



# Belgium: an unexpected ideal hub for FinTech ?

Belgian FinTech report 2016 - Key Findings



The better the question. The better the answer.  
The better the world works.



**EY**

Building a better  
working world

Belgium has historically been a ground of innovation for Financial Services (FS). On average, the Belgian customer is well served with regards to the quality, the availability as well as the price of services. Nevertheless, with the innovation pace constantly increasing, good ideas are rapidly copied, leaving less room for a 'test' market. Furthermore, there is limited focus on Belgium from international firms. Indeed, being a very small country, its complexity cannot be compensated by its size.

In this context, one is allowed to wonder: can Belgium remain a fertile land for innovation... or should we expect our talents to go and develop their ideas in our neighboring countries, where they believe the grass could be greener?

To answer this question, and many more, EY has analyzed the key conditions required for Belgium to be - and remain - at the forefront of innovation in Financial Services. The results to be found in this report show a contrasted view and highlight some challenges ahead but also leave room for optimism... provided that we are ready to think like entrepreneurs. To each problem, there are at least three solutions. The right mindset, the right partner and the resources are all you need to start exploring them. Shall we start?



Yannick Grécourt  
Strategy, Customer & Operations Partner

## Table of contents

What makes a FinTech ecosystem successful ?	4
Demand	6
Talent	10
Capital	12
Policy	13
Recommendations	14

In order for a FinTech ecosystem to function optimally, four core attributes are required: demand, talent, capital and policy.

Are these attributes sufficiently present to make Belgium a place for FinTech and innovation?

**Our approach**  
For this report we've conducted several external interviews with leaders in banking and Fintech as well as policy makers. We have also conducted a survey on the FinTech adoption in the Belgian market.

## What we hear in the market...

... is very different from what our research has shown:

A



### Demand

End-client demand across consumers, corporates and financial institutions (Fis)

**"Currently there are no real FinTechs in Belgium, there's no market demand for these services, also the market is too complex"**

**92%**

With 92% of FinTech adoption focused on Payment solutions, adoption is low and strongly focused. Supply in other domains is low.

Compared to our global results, Belgian consumers are especially sensible to newcomers that focus on **better customer experience, quality and the flexibility of services.**

**60%**

of Europe's purchasing power is within 500km. Hence if you can meet demand in Belgium, scaling to these markets is easy.

B

### Talent

The availability of technical, FS and entrepreneurial talent.

**"The best Belgian talent is already working abroad. The others aren't really interested"**



**The capabilities and people are there to make it work.** Belgium has always been at the forefront of innovative technologies applied to the financial system (e.g. Swift, Clear2Pay).

**51<sup>st</sup>**

Ranked 51st in entrepreneurial activity. Belgians have difficulties taking initiative and starting a company up themselves.

C

### Capital

The availability of financial resources for start-ups and scale-ups.

**"It's difficult to find money in Belgium to start, to grow you need to move away"**

**€150 Mio**

has been invested in BeTech in 2015.

Belgium was long lagging behind its peers in Europe with respect to Funding. However from 2015, we've seen quite the catch up and for 2016 we're seeing this getting doubled.

D

### Policy

Government policy across regulations, tax and sector growth initiatives.

**"Paying for talent has become too expensive, moreover the regulator isn't ready to be talking to startups about financial services"**



**Several initiatives** have been taken by the governments of Belgium **to lower the administrative and tax burdens for start-ups.**

The FSMA as Belgian regulator is also slightly opening the door for discussions with Fintechs. However this is still in an exploration stage.

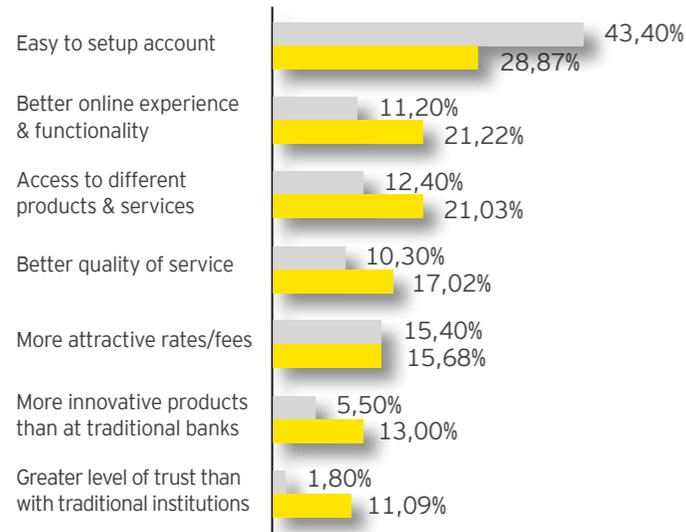
**Yes, Belgium has great potential, however it needs to accelerate and the timing is now !**

# A Demand

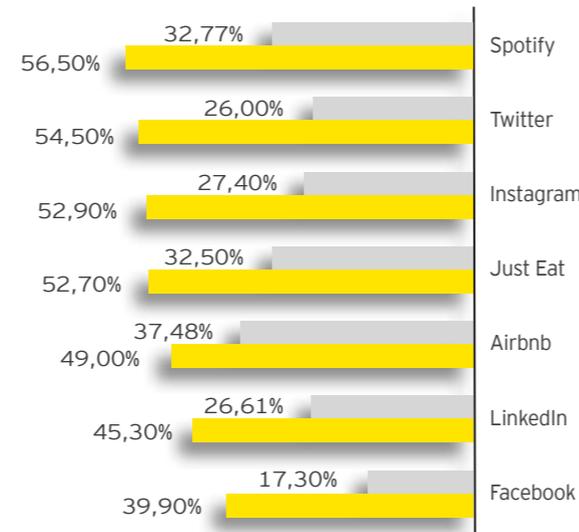
Our FinTech adoption survey shows that customers use FinTech for a variety of reasons. In addition there is a real appetite from customers for solutions that enhance their experience. However, the low supply makes for a low adoption in this domain.

## Why use FinTech?

Compared to other countries, Belgian banks today are already offering quite convenient solutions. Hence compared to global results, Belgians are especially looking for solutions that can improve and broaden their overall experience.



In Belgium there is a strong correlation between users of other online service providers and FinTech users. Over 56,5% of Spotify users and 54,5% of Twitter users are FinTech adopters.



Global Belgium

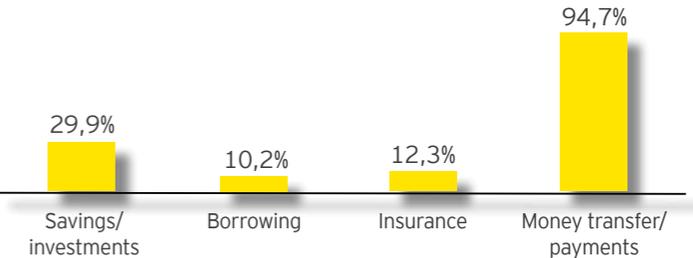
Source : EY, 2016, "FinTech Adoption Data : Belgian data"

## FinTech adoption in Belgium

Among FinTech, user adoption in Belgium is low with payments as a sole outlier.

- Our survey has shown that almost all FinTech usage in Belgium originates from digital payments. This is logical because of two reasons. Firstly, Belgium has always had strong roots in the payment industry. Secondly because of the rise of e-commerce in the last decade, Financial Technology that enables online payments has been adopted significantly by end users.
- Early on, in the savings and investment domain Belgium saw a few digital-only brokerage platforms like Keytrade and Binckbank. These companies are now being followed by newcomers like Easyvest and Swanest.
- In other domains like borrowing and insurance, we see a lower adoption due to a low supply. Some platforms in the crowd lending space and some smaller telematics solutions in insurance are present but their adoption is not significant.
- Our research has also shown that a lot of successful foreign FinTechs are currently not targeting Belgium as they regard the market as too small and complex to enter.

36% of the 523 respondents are FinTech users



### Savings/investments

- Online stockbroking/spreadbetting
- Online budgeting/planning
- Online investments
- Equity and rewards crowdfunding
- P2P



### Borrowing

- Borrowing via P2P websites



### Insurance

- Car insurance using telematics
- Health insurance premium aggregators



### Money transfer/payments

- Non-banks to transfer money
- Online foreign exchange
- Overseas remittances



Source : EY, 2016, "Percentage of FinTech users who have used each category of product : Belgian data"

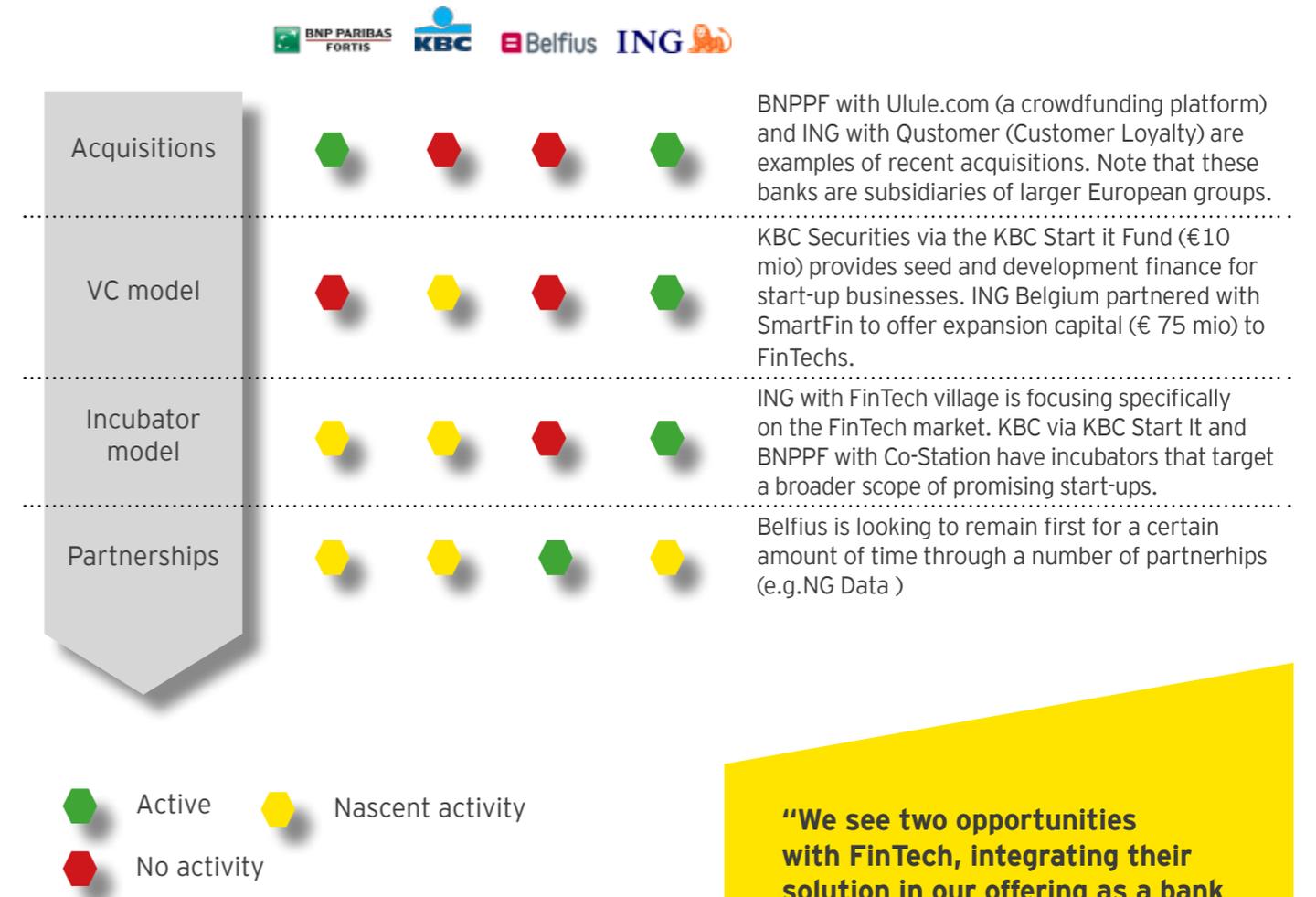
**From a B2B point of view, there is more supply of financial technology players traditionally with a focus on payments and infrastructure.**

- ▶ While the supply in Belgium on the B2C side is low, we see a higher amount of FinTech companies that focus on B2B. Moreover, any significant funding into FinTechs has happened in startups that were B2B oriented.
- ▶ These companies have scaled beyond Belgium and penetrated into a set of new markets. Here we see that besides the US, which is often selected for funding reasons, Belgian FinTechs prefer to scale to neighboring countries.
- ▶ If we consider supply and funding as a proxy for demand we can conclude that these businesses generate sufficient demand to be viable. Yet again, they are strongly focused on supporting payment flows.

	Focus	Stage	Geography	Last capital increase
	Infrastructure	Growth	BE, NL, LUX	€10.0 million
	Expense reporting	Growth	BE, US, NL, UK, BR, SP, DE	€5.5 million
	Factoring	Growth	FR, NL	€3 million
	Cashflow	Growth	BE, US	€1.1 million
	Payments	Growth	BE	€1.0 million
	Infrastructure	Seed	BE, US	€0.8 million
	Expense reporting	Seed	BE	€0.5 million

Source: CB insights; Dealroom.co

**Demand from Financial Institutions: Belgian financial institutions are starting to look into FinTechs and are willing to invest. However they are at a nascent stage. Currently, none of the tier-1 banks are really leading the pack when it comes to embedding innovation into their organization.**



Source: EY analysis, Focused on initiatives within the Belgian market.

**“We see two opportunities with FinTech, integrating their solution in our offering as a bank and diversifying our streams of revenue.”**  
**CEO of a Belgian Bank**

# B Talent

Belgian Fintech ecosystem has a long history of success stories with well-established companies ...

Sources: « Landscaping UK FinTech », EY, 2014; Companies websites; Agoria Banking Club

- ▶ Belgium has always been at the forefront of innovative technologies applied to the financial system (e.g. development of the Digipass, first country to use a national clearing system, etc.) with a special emphasis on Payments services.
- ▶ Belgian Fintech market is currently fueled by the growing impact of digitalization in financial services, changing customer behavior and a lack of innovation and investment by incumbent providers that are currently struggling with their margins and regulatory changes.
- ▶ These organizations have been built by people with the ideal skillset to power a FinTech today, ranging from Financial Services expertise, technology until innovation. In addition these companies have been involved in some significant deals.

## Payments



## Software & Data analytics



## Platforms

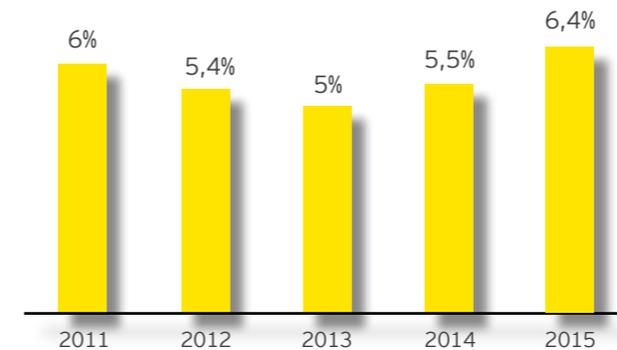


## Historical significant FinTech deals

- ▶ Clear2Pay acquired by FIS (US) for MEUR 375 in 2014
- ▶ Ogone purchased by Ingenico (FR) for MEUR 360 in 2013
- ▶ Immoweb acquired by Axel Springer Digital Classifieds (JV GE-US) for MEUR 128 in 2012
- ▶ Callataÿ & Wouters purchased by Sopra Banking Software (FR) (2012)
- ▶ Keytrade Bank acquired by Credit Agricole (FR) for MEUR 45 in 2005

Belgium has the right talents available... but they prefer to stay in their comfort zone within big corporations.

- ▶ Evidence shows that the workforce in **Belgium** presents a **large panel of skills correlated with a strong financial market**. Yet people tend to stay within big corporations and fear to **jump into entrepreneurship**. Furthermore we see the same tendency in education. There, compared to neighboring countries, Belgium scores extremely low on graduates that start their own company after school. This hampers the innovation landscape.
- ▶ In response to that we should pay attention to the **example of Finland**. After the **bankruptcy of Nokia**, the country leveraged its base of high skilled developers to **build an ecosystem of start-ups**. As a consequence its **information technology industry literally soared**.



Low entrepreneurial activity in Belgium (rank 51/62)

Source: Global Entrepreneurship Monitor, Global Report 2015

## Exhibit 1:

- ▶ The collapse of Nokia led to innovation in Gaming and currently could explain the number of new FinTech ventures in Finland.
- ▶ In June 2012, Nokia slashed 3,700 jobs in Finland. In April that year, 220 start-ups had been launched by former Nokia employees. Notable start-ups would include Rovio (Angry birds) or Kiosked which raised more than \$33 million and has recently expanded to the US.
- ▶ After the downsizing at Nokia, an important skilled workforce was unemployed. Given the large size of this pool, part of it decided to create their own tech ventures. This led to a total of 179 game studios created between 2011 and 2014, currently representing \$1.0 billion in revenues.
- ▶ It is likely that a similar thing happened in London following the 2008 financial crisis and the emergence of their FinTech hub.

**“Of all those whom I’ve fought the Belgians were the bravest”  
Julius Caesar, 58-49 BC, De Bello Gallico**

C

# Capital

Money for taking off is up for grabs. After seed and early stage, raising money in Belgium may remain challenging.

D

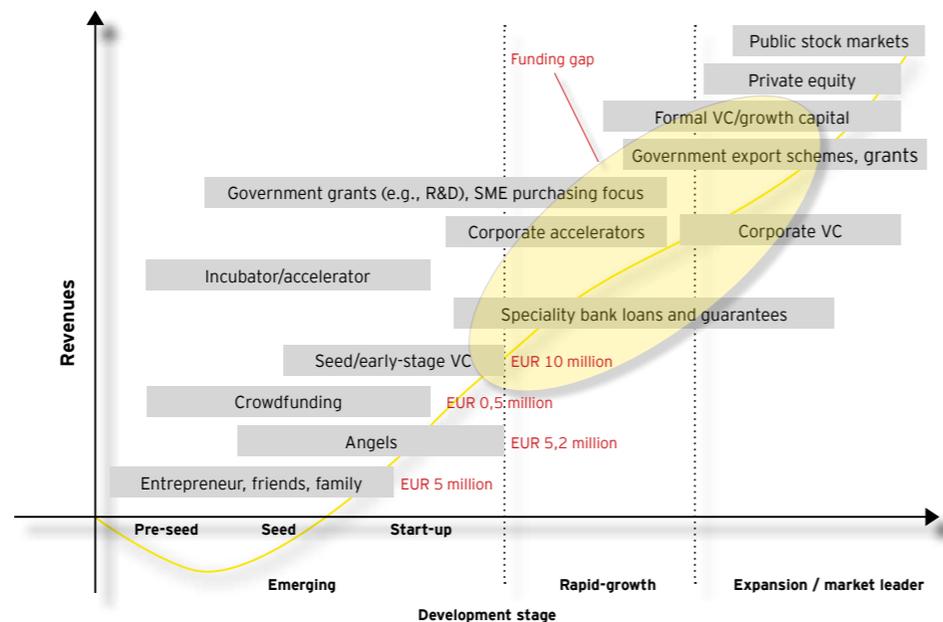
# Policy

The regulator's door is slightly open, but increasing government support is contradicted by administration and high taxes.

## Funding levels of start-ups in Belgium

Seed and Early stage money is fairly easy to find but further funding possibilities may prove to be more challenging afterwards. In this case we see that most FinTechs are drawn to the larger FinTech hubs to attract money.

Belgium was long lagging behind its peers in Europe with respect to Funding. However from 2015, we've seen quite the catch up with investments already doubling each year. Also, Crowdfunding is expected to reach ± 6.5 million by 2016.



The representation above maps the stages of a company's development to the availability of capital in the Belgian market.

Sources: « Landscaping UK FinTech », EY, 2014 ; mtlnewtech.com; Claire Munck, CEO Be Angels; «G20 Entrepreneurship Barometer », EY, 2013; Belgian Web Startups Barometer 2012; European Trade Association for Business Angels, Seed Funds and Early Stage Market Players

## Regulation as a first mover advantage

*"The regulator is open to innovative business models, yet (as a FinTech) you are not on the top of their list, which slows down the license acquisition system."*  
FinTech Belgium

In terms of regulation, **Belgian supervisors** are **slowly investigating** this emerging trend. Moreover in June 2016 the FSMA (Financial Services and Markets Authority) launched "the FinTech Portal", which is intended to support a dialogue between the FSMA and FinTech companies. Nevertheless it remains a rather hesitant first step, especially compared to other countries such as the UK (see Exhibit) that have created environments to foster innovation. Such a "sandbox" principle allows start-ups to explore ideas with a small subset of potential clients albeit well contained and overlooked by the regulator.

### Exhibit 2:

- ▶ The FCA, the regulator in the UK, installed a regulatory sandbox to which you can apply twice a year. If the application is successful, you can try your business model for six months without the regulatory burden and then focus on obtaining required licenses.

## Support is increasing yet administration is burdening...

*"We do not need more subsidies, some FinTech entrepreneurs spend more time obtaining subsidies than acquiring clients."*  
FinTech, Belgium

Efforts from the government have been made to develop the information technology sector through job creation and investment solutions for digital SMES. Yet Belgium is suffering from its political structure that burdens the administration related to entrepreneurship.

### ...just as are taxes

*"The Government should reduce the requirements for companies when hiring a first employee."*  
FinTech, Belgium

Belgium is a country in which taxation of the labour force is the highest in Europe, with 59.4% of the salary costs going to the government. Therefore, it is challenging for start-ups to afford hiring numerous employees quickly. Yet, there are various initiatives from the government to reduce these costs, which makes it cheaper to attract the first set of employees. However it remains hindering in the growth stage.

# What can each member of the eco-system do to foster an innovation climate in Belgium ?

## Our recommendations

### For financial institutions

**Your FinTech talent is using the same coffee machine as you:  
Create a culture of intra and-entrepreneurship**

We don't need an economical crisis or a bankruptcy to unlock a pool of talent to flourish innovation. Great talents with the right skill sets are today safely nested within the organizations. They need to be activated. This can be done in a two-fold manner:

- ▶ Inside the organization: for example, by implementing "a 20% policy" like Google did. Where employees can work on initiatives that will most benefit the bank.
- ▶ Outside the organization: Sponsor risk taking by offering people the chance to pursue their ideas. This can range from sponsoring, through incubators to direct acquisitions.

**Belgian consumers are ready for solutions that offer an augmented customer experience:  
Initiate leading the pack**

Our FinTech Adoption Index for Belgium has shown that Belgians are open for new entrants that can augment the ease of use and service. However, from a banking point of view we are lagging behind as well. There's a momentum for banks as well as start-ups to accelerate their innovation pace in order to gain first-mover advantage.

### For entrepreneurs

**Revalue Belgium as a launch pad for your European FinTech**

Our analysis has shown that if entrepreneurs succeed in assembling the right team, the momentum is there to start a successful business. First the demand (B2C, B2B as well as FS players) is ready for new offerings. Secondly, as foreign companies often consider Belgium as too complex, you have a greenfield which is easily scalable towards other European core markets. Thirdly there's sufficient seed capital available to test initial ideas. Finally, the regulator is open to conversations on innovation whereas sufficient programs are installed to promote and subsidize technology startups.

## Your EY contacts



**Yannick Grécourt**  
Partner  
Strategy, Customer & Operations  
yannick.grécourt@be.ey.com



**Barbara Freitag**  
Senior Manager  
Transaction Advisory Services  
barbara.freitag@be.ey.com



**Geert Van Kerckhoven**  
Senior Manager  
Strategy, Customer & Operations  
geert.van.kerckhoven@be.ey.com

EY | Assurance | Tax | Transactions | Advisory  
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [www.ey.com/be](http://www.ey.com/be).

EY is a leader in serving the financial services industry  
We understand the importance of asking great questions. It's how you innovate, transform and achieve a better working world. One that benefits our clients, our people and our communities. Finance fuels our lives. No other sector can touch so many people or shape so many futures. That's why globally we employ 26,000 people who focus on financial services and nothing else. Our connected financial services teams are dedicated to providing assurance, tax, transaction and advisory services to the banking and capital markets, insurance, and wealth and asset management sectors. It's our global connectivity and local knowledge that ensures we deliver the insights and quality services to help build trust and confidence in the capital markets and in economies the world over. By connecting people with the right mix of knowledge and insight, we are able to ask great questions. The better the question. The better the answer. The better the world works.

© 2016 EYGM Limited.  
All Rights Reserved.

[ey.com/fs](http://ey.com/fs)