



Where Top US Banks Are Betting On Fintech

2021



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We visualize where US banks are placing strategic bets on fintech companies across payments, capital markets, SMB, blockchain, and more.

US banks are future-proofing by actively investing in fintech. While economic uncertainty brought on by the Covid-19 pandemic caused a dip in bank-backed fintech investments in 2020, the sector is already recovering.

US banks have backed equity deals to fintech startups 62 times in 2021 YTD (as of Q3'21) – more than the 2020 full-year total, and nearly back up to 2018 and 2019 levels (67).

Below, we take a closer look at where leading US banks are focusing their fintech investments. We define US banks as regulated banks with headquarters in the United States.

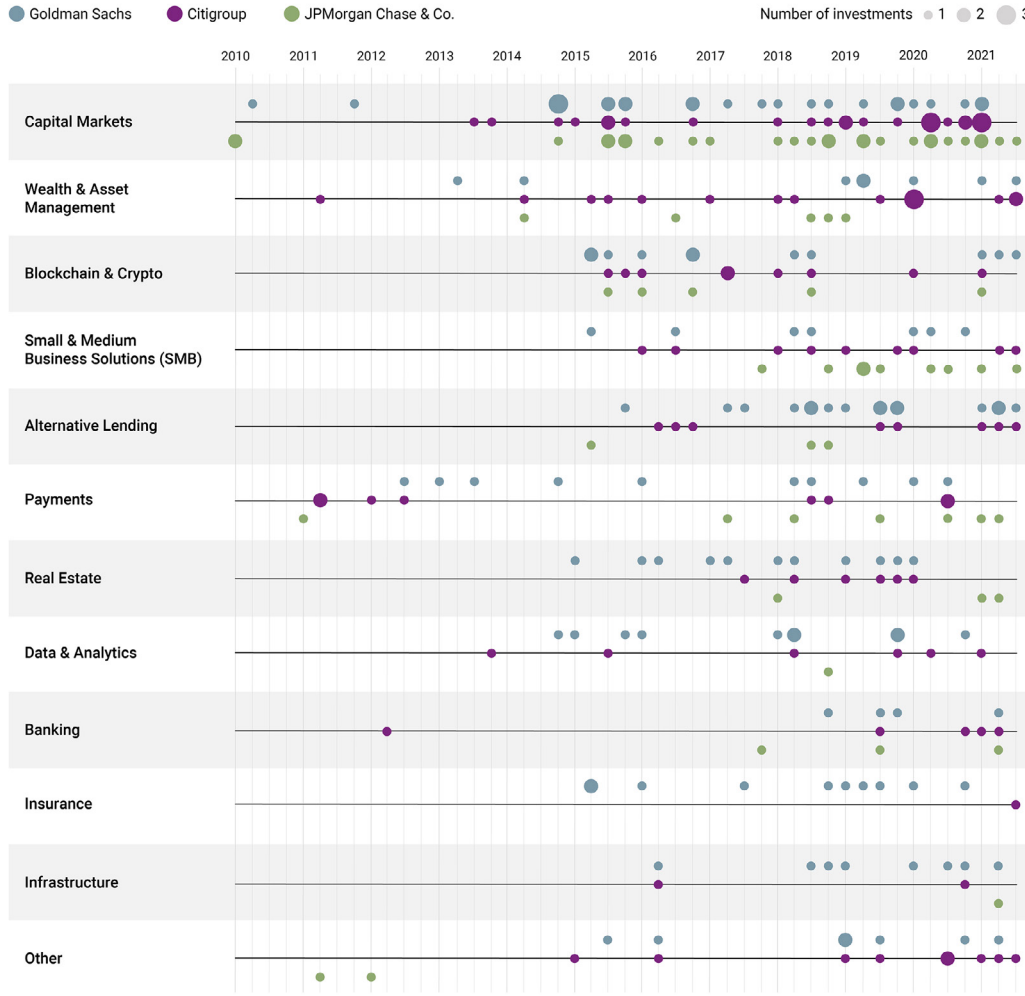
Our analysis only includes equity investments made to private fintech companies since 2010. Categories are not mutually exclusive, and companies are categorized according to their primary focus.

Investor strategy trends: Goldman, Citi, & JPMorgan

The most active US bank investors in fintech (by number of deals backed) are [Goldman Sachs](#), [Citigroup](#), and [JPMorgan Chase & Co.](#) While all 3 have ramped up their fintech investment activity in recent years, they've taken different strategic approaches.

Where Goldman, Citi, & JPMorgan are investing in fintech

Timeline of US banking leaders' fintech investments (Q1'10 – Q3'21)



Goldman Sachs and Citigroup are the most active investors largely because of their investment arms, GS Growth and Citi Ventures. As a result, the 2 banks continue to invest in a wide range of fintech sectors, with Citi participating in 19 fintech deals in 2021 YTD, and Goldman backing 14.

Goldman Sachs has focused its M&A strategy in recent years on wealth management. In May 2019, the bank spent \$750M on wealth management firm United Capital, and in May 2020 it snapped up boutique wealth management custodian and technology provider Folio Investing.

The bank has also aimed its sights on alternative lending and capital markets. Betting on these sub-industries aligns with Goldman's digital strategy of scaling its consumer offering, Marcus, and enhancing its digital wealth capabilities. In February 2021, the bank launched Marcus Invest, a robo-advisor to compete with the likes of startups Betterment and Wealthfront as well as a growing cadre of incumbents offering robo-advisors.

The bank has backed 4 deals to alternative lending companies in 2021 YTD, including a \$170M Series G mega-round to [Younited Credit](#), a France-based peer-to-peer lending platform.

Citi has focused the most on capital markets, backing 16 startups in this area from 2018 to Q3'21. The bank has also made deals to 9 wealth & asset management startups and 7 small business-focused startups over the same period. Generally, these investments fit into Citi's efforts to enhance its Institutional Clients Group business, specifically the Investment Banking and Markets & Securities Services functions.

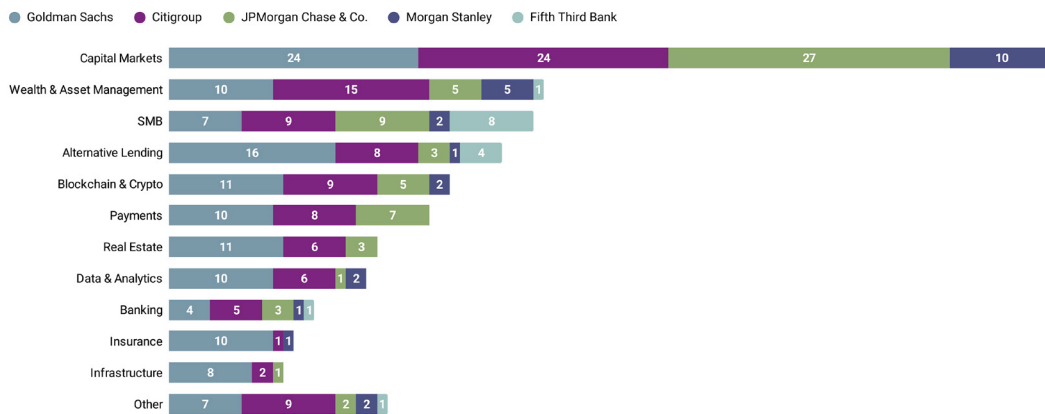
Recently, the bank has also focused more on alternative lending: in the first 3 quarters of 2021, Citi backed deals to alternative lending startups [Octane Lending](#), [Splash Financial](#), and [Clerkie](#).

JPMorgan, meanwhile, remains focused on supporting its capital markets and small business offerings. The bank backed 17 companies in capital markets and 8 in small- and medium-sized business (SMB) solutions from 2018 to Q3'21. Over the same time period, JPMorgan also made 5 investments in payments-focused fintechs.

Other banks that have backed at least 10 fintech deals since 2015 include Morgan Stanley, Fifth Third Bank, Capital One, and Wells Fargo.

Where the top 5 banks are focused in fintech

Number of fintech startup investments made by category, 2010 – Q3'21



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Note: Companies/rounds with multiple top bank backers may be double-counted in their category. For example, Citigroup, Goldman Sachs, and JPMorgan have all backed capital markets company [AccessFintech](#).

US banks are often involved in fintech rounds for 2 main reasons: the potential for high returns, and strategic partnerships.

In the first case, banks, corporate venture capital groups, and strategic bank funds will invest in a startup for the purpose of future returns, as well as to gain exposure to emerging sub-industries.

In the second case, a bank will invest strategically, partnering with a fintech startup to further its own internal goals. For example, in Q3'20, JPMorgan participated in [Taulia's](#) \$60M strategic funding round. On top of the investment, JPMorgan announced a partnership with Taulia to create a trade finance solution for corporate clients.

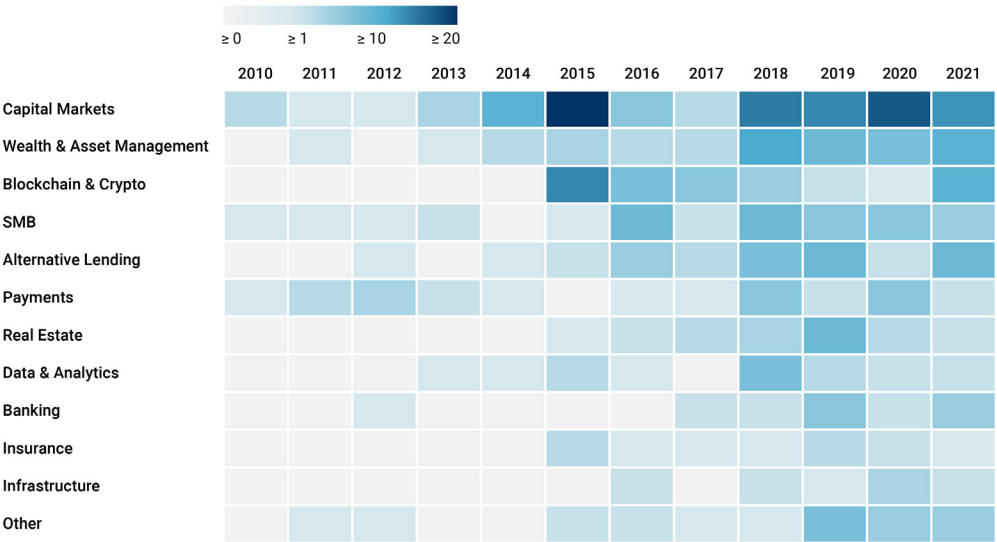
Category trends: Capital markets holds strong, blockchain interest reemerges

Banks' areas of focus have shifted over the years as new technologies emerge and consumer tastes evolve. Since 2018, capital markets, wealth & asset management, SMB solutions, and alternative lending have been consistent investment targets for banks.

In 2021 YTD, the most popular investment categories are capital markets, wealth & asset management, and notably, blockchain – a category seeing some resurgence after steadily tapering off from its high level of investor interest in 2015.

Heatmap: Concentration of US banks' fintech investments by year

Annual US bank-backed deals to fintech startups by category, 2010 – Q3'21



Our analysis includes equity deals made to fintech startups and backed by Ally Financial, Bank of America, Merrill Lynch, BNY Mellon, Capital One, Citigroup, Fifth Third Bank, Goldman Sachs, JPMorgan Chase & Co., Morgan Stanley, PNC Financial Services Group, State Street, US Bancorp, Wells Fargo & Company, and their subsidiaries.

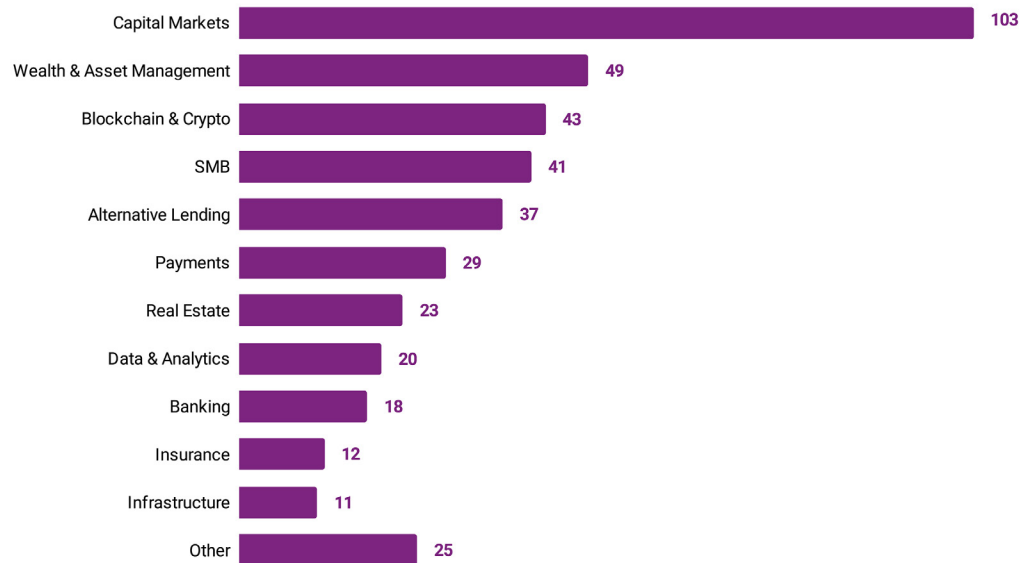


Recent blockchain deal activity includes [Blockdaemon](#)'s Series A and B rounds (both backed by Goldman Sachs), [Securrency](#)'s \$30M Series B (backed by State Street and US Bancorp), and [Fireblocks](#)' \$133M Series C (backed by BNY Mellon). JPMorgan, Goldman, and Citigroup all backed [Axoni](#)'s \$31M tranche of Series B funding early in 2021.

Looking at these deals in aggregate since 2010, leading categories remain capital markets, followed by wealth & asset management, then blockchain & cryptocurrency.

Where US banks are betting on fintech

US bank-backed deals to fintech startups by category, 2010 – Q3'21



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The capital markets category includes companies that are augmenting or replacing securities issuance, trading, clearance, and operations.

Capital markets companies that have raised equity rounds from at least 5 banks include:

- [AcadiaSoft](#), a workflow management and standards provider for collateral management (\$58M in disclosed equity funding; participation from banking investors including Bank of America, Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley, and State Street).
- [MEMX](#), a technology-driven stock exchange (\$135M; Bank of America, Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley, Wells Fargo).
- [Symphony](#), a cloud-based messaging and collaboration platform (\$461M; Bank of America, BNY Mellon, Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley).

Wealth & asset management comprises tools and platforms for personal financial management, digital advice, wealth management, and analytics. Select startups in the category with at least 3 bank investors include [iCapital Network](#) (\$679M; BNY Mellon, Goldman Sachs, JPMorgan, Morgan Stanley, Wells Fargo) and [Visible Alpha](#) (\$68M; Bank of America, Citigroup, Goldman Sachs, Morgan Stanley).

In the blockchain & cryptocurrency category, [Blockdaemon](#), [Securitize](#), [Securrency](#), [Fireblocks](#), and [Axoni](#) have all received funding from US banks in 2021 YTD.

The "Other" category includes companies operating in robotic process automation (RPA), identity verification, loyalty and rewards programs, and more.