TOP FIVE LEGAL TRENDS FOR FINTECH IN 2017

Date: 1 January 2017

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2016 was a turning point for the FinTech industry. "FinTech" finally became a household name, and just recently the Office of the Comptroller of the Currency (OCC) has come up with a special purpose national bank charter solely for FinTech companies. FinTech is not a single industry but is an ecosystem, composed of start-ups, banks, payment networks, and other financial service companies. By whatever measure and however defined, the FinTech industry has truly come of age.

Navigating FinTech requires dexterity in regulation, globalization, and innovation. As FinTech companies look at 2017, here are the top five legal trends:

1. **Major Political Change.** With the new administration in the U.S. and Brexit in Europe, how does the Fintech industry prepare for inevitable legal change? Living with changing legal landscapes is the future all FinTech companies face. It's important to keep a close watch on the legal and regulatory developments, while maintaining compliance and making contingency plans. U.S. companies need to consider how to capitalize on potential reductions in regulatory burdens, and at the same time avoid any negative impact to customers or reputational harm. FinTech companies in London are already looking for possible new EU home countries, and also hoping for a negotiated solution with respect to access to the EU marketplace.
2. **Investments and M&A.** 2016 was another strong year for investments, mergers, and acquisitions. Worldwide investments hit US$15 billion by mid-year compared to US$19 billion invested in 2015. An overarching theme we are beginning to see is the maturation of the industry and increasing segmentation based on verticals within FinTech. Investors and acquirors are looking for "best of breed" companies or solutions in fields such as payments, robo advising, marketplace lending, next generation commerce/retail, blockchain, artificial intelligence, internet of things, insurtechs, and regtechs. Despite (or perhaps because of) the legal and regulatory uncertainties, we expect to see a continued high level of investment and M&A activity in 2017.
3. **Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF).** With recent terrorist attacks, AML/CTF regulators globally are implementing new customer due diligence (CDD) requirements. FinTech companies tend to be very savvy when it comes to collecting customer data, and they must also focus on monitoring data to prevent not just fraud, but any misuse of their financial products and services. While fraud generates losses, money laundering can be very lucrative for a financial company. That is why attention must be paid to any unusual customer behavior, even if no fraud losses result.
4. **Blockchain & Distributed Ledgers.** A potent disruptor on the horizon is blockchain, or "distributed/shared ledgers." While many have begun to compare blockchain's impact to that of the internet, there is still a significant lack of understanding about blockchain by both policymakers and the FinTech industry. Knowledge is power, and this is one area where no FinTech can afford to be ignorant.

5. **Cybercrime and Data Security.** As cybercrime continues to grow, FinTech companies must work to prevent losses to themselves and their customers. A renewed focus on resources to fight cybercrime has arisen in the U.S., making it easier for FinTech companies to obtain and share cybercrime data. Meanwhile in Europe, a new Network and Information Security Directive will require online marketplaces, cloud computing services, and search engines to implement security measures and report serious incidents to authorities.

As tumultuous as 2016 was, keep your seat belts fastened, because 2017 is bound to be another exciting and change-filled year. The best approach is one based on careful monitoring, contingency planning, and the ability to be flexible in the face of change.

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