

# RETHINK FINTECH

Germany

June 2022



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# INTRODUCTION



Crisis, what crisis? Fintech saw another record year in 2021, fuelled by the COVID-19 accelerator.

And with a record €26 billion of Fintech<sup>1</sup> investments in Europe overall, Germany maintained its strong position as one of the prime locations for Fintech investments in Europe. With six months into 2022, Fintech money flows into Germany are continuing at an exceptional level.

Clearly, COVID-19 was a major catalyst, which led to a breakthrough in the digitalisation of peoples' lives. Private life, work – life and – quite naturally – peoples' financial lives. This effect was compounded by the integration of “Embedded Finance”, blurring the line between life and finance.

Contactless payments<sup>2</sup> rose from 30% to 49% between 2019 and 2021<sup>3</sup> in Germany.

This is especially notable as German retail customers have traditionally held a very high preference towards cash as a payment method<sup>4</sup>. As such, German consumers, traditionally hesitant in adopting non-cash payments as well as stock ownership<sup>5</sup>, have taken their largest step to date by choosing to adopt both concepts at the behest of German Fintechs, whose growth subsequently flourished during COVID-19.

And most importantly, this profound behavioural shift is here to stay – permanently, sustainably. Given that, we don't see the “Fintech bubble” bursting anytime soon.

With this paper we aim to show the underlying drivers of recent Fintech market dynamics in Germany as well as to derive an outlook for future investment and M&A activity for the second half of 2022 as well as in 2023.

We place special emphasis on the regulatory framework – along with BaFin's concrete regulatory oversight practice – and show the resulting effects on specific business models and market segments, as well as on the overall competitive environment of the German Fintech industry.



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1. <https://tech.eu/2022/03/04/fintechs-fierce-year-for-funding-rolls-on-into-2022>

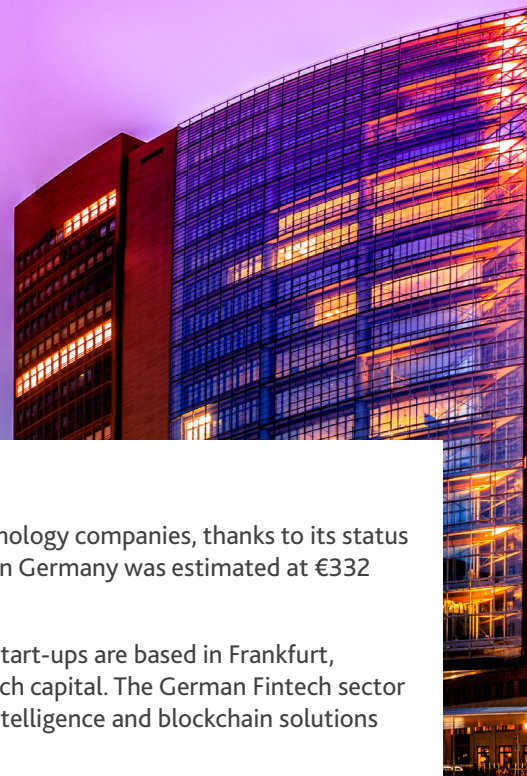
2. Defined as debit & credit cards as well as digital, mobile and e-wallets.

3. Statista: <https://www.statista.com/statistics/972433/share-of-payment-methods-used-for-card-present-transactions-germany/>

4. The Bundesbank conducts Payment behaviour surveys on a rolling 3-year basis, with 2020 being the latest year. Between 2020 and 2008 cash payment has decreased from 58% to 32% of total payment methods. This data is based on the value of the transactions (2020 definition), as well as the share of payment instruments broken down by turnover (2008-2017 definition). Definitions differ due to pre-COVID-19 datasets being collected orally, while 2020 Data was collected via telephone.

5. According to Statista\*, as of FY 2021, only 17.1% of all Germans held stocks. \*<https://de.statista.com/statistik/daten/studie/1101640/umfrage/aktienbesitz-in-deutschland/>

# THE GERMAN FINTECH LANDSCAPE – TRENDS



## OVERVIEW FINTECH IN GERMANY

Germany has historically been a nurturing environment for insurance and financial technology companies, thanks to its status as Europe's largest economy and generous government supporter. Fintech investment in Germany was estimated at €332 million in 2015, which quickly ballooned to €1.5 billion by 2021<sup>6</sup>.

Germany currently has around 700 active start-ups in the Fintech sector. 11% of these start-ups are based in Frankfurt, Germany's traditional financial hub, while 38% are in Berlin, arguably the German Fintech capital. The German Fintech sector is a driver of digitalisation and is heavily investing in promising technologies. Artificial intelligence and blockchain solutions are being used and explored much more frequently in this sector<sup>7</sup>.

Many Fintech companies are starting up operations in Germany. The German market is also becoming increasingly attractive to international Fintech companies who are establishing branches in Germany to serve its large domestic market.

Germany is appealing not only due to its large potential customer base, but also due to its interlinked public funding system which is split via a central and federal basis.

On a centralised basis, the German government manages start-up financing on a multi-pronged approach, with its most notable funding mechanisms consisting of the EXIST, INVEST and HTGF programs, each specifically targeting different phases of company creation.

The EXIST programme aims to support company founders with the creation of a viable business model in co-operation with their respective university or research institution. Constraints consist of technological or innovation knowledge, as well as economic success for a period of up to twelve months.

The INVEST funding programme supports Business Angel activities through a flat 10% or 20% subsidy on, respectively, convertible bond or share purchase activity. Constraints consist of minimum investment holding periods, amounts and innovative business models.

The HTGF or High-Tech Founders Fund (High-Tech Gründerfonds) serves as the largest founding arm, consisting of an initiative launched in 2005. Initially aimed at reviving a then floundering start-up financing market, since inception, 650 companies (150 of which have been floated on public exchanges or sold) have been funded. Current HTGF Assets under Management stand at €900 million. The headquarters is based in Bonn, with a branch office in Berlin.



### Key data

- ▶ Germany was ranked 9th globally and 4th in Europe in terms of Fintech attraction, up by 3 places since 2020
- ▶ Berlin was ranked the 6th best city for Fintech's making it the best out of EU cities
- ▶ More than 100 Fintech equity funding deals last year worth over \$5 billion globally, vs 81 deals worth about \$1 billion in 2020
- ▶ 46% of deals have been at the angel stage so far in 2021

Source: Global Fintech Index, Finexable 2021

6. <https://www.it-finanzmagazin.de/boomender-fintech-sektor-rekordwachstum-investment-investitionsvolumen-131997/>

7. <https://ibsintelligence.com/ibsi-news/4-german-fintech-companies-dominating-the-european-market/>



Localised federal programmes compete for start-up founders through respective State (Bundesland) incentives such as, but not limited to, Bavaria's 'BayTP' or 'BayTou', Berlin's 'Berlin Start' or Hessen's BM H Beteiligungsgesellschaft Hessen mbH.

As of Q1 2022, Berlin has emerged as the epicentre of start-up financing by volume, with €10.5 billion being raised (vs. Munich, Germany's #2, at €4.4 billion) in 2021 alone. As a whole, Germany's Fintech market seems to be maturing, illustrated both through comments<sup>8</sup> from the FintechRat<sup>9</sup> in March 2022, as well as 2021's flagship funding round being represented by N26's €775 million series E capital raise.

Furthermore, if looking at future Fintech potential, an overview of current incubator methodology & success could be used as a strong indicator. As such, in our view, Germany's incubator scene is currently undergoing a split in methodology.

While relative newcomers such as hub:raum, 1st Mover and SpinLab still aim to support start-ups in general, Germany's most successful Fintech incubator Finleap stated that it will no longer help to start up new business models and will instead focus on managing its current investments, pivoting from being a focused incubator towards adding value through a larger part of the Fintech lifecycle. This development is relevant on the basis that Finleap is seen as a leading Fintech institution in Germany, not only due to Solarisbank, one of Germany's Fintech unicorns, having been incubated at Finleap.

Many German Fintech companies in 2021 and during the first half of 2022 engaged in payments and payment related activities. Apart from the ongoing repercussions caused by the scandalous bankruptcy of Wirecard in that sub-sector, 2021 was the strongest year for German payment Fintechs yet.

Driven by widely available venture capital and tremendous growth in the delivery business, as well as a huge increase in no-contact payment in the country, several German Fintech companies have reached a valuation of €1 billion or more. Additionally, recent developments in EU legislation, particularly the Crowdfunding Regulation ((EU) 2020/1503), is very likely to lead to further growth in coming years.



#### Hepster (MOINsure GmbH), a success story for start-ups in the state of Mecklenburg Vorpommern:

- ▶ Founded in 2016, Hepster operates as an Insurtech specialising in 'pay-per-use' (e.g. E-Bike) insurance product provision via APIs
- ▶ Their key figures consist of 50 FTEs supporting over 83,000 customers and their purchase of more than 93,000 policies as of April 2022
- ▶ Initial funding & follow-on financing came from Mecklenburg-Vorpommern's SME holding company (Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern), with further support provided by the centre for entrepreneurship at the university of Rostock
- ▶ BDO advised Seventure Partners on a series. A funding round for Hepster in December 2020, helping to raise €8 million

8. <https://www.kreditwesen.de/bank-markt/themenschwerpunkte/interview/politik-fintech-branche-erfahrungen-fintech-rat-interview-ch-id77253.html>

9. Germany's 'Fintech Council', founded in 2017 and composed of senior German management personnel working at select Fintech players. Created at the behest of the German finance ministry, this council releases sector-specific outlooks on the state of the German Fintech space



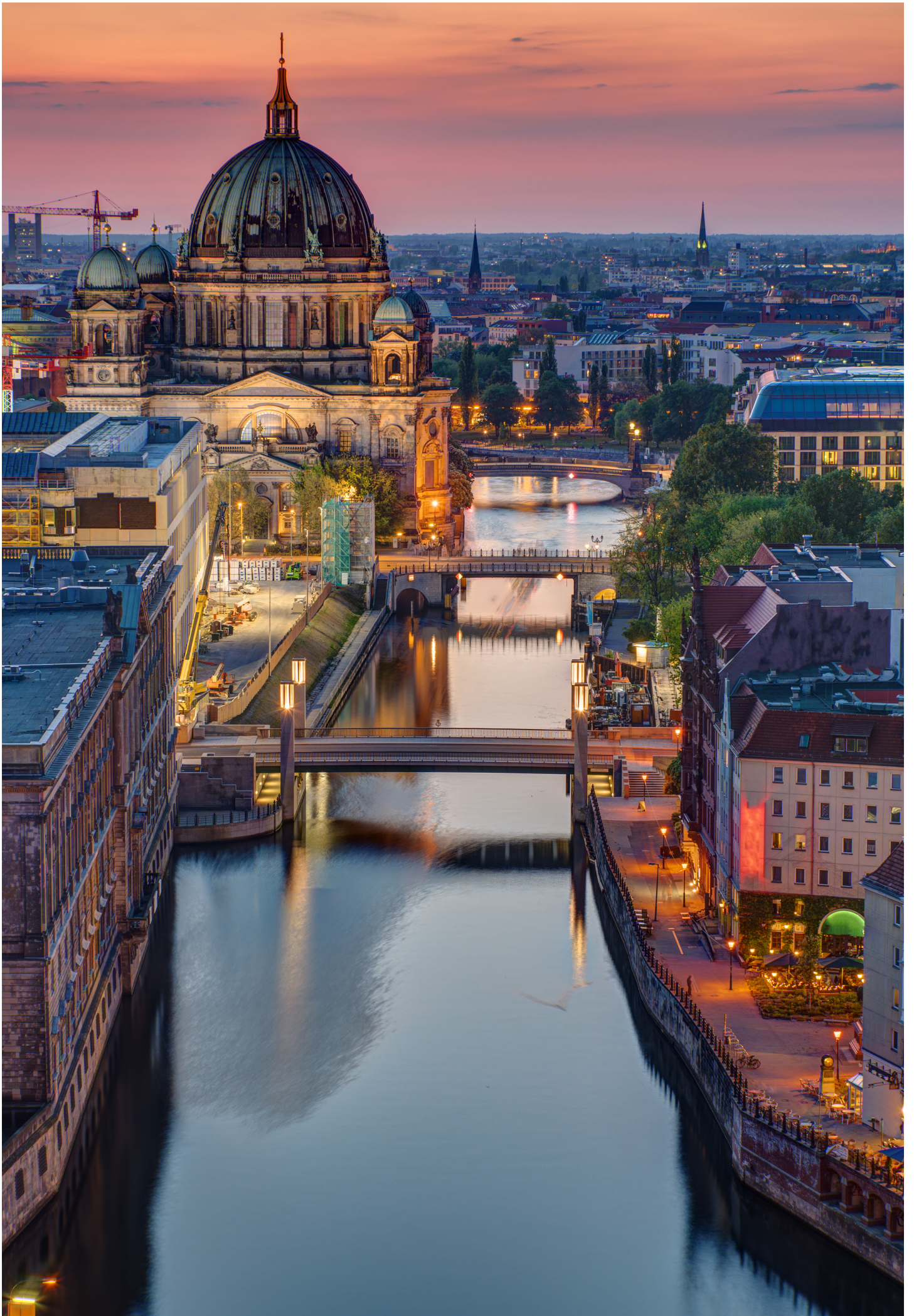
In 2019, Germany had the first tokenised bond successfully issued by a company using distributed ledger technology (DLT). In August 2021, BaFin approved the first blockchain-based issuance of equity, i.e. common stock according to the German Stock Corporation Act.

While regulation of blockchain-based securities tightened in early 2020 due to the inclusion of crypto tokens (both payment and security tokens) into the definition of „financial instruments“ under the German Banking Act (Kreditwesengesetz, KWG) and the introduction of the crypto-custody business as a new (regulated) Financial Service, it is likely that the next years will see more examples of tokenised bonds, equity and possibly other assets in Germany.

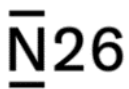
One of the key services offered by German Fintechs centres on refinancing models. As of today, various Fintechs mediate loans from cooperation or savings banks to their customers and sell those loans to investors. In this regard, loans are not entirely sold to one investor but are instead sliced and sold to several. Consequently, each investor is obliged to comply with regulatory provisions, in particular KYC and anti-money laundering provisions.

Investors typically seek attractive refinancing models without time- and cost-consuming administration. As Fintechs and their refinancing engagements are growing, new refinancing models meeting the expectations of investors and cooperation banks as well as Fintechs are expected to be developed. In the German market, securitisation models are recently emerging. These securitisation structures typically provide for eligibility criteria meeting the investment and regulatory standards of investors, e.g., banks, pension funds or life insurance companies.

We find further evidence of Germany's Fintech scene to be maturing. Potentially, the next phase of this market may be marked by the development of 'Fintech as a Service', complementing BaaS, where platforms holding respective licenses offer tailored technological solutions, which in turn are offered or modified to match either business or retail customer requirements.



## Fintech platforms and infrastructure products lowering barriers to entry



N26

This Berlin-based Fintech firm is currently valued at \$9 billion – slightly higher than Commerzbank, Germany's second-largest listed lender. Commerzbank has a market cap of €9.0 billion (\$9.5 billion).

N26 has grown to over 1,500 people of 80 nationalities, with teams in Berlin, Barcelona, Madrid, Milan, Paris, Vienna, New York, and São Paulo. N26 announced the launch of N26 Insurance in a bid to offer its customer the option to purchase coverage, manage plans and initiate claims for a range of insurance within its proprietary app. To achieve this, it has partnered with Simpleurance, which enables customers to select flexible plans straight from the app. N26 recently raised \$900 million in fresh funding to help it branch out beyond retail banking into new areas like crypto and stock trading and is expected to be IPO-ready by the end of 2022. BDO supports N26 with internal audit functions and compliance topics.



MAMBU

This startup based in Berlin provides services and technology to microfinance institutions, Fintech startups and established financial services companies. Their business model is based on leveraging superior software solutions in the unregulated part of financial services. Mambu's products have been adopted by 100 microfinance organisations in 26 countries worldwide within two years. Having closed €110 million and €235 million rounds in 2021 their post-money valuation as of December 2021 stood at €4.9 billion.

BDO acted as the statutory auditor to Mambu since its early stages, equally supporting the company on its €110 million series D funding which was led by TCV.



Solarisbank

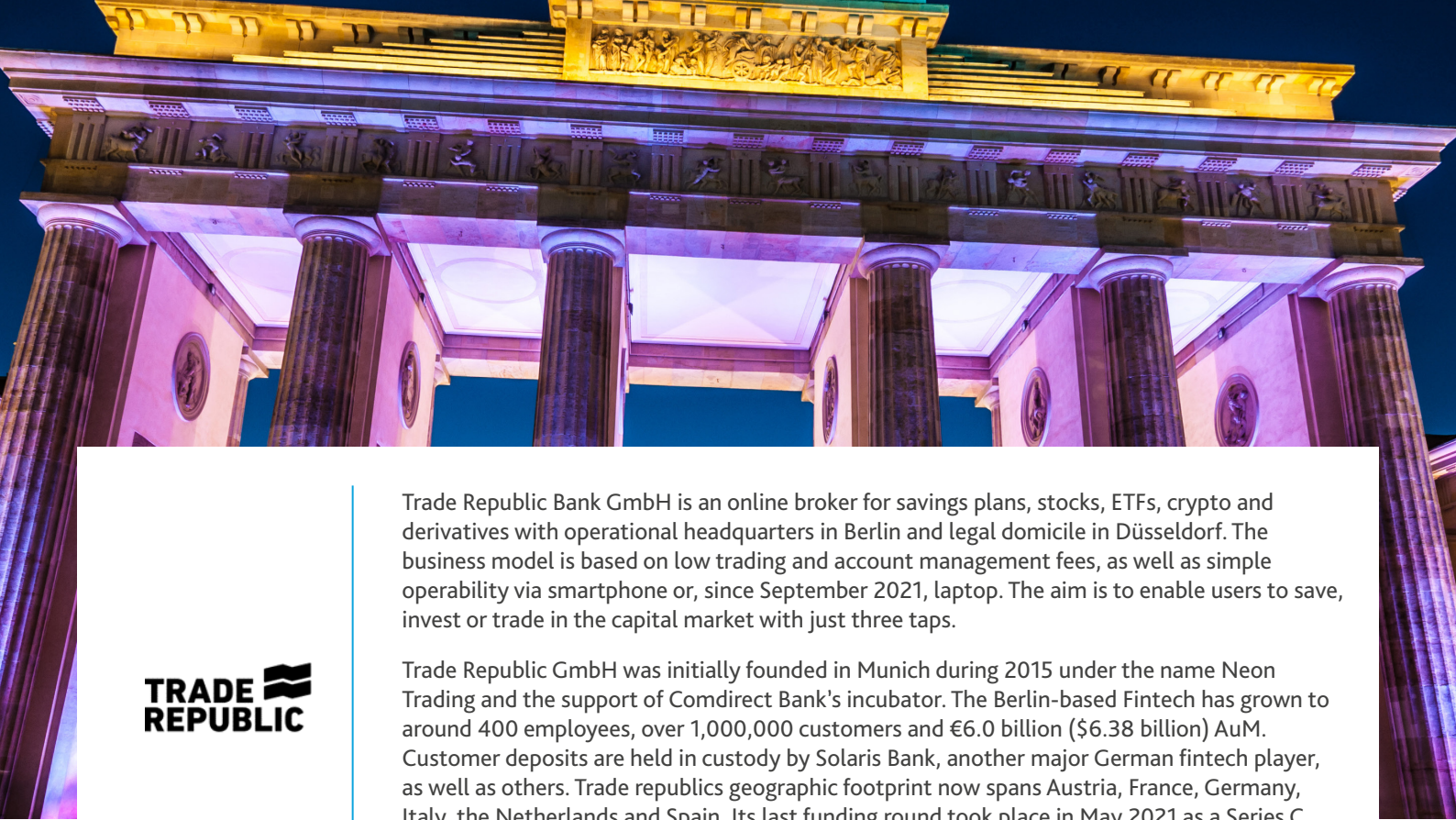
The Banking-as-a-Service platform was built on the idea of combining a full German banking license with API banking service modules designed to be integrated into its customers processes, websites, or mobile applications. Consisting of a multidisciplinary team of engineers, entrepreneurs, and seasoned banking experts from over 60 different nations, its current product range encompasses credit, payment, KYC, and digital asset solutions. Its current geographic footprint offers local IBANs in Germany, France, Italy, and Spain, while the remainder of the European Economic Area (EEA) is made available via passporting.



raisin.

Raisin Bank has decades of experience as a renowned German credit institution. In 2005 the bank, then called MHB-Bank AG, became a subsidiary of the American investment firm Lone Star, focusing on managing loan portfolios. The bank has been fully owned by Raisin DS GmbH since April 2019 and has operated under the name of Raisin Bank AG since August 2019.

Fintech companies Deposit Solutions and Raisin announced the completion of their merger in the middle of 2021. The two companies are forming Raisin DS, a savings and investment solutions provider, servicing banks and consumers on both sides of the Atlantic.



Trade Republic Bank GmbH is an online broker for savings plans, stocks, ETFs, crypto and derivatives with operational headquarters in Berlin and legal domicile in Düsseldorf. The business model is based on low trading and account management fees, as well as simple operability via smartphone or, since September 2021, laptop. The aim is to enable users to save, invest or trade in the capital market with just three taps.

Trade Republic GmbH was initially founded in Munich during 2015 under the name Neon Trading and the support of Comdirect Bank's incubator. The Berlin-based Fintech has grown to around 400 employees, over 1,000,000 customers and €6.0 billion (\$6.38 billion) AuM. Customer deposits are held in custody by Solaris Bank, another major German fintech player, as well as others. Trade republics geographic footprint now spans Austria, France, Germany, Italy, the Netherlands and Spain. Its last funding round took place in May 2021 as a Series C, raising around €740 million (\$900 million) and resulting in a post money valuation of €4.1 billion (\$5.0 billion). Investors include the VCs Accel, Creandum, Founders Fund and Project A as well as sino AG



The online asset manager as well as broker was founded in Munich in 2014 and is currently on track to become one of Europe's leading digital investment platforms. Customers can trade stocks, ETFs, funds, crypto and derivatives for low fees through a few taps on their smartphone or laptop. Scalable Capital also offers ETF-based asset management, utilizing robo-advisors for risk assessment and rebalancing. Customer's capital can be invested in different risk classes with correspondingly different equity fund shares. This method is applied through an initial investor survey focusing on investment objectives and risk affinity. For clients with high-risk adversity, Scalable Capital has partnered with European banks to offer overnight and time deposit offers.

Represented in Munich, Berlin and London, Scalable Capital consists of 300 international employees, 250,000 clients and €6.0 billion AuM. Customer deposits are held by ING and Baader Bank. Furthermore, Scalable Capital's current geographic footprint encompasses France, Germany and Spain, with ambitions to expand to Austria, Italy and the Netherlands in 2022.

In its latest funding round, which took place in June 2021 as a Series E, €150 million were raised at a post money valuation of €1.2 billion. The investors include BlackRock, Tencent, HV Capital and Tengelmann Ventures.



## Banks partnering with Fintechs to counter disruptive threat

In Germany, banks are all but ignoring Fintechs; instead, they have been engaging through a mixture of approaches including investing, acquiring, partnering, and nurturing for years. The reasoning has two major drivers, in that Fintechs offer a blank slate based on their written code, as well as corporate culture and subsequently, mindset and innovation. Combining these conceptually nimble actors with major financial service player's client bases has historically been a basis for a win-win. The next phase of co-operation seems so far to consist of co-creation, which some banks are already embracing as shown by the below examples:

### Deutsche Bank (DB) & Deposit Solutions (DS)

- ▶ DB acquired a 4.9% stake in DS, an operator of overnight money portals, for €20-25 million in 2019.
- ▶ Products encompass "Zinspilot" & "Savedo", platforms specialising in brokering retail banking deposits to ex-German banks.

### Warburg Bank (WB) & Elinvar (E)

- ▶ In 2018, Warburg Bank started its co-operation with Elinvar, a Wealth Management as a Service (WMaaS) platform.
- ▶ Coupling a more satisfying customer experience with a fully digitised & customisable AM-platform.

### Deutsche Kredit Bank (DKB), DJE Kapital AG (DJE) & Elinvar (E)

- ▶ Together with DJE, DKB launched Solidvest I Blue in 2021, run on Elinvar's architecture.
- ▶ Retail investors choose a risk strategy & if ESG criteria should play a role and let DJE financial experts manage a min of €10,000 for 0.89% p.a.

### Deutsche Kredit Bank (DKB) & Clark's Insurtech partnership

- ▶ In 2017, DKB & Clarks set up a partnership.
- ▶ DKB's retail customers can let Clark's robo-advisor rank, digitise, and automatically improve upon existing insurance coverage as well as pension plans for a flat monthly fee.

### Raisin & Deposit Solutions merger of equals in 2021 as Raisin DS

- ▶ The new company has increased geographic ambitions towards Europe and the United States and could potentially stand as a herald for a new phase of German Fintech consolidation.

### Savings Banks (Sparkassen) & their Innovation Hub (S-Hub)

- ▶ Since 2017, the S-Hub has served as the gateway for external Fintech companies co-operating with German savings banks (Sparkassen).
- ▶ Success stories include Aboalarm, fino, Authada and OptioPay.

### ING's German acquisitions & Fintech co-operations

- ▶ Having acquired Lendico in 2018 and Fincompare in 2019, ING offered retail customers investment opportunities in small- and mid-cap corporate loans through their new brokerage platforms.
- ▶ Investor appetite, given a generally low interest rate environment, can thus find an alternative offering.
- ▶ Strategically, entering the corporate loan brokerage market was based on an expected repeat of the positive experience with Interhyp, which operates as a mortgage loan brokerage platform.

### In September 2021, Deutsche Bank acquired payment service provider Better Payment Germany GmbH, based in Berlin.

- ▶ Through the acquisition, Deutsche Bank will expand its market share in payment processing and acceptance. Over the next 12 months, Deutsche Bank will integrate Better Payment's technical solutions into its existing product range.

As of now, even Germany's savings banks are investigating and testing their options to offer crypto at a large scale to retail clients – which might lead to considering respective Fintechs' integration into their services. Sector owned S-Payment has already started a pilot with local savings banks.

Strategically, we thus hold the view that on a general basis, Fintechs have graduated from cannibalising low value-add customers for growth generation, to serious partners for service offering advancement & integration.



## Fintech platforms and infrastructure products lowering barriers to entry

'Fintech as a Service' in our view consists of a combination of respective industry licenses, such as banking or insurance with a digital platform which has been designed from the ground up to function on a "plug and play"-basis via API integration.

Two champions of this 'Fintech as a Service' model are Solarisbank and Element Insurance, who respectively offer Banking as a Service ('BaaS') and Insurance as a Service ('IaaS') to their clients. This development is notable, as their business model is centred on monetising the removal of Germany's largest hurdle to entering their markets: licensing. This in turn enables banking, and insurance products, as well as their development, when operating under the 'Fintech as a Service'-umbrella, to reach more customers through the integration of APIs on platforms.



British investor Anacap acquired WebID solutions in September, as well as a majority stake in Fintech Fintus in November 2021. Both investments have the goal of further expansion, new talent acquisition, and development.



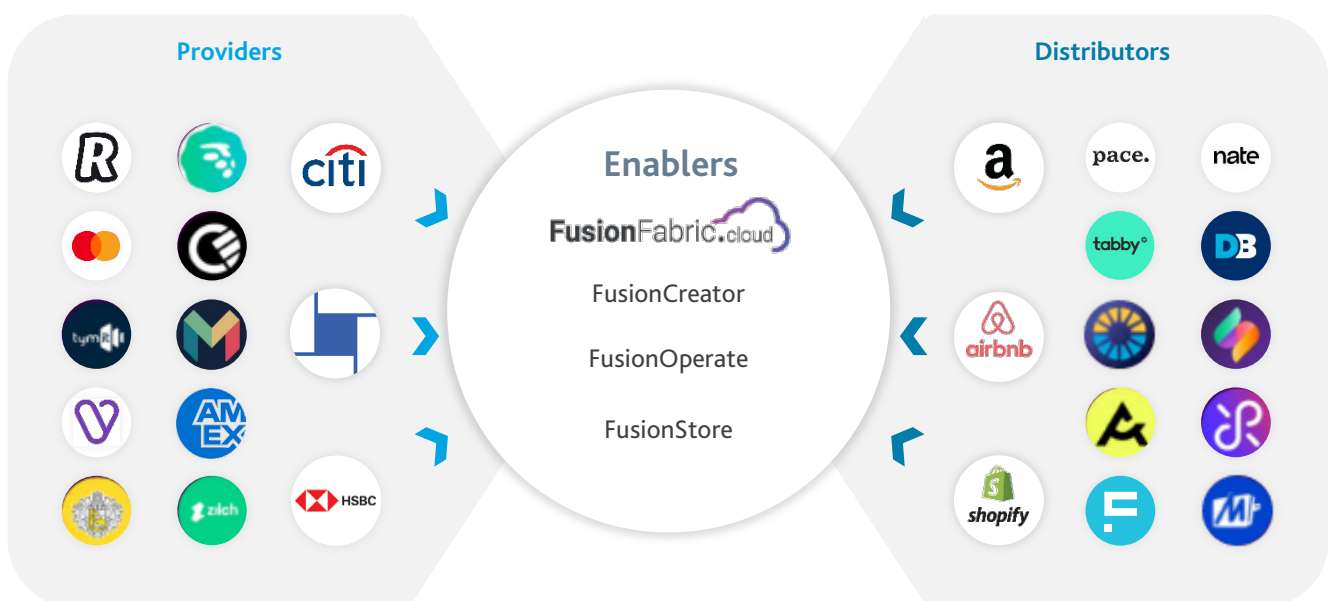
WebID is a pioneer in AML-compliant video identification software, while Fintus focuses on enhancing its Financial Services customers' operational processes through automation & digitalisation.

This space and turf is currently still in heavy motion, exemplified by Solarisbank's announcement of a cooperation with Mambu in early 2021<sup>10</sup>, followed by its subsequent statement of migrating customers onto its own core-banking infrastructure three months later.<sup>11</sup>

Furthermore, Germany's 3-pillar banking market, which is divided into savings banks (about 35% of total market share), co-operative banks (with an estimated 25%), commercial banks (20%) and others (20%, including foreign banks), stands to benefit massively from BaaS advancements and growing footprint.

In terms of industry potential on a global scale, growth seems exceedingly high, with Finastra<sup>12</sup> forecasting the industry to grow to a size of \$3.6-7.0 trillion in 2030, with significant opportunities in Hong Kong, as well as the UK. Given Germany's conservative culture and mindset, holistically, the country is seen as a potential laggard, increasing Solarisbank's (and other 'Fintech as a Service' companies) appeal to bleeding-edge investors & visionaries.

### THE PIONEERS



Source: Banking as a Service: Outlook 2022; Finastra, January 2022

10. <https://mambu.com/insights/press/solarisbank-is-blazing-a-trail-for-a-new-breed-of-digital-banks>

11. <https://finanz-szene.de/digital-banking/solarisbank-migriert-saemtliche-kunden-auf-eigene-kernbank/>

12. <https://www.finastra.com/sites/default/files/file/2022-01/resource-banking-service-infographic.pdf>

## REGARDING THE SPECIFIC EXECUTION OF BaaS, WE CURRENTLY SEE TWO MODELS

**The first model:** 'Providers, Enablers & Distributors' (PED) is based on three groups of operators working together. Providers, contribute lending power either through their balance sheet (banks) or technical existing capabilities to procure funding (payment providers). In general, through tranching operations, the given-out loans are themselves marketed & sold to third party investors, ranging from insurance funds to private debt investors. Common examples of providers in this sense comprise DKB, Deutsche Bank and the Sparkassen network.

Enablers serve as the main connecting point for Providers' capabilities through the creation & management of APIs and their subsequent integration into Distributors' platforms. Common examples of providers include Solarisbank, Element Insurance or Upvest. Distributors consist of customer-oriented service or goods platforms, who generate the traffic and the revenues to which the Providers and Enablers add value. Common examples of distributors include Amazon, Airbnb, Check24, Lieferando, Gorillas or HelloFresh.

It is Important to note is that the unregulated part of the underlying IT-infrastructure for both Enablers and Distributors can be managed by a Software as a Service (SaaS) provider, whose sole focus is the maintenance & capability enhancement of said infrastructure. Mambu represents an example of such an unregulated actor. Given that, this business model achieves very high net margins and does not face prospects of future regulation, the adage of selling shovels during a gold rush can surely be applied here.

**The second model** consists of a full-service challenger bank, e.g. N26 co-operating with a technology supplier. The aim is to contain the majority of the value-add in house, co-operating with SaaS due to lower product development costs, better scaling, and shorter time-to-market. Customers stand to benefit due to an enhanced customer experience coupled with a corresponding brand.

Given that the main bottleneck to financial services growth stems from regulation & its requirements on capital, BaaS players stand to step into a brave new world, where an asset-light financial services system could once again lead to strong incomes. Time will tell, if those will be able to compete with SaaS, however.



*With regard to the offering and success of Mambu, the adage of 'selling shovels during a gold rush' is surely appropriate.*



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## Regulation remains a key barrier to growth

The German landscape in financial services is known to be strongly regulated, setting high requirements for its participants.

As an overview, the German Banking Act (Kreditwesengesetz) distinguishes between financial services providers on the one hand and banks on the other. Since Fintechs cannot always be qualified as one of either, the applicable regulatory requirements are not clearly determined beforehand. Triggered by the invention of new products in the Fintech market, German authorities face a constant race to identify associated risks and the regular adaptation of legal and supervisory requirements.

As we look at the German market, the biggest concern when structuring financial services business models, e.g. in a co-operation with an established bank, is meeting the regulatory requirements while, at the same time, boosting efficiency and maximising customer experience. This becomes more challenging due to regulatory standards still varying across Europe, despite the European legislator and the European Banking Authority having put remarkable effort into establishing a level playing field.

Both regulator and market participants therefore are discussing a so-called regulatory sandbox for such start-up Fintechs. A sandbox could provide a playing field where Fintechs are given the opportunity to test their business models in the market without the obligation of having to meet all regulatory requirements, in opposition to their "grown-up" competitors.

On the other hand, regulatory requirements and the importance of a service being tested in the market would become subject to discussions with the regulator. Nowadays, German supervisory practice by BaFin is determined not only by regulatory requirements set out by law, but also by assessing the respective Fintech's risk profiles. This assessment by the regulator considers both the scope of service as well as the business model and its risk complexity.

BaFin and the legislator continue to - and may equally be expected to - deny the introduction of such a regulatory sandbox in Germany.

This missing sandbox has in turn led to the development of a swath of circumventive measures, wherein Fintech and 'near-banking' actors operate right on the edge of regulation<sup>13</sup>. From a regulatory and supervisory perspective, this development is not ideal, as these applied solutions are created on an individual basis, which makes respective oversight and subsequent risk assumptions difficult at best, especially as this field continues to grow.

Furthermore, stepping over this regulatory edge, either due to a change in risk perception or external circumstances<sup>14</sup> could hamper business models from the point from which they were initially developed.

It is at this point where BaaS players stand to profit enormously from regulation targeting these developments, as their respective German licenses should shield them and their customers from future developments.

13. Normal banking business, i.e., the collection of deposits & lending out of these funds at a higher rate to clients, is defined as "credit intermediation", "Shadow banks" operate in, technically, the same space under the cover of lighter regulatory measures through the application of duration-, risk- and asset-type-transformations. As an example, the purchase of a loan portfolio with retail deposits, its subsequent combination with another loan portfolio, tranching into differing risk ratings, and transformation on the basis of their duration through the application of derivatives and other credit agreements, leads to this technically not being classified as credit intermediation, as many securitization steps of and layers of Special Purpose Vehicles serve to obfuscate the process. In short, these business models operate on regulatory arbitrage, i.e. financial engineering, legal/regulatory structuring, and hedge fund/ private debt funding

14. Such as the amendment on German outsourcing regulation, aimed as a response to increasing digitalisation. The details are two-fold. The first part consists of the adoption of the "Lex Wirecard", itself a response to open criticism by supervisory authorities regarding outsourcing arrangements having impaired the supervision of Wirecard Bank AG, a Law which centres on strengthening financial markets integrity. The second part consists of an update to the German outsourcing requirements via BaFin's MaRisk (Mindestanforderungen an das Risikomanagement), a circular letter which clarified minimum requirements for the risk management of German financial services actors in August 2021, which implemented the EBA Outsourcing Guidelines into German Law. Holistically, these implementations require, as an example, the notification of outsourcing arrangements to the BaFin along with potential direct BaFin supervision over respective service providers.



As of 1 January 2020, crypto custody business is qualified as a Financial Service regulated by BaFin. Furthermore, crypto assets and most prominently crypto currencies qualify as financial instruments.

Taking crypto assets into the circle of regulated financial services might mark a milestone for the Fintech industry and is likely to significantly impact crypto assets trading activities. The new regulation obliges crypto assets to meet the same regulatory standards as those already applicable to traditional capital markets for years. What is new in the German regulatory space is the fact that the legislator was the first to implement the EU crypto assets requirements into national law<sup>15</sup>.

On top of that, we expect the implementation of the German Electronic Securities Act (eWpG) in 2021 to lead to interesting developments in the context of applying financial regulation to security tokens, as well as initial issuances of electronic securities under the new Act.

The German Electronic Securities Act is furthermore supported by a current draft Ordinance on Requirements for Electronic Securities Registers (eWpRV), which formalises requirements for the maintenance of electronic securities registers. The aim is to increase legal certainty for register-keeping entities as well as other market participants, while ensuring investor protection, with a 5-year maximum review period after the implementation of the (eWpG).

Building on both developments, a Crypto Fund Unit Ordinance (KryptoFAV) came into law in June 2021. The aim is to allow the issuance of electronic securities by investment funds through crypto funds listed in a crypto securities register. On a relative basis, this will make Germany more attractive as a legal location for funds. Furthermore, the Crypto Fund Unit Ordinance also outlines the provisions which apply to electronic crypto fund units regarding the German Electronic Securities Act of 2021. The Crypto Fund Unit Ordinance is slated for review "as soon as enough data is available" with a 5-year maximum.

Finally, it is expected that the long awaited and recently published Ministry of Finance Decree<sup>16</sup> on the treatment of crypto assets from an income tax perspective will remove some uncertainties and allow for further adoption not only from commercial and institutional market participants but also retail investors. For the latter capital gains remain tax free as long as the private investor does not act in commercial manner and if a one year holding period is observed.

15. <https://chambers.com/content/item/3821>. An introduction to German Fintech.

16. Einzelfragen zur ertragsteuerrechtlichen Behandlung von virtuellen Währungen und von sonstigen Token (bundesfinanzministerium.de) [https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF\\_Schreiben/Steuerarten/Einkommensteuer/2022-05-09-einzelfragen-zur-ertragsteuerrechtlichen-behandlung-von-virtuellen-waehrungen-und-von-sonstigen-token.pdf?\\_\\_blob=publicationFile&v=1](https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Steuerarten/Einkommensteuer/2022-05-09-einzelfragen-zur-ertragsteuerrechtlichen-behandlung-von-virtuellen-waehrungen-und-von-sonstigen-token.pdf?__blob=publicationFile&v=1)

# Fintechs will step up pursuit of banking licenses

## TYPES OF BANKING LICENSES IN GERMANY

### Full banking licence (Vollbanklizenz)

Anyone wishing to conduct banking business in Germany commercially or on a scale which requires commercially organised business operations needs prior written authorisation from BaFin in accordance with the German Banking Act (Kreditwesengesetz-KWG). A full banking licence allows an institution to conduct all major forms of banking business. Banks with a full banking licence usually operate as universal banks.

### Limited banking licence (Teilbanklizenz)

Anyone wishing to conduct banking business in Germany commercially or on a scale which requires commercially organised business operations needs prior written authorisation from BaFin in accordance with the German Banking Act (Kreditwesengesetz-KWG). A limited banking licence enables an institution to conduct only certain forms of banking business, or only one specific form of banking business. Banks that provide only certain forms or only one specific form of banking business are also referred to as specialised banks.

### Financial services (Finanzdienstleistungen)

Anyone wishing to provide financial services in Germany commercially or on a scale which requires commercially organised business operations needs prior written authorisation from BaFin in accordance with the German Banking Act (Kreditwesengesetz-KWG)

### Investment services (Wertpapierdienstleistungen)

Anyone wishing to conduct forms of specified investment services in Germany commercially or on a scale which requires commercially organised business operations needs prior written authorisation from BaFin in accordance with the Investment Firm Act (Wertpapierinstitutsgesetz-WpIG).

### Investment services (Wertpapierdienstleistungen)

Crypto custody business has been introduced into the German Banking Act (Kreditwesengesetz-KWG) as a new financial service. Since the entry into force of the Implementing Act on 1 January 2020, companies seeking to provide such services have required authorisation from BaFin.

### Licence for providing payment services (ZAG-Lizenz)

In accordance with Payment Services Supervision Act (ZAG) a license from the Federal Financial Supervisory Authority (BaFin) is required in order to provide payment services in Germany commercially or on a scale that requires commercially equipped business operations.

### E-money licence (E-Geld Lizenz)

An e-money licence allows an institution to conduct payment and financial services like transfers and currency exchange but falls short of allowing an institution to operate as a bank or manage deposits.

### Crowdfunding services (Schwarmfinanzierungsdienstleistungen)

Regulation (EU) (Schwarmfinanzierungsverordnung, „SF VO“) is applicable, which sets uniform requirements for the provision of crowdfunding services, for the organisation, authorisation and supervision of crowdfunding service providers, for the operation of crowdfunding platforms, and for transparency and marketing communications in relation to the provision of crowdfunding services within the scope of the Regulation in the Union.

A legal person established in Germany intending to provide crowdfunding services within the scope of the regulation shall first apply to the BaFin as a crowdfunding service provider.

Traditionally, German banking and financial services regulation is quite strict and licensing requirements are typically accompanied by strict provisions on civil and criminal liability for the operation of unlicensed financial services or banking institutions.

In combination with the broad and abstract wording of relevant German laws regulating the provision of financial services, this initially led to a situation where many new and technologically innovative business models simply could not even be tested without first obtaining a full banking licence. Considering that, even if a banking licence is obtained, this can easily result in fees exceeding € 250,000, many companies originally interested in entering the German market simply could not afford to secure the licence. Even well-established companies were reluctant to obtain such an expensive licence, if the objective lied in simply testing innovative business models in the wet, in an economically reasonable way. Traditional crowdfunding platforms and P2P lending platforms, for example, did not enter the market when they first appeared internationally (around 2004 to 2005). While many start-up companies and some well-established foreign players (for example, Prosper or ZOPA) tried entering the German market around the UK and US peak business times in 2008 to 2009, they soon realised that they could not employ the respective business models they were already operating in their countries of origin without needing a full banking licence in Germany.

Therefore, both the crowdfunding and the P2P lending business model had to be significantly modified for the German market to avoid having to obtain a full banking licence and being subjected to any and all regulations intended for traditional banks, including ongoing supervision. In recent years, German lawmakers have tried to apply special licensing provisions to certain institutions providing only clearly delineated financial services, such as payment services or charity crowdfunding services.

However, even today, platforms that operate crowdfunding or consumer lending businesses in Germany do not use the traditional business model but have found workarounds to avoid having to secure a full banking licence.

In order to understand these workings, it is important to note for investors that the German Haftungsdach (literally "liability umbrella") is a well-known and established concept for decades.

The German Banking Act (KWG) stipulates that BaFin authorisation is required for investment advice, investment brokerage and placement business. Under certain conditions, however, a financial advisor who wants to provide the aforementioned financial service can bind himself to an institution (CRR institution or securities trading company within the meaning of § 1 para. 3d) KWG) which has such a BaFin permit. These are the so-called „liability umbrellas“, since in this case they assume liability for the actions of the financial advisor.

Whoever goes under such a liability umbrella as a tied agent i.e., contractually bound intermediary, then does not himself need a licence from BaFin for their activities as an investment advisor or investment intermediary or also as a financial investment intermediary according to § 34f GewO. The tied agents act in the name and for the account of the liability umbrella. The latter assumes administrative and supervisory tasks. The liable company must also check and confirm the professional suitability and reliability of the tied agent. BaFin maintains a public register that provides information on the tied agents who have been notified to BaFin by the liability umbrella.

Clients can contact the liability umbrella directly in cases of liability claims and make use of it. However, this does not mean that the tied agent cannot be held liable by the liability umbrella. In the internal relationship with the liable company, the tied agent may of course be liable for negligence, fraud etc. Numerous legal questions in the area of advisor liability, liability umbrella and pecuniary damage liability have not yet been conclusively clarified by the highest courts, so that legal uncertainties exist.

As in Germany there are licenses required to conduct nearly every part of banking business, there are two common alternatives for Fintechs to avoid the long and expensive process of requesting and obtaining a license which is required for offering financial services.



- ▶ First, “Plug-n-play banking”, with Fintechs using and paying for BaaS offers from institutions who either hold licenses necessary for the offering of the respective Fintechs services, or for a license which is required to offer the full scale of a certain service and thus enable the offering of the respective service themselves. For instance, the German Fintech Trade Republic (an online broker) uses the deposit services of SolarisBank, another well-known German Fintech, for a part of their customer’s deposits, i.e. the cash side of the business. This is because Trade Republic’s license only allows them to conduct investment services, but not credit intermediation, such as banking services or the holding of client deposits and cash accounts. As SolarisBank can conduct deposit business with its full banking license, it can thus charge Trade Republic for the utilization of this service. Interestingly, in April 2022 Trade Republic announced to onboard Deutsche Bank and Citigroup as two additional partners to handle clients’ cash accounts.
- ▶ Second, M&A transactions also play a significant role for Fintechs in this context. As a parent company or as a subsidiary of an institution with a respectively required license, Fintechs can conduct or also expand their service offering. Such an example comes from the Dutch Fintech DEGIRO (an online broker) who wanted to expand its business to Europe. As they did not possess a full banking license, Flatex (a German online broker) acquired DEGIRO for €250 million in 2019, with the aim of allowing DEGIRO to continue its expansion plans as a business of Flatex, and under the banner of its full banking license. Another such example is the intended acquisition of the Munich-based Fidor Bank AG by Ripplewood Holdings LLC from Groupe BPCE, a major French retail banking group, with current rumours stating that Fidor’s banking license might be Ripplewood’s actual target. This deal, however, has not yet closed, with BaFin’s ownership control processes ongoing.

Beside the alternatives of M&A or BaaS, Fintechs have increasingly stepped up their pursuit of banking licenses for themselves. However, the obtaining a German banking license under the current market environment is difficult due to stricter regulation by the BaFin. The two cases of fraud conducted by Wirecard AG and the bankruptcy of Greensill Bank AG, where German deposit brokers mainly composed Greensills deposits, which evaporated, and thus caused a payout of €3 billion by the German deposit insurance scheme, induced restructuring measures at the BaFin. These have already had and are expected to continue shaping BaFin’s regulatory approach. For instance, a new and stricter interpretation of the minimum requirements of risk management was implemented.

Furthermore, current Fintech champions, such as N26, are affected by the BaFin’s stricter regulation. As of November 2021 the BaFin has ordered N26 to accept only 50,000 new customers per month. In addition, risk positions secured by real estate may only have a maximum value of €500 million. This applies to all countries in which N26 operates. BaFin says it is taking these measures “to restore proper business organisation and contain risks to operational resilience.” Details include deficiencies in respective risk management and outsourcing management that now need to be addressed in the near term. Supposedly, these weaknesses are rooted in N26’s strong growth. A special representative appointed by the BaFin is to oversee this implementation.

This regulatory behaviour indicates a possibility for increased regulatory headwinds for Fintechs. In March 2022, the purchase of the Munich-based bank Bankhaus von der Heydt GmbH & Co. KG by the international Seychelles-based crypto exchange BitMEX failed, most likely due to a veto of the BaFin, indicating increased acquisitions scrutiny, at least for the moment, especially regarding international crypto sphere players reaching out for German banks. It will be interesting to observe the development of BaFin’s stance on this subject, specifically due to a recent trend of Fintech appetite towards German banks & their respective licences. Besides the prohibited transaction of Bankhaus von der Heydt and BitMEX, the approval by BaFin of the sale of North Channel Bank to an unknown investor is still in abeyance.

# FINTECH GERMANY: INVESTMENTS, M&A, AND IPOS

## MARKET ACTIVITY AND INVESTMENT VOLUMES

Overall, Europe saw 120 exits in total during 2021. While most deal amounts remain undisclosed, 27 exits amounted to €7.8 billion. Out of those 120 exits, the UK saw the most, having the most acquirers at 33, versus Germany's 15.

The German context for this development lies in a challenging 2020 brought about by the economic uncertainty around the pandemic coupled with a bankruptcy scandal surrounding Wirecard. Funding provided to the sector in 2020 halved to just over \$1.6 billion while deal activity also declined to 93 transactions, from 108 funding rounds recorded in 2019.

However, German companies accounted for seven of the top ten Fintech investments in the DACH region in 2021.

While exact figures differ by respective source<sup>17</sup>, 2021 proved to be another record year for Fintech in Germany. Within Europe, Germany is a strong #2 in both number of exits as well as deal amount, with only the UK currently coming out on top. In terms of Fintech subsectors, German Fintech investments were dominated by the WealthTech sector, with N26 and Trade Republic both reaching total deal sizes of \$900 million for the full year, according to Fintech Global.

While not a German company, 2021 belonged to Klarna, which raised €1.45 billion at a €37.4 billion post-money valuation. This heating up in valuations also spilled over to Germany, e.g. evidenced by the acquisition of Germany's FintechSystems by Sweden based Tink – an open banking/ open payment providers – which was (announced to be) acquired by VISA from the US just five weeks later for an estimated €1.8 billion.

- ▶ Germany has the second highest level of Fintech investment in Europe at €4.2 billion, after the UK's €12.0 billion. Germany is also a strong #2 in regards to the number of Fintech exits, at 20 in comparison to the UK's 28, according to Tech EU
- ▶ According to CBI, Q1 of 2022 has resulted in 5 deals, up by 1 vs. Q1 of 2021's 4 deals

Year	Acquisitions	Mergers
2022 YTD	5	0
2021	21	3
2020	31	4

Source: CBI

17. Mergermarket states the United Kingdom to have placed 41 Fintech deals in 2021, while Tech EU states 28. Both sources peg Germany at 20, however.



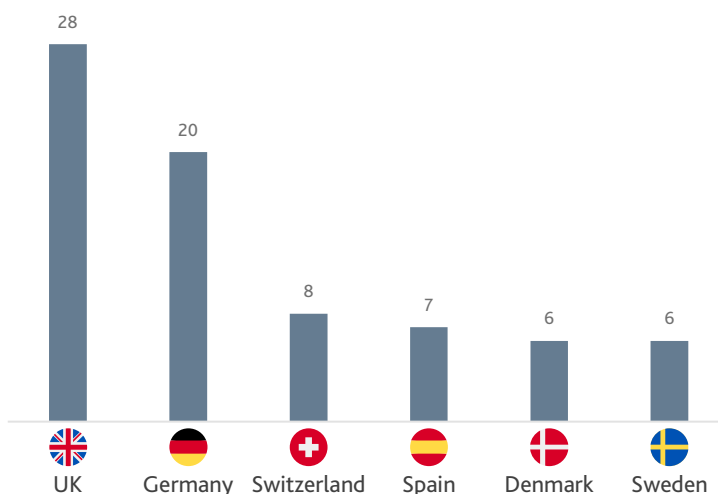
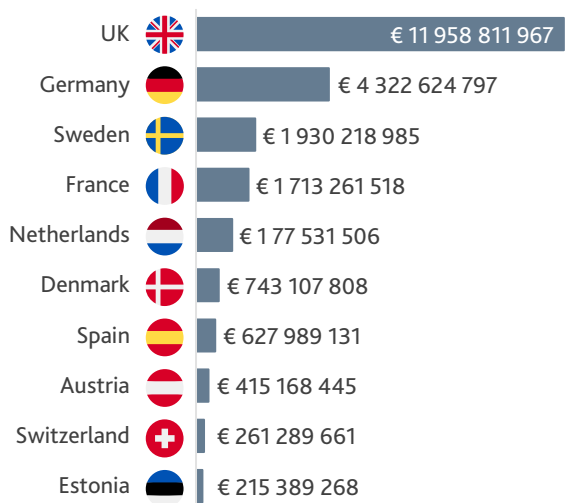
## THE TOP 10 FINTECH INVESTMENTS IN THE DACH REGION IN 2021

COMPANY	COUNTRY	SECTOR	DEAL SIZE
N26		WealthTech	\$900m
TRADE REPUBLIC		WealthTech	\$900m
wefox		InsurTech	\$650m
Personio		HR/Payroll	\$270m
MAMBU		Banking Infrastructure	\$265m
bitpanda		WealthTech	\$263m
Solarisbank		Banking Infrastructure	\$224m
TRADEPLUS		Marketplace Lending	\$200m
scalable CAPITAL		WealthTech	\$183m
bitpanda		WealthTech	\$170m

Source: Fintech Global

We see this positive trend continuing, with a strong potential for investments to pivot towards the 'Fintech as a Service' model for the rest of 2022.

## TOP 10 COUNTRIES FOR FINTECH INVESTMENT IN 2021 COUNTRIES WITH THE MOST FINTECH EXITS IN 2021



## Banks partnering with Fintechs to counter disruptive threat

Illiquidity, opacity & potential for investor obfuscation may be one of the first risks that come to mind when considering German Fintech's exposure to the current Russian crisis. As of June 2022 however, only two direct connections can be made out clearly, which we - as such - consider minor.

The first one concerns a connection to one of Wefox's investors, Target Global, which has also invested in Revolut, a "super-app" provider with 18 million users, widely expected to IPO in 2022. The VC investor has six offices - including Berlin, London, and Tel Aviv - and built a EUR 3 billion portfolio with about 100 portfolio companies in recent years. Target Global has ties to an Oligarch, Alexander Frolov, by virtue of the fact that said person is the father of one of Target Global's co-founders, who is also named Alexander Frolov. This has never been a secret in the market. Also, neither the Oligarch, nor his son, are currently on any sanctions lists. However, Frolov senior has obvious business relationships with Roman Abramowitsch, who certainly is on the lists.

The second connection is tied to Oleg Boyko, a Russian Oligarch, who sold part of his shares in the German Fintech Vexcash and Spotcap in April 2022. According to the investment firm 4finance Holding, the decision is related to the Ukraine-Russia war. Although Boyko has not yet appeared in the current sanctions against Putin, he is on the US Treasury Department's so-called Putin List.

So, looking at these two connections as two isolated cases, you might want to call this minor. However, the issue is bigger.

First there might be investments from sanctioned oligarchs, which are not transparent, yet. Second, there might be oligarchs, who are not sanctioned, yet. According to Forbes there are currently about 45 Russian oligarchs, who are not sanctioned. And we don't know if they will be in the future. What we expect is that there are only few examples as Oleg Tinkoff - founder of (now renamed) Tinkoff Bank - who is an outspoken critic of Putin.

What matters for German Fintech is that founders, financing banks and employees are starting to ask questions. Where is the money coming from? Who are the GPs of the flash - and - fancy tech - fund? Is Chinese kleptocracy any better than Russian kleptocracy? Or British? Should we better go for the tax efficient UBO from the Bahamas?

In essence we expect an increasing focus on the "G" of the widely talked about ESG theme in German Fintech. Founders and investors alike will be asked to perform adequate background checks and due diligence and increase transparency to a new level. Put in a broader perspective, global stock markets have seen seismic wobbles in recent months as traders navigate a plethora of uncertainties from the prospect of higher interest rates to the Ukraine-Russia conflict. Volatility in the market has spooked some companies into delaying or scrapping altogether any preparations to go public. As sanctions close in on Russia, the regulatory landscape has become a moving minefield for Fintechs, who now face rising compliance costs and changing risk considerations.

Financial activities spanning multiple counterparties or geographies are naturally higher risk for financial institutions.

### JOHANNES HELKE

Partner, Industry  
Lead Financial  
Services

*"Pecunia olet! Ultimately, some money stinks.*

*Against the backdrop of the current war in Ukraine and an ever-increasing ESG focus, founders and start-ups - in Fintech in particular - will need to be more selective in choosing their financiers going forward."*

International wire transfers, trade finance, and crypto and forex platforms - with complex processes and extensive KYC exposures - are particularly vulnerable. Myriad sanctions regimes also add an extra layer of complexity for Fintechs operating globally.

N26 is evaluating its path toward becoming a publicly listed company at a time when traders are getting worried about the potential for higher interest rates from the U.S. Federal Reserve and other major central banks.

Higher rates are viewed as bad news for high-growth tech companies that tend to rely on debt financing to fuel rapid expansion. However, N26 is not put off by the prospect of rate hikes. The start-up is a licensed bank, and in 2020 had around €4.3 billion (\$4.8 billion) sitting on its balance sheet. If rates were to rise dramatically, N26 wouldn't need to raise money through an IPO as the business would become "self-sustaining" (Co-CEO Maximilian Tayenthal in an interview with CNBC)<sup>18</sup>.

It will thus remain interesting to see how German Fintech investors will react.

The trends however are very clear: on a continent with structurally low GDP as well as productivity growth over at least the last decade, valuations and productivity have been increasing at a minimum of double digit CAGRs in the Fintech space. While growth is expected to come down somewhat, with some expecting a CAGR of 9% between 2021-2026 for German Fintech, we expect this figure be in the double digits, as the underlying trends of digitalisation, automation along with the embracing of innovative ideas are poised to continue to flourish.

As such, looking to H2 2022 as well as 2023, under the hopeful guise of a potentially clearer risk landscape in both political and macroeconomic terms, we expect about 2-4 transactions, whose sole aim is to obtain a German banking license, per year.

With six months into 2022, we equally expect that the year of the big funding rounds (2021), should (still) be followed by the year of the first major IPO. The two big Fintech companies with banking licenses - Solarisbank and N26 - could be the first, with more to follow in 2023.

## PENTA

Start-up Penta Fintech GmbH is seeking a valuation of between €400 million and €500 million (\$453 million to \$567 million) as it holds talks with potential investors despite a difficult market environment.

Penta, which offers online bank accounts and related financial services to small businesses, has kicked off its third founding round and expects to come close to a valuation that would put it about halfway to the \$1 billion threshold denoting a "unicorn".

The expected valuation is a sign that investor demand for Fintechs continues despite heavy declines across European equity markets as central banks roll back monetary easing, with Russian tensions weighting on sentiment.

<https://www.bloomberg.com/news/articles/2022-02-23/berlin-fintech-penta-is-seeking-valuation-above-450-million>

18. <https://www.msn.com/de-de/finanzen/top-stories/russischer-oligarch-oleg-boyko-st-c3-b6-c3-9ft-anteile-an-deutschen-fintechs-ab/ar-AAVQ6LA?ocid=uxbndlbing&msclkid=997926f8b68611e6bd7d60e50d1a5f20>



**TIM AMAN**

Partner,  
Global Fintech Leader  
BDO Australia



*Germany has long been known as a fiscal powerhouse in Europe and recently has started to cement its reputation as a leader in the global Fintech market. Its local uptake of Fintech solutions is not just limited to the modern consumer or forward-thinking business. Notably, German banks are actively partnering, investing, and acquiring Fintechs to counter disruptive threats. This involvement at an institutional level, coupled with BaFin's strong regulation of the financial services space, highlights to me that Germany is taking the development of a digital economy very seriously.*

*Despite the ongoing situation in Ukraine and rising inflation, the Fintech space remains fiercely competitive, with no indication that it will slow down anytime soon - particularly as more companies continue their pursuit of banking licenses and several businesses reaching the coveted 'unicorn' status. As they continue to revise their regulations and address other barriers to entry, Germany will effectively mature their digital economy and set a positive example for others to follow.*



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We have a global footprint, but we love working and collaborating with local, ambitious and fast-growing companies. In Germany, we are the auditors and advisors for major international banking organisations such as JP Morgan and Volkswagen Financial Services AG. With 300 dedicated local Financial Services specialists in Germany alone, we provide a collective expertise in accounting, tax and regulatory advice.

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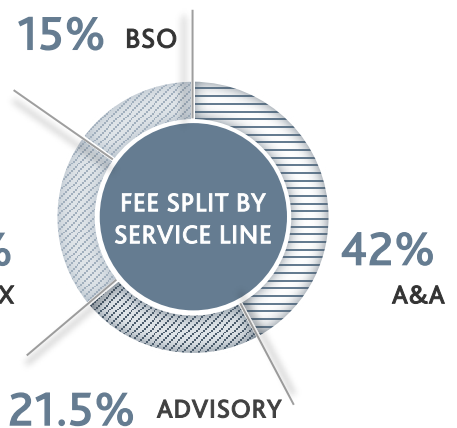
## BDO GLOBAL STATISTICS 2021



GLOBAL REVENUE  
**US\$11.8 billion**

**+10.8%\*** ↑ REVENUE INCREASE

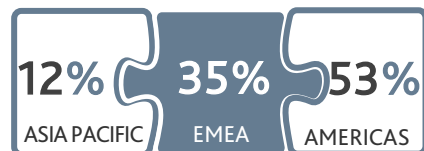
\*(at constant exchange rates)



**97,292**  
PEOPLE **+6.8%**

**1,728** OFFICES | **167** COUNTRIES & TERRITORIES

PERCENTAGE REVENUE BY REGION




# BDO GERMANY ASSISTING FINTECHS

As auditors and advisors we have been assisting some of the most successful German Fintechs for years. We have built a sound track record with local subsidiaries and ventures of international Fintech investors. With equal passion we support the 'two-people-start-up' as well as the 'full-grown Neobank'.

Our specialised services in the area of Fintech Growth Advisory range from strategic and regulatory advice<sup>19</sup>, business modelling (integrated financial planning) and company valuation<sup>20</sup> to comprehensive support of the entire transaction process (fundraising, M&A buy-side, M&A sell-side, merger). In the context of further development of digital (financial) ecosystems, we advise on strategic partnerships, joint ventures, or sales co-operations. If (venture) debt is required, we assist with the structuring as well as facilitate an introduction to suitable debt capital providers.

Our extensive German as well as global network allow us to approach different investors and potential partners in a targeted manner - be it e.g. from the venture capital environment, strategic investors such as banks or insurance companies as well as family offices and other institutional investors.

## SELECTED FINTECH CREDENTIALS

<p>N26 GmbH</p>  <p>Support of internal audit function</p> <p>Since 2020</p>	<p>Upvest GmbH</p>  <p>Audit of annual financial statements (HGB/RechKredV)</p> <p>Since 2020</p>	<p>Mambu GmbH</p>  <p>Series D Adviser/ Audit of annual financial statements (HGB)</p> <p>Since 2019</p>	<p>Finoa GmbH</p>  <p>Audit of annual financial statements (HGB/RechKredV)</p> <p>Since 2019</p>	<p>Rentablo GmbH</p>  <p>Audit of annual financial statements (HGB/RechZahlV)</p> <p>Since 2019</p>	
<p>eClear AG</p>  <p>Audit of annual financial statements (HGB)</p> <p>Since 2018</p>	<p>RatePAY GmbH</p>  <p>Support of the internal audit/compliance</p> <p>2016, 2017, 2020</p>	<p>flatexDEGIRO AG</p>  <p>Audit of annual and consolidated financial statements (HGB/IFRS)</p> <p>Since 2015 and earlier</p>	<p>BillPay GmbH (Klarna Group)</p>  <p>Audit of annual financial statements (HGB/RechZahlV)</p> <p>2015 – 2017</p>	<p>Hypoport Group</p>  <p>Audit of annual and consolidated financial statements (HGB/IFRS)</p> <p>Since 2008</p>	<p>Pepperstone GmbH</p>  <p>Outsourcing of internal audit function</p> <p>2020/2021</p>

19. <https://www.bdo.de/en-gb/services/advisory-services/financial-services-en/regulatory-services>  
20. <https://www.bdo.de/en-gb/services/advisory-services/financial-services-en/valuation-advisory>

# MEET OUR KEY FINTECH EXPERTS AT BDO GERMANY



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