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Corporate Venture Capital Investment in Fintech: A Transatlantic Perspective

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Abstract

The rise of the “non-traditional” venture capital (“VC”) investor is one of the most significant investment trends in the global VC ecosystem over the past decade. Corporate venture capital (“CVC”) investors are among the most active non-traditional VC investors in terms of deal value and deal volume, and are considered to exert meaningful quantitative and qualitative influence across the VC ecosystem. CVC investment in financial services technology (“Fintech”) startups, in particular, has skyrocketed in recent years as a result of growing technological threats and opportunities faced by traditional financial institutions, including bulge bracket investment banks. From a geographic perspective, cross-border investment from European and U.S. financial services industry CVC investors into European and U.S. Fintech startups has increased the value and volume of Fintech deals between the two regions and has cultivated the development of a robust transatlantic Fintech ecosystem. This paper will provide an overview of the rise of CVC investment in the Fintech sector, highlighting the impact of this category of investor on the transatlantic Fintech marketplace.

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1. **Introduction**[1]

The rise of the "non-traditional" venture capital ("VC") investor is one of the most significant investment trends in the global VC ecosystem over the past decade.[2] Non-traditional VC investors – which are defined as VC investors that do not focus exclusively on VC investments, and which include corporations, private equity firms, single family offices and sovereign wealth funds, among others – collectively control pools of capital that are "orders of magnitude larger" than those controlled by traditional VC investors.[3] In 2019 alone, non-traditional VC investors invested nearly $90B across the global VC ecosystem,[4] and in 2018, contributed to 81.5% of total U.S. venture deal value.[5] Corporate venture capital ("CVC") investors are among the most active non-traditional VC investors in terms of deal value and deal volume,[6] and are considered to exert meaningful quantitative and qualitative influence across the VC ecosystem. CVC investment in financial services technology ("Fintech") startups, in particular, has skyrocketed in recent years as a result of growing technological threats and opportunities faced by traditional financial institutions, including bulge bracket investment banks.[7] CVC investment into Fintech startups has provided these financial services industry

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[1] The views and opinions expressed in this paper are those of the author alone, and do not necessarily reflect the views of Stanford University, the University of Vienna, the American Bar Association or Crowell & Moring LLP. This paper has been prepared for informational purposes only and is not intended to serve as legal or investment advice.

[2] National Venture Capital Association, 2020 NVCA Yearbook, March 2020. Available at: https://nvca.org/research/nvca-yearbook/.

[3] PitchBook, 4Q 2019 Analyst Note: Nontraditional Investors in VC Are Here to Stay, 18 December 2019. Available at: https://PitchBook.com/news/reports/4q-2019-PitchBook-analyst-note-nontraditional-investors-in-vc-are-here-to-stay.

[4] PitchBook, Q1 2020 Private Market Playbook, 20 March 2020. Available at: https://pitchbook.com/news/reports/q1-2020-private-market-playbook.

[5] PitchBook, 4Q 2019 Analyst Note: Nontraditional Investors in VC Are Here to Stay, 18 December 2019.

[6] PitchBook, 2019 Annual US VC Valuations Report, 24 February 2020. Available at: https://pitchbook.com/news/reports/2019-annual-us-vc-valuations-report.

[7] *See* The Banker, "Banking challenges for Europe in 2020," 27 January 2020. Available at: https://www.thebanker.com/World/Western-Europe/Banking-challenges-for-Europe-in-2020?ct=true. *See also* CNBC, "Corporate venture capital deals hit new record as banks invest in fintech competitors," 10 December 2019. Available at: https://www.cnbc.com/2019/12/10/corporate-venture-capital-deals-hit-record-as-banks-invest-in-fintech.html.

investors with strategic market insight on emerging technologies, as well as with opportunities to contribute to the development of Fintech ecosystems. Fintech startups have also benefited from financial services industry CVC investment, as it has provided these startups with opportunities with which to enhance their performance and market reach. From a geographic perspective, cross-border investment from European and U.S. financial services industry CVC investors into European and U.S. Fintech startups has increased the value and volume of Fintech deals between the two regions and has cultivated the development of a robust transatlantic Fintech ecosystem. This paper will provide an overview of the rise of CVC investment in the Fintech sector, highlighting the impact of this category of investor on the transatlantic Fintech marketplace.

2. Corporate Venture Capital Overview

2.1 Defining CVC

CVC generally refers to minority equity investments made by established corporations into privately-held early-stage companies.[8] CVC is considered to have originated in the early 20th century with investments into early-stage companies by major American corporations, including DuPont's investment into General Motors in 1914.[9] Modern day CVC is considered to have transpired in the 1960s, however, when conglomerates invested into early-stage companies in order to diversify their core business portfolios.[10] In subsequent decades, an increasing

[8] Various definitions of CVC have been coined in academic and industry literature. *See* Chesbrough, H, "Making Sense of Corporate Venture Capital," Harvard Business Review, March 2002. Available at: https://hbr.org/2002/03/making-sense-of-corporate-venture-capital. *See also* Dushnitsky, G., "Corporate Venturing," The Palgrave Encyclopedia of Strategic Management (M. Augier and D.J. Teece eds. 2018, Palgrave Macmillan). Available at: https://link.springer.com/referenceworkentry/10.1057%2F978-1-137-00772-8_668. *See also* Global Corporate Venturing, The World of Corporate Venturing 2020 – The Definitive Guide to the Industry, 2020. Available at: https://globalcorporateventuring.com/product/world-of-corporate-venturing-2020/.
[9] CB Insights, "The History Of CVC: From Exxon And DuPont To Xerox And Microsoft, How Corporates Began Chasing 'The Future,'" 12 June 2017. Available at: https://www.cbinsights.com/research/report/corporate-venture-capital-history/. *See also* Burgelman, R. et al, "An Overview of Corporate Venture Capital," Stanford Graduate School of Business Case No. E692, 2019. Available at: https://www.gsb.stanford.edu/faculty-research/case-studies/overview-corporate-venture-capital.
[10] *Id.*

number of corporations began to engage in CVC investment as part of a broader external research and development innovation strategy.[11] CVC investment was later deployed as a defensive strategy in response to threats of disruption to traditional business models posed by emerging technologies.[12] More recently, CVC investment has been utilized as an ecosystem development tool through which investors, startups and other stakeholders can collaborate to bring emerging technologies to market.[13]

Unlike traditional VC investors, which typically invest with purely financial objectives, CVC investors typically invest with both financial and strategic objectives, viewing investments in startups as an "instrument of strategic growth" for the CVC parent company.[14] In this regard, CVC investors are often willing to invest in startups at a higher price than traditional VC investors in order to gain access to emerging technologies that can enhance the preexisting products or services of the CVC parent corporation, and often will choose to keep startups private for longer periods of time in order to develop these technologies in collaboration with them.[15] While the majority of CVC investors consider their predominant objective to be strategic,[16] some do identify as being focused exclusively on financial returns.[17] The number of

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[11] *Id.*
[12] *Id.*
[13] *See* Deloitte, The Next Chapter for Corporate Venture Capital in the Netherlands, May 2019. Available at: https://www2.deloitte.com/nl/nl/pages/mergers-and-acquisitions/articles/deloitte-nl-the-next-chapter-for-cvc.html. *See also* The Boston Consulting Group and Hello Tomorrow, The Dawn of the Deep Tech Ecosystem (2019). Available at: https://www.bcg.com/publications/2019/dawn-deep-tech-ecosystem.aspx.
[14] Chesbrough, H, "Making Sense of Corporate Venture Capital," Harvard Business Review, March 2002. *See also* CB Insights, Corporate VC vs VC: Corporate Venture Capital's Priorities Differ From Institutional VCs, 5 February 2016. Available at: https://www.cbinsights.com/research/corporate-venture-capital-institutional-venture-capital/.
[15] *See* PitchBook, 2Q 2019 Analyst Note: The Golden Mean of Corporate Venture Capital, 16 May 2019. Available at: https://pitchbook.com/news/reports/2q-2019-pitchbook-analyst-note-the-golden-mean-of-corporate-venture-capital. *See also* Dushnitsky, G. and Lenox, M.J., "When does corporate venture capital investment create firm value?," Journal of Business Venturing, Vol. 21(6), pp. 753-772, November 2006. Available at: https://www.sciencedirect.com/science/article/abs/pii/S0883902605000583.
[16] Gompers, P. et al, "How Do Corporate VCs Differ from Institutional VCs and Each Other? A Survey of Corporate Venture Capitalists," 2018 Draft Presentation.
[17] Global Corporate Venturing, The World of Corporate Venturing 2020 – The Definitive Guide to the Industry, 2020. *See also* Harvard Business Review, "Corporate VCs Are Moving the Goalposts," November 2016. Available at: https://hbr.org/2016/11/corporate-vcs-are-moving-the-goalposts.

purely financially-focused CVCs is considered to be in decline, however.[18] In further contrast to traditional VC investors, CVC investors can be heavily influenced by their parent company's preferences and overall risk tolerance, particularly with respect to reputational risk.[19] In this regard, CVC investment decisions are typically subject to parent company scrutiny and complex, often bureaucratic, internal investment approval processes, which can often slow down the speed at which CVC investment decisions are made.

2.2 CVC Investment Vehicles

CVC investments can be made at any stage in the lifecycle of an early-stage company, ranging from seed financing through late-stage financing, as well as through exit activity via M&A transactions or IPOs. CVC investments have traditionally been executed either directly from the CVC parent company's balance sheet or indirectly through independent investment vehicles, often in collaboration with traditional VC investors.[20] According to Global Corporate Venturing, the variety of fund structures that have been utilized by CVC investors has increased in recent years, however, and includes, but is not limited to, the following: external CVC units that are legally independent from the CVC parent company, but which are funded predominantly by the parent; external CVC units that are funded predominantly by third party capital from financial limited partners; internal CVC units funded by both parent company capital and third party capital from financial limited partners; internal CVC units funded by both parent company and private equity capital; CVC units funded by both parent company and government capital; CVC units that include funding from single family offices; CVC units of private equity firms;

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[18] Dushnitsky, G., "Corporate Venturing," The Palgrave Encyclopedia of Strategic Management (M. Augier and D.J. Teece eds. 2018, Palgrave Macmillan).
[19] *See* McCahery, J. et al, "Corporate Venture Capital: From Venturing to Partnering," in *The Oxford Handbook of Venture Capital* (D. Cumming ed. 2012). *See also* Dushnitsky, G., "Corporate Venture Capital in the Twenty-First Century: An Integral Part of Firms' Innovation Toolkit," in *The Oxford Handbook of Venture Capital* (D. Cumming ed. 2012).
[20] PitchBook, 2Q 2019 Analyst Note: The Golden Mean of Corporate Venture Capital, 16 May 2019.

university CVC units; "multi-corporate" CVC units, which consist of investment collaborations or "consortia" among multiple investors focused on specific sectors and/or regions; and, VC-as-a-Service ("VCaaS") funds formed by VCaaS companies that provide CVC investors with investment vehicles through which they can invest in startups that have been "accelerated" by the VCaaS provider.[21]

3. Technological Disruption to the Financial Services Industry

The investment strategies of CVC investors can be heavily influenced by their parent corporation's industry, and particularly by the industry's susceptibility to technological disruption.[22] Established corporations whose industries are being disrupted by technological change are incentivized to invest in technology, and technology startups, in order to remain competitive in the changing environment in which they operate and compete. There is increasing recognition that the financial services industry is faced with a "deep and permanent digital transformation" that has altered customer demands and increased competition among banks, as well as between banks and non-banks that leverage technology to deliver financial services at lower costs.[23] In Deloitte's *2020 Banking and Capital Markets Outlook*, for example, Deloitte projects that banking will become more "open, transparent, real-time, intelligent, tailored, secure, seamless, and deeply integrated into consumers' lives and institutional clients' operations" in the short term, and that as a consequence, the banking industry will be faced with a new phase of disruption over the next decade that is "more forceful and more pervasive."[24]

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[21] Global Corporate Venturing, "GCV Special Webinar: Covid-19 Crisis & Funding Opportunities," 2 April 2020.
[22] 500 Startups, Unlocking Corporate Venture Capital, 25 October 2019. Available at: http://go.500.co/unlocking-corporate-venture-capital.
[23] Global Corporate Venturing, Fintechs and Incumbents Learn to Live Together, November 2019. Available at: https://globalcorporateventuring.com/product/november-2019/. *See also* PitchBook, Q4 2019 Emerging Tech Research: Fintech, 6 February 2020. Available at: https://pitchbook.com/news/reports/q4-2019-emerging-tech-research-Fintech.
[24] Deloitte Center for Financial Services, "2020 Banking and Capital Markets Outlook: Fortifying the core for the next wave of disruption," 3 December 2019. Available at:

Forefront technologies, including artificial intelligence, distributed ledger technology and quantum computing, in particular, are expected to transform the way that banking services are provided, thereby creating new risks and opportunities for incumbent banks.[25] In this regard, banks have recognized that if they are unable to differentiate themselves from their competitors on a technological basis, they likely will find themselves at a severe competitive disadvantage in the marketplace.

The increased recognition on the part of banks that technological differentiation is necessary in order to survive in a rapidly changing financial services industry has fundamentally changed bank perception of Fintech startups.[26] Once perceived by banks as competitors, Fintech startups are now increasingly sought after as partners, as they can provide banks with a window on the emerging technologies and market practices that are transforming the competitive landscape of the banking industry. Banks are increasingly collaborating with early-stage Fintech startups through incubator and accelerator programs (including Barclays Accelerator, Citi Ventures Fintech Accelerator, Deutsche Bank Innovation Labs and Goldman Sachs Accelerate, among others), as well as through CVC investment. These non-controlling minority equity investments by banks into Fintech startups provide banks with access to emerging technologies that can complement and increase future demand for existing products and services, and can also provide a window into potential future acquisition targets.[27] Bank collaboration with Fintech startups through CVC investment can also help to cultivate an ecosystem of investors, startups

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https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/banking-industry-outlook.html.

[25] *Id*.

[26] Global Corporate Venturing, Fintechs and Incumbents Learn to Live Together, November 2019.

[27] *See* Dushnitsky, G. and Lenox, M.J., "When do incumbents learn from entrepreneurial ventures?: Corporate venture capital and investing firm innovation rates," Research Policy, Vol. 34(5), pp. 615-639, June 2005. Available at: https://www.sciencedirect.com/science/article/abs/pii/S0048733305000442. *See also* Burgelman, R. et al, "An Overview of Corporate Venture Capital," Stanford Graduate School of Business Case No. E692, 2019.

and other stakeholders who can collaborate to bring technologies to market and who can cross-pollinate these technologies between regional ecosystems.

Fintech startups also increasingly view collaboration with banks via CVC investment as valuable since banks can provide access to established customer networks, as well as offer advice and support with financial regulatory compliance, which could otherwise stand as a significant barrier to market entry. In addition, collaboration with established banks through CVC investment can have a positive signaling effect on prospective customers and future investors, including other banks.[28] In the aggregate, the support and credibility that Fintech startups can gain as a result of bank CVC investment can help to improve their performance and increase the likelihood of a profitable exit in the future.[29] For these reasons, and as explained in further detail below, levels of CVC investment into Fintech startups have increased substantially in recent years as both banks and Fintech startups welcome this form of collaboration in order to compete in a rapidly evolving global financial services marketplace.[30]

4. Corporate Venture Capital Investment in European and U.S. Fintech Startups

4.1 2019 General Venture Capital Investment Levels

Venture financing of Fintech startups reached an "inflection point on a global scale" in 2019,[31] with approximately $44.6B invested across 1,813 deals globally, representing the second

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[28] Laurent, P. and Vauclin, N., "Fintech CIOs as Venture Capitalists" in Deloitte Luxembourg, Inside Magazine: CIO Edition, Issue 10, October 2015. Available at: https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/about-deloitte/Inside/lu-inside10-full.pdf. *See also* McKinsey & Company, "Synergy and disruption: Ten trends shaping fintech," December 2018. Available at: https://www.mckinsey.com/industries/financial-services/our-insights/synergy-and-disruption-ten-trends-shaping-fintech.

[29] PitchBook, 2Q 2019 Analyst Note: The Golden Mean of Corporate Venture Capital, 16 May 2019.

[30] American Banker, "A vetting guide for banks mulling fintech partnerships," 19 February 2020. Available at: https://www.americanbanker.com/opinion/a-vetting-guide-for-banks-mulling-fintech-partnerships. *See also* KPMG, Pulse of Fintech H2 2019, February 2020. Available at: https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/02/pulse-of-Fintech-h2-2019.pdf.

[31] CB Insights, The State of Fintech: Investment & Sector Trends To Watch (Q4 2019), 2020. Available at: https://www.cbinsights.com/research/report/Fintech-trends-q4-2019/.

largest year ever in terms of total deal value, as well as the largest year ever in terms of total deal volume.[32] Of these transactions, 102 were mega rounds (i.e. deals over $100M), which is the largest number of Fintech financing mega rounds to ever take place within a single calendar year by an excess of 20 deals.[33]

From a regional perspective, 2019 Fintech financing levels in North America amounted to approximately $22.8B invested across 858 deals, representing 51% of global deal value and 47% of global deal volume.[34] Fintech financing levels in Europe amounted to approximately $10B invested across 502 deals in 2019, representing 23% of global deal value and 28% of global deal volume.[35] On a per country basis, the U.S. was the most active location for Fintech financing in 2019 with approximately $21B invested across 786 transactions, representing 47% of global deal value and 43% of global deal volume.[36] The UK ranked second globally with approximately $5.4B invested across 218 transactions, representing 12% of global deal value and 12% of global deal volume.[37] Germany ranked fourth globally with approximately $1.7B invested across 61 transactions, representing 4% of total global deal value and 3% of global deal volume.[38] France ranked fifth globally with approximately $780M invested over 53 transactions, representing 2% of global deal value and 3% of global deal volume.[39]

From a valuation perspective, the median pre-money valuation for early-stage VC-backed Fintech companies in Europe and North America increased to $26.3M in 2019, representing a 5.1% YoY increase, while the median pre-money valuation for late-stage VC-backed Fintech

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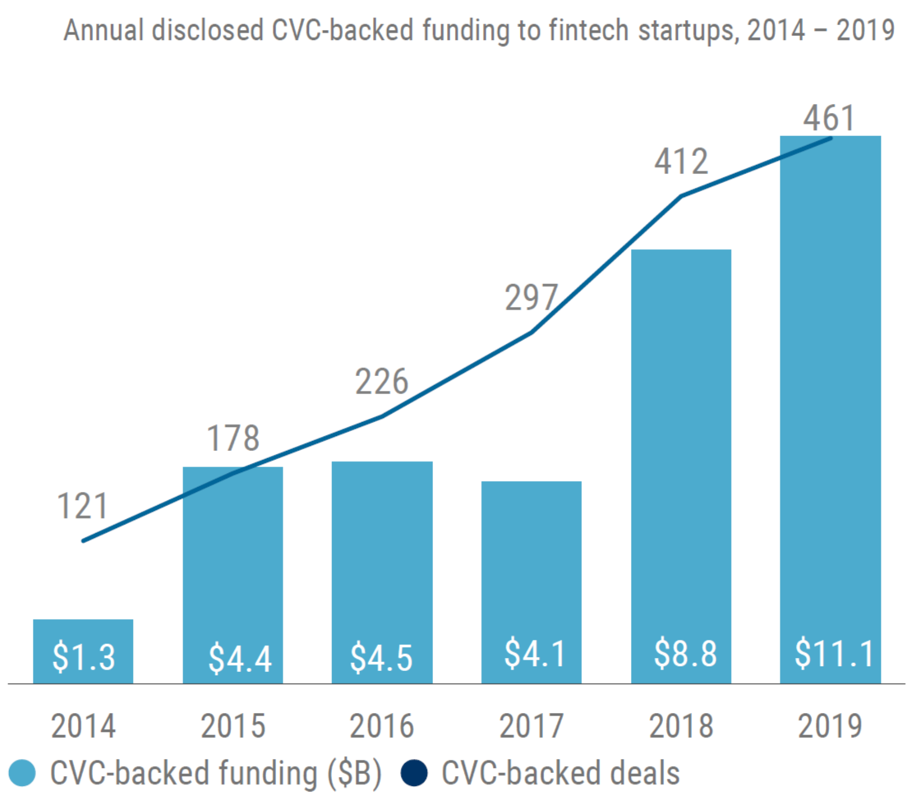
[32] Financial Technology Partners LP, 2019 Annual Fintech Almanac: Global Financing and M&A Statistics, 2020. Available at: https://www.ftpartners.com/Fintech-research/almanac.
[33] *Id.*
[34] *Id.*
[35] *Id.*
[36] *Id.*
[37] *Id.*
[38] *Id.*
[39] *Id.*

companies in Europe and North America increased to $175M, representing a 125.8% YoY increase.[40]

4.2 2019 Corporate Venture Capital Investment Levels

Fintech startups drew continued strong interest from CVC investors in 2019, building on the steadily increasing flows of CVC investment that the Fintech sector has received over the past decade.[41] As the below graph from CB Insights illustrates, global CVC investment into Fintech startups amounted to approximately $11.1B over 461 transactions in 2019, representing YoY increases of 25% and 12%, respectively:[42]



***Source*: CB Insights, The 2019 Global CVC Report, 2020.**

[40] PitchBook, Q4 2019 Emerging Tech Research: Fintech, 6 February 2020.
[41] CB Insights, The 2019 Global CVC Report, 2020. Available at: https://www.cbinsights.com/research/report/corporate-venture-capital-trends-2019/.
[42] *Id*.

Data from KPMG and Pitchbook sets the global CVC Fintech investment total for 2019 higher at approximately $16.7B,[43] while data from San Francisco-based Financial Technology Partners ("FT Partners") sets the 2019 global total for "strategic participation" (defined by FT Partners as investment from either formal CVC investors or "corporate strategic investors") in Fintech financings at approximately $18.2B spread over 738 transactions, representing 41% of global Fintech financing volume.[44] Although these discrepancies are likely due to differing data sets and calculation methodologies, investment data from these providers is consistent in demonstrating that Fintech investment from CVC investors has increased at record breaking levels in recent years and that, as a result, CVC investors have a more noticeable presence in the global Fintech VC ecosystem.

From a regional standpoint, 2019 CVC Fintech investment levels in North America amounted to approximately $4.6B according to CB Insights data, representing 42% of global deal value, while 2019 CVC Fintech investment in Europe amounted to approximately $2.6B, representing 23% of global deal value.[45] As illustrated by the below graphs, KPMG and PitchBook set the total 2019 CVC Fintech investment levels for the U.S. and Europe higher at approximately $6.9B and $3.4B, respectively, representing 41% and 20% of global CVC Fintech investment value, respectively:[46]

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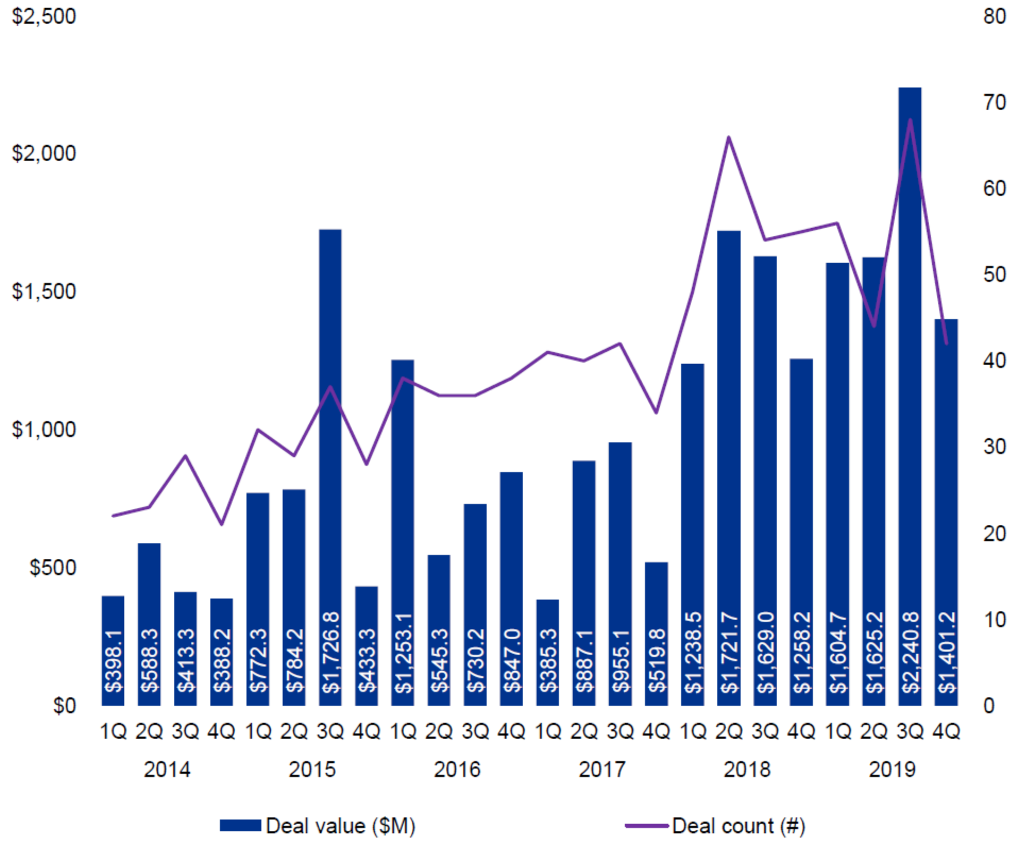
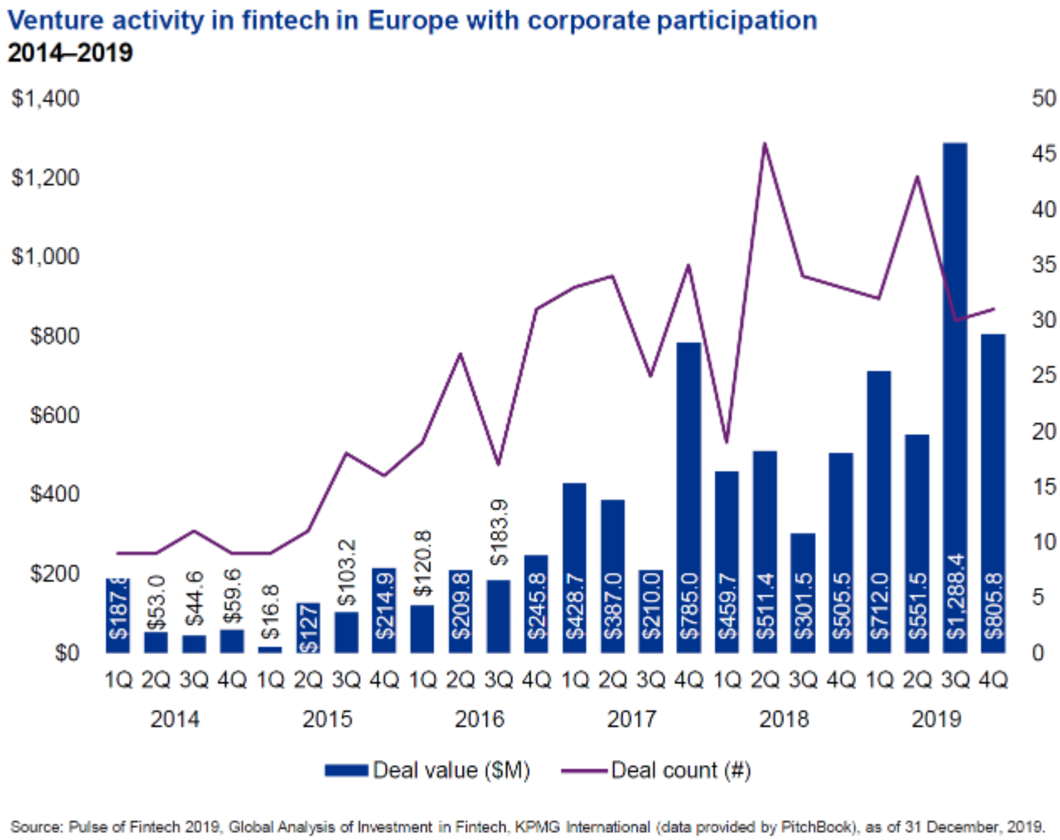
[43] KPMG, Pulse of Fintech H2 2019, February 2020.
[44] Financial Technology Partners LP, 2019 Annual Fintech Almanac: Global Financing and M&A Statistics, 2020.
[45] CB Insights, The 2019 Global CVC Report, 2020.
[46] KPMG, Pulse of Fintech H2 2019, February 2020.

Venture activity in fintech in the US with corporate participation
2014–Q4 2019



Source: Pulse of Fintech 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), as of 31 December, 2019.

***Source*: KPMG, Pulse of Fintech H2 2019, February 2020.**



***Source*: KPMG, Pulse of Fintech H2 2019, February 2020.**

Both graphs illustrate steadily rising levels of CVC investment activity in both European and U.S. Fintech startups in 2019, both from a deal value and deal volume perspective.[47]

4.3 Financial Services CVC Fintech Investors

From an investor standpoint, CVC investment into Fintech startups from financial services industry incumbents, including banks, insurance companies, capital markets-focused financial services companies and payments-focused financial services companies, reached record highs in 2019.[48] Among the most active 2019 financial services industry CVC investors in

[47] *Id.*
[48] CB Insights, The Global Financial Services CVC Report, 2019. Available at: https://www.cbinsights.com/research/report/financial-corporate-venture-capital-trends-2019/.

Fintech measured by total number of new and follow-on investments were Goldman Sachs with 18 total investments, followed by Citi Ventures (15), Visa Ventures (11), Mass Mutual Ventures (11), JP Morgan Chase (11), Santander InnoVentures (11) and Mastercard (10).[49]

4.4 Transatlantic CVC Fintech Investment

From a company standpoint, financial services industry CVC investment into European and U.S. Fintech startups increased substantially in 2019, and will likely provide these startups with opportunities to enhance their product development and market reach, thereby increasing their exit potential. Select examples of CVC investment from European and U.S. financial services industry CVC investors into European and U.S. Fintech startups in 2019 include:

(1) Barclays Ventures' participation in:

- U.S.-based Crowdz' $5.5M Series A round in May 2019;[50]
- U.S.-based Everynm's $8M Pre-Series A round in September 2019;[51]
- U.S.-based OpenFin's $17M Series C round in May 2019;[52] and
- U.S.-based TouchBistro's $158M Series E round in September 2019.[53]

(2) Citi Ventures' participation in:

- Belgium-based Cashforce's €5M Series A round in October 2019;[54] and

[49] Financial Technology Partners LP, 2019 Annual Fintech Almanac: Global Financing and M&A Statistics, 2020.
[50] CoinDesk, "Barclays Leads $5.5 Million Round for Blockchain Business Payments Startup," 29 May 2019. Available at: https://www.coindesk.com/barclays-leads-5-5-million-round-for-blockchain-business-payments-startup.
[51] Everynym, "Evernym raises $8 million to advance its market-leading position in self-sovereign identity," 26 September 2019. Available at: https://www.evernym.com/blog/evernym-raises-8-million/.
[52] OpenFin, "OpenFin Raises $17 Million Series C from Wells Fargo and Barclays," 16 May 2019. Available at: https://openfin.co/blog/openfin-raises-17-million-series-c-from-wells-fargo-and-barclays/.
[53] TouchBistro, "TouchBistro Raises $158 Million in Series E Funding Led by OMERS Growth Equity with Participation from Barclays Bank and Others," 18 September 2019. Available at: https://www.touchbistro.com/press-releases/touchbistro-raises-158-million-in-series-e-funding-led-by-omers-growth-equity-with-participation-from-barclays-bank-and-others/.
[54] PR Newswire, "Cashforce Raises €5 Million in Series A Funding Led by INKEF Capital & Citi Ventures," 15 October 2019. Available at: https://www.prnewswire.com/news-releases/cashforce-raises--5-million-in-series-a-funding-led-by-inkef-capital--citi-ventures-300938226.html.

- UK-based Fidel API's $18M Series A round in September 2019.[55]

(3) Goldman Sachs Principal Strategic Investments' participation in:

- Germany-based Elinvar's undisclosed early-stage financing round in May 2019;[56]
- Germany-based Raisin's €25M follow-on Series D investment in July 2019;[57]
- UK-based Bud's $20M Series A round in February 2019;[58] and
- UK-based Nutmeg's £45M Series E round in January 2019.[59]

(4) Santander InnoVentures' participation in:

- U.S.-based Roostify's undisclosed early-stage financing round in October 2019;[60] and
- U.S.-based Securitize's $14M post-Series A financing round in September 2019.[61]

5. **Conclusion**

Despite the record-breaking levels of CVC investment into Fintech startups that were observed in 2019, early 2020 investment projections across the VC ecosystem were marked by cautious optimism, cognizant of macroeconomic indicators that pointed toward an impending

[55] TechCrunch, "Fidel raises $18M to let developers build on top of payment data from Visa, Mastercard and Amex," 25 September 2019. Available at: https://techcrunch.com/2019/09/25/fidel/.
[56] Elinvar, "Elinvar successfully completes funding round with Goldman Sachs as lead investor," 15 May 2019. Available at: https://elinvar.pr.co/173105-elinvar-successfully-completes-funding-round-with-goldman-sachs-as-lead-investor.
[57] Reuters, "Savings platform Raisin taps Goldman for top-up investment," 16 July 2019. Available at: https://www.reuters.com/article/raisin-goldman-sachs/savings-platform-raisin-taps-goldman-for-top-up-investment-idUSL8N24G46V.
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economic recession.[62] With the global onset of the coronavirus disease 2019 ("COVID-19") pandemic in March 2020, CVC investment projections have become guarded, notwithstanding strong first quarter 2020 CVC investment levels in the U.S. VC market, as well as strong first quarter 2020 U.S. Fintech venture financing levels.[63]

While the full impact of the COVID-19 pandemic on CVC Fintech investment remains unclear at the time of writing, there is light at the end of the tunnel for European and U.S. Fintech startups in 2020 for at least three reasons. First, overall demand for Fintech products and services, including mobile banking and contactless payment systems, has increased dramatically as a result of COVID-19-related quarantine and social distancing measures.[64] Second, Fintech startups are likely to draw continued strong long-term investment interest from financial services industry CVC investors in light of Q1 2020 U.S. Fintech M&A transactions, including Visa's $5.3B acquisition of Plaid,[65] Morgan Stanley's $13B acquisition of E*TRADE,[66] Intuit's $7.1B

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[62] PitchBook, Q1 2020 Private Market Playbook, 20 March 2020. *See also* National Venture Capital Association, 2020 NVCA Yearbook, March 2020. *See also* PitchBook, 4Q 2019 Analyst Note: 2020 Venture Capital Outlook, 16 December 2019.

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acquisition of Credit Karma,[67] and LendingClub's $185M acquisition of Radius Bank,[68] all of which are projected to collectively alter the competitive landscape of the financial services industry even further.[69] Third, given the record-breaking levels of CVC investment that European and U.S. Fintech startups have received in the recent past, combined with their access to a burgeoning transatlantic Fintech ecosystem, many have already been equipped with the tools necessary to accelerate their growth and will likely be in a position to pursue successful exits in the future.[70] As such, given the strong long-term impact that CVC investment has had on the Fintech sector to date, transactional attorneys on both sides of the Atlantic should pay close attention to developments in this space in the future.

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[70] Preqin, "In Focus: Fintech's Unicorns are Becoming Decacorns," in 2020 Preqin Global Private Equity & Venture Capital Report, 31 March 2019. Available at: https://www.preqin.com/insights/global-alternatives-reports/2020-preqin-global-private-equity-venture-capital-report/26652.