

# Fintech 2030: The Industry View

A glimpse into the future of fintech – from those that are creating it



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# WELCOME TO THE REPORT!



You could argue that we've been living in the era of fintech for decades, even centuries. Does Isaac Newton's time as Master of the Royal Mint, where he applied scientific principles to identifying counterfeit currency, mean that fintech goes back to 1696?

However you define it, the last decade has seen fintech drive unprecedented change in financial services. Billions in investment, hundreds of new businesses with new services, new ways of offering those services, and new business models underpinning them. The fintech sector is also evolving, with competition giving way to collaboration as banks and big tech form uneasy relationships.

As we enter a new decade, the future of the fintech industry is at a crossroads. It's natural to consider what the fintech industry will look like in 2030? Will banks remain the biggest players or will they be usurped by big tech? Will data replace transactions as the primary revenue river for the industry? Has innovation peaked, or just getting started?

To answer these questions, Tribe Payments brought together 15 leading businesses from across the fintech community to provide their vision of fintech in 2030. Each is a market leader in its part of the fintech ecosystem, and together these form a fascinating glimpse into the future—from those who are creating it.

We also surveyed over a hundred executives in the European fintech sector—including our contributors—to gather insights into the wider market landscape in a decade's time.

The combination of in-depth sector specific predictions and data-driven macro industry insights gives us Fintech 2030: The Industry View. As we enter the next decade, the report provides a unique perspective into the future of fintech and is essential reading for firms looking to understand the biggest challenges and opportunities ahead.

**Alex Reddish, Chief Commercial Officer, Tribe Payments**

# REPORT

## SUMMARY

### COULD THE FINTECH SECTOR DISAPPEAR BY 2030?

When we asked fintech luminaries how the sector would change in a decade's time, some of the answers were predictable. We saw a lot of optimism that the sector would continue to do well—which makes sense, otherwise why would these businesses be on the course they were on? But there was also a surprising and common opinion: by 2030 there may not be a fintech sector at all.

Fintechs are not predicting their own demise, of course. But there is serious reflection on what the long-term future of the fintech sector looks like, with many seeing a future where financial services will be so embedded into other technologies—and therefore our lives—that the term fintech becomes essentially meaningless.

Today, it's almost redundant to use the term "internet business" or "online business". Every business has some sort of online presence, even if it's just a Facebook page and a Google listing, making every business online.

Embedded finance has the potential to make every business a fintech—or at least blur the lines so that it's no longer easy to tell who is a fintech, and who is not.

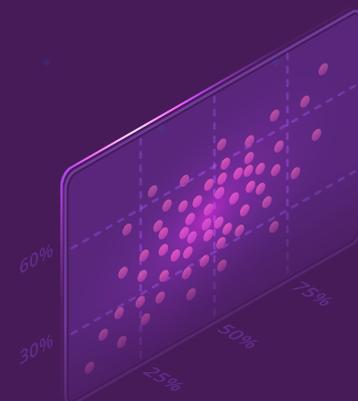
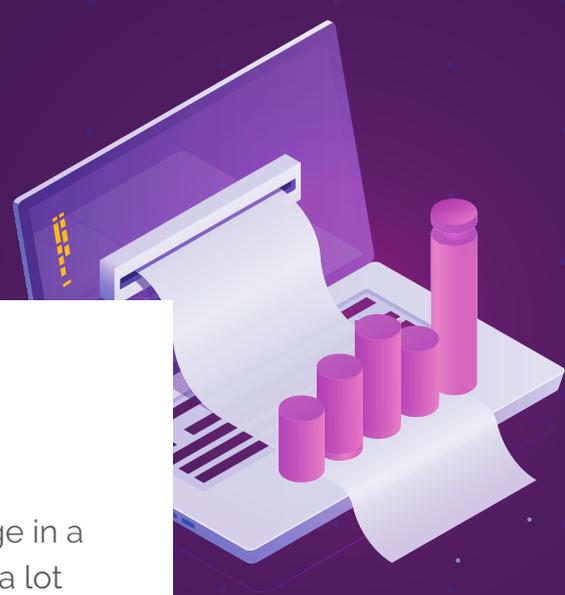
### EMBEDDED PAYMENTS AND EMBEDDED FINANCE

Fintechs, perhaps surprisingly, don't see a future where they have won and incumbent players have lost.

They instead predict that incumbents will instead be platforms that provide the scale for fintechs to reach every potential customer.

There's division over how exactly this will work—some see banks curating services while others think banks will simply be a conduit between customers and other, better service providers. But however they saw the details, fintechs saw a future where collaboration was essential, if not inevitable.

A key theme for many was the idea of payments, lending and trading being invisible, seamless, and integrated—and following this, finance in general doing the same.



We've already seen payments move in this direction, even going as far as experimental stores without checkouts.

With embedded finance, there's an opportunity to go further, for example creating managed software that is aimed at microsegments in the market, giving specialised businesses everything they need including the financial tools that will help them succeed. Or big technology companies embedding finance in their consumer offerings, making payments as simple as sending a text or voice note.

So, fintechs will become less and less visible over the decade. The Internet of Things, machine learning and auto-mation were predicted to attract more funding, while retail banking will attract far less.

The future of fintech is not in burning through VC cash in order to attract consumers directly, but in providing the technology that quietly creates a compelling experience for the end user, through brands they already know and trust.

### OPTIMISM AND REALISM

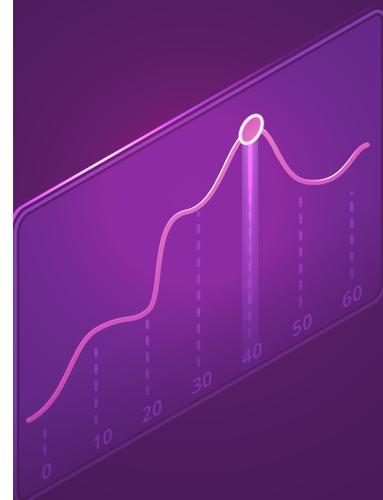
With a future mapped out that solves some of fintech's biggest problems—that of scale and customer acquisition—fintechs are optimistic about 2030. They not only see the fintech sector continuing to innovate, they see innovation increasing. They also see the fintech sector as being far from saturated, and rather than needing increasingly sharp elbows to succeed, they see the number of fintechs multiplying to meet growing demand. Let's we not forget that billions of people remain unbanked and fintech is only just beginning to take hold in certain markets.

But firms are also realistic. Funding isn't going to be available without hard numbers to show success. Certain sectors within fintech, such as retail banking, have limited room to expand while others, like insurtech and regtech, have much more potential for growth.

Our contributors and respondents see the changes that are coming. They are optimistic, but this is tempered with an appreciation for the realities of a changing and maturing sector.

But as fintechs succeed and the sector grows, will the sector “disappear” as the lines become blurred and it becomes less clear who is a fintech and who is not? We think this is unlikely by 2030. For example, regulation makes it necessary for financial services specialists to exist. But fintech in 2030 is going to look at least as different from 2020, as 2020 does from 2010.

If current trends and predictions hold, fintech in 2030 will be a tale of great success, quietly told.





# What does the future hold?

We surveyed over 125 fintech executives to find out how they thought the industry would change in the next 10 years.

Here are our top findings...

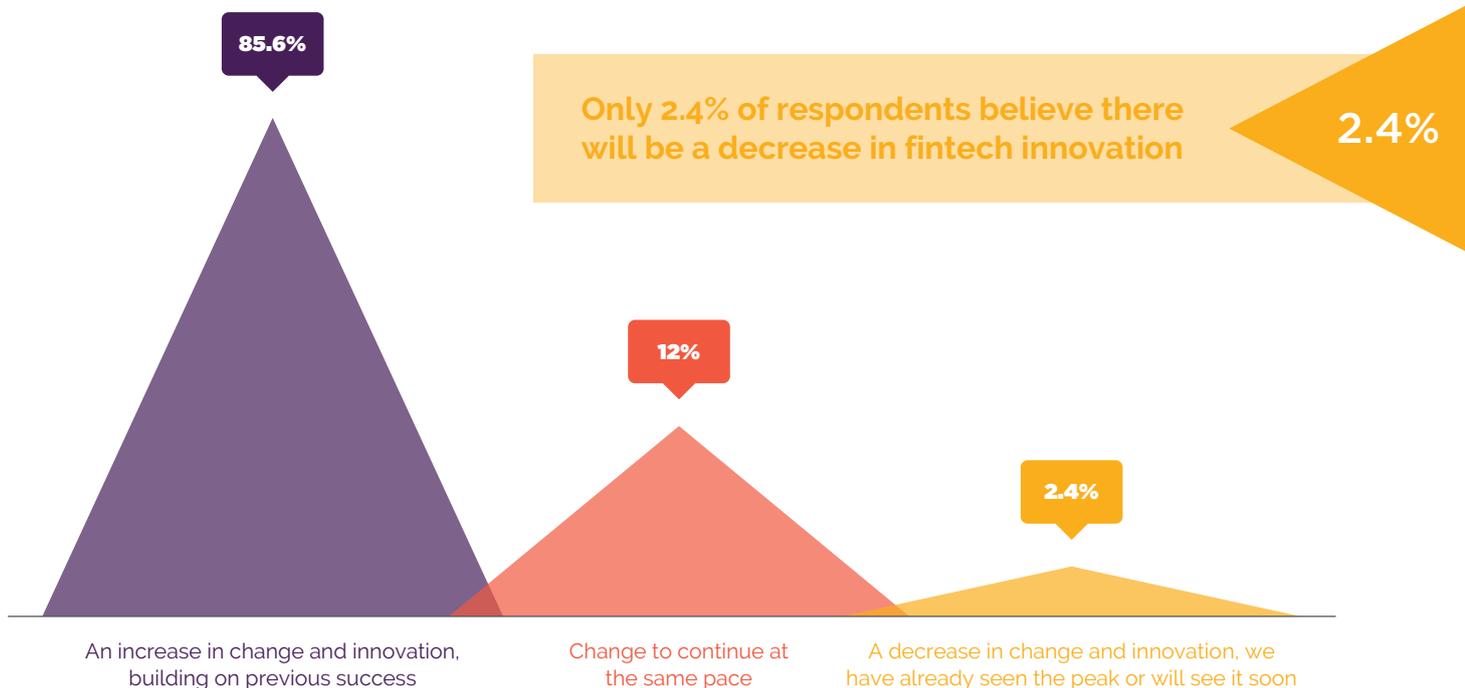


# More innovation, more fintechs - and less funding

- Fintechs expect innovation to accelerate over the next decade.
- They also see plenty of room for growth in the number of fintechs.
- Funding is a sticking point—only one in five predict funding models will remain the same.

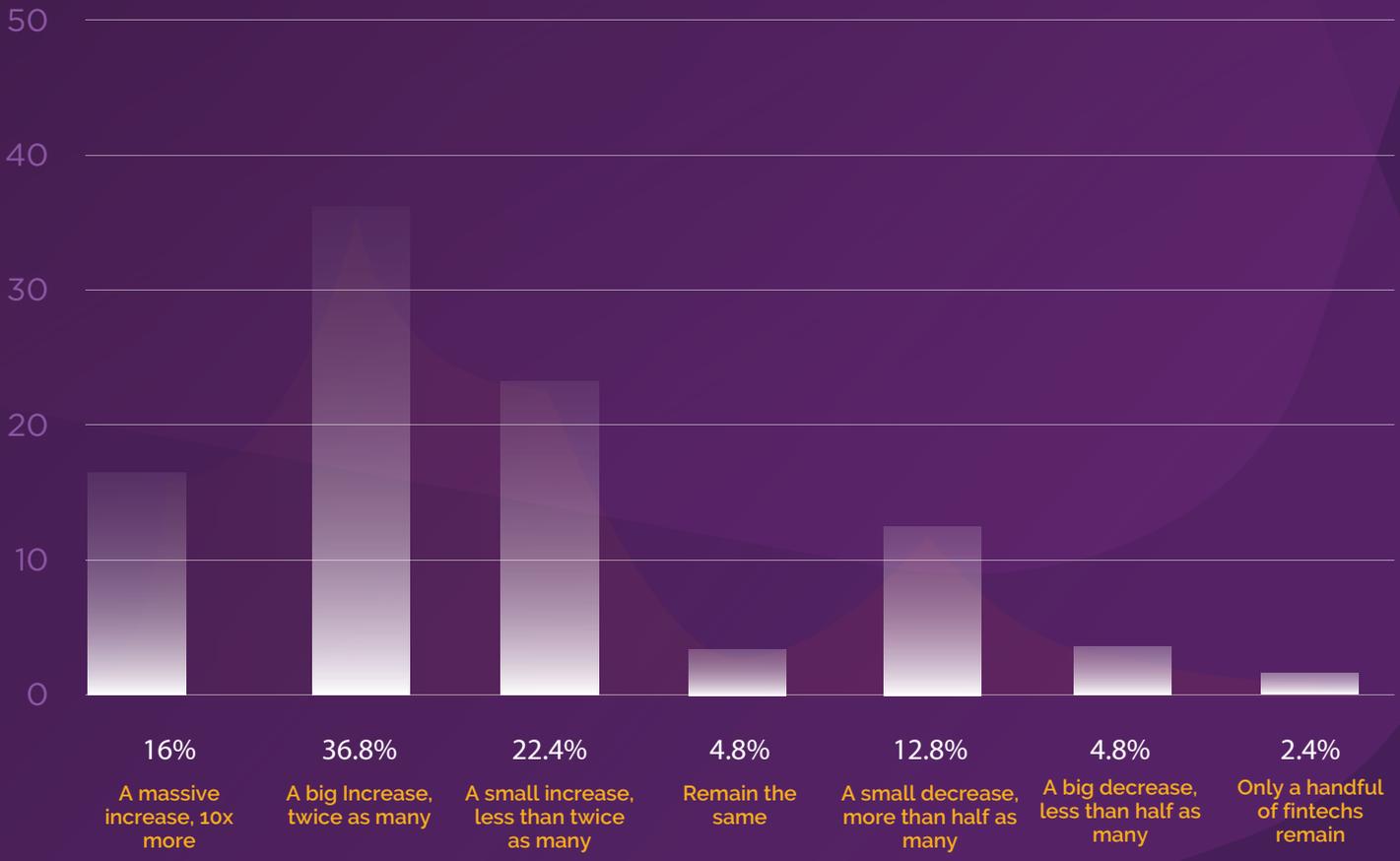
2020, while being a year full of uncertainty, hasn't dampened fintech professionals enthusiasm for innovation. Only 14.4% of respondents thought that innovation and change has now either peaked or plateaued. An overwhelming 85.6% saw the next decade of fintech building on the first, with fintechs not only continuing to innovate, but that innovation accelerating. This is understandable, as we haven't seen the full impact of blockchain technology, many systems haven't changed at the core, and there are technologies that are still in their infancy, such as AI.

**Fintech, as we know it now, was arguably born out of the financial crisis of 2008 - meaning we have seen a decade of rapid change. What do you expect will happen in the second decade of fintech?**



There was a little more division—but not much—on how this innovation will affect the number of players in the market. The most common response to this question was that there would be an increase in the number of fintechs, from over 75% of respondents. Of these, most saw there being over twice as many fintechs then as there are now. On average, the fintech sector doesn't just expect innovation to continue, but a growing number of businesses will drive it. Fintechs don't see the market as saturated and are not protective of the space they have carved out—they see plenty of room for growth.

**What about the number of fintechs? Will we see a contraction as they exit or prove to be unviable, or will they increase as new businesses are launched?**



Of course, this room for the market to grow only makes sense if there is investment available. And only around one in five thought that funding would remain the same over the next ten years. Most people (60%) saw a shift towards pragmatism. They expect investors to focus on hard numbers such as the cost of acquiring customers over the VC-funded 'moonshot' that may or may not pan out.

## How will funding for fintechs change over the next decade?

40%

40% of professionals believe more investment will go to fintechs that address Environmental, Social and Governance challenges by 2030



Twenty-four percent saw crowdfunding taking a central role, something we've already seen with companies like Monzo and Moneybox growing with the help of the crowd. Around two in five saw a shift to emerging markets as likely, and around the same number also saw more investment going to fintechs addressing environmental, social and governance challenges—as businesses look to become more responsible, they will need partners to assist.



# In search of scale

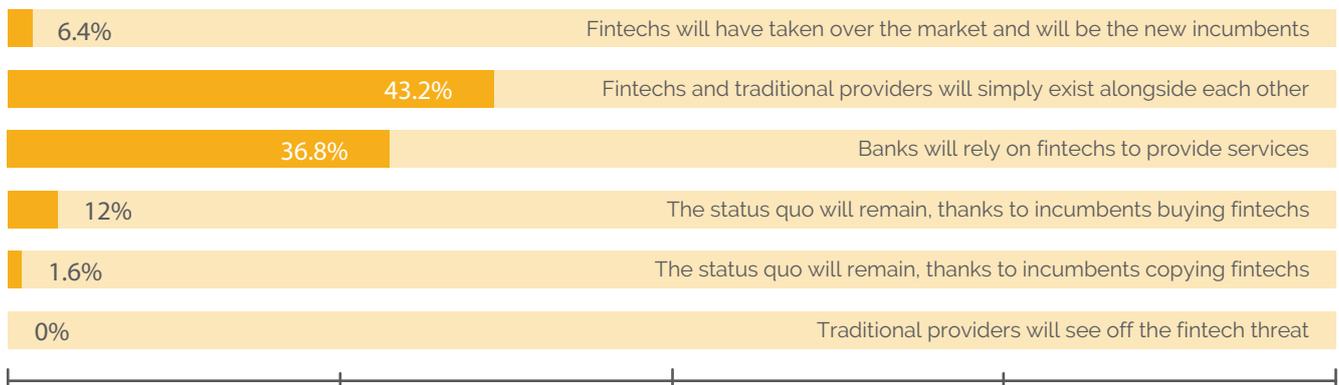
- Fintechs expect banks to stick around, rather than be replaced.
- Both banks and tech giants are expected to work with fintechs to provide services.
- Fintechs need to scale, and partnership with these rivals is likely the answer.

While fintechs have been the driver of change over the last decade, there is always the chance that other types of business will lead the charge either by acquiring fintechs, innovating themselves, or simply copying them. The relationship between fintechs and banks is always fascinating, given that so many fintechs see success by doing what banks do, but better—but both could benefit from partnerships. So, where do fintechs see this relationship in ten years' time?

## Which of these statements best reflects how you see the status of fintechs and established institutions in 2030?

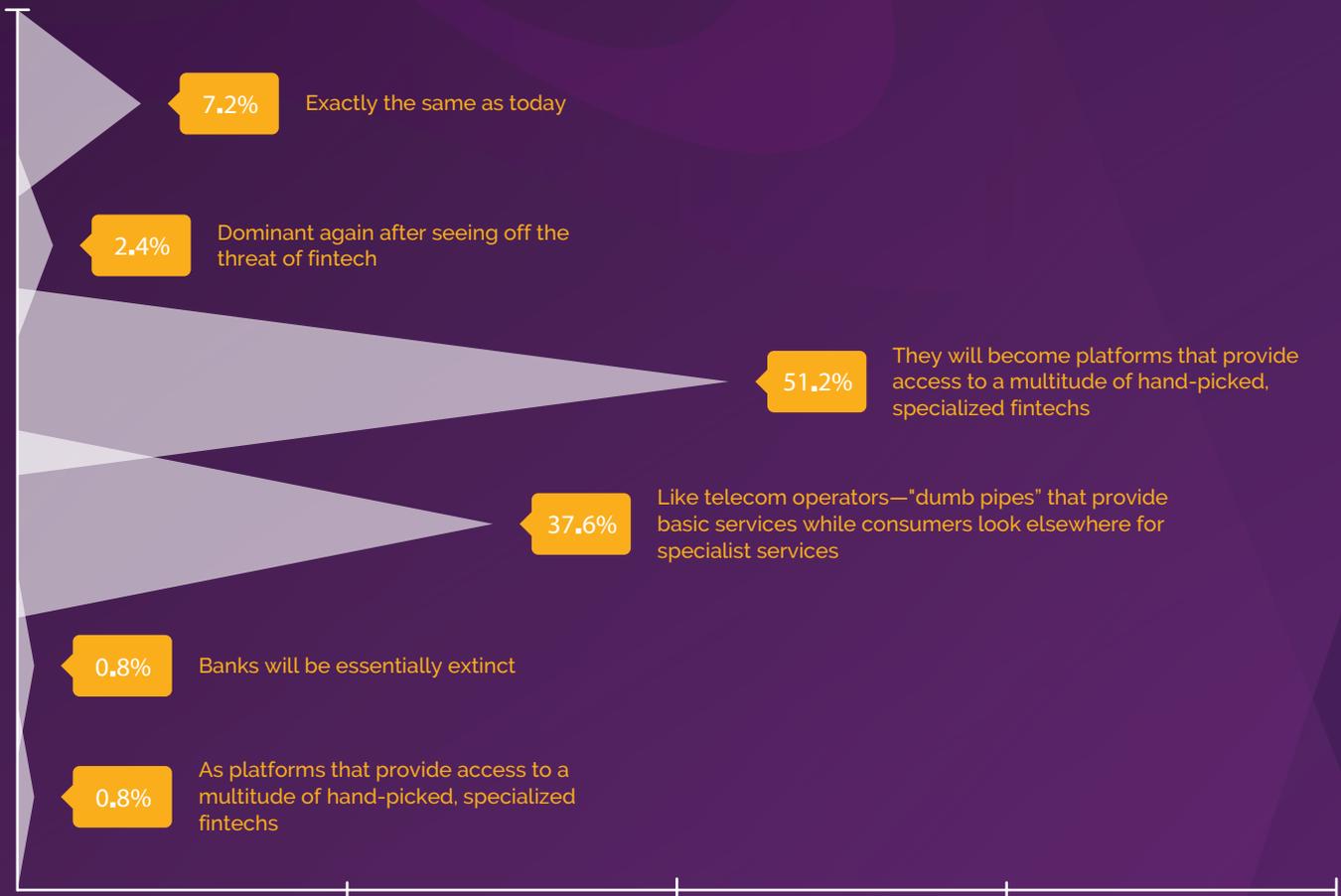


### No professionals think the status quo between fintechs and institutions will remain by 2030



Respondents are almost completely split down the middle on this question. Over 36% think that banks will rely on fintechs to provide services, while around 43% think that fintechs and traditional providers will simply exist alongside each other as they do now. Only a minority agreed that incumbents buying fintechs would protect the status quo, or that fintechs would be the new incumbents. Perhaps unsurprisingly, no professional agreed with the idea that banks would see off the fintech threat.

## What will be the role of banks in 2030?



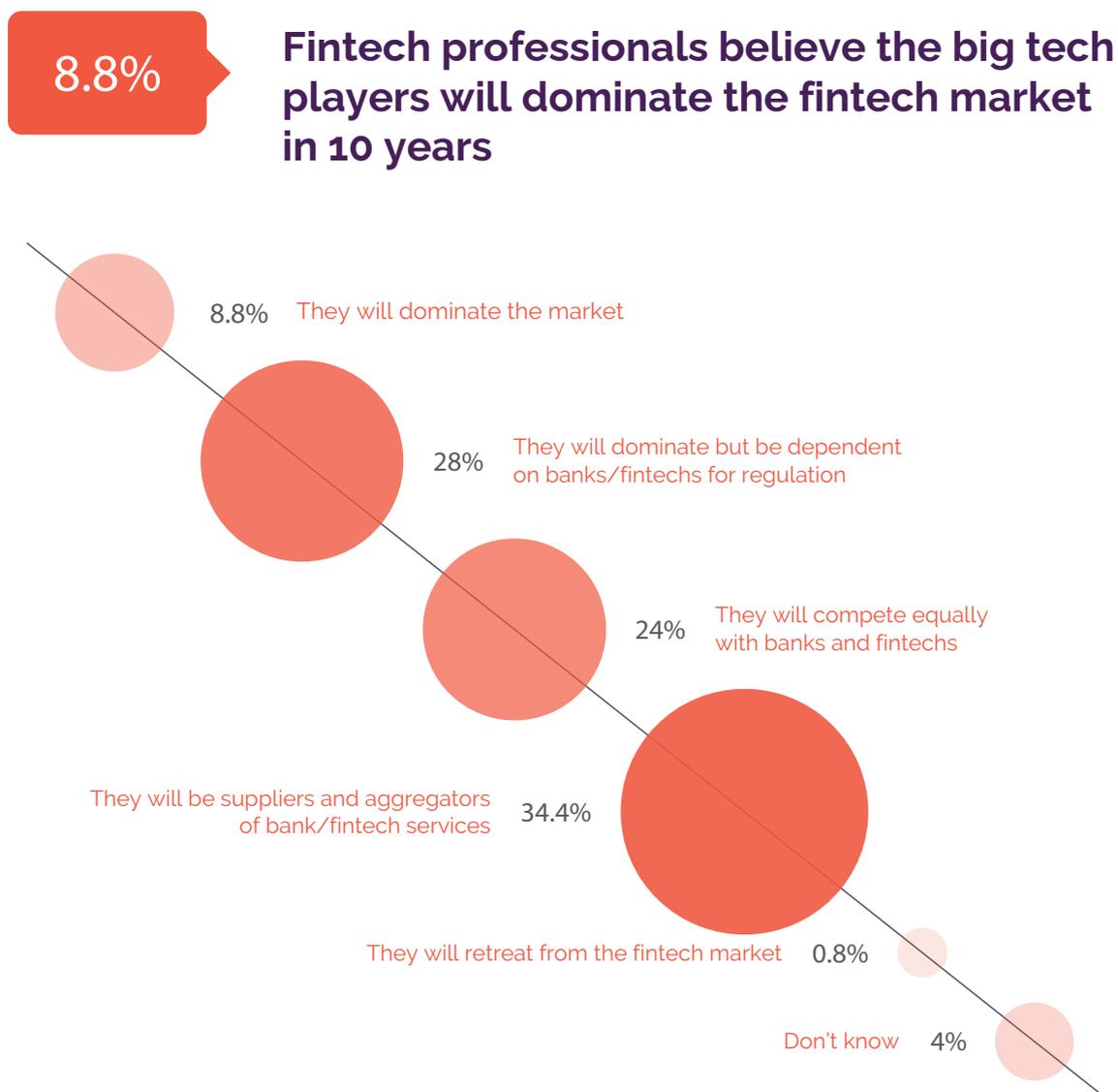
So if banks and fintechs are to work independently as well as partner, what will be the actual role of banks to their customers?

Opinion here is split and does not flatter the banks. Just over a third see banks becoming 'dumb pipes', with their relationship with fintechs similar to the relationship between a mobile operator and WhatsApp. The bank provides the 'plumbing' that makes everything work, but the customer's relationship is with an intermediary that provides the service. Just over half of respondents were a little kinder to banks, seeing them as platforms that will curate fintech services for their customers.

Perhaps surprisingly from an industry looking to disrupt the status quo, almost no one saw banks going extinct.

But banks and fintechs are not the only businesses looking to take market share over the next decade. Big tech businesses such as Amazon, Facebook and Google have also been courting customers with financial services, and they are likely to increase their efforts. Fintechs think they are a force to be reckoned with...

## What will the role of big tech players (Amazon, Facebook and Google) be in fintech in 2030?



While only 8.8% of respondents thought big tech players had a chance of dominating the market completely, just 0.8% believed they would actually retreat from this space over the next 10 years. Rather many believe big tech companies will play a role whether they are dependent on banks or fintechs in terms of regulation or become suppliers of services and a sizable 24% believe they could be on completely equal footing by 2030.

What we see here are fintechs looking to solve one of their most intractable problems—scale. Three current darlings of the current crop of fintechs, Monzo, Starling and Revolut, together hold £4.8 billion of customer deposits at the time of writing. Virgin Money has around £64 billion while Lloyds Banking Group has £250 billion. These fintechs may not be small, but they're far from big. Achieving the scale necessary to succeed at the highest level is best achieved through partnerships with those who already have it, whether that's banks or big tech.



# The dawn of embedded finance

- Machine learning, IoT and automation are predicted to be some of the most important technologies of the next decade
- Retail banking will attract far less funding, but emerging sectors regtech and insurtech will benefit
- Popular new technologies and funding targets suggest embedded finance is the future.

While it's near impossible to predict how technology will transform the fintech sector over the next decade, a less taxing look into the future is which of today's technologies is still relevant.

The three most important technologies today are not seen as the most important in 2030. Machine learning is as important now and is set to increase in importance over the next decade, while data analytics and open banking are likely to be replaced with the internet of things and automation to fill out the top three.

Perhaps surprisingly, blockchain, while gaining in importance, fails to crack the top three either now or in ten years. However, some of the other trends are perhaps less surprising. Open Banking hasn't driven the changes expected and the fall in importance perhaps reflects this. Machine learning and automation are predicted to have a big impact on every sector. The rise of machine learning perhaps explains the fall in data analytics—it's not that data will become less important, it's that algorithms will use it rather than people.



## Top 3 technologies today

1. Open Banking
2. Data analytics
3. Machine Learning / AI

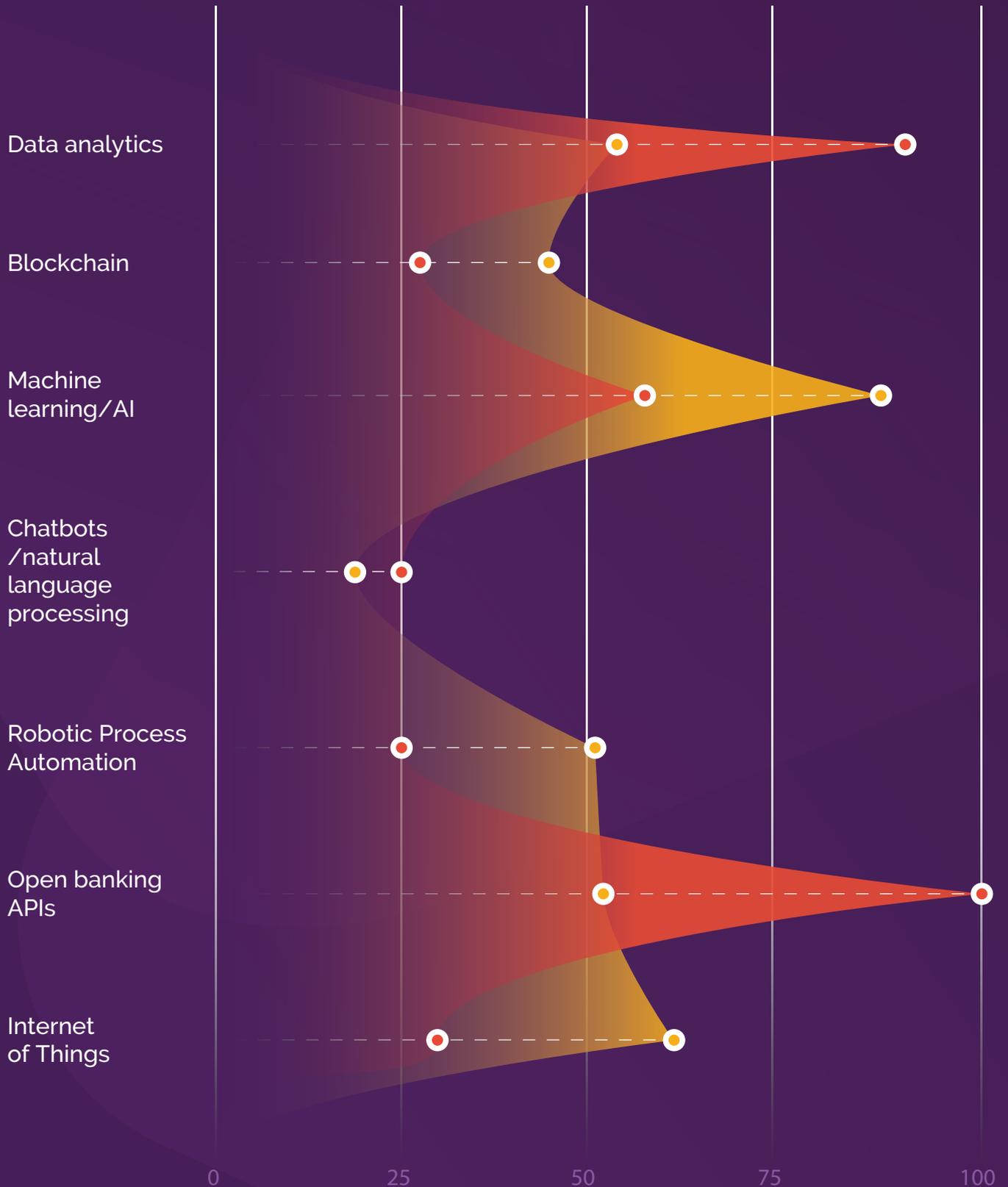


## Top 3 technologies 2030

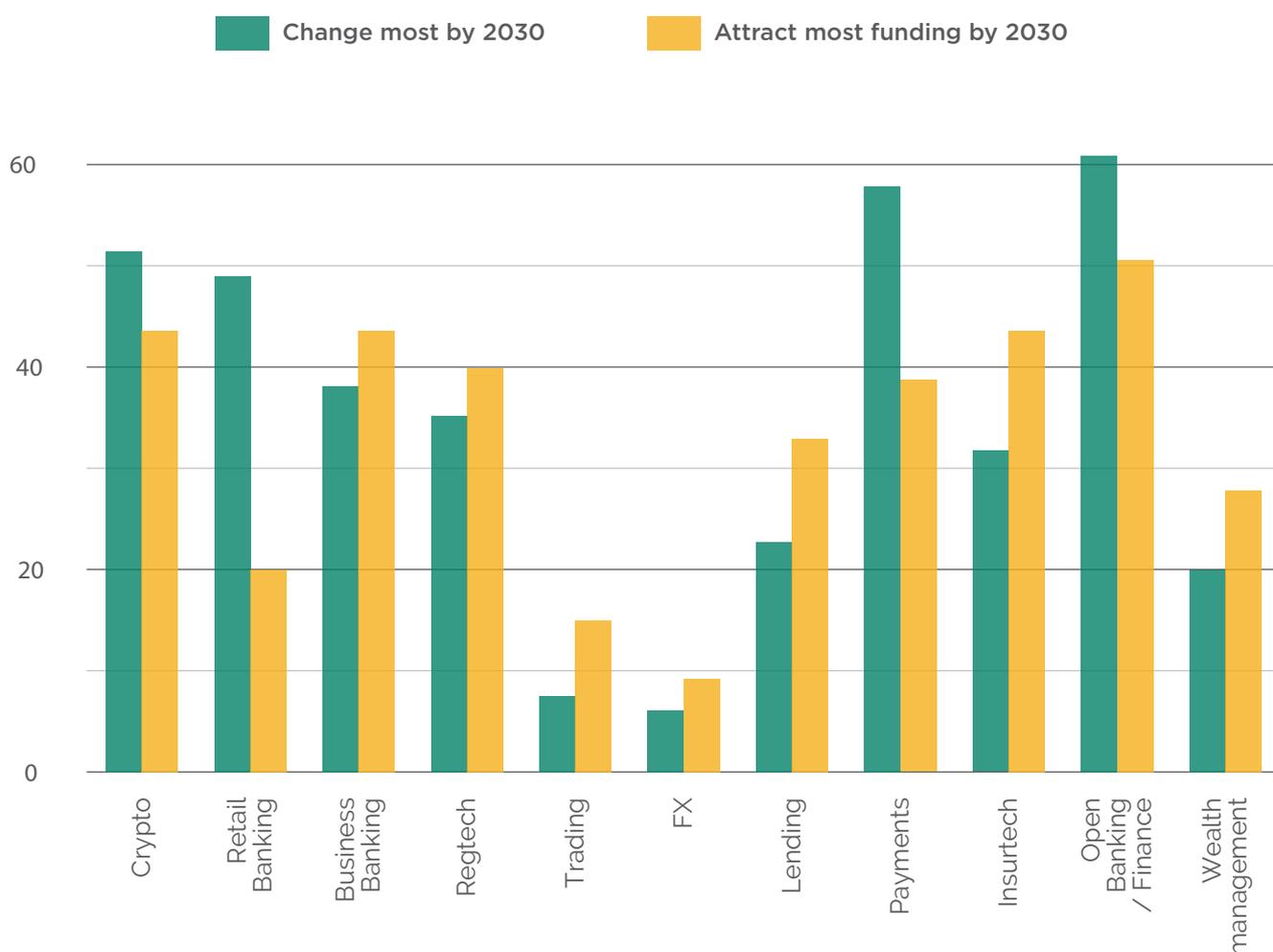
1. Machine Learning / AI
2. Internet of Things
3. Robotic Process Automation

What do you think about the following technologies? Select the top three that you think are most important today, and the three you think will be most important in 2030

● Most important in 2020
 ● Most important in 2030



What do you think about the following fintech sub-sectors? Select the top three that will transform the most from now by 2030, and the top three that will attract the most funding



What about funding? Despite the skepticism around blockchain, crypto is predicted to retain almost the same level of funding. Meanwhile, several sectors that are emerging today are seen as gaining a lot of traction over the next decade, including lending, insurtech and regtech. The biggest loser will be retail banking, presumably as today's hype will leave us with winners, losers, and little room to innovate. Open Banking, is the surprising winner here. While there have been many claims that its success has been limited, connecting fintechs, banks and big tech is clearly important and will continue to drive this effort.

There are several results that point to a particular future. The Internet of Things is increasingly important, as is automation, and both payments and Open Banking are set to change the most over the next decade. These are all technologies that will support embedded finance, where non-financial services businesses can give their customers access to financial services and payments, often in an invisible, seamless way.



## Confidence and realism

Fintech is a sector looking to disrupt the market with a strong vision of what the future should look like. Although professionals have a confident view of what the future holds, it is tempered by a sensible and sober realism. They do not predict the end of the incumbents they are looking to steal market share from, neither do they see threats from big tech businesses as nothing to worry about.

The fintech sector sees innovation continuing over the next ten years—fintech is not only here to stay, its peak is some way off. At the same time, many see an evolving ecosystem emerging, with fintechs, big tech and big banks working together to create the best experience possible for their customers. Fintech in 2020 is not out to destroy the competition over the next decade, but reshape the market into something new.

**A financial crisis following COVID-19 is predicted by many. What will be the effect of this for fintechs over the next decade?**



This attitude can be seen in the response to the biggest challenge the new decade has thrown up so far: COVID-19. No market sector has been untouched by the ongoing pandemic, not even fintech. Yet the overwhelming majority see the potential for change—just as 2008 drove innovation, today's problems are set to be a catalyst for change. And by 2030 we can expect many more fintechs, many more fintech partnerships, delivering embedded payments and embedded finance.



# THE INDUSTRY

## VIEW

Leaders from 15 different fintech sectors - from Crypto to Regtech - share their views on how their sector will change over the next decade...



## INVESTMENT

# FINTECH FUNDING TO FLOW TO EMBEDDED FINANCE PLAYERS

EMBEDDED FINANCE MEANS THAT FINTECH—JUST LIKE THE 'INTERNET'—WILL NO LONGER BE A DISCRETE CATEGORY AND WILL BECOME INCREASINGLY VERTICALISED

Before delving into market predictions of what fintech investment in 2030 will look like, it's worth summarising the state of fintech in 2020.

Fintech currently consists of four primary subsectors — payments, lending, insurance, and investing. Until now, most fintech products have merely brought these long-existing financial services online, with the added benefits of increased acquisition, accessibility, and use.

Competition for these products has mostly been playing out between large incumbent companies such as banks that offer distinctly financial services and startups developing improved alternatives, with a subset of the latter selling tech-enabling software to incumbents so they can remain competitive. This landscape, which developed rapidly following the financial crisis of 2008, has conformed to a familiar paradigm: Incumbents are bad, their startup counterparts are better.

What we are beginning to see is a new set of software companies that don't define themselves as "fintech" at all but embed financial services within their offerings to attract and retain customers.

The resulting connectivity to the client enables these companies to continually develop novel functionality tailored to their customers' needs while minimising risk. It also creates natural cross-sell opportunities, reducing customer acquisition costs and increasing monetisation.

Taken together, these advantages are forcing both financial institutions and "pure" fintech companies to compete with companies across vertical sectors. So far, this has played out most obviously in payments. Take, for example, Shopify. Shopify is a \$130 billion software company that markets itself as a service for merchants setting up ecommerce websites.



Matthew Harris  
Partner



Yet, **59%** of Shopify's 2019 revenue came from payments.

The company has further embodied the concept of embedded finance through its new products such as Shop Pay, an accelerated checkout experience, and Shopify Capital, a small business loan. These added fintech offerings have served to solidify Shopify as the primary partner for its customers. Shopify's success is part of a larger market trend: In 2019, 10% of credit card payments in the U.S. were distributed through an "integrated payments channel" – that is, merchant payments that are sold and managed through software companies rather than traditional payments companies.

That segment is growing at 2X the rate of the overall market, with analysts estimating it will hit 40% of the payments market in the medium term.

These current market realities lend themselves to a number of predictions for the coming decade:

**1 The appetite for bundled embedded fintech product will continue to grow** particularly among SMBs, which typically have limited resources and will increasingly turn to companies offering full-suite solutions with financial capabilities. One such example is Squire, an all in one platform for barber shops. Squire not only offers a comprehensive software suite, including bookings management, scheduling, pricing analyses, but also acts as the point of sale system for the mom and pop barber shop. In ten years, it is likely that such one-stop solutions will be the market standard.

**2 The empowerment of enablers driving embedded fintech.** Beyond backing companies embedding financial technology components, venture capitalists will increasingly turn to the enablers of this trend. In the world of payments, we've seen infrastructure players such as Finix, Infincept, and others enabling software companies to become payment facilitators ("payfacs"). These infrastructure players enable software companies to become payments companies without needing to hire a 10+ person team and spend millions of dollars in set up fees. In lending, there will be a wave of lending-as-a-service infrastructure players.



Companies such as Wisetack today enable software companies, mostly in home verticals today, become lending companies. Over the next decade, Wisetack and other companies will expand across verticals to enable software companies of all types to offer lending products to their end customers.

We're further seeing this trend, though in early days today, happening in insurance. As the data a software player has access to can be helpful in both underwriting and understanding losses, players such as Boost Insurance have entered the scene to enable software companies become insurance companies.

As financial services continue to embed within the marketplace at large, it will become harder — and ultimately moot— to squarely categorise fintech as its own distinct sector, just as no one today talks about the Internet as a discreet market. While this may initially feel disorienting, we look forward to seeing how this era's entrepreneurs transform today's transactions into intelligent relationships.





## FX/ CROSS BORDER

# CROSS-BORDER PAYMENTS OF THE FUTURE: YOU WON'T EVEN SEE THEM

BICS, IBANS, SORT CODES AND ACCOUNT NUMBERS WILL MERELY BE A PART OF INVISIBLE INFRASTRUCTURE AS CROSS-BORDER PAYMENTS BECOME SEAMLESS

Sort codes, account numbers, IBANS & BICs – these are all a legacy of traditional high street, analogue banking, dating from as early as the 1950s. The continued necessity to have these is what is holding up progress in payments - and eventually they will disappear.

By **2030**

seamless transactions, be those domestic or international, will be as simple as handing over a

**£10**

note in a shop (before Covid-19!)

In 2016 KPMG suggested in its report: 'Meet EVA', that the bank of the future would be invisible – with transactions being seamlessly executed on your behalf by your Executive Virtual Assistant and your day-to-day banking relationship would become a thing of the past. Four years later and we believe this may happen sooner than 2030, but let's play on the safe side and give ourselves some time.

Certainly at Currencycloud we believe the future of payments is making them embedded, and thus invisible to the end user. It is the world we've been preparing for.

Amazon is probably the most obvious example of this today in 2020 with its 'swipe to buy' functionality. The ability to use Amazon Pay functionality with other ecommerce sites demonstrates the demand for a seamless payment experience from consumers.

But let's take a step back for a moment...

It used to be the case that if you had a room of 10 people, you could make a safe bet that they'd be banked with perhaps three to four High Street banks, such as NatWest, HSBC or Barclays.



Stephen Lemon

Co-Founder / Head of  
Strategic  
Partnerships



Currencycloud



Today you're just as likely to find those 10 people all using different banking providers.

Perhaps someone is still banking with an HSBC or NatWest because they always have and always will, while others will be with a challenger bank like Starling or Monzo because they work digitally and make budgeting and saving easy; perhaps someone who travels a lot will have a Revolut account; and an expat from Europe has a Monese account because it makes it easy to open a UK bank account and simple to send money to friends and family back home.

We will see an increasingly fragmented financial market with a combination of 'banking-lite' services layered with additional services that are of interest to specific demographics.

Individual elements, such as FX and payments are becoming increasingly commoditised and as a result the margins are low. It is the layering and curating of these and other services that will make fintechs, payment service providers and financial institutions of the future 'sticky'.

Returning to Amazon as an existing example of embedding payments, why not take it to another level? From a consumer perspective Amazon, Apple, Google and others have already simplified the payments process in different ways.

Instead of getting your monthly salary paid to HSBC or Barclays, why not have it 'banked' with a brand you have an affinity with and relate to on a day-to-day basis - Amazon, Apple, Facebook a retailer like ASOS, or even your favourite sportswear brand like Nike? As a consumer, you're likely already spending a large part of your disposable income with them; they can offer discounts for shopping with them, and partnerships with other financial providers to offer lending and investment solutions, as well as link-ups with other brands to create an appealing financial product that integrates with major parts of your life.

Indeed, the pervasiveness of virtual assistants like Alexa, Siri and others, could mean that we simplify the payment process further so that we say 'Hey, Alexa.... Pay John Smith £100' and it syncs with your contacts to identify John Smith and confirms payment.



From a business perspective, we could see a payment tab added alongside the 'bold', 'italic', 'underline' and 'attachment' buttons on Gmail, Outlook or other email providers, that turns a highlighted piece of text within an email into a 'payment' – the recipient simply clicks on it at the other end and 'accepts' payment. The email would say 'pay John Smith \$100', and recognise that the recipient therefore needs to pay John US Dollars from your multi-currency account. You would then receive an automated email alert saying that John has been paid, with an update of your US Dollar account balance, with an option to top it up if necessary.

The payment process becomes simple and seamless for your customer and easily manageable for you.

Making sure you have funds in your account is the limit of what you'll need to do – algorithms will make recommendations on when to buy or move different currencies to make sure you make your money work as hard as possible for you.

It doesn't matter whether the payment is domestic or international, a consumer payment or a B2B payment. All the user wants to know is that it is good value, transparent and quick.

We won't need BICs, IBANs, sort codes and account numbers anymore. This infrastructure in the background makes making a payment as simple as handing a £10 note to someone in a shop today, wherever you are in the world.





## TRADING

# WHAT WILL ONLINE INVESTMENT LOOK LIKE IN 2030?

A BLOCKCHAIN FUTURE EXISTS, AND THE RATE THAT WEALTH IS TRANSFERRED ONTO THE BLOCKCHAIN WILL INCREASE AS THE FINTECH WORLD GROWS UP AND INSTITUTIONS COMMIT TO IT

Innovation in financial services is key to achieving structural reform for the global economy. It might sound like a lofty aspiration to throw at the foot of a fintech industry that is not yet fully grown, but if we've learned anything this year, it's that we can achieve far more in far shorter time frames than we've previously given ourselves credit for. Satya Nadella, chief executive of Microsoft, summed it up perfectly, "We've seen two years' worth of digital transformation in two months."

That acceleration has pervaded every aspect of our lives. We're work-ing, shopping, socialising and investing in ways we never thought to before, embracing a life lived as much online as off. And we're not going back.

What does this mean for 2030? Are we racing towards the future faster because of COVID-19, or have we simply jumped two years forward and are now settling back to a normal pace? Whether the industry is running a sprint or a marathon, there are some big hurdles approaching. Not least, a likely recession and a technological infrastructure that's aged two years in as many months.

### The trends that shape fintech

The fintech investment theme of the decade from 2000 was unbundling. We saw a proliferation of startups focusing exclusively on one product. More recently, armed with an often-evangelical user base and a shiny new tech stack that banks would pay dearly for (and in some cases did), these challengers have set about rebundling – adding more products and services. They need a wider array of products and more choice if they're to target long-term profitability, attract new customers and prevent the ones they have from looking for greener pastures.



Yoni Assia

CEO



The differing demands of millennials and Gen Z have pushed loyalty and retention to the fore. Fintechs have to provide a wide range of products for a range of clients with different motivations. They also need long-term users if they're to compete in an increasingly crowded marketplace. Generation Alpha (those born after 2010) will come into its spending power in the next decade, and companies are already embracing this youngest group with spending and savings products.

So, by 2030, we'll have three generations of digital savvy consumers. And, for the first time ever, we'll have a generation of adults who received their childhood pocket money via an app – a group who are more used to managing money online than handling cold, hard cash.

We'll also still be reeling from 2020. In much the same way that the crisis of 2008 reverberated through the years after it, so too will this year. It's logical to assume that the aftereffects of 2020's fiscal stimulus, quantitative easing and increased unemployment will still be felt in ten year's time.

The main legacy of the 2008 crash was that, for the first time, many retail investors stopped blindly trusting the banks and engaged more actively with their investments. We've seen a similar, albeit accelerated, response from the public in 2020. Wide media coverage of the

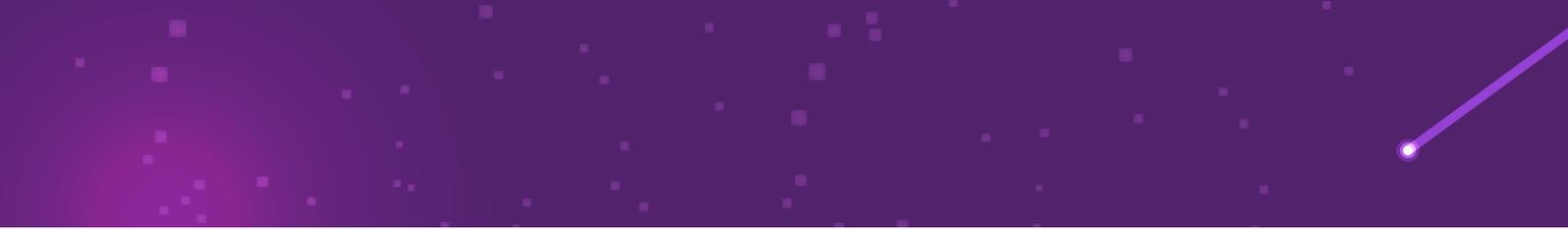
## THE FUTURE OF INVESTMENT

This increased engagement, coupled with a growing number of potential users who are comfortable with online platforms and have easy access to financial education, will further 'normalise' online investment. As the decade progresses, we'll see more people actively seek investment opportunities they can manage themselves.

We can expect retention to remain the focus for both investment platforms and the fintech industry at large, with user experience driving innovation.

The killer investment apps in 2030 will be, as now, the ones that put user experience above all else.

That will leave space for niche players within the industry, but we can also expect to see continued consolidation over the next ten years as rebundling fintechs partner up to create big industry players. It is the businesses who are able to invest in customer experience that will be able to build, scale and survive – regardless of market conditions.



As an industry we may have started the journey towards structural reform, but there is still a long way to go. For me, the future is decentralised finance.

Whether we will have the infrastructure in place to fully embrace that by 2030 remains to be seen. The initial announcement of Facebook's Libra and its reception by regulators and lawmakers highlighted many of the challenges we face but succeeded in provoking some much needed conversations.

The last twelve months have not altered my belief that this is where our industry is headed in the long-term. We are seeing increasingly digital savvy consumers take greater responsibility for their investments. A blockchain future exists, and the rate that wealth is transferred onto the blockchain will increase as the fintech world grows up and institutions commit to it.





## FUTURE OF LENDING

# FINANCE WHERE AND WHEN YOU NEED IT

IF LENDING CAN SUCCESSFULLY BECOME MORE EMBEDDED INTO THE INFRASTRUCTURE OF EVERYDAY SERVICES, FINANCE WILL BECOME MORE ACCESSIBLE AND EASIER TO USE

Over the last 10 years, innovation in finance and technology has transformed how many of us think about, manage and make choices with our money.

Gone are the days where we rely on banks for all of our financial needs: nowadays, fintech alternatives are everywhere. According to Crunchbase, roughly:

**\$5**

billion was invested in fintechs in 2010.

**\$43**

billion was raised in 2019, across payments, insurance, banking and lending.

That's a ninefold increase in investment. With the rise of fintechs, banks faced an extraordinary change of pace of competition.

The question is, what caused the shift? Banks had more capital, large customer bases and provided a 'one-stop shop' for financial solutions. A complete answer is probably complicated, but two big factors were: technology and the financial crisis of 2008.

First, technology. Ironically, the legacy of the banks became their Achilles heel as they struggled to adapt to a mobile, digital and cloud-based era. Enter the fintechs. Service by service, new players successfully built new and more adaptable tech stacks that could compete with the banks along narrower product or service lines.

Second, the 2008 crisis. The crisis prompted a wave of new regulation that banks needed to manage, and had a lasting impact on their customers. In 2018 - 10 years after the crisis - 66% of Britons did not trust banks to work in the best interests of society.



Lara Gilman

Co-lead of  
iwocaPay



Fintechs, by contrast, succeeded by refocusing on simple, practical and consumer-centric services that resonated with real customer needs. In the UK, where banks were still battling the PPI debacle, the fintechs offered refreshing alternatives. This is certainly true for the story of iwoca. With our customer-focused and tech-led approach, we were able to bring finance to thousands of small businesses.

Since launching in 2012, we've now lent over **£1** billion and made funding available to **50,000** small businesses.

But where does lending go from here? Again, there are two big prompts for change. First, new technology will allow for finance to become more accessible. No longer will you need to go to the financial provider - finance will meet you wherever you need it to be. And second, a new crisis - the Coronavirus pandemic - will prompt businesses to reprioritise their needs and make better financial decisions in uncertain economic conditions.

### **BRINGING LENDING WHERE SMALL BUSINESSES NEED IT**

In other areas of fintech, this dynamic is already happening. From real-time, contextual insurance, to mobile-integrated payment services like ApplePay or buy now, pay later checkout options like Klarna and Afterpay, seamless integrations and customisable financial products are increasingly commonplace. Lending - and small business lending in particular - will follow a similar trajectory. It will become more contextual and fit for purpose, helping customers make practical and efficient financial decisions.

Fintech lenders will need to offer solutions which make finance seamlessly available for customers. These might be services which bring finance to the point of invoice, allowing suppliers to get paid up front whilst their customers have the flexibility to spread the cost. Or, integrations which make a fintech's full lending stack available to an entire ecosystem of payment service providers, fintechs, brokers, accountants and bookkeeping platforms - to enable its partners to make finance available where customers are planning their accounting and cash flow needs.

### **BUILDING A MORE BALANCED AND PRODUCTIVE ECOSYSTEM**

The Coronavirus crisis has had a huge impact on our economy, and has dramatically impacted small businesses. Between 23 March and 5 April 2020, a quarter of all UK businesses (of which SMEs represent the majority) ceased trading, and over half of those that continued to trade saw a fall in turnover.

During the lockdown, we asked over:

**500**

small business owners how lockdown had changed their business and found that it had amplified existing inefficiencies in the small business B2B—particularly around low productivity and late payments.

For the millions of small businesses that are gradually reopening their doors, the crisis means they'll be looking at their business through a new lens. This refreshed perspective could be the turning point for the B2B economy, as businesses look for tools and services that make them more efficient and resilient.

To weather the crisis, digital access to cash flow and tailored financial solutions will become even more important. Through direct integrations, digital lenders can enable fintechs, banks and other partners to provide small businesses with just that, bringing the whole finance ecosystem together. These businesses will be able to quickly access finance as and when they need it, whether that be through their online banking, accountancy platforms or trusted advisers and brokers.

The future will see more lending integrations which will allow partners to build the ideal journey and lending product for their customers. This collaboration will help in ensuring products actually work and are evolving in the right direction - with the needs of businesses. Successful fintech providers will be those who can effectively embed products and services across multiple platforms, in turn helping businesses take control and manage their money more efficiently.

As we circle back to the changes in the last decade, it's clear that by 2030 we'll again have seen a fundamental shift in the way that we think about, and manage, and make choices with our money. If lending can successfully become more embedded into the infrastructure of everyday services, finance will become more accessible and easier to use.





## REGULATION

# WHAT WILL THE KEY DIFFERENCES BE BETWEEN FINTECH REGULATION IN 2020 vs 2030?

THE LINES BETWEEN PAYMENT SERVICE PROVIDER, RETAILER AND SOCIAL MEDIA PROVIDER ARE BECOMING MORE BLURRED

The way in which users engage with financial service providers, in making and receiving payments has changed significantly to that of 5 or 10 years ago or even in the last 6 months, with COVID-19 pausing life as we know it across the globe.

The internet has allowed new financial service business structures to proliferate, reach a wider, customer base and has turned the traditional financial service world on its head. Regulations governing financial services needs to keep pace with these changes.

They are fundamental to maintaining confidence in the financial system. But legislation, in contrast, is a much slower, more reactive beast, that responds to the issues of the time and is limited by jurisdiction. It's not easy to anticipate, let alone appropriately regulate future innovations on a global scale. Some of the regulations we have today, such as PSD2 were drafted in anticipation of new technological payment solutions coming into the market. These laws are by no means perfect, they need continued review and amendment to remain relevant and fit for purpose.

### SO WHAT WILL WE SEE IN 2030?

As consumers gain confidence in cryptocurrencies, the ways in which consumers will access them will also grow. Traditional channels of fintech will accept and promote cryptocurrencies in the future, demystifying them in the process and making them available at the touch of a screen.

Legislation plays a huge part in supporting change, by giving legitimacy to the system or service; to ensure there is adequate governance, appropriate safeguards and protections in place. The difference in regulations in 2030 is that a wider group of players will be captured if they are involved in activities fundamental to making and effecting a transaction.



Siobhan Moore

Partner

Locke  
Lord™



We are likely to see regulatory standards set on an international basis to achieve a more consistent approach to manage these trends across the globe.

Setting international rather than national rules and standards on interoperability, security, transparency and culpability for the industry allows changes to occur with confidence. Perhaps an ironic view considering the UK is in the midst of separating from the EU, but these trends and consequent issues transcend geopolitical issues and should be recognized as such. Disruptive solutions should ultimately improve a system, not destroy it. And criminal activity can only be managed through collective tracking and enforcement in a manner consistent across countries.

The fintech sector is evolving, with new businesses providing more tailored, cheaper, relevant financial solutions to users. For incumbents, ignoring innovations and trends is not an option. A business has value if its products and services remains relevant and cost effective for its users. Continued success is likely to be through partnerships with complementary innovations, unless the business is agile enough and has the resource to build the same.

Choosing whether a new solution is the businesses friend or foe has never been more crucial. My money is on those businesses that are able to identify their strengths and the overall benefit in working with a partner to deliver their service effectively.

Financial services won't fundamentally change, but business models will be more complex, involving multiple parties, each responsible for operating a particular component.

We already see end users engage with financial services through social media, by mobile and directly with merchants. These parties' roles in the payment chain should be considered within fintech regulation.

For the most part, end users do not consider the consequences of making a payment in a particular way. If something goes wrong, for example, a party involved in making or effecting the payment transaction becomes insolvent, is fraudulent or if the end user does not receive their goods, who takes responsibility for it?

Inevitably, the next 10 years will bring a more consistent regulatory approach to liability and recovery of funds for payments regardless of the payment instrument or method used..

The lines between payment service provider, retailer and social media provider are becoming more blurred. Who effects the transaction, touches the money, holds the transaction data and who has the customer relationship?

Historically, this was the preserve of a financial institution, but no more and the change in roles and responsibilities will impact the market dynamics.

I see power shifting to those businesses holding the customer relationship and customer data, who are being supported by increasingly invisible financial service support partners.

The killer apps will be provided by those businesses that can deliver the seamless payment solution whilst maintaining customer confidence in their reliability and security of a payment and that their customer data's is safe and secure.





## WEALTH MANAGEMENT

# IN 2030 THE EFFICIENT MANAGEMENT OF WEALTH WILL BE AN UNAVOIDABLE NECESSITY

CHANGE IN WEALTH MANAGEMENT WILL COME FROM WINNING OVER THOSE CURRENTLY UNDERSERVED BY THE FINANCIAL INDUSTRY

10 years is a long time in today's world. A direct comparison between financial services in 2010 and today demonstrates a pace of change that would have satisfied even the most forward thinking commentator. The coming decade is, then, an exciting prospect.

Take the emergence of robo-advisors as an example. Over the 10 years or so, they've gone from exciting new prospect to part of the financial furniture. Robo-advisors have emerged as part of the wider digitisation of society at large, as one part of a banking revolution that's getting traditional financial services up to speed.

A large part of this modernisation is putting more power in the hands of the customer. A continued growth in quality, tailored digital services will give investors the kind of visibility and control over their finances that has been traditionally lacking, while the bar for accessibility will only continue to come down.

### The changing landscape of wealth management

In the wealth management industry, what we are likely to see is an evolution of the business model focused on a tailored and sophisticated level of service. The emerging cohort of robo-advisors, like Moneyfarm, have paved the way for this evolution.

The ready availability of data, the advancement in artificial intelligence and the integration of different services will allow providers to assess people's needs and behaviour in real time. This will undoubtedly inform strategy, likely throwing up trade-offs between the (sometimes conflicting) short and long term financial goals of customers. The needs of someone approaching retirement and someone planning three months of travelling are very different, for example.



Giovanni Daprà  
CEO/Co-founder



This is the long term direction of the industry, but it may take more than a decade for this new generation of services to become available. What we are more likely to see is a gradual evolution, made possible by collaboration with other sectors of the financial industry and the wider service economy.

The sector as we know it now will continue to exist - we're talking about a very specialised value-added service. Over the past 10 years, the wealth management sector has been resilient to digital disruption for that exact reason. That's unlikely to change; the industry will continue to function even while a process of evolution is underway.

### **TECHNOLOGY MEANS GREATER ACCESS TO ADVICE**

One thing that will increase over the next decade or two is the need for quality financial advice. This is, fortunately, a need that the wealth management industry is better positioned to satisfy than it has ever been.

Of course, the sector has had to deploy a fair amount of resources to prove itself up to the task. Clever integration with other industries and other parts of the financial sector will play a crucial role, but there is also an urgent need for the dynamic and propulsive role that digital native companies - like most robo-advisors - can play.

For us at Moneyfarm, the key will be providing greater value to customers in a fair, competent and sustainable way - this is the key to winning over the traditional audience of wealth managers.

The real challenge here is to serve a growing audience of investors that need support in managing their finances, but find themselves underserved by the financial industry. A service model that strikes the right balance between human capital and technology is the key. At Moneyfarm, we were among the first to see the value in the 'hybrid' approach, which has spiked in popularity since.

It's not easy to pull off, though. To succeed in this industry you need a mix of: access to customers and customer data, specific expertise, trust, the ability to innovate quickly and dynamically, and superior technological capabilities.



Now, the usual suspects here are traditional incumbents, disruptive new companies, big financial institutions (like banks and asset managers) and outsiders (like tech companies). All these different players have some competitive advantages but are lacking some others. We're almost certain to see more and more integration going forward.

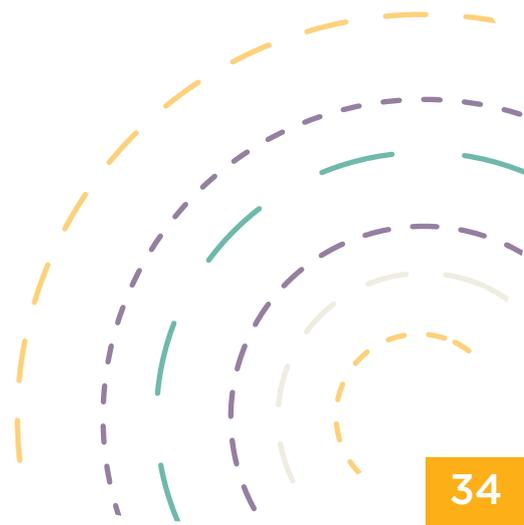
### **HOW WILL THIS CHANGE THE CUSTOMER EXPERIENCE?**

Ultimately, customers will be the beneficiaries. The key difference-maker will be the ability to provide quality services at scale, limiting the costs for end users. This is something that 'robo-advisors' are already doing. In most advanced markets, the competition is shifting more and more toward customer experience and product sophistication.

Companies that fail to build their service around customer needs will struggle. This is a significant competitive advantage for young companies, particularly when up against large, slow moving incumbents.

The digital wealth management industry will be crucial to the development of the wider fintech industry. In many ways, it will have a major impact on the wider economy. Against the backdrop of an ageing population, receding public welfare and automation in the workplace, the efficient management of wealth is no longer an option but an unavoidable necessity.

Finally, the wealth management industry has the chance to drive positive change in the economy by reflecting growing concerns in the population, like environmental protection. With that in mind and with the public in need of an effective, accessible service, digital wealth management couldn't be better placed to kick on.





## RETAIL BANKING: THE CHALLENGER

# BRANCHLESS, CARDLESS, SUBSCRIPTION-BASED BANKING WILL BE AN EVERYDAY REALITY FOR ALL

IN 2030, BRANCHES AND PHYSICAL CARDS WILL BECOME A THING OF THE PAST AS DIGITAL BANKING BECOMES STANDARD PRACTICE

The COVID-19 pandemic has accelerated fintech disruption. In a matter of months, we've seen a transition that in many markets would normally have taken years.

This is just the beginning. The industry will look vastly different in the next decade. There will be three key changes to retail banking:

- Banks will likely have less than half as many bank branches as they do today
- Mobile payments will be the global standard, and payment cards will disappear
- Modern subscription models that save money and increase flexibility will be the modern alternative to the bank accounts we've lived with for decades.

## BRANCH-BASED BANKING WILL LOOK RADICALLY DIFFERENT

Today, just about every service provided at an everyday retail bank branch can be accessed online. From savings to loans and overdrafts to investments, customers have a range of digital alternatives to manage their money without ever setting foot in a brick-and-mortar branch. 7 in 10 millennials today would rather visit the dentist than their local bank branch, we can only expect that this number will continue to grow.

The case for branchless banking is compelling. In Germany, an average bank branch requires roughly between 500,000 to 1,000,000 euros in operating costs per branch per year.

Already, major banks in Germany, the UK, the US and many other global financial hubs have shuttered tens of thousands of branches in their networks in the last two years alone.



Alex Weber

Chief Growth Officer

N26



With even fewer customers visiting a branch due to health concerns, we can only expect bank branches to lose relevance even more quickly than before.

N26's branchless network means that our cost base is just one sixth that of incumbents, we expect many others will shift towards this model.

Across Europe, we predict that more than **50%** of bank branches open today will disappear - with the remaining ones evolving in their role and purpose. Instead of everyday banking services, branches in future will likely move towards value-added services like private banking and home loans and mortgages, with the branch experience more focused on service and brand experience - much like today's flagship retail stores. The way we interact with our bank advisors will change as well.

Bank advisors will continue to play a role, albeit virtually. Technology will allow customers to speak with bank advisors in real time, 24/7. Chatbots and AI-based advisors will make up a large part of these everyday customer interactions, even more than they do so now.

#### **PAYMENT CARDS WILL BE A THING OF THE PAST, AND PERSONALISATION WILL REACH A NEW LEVEL IN BANKING**

With banking apps able to live in your pocket, and mobile payments the global standard, payment cards will become a thing of the past. And personalisation in the future will reach new levels. What today turns a card into an accessory and personal style statement, will in future allow your money and your lifestyle to be fully connected via your bank.

Fuelled by big data, banks will have the opportunity to understand their customers infinitely better by **2030**, and make managing money something that's seamlessly integrated with everyday purchasing habits, travel and entertainment, and even their homes and other devices via the Internet of Things, thanks to open APIs.

Banks will no longer help manage money, but simply fit in seamlessly in empowering people to live the life they choose.

#### **SUBSCRIPTION BASED MODELS WILL PROVE SUSTAINABLE, AND DRIVE INCREMENTAL CUSTOMER VALUE**

In the past, choosing a bank was almost a lifelong commitment. Today, the rise of fintechs and challenger banks has made it easy for a consumer to break out of this cycle, and instead choose straightforward terms and conditions, a close to instant account setup suited to their needs.

With more and more customers today holding multiple bank accounts, loyalty will matter less than usage - and fintechs look poised to win. According to the Global FinTech Adoption Index 2019 published by EY, 27% of users say that maintenance costs and fees were the main reasons why they abandoned their bank for a fintech.

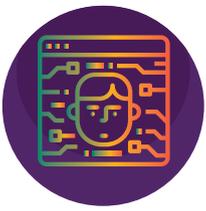
Replace these fees with a fixed subscription that delivers the services you need, and you have a freemium model and subscription-based banking. This allows customers to approach bank-ing the same way they would their Netflix plan, or mobile phone subscription, giving them the ultimate flexibility to change their plan at any time as their needs evolve. Some of the most powerful industries in the world have revolutionised their sector with a freemium subscription model - Spotify and Amazon, being two leaders.

The latest data suggests that European households spend an average of €130 a month on subscription services. Currently, that figure is only 5% of the average total spending of a household, but the trend is on a growth trajectory. More than 75% of Europeans plan to take out more subscription services on top of their current ones in the future.

## FINAL THOUGHTS

By **2030**, the digital banking models of today will not only be mainstream, but way more developed and advanced. Today's pioneers and innovators will have proven both the sustainability of their models, and could take over as the main players of the future. In short, digital banking will not only be bigger and better. It'll be what we know as 'banking' in the future.





## REGTECH

# THE FUTURE OF REGTECH IS DIGITAL IDENTITY

DIGITAL IDENTITY IS NOT JUST ABOUT CREATING A MORE EFFICIENT FINANCIAL SYSTEM—IT'S ABOUT CREATING A FAIRER, MORE ACCESSIBLE SYSTEM.

Onfido's mission is to create an open world where identity is the key to access. Remote identity verification and authentication is becoming more important as we enter an increasingly remote working world. This has been accelerated as people's physical movements are constrained because of Covid-19. Even when we get past the current pandemic and get back to life as normal, it won't be the way it used to be. Things will change. The efficiencies gained during Covid-19, accelerating digitalisation, will remain in place and innovative companies will look to take these improvements even further.

At Onfido, we're seeing banks and financial service providers accelerating their digital transformation plans as in-branch visits plunge.

A recent *WSJ* article showed that visits to bank branches fell **32%** in March compared to the same time last year: that's a drop of more than **30** million people

In parallel, we have seen our remittance and payments customer numbers grow by **52%** since the start of Covid-19 as people look to reduce their travel and avoid the use of physical currency.

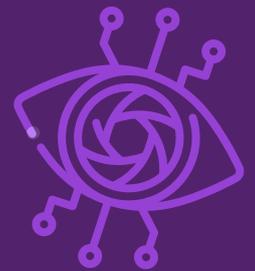
With these emerging trends in mind, here are my predictions for RegTech in the next ten years:

**1** First, digital identity will become commonplace. Traditional methods of identity verification are becoming obsolete in today's digital world. Recently, there have been several experiments to break away from physical IDs as more services are delivered online. The EU, for example, has introduced the eIDAS regulation, which aims to provide a common legal framework for the crossborder recognition of electronic ID.

Maintaining high levels of security is one of the biggest issues when it comes to digital IDs. They can lack security features, making them easier to forge or counterfeit.



Husayn Kassai  
CEO/Co-Founder



Or they might be temperamental if a digital ID is stored on your phone and it runs out of charge, what then? One solution is for everyone's ID to be stored in the cloud on their own private server that only they can access and provision access to for service providers - what we call 'portable identity'.

2

Second, we expect the gap between the two-tier financial systems that is still prevalent today to get smaller. The practice of 'redlining' where banks have systematically avoided Black and Latino neighborhoods because they are seen as typically low-income areas is feeding this two-tier system. It leaves only payday and predatory lenders with unfair interest rates - essentially a tax or punishment for being a minority or poor - leading to poorer credit scores, and the inability to get a loan, creating a downward spiral. Giving people the ability to gain access to many more financial services online by being able to prove their digital identity remotely, will provide more competition between service providers and therefore better rates for marginalised communities.

3

Third, centralised databases such as the credit bureaus that limit user control and pose security issues will have to move to a centralised identity architecture or 'portable identity'. Data breaches are becoming more frequent, bigger in scale and more sophisticated. For the first six months of 2019, the number of breaches increased by 54% compared to the same time the previous year. This worrying trend looks set to continue.

A decentralised or 'portable identity' solution will give back users control of their identities while providing one-touch access. Essentially, everyone in the world will own and control the use of his or her own legal identity. Individual accounts with different providers won't be necessary, nor will you need to share all your data every time you sign up for a new service. If there's no centralised database holding your data, no third party can access this information without your consent. We've already had a successful trial piloting portable identity in the UK, one of the toughest regulated financial markets in the world and will be moving to the next stage of roll out. Portable Identity will give consumers privacy and convenience, as well as fast access to products and services. Businesses will also easily remain compliant while bringing more customers onboard. And finally, regulators will see greater standardisation.

4

Fourth, we'll move to touchless physical access and less dependence on cash. Even before Covid-19 struck, developed economies were becoming less dependent upon cash. The rise of neobanks, such as Monzo, and P2P payment apps, such as Venmo, suggests that parts of society were already turning away from cash in favour of more accessible, secure and innovative digital payments. Amid fears that cash could act as a vehicle for virus transmission, we will further see a shift towards cashless payment.

Finally, we'll see payments companies become more dominant as they continue to make acquisitions and consolidate the market. For example, AMEX is slated to buy Kabbage for \$850M. If this deal passes, it will mean that all three of the largest credit card networks will have made significant acquisitions this year.

Mastercard bought data aggregator Finicity for **\$825** million in June.  
Visa bought Plaid in January for **\$5.3** billion.

These payment companies could well hold the key to making portable identity a reality and act as credential issuers.

To create a level playing field by 2030 and give the best opportunities to everyone equally, no matter their financial standing, we must create the right "key" to open up access to digital services, regardless of a person's ZIP code/postcode or whether they appear on a credit report. Digital identity is that key.





## OPEN FINANCE

# THE TRANSITION TO OPEN FINANCE AND THE FUTURE OF FINTECH

OPEN BANKING IS JUST A STEP TOWARDS OPEN FINANCE, WHICH BY 2030 WILL GIVE CONSUMERS AND BUSINESSES GREATER CONTROL OVER THEIR DATA AND FINANCIAL

It's only been a few years since the introduction of Open Banking and PSD2, but in Europe and the UK, policymakers are already beginning to explore what a transition toward Open Finance—or a legal right to access all your financial data—could look like. Open Finance is a natural, and necessary, next step to take after PSD2 and Open Banking, which gave consumers the right to access and control their payment account data.

Consumers are adding more digital services to their lives—a trend the COVID-19 pandemic has accelerated. Not only are consumers adding more digital services, more and more consumers are relying on these digital services to access their financial information. Fast forward to 23, digital products and services from a mix of providers, and newer trusted third parties, will be the core financial services experience for most consumers.

Open Banking has been a driving factor in the transition to a primarily digital economy, with consumer demand driven by the clear benefits of individually tailored products and services and making their data work for them. Industry, policymakers and regulators are already talking about consumer powered data sharing in other sectors of the economy.

We see this trend increasing and expanding in the next decade so that consumers in 2030 could very easily have the ability to share financial and non-financial data with trusted third parties.

This isn't just a prediction. Plaid has been a data network for the financial services industry since 2013, and in countries like Canada and the United States, where consumers have access to more of their financial data, we've seen the consumer benefits successful Open Finance can deliver. Based on what we've seen Open Banking achieve so far, I foresee a future where Open Finance will transform an abundance of products and services across financial services and beyond.



John Pitts

Global Head of Policy



Getting approved for mortgages and loans will become instantaneous and fully digital with access to data on assets, liabilities, and net income. Switching a pension will become automatic based on current and projected portfolios.

Financial advice will become much more personalised and powerful with improved data access.

Small and medium enterprises can share their cash flow information with multiple potential lenders to easily shop for the most competitive credit rates. These examples are a small sampling of what Open Finance will make possible: we don't yet know the true value of an open financial system and all the potential use cases that could emerge.

Despite its success, Open Banking did not go far enough—a consumer or business' financial picture is much more than transaction history, real-time account balances or loan payment history. To fulfil the promise of Open Banking and ensure it continues to develop, consumers need to be able to securely share all of their data.

Data sharing will happen naturally as consumers and businesses demand access to more data, but the risk is that it happens in a monetised way affecting competition and the ability for firms to innovate. Regulators and policymakers need to mandate a general consumer data right that ensures consumers have the ability to securely share their data and third-party providers have the ability to access the consumer's data.

Regulators, policymakers and innovators across the world are exploring how to provide consumers and businesses with full control over all their financial data, underpinned by regulation and enabled by technology.

The timeline to implementing any Open Finance-related rules will be years in the making. But that gives the regulators and the industry plenty of time to get it right, to future proof against debates on its meaningfulness and demonstrate unquestionable value to the organisations it will impact.



What should organisations do right now? Well if you are a bank, an insurance provider, a wealth manager or in the pensions market, getting familiar with Open Banking and Open Finance would be a start. Unlike Open Banking, Open Finance should be embraced as an opportunity for a true multi-directional network of consumer permissioned data, not avoided as a compliance exercise that only benefits some firms.

Positioning yourself to take advantage of the framework is key — not doing this will materially impact the 'dollars left on the table' and your competitive stance going forward.

With Open Finance consumers and small businesses will gain more control over their financial data and receive more powerful and affordable services in return. And financial services innovators will develop better, more competitive solutions with access to data that was once held in incumbent silos.





## PERSONAL FINANCE

# A SUPER FINTECH APP THAT BREAKS FINANCIAL BARRIERS

FINTECH APPS TODAY ARE POPULAR, BUT IN TEN YEAR'S TIME THEY WILL BE A LOT BIGGER. HERE COMES THE AGE OF THE 'SUPER APP'

Personal finance has changed a lot in the last decade. We've seen massive disruptors arrive on the scene that have transformed the way we manage our money for good. Thanks to their work, we now expect to be able to send money abroad in seconds, be notified instantly if we make a payment and access credit in just a few taps.

The first fintech wave saw companies like Transferwise and Zopa, which were founded at the start of the last decade, come to market with products that break down verticals. These companies have been highly successful by focusing on specific industries like loans or foreign exchange where legacy companies had dominated for many years, and using technology to offer customers a better-value, easy-to-access alternative. The more recent second wave has been all about using technology to provide better experiences for customers. Digital-only 'neo-banks' like Monzo, Revolut and Starling lead the way in terms of great UI.

But financial barriers still remain. The truth is that for most people, personal finance still hasn't got much easier. And to make matters worse, traditional ways of managing money are no longer fit for purpose in our fast-paced world, a reality made clear by that stark fact that there are 11.5m people in the UK with less than £100 saved.

By the beginning of 2030, we will have super fintech apps that break financial barriers and help customers build wealth by tailoring and automating the actions it takes for each individual, no matter what their income is or who they are.

It will have its users' backs, by analysing their spending habits and by giving them actionable opportunities to have more money. It will simply be proactive, effortless and beneficial.



Victor Trokoudes  
Founder



## What a super fintech app does:

### IT BUILDS WEALTH

Everyone should be in a position where they are able to build their own wealth. A super fintech app can make this possible by looking holistically across your whole financial life and making the process of building wealth easy for you. It can decide how much you can easily afford to save (though you can always personalise this), save it for you, and let you easily choose the rate of potential growth and equivalent risk that's right for you.

### IT DOES NOT DISCRIMINATE

Money management is not a luxury; it is essential. Yet up until now, many areas of personal finance have effectively been locked out of sight for many normal people. We're now seeing rising companies bringing strategies that were once the preserve of the most expensive financial advisors to the masses.

A true super fintech app would harness the power of technology to make things that were once inaccessible available for the masses. What's more, it wouldn't choose to save for one person over another, so the app must be bank-agnostic, meaning you can benefit from its services without having to switch bank accounts.

### IT ADAPTS AND HELPS YOU AVOID TRAPS

Thanks to Open Banking, the app can detect your expenses to identify areas where you are overpaying, such as on an overdraft, bad deals or unnecessary bills. And further to that, it can use your full financial picture to help you optimise your regular spend. When the full financial picture is available, actions can be taken with full confidence. For example, if the app can see that a customer could be making a saving by switching to a different broadband provider, it can go ahead and suggest a better option, letting the customer switch in seconds.

### IT CHANGES THE SYSTEM

The banking system is well designed to overcharge and trap people with sky high fees. When data is utilised properly via an easy access app, there's no longer any excuses for traditional companies to continue systematically ripping off their customers.

This is the mission of this super fintech app, to either let them die or let them adapt. If there's anything that 2020 has shown us, it's that apps need to prove their value to survive a tough environment. Fintechs now need to answer the question of how to make the average customer better off, if they are to become essential, lifetime super fintech apps that stick with the customer to 2030 and beyond.



## BLOCKCHAIN

# BLOCKCHAIN: FROM BUZZWORD TO SOLVER OF REAL FINANCE PROBLEMS

BLOCKCHAIN PRETENDERS WILL FALL, LEAVING BEHIND SERIOUS PLAYERS WHO WILL REVERSE THE "SOLUTION IN SEARCH OF A PROBLEM" TREND AND TRULY TRANSFORM FINANCIAL SERVICES

The term 'blockchain' was first popularised through the infamous Satoshi Nakamoto whitepaper, where the first use case for this technology was proposed in the form of an alternative payments model that did not rely on trust amongst its participants.

Back in 2010, few could have predicted that this eight page, anonymously circulated whitepaper would have resulted in such widespread and unprecedented global interest, confusion, and investment in such a nascent and unvalidated technology.

The debate around the value and benefits of independent cryptocurrencies rages on. Meanwhile the rest of the sector has aligned its focus to the significantly more interesting tasks of exploring blockchain's capabilities across a breadth of sectors, industries, and use-cases. Debates around governance, regulation, and standards have come to few firm conclusions. Scepticism and evangelism in the space still abound. However, the fetishisation of blockchain as a miracle-cure solution within the financial services sector is beginning to wane.

So, what might the blockchain space hold for the global financial economy come 2030?

### The blockchain space in 2030

We will likely see a more competitive market, driven by the global recession seen in the first half of the decade. Similar to the mass extinction of traditional financial entities in the wake of the 2007 financial crisis, we will likely see a range of incumbents, neobanks, and early-stage fintechs disappear, either through insolvency or acquisition. The more resilient entities however will prevail and Blockchain and other relatively new technologies will become tools to solve real-world problems, rather than advertising ploys.

The broad-reaching discussions around standardisation of and interoperability between blockchain and other technologies will establish a series of global standards to enable a more modular and consistent approach to improving financial systems.



Imogen Bunyard

Founder/Fellow



## A LOSS OF IDENTITY

The unforeseen “new normal” caused by the global pandemic results in a huge surge in online commerce, content consumption, and trade. As a result, identity fraud, fake news, phishing, and payments scams increase tenfold, causing growing pressure on regulators and banks to protect consumers.

Governments and regulators will work with trade bodies and the digital identity sector to create resilient and flexible guidelines for a digital identity marketplace, ensuring corporates and individuals have a variety of secure, practical, and cost-effective identity solutions to choose from.

Blockchain will thus be used by traditional identity providers, government bodies, and new market entrants to provide a seamless, secure, and cheap identification solution. Blockchain will be implemented, alongside other complementary technologies, to remove the risks associated with an in-person KYC check. This enables frictionless and remote identity checks to be processed through multiple verification methods, including data analytics (through social media, public sector database), biometrics (of fingerprints, facial recognition, and videos), location and behaviour analysis, and at-home passport RFID scanning.

However we must be conscious that this shift comes with user concerns around personal data, so stringent privacy requirements for the consumer will be required to ensure their data is verified, but not stored. Blockchain's usage of cryptography and private key infrastructure will meet that requirement allowing the role of the successful companies to pivot to that of maintenance for the system, and a certificate authority.

## LEND ME YOUR EAR

The post-Covid global recession will transform the fundraising market into a largely online process, with the historical in-person VC pitches being phased out in favour of virtually-hosted fundraises and crowd-funding, or foregoing equity raises altogether in favour of taking on debt.

Investors are already expecting greater transparency and flexibility in their investments, shifting the demand for SaaS solutions that remove the friction within the investment process and equity management as a whole. The recession will accelerate this.

In response, the administration around lending will become significantly reduced with blockchain-enabled, digitally-hosted boilerplate contracts becoming the norm, reducing administration and legal fees. This drastically reduces the friction experienced when companies and individuals require greater liquidity.

Blockchain won't just change how investments are made and measured. There will also be a change in how investments are made in blockchain businesses, which will be driven less by the popularity of the technology, but by hard metrics i.e cost savings and quantifiable efficiency gains, and a seamless user experience. Blockchain will be used alongside other previously "buzzword" technologies such as IOT, AI, and VR, to solve real business problems, i.e. reversing the "hammer seeking a nail" misalignment of the 2010s.

## THINKING GREEN AND CENTRALISED

The UN's call to save the planet by 2030 will prompt a global shift in tax relief for ESG funds. This move results in an analysis of trade, manufacturing, and technology supply chains. The cryptocurrencies that require significant energy consumption to function, such as Bitcoin and Ethereum, fall in popularity, while "eco-chains" that use consensus mechanisms requiring no energy consumption become the norm.

In parallel, the world's central banks will agree on standards for issuing blockchain-enabled financial instruments and even central bank-led cryptocurrencies. State issued crypto assets thus become the norm, replacing the current digital financial infrastructure in many countries, while independent non state-backed cryptocurrencies are still traded, but become significantly more regulated across most jurisdictions. Interconnectedness between financial institutions, regulators, and public sector increases as standards and methods of best practice are agreed upon and implemented.

We sadly don't have a crystal ball to accurately predict the future of the blockchain space. However, blockchain advocates are moving away from prescribing blockchain as a miracle solution for all problems in the finance sector.

This has led to an emergence in relevant and specific applications in identity solutions, investment and the world of VC, as well as sustainability. By 2030, we hope to see a more competitive market occupied by resilient players adding real value with blockchain technologies, instead of using blockchain as a marketing hook.





## BANKING-AS-A SERVICE

# BANKING IN THE CLOUD: A PARADIGM SHIFT

BANKS AROUND THE WORLD ARE ALREADY TRANSITIONING TO CLOUD TECHNOLOGY, BY 2030 WE WILL SEE INCREDIBLE GROWTH FROM SERVICES WHICH LEVERAGE BEST-IN-CLASS ENGINEERING

In years gone by, and for just a few years more, banks have judged BaaS providers as a 'nice-to-have' – luxury items which are yet to prove their value for mature, global industries like commercial and retail banking. Yet as we speak, the tide is changing and attitudes towards new service providers for banks are taking an about-turn. That change of attitude will only accelerate, strengthened by uncertain market conditions and increased industry competitiveness.

These 'new kids on the block' in the banking-as-a-service sector now rightfully claim the title of essential suppliers. They name top-tier banks as clients and are embarking on multi-year transformation strategies using technologies once thought of as too radical for banks. We know this story well. Cloud technology was once many years ago dismissed as being too insecure, too immature, for the needs of banking – fast forward to today, market leaders are now demonstrating how much value cloud technology adds to their business.

It comes as no surprise that infrastructure, more broadly, is becoming increasingly important. The old systems of banking were not designed to deal with unprecedented change. They were designed in a time of relative stability, predictable market fluctuations and a slowpace of technological progression. Core systems didn't need to do much more than they were designed to do, and that held true for some decades after they were implemented.

Those systems, built primarily in the 70s, now form the basis of the world's banking infrastructure, handling an estimated £2 trillion worth of money movements each day. However, countless stories of IT meltdowns, system failures and security breaches make the case clear. The technology of yesterday simply cannot cope with the requirements of today.



Travers Clarke-Walker  
Chief Marketing  
Officer



In fairness, those legacy system designers could not not anticipate the warp-speed growth of consumer and computing technology – and the radical shift in customer expectations this brought on. Famously, Blockbuster declined to purchase Netflix's nascent online streaming business, dismissing the impact of the Dot-com boom. We know how that story ends.

The same narrative arc is unfolding in banking as we speak. Banks who previously turned down opportunities to invest in today's increasingly dominant technologies, like the cloud, are desperately playing catch-up.

The **2020** 'State of the Cloud' (April **2020**) report published by IT management software company Flexera, reveals that **93%** of enterprises now have a multi-cloud strategy and more than **50%** of enterprise workloads are expected to be in a public cloud within **12** months.

Those statistics demonstrate just how rapidly banks around the world are transitioning themselves onto cloud technology, especially for their core operations. For the BaaS sector, this is pointing to incredible growth. Those services, which leverage best-in-class engineering, whether it be cloud, artificial intelligence, quantum computing, or some other emerging technology, may seem premature now – but are almost certainly going to become the de facto 'rules of the game' in years to come.

Business models will emerge around those technologies – in fact, it is not far-fetched to predict that entire industries will spawn out of them. Research, development, maintenance, training, legal, marketing and nearly every other job one can imagine, will be created in the wake of these new technologies.

Dominant players will be the ones who finely balance their ambition and IP with commercial acumen – the ability to work closely with the giants of finance and deploy their technologies in a way that benefits both client and supplier, ultimately adding value for the most important stakeholder – the customer.



## PAYMENTS

# THE PERSON WILL BECOME THE PAYMENT

EMBEDDED PAYMENTS WILL TURN THE PERSON INTO THE PAYMENT AND TRANSFORM THESE SIMPLE FINANCIAL FUNCTIONS INTO NUANCED, DATA-RICH RELATIONSHIPS

We accept change as it comes, and it's only when we look back do we see how quickly things have changed.

In 1990, four billion cheque payments were made in the UK—no one would suspect that they would be all but obsolete thirty years later. Those early adopters with the first credit cards similarly had no idea that we would simply be tapping them to pay for goods rather than running them through a clunky machine to take a carbon copy.

The last decade has seen incredible change. The credit card has been transformed from a physical way to pay for goods into a digital token that sits across multiple consumer wallets.

When it comes to the next decade, the biggest change in payments is going to be the consumer's and businesses' relationship to the transaction—there won't be one. Payments will be embedded to the point that customers won't think about the method at all. For them, the payment will simply happen. In fact, the person will become the payment.

## WHAT ARE EMBEDDED PAYMENTS?

This may seem absurd, but technology has led to similar things happening elsewhere. It's not so long ago that we had a small directory of phone numbers in our head, and a larger one in our homes. Now people can dial numbers by just saying their friends name to an Alexa. Despite saying that we are going to "phone someone" we no longer look up a phone number or actually pick up a phone. The act of calling has been embedded into other applications.

If the **2010's** laid the foundation for digital payments.

The **2020's** will see payments become embedded into connected applications (Facebook, WeChat, Grab) and devices (the internet of things), priming a wave of innovation that will alter our relationship with the act of paying.



Alex Reddish

CCO

tribe the payments people



At some level this is nothing new. More than 50% of people in the U.S. now shop contextually, making purchases during everyday activities in their natural environment. Since as early as 1999, online purchases have been available using a card on file at a merchant for example. In a similar fashion, for food delivery or online taxis, the payment increasingly takes place completely in the background.

And in some retail stores, the payment terminal is already a thing of the past. Customers are recognised upon entry and exit of the store, with funds being debited for those items that they leave with.

We are already seeing car companies partner with payment networks and merchants to create connected cars. In the next decade, these connected cars are expected to communicate with other connected devices and point-of-sale systems using biometric voice technology to facilitate payments for goods such as fuel, toll roads, vehicle maintenance, and parking—effectively embedding payments into the car so that transactions can be automated for speed and convenience.

What is consistent here is that there is no act of payment. Whether in a car or ordering a taxi or walking out of a store, the transaction happens in the background. This is and will increasingly be driven by biotechnology. The Uber app knows it's you through face recognition, Whole Foods through an iris scan, and your Toyota Prius through voice confirmation. Suddenly the person has become the payment.

### WHY WILL PAYMENTS BECOME EMBEDDED?

There are three overriding reasons why payments will become embedded into applications:

1

#### CONVENIENCE

It takes an average of **2** minutes and **39** seconds and **23** clicks for customers to checkout on an e-commerce site.

One of the biggest hurdles is entering payment details, especially a long card number on a mobile phone. Creating a convenient one-click checkout experience by embedding payments can dramatically reduce friction and engender loyalty with 85% of consumers saying that their checkout experience is “substantially improved” as a result.

2

#### REVENUES

Embedding payments will not just improve convenience and loyalty, it will increase revenues too.

The **23** click checkout delay results in an estimated **\$236** billion in lost annual sales revenue that can be recovered by removing payment friction.

By 2030, 75% of organisations selling direct to consumers will offer subscriptions with a value of \$473 billion. The shift to subscriptions driven by the success of services like Netflix, Headspace and Spotify - where a recurring payment is embedded into the application - offers consistent and predictable revenues and increased customer lifetime value.

### 3 INNOVATION

If payments are embedded contextually within applications, they can uncover insights that spur innovation. This is even more true when tied to biometrics that ties payment data to an individual. For rideshare companies, for example, an embedded payments system should provide robust data and reveal common problems for drivers, allowing solutions to be more easily identified and enacted. In Uber's case, this meant offering small loans to pay for petrol because they realised drivers sometimes didn't have cash on hand to buy fuel and thus complete trips.

#### WHAT WILL DRIVE THIS CHANGE?

Just as Amazon Web Services and others introduced the concept of managed infrastructure that allowed companies to embed their services in the cloud, the same scenario is set to play out in the payments world.

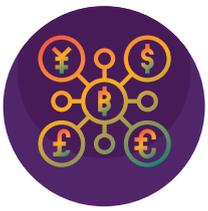
But for embedded payments to scale it will require collaboration. Business models will need to change as payment values become smaller but volumes skyrocket and increasingly move across borders. This will require cross-industry interoperability and standardisation. In Open Banking we've seen the promise of creating new industry payment infrastructure. But we've also seen much of this promise remain unfulfilled

Without stricter regulation that ensures all parties conform to the next generation of standards and structures, the industry will remain fragmented and fail consumers, businesses and the wider economy. Regulators need to anticipate innovation rather than the other way round - and educate and inform as well as regulate.

As payments move to the background, regulatory checks and balances will need to be put in place to ensure that individuals remain in control of what they spend and the data they share. Payment privacy will grow as an issue.

With careful collaboration and regulation, payments will become embedded into the applications and devices we use every day. And at this point payments will become more than just a way of moving value from A to B, more than just "plumbing", more than just a simple utility.

Embedded payments will turn the person into the payment and transform these simple financial functions into nuanced, data-rich relationships. And the intelligence these relationships provide, employed ethically, will offer more convenience, more revenue, and more innovation opportunities to those that master it.



## CRYPTO

# FRICITIONLESS, FREE NANO-SIZING IS THE NEXT BIG, BIG THING

CRYPTO WILL MAKE "NANO PAYMENTS" POSSIBLE TO UNLOCK NEW BUSINESS MODELS AROUND THE MONETISATION OF DATA THAT WE CANNOT IMAGINE TODAY

Crypto is changing the fintech world at a rapid clip. Consumers are often bewildered at the pace of innovation in the space. Quite a bit of that innovation is happening without the consumer ever knowing about it – the system is becoming more and more accessible and efficient by the day. Here are five trends I am seeing that give a glimpse into what the crypto world will look like in 2030...

### THE MERGING OF CRYPTOCURRENCY AND FINTECH

1 Bitcoin may lead in transactional volumes for cryptocurrency, but there are many other new players entering the market offering crypto with specific use-cases. The reputation of cryptocurrencies is changing in the minds of the public, regulators and business, moving away from the speculative wild west era to a more regulated world where consumers and businesses alike are gaining trust.

The crypto space and everyday fintech are merging slowly over time. As more people become interested in cryptocurrency as an investment or a transaction tool, this will only increase. Nevertheless, consumers still often think of cryptos as investment vehicles and repositories of value, meaning that over time, investors will dedicate a portion of their assets to crypto as an alternative asset class. Eventually, the owning, buying, selling, and trading of crypto will be as easy and commonplace as owning stocks.

### INCREASING ACCESSIBILITY

2 As consumers gain confidence in cryptocurrencies, the ways in which consumers will access them will also grow. Traditional channels of fintech will accept and promote cryptocurrencies in the future, demystifying them in the process and making them available at the touch of a screen. For example, Mastercard recently expanded its digital currency program and appointed Wirex as its first crypto native principal member, whilst rumors are that Paypal will also have a cryptocurrency offering soon. More and more options will be available to consumers in coming years and by 2030 ownership of cryptocurrency will be a common occurrence.



Pavel Matveev

CEO/Co-Founder

**WIREX**



### 3 BITCOIN IS SO YESTERDAY, LOOK FOR MORE CRYPTOCURRENCIES

Bitcoin has been synonymous with cryptocurrency for about a decade now, but even after all that time, and with millions of buyers, Bitcoin still does not have a sustainable organic use case. Nice try, Bitcoin, but being a speculative pseudo investment vehicle is, well, leaving a lot on the table. There are lots of issues with Bitcoin when it comes to commercial applications, but a major one is its random walk valuation. That won't work for business, banking and governments. Stablecoins and Central Bank Digital Currencies (CBDCs) offer a workable alternative. Look for more cryptos of this variety to be introduced in the next decade, starting with China's entry - the digital Yuan.

### 4 MORE PLAYERS, AND LOTS MORE SCALE

As stablecoins proliferate, use cases will emerge and a new ecosystem of actors will be created to support it. For stablecoins to become prevalent and reach critical mass, there will need to be more exchanges, and they will need to scale to the level of, say Visa or Mastercard and beyond. The US Fedwire volume average per day in July 2020 was \$3.3 trillion daily US stock market trading volume is over \$400 billion, and daily foreign exchange trading is almost \$2 trillion.



For cryptos to be useful in that context, they will need to scale up dramatically, requiring billions of dollars of investment in software, processing platforms, intermediaries and APIs for businesses to plug into. That's not to mention the changes in accounting practices and software required to keep track of a new asset class called stable coins.

### 5 CRYPTO ALLOWS FOR NEW MARKETS TO BE CREATED: WELCOME TO NANO-SIZED PAYMENTS

Frictionless payments also unlocks an entire ecosystem that's not possible today – nanopayments. Payments today are expensive enough that small value payments processed through the systems are not economical.

Take credit cards for example....



You have probably seen merchants displaying signs reading “No credit card under \$10” or something similar. They have done the math and know that the processing cost of that credit card transaction is higher than the profit margin of the product being sold.

There are literally billions of small value transactions occurring every hour of every day. They can't be monetised using today's payment processing systems. However, if the cost of processing were low enough, then it would unlock the possibilities to monetise these micro and nano transactions. There's value in sharing information, even if it's only a small amount of value. Unlocking that value is a matter of reducing friction in the processing systems and costs.

As payment processing costs decline toward zero, the number of economical transactions goes up exponentially. There are billions and billions of such transactions that could be monetized if the payment infrastructure would allow. There are more micro or nano transaction events occurring on a daily basis by far than there are large size transactions. How many times do you buy a car or a house? But think about monetizing information generated from your car every day. The car manufacturer wants to know how your car is doing after you bought it – every minute of every day if possible. And they are building those ongoing daily reporting systems into your next car. Should that information be monetized? Isn't each data packet your property? Should you be paid for it, even if it's only \$0.00001 per data packet? Imagine buying a car and having the manufacturer offer to pay you to own it.

To take advantage of this new world consumers would make a deposit of say, \$10 to the payment company, and then, as they surf the web, clicking on the material they want to buy, their account will be deducted accordingly, on the fly in real time. So maybe you get one YouTube video of a series for free, but the next episode is \$0.50. You would pay that, and so would millions of other people. In total, they amount to a sizable income for the video's owner/producer. The implications of nano payments are far reaching and will allow for changes in business models that no one can imagine today.

Frictionless, free nano-sizing is the next big, big thing.





## INSURTECH

### WHAT WILL INSURTECH LOOK LIKE IN 2030?

THE LEGACY HANGOVERS OF INCUMBENT INSURERS WILL SEE MANY ACQUIRE NEW AND SHINY INSURTECHS TO REMAIN RELEVANT TO THEIR CUSTOMERS

Insurance, at a macro level, is not going anywhere. We often forget that insurance underpins all that we do; it allows us to take a risk, to ride a bus, to travel, to innovate, as it provides a fallback position of security should the worst happen. As we look back at the rate of innovation in the last decade, and consider how much will change in the next, insurance will be just as important then as it is now - it will underpin further development and innovation for the betterment of all.

Insurtech as a sub-sector is large, broad and varied. However, arguably, all insurtech is developed to support a shift in customer needs. This can be for a range of customer types, be they large institutions, small businesses or consumers - in each case, their changing needs over the last decade, and indeed over the next, have been and will be addressed by insurtech.

As such, by 2030, I believe that we will see insurtech become increasingly commonplace and more integral to the wider insurance sector.

In the last decade, we have seen a widening of the gap between what customers want and what traditional insurance can offer - and this is largely a speed and capability issue. The needs of consumers are changing at such a rapid pace that slower and less agile support services cannot keep up, and the capabilities of the traditional players are unable to adapt fast enough technically.

The result has been the “outsource” option, with insurtech stepping in to fill the void, either through greater customer understanding and targeted products, or with better technology which enables traditional players to sell new solutions as their own. Insurtech has thrived in a market where the door was both open and getting wider. However, as we move into the next decade, this will undoubtedly change.



Harry Franks

Co-Founder/  
CBDO

# ZEGO



By 2030, insurtech players will fall into two categories, much as they do today - there will be the technical specialists who don't bear their own risk, and the full stack "new insurers."

Today, the vast majority of insurtechs fall into the first bucket and I believe that they will be fewer in number in ten years' time.

The reason for this is that in the last decade, as noted, the door was wide open. However, the small impact that insurtech has had on the market today should be considered as the bellwether for the industry as a whole. Traditional players are seeing that incorporating new technology and moving away from legacy technology is a necessity if they are to bridge the gap between their desire to support customers and their ability to do so. As a result, the open door we spoke about and the capability void will get smaller as incumbents catch up.

Incumbent players in insurance will face the build, buy, or partner decision. By 2030, insurtechs that are seeing good traction today will have grown fast and have been supported by the traditional

That which was novel in 2010 about insurtechs will become commonplace by 2030.

The other reason the void is so large today is the changing risk groups and speed with which new consumer behaviours are arriving, something which will continue to accelerate. Whilst insurtech today often both identifies and looks to create solutions to these new risks, when the technical capability of insurtech is embedded in traditional players, such opportunities will be fewer.

The second category of insurtechs in 2030 will be the full stack players. Globally, we are seeing a few of these emerge. Like the specialists above, these companies believe they can create more value for their customers through deeper risk understanding and a better customer experience, and achieve scale at low expense.

However, by **2030**, we will not see a large number of other full stack players emerging, rather we may see some consolidation of insurtech carriers being absorbed by traditional insurers to capitalise on their brand and low-cost management at scale.

What will be most important in the next few years is that these full stack players can show true differentiation and substantially improved unit economics, which puts some substance behind their vision of a fundamentally improved end-to-end carrier.

If they do this, by 2030 they will have created the blueprint and technical framework for a profitable insurance company and will be a necessary acquisition for stalling incumbents. Legacy tooling is so embedded within traditional insurers that the idea of taking a bit of this tech, and a bit of that, and plugging it in, simply isn't possible.

They need to rebuild or purchase, and purchasing a new and shiny insurance company with limited legacy hangovers that you can port customers into for lower cost and higher returns seems a logical route.

Insurance is complex and needs are changing extremely quickly. Now, the challenge to the insurtech market is to stay relevant, to really scale and prove its value regardless of which part of the chain it sits. If this can be done, those currently in the insurtech space will be in a good position in a decade's time as the incumbent players will be forced to change. Otherwise, the gulf between the needs of the incumbents' customers and their ability to support them, will be too large to correct.





**THAT'S A WRAP!**

**FINAL THOUGHTS**

## FINAL THOUGHTS

FINTECH IS SUCH A VARIED TOPIC THAT IS OFTEN REDUCED TO EITHER THE B2B SUPPLIERS FOR BANKS OR THE CHALLENGER BANKS

The reality is much more varied than that. While it's true, the major European challenger banks have now begun to reach maturity with millions of customers; we also see growing pains as they struggle towards profitability. Yet, it would be unimaginable ten years ago that we'd have mobile-only banks with millions of customers and the envy of the tech world.

This progress should be something to be proud of, and, what's more, the large banks have had to significantly up their game in mobile banking to compete. The winner here is the consumer.

As we look forward, the challenger banks must pick between going deeper into the banking business model of cross-sell, lending (and perhaps in a low-interest-rate environment offering investment products). Or, moving up to solve more complex problems that justify a higher monthly subscription.

This specialisation is hard for a generic brand to do, and this is why we're seeing the emergence of specialist fintechs that are accounts just for parents, accounts for saving for a house, accounts for dealing with probate and end of life, accounts for being a landlord and so on.

And if we live in a world of ever more niche digital products that can justify a higher monthly fee, where's that place where you see all of your money aggregated? The personal P+L or family P+L is still elusive and an opportunity.

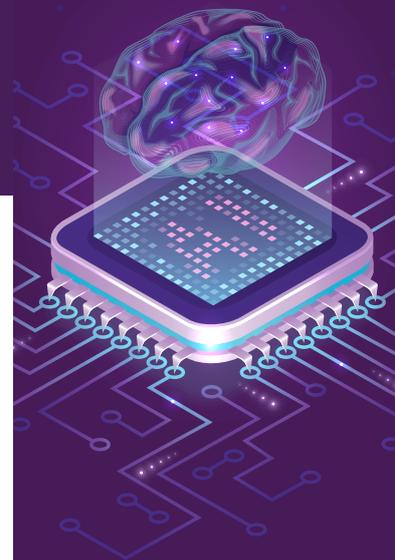
At the same time, the deep infrastructure is maturing. Across Europe, central banks are laying the foundation for major change.

The Bank of England, for example, will upgrade the UK's real-time gross settlement system and widen access to market participants in the process. Companies like Form 3, and perhaps Clearbank are well placed to take advantage of this shift.



Simon Taylor

Co-Founder



We're also seeing API providers like Plaid remake what's possible to build quickly and in a compliant way. These B2B platforms take the pain away from building new niche apps and managing the underlying scale and complexity.

In essence, fintech is – on one hand - moving “down” towards becoming a platform, and - on the other hand – moving “up” towards ever niche services and specialisms.

While it shifts either up or down, it is also moving left to right in terms of the customer segment. Challenger banks started at the consumer, digitally savvy end of the market. But now we see companies like Brex in the USA offer all but fully-fledged cash management and transaction banking experience that an FTSE 100 company would demand.

So for fintech's the question now is how do they get from the creative teenage phase to the productive and profitable phase. Do they move down to be a platform? Up to niche's and higher per customer revenue? Do they move left and right in terms of product offering?

It depends who they are, where they started and what their team can execute.

In summary, fintech is still only 1% finished. And the next decade is going to be its most exciting and challenging yet.



# CONCLUSION



Our look at fintech in 2030 threw up some findings that were predictable, and many that we didn't foresee. While some analysts are predicting that fintech may be in for a rough ride as investors start to be more cautious, fintechs have a more positive outlook. There will be inevitable shifts as some markets become saturated, but overall there will be more fintechs, making use of advances in technology to provide more automation and intelligence.

There has quite a bit of ink spilled over what part of fintech is most important—the finance, or the technology? Some see a focus on finance as vital in creating a sector that is profitable, and the technology is increasingly commoditised and essentially secondary. Others see the technology as the key differentiator for a sector that is looking to do things differently than before. Our research suggests that neither of these positions contain the full story. Instead, the lines between finance and technology will blur, and the future belongs to finance embedded in technology, invisible and everyday.

Every business needs to contend with finance and technology. Every business will, to some extent, be a fintech business.

That's not to say that fintechs can ease into a happily-ever-after future. There are challenges ahead.

There may be room for more fintechs, but funding is already harder to come by. The fintech funding boom is likely at an end. This means unproven concepts will have a hard time, and investors will focus on hard numbers such as the cost of acquiring customers over 'moonshots'. One of the boom areas, however, will be embedded finance.

Fintechs will still struggle to scale, and winners and losers will be determined to a large extent by who can reach the most customers. This means brokering alliances with those who already have scale—big banks, big tech, or more likely both.

Changing consumer habits, due to COVID-19 or simply younger people becoming more financially active, will help embedded finance flourish. But this means the days of surviving on interchange fees will soon be over. Fintechs will need to either need to specialise and find a niche or generalize enough to become a platform for specialists. Either way, business models will shift away from being transaction-led to being data-led.

Our most important finding, however, is that the fintech sector is optimistic, but realistic. They know how fintech is likely to evolve, and how they must evolve with it.

# ABOUT TRIBE



Tribe Payments is an issuer and acquirer processor, and payment technology provider to banks, fintechs and any business that wants to offer payment services to merchants and consumers.

Created by the best payment experts in the world, Tribe offers a digital wallet, access to banking systems and rails, a payment gateway and a host of third-party services from KYC to fraud prevention via its online market-place.

All aspects of Tribe's products are provided via a modular platform, meaning functionality can be mixed and matched without risking disruption or downtime. Tribe's disposable technology means it is the only provider to fully break the 'legacy-cycle', ensuring zero-obsolence and use of containerisation to minimise risk.

As Europe's first issuer and acquirer processor working with Mastercard, Visa, JCB and UnionPay International, Tribe offers unrivalled market connectivity. It helps its customers to build global scale, securely —with PCI Level 1 compliance and Level 3 data centre support.



