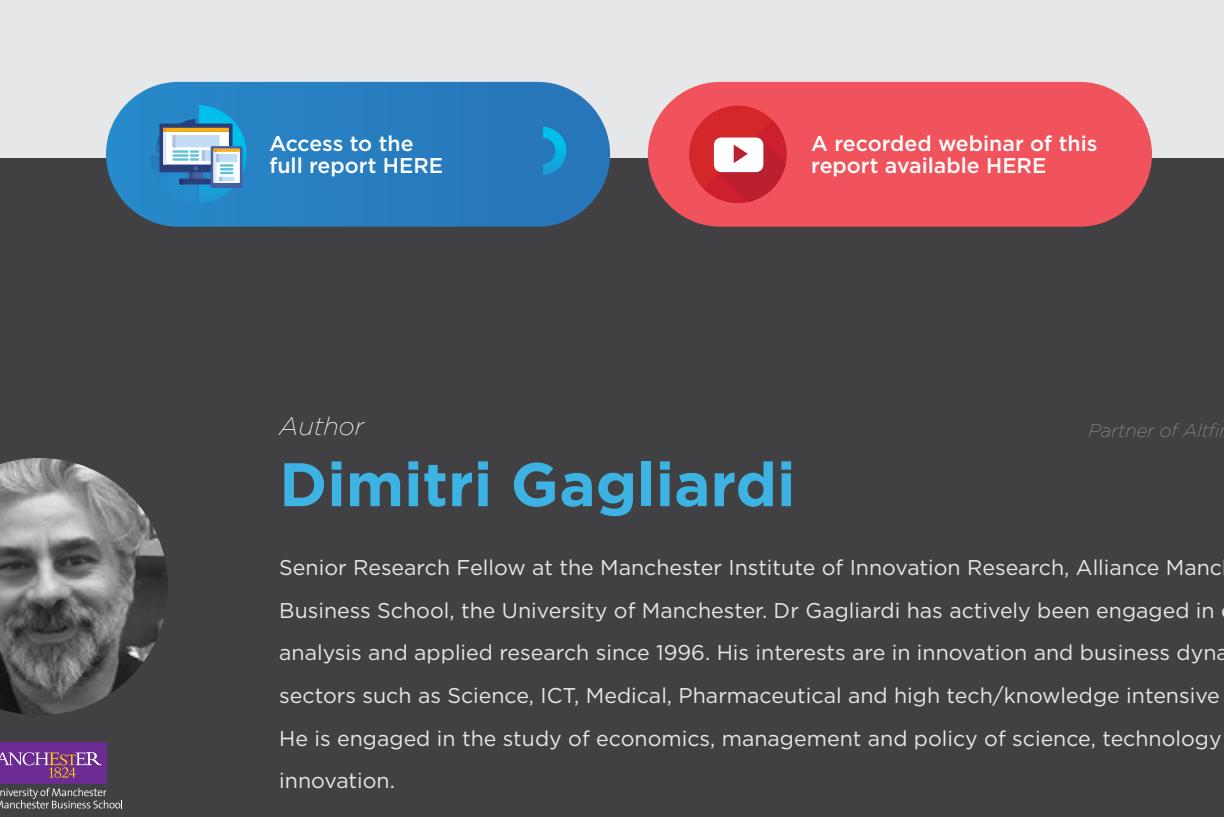
## Who belongs to the Ecosystem?\*



\* We classified actors of the FinTech ecosystem according to whether they operate mainly from the supply or the demand sides of banking and finance; yet, not overlooking the complexities of a sector which is growing and evolving at exceptional speed.

## What is trending?

Annual global fintech deals and financing, 2014 - 2018 (\$B)



Source: CB Insights 2019

- Continuous and sustained growth in all segments.
- Successful FinTech companies are moving into banking by seeking licences with regulators.
- Payment Tech Segment continues to be the largest segment.
- RegTech is the segment with the sharpest increase in 2018.
- Open APIs and PSD2 are setting off in Europe, and will be defining the course of the sector in the next few years.

- FinTech operators are consolidating their market position and expanding in complementary segments and growing their customer base.

- FinTech and tech-based alternative finance providers are enacting a strategy of 'wait and see' until 2020 when new, European-wide regulations begin to be implemented.

- Established/larger Alternative Finance are extending in new markets by replicating their activities and adapting to local regulatory frameworks.

A direct consequence of the full implementation of Open Banking, PSD2 and new emerging regulations on platform-based financials, will promote the idea of financial markets where products and services upon digital platforms is carried out by specialised operators. This will benefit in terms of efficiency and protection of financial customers.

Source: CB Insights 2019

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