banking technology

FINTECH FUTURES

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

THRIVING IN A HYPER-CONNECTED WORLD
The intersection of science and art

IS YOUR BRAND AN AWKWARD TEENAGER?
Find out if your fintech displays these traits

WILD WEST TO CRYPTO BEST
How compliance separates cowboys from champions

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Editor's note

The end of summer is often met with melancholy. The sun sets earlier. The winds get chillier. And we get back to work. Not just business-as-usual work, but the rush of catching up on piled up holiday emails and prepping for various conferences.

Which brings me to the main topic of this month's edition – Sibos. This year, Swift, the global provider of interbank messaging, has decided to host the highly anticipated event in London.

Hordes of businesswomen and men will be heading down to the ExCel centre, wearing our Sunday-best for four consecutive days, not only to swap cards and handshakes but also discuss the success stories and challenges that lie ahead for banking technology.

This year's theme – thriving in a hyper-connected world – recognises the challenges and opportunities that mass digitisation and data-driven relationships present for the finserv community.

Matt Elsom, VP of risk at Artesian Solutions, highlights how the greatest successes are often achieved at the intersection of science and art – not only to drive efficiency, but augment and enhance human skills to improve customer experience.

Enhancing digital ecosystems and adapting to shifting geopolitical and regulatory are sub-themes at this year's Sibos. Rolands Mesters, co-founder and CEO of Nordigen, dissects how it's not possible to apply a 'one-size-fits-all' approach to open banking, since the financial infrastructure of European countries doesn't reflect that of any East African country.

Speakers will also be focusing on the changing competitive landscape, increasing regulation and technological change. Entrepreneur Maxim Bederov explores the dichotomy between competition and regulation in the cryptocurrency space, and whether it will force major players into closer collaboration with regulators.

Ruby Hinchliffe, FinTech Future's fresh reporter, tackles Sibos' human element and cybersecurity threat themes at this digital age, arguing that businesses need to do more than just adopting the latest tech. Financials need to build up trust in the relationship once a data or security breach has taken place, and not rest on the laurels of their legacy names.

So, as you stroll past each stall searching for interesting goody bags at Sibos and any other conference this month, I hope the features in this edition distil you with the wisdom to network with the person behind the stall before you grab your fanciful branded merch-bag and dash. **bt**

Sharon Kimathi
Editor
Banking Technology

Fintech start-up Byhiras chosen for UK pension solution

London-based fintech start-up, Byhiras, was chosen by the Scheme Advisory Board (SAB) for the UK Local Government Pension Scheme (LGPS) to develop a platform that will enable asset managers to comply with its cost transparency code.

The platform will be implemented throughout all UK LGPS pension funds and pools by Q1 2020. The solution is designed to validate and store data about fees and expenses that asset managers disclose to pension funds, as well as facilitating reporting and data comparisons between managers.

The LGPS Code of Transparency, launched in 2017, has been signed up to by more than 100 asset managers, who are asked to comply with the code if they hold mandates from LGPS funds.

Byhiras' CEO and founder, Sam Lusty, says: "For the first time, the LGPS funds and pools will have access to detailed information on costs and performance from different investment managers through a single service, helping them to deliver cost savings and improve investment outcomes."

Byhiras' offering was chosen in large part for its "high level of assurance on security necessary to protect the identity and data of users", according to SAB.

The cost of the contract, which will last for at least five years, is being met from within the SAB levy, making the service free for all UK LGPS pension funds.

Ruby Hinchliffe

Challenger investment firm founder launches legal action against UK PM

Gina Miller, founding partner of SCM Direct, a challenger investment firm based in the UK, has filed an urgent application for a legal challenge to stop Prime Minister, Boris Johnson's plan to prorogue parliament.

Under the Prime Minister's plan, parliament would be shut down for five weeks, which would effectively thwart MPs trying to block a no-deal Brexit on 31 October. The prime minister asked the Queen to prorogue parliament between the second week of September and October 14 – the longest suspension since 1945.

"Whilst prorogation is an acceptable UK constitutional practice, no prime minister in modern history has attempted to use it in such a brazen manner," Miller wrote on her fundraising website set up fund the urgent application to the high court for a judicial review.

Miller rose to prominence when she won a legal case forcing parliament to legislate before Article 50 could be invoked. She states that the decision to suspend parliament a few weeks before the Brexit deadline was a "dark day for democracy".

Sterling tumbled by more than a cent at one stage, hitting $1.2155, after the announcement. The pound also weakened against the euro, dropping below €1.1 and heading back to the 10-year low struck earlier this month. It has now lost around 7% of its value since March, when Britain's Brexit extension was agreed. Before the 2016 referendum, one pound was worth €1.30, and about $1.48.

Several City economists and investors voiced concerns over the move. Derek Halpenny of MUFG told The Guardian that Britain faces a "constitutional crisis", while Seema Shah of Principal Global Investors warned that Britain could be dragged into recession. Adam Cole of Royal Bank of Canada warned that no-deal Brexit looks more likely than before, at about 44% probability (based on market data). Deutsche Bank put the chance at 50%.

Oliver Blackbourn of Janus Henderson Investors told clients to expect more drama in Westminster, with Johnson facing a new battle in the Commons after his first vote as PM saw him lose to rebel Tories and opposition MPs who object to a no-deal Brexit. "Summer holidays are definitely over for MPs; now comes the shouting," Blackbourn says.

Business groups voiced alarm. The British Chambers of Commerce warned that the UK was already suffering from Brexit uncertainty, and urged MPs to resist a no-deal shock.

Sharon Kimathi

EQT will raise at least €500m in IPO

One of Europe's biggest private equity firms, EQT Partners, has confirmed plans to list in Stockholm on Monday to rival larger global competitors, according to Reuters.

Sweden-based EQT, which is targeting a €4 billion valuation, is set to release at least €500 million of new shares, while existing shareholders will sell parts of their stakes in the initial public offering (IPO).

Boasting to be the world's seventh largest private equity fund, EQT also intends to "future-proof" itself by creating EQT's own balance sheet.

"The majority of our global competitors have strengthened their balance sheet either by listing or through private transactions, and we see it as a prerequisite to competing as a major global player," says EQT chief executive, Christian Sinding.

EQT's planned listing will be one of the largest Nordic IPOs so far this year, as it looks to list about 20% of the total number of shares, which implies a deal size of about €800 million.

JP Morgan and Nordic corporate bank, SEB, will act as global coordinators for the IPO, while Morgan Stanley, Goldman Sachs, Nordea and UBS will all act as the main underwriters on the deal. Co-lead managers include ABG, BAML and BNP Paribas. EQT will pay out a total 2019 dividend of €200 million to shareholders in 2020.

Ruby Hinchliffe

EWPN and EPA collaborate on boosting equality in the finserv industry

The European Women Payments Network (EWPN) and the Emerging Payments Association (EPA) are working together to bolster understanding of the diversity issues that exist in the financial services sector.

The first output of this partnership is a new white paper published by the EPA – "Women in Changing Times" – which sets out a baseline in gender equality issues that will allow for the measurement of change over time.

The trade association investigated the current state of equity in the payments sector, focusing on successful examples of progressions in the movement, in order to detail plans for workforces to balance the playing field between genders.

Surveying hundreds of industry executives, the EPA found that roughly three quarters of the female participants (77.5%) and 38% of the men feel that gender discrimination is still unacceptably high. More concerning is that 57% of those surveyed reported having personally experienced gender discrimination, and that discrimination has had serious negative effects on their duties, pay and/or advancement in the workplace.

Martha Mghendi-Fisher, founder of EWPN, believes this partnership is crucial to understand the social and structural barriers that inhibit change so that initiatives and action can be taken to more effectively level the playing field.

She says: "It is very exciting to be working with the EPA, with its reach and influence in the financial services sector. It is vital that we all understand the barriers that exist, not just from an anecdotal point of view, but from informed insight from across the sector."

The direct cost is evidently high and borne by the individual – but the indirect cost is also problematic. Those who feel they have been discriminated against have a significantly more negative attitude about both the current situation and the prospects for improving conditions in the future.

"It's not bad… but it's not good," says Tony Craddock, the EPA's director general. "I take the results of this study personally – as should everyone in the payments industry. It's time for a step change. We all have a duty to use this research to understand where we really are with diversity and then to help implement the recommendations as individuals."

Along with launching the results of its recent study, the EPA has announced that it will be creating a 'Diversity Charter' as a way to encourage its members to commit to creating diverse senior leadership teams. By signing up, members will be able to publish key metrics and inform external and internal stakeholders of their commitment towards equality.

The EWPN and EPA will be working together on other research projects over the coming months.

Sharon Kimathi

Australian share trading start-up to launch in UK

Australian share trading start-up, Stake, has been granted a licence by the Financial Conduct Authority (FCA) to launch in the UK. Instead of just developing a mobile app like Revolut or Freetrade, Stake has created a web offering too. Its aim is to serve more "professional" investors.

Earlier this month, US free share trading giant, Robinhood, was also granted a licence by the FCA, setting a trail for close competition with its Australian rival.

"Our FCA approval marks our first licence outside of Australia, but the continuation of our mission to bring the US market to the rest of the world," says Stake CEO and founder, Matthew Leibowitz. "When it comes to trading, Wall Street is mecca – the size and scale of the opportunity there just dwarfs other stock markets."

Currently in Australia, Stake's only charge to its clients is 0.7% to convert their funds into dollars. While Stake is yet to confirm its UK model, the new UK website indicates a similar conversion fee.

The company serves 50,000 users in Australia, who have an average age of 32 and hold an average deposit of £7,000.

Stake partners with US digital broker, DriveWealth, to offer access to US stocks and shares, but has no UK or European coverage as of yet.

Ruby Hinchliffe

Baton raises $12m for blockchain-inspired b2b solution

California-based bank-to-bank paytech, Baton Systems, has secured $12 million in its latest Series A funding round, led by Trinity Ventures with participation from Alsop Louie and Commerce Ventures.

The three-year-old company, which is modelled on blockchain technology, acts as a gateway between bank ledgers for real-time reconciliation.

The company hopes the capital will strengthen Baton's distributed ledger-based system, preparing the technology platform for "a daunting global regulatory environment".

Trinity Ventures general partner and member of Baton's board, Schwark Satyavolu, says: "Bank-to-bank settlement today is slow and manual, trapping billions of dollars that could instead be used to grow businesses. Baton is completely transforming the global bank payments infrastructure, leveraging the best of blockchain's potential while mitigating its key concerns."

Baton's distributed ledger technology (DLT) solution means banks don't have to overhaul their existing systems, and its redundant architecture can autoscale to handle bursts in transaction traffic.

The blockchain developer has run a pilot with the Bank of England and currently processes more than $12 billion each business day in payments between market participants and clearinghouse counterparties.

Ruby Hinchliffe

Singapore opens digital bank applications

The Monetary Authority of Singapore (MAS) is inviting applications for new digital bank licences.

Up to two digital full bank licences and three digital wholesale bank licences will be issued, with a view to ensuring that "Singapore's banking sector continues to be resilient, competitive and vibrant".

Applications close on 31 December 2019 and are open to non-bank players, as long as they meet certain eligibility criteria. MAS will only consider companies that are anchored and headquartered in Singapore and controlled by Singaporeans. They must also meet certain standards concerning business track record, capital commitment, a clear value proposition and a sustainable business model, along with 'fit and proper' shareholders, directors and management.

Eligible applicants will be further assessed for the value they bring to under-served segments of the Singapore market, their ability to implement and run the bank, and their growth potential.

Successful applicants will be announced in mid-2020 and expected to be ready for business by mid-2021.

Digital full banks will be permitted to take deposits from and provide financial services to retail and non-retail customer segments, while digital wholesale banks will be able to serve SMEs and other non-retail segments.

Jane Connolly

PNC launches internal fintech start-up

PNC has created a start-up program, numo, that functions as an internal start-up, complete with a pre-negotiated equity split between PNC and numo employees, according to its CEO, David Passavant.

The first development has been indi, a mobile phone-based bank account for gig workers. Indi offers tax calculations, tax savings goals and dynamic adjustments when users save ahead or fall behind. It also reminds them when quarterly taxes are due.

The account has no minimum balance and no monthly service fee. It is in testing with numo staff and has a waiting list. The indi account will be insured by the Federal Deposit Insurance Corporation (FDIC) held at PNC Bank with a Visa prepaid debit card and is available for both iOS and Android.

No major US bank had built an account for gig workers, Passavant says, although Mastercard recently introduced real-time payments for gig workers. "How do you estimate your tax liability when you don't have an employer doing it for you?," he says. "We built a system with intelligence to estimate what you should set aside for taxes."

While this sounds pretty basic and begs the question of why banks have been so slow to innovate in areas as obvious as early access to paychecks and financial health coaching, Passavant says banks are cautious because the stakes are so high.

Operating on new technology numo uses Visa DPS for its debit card transactions and built the front end within the group. Now it is looking to partner with employers who use a lot of gig workers to help distribute the platform.

A second app under development is a world away from the gig economy – a service for companies which run portfolios of retail properties. "Our team saw an opportunity to create an analytics platform to help them," adds Passavant.

Although a lot has been written about the death of bricks and mortar retail, PNC knows, as the fourth largest commercial lender in the country, that physical retail is very much alive. Passavant hastened to add that the analytical platform doesn't use any PNC data but purchases anonymised financial and social data for its analytics.

"With this, a real estate firm would be able to tell companies that own property portfolios that here is a brand you might want to target because they are expanding, and their customers shop at places like this," he says.

A third area of focus is regulatory technology. "As we were building indi we had to take it through PNC's entire policy management and approval framework," adds Passavant. "We saw opportunities for great software to fix inefficiencies through a platform that lets multiple people work on something simultaneously."

Passavant says numo is using its perspective within the bank to focus on significant tech solutions. "Inside the machine you get a phenomenally good view of problems," he says. "What we care about is does this create positive economic value for the bank. Part of our strategy has been that we don't take huge bets. We try to make really smart small bets and scale them up as they become successful."

PNC recently became the first US bank to go live on RippleNet, almost a year after joining Ripple's technology.

Sharon Kimathi

Danske reported to police over investment mis-selling

The Danish Financial Supervisory Authority (DSA) has brought in police over Danske Bank's alleged violation of investor protection rules. Financial Times reports that Denmark's largest lender is suspected of breaking two rules on providing misleading information, related to the selling of its Flexinvest Fri product.

News of the mis-selling of the product – which was designed to attract savers at a time when Denmark is experiencing a protracted period with negative interest rates – first broke in June and led to the firing of interim CEO, Jesper Nielsen.

The bank had already admitted that it had set aside DKK 400 million ($58.9 million) to compensate the 87,000 customers who had been overcharged fees compared with the expected return from Flexinvest Fri. The regulator claims that Danske went on to sell the product for "a continued period" and didn't inform customers that they were likely to have a negative net return.

The complaint comes on the heels of a €200 billion money-laundering scandal that resulted in multiple criminal investigations and the removal of the bank's chief executive and chairman.

Jane Connolly

Gen Z: We don't forgive easily

By *Ruby Hinchliffe*, reporter, FinTech Futures

As a newcomer to the fintech industry, it strikes me how little I know about the potential of my money.

I can get real-time savings advice on it, I can convert it into crypto and pay my Netflix bill, or talk to my Google smart speaker about it, or take out a loan on it with a few clicks, just like I would with an overdraft – the list of fintech pilots and products is lengthy and growing every day.

But now is a time of drastic change as people are beginning to see the true worth of their money and neobanks are leading the way in financial transparency, lighting up all the hidden opportunities stashed away in that cash of yours, sitting there gathering dust.

The customer service horror stories I've heard and experienced personally with big player banks who, more often than not, seem to rest on the laurels of their legacy names, are alarming.

My generation don't forgive easily. If we feel betrayed, we rarely go back or give you a second chance. If your mobile banking app is down for days at a time, or if it still just offers bare minimal functionality, then we'll open another account with Starling or N26 and eventually phase you out completely. If the grass is greener, then that's where we'll be.

Trust in banks is changing. I no longer trust my long-established bank to serve my needs, because too many times the mobile banking app has crashed with no explanation. Transferring money instantly is table stakes now – if you can't even do that, then we're really in trouble.

NO-ONE'S SAFE

But neobanks aren't perfect either. They're susceptible to data breaches just like their predecessors. Monzo's recent PIN debacle prompted many of my friends to change their passwords and question whether the bank was still safe to be with.

When Credit Karma denied the phrase "data breach" despite overwhelming evidence on Reddit, I shook my head in dismay. If you're called out, own up, be transparent. Just as easily as Gen Zs distrust, we do forgive – if you handle us the right way.

Challengers such as Monzo and Starling are becoming the popular second choice for students and young adults. Yes, they still have a HSBC account or a Barclays account, but for how long?

In the context of industry priorities such as simplicity and ease-of-use, surely one will have to win if consumers are being told they should be able to get everything they need from one place.

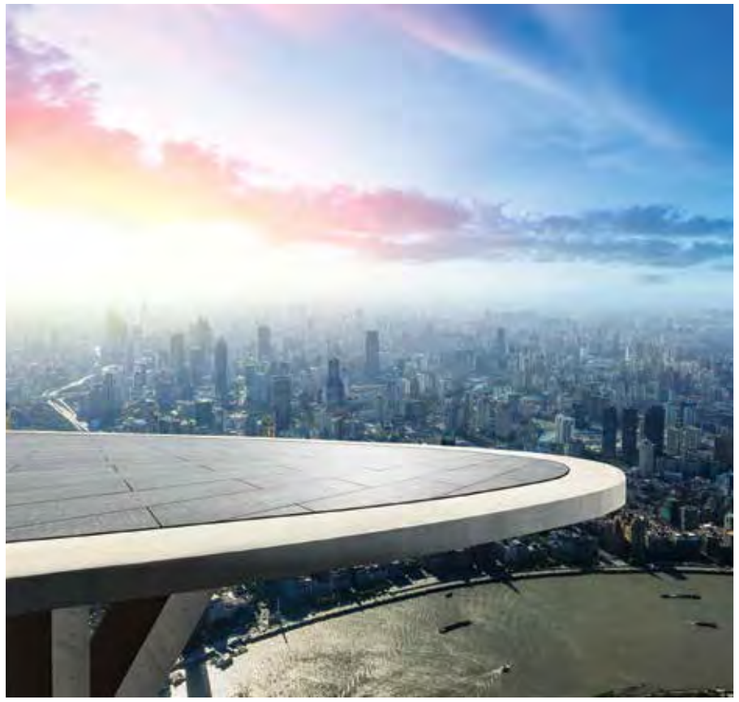
Walmart's application for its own crypto 'Walmart Coin' points to this monopolisation, as it tries to lure in the proportion of society that still feels alienated and intimidated by banking environments.

A call once in a blue moon to encourage a customer to look at investing their savings isn't enough. Despite the blow up of mobile, banking apps from big players, they still offer very little. Challengers should use this moment – especially with new customers – to enlighten them.

Looking at these developments through a Gen Z lens, I'd say it's more important than ever to educate your customers on what they can do with their money. **bt**

A launchpad platform for savings providers

Despite continued political and economic uncertainty, interest rates on savings products are starting to rise as competition intensifies between established banks, building societies and challenger banks, writes *Dave Patel*.



To meet the changing demands and needs of providers wishing to compete and remain agile in the savings sector, banking technology provider, DPR, has launched an enhanced savings platform solution.

At the heart of the DPR savings platform is a fully digital technology core that provides a range of critical application services. These production-proven components are common across all clients and solutions, maximising flexibility and simplifying support and maintenance. This fully branded solution embraces the rise of open banking and APIs, and the emergence of always-on, cloud-connected smart applications working alongside the next generation of banking technology. Offering deposit takers an opportunity to work with a trusted systems provider de-risks future business operating models. The result is a complete and coherent solution that can be implemented quickly and with minimal effort.

Historically, deposit takers have employed bespoke savings origination and servicing solutions. These systems invariably include a separate front end and core, which eradicates many of the advantages gained by employing DPR's straight-through processing solution. Multiple systems can often lead to project delays and subsequently, expanding costs. This is also true of bespoke systems when poorly defined or changing requirements occurring during the build stage often lead to functionality issues and implementation delays. Due to the nature of this model, there are ongoing costs associated with any system updates as multiple changes need to be made across separate systems. Together, these factors mean that the cost of originating a customer climbs and any eventual profit is hit.

ALL-ENCOMPASSING PROPOSITIONS

Instead of this bespoke design, DPR is using the experience and expertise gained with approximately 40 bank and building society clients to offer more all-encompassing digital propositions. Offering providers cost-effective practical solutions that can be quickly enabled and deployed in branches, call centres and for postal accounts these fully integrated systems offer fuller flexibility alongside ongoing support and maintenance.

This saves both time and money when regulatory or product-led distribution updates are necessary.

DPR's modular solution can be deployed in the cloud or on-premise in just three months and the company firmly believes it has the most comprehensive offering available in the market, enabling its clients to open up access to a vast number of mainstream and specialist customer segments. It is perfectly placed as a vendor to remain at the forefront of building society banking development and integration.

By taking this form of digital approach, DPR's award-winning savings platform will bring benefits for financial institutions at all levels. Savings providers can improve levels of productivity, efficiency and accuracy as well as speeding up drawn-out processes, at the same time reducing overheads, increasing profits and enhancing their overall appeal to customers. The time saved on consumer account origination and servicing can be better spent on improving relationship banking levels and greatly reduce the cost to acquire new customers. **bt**

> "DPR is using the experience and expertise gained with approximately 40 bank and building society clients to offer more all-encompassing digital propositions."

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.

THOUGHT LEADERSHIP: COMPLIANCE

Distributed compliance is the key to banks increasing CDD and KYC challenges

By *Matt Elsom, VP Risk at Artesian Solutions*

The banking sector is well-versed in digital disruption. The ability to harness intelligence and insight to augment the customer relationship and drive faster decision making. It also has many years of experience in utilising the potential for automation to deliver new efficiencies and banks and financial service institutions have become active adopters of digitisation.

Retail banking is now incredibly technology driven thanks to automated decisions, the adoption of mobile channels, internet of things and artificial intelligence. However, on the corporate side, efforts to create a smooth onboarding process have been rendered futile by the enormous bottleneck of work that is required to meet the strict regulations and know your client (KYC) requirements for transacting with commercial entities.

Much has been written about the challenges faced by financial institutions in meeting client due diligence (CDD) and KYC compliance in a continuously evolving regulatory landscape. But there isn't too much focus on how to maximise the potential of human and machine working together to address the incredibly disjointed process corporate clients are currently subjected to.

THE CHALLENGES FACED

A lack of consistency in the methods used to collect information about new clients, disparity in the number of contact points required to reach out to a customer (an average of eight according to Thomson Reuters), increased data security requirements, challenges in uncovering material changes within corporate entities, and pressure to crack down and detect nefarious transactions, all combine to place a bright spotlight on risk and compliance functions. These pressures also conflict with an over-arching desire to improve customer experiences.

A transformative change is needed. A strong dose of digitalisation has the potential to both smoothen the onboarding process and facilitate a new era of efficiency in CDD and KYC management within banking.

The term for such change?

DISTRIBUTED COMPLIANCE – THE FUTURE OF CDD AND KYC

Banks have invested heavily in data solutions and teams of compliance analysts to interpret data. This has been necessary to enable them to cope with the workload created by adherence to KYC. However, the two don't always work together, resulting in relationship managers investing effort in winning business only to be delayed, or even blocked, by compliance teams under strict regulation.

Many banks have responded by building solutions ensuring that regulatory and compliance requirements can be adhered to by finding better ways to extract and scrutinise data, but few have looked at how to distribute the workloads these tech solutions create, in order to create a more efficient process for customers.

Distributed compliance recognises that the proliferation of KYC tasks has had a negative impact on a bank's ability to onboard customers in a timely, orderly fashion, and furthermore that many of the tasks not requiring specialist knowledge can be best performed by other teams.

Distributed compliance involves giving the compliance team control of a sophisticated decision engine to enable data coming in to have rules applied and tasks created. Further, it enables the distribution of these tasks to appropriate staff (according to the rules), monitoring the completion of the tasks and evidencing the whole process.

The automation aspect of this is fundamental as it brings efficiency, consistency and control to the areas it transforms. But more than that, it places compliance at the heart of the business – front of mind for every member of staff, informing every decision, instructing every interaction, and shaping every relationship from conducting pre-screens for new customer prospecting through to long-standing client development.

The benefits are numerous. Reduction in analyst spend, faster and more efficient customer onboarding and superior customer experiences, improved due diligence, transparency and auditing, and improved efficiency and productivity from compliance teams with more time to focus on work that requires their skill and experience. This brings me nicely to my next point: human and machine working in unison.

THE (HAPPY) MARRIAGE OF ART AND SCIENCE

The greatest successes are often achieved at the intersection of science and art. The focus of Sibos this year is exactly that – the opportunity for digitisation and automation to not only drive efficiency but to augment and enhance human skills in order to improve customer experience.

Just as a masterpiece by any great artist requires talent, it also requires a commitment to innovation. Artworks are built using perspective, symmetry, structure, light and shade. Creating next-generation commercial banking experiences requires insight, context, objectivity and perspective, design and framework, and it also requires innovation.

Distributed compliance perfectly illustrates the concept of man and machine working in union.

More than simply a fintech solution designed to address a clearly defined need or problem within banking, or an opportunity to automate thankless, laborious or repetitive tasks, distributed compliance suggests that we reimagine risk management and compliance, enhancing and future-proofing human skillsets while intelligently tackling a complex banking issue.

Art and science working together. **bt**

Behind the music: tuning the noisiness of your KYC

By *Guy Stiebel*, CIO of Scanovate and *Danit Ianovici*, Scanovate content creator

When conceiving an orchestral masterpiece, a composer considers the intricacies of musical whimsy along with the harmonies the instruments create. It is a composer's pedantic ear that knows which instrument to highlight at the precise moment to maximise the music's impact on its listeners.

Similarly, Scanovate has created the KYC Orchestra consisting of intricate flows seamlessly harmonising with each KYC and AML audit. Our expertise and insights guide us to know which data to reference at which moment to maximise the user's data efficiency.

At first, we were playing to the wrong tune. Initially, as an image processing and biometrics company, we understood the importance of accurately identifying end users and their government issued credentials.

We researched and developed and set out to conquer the financial technologies industry with what we were told was strong and effective technology.

However, upon expanding, we identified the bottleneck costing our potential clients billions of dollars in fines and manual employment expenses: compliance.

A large percentage of compliance work is the preparation: getting users to update their information, onboarding new users, connecting all relevant data points and efficiently using them to propel service upsale and so on, which leaves much room for information to fall through the cracks.

We knew automation would better the processes, better equip compliance managers with the necessary information for audit and better the infrastructure to allow for intuitive and simple flow creation.

MAKING SWEET MUSIC

Scanovate quickly realised the potential for compliance to be a dynamic, profit generating department and built a system that orchestrates and streamlines compliance processes to minimise costs without harming conversion rates or accuracy. After years of middle/back office insights, we put together the perfect orchestra of risk and compliance tools, which optimise broken mechanisms capable of perpetuating errors.

> "We were finally playing music that was tugging at the strings of our clients' major pain points, bridging knowledge gaps to ensure continued success."

We understood how to highlight PEP (strings), OFAC (percussion), Adverse Media (brass) and Sanctions (woodwinds) according to the desired transaction, and created a tool that simplifies, automates and allows these instruments to produce simple, translatable results.

We were finally playing music that was tugging at the strings of our clients' major pain points, alleviating the financial toll it was taking and bridging knowledge gaps to ensure continued success. Our innovation immediately began reaching our clients' KPIs and surpassed all expectations of the middle/back office employees whose complex struggles had left them in dire need.

Scanovate's KYC Orchestra has been doing full tours in the EU, Latin America, Israel and the US, and audiences around the world rave about the efficiency and moving simplicity behind the orchestration. Scanovate says this is just the beginning and that the future of KYC will boast newer melodies and harmonic aggregation to provide clients with the best way to go from A to Z. **b**t

ANALYSIS: THE AMERICAN DREAM

The uphill battle for European challengers success in the US

By *Tom Groendfeldt*, contributor, FinTech Futures

Will the popular Euro challenger banks – N26, Monzo and Revolut – crash and burn on their attempted US entry?

Probably.

"The past experience of European players going to the US doesn't have the strongest traction," says Yann Ranchere, a partner at Anthemis. "Klarna tried a few times. The assumption is that it is a very similar market, but the reality is that it is very different."

Banking challengers in the UK are competing against high street banks with old technology, while the biggest American banks are spending billions each year on technology. Admittedly, a lot of that spend is to keep legacy spaghetti code running, but they are also investing heavily in mobile. Javelin's report rated Bank of America's mobile app "Best in Class" overall.

Banks coming into the US have two choices – get a US banking licence, which will take years, or use an American bank insured by the Federal Deposit Insurance Corporation (FDIC) to hold the deposits – N26 is using Axos Bank and Monzo will use Sutton Bank.

That has costs. The partner bank is using legacy technology that has a price for the challenger banks, and it reaps most of the interchange fees from debit cards.

That hasn't worked out so well for the first domestic challengers – Moven and Simple. They have paid a price for the underlying technology used by their partner bank while not getting great income from debit card interchange fees because users haven't made them their main bank, and/or the banking partner gets most of those fees.

Both firms appear to be coasting with little new information on their web sites and neither would respond to questions.

The hot new challenger banks in the US – Varo, Chime and Green Dot, which has a background in reloadable cards in addition to operating GoBank – have built on new technology. A venture capitalist partner says the cost of legacy core technology like that from FIS, Fiserv and Jack Henry runs about $4 to $6 per month per account, meaning that if Simple gets 1,000 inactive accounts it is out of pocket by $4,000 to $6,000 per month for tech licensing, and if the accounts are inactive and not generating interchange fees, it will be losing money. The more accounts it gets, the more it loses. The venture capitalist adds that Temenos will be a tenth of that cost and Chime's CIO figured its costs would be similar.

Chime has quadrupled to four million customers in the last year and is on track to quadruple again, says Ryan King, chief technology officer at Chime.

Chime has features common to many challenger banks – no hidden fees, no minimum balances, access to payroll two days early, no overdraft fees, and free access to 38,000 ATMs across the country. An automatic savings feature can transfer 10% of any paycheck over $500 into a savings account.

It targets people living paycheck to paycheck, middle class people – 20 to 50 years old. Chime targets them with every available advertising weapon, from TV to social media to billboards.

Chime can offer free checking to everybody because its proprietary technology takes out most of the usual costs of holding an account.

"Our business model is interchange," King adds. A customer who uses a Chime Visa debit card and spends $100 generates $1.50 for Chime. The trick is getting them to use the card frequently – 50 transactions a month is the average. Simple has customers who aren't using their debit cards enough, he says, because a lot of people opened accounts and didn't use them.

King expects the Europeans to be surprised at how good American banks are, relatively speaking, he hastens to add.

"While as terrible as I like to talk about banks here, I think they are more terrible in the UK and parts of Europe," he says. "The incumbent banks have no technology; it takes weeks to open an account."

A EUROPEAN ENIGMA

The closest to Chime among the challengers is probably N26, he says, but they want to offer a metal debit card for $10 a month.

Lower FX fees and travel insurance don't mean much to Chime customers.

If you live in London and take weekend jaunts to Paris and are paying terrible fees to Barclays, the European challengers have definite appeal.

"Our customers rarely travel out of the state in a year," notes King.

"Monzo is targeting the emerging mass affluent in London," says Anthemis's Ranchere. "A population very much targeted by credit cards in the US. It is going to be quite interesting seeing how the European players will do in the US versus a growing US competition."

> "The assumption is that [the US] is a very similar market, but the reality is that it is very different [to Europe]."
>
> **Yann Ranchere, Anthemis**

As several experts on the challenger banks noted, they have appeared in an economic boom; none has lived through a downturn.

Varo CEO, Colin Walsh, says: "Varo is building a business that is safe and sustainable across cycles – it is a regulatory requirement to do so."

FUND-RAISING AND VALUATIONS

Several of the neo banks have done well at fundraising. Chime ranks as a unicorn with a valuation of $1.5 billion.

Meanwhile, Varo raised $100 million in July, bringing its total to $178.4 million, and has 750,000 users.

On the European front, N26 is valued at $3.5 billion after a $470 million funding round in July.

Green Dot reports six million active accounts and, as a publicly listed company, has a market cap of $2.5 billion. Revolut, based in the UK, has a valuation of $1.7 billion.

Meanwhile, Chase shut down its high-profile entrant into millennial money manager, the short-lived Finn, launched in October 2017. "They start these experimental lines of business with the aim to be relevant and cutting edge," says Lane Martin, a partner at Capco. **bt**

The importance of specialised standard software for MAD/MAR compliance

A whitepaper from SDS on MAD/MAR compliance concisely summarises the most significant findings and experiences from three years of practical application.

The EU Market Abuse Regulation has created a uniform legal framework and catalogue of criminal law for the prohibition of market manipulation and insider trading since 2016. Moreover, financial institutions have been obliged to take active and proactive measures in order to avoid these criminal offences in their own backyard. The amendments pose significant challenges for the financial industry, especially the banking sector, and their IT systems. Traditional methods for monitoring securities compliance are no longer effective here – therefore, new procedures have to be implemented. Almost three years later, it is time to take stock of the success of MAD/MAR and of the current market developments.

The burst of the real estate bubble in the US resulted in a rapid increase of the interest for interbank financial loans and in a strong decline of the trust in the financial world and its players. The crisis peaked when the major US bank Lehman Brothers crashed in September 2008, entailing enormous economic and reputational damage that probably has not been repaired to this day. The consequences were not limited to the US, but soon reached Europe as well.

In the aftermath of the crisis, it was revealed that there had been faulty risk assessment regarding complex financial products, countless violations of rules of conduct and criminal offences in the area of market and benchmark manipulation. Since the public had become increasingly critical of the financial industry, numerous rules were adopted or tightened on a national and international level in order to guarantee the financial sector's more effective operation in the future.

The Austria-based software company SDS (Software Daten Service) continuously sets digital standards in advanced solutions for securities processing, regulatory and compliance solutions for the international financial industry. SDS's latest whitepaper on MAD/MAR compliance concisely summarises the most significant findings and experiences from three years of practical application and also provides approaches for the automated monitoring of securities and derivatives transactions. **bt**

Download your free copy from **https://pages.sds.at/LP_CCONFORM_WHITEPAPER_EN** or **www.fintechfutures.com/2019/07/white-paper-the-importance-of-specialised-standard-software-for-mad-mar-compliance**

LEADERSHIP: FINTECH DEVELOPMENT

Is your fintech brand an awkward teenager?

By *Emma Humphrey*, managing director of creative agency, Genius

Fintech businesses typically go through a whole range of ages and stages on their path to success. One of the most interesting of those is the one that could be referred to as the 'awkward teenager' phase.

This is the stage where you're no longer pre-revenue, no longer a start-up chasing those early funding rounds, but not yet at a level where you could feasibly claim to be one of the bigger brands in your space. When you reach this stage depends upon what sector you are in, but typically your business would have a turnover of between £1 million and £49 million.

More important than your revenue is whether you can identify with any of the traits common in teenagers: unpredictable growth spurts; occasional breakouts; sometimes not very communicative; thinks no one understands them; and they have started to 'sleep in'.

Here we look at each trait and how to deal with it, so it works for you and not against you.

UNPREDICTABLE GROWTH SPURTS

We'd all love to surf the gentle wave of a predictable growth curve, but the reality is that most mid-sized fintech brands don't always have that luxury. That said, teenage fintech businesses are ideally positioned to manage and capitalise on this. They have more resources and structure to them than smaller start-ups but are still agile enough to respond to dramatic shifts effectively, unlike their larger corporate siblings.

Don't wait for the wave. Create a simple, easy to execute scale-up plan ahead of time that will allow you to quickly respond to and make use of demand spikes. Then try and anticipate when the next one will come, based on analysis of past data to identify where demand spikes have occurred. What were the characteristics that triggered each one? Are there any trends?

You can also use this data to pinpoint when on the uptick you ran out of marketing or delivery resources and had to back off. This information will be a reporting marker that triggers your scale-up plan in just enough time to avoid this peak going forward.

BREAKOUTS

A teenager fintech brand has generally outgrown the crazy "oh wow, everything is leaking and there's not enough duct tape in the world" reality of a start-up. But they're not so far out of the woods that the wheels don't come off in some areas, some of the time. Losing a bunch of key people, having a competitor steal a march on a new tech development, legal challenges from larger rivals – there are a tonne of things that can upset your equilibrium.

We like to call these breakouts because much like teenage spots, they can make your mid-sized fintech brand look a little less perfect for a while but, effectively treated, they're unlikely to cause any long-term damage.

Create a method of triaging your breakouts. Something simple that will enable you to quickly assess the potential damage to your brand. Some of the things you might want to look at include:

- **Scale:** How big is the actual problem in its subject/nature?
- **Scope:** How far does the effect of the problem continue? A team, the whole business, your whole customer base?
- **Duration:** How long is it likely to be an issue for if we respond appropriately?

COMMUNICATION

Often, we see mid-sized fintech brands that haven't shaken off their start-up mentality and it usually hampers their growth. They're still in that bootstrap mindset where cheapest is best; marketing is conducted as a reactive and often improperly measured shoot from the hip-type activity. It's worth noting that this is rarely the fault of the marketer in post; they are usually fighting for autonomy against a founding senior leadership figure or group.

Check that your marketing budget is appropriate to your size and market situation. Then check that you have a marketer of sufficient skill and seniority to be entrusted with this budget. Finally, get out of their way and reduce your input to holding them accountable for delivering measurable results that help the brand to prosper and grow market share.

UNDERSTANDING

We've all heard that immortal line from older kids and teens: "You just don't understand!" And teenager fintech brands can feel a bit like that too. They're not tiny, excited nippers bouncing atop brightly coloured beanbags bought with their latest round of funding cash, nor are they yet big enough not to feel a little intimidated going toe-to-toe with the large corporate grown-ups. It's an awkward phase and one best managed by spending time with people who really get your brand.

Find partners and customers who really understand the stage you're at right now. Other businesses that work with businesses like yours will have better responses. They are well placed to support you through the inevitable growing pains typical of your journey towards the big leagues. And you're more likely to retain customers whose expectations match what you're currently able to offer rather than chasing the dream business you're just not ready for, only to crash and burn on the delivery.

> "We've all heard that immortal line from older kids and teens: 'You just don't understand!' And teenager fintech brands can feel a bit like that too."
>
> **Emma Humphrey, Genius**

SLEEPING IN

We're frequently speak about how mid-sized fintech brands should use their relative agility to pivot round their bigger rivals. And it's true that they both can and should. But they need to guard against the inroads that scaling up tends to make in this dynamism. The bigger your brand gets and the more like a big company you become, you'll necessarily add more layers of people, processes and systems to help you run effectively as you scale. The danger is that when not properly implemented and managed, these things can slow you down and lead to your business 'sleeping in' while your smaller start-up rivals are already up and cracking.

MAKE IT WORK FOR YOU

Most fintech brands put a huge amount of time and effort into evaluating and planning a change before they implement it, whether that's a process, tech or people change. What far fewer do is evaluate whether the expected benefits of the change are fully realised and even fewer than that actually go on to reverse changes that don't live up to expectations. Those that do all three stay far nimbler for far longer than their similarly sized rivals.

How many of those traits did you recognise in your own brand? **bt**

Taking open banking global

By *Rolands Mesters*, co-founder and CEO, Nordigen

Open banking, so far, has been a roaring success. We'll have to reassess this evaluation on 14 September 2019 with the final Revised Payment Services Directive (PSD2) compliance deadline but since the inception of open banking in the UK and Europe last January, fintech innovation has exploded with 100 regulated providers now using open banking in the UK with a predicted £7.2 billion revenue opportunity by 2022.

It's fair to say that Europe's fintech ecosystem is in rude health. And with such positive proof points, it's no wonder there are talks around rolling it out more widely, including countries in East Africa. In reality, it's going to take longer for countries such as Kenya to be in a position where the right financial and technology infrastructure is in place to implement open banking technology.

However, the fundamental principles that form the backbone of open banking can and should be implemented for region-specific fintech solutions.

THE UNDERLYING PRINCIPLE

Open banking may be a piece of European regulation, but its core principles can be replicated in numerous countries across the globe, as long as the implementation is defined by the local financial ecosystem from the offset.

The secure transparency of data in Europe has allowed for increased accessibility and freedom of innovation, fostering a culture of healthy competition. Put simply, mutual trust creates mutual benefit and a plethora of consumer choice.

It is this fundamental principle that can help bring much needed financial access to regions with large unbanked populations.

For many regions, the most important action is to build upon, or create anew, an ecosystem that holds these principles >>

inherently in its infrastructure. With a transparent, sustainable financial infrastructure, innovation, progression and success will follow naturally. Whether this infrastructure is based upon traditional banking interactions, mobile payments or even blockchain payments, is irrelevant – it should be specific to the country.

For example, over the past two decades, the Latvian financial sector has seen extensive transformation. In the 1990s, citizens did not trust the banks enough to keep their money in accounts. Now that ties have been cut between the government and the banking sector and banks have become much more self-sustainable, consumer trust has dramatically improved and the Latvian fintech startup sector is valued at $878 million.

MAKING INTERNATIONAL REGULATION LOCAL

While open banking is working for Europe, it is not possible to apply a 'one-size-fits-all' approach. Not every region operates in the same way as Europe – certainly the financial infrastructure of European countries doesn't reflect that of any East African countries.

Open banking is probably the best thing to arrive in Europe since the introduction of cashless payments. But this does not mean it can or should be rolled out in its current form to economies such as Kenya, that have wholly different financial sectors, and digital infrastructures at varying stages of development. For example, 31% of Kenya's unbanked population use M-PESA, the mobile based money transfer service, for money transfers and 21% use it for paying bills. Tapping into the mobile payment technology sector may be the best route forward.

Instead of trying to fit a square peg into a round hole, why not ditch the specific legislation and keep the best aspects – the open banking principles.

MOBILE PAYMENTS AND OPEN BANKING PRINCIPLES

In any country, innovators, business leaders, regulators and governments have a responsibility to build public trust of banks, cut service charges and create the best solutions to suit local payment infrastructure, whether mobile, traditional, digital or blockchain; we shouldn't assume a one-size-fits-all approach.

"With countries like Kenya beginning to prove their worth as tech centres, the scope for home-grown solutions is huge."

Rolands Mesters, Nordigen

Take mobile payment technology in Sub-Saharan Africa's 46 markets, for example – it is driving financial inclusion for people with limited access to financial services, particularly those living in rural locations.

In Kenya, the majority of the population does not hold a bank account – those that do, do not trust banks enough to keep their money there anyway. Large, inaccessible institutions bear down with commission fees and identification processes that just don't make sense (recording an address for example – some don't have a tangible house name or number). It's no wonder that instant transferring alternatives such as M-PESA have gained such traction – it's convenient to the local modus vivendi and receptive to inexpensive mobile handsets.

The sector is growing at pace: according to the GSMA Intelligence Report in 2018, the continent's mobile economy is expected to generate over $150 billion (7.9% of GDP) of economic value along with an expected 300 million people to be online by 2025. The GSMA revealed that Sub-Saharan Africa is home to 282 mobile money services operating worldwide and that when combining the adult population of Kenya, Uganda, Rwanda and Tanzania, 66% are regular users of mobile money services.

Utilising open banking principles in the mobile money space should be investigated, rather than looking to implement regulation that focuses on bank account data.

TAILORING TECH

Implementing open banking in East Africa as it functions in Europe just doesn't make sense. By tapping into the unique and blossoming mobile payment ecosystem, on-the-ground fintech players can develop bespoke solutions that are as successful as Europe's open banking standard yet completely tailored to the landscape.

With countries like Kenya beginning to prove their worth as tech centres, the scope for home-grown solutions is huge. And the key is home-grown: devising bespoke solutions which are informed and defined locally is the best way to enable effective and accessible innovations. This can only happen if we stop myopically focusing on eurocentric regulation and assuming what works well for us will work for others. **bt**

The success of challengers points the way for incumbents

Challenger banks are redefining the digital banking experience, and traditional banks stand to benefit from their trailblazing efforts.

On many fronts, challenger banks appear to be thriving. These digital-first upstarts are securing venture capital investment and expanding into new countries at rapid rates. And more are coming: *FinTech Futures* lists 21 UK and US challenger banks slated to launch in 2019.

They're also winning over today's banking customers. In a 2019 FIS survey of UK banking customers, challenger banks pulled ahead of their competition with an 88% overall customer satisfaction rating. Global banks remained steady, while regional and cooperative banks saw their ratings fall from 2018. The newcomers are clearly doing something right.

MEETING TODAY'S CUSTOMER EXPERIENCE EXPECTATIONS

As one would expect in an industry named for its opposition to the establishment, challengers or "neobanks" have multiple differentiators from their incumbent counterparts, including lower fees and innovative products like debit cards for children linked to their parents' accounts.

But much of their advantage comes down to the superior user experience (UX) they offer. Digital onboarding is quick and easy. New features include real-time notifications of transactions, categorised spending reports to help with budgeting and the ability to split bills among friends.

A rich omni-channel experience has strong appeal for new banking consumers. Generation Z, the first cohort to grow up with widespread internet access, expects the speed and convenience that big tech leaders pioneered. Challenger banks understand how critical it is to attract these customers when they're young and keep them for a lifetime.

THE ROLE OF TRUST

Although the FIS survey found that a "smooth, easy customer experience" was an important bank attribute for 64% of respondents, trustworthiness and secure transactions topped the list at 81% and 82%, respectively. In a climate of headline-grabbing security and privacy breaches, customers have signaled that trust is something they take seriously.

Due to their decades of experience, traditional banks have the jump on challengers when it comes to trust. Adding a modern UX to their long-standing reputation and robust security practices enables them to capitalise on their strengths.

RETROFITTING LEGACY TECH

The good news is that today, traditional banks often have access to the same innovative solutions that challenger banks do. Many fintech, regtech and UX tools are cloud-based and modular, meaning they can be integrated into existing infrastructure. Flexible API technology serves as a catalyst for retrofitting legacy systems. For example, identity verification systems like GlobalGateway help with customer due diligence (CDD) and interact with core banking platforms. This dovetailing of solutions reduces the chance of disruption that comes with major tech overhauls, while maintaining the trust that's so important to customers.

Verifying customers through a digital, automated workflow has immediate UX benefits: it simplifies and speeds up the onboarding process, which is crucial for landing younger customers who live on their mobile phones.

Because they are building their tech stack from scratch, challenger banks have their pick of new tools – it's less digital transformation, more digital formation. So incumbents should pay close attention to their choices.

Canadian challenger banks Koho and Stack are currently leveraging GlobalGateway to help meet AML/KYC compliance requirements during customer onboarding. The identity verification API satisfies these banks' high standards for UX and also meets the security and compliance requirements needed to earn customer trust.

LEARNING FROM ONE ANOTHER

Challenger banks and traditional banks can take a page from each other's book. The keen UX focus mastered by challengers is not out of reach for their bigger counterparts, and trust can be attainable for challengers who lack an established reputation. Through modern tech solutions, each can learn from one another and have their cake and eat it too. Trust and strong UX need not be mutually exclusive; customers today demand both. **bt**

COMMENT

Big banks are driving fintech to the mainstream

By *Greg Palmer*, VP, Finovate

The first time I saw an iPod commercial, I didn't think much of it. At that time I was still happily downloading every song I could get my hands on (for free! Thanks Napster!). Even though I was amassing an impressive collection of music, I was still burning them onto recordable CDs so that I could play them on my Discman (which I would connect to my car through a converter that went into the tape deck – remember that?).

I used to spend hours creating the "perfect" mix for every situation, and I was buying burnable CDs in stacks of 50. For all the time and energy I spent thinking about music, I never, ever considered moving away from a CD-based system. Music belonged on CDs, no matter how you acquired it.

So yeah, the first time I saw an iPod commercial, I wasn't that interested. I would have told you then that I was quite happy with what I already had. Those commercials were impossible to avoid, though, and by the 10th or 20th time I'd seen those dancing silhouettes, I started questioning my music delivery system. Maybe it would be cool to dance around with headphones on and not worry that my song would skip. Maybe it would be cool to have a smaller device. And maybe it would be really cool to be able to queue up more than 15 songs at once. I didn't end up getting an iPod, but that massive advertising effort by Apple created a desire in me that I didn't have even one year previously.

> "Major international banks with robust marketing departments are using their substantial resources to create a set of desires among the general population."
>
> **Greg Palmer, Finovate**

Here's why this trip down memory lane is relevant: right now large, multinational financial institutions are marketing fintech capabilities to the general populace with compelling, benefit-oriented messages.

Whether the average consumer ends up switching FIs or not, the way these firms are presenting their fintech offerings will dramatically change how the average consumer thinks about what they want out of their bank. Or, coming back to the story above: a lot of consumers who think they're happy with CDs are about to start asking about mp3 players.

MOVING BEYOND TECH

I've spent the last few months keeping track of the bank commercials that I've seen and how they speak about tech. For anyone who's keeping track, I tend to see these primarily while watching live sports (especially major sporting events) or as ads on Hulu. I've seen ads from US Bank (showing a mobile savings goal system), Bank of America (showing branch-to-mobile functionality), Synchrony (showing an analytical insights platform for businesses), Experian (showing how they help raise your credit score), and Wells Fargo (who have too many different tech commercials out right now to count). My apologies to all those bank marketers whose work I didn't highlight here; there are many more I could have listed.

What's really interesting to me about these commercials is that they move the conversation beyond the technology itself and instead focus on the benefits that technology can offer. Instead of presenting the latest tech as something that's cool, hip and necessary for those who think of themselves as tech-forward, these commercials are showing everyday, normal people using fintech to make their lives better in ways that have nothing to do with being technophiles. We see a couple raising their credit score and then moving out of a tiny, old apartment into a nice new house, or we see a convenience store cashier monitoring (and eventually reaching) her savings goal so she can fly home to visit her family. We see people using fintech to do something cool and worthwhile instead of seeing people using fintech because it inherently is cool and worthwhile.

> "These commercials are showing everyday, normal people using fintech to make their lives better in ways that have nothing to do with being technophiles."
>
> **Greg Palmer, Finovate**

This is a subtle shift, but it's a vital one. And it's one that echoes a similar shift that occurred several years ago when fintechs changed the way they presented their offerings to financial institutions.

When I first started paying attention to the industry, fintech companies were much better at building cool technology than they were at explaining why people or banks needed that technology. A lot of cool innovations died on the vine, so to speak, because their teams couldn't convince banks or end users that they needed to buy them. This kind of missed opportunity has long been one of the most painful aspects of fintech for me – I can't count how many times I've seen a company that I know has a good product with a strong value proposition fail to make that value proposition clear when it really counted.

IMPROVED SKILLS

As the industry matured, and more investment capital started flowing in, fintechs were able to improve their messaging skills dramatically. The growing support industry around fintech played a big role too, as more fintech-specific PR firms, marketing firms and so on started to pop up. While targeting the general population with a national marketing campaign was still out of reach for most companies, it became a lot easier to engage the relatively small community of financial institution professionals. At Finovate, we saw this change firsthand. A lot fewer demo-ers had messages that essentially boil down to "We can do X!" A lot more of them took it a step further saying, "We can do X, and here's exactly why you need us to do it".

It sounds simple, but as any marketer will tell you, doing it well isn't easy. As the industry got better at it, banks and bankers no longer had to think of themselves as "tech forward" to be interested in fintech. Instead, fintech became a path to growing customer bases, increasing operational efficiency, reducing risk, staying compliant and more. You can still find banks and bankers who are suspicious of fintech or feel like they don't need to worry much about it, of course, but that group is shrinking every day. Today, fintech is a part of the banking industry's general consciousness in a way that would have been unthinkable as recently as 2013.

Will we see a similar change among the general population? It won't happen overnight, but right now, major international banks with robust marketing departments are using their substantial resources to create a set of desires among the general population. When that happens, you can bet it won't be long before people who used to be satisfied with what they've always had will start to get curious about what else is out there.

The clock is ticking. Don't be the last guy out there trying to sell CDs in an mp3 world. **bt**

I'M JUST SAYING…

Carlsberg Bank – probably the best digital bank in the world

By *Dharmesh Mistry*

Having discussed what banks could learn from Amazon, Uber and Tesla in previous posts, I was tempted to write next about Apple. However, instead I'm going to focus on Carlsberg.

The Danish beer company ran an interesting advert over a decade ago. The key punch line was: "Carlsberg don't run a bank, but if they did it would probably be the best bank in the world."

If you watch the video, then you'll notice that it's very tongue in cheek – a young man goes into a bank, gets served beer, asks for £50,000 to start a business and gets told he can have £75,000 and pay it back when he can! This led me to think, what would the best digital bank in the world look like?

First and foremost, it must be that it meets an unfulfilled customer need and provides something that they are not getting from banks today – and before you think it, "providing great customer service at great value" is not a valid answer!

There are very few examples of this currently, since we have most challengers offering "better banking". Hence banking, better or not, is not really an unfilled need.

A better example would be a service that helps you to manage the finances for a contractor. Their needs are: pay suppliers, issue invoices, track expenses, file tax returns and so on… *voila*! Coconut does exactly this. How about people wanting a dream holiday? Their needs are to help them plan the trip, find great deals, and help save for it… *voila*! Moneycado – a fintech that does exactly that.

What other examples could there be? A "bank" that helps you run a club – collect subscriptions, chase late payers, track expenses, produce an end-of-year set of accounts, issue newsletters. Or how about one for landlords that tracks income, alerts on late payers, reminds you of key maintenance tasks/costs and produces tax returns? I could go on, but you get the point – transactional banking is no longer the differentiator. Banks need to identify new segments and go beyond banking to meet an unfulfilled need.

ONE STEP BEYOND

End-to-end journeys and going beyond banking are two features that will help meet that unfulfilled need. As I highlighted previously, both Coconut and Moneycado go beyond banking and look at end-to-end journeys. By doing so, they are not only removing friction and building some loyalty/affinity with their customers, they're also gathering valuable data they would not have otherwise have.

For example, by allowing customers to fully plan a trip, Moneycado will understand more about their customers' lifestyle preferences and overall budget. With data from a few trips, they can get a better picture and move towards recommending destinations, predict other costs to reduce the planning effort and start to provide third-party offers relevant to the customer.

While this may seem to be a niche, research highlights that millennials are choosing life experiences over home ownership, which provides a healthy target segment. But why stop there? They could use the same platform to help corporate customers plan business trips by organising cabs or parking, flights, hotels and interesting places to see or eat at in the evenings.

We are all becoming increasingly time-starved, so having to juggle multiple suppliers to fulfil a single goal is time lost. Providing support for end-to-end journeys saves customers time and simplifies their life – who doesn't want that?

JOINING THE ECO PARTY

However, it's going to be very difficult to do everything yourself, and impossible to provide every option a customer might want. Therefore, creating a rich ecosystem of third-party offerings seamlessly integrated into your journeys is another key feature of our imaginary best bank in the world.

Some banks, like Starling, have already created marketplaces of third-party financial solutions, but an ecosystem is broader than financial solutions. For example, it could include third-party services like accounting, legal advice, HR advice, stationary products – all of these and more could enhance Coconut's offering to add greater value to their platform for contractors. An ecosystem also provides more data to better understand customers and therefore make better recommendations for future needs.

> "Creating a rich ecosystem of third-party offerings seamlessly integrated into your journeys is another key feature of our imaginary best bank in the world."
>
> **Dharmesh Mistry**

So the value of data, beyond transactional banking, is what drives greater value and a more personalised service for customers. A data-driven approach has got to be a key feature of our bank.

With greater volume of data, our bank would use AI to predict customer needs/preferences before customers themselves realise it – a bit like Netflix predicting what programmes or movies you'd like to watch. With this in place, Moneycado could tell you your next destination and will have already costed and planned the trip for you. Or Coconut could tell you that you'll need a short-term loan in two months' time to cover outgoings, and that you'd only need the loan for six weeks. Again, it could package that offer up from its ecosystem and have it ready to go at the click of a button.

Both Coconut and Moneycado were started by a vision and a team of developers, less than four people!

Cloud-based services meant that no internal IT was required, and that costs of technology was based on usage rather than outright purchase and redundancy for future demand. Super-efficient and able to work from anywhere, they are great examples of the new levels of efficiency challengers can create with open banking. This efficiency would reduce costs and accelerate agility, which our new bank would mandate via utilising both cloud and open banking.

MAKING A DIFFERENCE

Last but not least, our bank would have a strong ethical reason that would resonate with our customers. Something simple yet meaningful like "making life easier and better for everyone". Like Ant Financial's forest app, which commits to planting trees based on transaction volumes. Our bank would provide a measure for how well the bank was doing, not based on profits, but on tangible differences it had made to improving life, like minutes saved, paper saved, wealth increased, unbanked customers onboarded and so on.

To summarise, the key features of "the best digital bank in the world" would be:

- Designed to meet an unfulfilled customer need
- End-to-end integrated and seamless customer journeys
- A vast ecosystem beyond banking
- Data driven and with AI to predict customer needs
- Cloud and open banking based
- A strong ethical raison d'être **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.

PayTech AWARDS 2019

5 JULY 2019 | HONOURABLE ARTILLERY COMPANY

The second annual PayTech Awards took place on 5 July 2019 at the Honourable Artillery Company (HAC).

What better way to celebrate summer and tech innovation than on a unique historic venue in the heart of London, enjoying gourmet food, celebrity host entertainment, the company of outstanding industry figureheads, and of course, the Awards ceremony itself!

It was hosted by the witty Jo Caulfield and was a wonderful celebration of excellence and innovation in the payments industry and people who make it happen.

We would like to thank our staff, attendees, awards judges and our sponsors: Wirecard, Webshield EG and Jumhouria Bank. **bt**

PayTech AWARDS 2019

5 JULY 2019 | HONOURABLE ARTILLERY COMPANY

JUDGED AWARDS

BEST MOBILE PAYMENTS INITIATIVE

Sponsored by Jumhouria Bank

Winner
Pannovate

Highly commended
HPS, Batelco, AFS & Comviva, Israel Discount Bank

BEST E-COMMERCE INITIATIVE

Sponsored by Wirecard

Winner
Emailage

Highly commended
Fundbox

PAYTECH FOR GOOD

Winner
Streeva

Highly commended
Fiserv, Pennies

BEST USE OF BIOMETRICS IN PAYMENTS

Winner
Sberbank

Highly commended
Bank Hapoalim, OP Financial Group

BEST CORPORATE PAYMENTS INITIATIVE

Winner
ANNA

Highly commended
Soldo, Swift

OVUM PAYMENTS INNOVATION AWARDS

BEST REAL-TIME PAYMENTS SOLUTION PROVIDER

Winner
ACI Worldwide

Highly commended
Fiserv

BEST OPEN BANKING SOLUTION PROVIDER

Winner
Worldline

Highly commended
Volante

BEST SOLUTION PROVIDER FOR PAYMENT SYSTEMS IN THE CLOUD

Winner
OpenWay

Highly commended
Form3

LEADERSHIP AWARDS

WOMAN IN PAYTECH

Winner
Melissa McKendry

Highly commended
Tracy Cray

RISING PAYTECH STAR

Winner
Alex Barseghian

Highly commended
Maxime de Nanclas

PAYTECH TEAM OF THE YEAR

Winner
BPI

Highly commended
Vocalink

OTHER AWARD WINNERS

EDITOR'S CHOICE AWARD
Winner **HooYu**

PAYTECH LEADERSHIP
Winner **Christian Chmiel**
Highly commended **Monica Eaton-Cardone**

BEST PAYTECH PARTNERSHIP
Winner **Christian Chmiel**
Highly commended **Monica Eaton-Cardone**

TOP PAYTECH INNOVATION
Sponsored by Webshield
Winner **McLEAR**
Highly commended **Green Dot, Sberbank for SMEs**

BEST CONSUMER PAYMENTS INITIATIVE
Winner **Token**
Highly commended **Bank Hapoalim, OP Financial Group**

See you next year!

PayTech AWARDS 2020

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THOUGHT LEADERSHIP: CRYPTOCURRENCY

Wild west to crypto best: How compliance separates cowboys from champions

By *Maxim Bederov*, entrepreneur

At the heart of early cryptocurrency was the ideal that cross-border transactions could exist outside the system, untraceable and pseudonymous. That's about to change.

The Financial Action Task Force (FATF) is one of the most powerful standards-setting bodies on the planet, and as reported by Bloomberg, is due to recommend the most important regulatory change ever to hit the cryptocurrency industry.

The FATF wants regulators to instil recognisable user data at the heart of all new rules on cryptocurrency trading and transactions.

The imposition of this so-called 'travel rule' represents a trying time for the industry. Blockchains are not, on the whole, designed to register this kind of on-chain identifying information.

Some would argue that forcing old-tech rules onto crypto will decrease transparency, not improve it.

But whether the rule comes to fruition or not in its current form is a moot point. The outcome is the same: major players will be forced into closer collaboration with regulators and with one another. And as we know, fully-regulated businesses can attract better, more secure funding from more sophisticated investors.

KAY WHY SEE

From Malaysia to San Marino, Switzerland to Wyoming, forward-thinking states and nations are writing laws to pull digital asset exchanges into their day-to-day oversight.

Reputable and regulated exchanges – just as in the mainstream equity world – require investors to identify themselves if they want to buy crypto-assets.

This is because modern money transfer laws all require some level of Know Your Customer (KYC) process to identify where money has come from, and where is it going.

Even Shapeshift, once the darling of the anonymity crowd, has had to fall in line. CEO Erik Vorhees, announcing the layoff of a third of its workforce, admitted that failing to prepare to share user data for KYC had devastated the company financially.

Those that can prove they will work with the system, not against it, will be allowed to reap the rewards.

As proof, the world's largest digital asset exchanges sat down with global policymakers in Japan in June for a crucial meeting to determine how the FATF proposal will affect the industry.

The meeting, which coincided with the G20 summit in Osaka, counted exchanges such as Coinbase, Kraken, Huobi and the Goldman Sachs-backed Circle among its numbers.

As digital asset professionals we need to be in close contact with regulators, putting forward our case and making sure the benefits of what we bring to the table are heard.

FACEBOOK CREATES CRYPTO BUZZ

Facebook's Libra cryptocurrency has ignited mainstream interest in the space once again. Technical details of the project have now been shared in a 29-page whitepaper, borrowing from Bitcoin and Ethereum to power a new global currency.

And regulation was there from the beginning.

It's no accident that Mark Zuckerberg went to the Commodity Futures Trading Commission (CFTC) to talk about how his in-house crypto would work, long before it ever came to market.

The cynicism and suspicion that once characterised regulatory approaches to crypto assets is on the way out, too.

In fact, the CFTC, which oversees the US derivatives and futures market, has grown much fonder of blockchain.

Officials even suggested in a June 2019 speech to the Italian securities regulator, CONSOB, that blockchain-based records could have helped to prevent the 2008 financial crisis.

Outgoing chairman J. Christopher Giancarlo said: "Imagine if regulators could have viewed a real-time distributed ledger… to recognise anomalies in market-wide trade activity and diverging counter-party exposures indicating heightened risk of bank failure?

"What a difference it would have made a decade ago if blockchain technology on a private distributed ledger accessible to regulators had been the informational

>>

foundation of Wall Street's derivatives exposures. At a minimum, it would certainly have allowed for far faster, better-informed, and more calibrated regulatory intervention instead of the disorganised response that unfortunately ensued."

Fintech firms should not be afraid of regulators. Quite the opposite: close collaboration is key. The right conversations at the right time can transform your prospects and bring funding to the table.

INSIDE, NOT OUTSIDE

At one time, cryptocurrency was content to exist outside the financial mainstream. Its anonymity made it a pariah, its volatility a joke, a bogeyman to scare financial advisers and bring them out in a sweat late at night.

But this scrappy outsider is changing its ways. The market is maturing. It was unthinkable 10 years ago that bitcoin could become a stalwart of the financial system. But here we are.

Perhaps related is the fact that the US Security and Exchange Commission's Office of Compliance Inspections and Examinations has ramped up investigations by 10% year-on year and marked out digital asset broker-dealers, exchanges and traders for special attention in its 2019 priorities list.

Where once large investors saw only risk in digital assets, they now see opportunity. These are pension funds and hedge funds, those whose job it is to allocate assets for millionaires and billionaires, and who control the future purchasing power of entire populations.

Dow's Marketwatch explains how institutional investors are now bullish on crypto, backed by record highs in the bitcoin futures market.

When the owner of the New York Stock Exchange launched digital asset exchange Bakkt in 2018, the veil was lifted and the idea that cryptocurrency would be relegated to a mere sideshow ended. Bakkt will begin testing its bitcoin futures and custody in July 2019.

Interdealer broker, ICAP, is entering bitcoin derivatives, too. This $568 million-a-year revenue business looks after trades for investment banks and large asset managers. Speaking to Bloomberg, the

"Switzerland's SIX exchange is the first in the world to debut an exchange traded product for cryptocurrency."

joint head of digital asset markets Duncan Trenholme admitted: "Every institution is on an educational journey. Many are exploring how tokens can legitimately be traded or stored and I'd expect more projects to hit the market over the next year or two."

Note that key word: legitimately. Within the rules.

The question we face is not whether regulation is necessary for digital assets, but how digital asset businesses can best work with regulators.

LOOKING FORWARD

Securing the correct licence can transform the value of fintech assets. Working within the system and fulfilling compliance obligations is costly, sure. In fact, regulatory costs for financial institutions could double in the next decade.

But financial regulators can open massive markets for the best fintech products. Some economies, like South Korea, have recognised the industry's huge potential but aspects of regulation like cryptocurrency taxation still exist in a legal grey area.

Others, like India, are moving to follow a shadow banking ban for cryptocurrency firms with an incredible 10-year jail sentence for trading in digital assets. Large Indian crypto-exchanges such as Zebpay and Coinome have been forced to shut their doors in such a harsh and uncertain regulatory environment.

At the same time, one of India's largest and most powerful tech lobbies is trying to make the case to the central bank for legalisation and regulation. These conversations are vital.

One example we should all watch closely is that of Switzerland's SIX exchange. It became the first in the world to debut an exchange traded product for cryptocurrency. Now, the Amun Crypto Basket, tracking the prices of bitcoin and ethereum, sits happily alongside exchange-traded products (ETPs) for gold, oil, silver and other traditional commodities.

Amun had a keen eye for regulatory standards and is reaping the rewards. It should come as no surprise that the most recent ETPs listed on SIX are all by Amun. Single-asset funds for ripple and ethereum arrived in 2019, for example. By contrast, the last new traditional commodity ETPs debuted back in 2013.

This is fintech working at its best, disrupting the market with the regulator's backing, attracting institutions and setting the new standard for investment. **bt**

FOOD FOR THOUGHT

Bad bosses and hardy flowers

By *Leda Glyptis*

Many, many years ago, I ended up having a conversation about how unhappy I was in my job with a friend's New Age new boyfriend. The boyfriend is now a husband and still a hippy. He still comes out with words of great wisdom and although many years have passed and we have had many conversations, this one I remember like it was yesterday.

I was saying I did not know how to handle my boss' mood swings, cruel ways and confrontational style. I was saying I was ready to walk and that it felt like giving up and giving in, but even the thought of going to work made me unhappy and stressed and nervous.

And was it worth it? It affected my days at work and beyond. It was eating away at me. But I am not a "throwing in the towel" kind of girl and the urge to fight on was keeping me fighting on.

And he said, "a flower can push through concrete. But it doesn't have to. What will you really get out of this if you persevere that is worth persevering for?"

Nothing.

I learned my lesson through this. But the learning didn't come that day.

It came slowly. In waves. With distance.

I AM THAT GUY

The first few days of being out of that job, I was walking on air. Like stepping into the sun after a long stint in a dark room.

Not walking on eggshells. Not bracing yourself for whatever madness may come your way. Not second-guessing every word you say for fear of trigerring a reaction.

But the relief was short-lived. Because it dawned on me before long that I had been bullied.

And that me being strong and resilient and tough didn't mean squat. It didn't make me impervious. It didn't shield me. I had been bullied. It had happened to me and while it was happening I was reflecting on and controlling my own behaviour, trying to not waken the beast and whatnot. I wasn't aware I was being bullied as it happened. But when I stepped out of the situation, it was clear as day. It had happened and my resilience had helped me survive it but had not protected me from it.

And in fact, had it helped me at all?

Did my resilience help me survive or did it keep me there in absurd heroics, dealing with unacceptable, unfair and undeserved behaviour in an entirely misplaced attempt to not give up on something I should not have considered worth fighting for in the first place?

A sobering lesson. And a hard one to stick to. But possibly the greatest thing that mad woman taught me, inadvertently.

PAVLOV'S DOG'S RESIDUAL ANXIETY

The second thing I learned wasn't a happy realisation either. It came in dribs and drabs in the months after I left that job and settled into another one.

It was a hypersensitivity to a change in tone coming from seniors or customers, an alertness to triggers or signs of bad behaviour "from above". An overdeveloped sense of self-censorship. An instinct I had never had before, now on permanent high alert.

It was not needed. But it was there.

A survival trait forging a bad habit, a habit formed under harsh conditions that was hard to shed. I shed it. In the end. But it took time and effort and a string of great bosses to get there.

One of whom once answered my question of "how do you deal with a bad boss" with the last thing I expected to hear: "you get away from them".

Their inadequacies as humans are not yours to fix or carry.

They will not teach you, they will not help you, they will not support you. So why stay?

Because I had never until that moment thought about the workplace as a locus of equal exchange: where I give my time, labour, ideas and creativity and take home more than my salary. Her statement was a shock and a sudden illumination of blinding proportions.

The workplace needs to give you more than your salary. A bad boss doesn't. You owe it to yourself to move away. What an incredibly, deliciously revolutionary thought.

BRING YOUR WHOLE SELF TO WORK

Those were the words of my boss a few years later. And the final lesson.

What do you mean? I asked, slightly defensive, hearing a criticism and not an invitation. Thinking "here we go again", reliving experiences I thought I had left behind. But he smiled and persisted.

Bring your whole self to work. The crazy. The insecure. The intense. The angry.

You are more than what you do. And you are here most of each day, most days a week. You are robbing yourself by not bringing your whole self to work. You are also robbing us.

Man. No, I said. My whole self is intense. It says "no", and "are you nuts?" and "WTF" a lot. It tolerates no stupidity, no lack of integrity, no compromise to core values. And has no time for people looking for excuses. My whole self is a pain in the proverbial.

Good, he said. Bring her to work, I look forward to meeting her.

But I had been burnt before. So I didn't take him at face value immediately.

So he asked again. And again. And again. Until tentatively I started trying. Then a little more. And when the sky didn't fall, a little more still. It was amazing. It was liberating. It was restful.

And it accelerated my career.

More than the education, the delivery record, the experience. It turned out my prickly, explosive, intense and difficult personality of high octane honesty and unbridled enthusiasm, silliness and pessimism in a weird blend that says "shoot for the moon, prepare for the fall, rinse, repeat" was more useful to the bank, to my team and to my career than anything I had learned or done along the way.

It turned out being happy at work also made me better at my job.

It turned out that moving away from bad bosses was not good advice, it was essential advice.

It turned out a flower can push through concrete. But it doesn't have to. And it probably shouldn't even try. It should consider its options and go somewhere more giving. Somewhere where it can bring its whole self to work. **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

Fintech funding round-up

This month, Robinhood targets further expansion, N26 enters the top 10 most valuable global fintechs, and Judo sees investors return with more funding

Klarna has raised $460 million in an equity funding round, making it the largest private fintech in Europe.

The Swedish bank now stands at a post-money valuation of $5.5 billion. It will use the new funding round, led by Dragoneer Investment Group, to pay for its expansion into the US, which is seeing a growing customer base of six million year on year.

Global brands H&M, Abercrombie & Fitch and Boohoo Group will soon go live with Klarna, joining more than 1,000 other merchants integrating with the bank who have a combined volume of $10 billion alongside Klarna.

"This is a decisive time in the history of retail banking," says Klarna co-founder and CEO, Sebastian Siemiatkowski. "There will be no more room for unimaginative products, non-transparent terms of use or lack of genuine care of ones customers."

The challenger bank has also announced Commonwealth Bank of Australia's involvement in the equity round, giving Klarna the opportunity to establish an exclusive partnership for the Australian and New Zealand markets.

Funding leader Dragoneer said its strategy is to partner with a small number of disruptive, growth companies such as Klarna who are highly differentiated in their markets.

US-based stock trading start-up, Robinhood, has raised $323 million in a new round of funding that values the company at $7.6 billion.

The round was led by DST Global, with participation from investors including Ribbit Capital, Sequoia, Thrive Capital and NEA.

The company said it will use the funding to expand the business. It applied for a national banking charter to launch a consumer-focused bank in the US in April this year, with various tech heavyweights vying for its core banking software.

Robinhood, which has gained popularity among young consumers for its commission-free stock trading app, has been looking to expand the types of financial services it offers. The company is currently working on a new cash management feature, according to Reuters.

N26 has announced a $170 million extension of its Series D funding round to $470 million. The extension drives N26's valuation to $3.5 billion, making it the highest valued German start-up to date. The company now also ranks among the most valuable European start-ups and the top 10 of the most valuable fintechs worldwide. To date, N26 has raised more than $670 million.

All previous investors from the Series D funding round in January 2019 extended their investment in the company. Among the participants are many of the world's most established investors, including Insight Venture Partners, GIC (Singapore's sovereign wealth fund), Tencent, Allianz X, Peter Thiel's Valar Ventures, Earlybird Venture Capital and Greyhound Capital.

"Once again, our investors have placed their trust in us. This will allow us to accelerate our global expansion outside Europe. The further increase in valuation is a great testament to the company's development over the last months," says N26 co-founder Maximilian Tayenthal.

The firm serves more than 3.5 million customers in 25 European markets, with 16 million transactions per month. It recently launched its mobile banking app in the US, its first market outside of Europe. The company plans to launch next in Brazil and aims to reach over 50 million customers worldwide in the coming years.

N26 will use the additional funds to drive expansion in Europe, the US and Brazil, and invest in innovative new features. The challenger bank recently started relaunching its premium membership offering, N26 You, and will soon launch Shared Spaces. It also plans to continue its heavy investment in organisational and structural growth. Within the last 12 months, N26 has tripled its global workforce to more than 1,300 employees and will continue hiring for its locations in Berlin, New York, Barcelona, Vienna and São Paulo.

Australian challenger, **Judo Bank**, has completed the biggest single funding round in the country's history by raising $400 million. StartupSmart reports that the finance – which is double Judo's original target for the round – came from new institutional investors, including Bain Capital Credit and Tikehau Capital, along with existing investors.

The company says that about 90% of investors who participated in the first $140 million equity funding round in August 2018 have returned, such as OPTrust, the Abu Dhabi Capital Group, Ironbridge and SPF Investment Management.

The previous funding record was held by Campaign Monitor, which raised $266 million in 2014.

Launched in 2018 as Judo Capital, Judo started out as a small business lender. It began offering full banking services after gaining its authorised deposit-taking institution (ADI) licence in April this year.

The bank focuses on small businesses rather than consumer banking and is on course to lend more than $1 billion by the end of this year.

According to StartupSmart, co-founder, David Hornery, believes Judo is more of a relationship-based bank than a neo-bank or fintech. He says that the bank understands a business's cashflow, capital and character of management, rather than just assessing its collateral.

"Those are the things that really matter," he adds. "We have cutting-edge technology, but we see that as an enabler."

Judo Bank now employs 135 people and has a presence in Melbourne, Sydney and Brisbane. The funding will be used to further support the bank's high-growth trajectory.

MoneyLion, a US-based mobile bank, has raised $160 million in funding. The firm raised $60 million in previously unannounced financing and a $100 million Series C funding round.

The round was co-led by Edison Partners and Greenspring Associates and included strategic investment from Capital One, a diversified bank that offers a broad array of financial products and services to more than 45 million consumers. The round also included investment from MetaBank and FinTech Collective.

Upon completion of the Series C round, the company will have raised more than $200 million in equity financing.

"We created MoneyLion with a focused goal of providing people with the most valued banking experience in the world," says Dee Choubey, CEO and founder of MoneyLion.

"The strategic investment from these leading financial institutions validates our mission and approach and demonstrates their acknowledgment of a dynamic shift in consumer banking. It also reinforces consumer demand for fintech solutions that provide Americans with unprecedented access to the most powerful financial products and services in a single, integrated platform."

Hunter Somerville, general partner at Greenspring Associates, says: "We believe that MoneyLion, with its financial membership model and holistic approach to providing an all-in-one financial solution for millions of Americans, has created the most complete mobile banking destination in the market."

MoneyLion will use the funding to continue rapidly accelerating its customer growth within the US and drive further adoption of its powerful bank membership, which includes fee-free checking, 55,000+ free ATMs and zero-fee managed investment accounts that offer diversified portfolios, low-cost ETFs and hassle-free contributions. The company also plans to expand its product offering by introducing a series of new and innovative financial tools, including 0% APR daily cash advances available to members any day of the week to help with short-term cash flow issues, a high-yield cash account, and a stock trading platform that allows members to invest in individual companies about which they're passionate.

The Board of Banking Competition Remedies (BCR) has announced it will be issuing four £10 million grants to lending and payments organisations that have pledged public commitments. As part of the Capability and Innovation Fund (CIF) Pool C grant process, Atom Bank, iwoca, Modulr and Currencycloud will all benefit from the cash injection.

Public commitments include creating new UK jobs, providing greater company transparency and fighting UK SMEs' corner. The grant will help with expanding iwoca's customer base and making £5 billion available to support Britain's SMEs. Its also commits £13 million on top of its £10 million grant, promising the launch of OpenLending by 2020 – a customisable self-serve "plug and play" platform for SME fintech partners.

Modulr, Atom Bank and iwoca all committed to creating new jobs across the UK. Modulr promised 53 in Edinburgh and 11 more in other UK regions, Atom Bank pledged 70 new jobs and apprentice roles in Durham and iwoca stated they will open a new office in either Glasgow, Edinburgh, Leeds or Bristol with "at least" 50 staff.

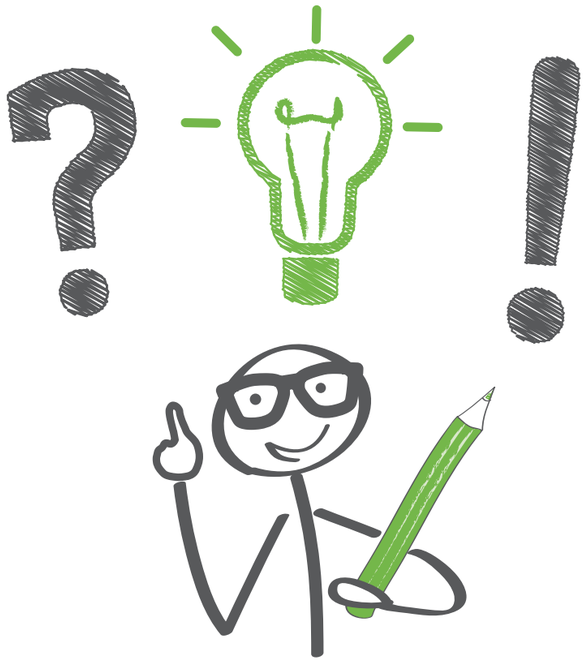
Currencycloud has sworn to "help 10% of UK SMEs" who are trading internationally to access better cross-border experiences, while also investing £30 million more of its own funds into helping SMEs more generally.

BCR received 76 applications for the Pool C round this year.

ASK THE EXPERT

Ask the expert

Greg Watts is our resident expert. He is the founder of Demand Creation Partners, a London-based growth consultancy that helps fintechs and paytechs to scale. A visiting lecturer at the American University in Paris and regular industry speaker, he was previously head of market acceleration at Visa Europe.



QUESTION

WHEN IS THE RIGHT TIME FOR A FOUNDER TO TAKE A STEP BACK FROM THE BUSINESS?

One important, but not often discussed topic is, when is the right time for a fintech founder to take a step back and bring in experienced managers who can take the business to the next level?

Before we answer that, let's examine three traditional strengths of founders:

1. Coming up with great ideas and developing a compelling minimum viable product (MVP).
2. Raising investment.
3. Being the company's Number One cheerleader.

However, the reality is founders may not possess the skills, experience or desire to undertake other business activities such as running the operation, creating a high-performing culture, creating and closing commercial deals, or launching into new markets.

As a fintech grows, a founder or founding team often requires specialist and perhaps more experienced individuals to support them.

Here are some questions founders should ask themselves as their companies embark on the next phase of growth:

- When is the right time to make changes to the leadership team and/or operating model?
- What skills and behaviours are required from the new team?
- What will my role as a founder be going forward?
- How do I communicate these changes internally and externally?

In this column, we'll provide suggestions to help founders make the right decisions as they position their companies for long-term success.

1. Admit you need help

Being a company founder means you have a unique connection to it. You might have devised the idea, built it from scratch and invested significant, personal resource in ensuring its success. Not surprisingly, deciding when to take a step back is one of the most difficult decisions any founder can make.

Often, ego comes into play. After all, you came up with the idea, built the MVP, signed the first partnerships and secured investment. Who better to take the business forward?

At the beginning of a company's journey, required leadership skills typically include creativity, passion, inspiring others and micromanaging the business – because that's easy to do in the early days.

However, once a business starts experiencing success, a different set of challenges come into play.

Founders need to create companies that scale, and that means that he or she cannot be involved in every decision. This is particularly true for fintechs, which often experience hyper growth early on – going from a few customers to thousands or millions in a short space of time.

Most founders are initially focused on building compelling products. However, very quickly those products require selling and marketing, after-sales support and account management, finance and legal expertise, and investor relations. Then there's the culture of the business, which usually determines overall success.

Driving a business forward requires skills that successful founders aren't always equipped with – or enjoy using.

2. Identify your skills gaps and create a plan

Once you've recognised the skills gaps you have, you should develop a plan to address them.

For example, now that you have more customers, it's likely you'll need an account management or client success function. If you're signing up new partners and clients, you might need to enhance your commercial function. And as you move into new markets, you'll need people who can lead and run those operations.

Meanwhile, investors looking for promised returns will be expecting you to prioritise sales. Some fintechs have appointed a chief revenue officer (CRO) or chief growth officer (CGO) who is responsible for the entire sales cycle from initial market assessment and scoping to after-sales and support. Such roles often incorporate marketing to support demand generation efforts and to ensure all resources and activities are focussed on generating and closing sales leads.

Then there's the day-to-day business. Who is best suited to run it? A smart move for a founder is to hire an experienced chief operating officer who sits alongside the CRO or CGO and assumes responsibility for all support functions.

To identify where you need support, start by reviewing your commercial objectives for the next 12, 24 and 36 months, and then map out your existing expertise and where you have gaps.

3. Clarify your role in the next phase of growth – and stick to it

You have now created a plan to bring in more specialist resources to support the business in its next phase of growth, but what does that mean for you as a founder? Unsurprisingly, many founders struggle to step back from their baby – the business they have created from scratch.

Stepping back can take many forms. It might mean being less involved in day-to-day decision making in order to take a more strategic view of the company's future. Or it might mean stepping back entirely and bringing in someone else to run the business. Sometimes this is a voluntary change, as a founder realises that the best thing for the business is for a professional CEO to take charge. Other times, investors may insist on a new CEO as a condition for investment. Therefore, it's important to pre-empt these conditions and have a proactive plan in place.

Natural roles for a founder who is stepping back might be to spearhead investment, champion the business to overseas markets or develop the brand or product.

4. Set up the new team for success from Day One

No one likes having someone continually looking over their shoulder. Overcoming the mindset of "I can do it better" can be tricky for founders as they bring new leadership into the fold.

New leaders or leadership teams require time to get up to speed. For fintechs going through hyper growth, it can sometimes be frustrating for a founder to allow sufficient onboarding time as they "want to get on." However, to do so is a mistake that will lead to failure down the line. It typically takes three to six months for a new team to come together, and before any significant results can be seen.

In the early days of a new team, founders need to strike a balance between being supportive versus being over-bearing or even obstructive. Perhaps start by organising handover meetings for the first few weeks, then have a weekly check-in session. Your goal is to move back from the day-to-day. Try and avoid the trap of stepping back into the detail if you spot mistakes or missed opportunities. That will not be appreciated, nor will it set the new team up for success.

BRINGING IT ALL TOGETHER

Founders must put their egos aside, recognise their limitations and see the bigger picture of what's best for their company in the long term. Remember that only a few founders of leading fintechs – or indeed any major technology companies – have successfully stayed the course.

Stepping back, in whatever form is required, can be tough – but it can also be rewarding. It allows the company to achieve the greatness the founder envisioned while allowing a founder to discover his or her strengths and focus on where their genius lies.

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 below, email Greg Watts and/or FinTech Futures' editor, Sharon Kimathi, or get in touch with Greg on LinkedIn.

Movers and shakers

N26 has appointed **Thomas Grosse** as its new chief banking officer – a newly introduced role for the German challenger bank. Grosse, a former senior executive at Google, will oversee the set-up of regulated N26 banks and bank partnerships within the N26 Group.

HSBC boss, **John Flint**, has abruptly stepped down from his role, saying the bank needed a change at the top to address the challenging global environment. Flint took the helm at HSBC only 18 months ago, and resigned on 5 August, when the bank also published results for the second quarter.

Noel Quinn, head of its global commercial banking unit, will hold the role of interim CEO until HSBC makes a permanent appointment.

Xinja Bank, an independent Australian challenger bank, has hired **John Pountain** as its new CTO. Pountain worked at New York-based neo-bank, Moven, and BT Financial and Macquarie Group before entering the fintech sector.

Mobile banking company, **Varo**, has selected a former Xbox designer, **August de los Reyes**, as its new chief design officer. Between 2013 and 2016, de los Reyes led design for Microsoft Xbox, where he's credited with helping to make the Xbox gaming platform more accessible for all types of people.

TransUnion has snapped up Experian's director of strategy and planning, **Sam Welch**, to join its UK executive team. Taking up his role as strategy and planning director for TransUnion in the UK, Welch will be responsible for driving its growth agenda.

Industry body, **Global Digital Finance**, has appointed **Sandra Ro**, CEO of Global Blockchain Business Council has accepted an appointment to the Board of Directors of GDF as a non-executive director, commencing 1 September 2019.

Alex Ng, market group head for China, is leaving **Credit Suisse**. Ng joined the bank in 2008 from UBS as China market head of private banking. Previously, he had been UBS' China country team head from 2005 until 2008.

Yintech, a provider of investment and trading services for individual customers in China, has appointed **Raphael Qian** as vice president and CFO of the company. With this appointment, **Wenbin Chen**, CEO and interim CFO of the company will focus on strategies and business operations. Prior to this appointment, Qian was vice president and financial controller of Shanghai Dasheng Agricultural Finance, since August 2014, and worked as an audit manager in KPMG Shanghai from August 2006 to August 2014.

Aviva's strategy director, **Shaun Meadows** has joined 11:FS as its first Chairman. In the newly created role, Meadows will work with the 11:FS Board to review company objectives, examine performance and help shape future business activity and strategy.

Jackson Hull will be joining **OakNorth** as the new Chief Technology Officer and Chief Operating Officer. Hull has over 15 year's C-suite experience in London and San Francisco, most recently at GoCompare.

Grasshopper Bank has hired **Jeremy Shure** as its global head of its early-stage practice. Shure joins from Silicon Valley Bank, where he worked as a managing director. Shure's hire follows the appointment of **Barbara Fleming** as head of private equity and venture capital relationships.

EVENTS CALENDAR

September

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

17-19: InvestOps Europe, London
bit.ly/investops-europe

18-19: International SAP Conference on Central Finance, Berlin
bit.ly/SAPCentralFinance2019

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

October

2: MoneyLIVE: Lending, London
bit.ly/moneylive-lending

7-9: InsurTech Rising International, Paris
bit.ly/insurtech-rising-international

8-9: ATM & Cyber Security, London
rbrlondon.com/conferences/acs

14-15: Finovate Asia, Singapore
bit.ly/finovate-asia

14-16: CX Exchange BFSI, Miami
bit.ly/cx-exchange-bfsi

21-23: MoneyLIVE: Nordic Banking, Copenhagen
bit.ly/moneylive-nordic-banking

21-23: RiskMinds Asia, Hong Kong
bit.ly/riskminds-asia

22-23: Finnovex West Africa, Lagos
finnovex.com/wa

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