

London is Benefitting from Fintech Investment Boom, According to Accenture Study

Written by Australian Business

LONDON--([BUSINESS WIRE](#))--Global investment in financial-technology ventures has more than tripled from \$928 million in 2008 to \$2.97 billion in 2013 and, over the past three years, such investment increased at more than four times the rate of overall venture-capital investment, according to a new report by Accenture (NYSE:ACN).

Although the United States remains the dominant market for so-called “fintech” investment, the fastest growing region is now the United Kingdom and Ireland (UKI). Deal-volume, mostly related to London, has been growing at an annualized rate of 74 percent since 2008, compared with 27 percent globally and 13 percent in Silicon Valley.

During the same period, the value of fintech investment in UKI increased nearly eightfold to \$265 million in 2013. The annualized growth rate (51 percent) was nearly twice the global average (26 percent) and more than twice that of Silicon Valley (23 percent).

As a result of the rapid growth in UKI, which accounts for more than half (53 percent) of all investment in Europe, London has emerged as the fintech capital of Europe, according to the study.

“The fintech boom is a huge opportunity for London with its well-developed financial and technology industries,” said Julian Skan, Accenture managing director overseeing the FinTech Innovation Lab London. “It is also crucial to London maintaining its position as the leading global financial center because of the growing importance of technology to the financial industry.”

The growth of London’s fintech cluster has been driven by its strength in financial services and a thriving tech sector that has enjoyed an entrepreneurial renaissance in recent years. Four of the world’s ten biggest banks have either global headquarters or European headquarters situated in London. There are approximately 135,000 financial-services technology workers in UK, according to the Accenture study.

Although Ireland has a developing tech industry of its own, it is closely integrated with London’s fintech cluster by incubating fintech companies that look to London’s large

financial center in pursuit of customers, talent, partnerships, and funding.

‘Challenges to overcome’

Accenture’s research analyzed global fintech investment data from CB Insights, which shows that while fintech investment in UKI is growing fast, the market is still relatively immature. Fintech companies in Silicon Valley received \$950 million in venture funding in 2013 alone, while investment in UKI since 2004 has totaled \$781 million. And a much larger proportion is first-round investment. Last year nearly half (47 percent) of UKI investment was first-round deals compared with 36 percent globally and 27 percent in Silicon Valley.

Julian Skan said: “For a relatively new sector, fintech is developing fast. There are growing number of incubators and accelerators and increasing interest among both the big banks and the venture capital community. But there are still challenges to overcome. It is harder to raise funding, and entrepreneurs are less focused on commercializing new ideas than in the US. It is also difficult for small entrepreneurial companies to gain entry to big global banks.”

The study, entitled “The Boom in Global Fintech Investment; A new growth opportunity for London,” was released at the second annual “Investor Day” of the FinTech Innovation Lab London. Launched in 2012 by Accenture and a dozen major banks in London, with support from the Mayor of London, the City Corporation and the Technology Strategy Board, is aimed at providing support and mentoring to early-stage fintech companies. The majority of participants in last year’s program have gone on to sign deals with banks and between them have raised \$10 million in new financing.

The 2014 Lab participants are developing cutting-edge financial services applications that range from one-tap mobile payment solutions to Artificial Intelligence and using photos for login rather than a pin number. They include: Erudine, FinGenius, Logical Glue and PixelPin from the UK, PhotoPay from Croatia, Squirro from Switzerland and uTrade from India.

The Lab is a sister program to the FinTech Innovation Lab in New York, which was

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co-founded by Accenture and the Partnership Fund for New York City in 2010. The New York Lab's 18 alumni companies have raised \$47 million in venture financing, and created approximately 150 jobs after participating in the program.

"The rapid rise of global fintech investment is a result of the massive change occurring in the financial services industry," said Richard Lumb, group chief executive—Financial Services at Accenture. "By facilitating digital innovation, banks will be better positioned to serve customers and improve efficiencies for the long-term. Our commitment to innovation and fintech continues to grow, not only in London and New York, but also in other key financial centers around the world."

Methodology

The study is based on Accenture's analysis of fintech investment-data from CB Insights, a global venture-finance data and analytics firm. The analysis included global financing activity from venture capital and private equity firms, corporations and corporate venture-capital divisions, hedge funds, accelerators, and government-backed funds. The research also included global exit activities of fintech companies – including M&A and IPOs – and a number of regional tracking dimensions for Europe, North America, and Asia-Pacific. The data ranged from 2004 to 2013, with a primary focus on five- and three-year trends. Fintech companies are defined as those that offer technologies for banking and corporate finance, capital markets, financial data analytics, payments and personal financial management.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 281,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.