

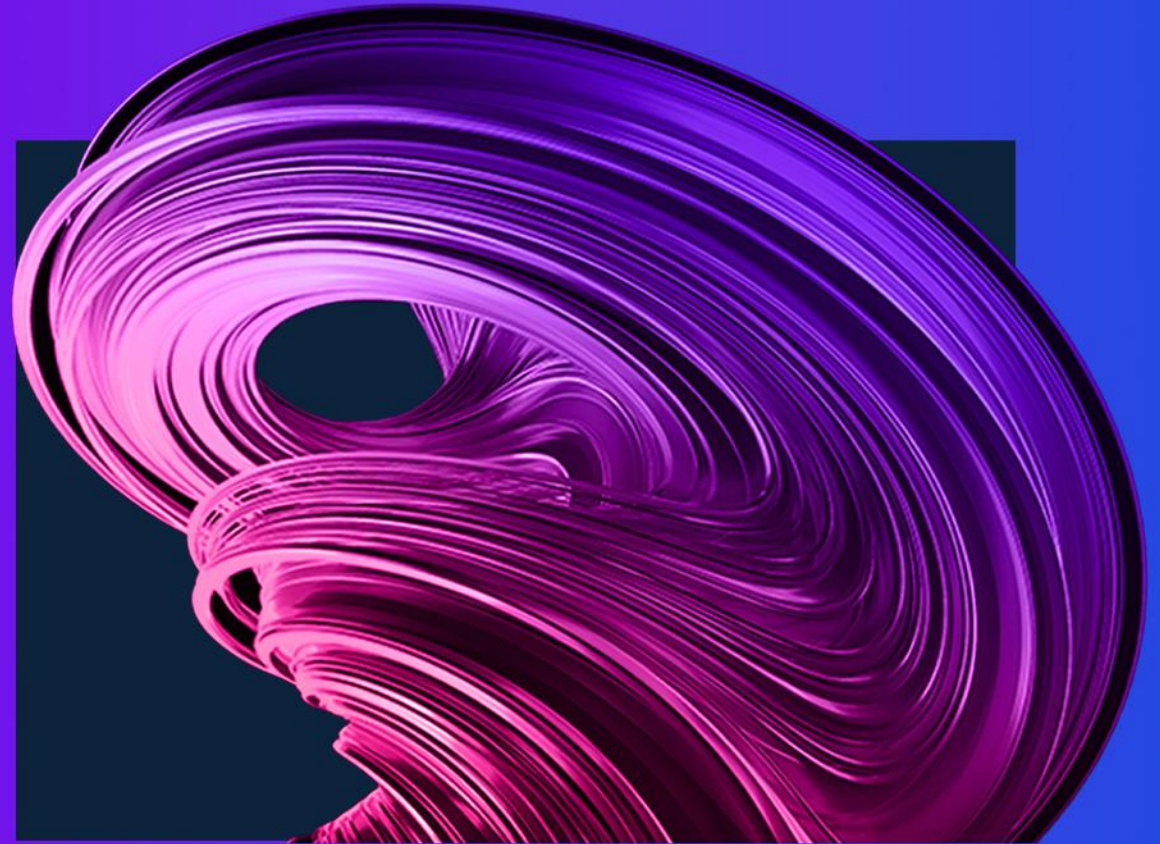


Pulse of Fintech H2'23

Global analysis of fintech funding

February 2024

kpmg.com/fintechpulse



Welcome message

2023 was a difficult year for the fintech market globally, with both total fintech investment (\$113.7 billion) and the number of fintech deals (4,547) experiencing their weakest results since 2017. A storm of global challenges — from the high-interest-rate environment and stubbornly high inflation in many jurisdictions, to conflicts in Ukraine and the Middle East — combined with concerns about valuations and the barren exit environment, saw fintech investors becoming increasingly cautious with their investments.

The year-over-year decline in fintech investment occurred across all key regions, with the Asia Pacific region (ASPAC) experiencing the largest drop — from \$51.3 billion in 2022 to just \$10.8 billion in 2023. Europe, Middle East and Africa (EMEA) saw investment fall from \$49.6 billion to \$24.5 billion over the same timeframe. The Americas showed the most resilience, with fintech investment dropping from \$95.4 billion in 2022 to \$78.3 billion in 2023. At a jurisdictional level, the US attracted two-thirds of all fintech funding during 2023 (\$73.5 billion).

The payments space continued to account for the largest share of fintech funding among the fintech subsectors, despite a drop from \$57.9 billion to \$20.7 billion between 2022 and 2023. Of the major fintech subsectors, only proptech and insurtech saw total investment rise year-over-year, with proptech investment rising from \$4.1 billion to \$13.4 billion, and insurtech investment growing from \$5.9 billion to \$8.1 billion. From a technology perspective, despite a drop in funding in 2023, AI remained a clear leader, attracting over \$12.1 billion in fintech investment.

Looking at both 2023 as a whole and H2'23 in particular, fintech investor sentiment can be characterized as *restrained*. Consider some of the key trends we've seen across the fintech sector over the past six months:

- Increased scrutiny of potential fintech deals, including a very strong focus on profitability and avoidance of down rounds.
- Strengthening interest in B2B fintech solutions aimed at enablement rather than on B2C-focused business models.
- Enhanced focus on partnerships and alliances.
- Growing interest in the applicability of AI and generative AI across the fintech sector.
- Continued focus on embedded financial products, particularly payments and lending, as part of transition to opening banking.

Looking ahead to the first half of 2024, investment in the fintech sector globally is expected to remain relatively soft, although investment will likely begin to pick up as interest rates reduce with common consensus that this will be in Q3/Q4. AI will likely continue to be a key focus, in addition to B2B solutions. M&A activity is also expected to rise as investors look for opportunities to buy distressed assets.

One area that has bucked the trend in the fintech life stage, is start-up and seed/pre-seed funding. While the deal sizes are small as investors spread their risk, the number of deals completed is at an all-time high. Clearly, investors are testing and learning which next wave, fintech business model, will be commercially desirable.

Whether you're the founder of an emerging fintech or the CEO of a large financial institution, it's important to consider how your company can drive the most value from your operational activities so that you are well positioned to be sustainable long term. As you read this edition of **Pulse of Fintech**, ask yourself: **What can we do to enhance our profitability and ensure we're sustainable for the long term?**

Unless otherwise noted, all figures quoted in this report are based on data provided by PitchBook as of 31 December 2023. See page 57 for detailed methodology. All currency amounts are in US\$ unless otherwise specified.

“ The fintech market was quite challenged in 2023, buffeted by a range of factors, from high interest rates to the incredibly dry exit environment. While there were good deals to be had, fintech investors enhanced their scrutiny of potential deals, putting a sharp focus on the viability of business models and on profitability. Heading into 2024, M&A will be a key area to watch as companies look to consolidate and investors look for opportunities to pick up distressed assets.”



Author: Anton Ruddenklau
Global Head of Fintech and Innovation
Financial Services
KPMG International

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Global fintech funding in 2023 recorded \$113.7B with 4,547 deals

Global insights

Global fintech investment drops to five-year low in 2023

Americas attracts largest share of fintech investment and deals volume despite significant drop

Global investment in fintech sank to a five-year low of \$113.7 billion across 4,547 deals in 2023 as investors pulled back from making large deals amid concerns about stubbornly high interest rates, conflicts in Ukraine and the Middle East, falling fintech valuations, and the parched exit environment. The Americas attracted the largest share of investment during the year, accounting for \$78.3 billion in fintech funding across 2,136 deals — of which the US took \$73.5 billion across 1,734 deals — compared to \$24.5 billion across 1,514 deals in the EMEA region and \$10.8 billion across 882 deals in the ASPAC region.

H2'23 sees small uptick in global fintech investment, driven by six \$1 billion+ deals

Fintech investment globally grew slightly between the first and second half of the year, rising from \$55.5 billion in H1'23 to \$58.2 billion in H2'23. Six \$1 billion+ deals helped propel H2'23 results, including the \$11.7 billion acquisition of US-based Black Knight by Intercontinental Exchange, the \$10.5 billion acquisition of US-based Adenza by Nasdaq, a \$6.9 billion PE raise by UK-based Finastra, the \$1.2 billion buyout of US-based Avantax by Cetera, the \$1 billion VC raise by California-based Generate and the \$1 billion acquisition of Brazil-based Pismo by Visa.

Global fintech-focused VC investment falls off a cliff in 2023

Global VC investment in fintech dropped dramatically, both year-over year — from \$88.8 billion in 2022 to \$46.3 billion in 2023 — and between H1'23 (\$27.5 billion) and H2'23 (\$18.8 billion). While VC investment declined across all deal stages, investment in later stage deals fell off a cliff — dropping from \$37.4 billion in 2022 to \$14.1 billion in 2023. While the economics of VC dealmaking changed dramatically over the course of the year, VC investors globally continued to show interest in a number of areas, most notably AI-focused fintech solutions.

Proptech reaches record high for investment; payments remains top sector

The proptech sector saw a new high of funding in 2023, with over \$13.4 billion in funding. While this funding was primarily driven by the \$11.7 billion acquisition of Black Knight, proptech is a growing area of interest to investors both from a property management perspective and an ESG and climate change mitigation perspective. While both proptech and insurtech saw investment rise year-over-year, the payments space continued to account for the largest share of fintech funding in 2023 (\$20.7 billion).



The fintech market has been evolving and maturing since it got its start in 2004 and really came into its own in 2008. The technology underpinning fintech keeps changing — and right now, we're seeing it change again with the application of AI and generative AI. You could say that we're coming into the next wave of fintech. While the investment numbers are soft now — due to broader market conditions — the next year could be quite exciting for innovation in the fintech space. ”



Karim Haji

Global Head of Financial Services
KPMG International

Global insights

Fintech-focused AI attracts \$12.1 billion in investment in 2023

AI was a very strong area of focus for investors in the fintech market, with numerous companies looking for ways to embed AI into related product and service offerings — particularly those related to cybersecurity and regtech. During the year, AI-focused fintech companies attracted \$12.1 billion in investment. The decline in direct AI funding year-over-year is somewhat misleading as many financial institutions and fintechs are embracing AI through alliances and product spend.

Enterprise solutions viewed as a top priority across the fintech market

With D2C solutions still challenged in many subsectors of fintech, wholesale enterprise solutions continued to be a major focus for fintech investment in 2023. With both incumbent financial institutions and fintechs constantly under pressure to innovate, become more efficient and get the most from every dollar, there was a significant amount of interest in startups able to enable transformation.

Trends to watch for in H1'24

- Growing optimism across the fintech sector as interest rates start to stabilize and valuations normalize.
- Strengthening interest in M&A opportunities, with investors increasingly looking at distressed assets.
- The payments sector remaining the hottest ticket in fintech, with increasing consolidation as companies look to scale and grow locally, regionally and globally.
- AI continuing to be a major focus of companies across the fintech sector.
- The UAE continuing to evolve into a regional fintech hub, attracting additional attention from global investors and larger deal sizes.
- Continued focus on the development of partnerships and alliances able to help companies extend their reach and value.

“ Looking to 2024, it's going to be a buyer's market. There's going to be a fire sale. There has to be a fire sale because a lot of the incumbents can't afford to keep running anymore. They've run out of funding pathway and their investors have no stomach given how the environment has shifted. Fintechs that have been disrupted somewhat by new technologies — particularly generative AI — are definitely struggling. ”



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Global insights — Top fintech trends for H1'24

Given the level of uncertainty in the market in 2023, it was no surprise to see fintech investment back off substantially from the levels seen over the last two years. While H1'24 is likely to start off in a very subdued fashion, any downward movement in interest rates could spur some renewal of deals activity. The exit environment will also be critical to watch as the extended lack of exits has made investors globally particularly hesitant to make large deals.

Here are the top predictions for fintech in H1'24:

- 1. M&A activity will pick up in the payments space and for distressed assets:** As valuation expectations stabilize and the gap closes between buyer and seller expectations, there will likely be a rebound in M&A activity. This will likely be most noticeable in the payments space where consolidation at the local, regional and global levels is already underway. There will likely also be a pick-up driven by investors looking for opportunities related to distressed assets.
- 2. AI will be a critical priority:** The enormous interest in AI and generative AI across sectors will likely permeate the fintech market, with accelerating interest in finding ways to leverage AI opportunities to their fullest extent. This interest may not translate into direct investment as fintech market participants embrace AI through alliances and product spend. Key direct investment opportunities will likely focus on the cybersecurity and regtech spaces.
- 3. Enterprise solutions will remain a critical focus for fintechs:** Globally, a growing number of fintechs will likely prioritize enterprise solutions — aiming to support or enhance the activities of various financial institutions and their ecosystems rather than targeting end customers directly.
- 4. Evolving regulatory environment will keep pushing investment towards regtech:** The regulatory environment will likely continue to evolve within and across regions. Europe will likely remain a clear leader as it relates to data security and privacy, while the ASPAC region will likely see jurisdictions establishing clean regulatory frameworks for digital assets and digital money. The increasing complexity of regulatory requirements may keep investment in regtech relatively resilient.

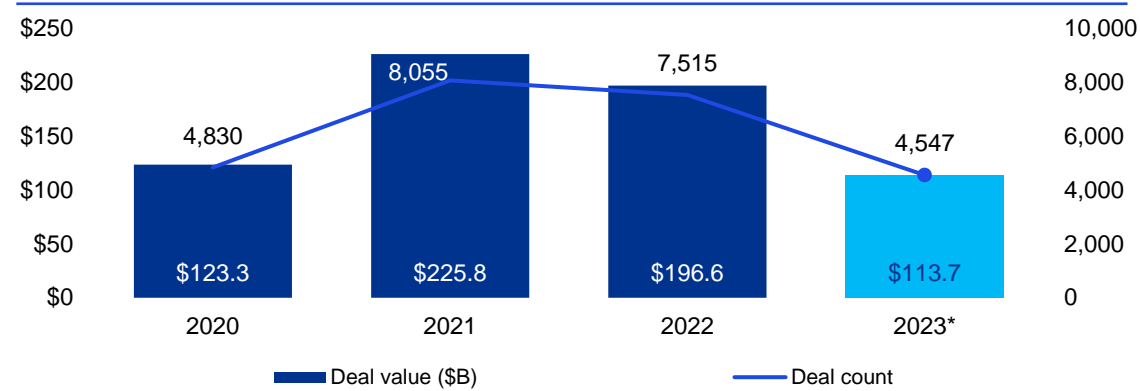
Global insights — Top fintech trends for H1'24

- 5. ESG will continue to create fintech opportunities:** ESG and global, regional and national climate change commitments will likely continue to support both the emergence of new fintechs focused on a broad range of ESG-related opportunities, such as lending for alternative energy and climate change projects, carbon tracking and accounting, supply chain tracking, and property and energy management. Given climate change commitments, investment in green fintech will likely be an area of investment for the long term.
- 6. Fintechs will increasingly target the SME market:** The SME market is expected to increasingly become a target for fintechs and corporates looking to grow their business or extend their value to new market segments. Given the size of the SME market segment in many jurisdictions, related solutions will likely gain significant attention from investors.
- 7. Asset tokenization will continue to attract attention:** Asset tokenization will likely continue to gain ground as an area of investment within crypto and blockchain, with a growing focus on using tokenization as a means to provide new investment opportunities to investors. Regulated stable coins may also continue to attract attention from investors.
- 8. Real economy partnerships and alliances will help drive renewed interest in fintech:** The embedded finance space will likely be a key priority with partnerships and alliances forming to provide stronger and more integrated value propositions to customers. Fintech data, infrastructure and platform providers may scale to meet the demand from the real economy for their distribution of financial services.
- 9. Developing markets will establish as fintech hubs:** In Southeast Asia, the Middle East and Africa, global south-south governments will increasingly invest to grow their fintech ecosystems in order to support their digital economic development.

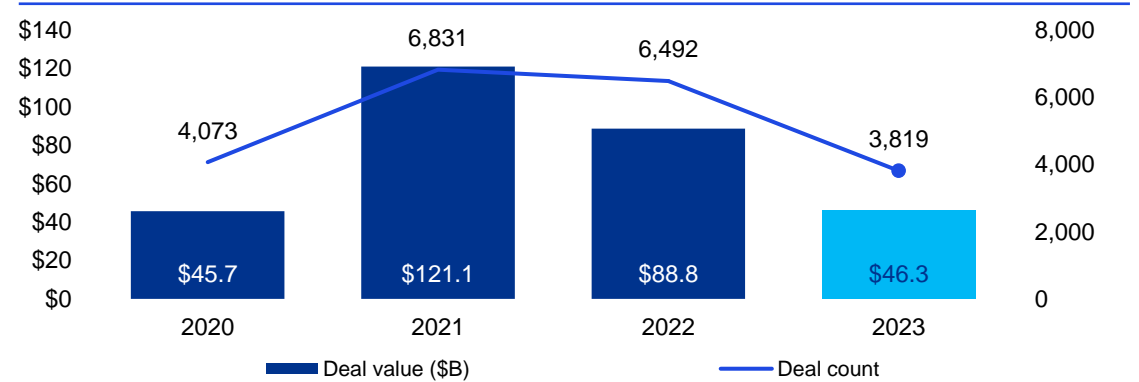
Global insights

Dealmaking remains more resilient, but still is below recent all-time highs

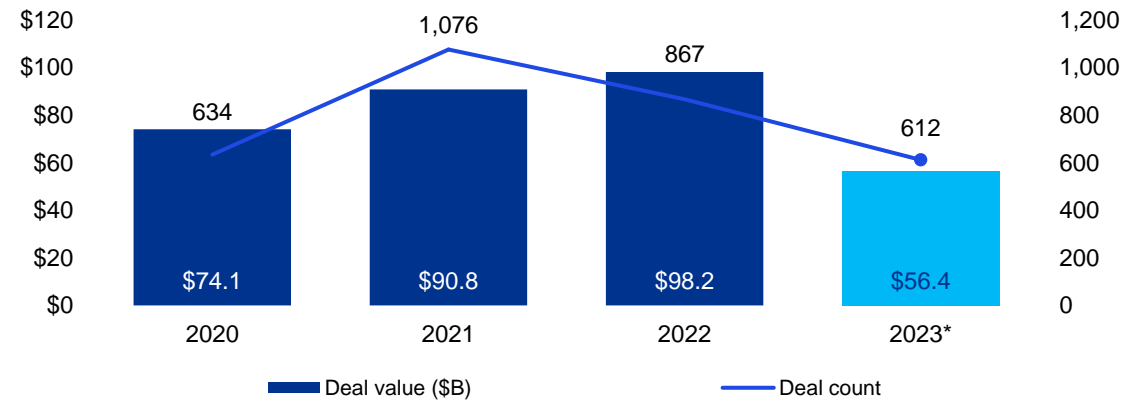
Total global funding activity (VC, PE and M&A) in fintech 2020–2023*



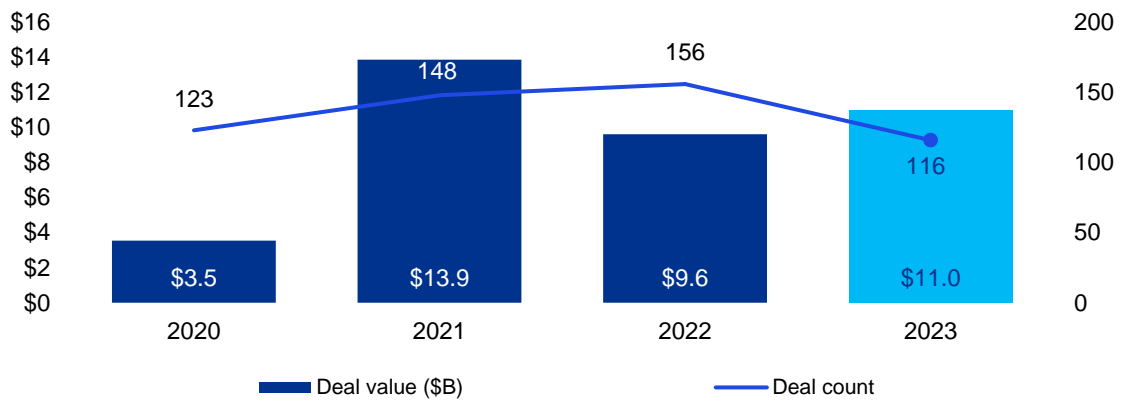
Global venture capital funding activity in fintech 2020–2023*



Global M&A activity in fintech 2020–2023*



Global PE growth activity in fintech 2020–2023*

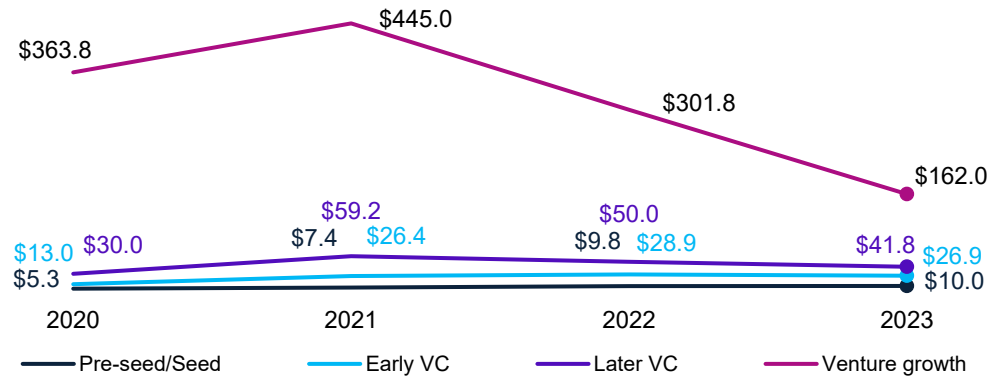


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

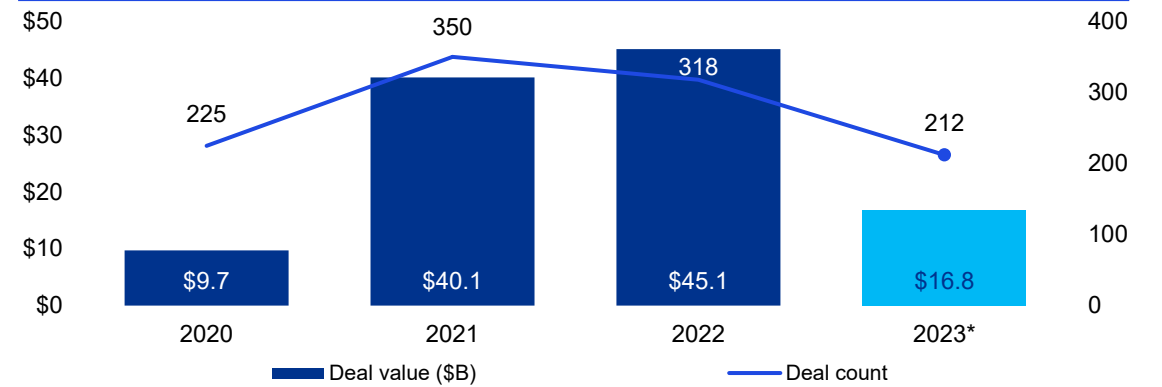
Global insights

Financing metrics remain subdued at best

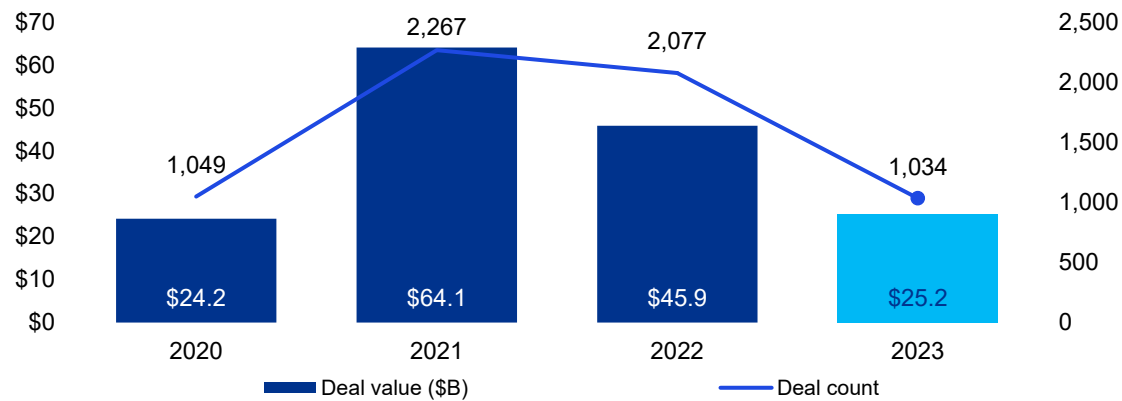
Global median pre-money valuations (\$M) by stage in fintech 2020–2023*



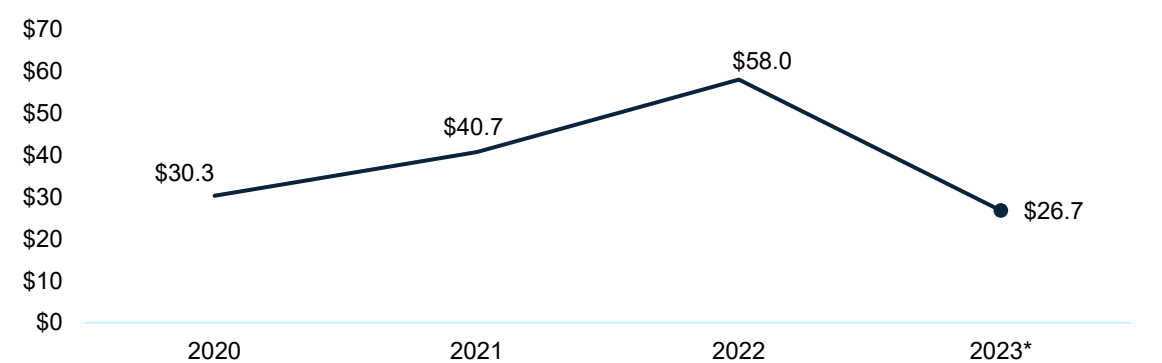
Global cross-border M&A activity in fintech 2020–2023*



Global VC activity in fintech with corporate participation 2020–2023*



Global median M&A size (\$M) in fintech 2020–2023*

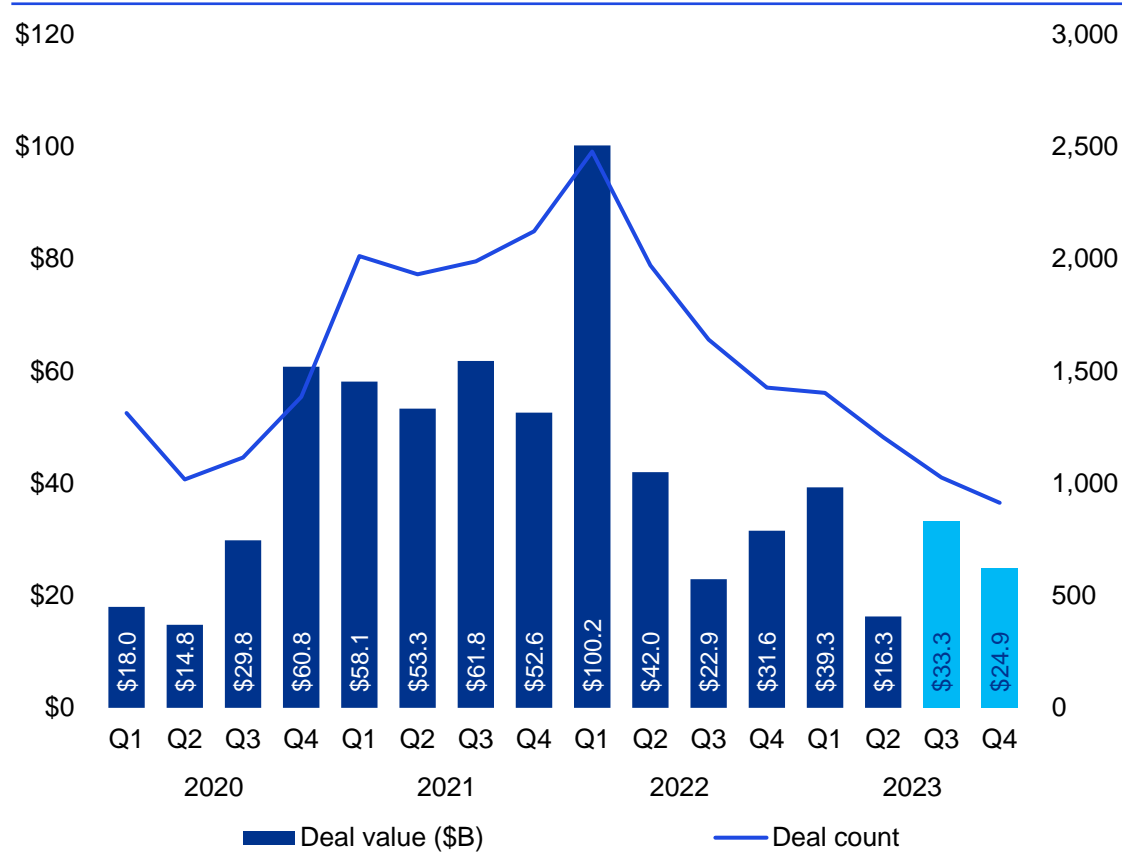


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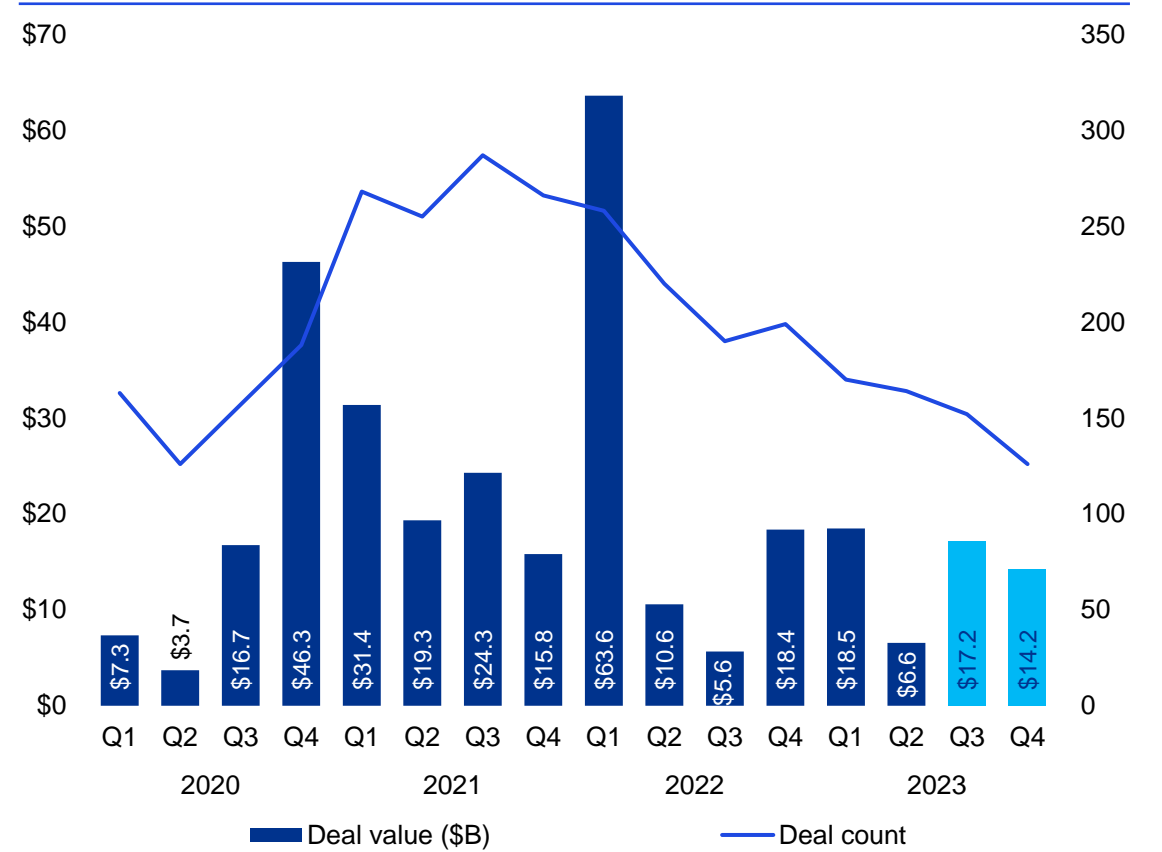
Global insights

Dealmaking momentum is evening out, at a subdued level

Total global funding activity (VC, PE and M&A) in fintech 2020–2023*



Global M&A activity in fintech 2020–2023*

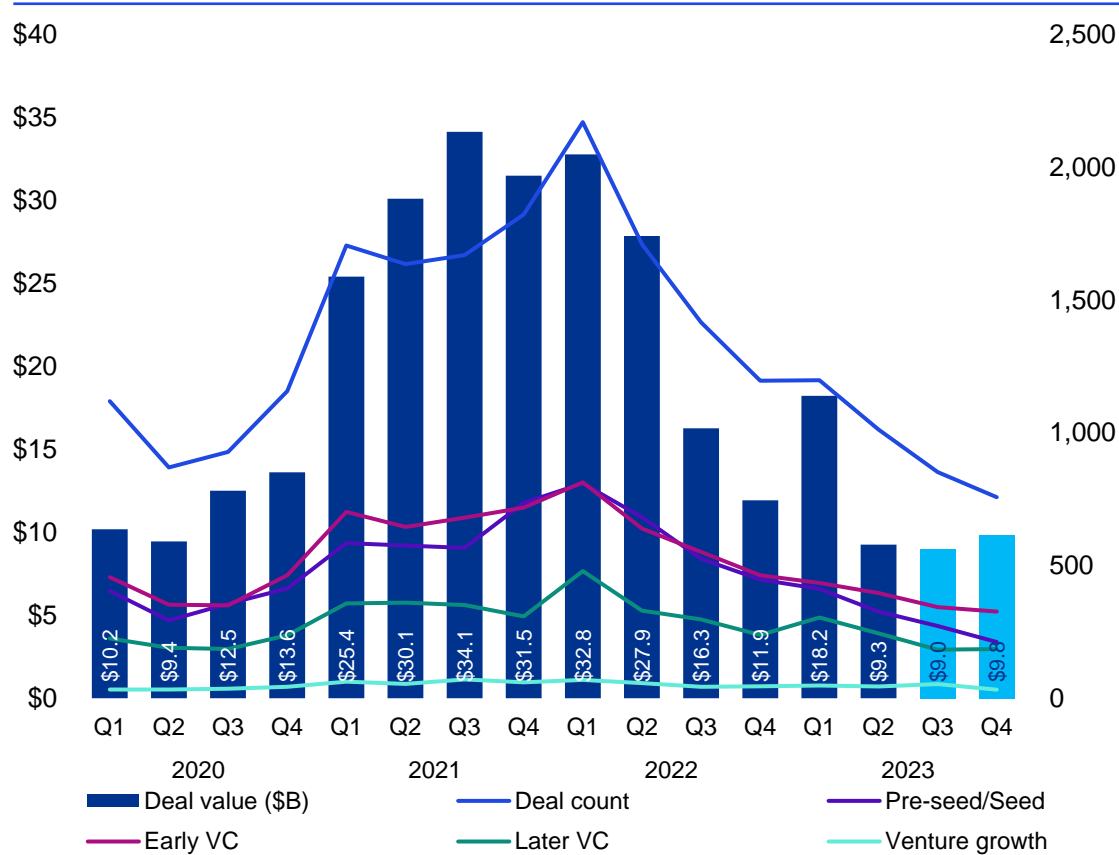


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

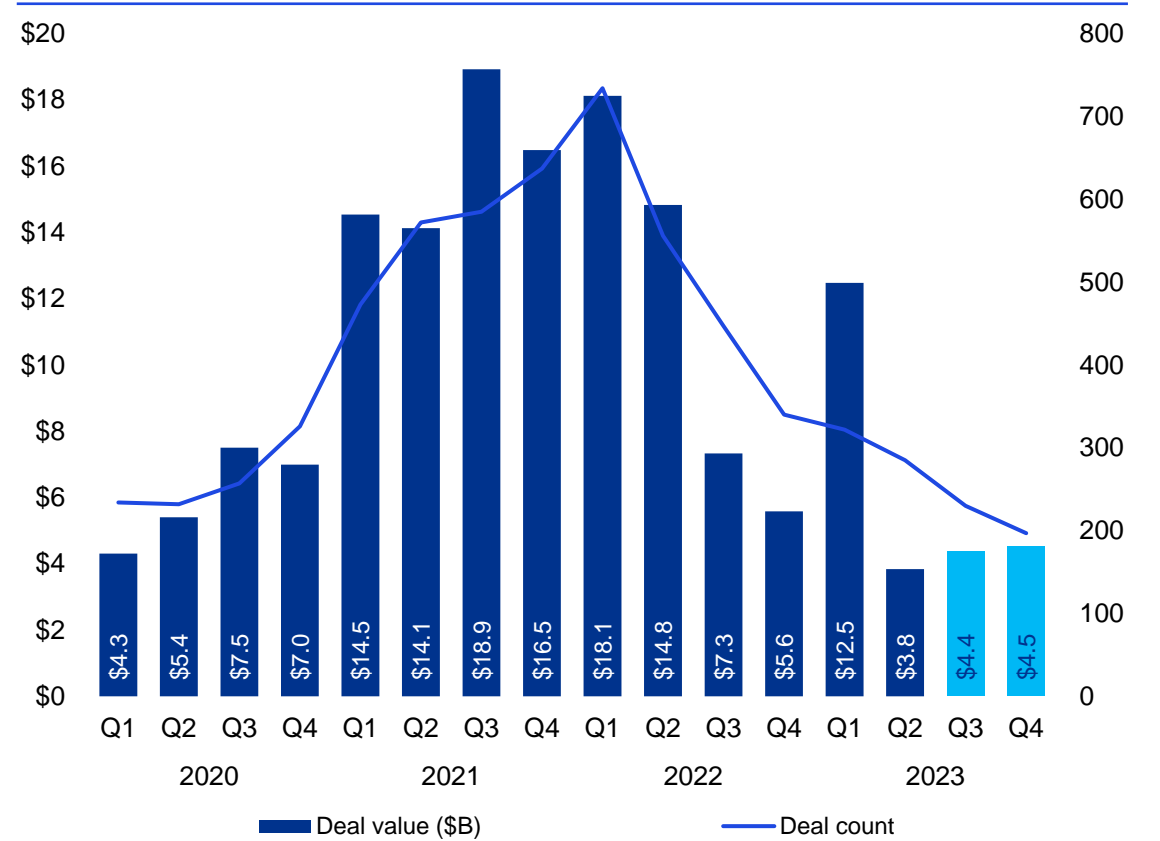
Global insights

Venture capital funding activity shows indications it could be leveling out

Global venture capital funding activity in fintech 2020–2023*



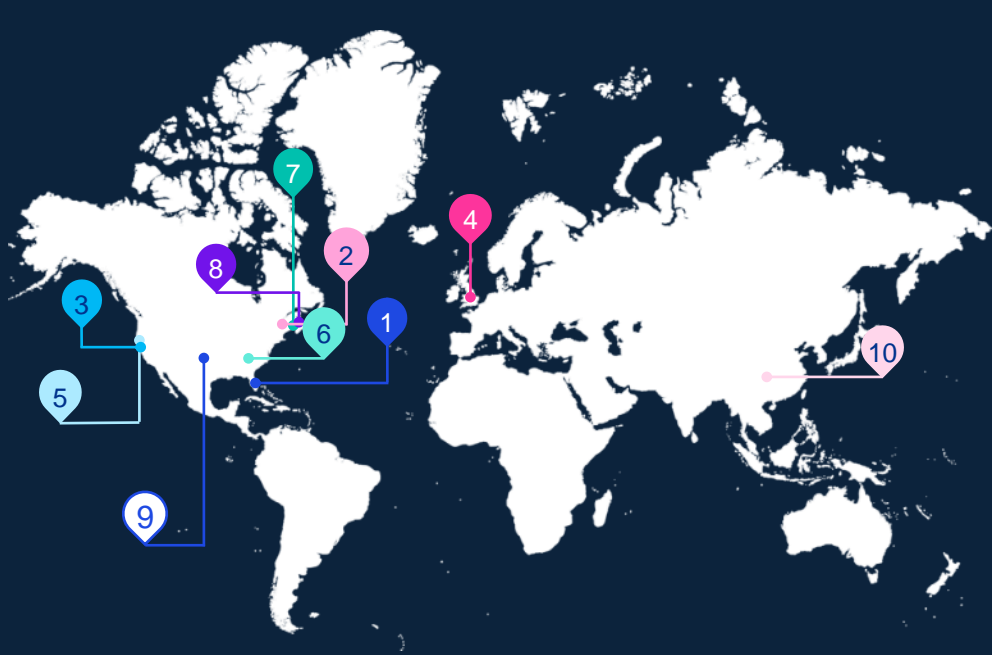
Global venture capital activity in fintech with corporate participation 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Global insights

Top 10 global fintech deals in 2023



1. **Black Knight** — \$11.7B, Jacksonville, US — Institutional/B2B — *M&A*
2. **Adenza** — \$10.5B, New York, US — Institutional/back-office — *M&A*
3. **Coupa** — \$8B, San Mateo, US — Institutional/B2B — *Public-to-private buyout*
4. **Finastra** — \$6.9B, London, UK — Payments — *Recapitalization*
5. **Stripe** — \$6.9B, San Francisco, US — Payments — *Series I*
6. **EVO Payments** — \$4B, Atlanta, US — Payments — *M&A*
7. **Duck Creek Technologies** — \$2.6B, Boston, US — Insurtech — *Public-to-private buyout*
8. **Celsius Network** — \$2B, Hoboken, US — Institutional/B2B — *Buyout*
9. **Moneygram** — \$1.8B, Dallas, US — Payments — *Public-to-private buyout*
10. **Chongqing Ant Consumer Finance** — \$1.5B, Chongqing, China — Consumer finance — *PE growth*

Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Fintech segments

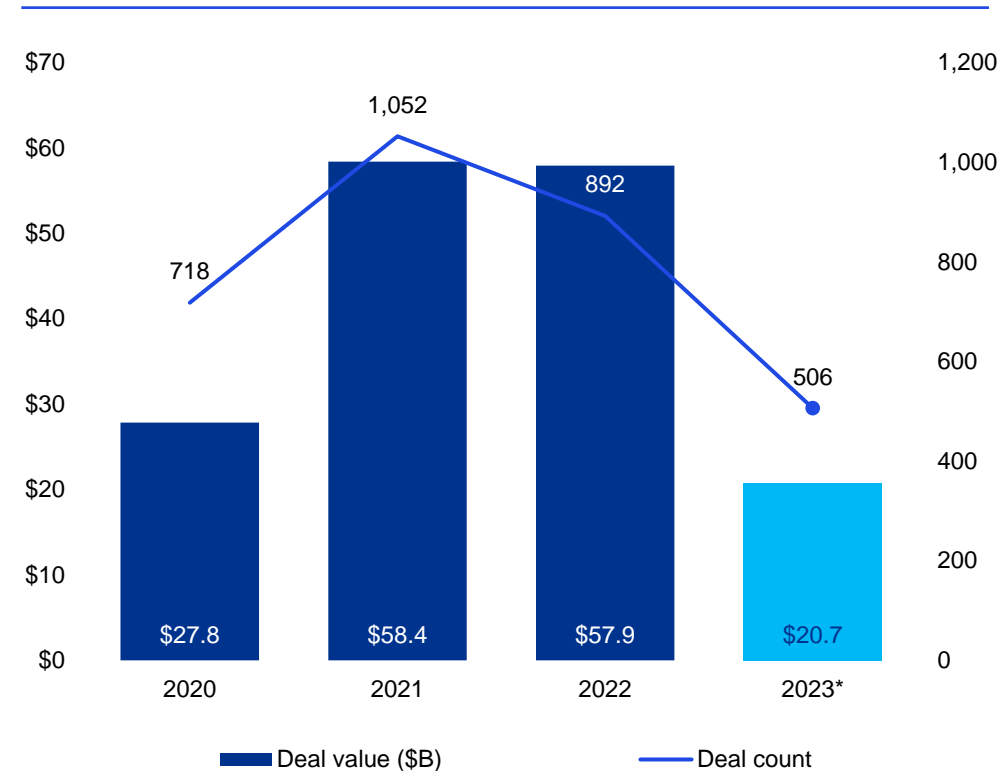
- Payments
- Insurtech
- Regtech
- Cybersecurity
- Wealthtech
- Blockchain/cryptocurrency
- ESG/greentech



Fintech — Payments

Payments attracts biggest share of fintech funding globally despite year-over-year drop

Total global funding activity (VC, PE and M&A) in payments 2020–2023*



Despite a significant decline in annual investment — from \$58 billion in 2022 to \$20.7 billion in 2023 — and the number of deals — from 892 to 506 — the payments space continued to account for the largest share of fintech investment globally. In H2'23 there was a clear pullback in mega deals with two billion-dollar deals: Finastra – \$6.9 billion, Pismo – \$1 billion. Comparatively, H1'23 saw four payments deals greater than \$1 billion (i.e. Stripe – \$6.9 billion, EVO Payments – \$4 billion, Moneygram – \$1.8 billion, and Paya – \$1.3 billion).

Despite a significant decline in deal value, the M&A space remained quite active during the second half of the year as a result of ongoing global, regional and local consolidation efforts across companies focused on providing core payments platforms and related services.

Key H2'23 highlights from the payments sector include:

Payments deal sizes shrink considerably in H2'23

The \$6.9 billion raise by Stripe in H1'23 accounted for more than the total global investment seen across the payments space in H2'23, highlighting the significant reduction in payments deal sizes. Visa's \$1 billion acquisition of Brazil-based payments processing and banking platform Pismo was the largest deal of H2'23, followed by the \$385 million buyout of Finland based cash management software firm Nomentia by UK-based PE firm Inflexion, and the \$275 million VC raise by US-based consumer credit card company Petal.

Stable markets remain a big priority for investors

The US and UK attracted the vast majority of large payments-focused deals during 2023 as investors in the space prioritized dealmaking in mature and stable markets. H2'23 saw a small uptick in deals occurring elsewhere in the world, including in Brazil, Finland and Singapore. This broadening of investment globally could be positive sign heading into H1'24.

Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Fintech — Payments

Consolidation still top of mind globally in payments space

M&A activity accounted for three of the six largest payments deals during 2023, including the \$4 billion acquisition of US-based EVO Payments, the \$1.3 billion acquisition of US-based Paya and the \$1 billion acquisition of Brazil-based Pismo. While M&A activity slowed in H2'23, interest in consolidation and M&A remained quite high given the pressure for companies to enhance their product suites to become more profitable and to continue to grow their reach geographically.

Different regions, different payments-focused priorities

At a regional level, both governments and investors showed quite a difference in priorities with respect to investments in the payments space. In the US and Americas, instant payments models and related capabilities were front and center in H2'23. In July, the US launched its FedNow Service — a platform supporting various kinds of real-time payments.¹ Investors in the EMEA and ASPAC regions, meanwhile, showed increasing interest in digital currencies and CBDCs. During H2'23, cryptocurrency-focused exchange Coinbase obtained a full payments license in Singapore,² while the Reserve Bank of India launched its wholesale-focused pilot program — a new phase of its overarching CBDC pilot project,³ In EMEA, Hungary launched the first live CBDC project in Europe in August,⁴ while the European Central Bank announced plans to move ahead with the preparation phase for a digital euro.⁵

¹ https://www.federalreserve.gov/paymentsystems/fednow_about.htm

² <https://www.reuters.com/business/finance/crypto-exchange-coinbase-obtains-monetary-authority-singapore-licence-2023-10-02/>

³ https://www.business-standard.com/industry/banking/rbi-starts-pilot-programme-for-wholesale-digital-rupee-in-call-money-market-123101201052_1.html

⁴ <https://www.prnewswire.com/news-releases/the-fintech-fueling-europes-digital-currency-revolution-perfinals-role-in-europes-first-live-cbdc-project-301902428.html>

⁵ <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr231018~111a014ae7.en.html>

Trends to watch for in H1'24

- Investors and fintechs increasingly focusing on areas of the world where the digital payments space is still emerging, including Africa, South America, the Middle East and parts of ASPAC.
- Payments processing continuing to be a significant priority of investors.
- Increasing investment in the B2B payments space, including real-time payments and BNPL.
- Growing focus on partnerships in the embedded payments space.
- Large BNPL companies focusing on geographic, product and partnership diversification.
- Broadening of investments across jurisdictions as macroeconomic conditions improve.
- Profitable payments companies focusing on IPO readiness.



As globalization has intensified, the need for seamless and efficient cross-border payments has grown. There's a lot of movement going on in the space right now, driven by both the growing focus on instant payments and the approaching 2025 deadline for ISO 20022 — a common payment standard. These are really serving as catalysts for payments activity, particularly related to instant cross-border payments solutions.”



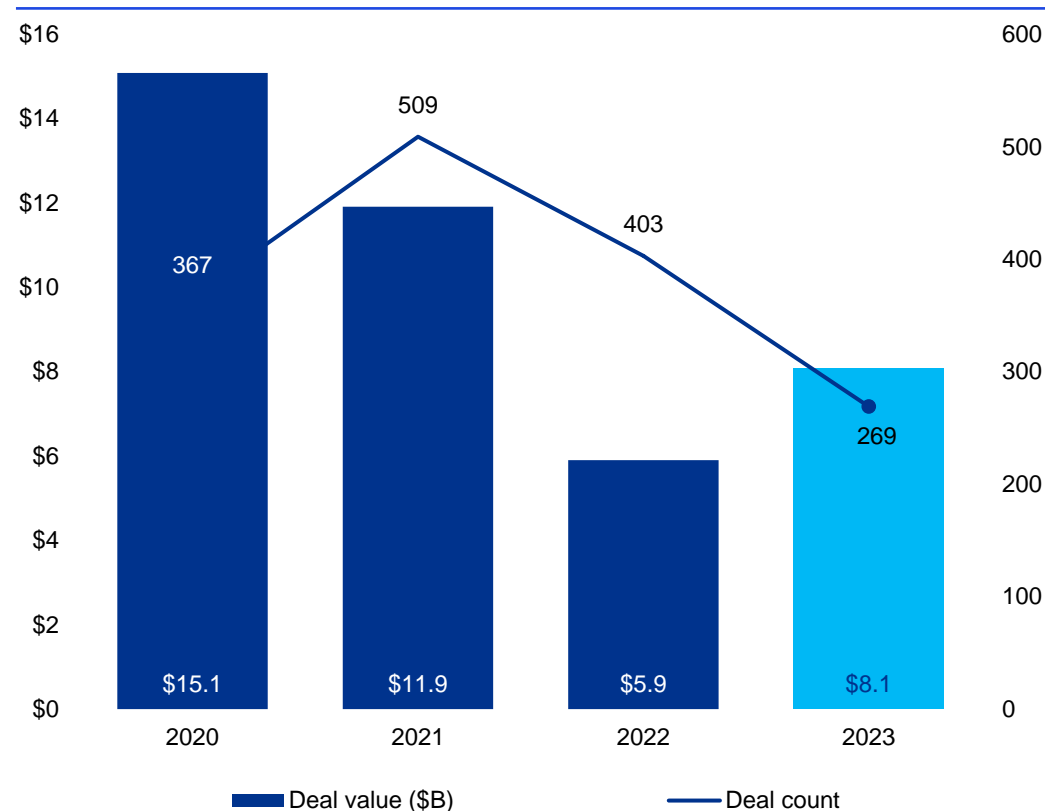
Contributor: Courtney Trimble

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Fintech — Insurtech

After very weak 2022, global insurtech investment rises year-over-year

Total global funding activity (VC, PE and M&A) in insurtech 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

After falling to a seven-year low of \$5.9 billion in 2022, global investment in insurtech rose to \$8.1 billion in 2023 moving closer to the funding levels it enjoyed 2019-2022. While the largest deal of the year — the \$2.6 billion buyout of Duck Creek Technologies by Vista Equity Partners occurred during H1'23, H2'23 saw a number of solid deals, including the \$1.2 billion buyout of Avantax by Cetera and the \$570 million acquisition of Benefitfocus by Voya Financial — both in the US. The insurtech sector also saw a number of \$100 million+ VC raises in the second half of 2023, including US-based Next Insurance (\$265 million), US-based Branch (\$215 million) and Singapore-based Bolttech (\$246 million).

Key H2'23 highlights from the insurtech space include:

Insurtechs increasingly focusing on enablement

Given the challenges that some insurtechs looking to entirely disrupt the insurance industry have had building their brand and market share, there has been a noticeable shift in the focus of insurtechs towards addressing specific pain points within the insurance value chain (e.g. claims management, rental market solutions, broker enablement) as part of B2B offerings rather than trying to directly compete with incumbent insurers. This enablement approach is only expected to gain ground over time.

SME focused insurtech gaining traction

In recent quarters, insurtechs have increasingly focused on providing solutions to the small and medium-sized enterprises market, in part using the same playbook that was used to innovate the offering of personal lines of insurance in previous years. Many investors see the SME space as a relatively overlooked market, ripe with opportunities, although the proof will be in the ability of related insurtechs to break past resistance points, including the complexity of insurance products.

Fintech — Insurtech

Embedded insurance seen as key area of growth

Over the last 12 months, investors have increasingly recognized the value of embedded insurance as a means to enhance uptake of insurance products by taking away some of the friction associated with the sales process, including decision fatigue. This is driving both insurance companies and insurtechs to strengthen their focus on forging partnerships across industries in order to embed the offering of insurance products into the sale of other products (e.g. retail, banking, wealth management).

Innovation still critical in the insurance industry

The insurance industry continued to be seen as a sector ripe for innovation in many regions of the world. Incumbent insurers looking to modernize and transform their businesses continued to see fintechs as a key avenue for innovation in 2023, while fintechs and large tech players looked to insurtech as a means to diversify and expand their offerings to customers.

Trends to watch for in H1'24

- Continuing focus on insurance industry enablement.
- Increasing M&A activity as incumbent insurers look to improve their value chain by conducting acquisitions.
- Enhanced focus on the integration of insurtech offerings at scale.
- Growing focus on embedded insurance offerings by a wide range of market participants.

“ Through thick and thin, there’s still going to be a very strong need for insurtech. And a lot of insurtech startups that have been built will likely, over time, get picked up by larger, more capitalized companies that frankly don’t have the flexibility to do what others are doing in terms of innovation across the insurance value chain. It’s a very complementary approach — and one that doesn’t involve trying to dislodge brands and capabilities that have become fortresses of experience and recognition over the last fifty or a hundred years. ”



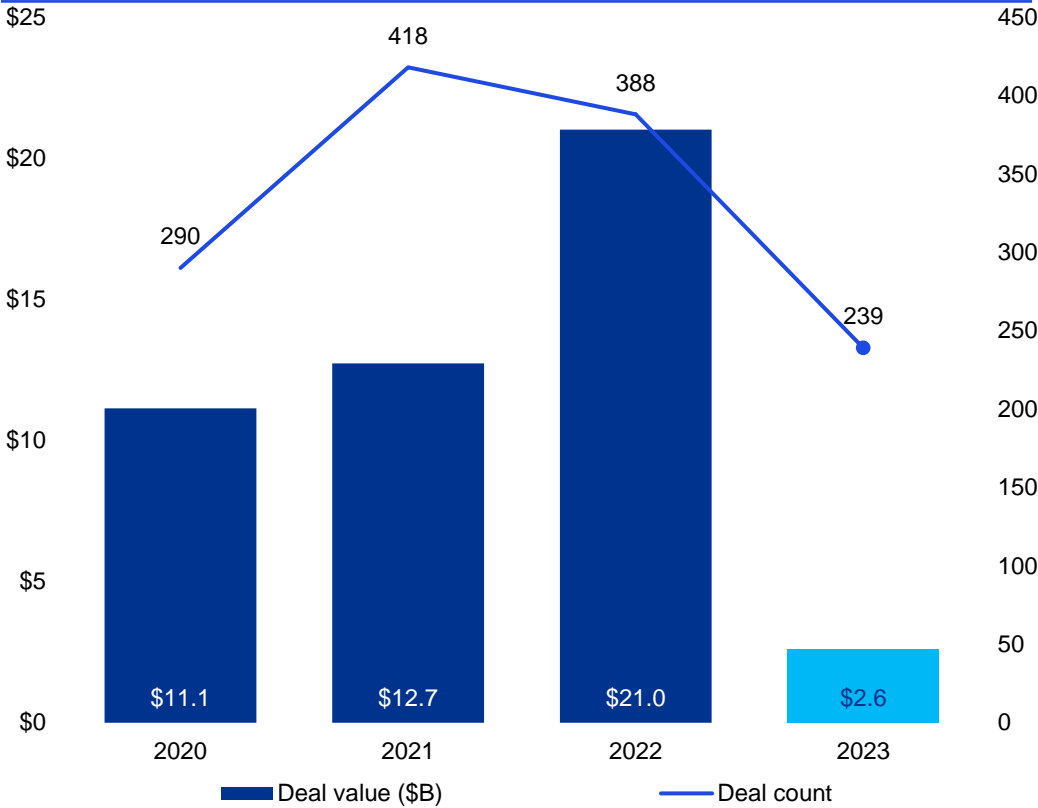
Contributor: Scott Shapiro

Head of Insurance and Principal
KPMG in the US

Fintech — Regtech

Regtech plummets to six-year low in 2024

Total global funding activity (VC, PE and M&A) in regtech 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

After attracting a record \$21 billion in 2022, total regtech investment plummeted to a six-year low of \$2.6 billion in 2023. Rising interest rates and other macroeconomic factors likely drove much of the pause in investment, while the mismatch between buyer and seller valuation expectations likely contributed to the very dry M&A environment. The largest deals of H2'23 all occurred in the VC space, including a \$400 million raise by UAE-based Haqqex and a \$125 million raise by US-based Vestwell.

Key H2'23 highlights from the regtech sector include:

AI integration a big priority for regtechs

AI attracted significant interest from investors during 2023. Given the complexity of regulatory compliance, particularly for large, global organizations operating in multiple jurisdictions, it was not a surprise to see regtechs moving fast to integrate AI and generative AI into their solutions and services, particularly solutions related to data review and assessment for financial crime prevention. This push could lead to growing interest and attention from investors heading into 2024.

Fintech — Regtech

Regulators remain highly focused on fintech

Regulators globally continued to be very active in developing regulations focused on the fintech sector. Europe continued to be a key driver of regulatory activity — if not regtech investment — in the fintech sector, followed by the ASPAC region. Subsequent to the Digital Operations Resilience Act (DORA), which came into effect during H1'23, the EU came to a provisional agreement on harmonized rules related to the *AI Act* in H2'23.⁶ During 2023, the UK also passed its *Financial Services and Markets Act*, which included the groundwork necessary for future regulation of crypto assets and stablecoins. In ASPAC,⁷ stablecoins got a significant amount of attention from regulators in 2023, with Singapore finalizing a regulatory framework for stablecoins and Japan introducing regulations related to stablecoin issuance.⁸

Alliances on the rise

Throughout the year, but particularly in H2'23, regtechs in a number of jurisdictions showed increasing interest in forging alliances across the regtech ecosystem in order to extend the scope of their products and services. This was particularly true of regtechs without the investment runway required to allow them to quickly expand beyond their initial product focus.

⁶ <https://www.consilium.europa.eu/en/press/press-releases/2023/12/09/artificial-intelligence-act-council-and-parliament-strike-a-deal-on-the-first-worldwide-rules-for-ai/>

⁷ <https://harperjames.co.uk/article/financial-services-and-markets-act-2023>

⁸ <https://asia.nikkei.com/Spotlight/Cryptocurrencies/Japanese-banks-prepare-to-launch-stablecoins>

Trends to watch for in H1'24

- Growing focus on regtech solutions aimed at helping organizations reduce their regulatory burden, particularly related to the wider adoption of data standards.
- Ongoing evolution of supervisory technology requirements around the world, keeping interest in regtech solutions high.
- Increasing M&A activity as the mismatch between buyer and seller perceptions of valuations ease.
- Continuing focus on regtech aimed at financial crime and fraud protection.
- Growing interest in AI-enabled regtech companies.

“ Over the last six months, regtech players have been working very quickly to integrate and deploy generative AI and other emerging technologies into their solutions. For many, this is a must if they want to stay ahead of the competition. Alliances have also gained a lot of attention from regtechs in recent months given the growing pressure from investors to make the most of every day. ”

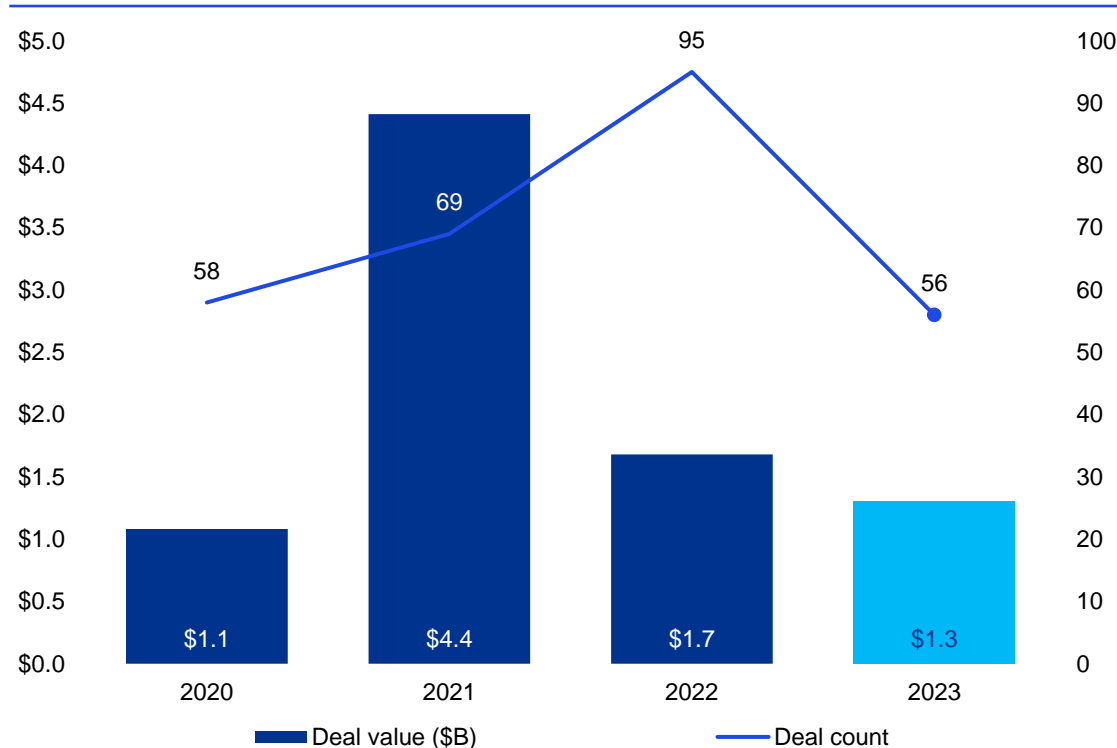


Fabiano Gobbo
Global Head of Regulatory and Risk, Financial Services
KPMG International

Fintech — Cybersecurity

Annual global investment in cybersecurity drops for second straight year

Total global funding activity (VC, PE and M&A) in cybersecurity 2020–2023*



Global investment in cybersecurity fell to \$1.3 billion in 2023 — a very subdued result, particularly compared to the record \$4.4 billion of cybersecurity investment seen in 2021. Activity was particularly soft in the second half of the year; the largest deal of H2’23 was a \$100 million raise by US-based AI security platform company Resilience,⁹ compared to the \$493 million VC raise by France-based digital asset security provider Ledger and the \$250 million acquisition of Switzerland-based cryptocurrency custody company Metaco by US-based settlements firm Ripple in H1’23. The surge in interest in AI-driven security solutions, however, could help drive additional attention and investment into the cybersecurity space heading into H1’24.

Key H2’23 highlights from the cybersecurity sector include:

Large tech companies embracing AI as part of cybersecurity offerings

While investment was relatively quiet in H2’23, interest in AI-driven cybersecurity solutions continued to grow, with corporates and cybersecurity firms increasingly looking at ways to leverage large language models to power AI-powered incident response activities. The large tech giants were particularly active in introducing AI-driven cybersecurity solutions to the market. During 2023, Microsoft announced an early access program for its new Microsoft Security Copilot — a generative AI focused digital assistant for security teams,¹⁰ while Google launched its Cloud Security AI Workbench.¹¹

Source: Pulse of Fintech H2’23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

⁹ <https://www.builtinsf.com/2023/08/08/resilience-raises-100m-series-d>

¹⁰ <https://www.microsoft.com/en-ca/security/business/ai-machine-learning/microsoft-security-copilot?rtc=1>

¹¹ <https://techcrunch.com/2023/04/24/google-brings-generative-ai-to-cybersecurity/>

Fintech — Cybersecurity

Corporates intensifying focus on secure code

One area that rapidly gained attention from investors over the course of 2023 — particularly among the tech giants, app development platforms and cybersecurity firms — was code security. The speed of coding activities, combined with developers' use of generative AI models and LLMs, raised concerns about the ability of companies to ensure the security of their code development. This helped drive interest towards solutions aimed at accelerating secure code and enabling secure-by-design policies, while still supporting quicker, more secure, cloud-based coding.

Complexity of the threat environment puts a spotlight on threat intelligence

The profile of threat actors continued to evolve rapidly during 2023, extending from politically motivated attackers to those with a much more diverse array of motivations. The growing complexity of the cyber threat environment, including the use of generative AI to support attacks, put a spotlight on the area of threat intelligence, with investors showing interest in solutions able to gather threat intelligence and those able to translate threat intelligence into specific cybersecurity actions.

Trends to watch for in H1'24

- Rapid acceleration of interest in AI to both power organizational cybersecurity solutions and to secure the integrity of any data used by organizations' AI models and solutions.
- Increasing investment in threat intelligence platforms and automation.
- Strengthening focus on platform plays, including third party managed extended detection and response platforms (MXDRs).
- Growing interest in robust cloud-based identity platforms.
- Large tech giants and platform players continuing to acquire smaller-scale cybersecurity startups in order to integrate and layer their niche solutions into their platforms.

“ AI is truly a gamechanger in the security sector in terms of the way it can empower the security organization to reduce false positives, find real events that need to be escalated more quickly, reduce the amount of level 1 triage analysts needed in the security operations center, and correlate security events across multiple data sources. This is going to be critical as threat actors themselves use AI to escalate their attacks. Looking forward, expect to see organizations looking to leverage AI and security technologies to better equip scanning platforms across cloud workloads and application code. ”



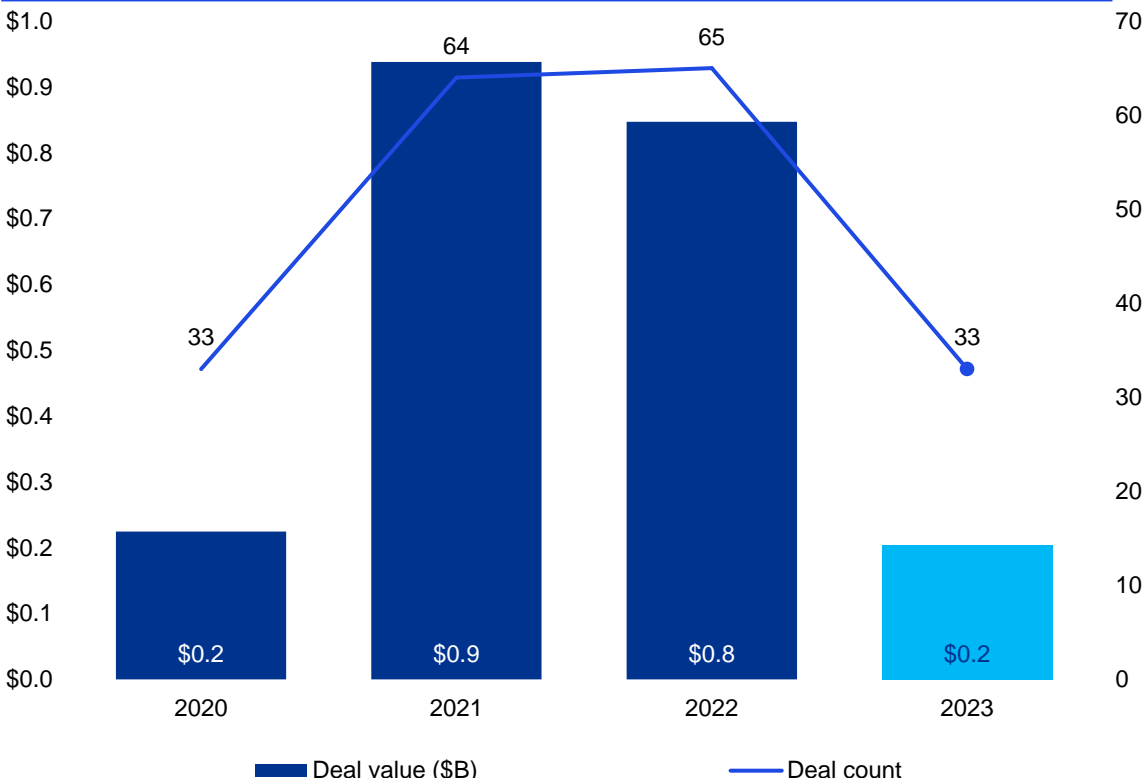
Contributor: Charles Jacco

Financial Services Cybersecurity Lead
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Cyber Security Financial Services Lead
KPMG in the US

Fintech — Wealthtech

After two solid years, wealthtech investment plummets in 2023

Total global funding activity (VC, PE and M&A) in wealthtech 2020–2023*



Total global investment in the wealthtech sector fell to under \$200 million in 2023 — although both total deal value and the number of wealthtech deals remained near to par with the levels seen in 2020. Similar to other fintech sub-sectors, global geopolitical uncertainties and macroeconomic pressures — including high interest rates — saw many investors holding back from making major investments. The largest wealthtech deal of H2’23 was a \$73 million raise by US-based investment firm Edward Jones.

Key H2’23 highlights from the wealthtech sector include:

Investors curious about AI and ESG-focused wealthtech solutions

Over the course of 2023, AI was an incredibly hot area of interest for global investors — and the wealthtech space was no different. In particular, investors showed interest in the applicability of AI and machine learning to data analytics and resource-intensive tasks such as product checks/recommendations and source of wealth checks. Wealthtech solutions focused on improving and managing ESG investments also garnered some attention during 2023. Despite AI and ESG attracting a growing amount of conversation, there has not yet been a significant rise in related wealthtech investments.

Source: Pulse of Fintech H2’23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Fintech — Wealthtech

Robo-advisory continues to dominate wealthtech investment

Globally, wealthtech investors continued to focus significantly on robo-advisory offerings and platforms aimed at catering to the needs and interests of consumers at the lower end of the wealth market. A number of wealthtech-focused robo-advisors — some backed by larger banks or financial institutions — have been quite successful at giving consumers access to wealth products historically seen as the purview of institutional or high net worth investors.

Middle East gaining ground as a target for wealthtech investment

Global investors have increasingly targeted the Middle East as a potential area for wealthtech growth, particularly in locations like Abu Dhabi, which have a strong wealth base and a government commitment to fostering fintech innovation. In addition to investors from the US, wealth management firms and banks from the ASPAC region have also set up offices in the region in order to capitalize on potential wealthtech, and broader fintech, opportunities.

Trends to watch for in H1'24

- Regulators continuing to focus on investor protections.
- Increasing investment in wealthtechs looking to open the door to alternative investment classes, including fractionalized investments in real estate and other assets.
- Growing focus on using technology and innovation to improve the value and delivery of wealth advisory services.
- Continued interest in finding ways to leverage AI to improve wealth management.

“ The opportunity for wealthtech right now is around offerings where the cost to serve isn't as high as it is for the ultra rich or traditionally rich. So that means a real focus on AI and machine learning, with companies and wealthtechs both looking at how to use it to make wealth management processes simpler. Robo-advisory also continues to be hot, although it's been a quiet year from an investment point of view. There are a number of very successful robo-advisors out there that have growing brands with concepts that appeal to the masses — in particular, giving individual investors access to financial instruments they wouldn't normally have access to. ”

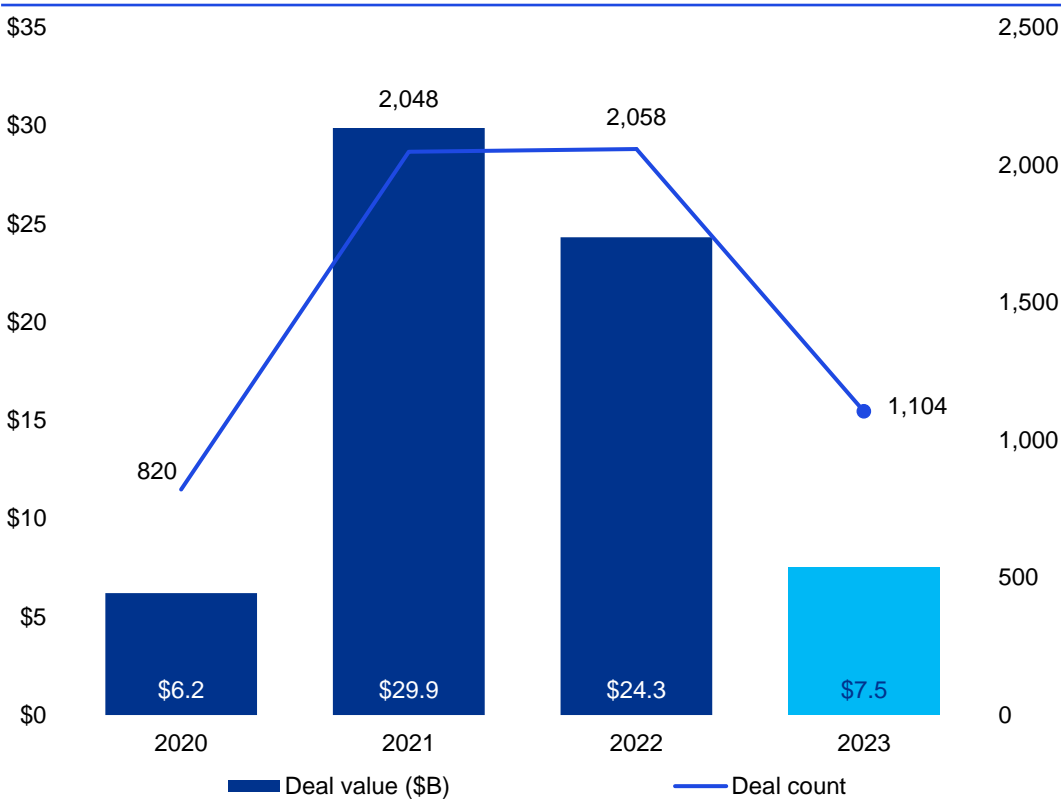


Contributor: Leon Ong
Partner, Financial Services Advisory
KPMG in Singapore

Fintech — Blockchain/cryptocurrency

Deal volume drops by 50 percent year-over-year in crypto and blockchain

Total global funding activity (VC, PE and M&A) in blockchain and cryptocurrency 2020–2023*



Total investment in the crypto and blockchain space dropped from over \$24 billion in 2022 to less than \$8 billion in 2023, while deal volume dropped from 2,058 deals to just 1,104 during the same frame. In addition to the challenging macroeconomic factors seen this year, the crypto and blockchain sector had to weather the impact of the crypto firm collapses seen in 2022 and the closures of a number of trade finance platforms built on blockchain technologies, including Singapore-based Contour, R3’s Marco Polo and Maersks Tradelens.

During H2’23, the largest deals in the crypto and blockchain space included a \$400 million VC raise by UAE-based digital asset trading platform Haqqex, a \$110 million VC raise by UK-based blockchain.com and a \$100 million raise by US-based crypto custody firm BitGo.

Source: Pulse of Fintech H2’23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Fintech — Blockchain/cryptocurrency

Key H2'23 highlights from the crypto and blockchain space include:

ASPAC region continues to take the lead on crypto

The ASPAC region — particularly jurisdictions like Singapore and Japan continued to show keen interest in developing the crypto space and a desire to find the safe balance between innovation and regulation. During H1'23, Japan enacted new legislation related to the issuing of stablecoins.¹² This prompted new interest in the country, with Mitsubishi UFJ Trust Bank and Banking Corporation announcing a partnership using Progmatt platform during H2'23, to explore the development of a new stablecoin that would comply with the new regulations.¹³ During H2'23, Singapore introduced new requirements related to the safeguarding of customer assets by its Digital Payment Token providers. It also finalized its regulatory framework for stablecoins with two providers, Paxos and StraitsX, approved to issue regulated USD and SGD stablecoins.¹⁴

Strengthening focus on stablecoins and tokenization

During 2023, stablecoins saw a significant rise in attention, both from regulators and from commercial banks and other financial institutions. In H2'23, France-based Société Générale became one of the first large banks to list a stablecoin on Bitstamp — a cryptocurrency exchange based in Luxembourg.¹⁵ PayPal launched a USD stablecoin in August.¹⁶ Stablecoins in general are seen as critically important, particularly in the digital asset and Web3 world, as a mechanism for settlements related to real-world assets that are tokenized when there isn't a digital currency for settlement. Institutional interest in stablecoins is growing beyond crypto geeks, with the launch of stablecoin ratings by S&P one of the latest signs. The application of new technology to payments reached a new landmark with the launch of the DLT Sterling Finality Payment System in December.¹⁷ Supported by major banks such as Lloyds, Santander and UBS, but also market infrastructure player Euroclear, Finality brings a trustworthy on-chain payment mechanism to support tokenized securities and capital markets.

“ If you think about the macroeconomic conditions, the interest rates are very high and liquidity has dried out of the market. Obviously, crypto and blockchain are still the new kids on the block. And when there are liquidity issues, these kinds of innovative products are the ones that tend to suffer a bit more. This, combined with the impact of a couple of crypto firm collapses in 2022 and the ongoing difficulties that both crypto and blockchain companies are having trying to scale, has created some of the direst conditions for investment in the space. But the tide is starting to turn, so 2024 could see a good uptick. ”



Contributor: Debarshi Bandyopadhyay
Director, Financial Services
Blockchain & Crypto
KPMG in Singapore

¹² <https://asia.nikkei.com/Spotlight/Cryptocurrencies/Japanese-banks-prepare-to-launch-stablecoins>

¹³ <https://www.pnnewswire.com/news-releases/mitsubishi-ufj-trust-and-banking-corporation-and-binance-japan-commence-joint-study-to-explore-new-stablecoin-issuance-using-progmatt-platform-to-accelerate-web3-adoption-301938325.html>

¹⁴ <https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework>

¹⁵ <https://www.ft.com/content/cd733a7c-2e74-412f-b234-6f495c118cc6/>

¹⁶ <https://www.reuters.com/technology/paypal-launches-stablecoin-crypto-push-2023-08-07/>

¹⁷ <https://www.ledgerinsights.com/finality-launch-dlt-wholesale-payment-system-in-uk/>

Fintech — Blockchain/cryptocurrency

Planning for the future

Despite the current lull in crypto and blockchain investment and deals activity, there are positive indicators that a significant number of regulators, financial institutions and other organizations are interested in Web3 and crypto, particularly in the ASPAC and EMEA regions. Companies are considering how to monetize business models, developing alliances with relevant third parties, and watching evolutions in regulations like the Markets in Crypto-Assets Regulation (MiCA), which will enter into application in June 2024,¹⁸ with interest. Heading into 2024, as macroeconomic conditions improve, there could be increased funding as these planning activities turn into strategic action.

Trends to watch for in H1'24

- Increasing investment, particularly in jurisdictions with regulatory clarity.
- Growing focus on institutional-grade blockchain solutions.
- A possible increase in stablecoin options in Japan as companies look to take advantage of the new regulations.
- Growing focus on CBDCs and stablecoins in different regions.
- Strengthening interest in areas like digital assets and asset tokenization in the Middle East, Asia and Europe.

“ In a way, regulations are really driving innovations in the crypto space. When you have more clarity, you know what you can do, what you can't do, and what you need to put guardrails on. I think this is part of what is driving activity in Asia. Singapore has clarity. Japan has clarity. Hong Kong (SAR), China is getting more into the game. And more broadly, Dubai and the UAE are also starting to gain a lot of attention in the space. It's an interesting time; all of these jurisdictions are really looking to take up some of the vacuum created by the lack of clarity on crypto regulations in the US. ”



Contributor: Kenji Hoki

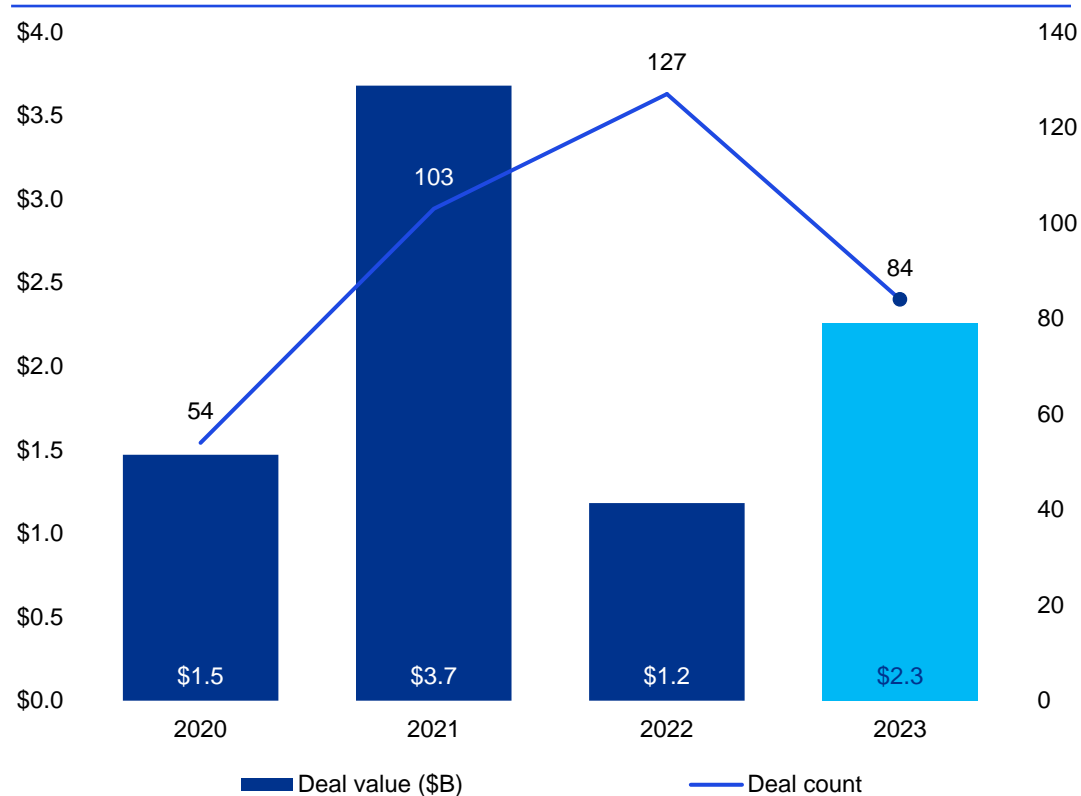
Director, Financial Services
KPMG in Japan

¹⁸ <https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica>

Fintech — ESG/greentech

ESG and greentech remain in vogue, albeit with somewhat variable deal flow

Total global funding activity (VC, PE and M&A) in ESG/greentech 2020–2023*



Global investment in ESG-focused fintech reached \$2.3 billion in 2023 — the second highest annual total following 2021’s outlier high of \$3.7 billion. The space attracted a number of very sizeable deals over the course of the year. The US attracted the vast majority of ESG-focused fintech investment this year, likely driven by investment trends across the broader fintech sector, rather than by any substantial decline in investor interest in the EMEA and ASPAC regions.

Key H2’23 highlights from the sector include:

US attracts largest ESG fintech deals in 2023

The US accounted for the largest raises in the ESG fintech space during 2023, including a \$1 billion PE raise by carbon sales and custody platform firm Rubicon Carbon, a \$525 million VC raise by carbon environmental commodities marketplace Xpansiv, and a \$500 million raise by cleantech investment company CleanCapital. While ESG-focused fintech deal volume was quite strong in the EMEA region, investment in the space in 2023 primarily centered around early-stage investments, with a \$114 million PE raise by Germany-based IntegrityNext among the largest deals in the region. Investment in the ASPAC region lagged somewhat this year, with Japan-based Gojo & Company’s \$110.6 million among the region’s largest deals).

ESG-focused fintech sector continuing to evolve

One of the more emergent areas of fintech, the breadth and scope of ESG-focused fintech continued to evolve and mature during 2023 — with fintechs focusing on a growing array of verticals, including regtech, insurtech, carbon services, investment management, payments, and lending, in addition to two major enabling technologies — ESG data and financial ESG infrastructure, such as reporting standards, exchanges and indices.¹⁹

Source: Pulse of Fintech H2’23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

¹⁹ <https://kpmg.com/sg/en/home/insights/2022/10/enabling-tomorrow-the-emergent-esg-fintech-ecosystem.html>

Fintech — ESG/greentech

Interest and investment in carbon services accelerating

Globally, interest in carbon services has grown quite significantly over the past year, particularly in the US and Canada. Increased interest from corporates helped drive this interest, with a growing number of large financial institutions beginning to contribute equity into the space.

Regulatory changes expected to keep regtech top of mind

ESG-focused compliance and risk management offerings have been evolving for some time, but new regulations in the space kept the vertical on the radar of investors throughout 2023 as companies looked to prepare for new requirements. In 2024, for example, a number of regulations are expected to come into effect, such as the ISSB's sustainability climate change disclosure standards, the SEC's climate-related disclosure rule and the EU's corporate sustainability reporting standard. Regtech investment in the space primarily revolved around ESG data and disclosures. AI-driven automation of tracking and reporting has been a key area of interest.

Trends to watch for in H1'24

- Blended finance bringing together government and private investment in order to finance projects that might be marginally financeable otherwise.
- Acceleration of investment in ESG-focused fintech over the next year.
- Growing focus on leveraging AI to help companies, particularly small and medium-sized businesses, with ESG data collection, estimation and reporting.
- Implementation of ESG-related accounting standards and other regulations driving investment into regtech.

“ I think we're going to see a lot more focus on the implementation of ESG-related regulations and accounting standards — and it's going to act as a real tailwind for the entire sector. I feel quite confident predicting that over the next year ESG-focused fintech will grow faster as a subsegment compared to the broader fintech sector because of this regulatory tailwind that could, quite likely, continue over the next few decades. ”



Contributor: Aymeric Salley

Director, Financial Services
KPMG in Singapore

In 2023, fintech funding
in the **Americas**
reached **\$78.3B** with
2,136 deals

Regional insights — Americas

Fintech funding in the Americas falls

Total fintech investment in the Americas dropped from \$95.4 billion in 2022 to \$78.3 billion in 2023 as the number of fintech deals plummeted from 3,467 to 2,136. The US attracted the vast majority of fintech deals activity during the year, accounting for \$73.5 billion of investment across 1,734 deals.

The second half of 2023 was particularly soft for fintech deals activity in the Americas as investors enhanced their scrutiny of potential deals even further. During H2'23, the Americas attracted \$38.4 billion of investment across 916 deals, of which the US accounted for \$34.8 billion across 627 deals. The three largest deals in H2'23 occurred in the US, including the \$11.7 billion acquisition of real estate data analytics company Black Knight by Intercontinental Exchange,²⁰ the \$10.5 billion acquisition of regtech and risk management software firm Adenza by Nasdaq,²¹ and the \$1.2 billion buyout of wealth management firm Avantax by Cetera.²²

Key H2'23 highlights from the Americas include:

Fintech-focused VC investment sees sharp decline as profitability becomes paramount

Fintech-focused VC investment in the Americas dropped considerably in 2023, with just \$26.6 billion invested in the

region compared to \$44.7 billion in 2022. The decline was particularly sharp in the second half of the year, with H2'23 investment just \$10.4 billion. Compared to H1'23, when Stripe raised \$6.8 billion at a significant cut to its valuation, the largest deal of H2'23 in the Americas was a \$365 million raise by US-based Lendbuzz. Over the course of the year, VC investors only enhanced their focus on profitability versus growth, with most deals receiving far more scrutiny for the viability of their business model and the ability to maximize profitability.

Brazil sees uptick in fintech investment year-over-year

While the US accounted for the lion's share of fintech investment in the Americas during 2023 (\$73.5 billion), including the 10 largest deals in the region, fintech investment in Brazil was particularly noteworthy during 2023. The country attracted its second highest level of fintech investment ever (\$2.6 billion) during the year, including several large deals in H2'23: the \$1 billion acquisition of payments firm Pismoby Visa, the \$560 million acquisition of B2B fintech software company Sinqia by Puerto Rico based Evertec,²³ and the \$197 million VC raise by B2B fintech enablement company Qi Tech.²⁴

“ If we see more deals going through and valuations starting to align a bit more between buyers and sellers, that will be a good early sign that the fintech market is going to pick up — because if we get some of that valuation realignment, and then we get lower interest rates later in the year, the deal market will have a real opportunity to grow more significantly. ”



Contributor: Robert Ruark
Principal, National Financial Services
Strategy and Fintech Lead
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²⁰ <https://www.investopedia.com/ice-completes-acquisition-of-black-knight-after-settling-ftc->

²¹ <https://www.bloomberg.com/news/articles/2023-11-01/nasdaq-closes-10-5-billion-adenza-deal-in-bet-on-fintech-future>

²² <https://www.avantax.com/about/news/cetera-closes-avantax-acquisition>

²³ <https://ir.evertecinc.com/news/news-details/2023/EVERTEC-Closes-on-the-Acquisition-of-Sinqia-a-Leading-Provider-of-Software-Solutions-for-Financial-Institutions-in-Brazil/default.aspx>

²⁴ <https://techcrunch.com/2023/10/31/brazils-qi-tech-which-wants-to-decentralize-credit-away-from-banks-lands-200m-led-by-general-atlantic/>

Regional insights — Americas

Increasing regulatory scrutiny of fintechs

2023 saw fintech activities increasingly top of mind for regulators, particularly in the US. The Consumer Financial Protection Bureau was particularly active during the second half of the year proposing a new rule to regulate large fintech firms like banks, in addition to new rules related to personal financial data rights. During H2'23, the Department of Justice and Federal Trade Commission also released new merger guidelines outlining considerations related to antitrust rules. These rules, while not specifically targeted towards fintechs, could impact the speed of future fintech M&A deals in the US.

Payments deals decline in H2'23; insurtech sees growing interest

While payments remained a key focus of fintech investment in Latin America, in the US there was a noticeable lull in payments deal activity following a fairly active H1'23. Insurtech and wealthtech continued to see good interest in the US during H2'23, however, with deals including Avantax (\$1.2 billion), Benefitfocus (\$570 million), Next Insurance (\$265 million) and Branch (\$215 million).

Trends to watch for in H1'24

- Relatively slow start to the year with more M&A activity over time as valuations become more aligned between buyers and sellers, and investors look for distressed assets.
- Convergence of banking regulatory regimes, with regulators increasingly extending their reach more directly into fintechs.
- Increasing PE activity, as PE firms look to recoup their investments and cash out on some of their aging portfolio companies in order to return capital to their investors, while fresh investment capital is near all-time highs.
- Growing focus on embedded finance solutions across the entire supply chain.
- Continued focus on B2B fintech solutions aimed at helping to improve the efficiency of financial processes.

“I’ve seen a lot of activity in the wealth management and insurance sectors this year. And while the number of fintech deals in both areas are down like in every other fintech subsector, there is a lot of private equity activity. In particular, PE firms looking at consolidating distribution capabilities — so buying insurance distribution operators or wealth management investment advisory firms. There is a continued interest in both insurtech and wealthtech sectors moving forward as a result of this momentum.”



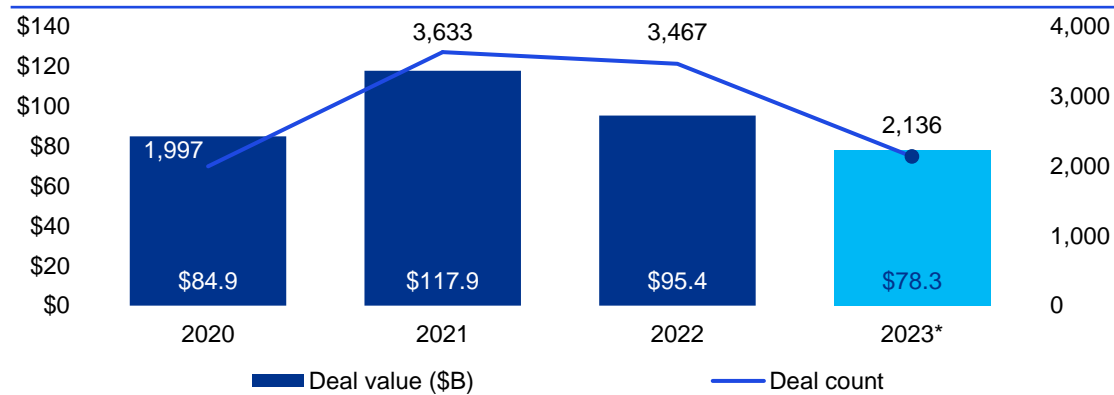
Peter Torrente

Global Head of Audit, Financial Services
KPMG International
Banking and Capital Markets Sector Leader
KPMG in the US

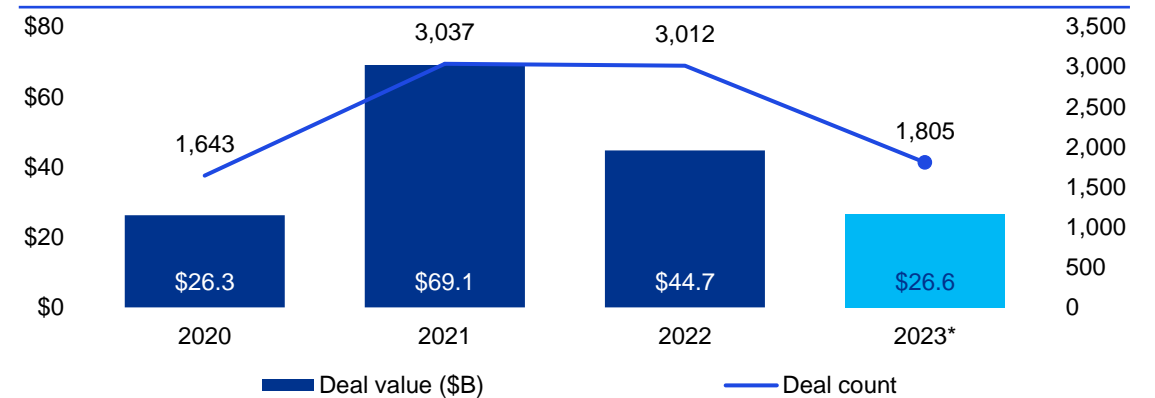
Regional insights — Americas

M&A values rebound slightly, while overall, dealmaking remains resilient yet moderated

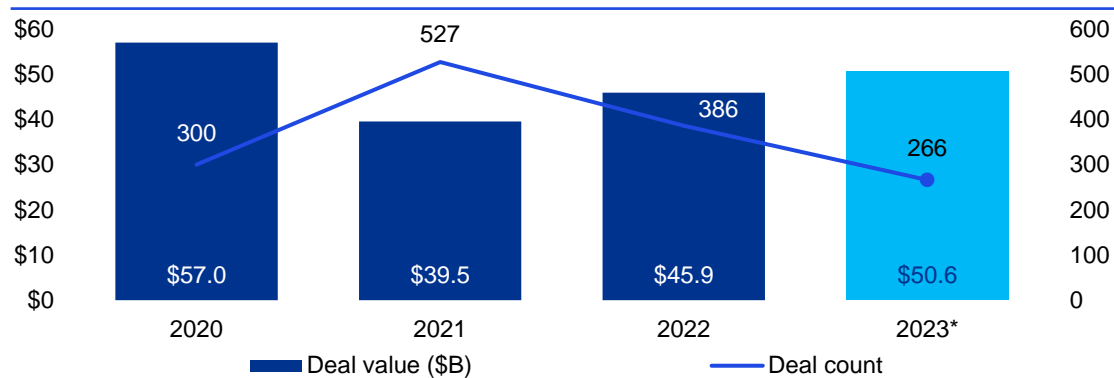
Total funding activity (VC, PE and M&A) in fintech in the Americas 2020–2023*



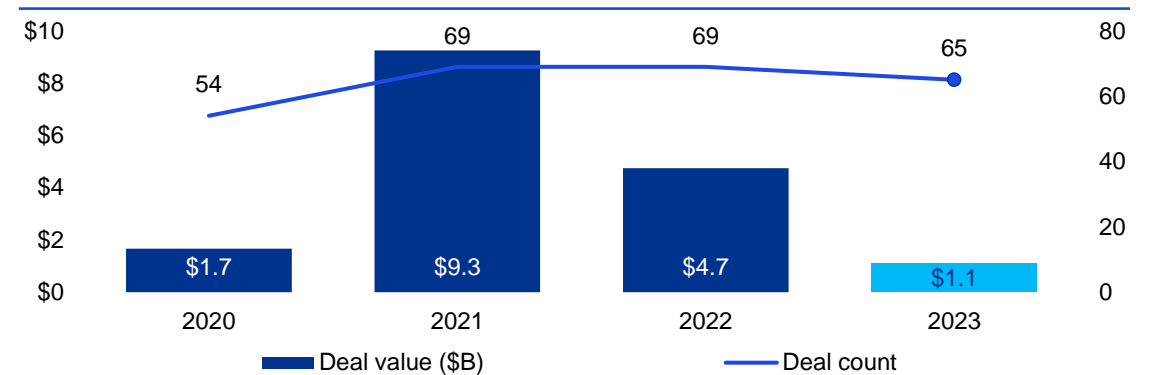
Venture capital funding activity in fintech in the Americas 2020–2023*



M&A activity in fintech in the Americas 2020–2023*



PE growth activity in fintech in the Americas 2020–2023*

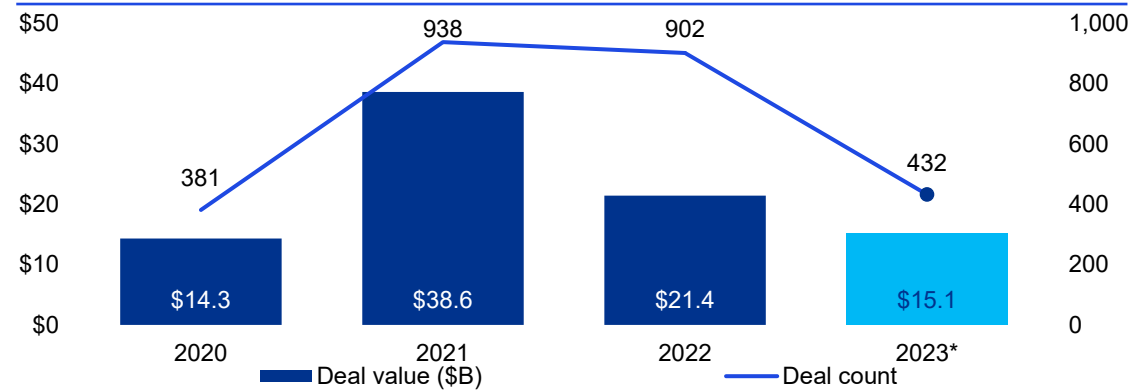


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

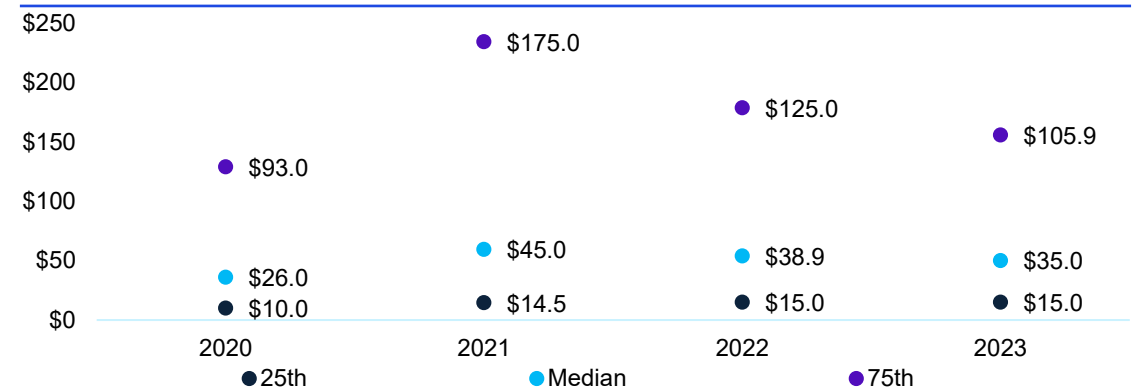
Regional insights — Americas

Financing metrics subside yet do not collapse

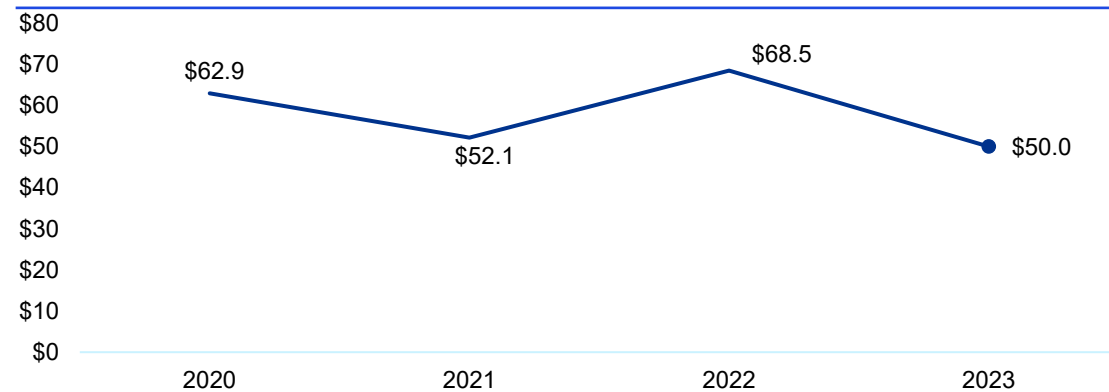
VC activity in fintech with corporate participation in the Americas 2020–2023*



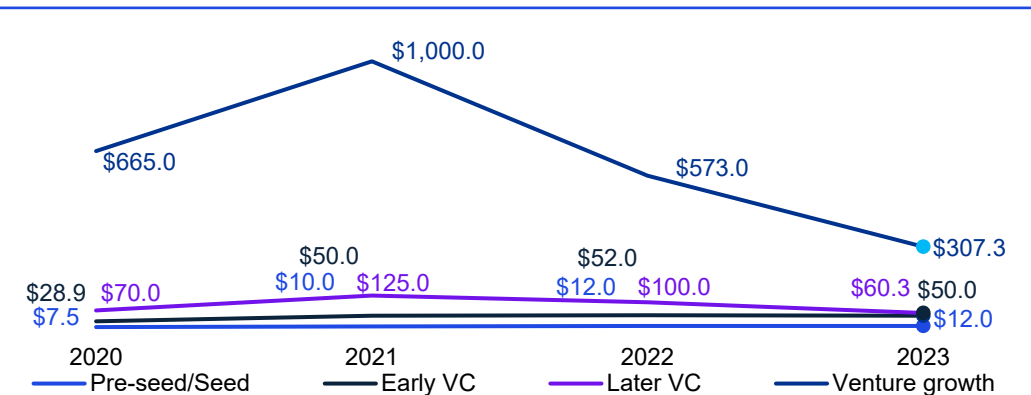
Quartile post-money (VC, PE and M&A) valuations in the Americas 2020–2023*



Median M&A size (\$M) in fintech in the Americas 2020–2023*



Median pre-money valuations (\$M) by stage in fintech in the Americas 2020–2023*

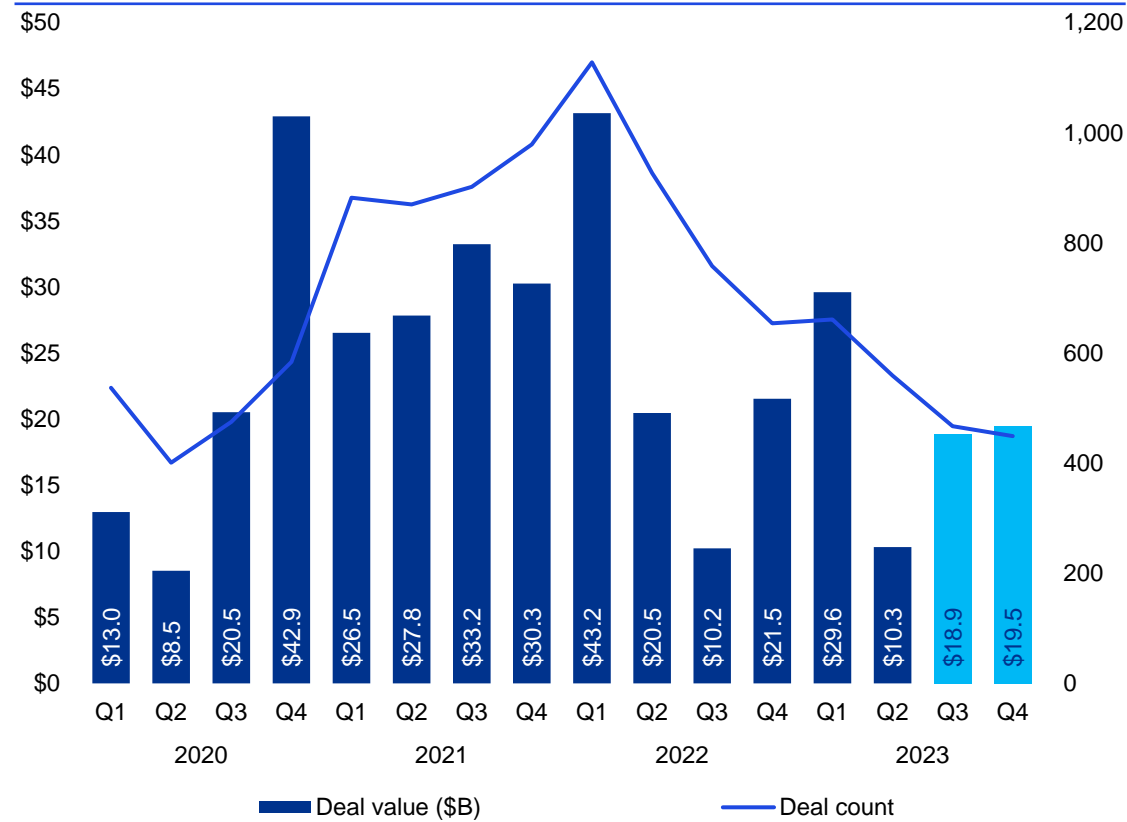


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023. The 2023 figure for median M&A sizes is based on a non-normative sample size.

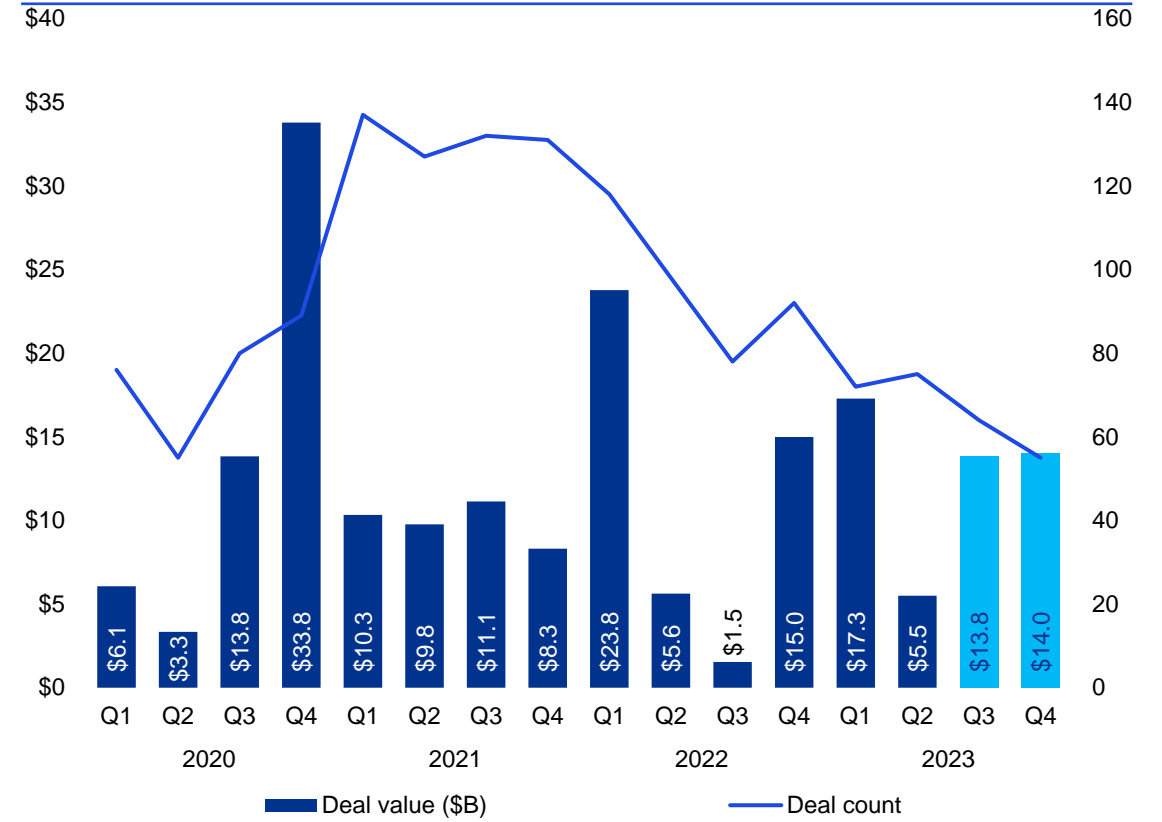
Regional insights — Americas

Dealmaking shows signs of flattening out at a level aligned with historical averages

Total funding activity (VC, PE, M&A) in fintech in the Americas 2020–2023*



M&A activity in fintech in the Americas 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

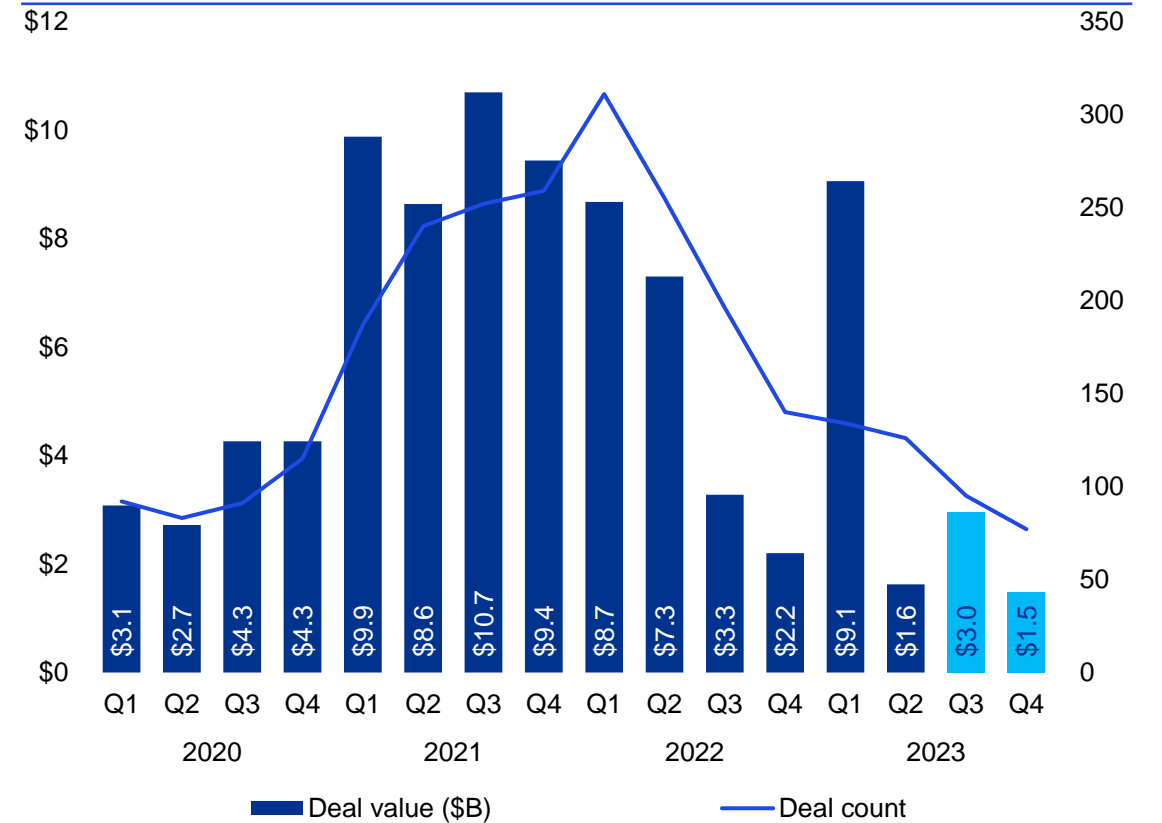
Regional insights — Americas

VC dealmaking evens out further

Venture capital funding activity in fintech in the Americas 2020–2023*



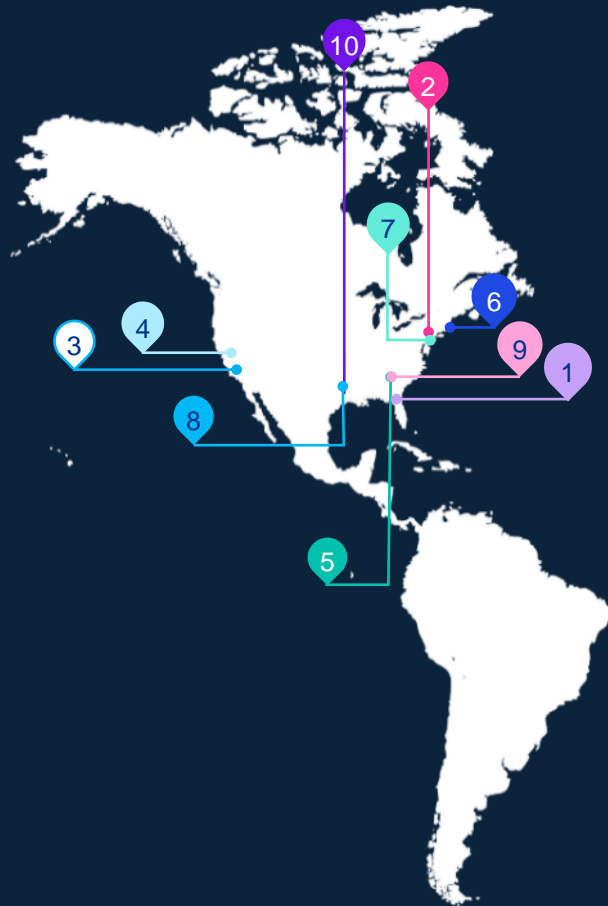
VC activity in fintech with corporate participation in the Americas 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Americas

Top 10 fintech deals in the Americas in 2023



1. **Black Knight** — \$11.7B, Jacksonville, US — Institutional/B2B — *M&A*
2. **Adenza** — \$10.5B, New York, US — Institutional/back-office — *M&A*
3. **Coupa** — \$8B, San Mateo, US — Institutional/B2B — *Public-to-private buyout*
4. **Stripe** — \$6.9B, San Francisco, US — Payments — *Series I*
5. **EVO Payments** — \$4B, Atlanta, US — Payments — *M&A*
6. **Duck Creek Technologies** — \$2.6B, Boston, US — Insurtech — *Public-to-private buyout*
7. **Celsius Network** — \$2B, Hoboken, US — Institutional/B2B — *Buyout*
8. **Moneygram** — \$1.8B, Dallas, US — Payments — *Public-to-private buyout*
9. **Paya** — \$1.3B, Atlanta, US — Payments — *M&A*
10. **Avantax** — \$1.2B, Dallas, US — Insurtech — *Add-on*

Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

**In 2023, funding in
fintech companies in
Europe, Middle East and
Africa (EMEA) recorded
\$24.5B with 1,514 deals**

Regional insights — EMEA

Fintech investment in EMEA rises in H2'23 but falls to lowest annual total in seven years

Fintech investment in the EMEA region grew considerably in H2'23, accounting for \$16.3 billion in investment compared to \$8.2 billion in H1'23. The annual total was far less optimistic; the \$24.5 billion of investment accounted for the lowest level of fintech funding in seven years. The frigid exit environment, high interest rates, and geopolitical uncertainties and conflicts had many investors in the region holding on to their capital.

The seven largest deals of H2'23 occurred in five different jurisdictions, which highlights the strength of the fintech sector in EMEA, despite the current market softness. The largest deals came from the UK (Finastra – \$6.9 billion), Sweden (Macrobond Financial – \$763 million), the Netherlands (PayU – \$610 million), Italy (Banco BPM – \$548 million), the United Arab Emirates (Tabby – \$950 million, Haqqex – \$400 million), Finland (Nomentia – \$385 million) and Spain (Gestión Tributaria Territorial – \$353 million) all saw substantial fintech deals this quarter.

Key H2'23 highlights from the EMEA region include:

Investors increasingly interested in SME short-term financing solutions

Within Europe, particularly the UK, there's been a strong growth in the uptake of buy now, pay later solutions, with growing acceptance of the multiple payments business model. While many of these solutions have been focused on the B2C space, investors have increasingly shown interest in solutions aimed at providing SMEs with more flexible short-term financing solutions and their own BNPL products and services.

Continuing efforts to support open banking and finance

During 2023, the EU proposed a number of new rules focused on improving the digital financial services landscape and safeguards for consumers, including a new Payment Services Directive (PSD3) and a new framework for financial data (FIDA).²⁵

“ There's been an enormous rise in buy now, pay later and short-term lending over the last six months, particularly in the UK. Now, we are seeing players in the space starting to take that B2C business model and target it at the SME sector – so, providing short-term financing and B2B payments options to companies and small enterprises. It will be interesting to watch the progress of this sector over the coming months to see the impact of any regulation and/or consolidation. ”



Contributor: Hannah Dobson
Partner and Co-lead Fintech
KPMG in the UK

²⁵ https://finance.ec.europa.eu/publications/financial-data-access-and-payments-package_en

Regional insights — EMEA

The European parliament also approved plans to make instant payments a requirement across the EU.²⁶ The legislators also agreed to amend the Settlement Finality Directive (SFD) to grant access for payment institutions to payment systems. These activities will likely enhance opportunities related to open finance over time and open doors to new innovations and new players in the space.

Alternative assets gaining traction within wealthtech space

Within the wealth management space, 2023 saw increasing interest in the EMEA region for solutions focused on alternative assets. The largest deal in this space was a \$149 million raise by Germany-based Moonfare in H1'23 — a startup focused on opening up private market investing to individual investors not considered to be ultra-rich. Partnerships focused on providing the customers of financial institutions with access to alternative investment platforms were also on the rise in EMEA.

²⁶ https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-euro-instant-payments-2023-11-07_en

²⁷ <https://worldfinancecouncil.org/news/fintech-pioneer-modulr-grapples-with-fcas-customer-onboarding-restrictions/>

Regtech seen as a growing priority

Regulators in the EMEA region emphasized the importance of fraud and financial crime prevention in 2023, taking a much stricter approach with fintechs and other institutions in terms of their AML and KYC processes — with the FCA in the UK in particular handing out a number of penalties, including restricting activities, such as the onboarding of customers.²⁷ Despite a slowdown in funding in 2023, the constantly evolving regulatory environment is expected to keep regtech interest quite high, particularly with respect to AML/KYC solutions.

Trends to watch for in H1'24

- AI solutions working to transform aspects of the fintech market, particularly around fraud prevention and customer services.
- Growing focus on embedded finance and banking offerings.
- Traditional banks adopting the BNPL model.
- Increasing focus on asset tokenization, including digital assets and stable coins.
- Consolidation within the BNPL space as big players get larger and smaller startups fall away.

“ This has been the year of regulation to a large extent. And regulation can be very positive. It makes markets more stable. People are generally less wary of using businesses that are regulated. Done well, it can be a very good thing for encouraging the growth of new and innovative sectors. That said, heavy-handed regulation can be difficult to manage, and even cut off opportunities overnight. That’s why regulators need to be careful about what they do and how they do it — particularly right now with respect to AI.”

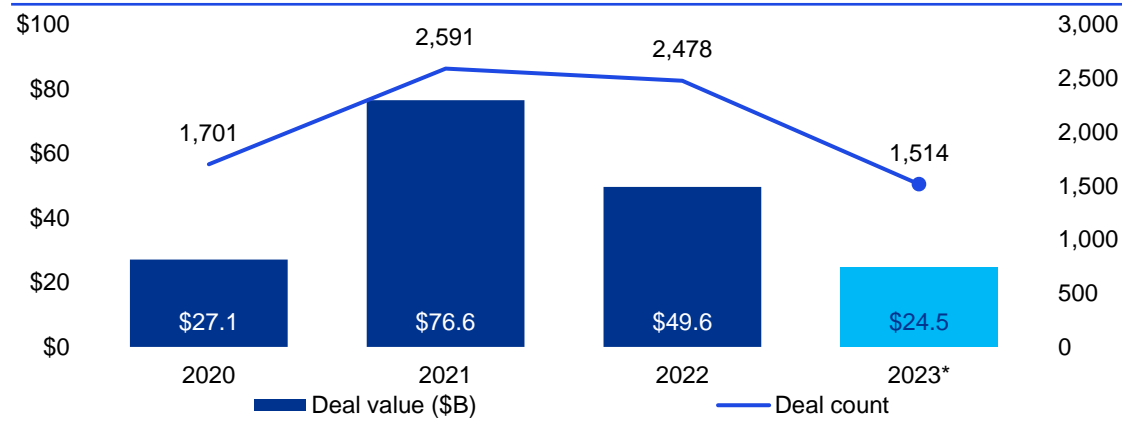


Contributor: Dave Remue
Director, Head of Fintech, Advisory
KPMG in Belgium

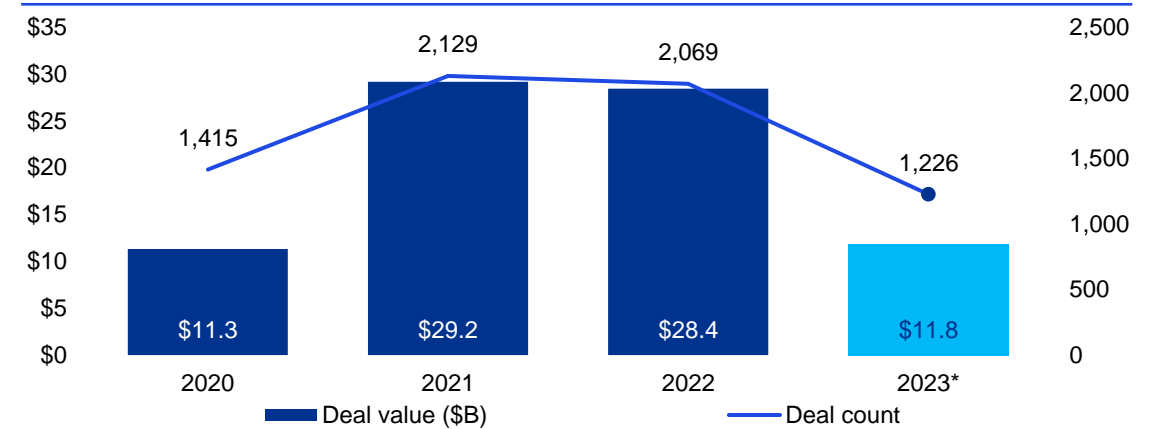
Regional insights — EMEA

Dealmakers seem to be looking to stay active, but still remain cautious

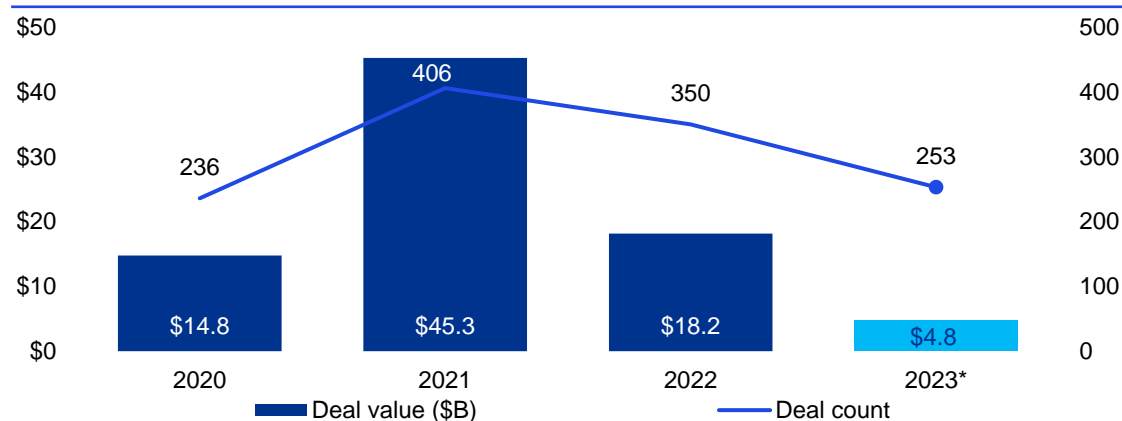
Total funding activity (VC, PE and M&A) in fintech in EMEA 2020–2023*



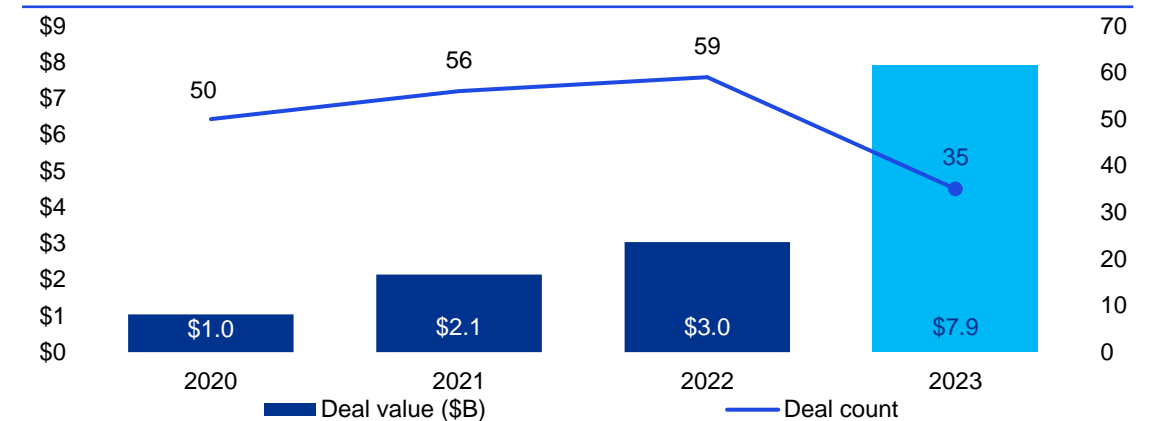
Venture capital funding activity in fintech in EMEA 2020–2023*



M&A activity in fintech in EMEA 2020–2023*



PE growth activity in fintech in EMEA 2020–2023*

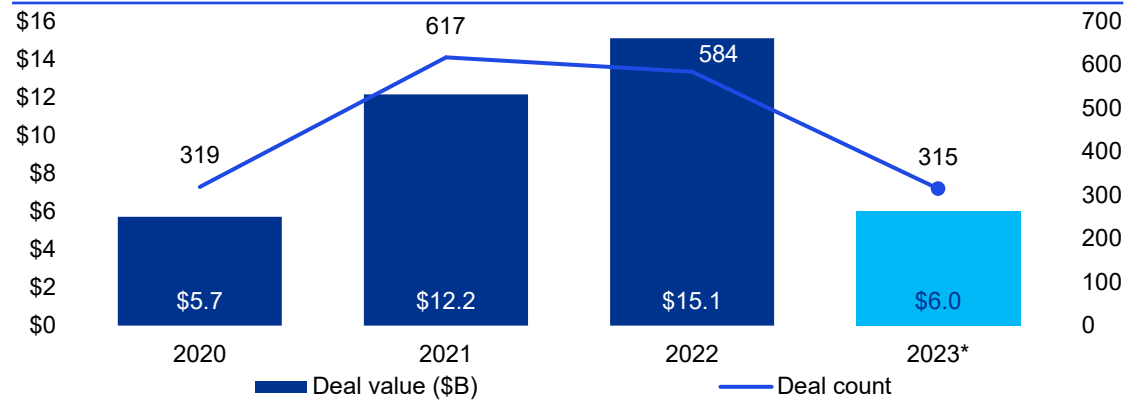


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

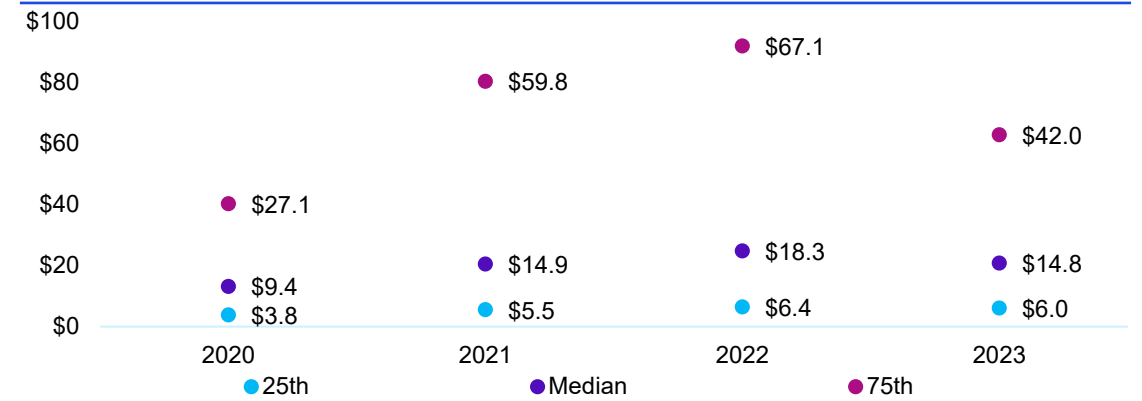
Regional insights — EMEA

Financing metrics remain down from potentially overvalued peaks

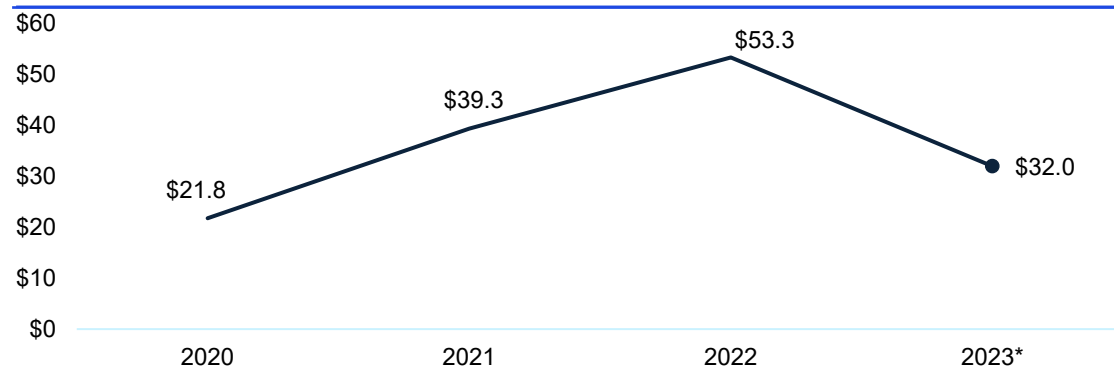
VC activity in fintech with corporate participation in EMEA 2020–2023*



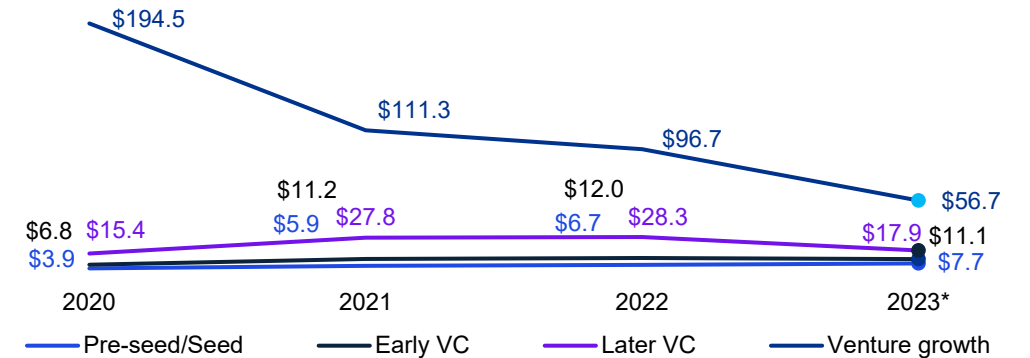
Quartile post-money (VC, PE and M&A) valuations in EMEA 2020–2023*



Median M&A size (\$M) in fintech in EMEA 2020–2023*



Median pre-money valuations (\$M) by stage in fintech in EMEA 2020–2023*

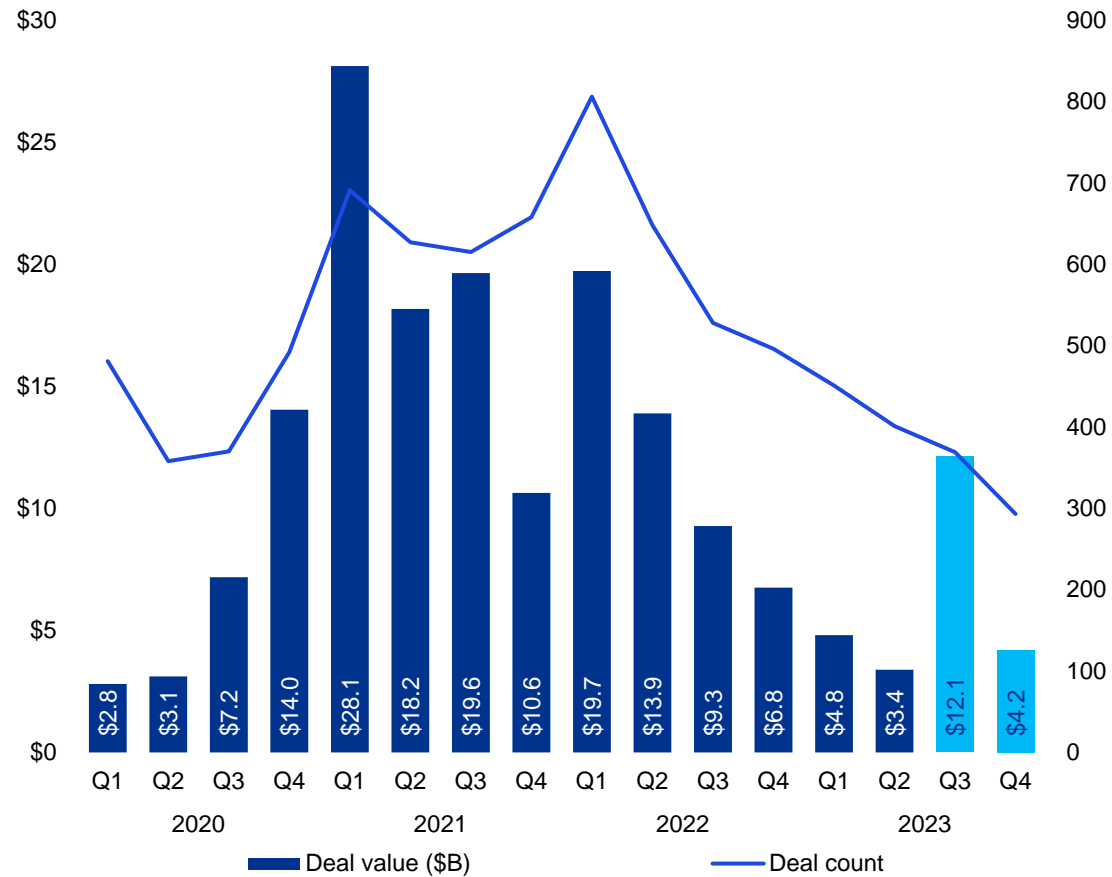


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

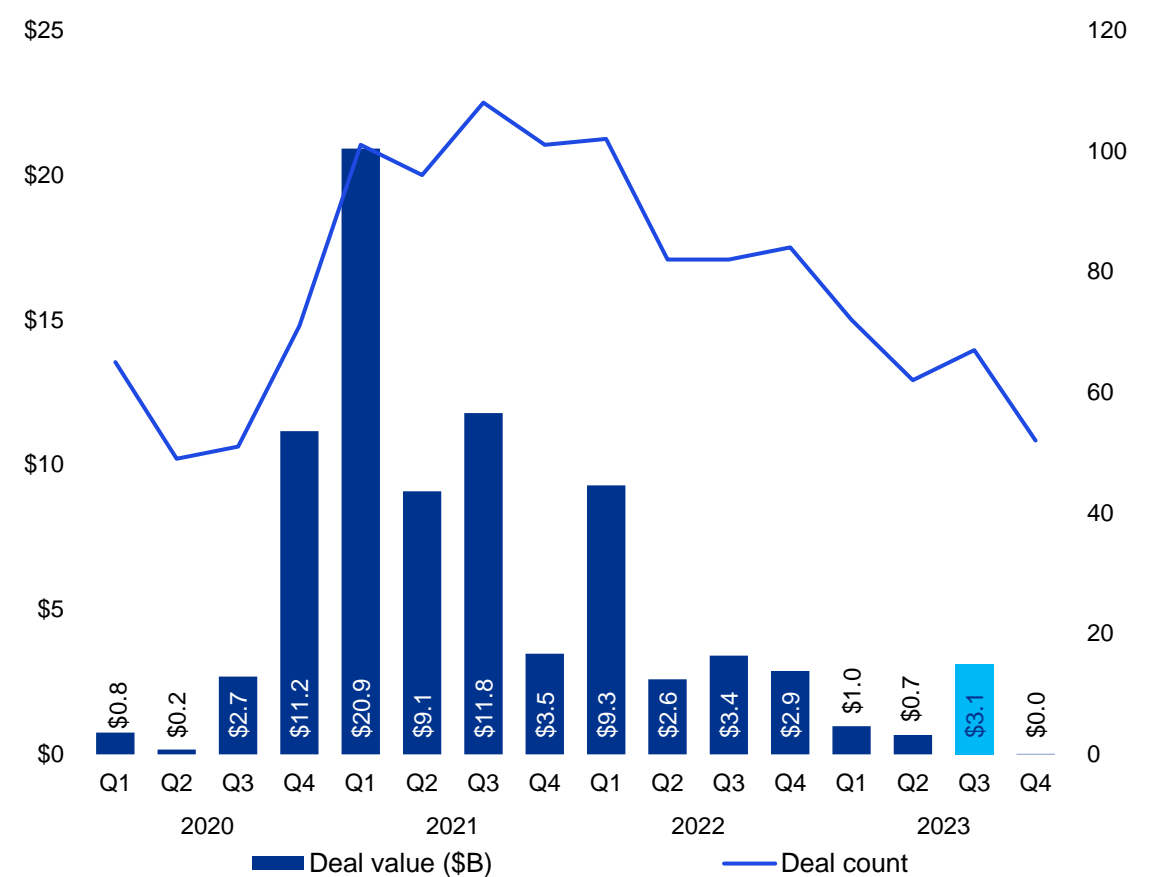
Regional insights — EMEA

Dealmaking continues to lose momentum, yet outlier deals can occur

Total funding activity (VC, PE and M&A) in fintech in EMEA 2020–2023*



M&A activity in fintech in EMEA 2020–2023*

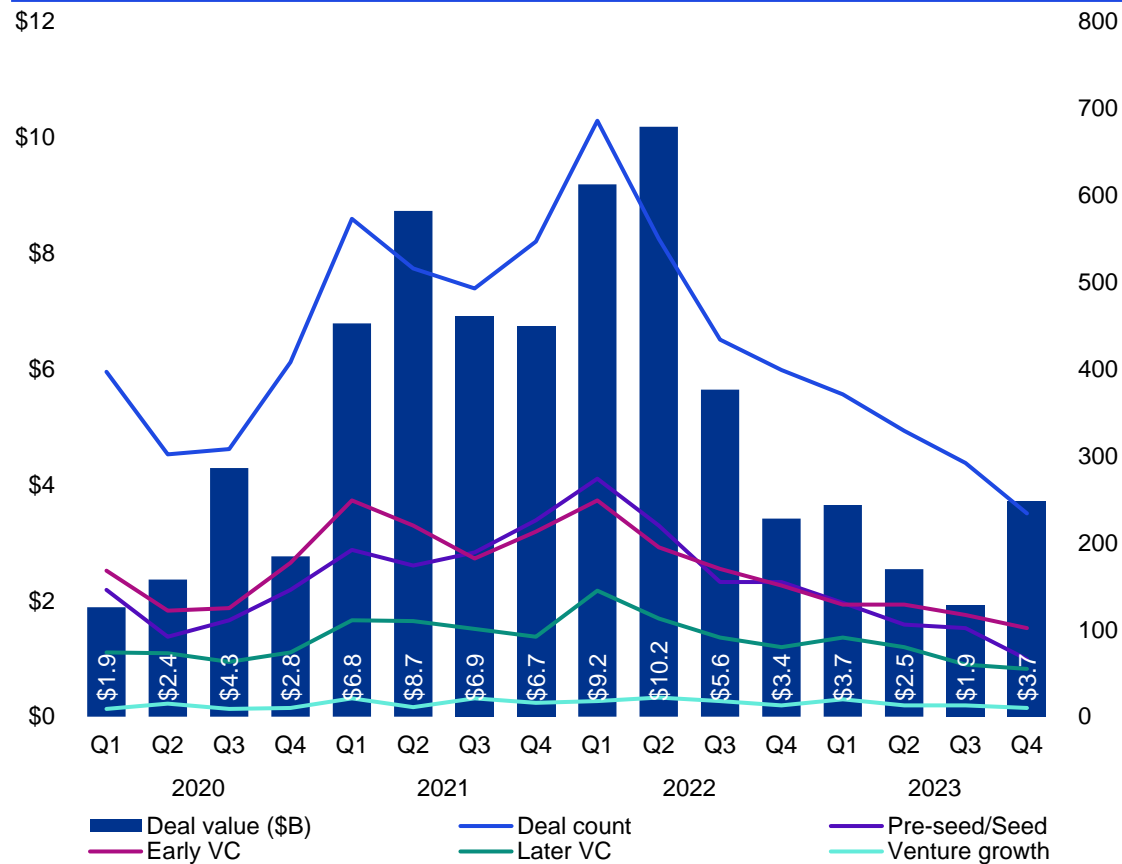


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Regional insights — EMEA

Outlier deals push Q4 higher than the rest of the year

Venture capital funding activity in fintech in EMEA 2020–2023*



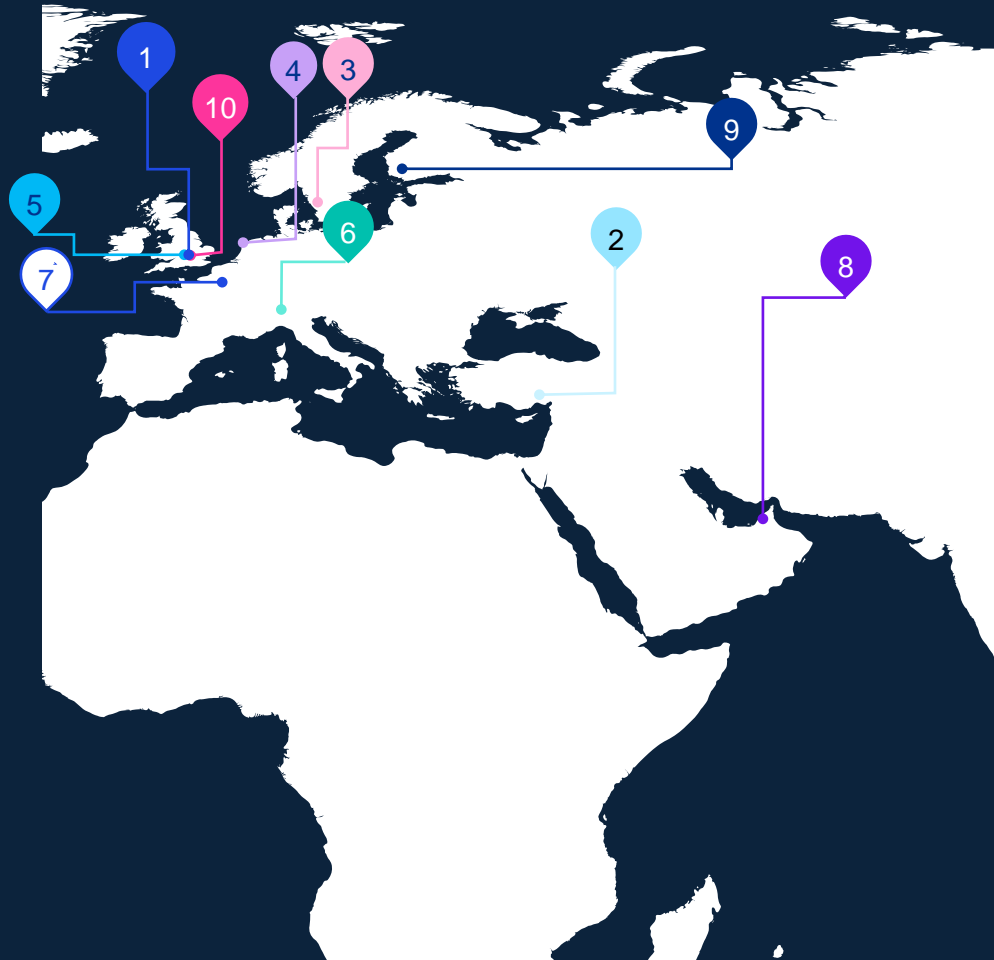
VC activity in fintech with corporate participation in EMEA 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

EMEA

Top 10 fintech deals in EMEA in 2023



1. **Finastra** — \$6.9B, London, UK — Payments — *Recapitalization*
2. **Tabby** — \$950M, Dubai, UAE — Payments — *Series D*
3. **Macrobond Financial** — \$763.8M, Malmo, Sweden — Institutional/B2B — *Management buyout*
4. **PayU** — \$610M, Amsterdam, Netherlands — Payments — *M&A*
5. **Abound (Consumer Finance)** — \$602M, London, UK — Consumer finance — *Early-stage VC*
6. **Banco BPM** — \$548.9M, Milan, Italy — Banking — *Buyout*
7. **Ledger** — \$493M, Paris, France — Blockchain — *Series C*
8. **Haqqex** — \$400M, Abu Dhabi, UAE — Blockchain/crypto — *Early-stage VC*
9. **Nomentia** — \$385.1M, Espoo, Finland — Institutional/back-office — *Buyout*
10. **Updraft** — \$343M, London, UK — Consumer lending — *Late-stage VC*

Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

**In 2023, fintech
companies in Asia
Pacific (ASPAC) received
\$10.8B with 882 deals**

Regional insights — ASPAC

ASPAC region sees fintech investment fall more than 75%

It was a challenging year for fintech investment in the ASPAC region, with only \$10.8 billion in investment across 882 deals in 2023, compared to \$51.3 billion across 1,537 deals in 2022. H2'23 was somewhat slower than the first half of the year, with fintechs attracting \$3.4 billion in investment, as compared to \$7.4 billion. VC deals accounted for the largest deals in H2'23, with raises by Hong Kong-based Micro Connect (\$458 million) and Singapore-based boltech (\$246 million). Three other ASPAC jurisdictions also attracted \$100 million fintech deals in H2'23, including Indonesia (Investree – \$231 million PE raise), India (Perfios – \$229 million VC raise, Chaitanya – \$178 million M&A) and Japan (Gojo & Company – \$110.6 million).

Key H2'23 highlights from the Asia-Pacific region include:

Lack of exits a contributor to declining VC investment in ASPAC

A stalled exit environment likely contributed to the low levels of fintech-focused VC investment in the ASPAC region during 2023, with IPO markets particularly quiet in

both China and Hong Kong (SAR), China. Without exit opportunities, VC investors have been quite reluctant to make major investments, particularly at later deal stages.

AI-focused solutions gaining investor attention

AI was one of the hottest areas of investor interest in the ASPAC region during 2023, given its widespread applicability across areas like wealth management, payments and insurtech. Over the course of the year, a growing number of startups looked to embrace large language models and develop unique applications of AI for the fintech space.

Fintech sector in China maturing, changing nature of investment

In China, the fintech sector is no longer viewed as a truly emerging tech sector, with a growing number of mature fintech companies and fintech offerings — like buy now, pay later — considered a normal part of the financial services ecosystem in the country rather than as pure startups. With a growing stable of mature fintech companies, many of which have developed more

sustainable cash flows — the need for large capital raises in China has declined considerably.

Enablement of fintechs becoming a major focus for fintechs

Across Asia, there has been a strong focus on the enablement of financial institutions, with a growing number of startups looking for ways to enhance the activities of financial institutions rather than ways to entirely disrupt financial services industries.

Singapore and Japan prioritize crypto space in bid to become market leaders

Crypto attracted a lot of attention in the ASPAC region during 2023, with a number of jurisdictions working to enhance regulations in a bid to become global market leaders in the sector. Stablecoins were a particular focus for regulators during the year, with Japan enacting legislation to govern the issuing of stablecoins in H1'23²⁸ and Singapore finalizing its regulatory framework for stablecoins in H2'23.²⁹ Singapore also introduced new rules for its Digital Payment Token providers in order to better ensure the safeguarding of customer assets.

²⁸<https://asia.nikkei.com/Spotlight/Cryptocurrencies/Japanese-banks-prepare-to-launch-stablecoins>
²⁹<https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework/>

Regional insights — ASPAC

Trends to watch for in H1'24

- Continued focus on leveraging AI and AIGC as part of solutions aimed at enabling the financial services sector.
- China-based fintechs working to expand globally, particularly in regions like Southeast Asia and Latin America.
- Insurtech and wealthtech growing on the radar of fintech investors.
- Japan and Singapore continuing to find ways to encourage activity in the crypto space.

“ AI and AIGC was probably the number one trend in the ASPAC region during H2'23. Companies across fintech subsectors worked to leverage AI within their products and solutions. Investors showed a lot of interest in AI-driven solutions — not only in China, but in Singapore, Japan and other jurisdictions as well. Looking ahead, this is an area that is well positioned to see significant growth over the next year, although a lot of this activity may be driven by large corporates looking to further integrate AI within their own solutions. ”

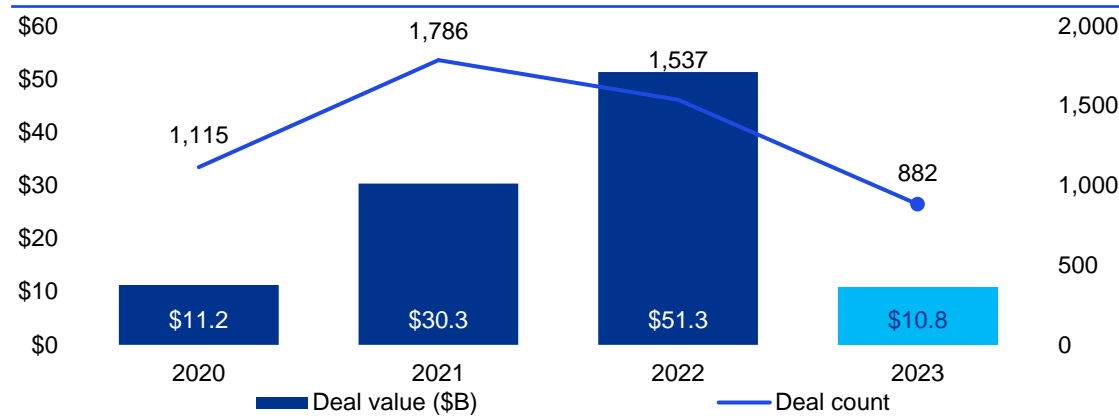


Contributor: Andrew Huang
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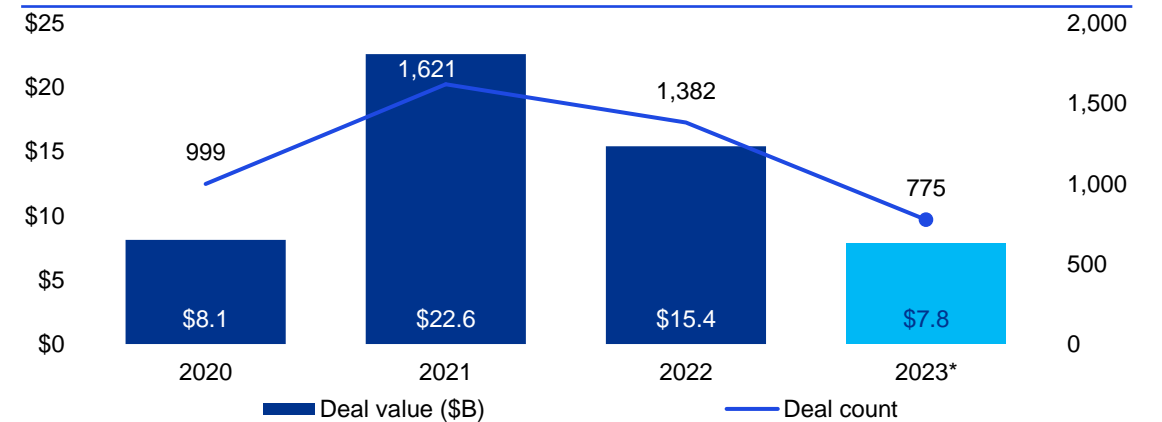
Regional insights — ASPAC

Dealmaking declines across all types

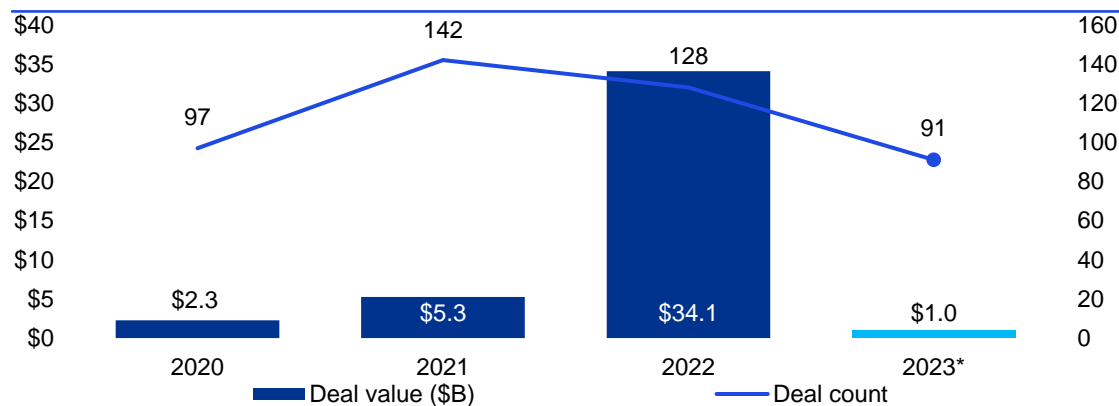
Total funding activity (VC, PE and M&A) in fintech in ASPAC 2020–2023*



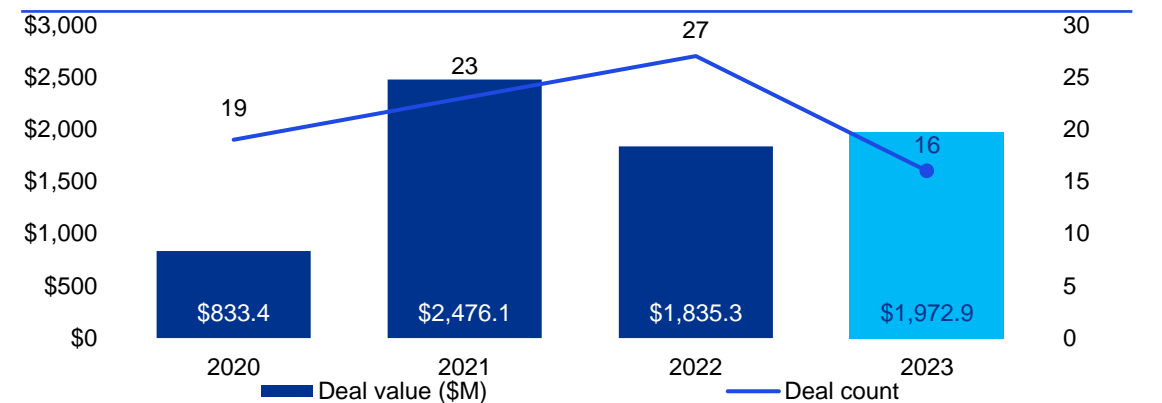
Venture capital funding activity in fintech in ASPAC 2020–2023*



M&A activity in fintech in ASPAC 2020–2023*



PE growth activity in fintech in Asia Pacific 2020–2023*

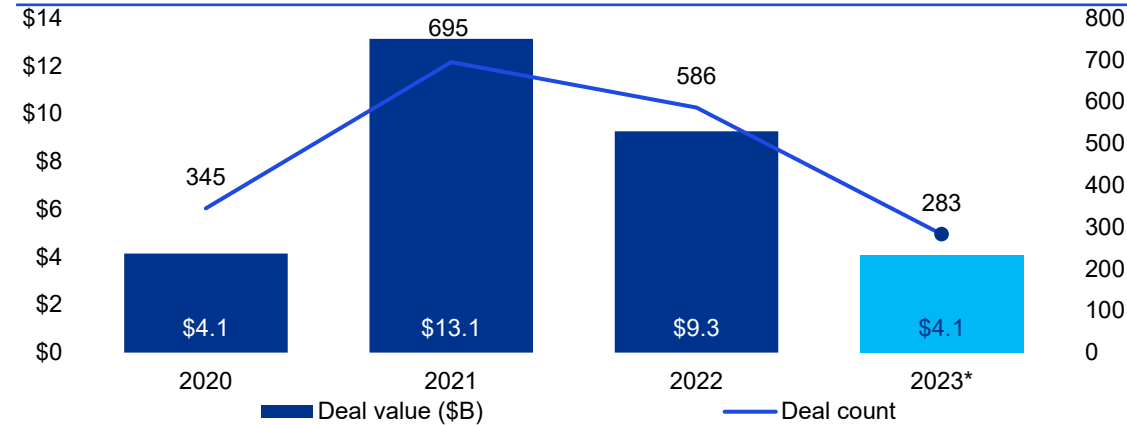


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

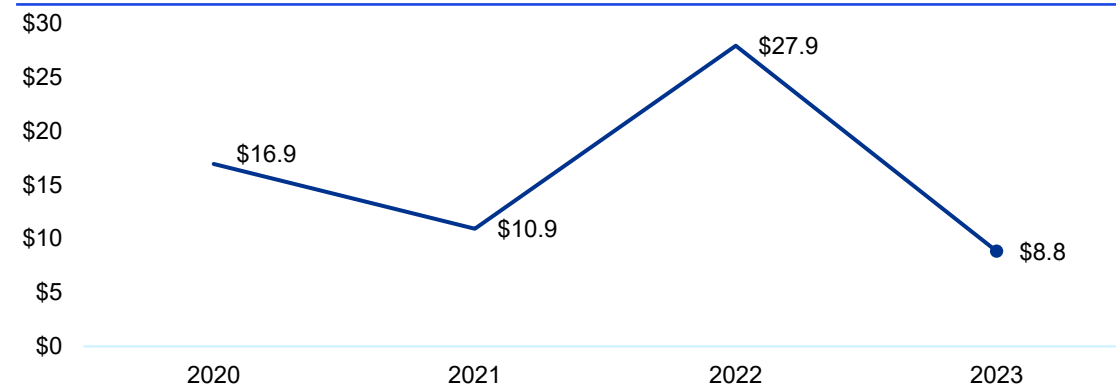
Regional insights — ASPAC

Valuations remain nuanced yet overall have subsided

VC activity in fintech with corporate participation in ASPAC 2020–2023*

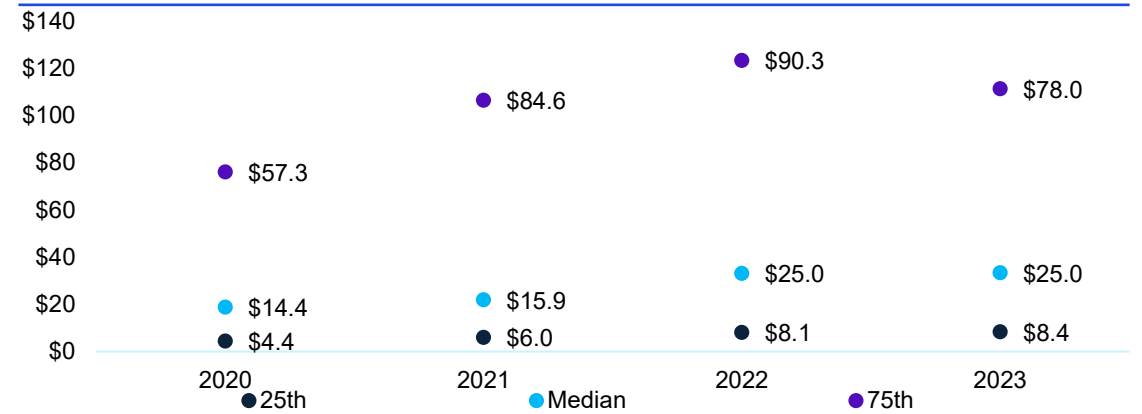


Median M&A size (\$M) in fintech in ASPAC 2020–2023*

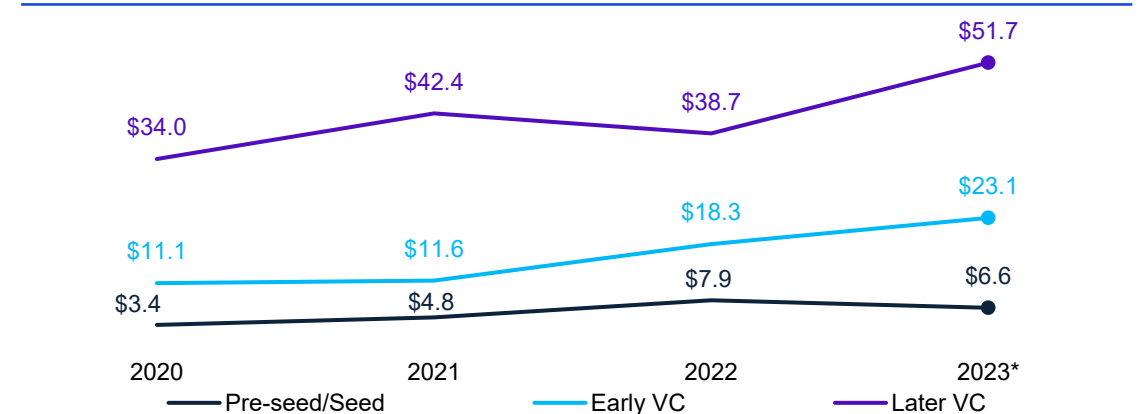


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023. The median M&A size for 2023 YTD is based on a non-normative sample size.

Quartile post-money (VC, PE and M&A) valuations in ASPAC 2020–2023*



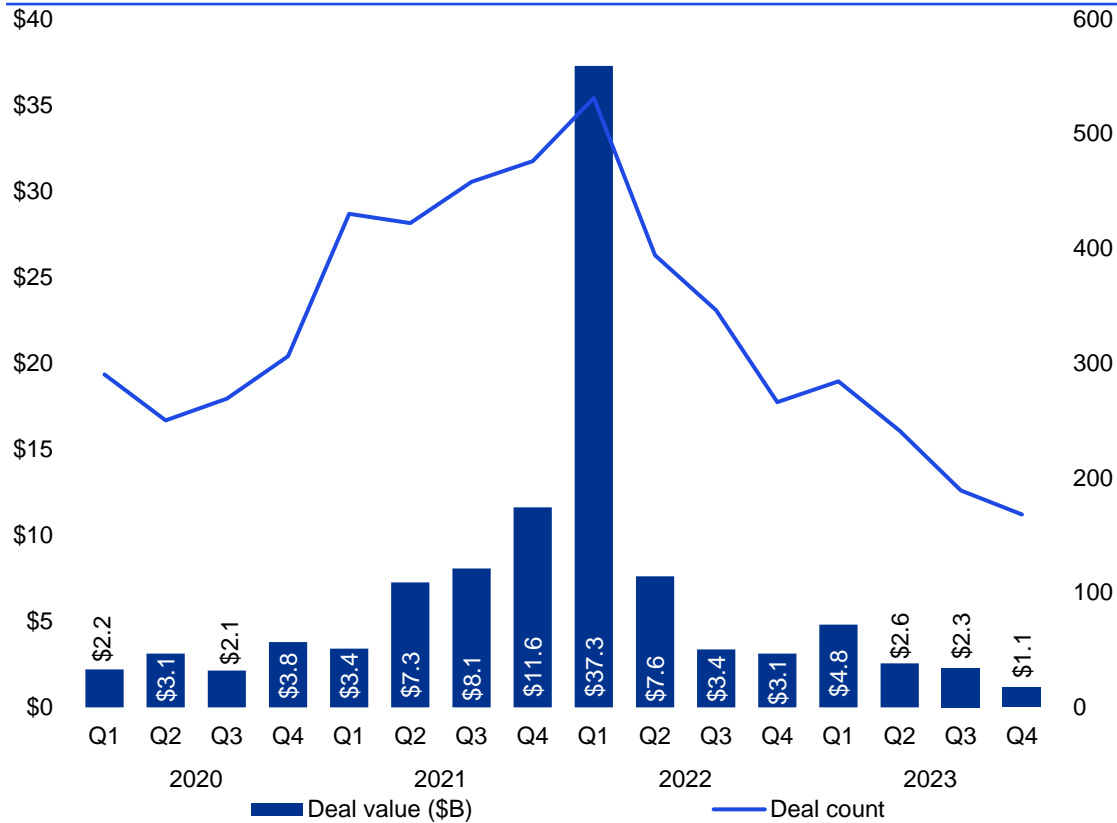
Median venture pre-money valuations (\$M) by stage in fintech in ASPAC 2020–2023*



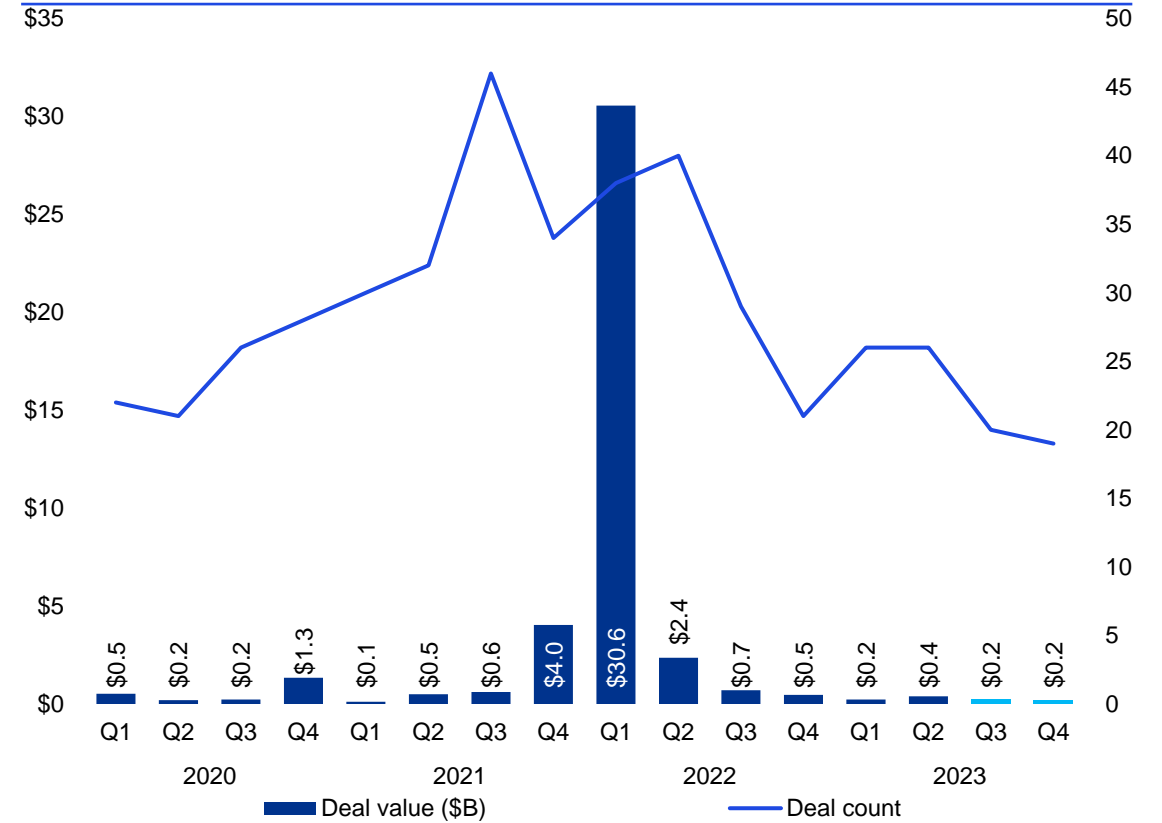
Regional insights — ASPAC

Dealmaking slides to a very muted level

Total funding activity (VC, PE and M&A) in fintech in ASPAC 2020–2023*



M&A in fintech in ASPAC 2020–2023*

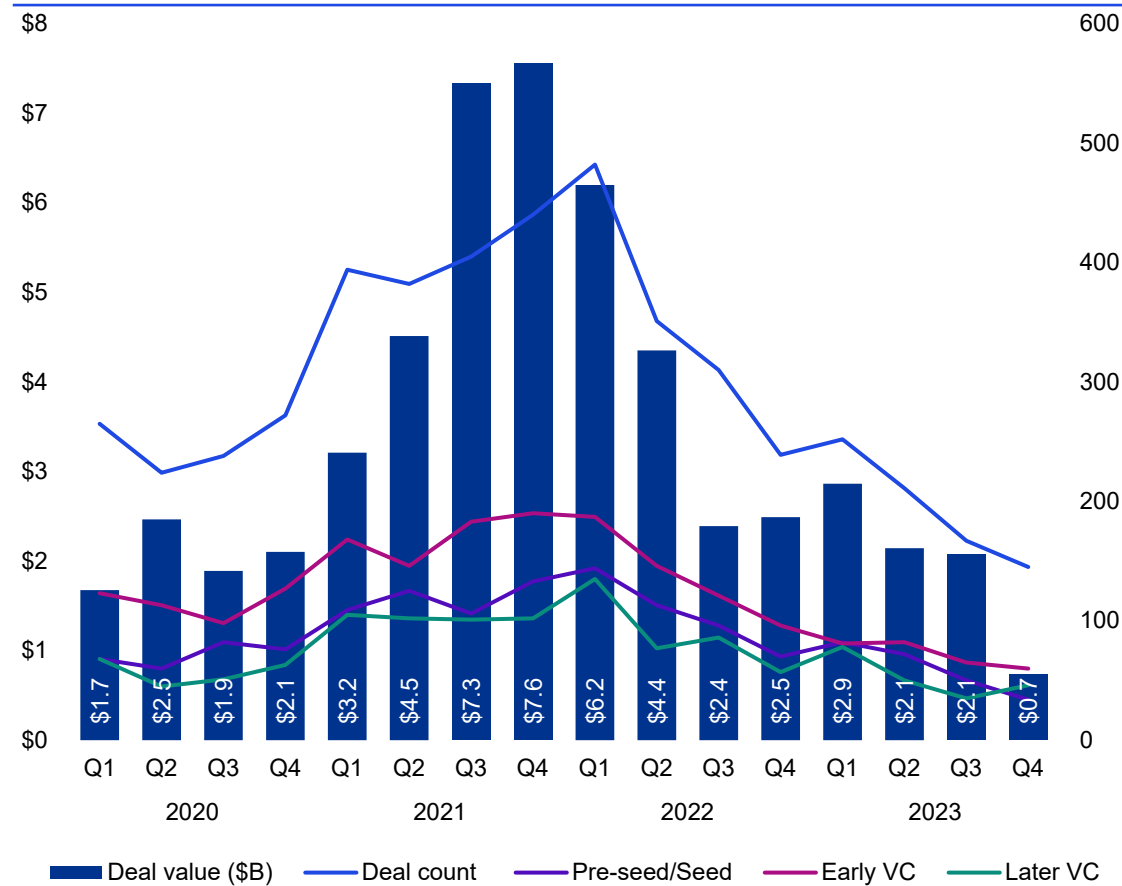


Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

Regional insights — ASPAC

VC financing activity slides even further

Venture capital funding activity in fintech in ASPAC 2020–2023*



VC activity in fintech with corporate participation in ASPAC 2020–2023*



Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

ASPAC

Top 10 fintech deals in ASPAC in 2023



1. **Chongqing Ant Consumer Finance** — \$1.5B, Chongqing, China — Consumer finance — *PE growth*
2. **BharatPe** — \$500M, Gurugram, India — Payments — *Series F*
3. **Micro Connect** — \$458M, Hong Kong (SAR), China — Institutional/B2B — *Series C*
4. **Anext Bank** — \$359M, Singapore — Digital bank — *Early-stage VC*
5. **Netbank** — \$344M, Romblon, Philippines — Digital bank — *Series A*
6. **Vistaar Finance** — \$305M, Bengaluru, India — Lending — *Buyout*
7. **Amber Group** — \$300M, Singapore — Blockchain/crypto — *Series C*
8. **Kredivo Holdings** — \$270M, Singapore — Lending — *Series D*
9. **Bolttech** — \$246M, Singapore — Insurtech — *Series B*
10. **Investree** — \$230.8M, Jakarta, Indonesia — Lending — *PE growth*

Source: Pulse of Fintech H2'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2023.

About the KPMG global fintech practice

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

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

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

Visit kpmg.com/financialservices



About the KPMG global fintech practice

KPMG firms recognized as one of the “World’s Best Management Consulting Firm” in Banks, Insurances and Financial Institutions by Forbes.

KPMG firms have been recognized by Forbes as one of the “World’s Best Management Consulting Firms,” receiving stars in all 27 industries and categories, including Banks, Insurances and Financial Institutions. Forbes awarded KPMG Financial Services professionals with a top five-star rating, for being “very frequently recommended” by thousands of customers and consultants in numerous countries around the globe.

The annual ranking recognizes KPMG firms for its capabilities in delivering insights-driven consulting services to commercial and public sector clients across the globe.

KPMG firms recognized as an M&A Innovator by ALM Pacesetter Research

KPMG was recognized for M&A services in the ALM Pacesetter Research: M&A Services 2022-2023 report. ALM Intelligence reviewed over 70 global professional services firms and named KPMG firms as an M&A Innovator, a distinction given to only one-third of firms.

ALM also named KPMG firms top five in the business model and brand eminence categories, indicating strengths adapting core capabilities to evolving client needs and generating quality insights, research and marketing.



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About the report

Methodology

The underlying data and analysis for this report (the 'Dataset') was provided by PitchBook Data, Inc ('PitchBook') on 5 January 2024 and utilizes their research and classification methodology for transactions as outlined on their website at <https://pitchbook.com/news/articles/pitchbook-report-methodologies>. The Dataset used for this report considers the following funding transactions types: Venture Capital (including corporate venture capital) ('VC'), private equity ('PE') funding and Mergers and Acquisitions ('M&A') for the fintech vertical within the underlying PitchBook data. Family and friends, incubator and accelerator type funding rounds are excluded from the Dataset.

Due to the private nature of many of the transactions, the Dataset cannot be definitive, but is an estimate based on industry-leading practice research methodology and information available to PitchBook at 5 January 2024. Similarly, due to ongoing updates to PitchBook's data as additional information comes to light, data extracted before or after that date may differ from the data within the Dataset.

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

Venture capital deals

PitchBook includes equity fundings into startup companies from an outside source. Funding does not necessarily have to be taken from an institutional investor. This can include funding from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms and corporate investors.

Fundings received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included.

Angel, seed/pre-seed, seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making fundings in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than \$500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated. Pre-seed and seed were added as a new type of methodology in the January 2024 edition; details are at the report methodologies page on PitchBook's website.

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

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

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

Corporate/Growth: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Pulse of Fintech as of March 2018. Growth: Financings tagged as Series E or later or deals involving companies that are at least seven years old and have raised at least six VC rounds will be included in this category.

Private equity fundings

PitchBook includes both buyout investors, being those that specialize in purchasing mainly a controlling interest of an established company (in a leveraged buyout) and growth/expansion investors, being those that focus on investing in minority stakes in already established businesses to fund growth. Transaction types include leveraged buyout ('LBO'); management buyout; management buy-in; add-on acquisitions aligned to existing fundings; secondary buyout; public to private; privatization; corporate divestitures; and growth/expansion. Acquisition financing transactions will be included as of June 2023 if they do not fall under the PE growth transactional umbrella.

About the report

Methodology (cont'd)

M&A transactions

PitchBook defines M&A as a transaction in which one company purchases a controlling stake in another company. Eligible transaction types include control acquisitions, leveraged buyouts (LBOs), corporate divestitures, reverse mergers, mergers of equals, spin-offs, asset divestitures and asset acquisitions. Debt restructurings or any other liquidity, self-tender or internal reorganizations are not included. More than 50 percent of the company must be acquired in the transaction. Minority stake transactions (less than a 50-percent stake) are not included. Small business transactions are not included in this report. As of June 2023, acquisition financing transactions not covered under the PE growth umbrella will be included.

The fintech vertical

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

verticals, some of which are defined in existing PitchBook verticals, yet others that are not and required a bespoke methodological approach:

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



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