

Frankfurt seeks to win over FinTech whizzkids

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As Germany's banking capital, Frankfurt has long established itself as one of Europe's leading financial hubs.

But the city, which has a rather staid and strait-laced image, is now vying with hipper and trendier centres around Europe to woo financial start-ups known as FinTechs which want to revolutionise the way the world of money does business.

FinTechs use computer and Internet technology to develop innovative financial services and applications.

They include such companies as online trader Money.Net and the automated investment service Betterment in the United States and the business financing company FundingCircle and money transfer service TransferWise in Britain.

"When people talk about start-ups, cities such as Berlin and London immediately spring to mind. But Frankfurt is also starting to have a very dynamic Internet scene of its own," said Tarek Al-Wazir, economy minister for the regional state of Hesse, where Frankfurt is situated.

The western German city on the banks of the river Main likes to style itself as "Mainhattan" with its dense cluster of glittering glass and steel skyscrapers.

And its financial pedigree is certainly not in question.

It is home to Germany's mightiest financial institutions, such as Deutsche Bank and Commerzbank; stock market operator Deutsche Boerse which is again trying to merge with the London Stock Exchange; and, of course, the European Central Bank.

But it has now set its sights on fostering financial start-ups, an area where "we want to advance very rapidly," Al-Wazir told AFP.

Last week, Deutsche Boerse unveiled its own FinTech initiative, offering fully equipped premises to new companies and start-ups from April onwards.

The initiative would "contribute to the emergence of a lively and diverse ecosystem in Frankfurt containing various start-up centres operated by financial market players with different focuses and profiles, who can give each other various impulses," said minister Al-Wazir.

The city's ambition is to "become the largest and most important" site for FinTechs and "we're off to a good start," Al-Wazir said.

Financial start-ups are more innovative and more agile than traditional banks and are constantly seeking out important new perspectives on the financial sector.

'Microcosm'

According to a study by consultants LSP Digital, investment in FinTechs has doubled in Germany since 2012.

Nevertheless, "a FinTech sector doesn't spring up overnight. Infrastructures are needed, as well as a microcosm of people who can share know-how, collaborate and inspire each other," said Oliver Vins, founder and chief of Vaamo.

The Frankfurt-based start-up was launched in 2013, incubated by the city's university and now employs around 20 people.

In Vins' cramped office in the Gallus quarter of the city, a computer sits alongside a wall covered in multi-coloured post-its and a table soccer game.

Vaamo enables customers to design their own personally-tailored savings plans via a few clicks and a short list of questions.

As Germany's financial capital and the biggest financial services hub in continental Europe, Frankfurt is proud of its slick, cosmopolitan image and its imposing skyline of skyscrapers.

But rents are sky high and the armies of bankers in their uniform of black suits and briefcases can seem a little staid and off-putting to the creative whizzkids of the start-up sector.

Coming late to the game

At the same time, "one of Frankfurt's strengths is the presence of a large number of financial companies" which can act as investor, partner and customer for FinTechs, said Peter Barkow, head of Barkow Consulting.

But Udo Steffens, director of the Frankfurt School of Finance and Management, feels the city is joining rather late in the game.

"In the past, Frankfurt was cut off from the innovation trend and very little was happening" in the city, he said.

"In the [financial sector](#), the creation of value is moving increasingly towards the new Internet players. It is important to anticipate structural trends," Steffens said.

In June 2015, only 11 FinTechs were based in Frankfurt, out of a total of 139 in the whole of Germany, according to data compiled by LSP Digital.

Unsurprisingly, Berlin, with its comparatively low rents and alternative culture, was home to 49 FinTechs. Munich hosted 18 and Hamburg 14.

But it is a ranking that can change.

"It's good that there are initiatives at a political level. With the right infrastructure, things can be made more attractive than in the past," said Vaamo's Vins.

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