



# Reassessment of the FinTech industry

Report Prepared for Massachusetts  
Technology Collaborative



November 30, 2023

[kpmg.com/us](https://kpmg.com/us)

# Disclaimer

This Report (the “Report”) dated November 30, 2023 has been prepared by KPMG LLP (“KPMG”) on behalf of Massachusetts Technology Collaborative (“MassTech”) and should be read and interpreted solely in its entirety. This Report has been prepared solely for the purpose of developing a reassessment and progress report assessment of the FinTech industry ecosystem in Massachusetts using information available as of approximately late 2022 and early to mid-2023. The Report assists MassTech in refreshing the 2020 baseline against which the ecosystem’s future activity, growth and development, innovation, and connectivity may be measured. KPMG’s role is limited to providing the objective analysis described in this Report. In presenting this Report, KPMG takes no view and does not or cannot undertake any role that could be fairly interpreted as public policy advocacy and the firm’s work is not intended to be used in that context. KPMG accepts no responsibility for its use in that regard.

This Report, any advice, recommendations, information, deliverables, or other work product provided to MassTech derived from such Report is for the exclusive use of MassTech.

The scope of our work has been limited by the time, information and explanations obtained from MassTech and certain third-party sources that are referenced in this Report. KPMG has neither sought to corroborate this information nor to assess its overall reasonableness. Further, any results from the analysis contained in this Report are reliant on the information available at the time of writing this Report. KPMG has not updated this Report since the conclusion of its work and this Report and should not be used in subsequent periods.

No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of KPMG or by any of its partners, employees or agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any oral information made available, and any such liability is expressly disclaimed.

This Report does not constitute a recommendation or endorsement by KPMG to invest or participate in, exit, or otherwise use any of the markets or companies referred to in it. KPMG disclaims any liability arising out of the use of this Report and its contents, including any action or decision taken as a result of such use.

# Acknowledgments

KPMG acknowledges collaboration with Massachusetts FinTech Hub working in partnership with MassTech to provide guidance and review as well as data and supporting information that assisted in the preparation of this Report.

In addition, KPMG would like to thank the FinTech Working Group and Advisory Board members for their input during this study.

Advisory Board	FinTech Working Group
<ul style="list-style-type: none"><li>• Massachusetts Competitive Partnership</li><li>• Massachusetts Division of Banks</li><li>• Fidelity Investments</li><li>• FinTech Sandbox</li><li>• MassChallenge</li><li>• Vestigo Ventures</li><li>• Brandeis International Business School</li><li>• Cake</li><li>• Visible Hands</li><li>• F-Prime Capital</li><li>• UMASS Amherst</li><li>• FinTech Sandbox</li><li>• Citizens</li><li>• Massachusetts Technology Collaborative</li><li>• Flywire</li><li>• MassMutual</li><li>• Harvard Business School</li><li>• Putnam Investments</li><li>• Eastern Bank</li><li>• Insurify</li></ul>	<ul style="list-style-type: none"><li>• Advisor 360</li><li>• Babson College</li><li>• BankProv</li><li>• Boston University</li><li>• Brandeis University</li><li>• Citizens</li><li>• Commonwealth Financial Group</li><li>• Eastern Bank</li><li>• Fidelity</li><li>• Fintech Sandbox</li><li>• M&amp;T Bank</li><li>• Massachusetts Technology Collaborative</li><li>• MassChallenge</li><li>• MassMutual</li><li>• MIT</li><li>• Putnam Investments</li><li>• Reading Cooperative Bank</li><li>• Stonehill College</li><li>• UMASS Amherst</li><li>• Vestigo Ventures</li><li>• Wolf &amp; Co.</li><li>• Worcester Polytechnic Institute</li><li>• Western New England University</li><li>• MITRE</li><li>• UMASS Boston</li></ul>



# Overview



## Executive summary

This Report was prepared with the objective of identifying and assessing the financial technology (“FinTech”) industry’s significant developments that have occurred in the years since the study released in October 2020, *Now, next and beyond: Analysis of the FinTech Ecosystem in the Commonwealth of Massachusetts* (the “2020 FinTech Benchmark”). As such, the Report serves as an important waypoint in the Commonwealth of Massachusetts’ (the “Commonwealth”) journey as a growing FinTech leader globally.

Massachusetts’ FinTech ecosystem has seen substantial growth and notable transformations over the past three years amid a historically challenging and uncertain environment. This is supported by both the perspective of the ecosystem participants, and evidence-backed key metrics.

The data indicate that the Commonwealth’s FinTech hub, centered in Boston, has experienced notable growth in the FinTech industry over the past three years, strengthening its position as a strong contender in the global market with the potential to attract and retain top talent. The data also show that employment in FinTech related industries in Massachusetts has increased overall, with FinTech related sectors ranking among the fastest-growing industries in the state. In addition, there has been a growing emphasis on collaboration and partnerships within the FinTech ecosystem noted by industry stakeholders.

This Report also highlights changes in labor market, investment, and other industry data during the last several years in order to track the evolution of activities and progress made by FinTech verticals since 2020. Finally, the Report traces the evolution of trends and evolving models of developing vibrant FinTech ecosystems in leading FinTech hubs nationally and globally, summarizing the salient takeaways for Massachusetts to consider.

Overall, the close connections between stakeholders in the Commonwealth’s FinTech ecosystem have helped to create a dynamic and thriving innovation hub that is well-positioned to compete with larger financial centers like New York City and San Francisco.

While there have been significant improvements, in order to maintain its ambition of becoming a leading global FinTech hub, Massachusetts’ FinTech leaders must continue to invest in and support the ecosystem. The Progress Report appearing on the right elaborates on the developments and opportunities for further strengthening this ecosystem.

## Progress Report

Key takeaways from stakeholders:

- **Talent and culture:** 39 percent of respondents indicated that sourcing talent in Massachusetts has improved since 2020. However, opportunities to improve continue to exist, particularly by promoting diversity within the ecosystem and increasing available resources to the talent pool.
- **Capital:** Massachusetts has emerged as a major player in the FinTech industry, ranking fourth in the nation in terms of funding received by FinTech companies for all of 2022. However, respondents noted mixed views regarding whether capital availability has improved. Suggestions to improve accessibility to capital include increased visibility efforts for venture capital (“VC”)s.
- **Policy and regulation:** Between a quarter and a third of survey respondents indicated that supportiveness of policy/regulations and compliance with regulations have improved. Still, many stakeholders seek stronger connections with policymakers, particularly in the form of a regulatory sandbox and increased opportunities to interact.
- **Infrastructure and technology:** The majority of FinTech ecosystem participants believe access to new technologies has improved. Opportunities for continued growth were identified as actively monitoring innovation across FinTech hubs, highlighting success stories, etc.
- **Interconnectivity:** About two-thirds of FinTech ecosystem survey respondents noted that collaboration with other FinTech stakeholders has improved from 3 years ago. The interconnectivity could continue to improve by prioritizing scaling ecosystem activities, among other initiatives.

# Findings and recommendations

In 2020, MassTech commissioned an inaugural assessment of the FinTech ecosystem in the Commonwealth of Massachusetts that established a baseline reading of the size, scope, and activities that define Massachusetts’ FinTech sector for benchmarking purposes. That study contained 16 recommendations for furthering development of the FinTech ecosystem in Massachusetts. In 2021, the Mass Tech Collaborative along with the members of the Fintech Working Group launched the Mass FinTech Hub to promote collaboration between leaders in Massachusetts, capitalize on Massachusetts’ comparative advantages to help drive growth in the FinTech ecosystem. Since then, the FinTech Hub has introduced new programming, including FinTech career fairs, promoting startup-corporate collaboration, mentoring and networking initiatives, angel investor education, and supporting regulatory innovation.




Following the 2020 FinTech Benchmark, the Mass FinTech Hub focused on the top five suggestions and findings from the study and implemented initiatives to support growth in the FinTech ecosystem within the Commonwealth. These initiatives included FinTech career fairs, project-based learning, mentoring programs, bootcamps, angel investment education and ecosystem promotion. These programs and initiatives involve a range of industry stakeholders including start-ups, financial services organizations, academia, investors, students, and regulatory bodies.








Based on the 2023 FinTech ecosystem survey (“2023 survey”), as well as one-on-one and focus group interviews, and desktop research, the Massachusetts’ FinTech ecosystem has significantly improved in the past three years along several dimensions. This study’s findings focused on five major industry attributes, which include **talent and culture**, **capital availability**, **policy and regulation**, **infrastructure and technology**, and **interconnectivity**.

The 2023 survey administered this year found that between about a quarter and two thirds of ecosystem participants perceive that all five industry attributes have improved over the past three years. The study suggests that the FinTech ecosystem is expanding and has potential for continued growth, with recommendations tailored to take advantage of these opportunities.

The following table provides several potential action items that could aid in the improvement and development of the Massachusetts FinTech ecosystem.

**Table 1:** Breakdown of Recommendations

Themes	Recommendations
<b>Capital</b>	
 <p>Increase visibility efforts for venture capital</p>	<ul style="list-style-type: none"> <li>Targeted education and marketing campaigns that highlight opportunities and FinTech businesses that have scaled successfully may help attract more capital to the region.</li> </ul>
<b>Interconnectivity</b>	
 <p>Improve interconnectivity of stakeholders across the Commonwealth</p>	<ul style="list-style-type: none"> <li>Initiatives geared toward activating talent networks for industry participants of different backgrounds and in different geographic locations may foster a stronger FinTech community.</li> </ul>
 <p>Prioritize scaling ecosystem activities</p>	<ul style="list-style-type: none"> <li>Improving scalability and sustainability across all sectors of the FinTech ecosystem is an important step to increase the sale of its activities. One way to achieve this is to provide ecosystem participants with more targeted information and resources, such as information on relevant funding opportunities, opportunities to connect with professional services or legal advisors, etc.</li> </ul>

Themes		Recommendations
<b>Policy and regulation</b>		
	Explore the creation of a regulatory sandbox	<ul style="list-style-type: none"> <li>A regulatory sandbox can provide a supportive environment for start-ups to test new ideas and products while reducing the regulatory burden on early-stage firms.</li> </ul>
	Increase opportunities to interact with policymakers and regulators	<ul style="list-style-type: none"> <li>Increased interactions may foster a greater level of the understanding of the needs of businesses with the policies and mandates of government, leading to greater forms of sustainable collaboration.</li> </ul>
<b>Talent and culture</b>		
	Promote diversity of the ecosystem	<ul style="list-style-type: none"> <li>Ecosystem organizers could work to establish mentorship and networking programs that connect underrepresented groups with leaders in the industry.</li> </ul>
	Increase available resources to talent pool	<ul style="list-style-type: none"> <li>There is an opportunity in the ecosystem to improve engagement with students in Massachusetts as a means to attract and retain talent.</li> </ul>
<b>Infrastructure and technology</b>		
	Play to the Commonwealth's strengths	<ul style="list-style-type: none"> <li>An approach to targeted growth in the FinTech space that builds upon the Commonwealth's comparative advantages in finance and technology sectors will be key to competing for talent and capital on an international level.</li> </ul>
	Actively monitor innovation across FinTech hubs	<ul style="list-style-type: none"> <li>Implement periodic sweeps of successful models for fostering FinTech innovation. In addition, bridge agreements offer a means to share information across hubs.</li> </ul>
	Highlight success stories	<ul style="list-style-type: none"> <li>Highlighting FinTech companies that have scaled successfully can also help attract more attention and investment to the ecosystem.</li> </ul>

## Methodology Summary

This Report contains a series of findings and recommendations that are based upon **100+ responses** to our 2023 survey, **30+ stakeholders** (hailing from traditional financial institutions, start-ups, universities, policy and regulations, accelerators/ incubators and capital providers) who participated in interviews and focus group sessions, and several listening sessions facilitated by the FinTech Working Group. These conversations, which reflect the “voice” of Massachusetts’ FinTech ecosystem, indicate that ecosystem stakeholders perceive significant developments since 2020.