banking technology

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

THE BIG REVEAL

Drawing the curtains on a bright tomorrow

POLAND

Ex-bankers ripping up the fintech unicorn rule book

FRIDAY 13TH IS COMING

Is banking ready with SCA?

FINTECH FUTURES

FINTECH FUTURES

FinTech | BankingTech | PayTech | RegTech | WealthTech | LendTech | InsurTech

900,000+
AVG. MONTHLY PAGE VIEWS

42,000+
NEWSLETTER SUBSCRIBERS

50,000+
CONTACTS IN CUSTOMER DATABASE

39,000+ 3,400+ 2,200+

Interested in placing your brand in front of FinTech Futures' extensive global audience?

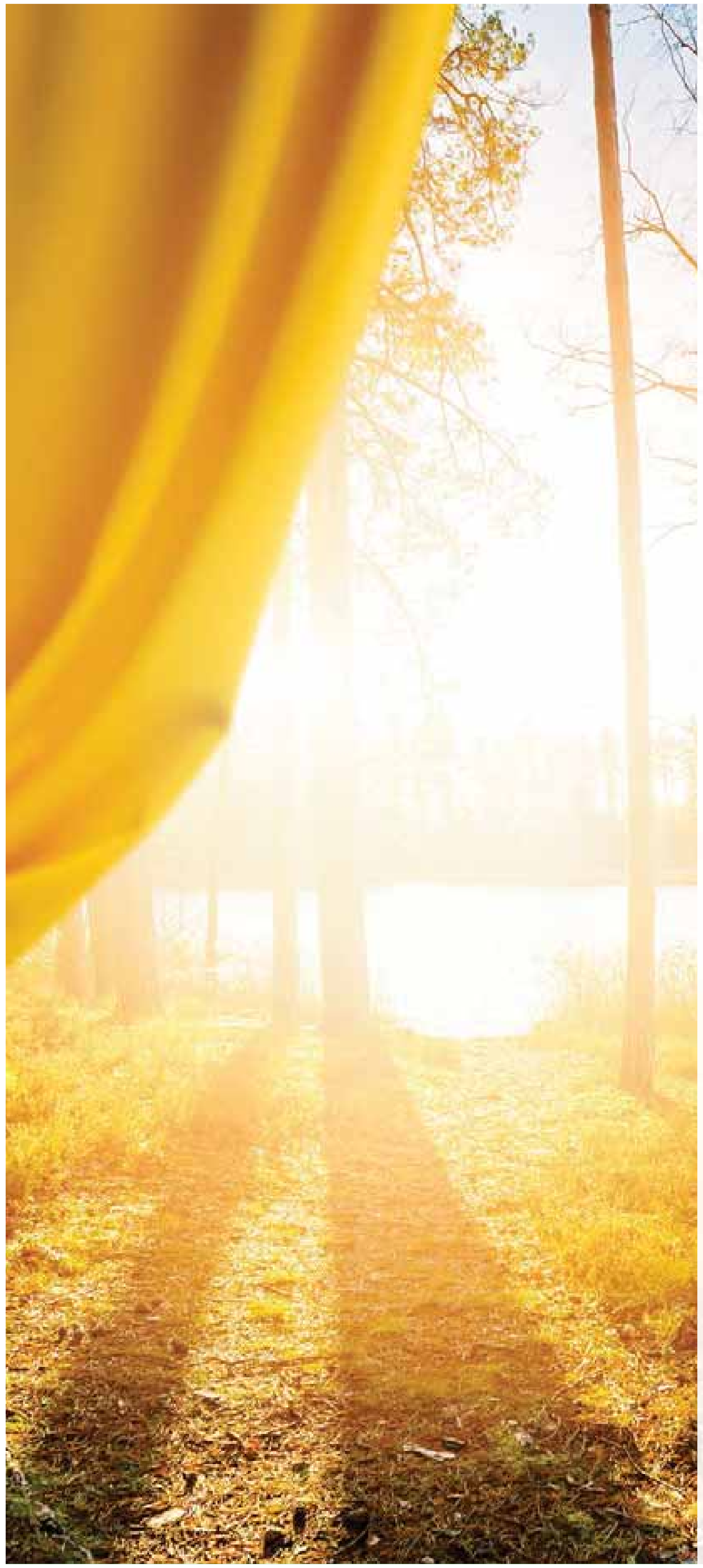
We can help you raise your company's awareness through:

- Exclusive interviews and thought-leadership features
- Product reviews
- Webinars
- Videos
- Industry surveys and white papers
- Advertising
- Sponsorship opportunities and more!

Request your copy of FinTech Futures media pack for more information

*Visit **www.bankingtech.com/media-kit** or contact*
Jon Robson
Tel: +44 203 377 3327 | Email: jon.robson@fintechfutures.com

@FinTech_Futures



Contents

NEWS

04 The latest fintech news from around the globe.

FEATURES

08 **Focus**
Meeting the needs of a changing UK savings market.

10 **Industry Insights**
Separate the wheat from the chaff.

11 **Comment**
Uncorking the Corporate Payments Bottleneck

12 **Thought leadership**
Ex-bankers rip up the fintech unicorn rule book.

16 **Industry Insights**
Sibos 2019 – let's work together.

18 **Comment**
Payments industry all at sea over Brexit.

20 **Thought leadership**
Take guard against sanction screening.

25 **Focus**
Payments regulation – focus on what's important.

26 **Analysis**
The future of PFM looks a lot less like a bank.

28 **I'm just saying…**
Dharmesh Mistry on the Amazonification of banking.

30 **Comment**
Banks need a fresh focus on SMEs.

32 **Country spotlight**
Lithuania – falling in love with fintech.

34 **Focus**
Friday 13th is coming: is banking ready with SCA?

36 **Comment**
The Win 10 Rush: beating the clock to upgrade PCs.

38 **Food for thought**
Dispatches from industry conferences.

40 **Fintech funding round-up**
Lucky recipients of funds in the tech world.

40 **Ask the expert**
Practical, free advice on how to grow your business.

REGULARS

44 **Appointments** – the movers and the shakers.

44 **Industry events** – mark your calendars!

FINTECH
FUTURES

Challenger banks worldwide
who's who and what's their tech

FinTech Futures' editorial team is keeping its finger on the fintech pulse with a ***series of comprehensive and free guides*** on the challenger banks and banking services and their technology in various countries.

Visit **www.bankingtech.com** to read the guides.

UK
US
SPAIN
AUSTRALIA
GERMANY

We'll be revisiting and updating these guides on a regular basis, as well as adding more countries.
If you have any additions and/or suggestions, please get in touch with
Tanya Andreasyan tanya.andreasyan@fintechfutures.com

@FinTech_Futures

FINTECH
FUTURES

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

Editor
Sharon Kimathi
+44 207 551 9010
sharon.kimathi@fintechfutures.com

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

Contributing Reporters
Jane Connolly
Martin Whybrow

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

Marketing Manager
David Taylor
+44 207 017 5379
david.taylor@fintechfutures.com

Marketing Executive
Kiran Sandhu
+44 207 017 7377
kiran.sandhu@fintechfutures.com

Design & Production
Simon Turner @ West Hill Media
simon@west-hill.co.uk

Onalytica's
TOP 100
Fintech
Influencer
and Brand

© ***Banking Technology* 2019**
All rights reserved; *Banking Technology* material may not be reproduced in any form without the written permission of the publisher.

Banking Technology is published ten times a year.

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

Printer
Hobbs the Printers Ltd
Hampshire, UK

ISSN 0266-0865
www.bankingtech.com

Editor's note

Incremental change does not often happen overnight, and as the 44th president of the United States, Barack Obama, puts it: "Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek."

From Nick Armstrong, CEO of Identitii's, response to Leda Glyptis's feature on Open Banking, highlighting how it won't change the world by itself, or Nadia Sood, CEO of CreditEnable's, take on banks requiring a fresh approach to SMEs, to Kevin Flaherty, CEO of BLM Technology's, plea for firms to update their systems on time for the Windows 7 wipe-out.

Although the fintech industry has played a vital role in shaping our lives today, such as tapping our phones for payments at the till or sending money to friends in a number of innovative ways, the push to reach the next level never comes easy.

We often forget that these changes took a while to get acquainted with in the first instance. People were suspicious about paying for items online using their card details or reluctant to use a 'challenger bank' for their main account, but these things end up being the new normal.

To fully appreciate the upcoming initiatives such as Open Banking, APIs or digital currencies, we must all work together. "It's a trend that banks need to keep up with and suggests that cooperation with the fintechs is no quick or easy fix, but it will need to be a deeper and longer-term relationship," says Rajashekara V. Maiya, VP and global head of business consulting for Infosys Finacle.

Not just by coming together in conferences from Money 2020 to Sibos to reiterate the same vague platitudes, as our favourite insider, Leda Glyptis, writes that these events end up becoming "a family reunion of sorts".

It becomes a place for the industry to gather and asks itself the same questions, without discussing how it enacted the points stated in previous conferences, what people are doing now and how its aims to achieve new goals by the next one.

This issue's columnists have the same message – adapt or risk losing out. Glpytis suggests "talking to the new recruits, the fresh blood, the people who will see this transformation through its next phase," to be better and effectively adapt to the new normal.

As one of the 'new recruits', I can honestly say that this industry is ready to take things to the next level. **bt**

Sharon Kimathi
Editor
Banking Technology

Tokeny Solutions raises €5m from Euronext

Image source: Tokeny

Euronext, the European exchange in the Eurozone, has subscribed the entire €5 million capital increase of Tokeny Solutions, resulting in a 23.5% stake and strong governance representation.

Launched in 2017, Tokeny Solutions provides private markets securities issuers, from mid-cap companies and asset management companies to advisors such as investment banks, with modular and user-friendly end-to-end solutions to issue, manage and transfer tokenised securities on public blockchain.

Tokeny Solutions' T-REX protocol integrates compliance obligations into the digital asset smart contract, to create tokens compliant by design. The firm's end-to-end platform enables the issuance and the management of tokenised securities throughout their lifecycle.

This investment complements Euronext's position in the nascent digital asset industry, combining Tokeny Solutions' token management expertise with LiquidShare's post-trade solutions.

Tokeny Solutions will allow Euronext to onboard a renowned team in the digital asset industry and broaden its client base towards private companies and investment firms.

Henry Vilar

Avaloq buys Swiss structured products firm Derivative Partners

Avaloq has acquired fellow Swiss company, Derivative Partners, a structured products specialist. The acquired niche company provides market information, tools, research and calculations for complex financial products for clients in Switzerland and the rest of Europe.

The financial details of the deal have not been disclosed. Avaloq is buying 100% of Zurich-based Derivative Partners AG and it will remain as an autonomous entity for the foreseeable future, with all staff retained.

Avaloq will incorporate the Derivative Partners' offerings to complement its long-standing wealth management platform, bringing support for the independent valuation, trading and management for structured product and ETF markets.

Derivative Partners was established in 2000. It claims more than 40 market participants as customers, including issuers, private banks, asset managers and exchanges with valuations of option-linked securities and complex financial products. In addition, the firm calculates regulatory figures and portfolio management ratios as well as third-party valuation models and provides quantitative support for investment banking and trading divisions. Its range of services further includes product governance, life cycle management solutions and media services.

Juerg Hunziker, Avaloq's Group CEO, describes Derivative Partners as "a perfect match for our strategic ambitions… the firm's extensive consulting capabilities and know-how around structured products are a natural fit with Avaloq's existing business service offering. We know that superior data models are absolutely critical for the future of the global financial services industry. The integration of Derivative Partners' functionalities is a compelling and differentiating advantage for our Avaloq ecosystem and we will now build on this ability to handle the most complex financial instruments for the benefit of our clients and all our stakeholders."

Derivative Partners' CEO, Daniel Manser adds: "By becoming part of the Avaloq group, Derivative Partners' technology will be fast-tracked to a far larger audience."

Martin Whybrow

SmartSearch pioneers first online AML business credit checks

Anti-money laundering (AML) platform, SmartSearch, has become the only online verification platform to offer business credit checks.

SmartSearch says it is currently the only organisation in the UK with the ability to verify individuals and companies in the UK and internationally, all in a single platform via a browser or API, with full sanction, politically exposed persons (PEP) and adverse media screening and then ongoing monitoring.

The firm now allows clients to see an overview of a business' credit score. Users of the SmartSearch system will be able to access four years' worth of profit and loss statements, balance sheets, key ratios and payment history.

The development adds to SmartSearch's know your business (KYB) offering – which includes ultimate business owner checks (UBO) – and gives users immediate access to in-depth analysis of business credit information, enabling them to decide on whether a potential new client is financially stable.

Martin Cheek, managing director at SmartSearch says: "Clients can also use SmartSearch for UBO checks, enabling them to see who is controlling any business – even with complicated corporate structures with multiple subsidiaries and parent companies – and will also automatically receive our monitoring service, so if anything changes at a company that a client has already checked, they will be alerted."

Sharon Kimathi

VTB launches multifactor fintech platform for Russian SMEs

VTB Factoring and Venture Engineering Lab have launched GetFinance, the first end-to-end multifactor digital platform developed specifically for supply chain finance.

The first of its kind in Russia, the platform enables companies to digitise the entire cycle of processing and financing factoring transactions. The technology is particularly aimed at SMEs in the public procurement segment.

VTB Factoring will act as the backbone factoring company for GetFinance, with the aim of creating a commercial online financing marketplace.

Suppliers can enter into factoring contracts remotely and receive early financing for completed stages or fully completed contracts. Customers and buyers will benefit from access to an unlimited number of approved vendors and a debt management possibility. There is also no minimum transaction amount.

"We expect our involvement in the launch of the GetFinance fintech platform to promote further development of convenient and reliable financial services on the Russian market," says Anton Musatov, CEO of VTB Factoring. "With the GetFinance platform, companies will get paid for completed contracts quickly and in a convenient online format, improving their working capital and reducing the risk of cash flow gaps. It will also help deal with many difficulties in the mutual settlement between all parties in commercial transactions."

Yegor Gazetin, CEO of GetFinance, adds: "Our platform automates factoring and offers it as a fully remote product, accelerating and simplifying the provision of funding. Having a major market player, VTB Factoring, as a partner will give the project security and financial stability, as well as a potential customer base."

Yegor states that the public procurement segment has an estimated 500,000 participants, with potential commercial online financing worth RUB 1 trillion ($15.75 billion) per year.

Jane Connolly

Former Equifax CIO jailed for insider trading

Jun Ying, former CIO of Equifax US Information Solutions, has received a four-month jail term for insider trading following a data security breach.

Silicon reports that Ying's custodial sentence will be followed by one year of supervised release. He has also been ordered to pay restitution of $117,117 and fined $55,000.

Equifax discovered the breach in July 2017, having known about the vulnerability in their IT system since March that year. The company then waited 40 days to go public about the cyberattack, in which the personal data of 143 million US residents and 15.2 million British citizens was stolen by hackers.

Anticipating that Equifax's stock price would fall once the breach was made public, Ying exercised all his stock options and sold them for over $950,000 – avoiding a loss of more than $117,000.

"If company insiders don't follow the rules that govern all investors, they will face the consequences for their actions," says Chris Hacker, special agent in charge of FBI Atlanta. "Otherwise the public's trust in the stock market will erode. The FBI will do everything in its power to stop anyone who takes unfair advantage of their insider knowledge."

Last July a former manager in Equifax's software team, Sudhaker Reddy Bonthu, pleaded guilty to insider trading related to the data breach.

Jane Connolly

AIFC and Fidor Solutions to boost fintechs in Kazakhstan

Astana International Financial Centre (AIFC) and Fidor Solutions have signed a memorandum of understanding (MoU) to drive fintech innovation in Kazakhstan and economic development in Central Asia.

As a result of the MoU, the two organisations plan to foster fintech collaboration by developing initiatives to support a cashless economy in Kazakhstan and provide joint fintech education programmes with key regional universities.

The understanding also includes support in developing the AIFC fintech marketplace and providing mentorship and partnership for accelerator programmes.

Created by President Nursultan Nazarbayev in 2015, the AIFC drives innovative financial and technology initiatives with accelerator and incubator programmes. It also attracts partnerships and investments from fintechs and venture capital firms.

Dubai-based, Fidor Solutions – sister company to Fidor Bank – offers technology and advisory services to financial institutions, with a focus on open digital banking.

"AIFC has great ambitions for its fintech innovation programme that go beyond borders," says Kairat Kelimbetov, governor of AIFC. "We are proud to be growing our fintech network by signing an MoU with Fidor, a European fintech that has successfully developed internationally. Its contribution will be valuable to all our members and partners."

Gé Drossaert, board member and group CCO of Fidor, adds: "Fidor shares similar core values to AIFC, such as openness and knowledge sharing. The collaboration between our organisations will pave the way for fintech success in the region with a direct impact on the digital economy and financial access."

The MoU was signed during the launch of the Fintech Summit of the Astana Finance Days in Nur-Sultan.

Jane Connolly

Covenant Capital signs up on Profidata's e-AMIS

Covenant Capital, a Singapore-based wealth manager, has adopted Profidata's e-AMIS platform.

The new platform aims to bring flexibility and efficiency in the management of investments and reporting. Covenant Capital hopes this will grant it the technological infrastructure to provide independent, tailored investment guidance.

"The integration of technology into our offerings is a key pillar of Covenant Capital's ambitious growth strategy, which focuses on providing a wider spectrum of services aligned with the investment and wealth planning interests of high net worth individuals and families in Asia," says Edwin Lee, CEO at Covenant Capital.

"e-AMIS has truly enhanced our teams' capabilities to perform the role of the family/investments office for our clients."

Dr Frank Jenner, management board member of Profidata and global head of marketing and sales, says: "We at Profidata Singapore and Zurich are delighted that e-AMIS, with its broad functionality and high degree of parametrisation, meets the needs of Covenant Capital."

Technology will help Asian wealth managers reduce costs and maintain current margins in an environment where investors are shifting towards automated solutions.

The e-AMIS platform allows Covenant Capital to keep up with this trend, allowing wealth managers to stay relevant while being aligned back to their core role as stewards of clients' assets.

Henry Vilar

Image source: Profidata

Untangler launches using artificial intelligence

Untangler is a new insurtech that focuses on using artificial intelligence (AI) to recognise inbound customer or employee data in any format, to then transform it into readable data, and returns it in seconds so providers can create quotes without having to convert the data within cells.

Richard Stewart and Steve Carter initially built the software for their start-up business, Untangl, which sets up SMEs with bundled employee benefits, including life cover and private medical insurance.

Untangler CEO, Richard Stewart, says: "Admittedly, we built Untangler as an afterthought because it improved the customer journey and sped up our buying process. It was only later, when a large UK insurer asked if they could use it, that we realised its true value as a standalone product that solves a big industry problem."

The early version of the technology allowed SME employers to upload any employee data they had without needing to change the format to make it compatible.

The solution mimics a low-skilled task that, in some cases, highly-qualified humans in insurance companies end up doing manually, freeing up people to do more meaningful and fulfilling work.

Stewart adds: "It has long been expensive and time consuming to manually reformat data files and challenging to build integration interfaces to third-party systems and, anyway, data often comes from multiple sources in non-standard formats."

Untangler says its solution can be trained to learn and identify the relevant items needed and does a range of other jobs such as fixing errors.

Henry Vilar

UnionPay expands into Italy with Banca Sella deal

At least 88,000 Italian merchants will be able to accept UnionPay payments by the end of the year, thanks to a new agreement with Banca Sella.

More than 8,000 online merchants can take UnionPay payments now, with 80,000 offline merchants to follow suit via 100,000 point of sale terminals.

UnionPay has the world's largest cardholder base and has been growing its acceptance rates in Italy through strategic partnerships with major banks and acquirers.

Wei Zhihong, UnionPay International's market director and head of its European branch, says that the agreement will not just serve its Chinese cardholders but will also benefit European merchants.

"Italy has great appeal to Chinese tourists who are travelling overseas in ever greater numbers and are increasingly doing so independently rather than on organised packages," he says. "As a result, they are shopping with a wider range of outlets and we are delighted to have signed a new agreement with Banca Sella, which will help more merchants meet the needs of this market."

UnionPay International, which is a subsidiary of China UnionPay, has enabled card acceptance in 174 countries and regions.

Jane Connolly

Banque Française Mutualiste selects SAB AT as its new Core Banking system

Sopra Steria subsidiary, SAB, has been selected by French public sector specialist bank, Banque Française Mutualiste, to provide its new core platform.

The decision followed a competitive selection process and the system will be hosted by SAB.

Banque Française Mutualiste was set up in 1986 and offers all public sector officials a range of personal loans, savings and loan insurance.

In metropolitan France, it relies on the branch network of its long-standing partner, Société Générale. Today, the bank has nearly 1.2 million public officials as clients, including hospital workers, teachers, military personnel, customs officers, gendarmes, police officers, territorial agents and civil servants, in both metropolitan France and the French overseas departments and territories. The bank employs more than 240 people.

The SAB AT platform, which is widely used in France, will support the bank's customer management, consumer loan origination, the management of passbook accounts, collections and treasury operations. It will also support all exchange flows with Banque Française Mutualiste's market and distribution partners, while supporting accounting and regulatory reporting. The system will operate in a multi-entity mode, with SAB supporting the hosting, operation and maintenance.

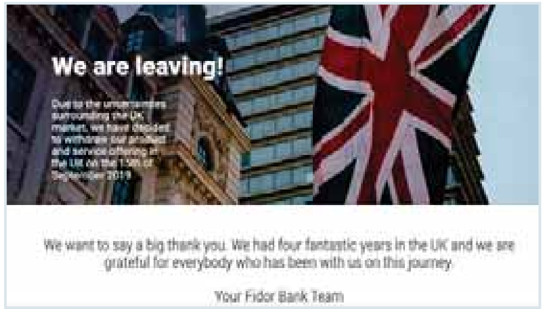
Michel Coudrais, managing director of Banque Française Mutualiste, says: "We were looking for a technological partner capable of perfectly understanding and comprehending our business and the challenges of its digital transformation."

SAB was set up in 1989. It was added to Sopra Steria's clutch of core system providers earlier this year.

Martin Whybrow

Fidor Bank to shut down in the UK

With a terse statement referring to "the uncertainties surrounding the UK market", Fidor Bank UK has announced it is withdrawing its services and products from 15 September this year.



We are leaving!

Due to the uncertainties surrounding the UK market, we have decided to withdraw our product and service offering in the UK on the 15th of September 2019

We want to say a big thank you. We had four fantastic years in the UK and we are grateful for everybody who has been with us on this journey.

Your Fidor Bank Team

Image source: Fidor Bank

Fidor gained a UK licence in 2016, having launched in Germany in 2009. It was bullish about the prospects for the UK market and looked to be a disruptor, with its innovative in-house technology and digital business model. However, the bank was acquired by France-based BPCE in summer 2016 and it subsequently became clear that the integration had not been a success, with BPCE setting about seeking a buyer.

As well as a claimed 380,000 account customers, Fidor seeks to provide its technology to other financial institutions on a Banking-as-a-Service (BaaS) basis. Customers include Penta and O2 Banking in Germany, Van Lanschot in the Netherlands and Abu Dhabi Islamic Bank.

Fidor Bank was offering "no hidden fees, no waiting around, just a free bank account available 100% online". The bank was seen as an innovator with its digital offerings, such as a better interest rate based on Facebook likes, and storing World of Warcraft gold and cryptocurrencies.

The bank is not specifically referring to Brexit when describing its UK decision. Customers will need to close their accounts because there is no facility to transfer them to Fidor Bank Germany, as is a different registered entity. Fidor Bank UK customers, are advised to visit the Frequently Asked Questions page for more information.

Martin Whybrow

FairFX aims for harmony as it rebrands as Equals

Foreign exchange business, FairFX, is to rebrand as 'Equals' to reflect its product diversification.

Founded in 2007 as a business current account, prepaid currency card, travel money and international payment services provider, FairFX has seen strong growth in recent years.

The rebrand follows the company's evolution into an integrated money management solution for both consumers and businesses, including banking, payments and travel money.

All FairFX products will move to the Equals brand by the end of the year. This summer the new Equals Go travel card will be introduced, enabling users to buy and hold 15 currencies on one card. Further new products for SMEs will be announced later in the year.

CEO Ian Strafford-Taylor says: "The timing is right for our next stage of growth – banks are continuing to offer fees that are not competitive, and although there is an increasing swell of fintechs gaining market share in isolated verticals, there's a swathe of people and businesses who are underserviced by both. That's where we'll help."

He adds: "We've built confidence and trust in the market over the years and now we've reached profitability, this is the next step in our evolution. The rebrand allows us to harmonise our existing products before stepping forward with a broader offering for businesses and consumers."

The company listed on the AIM market of the London Stock Exchange in 2014, became profitable in 2017 and achieved a turnover of £2.3 billion last year.

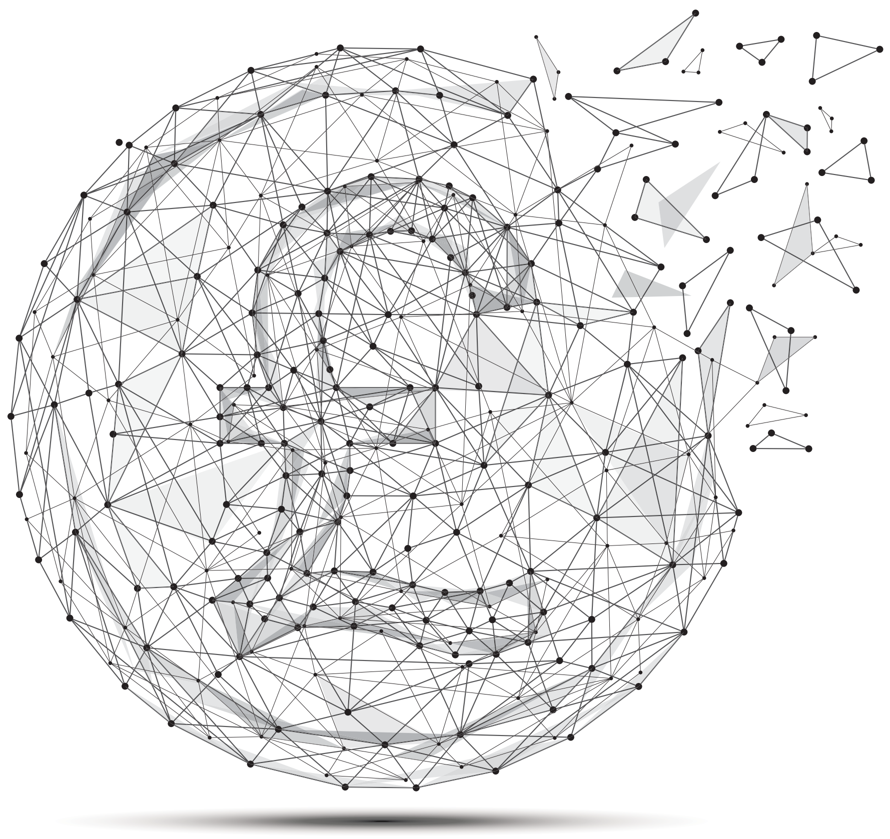
Jane Connolly

Hola Alex
Welcome to Equals
£1,80
EQUALS

Image source: Equals

Meeting the needs of a changing UK savings market

With the population's saving habits changing, DPR's *Dave Patel* looks at ways in which the next generation of banking technology can encourage savers to return to the market.



The retail savings market in the UK is vast at approximately £1.5 trillion but interest rates remain subdued and there is also pressure on household budgets. Last year, for the first time since the Office of National Statistics (ONS) records began in 1987, UK consumers were more likely to be borrowers than savers.

The government has taken various steps to help people save more, encouraging new products and services in savings sector, and there are numerous fintech enabled propositions and partnerships gaining traction in the market across a broad and diverse range of customer needs.

WHAT DO SAVINGS PROVIDERS NEED TO BE SUCCESSFUL IN THIS MARKET?

Today's savings providers need a flexible savings platform with strong digital capability that can on-board and service savings customers across multiple channels, including branch, phone, web and mobile.

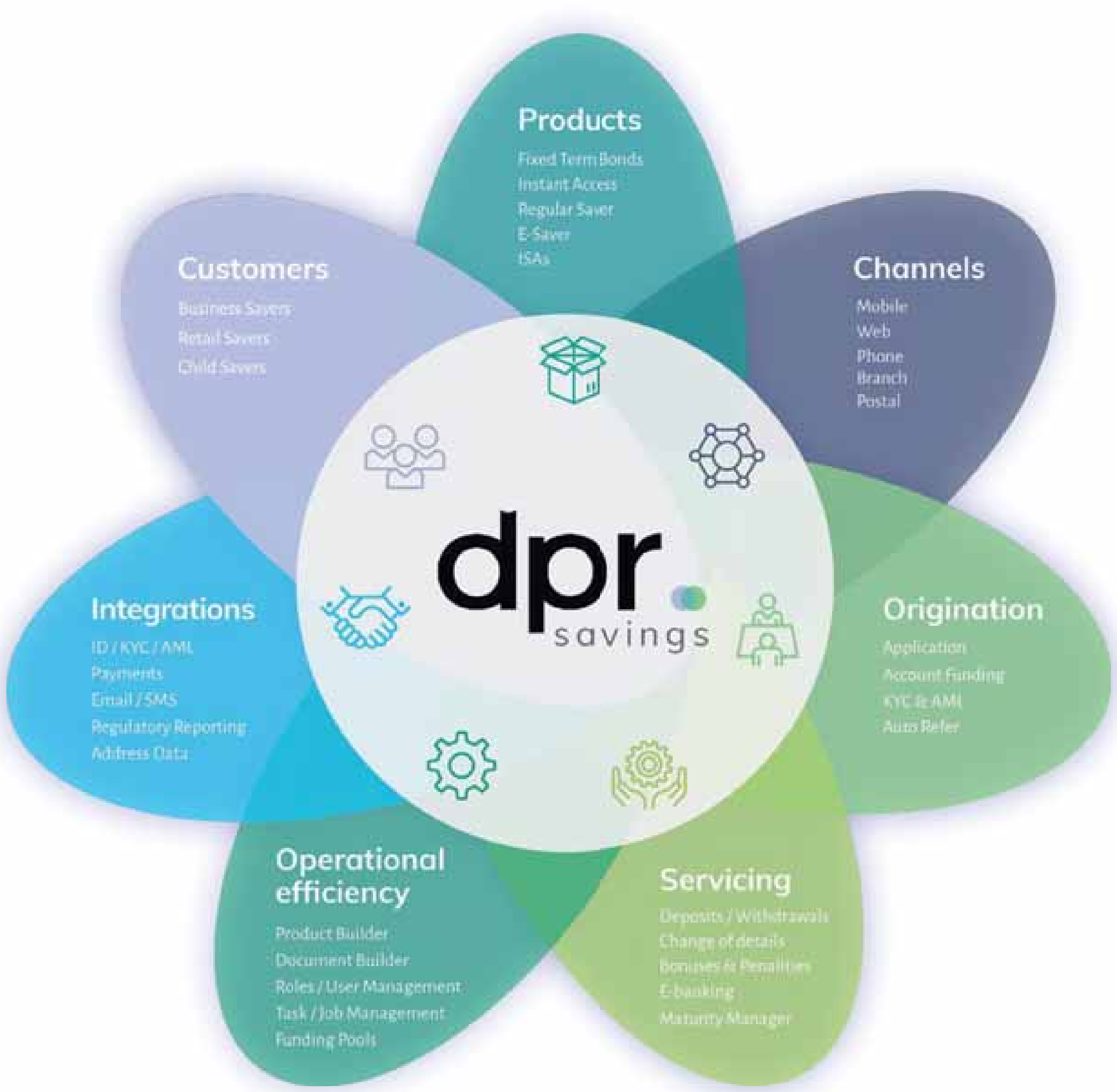
The ability to launch and manage multiple account types is key, ranging from instant access to notice accounts, ISAs, fixed term, children's accounts and business savings accounts.

The rise of Open Banking and APIs, and the emergence of always-on, cloud-connected smart applications have set the stage for the next generation of banking technology.

HOW CAN DPR HELP?

We've recently enhanced our savings solution over the last nine months, redesigning and packaging it in line with feedback and learnings from our client work over many years. The new solution is a flexible and fully branded online application and account servicing system that guides customers through every step of their journey quickly and efficiently, with a responsive design that works beautifully on any device.

To put it simply, we can meet all of the end customers' needs whilst helping savings providers to achieve the holy trinity of increased revenues, enhanced customer experience, and improvements in operational efficiency.


Products
Fixed Term Bonds
Instant Access
Regular Saver
E-Saver
ISAs
Customers
Business Savers
Retail Savers
Child Savers
Channels
Mobile
Web
Phone
Branch
Postal
dpr.
savings
Integrations
ID / KYC / AML
Payments
Email / SMS
Regulatory Reporting
Address Data
Origination
Application
Account Funding
KYC & AML
Auto Refer
Operational efficiency
Product Builder
Document Builder
Roles / User Management
Task / Job Management
Funding Pools
Servicing
Deposits / Withdrawals
Change of details
Bonuses & Penalties
E-banking
Maturity Manager

DPR has been on the journey with our clients as the market has evolved over many years and we have the most comprehensive offering across retail and business savings.

Today we are perfectly placed to help savings product providers who:

- Have no existing digital capability and wish to develop one
- Need to go through a digital transformation of their savings offering
- Are new providers coming to market in need of a savings platform

With more than 30 different FinTech integrations, more than 100 different functions and the ability to deliver retail and business savings accounts, our solution can open up access to a vast number of mainstream and specialist customer segments.

Ours is a modular solution and can be deployed in the cloud or on premise. If you have multiple products on our platform, you can also have a single customer view across mortgages, loans and savings accounts.

On top of all this, we can deploy our savings solution in just three months and we have already signed up three UK clients to the new solution before it is fully launched.

WHY CHOOSE DPR?

We are a UK company with a team of more than 200 people (160 based in the UK) and our award-winning technology platform provides banks, building societies and online providers with a complete and integrated digital solution for the acquisition and administration of savings accounts.

We were established in 1996, and today over 40 financial institutions already depend on DPR's technology and expertise to underpin their origination and servicing activity across all channels and devices. **b**t

Dave Patel is co-founder and CEO of DPR, a company he founded in 1996 following a successful career at NatWest.

For more information, please visit www.dpr.co.uk, email enquiries@dpr.co.uk or call 020 7050 2000.

Sponsored by ADLIB

Separate the wheat from the chaff

Leveraging high-value content from vast unstructured data lakes presents one of the biggest barriers to operational efficiency. *Peter Duff*, CEO of Adlib Software, looks at the pitfalls of dealing with complex data estates and where the road to successful digital transformation lies.

In chaos theory, initial conditions have a critical bearing on outcomes. Dealing with unstructured content is no different. If an organisation's data estate is in good health – and AI, RPA and analytical tools can efficiently mine content – you see better results radiate outwards.

On the outer periphery, that means a more coherent customer journey, accurate insights and increased customer response times and overall satisfaction. Operational efficiency tightens up and cost savings can be achieved. This is particularly relevant for organisations sitting on eons of complex legacy customer data, such as we see in the banking and insurance sectors.

DATA = FUEL FOR ANALYTICS & AUTOMATION

First, let's look at analytics: when they're rapid and agile, businesses have better oversight and a clearer vision ahead. If your data lake is an inaccessible mess, even the best analytical tools won't perform well.

Robotic process automation (RPA) is another major consideration. Without being able to access and leverage high-quality data quickly, businesses can't make the most of all RPA has to offer. Ultimately, this means leaving the door open to inefficiency and risk.

An example, for a bank, may be as follows: the banking institution wants to automate its customer onboarding process to improve operational efficiencies by leveraging RPA. The goal is to deliver an enhanced digital experience that accelerates response times and improves overall satisfaction. But if RPA can't extract accurate information from a mass library of unstructured data, the firm won't make much headway with its objectives.

The same can be said for AI: a chatbot relying on high-quality customer data may compromise operational efficiency and customer expectations if it can't access the right content. Sub-par chatbot performance means customer inquiries get diverted to key resources. Here, you're not only disrupting and prolonging the customer journey, but you're also diverting a knowledge worker away from high-impact activities. Put simply, the cognitive capability of customer-facing AI might be there, but without access to quality content, it can't do its job.

POWER OF DATA & AI

Coming back to insurance and the utilisation of AI in a non-customer-facing scenario, imagine you're a re-insurer harnessing IBM Watson for risk analysis and predictability; that's one powerful tool at your fingertips. Yet no matter how exceptional the cognitive capabilities of Watson are, if data – both structured and unstructured – can't be leveraged efficiently, Watson can't run at peak performance. Not only does this mean you're not seeing a good return on AI investment, you might be compromising your ability to effectively model products and pricing.

In summary, unstructured content sitting in swelled and complex data lakes presents major challenges for RPA, AI and other tools. Distilling this information – separating the wheat from the chaff – is at the centre of operational efficiency across the board. Particularly for the financial services sector, how data is managed, cleaned and accessed at source has a massive radial effect on operational efficiency and bottom-line.

This is also where unstructured content experts such as Adlib Software come in. They enable businesses to create an end-to-end digital strategy by discovering, accessing and transforming unstructured data into high-quality structured data that fuels process automation and business intelligence. **b**t

Uncorking the Corporate Payments Bottleneck

By *Nick Armstrong*, CEO of Identitii

We read Dr. Leda Glyptis' article on 'Open Banking: much ado about a brave new world' with great interest. Not only because of the clear Aussiephile undertones (the feeling's mutual, Leda), but because it clearly articulates how Open Banking isn't going to change the world by itself.

Think about it.

Open Banking is purely a mandate that provides customers with access to their data if they want it. The benefit is that both corporate and retail customers can go with another provider for banking services if they choose to. But what are they doing with that data? Just having access to it doesn't get you paid faster or open the gate to more finance. Someone needs to come along and create that solution, making use of the data and access available under Open Banking, in order to deliver those benefits.

For example, we see a huge opportunity around accounts receivable and invoice payments under Open Banking. In a traditionally linear payments process for example, companies can take control of the data needed to settle payments faster, reducing the need for information to flow along the payments chain, and opening up the possibilities presented by peer-to-peer sharing of information. Not just clearing, remittance and regulatory reporting information, but settlement information too.

Why is this such a big opportunity? The answer to that is quickly revealed when you take a look at today's payment processes. When a payment hits a company's bank account is wholly dependent on how long it takes the bank to perform its checks and release the funds. If the bank has a question about the authenticity of the payment or if the supplier can't reconcile the incoming payment to an invoice, there's a hold up in the process.

Phone calls are made. Emails are sent. Messenger pigeons distributed. OK, maybe not that last one, but the lengths all parties have to go to to retrieve the data and documents necessary to complete transactions are laborious, time-wasting and frankly unnecessary going forward.

Under Open Banking, banks and businesses can connect via APIs to link the payment to other systems, creating a shared ecosystem for data and documents that can streamline the process and enable direct sharing of information. It also opens up the possibilities of new, linked offerings such as dynamic discounting or receivables finance that add even more value.

This is what makes Open Banking so exciting. And we are pleased that we get to play a part in the changes that it can provide in making the whole industry more efficient, transparent and progressive.

As Leda says, the old rules are shifting. We think for the better. **b**t

Ex-bankers ripping up the fintech unicorn rule book

By *Piotr Jan Pietrzak*

The wave of banking start-ups is sweeping across the world as the number of initiatives riding the fintech wave seems endless. Many of these disruptors follow a similar development pattern. The first step is to build a strong user-base and then gradually ask for more money from investors. When they run out of money while developing products, obtaining a licence to operate as a bank is the next phase. Ultimately, start-ups become banks (on paper).

Despite all the worries and limitations, a banking licence gives scale and access to an even larger customer base, especially in the retail space. This translates to a long-term efficient capital base in the form of deposits. A similar path was taken by bunq (Netherlands), N26 (Germany), Atom (UK) and several other start-ups.

What about changing this scheme? Let us firstly fill our pockets with money (big money), obtain a banking licence and then look for clients. Three Polish ex-bankers are already thinking this way. They are building their own challenger banks in Poland right now, while you are reading this article.

PROBABLY ONE OF THE BEST BACKED FINTECHS IN EUROPE

To understand why so much attention is being paid to the project, we should first go back to 2008. Imagine that you are preparing your business to start trading soon. Just a few days after launching, the whole market that you wanted to enter collapses, globally. Everyone freaks out, big players go down, markets crash, everyone tries to rescue what they can (including themselves from going behind bars).

What do you do with your ready-to-launch project? Most of us would probably flip out. At that time, Wojciech Sobieraj was opening Alior Bank in Poland, at a time when the financial markets were in big trouble. Would you have bet on the success of such a project during such times? Probably not.

> "Vodeno is led by a local superhero team, gathered around Sobieraj like *Avengers* around Captain America or Iron Man."
>
> Piotr Jan Pietrzak

Now, in 2019, the company is a ten-year old fintech with more than four million retail customers, providing services to 200,000 companies, and manages roughly €17 billion of assets (ranked 8th in Poland). Remember that the bank only operates in one country. Sobieraj is not leading Alior anymore. Now he dreams about recreating the success of this project across other European countries.

In late 2018, the first job offers surfaced on the internet – Vodeno started to be developed, and it is happening fast.

Why was this fintech given so much attention by the media? It's mainly for two reasons: the team and funding. Vodeno is led by a local superhero team, gathered around Sobieraj like *Avengers* around Captain America or Iron Man. These names may not be familiar to a wider global audience, but these people are responsible for building a banking sector in the country. As for funding, we can get the answer from the supervisory board

>>

members list, where we can see a few representatives of Warburg Pincus.

Warburg Pincus supposedly invested €450-500 million in Vodeno. It is one of the highest sums invested in a European fintech if we compare it to the "mere" €336 million belonging to Revolut secured over three years. Warburg Pincus is one of the biggest private equity firms in the world. The company raised 18 private equity funds, which have invested more than $74 billion in more than 860 companies in more than 40 countries. In its investment portfolio we can find Go-Jek, Momo and Ant Finance, among others.

The trend of financial regionalisation, instead of globalisation, continues to gain traction, particularly in the Europe region. A pro-competition regulatory stance coupled by reduced trust of incumbents (arising from the Global Financial Crisis) provide fertile ground for challenger banks to grow. It's amazing to see several Polish challenger banks gaining considerable traction in this space with pan-European ambitions, said Chia Hock Lai, president at the Singapore FinTech Association.

The value proposition and products are still unknown. Recently, unconfirmed sources revealed two business lines inside Vodeno. The first was the financial services for retail and SME customers, supported by the newest technologies including machine learning and artificial intelligence. The second was the white label offering for other businesses that planned to launch their own fintechs. This is a similar thing to what Germany's Solaris Bank is doing. The planned launch for later this year will probably be in one of the Benelux countries, based on recent job openings for Dutch- and French-speaking professionals.

"Horum is a plural form of the Latin demonstrative pronoun hic, haec, hoc. So Horum Bank translates to "theirs bank". Whose?"

Piotr Jan Pietrzak

BANKERS WHO ARE BETTING BIG ON BLOCKCHAIN

Here is another mysterious name – Horum Bank. Horum is a plural form of the Latin demonstrative pronoun hic, haec, hoc. So Horum Bank translates to "theirs bank". Whose? It is a brainchild of a group of experienced ex-managers of the biggest Polish bank, PKO BP (€70 billion of assets). The project started with resignation of Jacek Obłękowski from the role of vice-president of PKO BP in March 2016. Back then, insiders spread a rumour that he was not going to retire but instead, would roll up his sleeves and build a mobile-only bank. But then he disappeared. In May 2018 news started to appear that Obłękowski was back, and with the support of his former colleagues, would open a challenger pan-European bank using blockchain.

Distributed ledger technology in the world of finance is already used in several ways. The biggest area in which we see transformation is the digitalisation of contractual instruments and the use of smart contracts. Recording something on a shared ledger and, once recorded, it is irrefutable digital proof that this thing happened. Provenance is the killer feature for the blockchain protocol and banks like this idea very much. Another use-case are smart assets especially in trade finance, where transactions with a clear date and time stamp make things bullet proof. There are a few other developments in finance using blockchain: clearing, settlement and payments, but who thought about using it to set up most of their banking operations?

According to anonymous sources quoted by the media, up to 60% of the process challenger banks use will be based on blockchain. From the general ledger of the bank, to payments, transfers and exchange of documents, everything will use distributed ledger technology. A few areas such as risk-related processes will be managed through traditional core systems, similar to traditional banks that we all know. Why blockchain? We can assume that the main reason is potential operational security and estimated lower cost of development and maintenance of the system. This may give an ability for competitive pricing and higher discounts when compared with other players.

It is great to hear about a bank project fully relying on blockchain for its services. It would be even more powerful if it could be enabled by euro-pegged stable coins not only used internally or with the bank customers, but with other banks too.

HOW MUCH WILL A LAUNCH COST?

How much money do you need to launch a bank on blockchain? Different sources say about €150 million. This is much less than opening a traditional bank with core IT systems on-site 10 years ago. Money resources will come from traditional investment funds, but also from an initial coin offering (ICO). It is the cryptocurrency space's rough equivalent to the initial public offering (IPO) known in the mainstream investment world.

What is the current status? The team is polishing its business plan, refining product lines and has a time scheduled for entering the market and presentations for investors. The main client segments that Obłękowski sees potential in are for small and medium-sized enterprises and affluent customers (wealth segment). If everything goes well, close friends and family will start testing in late 2019. It is not clear which market will be the first, but it might be one of the Baltic states where trust in new technologies is high.

POLISH IDEAS SUPPORTED WITH CHINESE MONEY

The last challenger bank from Poland aiming to take over Europe belongs to the founder of mBank, Sławomir Lachowski. The bank launched in 2000 and disrupted the local market by betting strongly on digital channels. Within five years it had become the third-largest bank in Poland in terms of customers. Everything was going fine until its main shareholder, Commerzbank, shelved its aspirations for foreign expansion. This decision supposedly led to the resignation of Lachowski. He probably thought: "If not with Commerzbank, then I will do it myself!"

The initial business plan for a new bank was about the establishment of an international currency exchange and transaction platform that would support affluent clients from all around Asia. This idea was bought in by Hong Kong investors from GSR Capital – investors in game-changing companies such as Lattice Power, Didi Chuxing and Philips Lumileds LED. This happened in the spring of 2016, and until recently it was not well known.

We now know that Golden Sand Bank is almost ready to launch and offers mobile-first private banking and wealth management. The bank has a licence from the Gibraltar Financial Services Commission. The team applied for a licence some time ago, but getting the necessary permissions took longer than planned. Meanwhile, we have to deal with Brexit, which may undermine the possibility of conducting business on the principle of a single passport in other EU countries (Gibraltar is a British Overseas Territory).

Recent news reported that Germany will be the first market in which Golden Sand Bank will launch. On one hand, it is the most conservative financial market in Europe. On the other hand, it is the home to some of the most successful challenger banks like Fiodor Bank or N26. And again, a licence from Gibraltar may not be so useful in the EU after Brexit. Despite that, Golden Sand Bank seems to be the one that will launch first, or at least has its application ready on production servers before Vodeno and Horum Bank.

"There are a few other developments in finance using blockchain: clearing, settlement and payments, but who thought about using it to set up most of their banking operations?"

Piotr Jan Pietrzak

DO WE HAVE A FUTURE UNICORN AMONG THEM?

Ex-bankers have been leaving their jobs in financial services to pursue their ambitions in the fintech space. This includes the likes of Antony Jenkins (former chief of Barclays), Vikram Pandit (former CEO of Citi) and John Mack (ex-chairman of Morgan Stanley). Some of them crash and come crawling back to banking, but many have found great success in the fintech space. Will Polish ex-bankers achieve their big hairy audacious goal of conquering Europe? Time will tell. **b**t

Piotr Jan Pietrzak developed his career in tech for financial services in Moscow through building web-based sales channels for insurance products for the Russian market, then worked on local initiatives in Poland, Germany and the Netherlands. He is now currently working in London, for a Dutch multinational banking and financial services corporation headquartered in Amsterdam.

Sponsored by Infosys Finacle

Let's work together

Facebook's bold crypto initiative has attracted big names, which means bank-fintech collaboration should take priority on this year's Sibos agenda, says *Rajashekara V. Maiya*, VP and global head of business consulting for Infosys Finacle.

Sibos 2019 is still some weeks away, with London hosting the event for the first time on 23-26 September. With a new decade fast approaching, it will be a timely opportunity to look at our already hyperconnected world, to consider what further dramatic transformations the next 10 years is likely to bring and the repercussions for the financial services world.

Rather like a cinema trailer for forthcoming attractions, Facebook has offered us a taste of what is to come. The social media giant's planned launch of its own cryptocurrency, Libra, in early 2020 has every appearance of being a game changer – particularly if China's Alipay and WeChat follow its lead and devise similar projects to utilise their own massive customer bases.

From its inception, Facebook's initiative has attracted the two big payment card names of MasterCard and Visa together with a host of other big names that will come on board, such as Uber, Spotify and Vodafone. Each partner has willingly paid Facebook a membership fee of at least $10 million to get on board.

Little of the detail emerging about Libra provides encouragement for banks. Reports only emerged last December that Facebook was working on its own cryptocurrency, so they can only envy the speed with which the project has developed. Users will be able to buy items online and transfer money via WhatsApp and Facebook Messenger, so no need for a bank account.

And using Facebook apps for transactions means that they will be kept within the social media giant's ecosystem.

It seems likely that the 1.7 billion people in the world it is particularly targeting, who still have no access to a traditional bank, will either want or need one.

HERE TO STAY

Facebook is keenly aware that ecosystems develop from working together collaboratively. It's a message that the banking sector has slowly been waking up to in recent years.

Innovations such as PayPal and Square – established 21 years and 10 years ago respectively – are no longer impudent disruptors but established features of the financial services landscape. More recently, fintechs have proved increasingly able to replicate traditional key banking functions in addition to developing new ones.

Banks seeking to match their agility and creativity have realised that it's better to work in unison with these newcomers and even to provide the funding for new start-ups.

BBVA was among the first to do so; as early as 2013 it had launched a $100 million in-house fintech fund and increased the figure to $250 million when it transferred investment to an independent fintech venture three years later. More recently, HSBC announced the setting up of a $880 million tech fund that will target investment in China, Hong Kong and Macau start-ups.

Meanwhile, banks such as Citi, Santander and Singapore's DBS are moving into the ecosystem with launches of platform-based operations ranging from digital payments to robo-advisory services for investors.

DBS, which has declared its aim of being pre-emptive in meeting its customers' needs, has even moved into second-hand car marketing – creating a portal for buyers and sellers that provides various features in addition to financing.

CASHLESS AND LOW-VALUE PAYMENTS

The approaching new era of the cashless society also opens up new opportunities for banks. India, which has moved significantly in this direction, already has 350 million users of Paytm. Launched nearly a decade ago, the e-commerce payment system and digital wallet now offers up to 200 services on its platform from bill payments and insurance to travel and entertainment bookings. More than seven million merchants across India use the Paytm QR code to accept payments directly into their bank accounts.

Paytm claims a 60% share of merchant payments using the mobile application-based Unified Payments Interface (UPI), which was introduced in August 2016 by the National Payments Corporation of India (NPCI). Although now licenced to operate as a payments bank, UPI delegates many of its services to Kotak Mahindra Bank and the two have developed a cooperative arrangement for retaining customers who might otherwise be lost to a competitor.

Another topic to feature on the Sibos 2019 agenda will be the sharp increase in the volumes of low-value payments, thanks to regional regulation such as Europe's revised Payment Services Directive, aka PSD2, and real-time payments initiatives around the world, ranging from Australia's new payments platform (NPP) to Hong Kong's Faster Payments System (FPS).

In India, where the UPI initiative has already seen huge growth in low-value payment volumes, the central bank forecasts that digital transactions could rise tenfold over just the next three years.

Mobile wallet operators are establishing themselves around the world and apps are growing in popularity as the demands of Millennials, Generation X and Generation Y force service providers to adapt or risk losing out. It's a trend that banks need to keep up with and suggests that co-operation with the fintechs is no quick or easy fix, but will need to be a deeper and longer-term relationship. **bt**

> "Co-operation with the fintechs is no quick or easy fix, but will need to be a deeper and longer-term relationship."
>
> **Rajashekara V. Maiya, Infosys Finacle**

Payments industry all at sea over consequences of Brexit

By *Christoph Tutsch*, CEO at ONPEX

The banking and payments landscape within the UK stands to change substantially, not just in the event of a no-deal Brexit, but even under the former Prime Minister's withdrawal agreement and the potential introduction of the Labour Party's customs union. This can have significant ramifications for payment providers and their partners inside the UK, when it comes to cross-border commerce.

Recently, the UK government warned the cost of card payments between the UK and EU will likely increase in a no-deal scenario, and these cross-border payments will no longer be covered by the surcharging ban, which prevents businesses from being able to charge customers for using a specific payment method. Customers may see these charges come into force immediately, with American Express being a key example of an issuer who is already not covered by these EU regulations.

What's more, the cost of processing international euro transactions could also increase in the event of a no-deal Brexit due to UK financial service firms losing access to existing passporting facilities to the EU market under this scenario. However, to mitigate this threat, many UK firms are establishing EU-based subsidiaries. This will ensure these institutions can continue offering services following the UK's exit from the EU from its dedicated EEA subsidiary.

So, what does Brexit mean for cross-border payments and the Single Euro Payments Area (SEPA) schemes?

The UK's participation in SEPA could be affected by Brexit. This scheme is essential to cashless euro payments made across Europe, as it ensures that making a payment internationally is as easy as making a payment at home with Bacs, Chaps and Faster Payments. Payment providers and their UK partners will no longer benefit from the scheme, when processing payments between the UK and the EU, if the UK is no longer part of it.

However, according to the Cash and Treasury Management file, there are three possible post-Brexit scenarios that will impact the UK's inclusion in SEPA. These are: remaining in the European Economic Area (EEA); leaving the EEA but having a free trade agreement (FTA) between the EU and UK with a "functional equivalence"; and finally, having no legal alignment.

If the UK remains in the EEA following Brexit, it can continue to participate in SEPA schemes. However, if the UK leaves the EEA or doesn't agree on an alignment of the relevant legal framework, the European Payments Council (EPC) will have to assess the UK's eligibility for being part of SEPA, following an application from the UK PSPs' community.

Alternatively, if the UK leaves the EEA and puts in place an FTA with the EU, thus establishing a 'functional equivalence' of the EU legal framework, UK scheme participants will be able to continue trading as normal using SEPA. This is because the UK will then meet the required criteria to participate in SEPA schemes. Still, in this situation, the EPC may have to assess any functional equivalence of the UK's legal framework with EU law.

Regardless of the outcome, banks and businesses need to ensure they have the financial infrastructure in place to enable customers to pay for goods and services quickly, effectively and securely, from anywhere in the world. Many of the UK's banks are already striving to find payment solutions that can support them in continuing to operate across borders.

NAVIGATING BREXIT WITH API-DRIVEN TECHNOLOGY

This year, EY found 56% of banks, investment banks and brokerages are relocating operations to Europe following Brexit turmoil – with £800 billion of assets being moved with it. With the uncertainty surrounding UK PSPs' status in the market, businesses are turning towards their European counterparts to facilitate payments in this transitional period.

However, APIs could be the key to ensuring that business continues, as close to normal as possible, in the UK and Europe. This is because APIs can provide UK-based financial institutions with the facilities needed to make cross-border payments seamlessly by connecting different payment schemes (e.g. Swift and SEPA) offered from a European-based financial institution. Therefore, with cross-border payments and APIs becoming a must to maintain continuity in service, PSPs with these facilities will have the upper hand.

Additionally, API-driven technology provides greater levels of simplicity, transparency and automation. These qualities are particularly important for cross-border payments from the UK to the European mainland and will be key to success. This is because customers are facing an unprecedented level of uncertainty about Brexit and are striving for new levels of knowledge to offer peace of mind going forward.

> "Businesses need to futureproof themselves now and cross-border payments need to be a key strategic pillar of many business models."
>
> Christoph Tutsch, ONPEX

WHAT HAPPENS NEXT?

No one quite knows what the future will hold if the UK leaves the European Union. Businesses need to futureproof themselves now and cross-border payments need to be a key strategic pillar of many business models. Without this, financial institutions will certainly be left behind, particularly those in the UK.

Therefore, organisations need support with payment solutions that can easily facilitate cross-border payments seamlessly and with complete transparency. **bt**

Christoph Tutsch is CEO at ONPEX, a Payment Institution supervised by the CSSF in Luxembourg.

Take guard against sanction screening

By *Andrae Duhaney*, CAMS, product owner, CaseWare RCM

Recently, Standard Chartered Bank (SCB) was ordered to pay $1.1 billion for conspiring to violate the International Emergency Economic Powers Act (IEEPA) and other international money laundering controls. It included a criminal conspiracy involving some 9,500 transactions worth a quarter of a billion dollars to the benefit of sanctioned Iranian entities.

More than half of the transactions were the result of deficiencies in SCB's compliance program, which allowed customers to request US dollar transactions from within sanctioned countries.

Less than two weeks later, US officials fined one of Europe's largest banks, UniCredit Bank AG (UCB AG), more than $1.3 billion for processing nearly $400 million for sanctioned entities and countries, including Iran, Libya and Cuba.

UCB AG not only did business with sanctioned entities, it even altered its screening to strip sanctioned countries from transaction information in a conspiracy run by compliance staffers.

Prosecutors said the bank "engaged in this criminal conduct through a scheme, formalised in its own bank policies, designed to conceal from US regulators the involvement of sanctioned entities in certain transactions". In one instance, the bank actually used its sanctions screening software to find and release illegal transactions to blacklisted regimes.

These and other financial institutions (FIs) have been scrutinised as regulators seek to send a strong message that FIs will be heavily fined if they drop the ball on sanctions screening. At the same time, US regulators are warning individuals they may also be held responsible for letting dirty money get through the system. In my opinion, this is a clear wakeup call for anyone in the financial industry.

'YOU'LL PAY A STEEP PRICE'

In the words of Assistant Attorney General Brian Benczkowski on the Standard Chartered case: "Today's resolution sends a clear message to financial institutions and their employees: if you circumvent US sanctions against rogue states like Iran – or assist those who do – you will pay a steep price."

> "When a global bank processes transactions through the US financial system, its compliance program must be up to the task of detecting and preventing sanctions violations."
>
> Brian Benczkowski,
> US assistant attorney general

He went on to warn FIs that doing business with the US means carefully screening customers and transactions.

"When a global bank processes transactions through the US financial system, its compliance program must be up to the task of detecting and preventing sanctions violations," he said. "When it is not, banks have an obligation to identify, report and remediate any shortcomings."

In recent years, Manhattan District Attorney investigations alone have resulted in 11 banks being fined or forfeiting more than $14 billion in settlements. The resulting legal cases have been costly in terms of financial penalties and perhaps more important, the reputations of these major banking corporations. Meanwhile, the banks are responding by working to develop their own frameworks and guides to ensure they have comprehensive compliance programs.

The Wolfsberg Group, an association of 13 global banks, issued its own guidance for sanctions screening earlier this year (*see right*). They wrote that sanctions screening is a key control in the prevention of financial crime risk to which FIs may otherwise be exposed, urging companies to include it as part of a wider set of financial crime fighting measures.

GUIDANCE FOR DEVELOPING AN EFFECTIVE SANCTIONS SCREENING PROGRAM

According to the Wolfsberg Group, the fundamental pillars of a Financial Crime Compliance (FCC) program should include:

- Policies and procedures – defining requirements for what must be screened and how alerts should be handled and judged.
- Responsible person – ensuring appropriate skills and experience in understanding sanctions requirements and how these might influence screening outcomes and decisions.
- Risk assessment – applying risk-based decisions to determine what to screen, when to screen, what lists to use and how exact or "fuzzy" to set the screening filter.
- Internal controls – FIs are expected to document how their screening systems are configured and demonstrate that it is reasonably expected to detect and manage the specific sanctions risks.
- Testing – validate that the screening system is performing as expected and assess its effectiveness in managing specific risks.

The Wolfsberg report points out a risk-based approach means understanding sanctions screening can never detect every possible risk. That means the effectiveness of screening will vary among FIs, even when they are using the same screening protocols and solutions.

While designing and configuring the screening process, Wolfsberg recommends the following:

- o Articulate the specific sanctions risk that the FI is trying to prevent or detect.
- o Identify and evaluate potential exposure to sanctions risks through an FI's products and services and its relationships with customers.
- o Ensure the screening tool includes a well-documented understanding of the risks and how they are managed.

>>

REGULATORS ISSUE THEIR OWN BEST PRACTICE GUIDE

While the Wolfsberg Group has developed their guidelines for sanctions screening, regulators have also issued their own best practice guides that should help FIs enhance their processes and procedures.

In May, the US Office of Foreign Asset Control (OFAC) broke with tradition by issuing a new framework to help financial institutions develop a comprehensive risk-based sanctions compliance program (SCP). “OFAC will consider using its enforcement not only against the violating entities, but against the individuals as well,” the framework concludes.

> “Expectations are being elevated and organisations need to make sure they have their compliance practices in order now that OFAC has made clear what good practices look like.”
>
> **Erich Ferrari, Ferrari & Associates, PC**

Legal analysts also point to another quote as a possible shift in OFAC’s standard: “OFAC may, in appropriate cases, consider the existence of an effective SCP at the time of an apparent violation as a factor in its analysis as to whether a case is deemed ‘egregious’.”

Erich Ferrari, an attorney for Ferrari & Associates, PC who specialises in OFAC matters, wrote about the OFAC framework in a blog, spelling out its common causes for sanctions violations in easy to understand dos and don’ts (*see box below*).

“OFAC’s Framework is a welcome development for many in the sanctions compliance world,” Ferrari wrote. But he cautions that the clarity from the regulator means more responsibility for FIs.

“That said, it does signal that expectations are being elevated and that organisations need to make sure they have their compliance practices in order now that OFAC has made clear what good practices look like.”

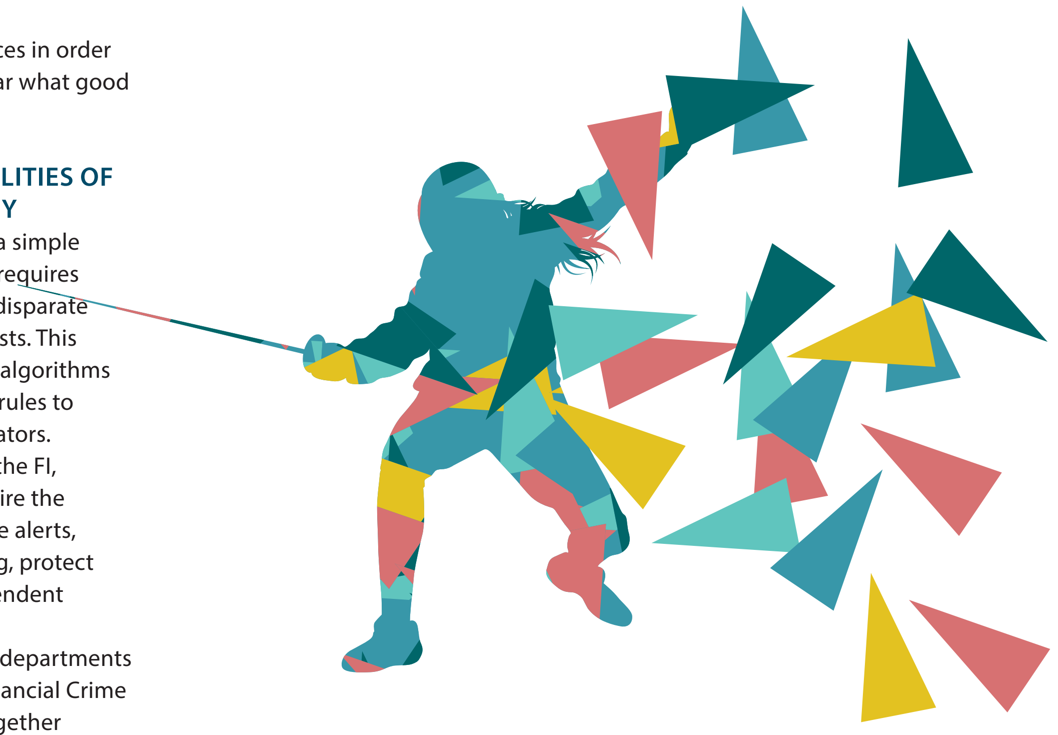
Dos and Don’ts to avoid sanctions

Do

- Have an OFAC sanctions compliance program.
- Consult legal counsel or OFAC sanctions expertise to understand the scope and applicability of OFAC-administered regulations.
- Make sure that your sanctions screening software and filters are adequate, continuously tested, and calibrated to ensure that sanctions risk is being appropriately mitigated.
- Good due diligence. Don’t slack on the quality of your due diligence, and if you don’t have the knowledge or resources to do it appropriately outsource it until you can devote adequate resources and processes to conduct it. Account for ultimate beneficial ownership, geographic risk, and all counter-parties. Also, conduct transactional due diligence and monitoring.
- Follow OFAC’s Framework and ensure that your sanctions compliance program is addressing sanctions-risk globally and is consistently applied and tested across operations and business lines.

Don’t

- Refer business opportunities to, or otherwise approve or facilitate those opportunities of, your company’s foreign based operations and subsidiaries.
- As a non-US person, re-export US-origin goods, services, or technology to sanctioned jurisdictions or sanctioned persons, particularly if you have signed a contract or received other documentation that has informed you that you cannot do so.
- As a non-US person, cause US dollar payments to be remitted through the US or by US persons for transactions that in any way involve sanctioned persons or jurisdictions, and definitely do not in any way try to hide that a cross border US Dollar payment is related in some way to a sanctioned person or jurisdiction.
- Engage in strange payment practices. This is particularly true when it comes to receipt or remittance of payments from or to third parties. If the manner of payment requested by a counter-party appears unusual or novel, ensure that the payment can be made through normal channels.
- Be the person at your company that comes up with a novel way to “get around” the sanctions. If you’re looking for loopholes, you’re looking for trouble. OFAC and other law enforcement agencies are becoming bullish on going after individuals for facilitating sanctions violations of the companies they work for.
- Don’t get the horns – promote compliance before OFAC promotes enforcement.



EXPECTATIONS AND REALITIES OF SCREENING TECHNOLOGY

Screening goes well beyond a simple name matching process and requires examining data from widely disparate technologies and sanctions lists. This often means using matching algorithms and risk-based alert creation rules to ensure FIs comply with regulators.

Depending on the size of the FI, screening programs will require the use of technology to generate alerts, provide metrics and reporting, protect the data and allow for independent testing and validation.

Such programs require all departments from IT to Operations and Financial Crime Compliance (FCC) to work together to ensure quality alerts by including screening lists for relevant data, ensuring exclusions are maintained through suppression rules or “Good Guys” lists and the removal of reference data from the screening process once it is determined not to be a risk.

To successfully implement a sanctions screening application requires a financial institution to either build a screening application on its own, or source a solution from a vendor. Factors such as an FI’s size, global business footprint and its own technology environment need to be included in the decision making.

Wolfsberg suggests analysing sanction risks and functional requirements to include availability of screening rules to ensure alert creation or suppression; the ability to manually screen in one-off situations; and the ability to configure workflows and the availability of metrics and reporting.

In a recent webinar, Andrew Simpson, chief operating officer of CaseWare RCM, said goals should be clear.

“The big objective is to prevent your institution doing transactions with any sanctioned organisation or individual. You also want to be able to undertake some enhanced due diligence on high-risk customers and third parties,” said Simpson, whose company developed its Alessa software to combat financial crimes. “You need to understand what your sanction risks are, where there are risks and how are you managing those risks.

“In any compliance program in any financial institution or corporation, everything has to be pivoted on having strong controls,” Simpson said.

Depending on your organisation’s risk appetite, it is important to remember that just screening for OFAC alone doesn’t get the job done. **bt**

> “In any compliance program in any financial institution or corporation, everything has to be pivoted on having strong controls.”
>
> **Andrew Simpson, CaseWare RCM**

CAST A WIDE NET

Screening must cast a wide net, meaning a wide range of lists, companies and individuals must be included to reduce the risk for an FI to an acceptable level. These may include screening against the following lists:

- [US] OFAC SDN
- [US] OFAC Non-SDN
- [US] Non-OFAC sanctions
- [EU] European Union sanctions
- [UK] HM Treasury United Kingdom sanctions
- [UN] United Nations sanctions
- [AUSSANC] Australia’s Department of Foreign Affairs & Trade sanctions
- [CANS] Canadian sanctions
- [HKSANC] Hong Kong Gazette & Hong Kong Monetary Authority sanctions
- [SECO] Switzerland’s State Secretariat for Economic Affairs sanctions
- US SAM which includes entities that are either restricted or prohibited from doing business with the US government
- Country Risk Ranking data
- IHS Maritime Vessel data
- Adverse media data
- Internal intelligence lists

WELCOME TO THE

FINTECH FUTURES LIBRARY

Introducing a brand new section on our website,
where you can find a compilation of books from the world of business, finance and technology.

We’ll be adding new books regularly that we feel are relevant,
useful and of interest to you, our readers.

Happy reading!

www.bankingtech.com/library

Do you know of a book that should be on our virtual library’s shelf? Contact:
Tanya Andreasyan
e: **tanya.andreasyan@fintechfutures.com**
and we’ll be happy to consider it. If our team deems the book suitable, it will be included in our library for free.

Focus on what’s important – and leave the rest to us

Smartstream’s platform takes the operational and regulatory responsibility of payments off your back.

Back in early June, Money 20/20 hosted a broad range of companies from all corners of the payment industry in Amsterdam, and it was clear that Open Banking and GDPR had finally hit home, as any talk regarding innovation was solely dedicated to the “customer experience”.

“One of the largest worries for traditional financial institutions is the fear of fading into the background,” says Pritesh Kotecha, SVP, EMEA, SmartStream. “Particularly with the rise of innovators such as Apple Pay or Venmo, which have become the face of financial services for many young people.”

In the past few years, banks and legacy firms have been dumping a colossal amount of resources and brain power into figuring out how to enhance this highly sought-after ideal customer journey. This has translated into creating positions at very high strata in the company, as well as redesigning business plans, products and services.

When we sat down with SmartStream execs, they told us that they see their roles as enablers of all this. By separating the transaction from the experience, they take on the responsibility of the operational control, allowing their clients to focus on their clients’ user experience.

“We’ve reached the tipping point where the suppositional innovations of 12 months ago are turning, and have turned, into execution,” Kotecha tells us.

“The race is on, and the winners will be those that create the most engaging, instream client experiences. This is the number one priority. To do this our clients are passing on the responsibility of running their back-office operations to a specialist. In this case, it’s us with our platform, which takes away the operational burden and lets our clients focus their resources on new, digital revenue streams. Most importantly, when we combine our 40 years of experience with AI and machine learning, we transform a traditional transactional back-office platform into a true system of insight, which feeds knowledge into our clients’ product innovation and client intimacy strategies. This is the real game changer.”

> “The race is on, and the winners will be those that create the most engaging, instream client experiences. This is the number one priority.”
>
> **Pritesh Kotecha, SmartStream**

SmartStream’s platform allows clients to focus their energy and budgets on the client experience, building a brand, maintaining customers’ trust, and refining their front-facing systems. The firm’s execs tell us that they have mainly experienced traction in the consumer area, but that the momentum is now expanding onto the corporate banking world.

“The corporate banking world is much stickier, as currently loyalty and margins are higher. This means that the threat in the B2B world is not as existential as in the C2C space for now, and so they can be a bit more pragmatic in their reaction to those front-end changes taking place, but once it does, clients can benefit from a similar strategy in the long-term,” Kotecha continues.

Santosh Tripathy, practice lead, digital payments at SmartStream, tells us: “With our platform, we provide the foundations for faster and more secure digital payments.”

Tripathy believes that the firm is making payments frictionless and seamless. “We come in when firms have worries about volume and unstructured data,” he says. “We solve those pain points for them and bring the seamless experience of front-end into operations.”

SmartStream tells us that one big problem facing legacies is unpredictable volumes. As the default network scale becomes global, a successful product launch or partnership can overnight generate millions of transactions. The opposite can also be true if a competitor launches. Asia, for example, grows 29% per year in digit payment growth, so for a European bank building operation to accommodate that is expensive and risky.

Thus, SmartStream’s platform has become a specialist in building scale in a tailored way. This means that the platform gathers and provides operational and user-experience data and creates a system of insight to enhance the overall experience.

These insights can reduce fraud, spot pricing errors and other types of patterns, and help with product innovation, by tracking which products and services are successful in certain areas.

“As a company, dealing with payments means dealing with behaviour. Thus, we’re rich in data and we’re applying machine learning and artificial intelligence abilities to mine data, thus solving repeatable problems in our client base,” says Kotecha.

By 2025, all banking will be done through mobiles. This means that payment systems will have to be able to track everything that happens in those platforms. SmartStream is ready for that. More importantly, SmartStream knows that not every region works the same way, and that the race for volume that we see in places like the US and Asia changes from region to region.

“Our platform can deal with large scale, like we see in Asia,” says Kotecha. “But it can also deal with the European model, which is forced to deal with different jurisdictions at the same time. It’s all about using the data gather to provide the best insights for your business.” **bt**

The future of PFM looks a lot less like a bank

By *Ryan Garner*, principal customer and product lead, 11:FS

Notebooks and spreadsheets have long been the go-to tools for customers who want to actively manage their money.

As such, the personal finance management (PFM) market has developed rapidly in recent years because banks have never tapped into this opportunity of helping customers manage their money. They have only provided the tools to make and receive payments and see a record of those transactions in the statement.

THE DEMAND FOR DIGITAL MONEY MANAGERS (DMMS)

With the rise of fintech and the introduction of open banking, DMMs have emerged from the likes of Yolt and Monzo. DMMs are now providing customers with many more options to manage their money digitally and, as a result, customers are becoming ever-more demanding of what they want.

We recently conducted research that shows that customers do not want a bank, they want digital services that help them live better with money. There is a big difference that opens up huge opportunity for new growth, either from existing suppliers or new fintech firms.

Consumers that have used a DMM are making great progress in getting basic financial jobs done, such as paying their regular bills more effectively, being more conscious of their spending and creating budgets. In a short amount of time DMMs have created a positive impact on their users' financial lives.

CONTINUING TO GROW

There are two key ways DMMs will evolve in the coming years:

1. To cross the chasm from early adopter territory into the mass market, the DMMs need to start catering for a more diverse range of customers.

Only 14% of the UK have tried a DMM, which means most are still relying on non-digital tools or online/mobile banking apps that cover the basics. The typical profile of DMM users are affluent millennials who have a specific set of needs. The financial jobs they have to get done are very different from the 20-year-old student living off £13 a day, or the person who has always lived with debt and never had any money to save.

Appealing to a wider audience means creating intelligent services that help customers build up a financial safety net and pay down debt. There's a lot to be learnt from people on a strict budget, as many are really creative with their personal financial systems using systems like 6jars, envelopes or pinboards to visualise the movement of money.

Addressing these needs will help expand the market appeal and the practical usage for DMMs. But there is also an opportunity to further develop the experience for current DMM users, which brings us on to the second area for growth.

2. Helping existing customers do more with their money.

While DMMs have greatly enhanced the control customers have over their money, there is still more to do. Money is an enabler and cuts across every part of our life, so how do DMMs become more than just money?

Well-designed digital services are invisible until their customer needs them. Many of the DMMs are executing this by minimising the time and stress associated with managing money but giving the customer more control. When the customer has greater control they have more mental bandwidth to think a bit more long term.

Customers of DMMs using features to gain control of their finances have become hygiene factors and new priorities have emerged. These include putting money aside for key life events such as buying a home, getting married, going on holiday or starting a family. These are the important things in life and making progress towards them is where the PFM market needs to move to.

The data in the research shows clear differences in the market opportunity scores between users of DMMs and non-users. The opportunity scores show us where customers are most underserved, for instance the financial jobs they consider most important and most difficult to do.

For non-users of DMMs the opportunity score for creating realistic budgets is 83% but for saving for future life events (like buying a home) is lower at 61%. For DMM users this is turned on its head. The opportunity score for creating realistic budgets is 54% but saving for future life events sees it jump up to 86%. This data shows the profound shift in opportunity when customers are given digital tools to help them better manage their money.

RECOMMENDATIONS FOR EXECUTING WELL

The first thing to remember is that customers do not want a bank as we have known them in the past. They want to make progress on the important jobs in their life. The trouble is the job of managing personal finances is very broad with a diverse range of desired future states customers are trying to work towards. These include:

- creating a realistic personal budget and knowing how much you can spend;
- being more aware or mindful of what your money is being spent on;
- staying on track with your budget and adapting it if necessary;
- funding experiences and activities (for example, holidays);
- building up long-term savings for specific goals (for example, getting married or buying a house);
- building up or maintaining a financial "safety blanket" to fall back on when you need to;
- being more financially independent (for instance, not borrowing from parents or a partner);
- keeping track of your money when it's stored in different places;
- managing your recurring bills and living costs;
- identifying opportunities to access additional benefits, rewards and discounts based on your spending habits;
- reducing or managing loans and debt;
- finding ways to make more money from your savings and assets.

There is clearly no service that helps the customer with all of these. What has happened instead is fintechs are specialising in one or two of these areas to find product market fit and building their business from there. Customers increasingly want a single platform or control panel that helps them make progress across these jobs.

The starting point for DMMs is to build their services around these financial jobs. Then the focus for proposition design is to create intelligent services that help customers make progress on these jobs rather than just offering them traditional financial products. By focusing on the service experience first, the DMMs have a greater chance of delighting their customers by being relevant to customers' day-to-day life.

DMMs must also focus on delivering end-to-end customers experiences. This means that if customers are saving money for a house, how can a DMM help customers project how much they can save and connect them to the market so they can see what their budget can buy. There's a really interesting fintech in Hong Kong called Planto doing this but we're not seeing this in the UK yet, so there's an opportunity for differentiation.

In summary, DMMs have made a huge impact among those using them. To continue their growth trajectory they need to expand their services out to different customer segments and help current customers go beyond the fundamental financial control jobs to be done.

Those DMMs that build intelligent services around the high-opportunity customer jobs will win. This means looking less like a bank and helping customers make progress towards important life moments. **bt**

> "Money is an enabler and cuts across every part of our life, so how do Digital Money Managers become more than just money?"
>
> **Ryan Garner, 11:FS**

The Amazon-ification of banking

By *Dharmesh Mistry*

Around six years ago, you could do a search online for 'digital banking' and not find anything, yet only a year later there were early concerns about whether bigtech or fintech would eat existing banks' lunch. Back then I used to present this as a shark (bigtech) taking large chunks out of banking, and piranhas (fintechs) taking smaller (mono product lines) chunks.

Since then, concern about fintech has waned, neobanks/challengers have appeared and concerns about bigtech has heightened. Yet none of the GAFA (Google, Amazon, Facebook, Apple) have launched their own licenced banks, although Alibaba has spun out Ant Financial and is making strong headways into financial services from the west.

While the Uberisation of banking has driven a number of banks to "remove friction" and "re-imagine" customer journeys (more on this to come in a follow-up post), what can banks learn from what I call the "Amazon-ification of banking"? Before I answer that, let me first say what should be obvious is that there isn't a one-size-fits-all solution for digital – the Amazon-ification of banking is just one option.

One of the key differences with Amazon is that as a customer, you see Amazon as a distributor of products, with no bias for their own brand products and that customer interaction is consistent irrespective of the product. This is perhaps the main challenge for most banks – the product silo driven processes for customers. For example, it might take four minutes to apply for a credit card, but two weeks for a current card; for many banks the disparity in experience across product silos is very real.

So, what can banks learn from Amazon? In a nutshell, it should have the following key features:

MARKETPLACE

Amazon did not start out being a manufacturer of products, so becoming a marketplace has been easy. Banks have been white-labelling third-party products for many years; however, this is an exclusive relationship. The difference with Amazon is not only that this is a non-exclusive relationship, but it also provides the third-party a platform to set up its own shop on Amazon. While Starling would like to see itself as a marketplace bank, it is only Fidor that has managed to provide the Amazon equivalent for banking.

COMPETITIVE PRICING

With such a strong platform, Amazon is able to price products competitively, while still giving the customer the option to use a third-party provider. How? Well, rate chasers are always going to go for the best deal, so it is probably better to take a margin from competitors than lose the deal entirely. Another demographic will look at the difference and value convenience and trust in the brand, and will pay that little extra.

OFFERS/REWARDS

This is pretty simple. With an extensive data set and diverse product set, it's possible to incentivise a cross-sell of products based on other customers' behaviour. To an extent, some banks can learn from this, but generally they lack the diverse product sets to really take advantage. However, some banks and credit card companies do provide broader schemes.

RECOMMENDATIONS

With the advent of money management tools, making 'recommendations' is something banks have started to take advantage of, but the vast majority really have some way to go. The real difference is that regulations around financial advice make this trickier than in retail.

ASSISTED DECISION-MAKING

Similar to recommendations, banks have to be more careful when making product recommendations to ensure they don't fall foul of regulations for providing financial advice. However, aggregators in financial services provide strong product comparison capabilities and provide solution specific calculators to aid decision-making already.

SELF-SERVICE HELP

For a long time, Amazon support was purely online, and while it does not support some assisted channels, its online help is very strong. In banking it is surprising that many online banking services don't provide help on all their app features, let alone help on banking transactions not supported by the app.

PERSONALISATION

Customers can personalise their use of Amazon by tailoring user experience preferences (preferred delivery address, payment card and so on). However, it's not just their experience; they also personalise offers and recommendations.

> "If Amazon can make merchants successful on their platform, both parties grow. This is a real trick that will be difficult for banks to compete with."
>
> Dharmesh Mistry

CONVERSATIONAL INTERFACE

Amazon provides Alexa as its conversational interface, making it easier to place orders or add items on your wish list. It also supports a marketplace of speech apps. Imagine if banks provided this and supported products from third parties; for example, micro investing or P2P lending. This would not only allow banks to offer a broader range of financial products and services but also ensures the bank is at the heart of the customer's financial world. A number of banks have already created conversational interfaces, but none have done so beyond their own products.

ENGAGEMENT

Banks' channels are generally transactional except when it comes to sales and advice. Amazon provides both omni-channel and bi-directional engagement, and like banks it is much stronger in sales than in service when it comes to engagement. Engagement is a key area where banks can excel beyond Amazon, thus truly establish their position as trusted adviser for their customer's finances.

PRODUCT SILOS

If you buy a pair of shoes, TV and book, Amazon has one checkout process. However, in banking, this is done differently by product. Changing personal details, tracking an order, placing an enquiry… all of these are agnostic to the product and are handled in one way by Amazon, and the opposite is true of banks. This aspect is by far the greatest learning banks can get from Amazon, that a pure focus on the entire customer relationship and consistency of processes is what really drives loyalty in the role of a product distributor.

THE TEN COMMANDMENTS

So there you have it. There are at least ten things banks could look at to Amazon-ify themselves. I'm sure there are more and I know I've skimmed these ten at a high level, but my goal was to help you see what banks could learn from a global leader in product distribution.

Does this advantage in retail mean that Amazon could take on banks? The answer is 'yes', but maybe not for the obvious consumer market; instead for the merchants. By not only providing a platform for merchants, through Kabbage, Amazon can also provide those merchants with finance. If Amazon can make merchants successful on their platform, both parties grow. This is a real trick that will be difficult for banks to compete with. Today, banks only see merchants as an opportunity to sell financial products. They do this at arm's length with a very basic understanding of the merchant's accounts. However, Amazon makes margin on what those merchants sell *and* can provide finance with strong knowledge about how well their shop on Amazon is doing (and those of their competitors).

This begs the question: do banks truly understand the threat of Amazon and others when it comes to banking? **bt**

Dharmesh Mistry has been in banking for 30 years and has been at the forefront of banking technology and innovation. From the very first internet and mobile banking apps to AI and Virtual Reality. He has been on both sides of the fence and he's not afraid to share his opinions.

Banks need a fresh focus on SMEs

By *Nadia Sood*, CEO of CreditEnable

SMEs are hailed as nation builders and the backbones of developed and emerging economies alike, and yet adequate financing from the formal market is still elusive for most SMEs at home and abroad.

The primary reason is that the extraordinary array of technology that enables banks to underwrite competitive loans for consumers, in seconds, has hardly penetrated the SME lending segment. As a result, banks and SMEs are experiencing digital disenfranchisement.

The UK has lost almost two thirds of its bank branches in the last 30 years. In 1988 the UK had 20,583 high street bank branches. Today, only 7,586 remain. This has had a disproportionately negative impact on lenders, SMEs and the broader UK economy.

As these bank branches closed, the SMEs' relationships with the bank managers who provided significant value beyond the loans they were underwriting also ended. The "soft interventions" which included helping SMEs manage their finances, avoid the pitfalls of unmanaged growth and understand the broader, macro-economic issues that could impact on them also disappeared. Lenders also lost out on the data collection engines that their branch managers had previously provided when it came to SMEs. So, both sides ended up worse off.

In the consumer lending space, the story has been fundamentally different. The historic relationship between bank and borrower has been replaced by technology: chat bots and virtual assistants – all of which help consumers gain better access to credit.

While the bank branch closures meant that consumers lost the personal touch, this was made up for by the fact that they gained speed of decision-making and greater access to differentiated and affordable products. The story for the SME was vastly different: SMEs just got lost. Investment into the automation of credit underwriting never really happened, and SMEs ended up in no-man's land, too small to be processed by the corporate bank and too large to process through the tools that the consumer automation revolution brought into the market.

WHY DOES THIS MATTER?

In the UK, SMEs account for 99.9% of all private sector businesses and 60% of all private sector employment, but the value of annual total lending approved for micro- and small business plunged by 38.7% between 2013 and 2017, down to £7.2 billion.

Abroad, MSMEs account for nine out of ten businesses, two out of three jobs and a half of global GDP. SMEs everywhere are forced to depend on the informal and alternative market for credit: friends, family and moneylenders to support their growing businesses with a shocking 70% of them in emerging markets lacking access to credit.

Globally, banks recognise that the SME segment is attractive because of its low default rates and the rapacious appetite SMEs have for new lending products as they grow. To mine this potential, banks need to be able to apply technology the way it has been applied in the consumer and corporate sectors to the SME sector. They also need to build a life-long digital relationship with their SME clients that allows them to pivot, test and experiment with new products and services that will keep these clients engaged over the lifecycle of their business. Unless this happens, the credit gap for SMEs is not going to reduce.

Ten years after the toughest financial crisis since the 1930s cut credit across the board, the global credit gap between SME need and finance availability is in the trillions.

Even harder to innumerate is the trust gap between SMEs and lenders. An SME that has been consistently repaying at 15% for years cannot understand why a bank will not extend credit at 4%. Another that tries to secure credit cannot understand why a rejection this year could mean it cannot secure a loan for the next three years despite improvements to its profitability and growth. A bank bereft of information finds itself no longer equipped to assess the risk of lending, so pulls out of the segment.

TECHNOLOGY WITH HUMANITY

Technology holds the key to unlocking this dilemma, but it is best served when we blend it with traditional values. A classic example came earlier this year when CreditEnable signed a unique partnership with the world's largest SME association, The Confederation of All India Traders (CAIT), representing 70 million SMEs in India.

> "If banks are to make headway, they need to look at SMEs through new eyes, with the same urgency and devotion they give to Millennials and Generation Y."
>
> **Nadia Sood, CreditEnable**

India is a land of amazing contrasts, but its SMEs face the same challenges as those the world over. India brings more than 1 million young people to its workforce every month but despite its status as the sixth largest economy on earth, hot on the heels of the UK, the vast majority of its SMEs still are forced to borrow from friends, family, money lenders and credit cards, just to keep up with the 7% growth in their economy. Even those with successful track records still borrow from money lenders because banks have no accurate metrics with which to assess them.

Our objective is to move the £250 billion in debt these 70 million SMEs take each year from the alternative lending sector at interest rates of 30-40%, into the formal lending sector, saving SMEs some £38 billion ($50 billion) a year while enabling competent and creditworthy entrepreneurs to grow and expand their businesses. We are also enabling our banking partners to take back market share lost to alternative lenders who are quicker and in a better position because of their personal relationship to deliver various products SMEs need to finance their businesses.

To achieve such demanding objectives, we are integrating our platform technology into CAIT's existing social and commercial structures, training 1,000 well-known SME leaders – "changemakers" – to reach out to 25,000 SME hubs across 14 Indian states and help SMEs use technology to enable an efficient marketplace.

The platform's analytics give SMEs a solid grounding and are validated by all lenders we work with. It accurately assesses the capacity to pay and filters the risk levels of borrowers who lack a credit rating. The platform is built around an integrated AI solution, which combines automatic data capture, data mining, algorithms, rule-based and statistical anomaly detection, with which to acquire data on SMEs' financials and other relevant datasets, to objectively categorise creditworthiness and risk levels. It has predictive analytics that allow lenders to obtain borrowers who have absorptive capacity and creditworthiness to borrow as well as their appetite to take out a loan.

SMEs come to understand the loan process and banks gain a forensic, 360-degree understanding that drills down to an individual SME in ways that simply never existed before.

That's how we are bridge building between two parties who need each other but lack the common ground on which to build a relationship. As SMEs enter our technology space we assess and match them with the right lender or help them avoid the damaging consequences of a rejection on future applications. Technology is the great enabler, but it benefits from a personal touch in the hands of these enthusiastic, street smart "changemakers".

The global market for SME credit is £6.1 trillion. If banks are to make headway, they need to look at SMEs through new eyes, with the same urgency and devotion they give to Millennials and Generation Y. Customer understanding and feedback, so earnestly sought from retail customers, should be extended to SMEs, so that real-time understanding can be matched by substantive innovation. Key to that are the brand-new, designed from the ground up, fit for purpose platforms, that enable the creation of trust by unlocking the door to data. **bt**

Falling in love with fintech

With a 45% growth in its fintech ecosystem in 2018, Lithuania is well placed to achieve its dream of becoming the number one fintech hub in Europe. *Cécile Sourbes* explores.

Lithuania is going full speed ahead in its quest to become a top fintech hub in Europe after it recently introduced a set of reforms to attract foreign firms. Although the Baltic country has managed to attract new talents in recent years, it is now looking to bring more headquarters and C-level executives with the view of becoming a key fintech decision centre.

Speaking at the Startup Fair in Vilnius at the end of May, the mayor of Lithuania's capital, Remigijus Šimašius, said the city was willing to bring new innovative and disruptive ideas, and would like to welcome more start-ups and entrepreneurs with the view of creating a real ecosystem.

This is precisely what Lithuania has been doing with the fintech sector over recent years. A report published by Invest Lithuania in February this year showed that the fintech ecosystem grew by 45% in 2018, with some 700 new positions created.

"Almost 2,700 specialists are employed in the sector across a wide range of positions and functions," the report notes. "Many of the local fintech teams are tasked with providing mission-critical services, like customer support for an entire firm or all the development and testing for brand-new products."

The authors of the report concede that, at the moment, most teams in Lithuania are smaller in scale, but they argue that this situation is set to change rapidly, with 88% of the fintech firms saying they are planning to further expand their Lithuanian teams in 2019.

However, what Lithuania needs now are high-ranked executives in charge of companies' leadership. This will allow the country to position itself as a real decision centre in the world of fintech.

Even though 70% of fintech firms in Lithuania have their headquarters in the country – according to the report published by Invest Lithuania – the local champion, TransferGo, which provides cross-border payments, still has its headquarters in the UK.

In an interview on the sidelines of the conference, Daumantas Dvilinskas, CEO of the firm, argued that he and his co-founders first met at university in the UK and therefore decided to launch TransferGo in London.

He went on to say that "although TransferGo originally launched in London in 2012, the Vilnius office is actually the largest in size in terms of employees, with most of the developers being based in Lithuania where the firm owns a licence."

As a way of showing its strong commitment towards keeping a footprint in Lithuania, TransferGo has recently recruited three new C-level executives from abroad.

"We have managed to hire three C-level executives for instance who are relocating from Berlin," said Dvilinskas, speaking at the Startup Fair conference the day before. "Of course, their Lithuanian spouses have helped a lot in convincing them to relocate to Vilnius, and I would like to thank them for that," he added, raising laughter in the audience.

In private, Dvilinskas said: "Bringing C-level executives in Vilnius was a big success for the firm. People don't necessarily need to be based here full time, but they can commute regularly, especially thanks to the new route (operated by LOT Polish Airlines) between Vilnius and London City airport."

A POST-BREXIT HOME

The recruitment shows an interesting move for TransferGo, which has recently secured $17.6 million in series B funding and is now looking to scale up its business, by launching new product lines in the B2B sector and targeting new emerging markets.

It also comes at a time when many fintech firms currently based in London are looking for a second home as the UK is preparing to leave the European Union.

In an interview with FintechFutures, Lithuania's minister of finance, Vilius Šapoka, did not elaborate his view on Brexit, but admitted that the current political situation in the UK brings huge uncertainty to the financial industry.

He added that Lithuania and the UK have enjoyed a very strong relationship over the years, because "we are like-minded countries" when it comes to regulatory frameworks and policy development.

Image source: London Fintech Podcast

"If we continue on the same path… everybody will understand how amazing Vilnius can be compared with other big cities in Europe when it comes to doing business and living here."

Daumantas Dvilinskas, TransferGo

Šapoka went on to say: "Quite a few fintech firms are considering the option of moving their offices to Lithuania, but I do believe that those tight relations between Lithuania and the UK will be preserved and even strengthened despite Brexit."

AIMING FOR TOP SPOT

Šapoka nonetheless made a call for Lithuania to become "the number one fintech hub in Europe".

To do so, Lithuania has set up a strategy called STIG, which stands for Start, Technovate, Invest and Grow.

A number of incentives for fintech start-ups to relocate to Lithuania were set up as a part of this strategy, such as: tax rebates; a start-up programme where new entrants are being helped by the Central Bank to deal with various legal issues, especially compliance; a regulatory sandbox for fledgling businesses as well as a framework to encourage future development; R&D expenses being deductible three times; and competitive taxation rates for companies providing investment and employment.

"We are headed in the right direction and Vilnius has now been put on the map as a place everybody is talking about," says Dvilinskas. "This is the first step, and if we continue on the same path – to talk about Vilnius and if we are still visible – everybody will understand how amazing Vilnius can be compared with other big cities in Europe when it comes to doing business and living here."

Fintech firms welcome these initiatives and encourage the government to pursue its efforts. **b**t

Friday the 13th is coming: is banking ready with SCA?

By *Chris Ward*, principal consultant at Mapa Research

The deadline for the Second Payment Services Directive (PSD2) compliance is rapidly approaching. The deadline for the vast majority is actually 12am on 14 September – the European Banking Authority (EBA) announced[1] limited extensions on "an exceptional basis". Even with this potential extension for the few, it's safe to say that the industry is getting more than just a little nervous. Unfortunately, it is obvious that many people who need to be ready for it, won't be.

The real immediate concerns stem from a key part of PSD2 – Strong Customer Authentication (or SCA as it is known). SCA mandates that a two-factor authentication be applied to all electronic payments – with some exemptions, namely transactions below £30.

Fundamentally, SCA is a good idea – it should help reduce fraud and making paying online safer for customers – whether that's making payments to friends, families or businesses, or when shopping online.

ARE THE BANKS READY FOR ALL AFFECTED JOURNEYS?

Banks in the UK are ready for payments from their own platforms. When you're making payments via online banking or in a banking app you probably are already using two-factor authentication in certain cases and pretty much always when setting up a new payee. The way you authenticate may well change a little, especially if you're using a physical token - like a card reader. A key thing that makes SCA more than just two-factor authentication is dynamic linking – which means you'll likely need to enter the account number you're paying to and the amount into your card reader when making a payment.

Where SCA gets a little scarier, is when you look at two other journeys:

1. Linking an account to a third-party service
2. Making card payments when shopping online

The first of these is a key part of PSD2 – it allows regulated third parties to access your data and initiate payments on your account. Currently many third parties rely on screen-scraping – the process that collects your login credentials and uses those for access. From September, this will no longer be allowed and SCA must be applied to the process. The ideal solution is for banks to offer APIs. In the UK, the big banks – and a growing number of smaller ones – have done this, but the rest of Europe has been much slower to get these in place.

WHAT ABOUT APIS AND MERCHANTS?

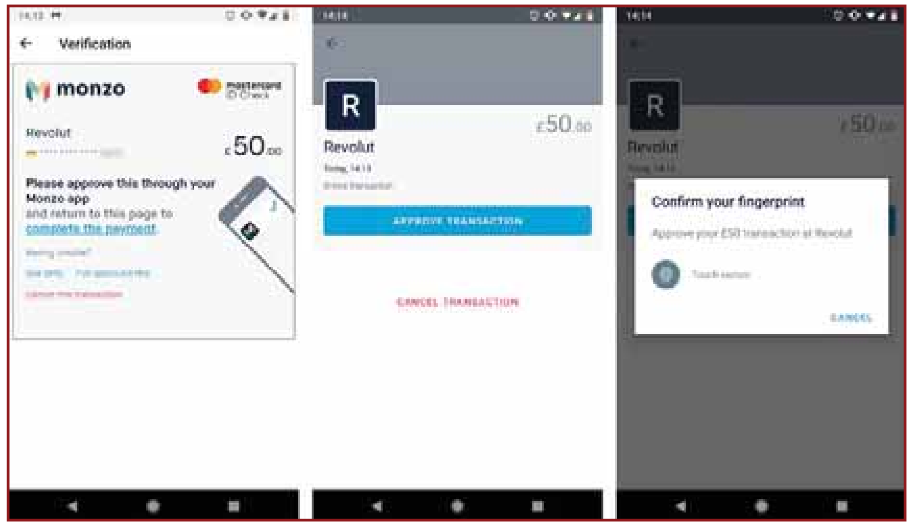
A recent assessment[2] of 100 banks across 12 markets by Tink showed that just 65% of banks have production APIs in place – the deadline for having these available to developers has already passed. This number falls to 37% if you exclude the UK. The impact of third parties relying on account access could be dire if they are unable to use these APIs or if they cannot access accounts using a process that is SCA compliant.

However, this is almost a side-show to the real issue – online card payments. Here the problem does not lie with the banks or most big payment service providers – but with merchants. The online checkout process of every single merchant must adapt to SCA. This is not an issue for big retailers – the Amazons of this world – but you may be surprised at the scale of some firms that aren't ready.

The very real fear in the industry right now – if the limited exception remains for the limited few – is that if merchants fail to adapt, there could be a huge number of failed transactions from 14 September – you may want to do your Christmas shopping a little earlier this year.

DO CUSTOMERS EVEN KNOW ABOUT SCA?

So, what is actually going to happen? The worst case is that many businesses will lose the ability to transact online and go out of business. The only flip-side being that perhaps this is the thing that will re-invigorate the high street.



Please approve this through your Monzo app and return to this page to complete the payment

Confirm your fingerprint

Approve your £50 transaction at Revolut

Touch sensor

> "The losers in all this will not be the banks or big businesses, it will be medium and small business, and their customers. This could be a massive blow to trust in the system."
>
> Chris Ward, Mapa Research

The other is that suddenly everyone will get ready for September. There are more headlines in the industry press, but unfortunately not the mass public communication needed to make people truly aware. A key learning for the industry is that changes like this must be communicated – having attended a few conferences this year on the subject myself, it's clear everyone knows we need a mass communication plan, but nobody wants to be the one to do it… I guess it's difficult to really know how to talk to customers about things like this.

Will the EBA be convinced that it needs to offer an extension to the masses, giving all the different players involved more time to adapt? This is the best hope and fingers-crossed, it will happen. The EBA's announcement of a limited extension for some merchants is a sign that we're a step closer to that eventuality, even though the EBA believes that "sufficient time has been available for the industry to prepare".

WHO'S REALLY AFFECTED BY A POTENTIALLY MISSED DEADLINE?

On reflection, the real pain in all this is that PSD2 and SCA should not be coming as a surprise to anyone – it's not like the rules were written yesterday; in fact they were announced in 2015. Furthermore, the losers in all this will not be the banks or big businesses, it will be medium and small business, and their customers. This could be a massive blow to trust in the system.

Businesses that are reliant on those providers will look for alternatives if they are let down – and there are plenty. Have you heard of AliPay? **bt**

References

[1] *https://eba.europa.eu/-/eba-publishes-an-opinion-on-the-elements-of-strong-customer-authentication-under-psd2*

[2] *https://tink.com/blog/2019/06/14/psd2-updated-sandbox*

The Win 10 Rush: beating the clock to upgrade PCs

By *Kevin Flaherty*, president and CEO of BLM Technologies

With January 2020 just over two quarters away, banks and credit unions are quickly realising that if they don't have a Windows 10 upgrade plan in place, they are going to be in trouble. Most experts are recommending financial institutions have their upgrades in place by 1 September 2019. With the percentage of banks that have upgraded or are in the process alarmingly low, financial institutions that haven't yet upgraded need to get a plan in place now. Here are some ways they can get an assist.

Since it appeared on the scene in mid-2009, Windows 7 became a much-loved and highly preferred version of Microsoft's ubiquitous operating system for personal computers – and particularly loved by financial institutions – due to its stability, reliability and security features. But then, Microsoft announced in 2015 that it would end its extended support of Windows 7 by 14 January 2020, effectively forcing financial institutions to upgrade to Windows 10.

Moreover, as Microsoft phases out Windows 7, new processors won't be able to run the now antiquated operating system. Even seventh generation processing chips won't be supported after the Windows 7 end of life. And if your bank works with any PC hardware that's more than three or four years old, there is a very good chance that it will not be compatible with Windows 10 for very long.

MAKING MIGRATION A PRIORITY

So, the time has arrived for all financial institutions to make the migration.

And if they don't? They will be vulnerable to computer crashes, breaches, hacks and other serious security issues. They will also have to pay for Windows 7 technical support and extended security updates. All good reasons for financial institutions to make the migration a priority.

And the true deadline is even sooner than next January. A number of industry experts recommend that financial institutions get out ahead of the deadline, well before 2019's holiday season gets underway, since banks go into a freeze in November. Banks would be smart to set 1 September of this year as their deadline for having Windows 10 in place, at the very least for testing purposes.

> "The key to carrying off large-scale IT projects is having the right team with the right technological knowledge and expertise available at the right time and place."
>
> **Kevin Flaherty, BLM Technologies**

What does this migration look like for an industry that operates hundreds of thousands of PCs across banks and credit unions – not to mention within their ATMS, which number upwards of 500,000, according to the ATM Industry Association? A lot of financial institutions are finding out that the job is much more complicated and resource-draining than they remember when Microsoft introduced Windows 7, and they are looking for ways to make the migration as painless and error-free as possible. As a company that completed more than 30,000 Windows 10 upgrades for one of the nation's top three financial institutions in less than 13 months, I can tell you that a carefully, tightly planned and executed upgrade program can make for the least painful migration process possible.

It helped that we have a long-term relationship with this bank, beginning more than 30 years ago with repair and support services for all of its equipment. We then expanded into other lines of business and project management within the bank, handling projects ranging from software installation and building relocations, and more recently, online banking system and equipment upgrades at all branches.

So, when the bank decided to get a jump on its Windows 10 upgrade, it looked to us to take on portions of its 80,000 PCs across the country. The team began upgrading several hundred PCs for the bank's financial advisors at 25 locations across 17 states.

However, by June 2018, the bank had set a new deadline to upgrade its 50,000 retail PCs in just three months and asked us to manage 10,000 of the upgrades. We responded by onboarding additional technicians dedicated to the project. This team responded so quickly and efficiently that the bank awarded us an additional project of upgrading nearly 10,000 more PC operating systems at 800 retail locations, which we completed in 55 business days.

A SHORT TIMEFRAME

In the span of 13 months, FlexForce completed upgrades in more than 1,000 of the bank's locations in all 50 states. We were able to maintain quality, consistency and predictability, even in the face of 30,000 upgrades. The bank believes, as do we, that getting this massive project completed in a short timeframe and without disruption to either their employees or their customers was a large part of the project's overall success.

The key to carrying off large-scale IT projects is having the right team with the right technological knowledge and expertise available at the right time and place. You also need a customer that recognises when outsourcing a major project is the smartest thing they can do. When it comes to a financial institution's operating system, and when there's a change that affects every computer in that institution and the complication of a looming deadline, the ability to turn to a trusted service provider is music to the ears. **b**t

The curse of collective Alzheimer's: dispatches from industry conferences

By *Leda Glyptis*

One of the best things about industry events is that you see your fintech friends. It's like a family reunion of sorts with drinks and dinner paid for by corporate marketing budgets and in exchange you have to do some speaking and some panelling on top of hiding away to do the actual work. It's exhausting. But it's nice to see folks.

That said.

And it's not the first time I am saying it. Still, bear with me.

That said.

It's all of us, getting together periodically, to lament the state of the industry, bash the incumbents and disseminate wisdom.

It's all of us. The same folks. The thinkers, the doers, the moaners and the tinkerers, who get together in between bouts of intense activity. To talk. Share and reflect.

Same folks. Same concerns. Same conversations. Like we forgot the last million times we had them.

Like we forgot the commitments we made. The predictions we made. The progress we made since last time.

The fact that we have already covered this ground. Together. More than once.

THE ART OF FORGETTING

Alzheimer's is no joke and I am not joking.

I have seen a loved one lose themselves in its torrid mists of anxiety and confusion and I am not using the comparison lightly.

I fear that an industry asking itself the same questions for ten years despite having the answers, is an ailing industry that is losing itself. Or is it?

FOR THE LOVE OF GOD, DON'T ASK ME ABOUT FINTECH PARTNERSHIPS

It has been ten years of conversations about whether banks should partner with fintechs. Ten years of partnerships; some successful, some not. Some purposeful, some not. We know the answer and the answer is: it depends. On the start-up's business model and whether a bank as a partner or client makes sense. On what the bank is getting out of the partnership – if you need a plumber, don't hire a dentist. On whether something was built. On whether the intention to go live was there and shared with compliance. On whether anything saw the light of day.

We know the answers. We also know now that this was actually not the pertinent question.

It was not the turnkey topic we had hoped it would be. It was not the big deal.

The real question was how do digitally native capabilities challenge our organisations, our people, our price point and profitability? Oh yeah… And our tech.

We know now that's the real question, as an industry. Boards talk about it. We at 11:FS talk about it. And we are not alone.

Work is being carried out to answer this question. It won't be fast or easy, but that's ok. What's not ok is, in the middle of all this, to go to a flagship industry event and be asked questions from 10 years ago: no prizes for guessing whodunnit after the movie ends.

TURKEYS, CHRISTMAS AND INFLUENCERS

We all know not to ask the turkeys what should be on the Christmas menu. Their answer may be biased. And something similar may well be in play here.

> "How do digitally native capabilities challenge our organisations, our people, our price point and profitability? Oh yeah… And our tech."
>
> Leda Glyptis

Most conferences, with a few notable exceptions, are organised by conference organisers, not industry practitioners. They put on the show, organise the logistics, do the promo – for fintech or pharma – and although they have content directors, those folks aren't reformed treasurers or budding business architects.

They are conference producers. And when pulling together their agendas, they rely on their little black book, their sponsors, their relationships and industry influencers.

So if they are not setting the scene for the right questions to be asked, it's not their fault. They are not to know we have moved on, they can't know what we've learned until we tell them.

So why don't we tell them?

It can't be that the famous keynote can't be bothered to produce new slides.

It can't be just that the corporates don't want to share.

It can't be malicious.

It could well be that regular influencers still standing by the podium don't even know what the engines inside banks and start-ups are really doing.

This is the "messy middle" and influencers tend to deal in broad narratives.

Even the best ones have nothing to contribute when discussing release cycles or breaking down visions of future profitability into user stories.

When you are building, messing up and cleaning up, debating with the board what an adequate early indicator of success is and trying to get your subject matter expert, UX lead, CTO and accountant to not kill each other, why would you call the influencers for a status update?

It may well be that they don't even know where we are at. What's really going on. How could they, if we don't tell them?

IS ANYONE EVEN LISTENING?

Before I go down the rabbit hole of who influences whom, on what grounds and with what certainty, I will come back to my original point which is, unless we are forgetting and losing ourselves, why are we repeating ourselves, chewing on topics long rendered irrelevant if not resolved?

Is it for those still lagging behind, like remedial math?

Then let's do them the courtesy of also sharing lessons learned to really help them along. The answers to the questions, before the test.

Is it sheer momentum, the conference cottage industry reproducing itself with a short time delay? Then we better work on this little latency problem.

Seriously. Who is this for? Are they even there? Who are we talking to?

Because if we are talking to each other, we can do better. And if we are talking to those left behind, we ought to do better.

But if we are talking to the new recruits, the fresh blood, the people who will see this transformation through its next phase, then we must do better. So much better than this. **bt**

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

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

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

Fintech funding round-up

This month, Postman delivers a $50m funding round, Tink gets pally with PayPal and Step makes a leap towards enhancing its banking solution

Y Combinator graduate **Brex**, provider of a corporate credit card for start-ups, has announced another $100 million in funding through a Series C extension round led by Kleiner Perkins Digital Growth Fund.

The extension also has participation from existing investors, including Y Combinator Continuity, GreenOaks Capital, IVP, Ribbit Capital and DST Global. This takes Brex's total equity funding to $315 million, with a valuation of $2.6 billion.

The firm launched its product last June with $57 million in funding from investors such as PayPal's founders and Y Combinator. It went on to raise a $125 million Series C round in October, at a valuation of $1.1 billion, and made its first acquisition. Brex also raised an additional $100 million debt round a couple of months ago with Barclays.

The start-up acts as an underwriter and sets credit limits based on factors such as who the start-up's investors are, its cash balance and spending patterns – not on credit history. Start-ups don't pay any fees for the first five cards, after which they pay $5 per month for each. Brex also makes money from transaction fees.

Brex allows users to capture receipts with a smartphone camera and match them to a statement, and it directly integrates with accounting tools, including QuickBook, Expensify and Xero.

Brex was co-founded by Brazilians Henrique Dubugras and Pedro Franceschi, who also created online payments processor Pagar.me, which they sold for an undisclosed sum in 2016.

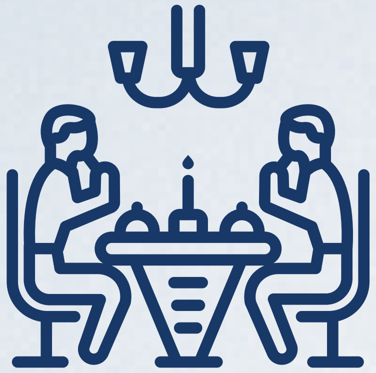
API collaboration platform **Postman** has closed a $50 million Series B funding round led by CRV. Nexus Venture Partners also participated in the round, Pulse 2.0 reports. CRV general partner Devdutt Yellurkar will join Postman's board of directors.

The San Francisco-based company, which also has an office in Bangalore, will use the funding to drive forward its product and increase customer support.

Launched in 2014 by CEO Abhinav Asthana, CTO Ankit Sobti and Abhijit Kane, Postman has seen strong growth. The company now serves more than seven million users and supports API development at more than 300,000 businesses around the world.

"APIs are the building blocks of effective software – so while software might be eating the world, we know that APIs are eating software," says Asthana. "Innovation in APIs will drive the future of software development and this funding will further accelerate Postman's growth in the API ecosystem."

Postman enables global teams to collaborate with each other and offers transparency through the API development process. Major customers include Adobe, Microsoft, Twitter and PayPal.



The Japanese tech giant, **SoftBank**, has confirmed it plans to invest $200 million in the Brazilian fintech start-up, Creditas, setting the company's valuation at $700 million after the acquisition.

The announcement was made at a recent dinner party, as reported by the Brazil Journal.

Originally, SoftBank was planning a joint investment between its Vision Fund and its Innovation Fund worth $5 billion, as Bloomberg reported.

Creditas was founded by Sergio Furio and Leandro da Costa in 2012 as a credit lender under the original name of Easy Bank.

In 2016, the start-up started implementing a model where borrowers use a property or vehicle as loan collateral, with credit starting at $1,300, up to $518,000.

The firm reports a threefold net revenue that increased in 2016, and rose by seven times in 2017, and five times in 2018.

Creditas has raised a total of $88 million in the past, with a recent Series C worth $55 million from December 2017 to April 2019.

Flexible insurer **Zego** has set its sights on more European bases following a $42 million Series B round led by Target Global.

FStech reports that TransferWise founder, Taavet Hinrikus, Latitude and existing investors, Balderton Capital and Tom Stafford of DST Global also participated in the round. Taavet Hinrikus and Target Global's partner, Ben Kaminski will join Zego's board.

The London-based insurtech, which was founded to provide a range of policy styles for gig economy workers, will use the funds to double its 75-strong workforce. With current bases in the UK, Ireland and Spain, Zego also plans to expand into more European countries this year.

"When we built Zego from scratch three years ago, our mission was to transform the insurance sector by creating products that truly reflected the rapidly changing world of transport," says Zego co-founder and chief executive, Sten Saar.

"We've already come a long way since then and the latest funding round paves the way for an exciting new chapter as we expand through Europe."

Since its launch, Zego has increased its offering to cover emerging mobility services, such as ride hailing and transport sharing. The aim is to offer more flexibility than traditional insurers, from minute-by-minute insurance to annual policies.

Swedish open banking solution provider, **Tink**, received a fresh round of funding from PayPal, writes David Penn at Finovate.

Tink called the investment and partnership a "major vote of confidence in our tech and an indicator of the strength of the open banking movement in 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.

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 empowers 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".

Vice president of global markets and partnerships for PayPal, Jennifer Marriner, echoed 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 $63 million in a round led by Insight Venture Partners – and a big expansion, going live in five new European markets.

The San Jose, California-based company was founded in 1998 and now has a market capitalisation of $127 billion.

Step, the challenger for families and teens in the US, has closed $22.5 million of Series A funding to enhance its banking solution.

The funding round was led by Stripe, with participation from Will Smith's Dreamers fund, Nas, Wndrco, Ronnie Lott, Matt Rutler, Kevin Gould, Noah and Jonah Goodhart as well as existing investors Crosslink Capital, Collaborative Fund and Sesame Ventures.

The investment comes as Step's waitlist demand exceeds 500,000 people.

Step has partnered with Mastercard, Stripe and Evolve to launch the solution, aiming to be a teen's first spending card and first bank account. The Step card is co-branded with Mastercard, providing zero liability protection against unauthorised purchases or charges.

Step's accounts are securely held through the Federal Deposit Insurance Corporation (FDIC), and insured through its sponsor bank, Evolve Bank and Trust. Evolve Bank and Trust, established in 1925, also enables easy ATM access for Step card holders at thousands of locations with no fees.

"Teens and parents are ready for a seamless mobile banking experience, one meticulously designed for their needs," says Step co-founder and CEO, CJ MacDonald. "We've partnered with the best in the business to create the right solutions for the next generation. As we move into a cashless era where digital content and transactions fuel our daily lives, the need for innovation in financial services increases. We want Gen Z to be more equipped and educated when it comes to money."

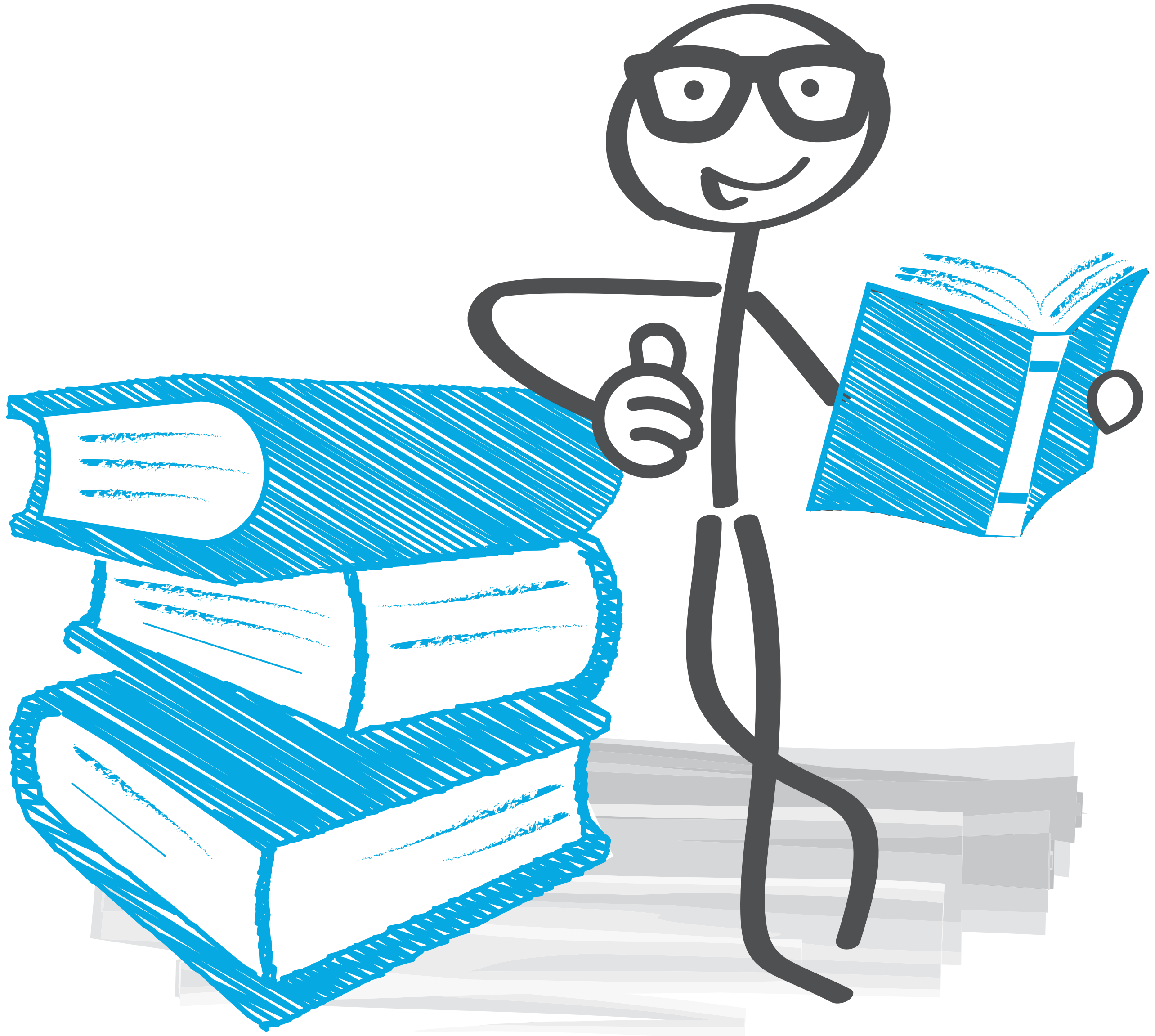
Sherri Haymond, EVP digital partnerships, North America for Mastercard, says: "We also need to ensure that they become familiar with the unique aspects of digital payments including providing education about the various finance and payment products available."

The Step offering allows parents oversight into their teen's spending, providing the opportunity for them to set limits and guidelines as well as have a view into card use.

With this new funding, Step aims to accelerate its roadmap, add several new hires and respond to the strong demand for its services.

Ask the expert

Continuing our 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

HOW CAN I GENERATE AWARENESS OF MY FINTECH AMONG POTENTIAL INVESTORS AND TARGET CLIENTS WITH LIMITED RESOURCES?

It's a common misunderstanding that generating awareness of your business will cost a lot of money, particularly in the fintech industry. That doesn't need to be the case.

Many businesses I've worked with have seen a surge in interest as a result of undertaking small yet focussed activities – with little financial investment, if any.

Here are some tips to raise awareness of your fintech without the need for significant investment.

1. Understand your target audience

In previous columns, I've stressed the need to define and understand your target audience. The same process applies when considering communications strategies for potential investors or prospects. For example, what do they look like? Which events do they attend? What groups or forums are they part of? What subjects are they interested in and engage with?

Once you've built a picture of your target audience, you can identify cost-effective channels and mechanics though which to connect with them.

Active participation on LinkedIn, speaking at targeted events, getting involved in forums and writing about your area of expertise are all great ways to identify, reach and engage with potential investors and prospects.

2. Become a LinkedIn expert

In my opinion, LinkedIn is the most important communications channel for fintechs. This is because:

- Most business people are active LinkedIn users. This means you can reach prospective investors and potential partners simultaneously with relatively low effort.
- It costs nothing to connect with people on LinkedIn (albeit you may have a monthly limit based on your package). Start with a free account. As you build momentum, it may make sense for you to buy a premium package which will provide you with more insights and ways to connect.
- LinkedIn provides an opportunity to participate in relevant discussions and share your point of view. Add questions to your LinkedIn posts to invite engagement; and comment on wider conversations by responding to a relevant question or theme.
- You can create targeted, low-cost demand generation campaigns to attract and engage with target audiences. Advanced analytics allows you to see click-through rates, engagement rates and other insights that can help you hone and sharpen your approach.
- Finally, if you haven't done so already, start a LinkedIn company page and post relevant content regularly. I suggest you try an underused feature through which you can invite personal connections to follow your page. This option can be found in your admin settings.

3. Start speaking and writing

Industry publications, events and forums are always on the lookout for interesting and engaging speakers or contributors. With a little effort and a well-considered presentation, article or quote, you can quickly raise your profile amongst target audiences for zero cost. Here are a few suggestions to get you started:

- Identify journalists who write about your area and approach them on LinkedIn. Pitch yourself as an industry expert who can provide quotes and insights for relevant articles.
- Consider joining a networking group or club focussed on helping fintech entrepreneurs and business owners pitch their ideas and connect with potential investors. Home Grown in London is one example of a club that has sprung up to foster and cultivate British businesses.
- Research industry events and approach the organisers offering yourself as a speaker or panellist.

As an added bonus, the content you produce from your speaking and writing can be used throughout your marketing channels to amplify your messages. All of a sudden, you'll have an engaged group of followers who consider you a thought leader in your space.

BRINGING IT ALL TOGETHER

Raising awareness of your business doesn't need to cost the earth. In fact, with careful planning and the use of effective tools and channels, it can cost virtually nothing.

The key is to understand your target audience, ensure you have a presence where they engage, and create content that resonates. By following these tips, you'll quickly see results.

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 this column – free and open to everyone.

You can post your questions in the comments section online, email Greg Watts and/or FinTech Futures' editor-in-chief, Tanya Andreasyan, or get in touch with Greg on LinkedIn.

Movers and shakers

Facebook has hired a senior British bank lobbyist over its new digital currency, Libra, and other financial services to its 2.4 billion users. **Ed Bowles**, Standard Chartered's European head of corporate and public affairs, will join Facebook in September as its London-based director of public policy. His recruitment was sparked by the social media giant's plans to unveil its vision for a global digital currency.

Revolut has hired **Richard Davies** as its new COO. Davies previously held senior positions at TSB and HSBC. He also previously served as chief executive of OakNorth, a fintech lender for SMEs, for nine months between 2013 and 2014.

The foundation governing cryptocurrency, **Tezos**, is replacing its finance chief with a long-standing PwC consultant. The Zug-based foundation governing Tezos is hiring PwC consultant **Roman Schnider** as its new finance chief. Schnider replaces Eelco Fiole, which will be effective over the course of the summer. The foundation didn't specify reasons for the departure of Fiole, who joined Tezos in February 2019.

US fintech firm, **InvestCloud**, has appointed **Rebeca Sanchez Sarmiento** as its chief financial officer. Sarmiento joins the firm from ATTOM Data Solutions, where she served as CFO, alongside having previously held a variety of senior finance roles within Smart & Final, Deutsche Bank, and Citigroup.

David Hennah has quit **Finastra** to join the Intellect Global Transaction Banking (iGTB) to lead its trade and supply chain finance at iGTB. He held his most recent role at Finastra since 2013, following almost eight years at SWIFT as senior product manager. He previously worked at Misys and held senior management positions at Fujitsu Services and Barclays.

The **US Faster Payments Council** (FPC) convened for the first time on 6 June and elected its inaugural officers. Its chairperson will be **Michael Bilski**, who is the chairman and CEO of North American Banking Company; its vice chairperson is **Deborah Matthews Phillips**, managing director of payment strategy at Jack Henry & Associates; and its secretary/treasurer will be **Reed Luhtanen**, senior director of global treasury at Walmart.

Grant Wilson has decided to leave **Neptune** as its CEO, to focus his attention on the continued expansion of Etrading Software where he remains a partner. Wilson will step down by December 2019.

Mathias Schütz is to take over as **Avaloq**'s country head for Switzerland and the Principality of Liechtenstein from mid-August. He will also become CEO of Avaloq Sourcing (Switzerland & Liechtenstein) AG, the Swiss service centre for the Avaloq Group. The new hire joins **Marc Stähli**, who was appointed as Avaloq's new global head of sales on 1 July.

Crown Agents Bank is appointing **Ian Lilleby** as its executive vice president, group chief technology officer and chief information security officer. Ian joins the bank with over 25 years' experience across highly complex and regulated environments.

The **Asset Management Exchange**, an institutional platform for investors and asset managers, announced the appointment of **Christopher Head** as its new head of business development.

PayFacto, a payment solutions provider in North America has appointed **Frédéric Gascon** as its first-ever COO. Gascon will be responsible for all operations, including risk management and technologies.

EVENTS CALENDAR

July

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

September

5: RE•WORK AI in Finance Summit, New York
re-work.co/events/ai-in-finance-summit-new-york-2019

9-11: RiskMinds Americas 2019, Boston
finance.knect365.com/riskmindsamericas

9-11: QuantMinds Americas, Boston
finance.knect365.com/quantminds-americas

9-11: Robo Investing 2019, London
finance.knect365.com/robo-investing

16-19: Platform Economy Summit Europe 2019, Frankfurt
finance.knect365.com/platform-economy-summit

23-25: Finovate Fall, New York
finance.knect365.com/finovatefall

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

David Taylor, Marketing Manager
Tel: +44 (0) 207 017 5379
Email: david.taylor@fintechfutures.com

SmartStream

Reduce cost exposure and reputational risk with active monitoring

Our customers tell us that they need to use transformative digital strategies to remain relevant in today's challenging financial landscape. Strategies that will allow them to improve operational control, reduce costs, build new revenue streams, mitigate risk and comply accurately with regulation.

To help you make the journey towards digital transformation, we provide a range of solutions for the transaction lifecycle. AI and Blockchain technologies are now embedded in all of our solutions, which are also available in a variety of deployment models.

Digital transformation. Reaching the summit just got a little easier.

FINTECH
FUTURES
FinTech
BankingTech
PayTech
RegTech
WealthTech
LendTech
InsurTech

**STAY
INFORMED**

Sign up to the FinTech Futures
free daily newsletter,
your go-to resource
on all things tech,
delivered straight
to your inbox.

Visit

for the industry's top news, in-depth analysis,
expert commentary and world-class intelligence.

Interested in advertising and marketing opportunities?
Contact Jon Robson
e: jon.robson@fintechfutures.com, t: +44 (0)203 377 3327

@FinTech_Futures