

Fintech in Luxembourg bank industry

A banker's perspective on Fintech development in Luxembourg

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March, 26th – APSI day - Luxembourg

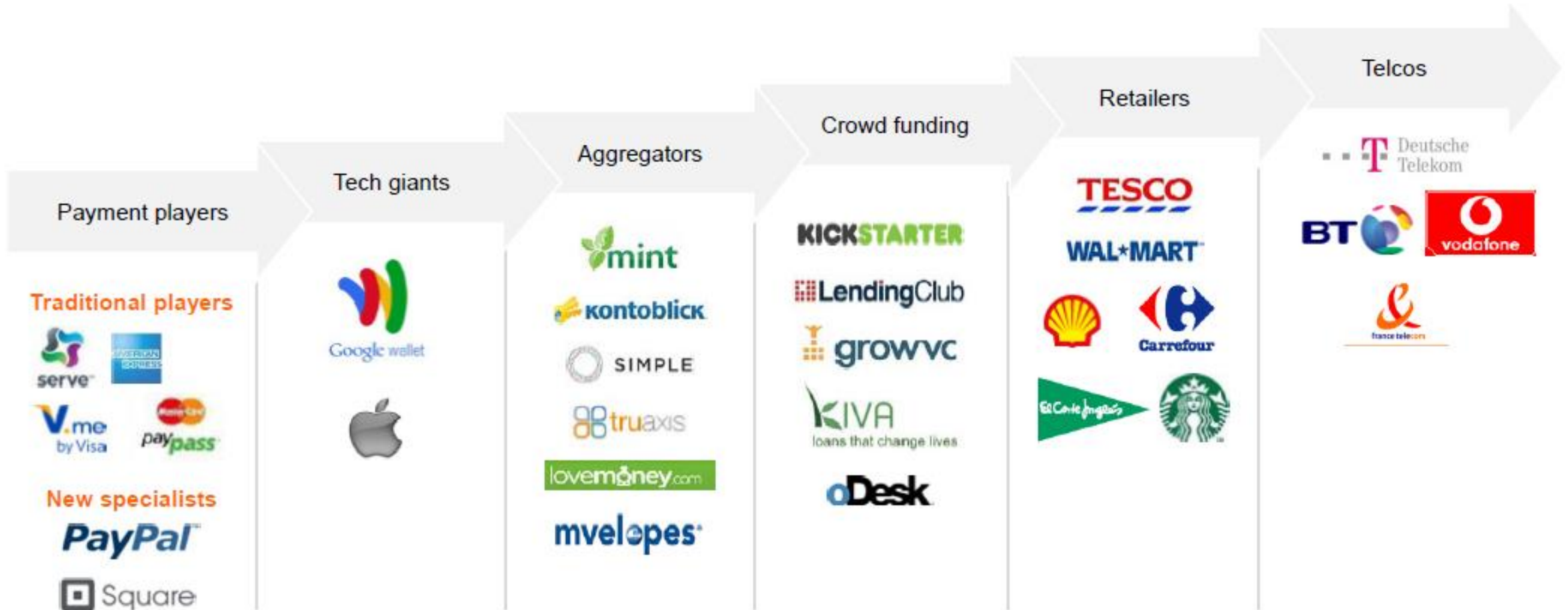


“ I don't waste time on payments and invoices. I'm not waiting in line. I can reach my account through the website of the banking system and easily make my own payments and bills. I make my payments first-hand which saves me time. Instead of spending time on these things I make time for myself and loved ones.

(Client testimony, INGTurkey)



The industry is facing more and more challengers from the outside



Impact of technology on banks

- Technology is changing our business models and the way in which we interact with our customers
- « People need banking, but they don't need banks »



- At ING we recognize that and we are working hard on adapting ! (new strategy)

Priority = get faster and better at innovating

- Chief Innovation Officer at board level
- Innovation Fund
- Promotion of innovation culture : internal Bank-wide innovation pipeline and bootcamp
- Mix between centrally-steered innovation and locally driven innovation
- Partnerships with tech companies

ING 

- Large pan-european Bank
- Massive Retail player
- Leader in direct banking

Customers



more than
33 million
private, corporate and
institutional customers

Countries



more than
40
in Europe, North
America, Latin America,
Asia and Australia

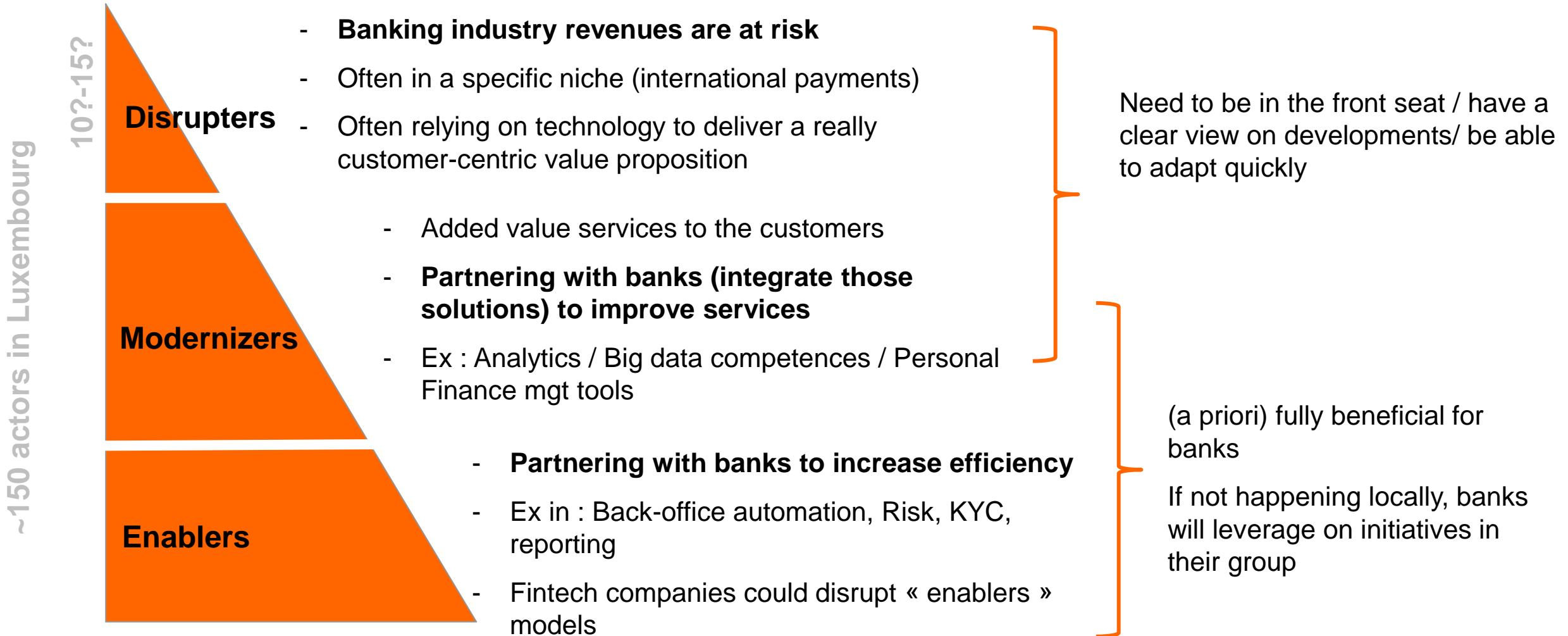
Employees



52,854

Different levels of 'fintech' actors

What is at stake for banks ?



If you can't beat them...

... eat them



2/2014

BBVA acquires Simple to accelerate digital banking expansion



SIMPLE

BBVA has agreed to acquire Simple (<https://www.simple.com>), a US-based company that has created a new standard in digital banking. The acquisition is part of BBVA's strategy to lead the technology-driven change that is transforming the financial services industry. The transaction values Simple at \$117 million.

Attachments

- [Joshua Reich, co-founder and CEO, and Shamir Karkal, co-founder and CFO](#)
- [Joshua Reich, co-founder and CEO](#)
- [Shamir Karkal, co-founder and CFO](#)
- [Alma](#)
- [app detail \(1\)](#)
- [app detail \(2\)](#)
- [App detail \(3\)](#)



... or partner with them

3/2015



Boursorama acquires startup Fiduceo
(fintech 15 employees, delivering account aggregation and personal finance management tools)

ING Belgium partners with SmartFin, a venture capitalist specialized in financial technologies

SmartFin
CAPITAL

Banks as source of financing for fintech ?

Within Luxembourg ecosystem, sources of funding include public and private investors

Venture Capitalists & Private Equity



- **360 Capital Partners** is a venture capital firm, investing in Innovation at full scale, in Early stage in Europe and more particularly in France and Italy.
- **Mangrove Capital Partners** is an investment firm helping innovative entrepreneurs start and grow global, disruptive companies.
- **Chameleon Invest** promotes the development of innovation by providing capital and know-how to creative entrepreneurs.
- **GGM Capital** (investment division) is specialized in identifying and investing in Private Equity opportunities
- **Docler Investments** serves for the investment activities of the Docler group, with the aim to carry out venture capital investments and acquisitions.
- **STING** is specialised in the investment and support of development and succession projects of Luxembourgish companies.
- **Saphir Capital Partners** is an independent private equity firm with an entrepreneurial investment approach.
- **DAM Capital Management** provides flexible capital solutions for middle-market borrowers throughout Europe.

Public investors



- **National Credit and Investment Corporation (SNCI):** The SNCI is a public-law banking institution specialized in medium and long term financing of Luxembourg based companies. SNCI's financing instruments are investments in fixed assets, innovations and exports.
- **Ministry of the Economy and Foreign Trade** is providing public RDI (Research, Development and Innovation) support as well as public aid for young innovative enterprises.
- **FNR:** The Fonds National de la Recherche Luxembourg provides funding for all branches of science with an emphasis on strategically aligned research domains.
- **Post** launched a venture capital (with an initial budget of 5 million euros) in 2011 in order to invest in innovative SME in the ICT field of business.
- **EIF** The European Investment Fund is also providing risk finance to benefit small and medium-sized enterprises across Europe.



Platforms



- **Seed4Start** is a cross-border venture capital platform targeting the Great Region. Seed4Start is acting as a facilitator to make demand of funding (for creation / takeover projects) meet supply. Seed4Start is organising its "Seed4Start Pitching Day".
- **Nubs** is a one-stop shop for crowdfunding solutions having launched in 2014 a reward-based crowdfunding platform specialised on Luxembourgish campaigns, with a view to promoting a broad diversity of Luxembourgish projects ranging from business to cultural and social.

« Banks are not venture capitalists »

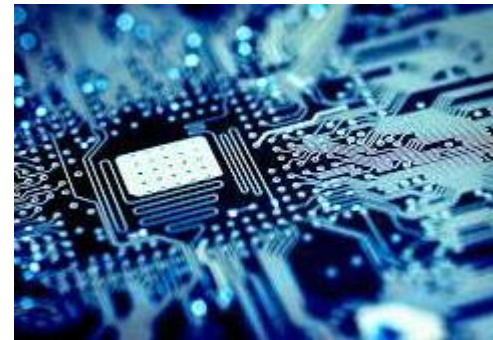
(H. Delcourt – 23/3)

Source : KPMG Luxembourg for LuxembourgforFinance (nov 2014)

Luxembourg has clearly some strong points ...

Existing ecosystem with several assets :

- A strong financial services industry
- International orientation
- Modern infrastructures
- Highly skilled international workforce with high productivity
- Political, legal and social stability
- Commitment towards R&D and innovation
- Easy access to talents / clients



- **Entry point to European market for non EU companies**

... but there is also room for improvement

2 recent illustrations



- One « **tech** » **initiative** centrally steered within ING
 - > unable to make a decisive case for Luxembourg
 - > authorization process expected to be too long
 - need very clear benefits / differentiating elements to make the case



- Preliminary analysis in **crowdfunding** area
 - > regulatory environment not ready (ok, ready to be flexible)
 - need anticipation in regulatory environment

Hints for the development of fintech in Lux...

- **Need to leverage on strengths ...**
 - Fund industry
 - International Private Banking
- **... and specificities of Luxembourg financial sector**
 - Small market size
 - Bank secrecy
 - Existing eco-system
- One of the assets of Luxembourg is that :
 - we are able to discuss and collaborate, with all involved parties of the ecosystem
 - we can import good ideas from abroad and adapt them in Luxembourg in order to move forward and...



All these elements will contribute to the development of the financial center as a whole!

INNOVATION IS



IDEA

+



IMPLEMENTATION

=



In order to deliver **VALUE**
to clients and to us