



DELAWARE IN A FINTECH FUTURE

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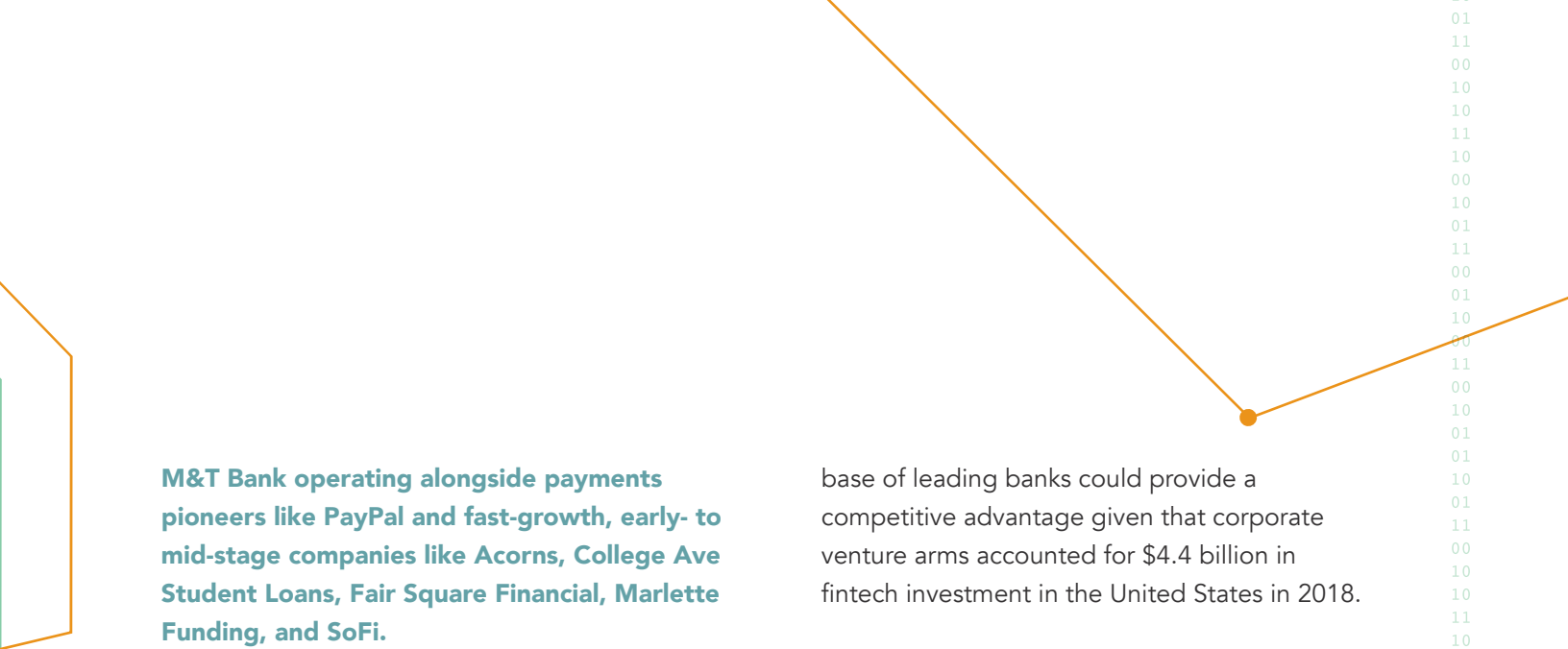


UNIVERSITY OF DELAWARE
BIDEN SCHOOL OF PUBLIC
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Executive Summary

The rise of fintech—the use of technology and innovation to provide financial products and services—is transforming the financial services landscape and will be a key growth opportunity for the Delaware economy in the years to come. The nearly 48,000 jobs in Delaware’s broad financial activities sector are distributed across firms of all shapes and sizes—with established financial services firms such as JPMorgan Chase, Bank of America, Capital One, WSFS, and



M&T Bank operating alongside payments pioneers like PayPal and fast-growth, early- to mid-stage companies like Acorns, College Ave Student Loans, Fair Square Financial, Marlette Funding, and SoFi.

In recognition of the ongoing transformation of the financial services sector and the considerable assets Delaware has to offer this space, the Delaware Prosperity Partnership, the First State Fintech Lab, and the University of Delaware's Institute for Public Administration partnered to produce an in-depth report aimed at building a shared understanding of Delaware's position within the broader national and global fintech landscape, and providing a foundation for ongoing conversations about Delaware's fintech future.

Key Findings and Considerations

- Global investment in fintech-related companies rose from \$18.9 billion in 2013 to \$111.8 billion in 2018. The United States accounted for \$52.5 billion in 2018, with about 60 percent of U.S. investment concentrated in the Bay Area and New York. Delaware accounted for at least \$50 million in fintech investment—approximately 75 percent of all fintech investment in the Philadelphia region—though these figures most likely do not capture significant equity investments in fast-growth Delaware firms like Marlette Funding and Fair Square Financial. Like most regions outside of the Bay Area and New York, Delaware lacks a robust environment of locally-based venture firms, but the state's

base of leading banks could provide a competitive advantage given that corporate venture arms accounted for \$4.4 billion in fintech investment in the United States in 2018.

- Delaware ranks highly on measures of fintech innovation. Between 2009 and 2018, 199 fintech patents were assigned to Delaware-based individuals and companies, ranking first in the United States on a per capita basis, and fifth in absolute terms.
- While large states like California, New York, and Texas are home to the largest financial services workforces in absolute terms, Delaware has the highest relative concentration of financial services jobs of any U.S. state. The financial services sector accounts for 9 percent of all jobs in Delaware, a figure nearly twice the U.S. average. Using the same metric to compare U.S. counties, New Castle County ranks third, trailing only Hudson County, New Jersey (Jersey City), and New York County, New York (Manhattan). Delaware also ranks highly in its concentration of technology workers, ranking seventh in the United States behind Washington, D.C., Virginia, Washington state, Maryland, Colorado, and Massachusetts, and just ahead of California.
- The hub of Delaware's financial services industry—Wilmington, in New Castle County—sits within the seventh-largest metropolitan area in the United States, with nearly 170,000 financial services workers and more than 100,000 technology workers across the metropolitan labor market.

Delaware has a unique value proposition for fintech firms of all shapes and sizes. Continued coordination, innovation, and investment by a range of private and public sector stakeholders—including incumbent and early-stage firms, the wider business community, state and local government, nonprofit intermediaries, universities, and workforce training programs—will be critical to position the state as a fintech leader in the coming years.

- Even with the surge in investment activity and financial services innovation in recent years, the industry, on net, continues to consolidate nationally. This trend is even more stark in Delaware, where financial services firms with at least 250 employees accounted for 91 percent of statewide financial services employment in 2017, up from 88 percent in 2007. Furthermore, financial services firms operating for at least 10 years accounted for 93 percent of Delaware’s financial services employment, up from 88 percent in 2007.
- So-called “bright-outlook” occupations in the financial services industry (occupations projected by the U.S. Bureau of Labor Statistics to experience at least 10 percent employment growth or 100,000 job openings nationally over the 2016–2026 period) reveal an industry that increasingly prizes technology skills and abilities. Bright-outlook finance jobs include software developers, information security analysts, and financial quantitative analysts, all occupations that demand more advanced technological skills. Analysis of real-time job postings in Delaware revealed that among the 20 financial services firms with the most job openings in 2018, tech positions—primarily software developers, but also computer systems engineers, information security analysts, and more—accounted for nearly one in five openings at those firms, equating to approximately 2,500 openings.
- Delaware is home to a wide range of targeted education and training initiatives, from K–12 programs like Delaware Pathways to a range of postsecondary offerings. These include innovative short-term programs like Zip Code Wilmington, associate degree programs at Delaware Technical Community College, and bachelor’s and advanced degree programs at the University of Delaware, Delaware State University, Goldey-Beacom College, and Wilmington University. The number of graduates across tech-related programs at the University of Delaware has increased by approximately 30 percent since 2015, with Zip Code Wilmington nearly doubling its cohort size between December 2015 and July 2018. Local institutions are working to grow their offerings and enrollments, with potential growth in the CS+X model pairing computer science with another major, as well as in non-credit offerings where individuals can obtain discrete training and credentials.
- Governments around the country and world are exploring a range of options to encourage fintech investment. More than 40 nations

have pursued initiatives to support financial services innovation, from creating new offices designed to interface with fintech companies, to regulatory adjustments, to direct national investments in companies. The United Kingdom has been an international leader in the implementation of a fintech regulatory sandbox, which has also been adopted by several states like Arizona, Wyoming, and Utah. In the absence of comprehensive federal action to date, innovation offices and initiatives have been established at a number of federal financial regulatory agencies. The OCC’s proposal to offer fintech firms the opportunity to receive a national bank charter represents a significant milestone and agencies such as the CFPB and the CFTC are offering aggressive proposals to modernize regulatory structures for the sector.

- Creative collaborations among the public sector, private sector, higher education, and other partners provide instructive case studies of tech and fintech talent initiatives. To meet Amazon’s HQ2 needs, the State of Virginia, Virginia Tech, and a range of additional public and private partners collaborated to create the Virginia Tech Innovation Campus. Louisiana used economic development incentive funds to expand the computer science program at Louisiana State University (LSU) as a draw for IBM to open a new 800-employee technology center. New York City shepherded the creation of Cornell Tech on city-owned land, which now serves as a key asset for employers across the city. And the Georgia FinTech Academy is a recent collaboration between the state’s fintech industry and the University System of Georgia to prepare fintech workers through degree programs, educational certificate courses, and apprenticeships and internships.

Delaware’s ongoing competitiveness in the evolving global financial services landscape will depend on sustained, collaborative efforts across a range of issues. Supporting continued

talent development will be key, with continued dialogue around how to best align education and training programs with the needs of local fintech employers. Embracing a regional view could make Delaware an even more appealing fintech location, with potential efforts focused on making Delaware increasingly accessible to financial services talent across the greater metropolitan area and seeking out opportunities to work more closely with leading institutions such as the University of Pennsylvania, Drexel University, and Temple University. Other focus areas could include exploring innovative regulatory approaches, deepening relationships with venture capital sources, and expanding fintech business networks and incubators to help emerging companies learn and grow.

Delaware has a unique value proposition for fintech firms of all shapes and sizes, and its existing strengths create a strong base for a competitive future. Continued coordination, innovation, and investment by a range of private and public sector stakeholders—including incumbent and early-stage firms, the wider business community, state and local government, nonprofit intermediaries, universities, and workforce training programs—will be critical to position the state as a fintech leader in the coming years.