



Financial Services Tax

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Fintech’s shift to institution-grade operating models brings complex tax and transfer pricing challenges. Value now lies not only in technology but in critical people functions, regulatory licenses, and strategic capital and liquidity management. This publication will help CFOs, Heads of Tax, and COOs understand where fintech value is truly created, align tax strategies with economic substance, and navigate evolving regulatory expectations.

Over the coming months, we’ll provide timely insights to help you manage tax and transfer pricing risks and opportunities as fintech continues to mature.

Value creation in Fintech – A tax and TP lens

Fintech has long been a laboratory for innovation, with new entrants reimagining the “plumbing” of money movement, credit, custody, and markets. When done well, the reinvention can unlock new revenue, reduce frictional costs, and expand financial inclusion.



Fintech is a portfolio of business models rather than a single sector: payments, banking and payments platforms, and digital asset companies like trading venues, custody and wallet infrastructure, token issuance, and payments and stablecoin rails. In recent years, the industry has seen a change in trajectory from “product-first” innovation to “institution-grade” operating models. In payments, scaling has long required scheme access and bank partnerships, underpinned by robust payment processing technology and settlement capabilities. Digital assets are now moving

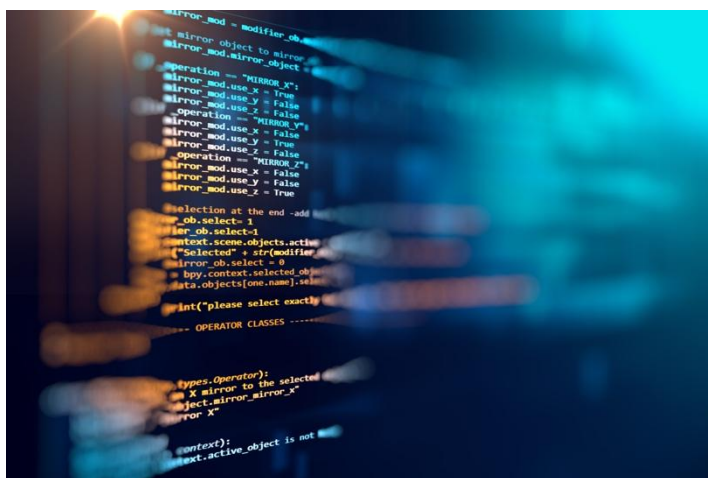
through a similar maturation curve, accelerated by the emergence of clearer licensing expectations in major markets (e.g., NYDFS, FinCEN, plus others in the United States, MiCA in EU, MAS in Singapore). As regulatory expectations harden, along with stricter capital and safeguarding requirements, enterprise value is increasingly driven by a combined asset base: (1) proprietary software technology (often built on open-source foundations), (2) high-value people functions blending banking/risk expertise with cutting-edge engineering expertise, (3) established regulatory licenses and the compliance infrastructure behind them, (4) capital and liquidity capacity to support settlement, custody, and market risk, and (5) access to reliable liquidity provision (in-house or via strategically managed counterparties). For CFOs, Heads of Tax, and COOs, the strategic question is no longer “where do we house IP?” but “where does value creation truly sit in our operating model, and can we evidence it under regulatory and tax scrutiny?”

Technology remains the most visible value driver, but it is rarely “one thing,” and it is often not purely proprietary. For example, some digital asset platforms are built on open-source building blocks and standardized protocols. Technology differentiation comes from proprietary layers that translate open-source foundations into regulated, revenue-generating services. A practical way to frame the stack is in the form of layers: a base protocol layer (public chains and core ledger technology), scaling and efficiency components, functional application layers (like trading, custody, tokenization), and access/client layers (wallets, portals, user experience). In this model, IP typically resides less in the open-source core, and more in the technology wrapped around it like the security architecture, transaction monitoring, risk engines, and incident response tools. In payments, the pattern is similar: the rails are not always owned, and durable advantage emerges in orchestration (smart routing, authorization uplift, fraud models, dispute and chargeback automation) and operational resilience. Strategically, more mature fintechs treat the stack as a regulated product that is engineered to be auditable and explainable, not just innovative. From a transfer pricing perspective, the key is to align profit attribution with where value sits in the stack (e.g., decision-making and risk control around the proprietary layers) rather than assuming returns follow the open-source core or commodity stack components.



People functions are the second source of value because they operationalize both technology and regulation. In mature fintechs, the high-value roles sit at the intersection of decision-making authority, risk control, and the ability to change the technology platform safely. This typically includes product / platform leadership; security and reliability engineering; treasury and liquidity management; financial fraud; market surveillance; and compliance and regulatory affairs. These functions are sometimes concentrated in one primary jurisdiction (or a small number of hubs) to facilitate execution speed and clear accountability. While this approach strengthens governance, it concentrates “where value is created” in ways that matter for tax, transfer pricing, and regulatory substance: jurisdictional nexus. For business leaders, the test is whether critical decisions and controls are truly located where they are expected to be under existing transfer pricing paradigms, and whether that is consistently evidenced in governance routines, system access, incident ownership, model approvals, and change management.

In fintech, capital and liquidity are strategic capabilities, not just balance-sheet requirements. In payments, capital underpins the ability to scale, including meeting capital requirements, supporting settlement timing gaps, backing reserves / collateral for fraud losses, and strengthening partner confidence. In digital assets, capital and liquidity are important for stablecoins reserve models, market making, and in some instances, for custody, particularly as regulators focus on safeguarding and risk management. Liquidity, in turn, is both a treasury discipline and a commercial differentiator, from managing intraday funding and collateral to maintaining reliable fiat and crypto rails. As firms scale, “liquidity” becomes an operating model choice: build in-house capability (with the necessary controls and capital) or use external providers. Either way, it becomes a core contributor to enterprise value and risk profile, and firms must examine where it is strategically housed.



Regulatory licenses are important in their own way, but only when paired with the operating infrastructure to obtain, use, and maintain them. A license can unlock access to payment schemes, custody permissions, or the ability to passport services (e.g., within the EU under MiCA). Yet regulators and institutional counterparties increasingly look through the license to the control environment: governance, segregation of duties, risk management, and

“mind and management” substance, among others. In other words, the defensible intangible is not the certificate on the wall. It is the compliance, control, and reporting capabilities that allow for predictable and well-managed execution risk. For CFO/COO audiences, licensing strategy is therefore inseparable from target operating model design and execution.

These same value drivers also create important tax and transfer pricing considerations, particularly as fintech operating models mature under increasing regulatory scrutiny. Technology built on open-source foundations raises recurring questions around what is truly proprietary, who controls it, and where returns should sit across the group. At the same time, the concentration of critical people functions, governance, and risk management in specific jurisdictions sharpens the focus on where DEMPE activities are performed and where economically significant risks are controlled. Capital and liquidity add another layer of complexity, particularly as funding, reserve management, and liquidity provision become central to both enterprise value and regulatory expectations. The practical implication is that tax and transfer pricing can no longer operate as a downstream compliance exercise. More mature fintech groups increasingly align legal entity structures, governance, intercompany arrangements, and regulatory strategy from the outset, in determining whether profit allocation is consistent with operational reality and regulatory substance. In a more institutional and regulated fintech environment, coherence across strategy, regulation, and tax is itself becoming a source of resilience and differentiation.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Solicitation



Coming next:

Regulatory Capital in Fintech: How It Creates Value and How to Price It