

# MARKET RESEARCH ON DEFI PRODUCTS

Exploring the opportunities to  
disrupt traditional finance beyond  
DeFi exchange

*Report for a DeFi startup*

## Includes

- **Key Insights**
- **Service Wise In depth Research**
  - Access to Core Banking Infrastructure
  - RegTech
  - Compliant DeFi

Report by  
[www.promorphcapital.com](http://www.promorphcapital.com)

# Key Insights

This market research for all the services offered by **DLTify** **expect positive responses for the services**. Few services in the global market are evolving. The services possess scope for good future market response. We are now listing the insights for every service.

## 1. RegTech and onboarding:

- RegTech is the need of financial service providers as it saves cost, reduces operational risks.
- Market size is expected to grow from USD 6.3 billion in 2020 to USD 16.0 billion by 2025, at a Compound Annual Growth Rate (CAGR) of 20.3%.
- **Rising compliance costs and increasing regulation** changes are the major drivers for RegTech.
- There are many established companies in North America and Europe.

### Recommendation

**It is having huge prospects along with high competition as the market size estimation (which varies as per different reports) goes as high as \$55.28 Billion By 2025**

## 2. Access to compliant DeFi

- The global authority on DeFi, FATF, wants to use KYC for regulating DeFi just like in other domains of the financial industry.
- Compliance is classified into Know Your Customer (KYC), Anti Money Laundering (AML), and Countering the Financing of Terrorism (CFT)
- KYC is not going anywhere, and mainstream adoption will never happen without the support of institutional investors and retail customers who expect a level of regulatory controls.

### Recommendation

**Compliant DeFi is in its nascent stage with few new companies coming up while established companies already providing KYC services for CeFI are integrating DeFi as well. Since FATF wants to use KYC for regulating DeFi, definitely such services have huge scope considering the explosive growth of DeFi as reflected by Total Value Locked (TVL).**

### 3. Access to core banking Infrastructure:

- Market capitalization of the Global Banking Sector worldwide was 7.4 trillion euros in the second quarter of 2021
- Global Neobanking Market Size is valued at USD 31.37 Billion in 2020 and expected to reach USD 377.94 Billion by 2027 with a CAGR of 42.7% over the forecast period.
- Global Open Banking Market size is expected to reach \$43.15 billion by 2026, registering a CAGR of 24.4% from 2019 to 2026.
- 72% of the top 50 largest banks by market capitalization have an API platform

#### Recommendation

**API based financial services is the backbone of Neobanking and Open Banking services. Open Bank Project by TESOBE, has already worked with more than 50 bank customers around the world is a testimony of utility and demand. The fundraising scenario for startups is very bullish. As per the research we found that the bundling of CeFI and DeFi by DLTify is unique and provides a great value proposition to the users. *But there should be caution in providing too many services at one go.***



**Open Banking:** This concept can enable a lot of crucial information sharing between entities for the customer's good. Banks are sitting on terabytes of data of its customers, about their account balance, transactions, repayment history and what not. Now if one of its customers needs a loan from a lending company, currently, there is no easy way of getting the customer's financial data to evaluate his risk profile. But with Open Banking, all that the customer will need to do is request for his banking and transaction data from the bank, or provide consent to the lending company via the latter's app to access this data. Once the prospective lender has that data, they can evaluate the customer appropriately. Lending is just one use case. There are tonnes of use cases that will transform banking in a way we can't even imagine.

**KEY DATA POINTS:**

19% ↑

Growth in Banks with API platforms over Q4 2019

58% ↑

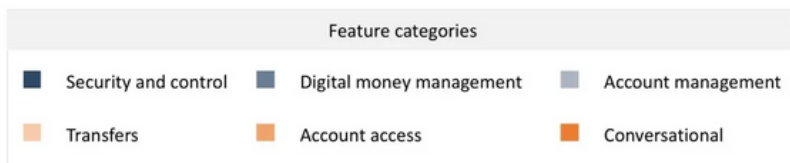
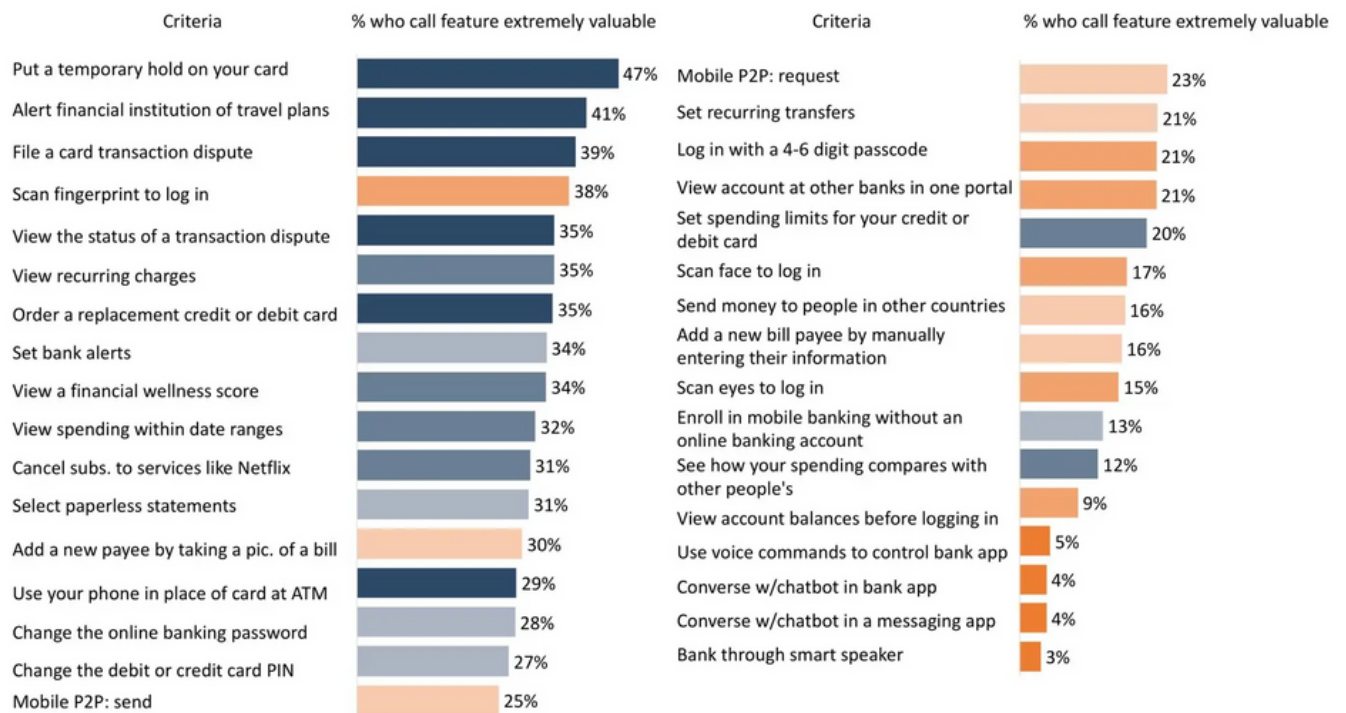
Growth of API products from banks over Q4 2019

72% 🌐

World's top 50 largest banks by market cap have an API platform.

## Demand For All Mobile Banking Features

Q: How valuable would each of the following features be to you?



EXCLUSIVE DATA FROM  
**BUSINESS INSIDER**  
 INTELLIGENCE

Source: Business Insider Intelligence Mobile Banking Competitive Edge Study, n =1,090, Q3 2018

# Open Banking Global Landscape

Open banking regulations and key drivers by region



Source: CB Insights, 2019

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## MARKET DRIVERS

- **Hassle-free account creation:** Creating an account with neo banks removes this tediousness completely. Neo bank functions fully on mobile, making this process comfortable and the account gets ready in a very short amount of time.

- **Seamless international payments:** Neo banks overcome this disadvantage and allow transacting nationally and internationally with current exchange rates.

- **User-friendly interface:** Neo banking apps are responsive, crisp, and are well designed according to the need of customers.

- **Service Speed:** Neo bank transactions are real-time and immediate.

- **Lower Fees:** One of the disadvantages of the traditional bank is its high operating cost which often comes in the form of charge for services like account statements, transaction alerts, etc. There is no physical infrastructure, maintenance for physical branches, and ATMs in the case of Neo bank, which saves additional charges. Neo banks offer their basic services free of cost.

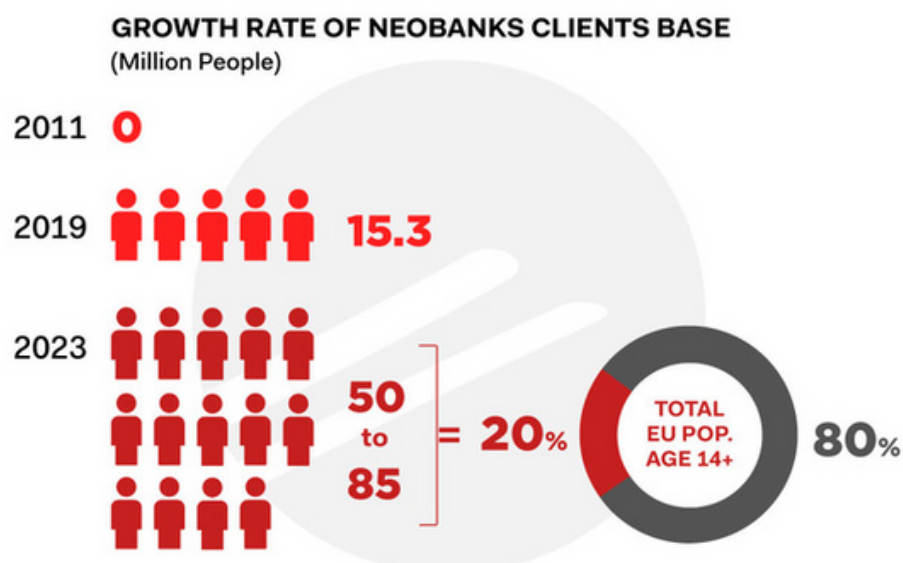


# MARKET SIZE

- Financial innovations like Core Banking Infrastructure, Neo Banking Banking as a Service and Open Banking are reporting considerable growth.
- Market capitalization of the Global Banking Sector worldwide was **7.4 trillion euros** in the second quarter of 2021
- Global Neobanking Market Size is valued at USD 31.37 Billion in 2020 and expected to reach USD 377.94 Billion by 2027 with a CAGR of 42.7% over the forecast period.
- Global Open Banking Market size is expected to reach \$43.15 billion by 2026, registering a CAGR of 24.4% from 2019 to 2026.
- **Banking-as-a-Service (BaaS)** Market was valued at USD 356.26 Billion in 2020 and is projected to reach USD 2,299.26 Billion by 2028, growing at a **CAGR of 26.33% from 2021 to 2028.**
- The global core banking solutions market size was valued at \$9,856.45 million in 2019, and is projected to reach \$28,785.85 million by 2027, growing at a CAGR of 14.6% from 2020 to 2027.

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## Up to 85 Million Europeans Will Use NeoBanks in Five Years

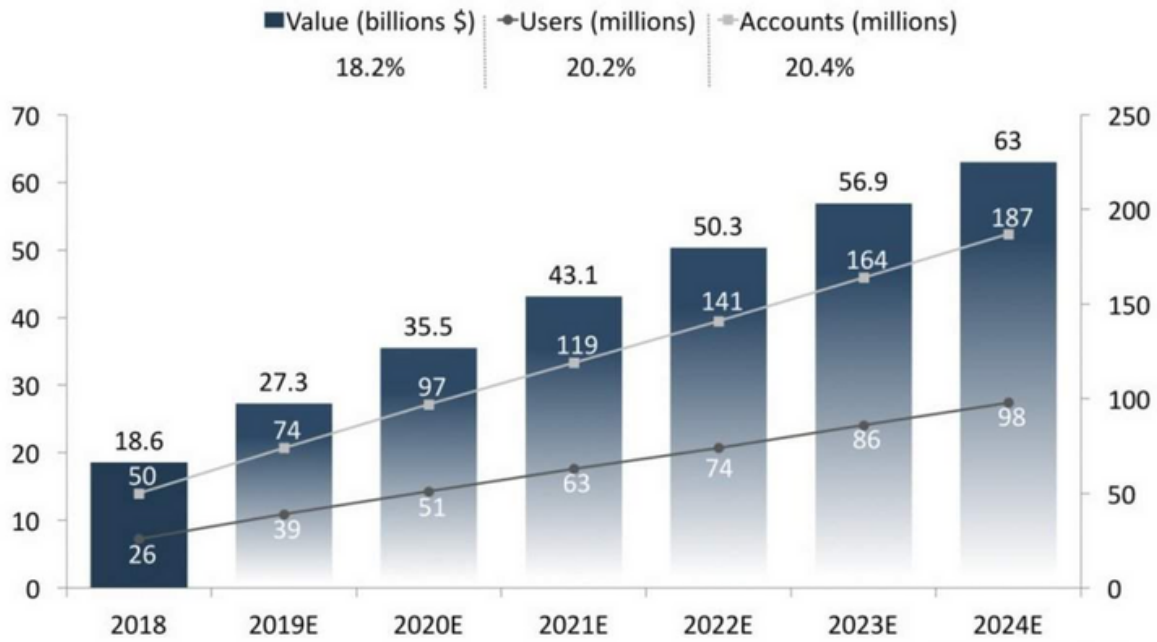


Source: A.T. Kearney 2019 Retail Banking Radar

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[www.goMEDICI.com](http://www.goMEDICI.com)

## Global Neobank Value, Users, And Accounts



Source: Bloomberg, company filings, Cornerstone Advisors, Crunchbase, Reuters, TechCrunch, Business Insider Intelligence estimates, 2019

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## Neobanking: Region-wise Breakup

**Americas**  
22 Startups  
28%

**Europe**  
40 Startups  
47%

**Asia**  
9 Startups  
14%

**Africa**  
5 Startups  
5%

**Oceania**  
4 Startups  
6%

Note: Includes only Licensed Digital Banks and Over the top startups.

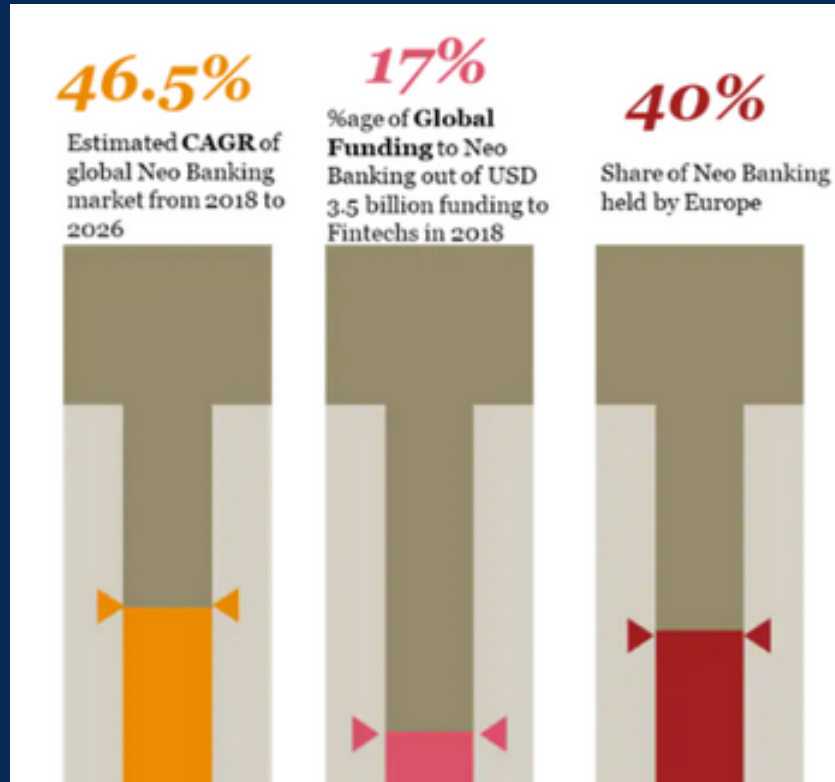
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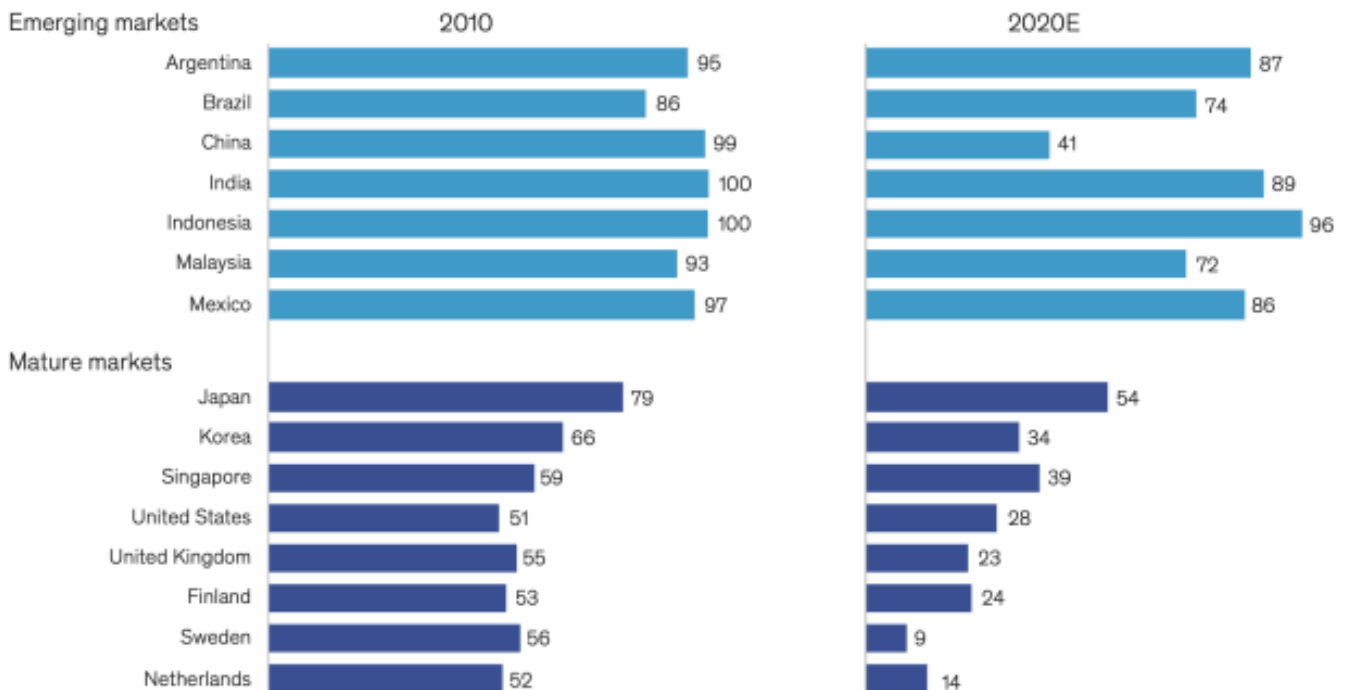
The United Kingdom is expected to lead the neo-banking market, for underlying reasons such as low concentration of branch banking as compared to other advanced economies like the US, rise of thin-file customers, overall higher financial literacy rates and the region being one of the early adopters advocacy of digital banking.



**COVID-19 will likely lead to a further decline in cash usage.**

**Cash usage by country**

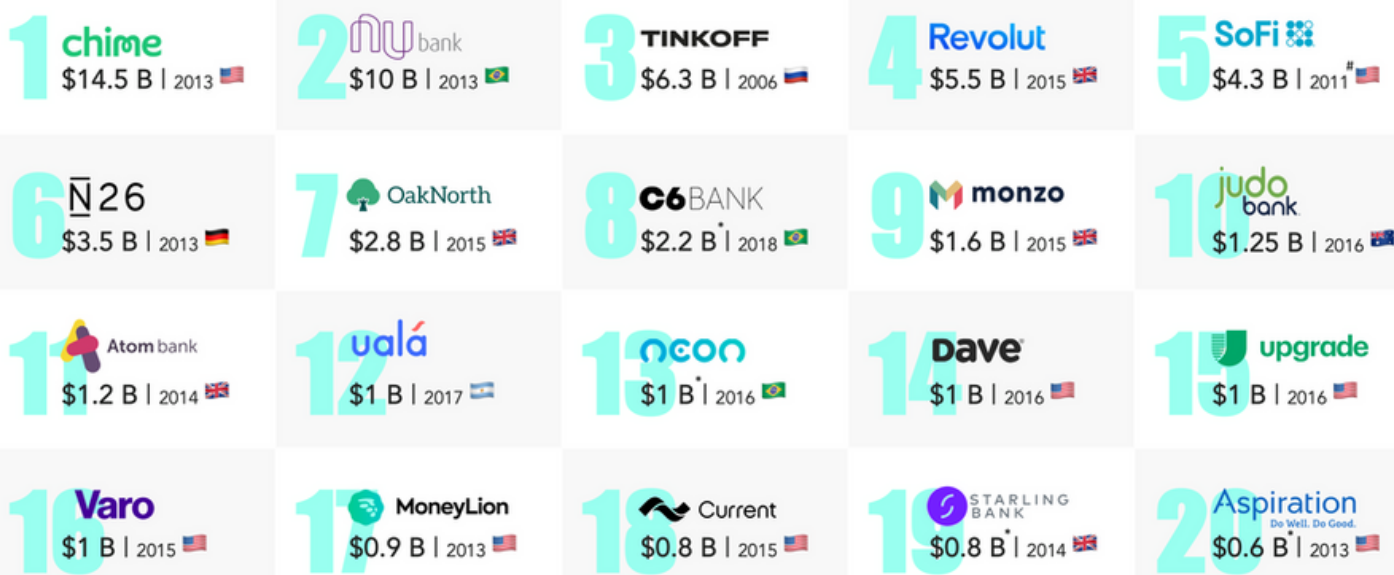
Percent of cash used in total transactions by volume, %



# KEY MARKET PLAYERS

Neo Banking	Atom Bank PLC, WeBank, Inc., N26, Revolut Ltd., Monzo Bank Limited, Fidor Bank Ag, MyBank, Simple Finance Technology Corporation, Ubank Limited, Movencorp Inc.
Payment Transfer	Revonut, N26, Transferwise, Google Pay, PayPal, Apple Pay

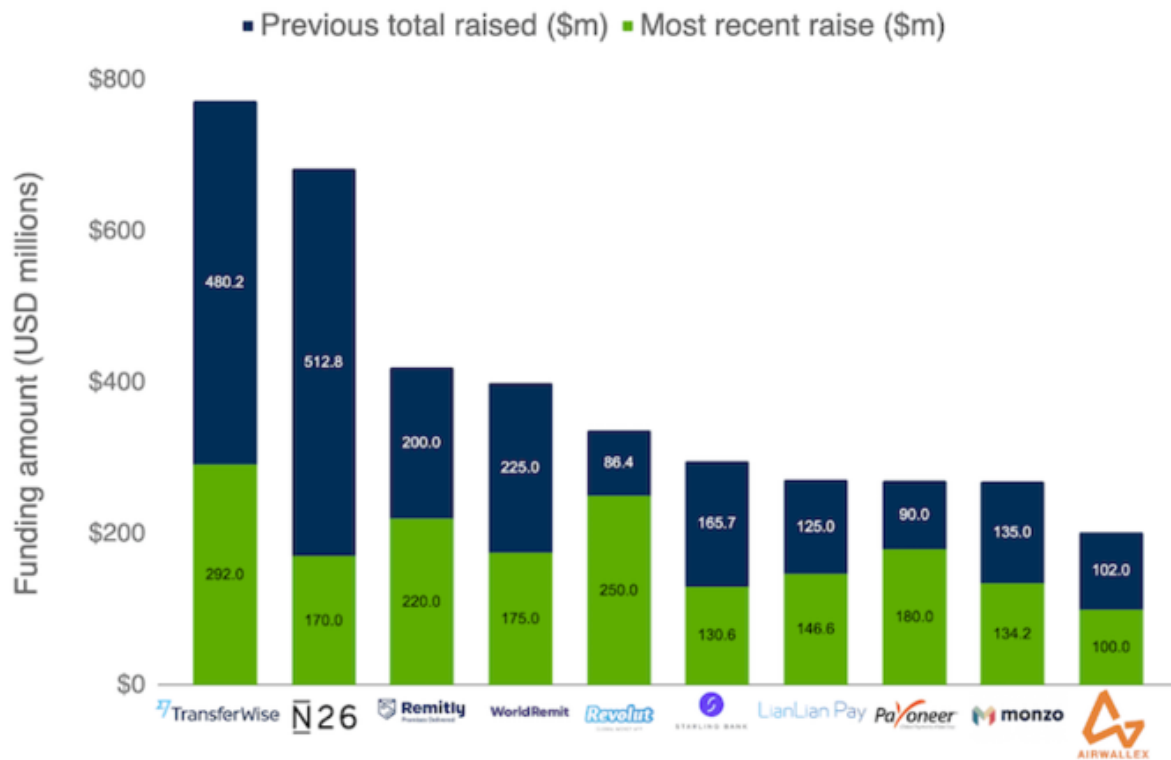
## TOP20 of 2020 / MOST VALUED INDEPENDENT NEO-BANKS



\* Estimated Valuation; # Founding year of parent company

# Top 10 money transfer fundraisings

Cross-border companies and neobanks with cross-border offerings



Source: FXC Intelligence Analysis, Crunchbase

FXcompared.com

## SWOT

### Opportunities and Advantages

- Low cost structure: no monthly fees & no withdrawal costs
- Higher rates on Saving and Fixed Deposits than traditional banks
- Simple and engaging mobile experience
- Near Real Time services for account opening, payments, balance checking, opening & redeeming time deposits etc
- Intuitive budgeting, investing and money-tracking tools
- Free debit cards with Large ATM networks of partner and associate banks with no fees
- 24\*7 support – advanced chatbots
- High security features such as locking and freezing any time through app
- Personalized offers and discounts depending your income, expense and spending habits
- Most Neobanks provide International payments at interbank rates through various banking and payments partner
- One platforms for linking multiple accounts, apps, services on Neobank platform

### Challenges & Shortfalls

- Narrow range of product offerings, so don't expect car loans, home mortgages or business services
- The main setback of Neobanks is that they can't offer in branch service, which some people prefer when dealing with large loans, such as a mortgage.
- Operational Inexperience vis-a-vis Traditional banks
- Regulatory & Compliance - subject to the same set of supervisory requirements applicable to conventional banks

## RegTech and onboarding

RegTech is the need of financial service providers as it saves cost, reduces operational risks.

# MAJOR DRIVERS

The major drivers for the RegTech market include the

Increased cost of compliance,  
rising need for faster transactions,  
regulatory sandbox approach to support RegTech innovations,  
lower entry barriers with Software as a Service (SaaS)-based offerings

# MARKET SIZE

The RegTech market size is expected to grow from USD 6.3 billion in 2020 to USD 16.0 billion by 2025, at a Compound Annual Growth Rate (CAGR) of 20.3%.

Regulatory intelligence application to grow at the highest CAGR during the forecast period. The regulatory intelligence application is expected to grow at the highest CAGR during the forecast period, owing to the much-needed functionality of identifying and interpreting regulatory changes, enabling financial institutions to easily manage the changing regulatory environment and minimize the risk of non-compliance.

## REGTECH MARKET BY REGION (USD BILLION)

