

FinTech Incubators Bring Back Innovation

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In a sector dominated by regulation, incubation efforts are breathing life into startups that cultivate offerings ranging from gamified regulatory compliance to new back-office platforms for reporting, reconciling and reducing counterparty credit risk.

Fintech startups face diverse and often-times daunting barriers to entry in the heavily-regulated financial services industry, making the fintech space different from other areas currently undergoing a process of rapid technological change.



Steve McLaughlin, founder and Managing Director, FT Partners.

The complex and potentially expensive process of dealing with relevant regulations can be a particularly thorny part of getting any fintech startup off the ground, says Steve McLaughlin, who left Goldman Sachs to found FT Partners, an investment bank that focuses solely on the fintech sector, in 2002.

“A lot of startups may simply not know how to go about navigating those choppy waters,” McLaughlin says. “They may not know the expense or pitfalls involved in compliance and regulatory issues, and they may not know to ways to partner with third-party firms in order to appropriately deal with some of those requirements.”

First-rate information security systems and processes are also hugely important for startups trying to work with large banks that have recently begun waking up to the dangers posed by lax cybersecurity measures.

McLaughlin, who’s kept a close eye on fintech incubators since they started cropping up a few years ago, says that while many of the firms who’ve gone through incubators have gone on to achieve notable success, none have really hit it out of the park in the way that startups in other areas, like Facebook or Twitter, have.

But this early in the game, McLaughlin thinks it’s just a matter of time.

“Innovation in the financial services industry is almost just being dragged along by all the other innovations we’re seeing in technology generally, so it’s been a bit of a laggard I think in terms of consumer adoption, enterprise needs, etc.,” McLaughlin says. “But we’re not in the fifth inning of this. We’re still in the first inning of an explosion of innovation that’s going to be unfolding over the next few years.”

Full article available here: <http://www.ftfnews.com/news/fintech-incubators-bring-back-innovation/>