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Can Europe really become a fintech capital?

0 | Posted by [Nicholas Fearn](#) | on [March 28 2018](#)

Technological advancements are revolutionizing financial services right around the globe, and as a result, the term “fintech” has been coined. It predominantly refers to rise of digital banking, investing and cryptocurrency platforms. Systems are also being used to automate insurance, risk management and trading.

According to [research from VBProfiles](#), there are more than 1,000 high-growth fintech companies across the globe. Over the past few years, they’ve raised over \$105 billion in funding and are worth \$870 billion combined. The same report names the UK, New York and France as the biggest fintech hubs.

There’s certainly a lot of potential here, and global governments clearly understand that. The European Commission, for example, recently confirmed that it is drafting new measures to capitalize on this rapidly-expanding sector. It wants to convince fintech companies and research projects to set up shop in Europe by providing new investment opportunities and best practices.

Mexico joins countries like Germany in its new move to regulate fintech. Check out: [Fintech regulation could drive competitive growth in Mexico](#)

European officials want to “enable innovative business models to scale up, support the uptake of new technologies, increase cyber security and the integrity of the financial system”. They’re preparing to launch a dedicated fintech lab to boost innovation in the area as well. These are, of course, ambitious aims. So the question is, can Europe really become the world’s fintech capital?

Progressive attitudes

Often, industry success is enabled thanks to governmental frameworks and support. Paul Thomalla, senior vice president of global corporate relationships at payment systems firm ACI Worldwide, believes that progressive regulation, innovation centres and consumer demand are the main factors that will drive Europe’s fintech sector.

“The regional dynamic has shifted when it comes to fintech. A more progressive regulatory environment, several innovation hotspots such as Berlin and London, and consumers’ greater appetite for change means than Europe is well on its way to becoming a fintech hub.

Europe used to find itself at the bottom of the table when it came to upcoming payments innovation, but the [2017 Global Payments Innovation Jury report](#) placed Europe second behind Asia,” he tells us.

Thomalla explained that “more established global payments businesses than ever” are moving their headquarters to Europe and highlighted Nordic countries, Central Europe and the UK as hotspots for financial technology. However, he admits that Britain’s exit from the EU will impact European fintech growth in “many significant ways”. Trying to be optimistic, he adds: “As long as the UK ensures bank passporting rights remain unchanged when negotiating its deal with Brussels, then the scope for future Fintech investment will remain high.”

Knowledge is key

Angel investor Dr Johnny Hon, who is also chairman of The Global Group, believes that access to world-class talent is critical in the fintech race and that European countries can learn from the UK. “To achieve the dream of turning Europe into a FinTech hub, companies, entrepreneurs and professionals alike must ensure the right environment, knowledge, and skills are in place - that is key. The continent is home to some prestigious and renowned financial centres. London, for example, is not only the world’s greatest financial centre - it is already a major tech hub and boasts its Silicon Roundabout in the Old Street area,” he says.

He also takes the view that European governments and companies should work together to drive success in this lucrative industry. “Skills and knowledge of the individual players throughout Europe, whether that’s London, Frankfurt, Paris, Amsterdam, Dublin or Warsaw, must be leveraged and collaboration must be developed. This will drive the ambition of turning Europe into a global FinTech hub and will allow it to take its place alongside other key global financial centres, like New York, Hong Kong and Tokyo,” adds Hon.

Taking risks

Based in Stockholm, Tink is a great example of a high-growth European start-up. It’s a private finance app that reaches more than 500,000 users in Sweden alone. Daniel Kjellén, CEO and co-founder of the company, believes that the European Commission’s plans are a big move for the continent’s fintech sector. However, he says politicians can’t do everything - his attitude is that companies must take success for themselves.

“On top of the EC’s plan to make Europe a global fintech hub, the implementation of PSD2 earlier this year demonstrates the European Parliament’s commitment to nurture the growing European fintech community. These legislative changes are paving the way for fintech companies to thrive within Europe. However, there is a difference between laws being introduced, and fintech companies acting and capitalizing on them. In order to turn these laws into reality for consumers and banks, we need to encourage ambitious fintechs to come to the fore,” he says.

He says that Sweden has fostered a culture where entrepreneurs, companies and investors work together to achieve great things. Kjellén concludes: “In Sweden, we are enthusiastic adopters of tech and have already embraced a cashless society - this innovation-friendly culture is proven by the 500,000 users of Tink’s consumer app, which was trailblazing open banking long before PSD2 came onto the scene. Historically, low corruption levels have resulted in high levels of trust in financial services and a collaborative culture has made for a positive environment for fintechs to succeed. This has led to Sweden being a fantastic incubator for fintechs, second only to Silicon Valley for number of Unicorns per capita.”

The customer is always right

Tim Jones, managing director of UK digital agency at True, says fintech companies must consider the needs of consumers if they are to succeed and put Europe on the map.

“The European Commission’s ambition to turn Europe into a global fintech hub will only be realized if the financial services industry starts thinking customer first. While tech companies in cool offices get excited about their shiny new interfaces, customers are still wondering what’s in it for them. Our recent research into inertia in financial services shows that reluctance to adopt new services is persisting. We are still in a world where people change their life partners more often than their bank accounts,” he says.

He warned that if companies fail to listen to the public, then they risk developing products and services that just won’t make a significant impact. “Fintechs need to be a clearly better option to attract switchers in volume. Change is coming, but it’s slow and steady, largely through the next generation of customers who have lived their lives with rapidly evolving technology. The EC’s focus should be on listening better to customers and finding truly valuable ways to harness Open Banking, Blockchain and other technologies. Only then will a global fintech hub deliver innovation that benefits us all,” he says.

Finance is probably one of the oldest industries of the world - indeed money has been used for thousands of years. The fintech industry is essentially bringing ageing systems into the modern day, and it’s clear that European companies are driving success in the sector. But for Europe to become the world’s fintech capital, the right legal and collaborative frameworks are essential. Plus, companies have to pay attention to the people who actually buy into their products and services.

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