PitchBook

PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Paul Condra Global Head of Private Markets Research

Institutional Research Group

Analysis

Rudy Yang
Senior Analyst, Emerging Technology
rudy.yang@pitchbook.com

Data

Matthew Nacionales
Senior Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Megan Woodard**

Published on January 24 2025

Contents

Key takeaways 1
Executive summary 2
Key 2024 events timeline 3
VC activity 5
Exit activity 7
Valuations 11
Subsegment snapshots 14
Industry perspectives 38

EMERGING TECH RESEARCH

Fintech: State of the Industry 2025

A wide lens on fintech's pulse, funding flows, and key trends

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- Public fintech companies delivered a strong performance throughout 2024, with all our cohorts achieving positive median returns. High-growth companies, particularly those demonstrating improved unit economics, outperformed the broader market. Our standout cohorts were neobanks, brokers & crypto; insurtech; and high-growth fintech.

- In private markets, median pre-money valuations surged by 94.4% in 2024, reaching $35 million compared with $18 million in 2023. Growth was seen across all funding stages, though we believe this is because down rounds are not being actively disclosed, while up rounds are.

- AI is rapidly transforming segments like regtech, wealthtech, banking, and the CFO stack, while finally making inroads into traditionally entrenched sectors like capital markets. Meanwhile, the rise of agentic AI is pushing optimization even further by automating complex tasks and workflows, benefiting both enterprises and consumers.

- The fintech sector continues to normalize from peak levels in 2021. Fintech startups secured $29.5 billion of venture capital in 2024, denoting a 13% decline from the $34 billion seen in 2023.

- Investors continue to favor B2B over B2C fintech models, with enterprise-focused fintech companies accounting for 41% of 2024's venture capital deal value. However, consumer fintech companies experienced a resurgence this past year, capturing their highest share of total fintech VC funding since 2021.

- Sectors that saw the highest funding levels in 2024 included alternative lending & credit, with $8.1 billion; payments, with $4.4 billion; and the CFO stack, with $4.3 billion. The largest deals for the year belonged to a mix of consumer and enterprise fintech companies, with Abound's $999.6 million Series B (composed of debt and equity) and Tabby's $950 million Series D ($700 million debt, $250 million equity) topping the list.

- We recorded $18.2 billion of disclosed VC exit value across 219 deals in 2024, denoting YoY increases of 140.7% and 5.3%, respectively. Exit values increased from 2023 levels, driven primarily by IPOs from ServiceTitan, Ibotta, LianLian DigiTech, MobiKwik, and Baiwang. The IPO market is also expected to recover in 2025, with a strong pipeline of fintech companies such as Chime, Klarna, and Toss poised for market entry.

- Regulatory challenges, particularly following the Synapse collapse, have slowed sales cycles and deterred some banks and fintech companies from pursuing partnerships. While for some a deregulatory shift is generally anticipated from the incoming Trump administration, the future of financial oversight remains uncertain, keeping the industry cautious.

Executive summary

The fintech sector continues to normalize from peak levels in 2021, adjusting to more sustainable levels of capital deployment and valuations. The industry has demonstrated considerable resilience through a period of rising interest rates, constrained capital markets, inflationary pressures, exacerbating geopolitical tensions, and growing—yet unclear—regulations.

Following the zero-interest-rate-policy (ZIRP)-induced hype cycle, many previously "left-for-dead companies," such as neobanks, have staged incredible turnarounds, significantly improving their unit economics and generating positive free cash flow. This has been reflected in the stock market; shares of most fintech companies were rewarded with positive YTD returns in 2024, particularly those demonstrating profitability.

Still, the industry is likely not past its challenges, and the sector will probably not return to the hypergrowth era of the post-pandemic boom. Plenty of startups are still conserving runway as they struggle to secure their next round of capital or find a strategic acquirer. Some of these companies are now emerging with the news that they will cease operations, as seen by Tally, Bench, and Level in 2024. Regulatory uncertainties, exacerbated by the fallout from Synapse's collapse, are further slowing sales cycles and discouraging partnerships. While the incoming Trump administration is expected to favor deregulation, the outlook for financial oversight remains ambiguous, keeping many industry stakeholders cautious.

Looking ahead, we remain optimistic about the future of the industry. VCs are raising new fintech-focused funds, and our conversations with investors suggest that many are more bullish than ever on the emerging innovations in the sector. Furthermore, the IPO market appears to be poised for a recovery in 2025, given higher public tech valuations, ServiceTitan's success, and the extensive IPO pipeline of fintech companies that have stated they would like to go public, including Chime, Klarna, Toss, and Mynt.

This report delves into these dynamics. In the first section, we analyze the current deal environment, including VC activity, exit trends, and valuation shifts. We then provide a deep dive into major fintech segments, offering key takeaways for each. The final section shares our interviews with investors, founders, and operators, highlighting their thoughts on the state of the industry and predictions for 2025 and beyond.

Key 2024 events timeline

- VC deal
- IPO
- News
- M&A
- Buyout

Jan

Feb

Mar

Apr

May

Jun

Jul

January 4
HSBC launches Zing, its proprietary international money transfer app for UK customers, to compete with peer-to-peer remittance services provided by companies like Wise and Revolut.

February 20
Capital One announces it will acquire Discover for $35.3 billion in an all-stock transaction. The deal fields antitrust concerns and remains subject to regulatory approval, though approval was received from the Office of the Delaware State Bank Commissioner in December 2024.

March 28
Chinese cross-border payments platform LianLian DigiTech lists on the Hong Kong Stock Exchange. Shares of the company ended the year flat from its initial close price.

April 1
Public payments processor company Nuvei enters an all-cash take-private deal with Advent International, Novacap Management, CDPQ, and Philip Fayer, valuing the company at $6.3 billion.

May 9
Instant payments fintech company TabaPay abandons its plans to acquire the assets of banking-as-a-service (BaaS) platform Synapse, which filed for Chapter 11 bankruptcy in April 2024. The change is likely due to the inability to reconcile Synapse's missing funds.

June 26
Nubank acquires seed-stage data intelligence startup Hyperplane to further its AI strategy. The acquisition will allow Nubank to build and train foundation models, leading to more personalized product offerings.

VC deal

IPO

News

M&A

Buyout

August 2
Mynt, a Philippines-based fintech company that operates digital wallet GCash and alternative lending platform Fuse, raises $788.4 million in a late-stage deal at a $4.1 billion pre-money valuation. The deal is led by AC Ventures and MUFG Bank.

August 14
Apple announces that it will allow developers to access its near-field communication (NFC) technology via APIs. This allows fintech wallets and platforms to offer tap-to-pay and in-store payments directly through their apps, in addition to in-app rewards cards and IDs.

September 17
The FDIC's board of directors unanimously proposes a rule requiring banks to reconcile For Benefit Of (FBO) accounts. The rule would require banks to conduct greater oversight over the ledgers of their fintech partners, which could slow the rate of partnerships and impact BaaS lines of business.

October 22
The Consumer Financial Protection Bureau (CFPB) finalizes its open banking rule under Section 1033 of the Dodd-Frank Act, introducing standards for data sharing across deposit accounts, digital wallets, credit cards, and "pay-in-four" buy now, pay later (BNPL) products.

December 10
Gen Digital announces its $950 million acquisition of MoneyLion, a move that highlights the growing trend of fintech companies being acquired by nonfintech entities.

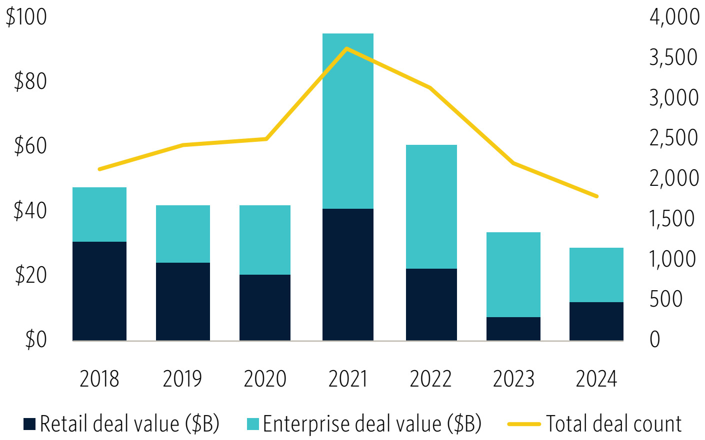
December 12
ServiceTitan, a software-as-a-service (SaaS) platform for field service businesses, goes public in one of the year's most anticipated fintech IPOs. Initially priced at $71 per share, ServiceTitan's stock opened up 42.3% at $101, with shares ending flat as of January 9, 2025.

VC activity

In 2024, venture capital deployment into the fintech sector—which by our definition excludes insurance technology (insurtech), crypto, and property technology companies—continued to normalize from peak 2021 levels. Fintech startups secured $29.5 billion of venture capital for the year, a 13% decline from the $34 billion seen in 2023. This marks the third consecutive year since 2021 where VC funding for the sector has declined on a YoY basis. Compared with prior years, VC deal value now sits at its lowest level since 2017, when $20.5 billion of venture capital was deployed into the sector. Deal count mirrored the trend, with 1,806 deals recorded for 2024, down 18.8% from 2023's 2,224 deals.

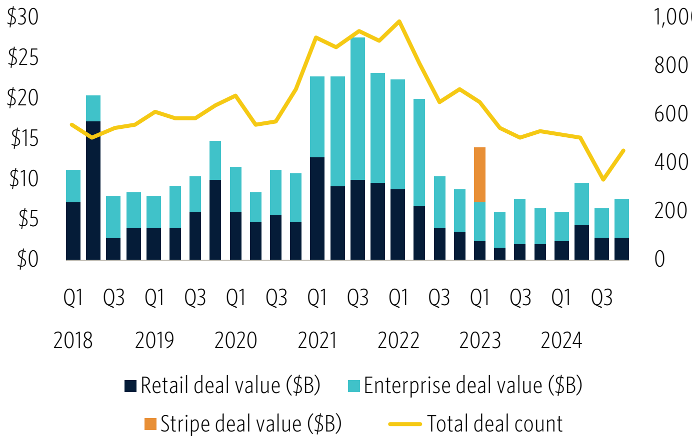
Investors continue to favor B2B over B2C fintech models, with enterprise-focused fintech companies accounting for 41% of 2024's venture capital deal value. However, consumer fintech companies experienced a resurgence this past year, capturing their highest share of total fintech VC funding since 2021, when they secured 43.2% of deal value. In recent years, investor interest in B2C fintech companies waned due to hampered consumer wealth and challenges in achieving profitability across many consumer-focused business models. In 2023, B2C fintech companies represented just 22.9% of total fintech VC funding, down from 37.9% in 2022.

Fintech VC deal activity by sector



Source: PitchBook • Geography: Global • As of December 31, 2024

Quarterly fintech VC deal activity by sector



Source: PitchBook • Geography: Global • As of December 31, 2024

Sectors that saw the highest funding levels in 2024 included alternative lending & credit, with $8.1 billion; payments, with $4.4 billion; and CFO stack, with $4.3 billion. The largest deals for the year belonged to a mix of consumer and enterprise fintech companies, with Abound's $999.6 million Series B (composed of debt and equity) and Tabby's $950 million Series D ($700 million debt, $250 million equity) topping the list. Mynt's $788.4 million late-stage round, Clear Street's $685 million Series B, and AlphaSense's $650 million Series E were also standout deals.

Top fintech VC deals in 2024 by quarter

Quarter	Company	Close date	Deal value ($M)	Deal type	Segment	Lead investor(s)
Q1	Tabby	January 4	$950.0	Late-stage VC	Credit & banking	Bluepool Capital, STV, Sequoia Capital, Wellington Management
	Mammoth Technology	February 12	$270.0	Early-stage VC	Wealthtech	N/A
	TravelPerk	January 23	$220.9	Late-stage VC	CFO stack	General Catalyst, SoftBank Investment Advisers
	Bilt	January 24	$200.0	Late-stage VC	Consumer payments	Eldridge Industries, General Catalyst, Ontario Teachers' Pension Plan, Teachers' Venture Growth
	DailyPay	January 18	$175.0	Late-stage VC	CFO stack	Carrick Capital Partners
Q2	Abound	May 7	$999.6	Early-stage VC	Alternative lending	GSR Ventures, K3 Ventures, Salica Investments
	Clear Street	April 4	$685.0	Late-stage VC	Capital markets	Prysm Capital
	AlphaSense	June 11	$650.0	Late-stage VC	Capital markets	BDT & MSD Partners, Viking Global Investors
	Monzo	May 8	$621.0	Late-stage VC	Credit & banking	CapitalG, GV
	PayJoy	April 10	$360.0	Late-stage VC	Alternative lending	Citi Ventures, Warburg Pincus
Q3	Mynt	August 2	$788.4	Late-stage VC	Consumer payments	AC Ventures, MUFG Bank
	One	September 20	$300.0	Late-stage VC	Credit & banking	Ribbit Capital, Walmart
	Human Interest	July 17	$267.0	Late-stage VC	Wealthtech	Baillie Gifford, Marshall Wace
	Gojo & Company	September 1	$229.9	Late-stage VC	Alternative lending	N/A
	Form3	September 10	$220.0	Late-stage VC	Financial services infrastructure	The Goldman Sachs Group
Q4	Ualá	November 11	$309.7	Late-stage VC	Credit & banking	Allianz X
	Zepz	October 3	$267.0	Late-stage VC	Consumer payments	Accel
	Neo	November 11	$259.6	Late-stage VC	Credit & banking	N/A
	Zest AI	December 13	$200.0	Late-stage VC	Alternative lending	N/A
	Current	December 13	$200.0	Late-stage VC	Credit & banking	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Top VC investors in fintech companies since 2018

Investor	Deal count	Pre-seed/seed	Early-stage VC	Late-stage VC	Venture growth
Global Founders Capital	230	111	96	19	4
Gaingels	211	60	65	61	25
FJ Labs	202	61	82	46	13
Tiger Global Management	185	10	57	79	39
Soma Capital	174	79	83	9	3
Alumni Ventures	162	58	48	45	11
QED Investors	159	37	65	47	10
Accel	158	26	48	61	23
Goodwater Capital	152	71	50	17	14
Andreessen Horowitz	149	32	55	44	18

Source: PitchBook • Geography: Global • As of December 31, 2024

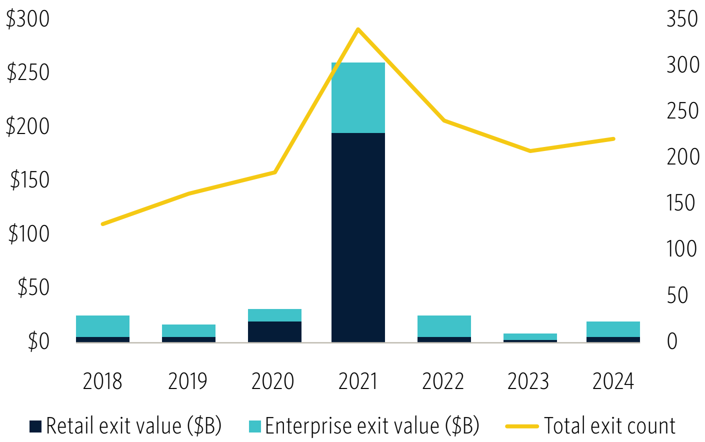
Looking ahead, we remain optimistic about capital deployment into the fintech sector. We are entering a normalized environment in which both investors and startups are seeing more eye to eye on valuations. Additionally, many investors remain excited about innovations occurring in the sector, such as AI and embedded finance—which is evident in the quotes provided in the "Industry perspectives" section. It appears the IPO market may also open up in 2025—discussed further in the "Exit activity" section below—which will help return capital back to investors.

Many investors are also looking to raise new funds and increase capital deployment in 2025. In 2024, several new fintech funds launched, including PruVen Capital's $378.5 million Fund II, MiddleGame Ventures' Fund III ($54.2 million raised out of a $156.4 million target), 13books Capital's $154.4 million Capital Fund II, Luge Capital's $70.7 million Fund II, Outward Venture Capital's Fund II ($62.8 million currently raised), and The Fintech Fund's $10 million Fund II. Just two weeks into 2025, FTV Capital also announced it raised over $4 billion across two new funds to deploy into fintech and enterprise software companies.

Exit activity

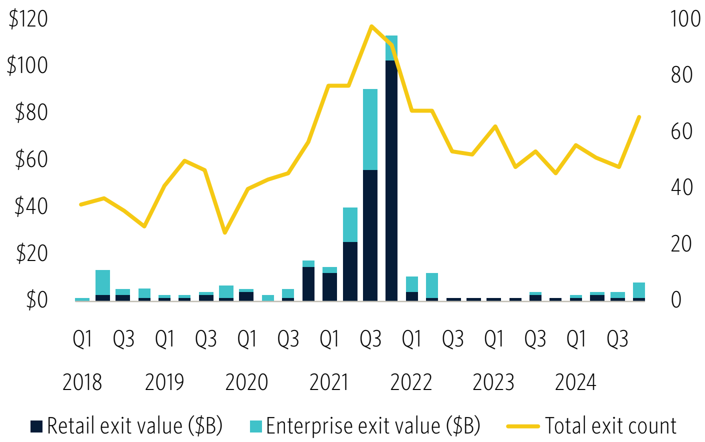
We recorded $18.2 billion in VC exit value across 219 deals in 2024, denoting YoY increases of 140.7% and 5.3%, respectively. Fintech exit levels have recovered compared with 2023, due primarily to a bounce back in public listing exit values. 2024 saw $12.6 billion in VC exit value from public listings, up 303% from 2023's $3.1 billion. This was composed of a few IPOs, including ServiceTitan's $5.6 billion exit value, which is now $8.8 billion; Ibotta's $2.4 billion exit value; LianLian DigiTech's $1.3 billion exit value; Baiwang's $1.1 billion exit value; and MobiKwik's $188.5 million exit value.

Fintech VC exit activity by sector



Source: PitchBook • Geography: Global • As of December 31, 2024

Quarterly fintech VC exit activity by sector

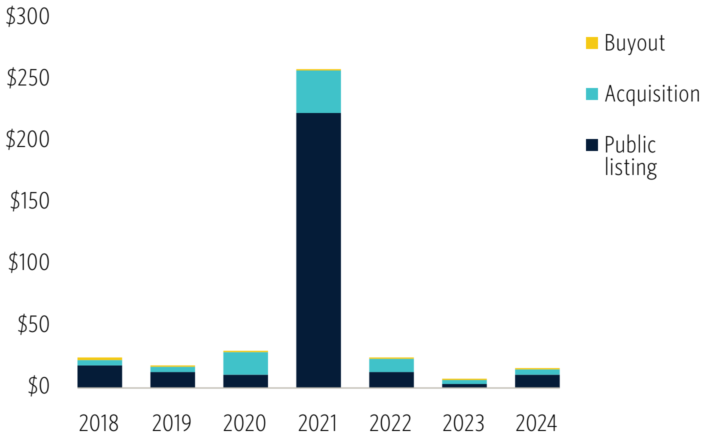


Source: PitchBook • Geography: Global • As of December 31, 2024

ServiceTitan's robust IPO performance in December 2024 underscores the strong investor appetite for fintech public listings. Initially priced at $71 per share, ServiceTitan's stock opened up 42.3% at $101, with shares ending flat as of January 9, 2025. MobiKwik's debut on the National Stock Exchange of India and Bombay Stock Exchange was also exceptionally well received, with shares listing at a 58% premium to their issue price and institutional bids oversubscribed by 120x. This is a positive signal for the extensive pipeline of fintech companies awaiting an IPO and could encourage more companies to tap the public markets within the next one to two years.

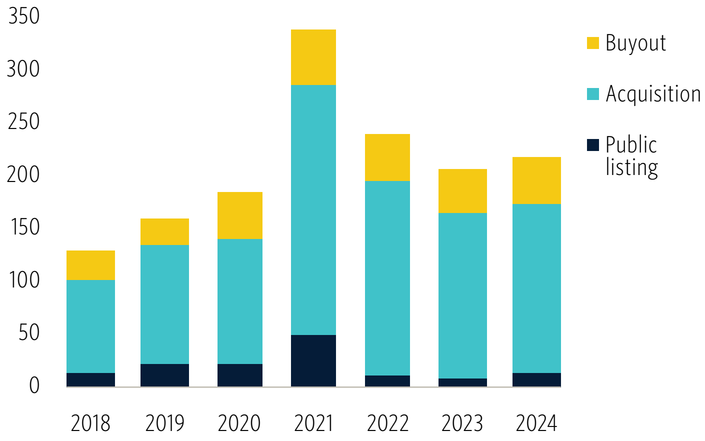
Several companies have already filed for an IPO or announced interest in public listings, suggesting 2025 could see a revival in fintech IPOs. Companies on our watch list for the near term include Chime, Klarna, Mynt, Apex Fintech, Figure, Toss, eToro, Mindbody, Ebury, PicPay, and Groww. Further down the line, Stripe, Plaid, Revolut, Starling, N26, DailyPay, and Pleo could exit to the public markets as well.

Fintech VC exit value ($B) by type



Source: PitchBook • Geography: Global • As of December 31, 2024

Fintech VC exit count by type

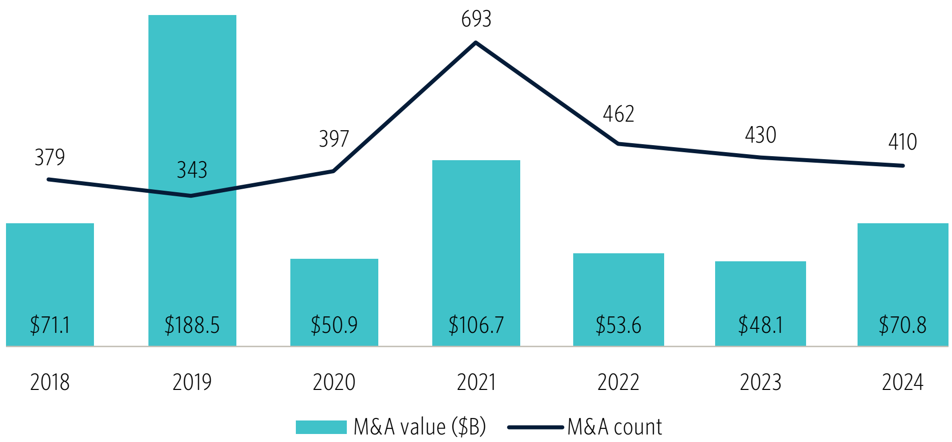


Source: PitchBook • Geography: Global • As of December 31, 2024

Global M&A activity also ticked up in 2024, with $70.8 billion in disclosed deal value recorded across 410 deals. Compared with 2023's $48.1 billion over 430 deals, this represents an increase of 47.3% and a decrease of 4.7%, respectively. 2025 will likely see further acquisitions in the space, driven by re-energized corporate buyers, declining interest rates making financing more accessible, and the growing pressure of underperforming startups to find strategic buyers. Additionally, established fintech players and traditional financial institutions are likely to place M&A higher on their capital allocation priorities in an effort to drive growth and acquire both cutting-edge intellectual property and talent.

At the close of 2024 and the beginning of 2025, there has been notable acquisition activity. Prominent deals include Gen Digital's $950 million acquisition of MoneyLion and Upbound Group's $460 million purchase of Brigit, highlighting how fintech companies can complement businesses in adjacent sectors like cybersecurity. Employer.com, a payroll solutions provider, has capitalized on struggling startups, acquiring tax services company Bench in December 2024 and employee benefits platform Level in January 2025. Other significant transactions include Fiserv's $141.1 million acquisition of earned wage access provider Payfare and TransUnion's acquisition of B2B2C credit platform Monevo.

Fintech M&A activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key fintech exits in 2024

Company	Close date	Segment	Exit value ($M)	Exit type	Acquirer(s)/index
ServiceTitan	December 12	Payments	$5,640.0	IPO	Nasdaq
Ibotta	April 17	Consumer payments	$2,441.2	IPO	NYSE
LianLian DigiTech	March 28	Payments	$1,325.6	IPO	Hangzhou Chengtou, Hangzhou Hi-Tech Financial Investment Group
Baiwang	July 9	CFO stack	$1,080.6	IPO	HKD
Tegus	June 11	Capital markets	$930.0	M&A	AlphaSense
Featurespace	December 19	Regtech	$925.0	M&A	Visa
Cadre	January 22	Wealthtech	$500.0	M&A	YieldStreet
Brigit	December 12	Wealthtech	$460.0	M&A	Upbound Group
Spiff	February 1	CFO stack	$419.0	M&A	Salesforce
MobiKwik	December 18	Consumer payments	$188.5	IPO	BSE, NSE

Source: PitchBook • Geography: Global • As of December 31, 2024

PitchBook Exit Predictor scores for top VC-backed companies

Company	VC ($M) raised to date	Segment	Category	IPO probability	M&A probability	No exit probability
Stripe	$8,735.0	Payments	Payment platforms & POS	96%	2%	2%
Klarna	$4,617.3	Credit & banking	Credit & BNPL	97%	1%	2%
Generate	$4,323.1	Capital markets	Alternative capital	48%	48%	4%
Chime	$2,647.6	Credit & banking	Digital banking	54%	44%	2%
PhonePe	$2,252.3	Payments	Payment platforms & POS	33%	63%	4%
Suning Finance	$2,211.8	Credit & banking	Digital banking	N/A	N/A	N/A
JD Digits	$2,127.9	Financial services infrastructure	Enterprise architecture	N/A	N/A	N/A
Monzo	$1,922.7	Credit & banking	Digital banking	76%	22%	2%
N26	$1,853.1	Credit & banking	Digital banking	92%	3%	5%
Checkout.com	$1,830.0	Payments	Payment platforms & POS	16%	80%	4%

Source: PitchBook • Geography: Global • As of December 31, 2024
Note: Probability data is based on PitchBook VC Exit Predictor methodology.

Valuations

Public fintech companies delivered strong performance throughout 2024, with all our cohorts achieving positive median returns. Detailed insights are available in our Q4 2024 Fintech & Payments Public Comp Sheet and Valuation Guide. High-growth companies, particularly those demonstrating improved unit economics, outperformed the broader market. While the S&P 500 and Nasdaq posted strong annual returns of 23.3% and 28.6%, respectively, our standout cohorts were neobanks, brokers & crypto (median return of 48.8%), medium-growth & legacy fintech (median return of 21%), and high-growth payments (median return of 12.9%).

For full-year 2024, changes in valuation multiples were mixed across our cohorts. Enterprise value (EV)/trailing 12-month (TTM) sales multiples positively rerated for neobanks, brokers & crypto companies, as well as medium-growth & legacy fintech companies. However, high-growth payments, medium-growth & legacy payments, and medium-growth & legacy fintech groups saw their median EV/TTM sales multiples contract by year-end. Similar patterns were observed for EV/TTM EBITDA multiples. Most companies saw their shares rally during the year, which signals that some companies may have experienced robust revenue growth that outpaced their increases in EVs.

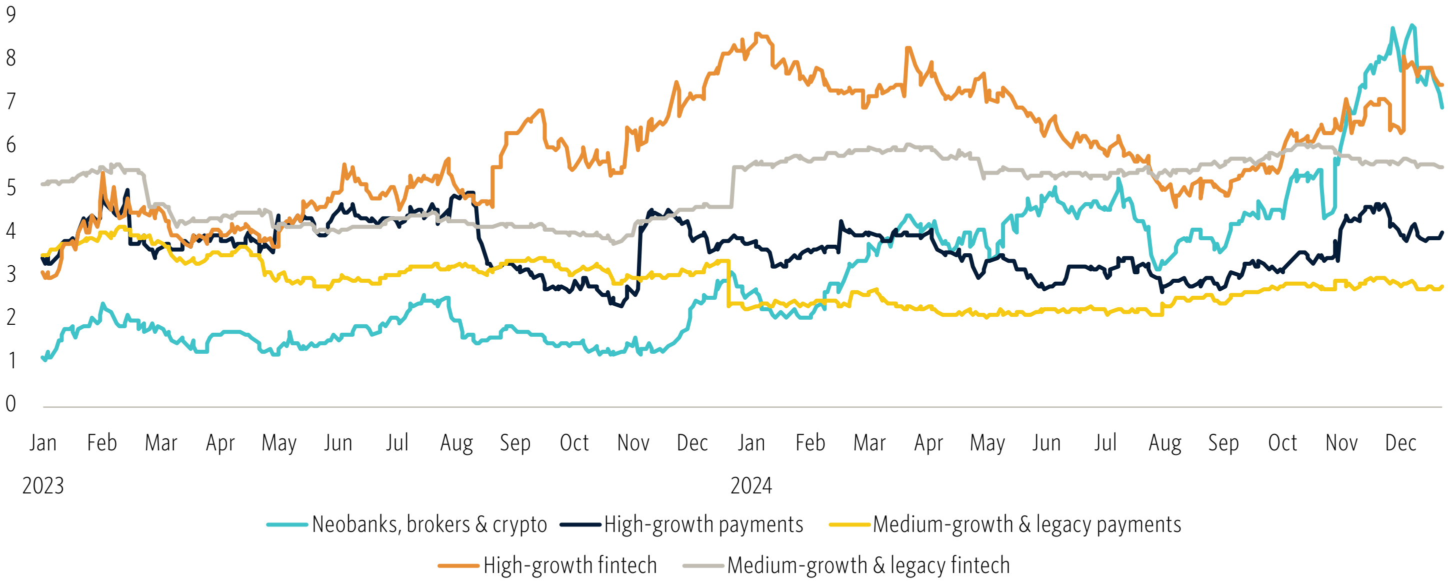
Importantly, it appears investors are now assigning greater value to profitability. In Q4 2024, several public companies saw larger-percentage moves in their EV/TTM EBITDA multiples compared with their EV/sales multiples.

Median fintech public valuation multiples by cohort

Cohort	Median EV/TTM sales			Median EV/TTM GP			Median EV/TTM EBITDA			Median price/TTM EPS		
	Jan-24	Dec-24	% change	Jan-24	Dec-24	% change	Jan-24	Dec-24	% change	Jan-24	Dec-24	% change
Neobanks, brokers & crypto	2.7x	6.9x	156%	1.4x	3.5x	150%	-32.2x	27.8x	186%	-9.2x	55.1x	699%
High-growth payments	3.5x	2.8x	-20%	5.9x	4.3x	-27%	31.4x	29.0x	-8%	-35.3x	38.1x	208%
Medium-growth & legacy payments	4.5x	3.8x	-16%	6.0x	5.8x	-3%	13.5x	12.4x	-8%	31.4x	16.5x	-47%
High-growth fintech	8.2x	7.4x	-10%	8.7x	6.7x	-23%	-22.9x	192.7x	941%	-17.0x	-94.6x	-456%
Medium-growth & legacy fintech	5.5x	5.7x	4%	10.7x	11.7x	9%	17.8x	14.7x	-17%	21.1x	15.1x	-28%

Source: PitchBook • Geography: Global • As of December 31, 2024

Median monthly fintech EV/TTM sales multiple by cohort



Source: PitchBook • Geography: Global • As of December 31, 2024

In private markets, median disclosed pre-money valuations surged by 94.4% in 2024, reaching $35 million compared with $18 million in 2023. Valuations grew across all funding stages, with the largest gains seen in venture-growth deals (up 159.8% to $505 million) and early-stage deals (up 106.2% to $44.4 million). Pre-seed/seed valuations grew by 33.2%, reaching a median of $13 million, while late-stage valuations increased 25.2% to a median of $57.5 million. Notably, this data appears to mismatch the broader market narrative of valuations normalizing from peak levels in previous years. This is likely because down rounds are not being actively disclosed, while up rounds are.

Observing estimated valuations of late- and growth-stage private fintech companies shows that valuations are moving in mixed directions. According to Caplight data, the median and average changes in estimated valuations from last known valuations for our peer group are -6% and 1%, respectively. Klarna currently has the highest positive change of 139% from its previous valuation of $6.7 billion in 2022,[1] while Chime has the greatest negative change of -59% from its last valuation of $25 billion in 2021.[2]

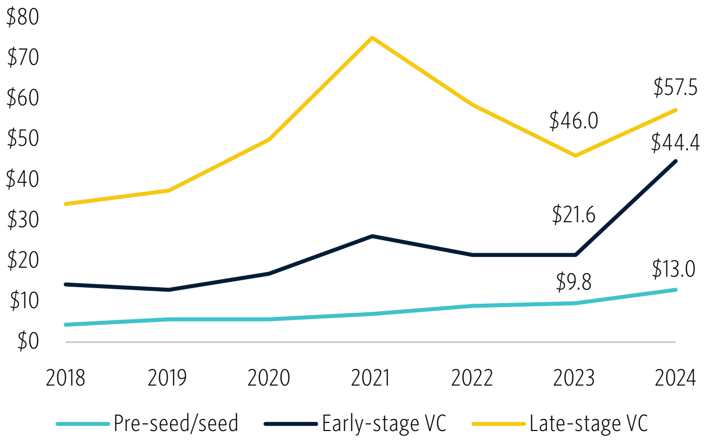
1: "Klarna," Caplight, n.d., accessed January 10, 2025.
2: "Chime," Caplight, n.d., accessed January 10, 2025.

Estimated valuation changes for select fintech companies

Company	Estimated current valuation ($B)	Last valuation ($B)	% change
Klarna	$16.0	$6.7	139%
Stripe	$90.2	$70.0	29%
Rippling	$15.0	$13.5	11%
Airwallex	$6.2	$5.6	11%
Public.com	$0.6	$0.6	1%
Revolut	$39.4	$45.0	-12%
Deel	$9.4	$12.1	-22%
eToro	$2.2	$3.5	-37%
Gusto	$5.3	$9.6	-45%
Chime	$10.2	$25.0	-59%

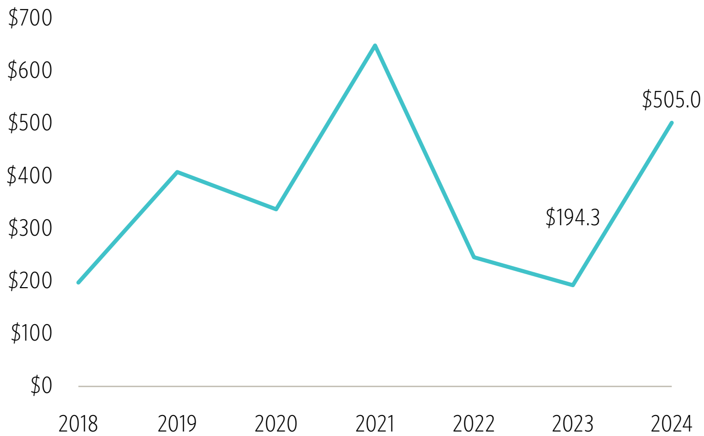
Sources: Caplight, PitchBook • Geography: Global • As of January 14, 2025

Median fintech VC pre-money valuation ($M) by stage (excluding venture growth)



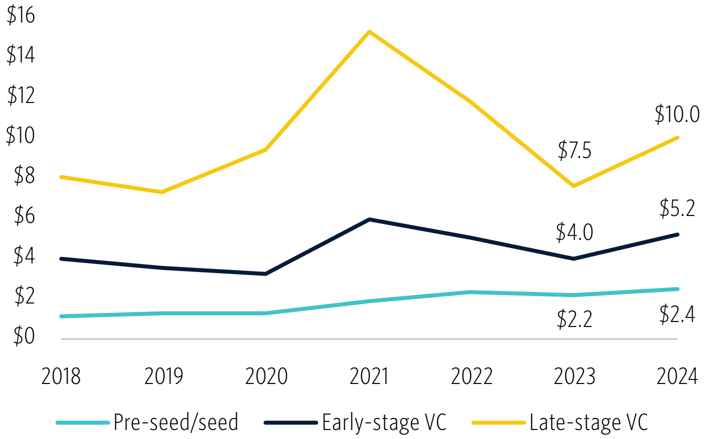
Source: PitchBook • Geography: Global • As of December 31, 2024

Median fintech venture-growth pre-money valuation ($M)



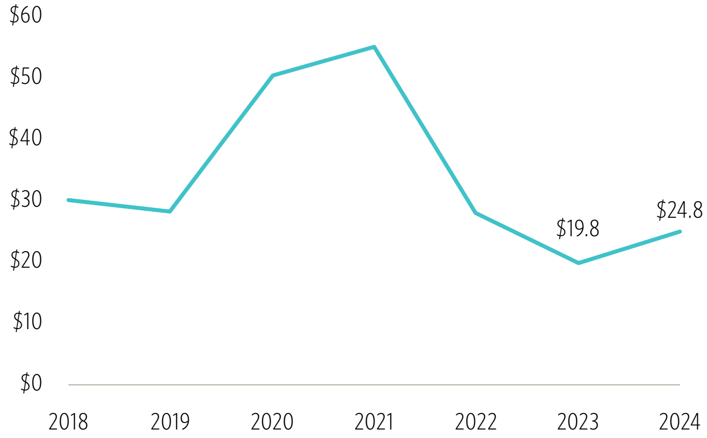
Source: PitchBook • Geography: Global • As of December 31, 2024

Median fintech VC pre-money valuation step-up by stage (excluding venture growth)



Source: PitchBook • Geography: Global • As of December 31, 2024

Median fintech venture-growth pre-money valuation step-up



Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Alternative lending & credit

Key things to know:

- **Underwriting data and models as assets:** As underwriting models increasingly rely on third-party data rather than direct inputs from loan applicants, data has become a critical asset. Modern models integrate diverse datasets, including cash flow, payroll, investments, and telecom records. However, the effectiveness of these models depends on more than just data volume. Injecting a massive heap of data into a model will not yield effective results. Competitive advantages arise from the quality of algorithms, the application of AI & machine learning (ML), and how data is analyzed and interpreted. Additionally, the ability to provide clear and explainable lending decisions is becoming a key differentiator in the space.

- **No end game to Basel III Endgame:** The 2025 Basel III Endgame rules face uncertainty, as the Trump administration is likely to ease bank regulations. Furthermore, the resignation of Michael S. Barr, the Federal Reserve's vice chair of banking supervision, signals additional doubt, given that he was a strong advocate of the regulation. The proposal would have raised capital requirements for banks, thus tightening credit availability and pushing borrowers toward alternative lenders for riskier and unsecured loans. A rollback, however, could boost bank lending and stimulate the broader credit market.

- **Demand for secured and asset-backed lending:** Banks and alternative lenders continue to shift focus toward secured lending products due to tighter credit markets, stricter regulations, and greater emphasis on stability and profitability. Assets such as vehicles, real estate, and investments are being leveraged to reduce default risk and improve capital efficiency. They are also being used to extend credit to underserved populations in emerging markets. In 2024, several startups in this space received funding, including Arch, Aven, Carputty, Moove, Octane, and Yenmo.

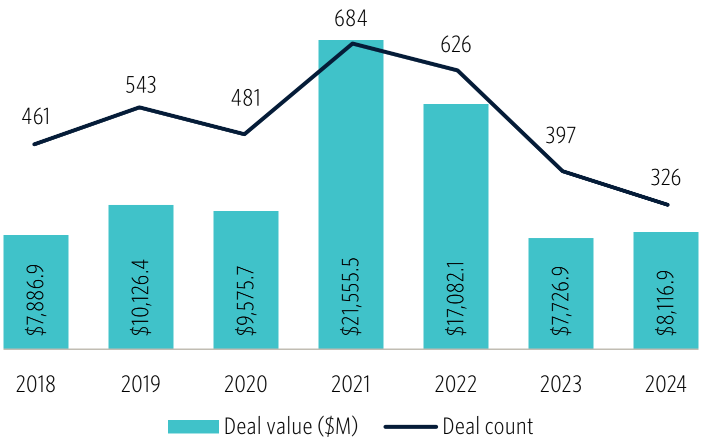
- **Embedded lending is a massive frontier:** Integrating lending into nonfinancial platforms like SaaS, websites, and marketplaces has shown it can increase customer lifetime value, unlock new revenue streams, and drive business growth. However, we are likely still in the early innings of embedded lending. 83% of vertical software companies offer embedded payments, but fewer than 25% offer embedded lending.[3] Lending can be embedded across a wide range of use cases, from consumer and business-facing applications to marketplaces and cobranded card programs.

- **Rising interest in home equity solutions:** High homeowner equity and tighter credit markets are benefiting the home equity products sector. In 2024, home equity lines of credit (HELOCs) reached their highest levels since 2008.[4] Though they provide an option for consumers to receive credit at lower rates compared with unsecured loans, they can still be hard to obtain due to stringent requirements and long processes. Fintech companies like Figure help reduce that friction, while companies like Aven bake HELOC access into a credit card. Home equity investment platforms are also competing by offering cash to homeowners in exchange for a share in future home appreciation. Startups like Point, Splitero, and Unison play in this space.

- **More to come from BNPL:** BNPL companies are expanding and gaining traction. Affirm's forward sales multiples rose by 22% in 2024, while Klarna's valuation is up 138.8% to $16 billion, according to Caplight.[5] Notably, Sezzle's forward sales multiple also rose substantially in 2024 before seeing its gains erased from Hindenburg Research's short-sell report issued at year-end.[6] Consumer-facing leaders are driving growth through higher volumes, new products, and strategic partnerships. They are also getting smarter around unit economics, and lower interest rates should provide some relief on funding costs. Meanwhile, B2B remains a largely untapped opportunity, with Affirm, Klarna, Billie, Mondu, Hokodo, Kriya, and others competing for share.

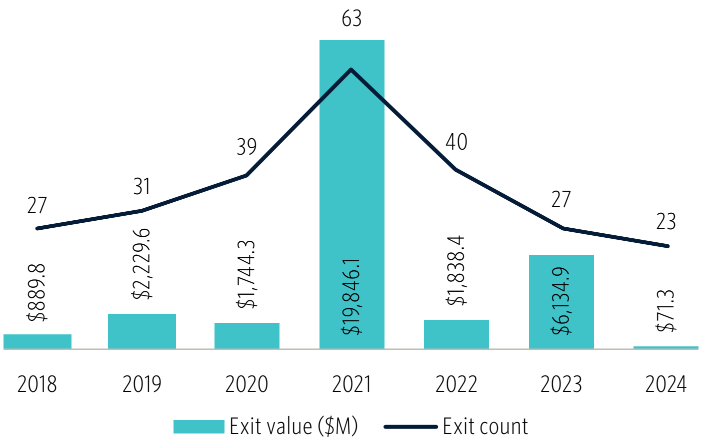
3: "A Data-Driven Look at Fintech Adoption in Vertical Software," Matt Brown's Notes, Matt Brown, April 10, 2024.
4: "Home Equity Lending Rose to Highest Level Since 2008 in 2024," CoreLogic, Archana Pradhan, October 9, 2024.
5: "Klarna," Caplight, n.d., accessed January 14, 2024.
6: "Sezzle: A Failing 'Buy Now, Pay Later' Platform Playing Short Term Tricks as Insiders Cash Out via Stock Sales and Margin Loans," Hindenburg Research, December 18, 2024.

Alternative lending & credit VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Alternative lending & credit VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key alternative lending & credit VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Abound	May 7	$999.6	N/A	GSR Ventures, K3 Ventures, Salica Investments	N/A
Tabby	January 4	$950.0	$1,250.0	Bluepool Capital, STV, Sequoia Capital, Wellington Management	1.9x
PayJoy	April 10	$360.0	$510.0	Citi Ventures, Warburg Pincus	6.4x
Gojo & Company	September 1	$229.9	N/A	N/A	N/A
KreditBee	April 26	$209.0	$491.0	Premji Invest	N/A
Zest AI	December 13	$200.0	N/A	N/A	N/A
Mintifi	December 10	$180.0	$670.0	Prosus, Teachers' Venture Growth	N/A
Yendo	May 16	$165.0	N/A	N/A	N/A
Aven	July 18	$142.0	$858.0	General Catalyst, Khosla Ventures	N/A
Bridgit	June 11	$139.6	N/A	OIF Ventures	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key alternative lending & credit VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer/index	Total invested ($M)
Usha Financial	October 31	$31.7	IPO	NSE	$11.7
Avafin	November 11	$28.5	M&A	Capitec Bank	$28.5
Credova	March 13	$24.2	M&A	Public Square	$24.2
MFS	June 21	$16.2	IPO	TKS	$6.9
Theorem	October 29	N/A	M&A	Pagaya	N/A
ZestMoney	January 18	N/A	Buyout/LBO	DMI Finance	N/A
Nimble	August 7	N/A	M&A	SkyCredit	N/A
Drip	December 17	N/A	M&A	Malga	N/A
eFunder	January 1	N/A	M&A	IHC	N/A
Beeline	October 10	N/A	M&A	Eastside Distilling	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Capital markets

Key things to know:

- **The AI revolution has reached capital markets:** The capital markets sector has continued to be burdened by legacy workflows and manual tasks. In the past year, however, capital market companies have heavily emphasized leveraging AI. Use cases have ranged from streaming both front- and back-office functions, augmenting data ingestion and analysis, unlocking alpha, and optimizing risk management. Startups like Boosted.ai empower portfolio managers with ML tools to uncover investment opportunities, while Numerai leverages crowdsourced predictive models to improve market performance. Startup Brightwave offers AI agents that enhance research processes for asset managers. Major players like JPMorgan Chase, Morgan Stanley, Citigroup, and Goldman Sachs also accelerated their AI innovation efforts in 2024, developing proprietary tools to optimize trading strategies, improve client engagement, and drive operational efficiency.

- **Back-office functions need modern solutions:** Capital market operations are still highly manual, slow, and error-prone. For example, post-trade processes such as clearing and settlement often involve several intermediaries, manual functions, and legacy systems—many of which have been in place for decades. Companies like Clear Street, which raised a $685 million Series B in 2024 at a $1.4 billion pre-money valuation, are helping firms replace their legacy infrastructures with more efficient, cloud-native systems that streamline manual tasks, reduce settlement times, and provide real-time data transparency. In spaces such as lending, startups like Setpoint are leveraging AI and building streamlined operating systems to automate lending processes for borrowers and originators. In 2024, Setpoint raised a $31 million Series B.

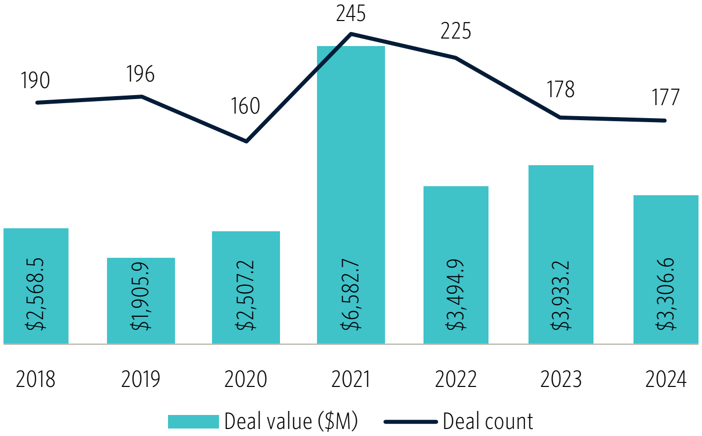
- **Extended trading hours:** Near-24/7 trading across asset classes is becoming more mainstream. The New York Stock Exchange is looking to extend weekday trading hours to 22 hours a day,[7] and Charles Schwab is aiming to expand its weekday 24-hour trading offering.[8] Additionally, in November 2024, startup 24 Exchange became the first Securities and Exchange Commission (SEC)-approved national securities exchange allowed to operate 23 hours a day, five days a week in the US. According to Axios, the company is also seeking $50 million in funding.[9] Retail brokerages such as Robinhood also offer 24-hour trading on weekdays to attract users, partnering with alternative trading systems such as Blue Ocean Technologies to do so.

- **Movement toward real-time settlements:** In May 2024, the SEC decision to shorten the standard settlement cycle of T+1 went into effect. This has made tighter settlement deadlines mainstream and accelerated demand for modern capital markets infrastructure. The ongoing move toward real-time settlement creates opportunities in collateral management, margin optimization, and post-trade reconciliation. Clear Street, Axoni, and Capitolis are examples of startups building solutions in this sector.

- **Alternative asset growth exposing manual workflow inefficiencies:** The market for alternative assets continues to grow, now reaching $22 trillion in AUM.[10] This growth in demand and transaction volumes for alternative asset classes such as private credit, private equity, real estate, and collectibles has led to a greater need for real-time data, reduction of manual processes, and compliance with growing regulatory requirements. For example, Canoe Intelligence raised $36 million in Series C funding in 2024 at a $284 million pre-money valuation to streamline data extraction and categorization for alternative investments. Meanwhile, AltExchange, which automates alternative investment management workflows, was acquired by Institutional Capital Network in Q4 2024.

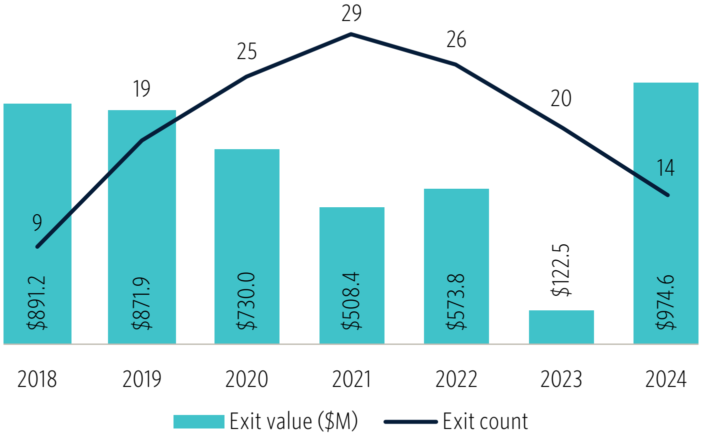
7: "The New York Stock Exchange Plans To Extend Weekday Trading on Its NYSE Arca Equities Exchange to 22 Hours a Day," Business Wire, October 25, 2024.
8: "Schwab to Significantly Expand Its 24-Hour Trading Capabilities To Include the Stocks in the S&P 500®, Nasdaq-100® and Hundreds of Additional Exchange-Traded Funds," Charles Schwab, October 30, 2024.
9: "SEC-Approved Round-the-Clock Exchange 24 Exchange Seeks $50 Million," Axios Pro, Lucinda Shen, December 10, 2024.
10: "January 2024: The Next $20 Trillion in Alternative Investments," CAIA Association, January 2024.

Capital markets VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Capital markets VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key capital markets VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Clear Street	April 4	$685.0	$1,415.0	Prysm Capital	N/A
AlphaSense	June 11	$650.0	$3,350.0	BDT & MSD Partners, Viking Global Investors	1.3x
MioTech	January 26	$150.0	$850.0	B Capital Group	N/A
Inveniam	December 17	$120.0	N/A	Cushman & Wakefield	N/A
Kickstarter	March 11	$100.0	$300.0	Andreessen Horowitz, Yes VC	N/A
Partior	November 27	$80.0	N/A	Peak XV Partners	N/A
FINBOURNE	September 10	$71.9	$342.1	AXA Venture Partners, Highland Europe	2.4x
TradeAlgo	October 8	$69.4	N/A	N/A	N/A
Nasdaq Private Market	February 8	$62.4	N/A	Nasdaq	N/A
Persefoni	January 31	$50.0	$340.0	TPG	1.3x

Source: PitchBook • Geography: Global • As of December 31, 2024

Key capital markets VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer(s)/index	Total invested ($M)
Tegus	June 11	$930.0	M&A	AlphaSense	$930.0
Foxberry	April 16	$42.6	M&A	MSCI	$42.6
Investo	March 22	N/A	M&A	VanEck	N/A
Visible Alpha	May 9	N/A	M&A	S&P Global	N/A
Trovio	October 23	N/A	M&A	JellyC	N/A
Charityvest	October 17	N/A	Buyout/LBO	Foundation Source, GTCR	N/A
Atmos AI	February 15	N/A	M&A	WAP Sustainability	N/A
FX HedgePool	October 1	N/A	Buyout/LBO	GV Investment Managers, J.C. Flowers & Co., LMAX Group	N/A
Trackinsight	September 17	N/A	Buyout/LBO	Kepler Cheuvreux	N/A
RealBlocks	February 6	N/A	Buyout/LBO	BlockchainK2	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

CFO stack

Key things to know:

- **It is the third-largest funded subsegment:** CFO stack—which encompasses companies focused on expense management, payroll, financial planning & analysis, and tax—continues to rank among the most well-funded subsegments in fintech. In 2024, the segment attracted $4.3 billion in funding, marking a YoY increase of 30% and accounting for 14.6% of total fintech VC deal value.

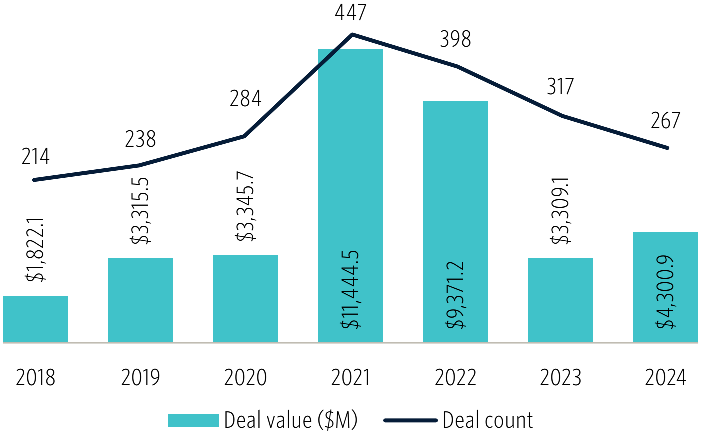
- **Saturated but full of opportunity:** The expense management space still sees considerable competition given its saturation. Leaders like Ramp, Brex, Navan, and Aspire continued to grow in 2024 but still hold limited market share in middle-market and enterprise segments relative to incumbents. Importantly, funding is still flowing to other startups in the space, such as Light ($13 million Series A), Flex ($15 million Series A, and Series A2 in progress), Kapital ($188.2 million Series B in debt and equity), Finally ($50 million equity and $150 million debt Series B), Clara ($60 million Series B), Float Financial ($48.5 million Series B), and Relay ($32.2 million Series B).

- **Mega-enterprise resource planning platforms to emerge:** Expense management companies are expanding product suites to include offerings in procurement and automation for payables and receivables. This strategy may also lead to more acquisitions. In Q4 2024, human resources and payroll company Paylocity acquired expense management startup Airbase for $325 million.

- **Vertical payments in this segment are gaining traction:** Spending management is starting to be built for specific industries. This allows companies to provide a differentiated offering in a saturated sector and reach previously underserved customer segments. For example, startups AtoB and Coast both secured funding in 2024 to help companies in the fleet industry issue fuel cards and manage spending.

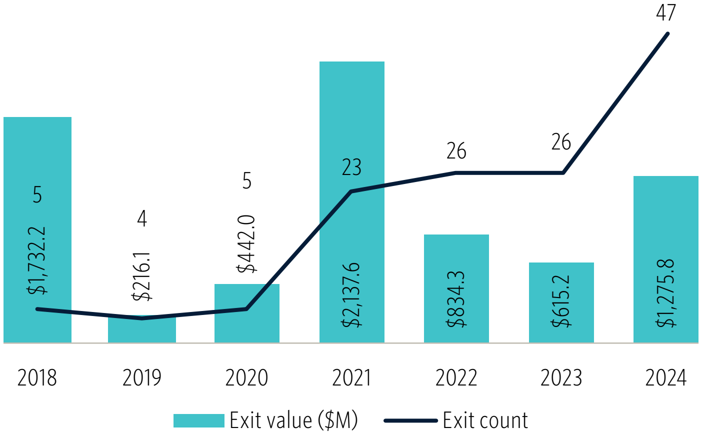
- **AI becoming table stakes:** The rapid push to adopt AI is making AI-powered products a standard offering among CFO stack companies. In January 2024, Ramp acquired AI procurement startup Venue. Payroll firms, including startups Deel and Gusto and incumbents UKG and ADP, are adopting AI to streamline manual tasks, analytics, and reporting. Navan and Brex use OpenAI integrations to automate expense workflows, while bookkeeping and tax companies like Sage, Finally, and Fieldguide leverage AI for document ingestion, reporting, and generating insights. Conversely, companies unable to adapt to modern AI architectures are facing challenges. For example, accounting startup Bench, founded in 2012, announced its shutdown on December 27, 2024, before being acquired by Employer.com just days later.

CFO stack VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

CFO stack VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key CFO stack VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
TravelPerk	January 23	$220.9	$1,215.0	General Catalyst, SoftBank Investment Advisers	1.9x
Finally	July 3	$200.0	N/A	N/A	N/A
Rippling	May 15	$200.0	$13,300.0	Coatue Management	1.1x
Zip	October 21	$189.7	$2,010.3	BOND Capital	1.3x
DailyPay	January 18	$175.0	$1,750.0	Carrick Capital Partners	1.5x
Ramp	April 17	$150.0	$7,500.0	8VC, Greylock, Khosla Ventures, Sequoia Capital	1.3x
Asaas	October 8	$148.9	N/A	BOND Capital	N/A
Parker	November 9	$140.0	$105.0	Valar Ventures	0.8x
AtoB	September 19	$130.0	N/A	Bloomberg Beta, General Catalyst	N/A
Contabilizei	October 11	$125.0	N/A	N/A	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key CFO stack VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer/index	Total invested ($M)
Baiwang	July 9	$1,080.6	IPO	HKEX	$46.2
Spiff	February 1	$419.0	M&A	Salesforce	$419.0
Airbase	August 29	$325.0	M&A	Paylocity	$325.0
Cobee	September 25	$188.0	M&A	Pluxee	$188.0
Voxel	February 29	$114.6	M&A	Amadeus IT Group	$114.6
Skuad	August 5	$61.0	M&A	Payoneer	$61.0
Wint	October 25	$48.3	Buyout/LBO	Norvestor	$48.3
Bench	December 30	N/A	M&A	Employer.com	N/A
Teal	September 6	N/A	M&A	Mercury	N/A
Regate	March 7	N/A	M&A	Qonto	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Digital banking

Key things to know:

- **Neobanks are back from the dead:** A year ago, neobanks were seen as troubled businesses that were struggling to deliver positive bottom lines. Now, leading digital banks such as Nubank, Dave, MoneyLion, and Revolut are realizing profits while continuing to expand. This turnaround has been reflected by investor sentiment in the public markets; shares of Nubank, Dave, and MoneyLion rallied in 2024 by 155%, 837%, and 362%, respectively. User bases of these neobanks are also reaching substantial sizes. Nubank now has 110 million customers,[11] Revolut has 50 million customers,[12] MoneyLion has 18.7 million customers,[13] Dave has 11.6 million customers,[14] and Monzo has over 10 million customers.[15] In the Asia-Pacific region, Southeast Asian neobank Fingular reached 4 million customers and profitability in its Malaysian arm just nine months after launch.[16]

- **MoneyLion was acquired by a nonfintech company:** In December 2024, Gen Digital, a cybersecurity and identity protection company, announced its agreement to acquire MoneyLion for $950 million (approximately 2x TTM sales). The deal highlights a growing overlap between fintech and adjacent industries such as cybersecurity, as Gen Digital appears to be aiming to leverage MoneyLion's product recommendation platform to cross-sell its products.

- **Chime is coming to the public markets:** After much anticipation, it appears Chime will tap the public markets in 2025 after confidentially filing for an IPO. According to Caplight data, Chime's current valuation is estimated at $10.2 billion (versus its last $25 billion valuation in 2021), or approximately 6.7x ARR.[17, 18]

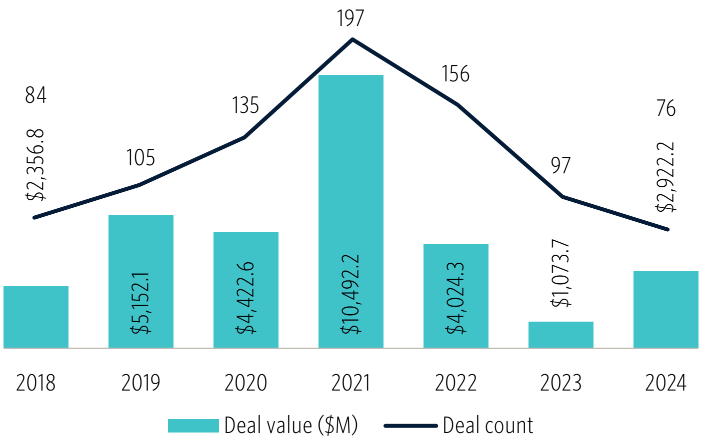
- **Digital banking is intersecting with telecom again:** Neobanks are entering the telecom industry to expand their product suites and serve customers globally. This trend reflects earlier efforts by telecom companies like Smart Communications, Safaricom, and Vodafone, which began integrating fintech solutions in the early-to-mid-2000s. In 2024, several neobanks launched embedded SIM (eSIM) offerings, including Nubank, Revolut, bunq, and Zolve.

- **Overseas opportunities are increasing:** Digital banks and super apps are increasingly exploring other markets as they seek additional growth opportunities. Alipay has slowly been expanding into Europe, the Middle East, and Latin America, while South Korean super app Toss established a US subsidiary. Nubank is also growing its business in Mexico, while Revolut is preparing to launch in Mexico and India.

11: "Earnings Release," Nu Holdings, Q3 2024.
12: "Revolut Hits 50 Million Customer Milestone Globally on Mission To Build World's First Truly Global Bank," Revolut, November 19, 2024.
13: "MoneyLion Announces Third Quarter 2024 Results," MoneyLion, November 7, 2024.
14: "3Q 24 Earnings Presentation," Dave, November 12, 2024.
15: "UK Neobank Monzo Customer Count Exceeds 10 Million," PYMNTS, August 6, 2024.
16: "South East Asian Neobank Fingular Surpasses Four Million Customers," Finextra, August 22, 2024.
17: "Chime," Caplight, n.d., accessed January 14, 2025.
18: "Exclusive: The Inside Story of Chime, America's Biggest Digital Bank," Forbes, Jeff Kauflin, May 3, 2024.

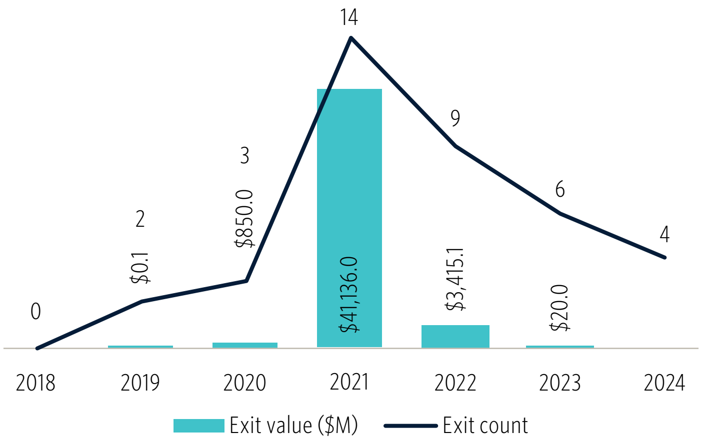
- **AI beyond chatbots:** Neobanks are expanding their use of AI beyond chatbots and operational efficiency, venturing into consumer-facing AI assistants like those launched by bunq and Revolut. More advanced AI agents, designed to help users optimize expenses and manage money across accounts, are also emerging. Companies like Bud and NetXD are already developing agentic AI solutions tailored to consumer finance and banking. Additionally, we expect digital banks to continue exploring how to maximize the value of one of their greatest assets—their data. Nubank's acquisition of Hyperplane, a startup specializing in custom foundation models for banks, underscores the potential of large language models (LLMs) to deliver highly personalized financial insights and experiences.

Digital banking VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Digital banking VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key digital banking VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Monzo	May 8	$621.0	$4,579.0	CapitalG, GV	N/A
Ualá	November 11	$309.7	$2,450.0	Allianz X	N/A
One	September 20	$300.0	$2,200.0	Ribbit Capital, Walmart	12.2x
Neo	November 11	$259.6	N/A	N/A	N/A
Current	December 13	$200.0	N/A	N/A	N/A
Kapital	November 21	$188.2	N/A	Tribe Capital	N/A
Revolut	April 10	$110.0	N/A	N/A	N/A
Moniepoint	October 29	$110.0	N/A	Development Partners International	N/A
Neon	August 1	$93.5	N/A	Banco Bilbao Vizcaya Argentaria	N/A
Aspire	January 17	$79.2	N/A	N/A	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key digital banking VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer/index	Total invested ($M)
Monese	October 9	N/A	M&A	Pockit	N/A
Atlas Fintech Holdings	February 12	N/A	Reverse merger	Quantum FinTech Acquisition	$150.0

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Financial services infrastructure

Key things to know:

- **Agentic AI is reshaping the banking tech stack:** As AI agents continue to take the banking industry by storm, infrastructure providers will likely play a crucial role in helping financial institutions build scalable, real-time systems to support AI's data-heavy requirements. These providers are essential for managing foundational systems where critical data resides and ensuring secure, seamless access for AI agents. In September 2024, Bud launched its first agentic AI offering, which allows banks to deploy AI agents that act on customer insights. Similarly, in October 2024, Backbase introduced Intelligence Fabric, which enables banks to create and utilize AI agents.

- **BaaS recalibration:** The collapse of Synapse and increased regulatory scrutiny of third-party partnerships have prompted both fintech companies and banks to reassess their BaaS strategies. Banks like Blue Ridge Bank, Metropolitan Commercial Bank, and Five Star Bank have scaled back or fully exited their BaaS programs in response to evolving compliance demands and strategic priorities. Despite these challenges, BaaS remains critical to powering many fintech products. Larger players like Stripe are venturing into the space, and institutions such as Column Bank and Coastal Community Bank continue to win in this space, demonstrating the model's resilience when paired with robust compliance and operational frameworks.

- **Uncertain regulatory landscape and its impact:** In the latter half of 2024, regulatory oversight in the banking sector intensified, highlighted by the FDIC board's unanimous proposal for stricter record-keeping requirements. While there is anticipation that regulatory scrutiny may ease under the incoming Trump administration, the specifics of future regulations remain uncertain. This regulatory uncertainty has contributed to a slowdown in bank-fintech partnerships, particularly affecting BaaS platforms like Marqeta. Following Q3 2024 earnings, Marqeta's shares dropped more than 40%, as delays of an average of 70 days impacted 15 programs.[19]

19: "Q3 2024 Marqeta Inc Earnings Call," Yahoo! Finance, Thomson Reuters StreetEvents, November 5, 2024.

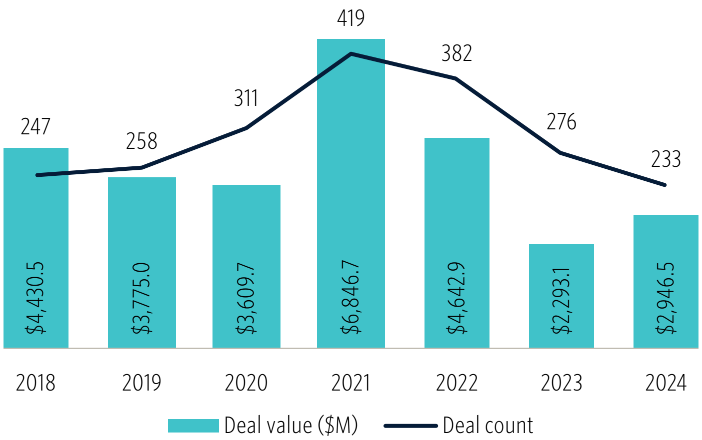
- **Embedded finance is a $350 billion-plus opportunity:** Though there has been much hype surrounding embedded finance in the past several years, we are still only in the early innings of unlocking its full opportunity. Beyond payments—the most common embedded financial service—large opportunities remain for integrating lending, insurance, payroll, accounting, and tax products. BCG predicts embedded finance will surpass a $350 billion market in revenues by 2030, with $185 billion coming from small and medium-size businesses.[20, 21]

- **Core banking propositions:** Fintech startups and some incumbent financial institutions continue to look toward modern cloud-native solutions to power their core banking systems. Leaders in the space, such as Backbase, are finding success globally, highlighting the demand for flexible, API-driven systems around the world. Additionally, startups building solutions in this space continue to receive funding, as evidenced by Lumin Digital, FintechOS, 10x Banking, and Infinant in 2024. Still, incumbents like FIS, Fiserv, and Jack Henry are not necessarily in danger; their solutions have proven to be reliable for large financial institutions, which is now a competitive advantage given the increased regulatory scrutiny toward ledger reconciliation.

- **Open banking advancements:** In October 2024, the CFPB finalized its open banking rule under Section 1033 of the Dodd-Frank Act. While the rule officially introduces open banking standards in the US, its initial iteration includes only data sharing under the scope of deposit accounts, digital wallets, credit cards, and pay-in-four BNPL products. Data pertaining to payroll, installment loans, and investment accounts is not included but may be considered in future iterations. Importantly, not all banks agree with the rule, as evidenced by The Bank Policy Institute and Kentucky Bankers Association filing a lawsuit against the CFPB's rule. Meanwhile, open banking advancements continue to be seen globally. For example, the European Union will be awaiting the final draft of the Payment Services Directive 3 and Payment Service Regulation 1 in 2025, while Australia will look to extend its Consumer Data Right framework to the nonbank lending sector over the next two years.

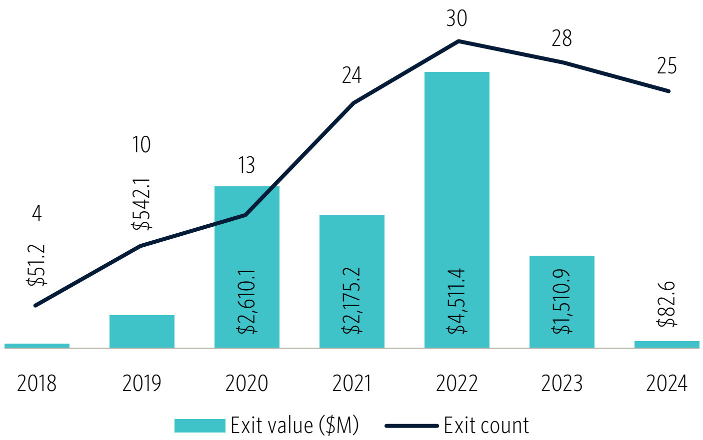
20: "Prudence, Profits, and Growth," BCG, June 26, 2024.
21: "Adyen and BCG Research Finds Embedded Payments and Finance Now a $185 Billion Opportunity — a 25% Increase in Two Years," Adyen, October 28, 2024.

Financial services infrastructure VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Financial services infrastructure VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key financial services infrastructure VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
QI Tech	April 25	$250.0	$750.0	General Atlantic	N/A
Form3	September 10	$220.0	$350.0	The Goldman Sachs Group	N/A
Pliant	April 17	$163.0	N/A	PayPal Ventures, SBI Ventures Europe	N/A
Lumin Digital	December 2	$161.6	N/A	Light Street Capital Management	N/A
Celcoin	June 18	$125.0	N/A	Summit Partners	N/A
Upvest	December 12	$105.3	N/A	Hedosophia	N/A
Solaris	March 19	$104.3	N/A	SBI Investment	N/A
M2P Fintech	September 19	$80.0	N/A	Tiger Global Management	N/A
Finix	October 24	$75.0	$225.0	Acrew Capital, LEAP Global Partners, Lightspeed Venture Partners	0.4x
Lean	October 17	$67.5	N/A	General Catalyst	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key financial services infrastructure VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer(s)/index	Total invested ($M)
Unnax	April 24	$42.6	Buyout/LBO	PSG, Powens	$42.6
Trust Fintech	April 4	$21.3	IPO	N/A	$7.6
Arya.ai	April 19	$16.2	M&A	Aurionpro Solutions	$16.2
DigiAsia Bios	April 2	N/A	Reverse merger	StoneBridge Acquisition	N/A
Railz	August 1	N/A	M&A	Fidelity National Information Services	N/A
Numeral_France	December 5	N/A	M&A	Mambu	N/A
Bankware Global	August 12	N/A	IPO	KRX	$16.2
Brassica	February 1	N/A	M&A	BitGo	N/A
Contour	February 6	N/A	M&A	xalts	N/A
Deposits	September 4	N/A	M&A	Ingo Payments	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Payments

Key things to know:

- **There are plenty of verticals for vertical payments:** Combining the stability of recurring SaaS revenues with the higher margins of payments businesses continues to be a winning strategy. In addition to benefiting growth and margins, this recipe for creating a vertical payments company has proven to also bolster customer lifetime value and support positive multiple reratings. Modern payment facilitation solutions, such as those provided by Rainforest, Finix, and Payabli, have also made it easier for software companies to embed payments. Outside of more common verticals such as restaurants and hospitality, significant embedded payments opportunities exist in industries such as agriculture, field services, construction, fleet, and waste management.

- **Real-time payment growth:** The US' two instant payment rails, Real-Time Payments (RTP) and FedNow, continue to see growth. In Q4 2024, RTP saw 98 million transactions valued at $80 billion in aggregate, denoting QoQ increases of 12% and 16%, respectively.[22] Similarly, in Q3 2024, FedNow settled 336,500 payments valued at $17.5 billion in aggregate, representing QoQ increases of 115.6% and 3,453.3%, respectively.[23] Meanwhile, instant payment rails around the world, such as Brazil's Pix,[24] India's Unified Payments Interface,[25] and the UK's Faster Payments System,[26] continue to see growing volumes.

22: "Real-Time Payments for All Financial Institutions," The Clearing House, n.d., accessed January 10, 2025.
23: "FedNow® Service - Quarterly Statistics," The Federal Reserve, November 22, 2024.
24: "Pix Statistics," Banco Central Do Brasil, n.d., accessed January 10, 2025.
25: "UPI Product Statistics," NPCI, n.d., accessed January 10, 2025.
26: "Faster Payment System Statistics," Pay.uk, n.d., accessed January 10, 2025.

- **Fraud is still a problem for payments:** The faster fraud that arrives with faster payments remains an ongoing issue for the industry. One-third of US adults have been victims of real-time payment scams despite low adoption of instant payments.[27] Regulators are also keeping an eye on the issue. One month before President-elect Donald Trump's inauguration, the CFPB sued Early Warning Services for failing to protect consumers from fraud on its instant payments app Zelle.

- **US pay-by-bank adoption is still low, for now:** Though account-to-account (A2A) payments have grown in regions such as Europe where open banking regulations have existed for several years, adoption in the US remains in the early stages. Currently, more than half of consumers are uninterested in using A2A payments for 80% of use cases.[28] Pay-by-bank adoption also encounters significant friction from banks and card issuers in the US, which see card interchange as a significant source of revenue. Still, with open banking regulations introduced in the US and growing adoption of instant payment rails, A2A adoption may increase in the long term. Notably, checkout platform Link (operated by Stripe) currently offers and promotes pay-by-bank methods.

- **Cross-border payments are fixed and also broken:** Payment flows totaling $194.6 trillion in the cross-border payments market remain a massive opportunity in fintech.[29] Drivers like increasing globalization, shifting international investment flows, growing financial access, and advancements in payment infrastructures continue to boost payment volumes. However, the key opportunities lie in regions outside major currencies and developed payment infrastructures. Transactions among developed markets have largely been optimized, with modern messaging systems like Swift GPI settling nearly all payments within 24 hours.[30] The main challenges include transitioning from legacy systems and enabling cheaper, faster, and more transparent payments in regions with less advanced infrastructure. Our 53-page report on cross-border payments covers these opportunities in depth.

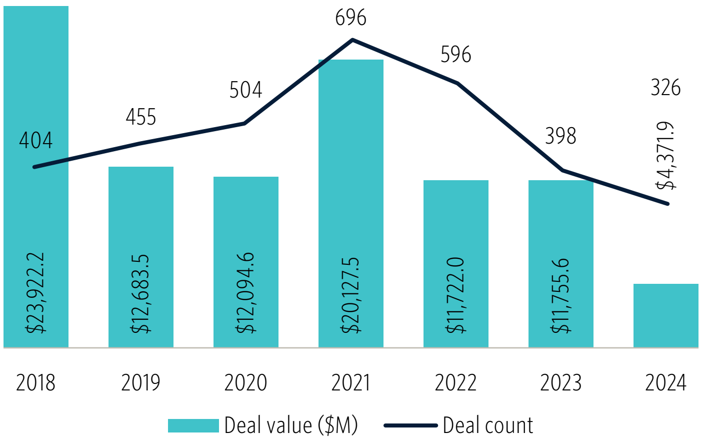
- **A battle in digital wallets is on the horizon:** In August 2024, Apple announced it would allow developers to access its NFC technology via APIs. While this was previously restricted to Apple's proprietary applications, the move enables third-party fintech wallets and platforms to leverage Apple's hardware and wide distribution by offering services like tap-to-pay, digital identity verification, and other NFC-powered functionalities directly within their apps, intensifying competition in the digital wallet space. Digital wallets such as Venmo, Cash App, Google Pay, Curve, Revolut, and Paze will all have a chance to compete for Apple Wallet's existing market share. Importantly, digital wallets are also the fastest-growing payment method, with 37% of merchants adding them over the past year, according to Visa.[31]

27: "Real-Time Payments Scams Rise," Payments Dive, Patrick Cooley, November 22, 2024.
28: "What Consumers Need for Pay by Bank To Catch On," PYMNTS Intelligence, Trustly, October 2024.
29: "How Big Is the Cross-Border Payments Market? 2032's $56tn TAM," FXC Intelligence, Lucy Ingham, Arinola Lawal, and Ciaran Allen, January 16, 2025.
30: "The Digital Transformation of Cross-Border Payments," Swift GPI, n.d., accessed January 10, 2025.
31: "2024 Global Fraud and Payments Report," Visa, n.d, accessed January 10, 2025.

- **Stablecoins will be a major theme in 2025:** Stablecoins are quickly becoming mainstream due to their ability to offer both price stability and decentralized features. In particular, we see strong uses in cross-border payments, given stablecoins may enable quicker transaction times and cheaper costs for regions with less developed payment infrastructures. Additionally, they are being explored for use in the payroll sector, with startups like Remote and Rise implementing stablecoin payment solutions. Adoption from major financial entities is also increasing. In 2023, PayPal launched its proprietary stablecoin PYUSD; in 2024, Visa launched its Visa Tokenized Asset Platform to help banks manage fiat-backed tokens and stablecoins; and just two weeks before 2025, blockchain-powered cross-border payments company Ripple also launched its stablecoin RLUSD. Coinbase and Stripe are also making bets on the space, highlighted by their respective acquisitions of stablecoin startups Utopia, and Bridge for $1.1 billion in October 2024.

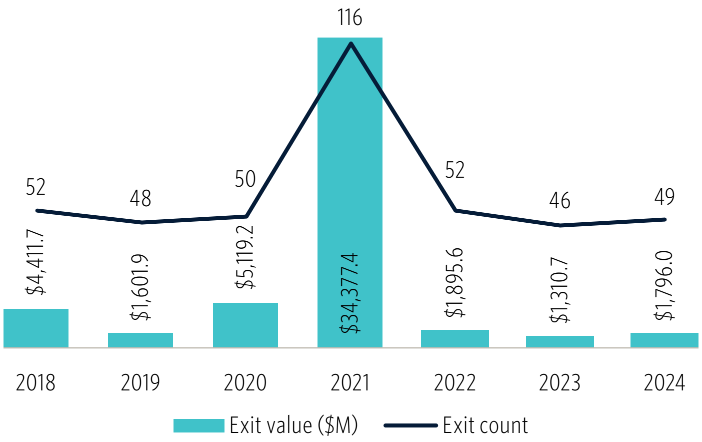
- **Agent-conducted transactions:** One of the latest waves of innovation in the payments space is the emergence of agentic AI. Stripe launched a software development kit in November 2024, enabling AI agents to transact with humans and third parties. Platforms such as Skyfire and Elevate are also building at the infrastructure level to enable AI agents to autonomously manage payment tasks. Startups like Payman are building on top of these infrastructures to facilitate AI-to-human payments. Leading companies, such as Coinbase, are also exploring this space, as evidenced by Coinbase's first AI-to-AI crypto transaction recorded in September 2024. Meanwhile, more investors are closely examining the opportunity. In December 2024, startup Nevermined raised $4 million in early-stage venture capital to build the infrastructure for AI agents to pay each other.

Payments VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Payments VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key payments VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Mynt	August 2	$788.4	$4,139.1	AC Ventures, MUFG Bank	2.1x
Zepz	October 3	$267.0	N/A	Accel	N/A
Bilt	January 24	$200.0	$2,900.0	Eldridge Industries, General Catalyst, Ontario Teachers' Pension Plan, Teachers' Venture Growth	1.9x
Ascend	June 26	$195.0	N/A	MUFG Bank	N/A
Bilt	August 2	$150.0	$3,100.0	Ontario Teachers' Pension Plan, Teachers' Venture Growth	1.0x
Melio	October 29	$150.0	$1,850.0	Fiserv	0.5x
LeafLink	July 24	$125.0	N/A	CPMG, L2 Ventures, Nosara Capital	N/A
Clip	June 18	$100.0	$1,900.0	N/A	1.2x
Vitesse	May 21	$93.0	N/A	KKR & Co.	N/A
Paymob	September 11	$72.0	N/A	Clay Point Investors, EBRD Venture Capital Investment Programme, Kora Management, PayPal Ventures	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key payments VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer(s)/index	Total invested ($M)
ServiceTitan	December 12	$5,640.0	IPO	N/A	$624.8
Ibotta	April 17	$2,441.2	IPO	N/A	$577.3
LianLian DigiTech	March 28	$1,325.6	IPO	Hangzhou Chengtou, Hangzhou Hi-Tech Financial Investment Group	$84.0
MobiKwik	December 18	$188.5	IPO	N/A	$67.6
Arryved	February 29	$60.0	Buyout/LBO	Aquiline Capital Partners	$60.0
SadaPay	June 10	$50.0	M&A	Papara	$50.0
Till Payments	January 5	$36.9	M&A	Nuvei	$36.9
Atlantic Money	November 13	N/A	M&A	Deel	N/A
Salt Labs	June 26	N/A	M&A	Chime	N/A
Utopia	November 11	N/A	M&A	Coinbase Global	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Regtech

Key things to know:

- **Regtech is one of the most-talked-about categories but the least-funded fintech subsegment:** In 2024, regtech startups secured $364 million in venture capital, representing just 1.2% of total fintech venture capital. We attribute this soft investment activity to the sector's overcrowded nature and smaller addressable markets relative to other sectors, such as payments. Based on our conversations, however, we believe more investors are exploring regtech solutions, as problems surrounding fraud and scams increasingly plague banks, financial institutions, and startups. In the "Industry perspectives" section, the topic of fraud notably comes up several times in our interviews. There may be a small increase in regtech investments going forward, with increased acquisition activity in the space. Full details around our prediction can be found in our 2025 Enterprise Technology Outlook.

- **AI adoption has been robust in the sector:** While other subsegments of fintech, such as capital markets, have been slower to integrate innovations in AI, regtech companies have been fairly quick in leveraging AI. Startups Oscilar, Themis, and Unit21 incorporate AI to enhance antifraud and risk management functions. Incumbents Visa and Mastercard have also been strong examples in the space, as both companies introduced several generative AI (GenAI)-powered products for antifraud and risk management purposes throughout 2024. They have also made notable acquisitions, such as with Mastercard's $2.7 billion acquisition of AI-powered threat intelligence company Recorded Future and Visa's $925 million acquisition of AI-powered fraud detection and crime surveillance company Featurespace.

- **Agentic AI is also emerging quickly in regtech:** AI agents have quickly gained traction in the regtech sector, with early innovators like Norm.ai, Parcha, and Greenlite leading the charge. In January 2025, startup Arva AI raised $3 million in seed funding to build out AI agents that help streamline manual tasks relating to Know Your Business (KYB). These AI-driven agents excel at automating complex tasks within compliance workflows, significantly enhancing both efficiency and accuracy. As fraud problems increase and regulatory landscapes continue to evolve, agentic AI will likely play a large role in helping companies navigate regulatory complexities and streamlining risk management workflows.

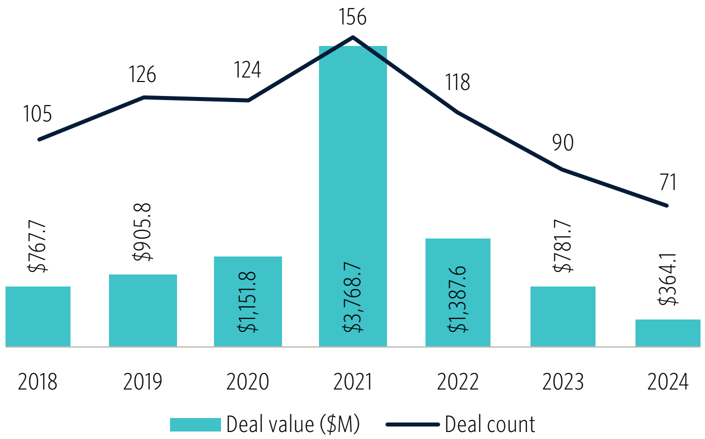
- **Scammers are winning:** AI has inadvertently fueled a rise in both the volume and sophistication of scams, making it easier for fraudsters to deceive victims. Over $1 trillion was lost to scams globally in 2023,[32] with one in three Americans falling victim to a scam at an average loss of $1,600.[33] Modern regtech solutions will be required to combat scams aimed at both consumers and businesses, as legacy software and technologies will likely not be able to keep up.

32: "International Scammers Steal Over $1 Trillion in 12 Months in Global State of Scams Report 2024," Global Anti-Scam Alliance, Sam Rogers, November 7, 2024.
33: "American Fraud and Identity Theft Statistics 2024," IPX, n.d., accessed January 10, 2025.

- **Regulatory uncertainty as a tailwind:** Increased regulatory oversight on both banks and fintech companies in 2024 has led to greater caution over risk management frameworks. Following the initial implosion in the BaaS sector, prospective inquiries have increased for companies such as Blee, which uses AI to help identify compliance breaches relating to marketing materials. Further, Kobalt Labs—a startup that helps financial institutions with third-party due diligence by identifying compliance breaches in documents—partnered with BaaS platform Treasury Prime in late 2024, helping banks in Treasury Prime's network with vendor diligence.

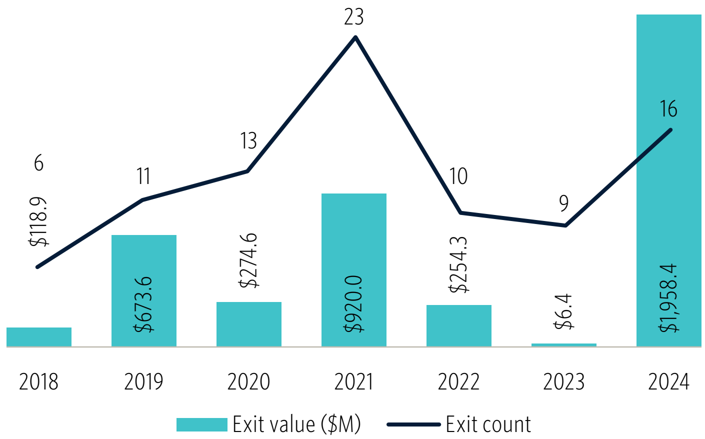
- **New FinCEN requirements could also be a growth driver:** In 2024, the Financial Crimes Enforcement Network (FinCEN) introduced new antimoney laundering (AML) and countering the financing of terrorism (CFT) regulations for financial advisors. These stricter requirements could create demand for regtech solutions that help with AML functions and both monitoring and reporting suspicious activity, as many investment advisors may not have had existing frameworks in place for doing so.

Regtech VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Regtech VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Key regtech VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Sepio	August 13	$48.0	N/A	Tau Capital, U.S. Venture Partners	N/A
Novatus Global	September 12	$40.0	N/A	N/A	N/A
Norm AI	June 25	$38.4	$100.0	Coatue Management	N/A
Bureau	December 18	$30.0	N/A	Sorenson Capital	N/A
SimpleForm	November 12	$26.4	N/A	N/A	N/A
Sedric	September 5	$18.5	N/A	Foundation Capital	N/A
Baselayer	November 1	$13.5	N/A	N/A	N/A
Two Dots	August 21	$13.0	$57.0	N/A	2.8x
Kinectify	February 22	$10.0	$66.0	Aristocrat Leisure	3.1x
PaymentWorks	October 22	$9.6	N/A	N/A	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key regtech VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer(s)/index	Total invested ($M)
Featurespace	December 19	$925.0	M&A	Visa	$925.0
BioCatch	August 29	$723.4	Buyout/LBO	Macquarie Capital, Permira, Sapphire Ventures	$723.4
Sayari	January 16	$235.0	Buyout/LBO	TPG	$235.0
DocFox	March 20	$75.0	M&A	nCino	$75.0
Onfido	April 8	N/A	M&A	Entrust	N/A
Celsia	April 10	N/A	M&A	Institutional Shareholder Services	N/A
Difenz	February 21	N/A	M&A	Signzy	N/A
Aer Compliance	November 26	N/A	Buyout/LBO	Luminate Capital Partners, Marlin Equity Partners, StarCompliance	N/A
Corlytics	April 9	N/A	Buyout/LBO	Infinity Capital, Verdane	N/A
Beaufort Solutions	June 26	N/A	M&A	BankID Norge	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

SUBSEGMENT SNAPSHOT

Wealthtech

Key things to know:

- **The generational wealth transfer is underway:** $84 trillion in wealth is already in the process of being transferred to Millennials and Generation Z,[34] providing opportunities across the entire wealthtech sector. Understanding the composition of these assets is crucial as they change hands. For instance, over $25 trillion is tied to equities, while $10 trillion stems from private businesses,[35] paving the way for startups like Teamshares that specialize in facilitating transitions for retiring business owners.

- **Wealthtech is already being reshaped by AI:** AI is being used across wealth management platforms to enhance personalization, efficiency, and compliance. We expect AI to continue playing a big role in the sector, given that wealthtech platforms work with vast amounts of client data to tailor investment strategies and proactively engage clients based on their risk tolerance and goals. Operationally, AI is also helping to automate routine processes, client outreach, and compliance functions. Still, AI innovation is in early innings, and companies will still largely require a human element to contain AI-induced errors. Examples of AI being used across the space include Range, which uses its AI engine Rai to provide faster and better financial advice; FP Alpha, which uses GenAI to provide insights on tax, estate, and insurance; and Boosted.ai, which offers an AI agent to streamline the workflows of asset managers.

- **AI gives PFM a fighting chance, but it is still a tough business:** Personal financial management (PFM) apps are increasingly integrating AI to enhance their products beyond traditional expense aggregation and budgeting offerings. Platforms such as Cleo and Origin use AI to offer personalized financial advice and help users achieve their financial goals. However, PFM apps still compete for share in a limited market and face competition from neobanks such as MoneyLion and bunq that also offer AI-enhanced PFM services. In the past, we wrote about Parthean and Walkthrough, two PFM startups leveraging AI. It appears, however, that Parthean has pivoted to a B2B advisortech platform and that Walkthrough has ceased operations, highlighting the sector's challenges.

- **Data is key, and aggregation remains a challenge:** Wealth management businesses rely on comprehensive data to deliver personalized insights and generate alpha. This data is also key for companies that are building robust AI & ML models. However, data aggregation processes are still troubled by inconsistent data standards and unreliable API connections, and new US open banking standards do not yet cover investment account data. For example, custodial data has no universal format, as custodians have individual methods of storing data relating to holdings, transactions, and tax lots. Though data aggregation is not a new concept, the companies finding better ways to do it are

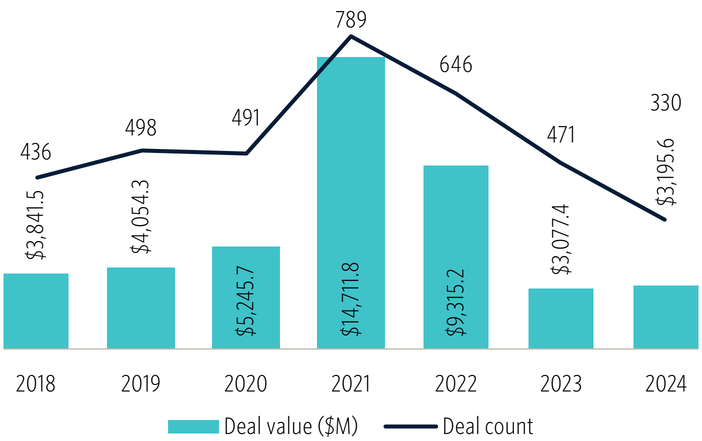
34: "How $84 Trillion Wealth Transfer Can Drive Digital Transformation in Payments and Wealth Management," Finextra, Katherine Maslova, January 6, 2025.
35: "Identifying Value in the Great Wealth Transfer," Canapi, December 21, 2023.

finding success. Addepar, a leading startup in the space, is in talks to raise $250 million at a $3.3 billion valuation,[36] which would represent a 1.8x valuation step-up from its last valuation in 2021.

- **Digital brokers are exploring prediction markets:** Event contracts and prediction markets could form a robust revenue stream for digital brokers. Robinhood expressed continued interest toward the prediction markets after seeing over 200 million contracts based on the outcome of the US election traded on its platform,[37] generating more than $2 million in commissions.[38] Startups Kalshi and Polymarket, which both raised funding in 2024, also play in the space.

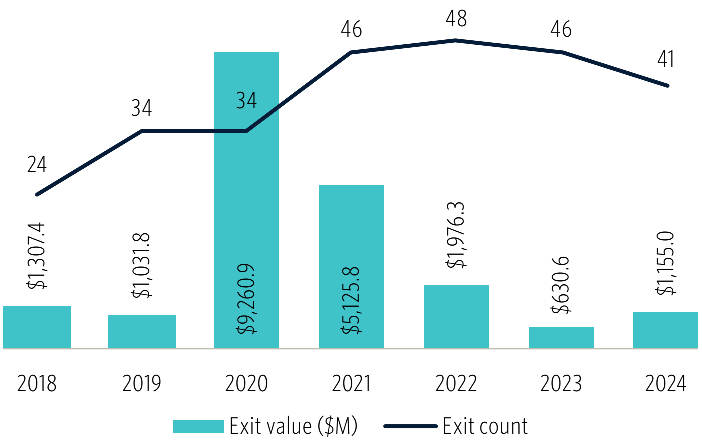
- **Alternative investments see lower funding:** Investments in alternative asset startups totaled $389.9 million in 2024, representing 11.5% of total wealthtech venture capital last year. This is notably lower than 2023, 2022, and 2021, where alternative asset startups made up 18.2%, 17.4%, and 17.3% of total wealthtech venture capital, respectively. While there may be some normalization surrounding the hype around alternative assets, the growing market, now at $22 trillion in AUM,[39] presents strong opportunities. Known players, such as YieldStreet, raised capital in 2024 and are reportedly seeking additional funding, while younger startups, such as Fractional and LODAS Markets, are capturing investor attention. Meanwhile, retail investment platforms, such as Public.com and Republic, are increasingly pushing mainstream adoption of alternative investments.

Wealthtech VC deal activity



Source: PitchBook • Geography: Global • As of December 31, 2024

Wealthtech VC exit activity



Source: PitchBook • Geography: Global • As of December 31, 2024

36: "Addepar Seeks Funding at $3.25 Billion Pre-Money Valuation," Bloomberg, Katie Roof and Gillian Tan, January 7, 2025.
37: "Robinhood, Already a 'Comeback' Stock, Has Even More Aggressive Plans for 2025," Tech Crunch, Connie Loizos, January 1, 2025.
38: "Brokerages Are Raking in Millions From Your Presidential Election Bets," MarketWatch, Gordon Gottsegen, November 5, 2024.
39: "January 2024: The Next $20 Trillion in Alternative Investments," CAIA Association, Aaron Filbeck, January 2024.

Key wealthtech VC deals in 2024

Company	Close date	Deal value ($M)	Pre-money valuation ($M)	Lead investor(s)	Valuation step-up
Mammoth Technology	February 12	$270.0	N/A	N/A	N/A
Human Interest	July 17	$267.0	$1,099.5	Baillie Gifford, Marshall Wace	1.1x
Flex	November 6	$200.0	$1,750.0	N/A	1.8x
Earned Wealth	July 11	$200.0	N/A	Silversmith Capital Partners, Summit Partners	N/A
Altruist	May 2	$169.0	$1,381.0	ICONIQ Growth	1.4x
Empower Finance	May 14	$150.0	$696.0	N/A	2.4x
Public	December 2	$135.0	$480.0	Accel	N/A
FundGuard	March 25	$100.0	$290.0	Euclidean Capital, Hamilton Lane, Key1 Capital	N/A
LongBridge Security	June 28	$100.0	N/A	N/A	N/A
Human Interest	October 8	$92.8	N/A	N/A	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Key wealthtech VC exits in 2024

Company	Close date	Exit value ($M)	Exit type	Acquirer/index	Total invested ($M)
Cadre	January 22	$500.0	M&A	YieldStreet	$500.0
Brigit	December 12	$460.0	M&A	Upbound Group	$460.0
TipRanks	August 15	$80.0	Buyout/LBO	Prytek	$80.0
Spaceship	September 26	$55.0	M&A	eToro	$55.0
Drahim	July 22	$22.3	M&A	Al Rajhi Banking and Investment	$22.3
Switcho	July 3	$17.2	M&A	Mavriq	$17.2
Fabric	January 2	$16.1	M&A	MSCI	$16.1
Flux	October 9	$2.5	M&A	Netwealth Group	$2.5
Sigmastocks	December 20	$1.9	M&A	Avanza Bank Holding	$1.9
BUX	July 1	N/A	M&A	ABN AMRO Bank	N/A

Source: PitchBook • Geography: Global • As of December 31, 2024

Industry perspectives

EverC – Ariel Tiger (CEO)

EverC is an AI-powered risk intelligence platform for global digital commerce that delivers unparalleled merchant- and product-level insights to automatically intercept illicit activity at scale. It has raised $100 million from top investors such as Viola, American Express, Kroll, NYCA, and Red Dot Capital.

- **State of industry:** "Investors currently hold substantial cash reserves, and the new Trump administration could also be a tailwind for capital deployment due to its focus on economic growth. We are also seeing many buyers in the market from financial sponsors to strategic partners signaling a likely resurgence in the M&A and IPO markets. Regarding our space in particular, there is significant investment and M&A interest, especially when AI-driven solutions are involved. One of the key reasons for this is growing fraud. Large enterprises are all concerned about scams and heightened regulatory pressures, and technology is the only viable solution."

- **Top of mind:** "Fraud is rising massively and becoming very sophisticated and quick to adapt as technology evolves. We see this problem firsthand—within six months of onboarding, 14% of payment processors' customers develop a higher risk profile. Marketplaces have also become a platform for massive fraud, with counterfeits becoming more sophisticated and widespread than ever. The only way to fight this is with technology and data. This requires speed, precision, and scale, and our AI models today are doing that effectively."

- **Looking ahead:** "We need more collaboration on data, and I think we'll see more of it going forward. Data is king and will be key in fighting fraudsters. Our industry needs to think about how to acquire new datasets and how to connect them. In the past, the data points relating to an individual and their business were separate from each other. Today, traditional Know-Your-Customer (KYC)/KYB processes are not sufficient anymore, as there's convergence happening with sellers and buyers, businesses, and individuals. The payment world needs to incorporate additional signals for onboarding and monitoring to weed out illegal and illicit activities penetrating their ecosystems. Regulators expect businesses to employ technical innovations to do so."

Team8 – Galia Beer Gabel (Partner)

Team8 is an Israel-US-based venture fund that builds and invests in fintech, cybersecurity, and digital health. It leverages its expertise, network, and company-building model to identify industry challenges and create companies that address them.

- **State of industry:** "I remain incredibly optimistic about the fintech landscape, with more money being invested in early-stage fintech companies. Economic cycles are inevitable, but in many ways, that makes this an ideal time to build truly innovative companies. The entrepreneurs forging ahead today are committed for the long run, and the investors still active in this space really grasp what it takes to build a sound business. Luckily, demand for cheaper, faster, and better financial services will always exist, driving a powerful flywheel effect for disruptive new entrants."

- **Top of mind:** "Fintech naturally applies anywhere money changes hands, and it can help address inefficiencies across many different markets. One area we're looking at is healthcare, and we have a company building a solution around fraud, waste, and abuse. It's a huge market that sees roughly $300 billion yearly. If you can reduce overspend there, more money can be invested in better care for patients. More broadly, while AI is fueling efficiency and automation, it's also lowering the barriers to fraud. Scams are rising at an alarming pace, and there's a real need for greater cross-industry collaboration to stop fraudsters. This challenge represents a huge opportunity for companies dedicated to innovative fraud prevention."

- **Looking ahead:** "I believe we're still at the early stages of the B2B payments transformation. Most B2B transactions remain offline, highly inefficient, and expensive. There's enormous room for innovation, especially when solutions are tailored to specific verticals. Separately, I think we're going to see new players in the lending space emerge who are able to leverage AI to truly disrupt the underwriting process and with models optimized for the current macro environment. Long term, I believe the industry is making the right steps towards autonomous finance, and we're also still early in the journey of decentralization of money and digital identity, which have the potential to completely change how financial transactions are conducted."

BankTech Ventures – Pam Kaur (Head of Bank Technology) and Katie Quilligan (Investor)

BankTech Ventures is a strategic investment fund that launched in 2021 to invest in technology companies that serve community banks. It is backed by over 100 banks and helps connect fintech innovators with banks.

- **State of industry:**
    - *Kaur:* "We're at an inflection point, more so around the big question of what regulations around fintech are going to look like as we go into 2025 and beyond. It's not clear what regulations companies working with banks are going to be placed under, or what regulations banks are going to have to meet to then work with these companies. Based on what we've seen from the CFPB, there could be increased scrutiny on any company functioning similarly to a bank. But we could also see regulations easing, and it's still unclear which direction we'll head towards."

    - *Quilligan:* "There's a lot of uncertainty around regulations. But even if they ease up, consumers will still expect more—they want the freedom to choose where they bank and to maintain control over their own data. So I believe there's going to be a continued push for a more open banking system, regardless of regulatory pressure. Regulation isn't going away. Maybe it eases, but banks still operate in a regulated industry. Banks are still investing in compliance, and they are still bringing in new technology to fill the gaps."

- **Top of mind:**
  - *Kaur:* "All the consent orders for BaaS that came out throughout 2024 really impacted how banks think about partnering with fintechs. Not just on a banking-as-a-service level or a ledger-type relationship, but in terms of any vendor relationship. This is something we're seeing across all companies trying to sell into banks. Banks have pulled back a little bit on their buying processes because they're uncertain about current regulations or where they'll see increased scrutiny, so that's impacted sales cycles a bit."

  - *Quilligan:* "A question we get asked frequently from our banks is, 'What are areas of innovation and solutions we should be thinking about?' There is still a large opportunity to improve back-office operations, and that will continue in 2025. Banks are looking at how to decrease expenses and how to do more with what they already have. And we're now starting to see the more developed potential of agentic AI, and the great ability for our banks to diagnose what should be automated and then actually automate, especially in the context of reducing costs, mitigating risk, and increasing revenue."

- **Looking ahead:**
  - *Kaur:* "Banking and fundamental corporate operations are going to change significantly over the next three to five years due to agentic AI. If smaller banks don't figure out how to utilize these tools to increase efficiency, they won't be able to keep up operationally anymore. They'll be forced to sell and seek acquirers. I also think we'll see more banks use data as profit centers, where they begin to aggregate data across their systems and leverage that to get deeper insights on customers, cross-sell, and launch new products."

  - *Quilligan:* "There's going to be a continued need for personalization and better, digital-first customer services. Neobanks and fintechs have done a good job of this, and banks will start to lean in more to provide more engaging experiences for their customers. This emphasis on efficiency and personalization is also showing up in wealthtech, where customers want more personalized advice. With real-time insights and scalable tools, banks can layer a human relationship on top, bringing in aspects like mental wellness that were often missing from financial discussions before."

Thread Bank – Chris Black (CEO, President, and Director)

Thread Bank is a digitally focused community bank based in Tennessee that evolved from the recapitalization and transformation of Civis Bank. It combines the strengths of community banking with fintech to deliver personalized banking experiences and modern embedded banking solutions.

- **State of industry:** "I'm starting to sense more optimism in the industry. What we're going through now feels very analogous to the post-dot-com bust, where out of the ashes so many amazing technologies emerged. In fintech right now, we're likely at the base of that same cycle of major innovation, and it's being driven by the fintechs and banks helping to power them. The folks who have been committed, who've ridden through the storm, are really going to be the new standard setters going forward."

- **Top of mind:** "The regulatory front is always very top of mind. But we try to focus on what we can control, and that's our relationships with our regulators, partners, and customers. The banking industry is still trying to figure out what the full impact of a multiyear inversion of the yield curve means for them, as well as how to approach different models around risk, pricing, and compliance. And so we spend a lot of time trying to be proactive and transparent to our partners, helping them understand why things are priced the way they are, and focusing on providing the best partner sponsorships we can in the right way."

- **Looking ahead:** "Capital markets are clearly opening back up for fintechs and banks. Contrary to three to four years ago, there's now no doubt around the primacy and importance of banks in the fintech ecosystem. Banks are going to establish certain levels of control and oversight, and the resistance to that we saw a couple years back is gone now. For us, we'll be very focused on creating a scalable operational infrastructure around risk and data that allows our partners to better serve unique customer bases, lower customer acquisition costs, and increase their margins."

Montage Ventures – Nia Patel (Vice President)

Montage Ventures is an early-stage VC firm that invests in pre-seed through Series A, focusing on fintech, healthcare, and commerce enablement. Its core value proposition is building alongside founders and being active investors.

- **State of industry:** "I'm more bullish than ever on the fintech sector. It continues to be the biggest driver of global GDP. When you break out some of the different segments, financial services is always in the top three. And just by that nature, you're always going to need innovation and fintech, because it drives so much value."

- **Top of mind:** "A key area we're really excited about is cross border. There's a confluence of macroeconomic factors, nearshoring, global real-time payment adoption, and AI, and that's created this perfect storm for cross-border companies to thrive, especially in regards to the US to Latin America corridor. Another area we continue to be excited about is neobanks and digital banking. Fintech value accrues around payment companies and neobanks, and I think there is still a lot of opportunity for a new neobank to succeed. Other areas I want to spend time in are around fraud, AI for finance underwriting, insurtech, and the generational transfer of wealth and health."

- **Looking ahead:** "I never fully believed Web3 went away, and I think we'll see a lot of building in that space. More regulatory clarity around crypto will be a benefit too. I also think we'll see a new era of personalization like we've never seen before. In 2025, we'll see a lot of the AI applications, particularly in digital banking and wealth management, take a leap of faith on personalization. It feels like there's a lot more activity and excitement right now. We're raising a fresh fund early next year, and the plan is to be very bullish on capital deployment."

Fiat Ventures and Fiat Growth – Alex Harris (Co-Founder and General Partner)

Fiat Ventures is a San Francisco-based venture capital firm focused on supporting early-stage fintech companies. With an operator-first approach, it pairs funding with support through Fiat Growth, its affiliated fintech-focused consultancy.

- **State of industry:** "I haven't had this much excitement around fintech for a while. Fintech has unbelievable durability. It's so fundamental to how we operate as a society that even in a downturn it's still very much active. However, valuations have also come down, and we've seen a lot more side rounds from existing investors. For companies that are thriving, this has made them focus on fundamentals early. So we're seeing companies that are economically sound much earlier in the life cycle. I wholeheartedly believe that the biggest names in the future will come out of this vintage."

- **Top of mind:** "I see huge opportunities in the consumer and insurtech verticals. These areas have been somewhat overlooked, but I think we're going to see a renewed focus on them. There's massive opportunities in consumer—companies just need to build with unit economics in mind early on. I'm also watching the IPO market closely. Some quality companies have been waiting to exit for a few years, and while they've been waiting, they've been working on getting more profitable and more public-ready."

- **Looking ahead:** "I believe the public markets will start to open up, and a number of successful IPOs will hopefully create a snowball effect. It's also true that every company is becoming a fintech, and I expect to see a surge in this sector, as more companies are finding ways to integrate fintech and think about how it can help benefit their bottom lines. However, I think interest rates are not going to fall as much as we all hope they will. We're not returning to the ZIRP days, so mortgage rates and borrowing will generally continue to be a challenge, and we'll have to adapt to a new normal."

Stratyfy – Deniz Johnson (COO)

Stratyfy provides AI-powered tools that bring transparency and fairness to financial decision-making. Its solutions prioritize explainability and responsible AI use to help financial institutions enhance risk assessment, reduce bias, and address operational challenges.

- **State of industry:** "In 2024, we saw a lot more discussions around partnering. Both incumbents and fintechs are increasingly recognizing the success that lies in a mutual partnership. Smaller institutions and community development financial institutions (CDFIs) are also really looking at how to fill the gap they have with their technologies, since they lack the tools to compete with big banks that invest heavily into technology. They want to invest into AI and technology to be competitive. We saw a constant stream of inbound interest from them in 2024, and it's a strong demand signal."

- **Top of mind:** "Something I'm watching closely is how proper guardrails will start to develop around AI. We're seeing more nuanced discussions starting to happen in that area. We're also focused on how to create more opportunities that positively impact communities without significant risks. For example, we recently completed the first year of a two-year pilot program with the Beneficial State Foundation called Underwriting for Racial Justice. Through this initiative, our technology is being used to predict and define creditworthiness, helping unlock capital for people of color who have historically faced barriers to access."

- **Looking ahead:** "Finding the least discriminatory alternative in lending has been topical, and we're going to see more of it in 2025. Fair lending laws have been around for a while, and they aren't changing. The coming [US] president, in his previous tenure, also oversaw a high number of redlining cases. We'll also see more reliance on community banks and CDFIs to support economic stability, especially in rural areas, given it's a key topic of the upcoming administration. On ML, I expect to see more sandboxes from states and more collaboration with fintechs to develop safe implementation of AI tools."

TruStage Ventures – Elizabeth McCluskey (Managing Director, Discovery Fund)

TruStage Ventures operates as the VC arm of TruStage, a financial services organization focused on providing insurance, investment, and retirement solutions. It invests in early-stage fintech and insurtech companies through its general fund and Discovery Fund.

- **State of industry:** "The last couple of years we've seen a lot of investors waiting on the sidelines, both in terms of funds deploying capital and LPs putting money towards new funds. Everyone is anticipating lower interest rates to help reopen markets and increase the pace of M&A. In December, we saw two transactions that may represent signs of that opening—Gen Digital acquiring MoneyLion, and Upbound Group acquiring Brigit. While they are not multibillion-dollar exits, they are significant enough to give early investors liquidity. What's particularly interesting is that both involved strategic buyers leveraging fintech acquisitions to add dimensions to their offerings beyond their core businesses."

- **Top of mind:** "Credit unions are a unique part of the financial services ecosystem, which have been falling behind when it comes to capturing share with younger demographics. A lot of the fintech companies I'm interested in are those that are able to bring new members in for credit unions by helping to provide an engaging and compelling platform. And it's more relevant than ever for credit unions to be open to fintech partnerships. They're not the top draw for tech talent, and they don't have the budget of larger competing financial institutions, so partnerships offer their best chance at keeping pace with technology changes."

- **Looking ahead:** "In the next five years and beyond, I think it's going to become extremely complicated for fintechs and financial institutions to be in compliance with regulations around data protection and privacy. We have 20 states that have data privacy laws in place today, and that could eventually be 50. We're going to need to pass some regulation at the federal level, or we're going to have a whole subset of regtech solutions that help fintechs and financial institutions with compliance."

ZayZoon – Tate Hackert (President and Co-Founder)

ZayZoon is a startup that provides employees with on-demand access to their earned wages. Its platform integrates with payroll systems and offers services like financial education and tools, helping employees effectively manage their finances. In March 2024, it raised a $49.5 million Series B led by Intuit Ventures, Framework Venture Partners, and Viola Fintech.

- **State of industry:** "Macroeconomic trends made the fintech fundraising environment more challenging in the US due to later-than-expected cuts in interest rates and geopolitical uncertainty. Despite these challenges, the payments sector continues to draw in investors. 2025 will be the year of IPOs. We had a good showing of ServiceTitan that blew everyone's expectations out of the water. There's a lot of pent-up demand from the lackluster IPO market in the past few years. IPO or not, though, looking ahead to 2025, I expect conditions to ease and investors to become more confident in their investments, especially as the pendulum swing from growth to profitability has seemingly found a stable middle ground."

- **Top of mind:** "In 2024, we saw a lot of regulatory developments for earned wage access (EWA) at both the state and federal levels, and those ongoing developments at the state level will likely shape the market's trajectory. We're confident that regulatory updates will aim to extend EWA's vital benefits to the nation's most financially strained and cash-strapped employees in 2025. With 60% of our customers leveraging EWA to pay for essential expenses like grocery medications and utilities, we know it's crucial to provide resources and tools that are designed to support better financial habits and steer our customers away from high-interest payday loans."

- **Looking ahead:** "In 2025, embedded technology solutions will become table stakes for businesses aiming to deliver frictionless customer experiences. The adoption of embedded finance will continue to rise as businesses identify solutions that best meet their needs, such as embedded payroll and EWA. Additionally, contextual finance, a term popularized by Noam Inbar at Viola Fintech, talks about meeting customers where they are. Fintech has strived to perform this way for more than a decade, and the introduction of LLMs and a more open finance network—banking, payroll, and utility data—means recommendations and prompts can finally be perfected."

Curve – Shachar Bialick (CEO and Founder)

Curve is a UK-based digital wallet that aims to help its customers save money and enhance every payment. The company achieves this by eliminating hidden foreign transaction fees, allowing payment cards to be switched after purchases, and providing rewards on top of existing card benefits. Curve has amassed more than 6 million customers globally and is authorized by financial regulators across the UK, Europe, and US.

- **State of industry:** "Fintech benefits from a formidable entrepreneurial and investment landscape in the UK. If you want to set up a business, the UK's processes, resources, and policies are designed to chaperone you to success. However, regulatory faltering, like the delayed response to various competition constriction in the UK, or unnecessary or unclear regulations, like the ones we are experiencing in crypto and AI, undermine progress and deter innovation. Unlike the US, the UK and Europe are behind when it comes to growth-stage investors—Series C and beyond—which is something the UK is aware of and actively working on improving."

- **Top of mind:** "Apple's recent decision to open its NFC technology marks a turning point in mobile payments. Digital wallets can now offer a competing wallet to Apple Pay and innovate beyond basic payment features, offering enhanced control and intelligence that Apple Pay never provided. The winners will be those who deliver both seamless experiences and powerful money management and money savings capabilities—transforming how users control their finances."

- **Looking ahead:** "We are on the verge of a transformative era for digital wallets, with the 'Wallet Wars' fought more fiercely on the global stage, as players like Curve raise the bar of consumer choice for all to reach. As a result, we will see enhanced personalization and tools to optimize payments, while digital wallets will evolve from transaction facilitators to full financial management platforms. The next two years will be pivotal for moving away from Big Tech domination in the digital wallet space and towards consumer-led innovation. Fraud prevention will also be a crucial area for fintech to contend with over the coming years. The introduction of GenAI brings with it new fraud typologies, and developing and utilizing fraud defense technology will be crucial for all market participants."

Airwallex – Ryan O'Holleran (Head of Sales, Enterprise, EMEA)

Airwallex is a global fintech company offering cross-border payment solutions to businesses through a proprietary banking network and API integrations. Its last disclosed funding round was in October 2022, in which it raised a $100 million Series E2 at a $5.6 billion post-money valuation.

- **State of industry:** "Cross-border payments are rapidly evolving—growing demand for faster, more efficient, and transparent solutions. Global businesses are increasingly seeking fintechs that can streamline their international transactions and provide them with greater control and visibility over their funds. The winners in this space will listen to their customers and build tools that simplify—such as enhanced user interface/user experience—and remove the friction associated with cross-border payments."

- **Top of mind:** "Embedded payments and finance solutions are often overlooked due to their behind-the-scenes nature. Many may not fully grasp the potential of embedded finance to drive revenue, enhance customer loyalty, and open new business avenues, leading to its undervaluation. Consumers have most likely all experienced the seamless process of making an embedded payment through digital-first services, whether it's paying for an Uber or ordering on Deliveroo. 2025 will be the year that we see more traditional industries embrace embedded payments to keep pace with the broader innovation taking place in their sectors."

- **Looking ahead:** "Over the past year, we've witnessed the emergence of an increasingly educated payments buyer who not only knows what they need for their platforms to deliver now, but also into the future as they scale. So gone are the days where payments providers simply tell their merchant customers exactly what they need from a solution. In the B2C relationship, it's more typical that businesses are hyperaware of listening to the customer, and in the next year, we'll see payment providers take more guidance from their customers. Equally, payment providers will need to be more flexible, as merchant customer preferences are shifting, and they will increasingly highlight the need to bring more services on platform such as embedded payments."

Splitero – Michael Gifford (CEO and Co-Founder)

Splitero allows homeowners to access their home equity without taking on additional debt. It does this via home equity investments, where Splitero provides customers cash in exchange for a share of a home's future change in value. It last raised an $11.7 million Series A led by Fiat Ventures in January 2023. In October 2024, Splitero announced a $300 million capital partnership with Antarctica Capital and followed that with an announcement in November 2024 that it secured a $350 million capital commitment from Blue Owl Capital.

- **State of industry:** "Fintech has rebounded after a difficult 2023. The capital environment has rebounded well, and we're very bullish about growth in 2025. Sitting on the convergence of fintech and the US housing market, we see that homeowners feel like they have two assets. They have their house, but they also have a low-rate mortgage, and they're trying to figure out how to keep up with living expenses, lower their debt obligations, and access their home equity."

- **Top of mind:** "Our home equity investment is newer to many homeowners, so we're focusing on education. We spend a lot of time thinking about the homeowners. Their debt is going up substantially, and unfortunately, most homeowners until now have only had options for more debt. Therefore, offering them a home equity investment is something we believe fits them best."

- **Looking ahead:** "In 2025, the housing market will stay locked. Unfortunately, we won't see interest rates come down dramatically. We will see home prices appreciate in most markets."

Casca – Lukas Haffer (CEO and Co-Founder)

Casca is an AI-native loan origination system that helps automate 90% of manual tasks in business and commercial lending. The company unlocks efficiency for banks and lenders through its AI agent, Sarah, which helps guide applicants through loan processes.

- **State of industry:** "In the past decade, we've seen a rise of online lenders offering high-interest, short-term loans (merchant cash advances) that provide borrowers with quick funding, but often leave them worse off in the long term. I hate that. Many of these borrowers would have qualified for low-interest, long-term funding from a bank, but because those bank loan origination processes are so frustratingly slow (30 to 90 days), small-business owners fall prey to predatory online lenders. For too long have Silicon Valley fintechs focused on building alternatives to the banks that end up providing more convenient but also more expensive financial products. In the current state of fintech I see partnerships between banks and fintechs flourishing—empowering the thousands of community banks in the US to offer their trusted financial services more conveniently and faster on more modern technological platforms."

- **Top of mind:** "In 2025, we'll see AI 10x productivity. Three years ago, I was sitting on the Stanford campus playing with GPT2, which was merely a digital parrot. I was fascinated by its ability to string together a couple of sentences to write a poem. Two years ago, GPT3 started producing essays of the quality of a sixth-grade student that would get a B on an exam. One year ago, GPT4o started helping our engineering teams build software literally 10x faster, and the newest models are getting better every day. Banking is one of the few industries that is just full of 30-year-old-plus legacy software systems & manual processes on top of PDFs, Excels, and email communication. All of this can now be rebuilt rapidly for the age of AI."

- **Looking ahead:** "Banks are going to reclaim the crown in small-business lending. Banks are fundamentally better set up to offer low-interest-rate loans, because they can fund those loans with low- or no-interest-bearing deposits. Private lenders can't do that. So, if banks figured out how to match the speed of private online lenders, they'd be the clear favorites of small businesses across the country."