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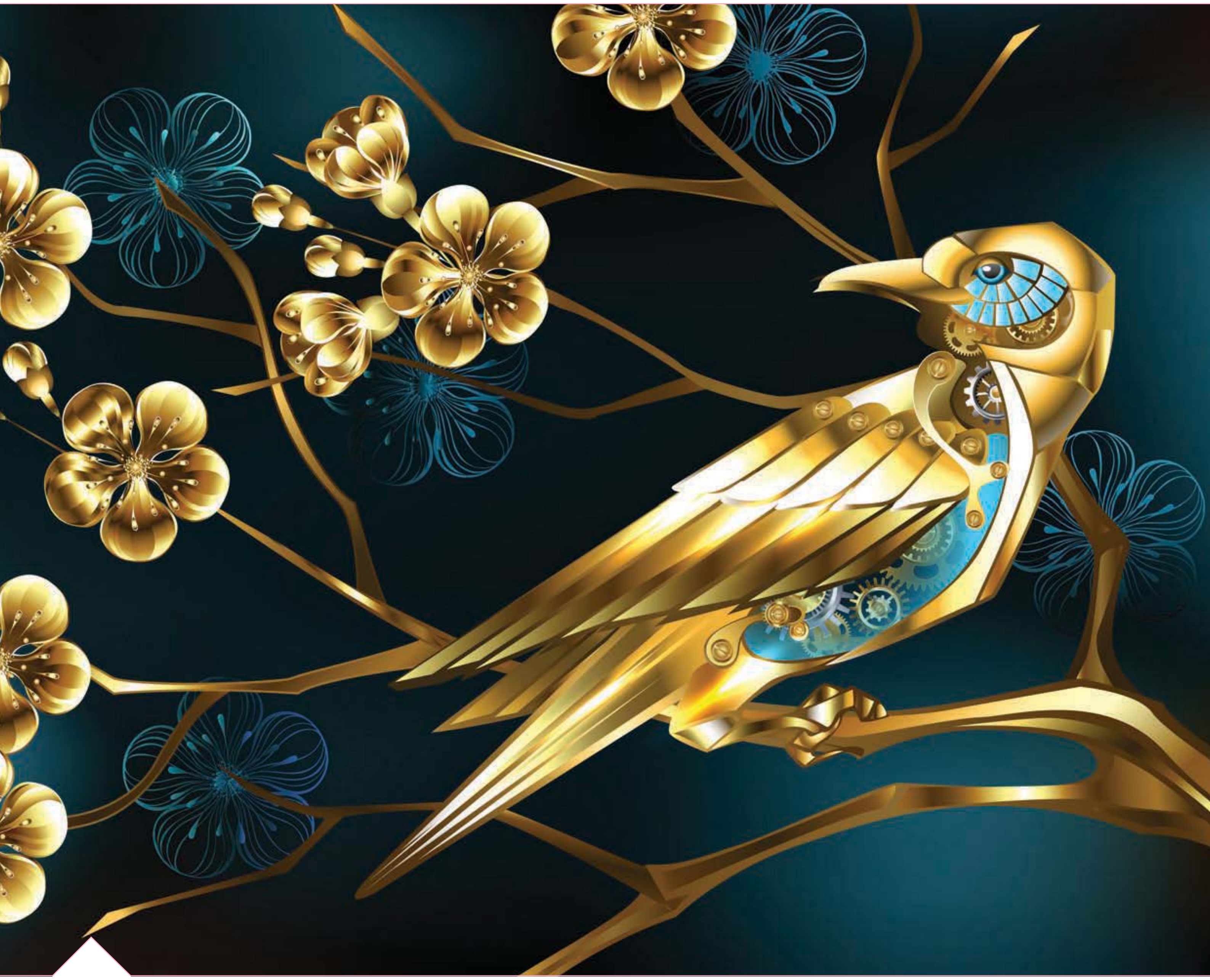

FINTECH WITH FLOURISH
It blooms and blossoms

CASE STUDY: ATB BRIGHTSIDE
New challenger bank in Canada

SPOTLIGHT: FRENCH FINTECH
The fundraising tide is turning

FINTECH FUTURES

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FINTECH FUTURES

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Editor's note

This month's editor's note comes from Level 39, a renowned technology and start-up community hub in London, where Centre for Finance, Technology and Entrepreneurship (CFTE) has just launched the UK capital's first physical fintech campus.

I have been supporting CFTE since its launch two years ago. Its founders' and team's drive, creativity and commitment to educating the world about fintech and the opportunities it can bring is remarkable.

CFTE's principle – "in the world of technology, people matter" – resonates with me. We all have been affected by the rapid advancement of technologies, at work and at home, and it can be overwhelming. Technology itself is impartial and indifferent, but how we choose to apply it and how we choose to interact with it – this is what makes it for good or malevolent.

In the financial services space, the impact of technology is really felt now – and it will only continue to proliferate – so learning what the tech is all about in the financial services, what makes it fintech, what makes it clever, is a smart and sensible move.

Learning opens up our horizons to the future of the industry, with us being a part of it. We are no longer just observers, on the sidelines, feeling helpless. We can contribute, make a difference and shape the future of the industry – today.

In the word of today (and most likely tomorrow), we all need to be able to learn, unlearn and relearn. Regardless of our age or professional status or years of experience in the industry. And for many of us, that's not easy. But it's needed.

And we – humans – aren't the only ones learning. "Self-learning bank is where we want to take it," said Dharmesh Mistry, Temenos' chief digital officer, at the vendor's recent Temenos Community Forum (TCF). "We want to help our customers build an artificial intelligence driven bank, where business rules are replaced with AI."

New discoveries await! **b**t

Tanya Andreasyan
Editor-in-Chief
Banking Technology

NEWS

Brewin Dolphin upgrades digital capabilities

Brewin Dolphin, one of the UK's largest wealth managers, has selected Avaloq to transform its back-office infrastructure through Avaloq's Software as a Service (SaaS) solution.

The project aims to enhance Brewin Dolphin's digital capabilities to address the rising competition, says the wealth manager, which claims to have £34.9 billion in discretionary funds under management.

Avaloq was awarded the contract after "an extensive selection process" by Brewin Dolphin. The appointment follows a collaboration with UK wealth manager Smith and Williamson, which chose Avaloq's SaaS solution, and complements other UK clients such as Coutts and Canaccord Genuity Wealth Management.

"We have created a high-calibre team who have built a detailed implementation plan to deliver this programme," says Grant Parkinson, COO of Brewin Dolphin. "It gives us significant opportunity to increase straight-through-processing, improve the efficiency of handling client accounts and reduce operational risk."

The tech supplier says it experienced strong results for 2018 driven by the demand for the firm's SaaS, BPaaS and on-premise solutions from new and existing clients and accelerated growth.

Overall, the firm generated full-year revenues of CHF579 million, a year-on-year rise of 6% on an underlying basis.

New wealth management clients and projects either won or completed in 2018 included Pictet Group, Intesa Sanpaolo Private Bank Suisse, Deutsche Bank Luxembourg and Edmond de Rothschild.

Henry Vilar

RBS's Bo taps Mambu's cloud tech

RBS's challenger bank Bo has reportedly selected Mambu as core banking technology provider. Mambu's flagship solution will be delivered on a hosted basis.

Bo is RBS/NatWest's digital alternative to the likes of Monzo and Starling, with former operations chief Mark Bailie leading the project.

Reportedly, about 100 staff have been briefed on the new project.

Bo is expected to launch to retail customers in 2019, with the aim of migrating one million NatWest customers to the new mobile platform. It will offer savings and deposits products to consumers.

We have reached out to Mambu and Bo; both firms have declined the request for comment.

For payments, Bo signed up for Starling's Payments-as-a-Service offering.

Mambu already has a couple of users in the UK, namely OakNorth (which runs the system on the AWS cloud) and N26 (which uses Mambu's tech in its home market in Germany and across international locations).

Henry Vilar

Path makes Ameen Al-Iraq the latest addition to its Iraq user base

Path Solutions has signed another bank in Iraq for its iMAL core system. This is Ameen Al-Iraq Islamic Bank for Investment and Finance.

Based in Baghdad, the bank offers Sharia-compliant retail and corporate financial services, and trade finance for local corporations and contracting companies, plus mobile banking services such as deposits, withdrawals, account transfers, bill payments and balance inquiry.

The bank's CEO, Kamal Suhail Abdulla, says: "Our ambition is to quickly become a true banking partner for individuals, professionals and businesses, particularly through an equitable, ethical and mutually beneficial relationship."

Kuwait-based Path is a long-standing core system provider primarily in the Middle East and is the clear market leader when it comes to Islamic banking. Its first taker in Iraq was Cihan Bank in Kurdistan, signed in 2009, with two more signings the following year and a succession of deals since then.

Martin Whybrow

Capital Bank of Jordan chooses Backbase for digital transformation

Capital Bank of Jordan has signed for Backbase's digital channels platform. The Dutch supplier's solution will cover both customer and employee digital channels across institutional and retail banking.

A key stated aim is faster time to market for new products. Capital Bank has signed for the full product stack based around Backbase CXS 6, which is the latest version, launched at the end of 2017, and comes with identity and access management capabilities. The deal includes the Backbase Entitlements component and DBS digital banking back-end services.

Implementation will be carried out by Backbase and one of its partners, Lisbon-based Bring Global. The system will be deployed on the cloud and will integrate with the bank's core system and other applications. The bank is a long-standing user of Temenos' T24, which has its own digital channel offering.

Capital Bank's CEO, Ala Qumsieh, describes Backbase as "an ideal long-term strategic partner" for the bank's digital transformation.

Backbase has a reasonable number of Middle East users. An addition last year, Lebanon-based Société Générale de Banque au Liban (SGBL), included plans for a roll-out in Jordan.

Martin Whybrow

NPM Capital takes stake in Dutch core banking firm Ohpen

NPM Capital has acquired a 35% stake in Ohpen, the world's first Software-as-a-Service (Saas) cloud-native core banking provider (in its own words).

First and long-time investor Amerborgh sold part of its stake to NPM Capital in order to finance other projects, such as the arts and culture centre 'het HEM' in Zaandam.

Ohpen has become a leader in the Dutch midsize banking market, with its platform that administers retail investment and savings accounts for banks and other financial institutions. The Dutch fintech now has ambitions to extend its services to large banks and the pension market.

Rutger Ruigrok, NPM Capital managing director, says the technology sector is becoming increasingly important to the company. "Already, we have had Ohpen in sight as one of the most promising technology companies that we have seen in the past few years," he adds. "We are impressed with its achievements over the past ten years: a cloud-native core banking engine, an impressive customer base and a wonderful foundation for further growth. We are very enthusiastic about now being part of its future."

Matthijs Aler, CEO of Ohpen, says the fintech can advance with the growth capital raised in early 2018, but the new shareholder will broaden options to finance future growth.

Jane Connolly

NatWest unleashes first biometric card in the UK

NatWest has launched its first biometric fingerprint card, as part of a national pilot to verify contactless transactions that go above the £30 contactless limit.

A fingerprint is registered onto the bank card, which is then locked onto it and cannot be changed. The fingerprint is only held on the card and not centrally by the bank with each transaction verified using data which is encrypted and stored locally on the card.

Shops will be able to accept payments without updating their technology.

NatWest is working closely with digital security company Gemalto and Visa to bring the service to customers in the UK. The pilot will last three months.

"Biometric authentication and identification are set to transform financial services and we're proud to be leading the way in this field alongside our partners," says Howard Berg, senior vice president, UK Ireland and Switzerland of Gemalto, a Thales Company.

"In financial services, biometrics are gaining ground as a secure and convenient alternative to passwords and PINs," says Jeni Mundy, managing director, UK and Ireland, Visa. "This technology has the potential to make the lives of consumers easier and provides greater choice to confirm their identity."

In other news, NatWest has also recently launched a new biometric payment approval feature, which allows business and commercial banking customers to make payments of any size through their Bankline Mobile app using Face ID or Touch ID, without the need for a card reader.

The new feature also allows businesses to authorise multiple users to set up payments, which business owners can then subsequently approve on the go through their app.

Henry Vilar

Ithala SOC selects Intellect Design to support expansion

South Africa-based Ithala SOC Limited has selected Intellect Design's core system to support product and regional expansion.

The system integrator will be Tech Mahindra. Ithala SOC is focused on the unbanked sector in the KwaZulu-Natal (KZN) province and is seeking a full banking licence.

The new system will span Ithala's existing retail and business banking services and will also support expansion into new sectors. The system is meant to enhance the bank's digital banking as well as its offerings for niche developmental customer segments.

Ithala SOC hopes the new system will support the rapid launch of customised products such as student, SME and agriculture loans, debit cards, rural savings/loans and wspecialised offerings.

Ithala SOC is seeking a leading position in KZN Province, where it currently has 39 branches, and also plans to open branches in other provinces.

It is a wholly-owned subsidiary of Ithala Development Finance Corporation, which signed in 2008 for another core system, eMerge, which resides with Temenos. This low-end system for developing markets was acquired by Temenos a few years earlier.

India-based Intellect Design Arena came into being in 2014 as a result of a restructuring of Polaris Group. Much of its original software stemmed from Citigroup, via a spin-off, Orbitech. This merged with Polaris and there were also a few acquisitions. It has built up a reasonable user base for its core platform, including takers in Africa.

Ithala SOC CEO, Danny Zandamela, says: "The implementation of an integrated enterprise-wide core banking system in partnership with Tech Mahindra and Intellect Design Arena will allow us to accelerate our digital banking transformation journey and see us achieving our ambition of obtaining a full commercial banking licence and become a state bank. This digital system will make Ithala one of few players in the South African market to have a fully digital banking system."

Martin Whybrow

NEWS

New funding set to make Monzo second-largest UK fintech start-up


Image source: Monzo

After reportedly closing a £100 million funding round, digital challenger bank Monzo will see its valuation double to nearly £1.9 billion and become the UK's second most valuable fintech start-up.

Following the deal with a US investor – which has yet to be approved by the Prudential Regulation Authority (PRA) – the unicorn will eclipse rival Revolut and will be second only to business lending bank OakNorth, reports the Sunday Times.

Just six months ago, Monzo secured £85 million in funding to take its valuation above £1 billion. The bank has also been shortlisted for a share of the £775 million RBS alternative remedies package.

Monzo has yet to turn a profit and made a £33.1 million loss in 2017. But it has launched beta testing for new business accounts and recently announced plans to introduce an individual savings account.

Jane Connolly

Standard Chartered fined $1.1bn for bad AML and sanctions breach

Image source: Standard Chartered

Standard Chartered has been fined $1.1 billion as a result of allegations of bad anti-money-laundering (AML) practices and breaching sanctions against countries including Iran.

In regard to the breach of sanctions, the British bank has agreed to pay $947 million to American agencies, including the US Department of Justice, according to The Guardian.

Separately, it was fined £102 million by the Financial Conduct Authority (FCA) for AML breaches that included deficiencies around counter-terrorism finance controls in the Middle East.

It is the second-largest fine ever imposed by the UK regulator for anti-money-laundering failures.

The bank also violated sanctions imposed against Burma, Zimbabwe, Cuba, Sudan, Syria and Iran, says the US treasury department.

The US department says Standard Chartered processed transactions worth $438 million between 2009 and 2014, the majority of which involved Iran-linked accounts from its Dubai branch routing payments through, or to, its New York office or other US-based banks.

The fines were expected after Standard Chartered said it was bracing for up to $900 million in penalties.

Standard Chartered says it "accepts full responsibility for the violations and control deficiencies", saying that none of these breaches took place after 2014.

But the bank placed partial blame on two former junior employees, saying "they conspired to break the law, deceive the group and violate its policies. Such behaviour is wholly unacceptable to the group."

CEO Bill Winters says: "We are pleased to have resolved these matters and to put these historical issues behind us. The circumstances that led to today's resolutions are completely unacceptable and not representative of the Standard Chartered I am proud to lead today."

The prospect of major fines has hung over Standard Chartered since 2012, when it entered into a deferred prosecution agreement (DPA) with the US Department of Justice and the New York county district attorney's office over Iranian sanctions breaches beyond 2007.

Henry Vilar

Challenger bank Masthaven receives £60m investment

UK challenger bank Masthaven aims to significantly increase lending to SMEs and consumers, following the completion of a £60 million equity investment from Värde Partners.

The global alternative investment firm agreed the deal with Masthaven in September 2018.

After seeing growth in its market niches – retail savings, SME lending and short and long-term property financing across commercial, buy-to-let and specialist residential real estate – Masthaven plans to increase lending across the next three to five years.

The bank's founder and CEO, Andrew Bloom, says the funding will enable Masthaven to innovate with its savings and lending propositions.

"We have successfully launched specialist residential and buy-to-let mortgages, plus bolstered our savings suite by entering the SME savings market, all while growing our team to above 170 people and with a balance sheet in excess of £750 million," he says. "Now it's time for us to further enhance our propositions for both our existing customers and intermediary partners, as well as our future clients."

Masthaven serves borrowers who don't have access to traditional high street banking brands and has ambitions to become one of the leading specialist banks in the UK residential and SME markets.

A domestic vendor, DPR Consulting, is providing its front-to-back office retail banking system to Masthaven.

Jane Connolly

Judo becomes Australia's first SME-focused challenger bank


Peter Hodgson, Judo

Judo Capital has become Judo Bank after being awarded its full banking licence from the Australian Prudential Regulation Authority (APRA).

Launched in early 2018 by former National Australia Bank (NAB) bankers, David Hornery and Joseph Healy, the fintech focuses on serving SMEs with annual turnovers of up to $20 million.

Last year, Judo raised $140 million and secured a $350 million credit line from Credit Suisse.

Judo's chairman, Peter Hodgson, states the bank will be launching deposit products, starting with term deposits and notice accounts for business, consumers, SMSF and wholesale depositors.

"The ability to now offer term deposits and accordingly, to change our name to Judo Bank, will help drive growth, and provides an opportunity for businesses and the broader community to support business funding at competitive rates," he says.

For its technology, Judo has opted for the Temenos suite of front-to-back office products, delivered in the cloud.

Fellow challenger bank Volt Bank received its licence in January and two more, Xinja and 86 400, are reportedly hot on their heels.

Jane Connolly

Sumitomo Mitsui Trust Bank turns to Oracle FSS for tech modernisation

Sumitomo Mitsui Trust Bank (SMTB), Japan's fifth largest bank, is understood to be going through a major technology revamp on the corporate banking side with Oracle FSS.

The bank is modernising its core, lending and payments technology in Japan and six international locations, namely China, Singapore, Hong Kong, Thailand, the UK and the US, *Banking Technology* understands.

Oracle FSS did not provide a comment to *Banking Technology* on this project, but it does reference "a major bank in Japan" in its recent financial results, noting that this organisation "has chosen to transform its banking technology by implementing Oracle Flexcube Universal Banking, Oracle Flexcube Enterprise Limits and Collateral Management, Oracle Banking Corporate Lending and Oracle Banking Payments".

The deal is worth tens of millions of dollars, it is believed.

SMTB's history dates back to 1925. It is one of the largest financial services players in Japan, with total assets of $475 billion, more than 13,600 employees, 148 domestic branches and nine international locations. (SMTB and its parent company, Sumitomo Mitsui Trust Holdings, should not be confused with Sumitomo Mitsui Banking Corporation – this is a completely different group.)

Elsewhere in Asia Pacific, Oracle FSS has signed a number of Flexcube deals of late. To *Banking Technology*'s knowledge, new clients include a Vietnamese consumer credit company, JACCS International Vietnam Finance; a start-up digital bank in Cambodia, Chip Mong Commercial Bank (a subsidiary of local conglomerate Chip Mong Group); Vietcombank in Cambodia; CMK, a Cambodia-based microfinance entity; and Land Bank of Taiwan for its operations in China. The latter is a long-standing user of Temenos' T24 core banking system for its domestic operations in Taiwan.

Tanya Andreasyan

Zions' Bancs conversion project rumbles on

Zions Bancorporation's long-running core transformation has passed another milestone. The Utah-based mid-tier US bank has announced a cut-over to the TCS Bancs system for commercial and commercial real estate lending.

This follows a go-live for consumer lending in May 2017.

The selection was as far back as 2012 to replace the old domestic TriSyn system and a number of others. Bancs was taken in preference to Infosys' Finacle at the shortlist stage and the deal marked a major incursion into the US market for TCS with its core system.

Zions took Bancs for retail and corporate banking support for its own operations as well as those of its eight subsidiaries (California Bank and Trust, Nevada State Bank and Vectra Bank Colorado among them). It was always anticipated to be a multi-year project. At the outset, the bank predicted a five-to-seven year timeframe, with a total estimated cost of $200 million.

Zions is now working to replace its consumer and small business mobile and online banking platform, which has 750,000 retail and small business customers. This is touted for the next 18-24 months. The next major conversion to Bancs isn't scheduled for completion until 2022 and will see a migration from the bank's deposit servicing system.

The regional bank believes that by tackling its legacy systems, in contrast to many other US banks, it will gain a competitive advantage.

President and COO, Scott McLean, says: "We are uniquely positioned to complete our core loan and deposit system replacements that others in the industry have not addressed with the same vigour.

"We believe this will provide us a competitive technology position that others will struggle to meet in the future," he adds.

Martin Whybrow

Unite Global licensed to issue WOCU currency for banking

The WOCU is a global currency developed and distributed by WOCU, a London based fintech. The WOCU quotation is transparently based on a basket of GDP weighted, real-time exchange rates.

Unite plans to issue WOCU currency from 2020, following the establishment of the Unite banking correspondent hub. The WOCU is not a cryptocurrency; it will be reserve backed, regulatory compliant and FX traded and held within the banking system just like any other national currency.

The WOCU wants to be an alternative to the US dollar as an international trading currency. It offers naturally reduced foreign exchange (FX) volatility for trading partners. The WOCU is also expected to be particularly attractive to countries seeking reduced reliance on the US dollar and US-influenced payments systems, such as the BRICs.

Unite, as an apolitical and independent banking correspondent hub, will issue electronic transactional WOCU currency in bulk to Unite-connected banks. WOCU can then be delivered to their banking customers by regular FX transactions at normal costs like any other currency, and thereby used and held as a relatively stable medium of exchange and store of value.

Once issued, WOCU currency may be transferred and exchanged in secondary trades in the established financial system, just like any other fiat currency.

Tord Coucheron, CTO of Unite Global, says: "Finally, after lengthy discussions proving that both parties had the exact same visions for WOCU, the currency has now been perpetually secured for the Unite network. This will give all banks and their customers easy access to what we believe may be a better and fair tool for world trade settlement."

Crucially, unlike cryptocurrencies built on sand and all national, fiat currencies, the vast majority of WOCU issuance proceeds will be invested into a dedicated, ring-fenced fractional reserve fund.

The WOCU reserve will be ethically and independently managed by a leading Sovereign Wealth Fund to form, after investment returns, a 100% plus fractional reserve within two years of first issuance.

Henry Vilar

First real-time payments launched in Saudi Arabia

International payment systems provider Vocalink has partnered with Saudi Payments to launch real-time payments in Saudi Arabia.

Saudi Payments, a fully owned subsidiary of the Saudi Arabian Monetary Authority (SAMA), has teamed up with Mastercard company Vocalink to upgrade the country's payments infrastructure and boost the digital economy.

The partnership will enable instant payments between financial institutions, businesses and consumers, with instant credit transfers, e-invoicing and billing, real-time payment acknowledgement, remittances, bulk payments and peer-to-peer money transfers.

Ziad Bin Bander Al-Yousef, managing director, Saudi Payments, says that transforming the Kingdom into a cashless society is at the heart of the company's strategy and in line with the Kingdom's Vision 2030. "We believe the Kingdom's consumers and businesses will benefit tremendously from leveraging the power of real-time payments and help the Kingdom to a smooth transition to the digital economy," he says

Built on the latest ISO messaging standards, the payment system will reach the majority of financial institutions and accounts, working with Saudi Payments' third-party services, supporting anti-fraud and compliance processes.

Since launching in Thailand in 2017, Vocalink has seen its PromptPay service adopted by over half the population in just two years.

Jane Connolly

Facebook to drop P2P Messenger payments in Europe

Facebook will discontinue peer-to-peer (P2P) money transfers via Messenger in the UK and France – the only European countries where it had been introduced – on 15 June this year.

Users will still be able to make charitable donations through Facebook, but they will no longer be able to exchange money with friends and family. The service will continue in the US.

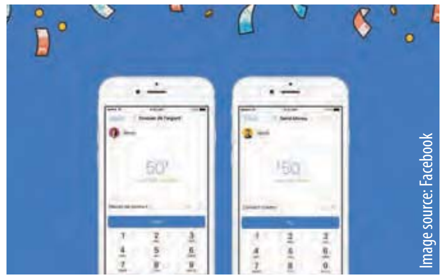


Image source: Facebook

A spokesperson for Messenger tells TechCrunch: "After evaluating how we give people the best experiences in Messenger, we made the decision to focus our efforts on experiences that people find most useful. Users have been notified in preparation for the change."

Facebook launched P2P payments in Europe in 2017, in response to a growing global demand for money transfers via mobile handsets.

No reason has been given for the withdrawal. Possible explanations could include a lack of service popularity, or the impending introduction of the Strong Customer Authentication payment directive in Europe this September.

Media reports have suggested that Facebook is working on a cryptocurrency, for which Facebook could become the primary P2P payment mechanism.

Jane Connolly

NEWS

N26 comes under German regulator's microscope

German challenger bank N26 is undergoing scrutiny by German regulator BaFin, which has found several deficiencies that the bank must address as soon as possible.

Valentin Stalf, CEO of N26, has released a statement highlighting its commitment to fixing those issues: "As all licensed banks, N26 is subject to regular internal and external independent audits, including those by the German financial regulatory body BaFin. Like all German banks, we are under BaFin's supervision and have a very close working relationship with them."

According to Handelsblatt, the regulator has ordered N26 to address staffing, outsourcing and engineering issues. The bank has shown delays in getting back to customers via email or chatbot.

The German publication says that, according to insiders, financial supervisors believe that N26 has grown rapidly, but has not adjusted structures at the same pace. However, the regulator's feedback on the N26 was "unusually tough".

This also has to do with the several fraudulent cases reported in the bank, and the slow response by the bank to get back to customers to address them, where the bank was unable to address and reverse these fraud transactions even when reported promptly by customers, reports the Handelsblatt.

"Regular audits are therefore business as usual for a bank. It is normal that during such an audit the regulator identifys points of improvement. We take the findings of every audit very serious and address areas of improvement as quickly as possible," the CEO adds.

"We've increased our workforce from 500 employees in August 2018 to more than 1,000 today," he states.

The bank has said it will investigate and address security measures and customer service over the coming months.

Henry Vilar

TCS wins core platform replacement at National Bank of Bahrain

National Bank of Bahrain (NBB) has selected the Bancs system from Tata Consultancy Services (TCS) as its new core platform.

According to a TCS spokesman, the competition came from Oracle FSS, Infosys, Temenos and Finastra.

NBB is replacing an extremely old core system, TC4, which was developed by an Indian company, CMC Limited. CMC was acquired by TCS in 2015. Nevertheless, the bank undertook a competitive selection which was completed in December 2018, with the contract signed this week.

The system will support the bank in its home market as well as UAE and Saudi Arabia. It will span customer management, loans, deposits, payments, origination, Islamic banking and liquidity management for retail and corporate banking.

NBB is seeking a unified customer experience across multiple channels and will make use of the multi-country and multi-entity capabilities of the platform. It has stated goals of digital transformation and diversified business lines. It will also use Bancs APIs to collaborate and integrate with fintechs. TCS will carry out the implementation, says the supplier's spokesman.

Iain Blacklaw, COO at NBB, said the aim is to "unlock new revenue streams by leveraging larger and extended ecosystems, introduce new products quickly, and expand our customer base across multiple countries in the region".

Elsewhere in the Middle East, TCS has gained an extension to its existing relationship with Bancs user, Qatar-based Ahli Brokerage Company. The firm has taken TCS's digital trading front-end to support buy and sell side users via mobile devices. The deal was signed in February.

Further afield, Harbin Bank in China has gone live with the Bancs system.

Martin Whybrow

SoftBank invests €900m in Wirecard for APAC push

Japan's tech giant SoftBank says it will invest €900 million in Wirecard, the German digital payments company. The Japanese firm has signed a convertible bond mechanism, which will see it buying five-year Wirecard bonds that can convert into an equity stake.

Under the terms of the agreement, the bonds will convert into a 5.6% stake in Wirecard at a price of €130 a share, Wirecard says. Shares in Wirecard went up about 9% to €134 following the announcement.

Wirecard added that the partnership with SoftBank would help it to expand further into Asian markets, including Japan and South Korea, and see the companies collaborate on data analytics and artificial intelligence (AI).

The intended issuance of convertible bonds, under exclusion of subscription rights, is subject to the approval of Wirecard's Annual Shareholders meeting to be held on 18 June.

In connection with the investment, the parties have also signed a memorandum of understanding (MoU) to support the German's firm expansion across Japan and South Korea, while developing digital payments, data and AI.

Wirecard has been forced to postpone the release of its annual reports due to accounting issues in Asia.

Credit Suisse advised SoftBank on the planned investment.

Henry Vilar

Sopra Steria acquires France-based core system vendor SAB

Another long-standing independent core banking system supplier, France-based SAB, has succumbed to acquisition. Predictably, it is being bought by its heavyweight French compatriot, Sopra Steria.

SAB's SAB AT will be added to the acquisitive French company's existing range of acquired core offerings.

SAB was set up in 1989 and launched its core system a couple of years later. It claims more than 200 sites mainly in France and French-speaking countries.

For a long while, a direct competitor to SAB was Delta Informatique, which was acquired by Sopra in 2011. It remains to be seen how SAB AT and Sopra Banking Amplitude (Delta-Bank, as was) will be positioned. Sopra's strategy to-date has been to maintain all of its acquired products, now with a common digital front-end, branded as the Digital eXperience Platform (DxP).

Sopra Steria's Sopra Banking Software subsidiary is taking a majority stake in SAB, with an option to buy the rest of the shares in one year's time. SAB's founders, Olivier Peccoux and Henri Assaf, will stay with the company for the time being.

SAB had revenues of €64.4 million in 2018. Sopra Steria is talking up SAB's recurring revenue streams. Maintenance services and ASP services accounted for 30% and 12% respectively of SAB's 2018 revenues. More than three-quarters of those revenues stemmed from France.

Other core system supplier acquisitions by Sopra have been Belgium-based Callataÿ and Wouters (2012), with its Thaler system (now Sopra Banking Platform) and a number of other small players, most recently UK-based Sword Apak.

The sum of all of the banking parts of Sopra Banking Software have not added up to a financial success of late. Its stated strategy for 2019 is consolidation, as it seeks to rebuild its operating profit margins from 2020 onwards. For 2018, Sopra Banking Software's revenue was down 3.6% to €373.7 million, blamed on delivery issues and lower licence revenue. The full-year operating margin on business activity fell by 3.6% in 2018, resulting in a loss of €13.3 million.

Martin Whybrow

Un-carrier launches T-Mobile Money mobile checking account

T-Mobile's marketing campaign in the US, Un-carrier, has announced the T-Mobile Money mobile checking account with no minimum balance and the ability to manage the account straight from a smartphone.

Eligible T-Mobile customers pay no fees and can earn up to 4% annual percentage yield (APY) on balances up to $3,000 – 50 times higher than the average US checking account – and 1% APY on every dollar after that.

For Un-carrier customers, the firm offers the "Got Your Back" overdraft protection, giving them up to $50 into-the-red without penalty if they bring their account back to positive within 30 days. Everyone can score 1% APY on all balances.

And there are no fees – no monthly, overdraft or transfer fees, no fees at over 55,000 in-network Allpoint ATMs and no fees from T-Mobile for using out-of-network ATMs.

T-Mobile Money allows paying bills, making mobile cheque deposits, setting up direct deposits, sending and transferring money, or paying with a mobile wallet like Apple Pay, Google Pay or Samsung Pay.

"Traditional banks aren't mobile-first and they're definitely not customer-first. As more and more people use their smartphones to manage money, we saw an opportunity to address another customer pain point," says John Legere, T-Mobile CEO.

T-Mobile Money was created in partnership with BankMobile, the digital banking subsidiary of Customers Bank.

Henry Vilar

PASPX in tech overhaul with Temenos

Denmark-based e-money company PASPX has selected Temenos' front-to-back office software Infinity and T24 Transact for its tech overhaul and to "significantly grow its business", according to the vendor. PASPX also signed for Temenos' payments and financial crime mitigation tools.

Pre-integrated, packaged software will enable PASPX "to achieve a very short time of deployment and a quick time to value", Temenos claims. It will support PASPX from client onboarding and detection of suspicious activity, to real-time processing and online transfers.

Meanwhile, the T24 Transact component "will be the technology backbone of PASPX", the vendor adds.

PASPX was founded in 2008 and holds an e-money licence. According to Temenos, it was looking to put a technology foundation in place that would enable it to compete and scale as the company transitioned from its grassroots in Denmark to its Nordic vision.

"As a challenger in this space, we differentiated ourselves from the incumbents by reacting quickly to market developments and addressing customer needs before our competitors," comments John Hejndorf Kristiansen, CEO of PASPX.

The new platform, which will be deployed in the cloud, "will be up and running quickly", lowering the overall cost of deployment, he hopes.

Temenos already has a couple of clients in Denmark in the core banking space, including Danske Bank and the local operations of Telia Finance and Nordea.

Elsewhere in the Nordics, the vendor has recently signed three banks in Finland – Oma Savings Bank, POP Bank Group, and Savings Banks Group – for its T24 Transact system and the payments hub. This project will be delivered by Cognizant *(see page 12)*.

Tanya Andreasyan

NEWS

New challenger Xpats kicks off from Mexico

Xpats Challenger Bank is a new Mexican venture targeting expats around the word, with a digital and mobile offering.

Banking Technology understands that the new digital bank was set up by Ictineo Plataforma, which offers financial solutions for productive sectors of the population with low incomes. The company is a financial institution regulated by the CNBV.

From this company, only Robert Monturiol is mentioned as a founding partner at Xpats.

It is also understood that Xpats uses technology provided by Evolve Fintech, a Mexico-based fintech platform, which offers regulated white-labelled technology to other companies.

The bank says that on full launch, it will have three types of offering: Silver, which is free and has basic features; Black for under $10 a month, with limited premium features; and Adamantium, for nearly $20 and all premium features unlocked.

In February, the bank opened its waiting list for potential Xpats account holders, offering 1,000 free Black Plans for a year.

Henry Vilar

Finnish banks to move to shared core and payments tech

Three Finnish banks – Oma Savings Bank, POP Bank Group and Savings Banks Group – have opted for a new shared core banking platform, Temenos' T24 Transact.

The new system will be implemented and managed by the vendor's partner in the Nordics, Cognizant (which has gained regional capabilities via the acquisition of Samlink earlier this year). The banks will also implement Temenos' payments offering, Temenos Payments Hub (TPH).

Temenos and Cognizant are collaborating on a Banking-as-a-Service platform that will initially be made available to clients in Finland with plans for further expansion into the Nordics. The two parties describe the offering as "efficient, agile and cost-effective".

Once implemented, the new software "is expected to yield exceptional operational efficiencies and faster time to market" for the three Finnish banks, Temenos states.

The vendor already has a handful of Transact T24 takers in Finland, including Aktia Bank, and the local operations of Nordea and Telia Finance. Once the project is completed, more than 10% of Finnish banking deposits and loans will be managed by the new platform.

Max Chuard, Temenos' new CEO describes the deal as "strategically important". It highlights the company's "continued momentum in the Nordics market", he explains.

Tanya Andreasyan

Finleap acquires German challenger bank Penta

European fintech ecosystem Finleap has acquired Berlin-based digital sector banking solution Penta.

The first step will be for Penta to collaborate with Beesy, another Finleap portfolio company that provides digital business banking for freelancers in Italy.

Penta is designed for companies and self-employed workers in the digital industry, offering customers the ability to open a business banking account online in just a few minutes. The company has more than 5,500 customers.

"We are very pleased to welcome Penta," says Ramin Niroumand, Finleap founder and CEO. "The team has a great product, which matches perfectly with our existing fintech ecosystem.

"We believe firmly in vertical banking and so does Penta with its focus on providing banking solutions for the digital industry. Through our strong network, we are able to accelerate Penta's business significantly."

Penta co-founders Jessica Holzbach and Luka Ivicevic form the management team, along with chief product officer Lukas Zörner, while founding CEO Lav Odorovic steps back to a shareholder role.

Jane Connolly

Permanent TSB opens up new API portal

Permanent TSB has launched a major new API Developer Portal that will offer third-party fintech and payment providers an easy way to integrate their digital services with the bank.

This is part of the bank's Digital Transformation Strategy and will see the new portal allowing third-party fintech companies and payment providers to offer their services to the bank's customers.

"The bank has a renewed Digital Transformation Strategy that is designed to ultimately deliver a suite of compelling customer experiences, in this era of greater consumer convenience and innovation," says Tom Hayes, chief technology officer of Permanent TSB.

"We are now one of the best in the market for real-time decisioning for term lending via our app – customers can get approval for a term loan in less than 15 minutes. We also have a number of new digital product and service launches in the coming months," Hayes adds.

The initiative follows the introduction of the EU's revised Payment Services Directive (PSD2). Permanent TSB says it is actively engaging with third-party providers as part of this initiative.

Henry Vilar

FIS, Fiserv and Infosys all in the running to provide Robinhood Bank's core banking technology

FIS, Fiserv or Infosys will be providing core processing software to Robinhood Bank once it receives authorisation from the Office of the Comptroller of the Currency (OCC).

Robinhood has applied for a national banking charter to launch a consumer-focused bank in the US.

"Robinhood currently uses innovative technologies to deliver brokerage services to US retail consumers. It proposes to leverage those same and other innovative technologies to offer banking services in a safe and sound manner to US retail consumers," it explains in its application to the OCC.

Also in the application, Robinhood says the core processing technology will be provided either by one of the two US tech heavyweights, FIS or Fiserv, or by India-based Infosys. The latter already provides its Finacle core banking platform to another digital banking start-up, Marcus (launched in 2016 by Goldman Sachs).

Robinhood will then combine the banking information technology services from the selected core processing vendor with its existing customer-facing platform to deliver banking products and services to its customers through a smartphone application and online.

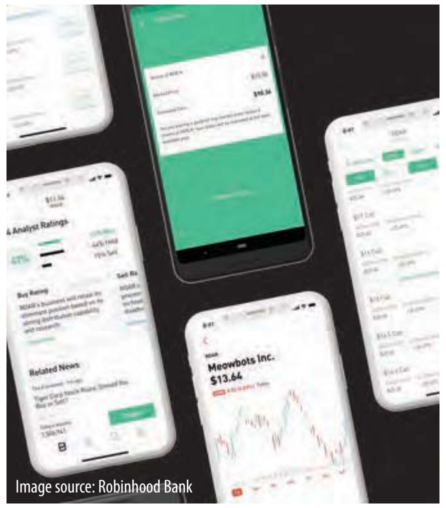


Image source: Robinhood Bank

Robinhood states it "has significant experience building and maintaining financial services information technology platforms in highly-regulated environments". For instance, in October 2018, it had become "the first brokerage firm since Vanguard (in 2008) to build its own securities and options clearing system from scratch. This required close coordination with, and approval from, the Financial Industry Regulatory Authority, the Depository Trust & Clearing Corporation and the Options Clearing Corporation."

The form also says it has recently migrated the clearing of its retail brokerage customers' securities and options transactions from its partner clearing broker-dealer, Apex Clearing Corporation, to a new affiliated clearing broker-dealer – Robinhood Securities. "Moving clearing in-house will enable Robinhood to reduce fees and will give Robinhood more account and trade information so that it can offer enhanced customer support," it explains.

"Robinhood's engineering team is key to its competitive advantage," it states. "The team has built systems and processes for internal, third-party, and regulatory audit. The security team has extensive experience preventing and mitigating risks of user account takeover, external attack, and internal compromise. The data team has sophisticated systems and processes for real-time alerts and monitoring. Robinhood's internal security systems are modelled after ISO 27001."

Furthermore, the company has not experienced a major data breach event to date, it points out, despite its "large size and rapid growth".

Robinhood Bank will be headquartered in Menlo Park, California. Its services will come with no monthly fee and will be provided "in a fully transparent way through the ease of a smartphone".

The company says it "will establish a profitable banking franchise by understanding the needs of its customer base, providing its customers with banking products and solutions that help them reach their financial goals, and building loyalty through exceptional and consistent performance and a high level of service".

Tanya Andreasyan

Moxy picks Nymbus to power DC's newest bank for 20 years

Nymbus' SmartCore cloud-based core platform has been picked to support Moxy Bank, Washington DC's newest bank in two decades.

The bank will also implement Nymbus' SmartDigital for internet and mobile banking and SmartPayments for debit card processing and fraud protection.

Casey G Mauldin, president and CEO of Moxy, says: "Moxy's progressive and innovative approach to banking will provide greater convenience, advocacy and personalised financial services to its users. We ultimately turned to Nymbus for its open API architecture and fully customisable software solutions."

Using a low-cost subscription model, Moxy – also the first new financial institution in the DC, Maryland and Virginia region for more than ten years – aims to create financial equality in unbanked and underbanked communities.

Recently approved by the Federal Deposit Insurance Corp (FDIC) and District of Columbia's Department of Insurance, Securities and Banking, the new bank will implement Nymbus' full suite of core, internet banking, mobile banking and payment solutions.

Moxy says its subscribers will have access to a wide range of financial services in one solution, including digital and on-demand savings accounts, small business accounts, lending services, financial wellness and literacy, online account opening, mobile deposit, bill pay, person-to-person (P2P) payments, ATM access, text alerts and video banking services.

Jane Connolly

Sponsored by Infosys Finacle

Open banking: why the revolution is behind schedule

The transformation is underway – it's just slower and less extensive than many envisaged, says *James Buckley,* VP and Director Europe at Infosys Finacle.

At the start of 2018, industry experts confidently declared that the year would be a game-changing one for retail banking as the revised Payment Services Directive, aka PSD2, took effect across the European Union and the European Economic Area.

PSD2 marked the advent of the new era of open banking and innovation; one set to encourage collaborative efforts between banks and fintechs and see the more foresighted players secure access to third parties via APIs and developer portals.

However, while the European Commission probably envisaged the winds of change blowing through the banking sector, progress to date suggests a gentle breeze. According to the schedule, by March 2019 European banks were required to have implemented facilities so that third-party providers (TPPs) could test their functionality against a simulated bank environment or "sandbox". The 14 March deadline arrived with a significant percentage failing to comply. A survey of 442 European banks across 10 countries found that fewer than six in 10 (59%) had completed the work in time.

And this status was far from uniform across the EU. Banks in Germany, Belgium, Finland and Sweden managed compliance rates above 80%, the percentages for the Netherlands and the UK were 67% and 64% respectively while France, Spain, Denmark and Norway were all below 50%.

With another deadline ahead – 14 September 2019 – by which time banks are meant to have implemented dedicated APIs for TPPs, it remains to be seen whether the industry undergoes frenzied catch-up activity over the summer, or if some banks apply for exemption (14 June is the cut-off date).

A DIFFICULT BALANCE

The open banking revolution inevitably means that banks have a lot on their plate. The General Data Protection Regulation (GDPR) introduced in May 2018 requires them to somehow steer a course that respects GDPR's stipulation for control and access to their data. The conflicting mandate of PSD2 requires that they share their data with regulated TPPs. What's more, amid these conflicting regulatory requirements, maintaining a profitable relationship with their customers has never been more crucial.

The European Central Bank doesn't seem to be making their life any easier. Its policymakers believe that both PSD2 and other recently-launched initiatives, such as the Target Instant Payments Settlement (TIPS), are vital to maintaining Europe's competitiveness in the face of technological competition from the world's other major economic blocs. TIPS' ambition is to become a widely-used pan-European fast bank-to-bank payment network but hasn't yet become an attractive-enough proposition with only a handful of banks signing up in the six months since it launched.

Perhaps more surprising is the news that even the mighty Facebook has hit bumps in the road to payments innovation in Europe, where it has been quick to pull the plug on its Messenger person-to-person (P2P) payments service. Facebook launched Messenger in the UK and France only 18 months ago, but the impact was muted and plans to subsequently roll the service out across the region and compete with the likes of PayPal never developed further.

Fortunately for the banking sector, it isn't yet feeling too much heat from its European customers, who are keen on receiving value-added products and propositions from their banks and their fintech partners. However, those customers are also averse to their personal data being shared with TPPs. This reluctance has slowed the pace of change, while the effort by Europe's banks to develop the quality and availability of their APIs is still very much a work in progress. By contrast, their counterparts in the Nordic region seem to have enjoyed greater success. For example, Nordea was among the first to publish APIs and this month Sweden's Klarna Bank announced its own open banking platform, which will allow access to more than 4,300 European banks through a single API.

It shouldn't take much longer before the industry follows a similar path to the one that has transformed the insurance sector, where price comparison websites have forced members to be more proactive. The open banking revolution may take a little longer than anticipated – but it is undoubtedly underway. **bt**

SPOTLIGHT: LEARNING

Aiming for that little bit Extra

How can incumbent financial institutions harness the power of the entrepreneurial mindset? *Cécile Sourbes* explores.

In 2015, the Chinese insurance company Ping An launched what would soon become one of the largest fintech Software-as-a-Service (SaaS) companies in Asia.

Initially built as an internal unit to develop financial technology for the group, OneConnect now provides technology-enabled business solutions to banks, insurance companies and other financial institutions in China and the region and reached a valuation of $7.5 billion post-series A investment in 2018, according to Ping An's last annual report.

OneConnect is not the first start-up the Chinese conglomerate has helped create. Over the past decade, the group has launched dozens of technology firms in the healthcare, financial services and artificial intelligence sectors.

"Our goal at Ping An is to help launch new ideas and find the right way to incubate the businesses we believe in and make sure they grow," says Jon Tzen Ng, chief strategy and innovation officer at Ping An Technology, in Shanghai. "And, clearly, the success of those start-ups relies first and foremost upon the capacity of our staff to have a strong entrepreneurial mindset."

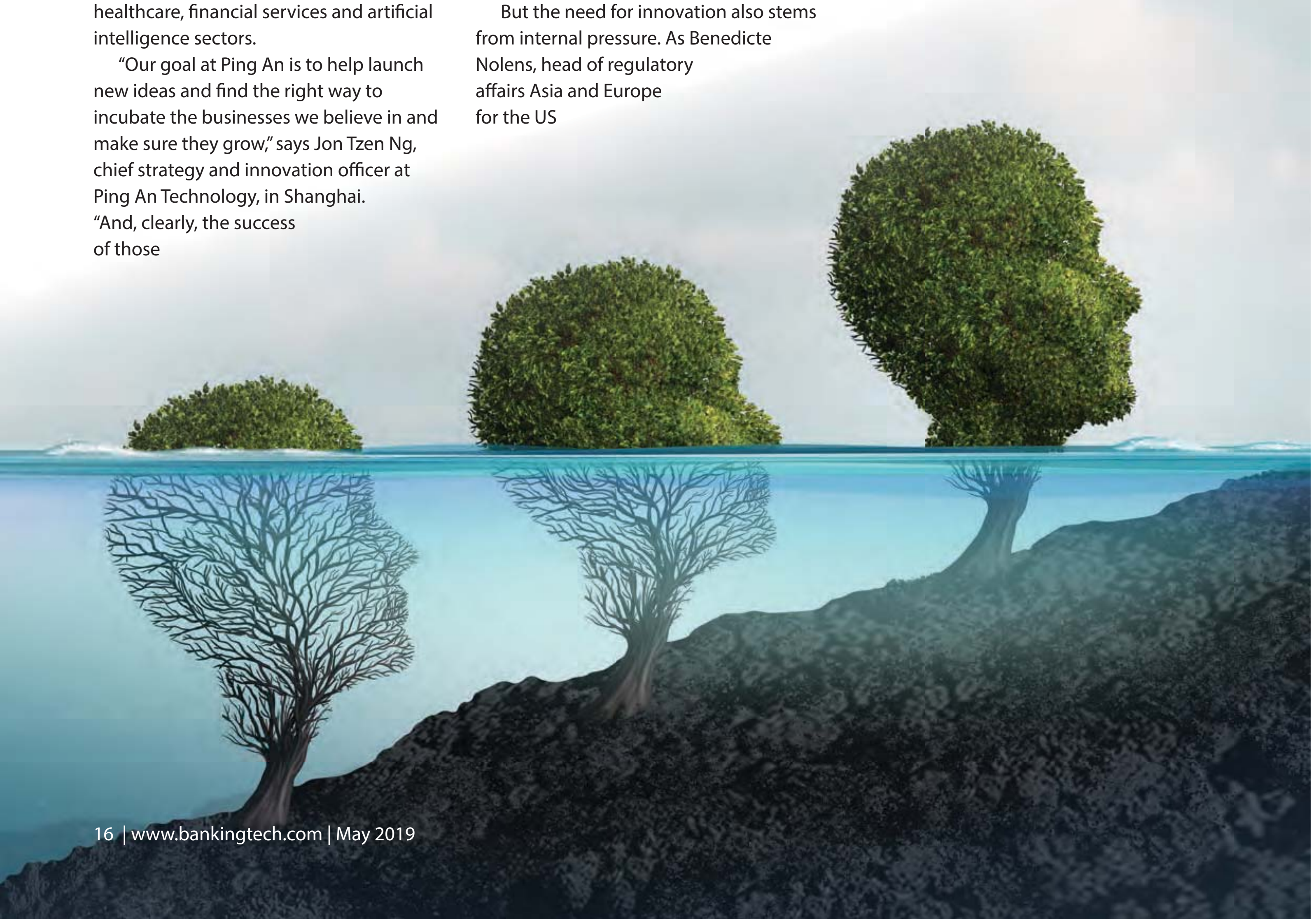
THE URGE TO INNOVATE

Many large organisations would like to see their employees adopt a similar mindset. After all, traditional incumbents now find themselves in fierce competition with tech-native competitors such as payment apps and challenger banks who maximise technology from onboarding to surveillance and who achieve both efficiency and customer centricity by doing so. Thus, if they fail to innovate, incumbents may well run the risk of losing market share.

But the need for innovation also stems from internal pressure. As Benedicte Nolens, head of regulatory affairs Asia and Europe for the US crypto firm Circle in Hong Kong, points out, regulation has been a big driver of change.

"Traditional banks, for instance, have incurred massive fines because they were not fully compliant with the rules regulators have set," she says. "In reaction they have boosted their compliance teams, sometimes doubling them in size, especially in areas of regulatory focus such as anti-money laundering and conduct. Yet, in spite of these efforts and costs, fines continue. As a result, banks are now exploring regtech adoption as possibly more effective."

Developing such tools require a lot of internal technical knowledge and skills, of course. But, far greater still than that, what companies are increasingly on the lookout for is a set of soft skills among their employees; people who are resilient, adaptable and who can think outside the box to reach their ultimate goal and deliver a project.



This is precisely where the issue lies. According to David Rosa, co-founder and CEO of the SME-focused fintech Neat in Hong Kong and former managing director of Citi Group, incumbent financial institutions suffer from a legacy effect.

"This legacy issue can be found in the core banking engine, in its processes but also in its workforce," he says. "Most of the time, people tend to think that because things have been done in a certain way for ever, it's the way to go. For large corporations, it takes a lot of energy to get out of this mentality."

TRAINING SOLUTIONS

To address this issue, the Centre for Finance Technology and Entrepreneurship (CFTE) in London has designed a whole new framework. Called the CFTE Extrapreneurship Programme (CFTEx) and launching on 20 March 2019, the programme precisely aims to provide individuals and employees from large financial institutions with the tools and skills they need to adopt the entrepreneurship mindset.

To do so, participants will work with real-life entrepreneurs for a period of eight weeks.

"This Extrapreneurship programme relies upon both entrepreneurs who open up access to their start-ups and learners who will apply their knowledge and experience," says Janos Barberis, CFTE's head of entrepreneurship and founder of SuperCharger, a fintech accelerator in Asia. "To build this program, we reached out to 4,000 companies and curated them on the basis of their traction and potential."

So far, more than 50 start-ups, including big names such as Revolut and Shift Technology, have been selected by CFTE. These companies have cumulatively raised more than $1 billion in investments and operate across 17 countries.

Jon Tzen Ng at Ping An Technology welcomes the initiative. The group already provides regular trainings for its employees, he says. And even though he concedes that Ping An is very "Chinese centric" and thus, focuses on courses that are developed by business schools and universities in China, he can see the potential in Extrapreneurship.

"If people who are going the extra mile are not recognised or rewarded… they will get discouraged and will stop innovating. This is a poor outcome for the institution. Meritocracy, passion and innovation are very closely linked."

Benedicte Nolens, Circle

"The good thing with such programmes is that employees can meet with successful entrepreneurs who are willing to share their knowledge," he says. "And, talking from experience, I'd say that this is actually a very beneficial thing for our employees."

PASSIVE LEARNING

For this type of programme to be efficient, though, a real vision at the company level is needed. Many people interviewed as part of this article point out that large financial institutions too often provide external training to their employees but do not follow up with any concrete measures. As a result, the experience, although mind opening for the staff, does not result in any change of mindset.

"The reality is that trainings are just a passive method," says David Rosa at Neat. "Employees go back to their desk and they carry on with their daily life and tasks."

That's why many people advocate for a different approach. Charles d'Haussy, head of strategic initiatives at the firm ConsenSys and former head of fintech at Invest Hong Kong, for instance, believes that financial institutions should define clear KPIs when setting up those courses. This, he says, would naturally help develop an entrepreneurship mindset among all employees as they would see the immediate results of their work.

"Organisations often see the set-up of an entrepreneurship programme as their ultimate objective," he says. "They should, instead, take those programmes as a step for their employees to meet some very specific goals. In that sense, the programme becomes a means to an end, not an end in itself."

Huy Nguyen Trieu, co-founder of CFTE, agrees. For Extrapreneurship to be efficient, participants need to work on a clearly defined project, he says. But more than the end result, what really matters is the journey.

"The programme aims to put people in the shoes of an entrepreneur by giving them a project to work on and some very clear objectives to meet under a certain length of time," he explains. "But we don't give them any directions as to which solutions they should find to meet these goals. The reason for that is simple. When you're an entrepreneur, you know you want to deliver a great product, but you don't know how to deliver it, and nobody teaches you how to do so."

BETA TESTING

CFTE spent some time testing its new programme before launching to the wide »

"What really matters is that the entrepreneurship approach comes from the top, because having a leader who can set the vision, the tone and the pace at which you will develop and build new ideas and products is critical."

Jon Tzen Ng, Ping An Technology

public. In Q4 2018, the firm collaborated with the CEO of a challenger bank in Hong Kong with the view of devising a whole strategy to target SME clients in South East Asia.

To do so, CFTE recruited 50 participants among bankers, consultants, technologists and entrepreneurs, across 12 countries, most of them with more than 10 years of experience. After eight weeks, the participants, who were split into ten teams, eventually delivered on their promise of finding the best way to acquire SME clients in the region.

"This was a good experience for them," Huy Nguyen Trieu says. "When they started working on the project, they all thought it would be easy. But as they worked towards delivering the results, they quickly realised how hard it was to navigate through a project without any specific direction. In that sense, they really got to feel and touch upon what it means to be an entrepreneur. And that's also what makes the real difference between an Extrapreneurship programme and simple training."

Huy Nguyen Trieu is confident that participants will take home good practical knowledge of the entrepreneurial world.

INCENTIVES AND MERITOCRACY

The question is, how can companies make sure their employees apply the skills learned during the programme?

The response may lie in incentives. According to Nolens at Circle, incumbent companies could develop performance review systems whereby they would retribute the employees who have undertaken a technology project to improve the way the organisation functions or to improve its competitiveness.

In a study conducted a few years ago, Michael Gibbs, clinical professor of economics and faculty director of the executive MBA programme at the University of Chicago Booth School of Business, already argued that "rewards substantially increase the quality of ideas".

To reach this conclusion, he had asked employees at an information technology company to submit ideas on process and product improvements over a 26-month period. Employees who would see their ideas approved would receive rewards.

After tracking some 5,000 ideas, he discovered that while the number of ideas did not increase thanks to the rewards, the quality of responses improved drastically with 19% of new propositions accepted.

Thus, following this logic, if the overall internal system is based on meritocracy whereby people are able to produce better outcomes and benefits, the organisation may be more inclined to think about technology.

"Unfortunately, I think often institutions fail to achieve innovation because their performance review systems are not sufficiently linked to it," says Nolens. "If people who are going the extra mile are not recognised or rewarded for their efforts, they will get discouraged and will stop innovating. This is a poor outcome for the institution. Meritocracy, passion and innovation are very closely linked."

On the face of it, it seems like instilling and nurturing an entrepreneurship mindset within a financial institution relies upon the capacity of its leadership team to take the right initiatives. And as Jon Tzen Ng at Ping An Technology points out, this rule applies regardless of the size of the institution.

"At the end of the day, it doesn't matter whether you run a small or large company," he says. "After all, small firms can also struggle to instil an entrepreneurship mindset. What really matters is that the entrepreneurship approach comes from the top, either from the chairman or the CEO because having a leader who can set the vision, the tone and the pace at which you will develop and build new ideas and products is critical." **bt**

Five key takeaways from the 2019 State of Digital Sales in Banking Report

Over the past four years, we've seen a tremendous shift in digital account opening for banks across the world. When we first started the State of Digital Sales in Banking Report, only 20% of banking products could be opened digitally as banks struggled to adjust to shifting consumer behaviour. This year, we've finally seen years of digital transformation pay off, with more than 57% of worldwide accounts featuring digital capabilities.

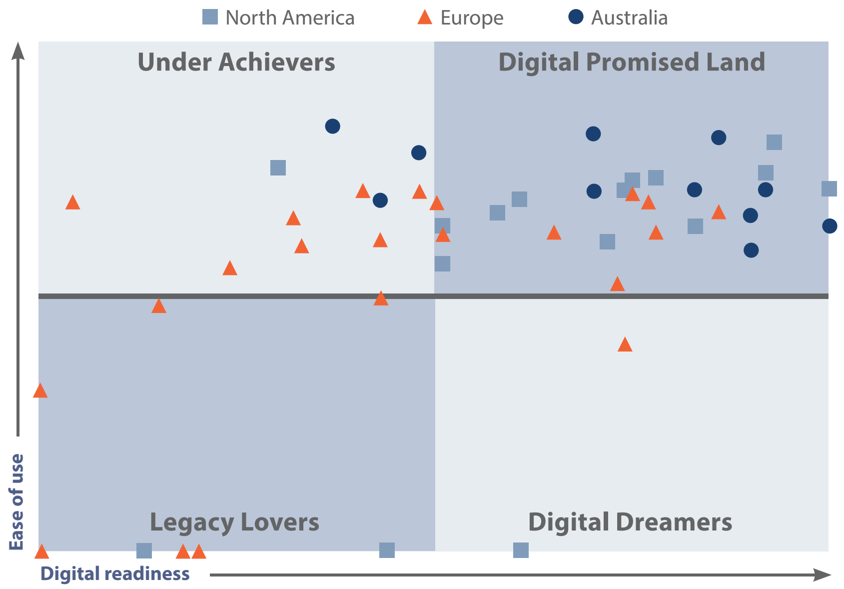
Here, we outline five top takeaways from Avoka's 2019 State of Digital Sales in Banking Report.

1. 65% OF BANKS HAVE REACHED THE DIGITAL PROMISED LAND

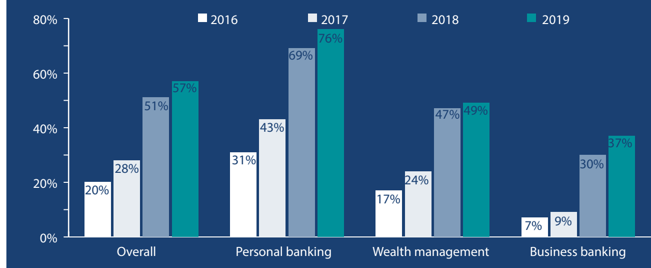
In the 2019 Retail Banking Trends and Predictions report, Jim Marous and Financial Brand surveyed a wide range of global financial services providers and found that 50% cited "customer-centric perspective and elimination of friction from the customer journey" as a top focus.

Banks have invested considerable amounts of money over the past five years in digital transformation, and our new report found that 65% of banks have finally reached the Digital Promised Land as a result. Some 81% of banks have either started or plan to start a digital transformation strategy, so we predict this number will continue to climb next year.

DIGITAL SALES READINESS MATRIX 2019



YEAR-OVER-YEAR OVERALL COMPARISON OF DIGITAL SALES CAPABILITIES

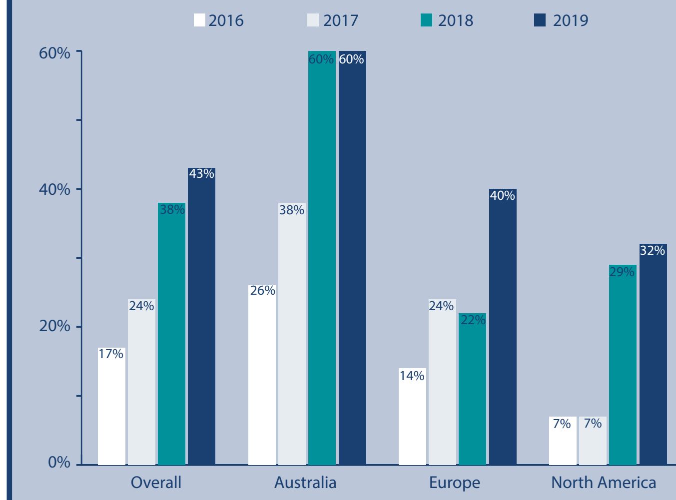


2. DIGITAL LEADERS HAVE A HUGE OPPORTUNITY AS BUSINESS BANKING TRANSFORMATION LAGS

While 76% of personal banking products can be opened digitally, business banking lags significantly with only 37%.

In 2017, Javelin found that while only six of the 30 top banks offering business banking services in the US, they owned 30% of deposits. Small business lending alone is a $700 billion market in the US, so banks looking to capture a share of this have a tremendous first-mover advantage by offering digital account opening before a vast majority of their competitors.

WEALTH MANAGEMENT ACCOUNT OPENING ON MOBILE DEVICES

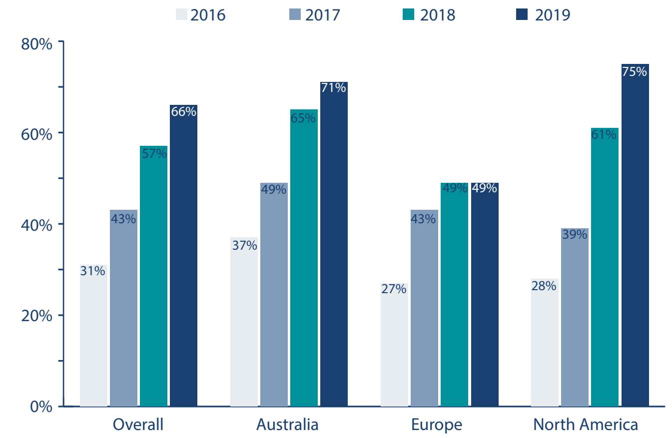


3. WEALTH MANAGEMENT LAGS BEHIND AS FINTECHS DISRUPT

Wealth management has seen perhaps the most disruption from fintechs with apps such as Robinhood creating effortless account opening and investing experiences via mobile devices.

In a recent report, Statista predicted that assets under management of robo-advisors will grow at 27% CAGR through 2023, while traditional wealth management organisations like Charles Schwab are only seeing 10% CAGR. To keep pace, these companies must adopt a digital transformation strategy that makes customer onboarding as seamless as their new fintech counterparts.

PERSONAL BANKING ACCOUNT OPENING ON MOBILE DEVICES



4. TREMENDOUS OPPORTUNITY FOR DIGITAL TRANSFORMATION IN PERSONAL BANKING ACROSS EUROPE

North America finally exceeded Australia this year in total personal banking digital account opening, but the most glaring takeaway from our 2019 report is that Europe's personal banking digital transformation remained completely flat year-over-year.

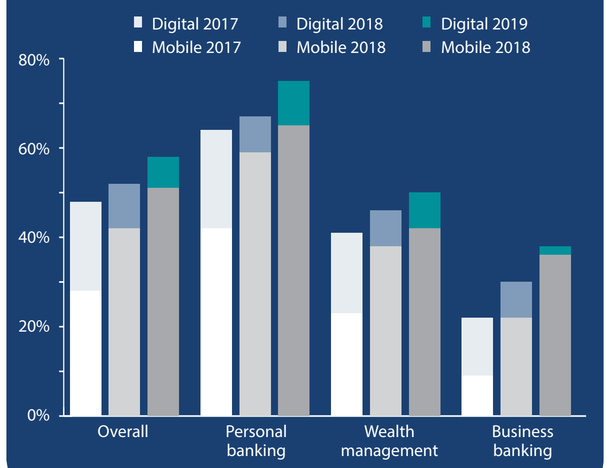
It's understandable that Europe's largest banks are wary of undertaking a full-scale digital transformation since it's estimated that these projects could take five years and cost upwards of $1 billion. However, the opportunity cost of lost customers and future revenue should outweigh these concerns, and since European banks invested roughly $80 billion in technology in 2018, we would have expected a much higher increase in 2019.

5. DIGITAL AND MOBILE GAP CONTINUES TO SHRINK

In 2017, digital account opening really meant online desktop account opening with only 50% of those products capable of being opened via a mobile device.

Today, that gap has closed considerably where over 90% of digitally-enabled products include mobile capabilities. Mobile traffic surpassed desktop for share of all web visits in 2017, which means that banks must include mobile in their digital transformation plans in 2019 and beyond.

MOBILE VS DIGITAL



To get more insights into this year's top trends, download your own copy of our 2019 State of Digital Sales in Banking report. And if you're interested in learning more about how Avoka (now Temenos) can help you achieve your digital transformation goals in 2019, please reach out to us at *www.avoka.com*

SPOTLIGHT: FINTECH FOR GOOD

The magnificent seven

Seven fintech firms join forces with UK's Nationwide Building Society to address financial capability issues. *Martin Whybrow* reports.

An initial seven fintechs have been chosen within the Nationwide's Open Banking for Good (OB4G) challenge. The winners, selected from 50+ applicants, will develop or build on existing open banking-based apps and services to help financially vulnerable people.

OB4G came out of the Inclusive Economy Partnership (IEP), a UK government-led alliance of businesses, civil society and government departments seeking to solve some of society's toughest challenges.

The OB4G scheme is backed by a £3 million fund from the UK building society. Partners include Money Advice Trust, Citizens Advice, The Money Charity, Money and Mental Health Policy Institute, Accenture, Doteveryone and Nesta. These will provide advice to the chosen fintechs, while Bristol University's Personal Finance Research Centre will monitor the programme and its outcomes.

The fintechs fit into three categories. For the Income and Expenditure category, the chosen two were OpenWrks, which has a platform for sharing financial information, and open banking artificial intelligence specialist Ducit.ai. For "Income Smoothing", Trezeo and Flow were selected. Trezeo has an account offering for self-employed people; Flow focuses on financial planning for women. And for the third category, Money Management and Help, the winners were Toucan, Squad and Tully, which all have existing or emerging financial planning and management apps.

When selecting the fintechs, there were a number of attributes that were sought, says Rachael Sinclair, Nationwide's OB4G Programme Leader. The selection was carried out by a panel, which included the charity partners. There was a requirement for digital propositions that would utilise the opportunities of open banking and would fit into one of the three categories. Sinclair says "income smoothing" stemmed from research by Money Advice and conversations with charities about the particular issues faced by people with irregular income, such as those on zero-hour contracts and in the "gig economy".

LEVELS OF MATURITY

Another consideration within the selection was to have solutions at different levels of maturity. She describes the likes of OpenWrks as fairly established, whereas some of the others, such as Toucan, were at an earlier ideas stage. There were also "some softer sides of the engagement", she adds, which was to ensure those selected were aligned with the social purposes of the initiative.

The first three months of the programme are focused on "Explore and Develop". Although the results of the selection have only recently been announced, there has been work with the seven in the first few months of the year within this explore phase.

It seems clear that different fintechs will move at different speeds, with OpenWrks, for instance, moving relatively swiftly into the next Accelerator phase, which is anticipated to run for six months to further develop and build out the solutions. This phase starts with a three-month lab run with Accenture and then three months focused on scaling the solutions across Nationwide's membership and into the wider society.

"At this point in time, we can't really say if all of the applications will make it [to launch]," says Sinclair. However, the aim is for them to be released via Nationwide's own digital channels and – where appropriate – its branch network, as well as to the wider market. The scheme is not for commercial gain, Sinclair points out, but for a social benefit, so the solutions should be available via other institutions including, where relevant, third-sector partners.

> "We should recognise that this is one of the greatest moments of transformation in financial services."
>
> **Rachael Sinclair, Nationwide**

It is estimated that one in four households in the UK (12.7 million people) are struggling financially (The Financial Capability Strategy for the UK, Money Advice Service, October 2015).

Nationwide was approached by the IEP early last year, says Sinclair, and the discussions about financial inclusion took into consideration the major opportunities now being presented by the UK's open banking. "We should recognise that this is one of the greatest moments of transformation in financial services," she says.

In terms of raising public awareness of the potential, Sinclair feels "getting solutions into the hands of people who need them" will go a long way in this. "Only then can we prove the value of them," she says. In terms of building confidence, Nationwide is setting up a data ethics committee supported by Innovate Finance, an independent membership association that represents the UK's global fintech community.

It is too early to say whether additional fintechs will be selected at a later stage. There is the current phase to run, says Sinclair, but conversations have started within OB4G about future phases and with the IEP about further collaboration. **bt**

CASE STUDY: ATB BRIGHTSIDE

Shining a light on digital banking

A shift in the UK landscape led Alberta-based ATB Financial to re-evaluate its approach to digital banking. The result is ATB Brightside, and this is how it works.

From Edmonton, Alberta to London, England is a little over 4,000 miles. When it comes to banking innovation, the distance might be measured in just a few years, and that's what motivated ATB Financial to explore creating an all-digital, mobile-first bank – ATB Brightside. London's move toward open banking spurred ATB to think digital.

"At ATB, we're constantly surveying the industry to keep track of what's happening and where it's going," says Curtis Stange, president and CEO at ATB Financial.

"Several years ago, we saw a shift in international markets. We noticed the growth of challenger brands and recognised quickly that they were going to be a game changer within the industry. We made the strategic decision to explore the possibility of launching our own challenger banking initiative. We knew then that it would give us an opportunity to reinvent our operating model and enhance our digital capabilities."

ATB Financial, the largest Alberta-based financial institution with $54.9 billion in assets, was created by Premier William Aberhart in 1938 to give Albertans an alternative source of credit coming out of the Great Depression. It became a Crown corporation in 1997 and now has more than 5,500 employees, more than 760,000 customers and 175 branches plus 144 agencies.

Its innovation strategy started about three years ago, says Wellington Holbrook, chief transformation officer at ATB, and was prompted by the rise of challenger banks in the UK.

Although new digital banks are rising in markets around the world, the most immediate model was the UK where regulators are pushing for greater competition in banking.

"We saw what was happening in the UK with the emergence of a proliferation of challenger banks starting to change the landscape," Holbrook says. "Canada was slower to see some of that happen – the regulatory regime here is a little more conservative – but we expect it to become more UK-like and thought it was important to get ahead of that."

The innovation group surveyed new banks to see what made an effective strategy to stand up a financial institution today. "We chose key people from our organisation covering marketing, product experience and design, strategy, as well as research," says Stange.

Drawing on the best bankers across ATB didn't work so well, says Holbrook.

"Guess what? A lot of their ideas looked too much like banking of the past, so we got a lot of non-bankers into the design process," he says. "We think that helps us come up with different feeling solutions. When we look at design in Canada and the UK, it typically comes down to low-friction, low-cost. We want low-friction, low-cost but with a lot of value, and the value is beautifully simple."

SIMPLE ISN'T ALWAYS EASY

"Early on we over-thought it. Product design has to be simple," says Holbrook.

ATB set the team up in their own incubator space, away from the daily business to allow them to dream big and then zero in on execution.

It also partnered with PWC to scour the globe for the right digital core banking system, eventually looking at 160.

"We were surprised at how many systems were available; there was almost a system for any type of bank," says Holbrook.

Some were very simple, which promised fast deployment, but they were rigid, which could lead to problems in the future. Others were robust and traditional, which might comfort traditional bankers but didn't look promising for cloud deployment. Eventually they got down to half a dozen and chose Technisys, based in Argentina.

"Launching our own challenger banking initiative would give us an opportunity to reinvent our operating model and enhance our digital capabilities."

Curtis Stange, ATB Financial

"It offered a high degree of flexibility and enabled us to customise the value proposition and customer experience in non-traditional ways," Holbrook says. "And they were already in production with a bank in Brazil which had more than one million customers."

The Brightside team wanted the ability to scale, ability to be flexible to support different product types, and openness to new standards, like open banking, that Holbrook expects will come to Canada.

A lot of technology vendors could satisfy at a basic level but not a lot globally could offer flexibility to offer, for example, something that went beyond the basics in savings, he adds. ATB implemented SAP for core banking more than a decade ago, but they knew that wasn't the right platform for the new banking entity.

The team wasn't too concerned about working with a company based in Latin America. "From where we live, everything is far away; the advantage is their time zone (Argentina) isn't too far. With SAP we are dealing with Germany and a seven- to eight-hour difference. Technisys is just two or three hours from Alberta and its leadership has done everything it can to make it convenient. It has a team in Calgary and a bigger squad back in Argentina and other locations."

EXTENDING ITS REACH

ATB was looking for new ways to reach underserved households, Holbrook says, hard-working families that are just making ends meet.

"They are at best marginally profitable for the traditional financial institutions, mostly because of costly legacy overhead, so they don't get a lot of attention from banks," he says. "ATB looked at how to bend the cost curve to make them profitable. We saw a pretty significant market and felt we could reasonably expect to onboard hundreds of thousands of customers in two or three years by providing a great experience."

Stange says the team did a lot of research, including a lot of time talking with customers. The result was surprising, adds Holbrook: "We approached it with the >>

idea that banking is broken and how could we fix it."

After testing ideas with potential customers, the team had a change of thinking. "Our finding is that banking isn't broken; the customer experience is broken," says Holbrook. "We are taking all the grit out of the customer experience and providing delightful experiences that are unexpected in traditional banking. We will have savings products, lending designed to be easy, and innovative products with unexpected twists that will drive benefits."

Some with be familiar, such as rounding up purchases to divert the extra funds into savings – but, says Holbrook, "we have a few novel approaches to make that experience special".

The firm has only recently started enrolling some trial users, so Holbrook is keeping quiet about some of the clever new features lined up.

The interaction with customers will be entirely digital. They can sign up online in one minute using identity authentication by Trulioo, the Canadian identity firm.

> "We are taking all the grit out of the customer experience and providing delightful experiences that are unexpected in traditional banking."
>
> **Wellington Holbrook, ATB Financial**

In addition to its digital connections, ATB Brightside will have occasional pop-up branches for sales promotions, perhaps at a mall during holidays or at a weekend festival. It will provide advice, but advice that looks more like a what you get from a digital company than from a bank.

"We help you set savings goals that don't feel like savings," says Holbrook. "We have designed a simple multi-faceted way to save pennies, nickels or dimes in ways that don't have friction. Some is still in final user testing; they are fairly complex solutions that are simple to use."

Rather than segment in traditional ways, the team developed three personas, starting with "overworked worriers" who are making their finances work, but just barely.

"A lot of families in our part of the country would be in that group," says Holbrook. "Middle class or barely middle class. Then the younger urbanites, young professionals building their careers and perhaps spending beyond their means and aren't interested in the convenience of traditional banking. The third would

CASE STUDY: ATB BRIGHTSIDE

> "We want low-friction, low-cost but with a lot of value, and the value is beautifully simple."
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> **Wellington Holbrook, ATB Financial**

fit a traditional demographic, but have grown up in today's world where they expect the digital experience they are getting through GAFA (Google, Amazon, Facebook, Apple) companies."

ATB sees a tipping point where online banking is dropping off and mobile is increasing. Brightside will be mobile first.

"THE EXPERIENCE SINGS ON MOBILE"

Technisys brought some features it had developed in other countries, especially strong security, Holbrook says.

"In some countries you have to be really good at security systems to keep customers safe," he says. "Technisys had a lot of out-of-the-box solutions that exceed our expectations, helped us enhance customer experience, such as painless authentication for customers, and it had certain products focused on lower income households and offered new ways to solve problems."

Brightside will also use other vendors including Plaid for connectivity to third-party solutions, Zendesk for customer service and Mixpanel for detailed customer analytics that shows what a customer clicked on, how long they spend on a page, what they read and what they don't, says Holbrook. **b**t

Tom Groenfeldt

Miguel Santos, Technisys

Banking ahead of its time

Technisys was established more than 20 years ago. Its co-founder and CEO Miguel Santos entered fintech working in the financial division of IBM Argentina right before founding Technisys with COO Adrián Iglesias and CMO, German Pugliese Bassi.

"We went through several waves of technology and had actually started to create a product for internet banking back in the day, so the mission has not changed," says Santos. "We probably were ahead of our time by ten or 15 years… other than that, the vision was correct."

The company was exploring internet banking before Microsoft had even created Internet Explorer. Its first client, Deutsche Bank in Argentina, launched with Netscape as its browser.

Technisys now offers two platforms. One is a wrapper of sorts that it sells to traditional banks to provide an interface to a digital front end. This allows a bank to create a digital experience for its customers in a very fast, effective way that can differentiate it from its competitors.

The second platform was built from scratch for digital banks and is natively open, which allows banks to use it to create new services and integrate services from other financial firms or fintechs.

It has five pure-play digital clients that run the full spec of digital banking technology from the core to the customer interface. "Brightside is full spec; we helped them with the core and omni-channel digital," Santos says.

"All of our solutions are cloud-based, completely stateless and can scale linearly with users/workload because we are thinking about disrupting the Brazilian ecosystem, or even the US. Big banks will need tools that let them actually replace the mainframe ecosystem and be able to scale. We have a core that we tested up to 40 million customers for a particular Brazilian bank," he adds.

"Our architecture is based on a composition paradigm. It can create increasingly more complex processes using a scalable execution machine where the actual processes and financial products are outside and agnostic. In that way, Bank A could be totally different from Bank B because processes and financial products are exposed through dynamic open APIs. You can create new products in a matter of days as compared to weeks or months with older technology.

"The Brightside guys are aligned with our thinking. We think that to compete in the next 20 years the financial services companies, the new banks will have to differentiate not only on UX and the experience layer, but also will have to be digital from the core. We provide exactly that with the possibility to create new products in days. We offer the ability to come and orchestrate simpler services, not more complex products."

In the next few years the digital experience will be the differentiator – what makes a customer decide to choose one bank over another, Santos adds.

"The ability to create these experiences from the core to the very end of the experience through an API or an interaction with Alexa, that is part of the unique differentiator," he says.

SIDECAR BANKS

Rip and replace mainframe projects are a long-term game, says Santos, being either diplomatic or optimistic – after all, banks have held onto their mainframes far past their projected lifetimes and show little inclination to move onto newer platforms.

"We are being careful with projects," he explains. "We're mostly engaging with customers that choose a path of building completely new banks, sometimes called sidecar banks or challenger banks, funded by the mothership.

"The plan is to build a new bank with a new management team, a new culture, new technology and new capabilities. The bank can migrate their existing user base to a new bank – that is an approach we have seen more and more. We have also been engaging with banks that are creating new digital lines of business within the existing bank, with the idea of a long-term migration of their customer base."

Those approaches are more popular than core replacement, says Santos.

"We are creating a platform where a new bank can be running in a matter of weeks," he says. **b**t

Tom Groenfeldt

FOOD FOR THOUGHT

A banker goes a-banking: paper for the stone ages

By *Leda Glyptis*

So I had to go to the bank today. To the actual physical bank branch. Because I needed more cash than you can get out of a cashpoint.

This is not a thing that happens to me often (either needing cash or needing the branch) and, as a result, the first thing I had to do was Google where my non-challenger bank has a branch that is walking distance from the office. Turns out I walked past it every day for the past seven months and failed to notice it was there. Reflections on branding and the human attention span saved for another time.

Whatever. I walked over.

And the day's surprises began.

First of all, I was not alone. There was a line. Of humans. In the branch.

Unexpected.

They paid in cheques, mostly. Apparently that is still a thing. One spent a good 15 minutes chatting to the cashier. "Is your mum still in Ireland? Do you have a good relationship with her?". I kid you not. Thankfully I have perfected the "no small talk" face and nobody asked about my familial bonds (I love you, mum).

My turn came. And the real fun began.

Withdrawing cash from your account starts with a paper slip that you fill out.

You can't just hand your card over because that is silly talk.

You have to write your name, and address, and account number, and sort code, and your bank's address (I don't know if that is a test. It felt like one: one I had not revised for) on a piece of paper that they keep behind the counter, not available to just anybody who walks in like the paying in slips. This is special paper. You have to wait in line for it. Ask a human. Get it handed over. Stand there and copy information from your card to this piece of paper and then stand while the human types the information into the system.

Then hand over ID.

Then debate whether this piece of ID is acceptable. Whether it is the same ID you opened the account with 22 years ago (no, passports expire, new ones get issued, no, I don't have my old passport. Yes, I have another form of ID. No, you don't have it on record. Why not? Because you never asked for it. Do you want to update your records now? No? Why not? Oh you can't. I have to call the call centre. Can I do it online? No of course not, what was I thinking).

The know your customer (KYC) process involved this gem: who is your employer?

11:FS.

Are you sure?

Yes.

That's not what I have on record.

Well, you get my payslip every month, so it's easy to check.

Oh no, I can't do that. Do you remember where you worked last time we updated your data on the KYC system – because, wait for it, although they get my payslip, there was that one time in 2007 when they revamped their records but haven't since so do you remember where you worked then?

The best part is that for the branch staff this is not even madness. It's what their floor supervisor told them to say, and say it they do.

For real.

And then?

Then I had to wait. This is the best bit.

I had to wait.

For 45 minutes. While they fetched money. From somewhere other than the bank branch I was in. Because they didn't expect to need money. Yes, that's a quote.

Ok. Seriously. I have questions.

ROCK IT LIKE IT'S 1985

Paper? Really?

Not even taking the data off your own card? The artefact you provide and is generally accepted as identification for a variety of other purposes not to mention a means of transacting, you will not leverage either for identification or for the data it carries about your own bank in order to action the transaction request?

I have to fill out a slip?

And periodically, you reprint batches of those slips and then load them in vans and pollute my air while you take them to branches all over the city. And then I come in to go through your analogue authentication and request process to get cash only to find out you store useless paper but not money? But before we get to that…

Why on earth am I writing your address on the slip? Fine, you want me to prove who I am. But why do I have to also prove who you are?

Back in the days of old, when records had to be kept in paper format, the client was asked to fill out the info to save the teller's time. Cheeky but whatever.

In 2019 it feels like some sort of weird joke with no punchline.

All this happened today.

The paper. And the… shall we call it esoteric… KYC authentication.

And the waiting at the bank.

Because they don't have money.

They have to fetch it from somewhere unspecified.

Cannot make it up.

ROCK, PAPER, SCISSORS, LIZARD, SPOCK

If you don't like "The Big Bang Theory" (or you are a party pooper like Michal who doesn't accept lizard and Spock as viable >>

"Withdrawing cash from your account starts with a paper slip that you fill out. You can't just hand your card over because that is silly talk."

Leda Glyptis

contenders), ignore the heading. It's just a gimmicky way of mocking my bank for being squarely in the stone ages of paper and manual processes. Which is bad.

Of sticking to their old ways of doing things even after they have gone through the pain of building systems that can do better. Because process trumps toolkits, compliance trumps innovation and laziness trumps customer centricity. Every bloody time.

So, as surely as rock beats scissors, bank branches do not use their own systems. They have them. They just don't use them. We know they have them. I use their app. I know how it works. I have seen their open banking strategy. I know some of their IT leadership (we will have words soon. I bet they don't bank with themselves.).

Investment into stuff has taken place. I know that to be true. Just as I know that when it comes to your branch experience, you don't entirely leverage the stuff you invested in.

Shiny apps and reams of paper. Awesome.

And branches that don't expect people to need money.

Which begs the question: what do you think you are actually there for?

Seriously. We often talk about the death of the branch. Do we need them? Why do we keep them? Is it for all the grannies who can't use the app?

Actually, no.

It is all for the stuff the bank won't let us do without coming into the branch. Believe me, if I could take the cash out of a super secure, double-factor authentication ATM, I would. And it can be done. And you, dear bank of mine, can do it. But you don't so I come to the branch because you give me no choice. The way I leave the app and go to the website when you give me no choice.

I go where I can get the stuff done.

> "So, as surely as rock beats scissors, bank branches do not use their own systems. They have them. They just don't use them."
>
> **Leda Glyptis**

And that is driven by your system inadequacies and investment choices, internal politics and infrastructure overhaul timetables. So don't blame it on the grannies. Your distribution is your own doing.

As the bank, you know what can be done where. I know you know because I have seen your omni-channel strategy roadmap.

I know you know it sucks that your payments experience is so erratic and you are trying (which is nice, speed up though, for the love of God) to harmonise the app and website.

And I know you know what the few things are that people have to come to the branch for because you give them no option but to do so. It's not much. But it's a thing and you know what it is.

So tell me, dear bank. How can you not have a couple of thousand pounds in your vault, mid-morning on a weekday, on a busy street in the City of London?

The amount is not exactly crazy.

The location not exactly remote.

And the ask is one of the three things your branches are there for. Just three.

But you had no money.

And after you asked me to confirm your address, and copy data off my card onto a piece of paper so your staff could copy it onto their computer, we both waited for a man to go to an undisclosed location to get the only thing you are meant to have and hold. Money. Not even that much of it in the grand scheme of things.

So in a world where scissors cut paper, paper covers rock, rock crushes lizard, lizard poisons Spock (d'ya hear Michal?), Spock smashes scissors, scissors decapitate lizard, lizard eats paper, paper disproves Spock, Spock vaporises rock and rock crushes scissors, my bank gets beaten by everything.

Because quarter earnings beat project deliverables. And project deliverables wrap system harmonisation. And inter-departmental politics poison customer centricity. And all together they crush digital strategy by forgetting the human at the far end of each transaction. Who used to know no better and expect no better.

But challenger banks and smart phones have taught us a lot.

And if you think that challenger crushing margin and #LedaWrites moaning is how this game ends, there's a surprise coming: you entered a game or rock, paper, scissors and because you haven't died yet, you thought you wouldn't.

A common error. But often a fatal one. Because now lizard and Spock are in the running and whatever comes next (and come, it will) will give you a run for your money. At least then we may learn where you keep it. **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.

The initial margin regime and the false economy trap

In the scramble to meet incoming initial margin requirements, installing a very basic collateral management system might prove tempting to many firms. But beware of false economies, warns *Trevor Negus*, product manager and principal business analyst for SmartStream – sophisticated technology offers a more cost-effective answer in the long term.

Deadlines for compliance with the initial margin (IM) rules for uncleared derivatives implemented by the Basel Committee on Banking Supervision and the International Organisation of Securities Committees (BCBS/IOSCO) are on the near horizon. They take effect for phase 4 firms this September and for phase 5 organisations in September 2020. Phase 5 is likely to have a significant impact on the buy-side, with as many as 1,000 entities brought within the IM regime.

Compliance with the new standards creates several hurdles: both parties to a deal must exchange initial margin, with IM being calculated on a daily basis, at a netting set level, and then posted to a segregated account.

Trade associations representing phase 5 firms have petitioned global regulators to raise the aggregate average notional amount (AANA) threshold at which counterparties must comply. Regulators' response is still pending but companies should not assume that exemption will automatically be granted.

If phase 5 firms are unable to claim exemption, how should they best meet IM requirements? Some may opt for a basic collateral management solution, considering it the quickest and cheapest route to compliance. However, a mature system could, in the long term, provide a more cost-effective answer, one that better equips firms to deal with future change.

Coping with further regulatory change is an essential consideration. To date, regulators have worked in unison on the creation of the new IM rules. Divisions have arisen, however – for example, in relation to Brexit and the UK's departure from the European Union – and these could see regulators distancing themselves from each other. Typically, basic collateral management systems have been designed

> "A sophisticated solution can handle both the complexities and the opportunities that a diverging regulatory landscape presents."
>
> **Trevor Negus, SmartStream**

to answer the needs of a harmonised regulatory world, whereas a sophisticated solution can handle both the complexities and the opportunities that a diverging regulatory landscape presents.

COPING WITH COMPLEXITY

A system that is proven to cope with the complexity inherent in IM compliance is SmartStream's TLM Collateral Management. The solution allows a high degree of automation, reducing the effort associated with moving collateral between counterparties. It takes an exception-based approach, enabling financial institutions to better accommodate the growth in margin calls that IM rules are expected to stimulate.

SmartStream's TLM Collateral Management system has been installed by Tier 1 and 2 institutions. Mutualised knowledge from these projects has been incorporated into the design of the solution and firms preparing for IM regulation can take advantage of this shared experience.

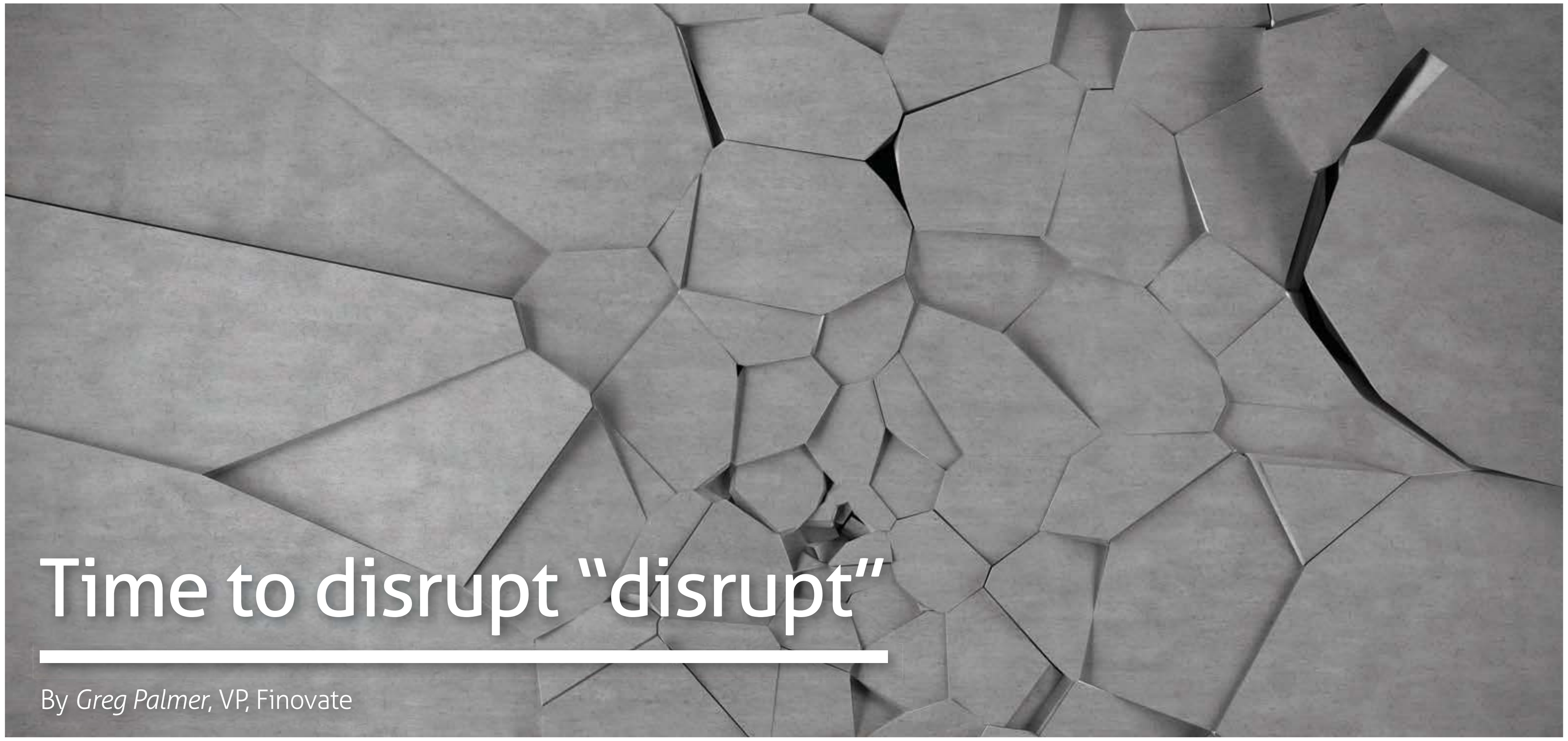
Adding to its ubiquity, TLM Collateral Management can be deployed in the cloud. This is a major plus for firms, as it means they are able to benefit from its "Tier 1 DNA" without the need for either a lengthy installation phase or for heavy investment in infrastructure. Regular software updates also ensure that maintenance costs are minimised.

A further advantage offered by TLM Collateral Management is the fact that it does not commingle data. This is an important security consideration, for where a firm's proprietary data is commingled it could – in the event of a breach – become apparent to competitors, leaving the firm then exposed to potential financial or reputational risks.

Underpinning the quality of TLM Collateral Management is the high level of investment that SmartStream makes in its solutions. About 25% of the company's revenue is ploughed back into research and development. This focus on R&D is reflected in the partnerships that SmartStream has created with various industry specialists. They include an agreement with Cassini Systems, that will see the integration of Cassini's analytics platform with TLM Collateral Management to provide SIMM (ISDA Standard Initial Margin Model) calculation and risk sensitivity generation. A similar collaboration with Numerix will provide sensitivity and SIMM calculation.

In conclusion, the pressing need to fulfil IM obligations, coupled with concerns over cost, could lead some institutions to opt for very basic collateral management solutions. Yet once the initial rush to comply has passed, other considerations such as cost-effectiveness, efficiency, consolidation, risk, business and regulatory change will take on greater importance. The limitations of less sophisticated systems are then likely to be fully exposed. **b**t

COMMENT



Time to disrupt "disrupt"

By *Greg Palmer*, VP, Finovate

As any successful entrepreneur will tell you, language and messaging are crucial to long-term success. Being able to deliver the right value proposition to the right audience at the right time is a skill that frequently separates those who get funded (or close their first customer, establish a key partnership and so on) from those who don't. Fintech as an industry, though, has a problem with language: namely, we don't have one.

The word "fintech" itself illustrates the problem. It's a combination of the words "financial" and "technology", and while the two words blend nicely into a shorthand slang word that rolls easily off the tongue, the two different groups that it joins together frequently have trouble communicating with each other.

It's not difficult to see where that disconnect comes from. Innovators who come from a technology background (particularly young innovators who create start-ups) are pushed to adopt the language that venture capitalists like to hear. They are rewarded for creating pitches that sound similar to the pitches other successful technology companies have used in the past, regardless of whether those success stories operate in finance or other areas altogether. An elevator pitch that includes words and phrases like "disrupt", "hockey stick growth", "gamification" or "the Uber of X" tends to play well in the tech community. Even if some people roll their eyes at the obvious use of buzz words (Finovate Bingo, anyone?), enough companies use this type of language to describe themselves that it is clear that these words and phrases still resonate with those who decide which companies get funded and which don't.

The financial industry, needless to say, has an entirely different set of language that stems from a very different source of motivation. For one thing, banks and other companies that move money from place to place are much more heavily regulated than most other areas that have seen dramatic technological disruption. If a new company starts putting electric scooters on sidewalks that can be rented by anyone for short periods of time, for example, they may eventually face some sort of legal repercussions as municipalities respond by adjusting their traffic laws, but this type of innovation typically moves faster than governments can, which minimises the company's exposure to risk. Banks, though, face very real and very well-established risks for non-compliance, which means that they can't operate with the same "it's better to ask forgiveness than permission" mentality.

> "This is a problem that is unique to financial technologists: in no other technology arena do the disruptors need the complicity of the disrupted to function."
>
> **Greg Palmer, Finovate**

Another major factor is that banking as an industry is necessarily much more risk-averse than the tech industry. Venture capitalists (VCs) can afford to chase unicorns because they know that one big win can make up for a large number of investments that didn't pan out. For a financial institution, though, a failure rate of 1% is unacceptable. A small misstep can quickly erode customer trust, and an untrustworthy financial institution won't be an institution for much longer.

These fundamental differences mean that technologists are implicitly coached use a very different kind of language than financial professionals are, which leads to a disconnect in the fintech industry.

To some extent, this disconnect can be seen as a holdover of the early days of fintech, when innovators were really trying to disrupt the banking industry in the most literal sense of the word. Innovations that were ready to "put the banks out of business" were common, and many companies believed that a fintech company could succeed by going directly to consumers, without needing any help from the more traditional areas of finance. There certainly have been some notable winners that have been able to do that, but the vast majority of companies haven't been able to dislodge more traditional FIs, who enjoy an immense institutional advantage. Fintech innovators have responded to that reality by creating products that sell through traditional financial institutions rather than selling past them.

DISTURBING LANGUAGE

This fundamental strategy shift, though, hasn't brought with it a fundamental shift in the language fintech technologists have to use. A fintech start-up now finds itself in an awkward position of having to pitch VCs using language that is likely to disturb the companies who are their intended customer base.

> "A fintech start-up now finds itself in an awkward position of having to pitch VCs using language that is likely to disturb the companies who are their intended customer base."
>
> **Greg Palmer, Finovate**

No word highlights this dichotomy better than "disruption". To a VC, disruption represents an opportunity, a correction of an institutional inefficiency. To a banker, a disruption is a major problem, something to be avoided at all costs. This is a problem that is unique to financial technologists: in no other technology arena do the disruptors need the complicity of the disrupted to function.

It's important to enter some caveats here. There will always be fintech companies that seek to bypass established FIs and go directly to consumers, and that's a good thing. That kind of direct competition keeps the industry honest, and will ultimately help end-users have better products and cleaner experiences. It's also true that there are more and more venture capitalists who specialise in fintech and have a strong understanding of the unique challenges facing the financial industry and the motivations of the people who operate inside of it. And finally, there has always been room in fintech for innovative companies that bring together a team of people from both banking and technological backgrounds. The lines between "innovator" and "banker" are blurry, and they're getting blurrier.

Those caveats don't change the fundamental truth about the language of fintech, though. There is still "fin" language and there is still "tech" language, and until those two blend together, there are always going to be uncomfortable disconnects between the major factions within the industry. At best, those disconnects are an annoyance, a small distraction that needs to be corrected for when reading information from a specific source. At worst, though, this disconnect can lead to missed opportunity on both sides, and a failure of two parties to find a common interest that serves them both well.

"Fin" and "tech" don't always get along, but the more they can speak the same language, the better they'll both be served. The time has come to disrupt "disrupt". **b**t

A new dawn for French fintechs?

Is the tide really turning for France's fintech fundraising market? *Cécile Sourbes* investigates whether times are changing.

For a long time, French fintech firms fell behind their European counterparts when it came to fundraising. No ambitious projects in light, smaller series A and a lack of local investors willing to take the lead on larger rounds were cited as the main reasons. But after years of slow progress, the French market seems to be picking up the pace.

According to the KPMG Pulse of Fintech report published last December, French firms raised a total of €365 million in 2018 across 72 deals, compared with €318 million in 2017 with 61 transactions.

"The funding landscape has changed drastically in France over recent years," says Benjamin Lillo, investments director at Irdi Soridec Gestion in Toulouse. "We now have more Venture Capital (VC) firms with growth funds and series A have jumped from €1 million on average to between €3 to €5 million."

Still, many fintech firms find it difficult to go beyond that threshold. In fact, the KPMG report notes that the 2018 market was primarily driven by four firms: the SME banking service Qonto with €20 million; the insurtech Alan with €23 million; the SME lending platform October with €32 million; and the crypto wallet firm Ledger with €61 million. But the average ticket size reached no more than €5.1 million.

So, why do French fintech firms attract so little money?

RISK AVERSION AND LIMITED AMBITION

For the president of Ledger, Pascal Gauthier, the problem is not solely French but European and lies within the risk investors are willing to take. "Big European VCs are very risk averse and would rather focus on the Fintech firms that are already generating some cash," he says. "And since they see a lot of applications, they can afford to cherry-pick the most successful projects. But what happens to the smaller firms that are not yet generating a cash flow?"

He goes on to say that French fintech firms would benefit from a US-investment style approach whereby VC firms are willing to invest up to €50-60 million in funding from an early stage to allow companies to get off the ground.

"Of course, there is an over-valuation there, but this is often necessary as we sometimes need to burn some cash to try new things, to fail on some products but also to grab large market shares as quickly as possible," he argues.

This is the approach the European fintech giants N26 and Revolut have opted for. Instead of trying desperately to generate some cash from day one, the two firms targeted the European market at large in order to be the first to reach critical mass.

"Many French entrepreneurs have yet to do just that," argues Philippe Collombel, partner at the investment firm Partech. "Many B2C [business-to-consumer] projects we see only aim to disrupt the French market simply because the entrepreneurs often want to do well in France, first."

This is precisely what the insurtech Alan did. And according to its CEO, Jean-Charles Samuelian, the firm will continue to do so for the foreseeable future, even though it has just raised another €40 million round of funding this year.

"It is true that we are seeing a lot of opportunities abroad, but we really want to focus on the French market in 2019," he says. "We will continue our innovation efforts by launching new products with transparent pricing to make healthcare more accessible to our clients."

One of Alan's lead investors, Index Venture, is already contemplating the future international expansion of its champion.

"The reason we were attracted by Alan is because it is the first digital health insurance company to get its licence in the country," says Jan Hammer, general partner at Index Ventures in London. "So, it has managed to disrupt the French market amazingly well. But Alan is only scratching the surface of what it can do, and although I cannot comment on its future plans, it wouldn't be surprising for the company to go outside France."

Collombel concedes that opting for a pan-European approach from day one depends on the sector the entrepreneur evolves in. "Focusing on the local market for an insurtech makes sense," he says. "But for the many neobank projects we see, the risk is that entrepreneurs try to expand abroad after conquering the French market and end up competing with much bigger players with no chance to grow."

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COUNTRY SPOTLIGHT: FRANCE

Truth be told, French fintech firms may already be competing with European giants at home. A study published by the French regulator Autorité de Contrôle Prudentiel et de Résolution (ACPR) in October last year highlighted the problem.

"Many uncertainties remain about the capacity of new banking players to build a viable business model," the regulator said. "They find themselves competing with both traditional banks that have already started their digital revolution and also with new European actors that use their EU passporting rights to step into the French market, where they are now particularly active."

CONSERVATIVE APPROACH

Faced with this risk, many entrepreneurs prefer to opt for a more careful approach. They would first build a minimum viable product, start its commercialisation with the view of building cash flow and eventually raise some funding.

This is precisely what the team behind BlockProof, a platform that aims to help SMEs meet their regulatory requirement, is doing. The platform was set up at the end of 2018. The team, which is now in the testing phase and is contacting prospect clients to understand how they view the problem BlockProof is trying to solve, is giving itself six months to sell the product.

"If over the next six months we cannot generate any cash, we will need to ask ourselves some questions," says Aquibou Doucouré, one of the co-founders. "Of course, we may not be able to get a cash flow because we have a lot of investments to make. But it may also mean that there is no market for our product, in which case there is a good chance our platform will not last for long."

> "Many uncertainties remain about the capacity of new banking players to build a viable business model."
>
> **Autorité de Contrôle Prudentiel et de Résolution**

Starting the BlockProof project was not easy for Aquibou Doucouré and his business partners. Unlike many other fintech firms, which usually raise the first round of funding among friends and family, the team didn't have any capital in hand and relied solely on its savings. "My business partners and I all had a permanent job before and we managed to save some money," he says. "But that's pretty much everything we had to work on the ideation phase."

Because of the lack of money, the team applied for an incubator programme in Toulouse, where the firm is based. They joined Nubbo, a structure run by the Occitanie region, in December. The structure selects the start-ups based on their projects and can grant them a loan of a up to €50,000.

The incubator offers some flexible conditions: if the business succeeds, the entrepreneur will pay the €50,000 back at a later stage. If it fails, there won't be any need for the entrepreneur to pay the deposit back and the incubator will lose its initial investment, hence the tough entry selection process.

For the incubator, this may seem like a big risk to take. But, for a fintech like BlackProof, the €50,000 investment is just about enough to build its product and start the commercialisation phase.

"We'll see how it goes but if we can generate enough cash, we will use the proceeds of the sale to run the business on our own, without raising any extra capital," says Aquibou Doucouré.

This may sound surprising. After all, if BlackProof can generate cash, there is no reason why the team would not attract private investments.

But as Aurélie Tible, head of marketing at Lyra Network – a secure payment platform launched in 2001 in Toulouse, which has managed to grow over time without raising any private capital – explains, some entrepreneurs do not like the idea of bringing external investors on board.

"There is the idea in France that entrepreneurs should be the only person in charge of their company," she says. "The fact is that bringing investors in means these people will have more of a say in the way you run your business and conduct your day-to-day activities."

But if BlockProof cannot generate enough or no cash at all, and if the team wants to pursue its efforts, Aquibou Doucouré and his business partners will have to find money elsewhere.

FINDING EXTRA CASH

"The real issue for the entrepreneur is to find the money between, say, €200,000 – which is the amount we can usually raise among friends and family – and €800,000," says Aram Attar, founder of the advisory firm Kagemusha Capital. "This is what we call the Death Valley, often because the project is not mature enough or not well thought through."

One option at this point would be to join a digital lab. Many banks and insurance firms have launched their own digital innovation platforms over recent years, with the view of selecting promising fintech projects to help them develop their product.

However, Attar warns entrepreneurs against those partnerships.

> "Given the high barriers to entry, the update of the IT systems can become a real hurdle when you reach a certain level as well as the regulatory burden you may eventually face. Some people may prefer to join a lab."
>
> **Aram Attar, Kagemusha Capital**

"The question is whether the fintech firm will still be there in three years' time," he says. "The thing is that banks usually try to bring those fintech firms in their lab to copy their idea. Those firms have therefore no potential to grow."

He puts things in perspective, though. "At the end of the day, everything depends on the entrepreneur's ambition," he adds. "Given the high barriers to entry, the update of the IT systems can become a real hurdle when you reach a certain level as well as the regulatory burden you may eventually face. Some people may prefer to join a lab, and that is perfectly fine."

For those who would rather opt for the financing route, though, there is still the option of raising funding from public institutions. Yet again, the process is far from being straightforward.

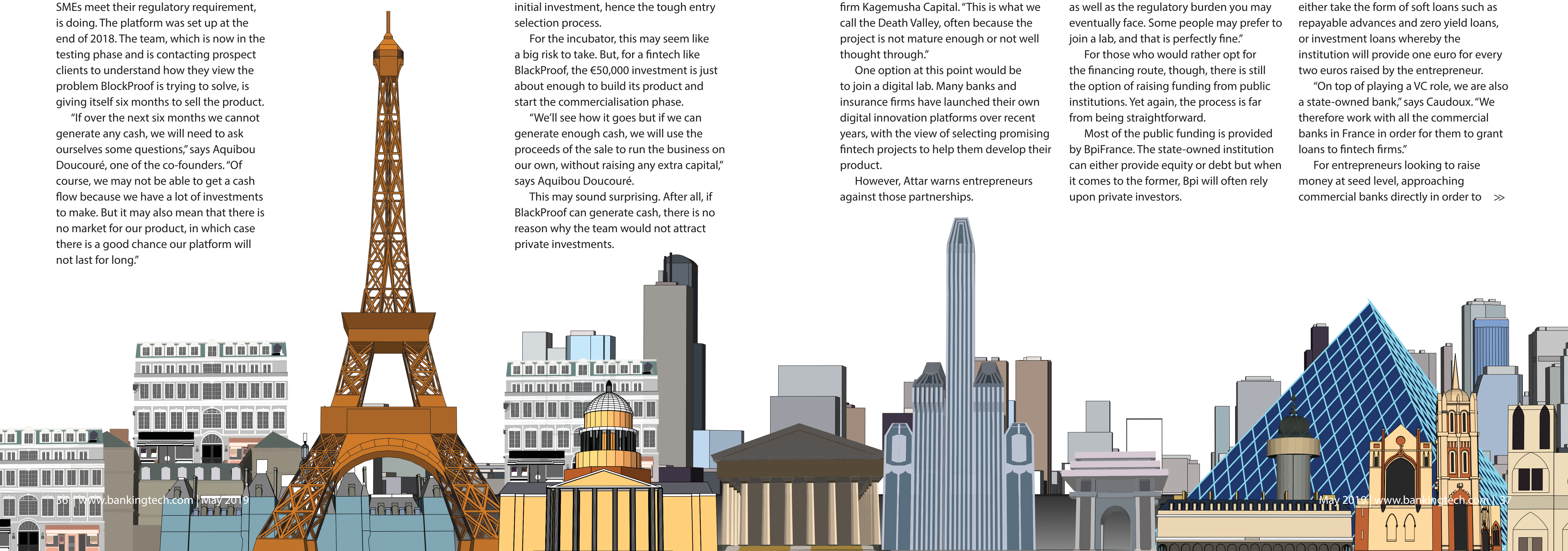
Most of the public funding is provided by BpiFrance. The state-owned institution can either provide equity or debt but when it comes to the former, Bpi will often rely upon private investors.

"We can either invest directly in fintech firms or indirectly, through VC funds that will themselves select the firms they want to support," explains Arnaud Caudoux, general director in charge of finances at BpiFrance in Paris. "The bulk of our investments is made indirectly through other VCs."

Investing directly in fintech firms at the seed level is simply not the core remit of the public institution. At that stage, Bpi would rather provide debt. This can either take the form of soft loans such as repayable advances and zero yield loans, or investment loans whereby the institution will provide one euro for every two euros raised by the entrepreneur.

"On top of playing a VC role, we are also a state-owned bank," says Caudoux. "We therefore work with all the commercial banks in France in order for them to grant loans to fintech firms."

For entrepreneurs looking to raise money at seed level, approaching commercial banks directly in order to »



acquire debt-based capital isn't always easy due to a lack of cashflow and limited operating history. With Bpi guaranteeing the loans, many fintech firms can hope to raise the first round of financing they need to expand. Thus, in 2018, Bpi granted €1.2 billion in soft or investment loans to innovative companies, including fintech firms.

TOWARDS NEW FUNDING SOLUTIONS?

Still, not everyone is convinced by the approach. "Asking a company to contract a loan to finance its expansion when the company has no cash flow and when it actually has a huge burn rate is shocking," says Eric Pilat, managing director at Delta Venture, a Paris-based advisory firm.

Moreover, Pilat argues that applying for public funding can be time consuming for entrepreneurs and the final investment is not worth the effort.

"The public funding system in France is very complex because there is no one single way to apply for it," he says. "Most of the time, the entrepreneurs are not aware of all the funding options available and when they are, they need to do a lot of paperwork in the hope of getting very little funding. It would be much easier to find investors that can inject capital into the fintech firm from day one as seed funding."

Pilat advocates for an Enterprise Investment Scheme (EIS) similar to the one launched in the UK in the 1990s. The scheme aims to offer tax incentives to individual investors who buy new shares in companies that often carry a high risk of loss of capital and present low market liquidity. Under EIS, a company can raise up to £5 million each year, and a maximum of £12 million in the company's lifetime, while investors receive 30% upfront income tax relief and can subscribe up to £1,000,000 per year.

By the end of the 2016-2017 tax year, a cumulative total of £18 billion had been invested into 27,905 companies, according to official data from the UK government.

"I'd rather see a similar solution with some private investments implemented in France than investments coming from the state, which is not always the most driving element when it comes to helping fintech firms expand," Pilat argues.

> "The public funding system in France is very complex because there is no one single way to apply for it. It would be much easier to find investors that can inject capital into the fintech firm from day one as seed funding."
>
> **Eric Pilat, Delta Venture**

In fact, a similar incentive already exists in France. Launched in 1994, the scheme is known as the Madelin law. And just like in the UK, it allows individual investors to invest in SMEs either at the seed level or later stage. The difference lies in the tax rebate, though. Unlike in the UK, investors in France can only hope to receive a tax relief of up to 18% and can subscribe up to €50,000. Thus far, the incentive has not been a massive success.

THE ARRIVAL OF REPEAT ENTREPRENEURS

How can fintech entrepreneurs find the seed funding they need?

The answer may come from business angels. According to Benjamin Lillo at Irdi Soridec Gestion, an increasing number has been investing at seed level recently.

The "innovative SME account" scheme may have played a role. Launched in 2017, the scheme allows entrepreneurs to benefit from tax breaks as long as they reinvest part of their capital gains in start-ups and as long as they share their business experience and network with the new business founders.

But entrepreneurs can also decide to reinvest their capital gains in their own project. This is what Qonto did.

"When we launched our previous firm, we realised how difficult it was for SMEs like us to liaise with traditional banks that often offer poor but very expensive services," says Alexandre Prot, co-founder of the SME banking service. "We decided to start a new SME banking service."

The start-up that Prot and his business partner, Steve Anavi, previously launched had nothing to do with the financial sector; the firm developed and sold connected electronic cigarettes. After only a few years, the partners sold the company for an undisclosed amount, making one of their investors at ease with their capacity to launch and grow a business.

"We worked with Alexandre and Steve on their previous project and we were already impressed by what they were able to do," says Raffi Kamber, partner at Alven Capital and one of the lead investors on the firm's last round of funding. "That said, launching a bank is quite different from launching a retail company and that takes you to a completely different league. But, after just a few months, it became clear that we wanted Qonto in our portfolio."

The French fintech market has seen other repeat entrepreneurs lately. Pascal Gauthier, president of Ledger, for instance, previously worked as the COO of French advertising company Criteo and was instrumental in the firm's successful IPO in 2013.

As for Olivier Goy, one of the founders of October – formerly known as Lendix – he successfully launched an investment firm called 123Ventures in 2001. Now called 123 IM, the firm manages more than €1 billion of assets.

"I no longer play an executive role in 123 IM," says Goy. "But this experience helped me understand the VC world. It's important to know how investors behave, especially during difficult times because there are always difficult times when you launch your business."

On the face of it, the future of the French fintech market and its success may well rely upon the capacity of the country to create repeat entrepreneurs. **bt**

There's a tsunami coming; do you hear the sirens?

By *Richard Buckle*, founder & CEO of Pyalla Technologies

> "Digital transformation breaks down the data centre doors and avails the consumer of options the banks had proved reluctant to support."
>
> **Richard Buckle, Pyalla Technologies**

It has been a while since we referenced the Sibos conference in Sydney (which took place last autumn), but on the eve of FinovateSpring 2019 in San Francisco it's as good a place as any to start as I was intrigued by the commentaries given by ANZ CEO, Shayne Elliott, during his keynote presentation.

According to Elliott, when it comes to modern-day banking there are only a handful of items worth attention. There is the bank's pursuit of a new payments platform that better handles real-time payments and the real-time data that goes along with it. He also views partnering as a business model for the bank as it fosters development of an ecosystem extending well beyond the bank's data centre. Even as he admits the bank is aware of the danger from complacency (in this time of digital disruption), Elliott also said that while the bank is addressing this digital transformation, it is facing the challenge of changing the bank's culture to address past indiscretions.

When these comments were made, the fallout from Australia's Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry had yet to be published and now these Australian banks are suffering. For bank customers it became a classic case of these banks holding all the cards when it came to services rendered – a raft of hidden charges including so many add-on fees that proved hard to track. As for bank leadership, among the big four Australian banks heads have already begun to roll. It didn't take all that long before the headlines started to appear: Commonwealth Bank's chief executive, Ian Narev, has left and National Australia Bank's chief executive, Andrew Thorburn, and chairman, Dr. Ken Henry, departed almost as quickly as did consumer banking and wealth arms head, Andrew Hagger. Where to fallen moguls?

"We can easily forgive a child who is afraid of the dark; the real tragedy of life is when men are afraid of the light," wrote the Athenian philosopher, Plato, back in the fifth century, BC. In this instance, Australian bankers were clearly fearful of what lay ahead; wanted to hold on to their customer base even as they doled out credit willy-nilly; and held back on investing in the digital transformation they all saw fueling competition everywhere they looked.

DISRUPTION AHEAD

There is a reason why industry calls a digital transformation "disruptive technology", as it breaks down the data centre doors and avails the consumer of options the banks had proved reluctant to support – an account number at the bank still anchors much of the bank's processing.

It was ANZ's Elliott who expressed confidence that the role of banks in the 21st century will continue to be all about "looking after people's money", even as the bank addresses "changing the timing of people's consumption" based on the timelier "moving of people's money around". What's not clear even today is that these big Australian banks have seen the light or stopped being afraid of what they are about to face.

Fintechs are changing the game. In the US, there is barely a day that passes without reference to the big three – PayPal, Square and Stripe. And they are competing on application programming interfaces (APIs) even as they continue to race with each other to provide more features.

There was a time when there was talk of just "the API" and in some countries commissions and oversight agencies are working with vendors to come up with a simple API. Can you recall when relational database management systems were complex to access, with each vendor providing different APIs? Then along came SQL as one big API (with services) but even today, the prospect of an industry-wide single SQL standard has long gone with major vendors, just as we are seeing with fintechs, competing with each other over the richness or otherwise of their APIs.

If the banks were ever to get together to publish an API they could all support, then that day has gone and now fintechs – essentially those parties that are closest to the consumer after all – are setting the pace on publishing and in some cases, proliferating, APIs.

Australian banks weren't the only culprits staring down the digital transformation light shining more brightly on them. In the US, Wells Fargo, the country's fourth largest bank, came under increased scrutiny over its banking practices, particularly when it came to managing phantom accounts. Like many of its banking peers, Wells Fargo was struggling with change and more importantly the "pace of change and technology". As for the impact this was having on Wells Fargo, Secil Watson, head of the bank's digital solutions for business, was quoted in the CIO Magazine last year saying: "I think the biggest change is that the pace of change and technology is accelerating." Watson then noted that "the rate of change we've seen in the last 25 years is now going to happen in the next five years. When the pace accelerates to that level, we can no longer have very linear strategic planning functions." >>

Just a couple of months ago, Wells Fargo came under so much pressure to change following the problems that surfaced first in 2016 (with the news that employees had created millions of fake accounts to meet sales quotas) that, according to Bloomberg, "CEO Tim Sloan gave in to critics and abruptly stepped down, after the 31-year company veteran struggled to tame a range of scandals".

The aforementioned CIO Magazine article on Wells Fargo said: "In the past several years, a combination of regulatory changes, pressures from fintech startups and big technology companies, new technologies (like advances in machine learning), and a shifting cyber risk landscape have brewed a perfect disruption storm in financial services."

THE WAVES OF CHANGE

Decades ago I worked for technology futurist and bona fide computer "showman" Charles P. Lecht, whose work often found its way, summarised, into the Computerworld newspaper. I contributed a couple of paragraphs to his seminal book, "The Waves of Change" on hardware performance. This was eventually followed by his book, "The Information Tsunami: A Futurist Looks Back", fuelled by the then widely-held view that Japan was on the verge of overwhelming traditional vendors through the initiatives of vendors such as Fujitsu/Facom, Hitachi, Mitsubishi et al.

However, today the thought of there being a technology tsunami is not as abstract an idea as it was in the 1980s as we can all see the sea rushing away from us as a giant wave begins to well up just beyond the horizon. Fintechs, for all their often perceived blundering around in the dark, are now firing on all cylinders and the light emanating from their achievements is starting to blind those still clinging to banking traditions. It almost sounds like lines from a Bob Dylan song, if only the banks were listening.

THE PERFECT STORM

For many, the perfect storm and perhaps tsunami may have but one name: Apple! The big news of March wasn't so much the Apple TV+ launch as it was Apple's introduction of Apple Card. The way Apple described Apple Card, it will be

> "For many, the perfect storm and perhaps tsunami may have but one name: Apple!"
>
> **Richard Buckle, Pyalla Technologies**

"an innovative, new kind of credit card created by Apple and designed to help customers lead a healthier financial life. Apple Card is built into the Apple Wallet app on iPhone, offering customers a familiar experience with Apple Pay and the ability to manage their card right on iPhone. Apple Card transforms the entire credit card experience by simplifying the application process, eliminating fees, encouraging customers to pay less interest and providing a new level of privacy and security."

As a recent Computerworld article puts it, "Apple is taking a stand against the kind of cynicism that has dominated financial services for eons: hidden charges, fees for small infractions, opaque statements, charges to access your own information and the sale of purchasing information to shadowy, third-party information brokers who end up doing, well, we don't know what they do with our information. That Apple is taking such a stand sets a new bar for the industry."

At a time when Apple iPhone's mission is to provide communications for everyman, the implication that its users will be applying for credit that may in fact be declined distracts somewhat from this Apple mission. This apparent paradox fortunately may be offset with the knowledge that at a $999 price tag, those without credit may have already passed from being part of everyman.

However, is Apple truly a fintech by today's definition? It surely is and don't think it's not going to impact current fintechs for, as Oprah Winfrey herself noted as she supported Apple TV+: "They're in a billion pockets, y'all. A billion pockets." A reference to the number of iPhones being used around the world where Apple's premium services will come pre-installed.

Yes, a tsunami is coming… not just with the Apple Card providing a simpler model supporting application, privacy and security, but APIs. This strikes at the very heart of fintech futures – flexibility and differentiation be damned! Apple could just as easily set the standard for APIs and yes, conformity would pretty much follow. Is that a bad thing? Only time will tell but then again, it's those billion pockets!

Financial institutions may be witnessing a cleansing as heads roll following years of bad behaviour but in a way it's almost as if it had to happen. If banks and indeed many current fintechs want to stay in business, and want to stay meaningful in the way they support their customers, then they have to make amends for bad practices of the past even as they cannot ignore that 800lb Apple in the room.

As for me, even though I have been an iPhone user for more than a decade, I am off to the Apple store to get the new iPhone that will support Apple Card as well; you just have to have one, don't you? I think I have the good credit Apple will be looking for and summer is about to arrive – if there is a tsunami about to bear down on us, it's definitely a wave that, as a consumer, I want to ride. I will be able to pay for that surfboard with my new Apple Card! **bt**

Movers and shakers

Following the notorious core banking system migration disaster last year, UK high street bank **TSB** has restructured its IT team, moving the control in-house, away from Sabis, the technology subsidiary of its Spanish parent Sabadell.

The in-house team's responsibility now includes TSB's new core banking platform, Proteo4UK.

Mike Errington is new CIO. He spent many years in senior tech roles at RBS before retiring in 2014 (the bank went through a major cost-cutting initiative and IT shake-up). He was known as "Offshore Errington" at RBS after moving thousands of tech and admin jobs to India.

Meanwhile, TSB's former CIO **Carlos Abarca** has been appointed as the bank's chief technology innovation officer.

US banking heavyweight **BNY Mellon** has appointed **Alina Peradze** as digital business development leader, **Janelle Prevost** as client journey reimagination leader and **Michael Demissie** as advanced digital solutions leader. These hires are "part of the overarching strategy to digitise BNY Mellon", the bank explains.

Peradze joins from Saga Group where she was CEO, managing strategy projects and invested in early stage private companies.

Prevost moves from BlackRock, where she worked on the company's digital transformation.

Demissie leads a newly established enterprise-level capability to define BNY Mellon's "strategic approach and build out and deploy its assets around artificial intelligence, robotics, machine learning and related techniques", the bank says. He joins the firm from State Street where he held the role of global lead for robotics/AI and head of lean management office.

U.S. Bank has hired "veteran digital leader and innovator" **Derek White** as chief digital officer, responsible for leading the bank's newly combined digital team.

White moves to the US from Spain, where he was global head of client solutions at BBVA. Prior to that, he spent 12 years with Barclays in several leadership roles including chief design and digital officer.

Meanwhile, **BBVA** has appointed **David Puente** to the vacancy left by White. Puente was global head of data at BBVA for the last two years, and prior to that he had been head of business development Spain.

Puente will be replaced by **Ricardo Martín Manjón** as global head of data. Martín Manjón has been the global head of data strategy and data science innovation since 2017 and in the past, he worked in different roles at BBVA.

BBVA created the global function of data two years ago "to accelerate the group's transformation into a data-driven organisation", it explains.

"Data is essential to fulfil our purpose: to bring the age of opportunity to everyone," says Martín Manjón.

BBVA's rival **Santander** has poached **Aiaz Kazi** from Google to be the bank's chief platform officer – a newly created role.

Kazi was head of platform ecosystem for Google Cloud, following a long stint at SAP, where he launched, shaped and helped grow the SAP HANA enterprise platform.

Davor Ebling has joined **Moven Enterprise** as chief innovation officer, based in New York.

Ebling moves from SAP, where he had a seven-year stint as global head of ecosystems, partnerships and innovation for the company's banking industry business unit. Prior to that, he was VP of mobile, e-commerce and payments strategy for JPMorgan Chase. He also held a similar role at Wells Fargo.

Ebling "brings a unique perspective to Moven and deep roots in fintech and innovation", comments Brett King, the firm's founder. "At Moven, a relentless pursuit of innovation is at the core of everything we do." **bt**

EVENTS CALENDAR

May

22: The Mechanics of Transaction Banking, Distance learning
www.iff-training.com

June

3-5: Money2020 Europe, Amsterdam
europe.money2020.com

14: Real-Time Payments Summit, Sydney
rtpsummit.com

19-20: The AI & Big Data Expo Europe, Amsterdam
ai-expo.net/europe

24-27: FundForum International, Copenhagen
finance.knect365.com/fundforum-international

25-26: MoneyLIVE: Digital Banking, London
marketforcelive.com/money-live

28: Customer Intelligence Banking Summit, Amsterdam
cibankingsummit.com

July

5: PayTech Awards 2019, London
www.bankingtech.com/paytechawards

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