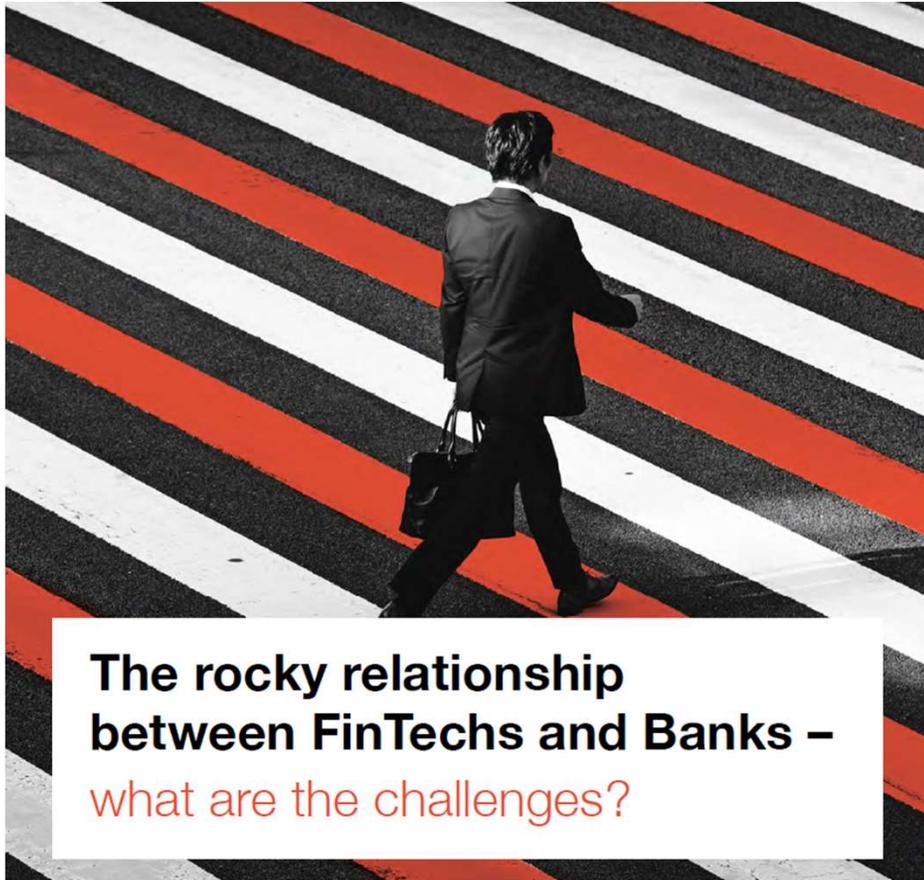


Luxembourg Bank and FinTech Study for 2020



**The rocky relationship  
between FinTechs and Banks –**  
what are the challenges?

[arendt.com/advisory](https://arendt.com/advisory)

## Presentation of results

May 17, 2021

Final version

A study of Arendt Business Advisory,  
with the support of ABBL



Association des Banques et Banquiers, Luxembourg  
The Luxembourg Bankers' Association  
Luxemburger Bankenvereinigung



- 1 **background**
- 2 **participants**
- 3 **overview of results**
- 4 **conclusions**

## Our objectives

Observations....



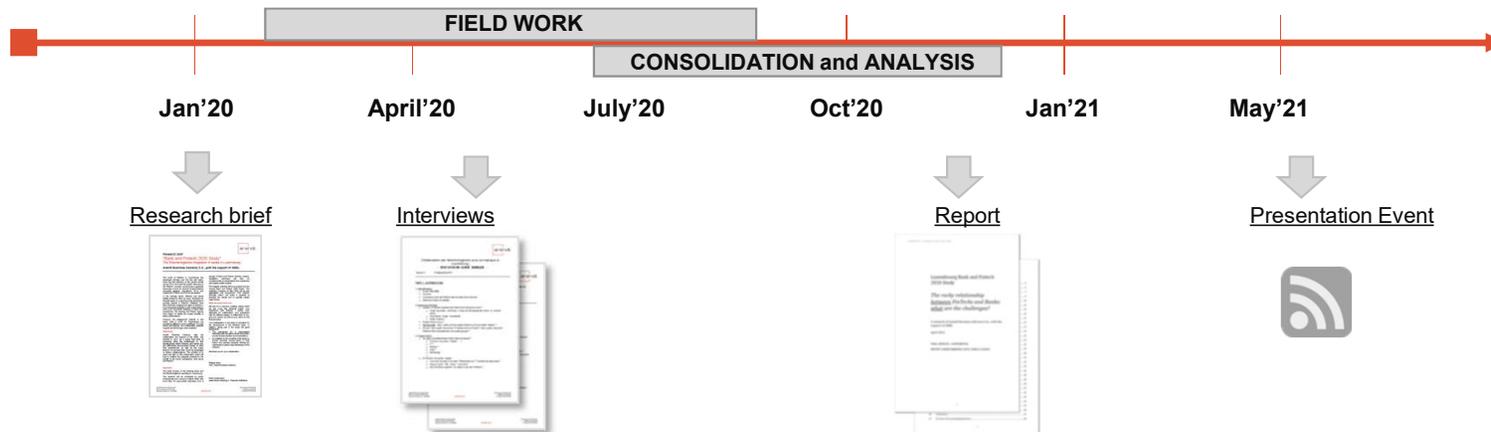
- Engagement maturity below what it could be
- Experiences sometimes difficult
- Collaboration potential is great but still under-exploited

- **What are the bottlenecks to this development within FinTechs and banks?**
- **What are the difficulties faced based on their first experiences?**
- **What could be improved to foster future collaborations?**

# Milestones

- Major study: 32 in-depth 1h+ qualitative interviews with senior professionals
- Key milestones:

- Launched Jan'20
- Field work impacted by COVID (Feb.-> August)
- Analysis July – Sep'20
- Report Oct-Jan.
- Presentation impacted by Covid (postponed)



# Participants

In-depth interviews with senior professionals of **14 major banks** of the Luxembourg market and **17 FinTechs**



- BANKING CIRCLE\*
- BANQUE DE LUXEMBOURG
- BANQUE RAIFFEISEN
- BGL BNP PARIBAS
- BIL
- CA INDOSUEZ WEALTH (EUROPE)
- DEUTSCHE BANK
- EDMOND DE ROTHSCHILD (EUROPE)
- ING
- JP MORGAN
- KEYTRADE BANK
- NATIXIS WEALTH MANAGEMENT
- QUINTET PRIVATE BANK (EUROPE)
- SOCIÉTÉ GÉNÉRALE LUXEMBOURG
- UBS



- BLOCKEX
- CDDS
- COMPLIANCE WISE
- CROSSLEND
- ELLIPSYS
- FINOLOGEE
- GAMBIT
- GOLDBAUM
- HAPS
- JEMMIC
- LINGUA CUSTODIA
- LUXHUB
- NEUROPROFILER
- SQOPE
- TOKENY
- VNX

Diversity in  
business models  
and origins

\* Fully licensed bank, which we have chosen to analyse as a fintech in our study because of the proximity of its experience to that of FinTechs.

# Survey content

## Motivations

- Why do FinTechs get established in Luxembourg?
- Do banks work with FinTechs?

## Organization

- Organization at Banks: managing innovation and relationships with FinTechs
- Organization at FinTechs: managing the relationships with banks

## Collaboration life cycle

- Becoming known on the market
- Finding the right contact in banks
- Choosing a FinTech
- Contracting and collaboration
- Service delivery

## Perspectives

- Recommendations for Luxembourg
- Recommendations to FinTechs
- Recommendations to Banks
- Insights on the COVID-19 impacts

## General conclusions

Confronting banks and  
FinTechs views

« *It's a human adventure: they learn from our constraints, and we from their freedom* »  
(bank)

## Motivations for working together

- FinTechs come in Luxembourg **for the financial sector**, its density and its expertise
- The collaboration with FinTechs remains **limited currently**:
  - **Banks** - Strategy, « Not for me », IT constraints (security, integration), dependence on HQs, priorities / mobilisation
  - **FinTechs** – (perception) Innovation / originality, depth or quality / maturity
  - **Environment** - Large-scale cloud solutions
- There is **interest**:
  - Innovation accelerator
  - Time-to-market
  - Expertise and competence
  - Financial gains / Business case
  - Image / Marketing

Banks must live up to expectations and engage with FinTechs

Great potential but obstacles can hinder commitment

# Organisation of innovation and relationships

## Group-level approach

1. Federal
2. Centralized
3. Not defined

## Organisation at banks

- Maturity steps:
  1. Time of heroes / no function
  2. The centralized Innovation function
  3. Decentralized
- + a few labs
- Importance of HQs

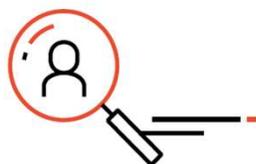
## Organisation at FinTechs

- CEO/Founder
- Business development / Sales team
- Mixed
- Intermediaries

FinTechs need decision makers!

Banks need founders!  
« FinTech service »

## Collaboration cycle (1/2)



### 1. Becoming known vs. finding the FinTech

**Events, recommendations / network, solicitation** + all others (awards, social media, agencies...)

- (B) Limited federating events / opportunities for useful meeting
- (F) Few decision makers / Limited variety of participants
- (F) Relationships market / « small village »
- Right momentum
- Preparation

### 2. Finding the right contact in banks

- **Big challenge:** the decision maker and sponsor -> large structures, silos, multi-decision makers, trust-based relationships
- Business / Compliance / IT / Innovation / Group level
- Selling concepts internally

## Collaboration cycle (2/2)



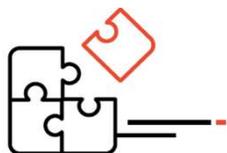
### 3. Selection

- Approach: POC mainly, RFP, incubators
- **FinTechs**: maturity, sales, IT security, ROI
- **Banks**: governance / decision making, POCs, RFP/Due Diligence, risks, unprepared



### 4. Contracting

- Standard agreements, no equity participation
- **Complex and unbalanced**



### 5. Delivery

- **FinTechs**: IT constraints, bank as an institution, regulatory constraints, approach
- **Banks**: governance / decision, access to data, IT access / integration, customization / on-premises

# Top recommendations for LUXEMBOURG

(made by banks and FinTechs)

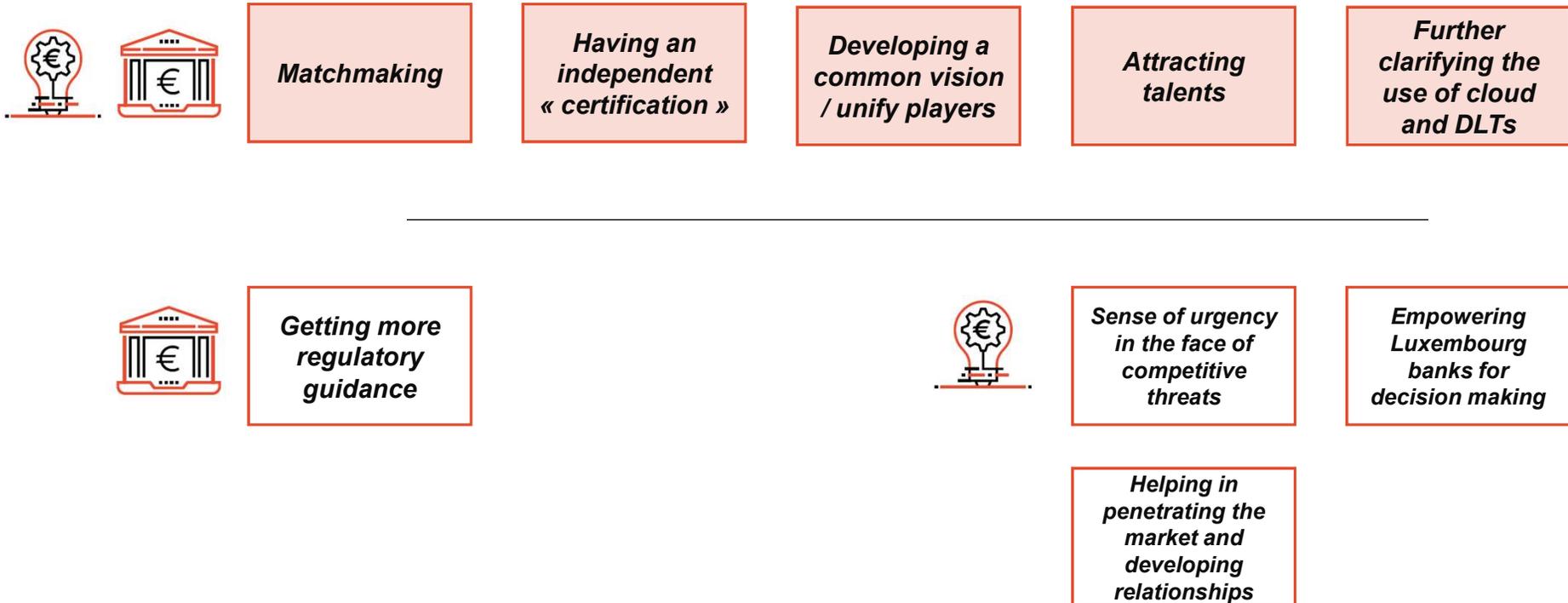


## Q3

In your opinion, what would be the top 3 recommendations for LUXEMBOURG to improve fintech-bank cooperation?

# Top recommendations for LUXEMBOURG

(made by banks and FinTechs)



# Top recommendations to BANKS

(made by banks and FinTechs)



## Q4

In your opinion, what should be the top 3 recommendations to BANKS to improve bank-fintech cooperation?

# Top recommendations to BANKS

(made by banks and FinTechs)



***Simplifying governance and aligning internal views***



***Defining needs***

***Setting up delivery teams***

***Training on innovation***

***Opening IT systems, incl. integration based on APIs***

***More contact opportunities***



***Taking more risks***

***Bridging the technology culture gap***

***Resorting to FinTechs rather than in-house***

***Gaining the ability to leverage on a FinTech***

***Developing strategy and vision***

***Developing incubation programmes***

***Opening data, simplifying IT***

***Adapting RFI and FinTech selection***

***Deeper understanding of emerging technologies***

# Top recommendations to FinTechs

(made by banks and FinTechs)



## Q5

In your opinion, what should be the top 3 recommendations to FINTECHS to improve bank-fintech cooperation?

# Top recommendations to FinTechs (made by banks and FinTechs)



***Showing professionalism and maturity***

***Evidencing the added value***

***Learning to sell, not overselling***

***Building up recommendations and credentials***

***Being sensitive to IT constraints and compliance***



***Understanding how banks work***

***Being physically present in Luxembourg***



***Strengthening capital and shareholders***

***Continuous innovation***

## Conclusions



- FinTechs are **essential for the development of banks**, as an accelerator
- Banks definitely show an interest but are **not engaged enough** in concrete collaboration projects
- Both banks and FinTechs must **adapt to boost collaboration**
- There were many explorations over the last years: now it's **time for the next phase and build**
- What if nothing is done?
  - Luxembourg may become less visible on the global FinTech map, as FinTechs may refocus on other markets
  - Luxembourg may be left on the sidelines of the waves of innovation, exposing the country to the mercy of new innovative entrants
- **Priorities have been identified to remove the last obstacles and build this bright future for both banks and FinTechs in Luxembourg**

FinTechs, banks: it is time to act!



**Much more and all details and  
concrete actions in the 50  
page report!**

**Enjoy reading!**



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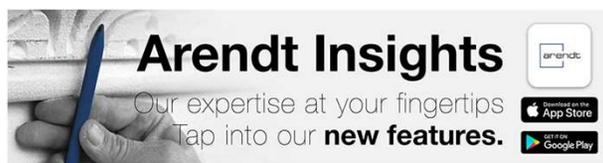
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