

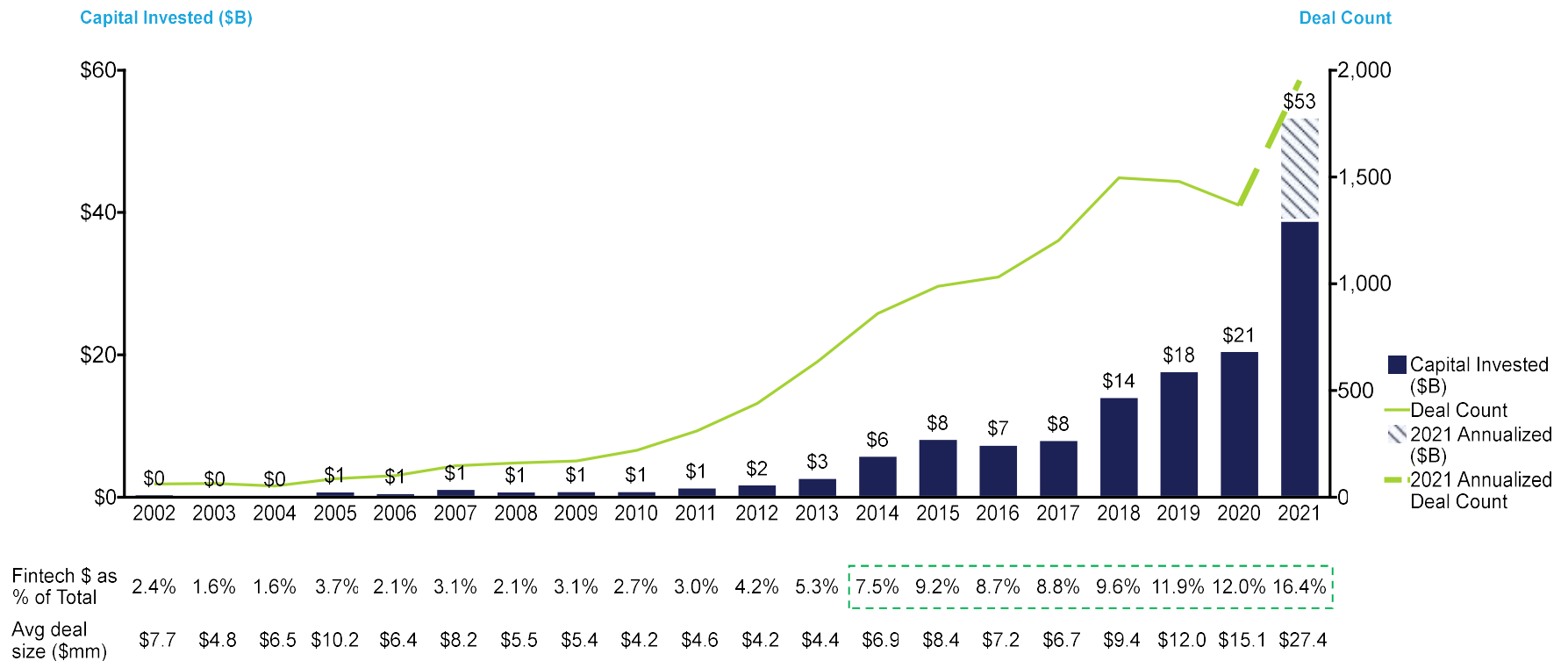


# A COMPLETE REVOLUTION

FEBRUARY 2022

# FinTech Capital Invested

FinTech has seen a notable inflection in new investments since the financial crisis, with ~\$53B in investments expected in fintech in 2021.

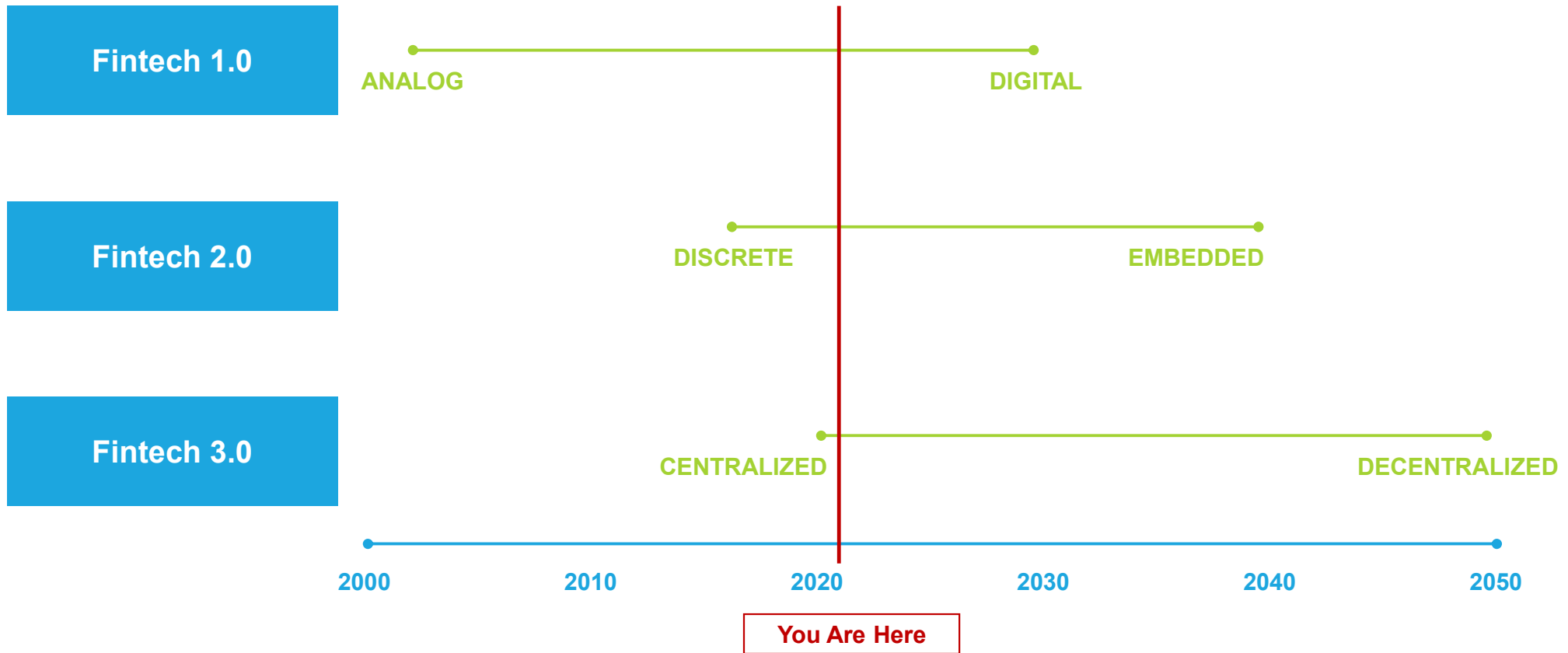


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Note: \$ Invested and number of rounds only include deals where the round sizes were publicly available.  
Source: PitchBook (09/24/2021), Search Terms: US figures, Deal Status: Completed; Deal Type: All VC Stages; Industry Query: FinTech

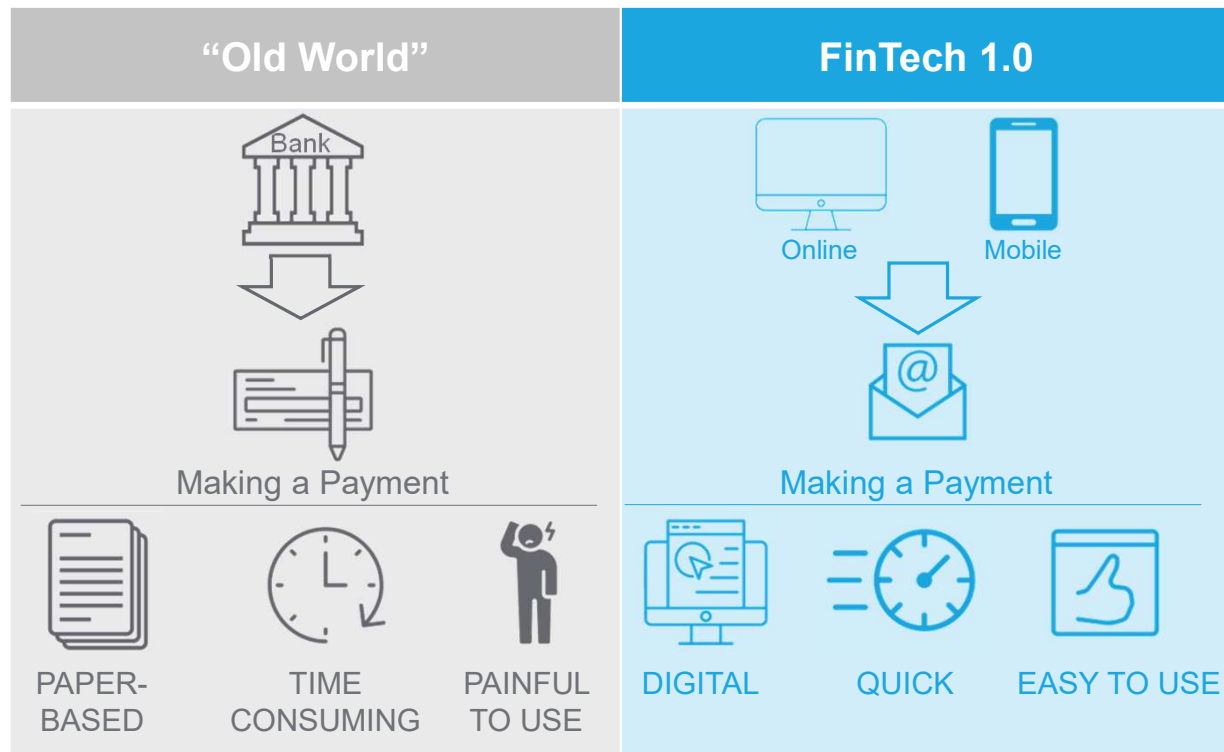
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# A Complete Revolution



# FinTech 1.0

FinTech today has consisted of taking an existing financial product (e.g., making a payment) and building software to make these products more accessible and consumable.

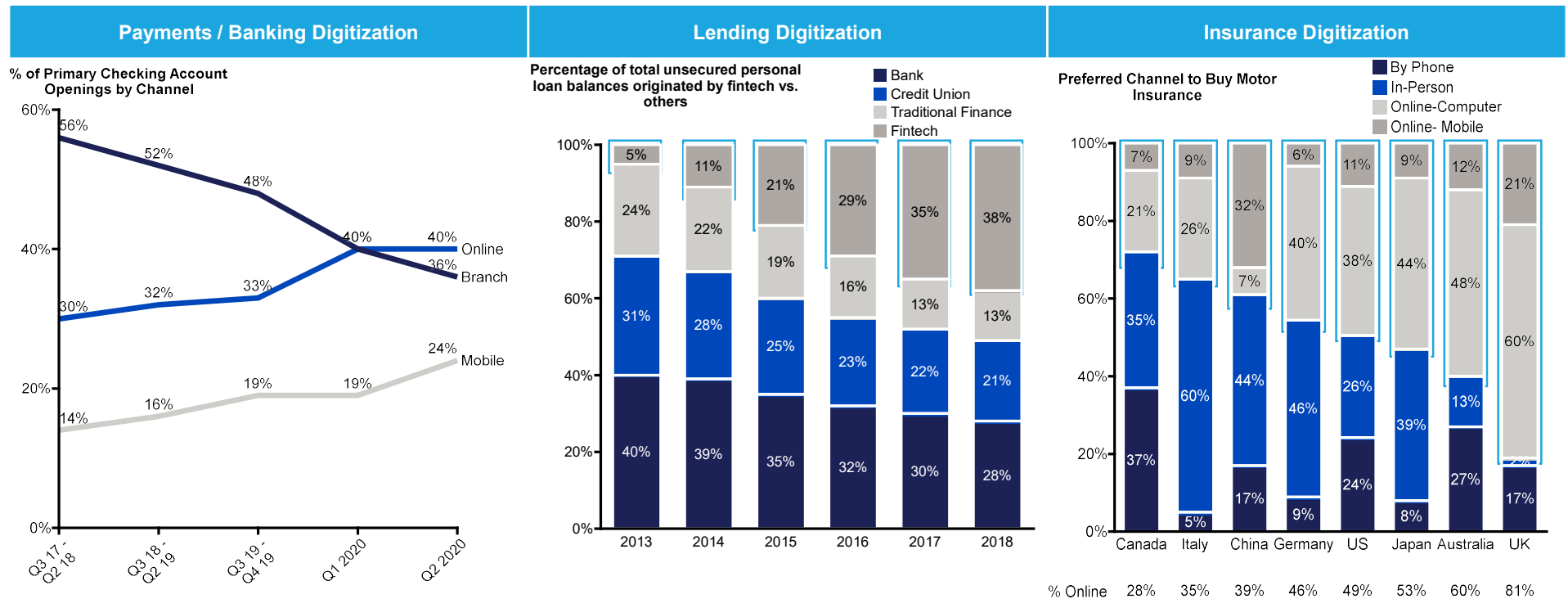


Founders have executed on FinTech 1.0 in two ways

- ① Compete with Incumbents  
(e.g., Betterment, Venmo, Justworks)
- ② Enable Incumbents  
(e.g., Sigfig, Zelle, Prism)



# Increased Digitization in Financial Services

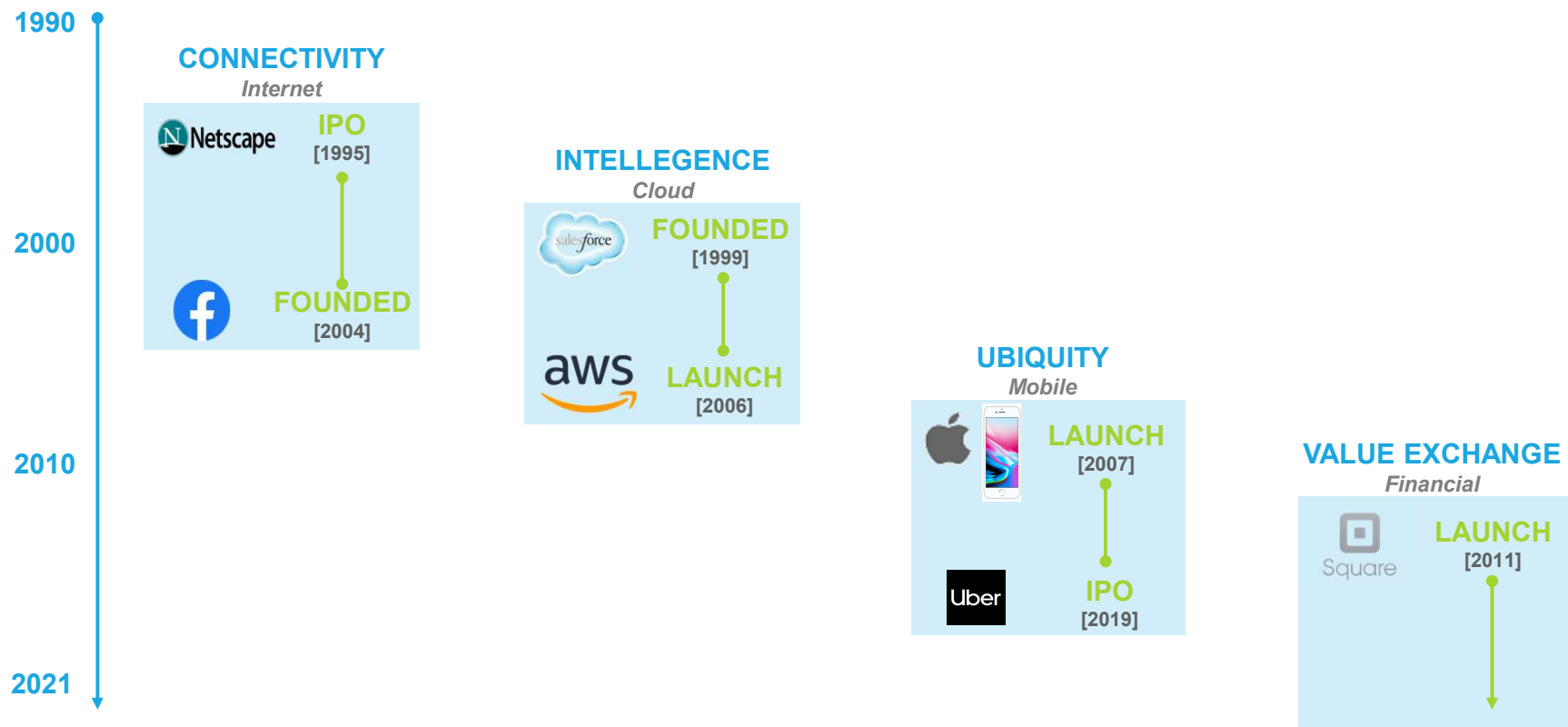


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Primary Checking Account Openings by Channel SOURCE: CORNERSTONE ADVISORS. Lending Digitalization % Digital Loans of Total US Loans SOURCE: TRANSUNION. Insurance Digitization Preferred Channel to Buy Motor Insurance SOURCE: DELOITTE ANALYSIS (OCT. 2020).

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# The New Technology Stack



# Shopify Case Study

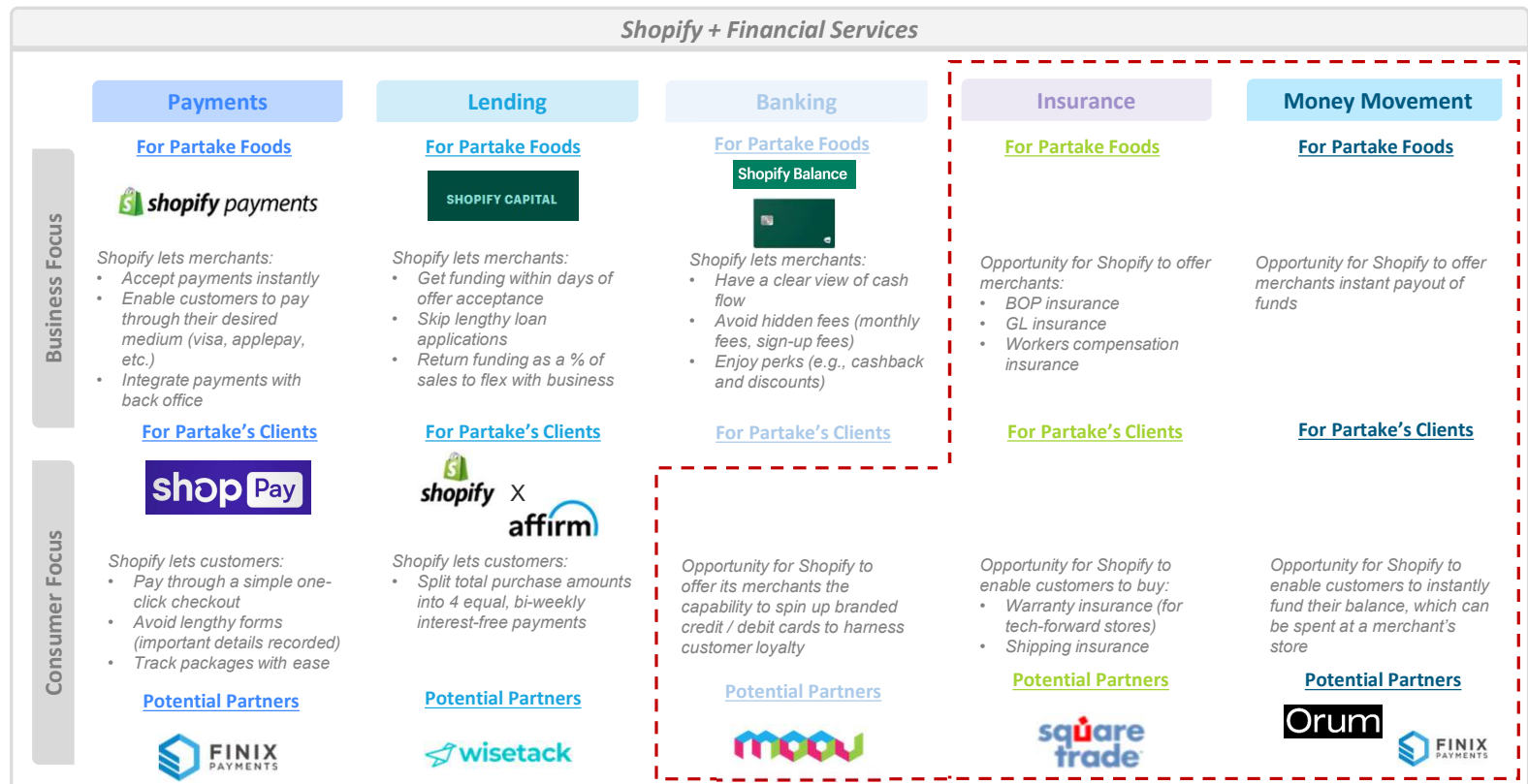
Companies continue to follow the 'Shopify' playbook as the monetary and relationship benefits associated with embedding financial services become increasingly apparent.

 Potential opportunity



Partake Foods leverages Shopify to move its in-person store, online. Shopify helps Partake Foods with:

- Branding
- Online presence
- Store set up



# The Future of Money

- 1 Pools
- 2 Inflows
- 3 Outflows
- 4 Credit

2000

Open a DDA at a bank branch in fiat currency, including a companion savings account

Receive a physical check from employer every 2 weeks, paid in arrears

Use a plastic card or paper check substantiating identity; bank/bank association authenticates, clears and settles

Complete a documentation-intensive application, point-in-time/outside-in underwriting using largely adverse third party data sources



2050

Manage fluid yield harvesting across DeFi pools + merchant incentivized wallets in stablecoins backed by currencies, commodities and securities depending on risk appetite and values

Pull funds at employee discretion based on work done + risk-weighted probability of future work at any given point

Trigger instantaneous account to account transfer, including seamless stablecoin to stablecoin exchange, with 100% accurate biometric identity certainty

Apply to global pools of capital atomized and delivered to borrowers, intermediated by DeFi protocols and based on validated but self-sovereign real-time data



# Deep Dive on Wallets

There are three types of pools —Transactional, Stored Value, and Investment. Examples of each include:



## TRANSACTIONAL:

Small balance, stored in a Tesla wallet, transacting with other cars to bid on shorter drive times, held in stablecoin backed by electricity generating assets, resulting in predictable transportation costs



## STORED VALUE:

Medium-sized balance, stored in an Amazon wallet, earning outsized “interest” in an Amazon specific stablecoin in exchange for a commitment to spend balances at Amazon; stablecoin backed by a basket of most frequently ordered goods at Amazon, resulting in increasing purchasing power over time given interest rate



## INVESTMENT:

Larger balance, denominated in a stablecoin backed by a portfolio of windfarms, invested in a DeFi protocol based on an algorithmic carbon credit trading strategy

### Principles at work:

- Delivery of “capital markets” style efficiency in atomized format; near-zero friction and cost
- Reduction of transaction time and cost creates opportunity for both commercial and investment counterparts to build new and compelling value propositions
- Value can be expressed in fiat currency, but is backed by assets that align to risk profile and values

# Implications

## For Governments:

### The Decision

Nation states will have to choose between open systems and closed systems

### The Status Quo vs. Future

Current instinct towards closed and related attempts to fight crypto and DeFi...but these are not necessarily indicative of future postures

### The Catalyst

Competition of increasingly mobile high value citizens will drive progressive countries towards more open systems

### The Result

The division of closed and controlled on one hand and open and free on the other

## For Financial Institutions:

### The Decision

Financial institutions will have to determine the best methods by which they can continue to instill trust

### The Status Quo vs. Future

FIs today are very regulation focused, but need to focus on forward momentum

### The Catalyst

Increased complexity creates opportunity to help consumers and business navigate successfully

### The Result

Successful FIs moving from manufacturing products to orchestrating solutions