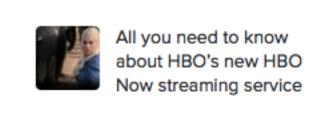
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More money, more startups: Once-closed financial industry makes a place for independent entrepreneurs Sep. 26, 2014 - 9:38 AM PDT

Financial startups don't have the cachet of a Tinder or Uber: instead of promising easy hookups or a revolution in urban transportation, they focus on mundane issues like credit scores. But

they are having a moment in the sun all the same.

New York and elsewhere as its own class of startup scene — though it often looks little like the culture of Silicon Valley. Big banks and outside entrepreneurs

Thanks to technology and a new ecosystem that provides unprecedented

access to the traditional lords of finance, so-called "fin-tech" is emerging in

startups and entrepreneurs talking up their ideas for applying tech to a host of everyday financial operations: opening accounts, checking credit scores,

The two-day Finovate event in New York this week saw dozens of fin-tech

serving risky borrowers and so on. The scene was notable in large part because, a decade ago, startups focused on the financial sector barely existed.

"In the past, technical innovation always took place within incumbent firms and

large financial services like Goldman Sachs. Now, way more entrepreneurs are

drawn to the sector," Matthew Harris of Bain Capital told me.

Some of the entrepreneurs have been helped along by

here).

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new fin-tech "incubators," which provide guidance and a path to pitch their products to Wall Street. Meanwhile, as a recent Accenture report noted, banks are launching VC funds of their own to search for innovation, and to ensure their executives stay exposed to up-and-coming ideas.

While there are fin-tech firms based in Silicon Valley, many are drawn to New

York because it's the center of the financial industry. Others are popping up in

Finovate's Best in Show winners, for example, was Kansas-based "blooom" - a

places like St. Louis that have vibrant regional banking sectors. One of

service that offers easy graphic interfaces to help employees parse their companies' complicated 401K plans. "We aren't silicon valley start-up kids with shiny new degrees and no experience," reads a blurb on blooom's website. Finovate attendees also included MaxMyInterest, which flags savings accounts where consumers can eke out more interest, and other companies that provide automated solutions for consumers to navigate the

recently joined a new financial startup called FinReach. He said the fin-tech scene is unique because "from an M&A perspective, there's way more candidates to acquire you."

top of existing infrastructure to improve back-end

financial sector. (Forbes has a list of other examples

"Many firms are not that disruptive. They often build on

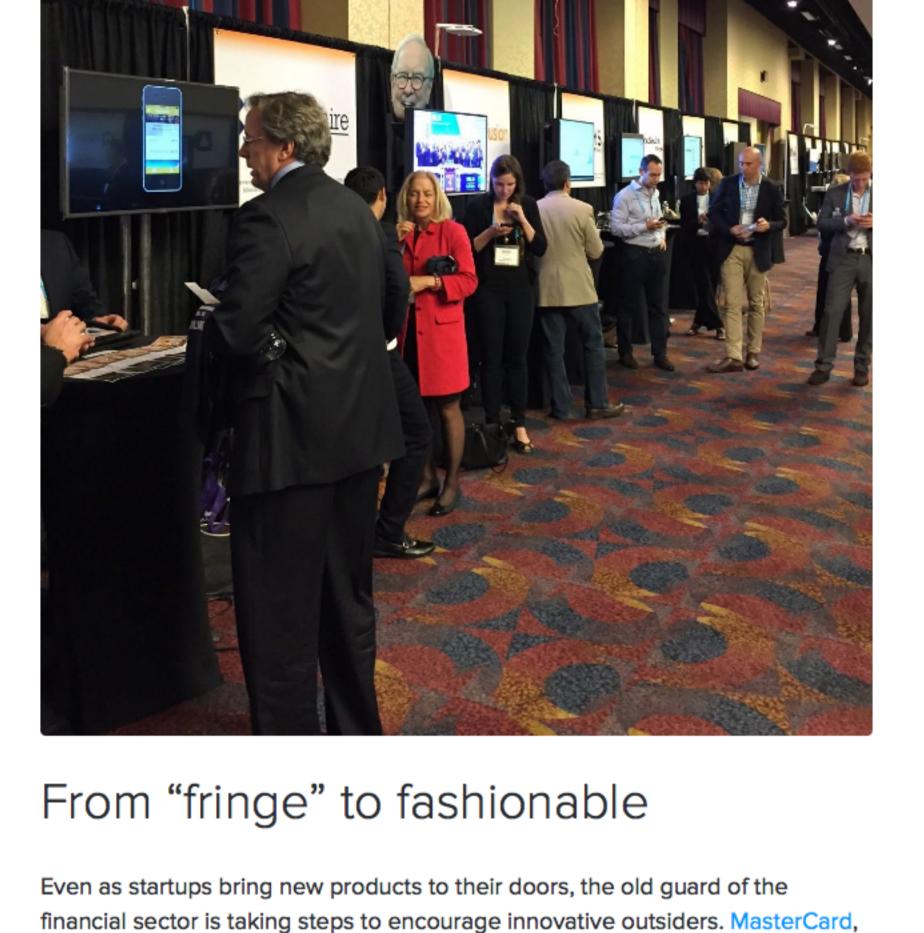
services," said Artur Lapinsch, an ad-tech veteran who

use alternate credit metrics and investment sources to change how people borrow and lend money. (You could also count Coin and other players in the suddenly hot payment and wallet sector as fin-tech, or those tied to virtual currency — though, perhaps significantly, there were no bitcoin companies at Finnovate).

Not all fin-tech entrepreneurs, of course, are looking to an acquisition or

becoming a part of the existing financial industry. Some have created truly

disruptive consumer-facing companies like Kabbage and Lending Club, which



for instance, has opened APIs related to its rewards programs to encourage people to tinker. According to Chris Guiney, a MasterCard executive who attended the New York event, the pitches he hears from entrepreneurs often let the company act on

ideas it has not had the time to execute internally.

"early and mid-career folks" who believe that their efforts will be more rewarded outside of big banks. Matthew added that the financial crisis has, paradoxically, been good for the banking sector because it spurred big

companies to seek out innovation, while creating a new class of financial

professionals who wanted to work outside of Wall Street.

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to Matthews of Bain Capital, most are not college-age whiz kids, but instead

So who exactly are the people launching fin-tech startups? According

firms will look at fin-tech deals." RELATED STORIES RELATED RESEARCH subscriber content [

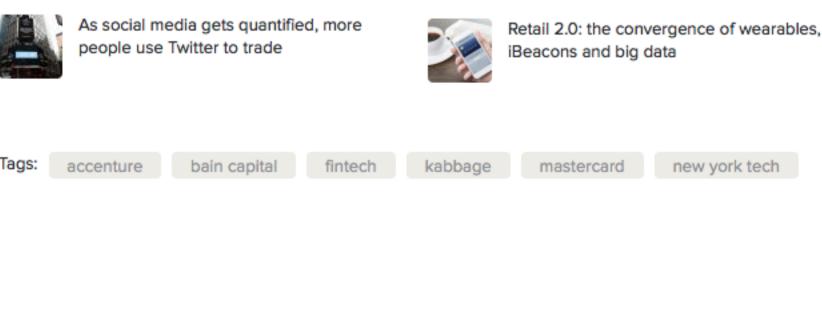
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"Going back 10 years, few people did it. It was less than one percent of the

venture industry. The sector used to be fringe. Now, closer to percent of VC





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