BairesDev

8 FinTech Trends: From Open Banking to Web3

A BairesDev Whitepaper

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Key Takeaways

POSITIVE MARKET FORECAST

The **global FinTech market size is expected to grow 530% by 2030**. In 2023 alone, it's valued at $179 billion. It is the rising customer expectations that will boost the market growth globally.

CHAMPIONING INCLUSIVITY

Embedded finance and open banking are key in the future of global financial inclusion. **Embedded finance is predicted to grow 421% by 2027**.

AI ADDED VALUE

Financial institutions globally are noting the **potential of AI to deliver up to $1 trillion of yearly added value**, while saving North American banks $70 billion by 2025.

RISING FINTECH SUB-DIVISIONS

RegTech and InsurTech are disruptive FinTech sub-divisions. These solutions leverage ML and AI's impact on emerging markets and will reach a combined valuation of $26 billion by 2025.

WEB3 ON THE RISE

Adoption of Web3 will continue to scale. **By 2024, 25% of enterprises will use centralized services wrapped around decentralized Web3 applications**. FinTech companies will have to promote Web3 literacy among customers.

PREDICTIVE TECHNOLOGY

Our FinTech clients are looking to differentiate their companies. By leveraging AI and ML, they aim at providing **predictive technology** as an evolutionary step following data reporting.

The State of FinTech

CURRENT LANDSCAPE

At BairesDev, we've had the opportunity to witness firsthand the surge of the sector as we have participated in 85+ projects over the last five years, from **helping financial institutions migrate some of their operations to the digital space, to developing products for native FinTech startups and well-established firms**. Supported by internal BairesDev data, we will discuss new trends, which technologies will be in the spotlight, and how outsourcing fits within the FinTech industry.

The FinTech industry is rapidly growing and evolving, with new companies and innovations emerging constantly. Despite some recent downturns in the growth and prevalence of FinTech companies, reliable data provides certainty that **the industry will bounce back and return to a rhythm of growth** in the near future, starting this year.

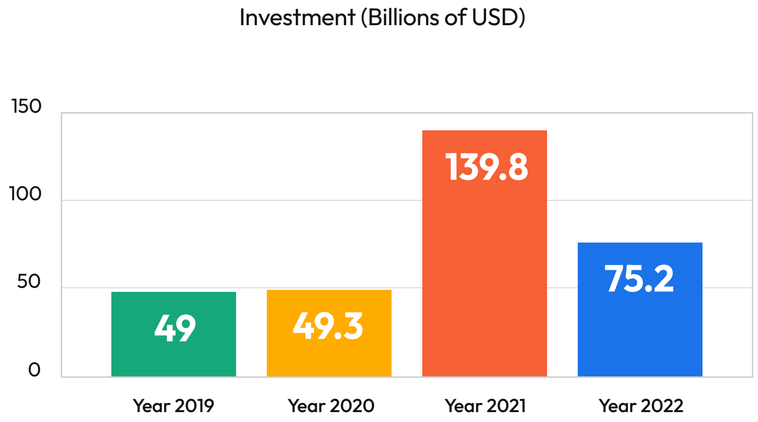
MARKET DOWNTURN

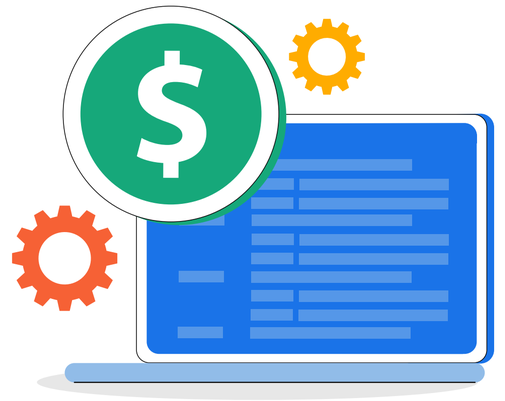
FinTech grew consistently in the past two decades until it suddenly dropped last year. Global FinTech funding amounted to **$75.2 billion in 2022, down 46% compared with 2021** but up 52% compared to 2020. The second half of the year was incredibly bleak. In the fourth quarter, only $10.7 billion in investment went to fund FinTech startups. About $3.2 billion, or nearly 30%, flowed into U.S.-based companies. Meanwhile, **global venture funding reached $415.1 billion in 2022, marking a 35% drop from a record 2021**.

There are many reasons why the drop happened. There was an overall drop in investment activity given the macroeconomic environment and recovery from the COVID-19 pandemic, which resulted in **higher inflation** and the Federal Reserve **raising interest rates**.

According to David Jegen, managing partner of F-Prime Capital, the biggest shift in 2022 was that public investors, for the first time, got to weigh in on FinTech stocks, and that was probably not good timing considering the broad macroeconomic impact on tech.

A DIFFICULT 2022 IN FINTECH INVESTMENT





Source: CB Insights

GROWTH IN 2023

The good news is that in 2023 the FinTech market will be valued at **$179 billion and is expected to grow at a CAGR of 23.58% during the forecast period**, according to a January 2023 report.

The industry will continue growing from there. The global FinTech market size is expected to reach **$949.49 billion by 2030, growing at a CAGR of 17.2%** from 2022 to 2030, according to a Grand View Research report.

Investments made by banks and firms in technology-based solutions are a key contributor to the growth of the FinTech market. The future of the financial services industry is being reshaped by **infrastructure-based technology and APIs**, which are also aiding the expansion of the global FinTech market.

Emerging technological advancements have allowed financial technology companies to offer low-cost, personalized products that meet the rising expectations of customers, further driving the market growth worldwide.

CURRENT TRENDS

- **Distributed Ledger Technology (DLT) continues to evolve.** 2022 was a tough year for crypto, but this year, the market will move towards enhanced legal certainty.
- **Sustainable digital finance.** FinTech might prove to be indispensable for banking's ESG journey, considering its impact on financial inclusion.
- **Digital wallets.** A growing number of mobile wallets will be funded directly from bank accounts, instead of cards.
- **Blockchain expands beyond crypto.** Blockchain technology will have a more important role in more processes within the FinTech Industry.
- **Digital Identity.** The widespread use of digital identities on the internet will enhance security, reduce fraud, and improve customer experience.

MARKET SIZE PREDICTION

2023	2030
USD 179 billion	USD 949.5 billion

Source: Grand View Research

8 FinTech Trends

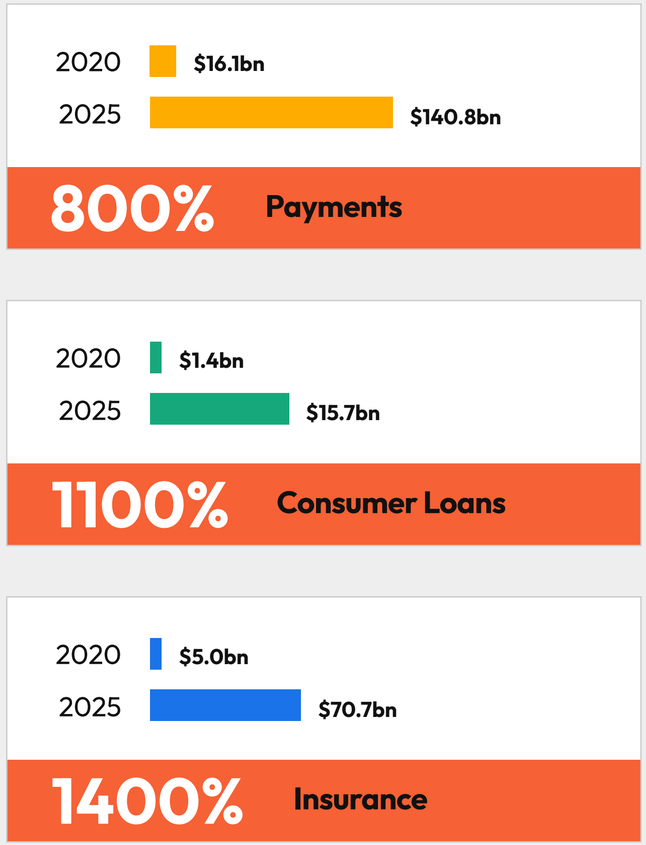
1. Embedded Finance

Embedded finance is the **integration of financial products into non-financial platforms**, customer experiences or journeys, providing banks with a channel to reach customers. Common examples of embedded finance include sales financing at appliance retailers or auto loans at dealerships. Arrangements like these are a channel for the banks behind them to reach end customers.

This sector is expected to **increase by 421%** over the next five years, accounting for almost **$11 billion** in revenue globally by 2027. Brands serving high-net-worth individuals are recommended to pursue embedded investment strategies to broaden their appeal to premium users.

In 2023, embedded finance will likely be adopted more widely in emerging markets. Led by inclusive FinTech startups, the entire **embedded finance ecosystem**, which includes **embedded banking, payments, lending, insurance, and branded payment cards**, could empower consumers previously marginalized in the traditional financial sector.

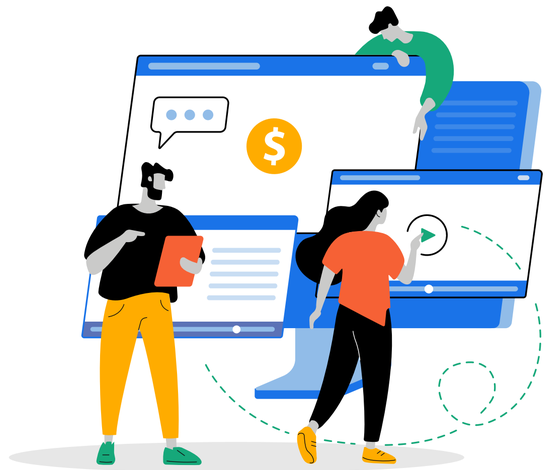
EMBEDDED FINANCE GROWTH BY SECTOR



Source: PayU

CHAMPIONING FINANCIAL INCLUSION

Improving access to financial services has become increasingly important for economic inclusion. Embedded finance is playing a vital role in championing inclusivity by offering **solutions for the underbanked and unbanked**. Businesses, brands, and government institutions can provide a diverse range of financial services, including credit and savings products, to a larger population. With greater access to financial services, more people can improve their livelihoods and grow their businesses, thereby contributing to a positive economic impact.



2. Open Banking

Open banking **enables secure and seamless interoperability** within the banking industry. This is a system that gives third-party payment services and other financial service providers access to banking transactions and other data from banks and financial institutions. The global open banking market was valued at **$20.07 billion in 2022**. It is expected to grow at a **CAGR of 27.2%** from 2023 to 2030, landing at a valuation of **$135.15 billion** at the end of the decade.

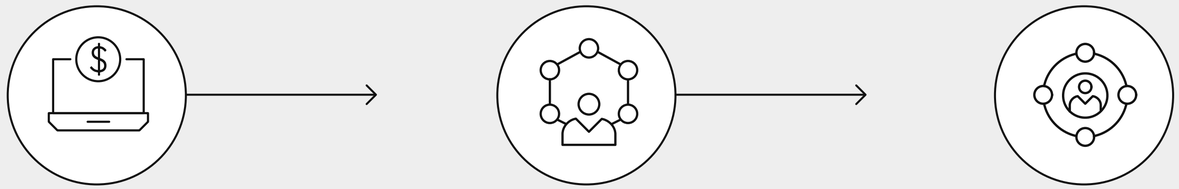
Progress is mostly seen in the European Union, India or Australia, since the US and Asia have ongoing regulatory developments and different speeds. Nonetheless we could see it becoming mainstream in the following years given the global technological momentum, alongside a desire to catch up with Europe.

Open banking considers third-party organizations accessing financial data through application programming interfaces (APIs), helping people to move and manage their money.

An example among our clients, would be **a B2B client in the personal finances sector** helping people learn how to save, invest and use their money. BairesDev supported this client in creating **impeccable third-party integrations** allowing users to **connect to their bank account and enjoy functionalities** like budgeting, saving or investing when meeting them right at their paycheck.

Another client in the open finance sector, who offers **financial data APIs**, came to us with a staff augmentation requirement, looking to grow their engineering and testing teams. BairesDev provided ten skilled resources in order for them to escalate teams efficiently while always ensuring a seamless and high-quality work.

HOW OPEN BANKING WORKS IN PRACTICE



Banks

Banks open up customer data and share it with third parties via dedicated APIs any time a user demands this and gives consent.

Innovators

Organizations with an ASIP and PISP license, and user consent, access user finance directly to provide them with better finance solutions.

Users

Give consent to third parties of their liking to access and use their financial data in exchange for personalized, superior finance products, services & UX.

Source: Unnax

3. Cross-Border Payments

FinTech can play a crucial role in facilitating the flow of capital across borders by supporting cross-border digital commerce and allowing tech companies to source expertise from freelancer hubs worldwide.

According to Juniper Research, cross-border B2B payments are expected to exceed **$40 trillion globally by 2024**. Furthermore, the Bank of England has predicted that cross-border payments could **increase to over $250 trillion by 2027**. These projections are likely to materialize as innovations in technology and development continue to enhance the cross-border payment experience, with **due regulation, transparency, competitive rates, and shorter payment times**.

Cross-border payment providers will better serve their customers and accelerate growth with solid strategic steps. Mastercard proposes a few in the **Borderless payments report 2022**, like **tightening security while educating users about payment safety, growing network geographic reach and broadening payout methods and channels**.

In order to help our clients bridge their technological gap, we will continue to help address opportunities and support their needs.

For example, **a client in the payment processing technology sector** required support with the **ongoing development of their Site Reliability Engineering, their platform, and their Salesforce integration**. We provided senior software engineers that delivered innovating and scalable solutions. BairesDev worked on all of the **client's systems and applications, particularly for deployment, development, setups and improvements**. On the SRE team, we worked to upgrade and maintain an infrastructure of more than 100 AWS accounts.

5 KEY ELEMENTS CROSS-BORDER PAYMENT SOLUTIONS SHOULD OFFER

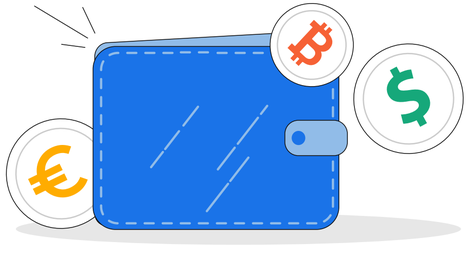
- Support with different payment methods
- Variety of currencies
- Competitive FX rates and fees
- Faster fund delivery
- Customer Support availability

ADDRESSING FINANCIAL OPPORTUNITIES

"We see significant growth in professionals and local companies that provide services for the digital economy. These service providers now serve global customers more than ever. FinTechs in the cross-border payments field help local companies and service providers to expand their business globally by addressing the demand for digital financial services."

Mar Fernández,
SVP LatAm at Payoneer

BairesDev's Business Partner



4. Disruptive Web3

Web3 is a series of open-source, interconnected, decentralized applications powered by blockchain computing architecture. It will disrupt the FinTech industry by changing how financial services are delivered, consumed, and regulated.

One way will be **disintermediation**. Web3 can facilitate the creation of decentralized financial systems, which may disintermediate traditional intermediaries (such as banks, payment processors, and insurance companies), reduce their market share, and enable global transactions without physical presence or identity verification. This **democratization** can promote financial inclusion for unbanked or underbanked populations and offer new opportunities for peer-to-peer lending, crowdfunding, and investment.

Plus, Web3 can disrupt the current **financial services regulatory framework** designed for centralized entities and intermediaries. Web3-based financial systems can operate in a decentralized and autonomous manner, which can pose **challenges to regulatory compliance, consumer protection, and systemic risk**.

Gartner predicted that by 2024, **25% of enterprises** will likely use centralized services wrapped around decentralized Web3 applications. In an **interview with The FinTech Times**, James Bergin, Executive GM of Technology Strategy and Innovation at Xero, suggests that FinTech companies should offer educational materials to **assist businesses in the proper usage of these technologies** for obtaining and distributing capital, as well as the transformative impact for small businesses.

THE FUTURE IS DECENTRALIZED

"Web3 is where it's headed, where most crypto transactions will be done in a transparent and decentralized platform. There will be low barriers to entry, anyone with some technical knowledge can participate, and trust is hard coded into the blockchain."

Willie Wang,
VP, Engineering
at Abra

BairesDev's Client

WEB3	
Participation model	**Delivery model**
• Open-loop metaverses, shared data • Decentralized web/control • Owned by users • Personalization, engagement	• Blockchain, CLT, dApps • Wallets, transparent P2P transactions • UI and service layers, interoperability • Tokenization/governance of tokens

BLOCKCHAIN

Blue Weave Consulting expects Web3 blockchain market size to grow at a significant **CAGR of 41.9% reaching a value of USD 38.14 billion by 2029**. Web3 blockchain is set to experience a similar increase. This growth leads us to believe its applications in finance will also scale.

Blockchain will significantly impact the FinTech industry from now on as they provide new solutions for traditional financial services and enable the creation of new services and business models. We previously discussed cross-border payments, but there are other ways in which blockchain will have an impact on FinTech.

Blockchain's decentralized, tamper-proof ledger can **improve security and reduce fraud** in financial transactions. For example, blockchain can create secure digital identities that could **reduce identity theft risk**. It can also help with the introduction of **smart contracts**, which are self-executing contracts where the terms of the agreement between buyer and seller are directly written into lines of code. They could be used for various financial applications, such as **insurance claims, trade finance, and supply chain management**.

CRYPTO

After it came crashing down in 2022 with cryptocurrencies declining precipitously, users now approach with caution. Experts will continue to monitor institutional crypto activity, particularly since **big institutions are showing interest** in crypto again. As a demonstration of the momentum some cryptos are gaining back, some experts expect Bitcoin to push well north of **$120,000**.

Pioneering crypto projects like **yPredict** will enhance transparency and security, providing users with a **decentralized alternative for prediction markets** in several topics, from finance and politics to sports. This project also leverages AI, which has now entered the blockchain and crypto space to further drive innovative functionalities. AI-powered cryptocurrencies will become very valuable with ML enhancing their worth. This **combination of technologies** will redefine the potential of decentralized networks.

A financial services client, Abra, required BairesDev's services to **develop a secure Bitcoin-based cryptocurrency platform, focusing on creating an amazing user experience and catering to users in more than 150 countries**. This platform enables users to invest in, buy, sell, or hold over 100 cryptocurrencies, send money anywhere, and easily build and manage a crypto portfolio.

DO WE NEED MORE CRYPTO COINS?

"We want as many crypto coins out there as possible because they're doing all the testing, getting hacked, and figuring out whether something works or not. This is where innovation happens. The major currencies can learn from others' mistakes and get improvements into their systems."

Willie Wang,
VP, Engineering at Abra

BairesDev's Client

5. Artificial Intelligence

AI increases efficiency by **automating tasks and enhancing analytical techniques and investment decision-making processes**. AI can help banks save a considerable amount of money. For instance, automating middle-office tasks with AI can reportedly save North American banks **$70 billion** by 2025. McKinsey estimates that financial institutions globally are noting the potential of AI to deliver up to **$1 trillion** of added value each year.

Let's illustrate a few implementations of AI in FinTech. **AI chatbots** will help the banking industry get insider intelligence and **better understand the customer for advanced personalization** and a better experience. FinTech companies will be able to **model the customers' behavior** from their first financial product and define what non-ordinary indicators show that a consumer is a reasonable risk and a profitable customer. Another advanced field of AI in FinTech is the **elimination of biases**. Deep learning can eliminate discrimination and, through multiple factors, provide **better predictions than credit scores**.

However, the FinTech sector could attract cybercriminals with the rise of online fraud. To prevent this, AI and ML are backed up with an underwriting model that helps **reduce the number of defaulting customers approved automatically**.

AI and deep learning **detect patterns of behavior** that indicate attempted fraudulent activity, allowing the activities to be flagged and stopped.

AI FOR RISK MANAGEMENT

"AI will have a role in the gathering and assessing of information and risk for particular protocols. It could take the shape of an alerting system. If unusual movements are happening on a particular protocol, we can be the first to know and prevent losing money."

Willie Wang,
VP, Engineering at Abra

BairesDev's Client

SECURITY AI AGENTS

"AI generative agents in FinTech and Banking could be around how we can secure our data and finance pipelines. Large financial systems are built on legacy technology with security issues that generative agents could help solve."

Justice Erolin,
CTO at BairesDev

BairesDev

MACHINE LEARNING

Machine learning is a branch of Artificial Intelligence that **allows systems to learn based on data**. It optimizes workflow outcomes and improves data-based predictions and decision-making. One way this is done is through robo-advisors, a relatively novice solution aimed at enhanced data analysis for providing financial advice. Investors often use them instead of human portfolio managers' services as they are more cost-effective.

Machine learning has found an exciting application in FinTech with **stock price prediction**. To start such a project, one can apply basic ML algorithms like Averaging and Linear Regression. Additionally, ML algorithms can evaluate credit risk with greater accuracy and speed compared to humans.

A B2B client in the personal finances sector helps enterprises become life-changing employers through a powerful platform. Their product helps people with **solid behavioral science, personalized, predictive planning**, aside from real-person coaching, and a modern, friendly UX.

We helped this client **deliver their users a high-performance service** by employing technologies like SQL Server Database, Python, Node-js, and Angular.

BENEFITS OF MACHINE LEARNING IN FINTECH

	IMPROVED EFFICIENCY
	ENHANCED CUSTOMER EXPERIENCE
	REDUCED FRAUD
	IMPROVED RISK MANAGEMENT

EXPLORING PREDICTIVE TECHNOLOGY

"With the advent of AI & ML, Data organizations are not only answering questions about what has happened, but also what could happen, and what's likely to happen. These scenario modeling and predictive modeling capabilities are changing the way business leaders go to market."

Andrea Craig,
Principal Client Solutions at BairesDev

BairesDev

6. Composable Banking

Composable banking refers to **modularizing banking services into individual, interchangeable building blocks** that can be combined and recombined to create customized financial products and services. The goal is a **more flexible and agile banking infrastructure that can adapt to customer needs and market conditions**.

Composable banking will come to revolutionize the way financial institutions operate and deliver. While some might call it the future of banking, JP Nichols, Managing Director of FinTech Forge, believes it is the present, as the banking industry becomes more digital, more open and more customer-centric.

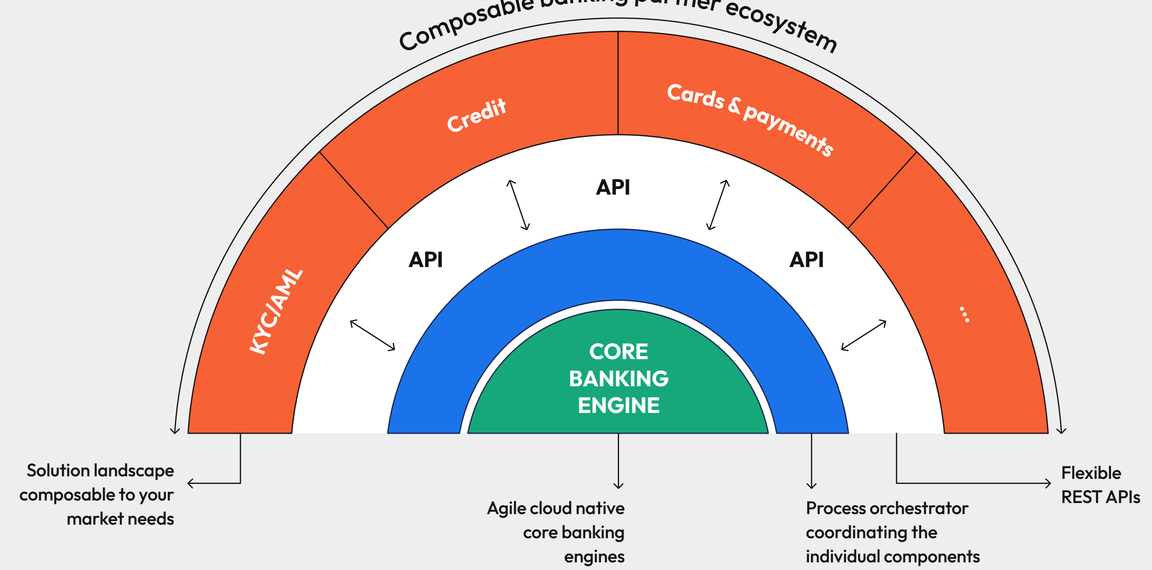
Composable Vs. Modular

While these might appear similar in theory, there are big differences. **Modular banking** refers to a predefined suite of proprietary modules that extend the functionality of a core system, by adding architecturally separated modules. These are limited by what the vendor provides.

A **composable approach** is when the core banking engine coordinates a set of independent components through open APIs and where functionality can be extended by adding or swapping components. The choice of these is unlimited, since any player can integrate with the system. Both models offer modernization and flexibility solutions to legacy systems.

A BairesDev client in the small-business financing sector came to us with the challenge of working on their legacy code, particularly made up by PHP. We assessed their code containerization and helped in the **transformation of legacy code to newer composable technologies**. Our team worked on new tech stacks such as AWS and Salesforce integrations (APIs). The latter was particularly helpful in the development of new features in their Salesforce platforms.

COMPOSABLE BANKING PARTNER ECOSYSTEM



Source: Deloitte

7. RegTech

RegTech, short for regulatory technology, refers to **the use of technology to help financial institutions comply with regulatory requirements** and reduce the costs and risks associated with regulatory compliance.

According to Prophecy Market Insights, RegTech accounted for **$8.2 billion in 2022 and is expected to reach $57.5 billion by 2032**. It is anticipated to register a **CAGR of 28.7%**. RegTech solutions can help financial institutions **automate compliance processes, monitor transactions for potential risks, and report on regulatory compliance in real-time**.

The most relevant technology fields in the RegTech market are cloud computing, predictive data analysis, data transfer protocols, natural language processing, semantics/graph analysis, biometrics, blockchain, deep learning, and robotic process automation, to name a few.

RegTech is expected to play an increasingly important role inthe financial industry as financial institutions seek to **improve their compliance processes and reduce the costs and risks associated with regulatory compliance**.

REGTECH MARKET SEGMENTS

By Software Type	By Deployment	By Enterprise Size	By Application	By End User	By Region
Solution	Cloud-based	Large enterprises	Anti-Money Laundering (AML) and Fraud Management	Banks	North America
Services	On-premises	SME	Regulatory Intelligence	Insurance Companies	Latin America
			Risk and Compliance Management	FinTech Firms	Asia-Pacific
			Regulatory Reporting	IT and Telecom	Europe
			Identity Management	Public Sector	Middle East Africa
				Energy and Utilities	
				Others	

Source: Category map based on ImarcGroup's recent report

8. InsurTech

InsurTech is a term that refers to the use of **technology to transform and innovate the insurance industry**. InsurTech solutions can range from digital platforms that enable customers to purchase insurance policies online to advanced analytics tools that help insurers improve their risk assessments and underwriting processes.

The global InsurTech market is expected to grow from **$5.48 billion in 2020 to $10.14 billion by 2025**, at a **CAGR of 13.2%**. InsurTech has emerged as a key trend in the insurance industry, driven by changing customer expectations, technological advances, and increasing competition from new entrants.

As we have seen in other FinTech divisions, the increasing adoption of AI and ML tools, as well as the use of blockchain, are propelling FinTech sub-divisions to a higher level. Which could be the specific drivers for the rising demand of innovative insurance products and services?

A **report by Allied Market Research** cites factors such as the increasing use of Internet of Things (IoT) devices for risk monitoring and prevention, the growing demand for pay-per-mile and on-demand insurance products, and the rising adoption of cloud computing and big data analytics in the insurance industry as key drivers of market growth.

To illustrate InsurTech clients' concerns, we can bring up the case of an insurance company BairesDev client who wanted to face the challenges of a very competitive market. They asked to **implement new features to the current dynamic tools in order to adapt to the myriad ways insurance operates**. The goal was to optimize productivity and increase the time invested in decision-making. Their overarching goal is to serve a specific international market with particular needs and customer expectations.

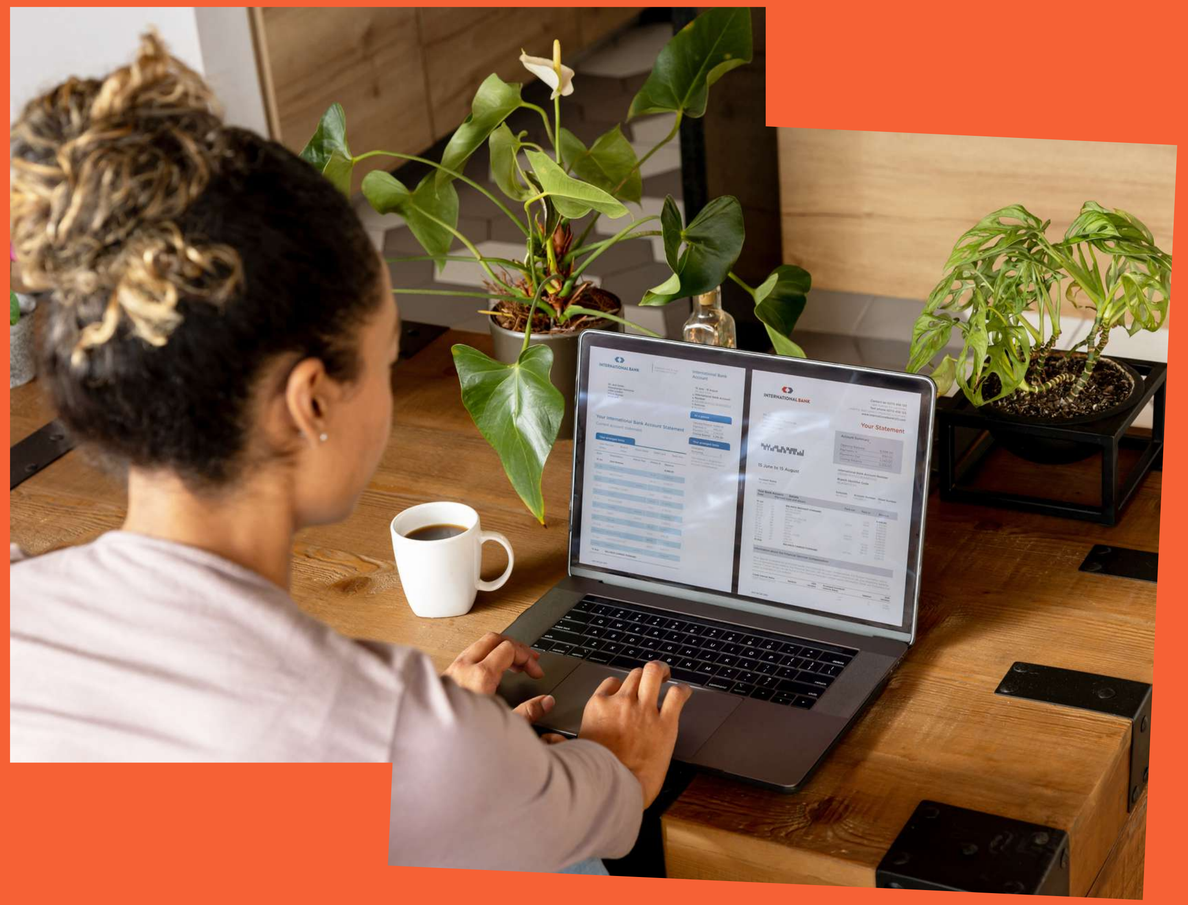
InsurTech is expected to continue to disrupt and transform the insurance industry in the coming years as insurers seek to leverage technology to improve their customer experience, streamline their operations, and stay ahead of the competition.

INSURTECH POWERED BY AI

"We work with AI to help build out environments where our clients can run proofs of concept and test out models to deliver a full solution. One of our InsurTech clients wanted to optimize auto claims processing. Using AI, they reduced the time it took to make a total loss determination, hence saving money."

Andrea Craig,
Principal Client Solutions at BairesDev

BairesDev

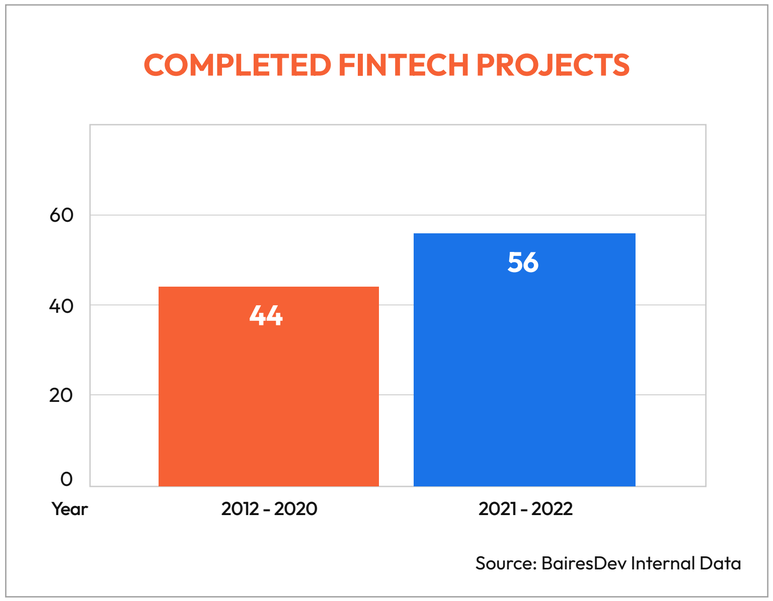


The Technology Behind Fintech

BairesDev's Perspective

BAIRESDEV'S FINTECH PROJECTS

The FinTech industry has enjoyed growth in a digitally accelerated ecosystem, as it is reflected on the number of projects we supported since 2012, as shown in the graph below. Between 2020 and 2022, many companies invested in technological goals, which was an important step into the future and **response to a changing market and economy, where customer's expectations and needs had radically evolved**. That explains the significant number of projects completed that year.



Source: BairesDev Internal Data

Software Types

BairesDev's projects are diverse and versatile in nature. We have collaborated with clients in at least 9 types of software. **Software as a Service** (SaaS) is without a doubt the most demanded type of project, followed by IT Services and mobile apps. This tells the story of clients advancing their development goals, leveraging the power of applications and mobile experiences.

BAIRESDEV FINTECH PROJECTS BY SOFTWARE TYPE

Software Type	Percentage
SaaS (Software as a Service)	**51.72%**
IT Services	26.44%
Mobile App	5.75%
eCommerce	3.45%
IoT (Internet of Things)	3.45%
Data & Analytics	2.30%
Corporate Program	2.30%
Security	2.30%
ERP	1.15%

Source: BairesDev Internal Data

Staff Augmentation Use Cases

Out of all the FinTech projects we have participated in, **91% have required Staff Augmentation services**. We have added highly skilled tech profiles to key growth opportunities. These are a few common requirements that Staff Augmentation projects addressed in 2022:

- Development for acquisition acceleration.
- Scaling teams for developing tools to manage and grow business.
- Development of market applications.
- Expanded development for increased speed of decisions, speed of capital and speed of growth.
- Upgrading features to newer technologies.
- Maintenance and development of internal tools.
- API integrations to serve various user personas.

MAIN TECHNOLOGIES USED IN FINTECH DEVELOPMENT

		HOW THEY CAN SUPPORT FINTECH PROJECTS
PROGRAMMING LANGUAGES	**Java**	Integrates data science and AI
	Python	Creates scalable and cross-platform FinTech products
	Ruby	Brings simplicity to speed up the development process
DATABASES	**MySQL**	Provides data masking and transparent data encryption
	PostgreSQL	Simplifies data storage. It is highly secure.
	MongoDB	Derives document-based data models and stores data in the form of Binary JSON and more
FRAMEWORKS	**Spring**	Provides a robust mechanism for authentication and authorization
	Django	Has capabilities for numerical computation, analysis, and scientific computing to integrate AI and ML.
	Ruby-on-Rails	Provides Speed, flexibility, and scalability

TECHNOLOGY OF CHOICE

"Java, .NET, and React are continuously being utilized in FinTech. Modern start-ups use Python and JavaScript libraries, while enterprise-level clients tend to utilize larger frameworks, either Java-based or .NET-based. Both types of companies will also use Python for their data analysis since it's excellent with arrays of numbers."

Justice Erolin,
CTO at BairesDev

BairesDev

THE TALENT BEHIND OUR FINTECH PROJECTS

We have previously touched on the languages, frameworks, and databases most recommended for specific benefits and project needs.

Here are the most hired technologies that support our FinTech clients in adapting to current challenges, innovating, and delivering a competitive customer experience. **.NET, Node.js, and Ruby** stand out as the top 3 technologies serving our FinTech clients. Regarding specific talent profiles, the top three roles hired are **Software Development, QA/Testing and Infrastructure and Database Administration**. The following two charts illustrate the most in-demand roles for FinTech projects as well as the most employed technologies.

PROFESSIONALS HIRED BY TECHNOLOGY

Technology	Percentage
.NET / C# / VB.NET	15.38%
Node.js	11.20%
Ruby	6.72%
React	5.74%
Java	5.65%
DevOps	5.06%
Golang	4.67%
QA Automation	4.19%
Python	2.73%
Scala	2.34%

Source: BairesDev Internal Data

PROFESSIONALS HIRED BY ROLE

Role	Percentage
Software Development	76.88%
QA / Testing	7.51%
Infrastructure & Database Administration	6.24%
Project Management	5.27%
Business Analysis / Process Design	3.02%
IT / Technical Support	0.39%
Sales / Business Development / Account Management	0.39%
Talent Acquisitions / Human Resources	0.20%
Marketing	0.20%
Customer Support / Contact Center	0.10%

Source: BairesDev Internal Data

Outsourcing: How it Fits FinTech

BENEFITS OF OUTSOURCING FOR FINTECH COMPANIES

With the rapid growth in FinTech and the adoption of new technologies, few companies have people onboard with the skills, experience, and capacity to deliver within the project's parameters.

Outsourcing can provide many benefits for FinTech companies of all sizes. These are a few:

- **Cost savings**. Companies save on hiring and training in-house staff costs, purchasing and maintaining equipment, among other overhead expenses.
- **Specialized skills**. This can help FinTech companies take on more complex projects or tasks that require specialized technical knowledge.
- **Focus on core business functions**. While outsourcing non-core functions to specialized firms for increased efficiency.
- **Scale operations up or down**, quickly and easily without hiring or laying off employees.

Skills to Look For

These are some of the essential skills and capabilities to look for in an outsourcing partner for FinTech projects:

- **Technical expertise**. Look for expertise in technologies such as blockchain, AI, ML, and cybersecurity.
- **Experience in FinTech**. A proven track record of a deep understanding of the industry's unique challenges and requirements.
- **Compliance knowledge**. Knowledge about regulatory compliance requirements in the FinTech industry or experience with compliance solutions.
- **Problem-solving skills**. Identifying and solving problems based on technical tools considering valuation, risk analytics and statistical modeling.
- **Consultantship**. Experts with in-depth understanding of FinTech trends will help you with planning, optimization, and software development.

By addressing this skills, FinTech companies can ensure they have a reliable and effective partner to help them achieve their business goals.

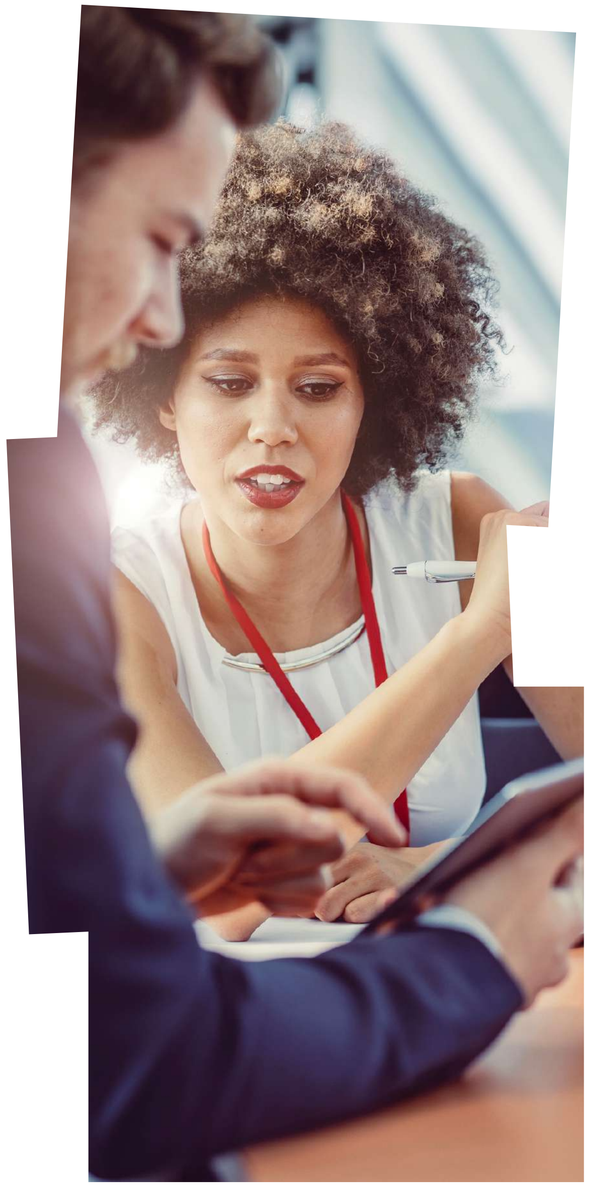
ADVANTAGES OF NEARSHORING

"Software development requires real-time feedback in a collaborative environment. With a nearshoring partner like BairesDev, we allow real-time collaboration with at least 70% of time zone overlap, regardless of where you are in the United States. This allows for much more productivity that outweighs the dollar-for-dollar costs on an hourly basis.

Cultural alignment with Latin American developers is also an important aspect making nearshoring partners like BairesDev, a better choice."

Justice Erolin,
CTO at BairesDev

BairesDev



CHOOSING THE RIGHT PARTNER

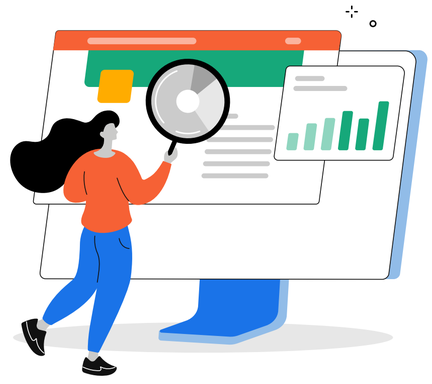
Here are some steps you can follow to select the best outsourcing firm for your FinTech project needs:

- **Determine your project requirements**. Define your project requirements, including the scope of the project, the timeline, the budget, and other specific needs.
- **Research and shortlist potential firms**. Research and shortlist potential firms based on their experience in FinTech, expertise in the specific technologies you need, reputation, and track record of successful projects.
- **Check references and portfolios**. This will give you a good idea of their capabilities and the quality of their work.
- **Consider cultural fit**. The outsourcing firm you choose should have a cultural fit with your company. This includes factors such as communication style, work culture, and values.
- **Assess security and compliance.** Ensure the outsourcing firm you choose has the necessary security measures in place and complies with relevant laws and regulations.

Establishing Trust around Security Concerns

Clients should ensure the outsourcing partner has appropriate **data security measures** to protect classified information, encryption, access controls, and regular security audits. **Background checks** can be conducted on the outsourcing partner to ensure trustworthy behavior.

The client can **limit** the outsourcing partner's **access** to only the necessary individuals and systems. It should regularly **monitor and audit** the outsourcing partner's activities and procedures to ensure compliance with the NDA and data security measures. Finally, **intellectual property ownership clauses** in the contract ensure that any intellectual property created by the outsourcing partner belongs to the FinTech company.



Our Vision

Navigating the Downturn

Insights on the Current State of the FinTech Industry

ANDREA CRAIG, PRINCIPAL OF CLIENT SOLUTIONS AT BAIRESDEV, GIVES US HER VISION ON HOW TO NAVIGATE THE CURRENT STATE OF FINTECH.

What kind of projects are currently being created in the FinTech industry?

There are a lot of exciting FinTechs out there! For a long time, many were B2C companies, and now we're seeing more B2B FinTechs. A lot of FinTechs are leveraging AI/ML capabilities, and so I also see more demand around data, artificial intelligence, and machine learning. These are the areas where companies are looking to differentiate themselves.

We had a boom in FinTech and banking-related projects in 2021, but there was a significant decrease in 2022. What happened?

Many FinTechs started within the last 5–10 years and have been riding this tremendous economic growth trajectory. Now, with the downturn in the market and interest rate increases, private equity investments have decreased. The FinTech market has definitely been effected. However, the FinTech industry still has great momentum and will continue to grow as it represents the future state of financial services.

Since we are in an economic downturn, many companies are playing it safe. Is now a good time to invest in technology?

It is the best time. When you look at the best companies that started at the bottom of the market and have risen to the top, they made bold investments and strategic decisions when the market was down. They had a clear shot to the top when everybody played it safe. That's a good sentiment to promote. If you're confident in what you're building and the market you're going after, this is the best time to be bold about it.

Do we see more artificial intelligence projects for FinTechs?

Yes, both in FinTech and InsurTech. Referring to the latter, we've used AI to help companies run proof of concepts (POCs), build out environments, test out the models, and deliver complete solutions. One of our InsureTech clients was looking to optimize auto claims processing. Using AI, they reduced the time it took to make a total loss determination, hence saving money.

What do tech companies take into consideration before investing in new technology?

Business people tire of spending money when their main problems still need to be solved, so they rethink their spending. I'm seeing companies thinking, "Let's not just lean into easy, quick wins. Let's ensure we understand what would be most meaningful for our clients and attack the real problem." So, they want to innovate and present novel solutions, but they will not keep spending money if they don't see results.

Is traditional banking at odds with FinTech?

No, and in many ways traditional banks and FinTechs will coexist. There's still a tremendous amount of acquisition in the market. Many FinTechs still grow to a certain size just to be sold to a major financial institution. Most financial institutions have teams hunting for different FinTechs to buy or to add to their ecosystem. Others are looking to partner with existing FinTechs.

One advantage FinTechs have is that they are building their technology with a clean slate; they don't have all this legacy data and legacy environments that must be modernized or moved past. And with that clean slate, they can be nimble, do amazing things, move fast, pivot, and go after different solutions.

BairesDev

Why BairesDev

The Top 1% of Tech Talent is the backbone of our business. We deliver end-to-end technology solutions created by the most highly vetted, expert-level teams in the business.

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