

Love at third sight

How corporate client fintechs and banks
will join forces

LEGAL NOTICE

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2 Executive Summary

- **Corporate client fintechs have not captured the market in the past years.** The reasons for this can be found both in the market (e.g. a lack of receptiveness to innovation on the part of clients and a comprehensive core banking system) as well as among the fintechs themselves (few disruptors among the founders, limited capital).
- **These experiences have led the fintechs to the banks as prospective partners, while the banks for their part have become more open to collaboration.** There are numerous starting points for collaboration, for example in the joint processing of corporate clients, but also in the exchange of experiences and employees.
- **The collaboration models do not follow any set pattern yet.** However, when fintechs offer their own products or channels for corporate clients, it typically consists of one of the three following forms of collaboration: product partnerships, white labelling or platform collaborations.
- **The legal aspect of these collaborations is often neglected: Fintechs that act as service providers for banks come under the scope of banking regulation; fintechs owned by banks are additionally subject to corporate policies.** In product partnerships, binding commitments are lacking in contracts.
- **Banks are partially becoming fintechs themselves.** They are building their own digital hubs that put them in a position to analyse fintechs' potential better and, if in doubt, implement their own developments. In addition, some banks are experimenting with agile working.
- **Typically, banks do not have their own fintech strategy; instead, their relationship with these innovative challengers is embedded in the banks' digitalisation strategy.** This means that banks are frequently faced with a key question with regard to fintechs: "Make or buy?"
- **When initiating collaboration, the fintechs have to convince the objectors at the banks, but these people often have something to lose personally.** When this obstacle has been overcome, another big task looms: to win over the corporate client account managers to offer the products to their clients.
- **Digital Schuldschein (German promissory note) platforms provide illustrative object lessons in the interplay between banks and fintechs.** Several versions of collaboration and competition have developed in this area – and the outcome is still completely open.
- **However, the greatest threat to banks in the corporate client segment is not likely to emanate from fintechs at all, but from Big Tech.** An alliance of banks and fintechs could emerge in the battle against the IT giants.
- **Comprehensive collaboration among banks would be the strongest defence weapon against providers from outside the industry.** However, a concerted effort of this nature still appears unlikely in key areas of activity.