banking technology

The definitive source of news and analysis of the global fintech sector | **March 2019** www.bankingtech.com

PAY ATTENTION
Fintech in the ascension

CHALLENGER BANKS IN SPAIN
Who's who and what's their tech

FOOD FOR THOUGHT
Blockchain emperor has no clothes

FINTECH FUTURES

Contents

FINTECH FUTURES

Managing Director & Editor-in-Chief
Tanya Andreasyan
+44 207 551 9010
tanya.andreasyan@knect365.com

Deputy Editor
Antony Peyton
+44 207 551 9010
antony.peyton@knect365.com

Reporter
Henry Vilar
+44 207 017 5709
henry.vilar@knect365.com

Design & Production Manager
Kosh Naran
kaushik.naran@knect365.com

Head of Sales
Jon Robson
+44 203 377 3327
jon.robson@knect365.com

Business Development Manager
David Wurie
+44 207 017 5593
david.wurie@knect365.com

Marketing Manager
Irena Andrisevic
+44 207 017 5379
irena.andrisevic@knect365.com

Onalytica's
TOP 100
Fintech
Influencer
and Brand

Banking Technology is published ten times a year

Address
Maple House
149 Tottenham Court Road
London W1T 7AD
UK

Printer
Hobbs the Printers Ltd
Hampshire, UK

ISSN 0266-0865
www.bankingtech.com

KNect365
an informa business

Editor's note

Hello spring, time of new beginnings! In the March edition of the magazine, we are looking at the fresh faces of the industry – start-ups, challenger banks and financial services providers, and all those hoping to get a slice of the fintech pie.

We've put together a comprehensive list of challenger banks in Spain and the technology they are using – you can find all the info on p34.

We also interviewed Anthony Thomson, chairman of 86 400, a challenger bank in Australia, about what makes it different from its rivals and its plans to take on the "big four" heavyweights (see p18).

We also discovered Initium, a corporate challenger bank in Switzerland (p11), and Morning (p13), a neobank in France; and reported on the latest funding round of Nordic banking start-up Lunar Way (p11).

In South Africa, TymeBank is readying for an imminent launch, described as "the first majority black-owned retail bank in South Africa" (p5).

In Canada, Motusbank is a new kid on the banking block, focused on digital banking and gearing up for launch later in spring. It is a creation of Ontario-based Meridian Credit Union (also p5).

In the US, we found two recent additions to the banking scene – Rising Bank in the Midwest and LikeBank in New York. The former is being launched by a Missouri-based old timer, Midwest BankCentre, and is focused on "making the community banking experience digital" (p9); whilst the latter hopes to provide its banking services directly via messengers and plans to partner with a Russian bank for launch later this year (p10).

But of course, no country at present can beat the UK in challenger bank activity, where the start-up numbers are reaching fever pitch. Check out Diaspora, a trade finance challenger from London (p4); Griffin, a London-based wholesale bank (p10); plus two SME-focused banking start-ups – AlbaCo in Scotland (p7) and Ursa Finance in Manchester (p14). And not to forget a savings start-up for travellers, Moneycado (also p14).

Happy reading! **bt**

Tanya Andreasyan
Editor-in-Chief
Banking Technology

UK challenger bank Diaspora preps for flight

London-based Diaspora is getting ready to spread its wings with the launch of its trade finance challenger bank.

The idea is to build a trade finance ecosystem where sellers, buyers, and funders can transact international trade and commodity finance deals over the blockchain.

Diaspora plans to offer SMEs "bespoke" funding solutions.

According to its website, it was created in 2017 by a group of entrepreneurs and bankers. It also has offices in Den Haag, in the Netherlands.

The bank says: "Whether you are a small coffee trader in Ethiopia, a wine exporter in Italy… we want you to come to us and be a part of Diaspora."

It is based at the tech hub Level 39 in Canary Wharf. Ibrahim Farag is the bank's MD and founder. He has plenty of experience in fintech – such as an investment strategist, investment director; and working at FIMBank in Cairo and Union National Bank in Dubai.

In terms of its tech, Farag tells *Banking Technology*: "We have developed our own back-end that has been so far sufficient as an MVP [minimum viable product]. That being said, we have recently been approached by a leading outstanding providers of working capital/supply chain software, and for that our technology team now mulls the options of developing our own vs investing in an existing one. That option will be decided in line with the results of our fundraising campaign later in the summer."

With regards to the funding, it will be "two tier fundraising". This involves transaction/debt funding that is mainly to fund others, and equity funding for growth and investing in technology, PR, compliance, and to recruit more staff.

Diaspora doesn't have a banking licence at present as it doesn't take client deposits or offer lending, Farag explains. He adds the firm will apply for a licence in due course.

Antony Peyton

Diamond Bank UK in tech review

Diamond Bank UK (DBUK) is understood to be reviewing its legacy technology set-up, following the arrival of the new owner.

DBUK, formerly a subsidiary of Nigeria's Diamond Bank, changed hands last year – it is now owned by Sanjeev Gupta, a UK industrialist and owner of GFG Alliance group and Wyelands Bank.

It focuses on wholesale banking (corporate and correspondent banking), supporting the international trade, payments and associated FX needs of clients and, unsurprisingly, has strong ties with West Africa.

On its website, the bank states that its business "is driven by innovation and leading edge technology". For its technology, DBUK has been using the Flexcube core banking system from Oracle FSS for many years, installed as part of a group-wide roll-out at Diamond Bank.

Banking Technology understands that the assessment of the existing IT set-up is now underway at DBUK. The bank is believed to be considering a number of systems besides the incumbent, including Temenos' T24, Mambu and ERI's Olympic (as Gupta's other bank, the aforementioned Wyelands, uses Olympic as its core system).

Banking Technology contacted the bank for a comment but received no response.

Over the last couple of years, Diamond Bank in Nigeria had shed its international locations. In 2017, it sold its West African network of subsidiaries in Benin, Togo, Cote d'Ivoire and Senegal to a Cote d'Ivoire-based financial services company, Manzi Finances, for €61 million. It then sold its UK subsidiary, and became a purely domestic institution; and now it is in the processes of being acquired by another local entity, Access Bank. The merger is expected to be completed in H1 this year. Both banks run Flexcube for their core tech.

Tanya Andreasyan

Apple and Goldman Sachs to unleash iPhone/card combo

Goldman Sachs has teamed up with Apple to issue credit cards paired with iPhones for improved money management.

According to the Wall Street Journal (WSJ), citing people familiar with the matter, the card, which will be linked with Apple's Wallet app, will allow users to set spending goals, track rewards, and manage balances.

The new cards will be rolled out to employees for testing in the next few weeks and will be launched later this year.

For Apple, this gives it a boost for its mobile payments and – on a non-fintech note – its music streaming after a recent dip in iPhone sales, which generate most of the company's profit.

Goldman is also looking to increase its consumer loans to counter the dip in its trading business.

Apple and Goldman declined to comment.

The joint card will use Mastercard's payment network and offers a cash back of about 2% on most purchases.

Spending on Apple products and services could potentially result in more cashbacks, some of the people tell WSJ.

Goldman Sachs has already started adding customer-support call centres, and building an internal system to handle payments, a project that could cost the bank $200 million, WSJ says.

The bank could eventually offer other financial products, such as Marcus loans and wealth management services, to Apple customers, WSJ adds.

Antony Peyton

Fiserv lands its largest core processing deal

New York Community Bancorp will move to Fiserv's DNA core platform to improve its retail banking and commercial lending services.

The bank, which has $51.2 billion in assets, will use an integrated suite of digital banking and payment solutions. It will also move from in-house processing to an application service provider (ASP, i.e. outsourced) model hosted by Fiserv.

It is understood the new tech will replace the legacy Miser solution from Fiserv's rival FIS, and the deal is the largest core processing one for Fiserv.

Barbara Tosi-Renna, assistant COO at New York Community Bancorp, comments: "We chose Fiserv because its solutions, integration and expertise put us in the strongest position to succeed in our fast-changing marketplace."

The bank will add solutions from Fiserv including Commercial Center for commercial cash management and business banking, and the open, real-time Dovetail Payments Platform (paytech provider Dovetail was acquired by Fiserv in 2017).

It also will move existing in-house solutions including the Corillian Online and Mobiliti digital banking solutions from Fiserv to the bank's new outsourced environment.

New York Community Bank is the "leading producer of multi-family loans" in New York City and the largest regional bank headquartered in New York by assets.

The bank has customers in New York, New Jersey, Florida, Ohio, and Arizona through a network of more than 250 branches.

Antony Peyton

Canadian challenger Motusbank moves in

Ontario credit union Meridian has unleashed its digital entity Motusbank as it hunts for a place in the Canadian market.

Meridian's new subsidiary has received the official go-ahead from the Office of the Superintendent of Financial Institutions (OSFI). The bank will open for business this spring.

The new bank is keen to take on the country's "Big Five" players – TD Bank, RBC, Scotiabank, CIBC and BMO, according to Meridian's CEO Bill Maurin.

Motusbank users will "benefit from better pricing and services because there are no shareholders expecting quarterly returns".

Like they do in the UK, e.g. with Monzo's community, the bank's customers will have a say on ideas for new products and features using tools for feedback.

Maurin says: "Motusbank will treat members as true partners, offering an exceptional digital experience, along with some of the most competitive rates and fees in the country."

In terms of details, all banking is online and mobile with access to no-fee savings and chequing accounts, loans and lines of credit, investments, and mortgages.

Motusbank will provide member support through its contact centre – "with real people" – and access to its no-fee ATM networks.

Meridian explains that the word motus "literally means movement or motion, and represents a new movement in banking to help progress the lives of Motusbank members".

The credit union itself is a long-standing user of the legacy Wealthview core solution, which now resides with Fiserv. In 2016, it also signed for new SME and commercial lending origination software, Linedata Capitalstream.

Meridian is Ontario's largest credit union and has more than 300,000 members. It has $20.6 billion in assets under management, as of 30 November 2018. It has a network of 91 branches across Ontario, and commercial banking services in 11 locations.

Antony Peyton

Launch time for TymeBank in South Africa

South African challenger TymeBank has formally opened its virtual doors. For its technology, it uses Mambu's core banking system, hosted on the AWS cloud.

The bank says customers can open a Financial Intelligence Centre Act (FICA) compliant bank account in over 500 Pick n Pay and Boxer stores, and get a Visa debit card. This follows on from a soft launch in December 2018 when it went live at 20 Pick n Pay and Boxer stores.

Since that launch it has got 50,000 customers. The Johannesburg-based digital bank was officially founded in 2012 under the name of TYME. In 2015, it was acquired by Commonwealth Bank of Australia (CBA) and became TymeDigital.

Three years later CBA sold it to African Rainbow Capital, which describes itself as a "fully black-owned and controlled investment company". The majority shareholding of African Rainbow Capital makes TymeBank – as it is now known – "the first majority black-owned retail bank in South Africa", the new owner says.

According to the bank, the kiosks in the Pick n Pay and Boxer stores are equipped with real-time biometric recognition. Customers don't require an ID document or any other paperwork to open an account. It takes under five minutes and they will be issued with a personalised, activated Visa debit card that can be used at any Visa merchant in the country.

TymeBank won't charge monthly fees – meaning no fee for cash withdrawals at ATMs, no account initiation fee, no card issuing fee and no fees for the use of the card for payment. Cash deposits at Pick n Pay and Boxer stores will cost ZAR 4 ($.028). The bank will also offer "high interest on savings" and says customers can earn up to 10% annual interest on their savings after three months.

Antony Peyton

UK fintech investment reaches record $3.3bn

It was another good year for UK fintech as investment rose by 18% to a record $3.3 billion in 2018.

According to a report from industry body Innovate Finance, growth private equity investment rose 57% to $1.6 billion, while venture capital (VC) dipped to $1.7 billion as the UK fintech sector enters a "new stage of its growth journey, ahead of its peers in Europe".

The UK ranked third globally behind China and the US. Within Europe, the UK continues to dominate followed by Germany ($716 million and 48 deals) and Switzerland ($328 million and 40 deals).

Charlotte Crosswell, CEO of Innovate Finance, says: "The UK has a unique position across financial services, technological innovation, regulators and government which all play a crucial role in this impressive growth journey. However, we should not be complacent as new challenges lie ahead; we must focus on growing our talent and capital pipeline across the UK, to ensure sustainable and inclusive growth in the future."

Revolut's $250 million fundraise ranked among the top ten largest global VC deals of 2018. Monzo, EToro, Liberis and BitFury were also among the UK's top five deals, each raising over $80 million.

Challenger banks took the lion's share of VC investment at 27% of the total, followed by personal finance and wealth management (19%), alternative lending and financing (18%) and blockchain and digital currencies (10%).

The UK remains a "competitive" investment destination with 50% of investment flowing in from overseas, largely from North America (25%) and Europe (18%).

Just 6% of deals had a female founder, representing only 3% of the total capital invested in 2018. Everyone keeps saying more needs to done but not a lot changes.

London continues to be the "preeminent centre" for fintech in the UK, with over 80% of start-ups receiving VC headquartered in the litter-strewn, knife-loving city – claiming over 90% of capital invested.

If you want a comparison, then in its previous report, Innovate Finance revealed VC investment in the nation's fintech firms was up 153% at $1.8 billion in 2017.

It was not all about the UK, as Innovate Finance says global VC investment in fintech in 2018 reached a record $36.6 billion, a jump of 148% from 2017 and 329% over five years.

China's Ant Financial dominated 2018 with $14 billion raised – representing 38% of all VC in our sector. JD Digits ($1.9 billion – China), Dataminr ($392 million – US), Oscar ($375 million – US) and Robinhood ($363 million – US) were also among the top deals of 2018.

ACCENTURE'S ANGLE

There was another view on the UK scene.

In 2018, the UK "continued to outpace the rest of Europe in fintech investment", accounting for over half (56%) of the total $6.9 billion invested across the region, according to Accenture analysis of data from CB Insights.

UK investments in 2018 rose from $2.5 billion in 2017 to $3.9 billion last year. The nation had 339 deals in 2018, compared to 272 in 2017.

Germany came in second with 70 deals ($845 million) in 2019, compared to 87 ($2.2 billion) in 2017.

Antony Peyton

Unite Global partners with WOCU for centralised currency

Norway's Unite Global and WOCU will sign a formal agreement to offer the WOCU currency from the Unite hub and into the global banking system.

Unite says the WOCU (pronounced "wok-hoo") currency will offer banking customers lowered volatility, reduced FX costs and freedom from reliance on the dollar for international trade.

This follows Unite's plans to unleash a centralised platform for global real-time payments and settlement between banks, as *Banking Technology* exclusively reported in January this year.

This platform was described by the firm's CTO Tord Coucheron as "fully centralised" but it "does not involve blockchain in any way".

In the latest development, Coucheron says: "With the launch of the Unite global payments hub the issuance of WOCU currency will be a perfect fit for us. Together we can deliver the perfect solution to the pressing need for a mainstream global payments currency that is relatively stable, fast and compliant."

The currency will be issued by a regular FX transaction. Once issued, it may be transferred and exchanged in secondary trades in the regular banking system, like any other fiat currency.

Its global currency quotation is derived from the real-time exchange rates of the currencies of the top 20 countries as measured by GDP (five of them using the Euro), covering just over 80% of global production.

Country weightings are adjusted biannually on set dates. This means that the WOCU, compared to the dollar or any other floating currency, is a reduced volatility reference.

Tom Barr, CEO of WOCU Limited, explains: "We had firm interest from numerous banks, corporates and exchanges, all of which were essential to make it happen and all of which loved the WOCU concept. The problem was the barrier to execution: we had to simultaneously spin too many impossibly heavy institutional plates to get to a WOCU currency."

WOCU FX conversion proceeds will be invested into a dedicated WOCU Reserve Fund managed by a sovereign wealth fund. It is expected that a proportion of the WOCU reserve and investment surpluses will be used for "global social good".

WOCU remarks that its currency will bear no similarity to cryptocurrencies, not only as it's backed by fiat currencies, but also doesn't rely on blockchain.

Henry Vilar

Scotland's SME challenger bank AlbaCo readies for launch

A Scottish challenger bank – called AlbaCo for now – has bravely set out its plans to get into the UK's succulent SME market.

The Glasgow-based bank will provide lending and savings facilities to SMEs through its "relationship-based model". It plans to be open for business in early 2020.

AlbaCo says: "SMEs make up the back-bone of the British economy, they employ 15.6 million people. Put simply, the contribution SMEs make to the UK economy makes it all the more important that they are provided with the finance they need to grow."

The people behind AlbaCo have plenty of experience in the fintech world – with several (such as the CEO and CFO) coming from Airdrie Savings Bank.

The CEO is Rod Ashley and he is also chair of audit and risk committee at No1 CopperPot Credit Union in Manchester. Ashley worked as CEO for five years at Airdrie.

Michael Harriman is acting as IT advisor to AlbaCo. He is also advising another UK-based SME challenger, Redwood Bank, on its cloud-based IT strategy. Back in April 2018 Redwood was the first in the UK to put its core banking tech on Microsoft Azure cloud.

Its tech set-up will be in the cloud. *Banking Technology* understands it is considering DPR Consulting, Temenos and Mambu for its core banking software providers.

In terms of funding, AlbaCo has a number of "prominent Scottish business people as initial investors". The current lead investor is Jim McColl. If you don't know McColl, he's got an OBE and is responsible for the development of Clyde Blowers, a Scottish industrial investment company which owns several engineering firms.

The banking licence is not here yet. "We are liaising with the Bank of England regarding our draft regulatory, capital and liquidity business plans, but have not yet formally submitted our application to them," the bank's spokesperson tells *Banking Technology*.

The name of AlbaCo is a temporary measure. The spokesperson adds: "The name will be determined over the next few months."

"Alba" is the Scottish Gaelic name for "Scotland".

Antony Peyton

Finastra's Fusion Essence core system savours Saudi success

Saudi Arabia's Agricultural Development Fund has chosen Finastra's core banking solution, Fusion Essence, for its lending services.

The governmental credit institution will use the platform – "traditionally used by banks for retail" – to provide its customers with new services and shorter loan approval times.

Muneer bin Fahad Al-Sahli, general director for Agricultural Development Fund, explains: "It's crucial for us to offer our clients – farmers and other players in the agricultural space – a seamless digital experience which enables them with their endeavours. With Fusion Essence, we will be able to increase automation through our loan portal, which will lead to reduced timeframes for loan approvals and improved operational efficiencies."

The fund is specialised in financing various fields of agricultural activity in Saudi Arabia, to develop the sector and increase its productive efficiency.

Its services allow farmers to obtain Shari'ah-compliant loans for agricultural machinery and equipment.

The new system is part of the "information technology initiative", one of the fund's ten transformation programmes, which seeks to achieve the fund's objectives in line with the Kingdom's vision for the future.

The fund, which has until now used a legacy in-house developed system, aims to go live with the solution within the next year. The system will also enhance the credit risk management practice in the fund.

Antony Peyton

SIA wins Payments Canada's tech revamp contract

Payments Canada has selected SIA as the application provider for the country's new high-value payments system, Lynx.

This implementation is the outcome of an "extensive" procurement process with participation from "key industry partners", including Canadian financial institutions.

As reported in April 2017, CGI, SIA and Vocalink were fighting it out to win the contract for Payments Canada's new core clearing and settlement system.

Now this is wrapped up and SIA will be the Lynx application provider, subject to negotiation of the final agreement and final regulatory approval.

"The establishment of the new Payments Canada core system marks the first time ever project for SIA in North America and further strengthens our position in the international market. Our secure and reliable technologies currently support 20 central banks around the world," says Nicola Cordone, CEO of SIA.

SIA will work with Payments Canada and "key industry stakeholders" on the next version of their real-time gross settlement (RTGS) application solution.

SIA provides payments in countries like Denmark, Norway and Sweden, with their RTGS systems developed by its wholly-owned subsidiary Perago.

Lynx will replace Canada's current Large Value Payments System and will be based on the global ISO 20022 messaging standard.

Payments Canada has recently launched a procurement process for combined hosting and system integration services in support of the end-to-end delivery and operations of Lynx.

Henry Vilar

BB&T and SunTrust $66bn merger leads to mega tech revamp

The titanic $66-billion merger between BB&T and SunTrust has created the sixth-largest US bank and the chance to spend an additional $100 million on technology.

Both of them are up against the big names of Citi, JP Morgan and Goldman Sachs. Those three are often active and have been investing in several start-ups.

Thanks to the US Office of the Comptroller of the Currency (OCC) accepting applications for national bank charters from non-depository fintech firms, a whole swathe of new challengers has sprung up.

BB&T and SunTrust are well aware of these threats, and in fact BB&T CEO Kelly S. King did say in the past: "We face a fundamental choice – disrupt our business or be disrupted."

In their merger, the pro forma company will have approximately $442 billion in assets, $301 billion in loans, and $324 billion in deposits serving more than ten million households in the US.

A new corporate headquarters will be established in Charlotte, North Carolina, including an Innovation and Technology Centre for digital transformation plans.

The two banks are looking to invest in cybersecurity, mobile, and automation. SunTrust and BB&T told investors they plan to spend an additional $100 million on technology.

"Our clients now demand what I call real-time satisfaction – they want what they want, when they want it," King told CNBC's 'Squawk on the Street'. "We are all facing an increasing set of complex economic realities where we have to invest more and more in technology."

For example, JP Morgan Chase has committed $10.8 billion to technology in 2018, according to its annual shareholder letter. Bank of America had $16 billion on reserve for global technology and operations in 2017, while 20% of Citi's entire budget is dedicated to technology spending.

In 2017, BB&T set aside up to $50 million to invest in or acquire emerging digital technology companies.

Due to the advance of mobile, BB&T closed 148 branches in 2017 or about 7% of the bank's total branches, and planned to close about 150 more in 2018. The SunTrust deal should result in some consolidation between the banks' 750 branches that are within two miles of each other, the CEO says.

However, revamps don't always go to plan.

As *Banking Technology* exclusively reported last year, BB&T halted the project to implement a new core banking system from SAP. The bank initially unveiled its plans for a "gradual renovation" of its core banking technology landscape in 2016 at SAP's annual Sapphire conference.

BB&T and SunTrust have a range of legacy systems accumulated over the years and through M&A. For example, both banks are understood to be using FIS's ACBS solution for syndicated lending and SunTrust also has FIS's Systematics for core banking.

Antony Peyton

India's Federal Bank launches open banking platform

India-based Federal Bank has unveiled its open banking platform for fintech companies to use its APIs for new products and to integrate with its banking services.

Via open APIs and a simulated environment, firms can build and test applications as a route to creating financial solutions.

Users can explore various APIs to help the bank with various business requirements related to fund transfers, smart collections, UPI payments, digital credit or account opening.

The bank, like others around the world, wants to improve digitisation, automation, and the reduction of manual overheads and errors.

According to Federal Bank, more than 16% of India's total foreign inward remittances are powered using its API platform.

Current users of its APIs include Airtel, Seynse Technologies and Google Pay.

Federal Bank has a branch network of 1,252 branches and 1,684 ATMs spread across the country.

Antony Peyton

US challenger Rising Bank rises up in Midwest

Out in the Midwest, US challenger Rising Bank has strolled into fintech town hellbent on making a life of cool digital content.

The new digital bank is a division of Missouri-based Midwest BankCentre (MBC), which is an old timer and founded in 1906.

"The Rising Bank team is focused on a range of innovations and improvements in the banking process, as we work to make the community banking experience digital," says MBC CEO Orvin Kimbrough.

According to the good folks at MBC, Rising Bank will offer "state-of-the-art" cybersecurity for users across all Internet-connected devices, including smartphones, tablets and computers.

Customers can open a new account in less than five minutes, and all Rising Bank accounts are Federal Deposit Insurance Corporation (FDIC) insured up to $250,000 per individual account and up to $500,000 per joint accounts.

Rising Bank will initially offer a range of certificates of deposits (CDs) and high yield savings accounts.

For its tech, Rising Bank is using MBC's core banking system supplied by Jack Henry, the bank's spokesperson tells us, "augmented by a new website and online application tool, all responsive, dynamic ADA [Americans with Disabilities Act] compliant technology".

Antony Peyton

NEWS

Metro, Starling and ClearBank win RBS fund

The RBS Banking Competition Remedies (BCR) has announced the winners of the awards of Pool A Capability and Innovation Fund, part of the Incentivised Switching Scheme (ISS).

The grants, which have a combined value of £280 million, are awarded as follows – £120 million to Metro Bank, £100 million to Starling Bank, and £60 million to ClearBank (which is working together with SME banking service Tide).

This is Pool A out of four, the largest of all. It is designed to promote competition in the market for banking services to SMEs in the UK through expansion of each successful applicant's business capacity, product offering and/or target markets.

Consideration by the BCR board included any existing business current account offerings and how each business case facilitated the development of more advanced offerings of business products and accounts.

BCR received a total of 16 applications from six applicants for Pool A. As reported in December 2018, Santander, TSB and Nationwide were some of the names that made it to the scheme for extra cash.

BCR is the independent body established to implement the £775 million RBS State Aid Alternative Remedies Package.

In January BCR announced its plans for a second ISS application window to open this year.

Pool B consists of one £50 million and two £15 million money pots, which are to facilitate the modernisation of existing business current account offerings or the development of new propositions.

Pool C has four £10 million pots, to facilitate the development of new and existing SME lending and payments businesses with a particular focus on facilitating the deployment of new technology to the relevant markets.

And finally, Pool D has five £5 million pots to facilitate the commercialisation of financial technology that is relevant to SMEs.

Henry Vilar

US challenger LikeBank makes light work of messengers

New York-based challenger LikeBank has been unleashed with a likeable mission to offer banking services within a messenger service.

The bank will sit within Facebook Messenger, Viber and Telegram. It will also support Line and WeChat. This means no branch visits, no app downloads, and a 100% digital card delivery with Apple Pay, Google Pay or Samsung Pay.

As you can imagine it's targeting millennials and Gen Z to bring financial services to "where they live – in messengers".

The founder is Elliot Goykhman. He brings plenty of relevant experience, having worked at Alfa-Bank and B&N Bank in Moscow.

Goykhman says: "LikeBank is the most digital and lightest bank in the world."

The bank's website is up and running, and registrants get a card and can manage their finances in the messenger of choice. He explains that WhatsApp is coming soon. He is in the test stage at the moment with a "closed group".

Along with millennials and Gen Z, Goykhman is keen to attract the self-employed and freelancers.

Banking will also be possible by voice command – with Siri, Google Assistant, Alexa and Line's Clova all coming soon.

He will be partnering with a "large Russian bank" for launch later this year.

Antony Peyton

UK challenger bank Griffin gears up for wholesale launch

London-based Griffin is preparing to unveil its new wholesale ("infrastructure") challenger bank in the UK.

The "bank as a platform" or "API-first bank" will provide technology to fintechs that need custodial accounts and access to interbank payments.

It will charge £5 per open account belonging to a human being per year. It's £20 per open account belonging to a company per year.

Griffin says all of its technical systems are built from scratch, "enabling us to move faster than existing banks burdened by legacy tech".

It will also offer integrated compliance solutions for know your customer (KYC) and anti-money laundering (AML) requirements in real time.

The bank, which was founded in 2017, is currently enjoying the delights of the regulatory process.

Banking Technology contacted Griffin for more details on how this regulatory matter is progressing, its tech, and timetable.

In terms of the regulatory issue, the bank only says: "It's very early days for us."

For its tech, Griffin explains that it is "building almost everything in-house", including core banking ledger, customer information system (CIS), payments integration and API front-end. Its tech is written in Clojure (a general-purpose programming language) and uses Kafka (an open-source stream-processing software platform) to support its event-driven architecture.

Griffin is planning to launch in the summer of 2020. It is currently in the midst of fundraising.

Its transatlantic founders are David Jarvis (CEO) in London and Allen Rohner (CTO) in Texas.

Jarvis was an early engineer at Standard Treasury (acquired by Silicon Valley Bank in 2015), where he was responsible for building out the company's core banking system offering. After leaving Standard Treasury he joined Airbnb, where he worked on infrastructure, scaling their in-house build and deployment systems "to thousands of builds per week".

Rohner was the founder and CTO of software firm CircleCI. Along with Jarvis, he is the author of Learning ClojureScript, an introductory book to the ClojureScript language.

Antony Peyton

Swiss corporate challenger bank Initium enters fintech arena

Switzerland-based Initium has been unveiled with plans to build a multi-jurisdictional corporate banking group.

The firm is targeting the new digital economy, including fintech, blockchain and crypto. A lot of its website is spent discussing this economy or globalisation.

Initium says it wants to create a fully licensed bank, and has started the first of three rounds of investment.

It will offer deposit taking, local payment clearing, card issuing and acquiring, and liquidity services.

Initium says: "The institutional infrastructure of the banking system, which has been built up over generations, is ill-suited to the demands of the new digital economy. Indeed, in some of the most innovative and forward-looking sectors of the economy, profitable businesses are finding it difficult or even impossible to secure basic corporate banking services."

In another swipe, it adds: "Firms in the sector often report delays of weeks or even months before they can open an account. The process is often quite bureaucratic and applicants have little knowledge of the criteria on which their business is being judged. Even if they can eventually open an account, there is no guarantee that the account will not be shut again on the basis of blanket assessments about the industry."

It reckons it can address this "challenge" by providing traditional banking services to the underbanked sectors of the digital economy.

It is building its risk assessment procedures and product offering from the ground up – and has set out a roadmap.

For example, in Q2 2019 it will build its global infrastructure, incorporate a Liechtenstein legal entity and commence its banking licence application.

In Q3 2019 it will launch a security token offering (STO) to close its first funding round. Next year, in Q1, it will launch in the European Economic Area – subject to getting that licence in Liechtenstein.

Initium was founded by Daniel Spier (CEO) in Zurich. He has plenty of experience in finance. He previously spent 17 years at IDT Financial Services as CEO and head of finance and treasury director EMEA.

In terms of its core banking system, Initium says this is not yet decided. It is "closely working" with Swisscom Blockchain to conduct due diligence to either develop its own core system or use an existing one (third-party).

When it comes to its funding plans discussed above, the bank is seeking to raise CHF 275 million ($273 million) through a three-round STO (CHF 50, 100, 125 million, respectively). The first round is scheduled for June 2019. It is also raising capital with private and institutional investors. Whatever is not raised through the STO, it will be raised through investors.

It does have one staff member for now, Spier of course. Initium is in the process of hiring a CTO. It expects to hire staff in Liechtenstein and Switzerland: ten and 25, respectively.

The bank adds: "This is of course tied to the regulatory process to obtain the banking licences."

Antony Peyton

Lunar Way gets €13m funding for Nordic conquest

Danish mobile banking service Lunar Way has received €13 million in funding as it prepares to board its fintech longboats for the conquering of the Nordics.

The funding comes shortly after it received payment licences and it's pumped up good and proper for some foreign action.

The round was led by SEED Capital with Greyhound Capital, Socii Capital and several unnamed individual investors from the financial industry.

The company opened for business in Sweden in December, and Norway in February this year.

Ken Villum Klausen, founder and CEO of Lunar Way, says: "It has always been the ambition to make Lunar Way a full-fledged Nordic bank. The Nordic economies are some of the strongest in the world and have some of the most stable markets. The Danes, Swedes and Norwegians are digitally native, 90% already have a mobile banking solution, and are used to handling their finances online."


Lunar Way team

But it's not all praise.

Villum Klausen explains (and has a sneaky dig): "At the same time, the Nordics are oddly insular in that the majority of the populations only have one banking relationship and get the majority of their financial products from that one bank. But many are also unsatisfied with their banks – who often offer completely identical banking apps built on old banking systems and made by the same providers. So the Nordic people are ready for a change."

The firm reckons it's hard for challenger banks to penetrate the Nordic market with anything else than a euro account for travelling.

It will use the investment for "fine-tuning" its existing products and developing new ones tailored to the local needs of the different countries.

Lunar Way was launched in 2015. It says it gets more than 10,000 new users a month. It is also gearing up for a new funding round sometime around summer.

Antony Peyton

Morning wakes up as French challenger bank

French challenger bank Morning has stepped into the fintech daylight with all the energy and élan of a Daft Punk album.

Morning's message to the old guard is clear: "The account that wakes up the bank."

The neobank will let users open an account and order a Morning Pay card in less than five minutes.

This Morning Pay account is free and is linked to a French IBAN. It also offers a Mastercard usable at all Mastercard network traders worldwide.

Along with the product, it offers Morning Jump, a pocket money tool for teenagers. The idea is to offer a co-piloted account to help this age group manage their budgets.

For businesses, it provides "Morning-as-a-Service". This is its proprietary platform for B2B customers offering products and services as a white label option.

There's no specific date but it will also be launching Apple Pay soon.

Frederic Senan is the CEO of Morning. He previously worked as commercial director at Banque Edel for two years. In fact, Morning was acquired by Banque Edel in 2016 to be developed as a standalone digital offering. Banque Edel is an affiliated bank of E.Leclerc Retail Group, France's largest retailer. (Senan is also director of development at E.Leclerc.)

The bank is based in Saint-Élix-le-Château, Haute-Garonne. "Mon Dieu! Where the hell is that?" you may well cry as a Gitane coolly dangles from your lips. Well, mon chéri, it is in fact just south of Toulouse, in the beautiful south of France.

Morning is regulated by the financial services regulator Autorité de contrôle prudentiel et de résolution (APCR).

Antony Peyton

Mambu lands €30m funding and new core banking deal

Software-as-a-Service (SaaS) banking firm Mambu has raised €30 million in its latest funding round led by US-based Bessemer Venture Partners.

The round also had participation from existing investors Acton Capital, CommerzVentures, Point Nine Capital and Runa Capital.

Eugene Danilkis, Mambu CEO, says institutions "have to move at the pace of a technology company rather than a traditional bank" and "as a direct result, we have experienced significant growth as these institutions change strategic direction and face new tech-enabled players entering the financial services market".

Mambu, which launched in 2011, says it has experienced triple-digit growth for four consecutive years as challenger and established banks sign on to implement the platform.

The funding will be used for its commercial teams, and product, platform and services; resulting in a "planned three-fold growth in headcount and six-fold in revenues in the forthcoming years across all regions".

The vendor has also recently signed a deal to implement its core banking system at Orange Bank's new location in Spain, as *Banking Technology* exclusively learned.

It is understood Orange Bank went through a selection process that Mambu won.

The French business of the bank uses the SAB AT system from French core banking tech supplier SAB. In 2016, the French mobile operator Orange acquired 65% of Groupama shares, to launch a bank, and leveraged its tech to do so.

For its mobile front-end, Orange Bank uses Backbase's platform.

Antony Peyton

IBM strikes $700m deal with Santander for digital drive

Santander has signed a five-year global technology agreement valued at $700 million with IBM as it plans to keep its digital services and banking tech fresh.

According to IBM, Santander will improve its services and applications with its technologies, such as artificial intelligence (AI), blockchain and big data.

As an example, via IBM Watson, Santander is incorporating AI capabilities to "improve customer experience, enhance branch advisors expertise and increase employee productivity".

David Chaos, Santander global CIO, says: "IBM's technology will provide the bank with the flexibility needed to support the constantly evolving business of a bank."

As big banks have to stay fresh amidst all the challengers out there, Santander needs a good IT architecture. The basis of that architecture is the "journey towards a hybrid, multicloud environment".

To implement this, the bank created its own Cloud Competence Centre. IBM is collaborating with this in terms of methodologies and processes.

The bank is also using a range of technologies including IBM DevOps solutions and IBM API Connect, to help develop and launch new digital services.

Along will all that, IBM Security tools will be used in areas like mobile applications and incident response.

In other big-dollar news IBM is investing $2 billion in new technology development at the SUNY Polytechnic Institute campus in Albany and throughout New York state, particularly in the establishment of a new AI research hub in New York.

However, all this tech talk does mean humans can pay. In January this year, Santander said it would close 140 branches in the UK – putting up to 1,270 jobs at risk.

Antony Peyton

Ursa Finance bears down on UK challenger banks

Ursa Finance, an upcoming business bank in the UK, is getting ready for launch.

The bank says: "We don't like what we see in business banking. We have seen business after business across the UK unable to get the financial products that they needed to grow and survive."

It adds: "We have seen more and more banks treat business customers like numbers instead of people. We have seen more and more automated messages, automated decisions, automated rejections."

Interesting – unlike the wave of challenger banks and bank modernisations that aims to make every process quick and automated, Ursa leans a different way.

The bank says: "At Ursa, we feel that when you pick up the phone, you should be answered by a person who knows your name and understands your business. We feel that decisions should be made by people, with both numbers and relationships in mind."

It has been registered in Manchester since January 2017.

According to the UK's Companies House, it is headed by Arpan Gautam, who also founded the bank's associated firm, Ursa Capital Partners.

LinkedIn lists Sandeep Jain as CFO, having previously been at Standard Chartered for 20 years, holding the finance director position last.

David Procter is listed as CTO, who worked at tech supplier Sopra Steria until 2016.

Henry Vilar

Savings start-up Moneycado fires up for travellers

Moneycado, a new London-based savings firm that allows consumers to plan their travel budgets, has hit the market.

The start-up says it is building the world's first savings account for travel, inspiring people to save towards their goals and making amazing travel financially accessible.

Customers set a savings goal and a rough departure date for their trip, input their travel style and Moneycado "does the rest".

As customers reach savings milestones towards their goals, they unlock personalised rewards – although the firm hasn't unveiled what these are.

The firm was launched by Oliver Mitchell, CEO; and Matthew Handley, product manager. Mitchell spent over three years working for HSBC.

Moneycado can be found on a browser, but primarily through Facebook chat. It's a similar concept to Plum or Cleo, Moneycado's bot connects users' accounts and puts money away when needed.

Currently, Moneycado has an open waiting list, which has been open since early summer 2018.

Henry Vilar

Oracle feels the chill from Suncorp CEO over core banking freeze

Suncorp's multi-year venture to modernise its core banking system with Oracle FFS, known as Project Ignite, looks to be in trouble again.

To give you some background, in August 2016 the revamp was in its final stages. However, in questions over its half-year FY17 results, Suncorp said the configuration of the platform and product migration has "taken longer than expected", causing a setback in the project's timeline.

In the latest development, Suncorp CEO Michael Cameron has expressed his dissatisfaction with the lack of progress on the project in the Australian bank's HY19 results.

Cameron explains: "Well just for everyone's background who doesn't know the detail, we're currently running two systems – Hogan for deposits and transaction and Oracle for everything else.

"That is inefficient because Hogan costs us about $11 million per annum to run so it's not a great situation.

"The process we've been going through is to wait for an opportunity to move those deposits and transactions onto Oracle in a low risk way with a stable system, and you can imagine from a transactional perspective the last thing we want to do is to create a situation where it's not stable."

If you're not aware, Project Ignite was initiated in 2011, with the bank signing for a range of solutions from Oracle, including Oracle Banking Platform (OBP, the vendor's new high-end core banking offering), Flexcube for trade finance and Oracle CRM.

The initiative was set to rationalise the bank's product set by half, the decommissioning of 12 legacy systems and re-engineering of 580 processes.

However, in the latest chapter this month, Cameron is not a happy bunny: "We've been looking to Oracle to provide evidence around the world or within Australia of a successful deployment of that module.

"When we see that we will then move forward with following another bank in deploying that module, which will allow us to close down the Hogan system and get that benefit of the saving.

"But at the moment I suspect most of the Australian banks are going to be very distracted in other areas, and that possibly will slow down some of the implementations that may have been proposed."

While Suncorp announced a net profit after tax (NPAT) of $250 million in its HY19 results, this Project Ignite saga has not produced a result yet.

Antony Peyton

Fintech investment in US hits record $52.5bn

Fintech investment in the US hit a record $52.5 billion during 2018, driven by mergers and acquisitions, and venture capital (VC).

According to KPMG's "2018 Pulse of Fintech" report, it was a happy year in the US with VC accounting for more than half of the 1,061 fintech deals.

Deals include the massive $17 billion investment in October by Blackstone Group into Refinitiv – formerly the financial and risk group of Thomson Reuters, the $3.5 billion buyout of Blackhawk Networks by Silver Lake and P2 Capital Partners in June and a $3.4 billion buyout of VeriFone by Francisco Partners in August.

VC investment related to fintech in the US was particularly strong last year, if overshadowed by the large M&A and buyout activity.

A "significant" number of $100 million+ mega deals – including a $392 million raise by Dataminr, a $375 million raise by Oscar, $363 million raise by Robinhoood and a $300 million raise by Coinbase – helped propel fintech-based VC investment from $7 billion in 2017 to over $11 billion in 2018. The number of fintech deals also reached a new high of 773, up from 661 the previous year.

KPMG's 75-page report naturally looked at the global picture, which showed that fintech investment across the world doubled to $111.8 billion in 2018, driven by mega deals.

Some of these mega deals include Vantiv's acquisition of Worldpay for $12.86 billion in Q1, Ant Financial's "record-shattering" VC raise of $14 billion in Q2, and Blackstone's investment in Refinitiv (as mentioned above).

The Americas, Europe and Asia all saw "significant" growth in fintech investment, although the total number of deals globally "only increased slightly".

This modest increase was driven primarily from the US and the Americas, where deal volume saw solid increases year-over-year. Both Asia and Europe saw a decline in their fintech deal volume, mirroring a trend seen across the broader investment market.

M&A and buyouts accounted for the largest fintech investments during the year in both the Americas and Europe, while VC investments reigned supreme in Asia.

At a technology level, KPMG says payments and lending continued to attract the most significant investment dollars globally, although insurtech and regtech were also quite high on the radar of investors.

According to KPMG, the outlook is positive for fintech investment heading into 2019, in part due to the strong and highly diverse fintech hubs cropping up around the world, as well as growing recognition from both incumbents and scaled fintech companies that M&A is an important part of their growth strategies.

KPMG notes that there is likely to be an increase in investment focused on solutions targeted to the needs of unbanked and underbanked people in the developing world, including southeast Asia and Africa, even as more developed regions see a growth in fintechs that can reduce operating costs, improve service quality and expand customer reach.

Meanwhile, across the Atlantic, UK fintech investment rose by 18% to a record $3.3 billion in 2018, according to a report from industry body Innovate (see p6).

Antony Peyton

Temenos snaps up India's hTrunk for greater big data

Temenos has signed an agreement to acquire Bangalore-based big data and analytics solutions provider hTrunk.

Financial details were not provided but Temenos says through the integration of hTrunk it will strengthen its analytics product in the banking space.

The vendor will get its hands on hTrunk's data lake product, meaning it can "ingest, blend, store and process" both structured and unstructured data in real-time, to create analytically-driven banking applications.

In the near term, Temenos expects to see big data capabilities integrated directly into the Temenos Transact (a new branding of the T24 core banking) and Temenos Infinity (formerly Temenos Connect and other front-end tools) products.

Founded in 2015, hTrunk has 30 employees. The firm provides solutions, primarily to banking clients, including several T24 Transact customers.

According to its website, some of hTrunk's customers include Arab Investment Bank, PR Savings Bank in the Philippines and Sunrise Bank in Nepal.

In other news, Temenos is getting a new chief executive as David Arnott is stepping down. A new COO and CFO are also appointed (see p44 for more details).

Antony Peyton

OakNorth in the clear with ClearBank payments tech

UK challenger bank OakNorth will use ClearBank's platform to provide payments and agency banking. OakNorth will start off by using the latter's real-time Faster Payments infrastructure, allowing for instant payments.

Amir Nooriala, COO of OakNorth, says: "ClearBank's API and virtual account support capabilities are best-in-class and in them, we've found a long-term, strategic partner."

OakNorth provides debt finance (from £500,000 to £45 million) to businesses and property developers and investors. Since its launch in 2015, it has lent over £2.6 billion, and raised deposits from more than 36,000 savers.

Earlier this year, OakNorth closed a $440 million funding round with the SoftBank Vision Fund and the Clermont Group as it set its sights on international expansion.

Meanwhile, ClearBank was one of the three banks that got some money in the first round of the RBS fund (see p10).

Henry Vilar

PSD2 goes live in Netherlands

The revised Payment Services Directive (PSD2) has entered into force in the Netherlands, opening up the nation to more innovation and competition.

With this announcement, De Nederlandsche Bank (DNB), the central bank, says it is now accepting PSD2 licence applications.

DNB states: "The aim of these new services is to promote innovation and competition in the European payments markets."

Originally, 20 parties expressed interest during the central bank's first call of applications. Six of them submitted a draft licence application, and the rest said they were planning to do so.

As a result, the application process for some of these parties is already well under way. These firms wish to provide payment initiation services and account information services, two new types of services enabled by PSD2.

In terms of Brexit, DNB says UK-based parties that provide existing services (PSD2 has already been implemented in the UK), can apply for a Dutch licence to be able to continue offering their services in the European Union once Brexit has happened.

Henry Vilar

Kenya keen on regulatory fintech sandbox

Kenya is the latest nation to show an interest in creating a regulatory sandbox for fintech innovation.

In a speech by Paul Muthaura, chief executive of Kenya's Capital Markets Authority (CMA), he discussed the plans and partnerships. Muthaura wants to "create a conducive environment to unlock the potential of the fintech space" in Kenya including the signing of cooperation agreements with regulators such as the Australia Securities and Investments Commission (ASIC) and the Abu Dhabi Global Markets Financial Services Regulatory Authority (ADGM FSRA).

CMA has also got support from IBM, IOSCO, World Bank Group and the newly-launched Global Financial Innovation Network (GFIN).

As part of the CMA's Strategic Plan 2018-2023, and after a lot of feedback, the CMA is now mulling the "go-live" of its sandbox.

Before that can happen, it has set up a Sandbox Review Committee (SRC) "whose mandate is to provide tailored, coordinated regulatory support, dedicated to the sandbox project and ecosystem".

The SRC will review applications, monitor test plans and help firms looking for licences.

This is just a CMA sandbox for now, but Muthaura says: "We however envisage a single Financial Sector Regulatory Sandbox in the future which will benefit largely from lessons learnt from the CMA model."

He explains that the Boards of the Financial Sector Regulators have discussed fintech as one of the "key areas of cooperation" and they are finalising a support facility to act as a "one stop shop" for all fintech related queries.

Muthaura says the authority "continues to urge members of the public to exercise caution in participating in any initial coin offerings (ICO) and cryptocurrency transactions lacking regulatory sanction".

Antony Peyton

Saradar Bank freshens up branch with sweet S17 in Beirut

Lebanon's Saradar Bank has launched its new branch concept in Beirut as it targets "modern, tech-savvy clientele".

Located in Sodeco, S17 combines a café, a co-working space and a digital bank.

The idea is to offer self-service channels, networking and meeting areas – with free coffee, snacks and beverages.

The bank explains: "Why S17? Because 17 is the age when young people start thinking about real ways to make their aspirations a reality."

It wants to bring some "pleasure" to the branch. It adds: "Like the pleasure you experience when you walk into your favourite restaurant or store, or when you go into a movie theatre or art gallery."

Image source: Saradar Bank

Saradar adds that it plans to turn S17 into a platform where special events will be on offer all year long, such as recruiting fairs, personal development seminars, and finance workshops.

BACK OFFICE TECH

Last year, Saradar – formed as a result of a merger of Banque de l'Industrie et du Travail (BIT) and Near East Commercial Bank (NECB) – went live with Temenos' T24 core banking system.

Prior to the merger, BIT was a long-standing user of the SAB AT system from another core banking software provider, SAB.

Meanwhile, NECB signed for T24 in 2015. It also took Temenos Connect for digital banking channels and Insight BI for business intelligence and analytics.

BIT and NECB united in mid-2016 as Saradar.

T24 replaced the new bank's "multi-system environment with a single, centralised core banking system". The project was led by Temenos and supported by its regional system integrator and partner, BankerWay.

Antony Peyton

Financial services leading on "voice first" technology strategy, but there is work to be done

By *Richard Stevenson*, CEO, Red Box


Richard Stevenson, Red Box

"The idea of a 'voice first' enterprise is clearly in the line of sight of the majority of CIOs in the near future."

Richard Stevenson, Red Box

Today, voice is a critical data set for the digital transformation of the enterprise. It holds much more value than any other means of communication because it conveys context, sentiment, intent, emotion and actions, providing real intelligence and driving valuable business outcomes.

Research shows that a majority (83%) of CIOs and IT functions in the financial services sector believe that a "voice first" strategy will be in place within five years, showing a clear shift towards recognising the value of the spoken word. (Sapio Research conducted a survey for Red Box, asking 588 IT directors and/or C-level execs responsible for IT across the UK, US and Singapore.)

The reality today in this industry is that, on average, just over half (58%) of organisation-wide conversations are being captured, suggesting limitations with current call recording solutions and set up. Furthermore, 86% of organisations in the financial sector stated that an open API approach is pivotal to their voice strategies enabling them to feed voice data into tools and applications of their choice – such as customer relationship management (CRM), compliance, business intelligence (BI), artificial intelligence (AI) and analytics tools, or even custom-built applications – and crucially not tying them to one provider.

Yet, only 10% of those surveyed say their voice data is easily accessible for fuelling AI engines and analytics, so data sovereignty also appears to be an issue.

The financial services industry is one of those leading the charge with regards to technological know-how. However, this industry, often at the forefront of embracing technological change, still has a long way to go regarding its use of voice data. For example, despite customer experience being identified as the top AI use case to be enhanced by voice data, 35% admit they are not using AI for customer services at all. This figure is surprisingly high, given that organisations are trying to ensure they are doing what they can in a competitive market still marred by bad PR in a hangover from the financial crisis of 2007.

In addition, as an industry, increasing legislation and demands for compliance have driven a necessity to be as technologically savvy as possible. Various legislation was introduced into the financial services sector in 2018, including MiFID II and GDPR, which sees financial firms having to record all interactions with customers. Yet, nearly half (47%) cite they are currently unprepared for future legislation, despite having a host of technological tools to help them.

The idea of a "voice first" enterprise is clearly in the line of sight of the majority of CIOs in the near future, yet few of those that already capture voice data are exploiting its full potential. There is an opportunity to derive real competitive advantage by turning voice data into knowledge to serve customers in the most personalised way. **bt**

www.redboxvoice.com

INTERVIEW: ANTHONY THOMSON, 86 400

Roaming numerals

In an exclusive interview, *Anthony Thomson*, chairman of Australian challenger bank 86 400, tells *Banking Technology* about what makes it different from its rivals, and why the big four Down Under got what they deserved.

"All over the world people are looking for better ways to help manage their money."

Anthony Thomson, 86 400

Most people don't want to be the same as others and strive to be different and stand out.

For challenger bank 86 400 (pronounced eighty-six, four-hundred), up against plenty of other Australian rivals such as Xinja and Volt, Thomson wants to make it known about its distinctive qualities.

"Unlike others, we made the decision to apply directly for a full banking licence, rather than piggyback off another licence, or via the restricted licence route."

The bank launched in June last year with the big four – ANZ, Commonwealth Bank of Australia (CBA), National Australia Bank (NAB) and Westpac – in its sights.

There's no specific date yet but Thomson says it is currently waiting on its authorised deposit-taking institution (ADI) licence from the Australian Prudential Regulation Authority (APRA), "which we are tracking well towards and expect to receive in the very near future".

The official launch of the bank will happen soon after receiving that licence.

As you can imagine, Thomson, in his role as chairman, has plenty of savoir-faire when it comes to banking.

He explains: "Over the past decade, I founded and chaired two disruptive banks in the UK. Metro Bank, the UK's first new bank in 150 years and Atom Bank, the UK's first bank for mobile.

"Over the course of my career, I have raised over $1 billion in capital and have been working in and around financial services – first as a marketer and then as a banker for 30+ years."

His mission is clear – to "shake up the banking landscape in Australia and give Australians a bank they deserve".

ALL SOULS

Along with Thomson, 86 400 has an experienced team. Its CEO is Robert Bell, former ANZ Japan CEO; and ex-Cuscal Payments CIO Brian Parker.

In fact, the bank is fully funded and backed by Cuscal, Australia's largest independent provider of end-to-end payments solutions.

Along with those three people, its board of directors includes Akiko Jackson, who worked at Westpac, Shinsei Bank in Japan, and as a CBA advisor; and Belinda Cooney, who was at Macquarie and PwC.

When the bank was unveiled in 2018, it said its plan required in excess of $250 million of capital over the first three years of operation.

AND ACTION!

It's in testing mode at the moment, as the bank has 60+ staff using the app, transacting via Apple, Samsung and Google Pay, and using its debit card, both in Australia and overseas.

Anthony Thomson, 86 400

The bank has opened a waitlist for those interested in being the first to know when 86 400 is launching, but he wouldn't give a number on how many people are on that list.

Its core banking platform is sourced from its Australian banking technology partner Data Action and has been operational for a number of months.

Thomson says all payment rails (including real-time payments) are established, and money is flowing through the banking system.

Its customer experience engine is 86 400's own proprietary technology and uses data, artificial intelligence (AI) and cloud-based technologies for a "single view" of a customer's finances.

In case you're wondering where the name 86 400 comes from, it's to do with customer support "every second, of every minute, of every day – all 86 400 of them".

CHANGE FOREVER

Ultimately, the existence of a challenger bank means that its founders feel something is wrong with the old order.

Thomson is no exception: "For too long, the big four banks have put profits before their customers. We firmly believe that customer success equals business success. We want to make a real impact and drive genuine change in the Australian banking industry. Australia deserves more than just an alternative to the big four banks; it deserves a completely new approach to banking, and that's what we're building."

Most people around the world will also be aware of Australia's Royal Commission, and where the big four got a lot of grief.

In February, the banking sector was told to improve dramatically as the Royal Commission revealed its recommendations in its final report.

This report was some time in the making, with ANZ, CBA, NAB, Westpac all coming under fire for their greed, lack of honesty and misconduct.

Once the report was out, Australia's Treasurer Josh Frydenberg said the government agreed to take action on all 76 recommendations made by Commissioner Kenneth Hayne QC, and plans to focus on "restoring trust" in the financial system Down Under.

Frydenberg said the banking sector "must change and change forever".

Soon after that NAB's CEO and chairman did announce they would be stepping down. Perhaps the first casualties of an unsavoury affair.

With this scenario in mind, Thomson makes it very clear where he stands: "The Royal Commission has highlighted what customers already knew – the big four banks have not put customers' interests first."

In fact, his final words can be seen as a rallying cry to all challengers.

"While the Royal Commission was exclusive to Australia, all over the world people are looking for better ways to help manage their money. It was the case when I launched both Metro Bank and Atom Bank in the UK, and it's the same here today in Australia." **b**t

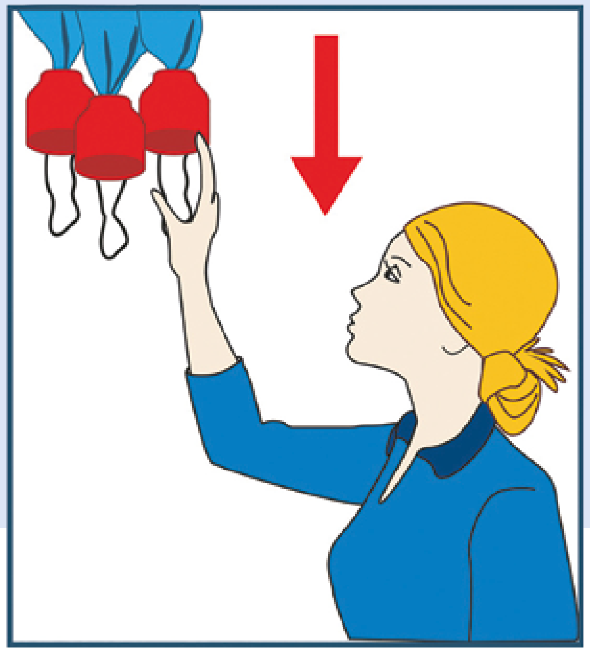
Antony Peyton

"Australia deserves more than just an alternative to the big four banks; it deserves a completely new approach to banking, and that's what we're building."

Anthony Thomson, 86 400

FOOD FOR THOUGHT

Please fit your own mask before helping others: self care tips for corporate change makers



By *Leda Glyptis*

You know that part in the airline safety videos that encourages you, in the event of an emergency, to fit your own mask before helping others? And how they always show you a video of a mother putting her own mask on first, before helping her child, because even though it feels wrong to do it in that order, you are no good to anyone if you are unconscious?

It really got me thinking. Like all things do. About life in the workplace.

Our industry has been "transforming" for over a decade now.

Some players have done it well. Some not so well.

But all have expanded human effort over and above any other resource. Not by over-staffing as they would have done in the good old days. These are lean years and we hire accordingly. The banks that did this half-heartedly and the banks that did this well have one thing in common: they hired small teams of very passionate people, gave them airtime and limited resources; gave them access to the top but no actual approvals; gave them permission to run around and instigate and trusted in their indefatigable commitment and personal drive.

Ten years on, these guys are still fighting. Uphill battles. Against the grain battles.

And they score small victories. And they don't give up.

They rally and support. They pick things up where they have no place to be, but hey they see the opportunity. They support colleagues where they have no reason to be, but hey, we are all in this together.

They are cheer-leaders and connectors of dots and helpers and psychologists. And they are always there. Always on. Always ready to support. And they never seem to sleep or switch off or say you know what? I don't actually care.

They wouldn't fit their own mask first. They care.

The corporate change maker's instinct is to help others, period. They would even give away their own mask. They will run up and down the aircraft helping others.

Because they think they can take it. Because they think there is always more in their tank, before a rest. Because they know that if they don't pick things up nobody will.

> "We all know the right thing to do but when the time comes, knowing it, is not enough. We also have to do it. Fitting your own mask first means the effort starts with each of us."
>
> **Leda Glyptis**

YOU ARE NOT GOOD TO ANYONE IF YOU ARE UNCONSCIOUS

The simple logic of fitting your own mask first is you can't help anyone if you are unconscious. It's not selfishness, it is logic. It is not just self preservation, it is actually good sense.

That means all sorts of things when it is at home.

When tired, rest.

Not just because you need the rest (though god knows you do) but because by resting you also make it OK for others to do the same.

The reality after ten years of this, is that we now know it's a mammoth marathon. Endurance is key. Knowing to preserve strength is a skill nobody said was needed. And yet.

We all know the right thing to do but when the time comes, knowing it, is not enough. We also have to do it. Fitting your own mask first means the effort starts with each of us. But doesn't stop there. That last bit appeals to us corporate change-makers. If anything, helping others is how we would be persuaded to our own masks first. But let's face it, when crunch time comes, nobody can or will make you follow the instructions. All accountability comes from you. And knowing that about some of our colleagues makes us distinctly uncomfortable and we are craning our necks up and down the aircraft to see who has put on their mask but not helped others. Seeing if we can stretch enough to help.

Refusing to believe we can't help everyone.

> "Even the ones who never seem to assume any responsibility, that is the lesson for them. That they can't count on you to be the one to pick up the slack each and every time."
>
> **Leda Glyptis**

STAY CLOSE TO THE OXYGEN SUPPLY OR "NOT YOUR CIRCUS, NOT YOUR MONKEYS"

Pretend this is an exercise and not an actual plane crash, to avoid unnecessarily dramatic analogies. Pretend it is an exercise aimed at teaching everyone that responsibility starts with each of us.

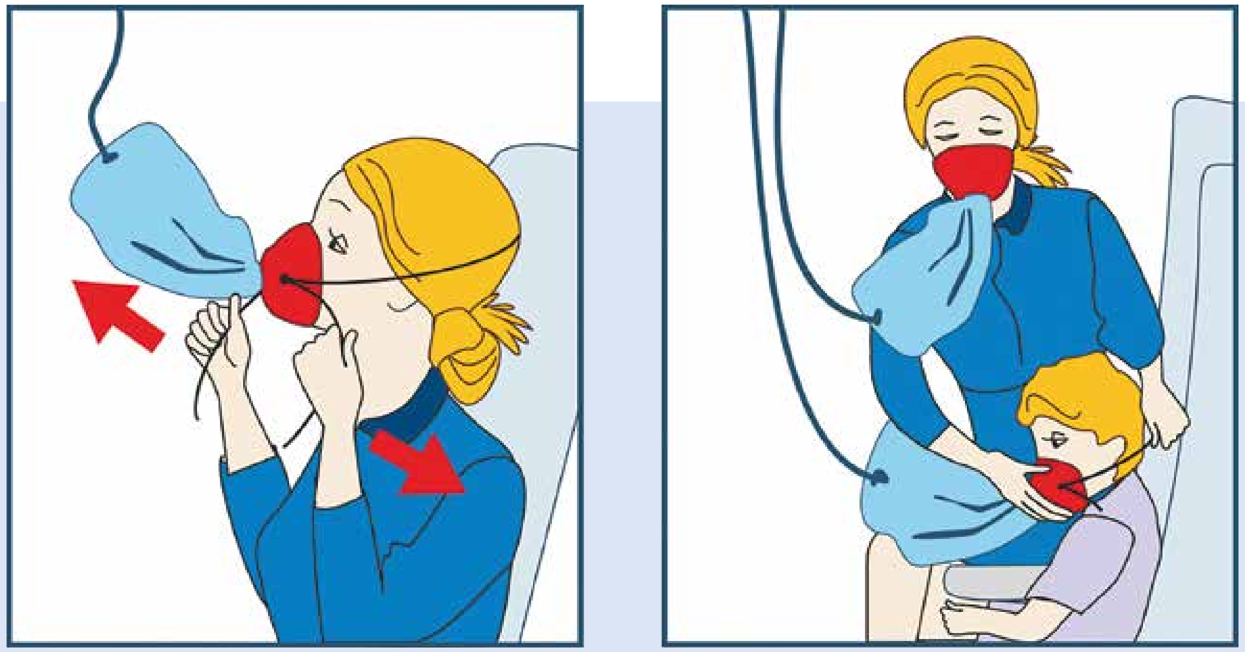
Even the ones who never seem to assume any responsibility, that is the lesson for them. That they can't count on you to be the one to pick up the slack each and every time. They can't always count on you to make up the difference, start the effort, sustain the pace, finish the work. The lesson for them, you know who they are, is that if your oxygen supply doesn't stretch as far as where they (their project, market or business unit) sit, you will not be able to help.

You should not be expected to help.

It is actually wrong that you should even try to help.

That is their lesson.

>>



Let them mull it over and translate it in their own time into budget discussions and remit redesigns. Let them digest it and maybe have them start thinking how helping you actually helps themselves. Let them consider and you may get that environment as a service sign-off you have been waiting for, or the business alignment you and the organisation both need.

That is their lesson. Let them learn it.

It is not your lesson. Don't shield them from it, that will do them no good. Besides, you should be learning your own lesson in this time. Which isn't "learn to help". You know that bit already. This new lesson is uncomfortable as lessons always are. And yours is different.

REALISING YOU ARE NOT ENOUGH, BUT YOU ARE PLENTY

You are not enough. That's your lesson.

You cannot take on the burdens of the world or turn around the entire organisation. You cannot fit everyone else's mask for them. You cannot and should not carry the worry about whether the others will fit their own masks correctly, whether the people next to them will be helpful.

If your organisation honours the fact that you are what it needs then let them prove it by hiring some friends for you. People like you. Who fit their own masks first. So that they can help others. People who care.

It is the organisation's responsibility to ensure there is more of you.

Enough of you to not stretch you too thin. Enough of you to be how the organisation operates and not a permanently exhausted outlier, whose energy, personality and optimism become the hard currency of your organisation's hopes for the future.

No matter how much you take on, you are not enough.

But when you are not alone, you are plenty. **b**t

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.

Will challenger banks motivate change?

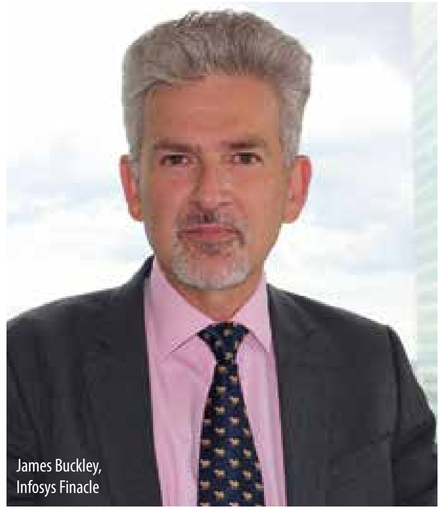
The need for a digital transformation of the banking industry has been obvious for years and the window of opportunity is about to close, says *James Buckley*, VP and European Director of Infosys Finacle.

In recent years banks have looked on uneasily as the new class of fintech-empowered alternative service providers have moved onto their field. The industry's inability to respond is largely due to legacy IT systems that often go back to the seventies and have been built on over the years rather than replaced. By contrast, the newcomers are highly digitised and automated, with software that enables them to innovate new products and services. For instance, the software renewal cycles of tech giants such as China's Alibaba are typically no more than three to seven years.

Banks have dabbled with the new technology but have been reluctant to accept the need for fundamental change. The failure of a key technology initiative can prove lethal for the career prospects of senior executives. This partially explains the behavioural inertia at traditional incumbent banks.

There seems to be a sense of complacency that despite their shrinking presence in the high street, incumbent banks still have massive market penetration and brand recognition. Agile start-ups in the lending space, such as Funding Circle and Zopa, have begun garnering attention, recognition, and revenue from both business and general public, but achieving critical mass isn't likely just yet.

Even the threat of the four horsemen of GAFA – Google, Amazon, Facebook and Apple – setting their sights on the banking industry hasn't resulted in substantial action on the part of incumbent banks. However, the launch of Marcus savings account by Goldman Sachs (already well-established in the US) last September, should dispel any lingering complacency. While newly-launched competitors have helped themselves to crumbs off the table of big banks, Marcus threatens to steal their lunch, or at least the choicest bits, by luring the most affluent customers.



James Buckley, Infosys Finacle

A GLIMPSE OF THE FUTURE

Banks have been slow to recognise the potential for new products and services offered by open banking and application programming interface (API) propositions.

Robotic and artificial intelligence (AI) powered providers are empowering both consumers and businesses. Algorithmic assessments that offer customers the best available deals are set to grow steadily and become rather table stakes within five years or less. Corporate and commercial markets are already witnessing an upward trend as supply chains, payments and the ability to aggregate data put pressure on incumbent banks to enhance investments and make fundamental changes.

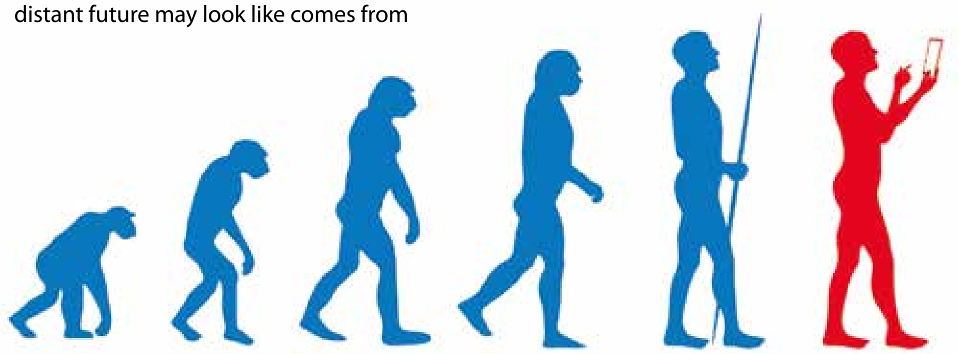
A classic example of what the not-too-distant future may look like comes from India, a market where payment services and account access have opened the floodgates to customer-centric innovation. Fintech disruptors such as e-commerce payment provider and digital wallet Paytm offer merchants and customers across the country a comprehensive range of services.

Open API-led growth of RBL Bank, a scheduled commercial bank focused on the country's manufacturing sector, best illustrates the revitalisation of innovation in the Indian banking sector. The bank has unlocked significant upside potential from the emerging API-led business model while establishing itself as the bank of choice for fintechs.

Banking innovation hasn't been equally noteworthy in the west. The low-to-negative interest rates in the post-crisis decade haven't done much to offset the lack of innovation. Banks have cut costs sharply, become leaner and more profitable but IT departments have had to bear much of the brunt.

Worryingly, languishing interest rates likely to continue for several years to come, may further delay considerable action from traditional incumbent banks. Yet act they must.

Time is not on their side. The tech deficit of the incumbents may soon balloon to unsustainable levels that inspire regulatory action to arrest systemic risk. But their ability to compete is in danger of eroding completely even sooner. **b**t



COMMENT: BLOCKCHAIN

Blockchain emperor has no clothes

By *Stephen Norman*, banking technologist turned crime writer

Now I've been vaguely uncomfortable about blockchain for some time but never sat down to think about it – until now.

WHAT IS BLOCKCHAIN, ANYWAY?

It's a specific example of a more general concept, the distributed ledger. But since all the distributed ledger projects I know are actually based on blockchain, I use them interchangeably. I shouldn't really. Also this article is about blockchain, not Bitcoin or cryptocurrencies. The blockchain architecture underlies Bitcoin but we are talking here about the commercial application of blockchain databases. [Incidentally, what do I think about cryptocurrencies? See Matthew 26:52.]

OK, so a blockchain is a kind of distributed ledger. What does that mean? A ledger stores transactions. Records of commercial activity of some kind. A typical commercial ledger, like a sales ledger, will have BUYS and SELLS of products, at a date, with a price, quantity, the parties to the transaction etc. Your bank statement is another kind of ledger: it shows payment into your account, and payments out. Date, how much, who to, and so on. The blockchain concept is not specific to any particular kind of ledger except of course it is digital i.e. stored and processed on computers.

What is special about it are three things:

■ Everybody who uses a particular instance has their own version of the ledger. Not a copy. There is no master ledger. The architecture is "peer to peer" (P2P). Every version of the ledger should be identical at all times. Hence the ledger is "**distributed**".

■ Transactions in the ledger(s) are kept in sequential blocks. Each block contains a clever summary or in computer terms "hash" of the preceding block, so that if someone was able to corrupt or overwrite a previous block – even by one single bit – recalculation of the hash would yield a different result to the hash stored. Essentially the ledgers are **immutable** – it's as if they were chiselled in stone.

■ When someone (a computer process) wants to add a transaction, they cannot do so unless everyone or at least a majority of users agree to add it. If they do, then every ledger is updated. This is the **consensus** process, which varies from one blockchain implementation to another in complexity and security.

All this clever security was invented by the inventor of cryptocurrencies. He was trying to find a way that cryptocurrency transactions could be recorded so no-one could steal money without everyone else in the community knowing about it. His design has some additional complexity specific to that problem.

REAL LIFE APPLICATIONS FOR BLOCKCHAIN TECHNOLOGY

Crypto aside, what else can blockchain ledgers be used for?

I set aside some research time. I cruised. I visited IBM and Microsoft and Accenture and PWC and.… wow! According to Cognizant, *"Blockchain is a generational technological transformation akin to the importance of the advent of the internet for how businesses transact with one another".*

And the accounts of the business problems that have been or will be solved with blockchain technology are astonishing.

Did you know that IBM has created a blockchain system in business financing that has saved 75% of the time IBM used to spend on transaction disputes? The grocery giant Walmart has created a supplier blockchain. Now you can tell where a mango comes from in 2.4 seconds, and it used to be days…

A system called Everledger provides a distributed ledger that assures the identity of diamonds, from being mined and cut to being sold and insured. "In a market with a relatively high level of paper forgery, it makes attribution more efficient, and has the potential to reduce fraud and prevent 'blood diamonds' from entering the market."

Did you know (this is from an excellent report by the UK Government Chief Scientific Advisor) *that the capital markets still rely on paper records to reconcile a trade between counterparties.* A blockchain solution could provide transparency between the parties and keep the regulators happy as well.

In financial terms, the most striking claims revolve around the settlement of "stocks and shares". For example, Autonomous Research suggested that blockchain could take 30% out of estimated $54 billion spent annually on securities processing, giving savings of $16 billion. By 2021!

Blockchain may have a role to play, I read, in solving that nemesis of big IT projects, the national patients' record scheme. And recently, the UK Chancellor of the Exchequer has speculated that the blockchain technology may help solve the intractable issue of the day, the Irish border question.

Everywhere you look, the hype-sphere is ringing with astonishing claims of efficiency, cost saving and elimination of fraud.

These examples are all bogus. No, I don't mean that the benefits haven't or couldn't be realised. They may have been, they may still be. They are bogus because the use of a **distributed ledger** is irrelevant to the **business benefit gained**. In fact, using a distributed database greatly increases the complexity and risks of such projects.

Let's dwell on this sentence a little. Take any business process. Imagine for example a Walmart fruit buyer checking the age of a mango. This system could have been implemented using a conventional database and tooling to look and feel the same, and provide exactly the same functionality to its users. If there were middlemen, agents, exchanges or hustlers to be cut out of the process, the same results could have been achieved with a single ledger. Without blocks.

Blockchains are not magical or telepathic. They are not artificial intelligence (AI). A blockchain based application cannot DO THINGS that a conventional system cannot. (Although the hype may encourage adventurous collaborations which would otherwise never have seen the light of day.)

And on the face of it, blockchain based solutions look complicated, hugely duplicative in processing (and hence requiring lots of hardware), dramatically unscaleable and expensive. So, like the ridiculously long tail feathers of a bird of paradise, there has to be **SOMETHING ELSE** that makes blockchain worthwhile. >>

> "If there were middlemen, agents, exchanges or hustlers to be cut out of the process, the same results could have been achieved with a single ledger. Without blocks."
>
> Stephen Norman

I have asked my friends. I have scoured the net, I have filled my laptop with white papers. I have found five areas where the proponents of blockchain claim that it is uniquely potent. Let's examine each one of the five areas and see if it justifies the length of the tailfeathers.

1. THE LEDGERS ARE DISTRIBUTED

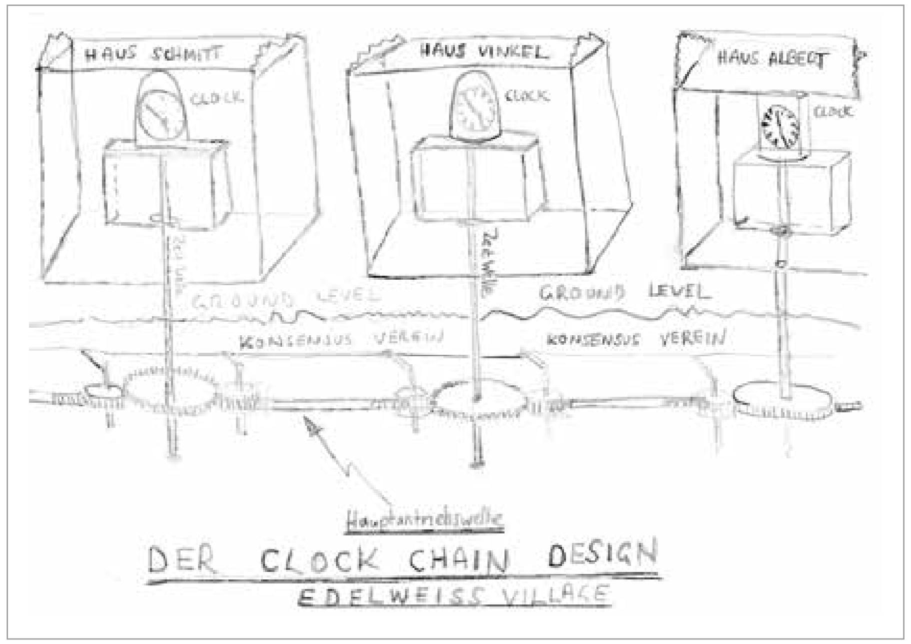
Distributed. Having multiple copies of the same ledger, the same transactions, in different places. Why is this a good idea?

It is, on the face of it, a very bad idea. Not only bad, but unnecessary. Consider this:

The story of young Albert and the Swiss clocks

In the little Swiss village of Edelweiss, the people are passionate about time-keeping and punctuality. Over the stove in every house is a wonderful clock. Everybody can check the time, just by looking up from the table. But sadly, the clocks don't always tell the same time. Some run faster than others. Sometimes they break, or run down. So the mayor has a competition to synchronise all the clocks.

The clockmakers guild is in a state of high excitement. The clockmakers get together and create a blueprint for the CLOCK CHAIN, a system for synchronising all the clocks in Edelweiss. This is a tremendous challenge and requires many cogs, gears, shafts and jewelled bearings to solve.



Picture of the underside of the village. Each clock has a shaft going down under ground. Each shaft has a wheel on the end of it, and chains and ropes joining the wheels together. There are elaborate consensus mechanisms, to determine what time to use when the clocks disagree.

The clockmakers' guild presented the mayor with a bill. When she saw it, she went white. "Why," she said, "it will take years of austerity to pay for this."

"Well, it's a big problem. It will require a huge amount of digging and lots of cogs," replied the guild meister.

"Does anyone have a better idea?" asked the mayor, in desperation.

In the silence that followed, little Albert spoke up. "I do."

They all smiled. "Well," said the mayor, "tell us little Albert, what will your idea cost?"

"Nothing," replied the child, and they all laughed.

"And how long will this nothing take?" asked the mayor, not unkindly.

"You can have it tomorrow," said little Albert, and they all laughed even louder, especially the clockmakers. But not when they woke up the next day.

During the night, little Albert and his friends had carried his family clock and put it in place of the statue in the town square.

"Now," said Albert, "there is only one time and you can all see it from your kitchen windows."

What works in a Swiss village works just as well across the globe. I don't need to have the database in my office or in my data centre to use it. We have the web and other networks, we have browsers, we have encryption and https. We can sit anywhere and interact with any application running anywhere. And be guaranteed to see the same information as everyone else.

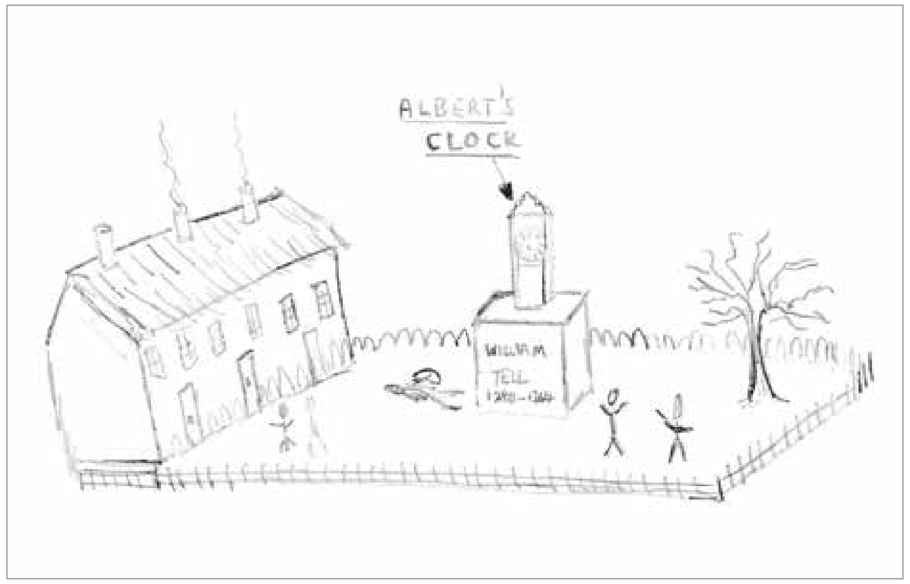
So it's not **necessary** for me to have my own ledger to see what's going on; I just need a view into the one and only ledger. Not only is it an **unnecessary** idea, it is also a **bad** idea.

Distributed information is a headache, especially when it is P2P i.e. anyone can claim to be the master. There is instant complexity around versioning, about timing, about reconciling differences and how to recover from outages.

It is not for nothing that every finance departments has a project called "Single General Ledger", somewhere in their portfolio. That's why every operations departments has a project called "The Golden Source" or suchlike. If you only have ONE copy of something, there is nothing to reconcile, nothing to adjust. Integrity and consistency are guaranteed.

So what is so great about distributed (i.e. having MY copy of the ledger)? I have yet to find a decent explanation in the hype-sphere, except for this: **resilience**. In other words, being able to cope with the destruction of one copy of the ledger, maybe by a fire in my data centre.

If ledgers were books, with transactions written on paper, keeping copies 'somewhere else' is a good idea. If I have a fire in my office, I can get my ledger back by copying someone else's ledger. Is that a good idea for electronic ledgers as well? And it is, and you can. Modern infrastructure and modern system design provides replication at several levels. You can have replicated disks and databases. You can



have distributed self-repairing databases. This stuff works. We don't need to create a cumbersome and complex layer of distributed business transactions to ensure that critical data is bombproof in its datacentres.

OK. **So blockchain isn't required to improve the resilience of the ledger**. Maybe it's not bombs or fires that we should worry about. Maybe it is **cybersecurity**. This is the second area that distributed ledger enthusiasts talk about.

2. BLOCKCHAIN LEDGERS ARE PROOF AGAINST CYBERATTACKS

Cyber threatens our world in many ways. In relation to data, there are two things that keep many of us awake at night:

- **Data breach**: my data is still there but someone has hacked in and copied it.
- **Data manipulation**: someone has changed my data. For example, changing the destination on a payment instruction. Changing the amount in a wallet.

So the question is, will I sleep easier if I know my application has a blockchain architecture?

Let's start with A. **Data breach**. If I'm worried about some hacker copying my data, is it better to have many ledgers, held by different players, all containing the same data? Is that more secure from cyber prying eyes?

Surely not! I mean, you have no control over other people's ledgers. Who knows how good their cybersecurity is? And remember, they've got YOUR DATA, the same data as you have in your ledger. Do you feel good about that? Definitely not. So I'm wide awake and worrying at this point.

Hype-sphere alert: see the whitepaper from Microsoft and the Digital Chamber of Commerce:

"…blockchains may contain multiple layers of security – both at the network level and installed at the level of each individual participant. Finally, blockchains hosted on a cloud platform, such as Microsoft Azure, feature even greater cybersecurity protections due to the platform's access controls and many other protections."

Ask yourself, don't all these protections *apply to any system, blockchain or no*? Of course they can. This paragraph is just an advertisement for Microsoft security products.

So, on to B. **Data manipulation**. Here's the argument, from Microsoft et al:

"…consensus among network participants is a prerequisite to validating new blocks of data, and mitigates the possibility that a hacker or one or more compromised network participants can corrupt or manipulate the ledger."

I agree with this. It is extremely hard to imagine how a hacker could **at the level of the blockchain database itself** propose a new transaction, or amend an existing transaction without falling foul of the consensus checking and hashing algorithms. The equivalent hack on a conventional database would require privileged database access and the hacker would have to update the myriad of subsidiary tables, status and counters which make up the database of any real world application.

If you have ever experienced a database corruption issue, you will know that the very last thing – the digital equivalent of jumping out of the plane holding the parachute – *the very last thing* you want to do is to manually intervene at the database level. I have been there, several times.

>>

"You have no control over other people's ledgers. Who knows how good their cybersecurity is? And remember, they've got YOUR DATA, the same data as you have in your ledger. Do you feel good about that? Definitely not."

Stephen Norman

"If you have ever experienced a database corruption issue, you will know that the very last thing – the digital equivalent of jumping out of the plane holding the parachute – *the very last thing* you want to do is to manually intervene at the database level. I have been there, several times. It rarely ends well."

Stephen Norman

It rarely ends well. You need to get back to a known good state and then use the proper functions of the system to insert the missing or corrupted transactions.

Which is the point. Hackers – for example the folks who stole $101 million from Central Bank of Bangladesh's account at the US Federal Reserve in 2016 did not hack the Federal Reserve's database. They gained access to the Swift terminal of the Bangladeshi bank and sent payment instructions to the Federal Reserve to pay out the money. Had the Fed's database been a blockchain database, the money would still have gone because the proposed transactions – namely funds transfer instructions – were perfectly valid, if large.

Financial fraud is rife, but – unlike data theft (see above) – it is not typically carried out by hacking databases. It is carried out by subverting systems or tricking humans to pay out money, and the nature of the underlying database is irrelevant.

Let's say this another way: yes, it's true that it's extremely hard to directly overwrite or corrupt a blockchain ledger. It is also hard to directly overwrite or corrupt a conventional ledger. Real ledgers, real databases are mindboggling in their complexity. Hackers don't hack databases directly; they hack the front end or the business application that uses the ledger – or even subvert the humans who use those applications – and create the transactions that "send them the money".

So let's move on from cyber considerations. They are not conclusive.

What's next?

3. BLOCKCHAIN LEDGERS ARE IMMUTABLE (AND HENCE AUDITABLE)

Another puzzle. On the face of it, we don't want any system to be immutable, from a business perspective. Mistakes happen! Or you decide to cancel the order, or the seller offers you a better price. The supplier has changed the part number. You want it delivered to a different address.

If business transactions were actually **immutable**, the system would be a disaster.

But blockchain transactions are immutable, so how does one amend or cancel a transaction? By entering a new transaction which reverses the old one, and then a second transaction which is the "amended" one. This is the way, incidentally, that old banking and securities platforms used to handle changes, and in many accounting systems today, this is how one amends a transaction from a closed period.

But still, the sentiment in favour of immutability is clear: for a ledger to be trustworthy, it must keep a full and accurate record of everything that ever happened, **including the cancellations and amendments**. It must be impossible to erase or change history.

And it is true that there are millions of systems around today which don't do this. Systems in which one can delete an entry and it's gone forever. They are called spreadsheets and yes, auditors hate them.

But all industrial grade commercial systems are immutable in this sense. Immutability goes back a long way. It's the reason why book-keepers write in pen and ink. I have never come across a banking platform outside the spreadsheets which did not keep an absolute and immutable record of all transactions.

So… what's the advantage of blockchain? We come to a concept that hasn't yet been mentioned.

4. SMART CONTRACTS

The concept is nebulous but the general intent is to allow automatic i.e. **software driven** execution of contracts, avoiding lawyers and execution of "paper" contracts, courts, even the human aspects of default and non delivery. The smart contract is a child of the Internet and in fact pre-dates blockchain by more than a decade. Nick Szabo coined the term in 1994.

You can't really have smart contracts unless one party can pay another… within the ecosystem in which the smart contract operates. So in a cybercurrency environment, in which payment is in cryptocoin, smart contracts are easy to visualise.

What about those of us who use PayPal and debit cards? I can sit at my desk in London and book rooms on Airbnb in Nagasaki, Japan. I can book the flights on Expedia. And hire a Zipcar. I can buy a suitcase on Amazon to carry my luggage. Each transaction involves at least four parties. Each creates new contracts and specifies complex behaviours. If my suitcase weight too much, I will be automatically penalised. If I don't leave the Airbnb apartment tidy, penalised again. Crowdsourcing websites like Mechanical Turk provide a marketplace for bidding and awarding contracts for microtasks.

>>

Outsourcing small tasks is only possible because bidding and awarding the contract, and then delivering and paying for work done under it is highly automated. Are these not smart contracts?

Functionally yes, but strictly speaking, no. Implicit in the idea of a smart contract is the **elimination of intermediaries**. There is a passionate tradition running through the blockchain literature, keynote speeches and TEDx talks that blockchain technology can simplify the world, improve efficiency and reduce costs by disintermediating the middleman. Not just the traditional agencies like banks, brokers, lawyers and real estate agents, but their 21st century versions: Amazon, Airbnb, Uber and the like. Middlemen take a cut, increase costs and complexity and slow things down. The distributed trust which blockchain creates enables these undesirables to be taken out of the transaction, leaving behind a simple world of P2P interactions governed by smart contracts.

So perhaps the characteristic which justifies blockchain is not the smart contract as such, but the possibility of eliminating the man in the middle? Let's consider this, using a real life example.

5. ELIMINATION OF THE MIDDLEMAN

we.trade is a cross border trade financing platform, owned by a consortium of nine banks and IBM.

What kinds of costs has this consortium incurred?

- system design and implementation;
- infrastructure (Hyperledger/IBM Cloud etc);
- marketing (to prospective banks and SMEs);
- support and maintenance;
- ongoing development.

Is there some magic about blockchain costs? Do we think the business analysts and solution architects work for free? Does IBM provide a cloud environment (and one node of the blockchain per participant) for free? There must be an onboarding team and a helpdesk, who pays for them? **There is no free lunch.** The consortium have set up a "not for profit" company, which will either need to be funded by its shareholders or charge its customers to recoup its costs.

The truth is, there are two "middlemen" in this set up. One is IBM, and the other is the joint venture set up by the consortium. How is this different from Amazon, Uber etc?

And how is it going to cost less? Let's remember that precisely the same functionality – cross-border trade financing – could have been created using a conventional database and a single ledger, into which every participant has a view (whatever view they are permissioned to have). But in this system, **we would need nine identical ledgers**, one for each participating bank. How can that cost less, in terms of cloud capacity, than a single conventional ledger? Not long ago another three banks joined the consortium. So another three ledgers are needed? What kind of network traffic is required to synchronise the ledgers?

But why stop here? Blockchain wisdom says that everyone should have their own (copy of) the ledger so they can control what gets added through the consensus process. So one would expect every participating SME (and not just the consortium banks) to have their own copy of the ledger? Which might be several hundred. Or thousand. But if not, why not? Logic would suggest that either there should be **one ledger** per SME and bank, or just one ledger which everyone can see.

> "The only, tangential benefit that I can see from this invention is that the hype around it has encouraged folks to think out of the box and across the supply chain and geographical borders."
>
> Stephen Norman

CONCLUSION

I believe that:

- Anything functionally that you can do with blockchain, you can do with conventional technology.
- Both are resilient against data centre disasters and physical attacks.
- Blockchain ledgers are **more vulnerable** to data breach by virtue of their multiplicity i.e. there are lots of copies of the data out there.
- Block ledgers are **less vulnerable** to direct data manipulation but most fraudulent activity doesn't involve directly writing to the database.
- Both architectures support **immutability, strong audit trails** and **smart contracts**.
- Distributed ledgers are **expensive** and **hard to scale**.

The story of the Emperor's clothes and the fawning courtiers is a perfect metaphor for what is going on with blockchain. If I can't see his clothes, I must be one of the stupid courtiers and I don't want to make a fool of myself. So I say nothing. In fact, I throw a few chips on the table, just in case.

Some of those who know the Emperor has no clothes – virtually all IT vendors and consultants – are economically compromised. This is a money tree, just like Y2K, Sarbanes-Oxley, Dodd Frank, MiFiD and GDPR. Practitioners – corporate IT departments – are scratching their heads but, what the heck, what harm can it do to have a chip on the board? The rest of the world doesn't understand it and like my friend Stephen, is afraid to ask.

The only, tangential benefit that I can see from this invention is that the hype around it has encouraged folks to think out of the box and across the supply chain and geographical borders. So there are lots of adventurous, cross-industry initiatives starting up that wouldn't otherwise. But they stand more chance of delivering if they hold onto the vision and drop this ridiculous architecture.

What am I missing? **bt**

Client experience: hallmark of the digital credit and lending journey

Benefits of a digital and real-time credit and lending management solution include improved customer experience, cost savings and reduced closing and funding times – all boosting fees and net interest.

Satisfied customers are vital whatever industry you're in, but for the banking sector today's competitive environment makes the ability to improve client experience and speed up closing particularly crucial.

In credit and lending the most fundamental way to measure this experience is speed of response, which can only be facilitated with a true end-to-end real-time platform. Most banks' core legacy systems aren't up to delivering the immediacy of information required to compete.

Client experience is a key starting point for selecting and maintaining a primary banking relationship. In addition to speed of response, other critical elements for client retention include an overall interactive experience, flexibility, and price. Each of these can only be addressed by a digital environment empowered by new real-time credit and lending platforms.

If banks are to match the Amazon Prime-like experience that customers now expect of any daily transaction, they need a new, unified lending platform. It must be capable of delivering the information needed to respond to requests, with the immediacy now regarded as no more than standard. The only way to achieve this level is with a real-time response to ensure the best client experience possible.

Creating a digital credit and lending ecosystem that can also enable robot process automation (RPA), bots and artificial intelligence (AI) will foster strategic transformation. The Holy Grail of credit and lending transformation is one where real-time management of accurate and complete data meets with current and future business goals – with no customer disruption. AFS® offers this with a single, digitally-enabled, straight-through processing platform that ensures accuracy in a unified credit and lending process.

A UNIFIED PICTURE

A digitally-enabled credit and lending platform provides the foundation for accurate and reliable reporting, data quality, and a controlled framework to obtain the "one version of the truth". This is fully and seamlessly integrated into a bank's existing ecosystem to provide enterprise-wide delivery of accurate real-time data for a sustainable competitive advantage in the marketplace.

More than delivering this critical level of client experience, real-time information access is also vital in identifying and reacting promptly to risks or other exposures at any stage of the credit and lending process. Credit and lending solutions must also instantly react to any channel, be that mobile, relationship manager, in person or online. In addition, they should accommodate any other new channel or integration points either introduced now or needed at some point in the future.

As a long-standing strategic innovator, AFS knows that the world of innovation never stands still. Increasing customer expectations and market needs are the main drivers of our substantial investment in technology advances and product enhancement.

This is where our comprehensive solution AFSVision® proves its worth. It offers a real-time digitally enabled solution with multi-GAAP accounting for any type of loan, a cradle-to-grave credit and lending management system that spans loan application, underwriting, decision-making/sanctioning/funding through all servicing points, to provisioning and final workout. Each comes with full workflow enablement integration and with one single version of the data.

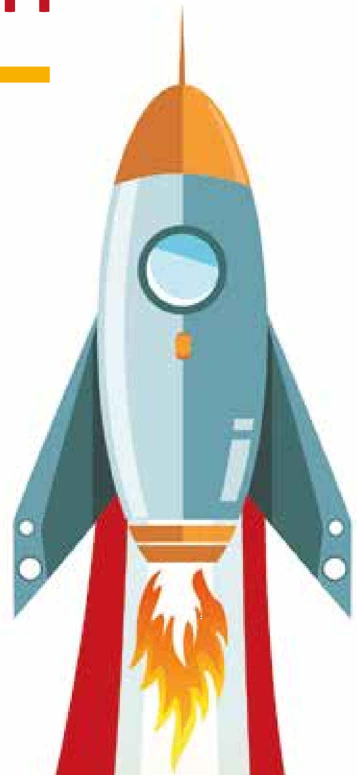
Banks gain enterprise-wide control of their lending businesses with a sustainable competitive advantage and have one single version of the truth. All are fully compliant with IFRS9/Anacredit/CECL requirements, while removing the pain of complex data extraction. AFSVision is already fully deployed and operational within many banks today and empowers real-time digital transformation while enabling the risk control framework. **bt**

SPOTLIGHT: CHALLENGER BANKS

Challenger banks in Spain: who's who and what's their tech

Banking Technology is exploring the challenger bank landscape in Spain.

With Spanish heavyweights like BBVA and Santander making great investments in new technologies (as well as in challenger banks), and a number of banks finding inspiration in the innovators abroad, the Iberian country is looking well-placed to disrupt the "traditional banking" model.



2GETHER GLOBAL

2Gether Global is a "collaborative banking platform" app based in Spain, now available in its home country following the launch of its open beta in January.

However, it doesn't define itself as a bank, but as a banking platform. It was founded by Salvador Casquero, Salvador Carrillo, and Luis Estrada in 2016. Its CEO is Ramon Ferraz.

The basis of the model is the 2GT token, which can be acquired through the app. Users need to hold a minimum of €10 worth of 2GT to access the services, and they get rewarded for their contribution in 2GT. When regulations allow in the future, 2G ether aims to decentralise ownership among the 2GT holders.

This coin is regulated by the Maltese authorities, as it's the only country in the EU with blockchain regulation.

BNC10

Bnc10, whose wordplay works in Spanish, Catalan and English, is based in Barcelona. It was co-founded in July 2018 by Jordi Dominguez, CEO, a long-term banker with experience in HSBC, Société Générale and USAA; and William McCahey, COO, who has worked at Australian bank NAB and Scottish Clydesdale Bank.

Bnc10 has already opened up a waiting list for potential customers. "Welcome to the new era of banking with values and zero commissions," it states.

It is mobile-focused, offering chat banking and WhatsApp banking through its app.

The bank doesn't have its own banking licence, but instead is relying on a licence of an undisclosed established bank.

According to Bnc10's CEO, Bnc10 has found a "seven-digit figure" of funding from an undisclosed investor.

BNEXT

Bnext is a digital and mobile bank that has openly admitted to be following the beat of UK's Monzo.

The Bnext co-founders are Juan Antonio Rullán, CTO; and Guillermo Vicandi, CEO, who has experience at BBVA and ING.

By 2017, the bank had under ten staff, and a beta version was out on the market with 1,000 customers in Madrid and Barcelona. It also completed a Crowdcube round of €130,000, alongside a €170,000 from investment funds.

In 2018, Bnext closed a financing round of €1.5 million with the aim of reaching 100,000 active customers.

Banking Technology understands that Bnext is using a third-party licence.

BUNQ

Bunq is a new digital bank from the Netherlands which launched in its home country in 2015, and announced its expansion into Spain and Italy in 2018. The CEO and founder, Ali Niknam, said at the time the move to the new countries followed Bunq's "successful growth" in the Netherlands and Germany.

In September 2014, Bunq obtained its official banking permit with the Dutch Central Bank. In November 2015, the app was available to the public.

It offers an account, through which the user can send payments to IBANs, contacts' phone numbers and e-mail addresses, among other payments features. It also offers up to three different cards, Maestro or debit Mastercard, as well as being available for businesses.

The bank has its in-house developed core banking software and relies on a limited number of third party suppliers for its technology. Among these is Veridium, which provides the bank with biometrics software.

FERRATUM BANK

Ferratum Bank launched to the public in 2016 in Germany, Sweden and Norway. In 2017 it entered France and soon after, Spain.

A subsidiary of Helsinki-based Ferratum Group, the bank is licenced by the Malta Financial Services Authority.

Its CEO is Jussi Mekkonen, who comes from Nordea Bank.

The bank says it uses behavioural data analysis to generate intelligent, real-time and targeted recommendations to improve customer experience and add services over time according to users' preferences.

EVO BANCO

EVO Banco is a Spanish bank based in Madrid, created by NCG Banco in March 2012. As part of its launch campaign it introduced its main financial product: "The Smart Account".

The following year, NCG Banco sold the EVO Banco division to a US private equity firm, Apollo Global Management, for €60 million.

In 2018, Spain's Bankinter bought EVO Banco. Since then, it has become the testing grounds for Bankinter, as well as a new channel to target younger demographics.

It is understood that Bankinter's online portal Coinc will be integrated with EVO's mobile app, which has now also fully launched a smart voice assistant.

IMAGINBANK

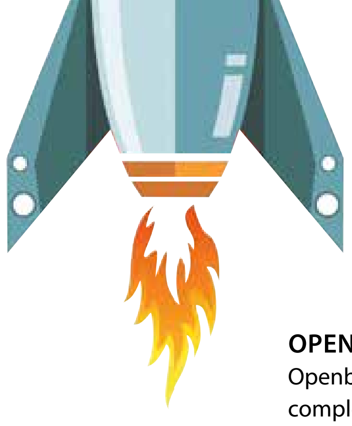
In early 2016, CaixaBank, one of the biggest banks in Spain, launched imaginBank – a mobile-only bank that uses social media (Facebook, Twitter etc.) to connect with its customers.

The core product is the imaginBank current account (with a Visa debit card), which is commission free and allows customers to manage personal finances and make transfers and P2P payments. It supports free money transfers to any account in Spain, regardless of the bank they are held at.

Small transfers between individuals can be made without having to enter account numbers; instead, the recipient's mobile number or e-mail can be used. Money can also be sent to a CaixaBank ATM, with customers then able to make a withdrawal without taking their card with them.

In 2017, imaginBank added a chatbot to its app to help millennials find offers and promotions most relevant to them, based on their preferences or location.

>>



IPAGOO

Not technically a bank, this is Orwell Group's "pan-European" digital banking service, designed to operate in open architecture. Its CEO is Spanish-born Carlos Sanchez, who founded the firm in 2015.

A single entity covers all the EU and beyond at the same time, offering current/business accounts and cash management services (payments, FX, budgeting, cash pooling, advance payments and merchant services).

It launched in Spain in June 2017.

The firm is an IBAN issuer in the Spain, as well as UK, France, Italy and is planning an expansion in Germany, Portugal, Poland, and other European and American countries over the next few years.

The firm says it plans to open its APIs to become a Bank-as-a-Service (BaaS) to any company willing to develop new interfaces or applications "to serve specific market needs".

It is also the channel through which saving and lending banks and other financial services providers can distribute their products.

MONESE

In 2015, Monese launched in the UK as a mobile banking service. It was made available to 19 other European countries in June 2017, including Spain.

It was founded by Norris Koppel, an Estonian expat in London, and it last secured $60 million in capital in a Series B in September 2018.

Since its original launch, it has included direct debits, student accounts, and Google Pay payments, among other features.

In October 2018, it launched its Monese Business account in the UK, available in 11 languages, and started progressively releasing it throughout the Eurozone – and is now available in Spain too.

N26

Germany-based challenger bank N26 offers its services in Spain, alongside any other country in the Eurozone except Cyprus and Malta.

It offers a free basic current account and a debit Mastercard card to all its customers, as well as a Maestro card for their customers in certain markets. Additionally, customers can request overdraft, investment products, and premium current accounts.

N26 was founded by Maximilian Tayenthal and Valentin Stalf, and opened for business in 2016, under the name Number 26 and operating through a third-party licence. In early 2019, it raised $300 million in a Series D funding round, bringing its valuation to $2.7 billion. The new investment will fuel the bank's plans to launch in the US.

The bank aims to have over 100 engineers by the end of 2019, and for this it set up a second European office in Barcelona.

For its underlying technology, N26 uses Mambu's flagship core system, provided on a Software-as-a-Service (SaaS) basis.

NOMO BANKING

Nomo Banking is a new digital banking service, native to Spain, catering for freelancers and the self-employed.

The bank is a project by Banco Sabadell, which launched in October 2018, aimed at attracting and using investments by Sabadell's venture capital arm, Innocells.

Its CEO is Xavier Capellades, who is a professor at the Zigurat Innovation and Technology Business School in Barcelona.

The bank offers a mobile app for round-the-clock working hours, automatic accounting and tax management. It also offers a card that is linked to customers' other cards.

To top it all off, the bank includes a marketplace with partnerships like Raisin, iSalud.com, and others.

OPENBANK

Openbank, a subsidiary of Santander, has been around since 1995. It went through a complete overhaul and rebrand in June 2017. It operates as an independent subsidiary of Santander, with 130+ staff based in a consolidated office in Madrid.

It targets the "professionals" segment with current accounts, savings, investment/wealth management and lending products (including mortgages), debit and credit cards.

The bank has over one million clients and €6 billion in deposits.

It focuses on digital banking, but has one flagship physical branch in Madrid.

For its technology, Openbank uses Temenos' T24 suite, with the solutions hosted on the Amazon Web Services (AWS) cloud. For regulatory reporting, it uses AxiomSL. It also has a robo-advisory service.

ORANGE BANK

Orange Bank was originally set up in France in November 2017, after some delay, by the French telecoms firm Orange and its bank partner Groupama.

It plans to officially launch in Spain in the course of 2019.

For its technology, Orange Bank in Spain will use Mambu's core banking system, delivered on a hosted basis.

REVOLUT

London-headquartered Revolut was founded in 2015 and sees itself as a digital banking alternative designed for a global lifestyle. It offers fee-free spending, interbank exchange rates, free international money transfers, and different currencies in-app, P2P loans, cryptocurrencies, medical insurance abroad, and other premium features which make many of the ones before free.

Its services are available to individuals and businesses, and it originally appeared targeting European travellers.

In January 2019, it announced it would soon start issuing cards for Spanish customers.

Revolut already has its European banking licence, as well as licences in Singapore and Japan.

In April 2018, it raised an additional $250 million in Series C funding, which saw the fintech valued at $1.7 billion – a five-fold increase in less than a year. In November 2018, it announced it was planning a $500 million Series D investment round – potentially led by Softbank.

The firm has said that it plans to build a global licensing team that will be responsible for securing banking, trading and credit licences, thus becoming "the Amazon of banking".

For its technology, Revolut relies on its own in-house processing and card issuing. In early 2019, it signed with start-up regtech firm ClauseMatch to streamline management of internal policies, controls and regulatory compliance. **b**t

Henry Vilar

We'll be revisiting and updating this list on a regular basis. If you have any additions to the list and/or suggestions, please get in touch with our editorial team.

Days of creation

By *Greg Palmer*, VP of Finovate

Finovate's 2019 calendar kicked off in London with FinovateEurope on 12-15 February and we're already learning a lot about how 2019 will unfold in the world of fintech.

I'd encourage you to take a look at all of the demo videos from the show (64 companies did live demos of their latest tech, and you can see all of them at the Finovate site), but for me the biggest takeaway didn't come from any specific company. It came from the variety among our group of demoers, and simply put it's this: **fintech is currently in an exciting creative phase**.

I'm going to come back to what I mean by "creative phase" in a moment, but before I get there, let's zoom out a little bit for some context. In my time at Finovate, fintech as an industry has tended to follow some identifiable and somewhat predictable patterns. Broadly speaking, there are three big things that tend to "steer" innovators:

1. NEW HARDWARE/SOFTWARE CAPABILITIES

Advancements in general technology create opportunities for fintech innovators. As an example, think of the facial-recognition technology you see in the market today – that's only possible because smartphone camera technology has advanced to a certain point.

Advancements in things like smartphones or smart watches give innovators new tools to play with, and software advancements can have a similar effect too.

2. SPECIFIC PROBLEMS OR CHALLENGES WITHIN THE FINANCIAL INDUSTRY

As I wrote in my last column in the February 2019 edition of the magazine, a problem is just an invitation to innovate. These tend to primarily come from new regulations like PSD2, or a common problem that is shared by many financial institutions, like onboarding customers more quickly or engaging more intelligently with diverse demographic groups.

Or to think of it another way, this is the tech that everyone knows financial institutions will be willing to pay for.

3. INEFFICIENCIES THAT CREATE OPPORTUNITY FOR TECH CHALLENGERS

There are holes in the current offerings of traditional finance institutions, and tech innovators frequently target those inefficiencies to carve out a niche for themselves.

Robo-advisors, alternative payments providers, and digital-only banks all took advantage of large inefficiencies in traditional finance to create products that serve a previously underserved market. As those markets begin to be served, the opportunity diminishes, and so does the number of companies innovating in that particular space.

At Finovate, we can see what is steering the industry by analysing the number of presenter applications we get from companies who are all working on a similar topic.

In 2016, for example, we saw quite a few companies working on PSD2 compliance pieces, since that was a relatively new pain point for the industry.

In 2013 and 2014, we saw a large number of competing biometric authentication plays, as smartphone technology advanced enough to allow for fingerprint scanning, eye scanning, voice analyzing, and more.

And last year at FinovateEurope 2018, we saw a real concentration of solutions around customer onboarding and user experience – obviously that was a major pain point for financial institutions, and the industry was responding accordingly. Any of those three big catalysts can hang a target up for innovators to hit, and those targets shape the industry.

Here's where it gets interesting for FinovateEurope 2019. For the most part, the 64 demoing companies were extremely diverse. Attendees looking to put presenters into clearly-defined "buckets" struggled to do so, and we also saw an incredibly varied group of Best of Show winners (which is 100% decided by audience voting).

> "Fintech is currently in an exciting creative phase."
>
> **Greg Palmer, Finovate**

There were eight Best of Show winners this time around, and all eight of them were working on something unique that didn't really overlap with any of the other winners. That's almost unheard of.

Based on the diversity we saw at every step of the process, from applications all the way through to passing out the Best of Show trophies, it's apparent that there isn't a clear mandate right now for innovators. There isn't a singular problem that everyone is trying to solve, or a clear opportunity that everyone is rushing for. Instead, innovators are making their own bets, pushing their technology as far forward as they can and trying to explore new ground.

Before the naysayers jump in, *of course* there are new hardware/software capabilities to play with, and *of course* the financial industry has problems to sort out and opportunities that aren't being fully taken advantage of yet. >>

It's difficult to imagine a world in which there wouldn't be *anything* you could point to on those fronts. We did see clusters around identify verification and document verification, for example, and artificial intelligence continues to underpin a large number of the solutions that we're seeing. Some clustering will likely always exist, but right now they're not as pronounced as they have been in years past.

The absence of a clear mandate in a creative phase gives innovators get the flexibility to focus more on what they *can* do as opposed to what they *need* to do. That's always fun (particularly if, like me, you have a front row seat to watch), but it's not a time to get comfortable.

Companies and financial institutions that use these windows well can set themselves up for success and protect against future dangers.

If you're a fintech innovator, this is a great time to give your dev team a little bit of freedom to explore. They may not come up with anything that leads to massive unforeseen piles of revenue, but even if they don't, getting them thinking creatively can strengthen your core solutions.

Take the example of ebankIT, whose Best of Show winning 2015 FinovateEurope demo included pieces on laptop, mobile, smart watch, and even the much-maligned Google Glass. Banking by Google Glass (obviously) never ended up catching on, but the fact that they let their team explore that solution put them in a very strong position when it came to executing on the cross-channel banking solutions that financial institutions did want.

If you're a banker, this is a great time to take a step back from your day-to-day and think bigger picture about where you're going in the next three to five years, and keep an open mind about how you might be able to get there. It's also a good time to make a specific ask of a current or future service provider. Hang your own target up there for innovators to hit, and see who can get the closest to it.

No matter who you are, make sure you appreciate the diversity and the creativity that's unfolding at the moment. And keep your eyes peeled for what might be the next big thing! **bt**

SPOTLIGHT: TECH OVERHAUL

Building bridges and exchanging money

How money exchange and payments firm Moneycorp and tech consultancy Futurice juggled different geographies when designing a modern platform.

Moneycorp is a provider of FX hedging solutions and international payments around the world, with around 40 years under its belt. Nick Haslehurst, CFO and COO at the firm, explains how two companies came together to create a new tech platform, and the many needed cultural changes that boosted this shift.

"We decided to embark on a project with Futurice around two years ago, to modernise our customer-facing software and tech to support the movement of money around the world in a seamless, proactive and efficient way," he tells us.

Futurice, which already has over 550 people, is a consultancy that specialises in helping financial services companies create and develop digital solutions from the ground up. It works with companies throughout Germany, Finland, the UK, Norway and Sweden.

From the beginning, it was clear that it'd be no easy project – corresponding banking around the world faces many challenges. Integrations, connections, information provisions… Different bank proprietary systems, different messaging formats, reconciliations etc.

"Our goal was to make this journey seamless, so corporates can make use of our account provision and international money services around the world via our app, via the phone, or online," Haslehurst continues. "The project with Futurice was mainly to rebuild that front-end journey to make it more logical, more integrated and more sophisticated."

Moneycorp has now launched the platform, with thousands of customers onboard, and says it has received a lot of positive feedback. However, he says that with platforms like these, the project is never done, so the team will continue updating and enhancing it.

A ROOT-AND-BRANCH PROJECT

"For us, it was a very root and branch project, which was rolled out from late 2017 and throughout all 2018."

The project started in December 2016, when Futurice was tasked with reviewing Moneycorp's mobile app user experience, and from there the team moved to a redesign of the platform build, starting with creating a "service vision", whereby Futurice takes into account the existing technology and how the new platform can use and integrate it to reach that vision.

David Mitchell, commercial director at Futurice, who was involved in the project from the very beginning, tells us that another point of consideration was that the platform needed to support Moneycorp's quick global expansion, as well as well as the ability to white label the platform to offer to other companies – Sainsbury's Bank, for example.

Moneycorp already has the network of bank accounts and FX liquidity that allows companies to bypass the hassle of building these themselves and have it ready to go. This is not the main product, though, as the core market comes from direct-to-customer international money services to customers across Europe, North America, Latin America and Asia.

"As a corporate customer or private individual, you don't want to be operating multiple bank accounts in different countries. Bringing all that together in a very user-friendly UI, that collects the right information to enable you to make cross-border financial services transactions, provides you with the right reporting and reconciliation back into your general ledger – that's why we try to do," says Haslehurst.

CULTURAL ADAPTATION

But Moneycorp also wanted to bring the platform to market quickly, and keep updating it, improving it, and building on that knowledge as time goes. The idea of agility goes beyond being able to implement features quickly to the platform, but, according to Haslehurst, it involves a whole culture change in how the company operates.

"This means building technology from the ground up with front-end goals in mind, rather than adapting to what the current infrastructure in financial services around the world allows you to do. Not only that, but also taking in customer feedback frequently, and making changes according to it continuously," Haslehurst explains.

These changes don't only happen qualitatively – through direct customer feedback – but also through analytics tools, third party agencies and other partners, who have put all this data in the centre of Moneycorp's priorities.

Mitchell points out that the fact that Futurice's insights into the transformation were tailored not only for the current era, but also for a business like Moneycorp's, that has customers from all over the world sending payments to areas that are very different. The ability to adapt and update to new customers demands has drastically changed Moneycorp's operational organisation.

"Modern tech development always means that we will see opportunities to transform how the organisation works, and this becomes a by-product", states Mitchell.

WORLD EXPERTS

For Moneycorp, this became even clearer when the firm realised that the technology enhanced the potential and efficiency of its industry experts, particularly with the appropriate organisational transformation. From a regulatory perspective, Moneycorp says it makes sure it collects the right information to access the right types of local financial services information networks.

"If we need to deliver a payment into China for you, we make sure we capture the synapse code, the right Bank of China Reason for Trade description etc. All that knowledge that we have gathered over 40 years, and we distil it for you in a user-friendly way. A customer doesn't need to know all those nuances, and even less if the platform does it for you," Haslehurst adds.

"China is a classic example that requires more expertise on the region and the regulation, particularly now that many payments are going to and from Europe and the US. Another specialty of ours is Brazil, which is very restricted too," he points out. "Even in Latin America it can be more difficult to execute the proper transactions across currencies, and our platform distils it to the basics for customers." **bt**

Henry Vilar

> "Culture means building technology from the ground up with front-end goals in mind, rather than adapting to what the current infrastructure in financial services around the world allows you to do. Not only that, but also taking in customer feedback frequently, and making changes according to it continuously."
>
> **Nick Haslehurst, Moneycorp**

Movers and shakers

All change at **Temenos** as CEO **David Arnott** stepped down "to spend more time with his new family and baby". **Max Chuard**, formerly CFO and COO at the banking tech vendor, has been appointed as new CEO.

Panagiotis "Takis" Spiliopoulos will join as CFO effective 31 March 2019. **Jean-Michel Hilsenkopf** will take the COO position and **Alexa Guenoun** is joining the executive committee as chief client officer.

Arnott spent 18 years at Temenos – and according to the firm this new development is "part of a managed transition to ensure continuity of strategy and execution".

Hannah Nixon will be standing down as MD of the UK's **Payment Systems Regulator (PSR)** in April this year.

Nixon says: "In the five years since I joined the PSR we have come a long way, launching the world's first payments regulator and building an organisation which has made a real impact."

According to PSR, Nixon "is taking some time to consider her options for the next stage in her career and is not immediately taking up another full-time role".

In the meantime, the PSR board has asked **Chris Hemsley**, currently head of policy, and **Louise Buckley**, currently COO, to act as joint interim MDs, reporting to FCA chief executive, Andrew Bailey.

Martyn Atkinson has joined UK-based financial services firm **Close Brothers** as group COO. He moves from Metro Bank, where he spent three years, most recently as CIO.

Prior to that, he had a three-year stint at Nationwide Building Society as head of transformation.

Charles d'Haussy is the new director of strategic initiatives at **ConsenSys**, a global blockchain company and venture development studio.

He moves from Invest Hong Kong (InvestHK), the department of Hong Kong's government responsible for foreign direct investment, where he was head of fintech for two and a half years. Prior to that, he was head of sales and business development at 8 Securities, a Hong Kong-based online broker and robo-advisor.

Greece-based challenger bank **Praxia Bank** has appointed **George Demetriades** as CIO. Demetriades has nearly three decades of IT experience, having held senior technology roles as Qatar National Bank (QNB), Alpha Bank and Eurobank.

Prior to his move to Praxia, he spent five years as director of IT of Athens International Airport.

Alastair Brown has joined **DTSquared**, a London-based consultancy firm specialising in data and data governance, as executive chairman.

Brown had a lengthy career at RBS Markets and International Banking, including as CIO. He was also CEO of regtech firm Lombard Risk, which was acquired by Vermeg in early 2018.

Paysafe has a new group CIO – **Roy Aston**. He moves from Barclaycard, where he spent six years, most recently as group CIO. Prior to that, he was at Citi for six years in various senior roles, including director of business and technology transformation, and head of digital services.

Zopa has appointed **Gordon McCallum** as its new chairman, as it is progressing with its challenger bank plans. McCallum is known for his work as CEO of Virgin's UK management company – architected the group's strategy, with particular focus on Virgin Money and Virgin Media/Virgin Mobile.

Meanwhile, **Giles Andrews**, co-founder, former CEO and major shareholder of Zopa, will step back from his group chairman role. He will remain on Zopa's board as well as continue chairing a variety of other fintech businesses, including MarketInvoice, Kreditech, Bethnal Green Ventures, and Dynamic Credit.

Andrews also sits on the Department of International Trade's fintech board and the City of London's fintech strategy board. **b**t

EVENTS CALENDAR

March

20-21: The Excellence in Retail Financial Services, Dubai
forums.theasianbanker.com/exrfs2019

April

2-3: X-Tech 2019: Financial Services & Technology Convention, Las Vegas
www.cefpro.com/x-tech

2-3: Future Blockchain Summit, Dubai
www.futureblockchainsummit.com

4-5: CCX Forum: Channels & Customer Experience, Barcelona
www.efma.com/ccxforum19

24-25: TradeTech Europe, Paris
tradetecheu.wbresearch.com

May

14-16: The Payments Canada Summit, Toronto
www.thesummit.ca

22-23: Digital Finance Conference, Berlin
finance-conference.berlin

June

13-14: Efma Insurance Summit, Vienna
www.efma.com/insurance19

Banking Technology is a prominent media partner of many financial services, insurance and payments technology events worldwide. If you are interested in a media partnership with us and marketing opportunities, please contact:

Irena Andrisevic, Marketing Manager
Tel: +44 (0) 207 017 5379
Email: irena.andrisevic@knect365.com