

Fintech, Blockchain and Software's Impact on Banking

Jeff Bussgang

General Partner, Flybridge Capital Partners

Senior Lecturer, Harvard Business School

October 2019

The Economist

China at 70—pomp and protests

Big Tech and the state gird for battle

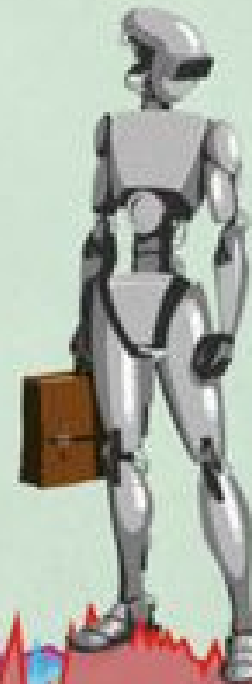
Europe's anti-populist backlash

What would Trump's gators cost?

OCTOBER 5TH–11TH 2019

Masters of the universe

How machines are taking over Wall Street

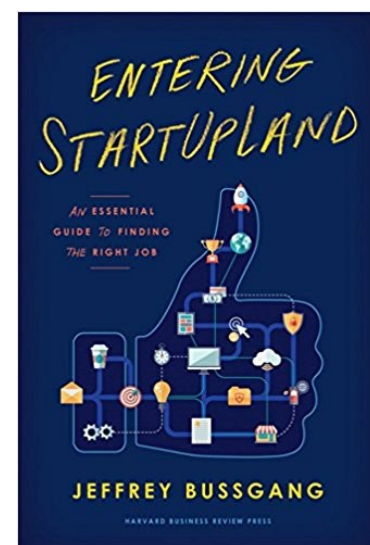
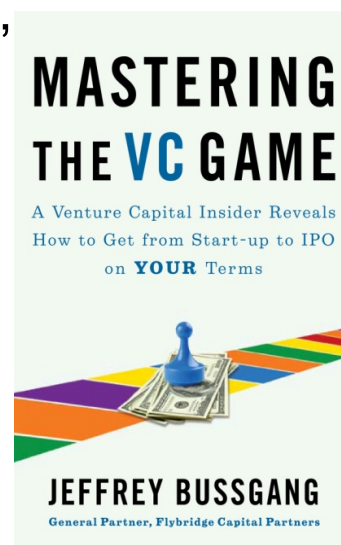




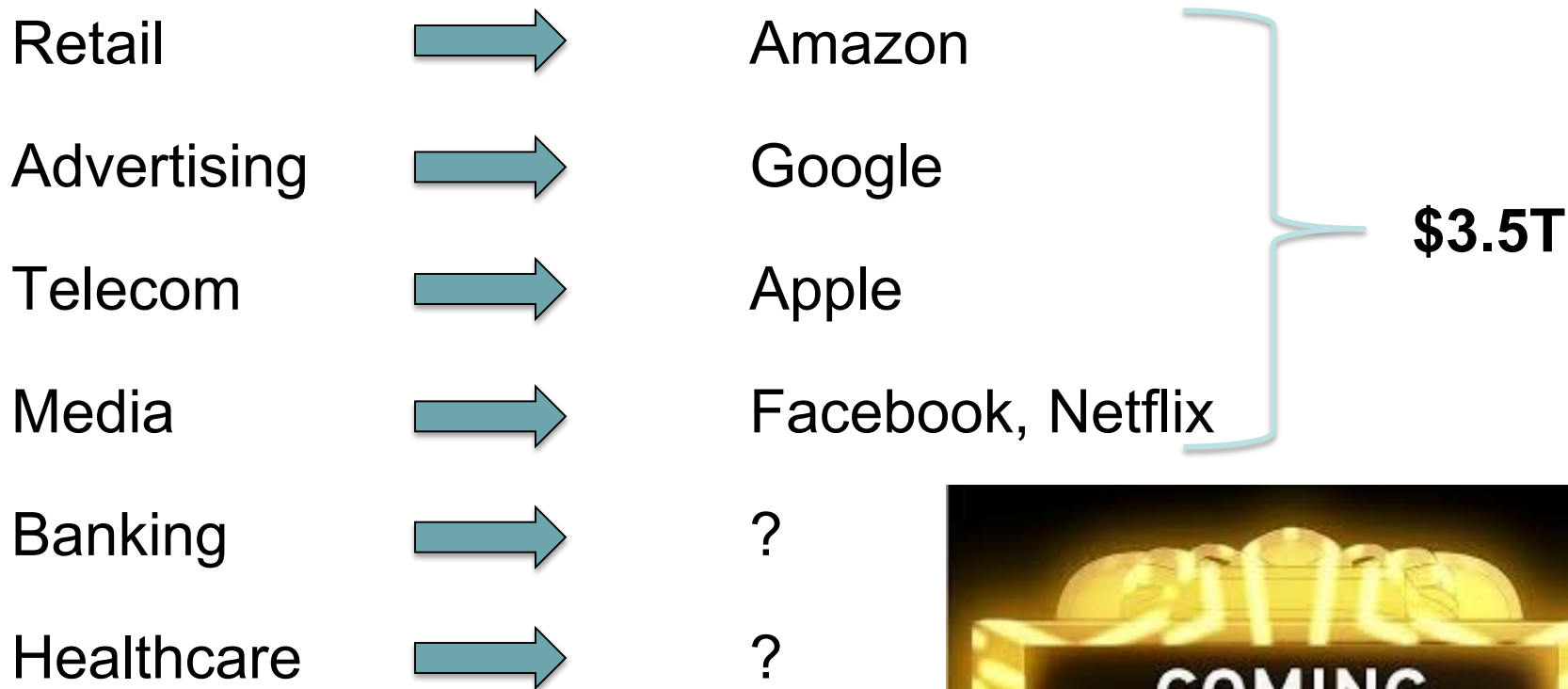
A Banker's Life?

Context for My Perspective

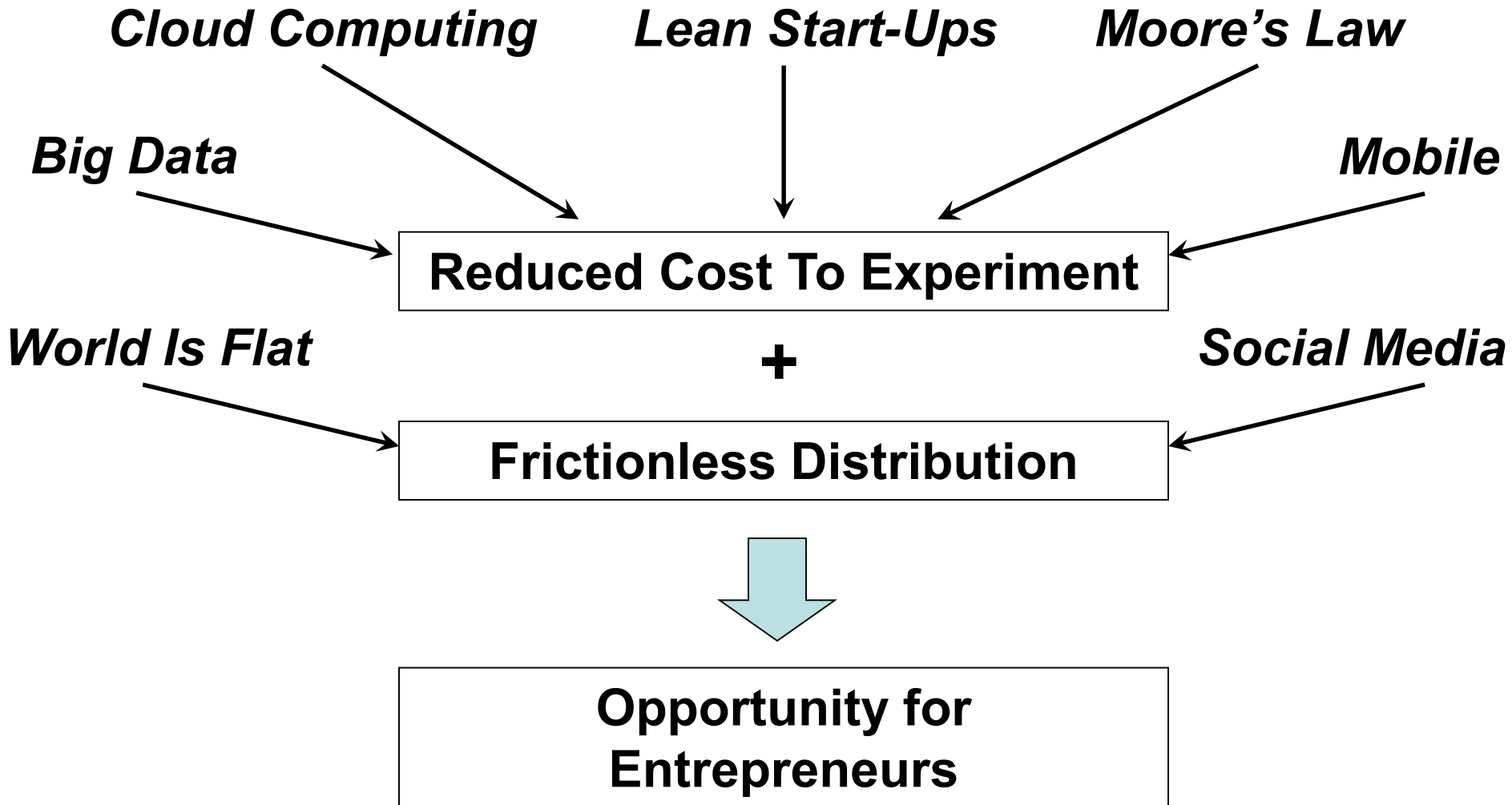
- General Partner at Flybridge Capital Partners, early-stage VC firm based in Boston and NYC
 - \$700m raised across 5 funds and 4 pre-seed funds over 17 years
 - 120+ portfolio companies (e.g., MongoDB, Codecademy, Splice)
- Senior Lecturer at HBS – Launching Tech Ventures, RVP
- Former entrepreneur
 - Cofounder Upromise (acq'd by SallieMae), Exec team at Open Market (IPO '96)
- Author: *Mastering the VC Game*
- Author: *Entering StartUpLand*
- Blog: *SeeingBothSides.com*



Software Is Eating The World



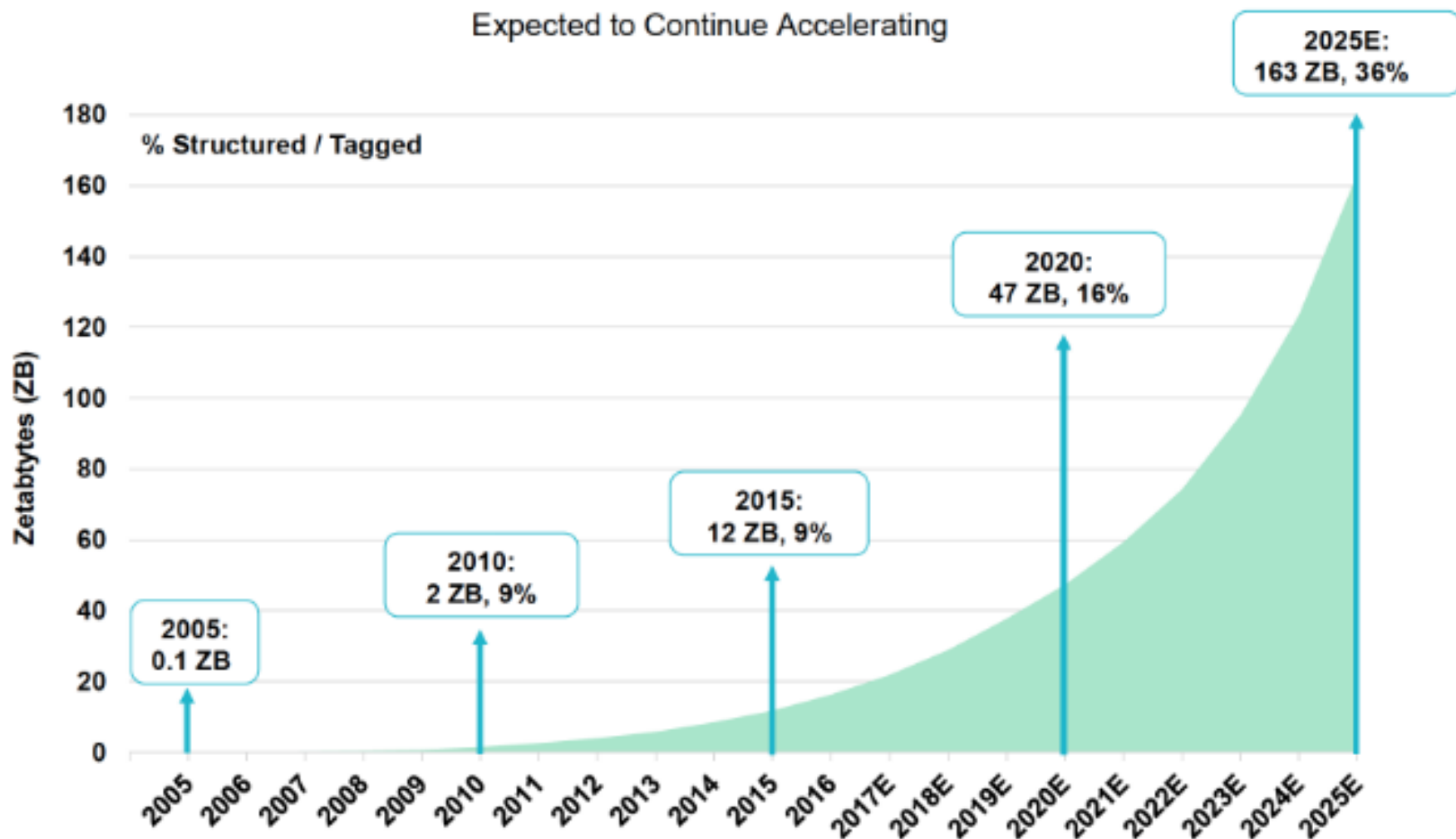
Why Now? Contextual Forces



Data Volume Growth Continues @ Rapid Clip...

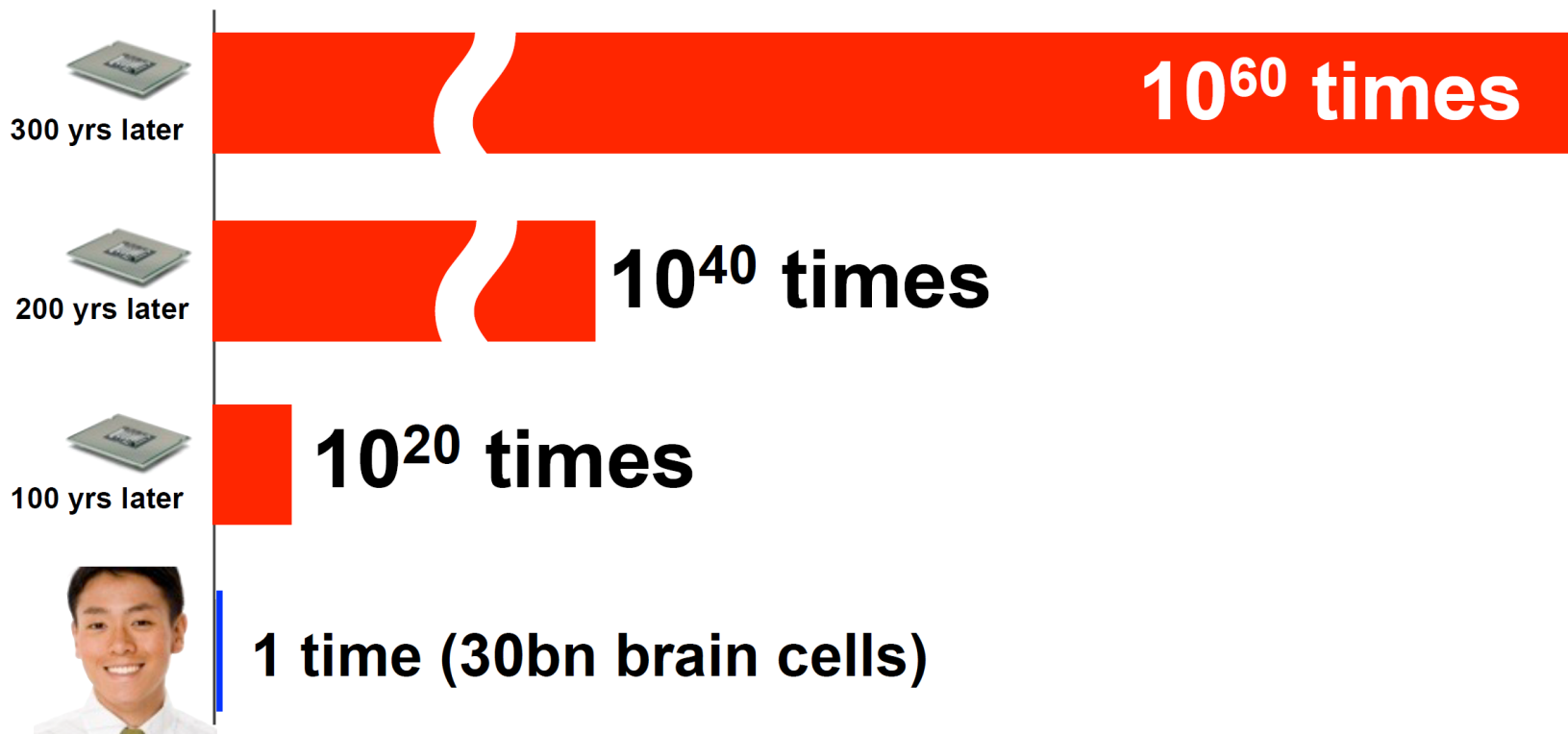
% Structured / Tagged (~10%) Rising Fast...

Information Created Worldwide =
Expected to Continue Accelerating



The Rising Power of Computing

Hypothesis of number of brain cells and computing elements



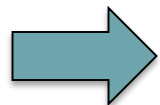
Entrepreneur's Playbook

Strategy

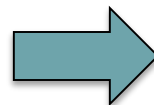
Biz Model

Risk

Disruptor

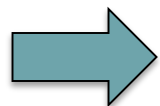


B2C

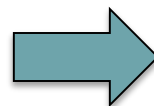


CAC, scale

Enabler



B2B2C



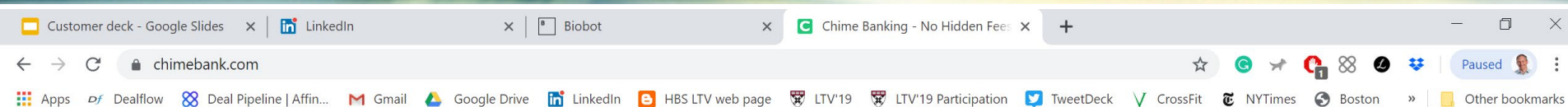
Gatekeeper



Disruptor Examples



Chime: US-based “Challenger Bank”



Banking Features

About Us

Blog

Help

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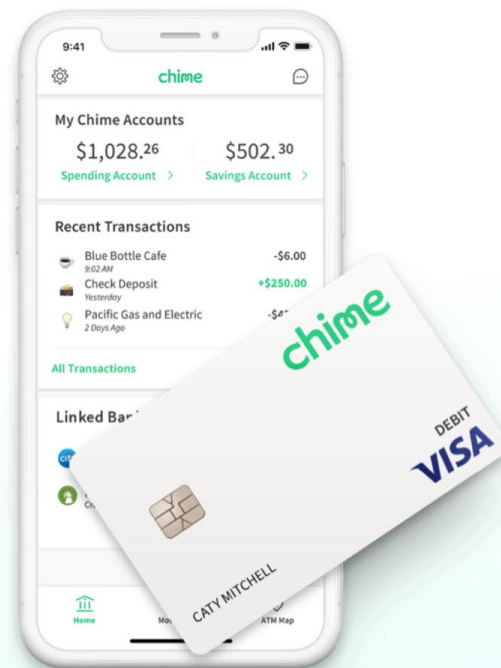
Get Started

CHIME BANKING

Banking made awesome

Get paid up to 2 days early with direct deposit.¹ Say goodbye to hidden bank fees. Grow your savings, automatically.

Get Started



Good ideas get copied...quickly

Customer deck - Google Slides x LinkedIn x Chime Banking - No Hidden Fees x Klar Raises \$57.5M In Debt & Equity x

news.crunchbase.com/news/klar-raises-57-5m-in-debt-and-equity-to-become-the-chime-of-mexico/

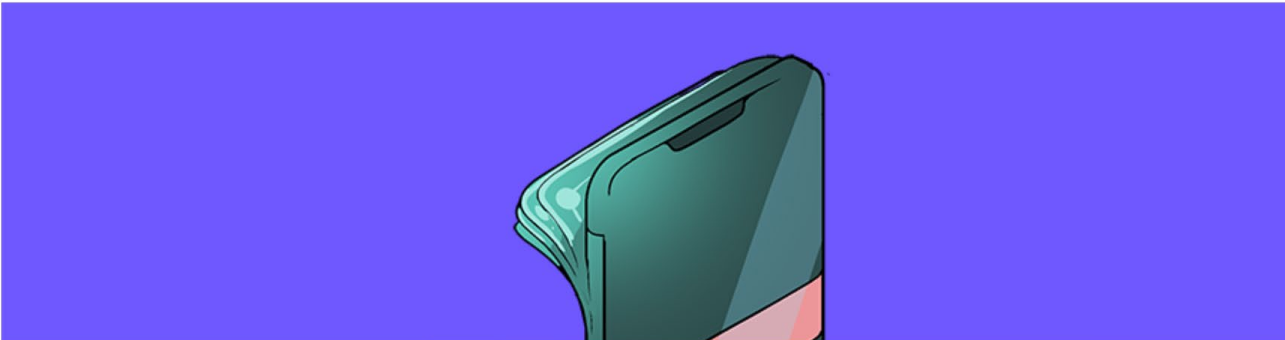
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Klar Raises \$57.5M In Debt & Equity To Become The 'Chime of Mexico'

Mary Ann Azevedo September 25, 2019



Save time. Raise money. TRY PRO FOR FREE

Featured

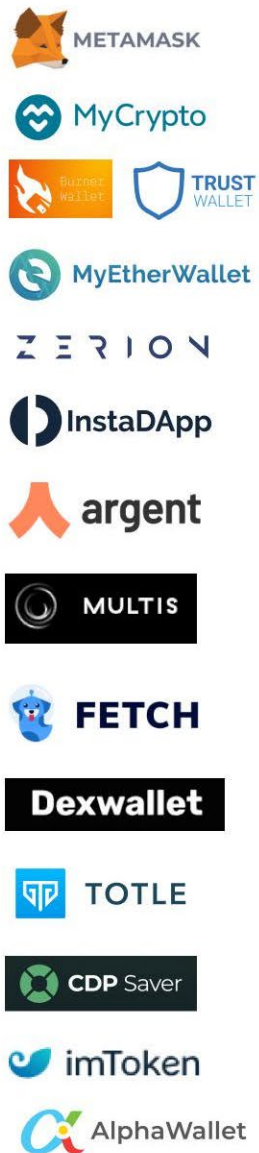


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Best DeFi Products

Assets Management



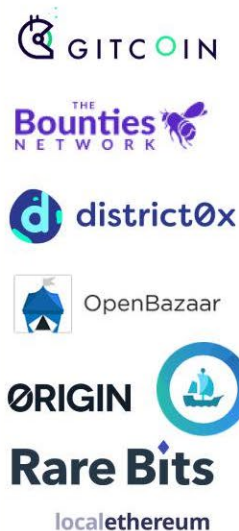
Prediction markets



KYC & Identity



Marketplaces



Derivatives



Insurance Platforms



Lending



Assets Tokenization



Stablecoins



Exchanges



Infrastructure

The logo for PLASTIQ, featuring the word in a white, sans-serif font on a dark grey rectangular background. A small blue checkmark is integrated into the letter 'Q'.

PLASTIQ®

Enabler Examples

The logo for BATON, with the word in a blue, sans-serif font. Below it, the tagline 'THE B2B MERCHANT SERVICE' is written in a smaller, grey, sans-serif font.

BATON
THE B2B MERCHANT SERVICE

The logo for zest finance, featuring the word 'zest' in white lowercase letters inside an orange circle, followed by the word 'finance' in a grey, sans-serif font.

zest finance

ZestFinance: Machine Learning Applied to Underwriting



Personal Loans

Results:

↑ **51% increase**
in approval rate

\$1.5 billion
in additional credit



Mortgage

Results:

↑ **30% increase**
in approval rate

\$6 billion
in additional credit



Auto

Results:

↓ **22% decrease**
in defaults

\$50 million
saved annually



Credit Card

Results:

↓ **18% decrease**
in default rate

\$109 million
saved annually

ZestFinance and Freddie Mac: Improving Mortgage Underwriting

THE WALL STREET JOURNAL.

JEFFREY E

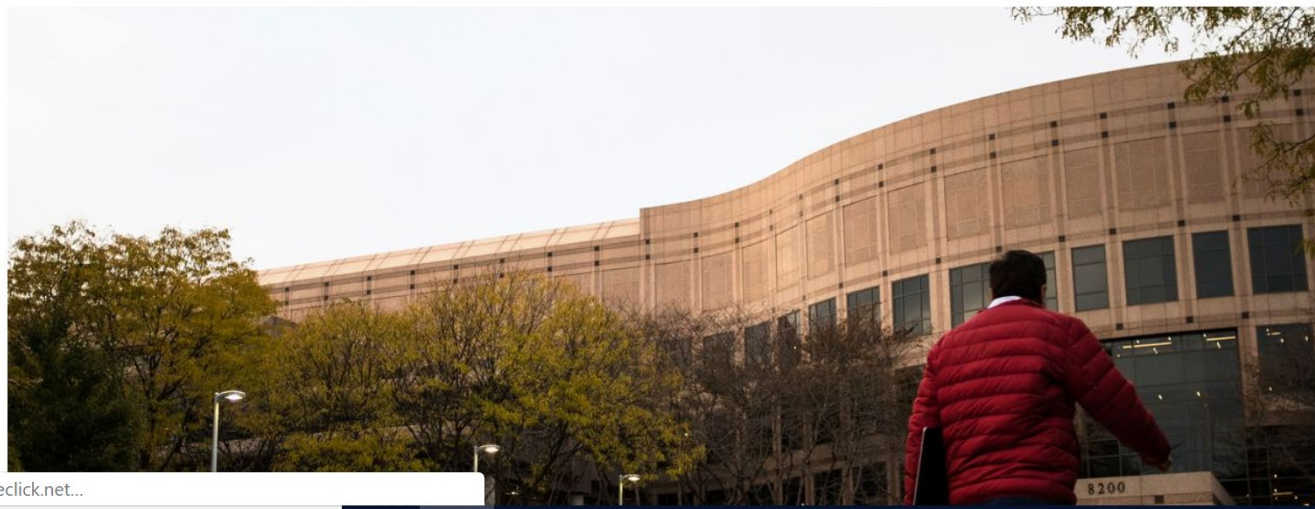
English Edition | October 10, 2019 | Print Edition | Video

Home World U.S. Politics Economy Business Tech **Markets** Opinion Life & Arts Real Estate WSJ. Magazine

MARKETS

Freddie Mac Tests Underwriting Software That Could Boost Mortgage Approvals

Regulator recently met with housing-finance giant and the fintech firm behind the software



RECOMMENDED VIDEOS

1. Executive Privilege:
What Are the Limits?



2. Free Speech vs.
Chinese Market: U.S.
Companies Face
Tough Choice



3. Trump Will Cooperate
With Impeachment
Probe 'If the Rules Are
Fair'



4. Why Impeachment



Plastiq: Enable Businesses to Use Their Cards to Pay Vendors That Don't Accept Cards

Examples of EXPENSES buyers pay with Plastiq



Inventory



Digital Media/
Advertising



Insurance



Telecom



Commercial
Rent



Shipping



Equipment



Utilities

Examples of vendors buyers are paying with Plastiq



UNDER ARMOUR

facebook

State Farm



IRS

INCRAM

CAT

Google

McKesson

LG Electronics

United Rentals

Sysco

Pfizer

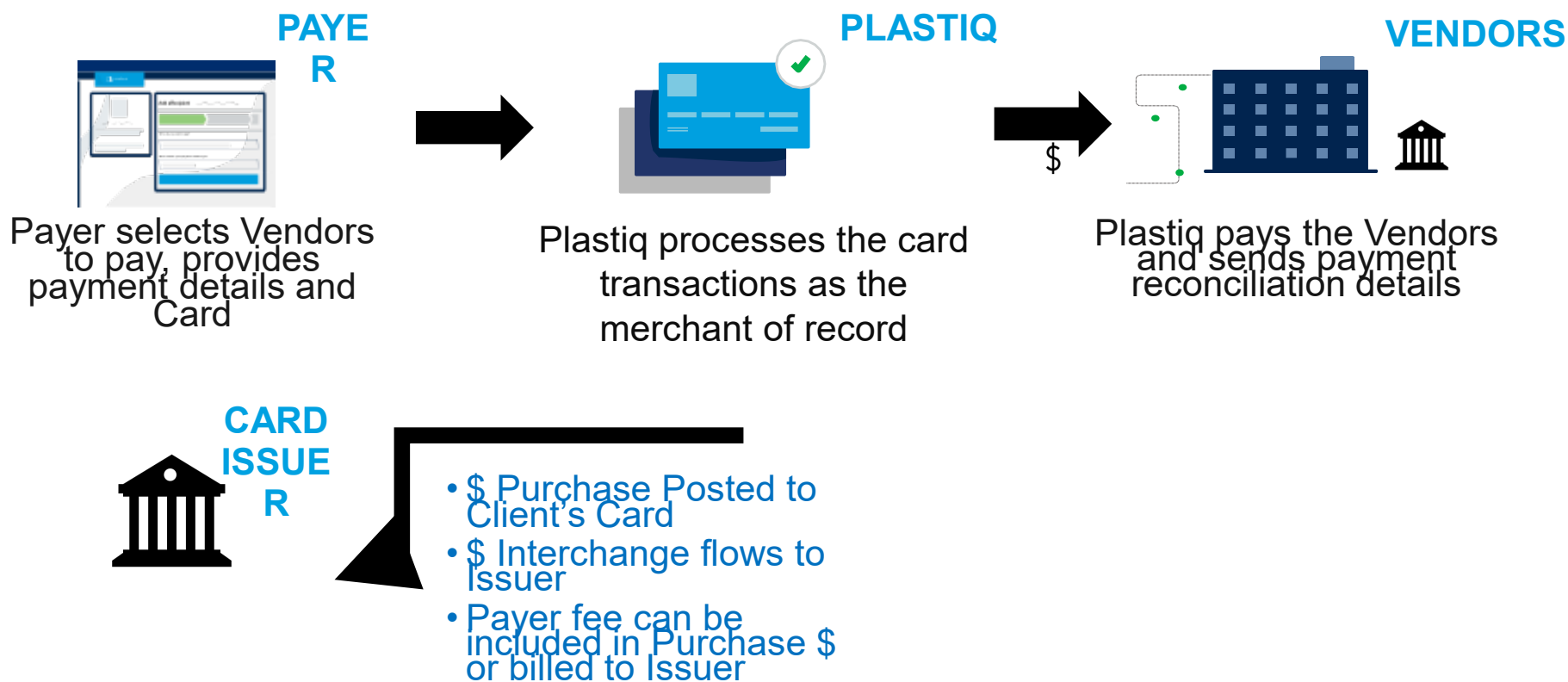


ULINE

adidas

BLACK+DECKER

How Businesses Use Plastiq



BATON: Invoice Payments Network

An Invoice Payments Network for the financial services industry, delivering a new structured financial solution capable of eliminating small business B2B trade credit in the way the card payments network virtually eliminated B2C trade credit.


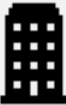


✓ Unleash small business **SELLING POWER** the way credit cards unlocked consumer spending power.

✓ Parallel to the credit card payments model, seamlessly connecting the financial service industry and the small businesses it serves.

✓ Expanding small business lending profitably and safely into the much larger, untapped B2B trade credit market.

A New Platform For B2B Trade Credit

		Card Transactions	Trade Credit	BATON® <small>Not Business As Usual</small>
 Seller Value Proposition	Cash Flow Settlement within 3 days	✓	X	✓
	Convenience Buyer adoption / AR administration	X	X	✓
	Confidence Remove late and non-payment risk	✓	X	✓
 Buyer Value Proposition	Cost Free	X	✓	✓
	Capital AP important part of capital stack	X	✓	✓
	Control Maintain control (level of AP, internal approvals)	X	✓	✓

“If I use a baseball analogy, we’re probably no more than in the second inning as it relates to the B2B opportunity around the world.”
 – **Visa CEO Al Kelly**

Big Banks Approach To “Keeping Up”

- Innovation Labs
- Startup Liaison
- Venture Capital investments
 - Both in VC funds and direct investments
- Culture of experimentation (and failure)

Small ~~Big~~ Banks Approach To “Keeping Up”

- Innovation Labs
- Startup Liaison
- Venture Capital investments
 - Both in VC funds and direct investments
- Culture of experimentation (and failure)

Conclusion

- Unique and special time for entrepreneurship and technology innovation
- Banking industry is under attack from disruptors
- Banking industry can be helped by enablers
- The key is human capital management, creating a culture of innovation, and instrumenting your organization to allow for experimentation

THANK YOU!

Jeff Bussgang

General Partner, Flybridge Capital Partners

Senior Lecturer, Harvard Business School

October 2019