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Editor's note

With the Christmas and New Year holidays now behind us and everyone back to the work mode, let's make 2019 a year of taking fintech to new heights!

Despite the Brexit turbulence, London and the UK continue to dominate the European fintech hotspots – in H1 last year alone, the country's fintech industry attracted over $16 billion investment, according to KPMG, more than any other country.

Furthermore, over half of the total fintech investment into Europe ($26 billion) was done into UK firms, including four of the region's top ten deals. Revolut raised $250 million, eToro – $100 million, Flender – $60 million, and MoneyFarm – $54 million. And, of course, Vantiv's acquisition of WorldPay for $12.9 billion contributed significantly to the UK's leadership position. In comparison, US firms attracted a combined investment of $14 billion in the same period.

This year, too, started with a bang for the UK, with alternative investment app Nutmeg raising $59 million (and looking east towards Hong Kong for expansion), and invoice and lending specialist MarketInvoice – $73 million (see p10). Meanwhile, Visa and Mastercard are battling it out for UK paytech Earthport, with the latest offer by Mastercard at $305 million (see p11). Oh, and Snoop Dogg invested in Swedish paytech Klarna (see p4).

But Europe's results are notable as well: Germany-based challenger bank N26 has raised $300 million to expand to the US (see p16), while Ireland-based Payzone is a $114 acquisition target of First Data and Allied Irish Banks (AIB).

However, these impressive figures have been dwarfed by a $22 billion takeover of the aforementioned First Data by Fiserv in the US. A giant will roam the global banking and payment technology lands (see p9).

Perhaps "may you live in interesting times" is not a curse after all…**bt**

Tanya Andreasyan
Editor-in-Chief
Banking Technology

Plaid buys fintech rival Quovo for $200m

San Francisco-based fintech app provider Plaid has made its first major acquisition with the purchase of competitor Quovo for $200 million.

Plaid hasn't got public on the price, but a source familiar with the deal spoke with CNBC to spill the financial beans.

The rest of the details are freely available, and Plaid reckons the acquisition will make it easier for developers to build products that incorporate investment and brokerage data.

New York-based Quovo offers investment, insurance, and loan account coverage. Its platform is used by such firms as Betterment, Wealthfront and SoFi, as well as wealthtech ones like Stifel, Vanguard, Empower Retirement, and John Hancock.

Some of Plaid's users include cryptocurrency exchange Coinbase, robo-advisors Betterment and Wealthfront (same as Quovo), trading app Robinhood and PayPal's digital wallet Venmo.

Plaid plans to build a single platform to let users "build any financial application – from payments to lending to wealth management".

This deal follows on from December when Plaid enjoyed a $250 million Series C funding round. With that investment the start-up was valued at an impressive $2.65 billion.

Back in October 2018 it linked up with JP Morgan Chase to help the bank make a move toward open banking by enabling account holders to share their financial data with third-party fintech applications.

Prior to that, in May 2018 it expanded to Canada as its first international market.

The firm was founded in 2013 and has got the backing of some big names. These include Goldman Sachs, Amex, Citi and Google Ventures. About two years ago it got a handy $44 million in funding led by Goldman Sachs.

Antony Peyton

Snoop Dogg gets "smoooth" for Klarna

Klarna, a payment provider and bank, has brought rapper Snoop Dogg into the team to… bring "Smoooth" to the next level – yeah, with three "o"s.

Snoop Dogg will become Smoooth Dogg and the face of a major campaign called "Get Smoooth", as well as Snoop Dogg becoming a minor shareholder in Klarna.

The campaign aims to remove friction from the world of pay later payments. Thus, it has recruited "arguably the smoothest man alive, on his journey to become even smoother". You couldn't make this up. "From smooth to smoooth", the campaign says.

For Snoop Dogg, this is part of his European investment strategy.

"I've been looking for an opportunity to expand my tech investment portfolio to Europe and seeing the way Klarna operates and how they challenge the status quo, I think it's a match made in heaven. I'm very excited about this partnership," says Snoop Dogg.

Snoop Dogg will acquire the shares from an existing Klarna shareholder. Klarna's CEO Sebastian Siemiatkowski confirmed the partnership on Twitter.

"Snoop is not only a rap legend, but also a successful businessman, with a genuine interest in tech, retail and e-commerce. He has a great understanding of consumer behaviour and is exceptional when it comes to branding and marketing," Siemiatkowski continues.

For context, this man once said in a song: "I love you so, how much you'll never know. Cause you took your dope away from me."

Following the Get Smoooth campaign, Snoop Dogg and Klarna will announce a range of unique items enabling anyone to "Get Smoooth".

Henry Vilar

Coventry Building Society chucks out Accenture from core banking project

The UK's Coventry Building Society has decided to drop Accenture from its core banking project.

As reported in June 2018, the society chose Temenos' T24 system for a digital revamp. That followed on from 2016, when Coventry BS embarked on a tech modernisation project and was looking for the new system.

Accenture was selected as implementation partner for the T24 project. Although another consultancy, Cognizant, helped with system selection.

Banking Technology contacted the building society and it responded on the same day: "We're currently reviewing the programme to ensure we deliver the right outcome for the society and its members. Product suppliers, Temenos and Iress, are engaged in this review but it's not necessary for Accenture, in their role as systems integrator, to be involved at this stage."

We also contacted Accenture but it did not respond.

The society is the third largest in the UK, with total assets of more than £34.1 billion and 1.4 million members. Coventry BS is a long-standing user of the Mortgage and Savings Suite (MSS) from Sopra Banking Software for its core processing; and FIS/Sungard's Ambit Treasury Management/Quantum system for treasury operations, *Banking Technology* understands.

Antony Peyton

Emirates NBD upgrades payments system with TCS

Emirates NBD has picked Tata Consultancy Services' TCS Bancs for Payments as its core processing platform to standardise and streamline payments operations across India, Egypt, Saudi Arabia, Singapore, UK and its home market, the United Arab Emirates.

"We found TCS Bancs to be a future-ready solution that best supports our transformation goals – to standardise the core payments processes across our different markets, to simplify our IT payments landscape, to support the launch of innovative payments products and enhance the digital experience for our customers," says Abdulla Qassem, group chief operating officer, Emirates NBD.

The payments solution includes order management and clearing and settlement, according to TCS.

TCS Bancs provides direct debit and credit transfers, including domestic and international variations, on a single platform. It is certified with the Swift-ready label for the payments market and the Swift gpi-ready label.

The solution is designed on ISO 20022-based data and process models, and includes real-time payments and open APIs.

The deal is interesting as Emirates NBD is a major user of Infosys Finacle. For its underlying technology, the bank uses the Finacle core system at home and across its international locations.

In addition, the group also has an Islamic banking subsidiary, Emirates Islamic Bank, which went live on Finacle on 2016, *Banking Technology* understands. This was the first Islamic site for the Infosys core platform.

But Emirates NBD didn't turn to Finacle's own payments tech. Meanwhile, Qatar National Bank (QNB) implemented the Finacle Payments Hub as part of its digital transformation strategy (see p6).

In other news, MUFG Bank, one of Japan's largest financial institutions, also selected TCS Bancs for its payments operations.

Henry Vilar

South Korea all clear for fintech sandbox

South Korea is set to unleash a financial regulatory sandbox this April as it urges the nation's sector onwards and upwards.

Choi JongKu, chairman of the Financial Services Commission (FSC), reckons this year will be an "opportune time" for its fintech industry to take a step forward, as the groundwork for regulatory, budgetary and institutional support has been set out.

He adds: "The FSC will spare no effort to support fintech companies to come with globally competitive services and spread fintech innovation across the financial sector."

The sandbox will let firms test their services with regulatory exemptions for a certain (but unspecified) period of time. Preliminary applications for participation opened at the end of January.

The FSC will provide KRW 4 billion ($3.5 million) to support the programme.

The idea is to remove regulatory uncertainty that restricts financial companies from investing in fintech companies.

In principle, financial companies are prohibited from investing in non-financial companies, except ones closely related to financial services.

Currently, financial companies are allowed to invest in fintech companies, based on the FSC's legal interpretation that fintech falls into a category of businesses closely related to financial services.

To help investment in fintech, the FSC says it will amend relevant regulations for clarification on the scope of business in which financial companies are allowed to invest.

It will overhaul formal and informal regulations that hinder fintech innovation. Currently, more than 200 regulations are under review for regulatory reforms. The result of these reviews will be announced in the first quarter of 2019.

The FSC will also hold a weekly meeting with businesses to gather their suggestions and opinions.

Antony Peyton

Tide rides with ClearBank on UK SME banking market hunt

SME bank Tide has teamed up with the UK's newest clearing bank, ClearBank, as they look for big action amongst small businesses.

With Tide's support, ClearBank has applied for a grant from Pool A of the Capability and Innovation Fund that forms part of the £775 million RBS Alternative Remedies Package, a government-backed competition.

Tide will provide the customer facing side and its digital banking platform, while ClearBank brings its payments infrastructure as they seek to be a "genuine alternative to the high street banks".

Oliver Prill, CEO of Tide, says: "The RBS Alternative Remedies Package is a golden opportunity to inject competition and innovation into the business banking market. Banks have traditionally viewed serving SMEs as a marginal and low-revenue activity, which is why they have terrible customer satisfaction ratings."

If the bid is successful, the funds will be used for a variety of plans.

One is to improve the "perceived difficulties" for SMEs to open a new business current account (BCA). Tide reckons opening a BCA is typically a "lengthy and cumbersome process, fraught with the danger of things going wrong and payments being missed".

It says 4% of SMEs switched their business current accounts in the last year, and 0.4% used the "little-known" Current Account Switching Service (CASS) to do so.

Another is what Tide thinks is a "low awareness of alternative offerings to the high street banks". It may want to consider advertising.

Anyway, according to Tide, in less than two years, it has gone from zero customers to a 1% market share of the UK's 5.6 million SMEs, with a new business signing up every eight minutes.

Banking Technology understands that ClearBank has onboarded around 20 clients. Known clients are Ecology Building Society, Allpay and Transactive Systems.

Antony Peyton

OCC fights for US fintech charter in court

The US Office of the Comptroller of the Currency (OCC) wants to dismiss the lawsuit that opposes its decision to create a special purpose charter for fintechs.

As reported in September 2018, the Conference of State Bank Supervisors (CSBS) said it will renew its litigation efforts against the OCC concerning the charter.

That followed on from the OCC accepting applications for national bank charters from non-depository fintech firms.

Back in April 2018, John W. Ryan, CSBS president and CEO, said: "The OCC's action is an unprecedented, unlawful expansion of the chartering authority given to it by Congress for national banks. If Congress had intended it to be used for another purpose, it would have explicitly authorised the OCC to do so."

He added: "If the OCC is allowed to proceed with the creation of a special purpose nonbank charter, it will set a dangerous precedent that any federal agency can act beyond the legal limits of its authority. We are confident that we will prevail on the merits."

In the latest round of fighting, the OCC wants to dismiss this CSBS action "for lack of jurisdiction and for failure to state a claim upon which relief can be granted under Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure".

In the 110-page civil action it gets complex. But the main part is that the OCC argues that CSBS "for the second straight year" has "acted prematurely and has once again filed a lawsuit that should be dismissed due to lack of standing pursuant to Federal Rule of Civil Procedure 12(b)(1)".

At the present time, the OCC says it has not approved any application for this "Special Purpose National Bank Charter" or "SPNB Charter", the "regulatory milestone that the court held must first be reached before CSBS has standing to sue".

As mentioned above, Ryan reckons OCC was going beyond its authority. The OCC says it is allowed to use "new ways" to conduct "the very old business of banking".

The OCC wants the US District Court to see that its "longstanding special purpose bank chartering regulation" is a "reasonable construction of the National Bank Act that is entitled to Chevron deference".

The latter is a reference to a landmark case in 1984 – and means agencies can interpret laws, instead of judges.

The battle is not over.

Antony Peyton

QNB revamps payments systems with Infosys Finacle

Qatar National Bank (QNB) has implemented Infosys' Finacle Payments Hub for a major revamp.

QNB operates across more than 31 countries in Africa, Asia and Europe, and is consolidating its payment engines with this unified enterprise payments hub – allowing real-time payments and scalability.

Venkatramana Gosavi, SVP and global head of sales, Infosys Finacle, says: "The payments space is undergoing a massive shift globally, with new industry initiatives, non-traditional competition, and technology developments. Many institutions, with their legacy applications and payment process siloes, are finding it a challenge to effectively sail through these shifts."

Finacle is part of EdgeVerve Systems, a subsidiary of Infosys, and its hub enables the bank to consolidate local payment systems QIPS, and QATCH in Qatar into a single platform.

In subsequent phases, the bank's foreign operations are also being on-boarded and integrated with the hub.

The hub, based on ISO 20022, supports existing Swift MT formats and delivers interoperability across various global and local payment networks. It also provides clearing services and supports multiple payment instruments.

Henry Vilar

MUFG launches new $185m fintech fund

MUFG has established MUFG Innovation Partners (MUIP), a JPY 20 billion ($185 million) fund to accelerate open innovation and partnerships with fintech start-ups.

MUIP will manage corporate venture capital funds of MUFG, as the bank believes that the financial services industry is being transformed by fintech start-ups that have scaled up rapidly and have raised substantial amounts of capital from financial and non-financial institutions.

The bank believes that, unlike previous smaller investments by its different entities, a larger, collaborative and more sophisticated framework for strategic investments is needed to adapt itself to rapid marketplace changes and enhance open innovation.

MUIP says it will promote investments in start-ups and business "synergies" between MUFG and such start-ups. Around 30% to 40% of the investment funds will go toward Japanese start-ups, according to the firm.

MUIP will take advantage of "The Investment Specialised Subsidiary" status under the Japanese Banking Act, which allows MUIP to acquire more than 5% ownerships of investees under certain conditions.

Henry Vilar

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Citi tests out TCS Bancs for core system revamp

Citi has chosen the TCS Bancs core platform for an overhaul of its consumer banking systems, it is believed.

At the first stage, the bank is testing the platform in Singapore, *Banking Technology* understands. If that goes well, the next step will be Banamex, Citi's subsidiary in Mexico. Then, if all that goes well, the system will be rolled out to the rest of Citi around the world.

Banking Technology contacted Citi and TCS for more details. Both declined to comment.

On the corporate side, Citi runs Flexcube for its international operations (i.e. global transaction banking).

Flexcube actually originated from Citi, a long time ago. I-flex was incubated in Citigroup in India, and Oracle then acquired a 41% stake in i-flex for $593 million in August 2005.

After a few more nibbles, Oracle increased its stake in i-flex to around 83% in 2017. A year later, Oracle changed the name of the company to Oracle Financial Services.

Antony Peyton

Fiserv to acquire First Data for $22bn

A giant will roam the fintech land as Fiserv will acquire First Data in an all-stock transaction of $22 billion.

With the combined power, Fiserv will be able to offer a range of payments and financial services, including account processing and digital banking solutions; card issuer processing and network services; e-commerce; integrated payments; and the Clover cloud-based point-of-sale solution.

Jeffery Yabuki, president and CEO of Fiserv, says: "We admire First Data for its excellence in merchant acquiring and global issuing services, and the tremendous progress they have made under Frank's [Bisignano, CEO] leadership."

Some deals from last year for First Data include Ellie Mae, Mastercard and SIA.

As an example of how they will link up, Fiserv says First Data's digital merchant account enrollment capabilities can be integrated into its digital banking solutions.

The new entity expects to invest an incremental $500 million over five years. Fiserv reckons growth will come from areas such as bank merchant services and Clover, credit processing, and additional biller services.

The programme, when up and running, will focus on a series of new and existing technologies, including merchant solutions, digital enablement, risk management, and data-focused solutions.

The new company expects to generate free cash flow exceeding $4 billion in the third year following close, and generate $900 million of run-rate cost savings, "driven primarily by the elimination of duplicative corporate structures". The latter of course means job cuts. Firms always say it so coldly.

Fiserv intends to refinance the $17 billion of debt that First Data is expected to have at the time of closing, and has entered into a committed bridge financing arrangement in connection with the transaction.

Yabuki will serve as CEO and chairman of the board of directors of the combined company. Bisignano will assume the role of president and chief operating officer, and will serve as director of the board of the combined company.

The transaction, to close during the second half of 2019, is subject to customary closing conditions and regulatory approvals, including the approval of shareholders of both companies. The transaction is not subject to any financing conditions.

Antony Peyton

Spanish neobank Bnc10 readies for launch

Bnc10 is a new digital bank gearing for launch in Spain, and has just made its waiting list available.

The Barcelona-based bank was founded by Jordi Dominguez, now CEO; William McCahey, COO; and David Montanyà, pathfinder. Tito Español Gamón is the bank's CTO.

Dominguez has worked in the metals and mining department of Societe Generale and HSBC, both in New York, as well as for asset management firm USAA. McCahey has worked for NAB in Melbourne and Clydesdale Bank in London.

The bank has touted its offering through its fully digital service, with "intuitive design" and social features. The extent of these hasn't been unveiled though.

So far, we know that chat banking and WhatsApp banking are available through the app.

Talking to Dominguez, he confirmed that the bank had been able to find a "seven-digit figure" of funding from an undisclosed lead investor. The bank, which doesn't have a licence, but is using an undisclosed bank's licence, also has the support of group of minor investors who were able to advise and support the project.

"We've seen what there is in the UK, Germany etc and we were impressed," Dominguez says. "We asked ourselves, why can't we do have the same in Spain?"

The CEO says that the firm, which hasn't unveiled its tech systems, was officially registered in July 2018, and has 12 full-time employees at the moment. Its waiting list has 2,000 people in it so far.

Henry Vilar

Barclays and Santander join £56m funding in MarketInvoice

Barclays and Santander InnoVentures have led a new equity funding round of £26 million in UK-based business lender MarketInvoice.

This Series B round also had "significant" participation from European venture fund Northzone, an existing investor in the company.

Technology credit fund Viola Credit, who also participated in the equity round, will provide a debt facility of up to £30 million – taking MarketInvoice's grand total to £56 million.

Anil Stocker, co-founder and CEO, MarketInvoice, says: "Now more than ever, businesses need access to stable lines of funding as they navigate choppy political and economic conditions. Our invoice finance solutions are designed to bridge the gap in cash flow requirements and keep UK businesses growing and exporting."

He explains that the firm will use this funding to invest in risk automation and data models, scale-up its business loans solution, and grow its team.

In addition, the company is planning to launch cross-border fintech-bank partnerships to support businesses with access to lending solutions.

Since 2011, MarketInvoice says it has funded invoices and business loans to UK companies worth more than £2 billion.

Back in August 2018, Barclays took a "significant" minority stake in MarketInvoice. Details were not disclosed.

Antony Peyton

Lloyds thinks with Thought Machine

Job losses could be on the way as Lloyds is planning to save hundreds of millions of pounds in annual technology costs by switching its computer systems to a new platform.

It is understood the bank has started discussions with regulators about transferring data on about 500,000 customers of its old Intelligent Finance brand to test a new core banking system, Vault, built by start-up Thought Machine.

Intelligent Finance is a sunsetted business so it just services existing customers, not new ones.

To keep a long story brief, back in 2014 the firm – which is owned by Lloyds – asked its savings customers to think about moving their accounts to TSB. Lloyds was asked to close Intelligent Finance to new business by the European Commission to reduce its market share.

As *Banking Technology* reported back in November 2018, Lloyds partnered with and invested in Thought Machine, a UK-based banking tech company, to accelerate the digital transformation of the bank's business.

Lloyds's £11 million investment represents a 10% stake, part of its Series A £18 million round. The fintech firm has developed Vault, its cloud-native core banking technology.

In the latest development, if the platform move is successful, Lloyds could carry out a similar transfer across all of its businesses over the next few years.

Lloyds has cut more than 30,000 jobs and closed almost a third of its branches in the past eight years. Like other banks it's trying to adapt digitally to cope with the competition.

As you'd expect, there are concerns about job cuts.

Mark Brown, general secretary of BTU (formerly Banking Trade Union), says: "The bank knows when and where jobs will be lost as a result of the implementation of Thought Machine's core banking platform and it should publish that information immediately."

In an internal Lloyds' presentation, it says "incremental improvements" to existing IT infrastructure "can only go so far".

According to Financial Times (FT), Lloyds spends about £2.2 billion a year on IT running and improvement, meaning the estimated 35% to 40% reduction in costs from using Vault would save it more than £750 million annually.

Lloyds is aiming to go from spending close to £47 of every £100 in revenue it earns on day-to-day operations to the "low 40s" by the end of 2020.

The Thought Machine project is designed to match digital banks such as N26 and OakNorth, which can operate at cost-income ratios of less than 30%.

The presentation noted that "rationalisation" of its existing systems would affect employee numbers, triggering alarm among trade unions – such as BTU above.

Lloyds has previously pledged to retrain as many staff as possible to avoid compulsory redundancies as part of its investments in new technology.

A person close to Lloyds stressed to the FT that any moves to a new platform would go ahead at a "cautious" pace.

Antony Peyton

Bank of America embarks on corporate banking tech modernisation

Bank of America (BofA) is understood to have selected Infosys and its Finacle suite of products for its corporate banking technology modernisation project in the US and globally.

This large-scale deal is believed to be worth around $600 million.

It is understood that Oracle FSS also bid for the deal with its Flexcube offering.

Banking Technology contacted BofA, Infosys and Oracle, but they all provided a "no comment" on the above.

In H2 2017, another US-based bank, Bank of the West, opted for Finacle for its corporate banking, digital banking, and payments hub.

Elsewhere in the US, Discover Financial Services, Marcus (a digital lending platform from Goldman Sachs) and Eastern Bank are also on the Finacle user list.

Henry Vilar

Chetwood Financial gets full UK banking licence and new cash

Chetwood Financial has acquired a full banking licence from the UK's Prudential Regulation Authority (PRA), following a £40 million investment from Elliott Advisors as part of a £150 million debt and equity commitment made in early 2018.

The bank claims to differ from the traditional banking model of "owning customers" and cross selling products, focusing instead on serving distinct customer segments that are currently underserved by the market, with products designed specifically for their needs.

Its CEO, Andy Mielczarek, says: "Our focus is on identifying market failings and developing specific products that can really make a difference for targeted groups of people."

He adds: "Using technology to make people better off is at the heart of what we do – we've already proven this with LiveLend, our dynamic loan, and we have really exciting plans to follow that with a range of new, fair and innovative products that serve the needs of our customers."

This news come with Chetwood's latest consumer lending product, LiveLend Reward Loan – "the dynamic loan", which adapts the lending rates as the consumer's lending score improves. For every 25 points of improvement in credit score, 2% is shaved off the rate.

The bank is based in Wrexham (Wales) and claims to operate at much lower costs, and was founded in 2016 by ex-HSBC senior banker Mielczarek and Mark Jenkinson. Chetwood operates on cloud-based technology platform Yobota.

The bank has also been developing and testing its first savings product, which will launch in early 2019.

Henry Vilar

Banking platform Joust-s for freelancers' attention

Denver-based banking platform Joust has unveiled its financial app for freelancers, entrepreneurs and independent contractors.

The Joust app – developed in partnership with financial services toolkit Cambr – enables users to open a free, Federal Deposit Insurance Corporation (FDIC) insured deposit account backed by a community bank.

In addition, it offers a merchant account to process credit and debit card payments for their products and services; and protect themselves from client late payment and non-payment with PayArmour, which guarantees invoices up to $5,000.

"With Joust, we're aiming to eliminate the pain points independent workers feel by creating an ethical banking system for freelancers and entrepreneurs," says Lamine Zarrad, Joust co-founder and CEO. "We've brought together our freelancing, product design, and regulatory experience to tailor Joust to the needs and values of those workers historically shut out of the banking system."

Joust, which was founded in 2017, says the app for iOS is available for free download. The Android app is scheduled for release on 1 February 2019.

Cambr integrates what's known as the StoneCastle Deposit Network – a deposit platform of more than 800 community banks across the country – with Q2 Open's CorePro digital processing platform, and uses relationships with partner financial institutions like NBKC that serve as banks of record.

Antony Peyton

Mastercard and Visa battle for paytech Earthport

It's a bidding war as Mastercard is looking to see off Visa with a £233 million offer for cross-border payments firm Earthport.

In January, Visa made an £198 million offer. At that time, the board of UK-based Earthport was recommending shareholders vote in favour of the deal.

However, in the latest development, Mastercard has stepped in.

Earthport's interim chairman, Sunil Sabharwal, says: "The board of Earthport is pleased to recommend bidco's cash offer for Earthport, which is at a 10% premium to the Visa proposal. This offer provides our shareholders with even greater value in cash for their shares."

In a statement, the board of Earthport withdrew its recommendation for Visa's offer and urged shareholders to back the Mastercard deal instead.

The board has also proposed that a meeting scheduled for 21 February 2019, at which shareholders would have voted on the Visa deal, be adjourned.

BACK ON EARTH(PORT)

With a planned change of focus Earthport has brought in a new team.

Amanda Mesler joined on 1 July 2018 as CEO, followed by Alexander Filshie who joined on 25 July 2018 as chief financial officer. They have been joined by Helen Smith (chief operating officer) and John Farrell (CTO).

In its latest financial results (ended 30 June 2018), it revealed that total revenues grew by 5.3% to £31.9 million. By comparison, FY2017 was £30.3 million.

Gross profit was broadly flat year-on-year at £20.3 million.

Cash and cash equivalents at 30 June 2018 were £28.3 million (FY2017: £11.9 million), following its capital raising in October 2017 of £24 million.

This new team is its desire for a change of fortune from 2017 when its losses doubled in H2 – and it lost a UK line of business with a major e-commerce client.

In terms of its outlook, Earthport says: "Since the end of June 2018, we have signed a contract with BNPI, went live with Indusind Bank and expanded route usage for multiple key clients."

In addition, it says two new routes have been enabled to existing customers with more to come in the current year.

Antony Peyton

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ACI Worldwide scores big in Hungary and Malaysia

HUNGARY

IT services company T-Systems and Hungarian processor Takarékinfo have selected ACI Worldwide's UP portfolio of solutions to enable 17 Hungarian banks to offer real-time payments services as part of their digital transformation projects.

ACI's UP Immediate Payments solution connects the 17 banks to the country's domestic real-time payments scheme, set to launch in June 2019.

The ability to provide customers' balances in real-time is a "crucial" compliance requirement of the nation's real-time payments scheme.

"The launch of a real-time scheme in Hungary means banks will be able to offer their customers new and innovative services; we are proud to support Hungary's financial institutions with their digital transformation projects," says Zoltan Kozma, CIO, Takarékinfo.

In the UK, the solution has been used by financial institutions to access the UK Faster Payments scheme since its launch in 2008. Currently more than 50% of the scheme's payments are being processed by ACI solutions.

ACI is also implementing The Clearing House RTP system and Zelle for customers in the US and serves on the ISO 20022 Real-Time Payments Group and the EPC Instant Payments Technology Group.

Additionally, ACI has customers using UP Immediate Payments to access Singapore FAST, and the Australian NPP (New Payments Platform).

MALAYSIA

Payments Network Malaysia (PayNet), the central infrastructure provider, has implemented Malaysia's Real-Time Retail Payments Platform (RPP) also using the UP solution, a project that has been a long time in the making.

The first service offered to the public under the platform is DuitNow, an instant credit transfer with a national addressing database that links mobile numbers and national ID numbers to account numbers.

DuitNow allows bank customers to send money to accounts that are addressed by identifiers, such as mobile phone numbers, identity card or passport numbers, and business registration numbers.

The service aims to displace cash with internet and mobile payments, to transform Malaysia's payments ecosystem with immediate funds availability.

"PayNet's vision goes beyond just Malaysia – we aim to build links across the ASEAN region to enable cross-border instant credits and P2P payments, with an initial focus on our neighbouring countries," says Peter Schiesser, group CEO, PayNet.

Following the launch of DuitNow, PayNet and ACI are now focused on the progressive introduction of new payments services, including QR payments as well as request-to-pay, e-mandates and real-time debit.

Corporate customers will get DuitNow's extended message service that can carry information needed to complete business transactions.

Henry Vilar

RBS secures 25% stake in current account Loot

The Royal Bank of Scotland's (RBS) new digital-only retail bank Bó has invested £2 million in the digital current account Loot – taking its total stake to 25%.

This follows an initial investment of £3 million in July 2018 by Bó. This bank is being developed by NatWest – part of RBS.

Loot launched in 2014 to help students and young people manage their finances and says it now has more than 175,000 sign-ups. All verified customers are provided with a pre-paid debit card and offered personal insights into spending patterns.

Mark Bailie, CEO of Bó, says: "Through [Loot's] innovative use of technology and intention to change the status quo, it's quickly built a following of loyal customers, with potential for rapid future growth."

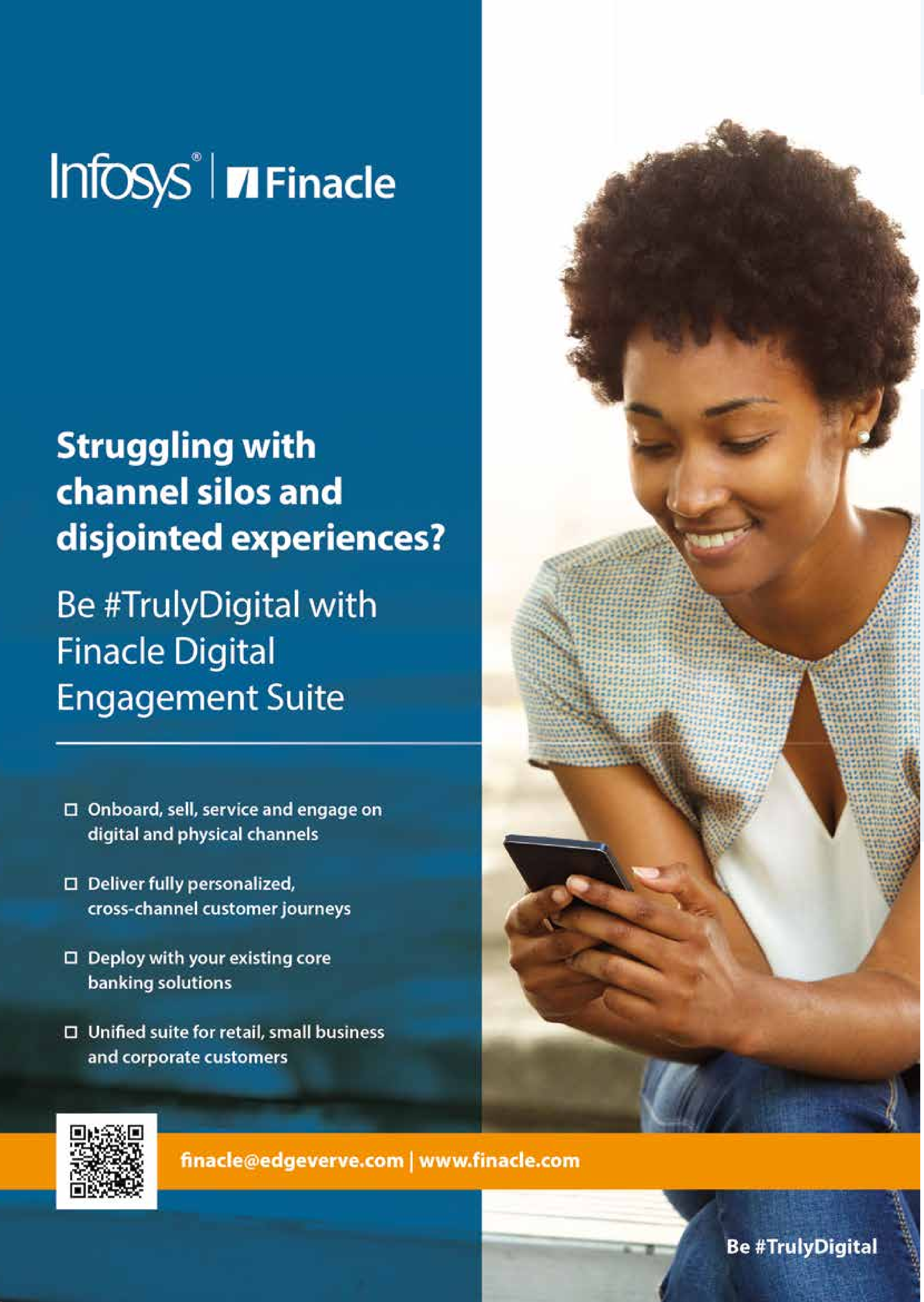
Bó is currently in private beta testing, with a view to launch in 2019.

In other recent news, RBS was called out on its restructuring.

Neil Mitchell, a Scottish businessman, has paid four months up front on a £5,000 a month billboard in Croydon, south London, which reproaches the bank's wrongdoings.

The billboard shows a fake newspaper with the RBS and Natwest logo dripping blood, and says these banks have caused "austerity, suicides, bank's crimes, economic destruction".

Antony Peyton



Galeo Bank preps for UK launch

UK digital challenger Galeo Bank is preparing to launch its banking services.

The bank says its app will offer a "new paradigm" in banking, "providing free digital banking globally". It says this includes credit cards, lending, savings and insurance.

Galeo says it's based on the Bank-as-a-Platform (BaaP) model. It is deploying digital infrastructure where Galeo provides cost-free basic banking and payment services, while financial products are provided to customers by authorised third-parties plugged into the platform.

The bank claims that all products and services will be available for Galeo's customers on demand via an application.

It was founded by Sergey Sukhikh in early 2018, with Aleksey Zhdanov as chief design officer. On their LinkedIn profiles, they show limited experiences in the financial industry.

The Galeo Beta is scheduled to be released in Q2 2019.

Henry Vilar

Unite Global to launch real-time correspondent hub

Norway's Unite Global has emerged from stealth with plans to unleash a centralised platform for global real-time payments and settlement between banks.

Tord Coucheron, Unite's CTO, tells *Banking Technology* that it has been developing the system "under the radar" since 2007.

Coucheron describes its tech as "fully centralised" but it "does not involve blockchain in any way".

The Fredrikstad-based company is in discussions with about 30 larger banks worldwide, where up to a dozen of these will be selected as full partners in the new global network. He doesn't want to go public on the names at present.

The network will, after the operational start expected later this year, allow any bank to connect and get real-time access to any other bank in the network through an API.

To reach banks outside the network, the platform will automatically route payments through the national presence of the partners (between 160-180 countries depending on the final partner selection), as well as through the SEPA and Swift networks.

The new network has been called the "Global Correspondent Hub" by several banks, as according to Unite they discover that the network will reduce the number of correspondent relationships needed to just one, "dramatically reducing the related compliance costs".

The way the network is constructed is giving connected banks the ability to hold any currency of the total network (100+).

The network also includes a competitive FX facility where the partners continuously compete (with each other) to provide the "best rates". Only the best rate for each currency pair is showing to the connected banks, and related settlement/finality occur instantly, making automated processes possible.

The firm explains that since many small and smaller-to-medium banks may not have a BIC, the connected banks will be issued a designated Unite "BIC" to assure bank identification. The connected banks may still use their current BIC if they want, since the network will keep track of both versions.

According to Unite, facilities like unique payment identifier, payment tracking, cash management and currency trading are all built in, and available from the start.

Antony Peyton

RIP Microsoft Wallet

Dear firms and fintech, we are gathered here to mourn in silence the end of Microsoft Wallet.

With support ending for the Windows 10 Mobile on 10 December this year, the wallet has been put to bed early.

In a brief statement on the wallet's website, it merely says: "Starting on 28 February 2019, the Microsoft Wallet app will be officially retired."

It was initially launched on 21 June 2016 in the US.

It was made available to the general public in August in that year with the release of the Windows 10 Mobile Anniversary Update.

In November 2017, Microsoft rebranded Microsoft Wallet to Microsoft Pay and allowed payments to be processed through it on Edge. That said, the site still says Microsoft Wallet.

The wallet did work with a lot of big names – such as Bank of America, TD Bank and US Bank.

The death of the Windows 10 Mobile is perhaps not a surprise as it never got a massive share of the market as it struggled to compete with Android or iOS platforms and devices.

Its market share for December 2018 was 0.33%, according to Statcounter figures. Compare that to Android, which got a massive 74.36%.

Antony Peyton

ATB Financial looks on Brightside with new challenger bank

Canada's ATB Financial wants to bring sunshine to the world of fintech with its very own digital challenger bank.

Called Brightside, it is still being built and is calling for early sign-ups. There is no exact data for launch.

Curtis Stange, ATB president and CEO, says: "We've been listening to Albertans and we are hearing there is a growing need to offer a new type of digital banking experience to complement all the great things we are doing at ATB Financial."

There are a few details as to what the digital entity will offer. It will offer automatic round-ups to let users save and provide automated transfers for savers.

Banking Technology contacted Brightside for more details and the firm says it has partnered with Technisys to build an entirely new tech stack for Brightside. (ATB itself is a major user of SAP's systems for core banking.)

In terms of sign ups, the company says: "We would like to have a few thousand Albertans, who are interested in being among the first to try Brightside as part of our soft launch phase."

It's a "couple of months out" from its soft launch or beta phase and is targeting Alberta only. It has about 125 staff, which includes a team from Technisys.

Antony Peyton

UniCredit on edge of tomorrow with new innovation team

UniCredit wants to make the "bank of tomorrow" with the creation of a new transformation and innovation advisory board.

It will be a mixture of internal and external specialists. Unicredit says this follows on from the recent appointment of Finja Kütz as group chief transformation officer.

Kütz says it is an "exciting initiative which aims to actively deliver tangible and constructive solutions to yet unknown challenges".

The board will meet quarterly to debate and review critical topics for the banking industry such as technology and data, consumer trends, fintech innovation, and security and risk mitigation, with the objective of "proposing tangible development opportunities" to the UniCredit CEO, as well as regularly debriefing the main board of directors.

The advisory board will include four external technology and "innovation thought leaders" who will join internal staff members as permanent members.

These are Eileen Burbidge, Theresa Payton, Dr. Carlo Ratti and Dr. Katia Walsh.

Burbidge you will probably know well. She is a special fintech envoy to Her Majesty's Treasury. She is a co-founder and partner at Passion Capital, an early-stage venture capital firm. In 2015, Burbidge was awarded as a member of the Order of the British Empire (MBE) for her contribution to entrepreneurship.

Payton was the first woman ever to hold the office of White House chief information officer within the executive office of the president. She is president, CEO and chief advisor of the cybersecurity and intelligence company Fortalice Solutions and co-founder of the cybersecurity product firm Dark Cubed.

Ratti is a practicing architect and a professor at the Massachusetts Institute of Technology (MIT) where he founded the Senseable City Lab, which investigates and anticipates how digital technologies are changing the way people live in cities.

Walsh is Vodafone's first chief global data and analytics officer where she built the group's big data and artificial intelligence (AI) capability. Before Vodafone, she led "data-driven and customer-centric cultures" for the financial services sector.

It's fair to say they know what they are doing and UniCredit must be a happy bunny to get them on its side.

Antony Peyton

N26 plots delayed US launch with $300m funding

Germany-based mobile challenger bank N26 is talking about its US launch again thanks to $300 million in a Series D funding round.

The round was led by Insight Venture Partners and takes N26's valuation to a mighty $2.7 billion. It also includes participation from GIC, Singapore's sovereign wealth fund, and several existing investors.

Harley Miller, principal at Insight Venture Partners, comments: "N26 is the clear market leader in the European mobile

banking industry; the company is ideally positioned to expand to the US market this year, and build a formidable global digital consumer brand."

To date, the bank has raised more than $500 million from investors including Tencent, Allianz X, Peter Thiel's Valar Ventures, Li Ka-Shing's Horizons Ventures, Earlybird Venture Capital, Redalpine Ventures and Greyhound Capital.

N26's ambition is to build the "first global mobile bank". Currently operating in 24 markets across Europe, it says it has more than tripled its customer base in the last 12 months to more than 2.3 million customers.

Antony Peyton

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banking technology AWARDS 2018

The 19th annual Banking Technology Awards took place on 13 December 2018 at the London Marriott Hotel Grosvenor Square. The show was hosted by stand-up comedian Sean Collins and it was a night to remember!

Gathering over 450 professionals from across the world, the glamorous event once again awarded the best of the best and recognised excellence in the use of IT in financial services, and the people who make it happen.

We would like to thank everyone who attended and celebrated with us, as well as our judges for their major contribution.

A big thank you also to our sponsors and partners: Dimension data, Femtech Global and Comms for Good!

Now is the time to start planning for next year's Banking Technology Awards. Attend as a finalist, a supporter or a sponsor and take advantage of the fantastic networking opportunities with top leaders in the industry.

*Visit **www.bankingtech.com/awards** for more information.*

Congratulations to all the winners and highly commended and we hope to see you on 5 December for the 2019 event! **b**t

JUDGED AWARDS

BEST TECH OVERHAUL PROJECT

Winner:
Arion Bank
Digital Future Accelerator

Highly Commended:
Credit Suisse
Risk & Finance Workflow Product

BEST USE OF EMERGING OR INNOVATIVE TECHNOLOGY

Winner:
Zopa
Kafka Quotation Pipeline: Industry First Implementation

Highly Commended:
Pikcio AG
Compliance Wallet powered by PikcioChain

SARB
Project Khokha

BEST FINTECH PARTNERSHIP

Winner:
EcoCash, Steward Bank & Comviva
EcoCash

Highly Commended:
Bud
"artha" by First Direct, powered by *Bud*

HSBC
HSBC & Tradeshift Partnership

BEST USE OF BIOMETRICS

Winner:
Albaraka Turk Participation Bank
Biometric Signature Project

Highly Commended:
Tinkoff
Tinkoff Voice Biometry

BEST CONSUMER PAYMENTS INITIATIVE

Winner:
National Bank of Greece
i-bank Pay & i-bank Pay4B

Highly Commended:
St1 Finance

BEST USE OF IT IN PRIVATE BANKING/ WEALTH MANAGEMENT

Winner:
Saxo Bank
OCBC RoboInvest

Highly Commended:
Raiffeisen Bank International
Wealth Management Platform – Dorsum

BEST USE OF IT IN RETAIL BANKING

Winner:
DBS Bank
Customer-centric Digital Experience

Highly Commended:
Deutsche Bank
API Programme

BEST USE OF IT IN CORPORATE BANKING

Winner:
OP Financial Group
OP Invoice Credit

Highly Commended:
Israel Discount Bank
Banking Website Redesign & New App Launch


Zopa


Curve

BEST USE OF IT IN TREASURY & CAPITAL MARKETS

Winner:
JP Morgan
Asset Management Strategic Hedge of Seed Capital

Highly Commended:
HSBC
MyDeal

BEST USE OF IT FOR LENDING

Winner:
Arion Bank
Mortgages & Refinancing of Mortgages

Highly Commended:
Ezbob
Digital lending-as-a-service platform

iwoca
iwoca small business loans

BEST DIGITAL INITIATIVE

Winner:
Vocalink
PromptPay

Highly Commended:
AIB
AIB Mobile App

İşbank
Digital Transformation Programme

BEST MOBILE INITIATIVE

Winner:
Curve
Curve with Wirecard

Highly Commended:
Bank Cler AG
Zak

DBS Bank
DBS Lifestyle app

TOP DIGITAL INNOVATION

Winner:
BMO
BMO Quickpay

Highly Commended:
Deposit Solutions
Open banking platform

Siam Commercial Bank
SCB Easy

BEST USE OF CLOUD

Winner:
Redwood Bank & DPR Consulting
Redwood Bank: Born in the Cloud

Highly Commended:
Morgan Stanley
MIFID II ISIN/TOTV Services

Tinkoff
Biggest cloud call centre in Europe

BEST USE OF REGTECH

Winner:
Bank of England
Regulatory Data Project

Highly Commended:
ClauseMatch & Barclays
RegTech Solution for Policy Management

BEST CORPORATE PAYMENTS INITIATIVE

Winner:
SWIFT
SWIFTgpi

Highly Commended:
Sberbank of Russia
Business Profile for Sberbank Business Online Users

BNY Mellon
Enabling RTP for the first time in the history of the USA


Itaú Unibanco S.A.

BEST USE OF DATA

Winner:
Itaú Unibanco S.A.
Digital Analytics Centre of Excellence

Highly Commended:
DBS Bank Ltd
SMART Ops Programme

Société Générale
SDS: SGCIB Data Services *leveraging GigaSpaces in-memory computing platform*

BEST USE OF AI

Winner:
Morgan Stanley
Next Best Action (NBA)

Highly Commended:
HSBC
GBM Big Data Programme

FINTECH FOR GOOD

Winner:
Deutsche Bank
CommunITy Hackathons

Highly Commended:
The Mifos Initiative
Mifos X

EDITOR'S CHOICE AWARDS

BEST CORE BANKING SYSTEM PROVIDER

Winner:
Mambu

BEST DIGITAL BANKING SYSTEM PROVIDER

Winner:
Meniga

BANKING TECH VENDOR OF THE YEAR

Winner:
Redline Trading Solutions

LEADERSHIP AWARDS

TEAM LEADERSHIP AWARD

Winner:
JP Morgan
Asset Movement Engine

Highly Commended:
BNP CIB
IV2 Digital Platform

TECH LEADERSHIP AWARD

Winner:
Adina Eckstein
Global Head of Mobile Delivery
HSBC

Highly Commended:
Snejina Zacharia
Founder & CEO
Insurify

Matthias Kroener
CEO
Fidor Bank

WOMAN IN TECHNOLOGY (W.I.T.) AWARD

Winner:
Orla Dunne
MD, Global Co-head of Engineering Deployment, Runtime & Architecture, Goldman Sachs

Highly Commended:
Anabel Perez
CEO & Co-Founder
NovoPayment

Lea Tarnowski
COO & President
Averon

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FEMTECH GLOBAL

New European Central Bank guidelines extend active monitoring to intraday liquidity – but are banks ready to meet the ECB's latest expectations?

November 2018 saw the publication of the ECB's final guides on banks' internal capital and liquidity management. The non-legally binding guidelines, which came into effect on 1 January 2019, focus on financial institutions' internal capital and liquidity adequacy assessment processes (ICAAPS and ILAAPS).

The new guidelines make clear the ECB's desire for banks to strengthen their capital and liquidity adequacy assessment processes. Turning to the case of liquidity adequacy, they mark a shift in approach by the ECB: assessment of liquidity adequacy is set to change from a task undertaken on a periodic basis to satisfy a regulatory obligation, to an activity carried out regularly and proactively, as an essential part of good management.

The ECB reminds institutions that the ILAAP is an integral part of the overall management function, pointing to Article 86(1) CRD IV: "Competent authorities shall ensure that institutions have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intraday, so as to ensure that institutions maintain adequate levels of liquidity buffers."

Furthermore, the ECB guide adds: "In addition to an adequate quantitative framework for assessing liquidity adequacy, a qualitative framework needs to ensure that liquidity adequacy is actively managed. This includes the monitoring of liquidity adequacy metrics to identify and assess potential threats over different time horizons, including intraday, in a timely manner, drawing practical conclusions and taking preventive action to ensure that regulatory and internal liquidity buffers remain adequate."

So are financial institutions in a position to monitor and manage intraday liquidity adequacy as actively as regulators would like them to?

Over the past few years, there has been a tendency for banks to concentrate on developing advanced solutions to support their customers' cash management needs – for example, online dashboards which display all the balances at the banks a client holds accounts with – while, due to other priorities, the same level of sophistication has not been a focus for banks' own operations. All too often, information on cash flows is held in disparate IT systems, rather than in one central repository, while liquidity requirements are shared between different business lines and treasuries using spreadsheets.

As data on cash flows is frequently held by banks in a web of IT systems that do not connect with each other, the picture these companies have of their financial position is far from real-time. Institutions are likely to struggle to understand, in a timely fashion, how demands on liquidity are generated, making both active intraday liquidity monitoring and management, and delivering accurate reporting on it, difficult to accomplish.

Treasury teams currently do not have the luxury of time to collate, monitor and manage intraday liquidity data efficiently. Increasing headcount is not the way ahead, either: it does not provide the necessary speed and, in any case, banks are under pressure to reduce operational overheads. Companies would do well, when looking to meet the ECB guidelines, to consider the potential offered by an advanced cash and liquidity management solution – one which rapidly identifies and consolidates cash flow information, as well as measuring, monitoring and managing it.

Such a solution may be built in house, although the cost of development and maintenance tends to be high. Another option is to invest in best-in-class third party technology. Such a system will be able to integrate data from disparate systems and create a single, comprehensive, up-to-the-minute view across nostros and financial accounts. This provides an immediate update on intraday liquidity, allowing decision-making based on real-time information and facilitating active cash management. The ability to generate cash ladders is another useful feature, enabling accurate forecasting of short-term liquidity and further promoting active cash management.

In conclusion, it is important that financial institutions do not view meeting the new ECB guidelines just as a box-ticking exercise. Where intraday liquidity is concerned, there are powerful economic arguments for getting one's house in order. Introducing advanced technology which allows a clear, comprehensive, real-time view of liquidity enables a bank to operate more efficiently and cost-effectively. It reduces reliance on expensive intraday overdrafts, allows the identification of idle balances which can then be made available for use, and enables reporting to be carried with far less operational cost than traditional approaches. And in today's tough financial markets, these are surely powerful incentives. **bt**

By Nadeem Shamim, Strategic Advisor, Cash & Liquidity Management, SmartStream Technologies

INTERVIEW: PAVEL NOVAK, ZONKY

A fintech fable

In an exclusive interview with *Pavel Novak*, CEO of Czech P2P lender Zonky, *FinTech Futures* learned about its helpful community and which country the firm might target next.

Pavel Novak, Zonky

In life in general it's good to have ambitions. But a wild fantasy – while potentially enjoyable and dreamy – may achieve nothing. It's better to have strength of character, and to know where you're headed and how you will get there.

For Novak, and the firm he leads, this is very much a "mission possible". Every question posed to him was answered directly and clearly. Nothing seemed to faze him and there was no talking around any issue. There's a plan – and it all looks very attainable.

If you didn't know, the company is part of consumer finance provider Home Credit – aka the "world's biggest fintech". The latter is active in ten countries, including Russia, Kazakhstan, China, India, Indonesia, Philippines and the US.

But Zonky is independent. It has its own office in Prague, dynamic team, and progressive mindset.

It works by letting people lend to people. It does this via its community of users in the Czech Republic. With a cool – almost literary – touch, those who need a loan can express their stories to attract investors.

For example, an individual could be looking for some funding to get their coffee shop up and running. They could ask others how they achieved success and get practical advice. Note that this community comprises 24,000 investors and 31,000 borrowers. That's a lot of help on hand.

At present, Zonky does 2,000 loans per month. Its target is huge – but the timeline is logical. It wants 400,000 users by 2028.

ATTITUDE GOES A LONG WAY

In the lively interview, Novak rattles off the stats to show how over the last few months it has stepped up a gear.

It did have 150 staff, but it's now got 170 people. Its market share is up to 4% from 3%, with the idea to get 10% by next year.

Novak explains: "We're preparing a new investment product and a new mobile app. We will also grow investment in marketing. We spent €5 million last year – this year is more. So, we have two main priorities – marketing and an attitude to products. Meaning we will shorten the time to market."

The company uses cloud technologies and 70% of its tech is developed in-house. Zonky has 60 developers with plans for 90 by the end of this year.

When it comes to artificial intelligence (AI) for its products, the firm works with two partners. The first is Czech company Blindspot Solutions. The second is undisclosed. The only moment he had to hold back on the details.

STATE OF THE NATION

Our chat wasn't just about Zonky as it was intriguing to learn more about the Czech lending market. Such as in terms of what makes people tick and where the nation is headed.

He says: "In terms of the market, people are more educated about online matters in the financial sector. They see these products and firms as more trustworthy."

However, Novak is honest enough to note that "competition is strong and the market is saturated". As a result, interest rates had to go down for lenders. But he's not downbeat about this as believes this year "will be slower but no recession".

In his view, Prague and Brno (a city in the southeast) have the potential to be great fintech hubs due to their technical universities. Novak also believes these cities' universities have talent in AI.

It's a good point about the quality of personnel. While the nation's population is around 10.5 million, the Czech Republic has always punched well above its weight compared to more populated European countries. Think of the great writers, artists, musicians and sports stars it has produced over the years.

TWO TOO

When it comes to the future, Novak again is very clear about Zonky's goals.

It has "two core priorities".

The first is to expand in Europe. The firm is mulling whether to go for Germany or Spain. Or "ideally both by the end of the year".

Zonky is doing a feasibility study on this plan and may do a pilot in one or both of those countries. It's a big deal and it will be intriguing to see how its model and investment community works outside the Czech Republic.

Speaking of that community, the second target is to develop it – meaning it wants to double the number of investors up to 48,000 by the end of the year.

Once that happens, that will be another story to share… to all the fintech community. **b**t

Antony Peyton

IT department

"We have two main priorities – marketing and an attitude to products. Meaning we will shorten the time to market."

Pavel Novak, Zonky

Chillout zone

Data driving

In the first of a series of articles looking at how the financial services sector is meeting the challenges of data, *Martin Whybrow* talks to DNB's chief data officer, *Aidan Millar*, about how this Norwegian bank is seeking to use data to reconnect with customers.

The Nordic banking sector has pushed further than more or less any other in moving customers from branches to online and mobile channels. However, this has led to a loss of contact with customers and an erosion of loyalty. Can better use of data allow the banks to reconnect?

The largest Norwegian bank, DNB, is seeking to do just that. The bank's senior executives recognised the problem in 2017, having implemented the biggest ever restructuring of the bank's distribution network.

DNB reduced the number of branch offices in Norway from 116 to 57 in 2017. The reason for this was changes in customer behaviour. As a result of new technology and digital services, use of digital services has exploded in recent years, continuing a prolonged decline in the number of visitors to DNB's branch offices.

Across Norwegian banks as a whole, 90% of customers no longer use branch offices for their daily banking needs. At DNB, the number of visits to its mobile bank has increased from 700,000 to 17 million per month during the last three years.

Furthermore, changes in customer behaviour are not unique to the personal customer market – corporate customers also want to use the bank in new ways. Nine out of ten companies now establish their customer relationships digitally.

The success of the channel shift is clear. DNB is Norway's largest internet bank, with more than 1.3 million active users, and the country's largest mobile banking service provider, with 864,000 users (it has 2.1 million retail customers in total). In benchmark analysis of the international banking sector by Finalta, DNB was ranked number one in the world based on the efficiency of its branch network, and number two based on the termination of manual services in its branch offices.

"However, we recognised that we needed to reconnect with our customers," says Aidan Millar, DNB's chief data officer (CDO). In fact, the creation of the CDO post at the end of 2017 was one of the first steps in a three-year data strategy.

CHANGING THE CULTURE

The starting point, says Millar, is a cultural transformation. This requires people to understand the data strategy, to commit to its success and for this culture change to then become embedded within the business units.

Linked to this, there is an emphasis on ensuring ethical use of data, which means meeting regulatory requirements but also best practice, says Millar. This includes better communication and transparency with customers about how their data is being used. For GDPR, why wouldn't you be compliant, he asks – the regulations call for practices that should be followed anyway. The emerging Basel Committee regulations on data (BCBS239) are also important, he says, setting out where data comes from, how it is manipulated and how it is used.

The cultural challenge has been an interesting one, says Millar, with a need to constantly adjust the storyline. At the outset, the tendency was to be too detailed, so that the strategic messages became lost. Over time, there were a few taglines that resonated.

One of the key messages was that "customers are talking to us every second of the day via digital channels, but we are not listening". Also emphasised was the fact that while the bank has clearly made tremendous progress with digital channels, it now needed to use those channels to reconnect.

Digitalisation has brought an explosive growth in data, which means challenges and opportunities. For DNB, the aim is to ensure the bank is relevant to customers in their daily lives. The best user experience is the invisible one, where a need is identified and solved as part of the customer's overall commercial interaction. Such a capability would meet today's heightened customer expectations, which stem from the advent of the on-demand, frictionless mobile economy.


Aidan Millar, DNB

Staff need to be mobilised and empowered to leverage the current data assets, with the creation of a governance structure to facilitate this. Each DNB business unit now has one or more data stewards, new posts that provide ownership for data and data models and ensure that the data value chains are documented.

THE TECHNOLOGY INFRASTRUCTURE

DNB is moving to an enterprise-wide data platform which will better support the bank itself as well as allowing third-parties to provide services to its customers.

There is the construction of a cloud-based platform that will be connected to the bank's data sources across all of its main business areas – retail, wealth management, SMEs, large corporates, and markets, taking in risk and finance data as well as commercial data.

That main platform is Insights Platform for Analytics (IPA), running on AWS and leveraging Hadoop Clusters, linked to a suite of advanced analytics toolsets.

An initial task was to build an inventory of the data, beginning with the most frequently accessed and time-relevant data. The work includes identifying any manual, time-consuming data processes (such as tagging, cleansing) for potential replacement with machine-learning algorithms. The data siloes within the bank needed to be identified, along with corresponding data needs that were not currently met across the business.

>>

"Customers are talking to us every second of the day via digital channels, but we are not listening".

Aidan Millar, DNB

DNB Hovedkontor i Bjørvika, Oslo

"Data should be driven from the business, this is not an IT-driven exercise."

Aidan Millar, DNB

The next stage is to simplify access to trusted data and define a strategy for standardising data access via the data platform. While building the platform, the bank has also start to look for external data sources that might be incorporated to complement existing internal data and would help bring more complete insights.

The enterprise data management system will hold all customer channel and transactional data in one place. It is intended to be "decoupled" from the data siloes. A Customer Data Capture component will monitor the channels in real-time to identify customer digital interactions.

The data lake will also drive customer insights and will direct the bank's interactions, so that DNB will be able to respond in a way that delivers value to the customer, with the right offer, via the right channel, and at the right time, through real-time interactions.

NEW TOOLS AND TECHNIQUES

DNB wasn't starting from scratch, as it had some of the components, but there is a major connectivity workload. In the last six months, almost 30 systems have been connected, with many more to follow in 2019.

The first task for a new connection is to scan the meta data. For this, a data quality tool was fundamental, says Millar. To better understand how data is being used, DNB opted for a data governance and catalogue tool from specialist data solutions provider, Collibra.

The bank went through a rigorous selection process, says Millar, and looked at the relatively small number of established tools on the market, from the likes of IBM and Informatica. The Collibra tools were felt to be user-friendly and oriented towards business use. "Data should be driven from the business, this is not an IT-driven exercise," says Millar.

The Collibra tools, which are used across many vertical sectors, scan the data meta tables and analyse the quality of the data on a row-by-row basis, providing a full inventory and synchronising with the main AWS-hosted IPA data platform.

In terms of applying machine learning, tools will be plugged into the data lake to analyse the big data. For instance, says Millar, the bank might run an artificial intelligence algorithm over five billion transactions in a 90 day period to identify patterns of behaviour around potential customer churn, allowing the bank to then take steps to try to improve customer retention.

QUICK WINS AND LONGER TERM GOALS

The work is ongoing but a fair amount has been achieved in the last year or so. Indeed, it was felt that quick wins were important, to validate the data strategy.

Millar believes that banks are laggards in using data. In part, he feels this is because they have not been put under pressure to compete in the past. However, this is definitely changing, with the arrival of challengers and fintechs. The complexity and friction between systems within banks has also worked against better use of data, with often hundreds or thousands of applications that do not talk to each other.

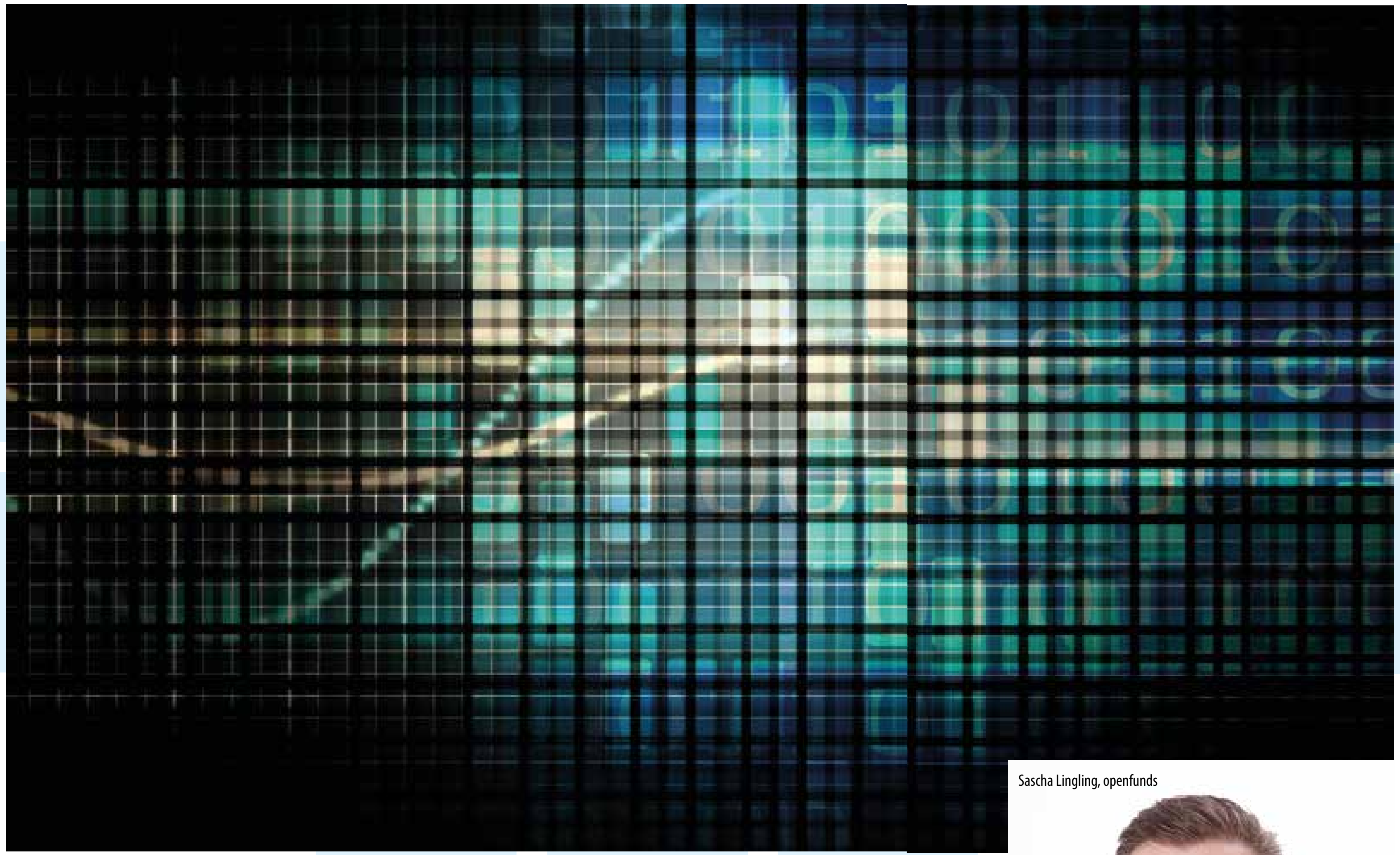
The first year, says Millar, has been about the culture and laying down the foundations for data quality and regulatory compliance. Year two will be about "extending the framework as much as we can across the business and industrialising it". Eleven initial user cases have been defined and planning is underway to implement these in the first quarter of 2019. One will be mortgage pricing and approvals.

While there are those "quick wins" in the interim, year three will be where the real added value for customers will be delivered and the customer insights will allow the much-sought after reconnection.

As Nordic banks led with digital channels, it is perhaps no surprise that banks here are likely to be among the leaders when it comes to next generation use of data. As DNB demonstrates, this can only be achieved with a well thought-out and communicated data strategy that is likely to require new roles, new thinking, a central data platform and new tools, backed up by senior management support and bank-wide commitment. The investment and effort will be worth it if the prize of reconnecting with customers can be achieved. **b**t openfunds

Raise the standard

For a market that's worth trillions of dollars worldwide, it's surprising how haphazardly much of the data in investment funds is distributed. *Sascha Lingling*, president and board member of the openfunds association, investigates.



The data needed to settle investment fund transactions has not been standardised in the past. Data is often entered manually and sent using Excel spreadsheets. Errors and duplicated data are common.

Incomplete, ambiguous or erroneous fund data can have serious, negative consequences for investors. They may choose not to invest in the fund.

The financial costs of these errors are impossible to calculate accurately, although experts agree that they are substantial.

These were some of the reasons why, in 2016 our non-profit organisation, openfunds, created a global standard for the characterisation of investment funds (www.openfunds.org).

A SHARED LANGUAGE

Put simply, the openfunds standard is a "common vocabulary" that has been developed so that all participants in the funds industry are speaking the same language when "characterising" an investment fund. (Data needed to characterise a fund can include the name of the fund group, the "umbrella" name, the currency, ISIN, fund manager etc. over 400 such attributes currently exist per fund.)

Openfunds eliminates potential sources of error and misinterpretation by making fund data more easily exchanged, processed, compared and analysed by computer without the need for manual intervention.

Before openfunds, fund distributors often had their own way of defining the data attributes associated with each fund. For example, a fund name, was sometimes written out in full and sometimes in an abbreviated format. Another variation: the fund currency and the share class were sometimes included in the same field or in separate fields.

AUTOMATION, ANALYSIS AND COST SAVINGS

Any company or organisation active in the funds industry can use the openfunds standard for free.

Fund providers populate the relevant fields which characterise their funds, and share this data with their business partners in whatever format they want – CSV, API, Excel, XML etc., the file format used is not part of the standard.

Although there are hundreds of "openfunds data-IDs", which in effect tag each fund, usually only a small subset is necessary. More are required depending on the complexity of the fund, if, for example, a fund is sold in many countries or domicile-specific fields need to be populated.

Although investors may be unaware of the underlying standard, funds based on the openfunds standard are easier to understand and compare with other funds. They are also cheaper, faster and easier to trade in.

It has been more than two years since we launched our data standard. What progress have we made?

Sascha Lingling, openfunds

When we first launched openfunds only a handful of firms supported the standard. Today we have over 64 members who are committed to using the standard, including Morningstar, UBS, Acolin, Credit Suisse, Allfunds Bank, FundConnect, AssetLogic, Franklin Templeton, Invesco and Kneip. We have also extended the standard to include data fields required by the recently introduced MiFID II and PRIIPs regulations.

Currently about 60,000 funds and share classes from over 550 fund providers use the openfunds standard.

CHALLENGES AND OPPORTUNITIES

It's not yet a global standard. Although generally acknowledged as the de-facto standard for the characterisation of fund data in Europe and Asia, the standard has yet to be adopted in the US market due to political and regulatory hurdles.

We are confident, however, that our standard will become widely used in the US. Some US-based fund providers, such as Invesco, are already using it.

Openfunds is often compared with FundsXML which we see as a complementary standard. Without getting too technical, FundsXML specifies the file format and thereby draws on the advantages of XML. openfunds is compatible with a whole array of file formats, including txt, csv, xls(x) as well as XML.

Our standard's flexibility is one of its strengths. It has quickly adapted to changes in the fund industry such as European Union (EU) regulations – the Packaged Retail and Insurance-based Investment Products (PRIIPs) and the Markets in Financial Instruments Directive (MiFID II).

We plan to improve it further in 2019. Up until now, the openfunds standard has focused on downstream data – i.e. data that the fund provider to the fund distributor.

During 2019 we will introduce the first upstream data fields to fulfil the requirement for "Distributor Oversight Reporting" – an important part of MiFID II which requires that funds are only sold to appropriate investors ("Target Market Compliance").

We predict that there will be a growing demand for fund data because fund providers and distributors will need to work closer to comply with EU regulations.

BLOCKCHAIN BENEFITS

Our standard is also well placed to adapt to major changes in technology, including blockchain, artificial intelligence (AI) and machine learning (ML).

Openfunds provides a data framework that enables machines and AI to process, analyse, and even recommend funds. As the funds industry is data-driven, it is logical development to allow algorithms to take over the time-intensive, error-prone processes that are now done manually.

Where fund data must be secure and immutable yet accessible to all via peer-to-peer networks, blockchain technology can help.

We're not trying to automate all work in the investment fund industry. Far from it. Because there is often an emotional and subjective element involved when investing in funds (incorporate environmental sustainability, social responsibility, or personal beliefs) the human element in the funds industry will always exist.

However, developments in technology and innovative approaches can help make the investment process faster, easier, and more efficient. **bt**

"Today we have over 64 members who are committed to using the standard, including Morningstar, UBS, Acolin, Credit Suisse, Allfunds Bank, FundConnect, AssetLogic, Franklin Templeton, Invesco and Kneip."

Sascha Lingling, openfunds

Fintech friendly

Citizens Bank, headquartered in Providence, Rhode Island, 50 miles south of Boston, is the 13th largest bank in the US with $158.6 billion in assets. Beyond its physical locations in 11 states, it is using digital platforms to reach customers across the nation with loans and savings products.

Since undertaking an IPO spinout from RBS in 2014, Citizens Bank has moved quickly to develop digital capability across the bank including peer-to-peer (P2P), trade finance, robo investment advisory, digital small business lending and an entirely digital savings bank, Citizens Access. In its drive to digital, Citizens is working with fintech partners, developing its own solutions and sponsoring hackathons.

"We're doing quite a bit in digital," says Charles Beyrouthy, assistant vice-president at Citizens. "We have quite a few different programmes including partnerships with fintechs and fintech initiatives."

The bank wants to be part of customers' lives in a way they don't have to think about, he added. It is working on artificial intelligence (AI) to understand customers' spending habits so it can suggest ways to save for a specific objective, like a vacation, by setting aside a reasonable amount toward that goal on each payday.

The emphasis is on making it easy for customers by presenting information they can act on rather than leaving them to research to see what is available.

"Providing capabilities is not enough; we have to provide them in a way that is intuitive."

To understand their customers better, bank staff get beyond data to spend time with clients.

"That is often under-done by tech companies and banks," says Beyrouthy.

In his strategy role, Beyrouthy works between fintechs and the line of business (LOB) organisations in the bank.

"We do quite a bit of due diligence and work with folks in different verticals," he explains. "We think about how the technology could work – the LOBs are the ones who are dealing with the customers, they understand who the customers are and how the customers could use the technology. Our job is to empower the LOBs in terms of seeing the value of the technology."

To get out on the cutting edge, the bank is reaching out to local universities, meeting with start-ups and sponsoring hackathons.

In July 2018, Citizens hosted a hackathon and brought in 150 innovators in different technologies and tech enthusiasts to innovate around four themes:

> "Providing capabilities is not enough; we have to provide them in a way that is intuitive."
>
> **Charles Beyrouthy, Citizens Bank**

- 360-degree engagement with customers by consolidating all the customer information the bank has.
- Liquidity crystal ball – what tools can Citizens provide to help customers understand their cashflow challenges.
- AI and digital engagement – how can Citizens leverage AI platforms to increase its response rate and support capabilities to its customers.
- Social banking – how can Citizens better deliver more personalised products to its customers.

"The idea was for us to get insight into initiatives at MIT, Harvard and U Mass and see how, or if, they could be applied to the bank, how they could help us innovate and think differently about the future of banking. From that point we started talking about proofs of concept and we have had some great collaborations."

Working with fintechs, especially new fintechs, presents some challenges for a bank in due diligence – especially around security and compliance but also the financial stability of the fintech.

"We have a cybersecurity team that looks into the risk," Beyrouthy says, "and we are launching a broader initiative to work with fintechs that aren't product-ready but might be in the future."

Fintechs can offer a bank some new approaches to customer experience, he adds, including AI, chatbots, analytics and personalisation.

"In the past six months we have talked to 200-plus start-ups; we are committed to really aggressively pursue this market. We are fintech friendly and very interested not only in partnership with them but also in helping them grow. A lot of fintechs are looking for a partner willing to coach them in how to approach the market."

Fintechs are often focused on the front end of finance – customers and customer experience – things they understand as customers themselves.

"Customers want to interact with the bank more than most people realise," Beyrouthy notes. "We are already involved quite a bit with our customers and I anticipate that as our technology capabilities grow we are going to be much more involved. We are very focused on being able to bring the product the customer needs at the right time, being able to personalise the experience, understand where they want to spend, how they can better spend it and develop a payment that is personalised to that experience.

"A lot of banks are not able to clearly comprehend the extent to how customers are engaged in a digital space."

The bank's new credit card has been very successful, although it went through a few iterations to arrive at what it offers today. When it launched, the Citizens card offered 1.5% cash back, plus another 10%, or 1.65%, if you used it once a month for six months, plus another 10% if you deposited the cash back in a Citizens account. It all got a bit too complex, and in 2017 the bank decided to simplify the card and just set the cash back at 1.8%.

Nerdwallet, a financial rating site, approved.

"Power to the people!" wrote Robin Saks Frankel on the site. "If you're carrying the Citizens Bank Cash Back Plus World Mastercard, that is. This card's flat cash-back rate of 1.8% on all purchases puts it ahead of a slew of cards from bigger banks offering 1.5%. But the lack of a sign-up bonus or the opportunity to earn bonus rewards might cast a bit of a pall over some in the crowd… If you like the idea of simple straightforward rewards, this might be the right card for you."

But it is in digital capabilities that Citizens is doing really well. It has a partnership with Fundation, a digitally-based lending provider to process applications for small business loans. It lets small businesses apply for a loan or line of credit through a simple online application and receive a decision the same day in most cases. For some businesses that who do not meet Citizens' credit requirements, Fundation will provide loans itself, expanding the number of businesses that can obtain credit through their Citizens Bank application.

Peter Wannamacher, principal analyst at Forrester, approves of the joint approach.

Banks dislike turning down small business loans, since it often has other relationships with the business owner – such as business and personal checking accounts, credit cards, student loans for the business owner's children and perhaps a mortgage. Rejecting a loan application might be very harsh for the business owner, but being able to say the bank can help her get a loan from another source can be very powerful. And if the business is growing, it may qualify for a bank loan soon. >>

Citizens Bank

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"Banks want good relationships with SME owners and operators, whether or not that operator is someone they can lend to," Wannamacher adds.

Sam Graziano, CEO of Fundation, says the partnership has created a model for a bank and fintech to work together.

"The results are already showing that the bank will be able to reward a broad array of small businesses with the type of borrowing experience they are coming to expect from best-in-class financial services companies."

In 2017, Citizens launched SpeciFi, which offers consumers a unified view of their banking and investment accounts from their online banking homepage through the SigFig platform.

"We think SpeciFi is a game-changing service that will make investing more accessible to a larger set of customers, while providing an entirely personalised and integrated banking and investing experience," states the bank's spokesperson.

The bank charges clients 0.5% for assets under management, about half what brokers typically charge, but more than some pure robo firms, including the 0.25% SigFig charges as a standalone platform, with no charge on the first $10,000.

The spokesperson explains: "SpeciFi from Citizens Investment Services offers customers an integrated view of their bank accounts and investment accounts all in one place, with the ability to move money among accounts simply. One fee covers both the investment management service and the cost of trades.

"SpeciFi customers also have the opportunity to consult with a financial advisor by phone for no additional charge, and/or set up an in-person consultation with one of our branch-based financial advisors who can offer advice on a range of investment products and services."

For its commercial banking platform, the bank has turned to Bottomline Technologies to offer an integrated suite of cash management and payment services that can be tailored by market or industry segment. Citizens says it selected Bottomline after extensive industry research for its intuitive navigation; simplified transactions; integrated payment workflows and user self-service capabilities.

> "A lot of fintechs are looking for a partner willing to coach them in how to approach the market."
>
> Charles Beyrouthy, Citizens Bank

Charles Beyrouthy, Citizens Bank

Digital tools like Bottomline help reduce paper and friction. Beyrouthy said the bank is continually working to increase digitalisation of processes to provide better customer services and faster processing.

In April 2018 the bank announced it would work with Indian system integrator and technology provider Infosys to implement Finastra's flagship trade finance solution, Fusion Trade Innovation. The bank says the new solution this will "enable Citizens' corporate clients to digitise traditionally paper-based trade processes, leading to increased efficiencies and reduced costs".

Michael Cummins, head of treasury solutions at Citizens, says the bank was also looking at other corporate banking solutions, such as syndicated lending and supply chain finance, that Finastra could provide.

The bank's technology received some detailed coverage in the annual report where the banks said it had a focus on open architecture to adapt to a rapidly changing business environment and harness innovation. Citizens also said it would place a greater emphasis on cloud computing to drive efficiencies and re-engineer its development away from waterfall to more agile development. >>

CASE STUDY: CITIZENS BANK

Access all areas

Citizens has also launched an entirely digital bank, Citizens Access which offers high interest rates – currently 2.25% versus a national US average of 0.12%, and 3.15% on a five-year certificate of deposit (CD).

"Why you'll like Access," the bank explains on its website:

- no lines, we're digital;
- no surprises, we don't do fees;
- no searching, you've found some of the best rates.

Citizens Access has a $5,000 minimum on its savings accounts. It has been successful, attracting more than $1 billion in deposits within the first three months of its launch in the summer of 2018. Citizens, which has a physical presence in 11 states, has drawn customers for its digital bank from all 50 states, and very few are existing Citizens Bank customers.

The bank spent a lot of time on defining and branding Citizens Access, says John Rosenfeld, its president. They decided to keep the Citizens name attached, rather than create a completely separate bank, but to clarify how it was different.

"At any traditional bank you can get a wide array of services and services – ACH, wire, cheques – all those amenities cost the bank a fairly significant amount of money. We took a very different approach. We said we are not going to do all those different things, only savings and CDs. Everything is digital, we won't charge any fees for anything ever, and we will give you the best rates. We wanted to provide the best place to save money," he explains.

"It's not the first time anyone has come up with digital bank and a narrow share of products, but we are one of the first to have rules that we are not going to have paper, or have fees."

Their target was optimisers, who wanted an account that was accessible, fast so they could get things done on the run, secure and competitive on interest rates.

He credits the customer experience for some of the fast growth – new customers can open an account in no more than five minutes.

The bank uses FIS Global as the platform for Citizens Access (the same platform 80% of direct banks in the US) are using, Rosenfeld says.

"It gives you a deposit platform and you can bolt on pre-integrated services like call centre and back office."

The bank went live about eight months after signing the contract, he adds.

"It was a very accelerated time line, one of the fastest FIS or our bank has ever seen,

> "We have been hesitant to try cross-sell; we want to hear from our customers."
>
> **John Rosenfeld, Citizens Access**


John Rosenfeld, Citizens Access

partly because we were definitive about what we were going to do and what not.

"We could have put wire services in but we decided not to. It would have added a lot of complexity, and wires are kind of a thing of the past, mostly for international and we didn't want to do business outside the country." Customers can link their checking accounts and move money same day or next day, he says.

He's very pleased with the technology from FIS and the cooperation of other direct banks using the platform.

"We get together with an FIS conference twice a year; I have never seen such collaborative spirit, it's a very cooperative group of people. When we start talking operations and fraud, if somebody finds a source of fraud they are completely open about what they found and how to prevent it. And when it comes down to capabilities we want in the future, it has become good to have that discussion openly because FIS hears what we all want in the next release."

Citizens Access maintains its own engine room and is constantly tweaking the platform, which it can do quickly and cheaply with its lean structure.

For years now most US banks have been offering interest rates of one-tenth of one percent or so. The Citizens Access offer at 2.25% is close to the best rates available, Rosenfeld says.

"We are definitely in the lead pack – we are new and trying to create a name, and it is serving us well right now."

The direct bank's average customer has $70,000 in her account, which leads to some envious glances from the regular bank, but Rosenfeld wants to protect his users.

"We have been hesitant to try to cross-sell; we want to hear from our customers."

What they have learned is that their users are folks who mostly want to manage their money themselves and are incredibly web-savvy.

"Try selling them on a human advisor and they think that will slow things down; either they already have an advisor or they don't want one."

They do want to add trusts and beneficiaries as account holders; with five beneficiaries an account can get $1.25 million in deposit insurance rather than

> "It's not the first time anyone has come up with digital bank and a narrow share of products, but we are one of the first to have rules that we are not going to have paper, or have fees."
>
> **John Rosenfeld, Citizens Access**

the base $250,000. The bank is working on that.

Direct banks tend to fall into one of four categories, Rosenfeld says. Credit card companies use them for funding, and brokerages like Schwab and Fidelity want to lock in their customers by making it easy to move money around while keeping the customer's funds within the firm. A third group is looking to expand its footprint and a fourth has a millennial focus like Finn by Chase or Greenhouse from Wells Fargo. They are mostly just checking accounts with no great rates but good digital tools, he says.

Citizens was looking for funds to support its lending. It has a national student lending programme which includes refinancing student loans, and it provides the financing for Apple iPhones sold through the company stores in a package that includes Apple Care and a new phone every year or 18 months.

The funds flowing in to Citizens Access appear to be coming from the big banks as smart customers see the gap between traditional and direct banks, said Rosenfeld. Three years ago, it wasn't great. But now, for a saver with $100,000 in an account, the differences between 2.25% and 0.1% is significant, adds Rosenfeld, who notes that he himself is a customer of the direct bank. **bt**

Tom Groenfeldt

The Venn diagram of doom or how I make career choices

By *Leda Glyptis*

Friends, mentees and colleagues often ask me to be a sounding board for career decisions. Should I do A or B? Should I say yes or no? What should I do next? How do I know what the right call is?

It's a great honour and an invitation to a conversation that I take extremely seriously. Because anyone who knows me, knows that they ask a question, I ask ten back. Not being funny, it's a given. I am terrible at giving straight answers to vague questions. I guess that is why people come to me. And I take that trust seriously.

And what I tell them is this:

All decisions are emotional.

Your gut points you a certain way. Your heart decides.

Then your head wraps some logic around it. Retro-fitted and after the fact. And when it works well, off you go. When it doesn't work well, you struggle. You hesitate. You lose sleep. Not because you can't decide, but because you can't justify what your heart desires.

Don't fight that.

That's being human.

Without that you are a robot and have a whole host of circuit problems I can't help with.

So given all decisions are emotional but some thinking after the fact is needed, this is how I make my career decisions in order to help the heart along its way. I use the Venn diagram of doom to create parameters for my heart to decide. And what started as a "hey, can I run an idea by you" has becoming a thing friends and colleagues joke about. Because the Venn diagram of doom is simple. And it works. Every time.

WHAT'S THE QUESTION

The question genuinely needs to be directional.

What should I choose?

It can be this or that, when two offers are on the table. It could be open ended, when no options are on the table and it feels hard to breathe sometimes. It could be sanity-checking, when life seems full of options and everything seems possible but everything cannot possibly happen all at once so what will it be.

The question cannot be "what is the right thing", because there is only what is right for you next. Nothing more but that is enough.

The question cannot be "what would you do", but it can be "what would Brian Boitano do, if he was here right now". Because he'd make a plan and he'd follow through, that's what Brian Boitano'd do (yes, yes, five points if the song is now stuck in your head. You are welcome.)

YOUR THREE CYCLES

What are you good at? This is a hard question because it is often not the thing you worked the hardest at. Not the thing you wish you were kick ass at. You may be making a living as a quant and you are not bad at it but the thing you are really awesome at, hard as it is to capture it in a CV, is getting the team to understand the "so that" of the work, so that in the fray they know what sacrifices are acceptable and what battles are worth fighting.

What are you really good at, even if you struggle to articulate it without sounding like a jerk? This is for you so don't filter.

What are you good at?

What do you like doing? No real job is made up of sugar and spice and all things nice only. Any real job comes with heartache and some stress and bits you really, really hate. But. If we are having a conversation that entails the Venn diagram of doom, you have a career, aspirations and options. Nobody struggling to keep body and soul together or striving to get started feels they have the luxury of choices like this one, or a right to it. So we are here. Indulge for a minute. What do you like doing, at work, not paragliding and stuff. Let's be a little focused. Or paraglide away but there is no Venn diagram there, no overlap. Just a potential decision that you would be happier doing something else, that doesn't involve an office…

But for this, just indulge and see where what you are good at and what you enjoy doing overlap.

Strangely, being good at handling hard conversations and loving to help people grow and flourish may feel poles apart but actually where they overlap you get someone ready to take on the daunting task of building a team, building a business.

The third cycle is: *where do you think your chosen market is going?*

Not your current job and department, not your current organisation, not the circus you sit in. The market.

Sobering, no?

Where do you think the market will be, where the money will be made, where the circus will be pitching its tent in five years' time. No certainty, of course, but let's eat our own dog food a little. Where do you think the world will be in five years and how much of what you are good at and what you like doing will it need. And where.

WHY THE DOOM AND GLOOM

I call it the Venn diagram of doom and that always gets me nervous laughs. Why doom?

Because none of this takes you where you think you are going. Not in terms of the decisions but in terms of the reasoning.

Doom is not the outcome, not the result. Quite the opposite.

Doom is the emotion you will jokingly embrace as you start seeing that your personality may be a greater asset to your career than 25 years of subject matter expertise. That passion may be the thing that will help you pivot away from what you are good at to what you think will still be marketable in five years' time. Doom will momentarily be the feeling that envelops you. And then you will laugh. Because you now have a plan you believe in.

When do you need this? When you hesitate about career decisions. When you worry about career options. When you can't decide if something will take you in the right direction. When trying to assess if the things you are drawn to (career wise, you are on your own for the rest… there are limits) are good for you.

How long should it take? Honestly about ten minutes. If it is taking you longer you are not being honest with yourself.

How long is it good for? Until you feel you need it again.

That's it. Now go do. **bt**

Leda Glyptis is *FinTech Futures'* resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption as chief of staff at 11:FS and CEO of 11:FS Foundry. She is a recovering banker, lapsed academic and long-term resident of the banking ecosystem.

All opinions are her own. You can't have them – but you are welcome to debate and comment!

Follow Leda on Twitter @LedaGlyptis and visit our website for more of her articles.

COMMENT: FINTECH RESILIENCE

What does a recession mean for fintech?

By *Greg Palmer*, VP, Finovate

2019 is upon us, and just like every year, the great economists and financial gurus are currently engaged in one of my favourite annual rituals: attempting to predict what the next 12 months will look like for the world's economies. This is, of course, impossible. And yet it never seems to slow down the number of writers I see making their bold predictions known. The ritual always brings to mind the classic joke: an economist will tell you tomorrow why the predictions he made yesterday didn't come true today.

This year's predictions are varied, but most people seem to agree that the most likely outcome for 2019 ranges between a slight slowdown on one side and a full-blown recession on the other side. I'm not at all qualified to offer an opinion on macroeconomic trends of that magnitude, but if some of the global economic powerhouses were to experience a slowdown, the question that interests me is: **what would a recession mean for fintech?**

It's a really difficult question to answer, partly because there's not a lot of historical information to pull from. The origin of the word "fintech" can be traced all the way back to the 1980s, but most people that I know would say the current fintech boom started somewhere around the subprime banking crisis of 2007/2008 (2007 was also the year that the first iPhone came out, and, not coincidentally, was the year of the first ever Finovate conference). Based on that timing, the current fintech ecosystem has only really existed in the economic expansion cycle, which immediately followed the Great Recession.

So we haven't seen what happens to the fintech market during a large-scale recession cycle – should we be scared to find out? For me, the answer is a resounding no. Before I get too far, I should state the obvious: recessions are not desirable for any number of reasons. But when it comes to fintech, they may not be so terrible. In fact, my guess is there are actually some significant positives for the overall fintech ecosystem that can come out of a cooling global marketplace (as long as the recession isn't too severe).

First off, an economic downturn forces everyone to look more closely at the processes that define the status quo. When everything is humming along smoothly, it's easy to justify systemic inefficiencies. If the current processes are working well, why rock the boat? This is especially true for large, traditional banks and financial institutions, who are notorious for being wary of potential sources of risk, and any change brings some element of risk with it.

When things start to slow down, though, the potential benefits from engaging with innovative new technology look more attractive and the potential risks can start to look smaller. Instead of simply being curious about what kinds of fintech solutions are out there, banks will start to explore problem areas that are in need of updating. Fintech tools that can get customers onboarded more efficiently can save valuable time and money, and so can technology that solves customer service problems or gives customers the means to help themselves. Maximising the value of each customer becomes paramount, and this is an area where fintech has a lot to contribute.

While a slowdown can help motivate banks to engage with fintech more, it can also give fintechs a specific target to shoot for. In my time at Finovate, I've seen a huge number of really cool pieces of technology that never seem to find a home (see my "$2 bill fintech" article from September 2018). Why? Because a lot of the "coolest" technology could be thought of as solutions that are searching for a problem. In the absence of a specific problem to solve, many innovators will look to create the coolest technology they can in the hope that they'll find someone to buy it. This leads to very entertaining and impressive on-stage demos, but it doesn't always make financial sense for anyone to engage with it.

As more specific problems start to come to light, though, innovators (and the VCs who back them) have something concrete to tackle, confident in the knowledge that there is already a market that wants to buy what they make. You can see this phenomenon play out in fields like security and identity verification – every highly publicised hacking scandal breeds several solutions that are explicitly designed as a response to the weakness that was exploited. The same is true for things like new governmental regulations or compliance requirements. The implementation of PSD2 created a well-documented pain point for European banks, but it also led directly to a host of new fintech innovations designed to make the process less onerous.

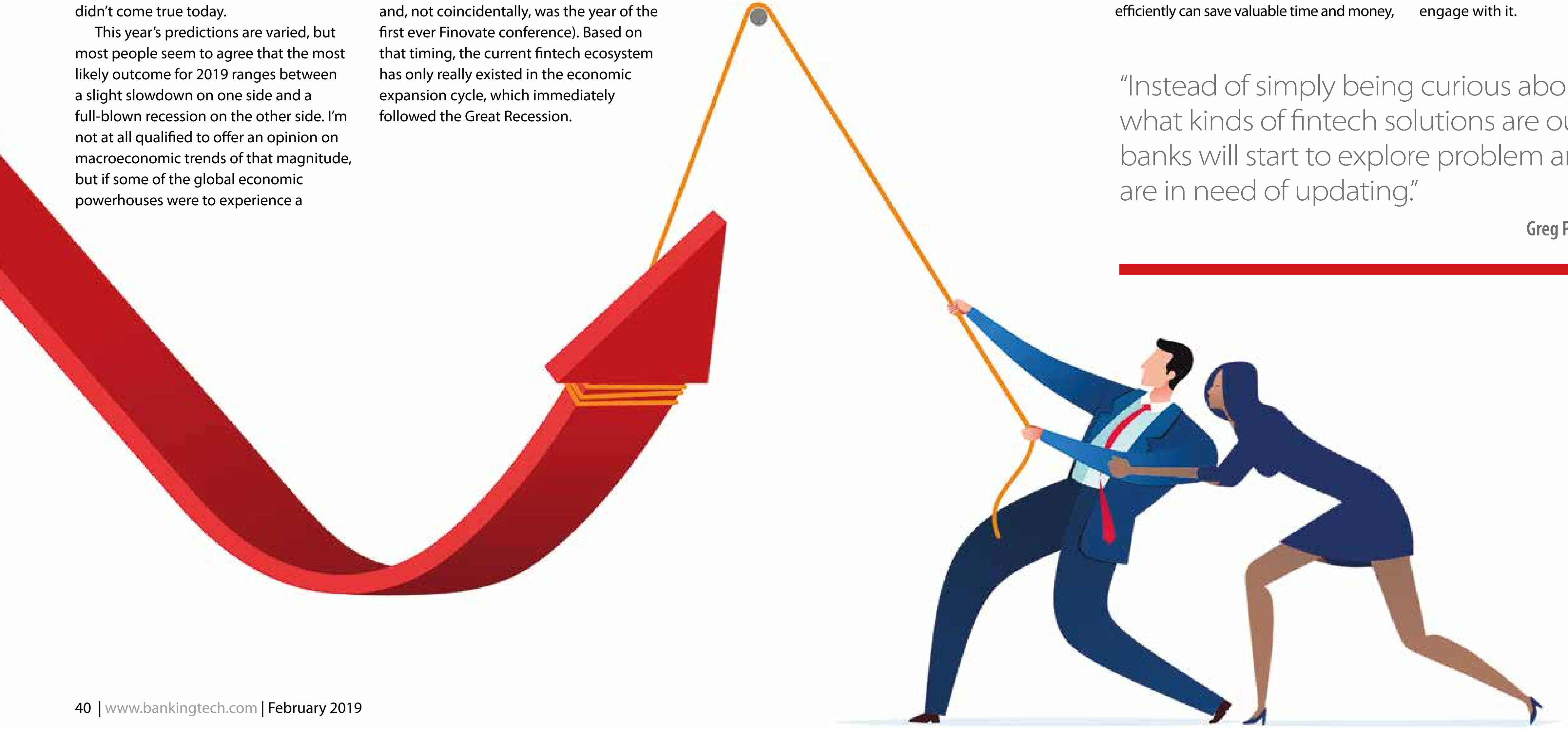
Finally, an economic slowdown provides a greater incentive for people with inside knowledge of banking systems (and their inefficiencies) to "switch teams" by partnering with techies to create new products. Many financial institutions will lay off staff or offer incentives for executives to retire early as a way to reduce overhead when things tighten up, which can release a lot of knowledge and expertise into the labour market. The "ex-banker-plus-coder" team is something we saw a lot of at Finovate in the early 2010s (after a similar round of financial industry belt-tightening), and it can frequently lead to very useful, profitable products. As far as the tech side of fintech has come in recent years, there is still no substitute for hands-on experience working on the inside of a major financial institution.

Fintech is an industry that thrives when there are specific problems to solve, and I'm always amazed at how quickly intelligent innovators jump head first into really difficult situations. While any economic slowdown has (obvious) downsides, fintech has proven that it's more resilient than a lot of other tech areas. I'm not too worried about what will happen to the ecosystem whenever the next recession comes (and no matter when you think it's going to happen, there's no doubt that there will eventually be another recession).

Whenever the next recession comes, it's sure to bring with it a host of problems. But in the world of fintech, a problem is just an invitation to innovate. **bt**

"Instead of simply being curious about what kinds of fintech solutions are out there, banks will start to explore problem areas that are in need of updating."

Greg Palmer, Finovate



SCT Inst: gaining traction one year on

Launched by the European Payments Council (EPC) on 21 November 2017, SEPA Instant Credit Transfer, aka SCT Inst, is an instant payments (IP) solution enabling credit transfers within the SEPA area to be made in less than ten seconds.

In this interview to mark the first anniversary Javier Santamaría, chair of the EPC since June 2012 and a member since its creation in 2002, reviews the progress of SCT Inst over the past 14 months and the further evolution that lies ahead.

SCT Inst went live a year ago with around 600 payments service providers (PSPs) across eight European countries. 12 months on, the totals have grown to 2,042 PSPs in 16 countries. At inception, the EPC indicated that it hoped the scheme would achieve critical mass by late 2020 – are you on track?

Indeed, EPC remains confident that a critical mass of SCT Inst scheme participants will be reached by the target date. In only one year the EPC has already made SCT Inst a success story; therefore, we remain convinced that market forces will help it reach ubiquity by 2020.

At the launch of SCT Inst you mentioned that you expected some challenges ahead? Has the roll-out to date been smoother than expected, or have you indeed encountered obstacles? If "yes", how have they been addressed?

The first challenge was the brief window in which PSPs had to prepare. EPC had published the scheme's rulebook in November 2016 for an operational starting date of November 2017. The PSPs willing to adhere to the scheme from its beginning had to achieve considerable changes in just one year, adapting their IT systems to make them real-time and available 24/7/365, as well as establishing back-up arrangements for them, upgrading their operational and risk management processes such as fraud detection, their clearing and settlement arrangements, and developing and promoting this new service to their customers.

We think these remain the challenges to be met by any PSP implementing SCT Inst. Notwithstanding the challenges they face, overall, the roll-out is being deployed according to expectations and we have not encountered any significant obstacles other than those foreseen.

EBA Clearing's RT1 instant payment system, which also launched at the same time, has already passed the five million transaction mark ahead of its first anniversary. What have been the drivers of this rapid growth?

RT1 system provides SCT Inst infrastructure services at a pan-European level. The EPC, being only a scheme manager, does not manage any infrastructure. However, the recent announcement of the landmark by EBA Clearing is a reflection of the current growth of SCT Inst volumes and participating PSPs, and must, therefore, be considered very good news, and a signal that PSPs are increasingly implementing solutions that are used by their customers, the underlying driver of the growth produced.

Some reservations were expressed at the outset over the security of the SCT Inst scheme. Have these concerns proved unfounded, or has regular monitoring succeeded in avoiding any security issues?

The EPC advocates security awareness amongst the various stakeholders in the payment ecosystem to maintain the high level of trust in the SCT Inst scheme. This is done by highlighting and helping to address potential risks to the scheme through tools such as a Risk Management Annex.

The EPC, together with payment stakeholders, constantly monitors the development of SCT Inst in the market and regularly updates the scheme and its tools to reflect market needs, evolutions in technical standards and past major events. Efforts on security should never be relaxed as final victory cannot be claimed – this is why the EPC considers monitoring on security as a critical on-going activity.

At its launch, you stated that the main aim of SCT Inst was to replace cash and cheque transactions. A number of countries – for example those in Scandinavia – have made much greater strides towards a cashless society than some of their European neighbours. Are they the ideal market for a scheme like SCT Inst?

The Scandinavian countries aren't yet part of SCT Inst, but have their own national instant payment schemes. However, Scandinavian experiences show that instant payments are an excellent substitute for cash in many use cases which reassures the EPC about the fitness of the SCT Inst scheme.

SCT Inst currently enables customers to transfer up to €15,000 between accounts within seconds around the clock. You indicated that this maximum figure would be reviewed after the first year – is it set to be increased so businesses make greater use of the scheme?

The maximum amount an originator can transfer via a single SCT Inst Instruction is currently set at €15,000. The Scheme Management Board (SMB) is currently assessing if there is already a need to adapt the maximum SCT Inst Instruction amount. Reactions to market demands, when identified, will be adopted in a very agile manner.

Do you expect blockchain technology to play a key role in the future development of SCT Inst and if so, what will it contribute?

The EPC does not have a crystal ball to predict the future, but we are monitoring the evolution of technology relevant for payments. The evidence is that innovative payment methods like SCT Inst and related value added services are being progressively developed.

Has there been interest in SCT Inst from other regions of the world? Could it become a template for similar schemes outside of Europe, or would it need amendments before other regions could adopt it?

SCT Inst is limited to the SEPA geographical scope of 34 European countries and territories. However, SCT Inst marks a major change in European payments and offers a tremendous opportunity to PSPs to satisfy their customers in the digital age as well as harmonising payments in Europe, which could be a good example for other regions of the world. In addition, the EPC grants licences enabling the use of the elements of the SCT Inst scheme for non-euro transactions thereby fostering harmonisation beyond the euro.

Finally, what additional plans do you have for the further evolution of SCT Inst over the next few years?

As mentioned earlier, we feel confident that a critical mass of PSPs across SEPA will have joined the SCT Inst scheme by the end of 2020. And generally speaking, SCT Inst scheme will further evolve based on experience, market demand and technological advances. Some new features have already been implemented in the scheme, like the repayment functionality – effective in November 2019 – and others will be developed in line with the scheme management process in place at the EPC to follow market needs closely. **bt**

Graham Buck

Javier Santamaría, EPC

"Efforts on security should never be relaxed as final victory cannot be claimed."

Javier Santamaría, EPC

Movers and shakers

Barbora Polachova has joined **Yolt**, "the smart thinking money app", as head of partnerships. This is a newly created role, with Polachova leading the development of Yolt Connect, the in-app marketplace.

She moves from Uber, where she was the strategic partnerships senior associate.

Mastercard has appointed its first chief experience officer, **Donald Chesnut**. He joins from SapientRazorfish, where he held a similar role.

Michael Miebach, Mastercard's chief product officer, comments that "providing customers with clear, consistent and rewarding experience is what differentiates leaders from the rest of the pack".

Meanwhile, rival **Visa** has named **Mary Kay** Bowman as head of seller solutions. She moves from Square, where she was head of payments, and prior to that she spent over a decade at Amazon, managing the company's global payments.

Not long ago, Square lost its CFO, Sarah Friar, to Nextdoor.

Banking giant **UBS** has a new chief digital officer, **Elly Hardwick**. Hardwick was previously head of innovation at Deutsche Bank for two years. Prior to that, she was CEO of Credit Benchmark. She also worked for Morgan Stanley and Thomson Reuters in the past.

UK-based challenger bank **Monzo** has named **Gary Hoffman** as non-executive chairman, hot on the heels of the latest funding round and a £1 billion valuation.

Hoffman, former CEO or Barclaycard and vice-chairman of Barclays, is known for his tenure at Northern Rock, as he steered the troubled bank through its emergency nationalisation a decade ago.

Martijn De Jong left insurer Aegon to join **Standard Chartered** as global head, digital channels and data. Based in Singapore, he will be responsible for driving transaction banking's overall digitisation and innovation agenda.

At Aegon, De Jong was chief digital and marketing officer, based in Mumbai.

Luc Teboul was poached by **Goldman Sachs** from JP Morgan as MD, consumer and commercial banking technology, to work on the bank's new digital lending platform, Marcus.

At JP Morgan, Teboul was head of data engineering technology for the corporate and investment bank.

Mark Smedley has left **Oracle** after over 18 years with the firm. For the last four years he was VP, global industry lead, and prior to that he had a lengthy stint as industry VP, financial services. He joined Oracle in 2007 from Washington Mutual Bank.

"After a long career at Oracle it's time to open new opportunities and expand my horizons," he says on LinkedIn.

André Mohamed, previously CTO and a co-founder of Freetrade, has moved to rival fintech **Revolut** as its new head of wealth and trading product (soon to be launched).

Mohamed resigned from Freetrade last September. According to TechCrunch, his contract at Freetrade was terminated and the two parties settled, with Freetrade accepting no liability.

Sujith Narayanan has left **Google** after seven and a half years with the tech giant. He was head of industry, financial services and healthcare, and also co-founder of Tez, a mobile payments service by Google, targeted at users in India. Last year, Tez was rebranded to Google Pay.

Prior to Google, Narayanan was VP, marketing and channel development, at Religare Macquarie Private Wealth for around three years, and before than he was with Standard Chartered in various roles for nearly eight years.

On his LinkedIn profile, Narayanan describes himself as an "aspiring entrepreneur". **bt**

EVENTS CALENDAR

February

25-26: MEFTECH,
Riyadh
www.meftechksa.com

28: TSAM,
London
www.tsamlondon.com

March

5-6: CPI Europe Summit 2019,
London
www.commercialpayments international.com

11-13: RiskMinds Insurance,
Amsterdam
finance.knect365.com/riskminds-insurance

April

1-3: FIMA USA,
Boston
fimaus.wbresearch.com

9-10: IFINTEC Finance Technologies Conference and Exhibition,
Istanbul
www.ifintec.com

17: Synchronize,
New York
www.imn.org/synchronize

25-26: AI & Big Data Expo Global,
London
www.ai-expo.net/global

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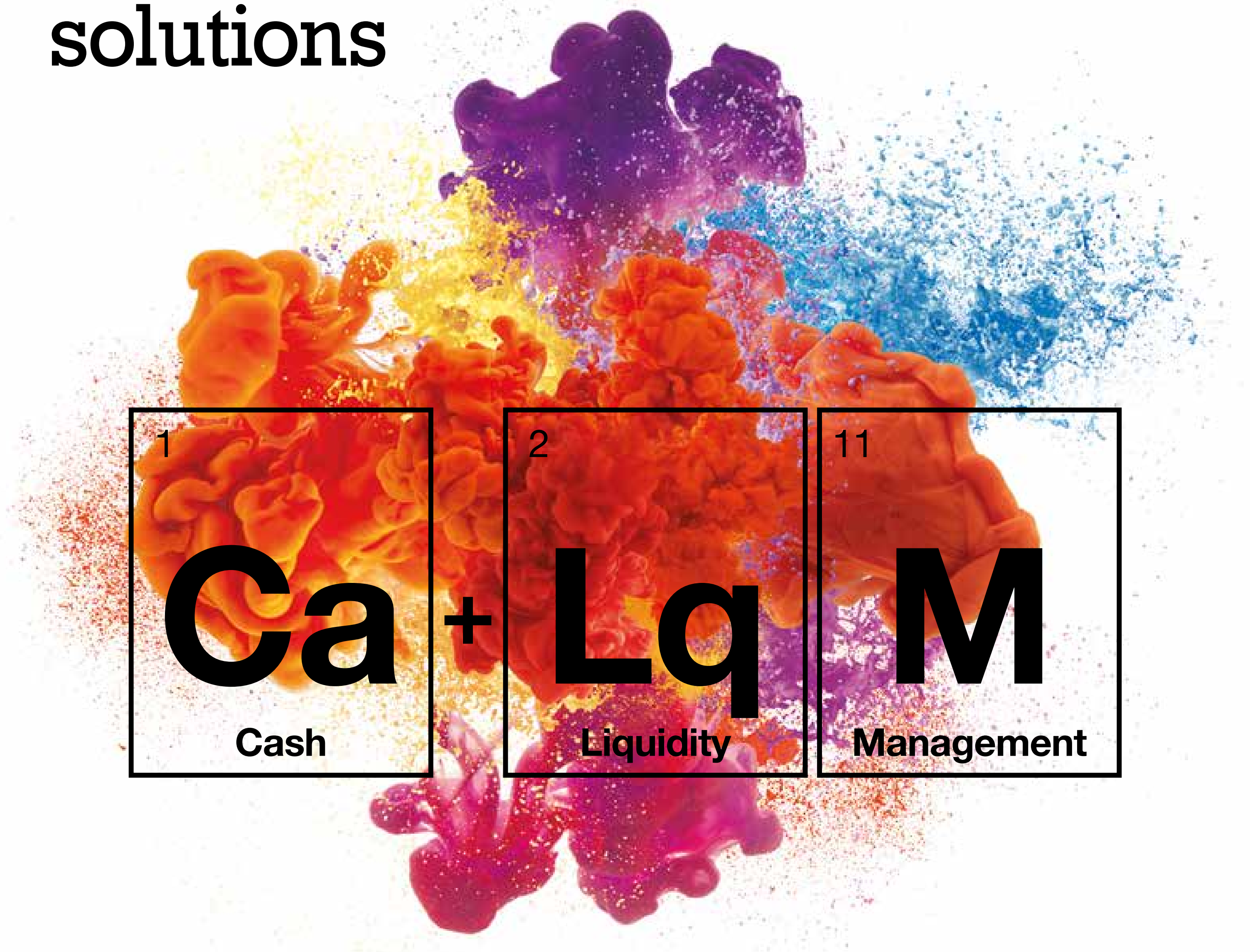

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