

IN... THE KHUBE

Monthly newsletter for everything that happens
IN the KPMG Hub for Entrepreneurship (the Khube)



IN... TRODUCTION

Dear readers,

Although the term “RegTech” has only been actively used for a couple of years, the concept has existed for several decades. Just like InsurTech, HealthTech, etc., RegTech employs technology to solve and simplify problems, in this case those relating to regulatory and compliance activities.

RegTech, often viewed as a sub-set of FinTech, is a relevant and highly topical theme for the financial industry and its actors. Major regulatory changes have occurred in recent years, with regulations being introduced on alternative funds (AIFMD), anti-money laundering (AML), and retail funds (UCITS V and MiFID II), to name only a few areas. The upcoming PSD II Directive will also mean more actions required from those in the financial industry.

The emergence of top-notch, agile and cost-/resource-efficient technological solutions means new ways of executing processes and functions such as underwriting, client onboarding, monitoring/surveillance, risk operations and risk analytics.



Juergen Rieder, Associate Partner KPMG Luxembourg

Some of these process have not seen elemental innovations in a long time, but RegTech seeks to change that.

In order to discuss these trends, the next Khube Innovation Series (KIS) event is dedicated to this increasingly popular topic. Don't miss your chance to gain some insights on 18 May! We hope to see you there.

*Best regards,
Juergen Rieder*

IN... THE NEWS

Top news from the FinTech world:

- **The Pulse of FinTech: Q1'17**

After 2015's record-setting \$46.7 billion in global funding to fintech companies, 2016 brought reality back to the market with an almost 50 percent slide in fintech investment. According to The Pulse of Fintech – a quarterly report on global fintech trends produced by KPMG, 2016's annual fintech funding total of \$24.7 billion was significant compared to pre-2015 investment levels. What will 2017 bring? Read more in the “IN...THE VENTURE” section on page 7.

- **Australia's first “RegTech” Hackathon focuses on energy sector**

RegHack's DownUnder hackathon will take place for the first time in Australia mid-May this year. The goal of the 3-day Hackathon is to use disruptive FinTech technologies to improve regulatory compliance and address existing legacy inefficiencies in the current systems when addressing Australian energy sector.*

- **Bitcoin prices reach historic USD 1,500**

The reasons behind Bitcoin's rise can be associated with the increasing trading volumes of the currency in Japan. Japan's trading and fiscal policies seem to have a direct effect on the price of the cryptocurrency. In the meantime, Ethereum classic (ETC) is displaying a decline in price.**

- **UN Commission says blockchain can help improve costs for troubled banks in Latin America**

The developed blockchain solution would offer tools to improve surveillance of transactions and thus help the tracking of illicit financial movements. In addition, the blockchain-based network would allow intermediary corresponding banks to be bypassed, thereby reducing the costs of transactions and increasing efficiency.***

Sources:

- <https://cointelegraph.com/news/first-australian-regtech-hackathon-focuses-on-energy-sector>
- ** <https://cointelegraph.com/news/bitcoin-price-marches-towards-1500-bitcoins-feel-the-pinch>
- *** <https://cointelegraph.com/news/un-commission-blockchain-can-help-struggling-banks-in-latin-america>

IN... THE FIGURES

USD 118.7 billion

The expected global demand by 2020 for regulatory, compliance and governance software*

*Source: <https://letstalkpayments.com/a-report-on-global-regtech-a-100-billion-opportunity-market-overview-analysis-of-incumbents-and-startups/>

IN... BUSINESS

News highlights about the Khube members. Stay on top of what's happening IN... business!

Member news



LALUX has recently joined the Khube and we are very happy to embark on new collaboration opportunities!

LALUX Assurances, one of the leading insurers in Luxembourg, accompanies insureds in their most diverse needs of personal security. LALUX's vast know-how and experience, along with its modern services, combine to meet the expectations of private customers and companies, and its network of professional and local agencies is Luxembourg's largest. LALUX proposes not only opportunities to protect their customers against the risks of everyday life, but also flexible solutions for taking advantage of their capital and to plan their retirement smoothly. Find out more about Lalux [here](#).



The Khube extends a warm welcome to its newest innovative company, Nanceo! Nanceo is a dedicated sales finance market designed to accelerate sales. The company has put together an innovative finance offer that includes all the vital technological, operational, legal and financial components one might need. Nanceo's dedicated platform is called Leasa. A vendor who wants to find a solution to finance its sales doesn't need to contact lessors one by one anymore: Leasa streamlines the process by communicating with many lessors in one click. Find out more about Nanceo [here](#).

IN... THE FUTURE

Check out and don't miss these upcoming KPMG and Khube events.

Digital labour is a hot topic generating immense anticipation as it gains momentum and promises a new ecosystem of intelligence. The integration of basic automated business processes with artificial intelligence and cognitive processes that think and learn like humans heralds a paradigm shift in how work is performed both in the services and funds industries.

As digital labour will undoubtedly reshape both business and society in the 21st century, join us at our Digital Fund event on **30 May 2017** to learn more about it.

We look forward to seeing you there! **You can still register on KPMG website [here](#)!**

A promotional graphic for the KPMG Digital Fund series. The background is a solid blue color. On the left, the KPMG logo is at the top, followed by the text "The Digital Fund series" in a large, white, serif font, and "Robotic Process Automation" in a smaller, white, sans-serif font below it. A red stamp-like graphic with the text "Season 2" is positioned at the bottom left. On the right, a smartwatch is shown with a black face and a black strap. The watch screen displays a date widget for "30 May" with the KPMG logo below it, and several circular icons for different functions: a location pin, a clock, a speaker, a cloud with a rain drop, and a KPMG logo. The watch is set against a blue background that matches the overall graphic.

IN...TERVIEW

We talked to Lux Future Lab Director Karin Schintgen about current developments in the incubator, what the lab offers start-ups it hosts and what's coming up next.

As the first incubator launched by a bank in Luxembourg, where does Lux Future Lab stand today?

Created 6 years ago, Lux Future Lab is an incubator for start-ups in Luxembourg City focused on supporting entrepreneurship and innovation. Via its incubator and training platform, it has the ambition of affecting the social and economic dynamics of Luxembourg by operating at the crossroads of change – a mission that mirrors the slogan of BGL BNP Paribas, which is “the bank of a changing world.” Linked to a major international financial group, Lux Future Lab attracts mostly FinTech (55%) for its portfolio but also start-ups in sectors such as social media, internet security, healthcare, and others. Today Lux Future Lab hosts some 30 innovative start-ups coming from as far as the USA, South Korea, Iran and Japan. The organisation is furthermore honoured to have incubated some great start-ups such as Talkwalker, which now employs over 150 people in offices in Luxembourg, New York and San Francisco, Mangopay, which has been taken over by Crédit Mutuel Arkea, Paycash, which has recently been acquired by Daimler Benz, and Jobtoday, which is a young start-up that managed to raise €30M in 2016 and has won a media deal worth some €35 million already this year. Lux Future Lab companies have created some 320 jobs in Luxembourg. Besides pure incubation activities, the lab also hosts great training facilities.



Members of Lux Future Lab are happy to host their companies there!



Karin Schintgen, Director of Lux Future Lab

What is the unique selling proposition offered by Lux Future Lab to start-ups?

Lux Future Lab offers high-quality facilities and services that start-ups need in order to grow. The main advantages for start-ups are twofold: they can be located at the heart of the Luxembourg's financial sector, and be hosted by a major financial operator present in 75 countries and covering some of the world's best SMEs and corporates.

This indeed provides them with easy access to expertise and dedicated competencies, be it in the area of internet security, funds industry, know your customer considerations, or others. Lux Future Lab's service offer is divided into five main areas:

HOSTING: With well-equipped facilities located in the heart of Luxembourg City at affordable rates, our location offers a great place for start-ups to domicile their company; they can furthermore benefit from e-hosting services.

TRAINING: Lux Future Lab has a large selection of general and dedicated training programs.

NETWORKING: BNP Paribas is everywhere start-ups would ever like to go. Through the BNP Paribas X-change

start-ups can be temporarily hosted at various incubators in Brussels, San Francisco, or Paris, and connect to BNP Paribas's world-wide network.

CONSULTING: Start-ups incubated at Lux Future Lab have access to its consulting package with some 20 specialist firms covering legal, corporate finance, accounting, marketing, and intellectual property issues.

FINANCING: Members of Lux Future Lab not only have privileged access to innovation hubs but also to a vast investor community thanks to the Group's unrivalled network and resources.

What's next?

Lux Future Lab's aim is to be at the forefront of tomorrow's innovations – always one step ahead! While today many of its start-ups are in FinTech, there are many other promising sectors, such as travel, tourism or retail markets, as well as plenty of interesting developments in terms of social innovations. Thus, Lux Future Lab's challenge is to detect those rising stars affecting the social and economic dynamics in Luxembourg and swiftly adapt its support to the rapidly evolving innovation market.



Find out more about Lux Future Lab:



IN...NOVATION TIME

Neuroprofiler is a behavioural finance game that helps financial advisors assess the investor profiles of their clients in line with the latest European regulations. They aim to replace “boring” paper questionnaires that clients have to fill in every time they want to work with financial advisors with a compliant, scientific, user-friendly and serious game.

What is Neuroprofiler?

The product of 4 years of academic research in machine learning and behavioural finance, Neuroprofiler helps financial advisors assess the investor profiles of their clients through a serious game that is compliant with the latest European regulations.

Which problems of the industry does Neuroprofiler solve?

Following the 2008 financial crisis, regulators have made it compulsory for financial advisors to assess the investor profile of their clients. This applies to advisors in 80% of countries in the world.

However, among risk profiling tools used today in the industry:

- 50% are not compliant with local regulations.
- Less than 10% are digital while 85% of high-net-worth individuals under 40 are using digital tools to manage their financial services.
- Fewer than 10% are based on scientific research.



Tiphaine Saltini, Cofounder and CEO of Neuroprofiler

This means high legal costs for financial institutions, as well as bad user experience and poor client knowledge.

How would a banker/asset manager use Neuroprofiler?

A banker / asset manager would have access to our SaaS platform from where s/he would be able to create and customise tests for his/her clients. Then, this questionnaire could be sent to the clients by email, and would also be available on the device of the financial advisor. Client profiles are analysed as soon as the serious game is finished, and provide a



Julien Reveille, Cofounder and CTO of Neuroprofiler

rich insight into the investor personality of the client. The financial advisor can then discuss the results with the clients and store all data for compliance purposes.

What is the recent news about Neuroprofiler?

Neuroprofiler graduated last month from two incubators: FinTech Fusion (Geneva) and Accenture’s FinTech Innovation Lab London. We also started two pilots with BNP Paribas and ING. Finally, we closed our seed funding round in convertible options for an amount of €400k.

What we offer :



MiFIDII Compliant : Neuroprofiler covers the whole client appropriateness and suitability process as required by MiFIDII.



User Friendly : You just have to send one link to your client to have him play the game. Clients results are immediately available online.



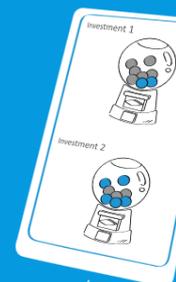
Behavioral Finance Based : Our deep learning algorithm assigns your client to one of 1 million possible profiles.



For the financial advisor



For the client



IN... AND OUT

For the 4th consecutive year, KPMG has sponsored the TEE (Total EDHEC Entreprendre) event in Lille, France. This competition is a great opportunity to discover the best and most promising young French start-ups.

The finale of the 23rd edition of the Total EDHEC Entreprendre (TEE) Concours, one of the major French young entrepreneur contest, took place on 27 March at the splendid building of the Chamber of Commerce and Industry CCI of Lille.

For the fourth consecutive year, KPMG partnered with TEE, in aid of its mission to encourage innovation and rev up the French start-up scene.

The TEE student association represents the first student entrepreneurship organisation in France that belongs to the EDHEC Business School Group. The Group has organised TEE competitions since 1994 with the support of its 15 partners, among which is KPMG.

The selection criteria to be eligible for the completion are the following: The applicant should be an entrepreneur in France, younger than 28 years old, and have launched a start-up less than 18 months before the Concours.

As in previous editions, finalists had 3 minutes to pitch their projects and 3 minutes to show their ability to grow the business by answering questions from the jury. They then had the opportunity to share best practices and discuss various aspects of the entrepreneurship adventure with the event partners and industry professionals after the ceremony.



The competing startups were quite promising!.



This year's 23d edition took place at the Chamber of Commerce and Industry of Lille.

The competition has again been met with great success this year with:

- 300 start-up applications
- 12 finalists
- 215 spectators for the Grand Final!

The four winners of this year edition are:

- [Oria](#), who received the BGL BNP Paribas award for its connected ring that allows artists to control and interact with music
- [Zéphir Solar](#), who received the Social Entrepreneurship award for its balloons that use solar panels to bring services and energy quickly to isolated sites

- [UrbanCircus](#), who received the Total Award for creating fashionable high-visibility safety clothes for cyclists
- [Neuroprofiler](#), who was a Fintech Awards Luxembourg winner last year, and who won the TEE Fintech Award for their MiFID-II-compliant customer risk profiler for financial advisors.

At the Khube, we are happy and proud to welcome, for the second year, Neuroprofiler among our members!

We would also like to congratulate all the start-ups that participated in the event and succeeded in the difficult exercise of pitching in front of a large audience.

The TEE students and their partners again did a great job and we were delighted to be part of the jury this year again.

Looking forward to next year's edition!

Read more about [Concours TEE](#)

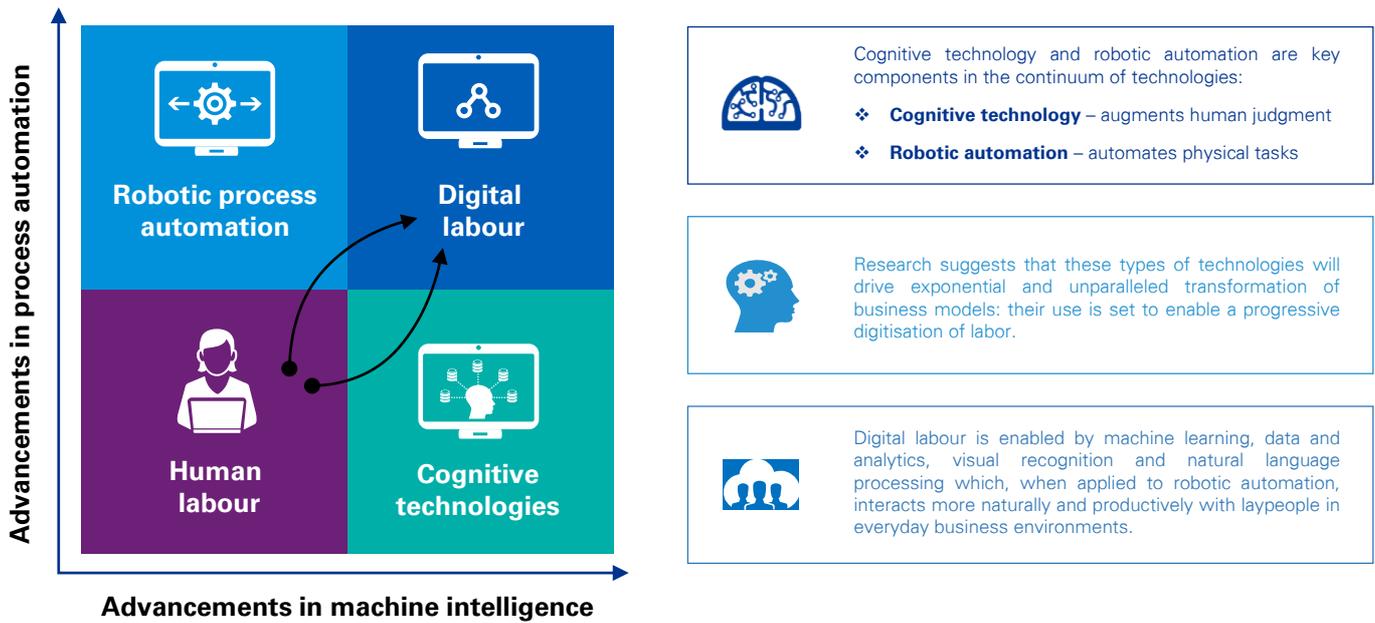


IN...SIDER LOOK

Digital labour is a hot topic generating immense anticipation as it gains momentum and promises a new ecosystem of intelligence. The integration of basic automated business processes with artificial intelligence and cognitive processes that think and learn like humans will reshape both business and society in the 21st century.

Changing the way business is done

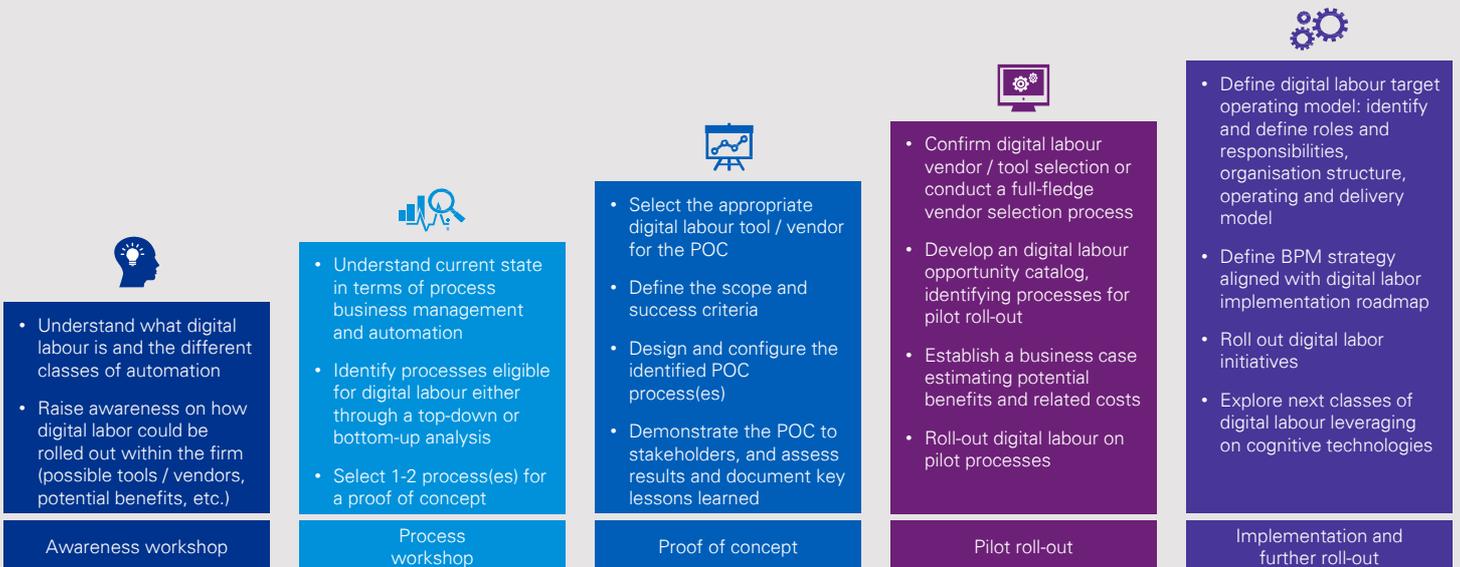
Organisations are experiencing a profound change due to the convergence of technologies: robotic process automation (RPA) and Cognitive Technologies will enable the next wave of business transformation



The benefits



KPMG believes that digital labour represents a huge opportunity



IN... THE VENTURE

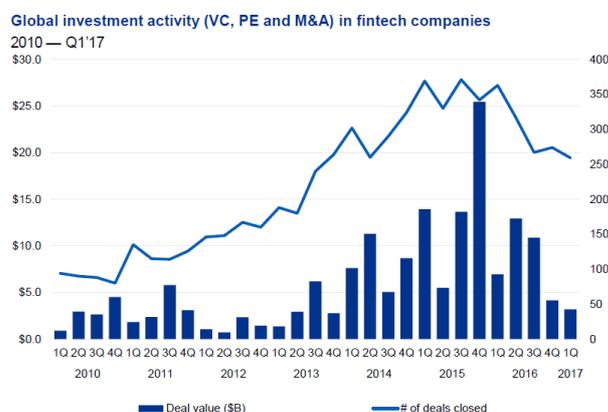
Given the significant interest in FinTech globally and its ongoing evolution in terms of market drivers, technologies and potential use-cases, KPMG finds it important to bring you global FinTech investment news. Each quarter, we'll highlight key FinTech deals, issues and challenges seen around the world, in addition to key trends and insights in key regions, including the Americas, Asia and Europe.

Global FinTech investment got off to a soft start in Q1 '17, with a total of \$3.2 billion invested globally, down from \$4.15 billion in Q4 '16 according to the Q1 '17 edition of The Pulse of FinTech – KPMG International's quarterly report on FinTech investment. FinTech M&A dropped in Q1 '17, with \$920 million in deal volume, down from \$1.8 billion in the previous quarter, and less than half of Q1 '16's \$4 billion in funding. Venture capital funding to FinTech held relatively steady at \$2.3 billion in Q1 '17 – a solid result although well below peak highs.

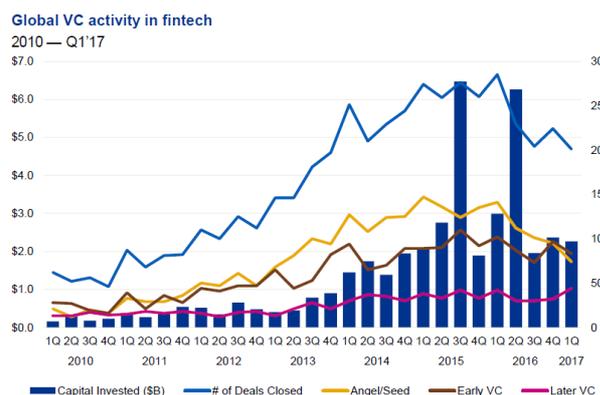
We examine these results and other trends in this quarter's report. We also explore a number of questions permeating the FinTech market today, including:

- While Q1 '17 was quiet, is the tide about to turn for FinTech investment?
- How is the revised Payment Services Directive (PSD2) driving FinTech activity in Europe?
- What is driving the proliferation of FinTech hubs globally?
- Is RegTech ready to come into the investor spotlight?

For more details please check our quarterly *Pulse of Fintech report*, which you can download [here](#).



Source: Pulse of Fintech Q1'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) April 27, 2017.



Source: Pulse of Fintech Q1'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) April 27, 2017.

Top 10 global FinTech VC, PE and M&A deals in Q1 '17

- | | |
|---|---|
| <p>1 SoFi — \$453M, San Francisco
Lending
Series G</p> | <p>6 Funding Circle — \$101.1M, London
Lending
Series F</p> |
| <p>2 DirectCash Payments — \$310.7M, Calgary
Payments/transactions
M&A</p> | <p>7 Zenbanx — \$100M, Claymont
Personal finance
M&A</p> |
| <p>3 Paytm E-Commerce — \$200M, Mumbai
Payments/transactions
Early stage VC</p> | <p>8 TechProcess Payment Services — \$85.8M, Mumbai
Payments/transactions
M&A</p> |
| <p>4 iZettle — \$175.2M, Stockholm
Payments/transactions
Series D</p> | <p>9 ProducePay — \$77M, Los Angeles
Lending
Early stage VC</p> |
| <p>5 UniRush — \$147M, Cincinnati
Payments/transactions
M&A</p> | <p>10 Yongqianbao — \$68M, Beijing
Lending
Series C</p> |

Source: Pulse of Fintech Q1'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) April 27, 2017.



Start-ups from over 25 countries have applied for the Fintech Awards Luxembourg. Join us on 28 June to meet the cream of the crop!

Grand Final and Awards Ceremony @ KPMG Plage

In the presence of the Luxembourg Prime Minister Xavier Bettel and Luxembourg Finance Minister Pierre Gramegna



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