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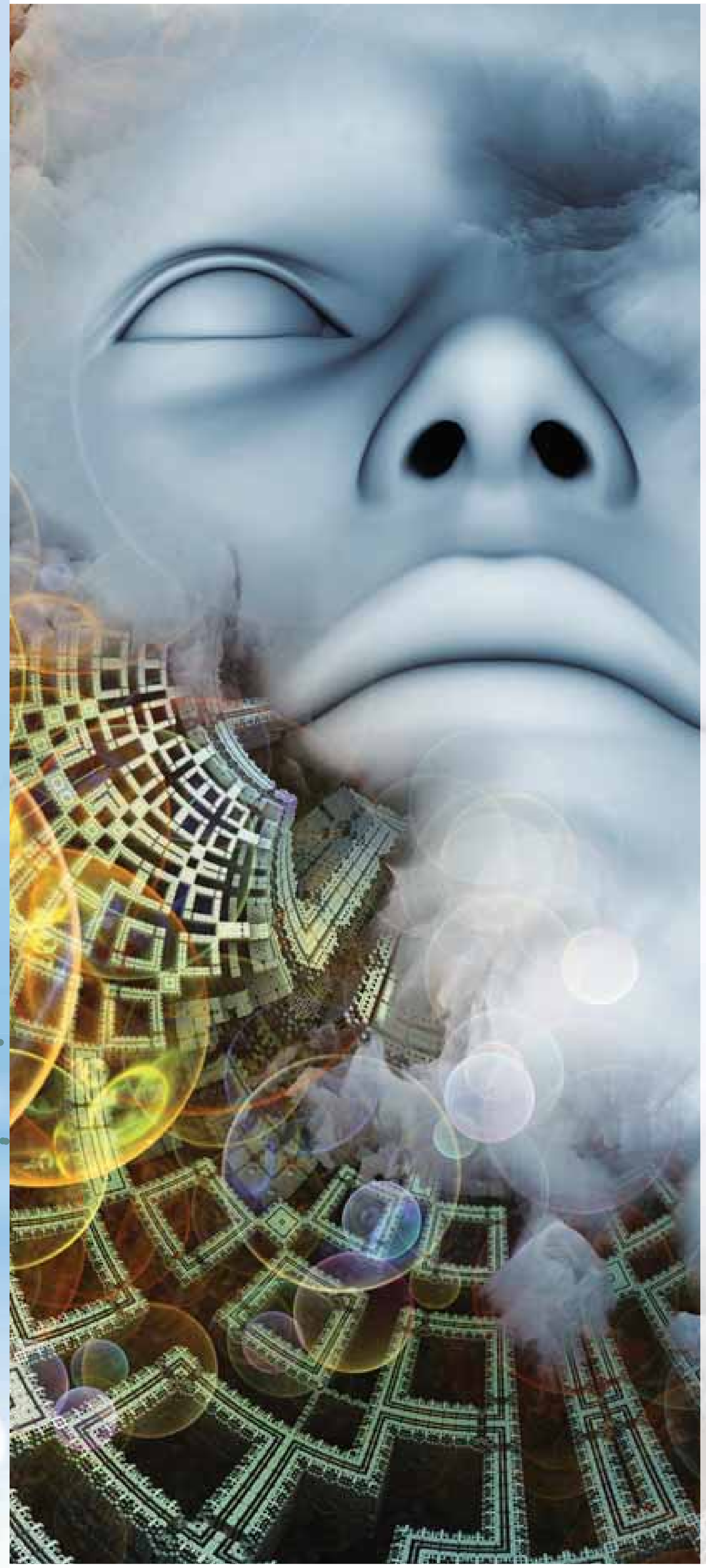
CHALLENGER BANKS IN GERMANY
Who's who and what's their tech

FINTECH FUTURES



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Editor's note

This month brings cautionary tales from Eric Michaud, CEO and founder of security firm Rift Recon, who shared fascinating facts at the recent Verint Engage user conference.

For instance, since 2014, an international cybercriminal group has been targeting banks around the world and has made off with well over $300 million – by compromising the banks' systems with malware and using the information they have mined. The gang – called Carbanak by the researchers – targets financial institutions in Russia, Japan, US and Europe. They start their attacks with spear-phishing emails to bank employees, who are instructed to open an attachment that contains malware, which the hackers use to infiltrate the bank's networks and do extensive reconnaissance about the inner workings of the bank.

Armed with that knowledge, they then masquerade as employees, and steal money in ways that they hope will not raise an alarm.

Another effective way to extract money, according to Michaud, is to instruct ATMs to dispense cash to an associate of the gang at a predetermined time. Apparently, one Kaspersky client lost $7.3 million through ATM withdrawals alone.

However, no bank has come forward and publicly acknowledged a breach.

One more anecdote: a cryptocurrency exchange had its currency holdings wiped out in an hour, and Rift Recon was called in. They discovered hackers had found all the executives' phone numbers on social media and enough information on the names of their kids, pets and so on from password breaches from LinkedIn and other services, where the password reset was probably going to be the one for the execs' phones.

"They were using SMS as the two-factor authentication. So, for password recovery for your email, your phone is your identity, because that's where everything goes," Michaud explained. "It turned out the CEO was storing his private keys for his cryptocurrency in his phone with passwords. And then the hackers went to the CFO who did similar, and then the comptroller got nailed. Then basically, they wired all of the money out into the network, and all of a sudden they pulled in all their email systems and everything went down. All that money lost just because someone is able to change your phone number."

How good is your cybersecurity? **bt**

Tanya Andreasyan
Editor-in-Chief
Banking Technology

Australian challenger 86 400 seeks more funds

Image source: 86 400

Australian challenger bank 86 400 is looking for more funding to support the next phase of its growth beyond launch, appointing Morgan Stanley Australia Limited to assist with this process.

To date, the aspiring bank has been supported and fully funded by Cuscal Limited, Australia's independent payments provider. While Cuscal will continue to support 86 400, the company is seeking to add new shareholders towards the end of 2019.

The capital-raising is in line with its business plan, which requires more than $250 million of capital over the first three years of operation to fund its growing balance sheet.

Anthony Thomson, chairman of 86 400, said: "We look forward to introducing new, like-minded shareholders to the business towards the end of this year, as we deliver the easiest version of banking to Australian customers.

"Our mission is to help Australians take control of their money, placing them at the very centre of what we do – every second, of every minute, of every day. All eighty-six four hundred of them."

The bank is currently piloting and will launch with a transactions and savings account later this year. It continues to progress its application for a full banking licence from the Australian Prudential Regulation Authority (APRA).

Henry Vilar

Business card management platform Pleo raises $56m in Series B financing

Fintech Pleo, the business spending platform based around smart company cards, has raised $56 million in a Series B financing round led by Stripes, a New York-based growth fund.

The round has seen participation from existing investors Kinnevik, Creandum and Founders. This latest round brings the total amount raised by the company to $79 million.

Founded in 2015 with the aim of transforming the laborious business expense process, Pleo achieved a $16 million Series A funding round last year. It was Denmark's largest Series A in a decade and today's fundraise is Denmark's largest Series B.

The firm says that more than 3,500 companies of all sizes and verticals have switched to Pleo across the UK, Denmark, Germany and Sweden.

Pleo provides smart company cards paired with software and mobile apps to automatically match receipts and track all company spending in real-time with detailed analytics. Pleo eliminates expense reports and automates bookkeeping tasks as it integrates directly with accounting software providers.

"Managing work-related spending has traditionally caused headaches for employees and their employers alike. Pleo is making the whole process simpler, quicker and more transparent," comments Jeppe Rindom, co-founder and CEO at Pleo. "We are building a solution to fit the needs of today's modern workforce – reshaping how businesses manage company spending, and how they operate, enabling staff to feel more empowered and ultimately more productive."

Pleo has on average quadrupled the number of cards within a company, making it one of the biggest corporate card providers in the Nordics.

Pleo will use the funding round to more than triple its headcount, from 120 to 400 employees by the end of 2020 and to accelerate product development as it aims to service the entire purchase process for SMEs across the whole of Europe. This includes adding credit, invoices, mobile payments, a vendor marketplace, VAT reclaim and more.

Founders Bank anticipating EU licence

A new challenger bank is about to enter the crypto market as Malta and London-based Founders Bank is receiving EU banking licence authorisation in the fourth quarter of this year.

Founders' Bank, which is backed by crypto exchange Binance and venture capitalists, has been awaiting a banking licence since 12 June 2018, according to the Maltese government.

Once it is authorised, the disrupter will be offering corporate banking services focused on tech companies including accounts, payments, escrow and credit.

"Founders Bank will have its own proprietary banking platform with instant, multi-currency settlement," says a spokesperson at the bank.

It is working with several industry leaders in blockchain including exchanges and other infrastructure providers.

Its current expansion plan is to obtain operating licences in all the main financial jurisdictions, including the US, Singapore and the UK in the first instance.

Paula Pandolfino is the bank's co-founder and chief strategy officer. Kenan Altunis, who has 20 years' experience in finance at Deutsche Bank, is CEO. Lana Burdei, formerly of HSBC and Barclays, is COO.

On the technology side, Dearg OBartuin is CTO, having been CTO at Challenger.Money, the London Block Exchange and BitPesa. And Ludwig Mallia has recently joined as head of IT. He moves from Bank of Valetta, where he was programme manager for one year. Prior to that, he spent nearly eight years at MeDirect Malta, most recently as head of core banking platforms.

Sharon Kimathi

BNP Paribas makes a Magic Leap to teleportation meetings

BNP Paribas is embracing immersive technologies to offer employees and customers teleportation meetings in Hong Kong, Dubai, London, Frankfurt and Paris.

In collaboration with spatial computing firm Magic Leap and French/Belgian start-up Mimesys, which develops spatial co-presence platforms, BNP Paribas Real Estate will use the tech to offer investment opportunities to clients – particularly those of Corporate and Institutional Banking and Wealth Management.

The teleportation meetings will be conducted via a lightweight, wearable spatial computer called Magic Leap One. Using augmented reality technology, the headset allows meeting participants to interact with virtual objects, while lowering environmental impact through reduced travel.

"For two years, BNP Paribas Real Estate has integrated immersive technologies into the development of its innovation projects," says Kevin Cardona, BNP Paribas Real Estate's head of innovation. "Already tested on two real estate projects in London and Paris, this innovation is a world first. It allows each participant to manipulate and alter the common plan, modelled in a 3D projection, whether it is a model of a real estate venture or a neighbourhood mapping."

Cardona adds: "Together with Magic Leap and Mimesys, we are inventing a new workplace that is more agile and collaborative, and that places people and expertise at the forefront of customer experience."

The solution was tested over a one-year period before being implemented.

Jane Connolly

SoFi confirms $500m investment led by Qatar

In a round led by Qatar Investment Authority (QIA), personal finance solution provider SoFi has raised more than $500 million in equity funding.

The new capital gives the San Francisco, California-based company a valuation of $4.3 billion, and will drive investment, the company says in its press release, in continued innovation and growth. SoFi's total capital now stands at $2.3 billion.

QIA CEO Mansoor Al-Mahmoud highlights SoFi's long-term vision, which has enabled the company to evolve into a major personal finance platform for both lending and wealth management.

"We strongly believe in SoFi's approach and its dedication to build a transformational financial platform that is rapidly disrupting consumer finance," he says.

In his statement, SoFi CEO Anthony Noto underscores the company's transformation. "Over the last year, we've worked aggressively to grow SoFi from a desktop lending business to a broad-based, mobile-first financial platform enabling members to borrow, save, spend, invest and protect their money," Noto says.

Anthony Noto, SoFi

With more than 700,000 members and 7.5-plus million registered users, SoFi offers a variety of personal finance solutions in lending and wealth management. These include the company's student loan refinancing and mortgages offerings, as well as newer products like SoFi Invest and SofiMoney.

SoFi Invest, launched at the beginning of the year, is a stock and ETF trading and investing platform that also allows for automated investing. SoFi Money combines the best of checking and savings accounts into a single account with a 2.25% APY and an app to facilitate mobile spending, saving and payment.

In May, SoFi announced that it was introducing an exchange-traded fund based on the gig economy, GIGE. The actively managed fund – run by Toroso Investments – enables investors to participate in the stock market gains of companies like eBay, Lyft, Square and Twitter. In April, the company teamed up with Lemonade and Root to add to its insurance offerings.

David Penn, Finovate

TransferWise doubles its valuation to $3.5bn

UK-based international payments fintech TransferWise has doubled its value to $3.5 billion after raising $292 million in secondary funding.

The round was led by investors including Lead Edge Capital, Lone Pine Capital and Vitruvian Partners. The Sir Richard Branson-backed firm also received investment from BlackRock and existing investors Andreessen Horowitz and Baillie Gifford.

TransferWise's strategy of providing cheap exchange rates by using two local transfers for each transaction, instead of more expensive single international payments, has attracted more than five million customers since the fintech was founded in 2011.

TransferWise will use the funds to take on 750 more staff over the next year.

"TransferWise is experiencing phenomenal growth and this investment is testament to that," says Kristo Käärman, chief executive and co-founder. "We don't need to raise funds on this trajectory, but we're humbled by the persistent level of interest."

TransferWise handles a transaction volume of $5.1 billion across its 12 global offices every month.

Jane Connolly

Qudos Bank escalates legal battle with Infosys

Australia-based Qudos Bank is pursuing legal action against Infosys relating to alleged copyright infringement, breach of contract and misuse of confidential information by the Indian tech giant.

The allegations are centred on software written by Infosys for another Australian client, Australian Military Bank (AMB). Qudos Bank is seeking documents from Infosys related to the user experience and user interface (UX/UI) of the mobile and online banking solution that the supplier built for AMB.

Infosys was initially engaged by Qudos Bank (Qantas Credit Union, as was) in 2015. The project spanned core banking (Infosys' Finacle), customer relationship management, online banking, mobile application and other systems. Infosys subsequently started work on the project at AMB, with this bank's mobile and online banking solution launched in February 2018.

Qudos Bank chairman, Andrew Leithhead, in a statement, says: "During the period Infosys was working on the Qudos Bank contract, we became aware of striking similarities between the software developed for our project and the AMB project. This made us very concerned that our intellectual property may have been misused and our confidence violated."

The court has asked Infosys to produce documents to support its claim that it has not breached the terms of its agreement with Qudos Bank.

Qudos Bank commenced preliminary discovery proceedings against Infosys in November 2018. Leithhead said: "Following Qudos Bank's Federal Court application, Infosys produced some documents and computer code, but resisted producing other documents we believe are important in us making a decision on whether to commence further legal action against Infosys.

"Earlier this week, the Federal Court found that Qudos Bank had reasonable grounds to believe that its rights had been violated and ordered Infosys to provide the additional documentation. The Board and Management of Qudos Bank view this matter very seriously, and are committed to protecting Qudos Bank's intellectual property against any potential misuse."

Infosys has responded with its own statement: "Infosys adheres to well-established processes in delivering services and has successfully designed and deployed many business-critical banking solutions globally including Australia. The company denies any allegations of wrongdoing and will vigorously defend itself in any litigation. The company will

Image source: Bookmarc

The Qudos breakout room

not disclose any information pertaining to the Qudos contract in adherence to our confidentiality."

Qudos Bank has 95,000-plus members and offers a full range of retail banking products including home and investment loans, credit cards, personal loans, deposit accounts, superannuation, financial planning and a range of Qantas Points Banking products. Branches and ATMs are located in states across Australia.

Martin Whybrow

Bank Leumi, CIBC and NAB launch online portal for fintechs

Bank Leumi of Israel, Canadian Imperial Bank of Commerce (CIBC) and National Australia Bank (NAB) have introduced their Global Alliance Fintech Link as part of an international banking alliance. This is a global online portal developed to help drive client-focused innovation by facilitating collaboration between the banks and fintechs.

Fintech firms will be able to submit creative solutions in response to a wide range of opportunities identified by the banks through the digital platform. Upon receiving the proposals, the banks will consult directly with the technology firms.

"This partnership shows that Bank Leumi, NAB and CIBC are leaders not just in thought but also in action when it comes to seeding international efforts to spur better value propositions," says Tamar Yassur, chief digital officer at Bank Leumi. "We're confident this new platform will help spark international innovation and creativity to enhance customer services in banking across the globe."

Global Alliance Fintech Link offers start-ups around the world easy access to the global banking marketplace by enabling direct collaboration with three financial institutions on three continents.

"In big and complex banks like NAB, CIBC and Bank Leumi, it can be a challenge for fintechs with good ideas to find the right path to the right people," says Jonathan Davey, executive general manager for digital innovation at NAB.

Davey believes that the platform will provide a simple and easy process for fintechs to help connect them into the bank, and to the right people who may be interested in what they have to offer.

Bank Leumi, CIBC and NAB's strategic alliance formed in September 2016. The initiative is not only designed to simplify global cooperation, but to offer fintechs access to potential partners that could help scale their business. It also offers the opportunity to bring these world-class companies into a global technology and banking ecosystem.

The platform has been initially launched as a pilot and will evolve as additional challenges are added to the site.

Sharon Kimathi

Raphaels fined £1.9m by FCA and PRA for outsourcing mismanagement

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have fined R. Raphael & Sons (Raphaels) for failing to manage its outsourcing arrangements properly between April 2014 and December 2016.

This resolution was decided nearly post-mortem, as the bank only announced a couple of months ago it was closing down.

Raphaels has received separate fines of £775,100 from the FCA and £1,112,152 from the PRA in respect of these breaches. The firm agreed to resolve this matter and qualified for a 30% reduction in the fines imposed by both regulators.

"Raphaels systems and controls supporting the oversight and governance of its outsourcing arrangements were inadequate and exposed customers to unnecessary and avoidable harm and inconvenience," says Mark Steward, FCA executive director of enforcement and market oversight. "There is no lower standard for outsourced systems and controls and firms are accountable for failures by outsourcing providers."

Sam Woods, deputy governor for prudential regulation and CEO of the PRA, adds: "The firm's ability to manage outsourcing of any critical activities is a vital part of maintaining their safety and soundness. Such outsourcing is an important part of its operational resilience, and particularly so in the case of Raphaels, given the level of reliance on outsourcing in its business model. In addition, this was a repeat failing that demonstrates a lack of adequate and timely remediation. This is a significant aggravating factor in this case, leading to an uplift in the penalty."

Raphaels is a retail bank providing banking and related financial services. Its payment services rely on outsourced service providers to perform certain, including the authorisation and processing of card transactions.

The bank failed to have adequate processes to enable it to understand and assess the business continuity and disaster recovery arrangements of its outsourced service providers, particularly how they would support the continued operation of its card programmes during a disruptive event. The absence of such processes posed a risk to Raphaels' operational resilience and exposed its customers to a serious risk of harm, say the regulators.

On 24 December 2015, an incident caused the complete failure of the authorisation and processing services it provided to Raphaels and lasted over eight hours, with 3,367 customers unable to use their prepaid cards and charge cards.

Raphaels' specific failings in relation to the incident resulted from deeper flaws in its overall management and oversight of outsourcing risk from board level down.

The joint FCA and PRA investigation identified "a lack of adequate consideration of outsourcing within its board and departmental risk appetites, the absence of processes for identifying critical outsourced services and flaws in its initial and on-going due diligence of outsourced service providers".

Henry Vilar

Hong Kong grants four more virtual bank licences

The Hong Kong Monetary Authority (HKMA) has granted virtual bank licences to Ant Financial, Xiaomi and AMTD Group, PING AN's OneConnect and Tencent.

Xiaomi and AMTD's bank is a joint project called Insight Fintech.

According to the firms' business plans, they aim to launch their banks in six to nine months.

The HKMA is now working closely with a total of eight virtual bank licensees to help them prepare for launch, says Norman Chan, chief exec at the HKMA.

Chan adds that the launch of these banks and granting these licences aims to champion Smart Banking Initiatives in the city, and that the HKMA will monitor how these banks are doing after launch.

There is a total of 160 banks licensed in Hong Kong.

The city estate has been granting these types of licences to increasingly more banks. Just recently, FinTech Futures reported on a joint venture between Bank of China (BOC) Hong Kong, JD New Orbit Technology and JSH Virtual Ventures Holdings (JSHVV), which acquired the same licence for a new virtual bank.

Just before then, ZhongAn Technologies International was also granted a virtual banking licence by the Hong Kong Monetary Authority, as was a joint venture between Standard Chartered, HKT, PCCW and Ctrip Finance.

Henry Vilar

Amaiz launches banking app for entrepreneurs

Amaiz, a UK-based fintech, has launched its first business banking app for UK entrepreneurs.

The business current account for sole traders will be accessible via Amaiz's sleek mobile app, which also includes financial health overviews, 24/7 in-app customer support and accountancy assistance.

Although sole traders can use their personal bank account for their trading activities, mixing personal and business expenses often means investing more time and effort into managing their cashflow and keeping records for tax compliance checks.

"Having all business-related operations together in one place will help you run your finances easily and focus on what really matters – development and growth. This is what Amaiz is about," says Sergey Dobrovolskiy, founder of Amaiz.

Amaiz aims to release customers from time-consuming admin and paperwork by bringing together fast, convenient banking service with smart back-office and accounting tools.

The fintech currently operates in the UK market only, with free trials beginning this month until early September.

Sharon Kimathi

IBM chosen to support Canada's RTGS platform

Payments Canada has selected IBM as the lead technology partner for next-generation real-time gross settlement (RTGS) system Lynx.

IBM Canada will provide combined hosting and system integration services for end-to-end delivery and system operations for the new high-value payment system, Finextra reports.

The role will include offering security expertise and support for the launch, including the move to Lynx from the country's current large value transfer system.

Along with daily operations, IBM Canada will also oversee SIA, which won the build contract earlier this year.

"The onboarding of IBM Canada as lead technology partner will help to ensure we deliver the highest international security, resilience and operating standards for high-value payments in Canada," says Gerry Gaetz, president and CEO of Payments Canada.

He adds: "This is a key partner to join us along the modernisation journey as we establish a foundation for payments that will strengthen Canada's competitive advantage on the global stage."

Lynx is a core part of Payment Canada's major modernisation initiative, created in response to international risk standards and the new ISO 20022 messaging type.

Jane Connolly

Five banks fined €1bn for rigging foreign exchange market

Five banks – Barclays, RBS, Citigroup, JP Morgan and MUFG – have been fined a total of €1.07 billion by the European Commission for currency rigging.

According to the BBC, individual foreign exchange traders had used online chatrooms to exchange trading plans and occasionally co-ordinate their trading strategies between 2007 and 2013.

UBS was excused from penalties because it revealed the existence of the cartels.

Four banks – Barclays, RBS, Citigroup and JP Morgan – were fined a total of €811 million for being in the "Banana Split" cartel. Barclays and RBS were penalised again, along with MUFG, €285 million in all for the "Essex Express" cartel.

The Commission's investigation, which began in September 2013, revealed that most of the traders knew each other personally, with some having met on a train.

The BBC reports that the traders exchanged information that could enable them to make informed market decisions about buying and selling the currencies in their portfolios. This information related to outstanding customer orders, open risk positions in different currencies, prices applicable to specific transactions and other details about current or planned trading.

RBS and Barclays both say they have made provision to cover the fines. However, the investigation could open the door for those affected by the cartels to sue the banks.

Lambros Kilaniotis, a partner at law firm RPC, tells the BBC: "If they haven't already, any party involved in forex trading, such as institutional investors, pension funds and large corporates, should now be reviewing what losses they have incurred."

UBS states that it is a legacy matter and the bank has made "significant investments" to strengthen its control framework.

Jane Connolly

Tink secures strategic investment from PayPal

Swedish open banking solution provider Tink has unveiled PayPal as its latest investor and customer. Tink describes the development as a "major vote of confidence in our tech and an indicator of the strength of the open banking movement in Europe".

The funding will help drive Tink's continued expansion across Europe. The investment from PayPal adds $11.2 million to Tink's capital, boosting the fintech's funding total to more than $105 million. As Tink's newest partner, the payments giant plans to leverage Tink's account aggregation technology to enable its European customers to connect their bank accounts to their PayPal accounts.

"It's a testament to the versatility of our technology – it can be implemented to improve a range of use cases for businesses big and small," Tink states.

Offering account aggregation and payment initiation services via a single, API integration – as well as data enrichment and categorisation and personal financial management (PFM) services – Tink helps fintechs to maximise the opportunities of open banking. More than 1,400 developers are using Tink's API platform to access financial data from hundreds of banks and financial institutions in markets across Europe. This access is paving the way for what the company called "the next generation of financial services".

VP of global markets and partnerships for PayPal, Jennifer Marriner, echoes Tink's enthusiasm for the transformative potential of open banking. "Tink has developed the infrastructure and data services for this new financial world – and we're excited to work together to continue to democratise financial services," says Marriner.

The funding will help drive Tink's continued expansion across Europe. In recent months, the fintech has partnered with NatWest in the UK, Mash in Finland, and Lunar Way in Denmark. The company began the year with both a big funding – picking up €56 million ($63 million) in a round led by Insight Venture Partners – and a significant expansion, going live in five new European markets.

David Penn, Finovate

Indonesia launches QR code standards

Bank Indonesia (BI), the country's central bank, has launched its Quick Response Indonesia Standard (QRIS) code system, a new type of QR code standards, aiming to homogenise cashless payments nationwide.

QRIS is, overall, a more complex QR pattern and it allows users from one payment service to transfer funds to any rival service under BI's umbrella.

The Jakarta Post reports that customers using e-wallet services such as LinkAja, for example, could transfer funds to a shopkeeper using OVO, a different e-wallet service.

All it needs is that at least one party has a QRIS code.

"QRIS allows QR-code-facilitated payments to be interconnected and interoperable through a single standardised code," said BI governor Perry Warjiyo during the launch ceremony in Jakarta.

The central bank has been developing QRIS since early last year.

Since then, it has sought partnerships with financial institutions, banks, interbank network providers and e-wallet T-cash (now LinkAja). BI based the QRIS pattern on the Europay, Mastercard and Visa (EMV) international standard.

The central bank's deputy governor Sugeng says the standard's deployment cost was lower than, for instance, chip cards and RFID tags, which would have been a standardisation alternative.

QR code deployment could be as cheap as printing the code and downloading a smartphone app, not requiring the expense of buying an EMV reader.

Sugeng, Bank Indonesia

"We believe that such a modern fast payment system is vital to support economic activity in Indonesia, where economic growth is still at around 5%. We believe that if the digital economy players leverage this new payment system, growth may be above 5% in the years to come," adds Sugeng.

Henry Vilar

Zenus Bank launches aiming to serve global clients

Zenus Bank is a new bank in the US and Puerto Rico that, according to its page, is designed for global clients.

According to the new institution, Zenus enables financial inclusion, not only at a global level but "also across all levels of society".

This means that it aims to resolve the local residency requirements that all top-tier banks have in accepting foreign clients, as it has an international banking licence.

"We accept individuals and businesses to apply remotely for a multi-currency bank account and debit card using our advanced digital banking technologies", it says.

Headquartered in San Juan, Puerto Rico, the bank is led by Jose A Diaz-Ortiz as CEO.

The bank has opened a waiting list, and will offer services for retail, businesses and institutions.

Zenus expects that it will initially be offering bank accounts and a multi-currency debit card before expanding to other services such as merchant processing, investment accounts and correspondent banking.

Henry Vilar

Mizuho said to be rolling out Flexcube core banking tech

One of Japan's largest banks, Mizuho Bank (Mizuho Financial Services), is understood to be implementing Oracle FSS's Flexcube to modernise its corporate and commercial banking business.

The bank is believed to be embarking on a multi-year project to replacing multiple systems across its international operations, leading to standardisation on Flexcube, linked to a number of other Oracle FSS applications.

The project was hinted at in Oracle FSS's latest financial results, which stated: "A leading Japanese bank has extended its relationship with Oracle by signing a deal for Oracle's Core banking, Limits

Imagesource: Bloomberg

and Collateral Management, Corporate Lending, and Analytical Application Software solutions."

The bank uses a range of platforms in its international operations, including Finastra's old MidasPlus workhorse in Europe (the bank has operations in London, Frankfurt, Paris, Amsterdam, Milan and Madrid) and Asia.

Mizuho provides a wide range of services including syndicated loans, acquisition financing, trade finance, risk management, working capital and structured finance plus treasury operations covering deposit taking and foreign exchange, current account and cash management services.

No one from Oracle FSS was willing to comment.

Martin Whybrow

NEWS

Eurobank plans front-to-back transformation with Temenos

Eurobank Group is to overhaul its core and digital banking with Temenos' T24 Transact and T24 Infinity.

The project will cover the group's international operations. It will start in Cyprus, with the intention of swiftly moving on to Eurobank Private Bank Luxemburg, with Eurobank Bulgaria AD (Postbank) and Eurobank AD Beograd (Serbia) also on the roadmap.

The project comprises a full IT renovation programme. The bank has also taken Temenos' WealthSuite for Cyprus and Luxembourg, with the aim of reducing time-to-market for new products and services and improving automation of its private banking operations.

Also in the mix is Temenos Analytics to support Eurobank's marketing campaigns. Development tools, which will use the T24 APIs, are intended to speed up building and deploying applications around the core.

In terms of the initial project in Cyprus, Stavros Ioannou, deputy CEO and group COO, Eurobank, comments: "We look forward to this co-operation, as this is the first stage in the wider implementation of Temenos banking software across the group."

Ioannou describes the project as supporting the bank's "vital digital transformation journey", which is intended to shape "advanced relationships" and provide customers with "high-quality service and a vast variety of innovative and tailor-made products".

The bank currently uses a range of legacy international and Greek packages, including Oracle FSS's Flexcube in Serbia and CSoft's VCSBank++ in Bulgaria, *Banking Technology* understands. The holding group is Greece-based EFG Eurobank Ergasias.

Martin Whybrow

Oracle FSS gains two new core banking tech clients in Eastern Europe

KDB Bank Europe in Hungary and Všeobecná úverová banka (VUB) in Slovakia have opted for the Oracle FSS core banking software, Flexcube, *Banking Technology* understands.

No comment was provided by the vendor on these deals.

KDB is a subsidiary of Korea Development Bank, operating in Hungary since the early 1990s. It provides retail and commercial banking services.

In its recent financial results, Oracle FSS mentions "an established banking player in the Hungarian financial sector which provides universal banking services", which signed for Oracle Banking Payments and Flexcube.

It is understood Flexcube will replace the legacy KoreBank system from Korean technology vendor Hyundai Information Technology.

At VUB, Oracle's software will replace the legacy Hogan core banking system, provided by US tech heavyweight DXC Technology (formerly CSC), it is understood. VUB is one of a dwindling number of Hogan's remaining sites across the world.

Banking Technology understands that Temenos and Infosys were also bidding for this deal.

VUB is Slovakia's second largest bank, and is owned by Italian financial services group Intesa Sanpaolo. It has over 230 locations across the country (plus one branch in the Czech Republic) and employs nearly 4,000 people. It is the only universal bank in Slovakia licensed to provide the full range of banking services to the public, corporate and institutional clients. It offers mortgages and consumer loans, deposit and payment products and services, corporate banking, financing of foreign trade activities and factoring.

As exclusively reported earlier by *Banking Technology*, Municipal Bank in Bulgaria has also opted for Flexcube.

Tanya Andreasyan

New Medici Bank to harness technology to "reawaken" innovative spirit

A descendant of the original Medici banking family has launched a digital bank, Medici Bank, in Puerto Rico.

The co-founders are Prince Lorenzo de' Medici and Ed Boyle, former Fidor Bank Americas managing director. The fully-licensed, US chartered bank will target international businesses and family offices.

Medici Bank is promising "convenient, transparent and easy-to-use services for customers that need a fast, secure banking option". It was "born out of frustration with the current financial services landscape". It will use a modern technology base – as yet unspecified – and will seek to be faster, lower-cost and more transparent than incumbent banks.

De' Medici hopes the new bank will be a "reawakening" of the innovative spirit of his 14th century Florentine predecessors. He says: "We are reimagining modern-day banking by leveraging technology that creates seamless, digital customer experiences and expands financial opportunity across global markets."

De' Medici will lead business development and strategic partnerships; Boyle will be CEO. Boyle has also worked at American Express and Blade Payments.

Among the technologies the new Medici bank is hoping to harness is blockchain.

Boyle says: "We prioritise the needs of digitally native businesses and address the friction and inefficiencies that exist with established banking options.

"We are building Medici Bank from the ground up, not reliant on aged infrastructures nor as an overlay on traditional banks. This is uncommon, especially in the US where licensed challenger bank options are few and far between."

Martin Whybrow

Facebook eyes payments market with new Swiss fintech

Facebook has set up a new fintech company in Switzerland with a focus on payments, blockchain and more.

The social network – currently used by more than two billion people worldwide – registered Libra Networks in Geneva, with Facebook Global Holdings as stakeholder.

The register reportedly reveals that the company will provide financial and technology services and develop related hardware and software, focusing on "investing, payments, financing, identity management, analytics, big

data, blockchain and other technologies", according to a Reuters report.

Facebook, which also owns WhatsApp, Messenger and Instagram, has received attention over allegations of misuse of consumers' personal data.

In May this year, a concerned US Senate wrote an open letter to Facebook's CEO Mark Zuckerberg, following news that the business was developing a cryptocurrency-based payments system.

The letter stated that privacy experts had asked "whether any of the data collected by Facebook is being used for purposes that do or should subject Facebook to the Fair Credit Reporting Act".

Jane Connolly

Orange joins Raisin's €100m Series D investment round

Orange Digital Ventures has joined the €100 million Series D investment round for pan-European savings marketplace Raisin.

Existing investors Index Ventures, PayPal, Ribbit Capital and Thrive Capital also participated in the round. The funds will enable Raison to expand its core service in at least two European markets this year and extend its line of investment products.

Orange's strategic objectives for mobile financial services include two key initiatives with Orange Bank in Europe and Orange Money in Africa. The two companies plan to benefit from each other's technological assets, while aiming to change the banking market.

"Orange Digital Ventures has been impressed by Raisin's team, vision and achievements and is now pleased to participate in Raisin's quest to become the leading global financial marketplace for savings and investment products," says Marc Rennard, chairman of Orange Digital Ventures. "ODV will bring all its support to Raisin's expansion into new markets and product development."

Raisin CEO and co-founder Dr Tamaz Georgadze says: "It's particularly exciting for us because Orange has a proven track record, as both a successful international mobile operator and an accomplished financial technology provider. In addition to the investment, we do see potential synergies and concrete partnership opportunities with Orange Bank."

With over 75 partner banks, Raisin offers at least 250 savings products to more than 175,000 users in 31 countries. The platform provides banks with access to markets, liquidity across Europe and the opportunity to offer a one-stop-shop savings and investments portfolio directly integrated in their web and mobile interface.

Jane Connolly

Starling partners with paytechs Tribe and PelicanPay

Starling Bank has partnered with PelicanPay and newly launched paytech, Tribe, to provide more businesses with the latest payment services.

The deals were announced at Money2020 Europe. Starling will work with PelicanPay, the payments and financial crime compliance platform, to deliver complete pan-European invoice to payables automation for small businesses, along with online e-commerce merchant payment services. PelicanPay will use Starling's payment processing platform to offer a PSD2-compliant open banking hub, which integrates with accounting packages to automate payments and account reconciliations.

Starling has also teamed up with new modular issuer and acquirer processor, Tribe Payments. Utilising Starling's secure and the second payment services directive (PSD2) compliant APIs, Tribe can offer its customers real-time access to faster payments, direct access to Bacs (direct debits and credits) and full bank grade accounts with a unique virtual account offering.

Founded by Suresh Vaghjiani, who has worked with fintechs such as Starling, Curve, Monzo and Revolut, Tribe aims to rebuild back-end payments using its modular, containerised technology platform ISAAC.

The paytech's launch was also announced at Money2020 Europe, along with the news that Tribe will be among the first issuer processors in Europe to be certified to allow banks to issue UnionPay cards, which have the world's largest cardholder base.

Tribe is Europe's only issuer processor working with Mastercard, Visa and UnionPay International.

Vaghjiani says: "Our team of renowned payment experts, combined with our modular platform, means that innovative payment providers no longer need to compromise between speed and scale."

Tribe aims to avoid the restrictions of legacy systems, slashing the delivery time for new products.

Jane Connolly

Nigerian banking start-up favours Oracle FSS

Nigeria-based Titan Trust Bank has selected Oracle FSS for its core and digital banking technology, it is understood. The start-up bank recently obtained its licence by the Central Bank of Nigeria.

It is understood that Temenos and Infosys also competed for the deal. The shortlist came down to the two most widely installed international core systems in Nigeria, Infosys' Finacle and Oracle FSS's Flexcube.

The Nigerian banking sector has seen a great deal of upheaval over the years, with many mergers, start-ups and closures. Flexcube is a well respected name since the late 1990s (the pioneer was Access Bank, now one of the country's top five banks) and has been a commonly selected platform since then.

The new bank is believed to be one of five to have gained regulatory approval of late (Globus Bank is another). Local media sources say the new licences stem from the Central Bank's desire to attract new investments into the sector and better serve the country's 50 million-plus unbanked and under-banked citizens.

Titan Bank is said to be headed by a former executive director of Heritage Bank (which is a Finacle user).

Oracle FSS did not respond to request for comment.

Martin Whybrow

TransferMate lands major deal with WellsFargo

Payments company TransferMate has won a major deal to handle global payments for US banking giant Wells Fargo.

The Kilkenny-based fintech will see its platform exclusively handle all Wells Fargo's inbound payments into the US from overseas.

TransferMate will add a team of 25 staff in New York and North Carolina and a further 25 staff in Kilkenny to manage the Wells Fargo partnership.

The paytech's co-founder and chief executive Terry Clune says that the Wells Fargo deal was a step in TransferMate's efforts to replace the Swift system used by most banks.

"We went through a two-year due diligence process with Wells Fargo and we are the only fintech company they have chosen to administer their inward payments globally," says Clune. "For other banks, that vetting and compliance that we have gone through makes us a much easier choice."

TransferMate has agreed major investment deals with AIB and Dutch giant ING, which last year valued the company at €350 million.

The firm is also heavily focused on Asian expansion and has regulatory approval to operate in Singapore. Regulatory approval is pending in Hong Kong.

Henry Vilar

Standard Chartered partners with IBM to launch Trade AI Engine

Standard Chartered and IBM aim to transform the largely paper-based Trade Documentary System with the launch of a pioneering augmented intelligence (AI) engine.

By significantly automating the time-consuming and high-risk traditional process, the Trade AI Engine will reduce manual back office tasks to improve operational efficiency and control.

Trade AI Engine can convert non-digital shipping documents into machine-readable format using Optical Character Recognition (OCR) and identify different types of document from a pre-defined database.

The engine also utilises Natural Language Processing (NLP) to read and capture context, while continuous machine learning will enable the system to further improve accuracy. Standard Chartered processes more than 36 million pages of trade documents every year, capturing 200 million data elements.

Lisa Robins, global head, transaction banking at Standard Chartered, says: "The Trade AI engine significantly reduces the amount of time and effort in this review process while raising the bar on our controls environment, further enhancing our ability to play the connector role for our clients by facilitating transactions at pace with the growth of their businesses."

Trade AI Engine is currently live in key markets across Asia, Africa, the Middle East and the UK.

Additional markets – including Japan, Hong Kong, Singapore, China and the US – will follow.

Jane Connolly

Student digital current account Loot enters administration

Digital banking start-up Loot has entered administration after a sale to investor Royal Bank of Scotland (RBS) collapsed.

The fintech, which was founded in 2014 to provide a digital current account for students, has called in Smith and Williamson to oversee the administration.

RBS owned a 25% stake in Loot through NatWest's developing digital bank Bo and had already invested £5 million before the potential sale fell through.

The fintech had hoped to raise money from its 175,000 customers via a crowdfunding campaign, but it was forced to go into administration before the round could begin.

Loot – not to be confused with online marketplace loot.com – did not have a full banking licence. It operated under an electronic money licence through a partnership with Wirecard, which is regulated through the Financial Conduct Authority (FCA).

Jane Connolly

Global Payments and TSYS agree mega-merger

Merchant acquirer Global Payments has agreed to buy issuer processor firm Total System Services (TSYS) in a $21.5 billion deal. The two companies confirmed the deal on 28 May in what will be the payment industry's third "mega-merger" of 2019. The all-stock deal values TSYS at $119.86 per share, a rise of 20% since before news of the talks started to emerge.

Global Payments shareholders will own 52% of the combined company, while TSYS investors own 48%. TSYS CEO Troy Woods will become the chairman.

Jeff Sloan, Global Payments' CEO, will lead the combined company. He says: "The pace of change in the industry driven by innovation in technology, coupled with the need to have additional scale, had made this deal a function of a matter of time."

The combined entity will provide payment technology and software to more than 3.5 million small to medium-sized merchants and more than 1,300 financial institutions worldwide.

It is expected that the deal, anticipated to close in the fourth quarter, will generate about $8.6 billion in adjusted net revenue annually plus network fees and make cost savings of $300 million.

The deal follows Fiserv's $22 billion takeover of First Data and FIS's acquisition of Worldpay for $34 billion earlier this year.

Jane Connolly

UK is fintech world leader with £4.5bn investment in three years

The UK is now leading the world in fintech, with high-growth businesses receiving over £4.5 billion investment between 2015 and 2018.

News that the UK is the top global hub for fintech came in the Tech Nation Report 2019, which also revealed that the UK is fourth in the world for overall scale-up investment, behind the US, China and India.

Fintech scale-ups received almost double the investment of the next most popular UK tech sectors: e-commerce, gaming and Software-as-a-Service (SaaS).

"As global connections become ever more important for the health of our tech economy, there is a responsibility for us to understand how we can best engage with global collaborators, investors and partners," says Eileen Burbridge, chair of Tech Nation. "The UK is a shining light and a nation punching well above its weight in the world, so we need to keep these connections close to mind on the scaling journey of our ambitious, high-growth companies."

The report mentioned that deal size disparity is growing. The top tech deal to occur in the UK during that three-year period was the acquisition of London online payments company Skrill by Paysafe Group for £785 million in 2015.

Jane Connolly

Mastercard boosts Bill Pay Exchange

Mastercard has agreed to acquire bill payment platform Transactis, which will enhance the imminent Mastercard Bill Pay Exchange solution.

Due for full launch later this year, Mastercard Bill Pay Exchange is a digital solution that aims to make bill payment simpler for consumers, by allowing them to manage a variety of bills on one platform.

Transactis' technology makes digital payment services available even to small businesses, to remove the inefficiencies that can be caused by paper bills and cheques.

Bill Pay Exchange is offered to banks and credit unions through a core set of APIs, providing the choice of all payment types through the consumer's online or mobile banking app.

The acquisition of Transactis will enable Mastercard to address bill payment needs in online bank applications, as well as in billers' websites.

Colleen Taylor, executive vice president of new payment platforms, North America for Mastercard, says: "Transactis' technical and commercial know-how, combined with our reach and comprehensive payment options, will greatly simplify the entire process. We'll be able to deliver a better real-time consumer experience, from sign-up to viewing and paying bills, leveraging the investments that have been made in the core infrastructure."

The transaction is expected to close in Q2 of this year.

Jane Connolly

TrueLayer looks to expand with $35m investment

UK-based open banking fintech, TrueLayer, has gained $35 million in investment funding. This will be used in part to expand the three year-old company's presence in continental Europe.

Initial investors were Connect, Northzone Ventures and Anthemis Group. Leading the latest round of investment are Chinese tech giant, Tencent Holdings, and Singapore government-owned fund, Temasek. Northzone and Anthemis are also participating in the latest funding.

This makes the total funding raised by TrueLayer to date as roughly $41 million.

TrueLayer is one of a number of fintechs seeking to provide solutions to enable open banking, by connecting and consolidating data from multiple providers. It has an API to access data from users' bank accounts and cards. It also has a payments API to allow users to initiate payment transactions directly from their bank accounts and receive money instantly by an API call. The fintech claims connectivity for the UK, with Germany in beta, and France, Italy and Spain to follow.

TrueLayer is expected to use the funding to expand across Europe. Among its existing customers are Monzo, peer-to-peer lender, Zopa, and Experian-owned Clearscore, which gives UK customers free access to their credit scores and reports.

Martin Whybrow

NEWS

Grasshopper Bank opens for business with digital focus

US start-up, Grasshopper Bank, has opened for business, having completed a private placement offering and gained all final regulatory approvals. A key differentiator is intended to be its digital platform. For its technology, the bank opted for Temenos' T24 Transact core banking system.

Grasshopper Bank will serve innovation economy companies and capital communities in New York and in other major US innovation economy centres. It opened for business on 13 May for a select group of entrepreneurs and venture investors, with a broader rollout of its services planned in the coming months.

Image source: Fintech Ranking

Grasshopper Bank CEO, Judith Erwin, says: "Traditional banks, limited by antiquated and burdensome legacy systems, are less equipped to meet the needs of early stage companies. Their business models and infrastructure do not position them to provide products and services for today's digital entrepreneur at affordable prices, or to take advantage of new technologies around data, security and user-friendly access.

"In contrast, Grasshopper Bank will act as a partner with entrepreneurial companies, delivering digitally-driven, streamlined services that give management teams more efficient command of day-to-day financial operations."

The bank's CTO and co-founder is Minerva Tantoco, who has held senior positions at UBS, Merrill Lynch and Fannie Mae, and served as the first CTO of the City of New York.

Erwin was founding EVP of venture capital services at Square 1 Bank, from its launch in 2005 to its IPO in 2014 and its ultimate sale in 2015 to Pacific Western Bancorp. She has previously worked at Comerica, Imperial Bank and Plaza Bank of Commerce. Overall, the bank claims its senior management team has more than 200 years of experience in commercial banking and financial services.

The Grasshopper private placement raised approximately $116.2 million, which followed an earlier seed round offering that raised $15 million. Combined, this is believed to be the largest capital raise for a start-up bank in the US.

Martin Whybrow

Blockchain initiative Fnality International gets £50m capital

A new London-based company, Fnality International, has received a total of £50 million in capital to lead the utility settlement coin (USC) project, which aims to develop a more efficient blockchain-based payment mechanism.

The USC initiative was set up by UBS in 2015 – the project focuses on cutting the costs, time and risk involved for international transfers.

The bitcoin-like token, which can be used for payments and to transmit all transaction data, will reflect foreign exchange rates and enable immediate payments. Fourteen banks have contributed to Fnality, with ING being the latest to join.

"We see that tokenisation of assets and the use of distributed ledger technology offer huge potential for our industry," says Annerie Vreugdenhil, head of wholesale banking innovation at ING.

"With Fnality we are setting the standard in the financial market infrastructure of tomorrow. Our collective goal is to make settlement processes as easy as possible and we are very excited to be part of this industry-wide effort."

Initially, the USC system will work with US dollars, Canadian dollars, pounds, euros and yen.

Jane Connolly

SettleGo signs for ClearBank's payment access services

ClearBank has gained SettleGo as a customer for its Banking-as-a-Service offering. SettleGo is an international e-money institution and will use ClearBank to access real-time payments services across the UK's Chaps and Faster Payments. The service will also facilitate real-time account creation and addressable UK IBANs associated with each account for SettleGo's customers.

ClearBank offers banks, financial institutions and fintechs access to UK payment systems and core banking technology to support current account capabilities.

SettleGo targets small and medium sized businesses with international payment services spanning low-cost foreign exchange facilities, multi-currency IBANs and international and domestic transfers.

The main reason for the selection, cited by SettleGo, is to expand its payments capabilities. Its strapline is: "Faster Access To Your Revenues. Collect. Convert. Settle."

ClearBank was set up in 2015 and opened for business in autumn 2017, headed by Nick Ogden, founder and former CEO of payments processing heavyweight WorldPay.

Martin Whybrow

Credit Agricole plans €15bn tech investment in four years

Credit Agricole, the French bank for the agricultural sector, has allocated €15 billion for technological transformation for "greater efficiency".

This capital will be invested over the next four years, aiming to achieve a data-centric architecture in 90% of the group by 2022, as well as €300 million "in increased IT efficiency".

The group aims to have the totality of its IT staff trained in new technologies at the "new IT university". This is part of the plan to retrain its staff to be able to handle the new technologies that the financial group aims to test and implement throughout its business lines.

According to a document issued by the bank, "100% of emerging technologies" will be tested for new services. That's right, all of them.

The bank forecasted a very slow level of profit growth for the next four years, as it faces low interest rates and a potential deterioration in its loan portfolio.

In its previous plan, Credit Agricole had targeted a 10% increase in net profit from 2016 until this year but managed to deliver that a year ahead of schedule. The bank reported a 25% profit increase over the two years to 2018.

The bank expects an annual net profit of roughly €5 billion in 2022.

Henry Vilar

WorldRemit drives growth with $175m funding

London-founded mobile payments company, WorldRemit, is targeting further global growth and product diversification following a $175 million Series D funding round. The round was led by returning investors, TCV, Accel and Leapfrog Investments. The transaction is subject to customary closing conditions, including regulatory approval from the Financial Conduct Authority (FCA).

Since its launch in 2010, WorldRemit has attracted nearly four million customers, transferring money from 50 'send' countries to 150 'receive' countries.

"Our core purpose has been and continues to be to help migrants send money to their families, friends and

Breon Corcoran, WorldRemit

Image source: WorldRemit

communities," says WorldRemit CEO, Breon Corcoran. "Our mission is to help them transfer money as securely and speedily as possible while reducing the cost to our customers. We will grow our business through differentiation on speed, service, security and value."

TCV general partner, John Doran, says: "In 2018, mobile and online payments to emerging markets reached a record high of $528 billion and we expect this number to increase." He adds that he looks forward to the firm continuing their work with WorldRemit to scale its digital platform and expand its services to reach many new customers across the globe.

Having already become one of the first UK financial service firms to secure licences in all 50 US states, WorldRemit is aiming for further global growth. The company also plans to launch a new money transfer product for SMEs who trade internationally, particularly in emerging markets.

Jane Connolly

Iccrea chooses Appian to serve 4.2m Italian customers

Iccrea Banking Group – recently created from a merger of 142 small Italian Cooperative Credit Banks (BCCs) – has chosen Appian's low-code platform to automate key processes.

To enhance customer support and service delivery, while reducing complexity and manual tasks associated with regulatory compliance, Iccrea will roll out a number of applications on Appian.

These will include accounts payable approval, fraud management, IT support, new product introduction and management of banking, financial and retail insurance products in compliance with the European Product Oversight Governance (POG) regulation.

Iccrea and the BCCs in the group serve 4.2 million customers, with around 2,650 branches across 1,700 Italian municipalities – making it the country's fourth largest banking group by assets under management.

"Our vision consists of creating an architectural layer for modernising and automating our core banking processes," says Iccrea's head of organisation and projects, Cristiano Pietrosanti. "Appian's low-code platform allows us to measure key processes for performance and efficiency, which enables continuous improvement."

The group's partnership with Appian aims to enhance service quality, gain greater speed in operations and to deliver exceptional customer experiences across any platform.

Iccrea has set up a new continuous improvement and innovation team, which utilises lean six sigma methodologies and intelligent automation technologies to accelerate the development of applications.

Jane Connolly

Image source: Appian

Cloud adoption: the future for the back office?

An increasing number of banks are moving back office applications to the cloud. *Peter Hainz* of SmartStream investigates this trend.

Faced with rising data volumes, greater regulation and burdensome legacy infrastructure, as well as increased competition and demands for improved customer service, banks are under huge pressure. With growing acceptance of cloud strategies across the industry, and greater reassurance as to the cloud's security, banks are becoming interested in moving back office applications there.

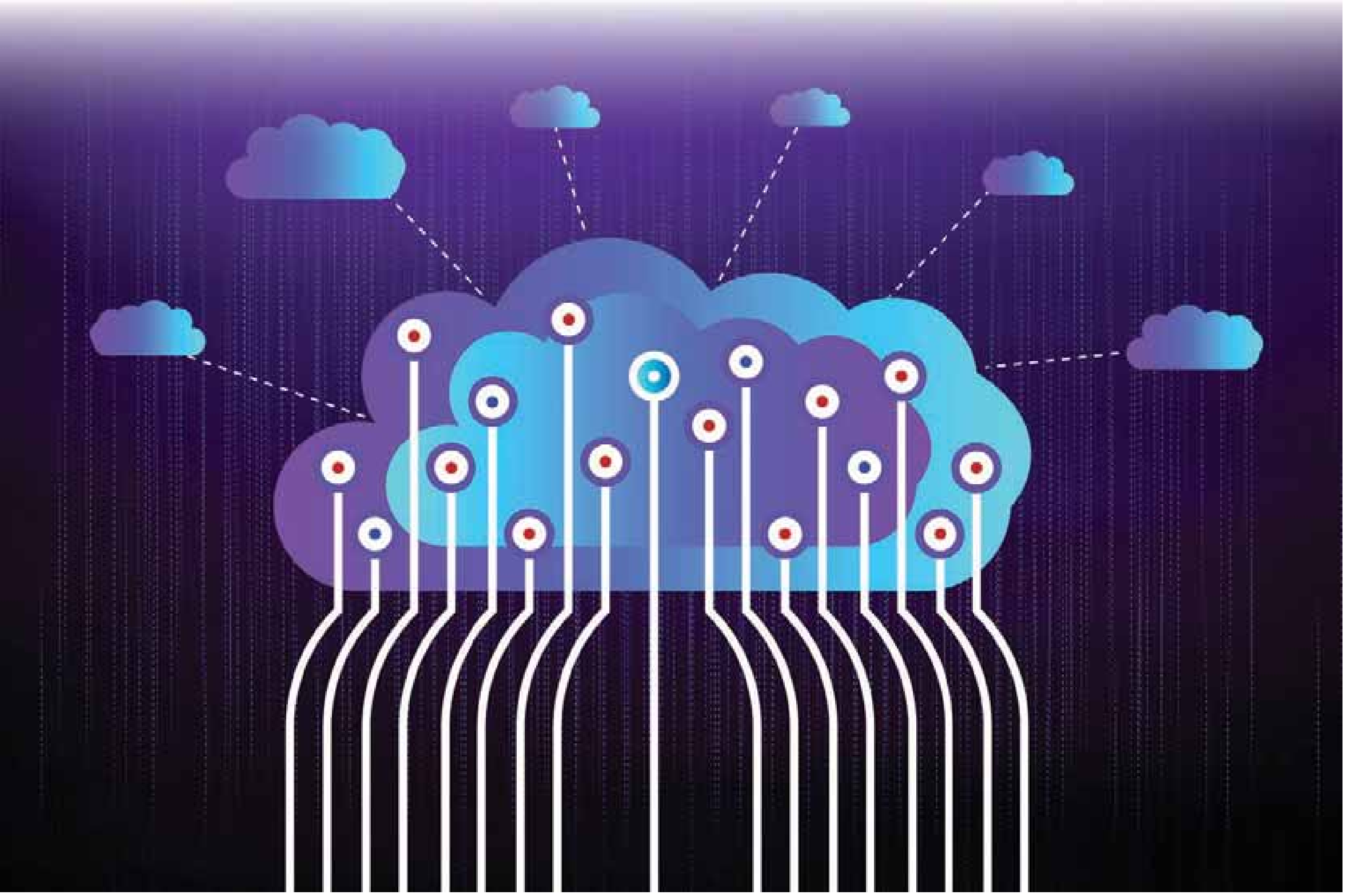
Responding to industry feedback, SmartStream offers cloud-based support and management for its applications. It provides a tiered, three-stage process. The first stage sees SmartStream maintain a client's applications from an IT perspective. If required, clients can progress to a second step, with SmartStream taking on IT change management. To further drive down overheads, some firms move beyond pure cloud services to a third level – full business process outsourcing.

How can cloud adoption help financial institutions manage their back offices more cost-effectively and efficiently?

REDUCING OVERHEADS

Moving back office applications to the cloud enables firms to reduce the total cost of ownership. Overheads are minimised as no hardware is required, nor are software licences needed. Software and hardware upgrades are performed by the vendor, while support and user training costs are brought down, too.

Where such services are offered on a transaction volume-based model, improved budgetary control can be achieved. The cost structure can be treated as part of the operational budget, which financial institutions prefer to up front capital expenditure. The model may also be scaled up and down to suit business requirements and budgetary pressures.



A RAPID, COST-EFFECTIVE ROUTE TO ADOPTING NEW TECHNOLOGY

Financial institutions want to upgrade their technology but are keen to avoid lengthy, expensive implementations. The cloud provides a quick, cost-effective adoption route. Clients are live within weeks, while dependence on in-house staff for hardware set-up, software installation, configuration, training and maintenance is reduced, or even eliminated.

HARNESSING THE POWER OF DATA: AI ANALYTICS AND MI DASHBOARDS

The scalability and flexible storage capacity of the cloud make it an excellent platform from which to analyse data. Artificial intelligence (AI) analytics can be run on large amounts of information to provide business insights and increase competitiveness. In the case of transactions management, AI may potentially support firms to achieve faster data loading and exception management.

Financial institutions want to trade more efficiently and are interested in measurable outcomes that can be tracked via management dashboards. Building the tools to gather such business intelligence is time consuming and hard to achieve in house. SmartStream has developed message interface (MI) dashboards as part of its cloud offering. These can be used to analyse trades; for example, to monitor manual rates, automated matching rates and straight-through processing (STP) rates.

"Taking care of upgrades binds in-house resources. Putting applications into the cloud, where they can be managed by the vendor, alleviates this."

Peter Hainz, SmartStream

REGULATORY APPROVAL OF CLOUD-BASED SERVICES

Regulators' changing attitudes are also playing a role in encouraging cloud adoption by the financial sector. De Nederlandsche Bank (DNB), the Netherlands' national banking regulator, was one of the driving forces in Europe that enacted legislation permitting financial institutions to use cloud-based services. FINMA has allowed the use of cloud-based services in Switzerland, too.

SECURITY AND DATA PROTECTION

Intensifying regulatory oversight and ever-expanding reporting obligations are driving cloud adoption. Security is an important issue – a vendor's platform hosting environment should comply with the highest standards of information security management.

SMARTER USE OF RESOURCES, UP-TO-DATE APPLICATIONS AND BEST PRACTICES

Financial institutions spend a great deal of time on manually intensive, on-premise tasks, such as manual matching. If a Software-as-a-Service (SaaS) platform solution is managed by the vendor, valuable in-house resources are freed up to concentrate on strategic projects.

Taking care of upgrades binds in-house resources. Putting applications into the cloud, where they can be managed by the vendor, alleviates this. The vendor will also ensure that applications are running on the latest version and are kept up to date with security and other patches. Additionally, software providers often guarantee industry best practices in relation to monitoring back-up, archives and other housekeeping tasks.

Blockchain in the cloud – financial institutions are building consortiums to develop blockchain applications. Thanks to its scalability, the cloud is a great place to establish blockchain services.

Business continuity – the cloud often provides superior business continuity and disaster recovery technologies to on-premise solutions. One reason for this is that cloud computing relies heavily on hardware independent virtualisation technology; another is that cloud services (for example, AWS) are redundant in different availability zones.

In conclusion, financial institutions are under greater pressure than ever to control costs and streamline back office operations. They are on the hunt for innovative, scalable solutions that allow them to update their legacy infrastructure, reduce the total cost of ownership and introduce other efficiencies – increasingly, they are finding these in the cloud. **bt**

CONFERENCE RECAP

FinovateSpring 2019: focusing on the digital future of fintech

By *Greg Palmer*, VP, Finovate

FinovateSpring returned to San Francisco last month, and it was a great week full of innovation, networking and strategising about the long-term future of fintech. With so many innovative companies and seasoned thought-leaders on stage, there are no shortage of takeaways from the event, but here are three that are especially worth mentioning.

AI IS OFFICIALLY HERE (AND IT'S LIVING UP TO THE HYPE)

Artificial intelligence (AI) has been a hot topic in fintech for a few years now, but it has finally reached the point where it can add value to banks' everyday operations. Previously, Finovate demos that focused on AI were sometimes heavy on amazing technological capabilities and light on real-world applications. That trend has turned around in a big way.

Of the 60 companies that were on stage at FinovateSpring, 25 incorporated AI and machine learning (ML) in some way. That's notable in and of itself, but what's more interesting to see is the variety of areas in which that technology is being applied. We saw AI applications being applied to areas such as alternative credit scoring, customer care, marketing/sales, financial advising,

Image source (all images): Finovate Conferences

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CONFERENCE RECAP

financial inclusion, stock-trading and call-centre, among others.

The initial promise that AI offered when we first started hearing about it is being realised, and fintech entrepreneurs are using the technology intelligently and creatively. Most importantly, though, the way we're talking about AI has shifted. The technology itself is no longer the focal point; what matters now is what you can get it to do. Or to put it another way, the conversation has progressed beyond "How does it work?" and moved on to the more important question: "Why does it matter that it works?" We saw a host of possible answers to that question offered by our FinovateSpring presenters, and we're still only just starting to scratch the surface of what's possible.

WHEN IT COMES TO DATA BREACHES, EVERYONE IS VULNERABLE

If AI is establishing itself as the engine that will drive fintech forward, data is its fuel. After all, a self-learning algorithm can only be as strong as the data that feeds it. Data, though, continues to represent a massive vulnerability for banks and fintechs alike.

During their demo, Best of Show winner Arkose Labs showed the audience just how easy it is for malicious actors to acquire compromised data and use it to commit fraud (needless to say, they also have a solution to help protect against that problem). In a different 15-minute keynote, Alissa Knight of Aite took the stage to release some troubling findings around how possible it is to use APIs to gain access to customer data and exploit vulnerabilities in mobile banking apps. BreachRx, another demoing company, went so far as to suggest that data breaches are essentially inevitable, which is why it focuses its technology on how to turn the response to a data breach into a routine business process.

Are data breaches becoming "routine?" Is any organisation immune? Based on what we saw and heard at FinovateSpring, my answers to those questions would be "yes" and "probably not", respectively.

IS THERE A REAL-WORLD USE FOR BLOCKCHAIN?

The first time I remember seeing a blockchain application on stage was in 2015, when Blockstack.io (since acquired by Digital Asset) showcased how it could build a custom blockchain for anyone who wanted one. In talking to the team during their pre-event coaching calls, it was clear that they had amazing technological know-how, but they weren't quite sure who should be interested in their tech or what their core value proposition should be. Now, four years on, it feels like the industry is still struggling with those fundamental questions.

At FinovateSpring, just five companies used "blockchain" as one of their self-selected keywords, and only three of those (ALTR, Cone and Finhaven) had blockchain technology at the core of their value prop. By contrast, AI first showed up on stage at Finovate in 2016, and now it has worked its way into nearly half of all the solutions that we saw on stage. This raises a fundamental question about how useful blockchain technology really is for banks and other FIs.

I want to be really clear that I enjoyed the demos from ALTR, Cone and Finhaven, and I would encourage anyone to take a look at their demos for themselves (available at fionvate.com/videos). That said, there has always been an idea that blockchain was a solution looking for a problem, and based on the number of companies we saw using it at FinovateSpring, it looks like the anticipated adoption of the technology by the industry is still a long way off.

Will blockchain become something that banks have to engage with similarly to the way they engage with AI? I certainly hope so. But the more time that passes before blockchain makes it into mainstream finance, the less likely it is that it will happen. **b**t

FINOVATESPRING BEST OF SHOW NOTES

■ Best of Show winner Voca.ai has now participated in three Finovate events and won a trophy each time. Making that more impressive is the fact that these events were on three different continents. It has now won at FinovateAsia in Hong Kong, FinovateEurope in London and FinovateSpring in San Francisco. The company's demo clearly resonates with audiences all over the world, and if you haven't heard of Voca.ai yet, now's the time to do some research on it.

■ Glia (formerly SaleMove) won its sixth Best of Show at FinovateSpring, taking it into a tie for second place on the all-time leaderboard. MX (formerly MoneyDesktop) and eToro also sit on six total wins, while Dynamics remains the all-time Best of Show leader with eight wins to its name.

■ Have you heard of The Venture Center in Little Rock Arkansas? You're certainly not alone if you don't immediately think fintech when you think Arkansas, but maybe you should. FinovateSpring Best of Show winners Neener Analytics (second win) and Invest Sou Sou (*pictured*, first win) both have ties to The Venture Center, joining previous Best of Show winners Bond.ai (FinovateFall 2018) and Alpharank (FinovateSpring 2017 and FinovateSpring 2018), who have also passed through one of The Venture Center's accelerator programmes. **b**t

Grand designs

In a wide-ranging interview, Lloyds Banking Group's chief design officer, *Dan Makoski*, talks to *Martin Whybrow* about his role, the need to listen to customers rather than follow the fintechs, what human-centred design means in financial services and why his "bullshit" meter went off when he first spoke to the bank.

Will one day every bank have an executive-level chief design officer (CDO)? One of this currently rare breed is Lloyds Banking Group's Dan Makoski, who has been in position since July 2018. He was previously at Walmart (vice-president of design) and, prior to this, at Google (head of design/ advanced technology and projects) and Motorola Mobility (global head of design research), among others.

In these pioneer CDO days – in financial services, at least – it seems pertinent to start by asking, why the switch to financial services and, at an even more basic level, what does a CDO do?

In Silicon Valley, it is now usual to find this role at a vice-president or other executive level but, says Makoski, "in the world of finance, there are not a lot of examples". Often, where there is a specific design function, it is at a middle management level and is about "tactical delivery", making things look "shiny". Where there are currently such senior level CDOs or equivalents, these tend to be in fintechs. That looks set to change.

"Design, like technology, is a strategic superpower that can be used to do incredibly bold things."

Dan Makoski, Lloyds Banking Group

Makoski's initial discussions with the UK bank started about three years earlier. In the end, what tempted him across was the bank's vision. He admits that when he first heard Lloyds Bank's 'Helping Britain Prosper' strategy, on the one hand he was excited about the potential social impact but, on the other, "my bullshit meter went off". Unveiled in 2014, that strategy states: "We believe we have a responsibility to help address some of the social, economic and environmental challenges that the UK faces".

After discussions with the bank, including with CEO, António Horta Osório, and transformation group director, Zak Mian, he was convinced that this wasn't a glossy sheen for business as usual and that the new CDO role was a key one for putting it into practice.

"Design, like technology, is a strategic superpower that can be used to do incredibly bold things," says Makoski. As a reflection of the challenge, he cites the Google autocomplete suggestions when you type in "My finances are…". Its top responses include "a disaster", "a mess", "out of control" and "making me depressed". "That Google search is why I'm here," he says.

Tangibly, the response means finding ways to help the most challenging households and people because, "if we can help them, then we know we can deal with all of the less complicated scenarios".

At present, it is a relatively small design team within Lloyds' 75,000 staff but there are "some bold intentions to build the capability". In Silicon Valley, the ratio of designers to engineers might be one-to-six or one-to-eight and there will not be this ratio within financial services but a team, already made up of a couple of hundred, is coming together at the bank.

The majority are new recruits, including apprentices, but some have moved from other parts of the bank, including branches and group IT, where they have shown a passion for design. The most important quality, says Makoski, is empathy – "a real desire to meet people's needs". These are "not just visual UX [user experience] designers" but have a range of social science backgrounds, including sociology, psychology and anthropology. There are also writers in the team, focused on how best to communicate with customers.

That need for empathy stems from the essential role of listening to the customer, inviting them in not merely to look at what is under development but to provide input from the outset. There is no point talking open banking or PSD2 with customers, Makoski points out, it is more about issues such as how they want to view and manage their finances in one place.

REIMAGINING A DIGITAL FUTURE

As an early example of the types of work being undertaken, the bank is integrating the Google Maps API with account statements, so that customers can click on a transaction and see where it was made. Apple Card is doing something similar.

"We need to reimagine our digital future from the perspective of customers," says Makoski. He points to Walmart, arguably the world's largest company based on many dynamics, with 2.6 million associates, which "completely redesigned every pixel associated with walmart.com". It focused on people, not competitors, and this is one of Makoski's key messages.

The bank is less focused on fintechs and its competitors than on its customers. With fintechs, "there is a lot to admire and it's great that they build a higher bar for everybody" and it is not that Lloyds Bank is "blasé, lazy or doesn't care" about them, challengers or its fellow big banks, but there's a danger of following the competition rather than your own strategy.

"We take more inspiration from the lives and experiences of ordinary UK citizens >>

> "I expected [the bank's large IT infrastructure] to be pretty antiquated and, while we do still have a mainframe somewhere, I was really impressed with our digital estate. In many respects, it is pretty darn good."
>
> **Dan Makoski, Lloyds Banking Group**

than the competitors, about the way they think about money," he says. As Microsoft, Google and Walmart have shown, "when you focus on customers, amazing things happen".

He believes the leap forwards could be comparable with some of the big tech milestones of the past, such as when command line interfaces replaced punchcards. Or when, in the first half of the 1970s, a Xerox Park researcher envisaged how people might want to use computers, creating a simple schematic that paved the way for the world's first GUI-based computer, Xerox's alto, from which Apple was born.

In the financial sector, he sees a likely transformation of the ledger. Although digitalised, it still reflects its 400-year-old heritage, now being little more than a spreadsheet and only informing about the past. "Numbers alone don't help ordinary people to prosper," he says. He anticipates a new design language that will fundamentally rethink how financials are presented, constituting a single snapshot of a person's overall financial health, including aspects such as their spendable cash, credit card debt and expenses.

GETTING SMART

Makoski also feels that smart contracts will have a role to play. This concept underpins the design of Thought Machine's emerging Vault platform (Lloyds invested £11 million in this UK company, taking a 10% stake, in November 2018). He believes smart contracts are "really interesting" and will allow for adaptive, flexible financial products, rather than the current "one-size-fits-all based on classes of risk". As is happening in car insurance, with premiums linked to customers' driving behaviour, so Makoski can see banking products similarly linked to individual customers' attributes where they are willing to share relevant information.

In terms of the technology to support this, artificial intelligence (AI) and robotics will have a role, so too virtual assistants ("providing a more conversational connection with their finances") and, "further out" mixed reality, providing financial information in context, such as when out shopping. The technology will free up staff to work on the more "high-touch, complicated customer interactions" and Makoski foresees employees and virtual assistants having "a harmonious relationship".

The bank's aim is to be "the most advanced human company, powered by technology" and he emphasises again that it will be "driven by AI but, more importantly, by empathy and design principles". Everyone will have AI, blockchain and so on but the differentiator will be how they are used. This new future will also need to be backed up by deep data ethics, he adds, with the bank actively engaging with the different potential models for this, such as data trusts.

The challenge shouldn't be under-estimated, not least due to the size of the Lloyds Banking Group and its many touchpoints. That design language will be needed for every point of a matrix that spans the main brands of Lloyds Bank, Halifax and Bank of Scotland, the product set of current accounts, savings, personal loans, credit cards, mortgages and others, and every channel, including branch and telephone, for its 30 million+ customers.

How receptive was the rest of the bank to the new function?

There is a need for a cultural change but Makoski is based at the bank's 48 Chiswell Street office in London, which has a long-standing reputation within the group for trying to be more agile and interactive, as reflected in the fact that it has long been nicknamed internally as the 'Google building'. "There are no free lunches, no Sergey [Brin, co-founder of Google] or Larry [Page, Google CEO] going around the building, no nappods", but it does have more of the feel of a start-up.

That culture change, applicable to the banking sector as a whole, in part revolves around a tendency to still view digital as something separate rather than as inherent to the whole business. "When you say 'digital' something, then you don't quite get design," says Makoski. There is no 'digital group' at Google, for instance.

CHIEF GOO UNBLOCKER

On the reverse of Makoski's business card (which he redid on joining as he didn't like the design) it reads "Chief Goo Unblocker". There will always be the need to be secure, comply with regulations, manage risk but there's also the mentality of "that's just the way we've always done it" to move away from.

On the up-side, he was pleasantly surprised by the bank's large IT infrastructure: "I expected it to be pretty antiquated and, while we do still have a mainframe somewhere, I was really impressed with our digital estate." It was more advanced than he expected and "in many respects, it is pretty darn good".

And some of the bank's partners are aligned with the design approach too. For instance, he says Phil Gilbert, general manager of IBM Design, is "a great partner for us". IBM Design is described as focused on "recruiting and retaining top designers, scaling the consistent practice of great design across IBM, and simplifying access to IBM's broad portfolio of capabilities".

That new design language that Makoski referred to won't necessarily be something that you'll see written down but rather, he says, something that you will feel. And it's clear that he's enjoying the challenge. "I am in an incredible place of learning," he says. While he is a scarce pioneer at present in financial services, there is every chance that, as happened with the CTO position, one day all banks will have a CDO. **b**t

FOCUS: FINANCIAL INCLUSION

Uganda hoping to Prosper with clean energy initiative

In Uganda, clean energy and financial inclusion are coming together within an innovative model headed by FINCA-derived social enterprise, BrightLife. These are early days but the initial indications are positive. *Martin Whybrow* reports.

A project is underway in Uganda that brings together both financial inclusion and clean energy products. Repayments for the latter over 12 months can be used to build credit history, which then leads to the offer of a savings account. That offer is seamless and is provided through long-standing financial inclusion specialist, FINCA International.

The solar products are offered by BrightLife, a social enterprise set up by FINCA. Since 2015, BrightLife has offered a range of solar solutions in Uganda and claims to have reached more than 100,000 people in that time.

Washington DC-based FINCA International was established in the mid-1980s, offering small loans to transform lives across the world. It is the founder and majority-owner of 20 community-based microfinance institutions (MFIs) and banks across Africa, Eurasia, Latin America, the Middle East and South Asia.

At the low-end of BrightLife's offerings are standalone solar lights. These can be hand-held, hung or placed on a table-top. A solar lantern can provide 72 hours of high-power light after a single day of charge. One model includes two USB ports for charging mobile phones. There are also solar homes offers, which include solar lighting, power systems and appliances, including TVs and radios. BrightLife also offers firewood and charcoal cooking stoves that cut toxic emissions by up to 90% and reduce fuel use by at least 50%. One of these clean stoves uses the heat from cooking to generate enough energy to charge a mobile phone or power an LED light.

The devices are sourced from two US companies that manufacture in China and are supported by FINCA Ventures, an impact investment initiative that provides capital and technical assistance to early-stage social enterprises. FINCA Ventures supports innovative solutions in energy, water/sanitation/hygiene, education, health, agriculture and fintech.

The solar homes offerings in particular were often too expensive for one-off purchase so there was a loan option from the outset. FINCA loan officers accompanied BrightLife sales agents into the field; FINCA clients could finance the solutions via top-up loans.

"That worked pretty well for a time," says Stefan Grundmann, BrightLife's president and CEO. "But over time, a few lessons came up." FINCA was not particularly geared up for financing consumer goods and the incorporation of Uganda's pay-as-you-go PayGo technology by BrightLife proved more convenient.

While purchases could still be financed via FINCA, the greater flexibility of PayGo was an attraction, allowing customers to repay via mobile money and without the need for set times and days for those repayments. BrightLife was effectively providing the financing itself, via its balance sheet, using the physical products as collateral. It is able to turn off those products from a central system if there is a default on repayments.

"So we started separating from FINCA Uganda," says Grundmann. Nearly all consumers came to choose the PayGo route.

PROSPER – COMBINING FINANCIAL INCLUSION AND CLEAN ENERGY

The latest initiative is really "flipping our original business model on its head", says Grundmann. Where FINCA was at the outset the perceived sales channel, it is now brought into the loop again from a financial inclusion perspective, addressing

"We realised that if there was too much friction then no one would accept it. So we spent a long time figuring out how to do that."

Stefan Grundmann, BrightLife

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FINCA International/Alison Wright

In Uganda, nearly 67% of adults lack a financial institution account. There is similarly deep energy exclusion, with 73% of Ugandans unserved by on-grid electricity.

customers who are usually beyond its reach, typically because they do not have collateral or credit histories.

Called Prosper, the scheme leverages the 12-month credit history built up via PayGo. That is valuable data to a bank, says Grundmann, and the initial plan was to hand it over and allow the financial institution to make use of it. However, Prosper is much more integrated than that.

At the end of the 12 months, customers who repay their loans in full and on time receive a 20% rebate and are eligible to become FINCA Uganda clients. With the customer's agreement, the rebate is deposited into a FINCA Uganda savings account, as opposed to being repaid via PayGo as mobile money. In addition, based on the credit history, the customer is pre-approved for a loan with no collateral needed beyond the savings deposit. The loan offer is based on a multiplier of at least four times the deposit.

It is a totally digital product, says Grundmann. "We realised that if there was too much friction then no one would accept it. So we spent a long time figuring out how to do that." The offer is made and can be accepted by text, is mobile-only and has no need for the client to enter a branch. This is enabled by BrightLife collecting all of the data required for know you customer (KYC) at the outset, within its sign-up process.

Also involved in the planning was Financial Inclusion on Business Runways (FIBR), an initiative of consulting firm BFA and the Mastercard Foundation, that seeks to connect financial services to low-income populations in Africa through digital innovation.

Prosper was launched in early March 2019 and, in the first couple of months, within pilots in the Masindi and Mityana regions, it had gained about 300 customers, says Grundmann, at which point between 200 and 250 people were signing per month. In these regions, this is the only offer now being made, with an excess charge built into the offer price to accommodate the rebate.

The uptake of the savings account at the end of the payback period is currently unknown but Grundmann says the option has been well-received, particularly among women customers, who might not have access to land titles or collateral for financial inclusion.

Why is all of this important? In Uganda, nearly 67% of adults lack a financial institution account. There is similarly deep energy exclusion, with 73% of Ugandans unserved by on-grid electricity. BrightLife's solar offerings are targeted at Ugandans earning less than $4 a day. The clean energy products create healthier and safer homes, increase productivity, reduce household expenses and provide additional income-generating opportunities.

Off-grid living stifles productivity, reduces earning potential and increases household energy expenditures. Children cannot study after sunset, leaving them academically disadvantaged, while businesses must close at sundown, reducing the available working hours. And poorer households that are reliant on traditional fuels spend a relatively larger share of their total expenditure on energy. All of which perpetuate a vicious cycle of poverty.

For the future, says Grundmann, BrightLife is looking to add appliances to its offerings, particularly for agriculture and probably starting with solar water pumps. A plan for a pilot is being drawn up and, once more, there will be an offer of a FINCA loan product linked to this.

Uganda itself still has a huge unfilled need but it is also the intention to take the model to one or more countries, says Grundmann, probably in the next 18 months, once it is proven in Uganda.

These are early days but the theory, at least, looks sound and, while Grundmann admits there might be a few glitches, the aim has been to make take-up as simple as possible. The true test will come as the loans start to mature in large numbers but there are already customers who have paid them back early and have accessed the loan offer as a result. All in all, Prosper looks to be a neat dovetailing of two important requirements – clean energy and financial inclusion. **b**t

Transforming the loan experience

Simple and flexible digital platforms could be the key to improved customer repayment rates.


Image source: GoCardless

Recent survey data shows us that the risk of missed loan repayments, for a significant percentage of borrowers, boils down to customer experience. While lack of funds is a major issue – and always will be – other barriers such as technology troubles and lack of clear information on when and how much to pay are also significant. This presents lenders with an exciting impetus to transform the repayment experience; if customers are offered a clear and easy-to-use digital repayment system, the chances are they'll miss fewer repayments. What's more, a loan product proposition with a simpler repayment system and better options becomes more attractive compared with others on the market.

When asked about their borrowing experience, 84% of the 400 loan customers surveyed* said payment experience is important to their overall borrowing experience. A large proportion (50%) of all those surveyed said they had missed a repayment or had made a repayment after the due date. Yet interestingly, while 50% missed their repayment because they did not have the funds, significant numbers of respondents highlighted experiential reasons as well.

Technology troubles led to 34% of borrowers missing a repayment, while 31% said they didn't know which date their repayment was due and 21% didn't know how much to pay. These sorts of figures can have a big impact on business and personal credit ratings; addressing them at a systems level could be transformative for both lender and borrower. And, while lenders have little control over borrowers' lack of funds, by paying closer attention to the customer experience and addressing these issues, they could make a big dent in loan delinquency.

KEEPING UP TO DATE

So what does a better repayment experience look like for the borrower? Survey data tells us that customers want better visibility, ease of use and control. In terms of visibility, 91% of those surveyed agreed that being able to see the status of all their repayments is important. Online repayments are hugely desired, with 87% saying they should be able to make repayments online. Managing repayments online seems like a no-brainer in today's market, but barriers such as paper Direct Debit mandates may put people off. Reminders ahead of repayment dates are also important – 87% of respondents would like this. And 85% said they would like to 'set and forget' all upcoming repayments in one go.

"Transforming the customer experience of loan repayments could be a win-win for businesses and borrowers."

Flexibility of payment method is also desired. Lenders who offer multiple payment methods may be more likely to attract customers. As would lenders who allowed borrowers to change the due dates of each repayment. Direct Debit has a huge potential to improve the customer experience, too: 92% of those surveyed would be happy to pay by Direct Debit if a lender offered it and 75% would be more likely to use a lender that offered Direct Debit as a payment option. This means that incorporating Direct Debit with a clear, flexible and easy-to-use digital platform could greatly improve customer numbers and repayment reliability.

Transforming the customer experience of loan repayments could be a win-win for businesses and borrowers. Automated payment collection platforms such as GoCardless offer to do exactly that – providing the clarity, flexibility and ease of use that could lead to better repayment rates. **b**t

Get paid on time, every time
www.gocardless.com

** GoCardless survey of 400 borrowers who have taken out at least one personal loan within the last two years and had missed at least one repayment.*

German challenger banks: who's who and what's their tech

Dynamic Deutschland! With several new entrants looking to prosper in the German banking sector and be part of the Zeitgeist, *Banking Technology* has created a list of the known challengers to date and the technology they are using.

CONSORSBANK

The bank is the name in Germany for Hello bank! – a digital direct bank – which in turn is part of BNP Paribas. It was launched in Germany in 2013 and offers online products, such as credit cards, loans, savings and insurance.

The roots of the bank in Germany is Cortal Consors, a European broker in consumer investing and online trading, owned by BNP Paribas. In 2013-2014 it was rebranded and joined different parts of BNP Paribas' businesses in Europe. In Germany, it was merged into Consorsbank. In 2016, Consorsbank also absorbed DAB Bank, a German bank that BNP Paribas bought in 2014.

In 2017, German fintech firm figo's technology became the backbone for the launch of Consorsbank's MultiBanking service. Customers can now use accounts and deposits they have with other banks after logging into their online banking.

FIDOR

Digital-only Fidor was founded in 2009 and is based in Munich. The bank holds a full banking licence and uses its own in-house developed technology, which it also licenses to other financial institutions (such as Penta Bank) via its technology arm, Fidor Solutions.

In 2016, Fidor was acquired by BPCE, France's second largest banking group, but remained as an independent business. However, the relationship did not prove successful and BPCE set out to sell Fidor in H2 2018. Fidor's founder and CEO, Matthias Kröener, left the company in spring 2019.

In 2017, it partnered with Eight Inc to launch Fidor FinanceBay, its digital marketplace. The two firms said they are jointly designing Fidor's customer experience for the community-based marketplace for financial services. The project was initially launched to Fidor's customers in Germany as a beta test, followed by a global roll-out. Fidor FinanceBay is a standalone market infrastructure and white-label solution for distribution partners.

HOLVI

Helsinki-based Holvi, established in 2011, offers a business current account and a debit card, Holvi Business Mastercard.

It launched in Germany in 2016. The same year it partnered with SumUp for the German market – combining SumUp's mPOS offering with Holvi's online business account – to serve SMEs and the self-employed in the country.

Also in 2016, Holvi was acquired by BBVA.

The Holvi platform is a bespoke build, and is essentially a core banking system with integration built into the various payments ecosystems around Europe. The technology stack comprises a proprietary Javascript UI framework, along with Backbone.js, CSS and HTML at the front-end and Python, Django and PostgreSQL at the back.

The entire infrastructure is hosted in the cloud with Amazon Web Services (AWS) from a data centre in Ireland.

HUFSY

Hufsy, a Denmark-based fintech start-up focused on SMEs, expanded into Germany in 2017. Its banking partner in the country is solarisBank.

Its banking offering is tailored for start-ups. "It is a one-point entry and therefore an easy and time-saving way for small businesses to handle finances," Hufsy explained. It also uses artificial intelligence (AI) tools.

In 2017, the company said it will focus on Berlin, as its research found that 30% of German start-ups are in the country's capital and the region has 177,000 SMEs.

Hufsy's founders are software engineer Rafal Lipinski and entrepreneur Maria Flyvbjerg Bo.

KONTIST

Berlin-based banking app provider Kontist was founded in early 2016 by Christopher Plantener (CEO), Alexander Baatz, Sebastian Galonska and Madison Bell.

It offers a German IBAN, Mastercard, integrations with accounting systems (FastBill and Debitdoor) and deposit insurance. It is a partner of solarisBank, which holds a full banking licence.

In October 2018, Haufe Group provided an undisclosed amount of Series A funding and acquired a stake in Kontist. The two partners' first task together was a technical integration of the online accounting software Lexoffice and the Kontist bank account. Users get automated accounting, a real-time estimate of tax payments due, and an integrated Mastercard for expenditure management.

The bank has got the backing of Founders, a company builder and VC in Copenhagen that develops software solutions for the self-employed and SMEs. Founders provides financial, development, marketing and administrative support.

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MONEYOU

Moneyou, ABN Amro's digital banking subsidiary, launched its Tikkie mobile payment app in the German market in 2018.

The app and its underlying software were jointly developed with Munich-based FinTecSystems.

Tikkie can be used by anyone, regardless of who they bank with, and only the person receiving the money needs to have the app. Once they enter their name, mobile phone number and the IBAN number, they are ready to start sending payment requests via WhatsApp, Facebook Messenger, Telegram, QR-Code or text (SMS).

Payments are executed as direct transfers from accounts at any bank in Germany.

In September last year, it launched Moneyou Go, a new payment and savings app, developed together with Bankable. It is free for German customers.

N26

Berlin-based mobile banking challenger N26 is one of the more active banks. It has taken its business fully across 17 European countries, including Spain, Italy, Greece, Ireland and Slovakia.

It was founded in 2013 by Maximilian Tayenthal and Valentin Stalf. In 2016, it received a full banking licence from the German regulator, BaFin, and changed its name from Number 26 to N26.

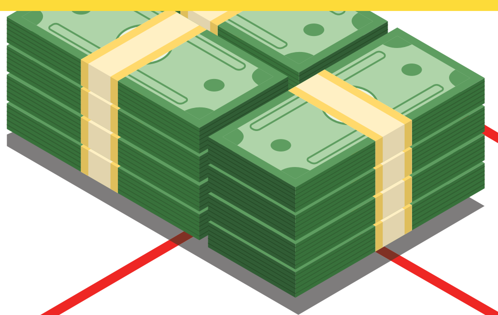
N26 provides a free basic current account and a debit Mastercard card for its customers. Additionally, customers can request overdraft protection, investment products and premium current accounts.

N26 works with TransferWise on cross-border money transfers. It also partnered with Raisin – to enable N26 customers to save money and choose interest rates from banks across Europe – as well as integrated Vaamo into the N26 app to enable customers to invest their money and manage a customised investment portfolio.

For its back-office processing, N26 uses Mambu's core banking system, supplied on a hosted basis.

In March 2018, the bank closed a €110 million Series C funding round as it sought to consolidate its presence in Europe and expand to the US. This was followed by a $300 million Series D funding round in early 2019.

Earlier this year, N26 has come under scrutiny by German regulator BaFin, which found several deficiencies in its processes. It ordered N26 to address staffing, outsourcing and engineering issues.



PENTA

Berlin-based Penta is a digital bank account for "high-tech" start-ups and SMEs in Germany, founded in spring 2016. In early 2018, it raised a €2.2 million seed round. The investment was led by Inception Capital, a fintech-focused VC based in the UK.

Penta was acquired by European fintech ecosystem Finleap in April 2019. As a result, the bank started a collaboration with Beesy, another Finleap portfolio company that provides digital business banking for freelancers in Italy.

Its technology is provided by another German bank, Fidor, and it also uses the Banking-as-a-Platform service from yet another local start-up, solarisBank, which holds a full banking licence. All deposits are held at solarisBank.

Penta says it differentiates from its competitors by offering third-party products only. These include automated accounting, international transfers and cash flow management.

REVOLUT

London-headquartered Revolut was founded in 2015 and sees itself as a digital banking alternative designed for a global lifestyle. It offers fee-free spending, interbank exchange rates, free international money transfers and different currencies in-app.

It applied for a European banking licence in 2017 and launched in Germany the same year. The licence was secured the following year.

In April 2018, it raised an additional $250 million in Series C funding, which saw the fintech valued at $1.7 billion – a five-fold increase in less than a year.

Earlier in 2018, it fully launched its open API – allowing users to integrate Revolut for Business accounts with third-party software and in-house systems.

It also built its own in-house processor, following a string of outages caused by its then third-party provider, Global Processing Services (GPS); and brought the card issuing function in-house, ousting its external supplier Wirecard.

In early 2019, it signed an agreement with regtech start-up ClauseMatch to adopt its technology to streamline management of internal policies, controls and regulatory compliance, following a two-month trial period.

Not long after, Revolut was rocked by compliance and culture criticisms, and saw its CFO resign.

SILICON VALLEY BANK

Silicon Valley Bank (SVB) arrived in Germany in May 2018.

It was granted a lending licence by Germany's banking regulator, BaFin, and is based in Frankfurt. It is a subsidiary of California-based SVB; and is the bank's second European location (the first one was the UK). It is also in China and Israel.

SVB already has several German tech firms on its client list, including HelloFresh, Lilium and Babbel.

It will offer lending to growth stage technology and life science businesses in Germany, as well as financing acquisitions and working capital.

For its tech, SVB is a long-standing Oracle customer, including the Flexcube core banking system, business process management (BPM), content management and ERP software and middleware products. It also uses ACI Worldwide's software for online banking.

SOLARISBANK

Berlin-based solarisBank was founded in spring 2016. With support from local fintech incubator FinLeap it launched the "first" global banking platform, called Solaris – a Banking-as-a-Platform (BaaS) service. The service is used by other challengers and start-ups today, including Penta (see left).

FinLeap brought the team of entrepreneurs together, provided seed funding and support during the development phase for solarisBank.

The bank offers a B2B2C (business-to-business-to-consumer) product. It is a modular-based toolkit offering account and transaction services, compliance and trust solutions, working capital financing and online loans. In addition, it offers payment and escrow services – all accessible via APIs.

It holds a full banking licence and has passporting rights across all EU states. As of mid-2018, it is active in seven countries and has more than 60 corporate clients using its banking platform.

In spring 2018, it completed a Series B funding sound, raising €56.6 million for further international expansion (it has raised more than €92 million since its launch). Among the investors are ABN Amro, Visa, BBVA and Japan's SBI.

In June 2018, solarisBank teamed with Poland's Alior Bank, Germany-based online marketplace for savings products Raisin, and Mastercard to unleash a pan-European digital bank. **bt**

We are updating this list on a regular basis. If you have any amendments and/or additions, please get in touch with our editorial team (see p3).

COMMENT

Rise up women – you can do it, you really can!

By *Jackie Barwell*, director of fraud and risk product management, ACI Worldwide

Money20/20 Europe, the region's biggest payments and fintech event (held in Amsterdam on 3-5 June 2019), featured Rise Up Money20/20, a global programme designed to address the gender imbalance in leadership positions within the financial services and fintech industry.

Among 30 female professionals that took part is Jackie Barwell, director of fraud and risk product management at global payments software provider ACI Worldwide. Here she talks about why she is excited to be part of Rise Up and why its work is so important.

Looking back at a career in banking and fintech that spans over 30 years, I sometimes stop and wonder where I would have been had it not been for key mentors who believed in me – and spurred me on to be the best version of myself. So when I had an opportunity to become a mentor myself through Money20/20 Europe's Rise Up Academy 2019, and to share my story, I jumped at the chance and applied – and am proud I have been chosen to represent the Academy in Amsterdam in June.

My personal story is not quite the conventional, but if by telling it I can help inspire just one person to be bold and "rise up" above what could otherwise be a less than ideal path in life, then I will be a proud woman. My start in life wasn't the kind that could be viewed as a firm foundation for a successful and purposeful future. I was born, a middle child of three, into a house whose parents were totally unequipped to raise a family. After a short life together filled with financial pressures and evictions due to unpaid rent, my father left when I was five, quickly followed by my mother deciding that abandoning us at a local police station was the best thing for all of us. After some difficult years in multiple foster and children homes, my father retrieved us after remarrying and securing a council house to accommodate us all, including a new stepmother who, for reasons of her own, resented the three of us enormously.

Despite my less than ideal start in life, I showed signs of academic potential. I was encouraged by my junior school teachers to take the 11+ exams, which I passed, thus allowing me to attend a grammar school. I gained eight "O" levels, left school at 16, and pretty much grabbed the first job I could find!

I worked at a local newspaper, where I was an office junior and I would order stationery, deliver mail and operate the switchboard at lunch time; this was all a good starter-for-ten for someone who had come out straight of a straight-laced academic school. I also took the initiative of enrolling into a night school to learn the art of touch-typing – a skill that has stood me in good stead ever since. That skill enabled me to be promoted to telesales within the newspaper where, after a year, I typed up a situations-vacant advertisement over the phone from someone at Clydesdale Bank. They were looking for an audio secretary for a post at their St James's Street Branch in London. I cheekily asked that they interview me for the role and if I turned out to be unsuitable, they were still in time for this week's newspaper. Well, they interviewed me and I got the job! That was the start of a 30-year career within the banking and fintech world.

> "If I can help inspire just one person to be bold and 'rise up' above what could otherwise be a less than ideal path in life, then I will be a proud woman."
>
> **Jackie Barwell, ACI Worldwide**

I stayed with Clydesdale Bank in a variety of roles, moved on to Bank of America and then went on to spend ten years at Citigroup – specialising and focusing on the prevention side of managing fraud risk across all businesses. I eventually became SVP and global head of fraud prevention at Citibank, and created a network of almost 300 business unit fraud managers, whose task was to understand fraud and take their new knowledge back into the business.

I now work as director for global payments software powerhouse ACI Worldwide, as director of the company's fraud and risk products, to make sure our >>

highly sophisticated fraud-prevention solution performs at a competitively high level and our merchants are sufficiently protected against exposure to fraud risk.

I also represent ACI at industry events around the world and I am often asked the question: how do you promote your career as a woman in the still male dominated fintech and payments industry? This is an interesting question, as I never thought that my gender has been holding me back at any stage of my career. However, when I think about some of the things I used to do (and to a degree still do) and when I put those in the context of gender, I do believe there are some interesting lessons to be learnt.

BE BOLDER AND TAKE RISKS

According to many studies, women tend to only apply for roles for which they can evidence all the requested experience. Women often over-analyse the written job description and either dismiss roles where all the "boxes" are not ticked in terms of evidenced experience or – almost worse – over-talk about the missing ticks in the interview itself! This is something that many (if not most) men do *not* do. They trust that they can smash the role regardless of the missing ticks in those boxes.

Being aware of the fact that the inner-need to *prove* our capability upfront remains with us women is a first step to being bolder and taking risks. Also, I believe that job descriptions need to be written in a way that allows for this behaviour trait – making small adjustments will result in more women applying for these roles.

Be aware of unconscious bias and challenge it!

Yes, I absolutely do. Unconscious bias exists, not necessarily just in regard to gender, but also age, personal situation and even education. Despite open debates in the UK about gender pay gaps and creating equal opportunities for men and women in the workplace, the fact remains that men are still miles ahead when it comes to senior and leadership positions in the technology and fintech industry.

Unconscious bias is often the point where challenges start, but as society changes and is becoming more aware of

"Unconscious bias exists, not necessarily just in regard to gender, but also age, personal situation and even education. Be aware of unconscious bias and challenge it!"

Jackie Barwell, ACI Worldwide

such biases, as we debate these issues more honestly and openly, these bias barriers will shift and hopefully cease to exist.

FEMALE NETWORKING IS CRUCIAL

There was a time in my career where being a woman in the world of fraud investigation was seen to be a rarity. Back then, at most financial institutions the investigative workforce was almost exclusively made up of ex-law enforcement officers on second careers and typically, they were men.

As I progressed through my career I came, slowly but surely, into contact with other women in similar roles to mine, and we created an informal regular meeting of the minds (in person) to discuss issues of the day and other elements of fraud prevention, away from the very "closed" fraud communication forums, which unfortunately at the time, typically viewed women as misplaced in their midst. This started with just two of us, quickly growing to double figures – and soon the Fraud Women's Network was born. I was a founding member (and their first treasurer, and membership secretary). This network has now been going for 12 years, and has a strong membership running into the 100s.

Women supporting and encouraging each other, talking to each other about their experiences on their own career paths, is probably the most valuable thing women can do for themselves. It's surprising how many individuals have had similar experiences where their gender has been almost a hindrance or an invisible barrier to progress, or have experienced unconscious bias of some kind – but have taken steps to overcome the negative effects of those experiences.

I also think that it is inspiring to hear the stories of individuals who have almost stumbled into the successful career path for little more reason than being mentored at key points in their careers by individuals who "saw something" in them, guided them and encouraged them to believe in themselves, and step through that door to grab a suggested opportunity and run with it. And sometimes that's all that is needed to give you the push you need to soar!

My final message, linked to my experience, is that I had little to no encouragement in my early years that told me "you can do it – you really can". If anything, I was standing out for all the wrong reasons – such as being a child in care, or always in the "free school dinners" queue, or the fact I was sent off on my first day at a posh grammar school in my junior school uniform. I could so easily have decided to hide away in the shadows or take the wrong path in life. But there were those key individuals, starting with my junior school teacher who said I could achieve more, and then two successive managers who pushed me through that door of opportunity. I trusted their judgement and took the courage to give it a go. Recognise those situations because they will be there one day – anything is possible if you want it enough. **bt**

Core modernisation is essential for truly digital banking

Banks have only to look at how innovators have transformed retailing and music to recognise this truth, says *Sanat Rao*, Chief Business Officer and Global Head, Infosys Finacle.

In recent years, UK high street banks have been under siege as newer, seemingly more adept competitors have entered the market. However, recent developments indicate that the newer rivals are experiencing problems of their own and the incumbents have an opportunity to hold back the invaders.

Metro Bank made waves with its bricks-and-mortar presence nearly a decade ago and has steadily extended its network since then. However, the revelation early this year of a massive accounting error and consequent investor rebellion has clouded its future, and may have deterred many potential new customers.

More recently, Tesco Bank's decision to pull out of the mortgage market points towards the downward profitability trend of the mortgage business for challenger banks. Nimble digital upstarts are known to pick and choose parts of the banking value chain or the business of banking and create disruptive propositions. Tesco's move underscores this strategic intent of focusing on attractive business instead of offering the full range of services, which has been the norm in banking, traditionally.

If the recent developments portend even a slight decline in threat from new market entrants, it is a no brainer that incumbents would like to take advantage of this to reaffirm their relevance. However, to be able to do that, updating core legacy systems has to be their top priority. It's equally important for both retail and corporate banks, as the twin forces of regulation and distribution have overturned the established order across all quarters in banking.

Less than 20 years ago, the bank branch housed more than half of all banking transactions. Today, that figure has fallen to less than 10%. When Apple launched its first

"To survive and thrive, banks must simplify their operating models through APIs and automation."

Sanat Rao, Infosys Finacle

mobile wallet app in 2014, it predicted that half of all banking transactions would move to distribution channels from Google, Apple and others by 2022. Five years on, with Open Banking and other transformational regulations coming into effect, the prediction is likely to be a reality even sooner. Driving this wave of change further are emerging technologies. An example is blockchain which is now seeing wide adoption in areas such as trade finance.

PROACTIVE, NOT REACTIVE

Banks must be proactive rather than reactive if they intend to ride the digital wave. It is imperative for them to revitalise legacy systems, move workloads to the cloud and open their core for collaboration with ecosystems – to drive business value, enhance profitability, compete with agile digital banks and be sufficiently scalable to meet the volumes that digital banking demands. Their customers still want the traditional services that they have always availed, but in addition seek expert guidance on managing their finances better.

New technology is an enabler for innovation, opening up a market where existing off-the-shelf products and services can be supplemented by more tailor-made offerings designed around customers' specific lifestyle, circumstances and individual needs.

Some banks have begun their journey of transformation by placing new digital channels on top of their core systems. However, many progressive others have been quick to realise that creating a truly digital bank of the future requires a more radical approach than the rather short-term approach of adding another digital channel.

In the future, customer-centric innovation and collaboration with ecosystems will be the norm. To survive and thrive, banks must simplify their operating models through application programming interfaces (APIs) and automation to introduce new propositions quickly and create new revenue streams profitably.

Not surprisingly, winning in the digital future will require investment, but the gains from reduced costs, improved security and ability to innovate make that investment worthwhile. And looking at how e-retail has been transformed by Amazon, or the music sector by Apple, the longer-established players in the banking sector must realise that they can either place themselves at the forefront of change or become its quickly-forgotten victims. **bt**

A banker goes a-banking chapter 2: the party is only just beginning

By *Leda Glyptis*

A few weeks ago, I had a rather comical experience at my local bank and of course, being me, I wrote about it. You may have read it (you can find it in the May 2019 edition of the magazine and also online). We talked with thoughtful and well-informed consideration about the failures of high street banking, the purpose of branches, the failings of our analogue past and how they still haunt us… the options for the future.

And we were done and moved on to the next topic… or so we thought.

Well, almost.

I knew I wasn't entirely done as I needed to repeat the cash withdrawal exercise a couple of times after the blog incident and of course, as expected, it was equally arcane but – keeping things interesting – in different ways each time. What I wasn't expecting was an algorithm with a sense of humour. But that is exactly what I got. Because a day or two ago I got an email. From my bank. "Dear Customer," it said. "We read your blog."

No, it didn't.

It said, did you visit our Old Broad Street branch on such and such a day and such and such a time? Why, yes, I did. Would you complete a customer satisfaction survey?

Boy oh boy, would I?

Now, things get interesting.

This was merely a statistical exercise in calculating NPS. A play in numbers. A play for numbers.

But I am big on eating my own dog food. So I answered the questions. And this is what I told them:

DON'T ASK ME ABOUT YOUR PEOPLE, ASK ME ABOUT YOURSELF

There were a bunch of questions on how the cashiers performed. Were they courteous? Yes. Were they helpful? Were they taking care of my needs?

All I have to say to this is thank God for the free-form box where I could actually say what needed to be said. And what needed to be said is this: no matter how polite your staff, if they don't know why they are doing what they are doing, they can never be truly helpful. No matter how hard they smile, how obliging their small courtesies, how winning their manner.

They are following a process blindly.

Scrap that. They are following a bad and outdated process blindly.

They never asked and were never told why each step is how it is. Why options are not available for some things that seem so obvious (I am here, I have ID; you are here you have access to the system, you asked me a question last asked in 1997, the answer has changed, let's update this thing together, you and me baby. But no. "Computer says no", and they don't even know why. Teach them why.)

That's it. Teach them why.

To know the cause of things. It's a wonderful thing.

And your people don't know why they do what they do and why they don't do what they don't do and it's your fault, not theirs. And no amount of courtesy will make up for that. And it's a terrible thing to be put in a position where you cannot improve your own performance. Don't do that to your people. Teach them.

DON'T ASK ME ABOUT MY TASK, ASK ME ABOUT YOUR CAPABILITIES

Did you do what you came here for?

Sure.

Eventually.

But it was hard.

> "Thank God for the free-form box where I could actually say what needed to be said. And what needed to be said is this: no matter how polite your staff, if they don't know why they are doing what they are doing, they can never be truly helpful."
>
> Leda Glyptis

And it was hard because your folks didn't have the right tools.

Because you spent none of your innovation budget or your venture investment budget on making your colleagues' lives easier. On skilling them up. On tooling them up. On equipping them to meet my need and get the task done.

They used pen and paper.

They filled out forms.

They copied the information off the form to the screen and stamped the form and then copied the information off my card and returned the card. There is another way. There is a better way. Why don't you give them this better way?

Why don't you make your employees' lives better, and through theirs, mine?

So, yes, I got the task done.

But not in the way I should have, given the year, the maturity of certain technologies and the size of your innovation spend.

GO AHEAD AND ASK ME FOR MY NAME

I don't name the bank in my blogs. I never do. I occasionally refer to them as the Giant in Red (pick one, your options are limited) for a few reasons.

First, it's not just them.

Second, it's not about shaming them, it's about bettering the industry.

Plus, it seems a little petty. It's not about venting. It's about reflecting and collectively moving forward.

So I filled out the feedback form.

And I gave the free-form feedback because, hey, it's an opportunity. If someone genuinely reads this stuff and they don't just feed it to a calculator for the NPS score (they totally do but hey, here's to having faith in humanity) they will get real feedback. Actionable feedback. So that is what I gave: genuine feedback. With adjectives, adverbs and punctuation and everything.

And then the last question came: are you happy to disclose your name and for someone to call you to discuss your answers?

You betcha. So here we are. You asked. I answered. You challenged and I said bring it.

It was bad enough before you asked. But now if nobody calls me, we are beyond hope.

Your move, Giant in Red. **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.

Ask the expert

Introducing a new regular column designed to provide readers with practical advice on how to grow their businesses. Our resident expert is *Greg Watts*, the founder of Demand Creation Partners, a London-based growth consultancy that helps fintechs and payment firms to scale. He was previously head of market acceleration at Visa Europe.

QUESTION 1

I'M STRUGGLING TO SECURE A MEETING WITH A PROSPECT – HOW CAN I SHARPEN MY APPROACH?

One of the most common – and frustrating – challenges for fintechs is securing meetings with target clients.

Many believe that simply sending a LinkedIn mail or emailing the prospect is enough to secure a meeting. However, in the majority of cases, that message will be ignored or, more likely, deleted.

Here are some reasons for a lack of cut-through, and some suggestions to sharpen your approach:

1. You don't know enough about your target

Do you really know your prospect? You might know their name, title and where they work, but what about their priorities, targets, challenges and areas in which they need support and help? And crucially, how can you help them address their challenges and/or meet their objectives?

Building a detailed view of your target client or prospect – in other words, a buyer persona – will help you understand them and tailor your approach.

2. Your approach is too generic.

Cultivating relationships takes time; employing a long-term approach yields the best results.

Do your homework. Know what your prospect's interests are, what events they attend, and what social channels they engage with. Most importantly, consider why they should invest time in meeting you – what's in it for them?

Once you better understand their behaviours, translate that into targeted outreach – for example, rather than crafting a generic LinkedIn mail, consider a 1:1 approach: a handwritten note from your CEO; an invitation to participate in a relevant PR opportunity; or an offer to be quoted in a thought leadership piece. The possibilities are endless but the point is: don't expect generic outreach to be effective. Do your research and take a personalised approach.

3. You haven't leveraged your network – or your team members' networks – to secure an introduction

An introduction from a mutual connection is more likely to result in a positive response. Yet this approach is often overlooked. Here's how to do it:

1. List targets on an Excel spreadsheet.
2. Under each company, add job descriptions based on buyer personas, plus names of individuals if you have them. If you don't, leave gaps.
3. Go through the list and make a note of the people in your organisation who have connections with them.
4. Print everything out and stick it on your wall so everyone can see who you're targeting, and who knows who. This is likely to spark additional connections you weren't aware of.
5. Ask your team members if they're happy to introduce their connections, and to initiate an approach.

BRINGING IT ALL TOGETHER

By taking a focused, researched approach to securing prospect meetings, you're far more likely to get a positive outcome.

QUESTION 2

HOW CAN I CONVINCE A PROSPECT'S CFO TO PARTNER WITH US?

You've had a successful first meeting with a retail prospect: they understand your product and can see how it could help them improve their customer experience. Now you need to prove how it can enhance their business and bottom line.

You've been asked to meet with their finance team to develop a business case. The challenge is: how do you persuade their CFO to buy into a partnership?

First, you need to demonstrate an understanding of their business and how your offering adds value – as opposed to weighing them down with additional costs or resource complexities. (Many fintechs claim they have simple or no integrations, but that's not always the case – frustrating retailers when they need to allocate technical resources. It's better to be candid about integration upfront and build it into the business case and development plan.)

Once you've identified the retailer's commercial opportunities and challenges – for example, acquiring new customers, increasing the value of existing customers or attaining higher operational efficiencies – create an Excel value model to validate your assumptions and use it as a tool to secure the CFO's buy-in.

Gather inputs by reviewing annual reports, financial statements and other sources that provide deep, factual insights into the prospect's business. For example: what are their strategic goals; what was last year's performance; what is their margin; how is their cost base constructed?

These inputs can then be validated by the prospect at the meeting, and you can even conduct modelling together. If approached correctly, the CFO and finance team will relish the opportunity to co-create with you at an early stage.

BRINGING IT ALL TOGETHER

By conducting a robust assessment of the prospect's business and validating your assumptions with them, you'll have a strong basis for a commercial case and a foundation on which to launch a partnership.

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QUESTION 3

WHAT IS DEMAND GENERATION; HOW DOES IT DIFFER FROM LEAD GENERATION; AND WHY IS IT IMPORTANT FOR MY BUSINESS?

The terms 'demand generation', 'lead generation' and 'inbound marketing' are often confused. Here are the definitions:

- **Demand generation** uses targeted marketing to drive awareness and interest in a company's products and/or services.
- **Lead generation** is a sub-category of demand generation. It's the practice of collecting information on targeted individuals that can then be used to qualify and nurture prospects into sales-ready leads, pipeline opportunities and – eventually – customers.
- **Inbound marketing** is a technique for drawing customers to products and services via content marketing, social media marketing, search engine optimisation and branding.

Think of demand generation as the umbrella term for lead generation and inbound marketing, and something that gets customers excited about your company's products and services. Demand generation programs can help your organisation reach new markets, promote product features, create buzz, generate PR and re-engage existing customers.

Demand generation bridges the gap between your sales and marketing teams, and it should result in inbound growth. But co-ordinating sales and marketing efforts – from the first interaction with your brand to client retention and upsell – isn't easy.

Here are the common challenges marketers have with creating and deploying a customer-centric demand generation strategy:

1. Your website isn't attracting visitors

People need to know about your product or service before they purchase it, so a demand generation strategy should start with brand awareness. If prospects aren't reaching your website, there might be an issue with your brand identity, blogging strategy, SEO strategy, social media strategy or buyer persona development.

2. You don't understand your audience

Because a demand generation strategy considers every touch point along a buyer's journey, you need a thorough understanding of those buyers: who they are; what their organisational challenges are; what solutions they're looking for; what content they engage with; and, most importantly, how your product or service can help them.

Improve your effectiveness by creating buyer personas with your marketing and sales teams.

3. Your website doesn't have conversion opportunities

Too often, marketers make the mistake of thinking that accurate buyer personas, great content and lots of web traffic are enough. To generate leads, you need to motivate site visitors to share personal information in exchange for valuable content you've created. In other words, you need conversion opportunities spread strategically across your website.

4. Your leads aren't becoming customers

One of the most frustrating things a demand generation marketer can hear is that the leads they're bringing in aren't converting into customers. This could indicate issues such as:

- Sales and marketing misalignment
- Lack of sales enablement materials
- Misunderstanding the customer journey

Meet with your sales team regularly to understand how they qualify leads and what they need from marketing to be successful.

5. You're not retaining customers or effectively upselling

An effective demand generation programme should incorporate retention and cross or upselling opportunities as part of the client lifecycle after the initial sale has been achieved. Client marketing provides the opportunity to enhance your product roadmap, create compelling case studies and cultivate advocacy. However, if you're marketing to current clients and it isn't paying off, you might have an issue with your buyer personas.

6. You have difficulty tracking and measuring results

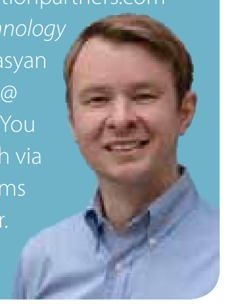
The best demand generation strategies are driven by data and powered by technology. If you don't know which of your tactics are working and which are falling short, you won't be able to optimise them in the future. Define the critical metrics for your business and track them using analytics software such as Hubspot or Pardot.

BRINGING IT ALL TOGETHER

Creating a demand generation programme that has the needs target buyers at its heart – and which is adopted fully by your marketing and sales teams – will more likely result in increased revenue for your business. **b**t

If you have a question for Greg and would like a practical, no-nonsense answer/advice, please get in touch! We'll be answering your questions in the Ask the Expert column in this magazine and online (fortnightly) – free and open to everyone.

You can email Greg Watts at greg.watts@demandcreationpartners.com and/or *Banking Technology* editor, Tanya Andreasyan at tanya.andreasyan@fintechfutures.com. You can also get in touch via social media platforms LinkedIn and Twitter.



Movers and shakers

Troy Bradley has joined **NCR Corporation** as VP, chief information and technology officer (CITO).

Bradley had a lengthy career spanning two decades at a US-based banking technology vendor, Metavante, as VP and CTO. Following the company's acquisition by FIS, he spent nearly eight years there in a similar role.

He left FIS in 2017 to work as an independent consultant.

German challenger bank **Penta** has got a new CEO – **Marko Wenthin**. Wenthin co-founded solarisBank, a banking-as-a-service platform with banking licence, which Penta also uses as a banking provider.

He also spent 16 years in various management positions at Deutsche Bank, with ten of those years residing in Argentina and Poland. In Poland, at 30, he was the youngest member of a bank's management board and responsible for IT, operations, back and middle office.

After his time at Deutsche Bank, Wenthin founded several SaaS firms and helped Asseco, one of Poland's largest IT software companies, to expand into Western Europe.

Paysafe Group also has a new CEO – **Philip McHugh**. He replaces Joel Leonoff, who is taking up a new position as vice-chairman of the company's board of directors. Leonoff founded Paysafe (originally Optimal Payments) in 1997 and held the position of CEO and president since 2008.

McHugh joins Paysafe from another paytech firm, TSYS, where he was responsible for heading up their merchant solutions division (TSYS is in the process of being acquired by Global Payments, see p13).

Prior to TSYS, McHugh worked for Barclays in London, where he was global CFO of Barclaycard and CEO of Barclaycard Business Solutions.

Kate Frankish has been appointed as director of strategy and standards at **Pay.UK**, the UK's retail payments authority. She is also IT director, payments and open banking at Barclays.

Frankish joined Barclays last year. Prior to that, she spent more than seven years at Tesco Bank, most recently as head of PSD2 and open banking delivery. Before that, she worked for a nearly a decade at RBS.

B2B payment solutions provider **Bento for Business** has appointed **Paula Bachman** as CFO and **Tracy Hansen** as CMO.

The two will be the first to serve in these capacities, as both roles have been newly created (the company itself was founded in 2014).

Prior to Bento, Bachman worked at Networked Insights, a data analytics SaaS firm; while Hansen worked at B2B companies including Tealium, NetApp, and CA Technologies, and was most recently CMO of Renaissance Learning, an education software company.

Chicago-based Bento offers an all-in-one platform to help small businesses manage their spending.

Jeremy Hubbard has left his CIO position at UBank (a digital banking subsidiary of National Australia Bank) to join **Rest**, a Sydney-based fund management firm, as group executive, innovation and transformation.

Hubbard spend over a decade at UBank/NAB in various tech roles.

BNY Mellon has appointed **Subhankar Sinha** as head of blockchain, based in New York. He moves from Nabartham LLC, which he founded to advise other start-ups on strategic partnerships, ecosystem governance and product-market fit for blockchain products.

Prior to that, Sinha was a director at PwC where he co-founded and co-led the firm's blockchain consulting practice in the US. **bt**

EVENTS CALENDAR

June

12: The Mayor of London's TechInvest: Gov Tech, London
http://techinvest.london

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

4-10: London Fintech Week 2019, London
www.fintechweek.com

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

23–24: Hong Kong BFSI Innovation Summit 2019, Hong Kong
www.hongkongbfsi.com

August

5-8: Intelligent Automation Week, Chicago
www.aiia.net/events-intelligentautomation-chicago

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