Addressing top of mind issues for fintech

January 2026

Contents

Reflections on Money 20/20

Update

With over 3,000 companies in attendance, Money 20/20 provides a great opportunity to canvass opinion on the topics that are “top-of-mind” across the fintech industry. Some of the key themes that we heard from participants included:

- The **Fintech Spring** has arrived with initial public offerings launching, artificial intelligence (AI) accelerating innovation and the perception of a more flexible regulatory environment.
- We’re entering a new **age of infrastructure** with tokenization and stablecoins taking center stage for both traditional participants and newer fintech.
- **Innovation** in payments is evolving with a focus on AI optimization, cross-border interoperability, and real-time payments.
- Continued emphasis on **trust** with a focus on real-time fraud solutions, AI, and biometrics supporting a safe but seamless user experience.

Throughout the conference there was a continued focus on the rise of stablecoins and use cases of AI and generative AI (GenAI).

For stablecoins, cross-border remains the most convincing use case for financial institutions; however, incumbents and challengers alike are still exploring the real value proposition. Despite this, the current administration's support for stablecoin infrastructure and forecasts from financial institutions all point to a growth in the industry over the next decade.

AI and GenAI continued to dominate the conversation, with a notable shift from planning and deliberation to widespread adoption across the industry. Nowhere was this more apparent than in discussion with those operating in the payments space who seem to have developed some of the most compelling use cases for the technology.

Opportunity

1

Continue to focus on AI and GenAI use cases. Specifically, we have seen early success in the payments space and expect to see continued evolution with AI-enabled fraud solutions and AI shopping assistants coupled with online shopping carts. Continue to focus on the timing and return on investment of AI investment decisions.

2

Moving into 2026, fintechs should **focus on streamlining business models and strategies while continuing to develop value-added services** (e.g., insurance, financing, etc.) to combat margin compression on core products.

Resources

- Pulse of Fintech
- M&A trends in financial services
- Stablecoins: The Bridge Between Traditional Finance and Digital Assets

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Regulatory and compliance

Update

Many of the themes discussed at Money 20/20 continue to mirror developments in the regulatory landscape such as the interconnectivity between fintech and financial regulation. Some key developments include:

- **Crypto and stablecoin:** The Office of the Comptroller of the Currency supports integrating crypto firms into the regulated banking system via trust charters. This creates opportunities for banks and blockchain firms to collaborate under rigorous supervision, potentially reducing systemic risks while fostering innovation in payment and custody services. Meanwhile, NYDFS has introduced enhanced governance for third-party providers and reinforced custody rules for virtual currencies, requiring improved cybersecurity measures. Fintech firms must strengthen vendor oversight and adopt robust controls to stay compliant.
- **AI:** The Office of Science and Technology Policy is working to eliminate federal regulatory barriers hindering AI innovation, paving the way for a unified national AI regulatory framework. This could reduce compliance fragmentation and help fintech companies leverage AI for credit scoring, fraud detection, and customer service effectively. In California, new transparency obligations for frontier AI aim to enhance consumer confidence and mitigate risk exposure, although they may increase compliance costs.
- **Data and payments:** The Consumer Financial Protection Bureau (CFPB) has taken legal action against a fintech bank partner for alleged unfair record-keeping practices, highlighting the critical importance of transparent and robust compliance measures. Furthermore, the pause on the CFPB's open banking rule underscores ongoing challenges in balancing innovation with consumer data protection, hinting at the need for further dialogue before open banking can fully launch.
- **Cybersecurity:** The NIST released a draft outlining cybersecurity activity for Internet of Things (IoT) products, emphasizing premarket and postmarket risk assessment and lifecycle security. This is especially relevant as IoT devices increasingly integrate with payment systems and digital banking, demanding stricter security standards to protect consumer data. Compliance with these guidelines is crucial for fintech firms deploying IoT-enabled products.

Banking executives must proactively navigate the intertwined evolution of fintech and regulation—from crypto and AI innovation to data and cybersecurity challenges—by strategically embracing collaboration while rigorously strengthening governance, cybersecurity, and data compliance to meet dynamic regulatory demands.

Opportunity

1

Continue to monitor regulatory developments and invest in best-in-class compliance controls to enable you to be best placed to take advantage of market opportunities and minimize negative exposure.

Resources

Regulatory Recap: November 2025

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Taxation

Update

This quarter brings important tax developments, particularly impacting the fintech lending sector and corporate charitable giving, stemming from the One Big, Beautiful Bill Act (OBBA). These changes introduce new reporting requirements and deduction limitations that warrant careful attention for strategic planning:

- **Fintech lending and auto loan interest:** The OBBA introduces a deduction for individual taxpayers on interest paid for qualified auto loans (generally US-assembled vehicles) from 2025 through 2028. The Internal Revenue Service has issued transitional guidance (Notice 2025-57[1]) for businesses, including fintech lenders, on new reporting obligations under section 6050AA. For 2025, businesses can meet these requirements by providing individuals with a statement detailing the total interest received.
- **Corporate charitable contributions:** The OBBA also imposes a 1 percent floor on deductions for corporate charitable contributions, effective for tax years beginning after 2025. This means corporations can only deduct contributions that exceed 1 percent of their taxable income. Without proactive planning, this provision could lead to a permanent disallowance of deductions for a portion of their charitable giving, though various options exist to mitigate this impact.

These legislative updates underscore the evolving tax landscape. Businesses, especially those in fintech lending and corporations engaged in significant charitable activities, should assess these changes to ensure compliance and optimize their tax positions, proactively developing strategies to navigate the new requirements and potential impacts on deductions.

Opportunity

1

Continue to monitor development in the tax landscape and consult with specialists when clarity is needed on the potential impact for your business model.

Resources

- KPMG TaxNewsFlash
- Notice 2025-57
- Navigating the new 1% floor on corporate charitable deductions

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[1]Internal Revenue Service, "Part III – Administrative, Procedural, and Miscellaneous, Transitional Guidance Regarding Returns Relating to Certain Interest on Specified, Passenger Vehicle Loans Received in a Trade or Business, Notice 2025-57" (October 21, 2025)

KPMG Fintech – A leader in your industry

Leading fintech firms rely on KPMG to help them improve business performance, turn risk and compliance into opportunities, develop strategies, and enhance value. The KPMG Fintech team sees today's environment of converging challenges as a catalyst for improvement by taking advantage of the opportunities that surround us.

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 approaches 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 estate.
- **RegTech:** Entities that provide 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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