

The Strategic Advantage:

How Precious Metals
can give Fintechs an
edge in the market



As the world of finance and technology continues to evolve at an exponential rate, fintech companies have emerged as key drivers of innovation and growth in the financial sector. These pioneering organisations have disrupted traditional banking systems and introduced groundbreaking solutions, transforming the way people access and manage their finances.

Precious Metals Untapped

One area of further potential growth and diversification that remains largely untapped by fintechs is the integration of precious metals into their existing business models. We'll examine the compelling reasons behind why this strategic move will fortify any fintechs revenue growth with a myriad of benefits.

Fintech firms stand to gain a competitive advantage by capitalising on the current market conditions and integrating precious metals into their business models. By leveraging this opportunity they can:

- Effectively diversify their product offerings.
- Bolster their financial resilience.
- Broaden their customer base.
- Diversify their revenue streams.

Such a move would not only serve as a testament to their innovation and adaptability, but also position them favourably in the ever-evolving landscape of the financial services industry.

The global precious metals market was valued at \$215.4 billion in 2020 and is expected to grow at a compound annual growth rate (CAGR) of 9.9% from 2021 to 2028

(Source: Grand View Research)

Let's take a closer look at:

1. The current landscape of the fintech industry

2. Benefits of integrating precious metals (including portfolio diversification, hedging against inflation, and fostering financial inclusion)

3. The role of precious metals in modern finance

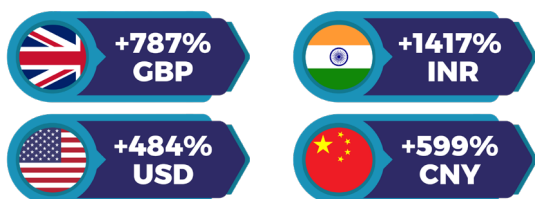
4. Technological and regulatory considerations that fintechs must navigate in order to effectively incorporate precious metals into their platforms.

History and Significance of Precious Metals as an Investment Asset

Precious metals, including gold, silver, platinum, and palladium, have been an important investment asset for centuries due to their intrinsic value, scarcity, and ability to serve as a hedge against economic uncertainty.

Gold, in particular, has been synonymous with wealth and financial stability for thousands of years. Its durability, fungibility, and resistance to corrosion have made it a preferred medium of exchange and a safe-haven asset during times of economic uncertainty. In modern finance, precious metals continue to play a vital role as an investment asset, offering a hedge against inflation, currency depreciation, and market volatility.

Over the last 30 years Gold value and prices have exponentially increased in every major currency



(Source: goldprice.org)

Global gold demand increased by +1,123% over the past 50 years, rising from around 425 tonnes in 1970 to approximately 4,345 tonnes in 2020.

(Source: World Gold Council)

The current landscape

Fintech companies are increasingly focused on creating new and more efficient ways for consumers and businesses to manage their finances, invest their money, and access credit. And in order to keep up with changing market dynamics and investor demands to remain relevant and competitive, the move towards integrating gold and other precious metals into fintech platforms is not only enhancing product offerings but also improving diversification of revenue streams and attracting new customer bases.

By incorporating precious metals, fintech companies can offer their customers a wider range of investment options, including safe-haven assets like gold that can serve as a hedge against market volatility and economic uncertainty. Additionally providing customers with greater access, flexibility, and control over their investments, further bolstering the financial resilience of their users.

Market Trends : Overview of Current Market Trends Driving Demand for Precious Metals in Fintech Investments

Several market trends are fuelling the demand for precious metals in fintech investments, as investors seek to capitalise on the unique properties of these assets to navigate the complex financial landscape. Some of these trends include:

Economic uncertainty and volatility: Global economic uncertainty, driven by factors such as trade tensions, geopolitical events, and the ongoing impacts of the COVID-19 pandemic, has led to increased market volatility. In response, investors are seeking out safe-haven assets like precious metals to protect their wealth and reduce portfolio risk.

During the global financial crisis of 2008-2009, demand for gold increased by around 30%, as investors sought a safe haven asset in the face of market volatility and economic uncertainty.

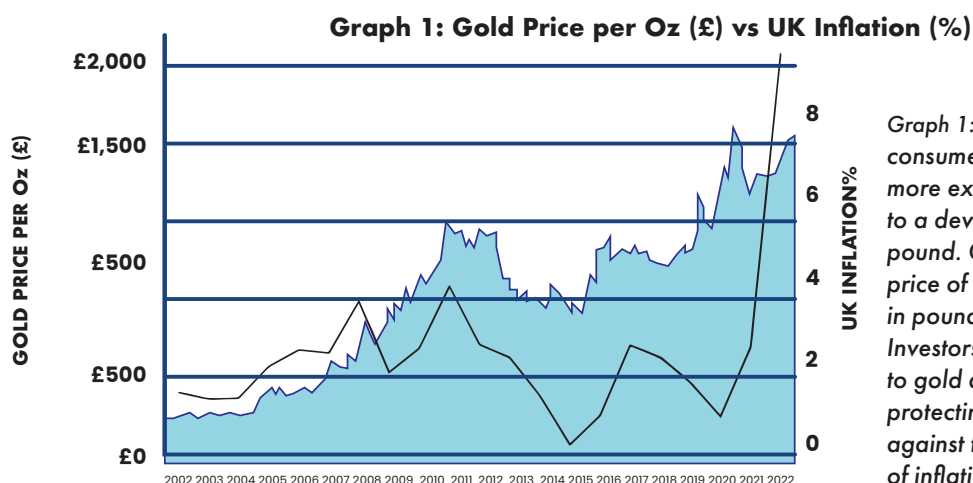
- World Gold Council

Inflation: As central banks worldwide continue to adopt expansionary monetary policies and maintain low interest rates, investors are increasingly concerned about the potential for rising inflation. Precious metals, particularly gold, have historically served as a hedge against inflation, making them attractive investment options in such an environment. (Graph 1: illustrates the correlation of inflation and rising gold prices).

Over the past 50 years, gold has significantly outperformed inflation in various countries, including the US and the UK. In the US, for example, the average annual inflation rate from 1970 to 2020 was around 3.8%, while the average annual return for gold during the same period was around 8.4%. This suggests that gold can be an effective tool for investors looking to protect their wealth against inflationary pressures.

- World Gold Council

Interest in alternative investments: Investors are increasingly looking to diversify their portfolios beyond traditional assets like stocks and bonds. The integration of precious metals into fintech platforms allows investors to easily access alternative investments that can provide uncorrelated returns and enhance overall portfolio performance.



Graph 1: As inflation rises, consumer goods become more expensive, leading to a devaluation of the pound. Consequently, the price of gold denominated in pounds also increases. Investors frequently turn to gold as a means of protecting their assets against the adverse effects of inflation.

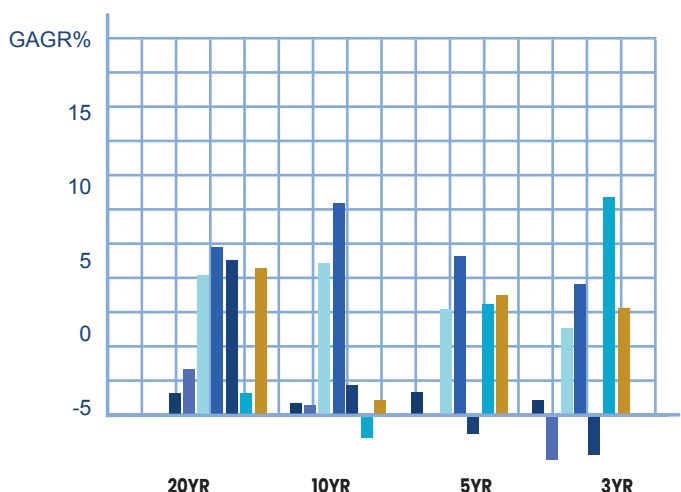
* between - 2002-2022 Source: goldprice.org and ONS.gov.uk Inflation and prices indices

“Most wealth fund managers and credible financial advisors will advise investors to allocate between 5% and 10% of their portfolio to gold as a hedge against inflation and currency devaluation. This strategy is based on gold’s historical performance as a safe haven asset, offering investors a store of value during times of economic uncertainty. By incorporating gold into their portfolios, investors can diversify their holding and help reduce overall portfolio risk.”

- Shahid Munir - Co-founder of Minted Connect

Portfolio diversification is a crucial strategy for mitigating risk and enhancing long-term investment performance. By allocating assets across a variety of investment classes, investors can reduce the impact of market fluctuations and create a more balanced and resilient portfolio. Precious metals, with their unique properties and historical stability, can play a valuable role in this strategy.

Graph 2: Gold has shown impressive performance over the past 3, 5, 10, and 20 years, even in the face of strong performance by risky assets*. (US illustrated below)



- US Cash
- US Treasuries
- EM Stocks
- Commodities
- Global Stocks
- US stocks
- Gold

Annualised return over the past 3, 5, 10 and 20 years Returns from 31 December 2002 to 31 December 2022 Source: Bloomberg, ICE Benchmark Administration and World Gold Council

In a survey of over 200 financial advisors conducted by the Financial Planning Association and the Journal of Financial Planning, 79% of respondents said they recommended gold as a diversification tool to their clients.

Technological advancements:

Innovations in blockchain technology and the growing popularity of digital currencies have spurred interest in tokenized precious metals, which enable investors to gain exposure to these assets through fractional ownership and seamless trading on digital platforms.

Increased transparency, efficiency, security, and traceability

Leveraging blockchain tech for precious metals:

The use of blockchain technology can provide increased transparency and security in the trading and storage of precious metals, which can be particularly attractive to investors seeking a more decentralised and trustworthy investment environment. By leveraging the benefits of blockchain technology, fintech companies can provide investors with greater access, flexibility, and control over their precious metal investments.

The use of blockchain technology in the precious metals industry is projected to grow significantly in the coming years. According to a report by MarketsandMarkets, the global blockchain market in the precious metals industry is expected to grow from \$325 million in 2020 to \$1.7 billion by 2025, at a compound annual growth rate (CAGR) of 39.7% during the forecast period.



Gold's rising prominence

Accessibility to the market: The introduction of gold-backed exchange-traded funds (ETFs) in 2003 has made it easier for investors to access the gold market, reducing costs and increasing efficiency.

Emerging market growth: Growing emerging markets like China and India have expanded the consumer and investor base in the gold market, recognising its investment potential.

Market uncertainty : Following the global financial crisis, investors have become more focused on risk management and have looked to uncorrelated assets like gold as a hedge against market volatility and uncertainty.

Devaluation of currency: Low interest rates have made gold an attractive option for investors seeking long-term returns, especially when compared to negative-yielding debt.

Rise in central bank demand for gold: Central banks' rising gold demand has spurred investor interest in its potential benefits, leading to increased portfolio diversification considerations.

Diversification: Gold counterbalances susceptible investments, exhibiting low or negative correlation with stocks and bonds, and offsets losses when their values decline.

How Fintechs are adapting to Market Trends and the Benefits to Investors

Easy access to precious metals: With platform's like **Minted Connect**, fintechs can have access to user-friendly interfaces that are low code plug and play offering streamlined onboarding process and quick time to market, allowing investors to easily gain exposure to precious metals with minimal friction.

Fractional ownership: By leveraging tokenization, fintechs enable investors to purchase fractional shares of precious metals, making these assets more accessible to a wider range of investors, regardless of their budget.

Diversification and risk management: By integrating precious metals into their investment offerings, fintechs empower investors to build more diverse and balanced portfolios, reducing their exposure to market volatility and enhancing long-term financial stability.

Innovative trading and investment options: Fintechs are pioneering new investment vehicles, such as tokenized precious metals, which provide investors with additional flexibility and liquidity. These innovations allow for more efficient price discovery and reduced transaction costs.

Enhanced security and transparency:

Fintech companies leverage advanced technologies, such as blockchain, to ensure the secure storage and transfer of precious metal investments. This also promotes transparency, as investors can easily track the provenance and ownership history of their assets.

Fintech companies are well-positioned to respond to the growing demand for precious metal investments by providing innovative, accessible, and secure solutions that cater to the evolving needs of modern investors. The integration of precious metals into fintech platforms not only enhances the value proposition of these companies but also empowers investors to build more resilient and diversified portfolios in an increasingly complex and uncertain financial landscape.

According to the EY Global FinTech Adoption Index 2019, the global adoption rate of fintech services reached 64%, a significant increase from 16% in 2015.

India has taken a lead in fintech inclusion, with an adoption rate of 87%—substantially higher than the world average of 64%.

The demand for growth of these fintech companies is clearly driven by customers desire for instant and user-friendly financial options.

Risks, Benefits, and the Role of Fintechs

Investing in precious metals presents both risks and benefits. While they offer stability and diversification, they can also be subject to price fluctuations, storage costs, and liquidity concerns. Fintech companies, with their innovative solutions, can help investors navigate these challenges by providing:

Access to a wide range of investment options, including physical metals, exchange-traded funds (ETFs), and tokenized metals.

Real-time market data and analytics to help investors make informed decisions.

Secure and cost-effective storage solutions, often leveraging blockchain technology.

Enhanced liquidity through easy-to-use trading platforms and fractional ownership options.

Regulatory Considerations: Regulatory Landscape and Fintechs' Approach

The regulatory landscape for precious metal investments varies across jurisdictions and can be complex. Fintech companies must navigate a myriad of regulations, including anti-money laundering (AML), know your customer (KYC) requirements, and tax implications. To address these challenges, fintechs are:

- Partnering with established financial institutions and precious metal custodians to ensure compliance with applicable regulations. (Like Minted Connect)
- Implementing robust AML and KYC processes within their platforms to prevent illicit activities and maintain customer trust.
- Educating customers about tax implications and reporting requirements related to precious metal investments.

Risks and Pitfalls of Investing in Precious Metals through Fintech Platforms

Despite the advantages offered by fintechs, investors should be aware of potential risks and pitfalls, such as:

Platform security: Investors must ensure that the fintech platform they choose employs robust security measures to protect their assets and personal information.

Regulatory risk: Investors should be aware of the regulatory requirements in their jurisdiction and ensure the fintech platform complies with these rules.

Counterparty risk: When investing in tokenized or digital precious metals, investors should consider the credibility and financial stability of the issuer or custodian.

The regulatory landscape for precious metal investments varies across jurisdictions, with some countries having more stringent regulations than others. For example, in the United States, precious metal dealers must register with the Financial Crimes Enforcement Network (FinCEN) and comply with AML and KYC regulations. (Source: U.S. Mint)



Integrating precious metals into fintech platforms presents a compelling opportunity for both fintech companies and investors. By embracing this integration, fintechs can enhance their product offerings, diversify revenue streams, attract new customers, and bolster users' financial resilience. The addition of precious metals to fintech investment platforms promotes portfolio diversification, offers a hedge against economic uncertainties, and democratises access to historically valuable assets.

To capitalise on this opportunity, fintech companies should:

- Develop partnerships with established precious metal providers and custodians like **Minted Connect**.
- Implement secure and compliant platforms that adhere to regulatory requirements.
- Offer a wide range of investment options and educational resources to empower investors.

For investors looking to explore precious metal investments, it is essential to:

- Choose a reputable fintech platform with robust security measures and regulatory compliance.
- Understand the risks and benefits associated with investing in precious metals.
- Leverage fintech tools and analytics to make informed investment decisions and create a well-diversified portfolio.

About Minted Connect

A cutting-edge precious metals platform at the forefront of the precious metals industry.

Our API driven platform offers a range of financial products to include physical bullion, including physical gold and silver bullion, spot metal trading, listed gold ETCs, and listed gold, silver, and platinum tokens.

We can guarantee speed to market, global reach, and multiple currency options, we provide our clients with unparalleled access to the precious metals market. Through our partnerships with approved refineries and dealers around the world, we offer the best trade rates and secure storage solutions.

Discover a new era of precious metals investing with Minted Connect. Contact us to see how we can plug and play our platform into your systems in a matter of days so you can reap the benefits of a new and diversified revenue stream.

Contact us on:

partnerships@mintedconnect.com
www.theminted.com/mintedconnect

