



FinTech University: The Business Case for Women in FinTech

September 13, 2022



 NELSON MULLINS

WINFIN

A Business Case for Change

How to WIN: Women in the Boardroom and C-Suite

September 13, 2022





Industry Concerns

2022 Operating Market

- Inflation and rising rate environment
- Bank M&A has slowed
- FinTech funding has slowed
- Loan growth, stable NIMs and strong credit quality but recession threatening
- Acceleration of Innovation

How Did We Get Here?



Problems

- AOCI Marks ↑
- Fees ↓
- Inflation and Rising Rate Environment
- Expenses
- Changing Customer Demands



Consequences

- Decline in TBV and TCEs
- Imminent Recession
- Higher loan loss provision
- Accelerated Technological Evolution



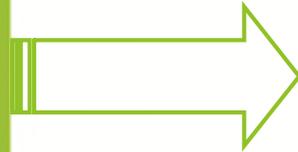
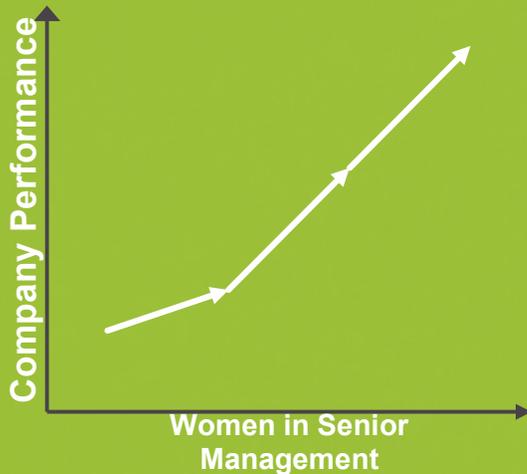
Needs

- Revenue & Market Diversification
- Cost Savings
- Innovation

Diversity Drives Returns Across Industries

**According to a
McKinsey study¹:**

Companies in top quartile
for gender diversity of
executive teams



21% More Likely to Outperform on **Profitability**
27% More Likely to have Superior **Value Creation**



Companies with **>3** women in senior management score more highly, on average, across **9** categories of **organizational excellence**, than companies with none



Performance **increases significantly** once a critical mass (**>30%**) is obtained



Companies with a **higher % of women** on their management committees are also the companies with the **best performance**



Studies have also found a direct measure of **stock price improvements** from increase in **gender diversity**

1. Source: "Women Matter, Gender diversity, a corporate performance driver," McKinsey & Company, 2007
Source: Peterson Institute; University of Texas; McKinsey & Company; S&P Global

Diversity Drives Returns: a Competitive Advantage

Did you know that...

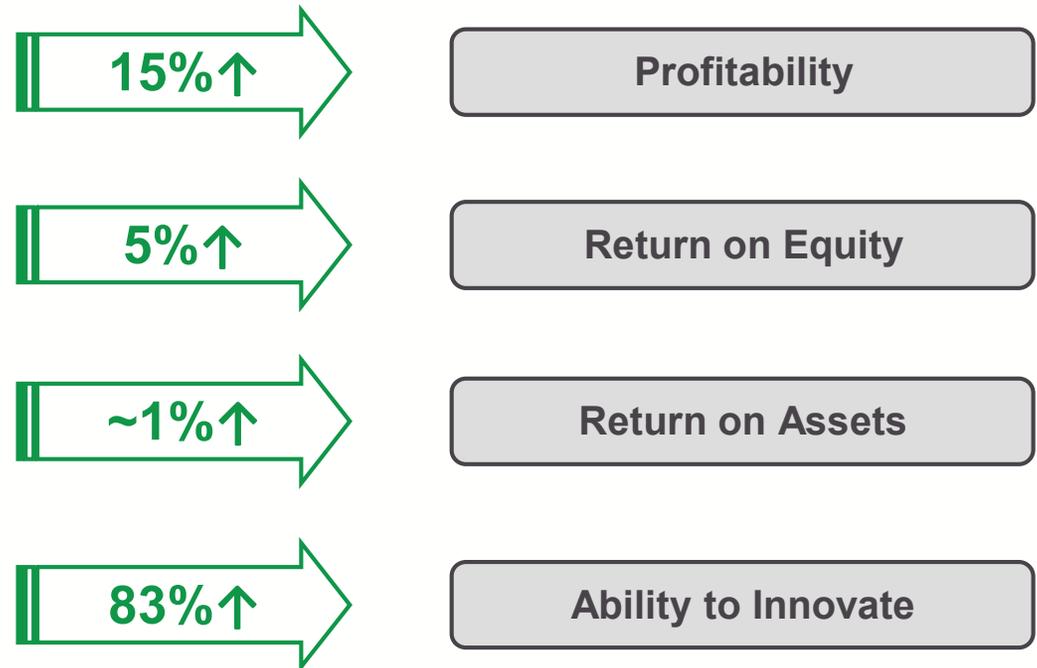
Increasing Women in Corporate Leadership **from 0% 30%**

Female Representation in Top Management **>15% vs. <10%**

Increasing the **Number of Women on the Board**
Even if Diversity Already Exists

When Employees Believe their Organization is **Committed to Inclusion**

Diversity Drives Returns



There are significant economic and financial gains from increased female participation and overall diversity

Diversity Drives Bank and FinTech Returns



Increase in key metrics when a bank has greater board and senior management diversity

→ There is a **positive correlation** between gender diversity and bank efficiency, profitability and risk-adjusted profitability¹

Ultimately, businesses founded by women generate higher revenue, **more than twice as much per dollar invested** than their male counterparts¹

According to a Federal Reserve study²:



Banks perform better once they reach a **critical level** of **gender diversity**; performance benefits accrue once the share of women on boards reaches ~13% – 17%



Relationship between bank performance and gender diversity becomes positive **as the share of females on the Board increases**



More gender diverse boards have **higher regulatory compliance**, suggesting that diversity leads to better monitoring



The positive impact of gender diversity was **especially large during the financial crisis**, suggesting that diversity leads to better strategic advice

Bank Performance Measures:

- **Efficiency:** *Revenue / Expense Ratio* increases once share of women on boards reaches ~17%
- **Profitability:** *Return on Assets* increases³ once share of women on boards reaches ~13%
- **Risk-Adjusted Profitability:** *Sharpe Ratio* increases³ once share of women on boards reaches ~20%

1. Source: "Why Women Are Core to a Fintech Future" Ximena Aleman, Fintech Circle, December 2021

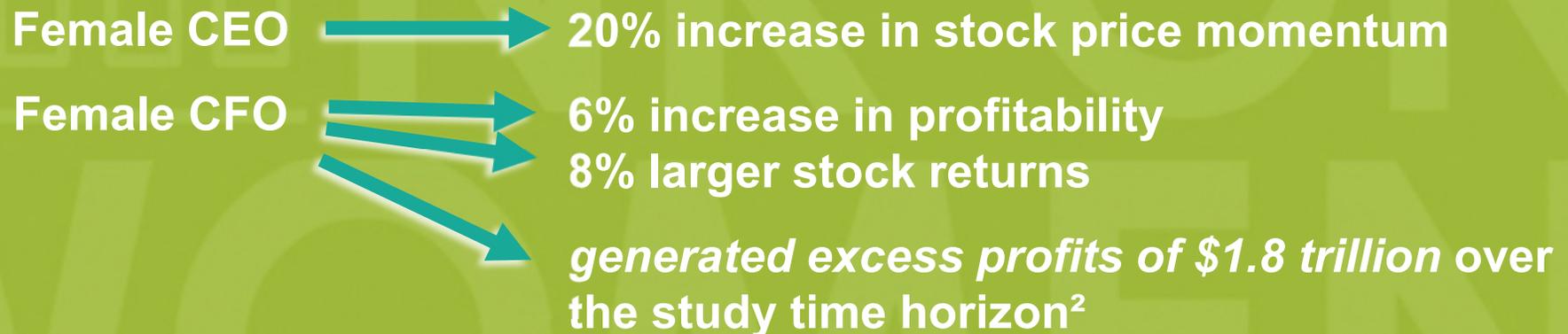
2. Source: "The Performance Effects of Gender Diversity on Bank Boards," Anne L. Owen and Judit Temesvary, Federal Reserve Board, December 2016

3. (at least 13-17%) studying performance of ~90 banks from 1999-2015 At well-capitalized banks

C-Suite Diversity Drives Stock Price

Studies have found a correlation between ***stock price improvements*** and **gender diversity improvement**

An S&P Global study of Russell 3000 index companies found firms with female CEOs & CFOs have produced superior stock price performance¹:



1. Source: "The Performance Effects of Gender Diversity on Bank Boards," Anne L. Owen and Judit Temesvary, Federal Reserve Board, December 2016 (at least 13-17%) studying performance of ~90 banks from 1999-2015 at well-capitalized banks compared to market average; in the 24 months post-appointment
2. Source: "When Women Lead, Firms Win," S&P Global, 2019, based on analyses of the Russell 3000 universe Source: Peterson Institute; University of Texas; McKinsey & Company; S&P Global

Diversity Drives M&A Execution

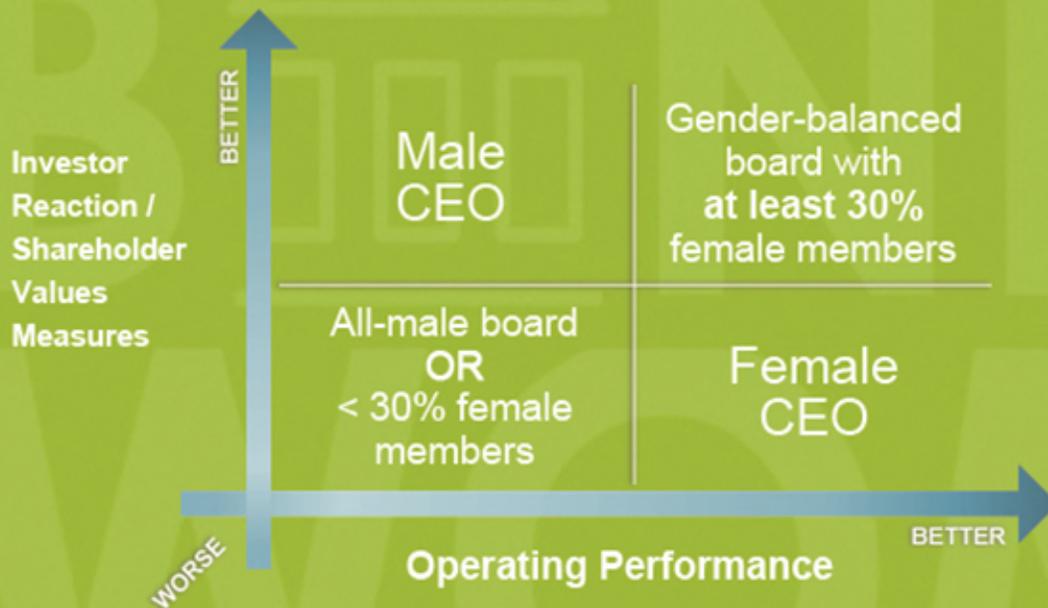
Banks need to differentiate themselves as attractive buyers and targets in order to optimize pro forma returns

1.8% higher shareholder returns in the first year

1.0% higher share price returns in 40 days after announcement

~4% higher change in ROE in 3 years after acquisition

~2% higher acquirer sales growth in 3 years after acquisition

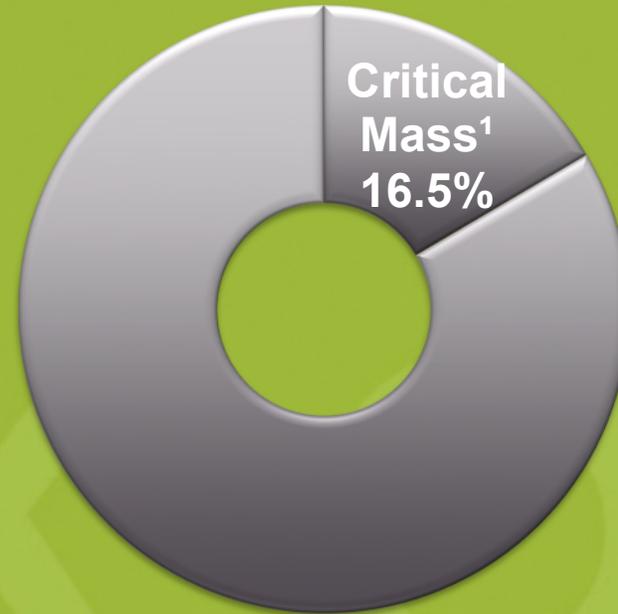
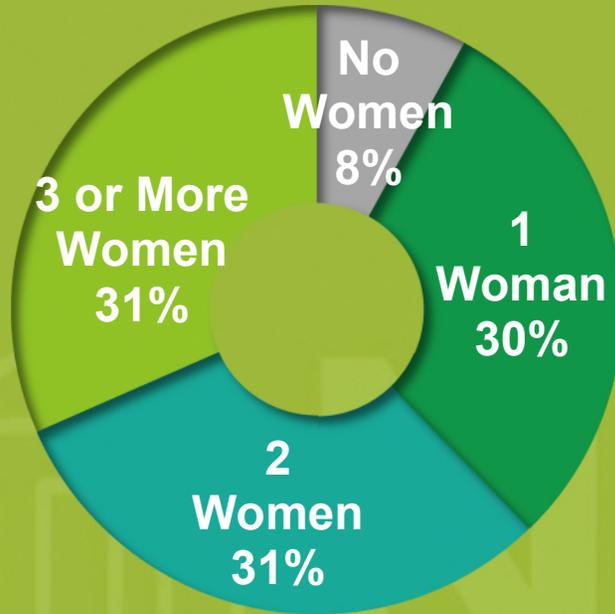


Note: Performance metrics are market-adjusted Source: Study by the M&A Research Centre at Cass Business School, City, University of London and SS&C Intralinks: "Gender Diversity and M&A Outcomes; How Female Board-Level Representation Affects Corporate Dealmaking" capturing 16,763 public M&A transactions globally, announced over a 20-year period (February 2020)

Are Nasdaq Traded Banks Harnessing the Power of Gender Diversity?

Using data available for 212 Nasdaq-traded banks with \$1-10 billion in MRQ total assets*...

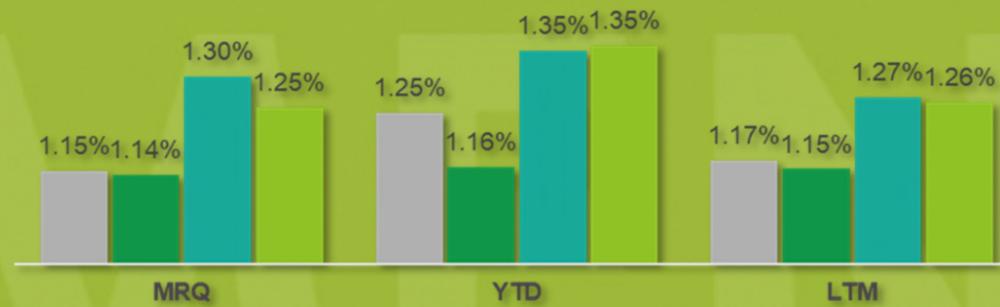
Bank Board Representation



Median ROAA



Median Core ROAA



■ No Women ■ 1 Woman ■ 2 Women ■ 3 or More Women

1. Critical mass defined as 30% or more

* Note: There are 39 Nasdaq-traded banks with MRQ total assets less than \$1 billion

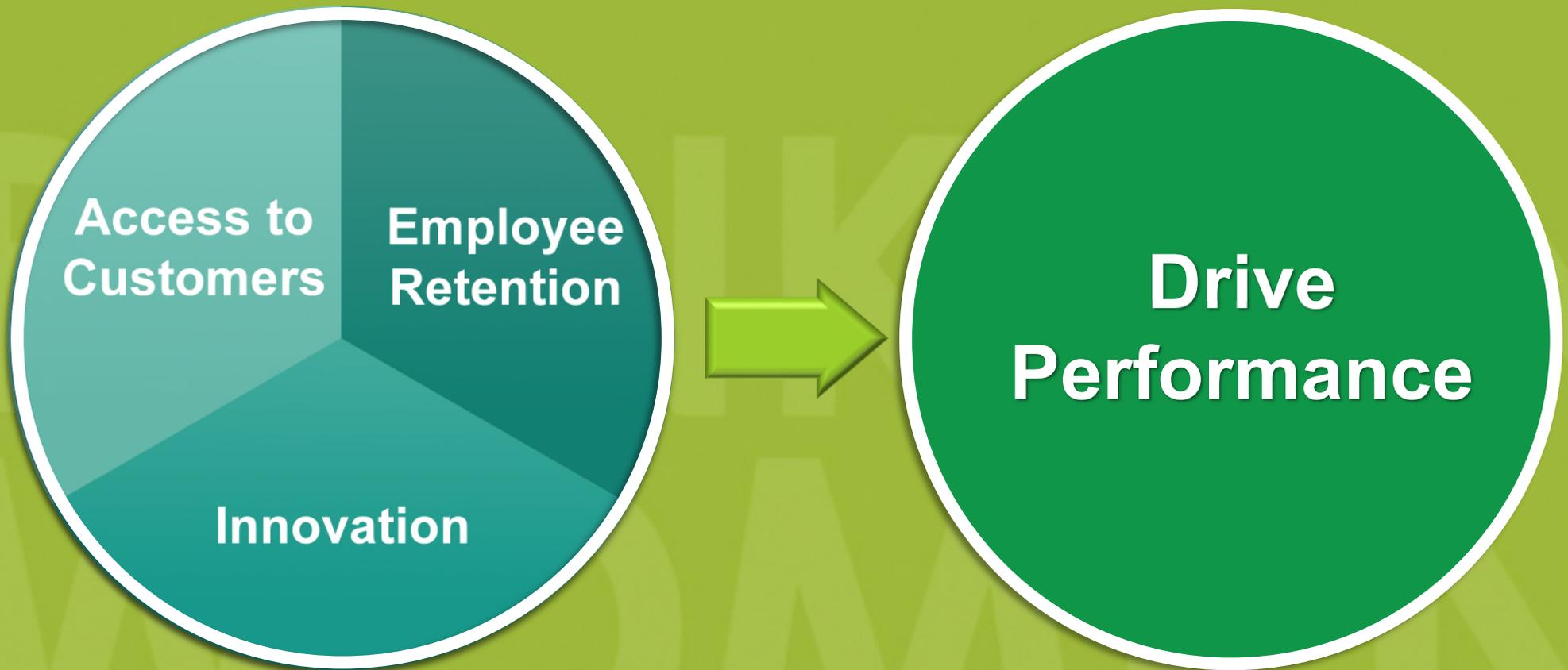
Source: S&P Capital IQ, S&P Global Market Intelligence

Women Form the Majority of Our Customers, Employees, Owners, and Community

Therefore:

Women...

Are Integral to:



Customers, Revenue & Market Diversification



Small Business Ownership:

- Women started **1,817 net new businesses a day** in 2019, **employing 9.4 million** in 2019 and recording **\$1.9 trillion in revenues**.
- Startups founded by women pulled in **\$18.6 billion in investments across 2,304 deals** in 2019 still, **lack of capital is the greatest challenge** reported by female small business owners.

Fee Revenue and Wealth Management Opportunity:

- Women are the **primary breadwinner in over 40% of U.S. households**.
- Women comprise more than **50% of stock owners**.
- A McKinsey & Co. report found that U.S. women currently **control \$10.9 trillion in assets**; by 2030, that could grow to as much as **\$30 trillion in assets**.

Source: Forbes; U.S. Department of Labor; U.S. Department of Education; Committee for Economic Development; McKinsey & Co.; American Express Women-Owned Business Report

Competitive Advantage: Female Fintech Leaders

- 73% of women are unsatisfied with their financial services. This pertains particularly to services as women are not the target market, despite driving 80% of household decisions
- Female fintech leaders bring unique perspective into the space by making the right products for women

Women Founded and Co-Founded businesses are essential as they understand the needs of women – an underserved customer segment in financial services

Talent Pool + Retention



Harnessing the talent of qualified women could be a **key strategic advantage** to successfully addressing the **talent pool challenges** banks currently face

❖ Talent Pool:

- ❖ Women now receive nearly 60% of all degrees.
- ❖ Prior to the COVID-19 Pandemic, women made up 50%+ of the workforce.
- ❖ As of December 2019 (prior to the Pandemic), held more jobs in the U.S. than men.

Source: McKinsey & Company and LeanIn.Org's Women in the Workplace 2020 Report; McKinsey & Company and LeanIn.Org's Women in the Workplace 2021 Report; S&P Global Market Intelligence, "Leadership in Turbulent Times: Women CEOs During COVID-19", published 5/25/2021

Talent Pool + Retention



❖ Women in the Workforce = More Employee Training and Retention

- ❖ According to a 2019 study, companies with higher levels of gender diversity and policies that focus on gender diversity have **lower employee turnover**
- ❖ **Senior-level women are much more likely** than senior-level men ***to practice allyship***
- ❖ **38%** of women **mentor or sponsor** one or more women of color *compared to 26% of men*
- ❖ Women managers are **consistently doing more than their male peers** to **promote employee well-being** – including checking on team members, helping them manage workloads, and providing support for those who are dealing with burnout or navigating work/life challenges
 - **When managers support employee well-being, employees are *happier*, less burned out, and less likely to consider leaving**

Source: McKinsey & Company and LeanIn.Org's Women in the Workplace 2020 Report; McKinsey & Company and LeanIn.Org's Women in the Workplace 2021 Report; S&P Global Market Intelligence, "Leadership in Turbulent Times: Women CEOs During COVID-19", published 5/25/2021

Talent Pool + Retention

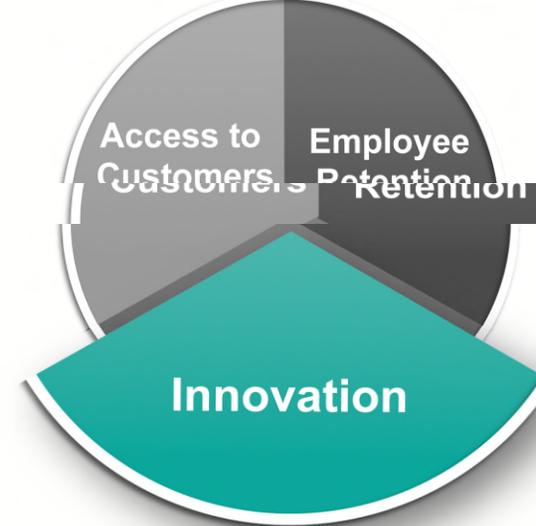


❖ Leadership in Turbulent Times

- Research highlights that leadership by **women** is *more interpersonally oriented, transformational, and communication-oriented style*, whereas leadership by men is more *task-oriented, transactional, and participative*
- Data collected and analyzed on earnings call transcripts from 4,958 companies found that **Women CEOs** have a **higher score** for **positive sentiment**, and **high scores** for emotions in the categories of **trust and anticipation**

Source: McKinsey & Company and LeanIn.Org's Women in the Workplace 2020 Report; McKinsey & Company and LeanIn.Org's Women in the Workplace 2021 Report; S&P Global Market Intelligence, "Leadership in Turbulent Times: Women CEOs During COVID-19", published 5/25/2021

Diversity Drives Innovation



Innovation – The Future of Banking



BANK ON WOMEN, INC.

1. Such as neo-banks, Credit Unions, Fin-Techs, others

Diversity Drives Innovation

A study found that:

**Businesses run by
culturally diverse
leadership teams**



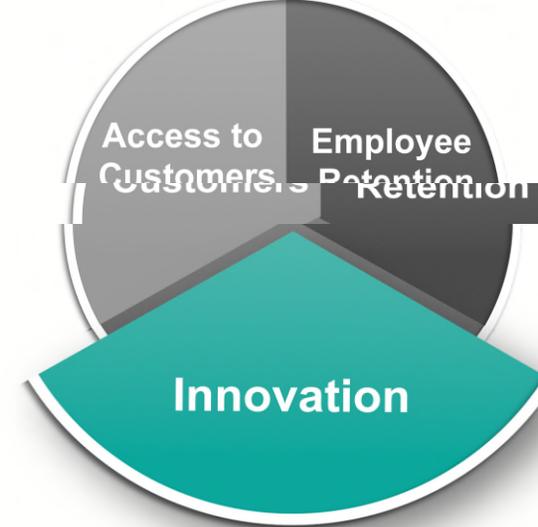
**More likely to
develop new products**
than those with homogeneous
leadership

PERFORMANCE BENEFITS

- When employees **believe their organization is committed to inclusion**, companies experience:
 - ✓ **83% increase** in innovation
 - ✓ **Nearly 40% better** assessment of *consumer interest and demand*
- A Boston Consulting Group study found that companies with **better management diversity**:
 - ✓ **Earned 38% more of their revenues**, on average, from *innovative products and services* (compared to companies with lower diversity)

LEADERSHIP QUALITIES

- According to McKinsey, **women also more frequently apply 3 of the 4 types of behavior necessary for innovation and successfully addressing the global challenges of the future**:
 - ✓ **Intellectual stimulation**
 - ✓ **Inspiration**
 - ✓ **Participative decision making**



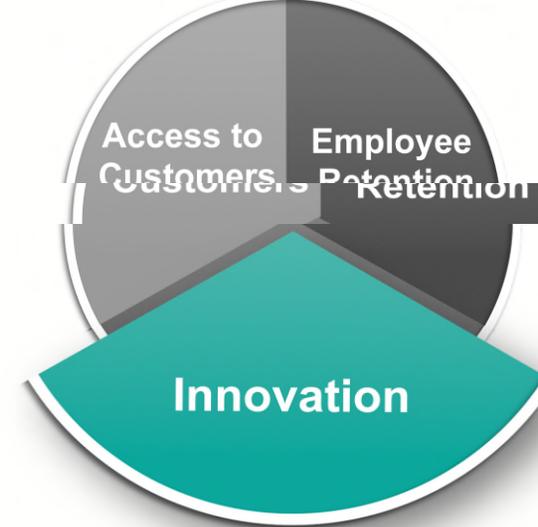
Diversity Drives Innovation



According to a
McKinsey study,
in past crises...

- Companies that **invested in innovation** delivered ***superior growth and performance*** post-crisis
- Through-crisis innovators¹ during the 2009 financial crisis **outperformed the market average by >30%** and ***continued to deliver accelerated growth*** over the subsequent **three to five years**

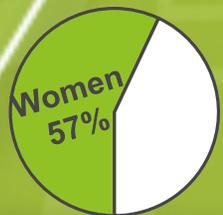
1. Identified as companies on the Fast Company World's 50 Most Innovative Companies list for >2 years through a crisis, normalized to 2007
Source: McKinsey & Co.



The Paradox

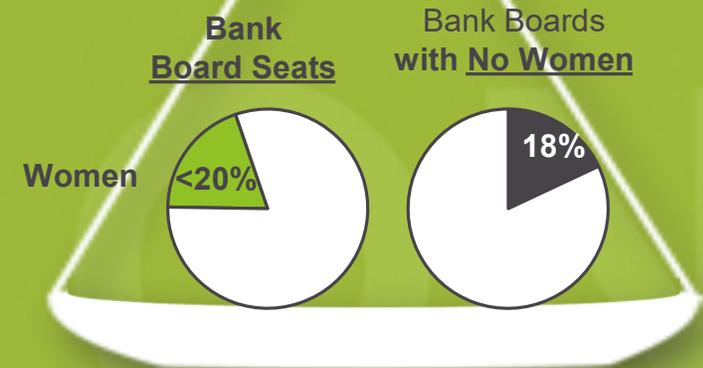
Women are the majority of our constituents and *essential to performance...*

All Degrees Earned¹



Profits & Share Performance²

↑ ~50%



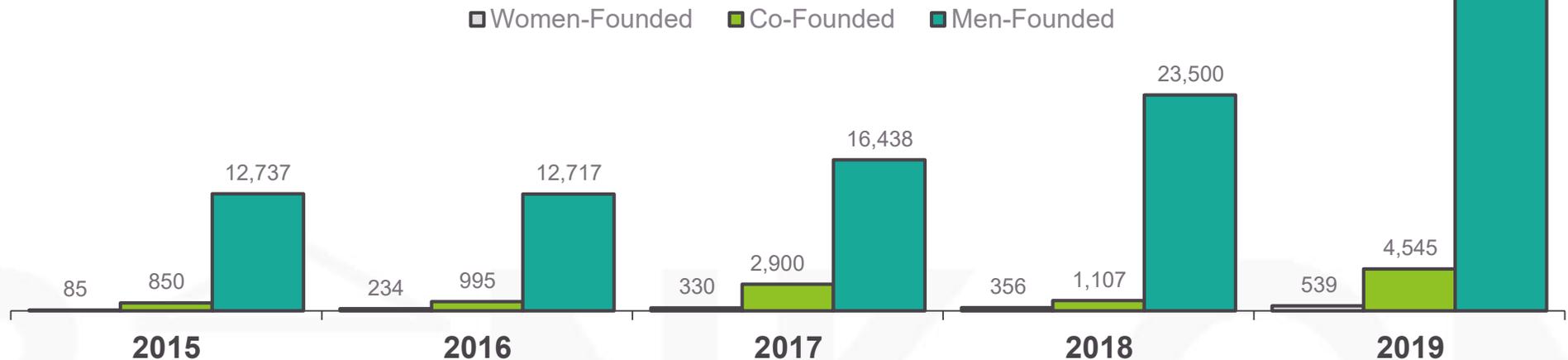
...and yet under-represented in decisions about *those constituents*

1. Reflects all Associate's, Bachelor's, Master's and Doctoral degrees earned in 2019
2. When women are represented at the top, profits and share performance can be ~50% higher
Source: U.S. Dept. of Ed.; Committee for Economic Dev.; McKinsey & Co.; Boardex; Ann Owen and Judit Temesvary's studies & calculations; 50/50 Women on Boards

Funding Gap for Women in Fintech

1.3% of the \$40 Billion raised in 2019 went to companies founded only by women

Historical Funding by Founder Category from 2015 - 2019



➤ Why does this disparity exist:

- A Harvard Business Review study explored the VC pitching process. Venture capitalists listened to identical pitches given by men and women entrepreneurs. Investors preferred pitches made by men.
- VC Pose Different Questions to Male vs Female Founders: *men were asked about potential for gains while women were asked about potential for losses.*

➤ Founders believe they can raise capital

- Equity: 45% of women vs 62% of men
- Debt: 31% of women vs 44% of men

CALL TO ACTION

1. BANK ON WOMEN, INC.

- ✓ has been building and maintaining a **database** of potential Director candidates
 - The database doubled in 2020 and continues to grow
- ✓ has sourced candidates for *multiple* Board searches
 - We are currently working with several Boards and Board Corporate & Governance Committees on efforts to **promote gender diversity**

Database

Nasdaq's "Board Diversity Rule"



Requires *all Nasdaq-listed companies*¹ to:

- ✓ Have or explain why they do not have **at least 2 diverse directors**²
- ✓ **Publicly disclose board-level diversity statistics**³

 BANK ON WOMEN, INC. ✓ has concerns that this will lead to “check the box” recruiting and tokenism
✓ wants to help banks comply in a way that enhances performance

1. Nasdaq's "Board Diversity Rule" was approved by the SEC on August 6, 2021; Per Nasdaq: there is a transition period based on the company's listing tier
2. Per Nasdaq: Including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+; Smaller Reporting Companies and Foreign Issuers can meet the diversity objective by including 2 female directors; All companies with <5 directors can meet the diversity objective by including 1 diverse director
3. Per Nasdaq: Annual reporting, starting August 2022

How to WIN: Women IN the Boardroom and C-Suite.

Bank On Women, Inc., a 501(c)(3) non profit, is dedicated to educating the community banking industry on the importance of adding qualified women to their Boards and C-suites, and to developing and promoting women leaders in community banking.

bankonwomen.org | [linkedin.com/in/bankonwomen](https://www.linkedin.com/in/bankonwomen)

APPENDIX

A Business Case for Change:

How to WIN: Women in the Boardroom and C-Suite

September 13, 2022

What is WinFin?

- WinFin is a new affinity group at the Firm for women attorneys interested in FinTech, which will strive to bring together women in FinTech, including attorneys, academics, bankers, entrepreneurs, lawmakers, regulators, and technologists.
- WinFin Mission Statement:

To connect, support, and elevate women in FinTech, both inside and outside of the Firm.





WinFin Vision Statement

- WinFin works to connect, support, and elevate women in FinTech, both inside and outside of the Firm



WinFin Internal Goals

- Raise the level of FinTech expertise among female attorneys at the Firm
- Increase originations for female attorneys at the Firm
- Elevate more women to partner and equity partner
- Showcase the talents and expertise of Nelson Mullins female attorneys inside and outside of the Firm
- Expand business development opportunities for the Firm's female attorneys



WinFin Internal Goals

- Promote cross-marketing and collaboration among different practice groups using FinTech as a bridge
- Encourage women from diverse practice groups to participate in FinTech work and business development
- Direct business opportunities and new matters in the FinTech space to the Firm's female attorneys, especially early in their careers so they are poised to become experts by the time they are elevated to partner

WinFin2022 Agenda

- Rule Breakers and Rule Makers - How Do We Navigate and Create Regulations for Innovation in Digital Assets
- Brick to Byte - How Traditional Financial Institutions are Adapting for the Digital World
- Lunch and Keynote
- Not So Binary: How Crypto and Blockchain are Changing the Market and the Financial Industry
- Venture Capital - Discussing the Interaction Between VC and FinTech From the Point of View of VC Funds, VC Banks, and Accelerators
- Fireside Chat
- Diversity as a Disruptor





WinFin2022 Photos





WinFin2022 Photos (Cont.)



Moving the Needle

Internal

- Increase in NM female attorney staffing of FinTech matters
- Broader participation in FinTech initiatives and educational offerings among NM female attorneys
- Additional funding for FinTech marketing opportunities involving NM female attorneys

External

- Uptick in NM female attorney thought leadership publication
- Enhanced visibility of NM and external female FinTech attorneys through speaking opportunities
- New/stronger relationships with external female FinTech thought leaders

Upcoming WinFin Events and Activities

- WinFin2023 (March 29, 2023)
 - Partnering with and hosted at Miami Dade College
 - Student hackathon or pitch competition
 - Panels featuring prominent FinTech thought leaders and Nelson Mullins female attorneys
- Educational opportunities
 - FinTech University series
 - Blog Posts & Articles
 - Speaking Engagements
- Conferences
 - Money2020, Bitcoin2023, etc.
- Other lunch-and-learns and events TBD

WinFin Leadership



Erin Kolmansberger (Miami)
Erin.Kolmansberger@nelsonmullins.com

Katie Baker (Boston)
Katherine.Baker@nelsonmullins.com

Rebecca Lester (Miami)
Rebecca.Lester@nelsonmullins.com

Megan Kilissanly (Miami)
Megan.Kilissanly@nelsonmullins.com



Presenter Biographies

KATHERINE BAKER

Katherine developed the gaming practice at the firm and represents businesses and individuals in a wide variety of complex civil litigation at the trial and appellate levels. A primary focus of her practice is assisting casino gaming, sports betting, and fantasy sports operators, vendors, and entrepreneurs to navigate the state and federal commercial and tribal gaming landscape, including leveraging FinTech solutions. Katherine co-founded the WinFin affinity group at the firm and writes and speaks on the intersection between gaming regulation and FinTech.

ERIN KOLMANSBERGER

Erin assists clients in regulatory and compliance issues, helping them respond to subpoenas and other alleged violations. She advises clients on their compliance obligations and legal risks in their business. She also helps clients plan and navigate internal investigations. In the financial sector, Erin assists clients in negotiating and drafting master service agreements between banks and FinTechs. Erin also co-founded the WinFin affinity group.

JENNIFER DOCHERTY

Jennifer has more than 20 years of experience as a senior banking and legal advisor, including structuring and executing over \$63 billion in capital raising for financial institutions since 2014, including over \$25 billion through more than 130 debt and equity transactions in 2020. She also works closely with management teams and boards of directors providing general strategic and industry advice.

Moderator Biography

RICHARD B. LEVIN

Richard is chair of the FinTech and Regulation Practice and was one of the first lawyers to focus on the regulation of blockchain and digital assets. He is considered a thought leader in the FinTech space. Richard brings his experience as a senior legal and compliance officer on Wall Street and in London to bear in advising clients on corporate, FinTech, securities, and regulatory issues. A problem-solver by nature, he has been advising FinTech clients on legal and regulatory issues since the start of electronic trading in the late 1990s. His practice focuses on helping financial services and technology clients identify and address regulatory issues as they build their businesses.

Richard's practice focuses on the representation of early stage and publicly traded companies in the FinTech space, including investment banks, broker-dealers, investment advisers, peer-to-peer lending platforms, digital currency trading platforms, alternative trading systems (ATSS), exchanges, and custodians. He represents these firms before the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission (CFTC), the Financial Industry Regulatory Authority (FINRA), the U.S. Department of the Treasury, Office of the Comptroller of the Currency (OCC), state regulators, and Congress. Richard has represented clients before regulators in Australia, Canada, France, Germany, Hong Kong, Ireland, Japan, Singapore, South Korea, and the United Kingdom. His current and past clients include leading national financial institutions, multinational financial services holding companies, leading firms in the FinTech space, and institutions engaging in global investment banking, investment management, securities, and other financial services with institutional clients.

Richard has been identified by Chambers and Partners as one of the leading lawyers in the Blockchain and Cryptocurrencies category since the inception of the category. He has been recognized by Chambers for his knowledge on regulatory matters, great relationships with regulators, for helping clients push the boundaries of the FinTech sector, and for his advice on matters such as broker-dealer licensing and alternative trading systems. Richard is routinely quoted by leading publications including Bloomberg, the New York Times, Reuters, and the Wall Street Journal and is a frequent speaker at conferences around the world on the regulation of FinTech, blockchain, and digital assets.



Contact Details

To learn more about our FinTech and Regulation practice, or to contact a member of our team, click [here](#) or visit our website at nelsonmullins.com.

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