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B15. OTHER INTERMEDIARIES

- WHY OTHERS AND WHAT DO THEY DO?
- A GLANCE AT FINTECH AND MUTUALITY

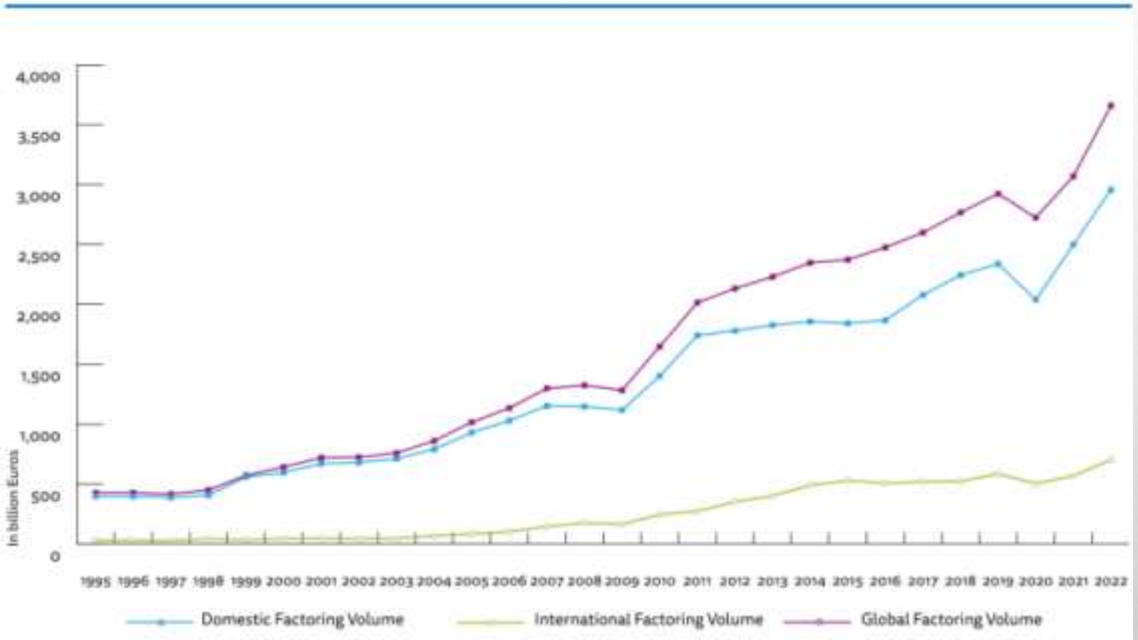
OTHER INTERMEDIARIES

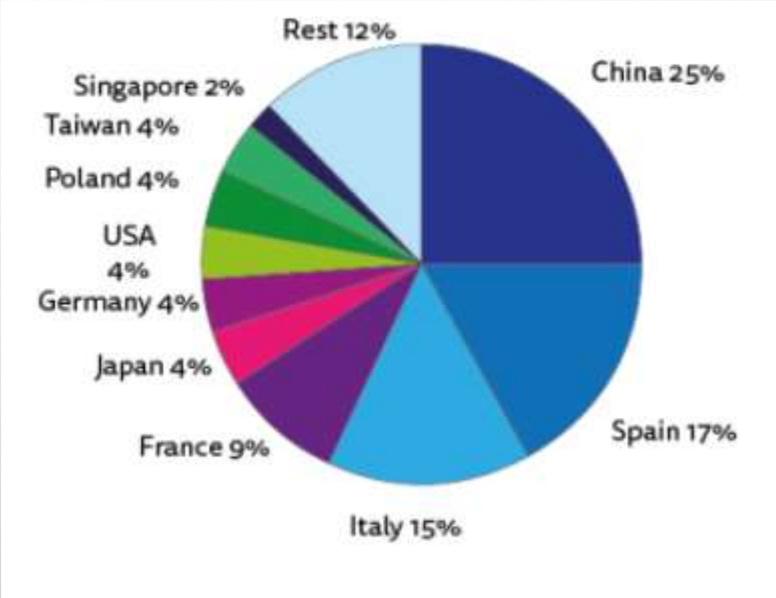
- **Servicing** main financial institutions, or **specialised** in customers (f.i. consumers) or products (f.i. leasing) less prominent in leading markets
- Funds from **money markets** (no deposits), **equity** and **bonds**
- Targeting high volumes of small-sized short/medium term loans:
  - **Lower liquidity risks (no deposits)**: still no secondary market
  - **Lower interest rate risk (shorter duration)**: still A/L gap
  - **Higher credit risks**: more concentration (geographical, customers, …), more limited selection/monitoring tools → higher interest income
  - **Lower level of regulation/supervision:** still subject to disclosures and protection of retail borrowers/savers
- Frequently, **captives**

VOLKSWAGEN
FINANCIAL SERVICES
THE KEY TO MOBILITY

FACTORING

- commercial credit: not only financial needs – administration and guarantees
- sums discounted (credit) or simply cashed in, with or without recourse
- *reverse factoring* originated from debtor (f.i. key companies in complex value chains)

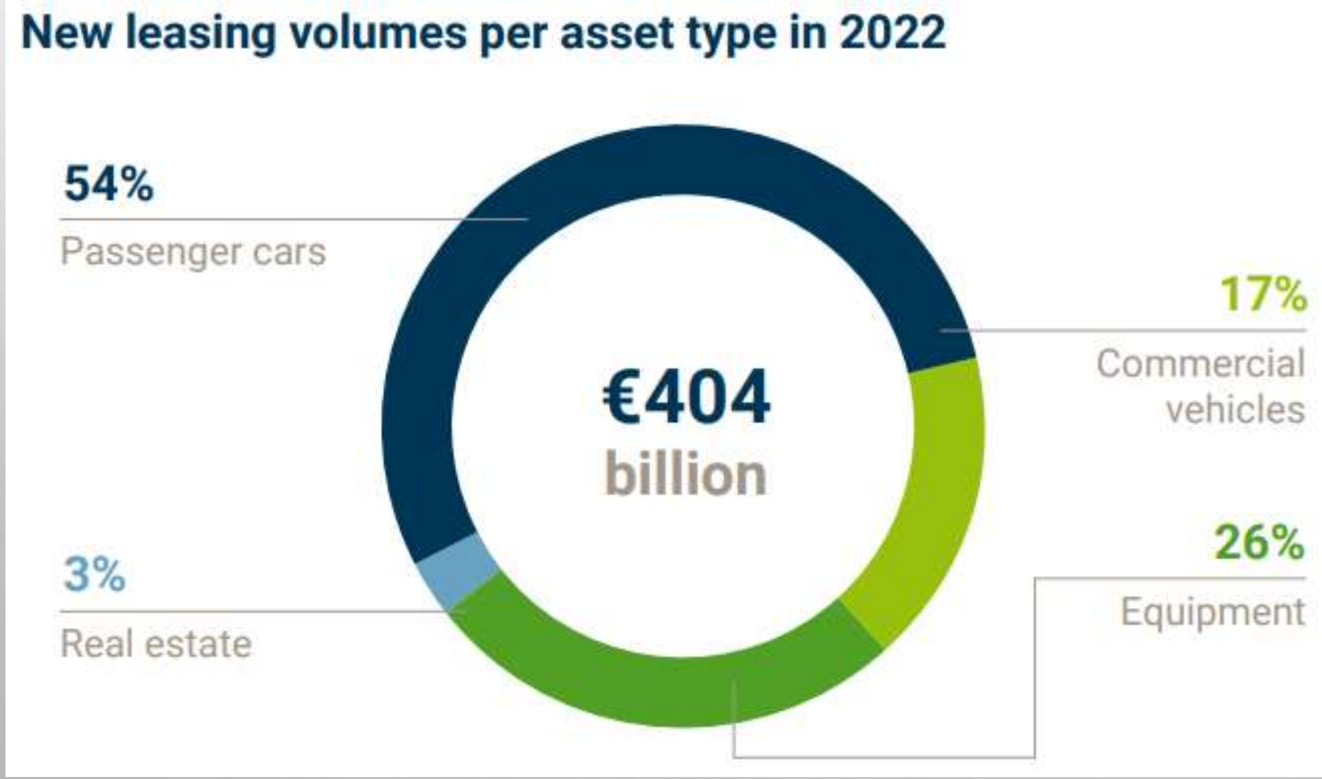




Source: International Factoring Association

LEASING

- on real estate, equipment, ships, aircrafts, cars, …: using an asset without ownership, with or without the right to redeem at maturity
- operational (from constructor/maker) or financial (from financial intermediaries)
- substantially, borrowing (payment of principal and interest), formally renting
- offering additional accounting, administration and tax advantages
- *(sale and) lease-back*



CONSUMER CREDIT

- purpose: current personal consumption (usually with low size limits to qualify, other than real estate and debt refinancing)
- protection of retail borrowers strong in most countries (transparency, contracts, …)
- many technical forms with huge cross-country variation (from direct debit to salary to revolving credit cards, …)
- may require personal or insurance guarantees

Fig. 4 Total Eurofinas lending, year on year growth rates

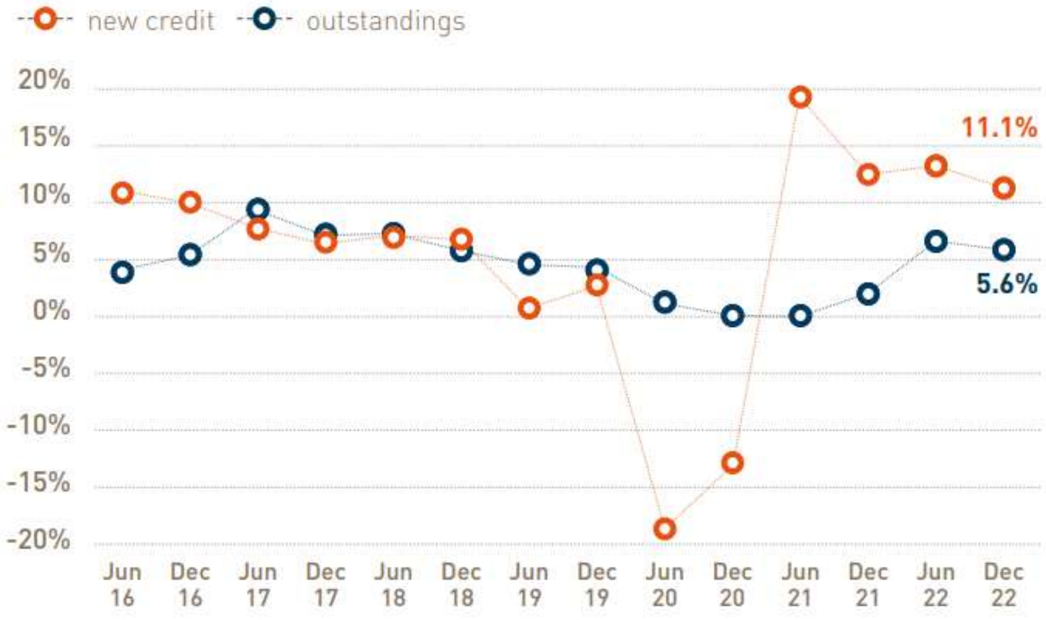
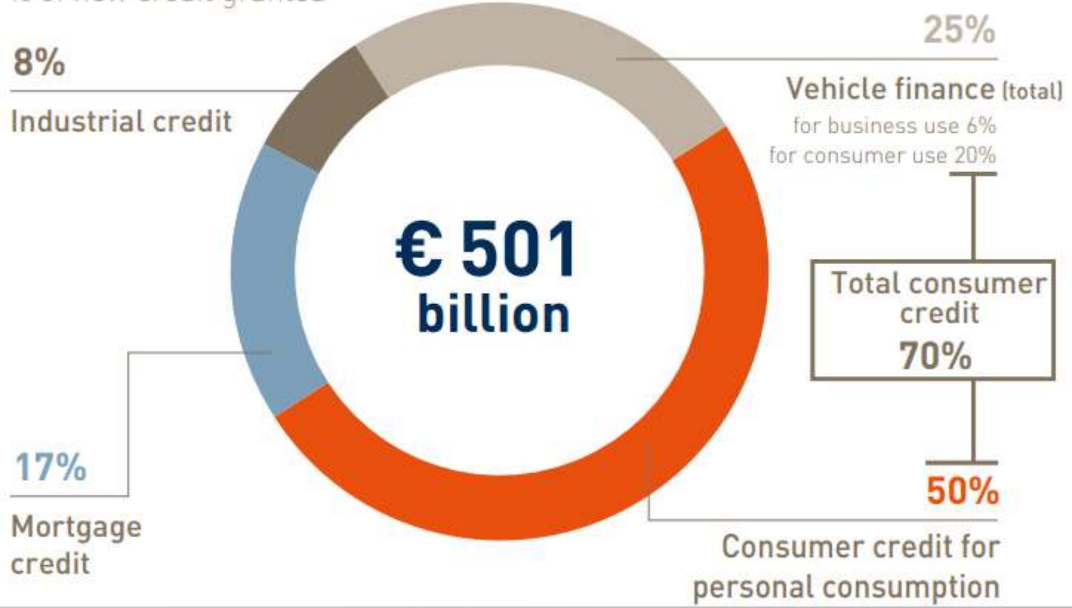


Fig. 3 New credit granted by product type, 2022

% of new credit granted

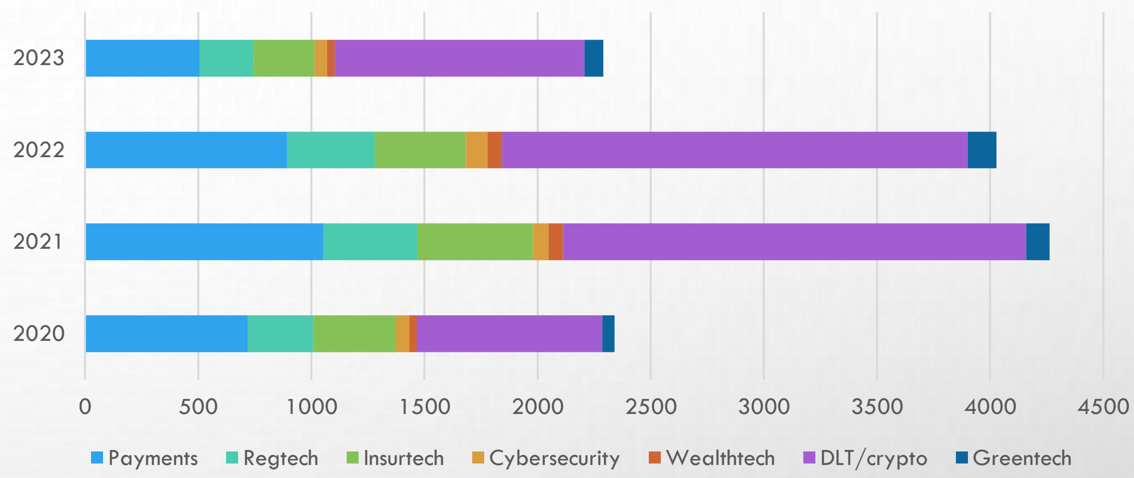


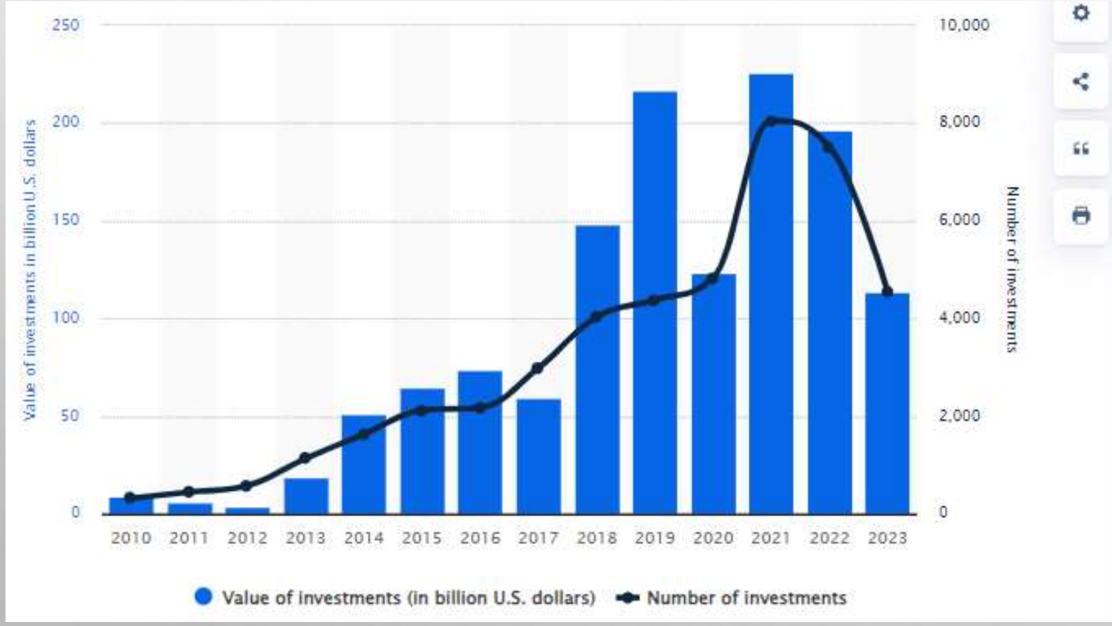
Source: Eurofinas

FINTECH

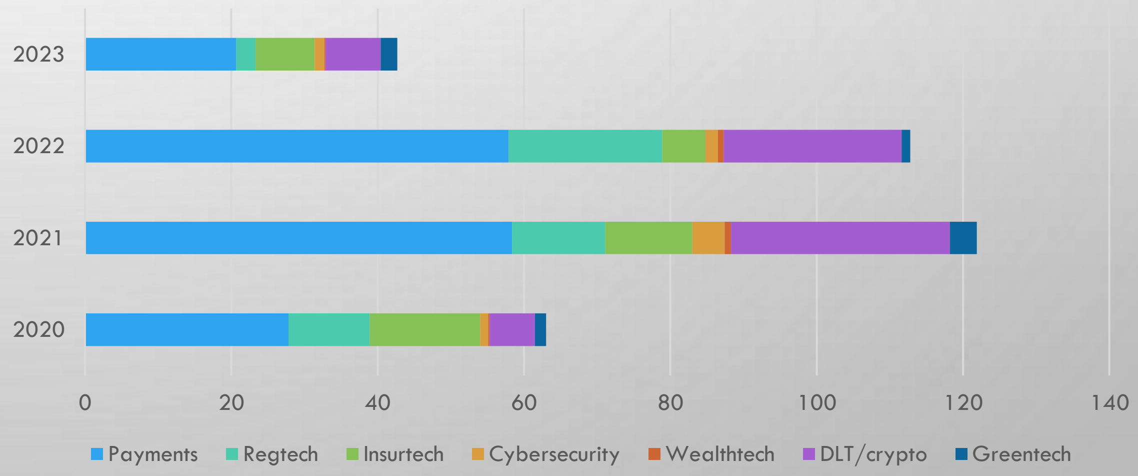
Finance + ICT: payments, wealthtech, insurtech, regtech, cybersecurity, DLT/crypto, greentech

Global Fintech by number of deals (VC, PE, M&A)





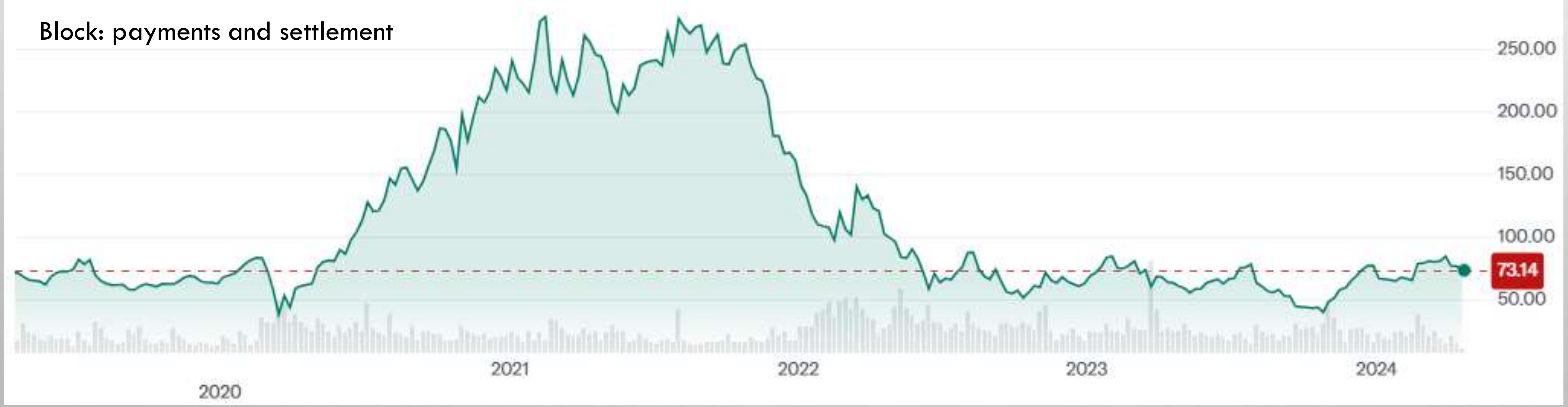
Global Fintech by volume of deals (VC, PE, M&A)



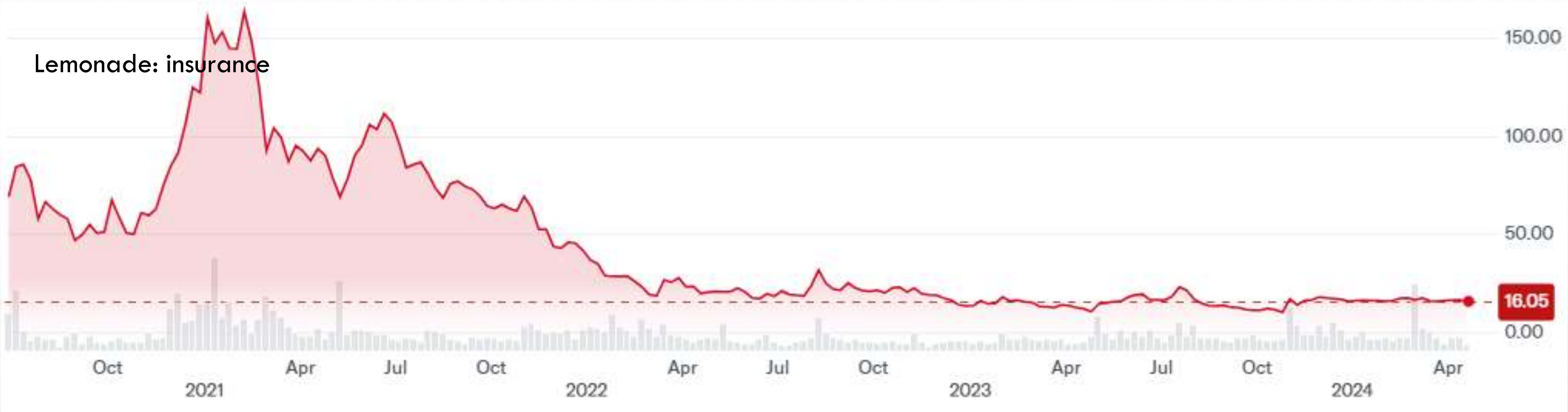
Source: Capgemini, Statista, KPMG

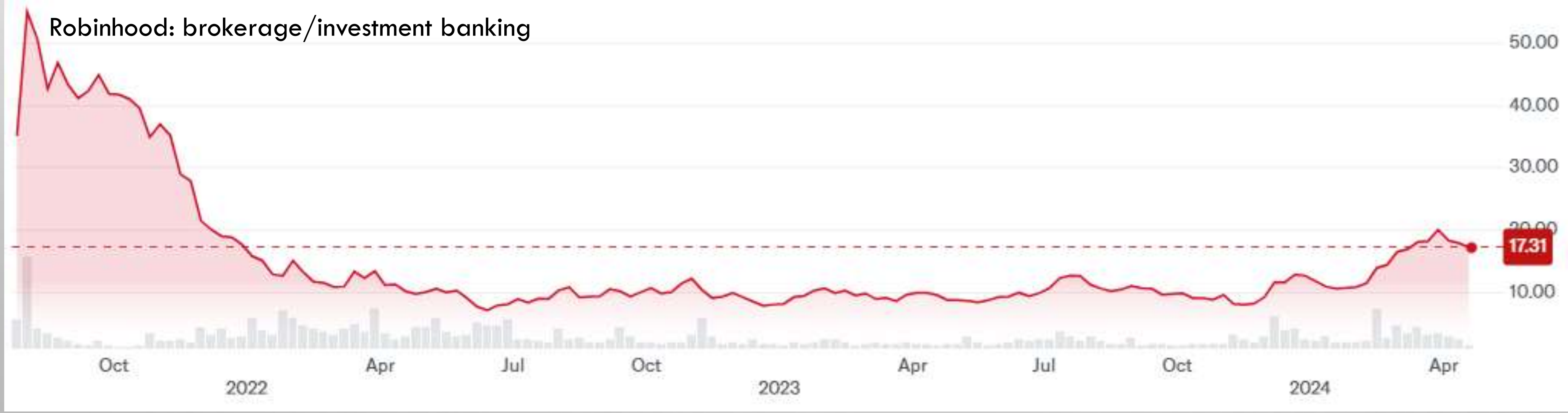
FINTECH


Intuit: personal finance, accounting/tax/finance software
611.49
500.00
250.00
2021
2022
2023
2024


Block: payments and settlement
250.00
200.00
150.00
100.00
73.14
50.00
2021
2022
2023
2024
2020

FINTECH


Lemonade: insurance
150.00
100.00
50.00
16.05
0.00
Oct
2021
Apr
Jul
Oct
2022
Apr
Jul
Oct
2023
Apr
Jul
Oct
2024
Apr


Robinhood: brokerage/investment banking
50.00
40.00
30.00
17.31
10.00
Oct
2022
Apr
Jul
Oct
2023
Apr
Jul
Oct
2024
Apr

MUTUALITY AND BANKING

- Issue: limited supply for funding a **large number of small operations** (transaction costs)
- Different **models**:
  - Originally: urban (Schulze-Delitzsch, Luzzatti) and rural (Raiffeisen, Wollemborg) **credit unions**
  - Today: **cooperative banks**, but also **Islamic finance** and **microfinance**
- **Recurring features:**
  - **clients as main owners,**
  - **undistributable profits**,
  - **maximum share ownership**
  - **headcount voting**
- **Challenges:** agency issues and governance, lower efficiency and smaller scale, conflict of interest with politics (tax advantages) and regulation
- Not only credit: MGCI offer **guarantees** to access bank loans