We hosted our 12th annual FinTech summit virtually on May 20-21, bringing together nearly 400 investors and senior industry executives from the US, UK, continental Europe, India, Hong Kong, and Singapore. The event was kicked off by a fireside chat between Vikas Shah and the CEO of ARK Invest, followed by three panel discussions on cutting-edge topics in financial services with the CEOs of 15 leading FinTechs who we invited to share their perspective. Following the panel discussions, there were over 75 private meetings between investors and the 15 FinTechs showcased on the panel discussions.

The entire program with details of all 15 FinTechs which we showcased are available here, and all the four-panel discussions can be watched on-demand here. This viewpoint provides highlights from each of the four-panel discussions.
COVID-19’s Implications for FinTech: A Top Investor’s Perspective

This was a fireside chat with Cathie Wood, Founder, CEO, and CIO of ARK Invest, an investment manager that invests in disruptive innovation in the public equity markets. During this discussion, Cathie shared ARK’s perspective on short-term and long-term implications of COVID-19 on the FinTech sector. Key takeaways from the fireside chat are:

- ARK Invest believes the implications of COVID-19 will be short-lived, and the economy will bounce back robustly from the shutdown. Digital business models will gain a significant edge over traditional models coming out of this crisis, as there is a step function increase in consumers adopting the digital channel.

- Leading FinTech models like Square Cash and Venmo will continue to gain popularity over traditional bank offerings, driven by real-time data about consumer and business health, allowing these firms to disrupt traditional payments/lending models like credit cards (ARK estimates bank revenue from credit cards to get cut in half by 2030, see ARK report).

- While blockchain and Bitcoin adoption remains lower than expectations, bitcoin’s proposition as a digital store of value remains very much intact. Its position has strengthened from 30% of the crypto-asset market in 2017 to 70% today. The massive stimulus provided by central banks during the COVID shutdown will propel Bitcoin significantly higher as a hedge against inflation.

Embedded Finance: The Next Phase of FinTech Evolution

On this panel, the CEOs of five leading FinTechs – ComplyAdvantage, Payfone, StoneCastle, Synapse, and Wisetack – described how their technology is enabling financial services to get more easily “embedded” into vertical industry solutions (like Payments in ride-sharing), and increasingly offered by non-financial services companies. Major highlights from this panel discussion are:

- As payments, lending, and insurance are no longer offered as a standalone financial service but integrated into service offerings, profit pools will shift, value chains will restructure, and the competitive nature of financial services will get altered as incumbent institutions get relegated to becoming utilities.

- ‘In the future, we will bank with the brands we love, not the banks we love’. Non-financial companies will take the lead from eCommerce and big-tech firms (Amazon, Google, Tencent, Alibaba) and distribute financial services directly to both consumers and businesses. Traditional financial institutions will continue to partner with these firms and offer them requisite licenses.

- Investors have an incredible opportunity to invest in FinTechs (like the five panelists) that are providing the infrastructure to embed financial services. This is a highly lucrative investment.
opportunity for investors as evidenced by Plaid and Galileo’s acquisitions at high valuations in Q1/Q2 2020. Or consider the mega funding rounds completed in the last few months for a range of companies in this space, including Cross River Bank, Currency Cloud, Finix Payments, Marqeta, MX, Payfone, and SynapseFI.

For more perspective on embedded finance, see Rosenblatt Banking group’s additional Viewpoints “Embedded Finance: Why it Will define the Future of FinTech” and “The Robust Investment Case for Embedded Finance”.

Capital Markets Reimagined: Bringing Trust, Transparency, and Liquidity to Alternative Assets

This discussion was led by the CEOs of 5 FinTechs – Alto, Capitolis, Clearlist, T-REX, and YieldStreet – who provide technology that removes the structural impediments for retail and institutional firms to invest in alternative assets like infrastructure, real estate, and private securities. Enhancing trust, transparency, and liquidity for such assets will democratize access to them, revitalize active investing, and could address critical challenges like the retirement crisis. Key highlights from the panel are:

• There have been significant regulatory, technological, and structural advancements in the last few years that are making it easier for retail investors to include alternative assets in their portfolios, depending on their risk appetite and investment horizon.
• Traditional financial institutions and service providers are encumbered by legacy technology and conflicts of interest that inhibit their ability to drive more efficiency in alternative assets like private securities. But new-age FinTechs (like Clearlist and T-REX) are enhancing transparency for such assets leading to more price discovery and eventually, greater liquidity.
• Three specific requirements to bring new assets into the investing fold are greater disclosure from issuers of Alt-assets, more investor education, and greater transparency around pricing, performance, and fees for these assets.

Emerging Risks: InsurTechs Respond to New Challenges

[Continuation of text with panel discussion on emerging risks]
The world was caught flat-footed in dealing with COVID-19, with enormous long-term implications for the insurance industry including, demand for new products to address emerging risks, more clarity of which risks are covered in policies, and a complete overhaul of the insurance process to address emerging risks. This panel showcased five InsurTechs – Arceo, Bold Penguin, Deep Labs, RiskGenius, and Thimble – whose CEOs discussed what needs to be done to address emerging risks like climate change, geopolitical instability, the fall-out of AI/ML, or how to insure gig workers. Key takeaways from the panel were:

- **COVID-19** has been a massive shock for the insurance industry combining huge health and safety claims, followed by a lockdown causing unprecedented business disruption, and knock-on effects like significantly higher cyber-attacks as people worked from less secure, remote locations. The enormous claims and litigation due to this event’s complex nature will haunt the industry for the next 5-7 years.

- Traditional insurance policies and the legacy technology of insurance carriers can’t adequately address the more complex and multi-dimensional risks that the world faces. But innovative cybersecurity technology from firms like Arceo and Deep Labs, fresh approaches from InsurTechs like Bold Penguin and RiskGenius, and flexible, on-demand policies offered by innovators like Thimble, can address emerging risks.

- There are new bills currently being considered in the US, UK, and European parliaments that provide government guarantees to fulfill the remaining claims for pandemics like COVID-19 after the insurance industry pays the first 5-10%. Such backstops could encourage insurance carriers to begin writing policies for emerging risks like pandemics, whose claims have been tough for actuaries to model resulting in carriers just not covering them.

**Concluding Thoughts**

The Rosenblatt Securities banking team was energized by the excitement and engagement by the FinTech community at our 12th FinTech summit and was inspired to see the resolve of investors, entrepreneurs and market participants to power through COVID-19 and emerge even stronger to serve the changing needs of consumers and businesses. We are committed to being an active participant in addressing the strategic challenges facing the financial services industry and urge you to check out our point of view on important topics here. If you are an investor or a FinTech and would like to follow up about strategic issues in financial services or discuss your corporate finance needs, please reach out to a member of our banking team. We remain at your service.