



Addressing top of mind fintech issues

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Business/Strategy trends

As 2024 comes to an end, there are themes we have identified through our interactions with clients and stakeholders that we expect will continue to resonate in 2025.

We are seeing a trend of partnering among competitors that is becoming more common in the crowded B2B space and is aimed at driving strategic growth, expanding service offerings, and managing investing costs. Fintech innovations, such as open banking and cash flow-based underwriting, are accelerating lending processes and creating more opportunities for people to access credit. Further, credit scoring companies are partnering with Buy Now Pay Later (BNPL) providers to improve credit scoring and developing new markets by addressing the needs of gig workers.

We have also observed that fintechs are increasingly focused on removing friction and costs for users and helping tech platforms monetize payments through innovation and partnerships. Embedded finance is maturing with challenges, as consent orders and legislation drive greater customer safety and compliance. As leaders continue to navigate turbulence while balancing growth and innovation, we expect an increase in acquisitions, with banks potentially taking services in-house.

AI is being heavily discussed in the context of underwriting and borrower verification, with a focus on non-traditional methods and compliance with secondary data use regulations. Amid increased regulatory scrutiny, fintechs need to strike a balance between machine and human oversight to thrive. This involves using AI effectively in regulatory compliance and ensuring legal and compliance professionals work closely with engineers to understand and meet regulatory requirements.

Thought leadership

- [2024 KPMG US technology survey report: The digital dividend](#)

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The prevailing market sentiment for Fintech M&A as we finish up 2024 is one of cautious optimism for what is to come. The results of the recent election have removed some uncertainty from the market and will enable decision makers to more easily forecast the landscape in 2025 and beyond for the purposes of building valuation models.

From our conversations with clients, we are observing now that both Corporate stakeholders and Private equity stakeholders are expressing positive sentiment and looking forward opportunistically for both capability expansion and doing new deals.

That said, there continue to be gaps in valuation expectations between buyers and sellers. We anticipate that businesses with good fundamentals, size and scale, strong growth, robust client dynamics (such as strong revenue retention) and value creation opportunity, will be the deals that get done.

We continue to see interest in a few key areas of fintech, most notably embedded and vertically integrated payments that are solving business needs, B2B payments, cross border payments and fraud prevention solutions.

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Auditing and accounting

Accounting Standards Update (ASU) 2023-07 Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures, which amends the US GAAP requirements for disclosing segment information, allows entities to disclose multiple measures of a segment's profit or loss in the segment reporting note to the financial statements, under certain conditions. Historically, only a single measure that is the closest to GAAP could be disclosed. Fintechs should consider the following key steps to prepare for compliance:

- Prepare for the enhanced disclosure requirements, including providing more detailed information about segment expenses and extending certain annual disclosures to interim periods.
- Identify significant segment expenses that are regularly provided to the chief operating decision maker (CODM). This will involve a thorough review of internal reporting processes.
- Determine the measures of segment profitability that will be reported which may involve selecting multiple measures if they provide a more comprehensive view of segment performance.
- Engage with stakeholders, including auditors, investors, and regulators, to ensure complete understanding of the new requirements
- Adjust internal reporting processes to comply with the new requirements, ensuring that all necessary information is accurately captured and disclosed.

Additionally, fintechs should be prepared for increased scrutiny from regulators as they evaluate the application of the new segment reporting guidance.

Thought leadership

- [Segment reporting: Important SEC Clarifications](#)

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Regulatory and compliance

The CFPB issued its final rule implementing section 1033 of the Dodd-Frank Act, providing consumers with more choices and direction over their own financial data. Through this rule, the CFPB aims to enhance fair competition, transparency, and accessibility in the markets for consumer financial products and services. The final rule outlines specific requirements for “data providers” to make “covered data” about “covered financial products and services” available to consumers and to certain “authorized third parties” upon request in a secure and reliable format.

Another financial services industry regulator, the FDIC, published a notice of rulemaking intended to enhance recordkeeping for bank deposits received from fintech and other third-party, nonbank companies.

Finally, the SEC Division of Examinations announced its 2025 Examination Priorities, which covers perennial priorities of the Examination Division alongside new risk areas. One noteworthy risk area discussed is emerging financial technologies based on artificial intelligence. The Examination Division seeks to examine registrants' use of services such as automated investment tools, AI, and trading algorithms.

We continue to view the changing regulatory landscape as being indicative of an industry that is maturing and growing safely and soundly.

Thought leadership

- [Regulatory Alert October 2024 – 1033 Open Banking: CFPB Final Rule](#)
- [Supervision of Nonbank Digital Wallet/Payment Providers: CFPB Final Rule](#)
- [Regulatory Recap & Look Forward](#)
- [Bank-Third Party: Custodial Deposit Account Recordkeeping Proposal](#)

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Corporate alternative minimum tax

The U.S. Treasury Department and IRS in September 2024 released proposed regulations ([REG-112129-23¹](#)) relating to the corporate alternative minimum tax (CAMT) created by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” or “IRA”). Concurrent with the release of the proposed regulations, the IRS released [Notice 2024-66²](#), providing a waiver of the addition to tax under section 6655 for underpayment of estimated income tax with regards to CAMT liability for tax years beginning in 2024.

The proposed regulations address a number of issues regarding the application of CAMT that remained after the guidance provided in previous notices. Furthermore, the proposed regulations would provide exceptionally limited relief from the complexity of CAMT by way of safe harbors and de minimis rules. As such, many taxpayers who are not in scope of CAMT as applicable corporations will likely need to expend significant time complying with this novel regime.

Most taxpayers generally do not need to revisit their 2023 tax return positions and may generally continue relying on the statute or some combination of statute and guidance from the notices for 2023 tax returns. However, fiscal year taxpayers with tax years ending after September 13, 2024, may need to consider certain provisions for their 2023–2024 tax years. Moreover, the preamble to the proposed regulations contemplates an AFSI adjustment in the year of transition to implement the final regulations if a taxpayer took a position under CAMT that is inconsistent with the final regulations. This may cause certain taxpayers to reconsider certain 2023 CAMT positions while simultaneously submitting comments highlighting the administrative challenges and impracticalities of applying the final CAMT regulations retroactively.

Thought leadership

- [Analysis and observations on the proposed CAMT regulations](#)

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¹ Department of the Treasury, “[Corporate Alternative Minimum Tax](#)” (September 13, 2024)

² IRS, “[Relief from Certain Additions to Tax for Corporation’s Underpayment of Estimated Income Tax under Section 6655, Notice 2024-66](#)” (September 2024)

With Republicans winning control of the Executive Branch and both chambers in Congress, the extension of President's Trump's 2017 Tax Cuts and Jobs Act (TCJA) and implementing his 2024 campaign promises will be a major priority of the incoming administration. Set out below are some preliminary observations regarding the possible implications of the election results, known as of today on tax legislation in 2025, that warrant the attention of fintechs and investors.

Trump campaign tax proposals

While president-elect Trump did not present a formal tax plan during his campaign, he did discuss proposed changes to the current US tax system, including making permanent the expiring tax cuts in the TCJA (this likely represents the most meaningful change for fintechs among his stated proposals). Other proposed changes included a 15 percent corporate rate on certain "domestic goods" and eliminating the limitation on deduction of state and local taxes (SALT cap).

The president-elect did not discuss any specifics regarding how or whether the costs of these proposals might be offset, and the only proposal he stated in writing (as opposed to just stating verbally) is the proposal to make the expiring TCJA tax cuts permanent.

Outlook for tax legislation in 2025

Major tax legislation in 2025 is likely to be introduced by way of special "budget reconciliation" procedures that allow tax legislation to be passed with only a simple majority vote in the Senate without being subject to a filibuster. Using the reconciliation process would allow Republicans to pass tax legislation with little or no support from the Democrats in the Senate. The procedure of budget reconciliation has been routinely used by both parties to enact tax legislation when one party is in control of Congress and the White House. Recent examples include the TCJA and the IRA of 2022.

Thought leadership

- [Catching Up on Capitol Hill](#)
- [Top of mind fintech issues](#)
- [Digital Assets: From Crypto to Compliance](#)

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Our mission is to help our clients grow, engage with customers, manage costs, and comply with regulations by leveraging the power of data and digitization.

By integrating our capabilities across Audit, Tax, And Advisory, KPMG Fintech professionals bring insight to help our clients build competitive advantage and align strategies during this period of substantive change and enormous opportunity.

At KPMG we help our clients succeed with strategic approach to their fintech challenges across the following fintech categories:

Digital assets

Entities whose core business is predicated on distributed ledger (blockchain) technology with the financial services industry and/or are involved in providing services or developing technology related to the exchange of cryptocurrency, the storage of cryptocurrency, the facilitation of payments using cryptocurrency and securing cryptocurrency ledgers via mining activities.

Digital wealth

These companies or platforms whose primary business involves the offering of wealth management services using technology to increase efficiency, lower fees or provide differentiated offerings compared to the traditional business model.

Payments

Entities whose business model revolves around using technology to provide the transfer of value as a service including both B2B and B2C.

Digital lending

- **Platform companies:** Any nonbank that uses a technology platform to facilitate movement of funds, often implementing alternative data and analytics or any entity whose primary business involves providing data and analytics to online lenders or investors in online loans.
- **Neobanks:** Type of direct bank or a digital banking platform that operates exclusively online without traditional physical branch networks.
- **Challenger banks:** Small, recently created retail banks with a banking license that compete directly with the longer-established banks.

PropTech, RegTech, and InsurTech

- **PropTech:** Entities that are developing and leveraging technology intended to help facilitate the purchase, management, maintenance, and investment into both residential and commercial real estates
- **RegTech:** Entities that provide a technology-driven services to facilitate and streamline compliance with regulations and reporting as well as protect from employee and customer fraud
- **Insurtech:** Entities utilizing technology to increase the speed, efficiency, accuracy, and convenience of processes across the insurance value chain.

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