Fintech

Saxo chief predicts more fintech takeovers after BinckBank deal

Intense competition points to more consolidation, says Danish broker CEO

Kim Fournais, CEO and co-founder of Saxo Bank: 'The sector has to consolidate' © Bloomberg

Richard Milne, Nordic and Baltic Correspondent AUGUST 19, 2019

Saxo Bank, the Danish broker majority owned by Chinese carmaker Zhejiang Geely, expects more acquisitions in the fintech industry as established banks come under growing pressure from newer rivals.

The Copenhagen-based bank completed its €424m takeover of Dutch online business BinckBank earlier this month, quadrupling its number of clients and more than doubling the amount of customer assets.

"The sector has to consolidate," Saxo's chief executive Kim Fournais told the Financial Times. "The cost of providing a full, regulated service for clients — that's a big job. The next three to five years are going to be super exciting. A lot of things will have to happen — banks losing clients, fintechs will become bigger."

Geely became Saxo's largest shareholder last year, buying a 52 per cent stake from one of the co-founders and private equity firm TPG Capital. Mr Fournais, also a co-founder, retains a quarter stake while Finnish insurer Sampo bought a 20 per cent stake at the same time as Geely.

Saxo offers a trading platform for assets from currencies and commodities to equities and derivatives. The Chinese carmaker, which also owns Volvo Cars, has said relatively little about

what it wants from Saxo except that it believes the broker can expand across Asia and in particular develop financial services in China.

Much of Saxo's attention appears to be on Europe for now where Mr Fournais said there were too many “smallish and midsized players” and where the large US brokers have had little success.

Fintech start-ups are increasingly offering trading services, often at very low cost or even for free, in a challenge to the banks that dominate the sector. But Mr Fournais expressed scepticism about their ability to continue with this business model.

“You have two extremes — too expensive and free lunch. Fintechs are pretty slim in their product offering. Right now, they’re surviving on user growth rather than being great businesses. We believe people aren’t stupid — there’s no such thing as a free lunch, at least not forever,” he added.

Saxo plans to move BinckBank’s 640,000 customers on to the same platforms as the Danish group’s 220,000 clients.

Mr Fournais said the integration would take “a lot of bandwidth” for Saxo. “We are moving a significant client base on to our technology — if we can do that, we may want to see if we can do more of it,” he added.