

# FINTECH IN CHICAGO

A New Perspective on Chicago's Most Storied Industry

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# Executive Summary



The Finance and Insurance industry is one of Chicago's largest industry sectors, a result of not just a long history, but also an ability to continually innovate. It is through this lens of legacy and innovation that World Business Chicago's Research Center offers a new perspective on the Fintech ecosystem in Chicago.

The Research Center has examined how Chicago's Fintech ecosystem performs within each of World Business Chicago's economic development focus areas - access to capital, talent, and space. This issue of the Chicago Business Bulletin illustrates how Chicago's Fintech ecosystem has outperformed peer tech ecosystems and what opportunities exist to drive additional growth.

We look forward to your engagement on the topics presented here, and as World Business Chicago launches Fintech as the fifth industry area of focus, in addition to Manufacturing, Food & Agriculture, Life Sciences, and Transportation, Distribution, and Logistics.



Chicago's Finance and Insurance industry generates **\$53B annually** in output and **employs over 240,000 individuals**.



Chicago's Fintech ecosystem consists of **8 segments**, with over **300 companies** that raised **\$4.58B in growth capital** in 2021, an increase of 112% from 2020.



Chicago's Fintech ecosystem produced **3 unicorns**, **3 initial public offerings (IPO & SPAC)**, and **5 mega rounds (\$100M+)** in 2021



Chicago's talent pool of software developers and computer systems analysts grew by only **5,400 in 5 years**, dropping Chicago's ranking to **#9** in the US for this talent.



Only **25** of Chicago's Fintech companies are led by minority founders - representing **8% of Chicago's Fintech ecosystem**. These companies received **23% of all VC investment in Fintech**.



45% of Fintech companies are located along or near LaSalle Street, and surrounding blocks have seen **44% growth in resident population**, making the Loop home for many of Chicago's most educated residents.

# Fintech: Defined



## Chicago's Fintech ecosystem is closely linked to the metro area's Finance & Insurance industry.

From the beginning of our history, Chicago's strength has been a diverse economy. This diverse economy fostered the Finance and Insurance sectors and led to the establishment of the first private banks and exchanges, established almost 200 years ago in Chicago. Today, Chicago's diverse economy drives innovation and growth in the Fintech ecosystem.

### Finance & Insurance Firms Headquartered in Chicago

State Farm	CME Group	Transunion
Allstate	Country Financial	Discover Financial Services
Kemper	Arthur J. Gallagher	Northern Trust
Cboe	Morningstar	Citadel
		BMO Harris Bank

### Chicago's Finance & Insurance Industry

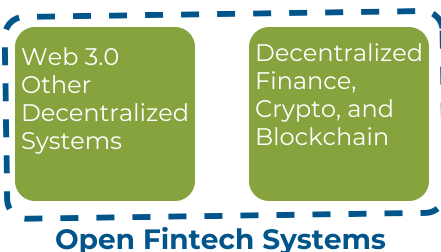
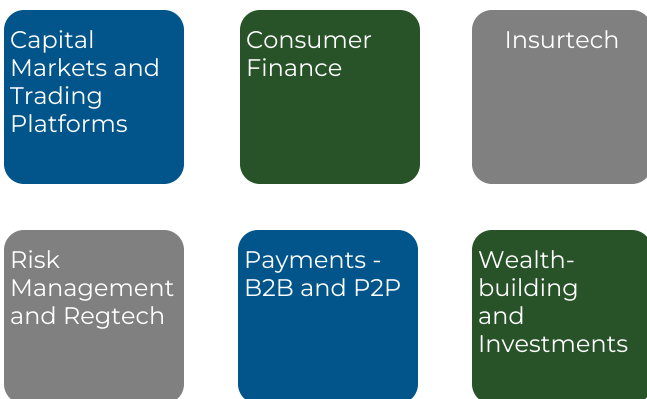
**13,800+**  
Companies in 2021

**247,000**  
Employment in 2021

**\$53B**  
Output in 2021, a record high for Chicago's sector

**2.29%**  
Growth in output from 2020

Fintech represents a broad variety of financial activity and often Fintech companies operate in more than one segment. The following eight categories reflect generally accepted Fintech segments, though The Research Center will adjust the segments as new information is collected.



Fintech has been hailed as a disrupter for the Finance industry, through integration of technology into every aspect of traditional financial products and services. **More recently, decentralized finance (DeFi) and Web 3.0 have emerged as the next frontier.**

Sources: Moody's Analytics, Bureau of Labor Statistics, and PitchBook Data, Inc.

\*Growth Capital includes investments from: Venture Capital, PE Growth/Expansion

# Chicago's Fintech Ecosystem



**Investment into Chicago's Fintech ecosystem more than doubled in 2021 to reach \$4.58B\* in 2021.**

In the first two months of 2022, investment in Chicago's Fintech companies has reached \$632.56M. This amount of growth within the Fintech ecosystem has pushed companies to rapidly expand operations, and many announced relocations to Chicago in 2021. We have included those raises in our totals for Chicago.

## 2021 Investments & Exits in Chicago Fintech Sub-Segments

	VC + PE Growth Investments	IPO/SPAC Capital Raised	M&A Deal Value
Payments	\$642.5M		\$161.10M
Capital Markets & Trading Platforms	\$435.37M	\$318.75M	
Investments and Wealth Tech	\$282.31M		
Banking and Consumer Finance	\$176.8M	\$233.00M	
Insurtech	\$448.93M	\$605.00M	
Risk Management and Regtech	\$22.35M		
Open Systems Fintech	\$2579.26M		

### Chicago's Fintech Ecosystem

**300+**

Companies in 2021

**\$4.58B\***

Growth Capital Invested in 2021

### Chicago Unicorns Created in 2021

- Amount
- Enfusion
- M1 Finance

**41,500**

Employment in 2021

**100%+**

Growth From 2020

Sources: PitchBook Data, Inc. and WBC Research Center

\*Capital includes investments from: Venture Capital, PE Growth/Expansion

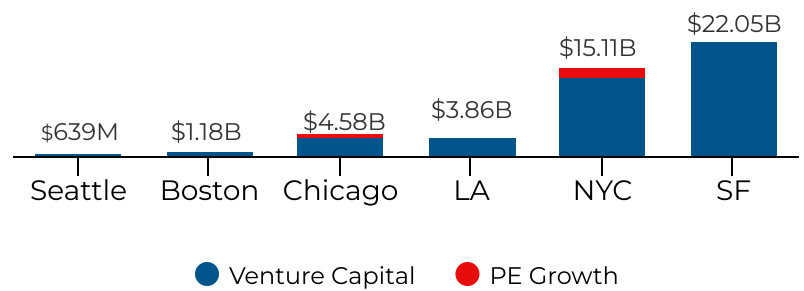


# Fintech outperforms in 2021

## 2021 was a record-breaking year for Fintech investments.

In 2021, CBInsights reports global investment in Fintech reached \$130B+ and Pitchbook reports that venture capital investment in US Fintech reached \$50B. Both globally and within the US, 2021 investments in Fintech more than doubled the investments from 2020. Chicago's Fintech Ecosystem saw record high of growth capital investments in 2021 of \$4.58B (VC, PE Growth, and IPO/SPAC) an increase of 112% from 2020 and 142% from 2017.

2021 VC & PE Investment



Overall trends in Chicago's Fintech ecosystem reflect global and US trends, though **Chicago's Fintech ecosystem performed better than peer cities.** Chicago's Fintech startups also made initial public offerings - through traditional IPO or SPAC - at higher rates and dollar amounts than peer cities.

	IPO	SPAC
Seattle	\$523M	\$0
Boston	\$904.86	\$276M
LA	\$343.2M	\$315M
Chicago	\$318.75M	\$838M
NYC	\$3.46B	\$1.36B
SF Bay	\$46.56B	\$3.57B

## Chicago's Fintech Startups



3

Fintech Companies Made Initial Public Offerings



3

Fintech Companies Became Unicorns



5

Fintech Companies Raised \$100M+

Sources: PitchBook Data, Inc. and WBC Research Center

# Fintech Talent



## Chicago has an opportunity to increase the talent pool for key Fintech occupations.

Chicago's Fintech ecosystem employs over 40,000 individuals. Most of those working within Fintech hold jobs in one of six occupations: software developers, computer systems analysts, financial and investment analysts, financial managers, market research analysts, and marketing managers.

A shared talent pool is another example of the symbiosis between Chicago's Fintech ecosystem and the broader Finance and Insurance industry. Chicago benefits from a higher than average talent pool of finance analysts, market research analysts and financial managers, driven by significant growth over the past 5 years.

### Top Occupations in Fintech

	2021 Employment	Chicago's National Rank	Growth from 2017	Concentration*
Software Developers and Computer Systems Analysts	65,914	#9	+7%	1.03
Financial/Investment Analysts and Financial Managers	53,850	#3	+11%	1.52
Market Research Analysts and Marketing Managers	49,447	#3	+23%	1.60

\*Concentration: 1.00 is equal to US average; below 1.00 is below the US average and above 1.00 is above the US average

## The Chicago metro area produces 8,000 students annually with computer science or related degrees and certificates.

While Chicago has the third largest Finance and Insurance sector in the US by employment, we lag behind other major metros in the attraction and production of talent in key Fintech occupations. Chicago's software developer and systems analyst talent pool grew by only ~5,400 in the past five years. Large metro areas, like LA, Seattle, and NYC attracted more software development and systems analyst talent than Chicago. Moreover, smaller metro areas like Dallas, Denver, and Phoenix were among the top ten metro areas for growth in those occupations. Chicago has an opportunity to increase attraction of tech talent by targeting regional talent pipelines: the Chicago region graduates nearly 8,000 students with computer science or related degrees or certificates each year.

Sources: Economic Modeling, LLC. and WBC Research Center analysis.

# Fintech Talent



## Hiring for key Fintech talent is competitive.

Hiring for software developers and similar positions is competitive in Chicago for all employers, who are only able to hire one software developer for every six positions listed as open and one computer systems analysts for every 3.5 positions listed as open. Other occupations within the Fintech ecosystem are much less competitive, with one person hired for every two to three positions listed as open.

### Software Developers

**10,824**  
Average Monthly Postings

**1,740**  
Average Monthly Hires

### Computer Systems Analysts

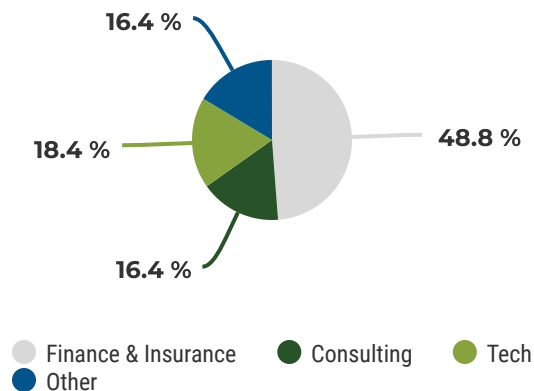
**2,222**  
Average Monthly Postings

**624**  
Average Monthly Hires

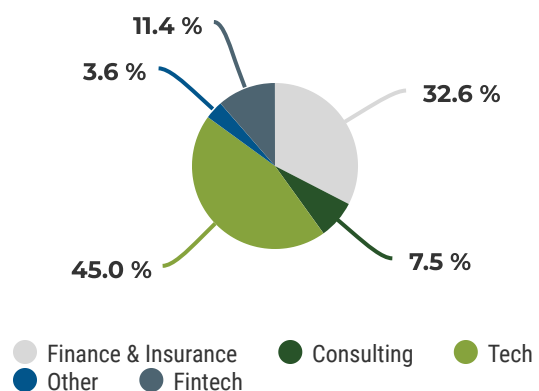
## Fintech is a gateway for talent transfer from Finance to the broader tech ecosystem.

Chicago's Fintech companies hired talent from Chicago's traditional finance and insurance companies, and from top consultant firms. When talent separated from Fintech firms, they tended to move on to other tech firms, and did not necessarily return to traditional financial or insurance firms.

### Top Previous Employers for Fintech Talent



### Top Employers for Talent Leaving Fintech



Sources: Economic Modeling, LLC. and WBC Research Center analysis.

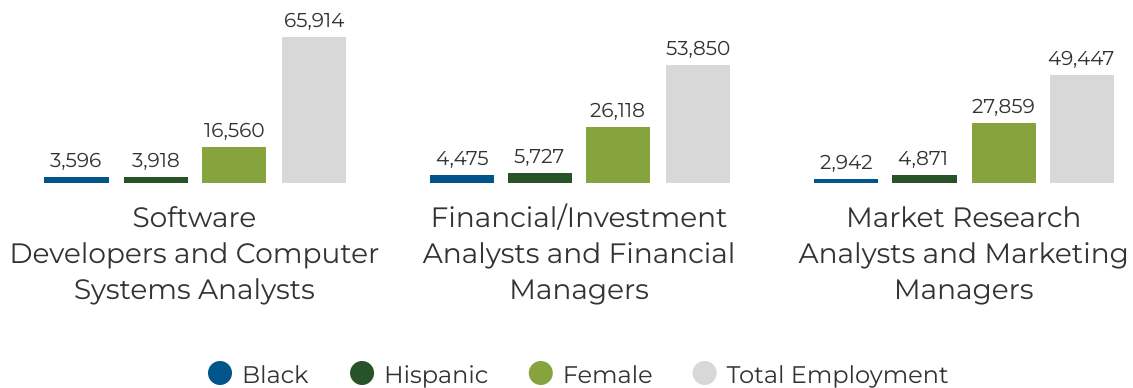


# Fintech Talent: Underrepresented yet overperforming

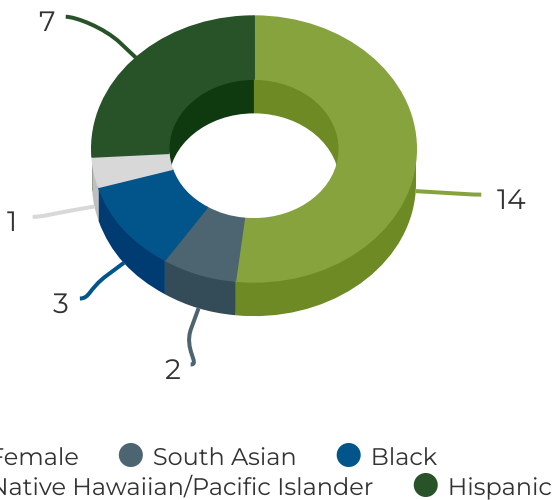


Representation matters and there is a responsibility in the Fintech ecosystem to set an example by closing the racial and gender employment gap.

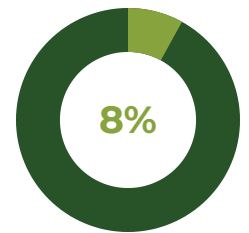
## 2021 Employment by Gender & Race for Key Occupations in Fintech



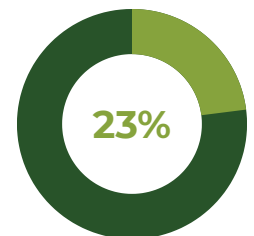
25 Fintech companies in Chicago report to Crunchbase they have founders or leaders who identify as Female, Black, Hispanic, South Asian, or Native Hawaiian or Pacific Islander.



Companies led by diverse Fintech founders represent only 8% of Chicago's Fintech ecosystem...



Yet they received 23% of all VC funding for Fintech companies in 2021.



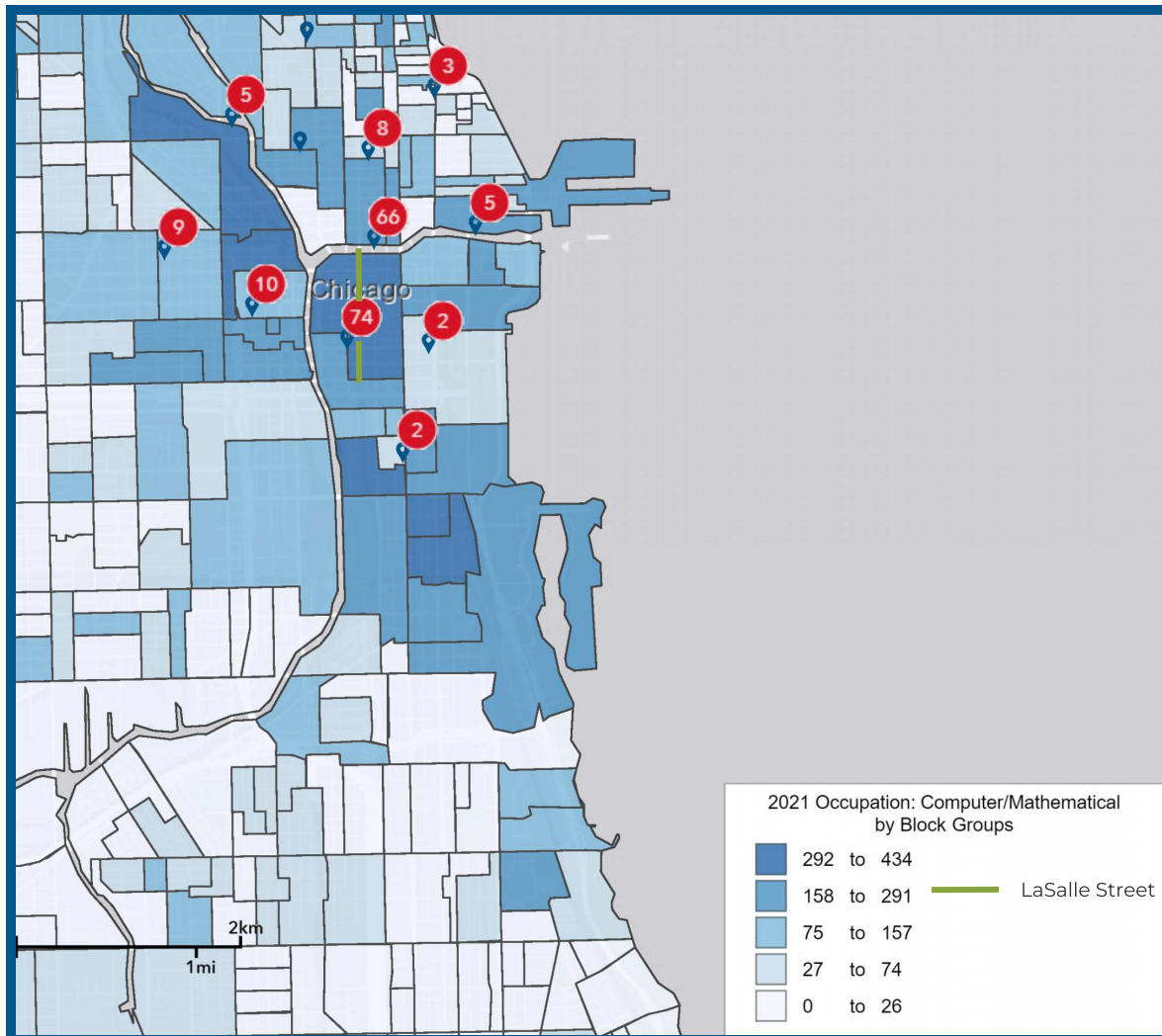
Sources: Economic Modeling, LLC, PitchBook Data, Inc., Crunchbase, and WBC Research Center analysis.

# Fintech's Center Point



**140 Fintech companies, representing over 45% of the Fintech ecosystem, are concentrated on LaSalle street, both South and North of the Chicago river.**

Office locations in the Loop give Fintech companies unique access to the area's residential talent pool. **Chicago's Loop population has grown 44% since 2010 and is now home to 42,298 people, 43% of whom have a graduate or professional degree.** Moreover, the blocks surrounding LaSalle Street are where many residents who work in Computer or Mathematical occupations live.



Sources: Economic Modeling, Inc., and Esri Arc GIS

# Findings



This issue of the Chicago Business Bulletin does not resolve the debate over whether Fintech has reached mature market status, has truly transformed the Finance and Insurance sectors, or is being overtaken by decentralized finance. Instead, this issue sets forth the landscape and dynamics of the Fintech ecosystem in Chicago, which is inextricably linked to the broader tech ecosystem and the longstanding Finance and Insurance sectors here.

## Conclusion & Findings

1

Fintech is a high growth tech sector. The Fintech ecosystem, the broader tech ecosystem, and the Finance & Insurance sectors all broke records in 2021: Chicago's tech ecosystem reached a high of \$7B in VC investments. Fintech in Chicago reached an all-time investment record of \$4.58B in growth capital investments, and the Finance and Insurance sector reached a record \$53B in output. Moreover, Chicago's Fintech ecosystem outperforms other top tech ecosystems like Boston, Seattle, and Los Angeles.

2

Chicago outperforms the national average for access to finance talent and is a leading market for finance talent. Chicago's Fintech talent pool benefits from the strength of this talent pool - nearly 50% of hires by leading Fintech companies are talent exiting Finance or Insurance firms. This talent does not necessarily return to the Finance or Insurance sector, but continues on to other tech companies, like Amazon or Microsoft. Fintech is a gateway for finance talent into the broader tech ecosystem.

3

Chicago's Fintech ecosystem has an opportunity to develop a racially diverse talent pool. Fintech companies led by under-represented founders outperform in Chicago - they lead only 8% of Fintech companies, but have raised 23% of all Fintech VC funding. Chicago has an opportunity to lead by example in efforts to increase economic opportunity for all.

4

Chicago must do more to retain new talent with technical skills. The greater Chicago region produces an annual average of 8,000 of program completions or graduates with software development skills, and yet has only been able to grow software development talent by 5,400 over the past five years.

5

LaSalle street is the office location for many Fintech companies, and the surrounding blocks in the Loop are home to the same talent pool Fintech companies need.

## About

World Business Chicago is Chicago's public-private economic development agency. Our mission is to drive inclusive economic growth and job creation, support business, and promote Chicago as a leading global city. Our vision is to ensure that all Chicagoans prosper.

Follow us on [LinkedIn](#), [Twitter](#), or our [website](#).

## Authors



**Robin Ficke**

Vice President, Research  
rficke@worldbusinesschicago.com



**Hannah Loftus**

Research Manager  
hloftus@worldbusinesschicago.com



**Justine Ingram**

Research Coordinator  
jingham@worldbusinesschicago.com

## Contact

Email us at [research@worldbusinesschicago.com](mailto:research@worldbusinesschicago.com).