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EDITOR'S NOTE



Sharon Kimathi
Editor, Banking Technology

There is a huge amount of hype about fintech and its role in financial services – especially technology that’s brewing up in innovation labs. In this edition of Banking Technology magazine, we’ll be looking at the tech that will help financial institutions cross the next frontier of innovation. From frictionless online payments at Fractal Labs to peer-to-peer foreign exchange.

We examine how fintech is helping the next generation of women in business through ACI’s Coding for Girls initiative, while Emily Fowler explores programmes such as Accenture’s 2020 FinTech Innovation Lab and its pledge to include 50% more female-led start-ups. Fowler highlights there is still plenty to be done to achieve equality in fintech, including more funding schemes and appointing women in higher positions of responsibility.

Martin Whybrow speaks to a female leader in fintech, Nationwide’s channel service director

Carole Layzell. She unpacks her career and her role “scanning the horizon” to ensure the bank stays ahead in these times of rapid change and uncertainty. She achieves this through keeping the branch at the heart of the business and looking for potential fintech partnerships.

Speaking of fintech partnerships, as rosy as they might start, the thorns become harder to avoid in times of hardship. When those times come crawling, fintech lawyers get calling. I speak to some top patent attorneys to dissect what a start-up can do to protect its intellectual property, especially when a budding fintech is based in a bank’s innovation lab.

We hope you find this month’s features and analysis thought-provoking. Feel free to check out the website for all the latest news and industry reactions to the coronavirus crisis. From all of us at Banking Technology magazine, we hope you stay strong and stay safe!



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Jamie Campbell
@JCtheOriginal
Lots of parents must have already experienced this but...
... explaining to kids that some things ARE Alexa and some things AREN'T Alexa is a trip.

Celeste Ng
@pronounced_ing
Elon Musk saying "I'll make ventilators IF there's a shortage" is like your partner looking at you holding a screaming baby, in front of a stove, with a sink full of dirty dishes, and saying "Of course I'm here to help you IF you need it" as he walks off to play video games.

Steve O'Hear
@sohear
VCs should self isolate from Twitter. Discuss.

Ron Shevlin
@rshevlin
(I'm going to get fired for this tweet)
"Hey! Let's do a webinar on the impact of the Covid-19 crisis!"
- Every friggin' consulting firm on the planet.

Zach Weinberg
@zachweinberg
In other news, IBM confirms it has zero ability to make anything new and will pursue a strategy of being a giant rent-seeking parasite on technology companies.
If you work here, please look for another job if you can.



IBM sues Airbnb for patent infringement
IBM (NYSE:IBM) is suing Airbnb (AIRB) for infringing on four patents related to e-commerce. The tech ...
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THE NUMBER GAMES

\$41 billion
SoftBank has revealed its plans to sell \$41bn worth of assets in a bid to firm up its financials as the coronavirus continues to negatively impact the company's share price

50%
Cash usage in the UK has dropped by half over the past week, according to analysis from Link

48 hours
The time it took Fronted, Credit Kudos and 11:FS to come up with 'Covid Credit'

\$6bn
The figure behind HSBC's structural overhaul under threat from COVID-19

£45
UK Finance raises contactless payments limit before entering your pin from £30 to £45

\$200m
The loss that ABN Amro took on after one client's margin call failure. The hit is equivalent to almost 10% of the bank's annual profits

12 months
Monzo's CEO Tom Blomfield cut his salary to zero for a year as it grapples with the impacts of coronavirus on its business

i To read more about the impact of coronavirus on financial services, visit www.fintechfutures.com/content-hub/covid-19-industry-impact-response

THEY SAID IT...
"Anything I say now, I risk saying something completely different a few months down the line"
ECB's supervisory board chair Andrea Enria

NEWS ROUND-UP



Nordic challenger Lunar adds \$21.6m to its Series B

Lunar, the Nordic challenger bank with offices across Denmark, Sweden and Norway, has landed an additional \$21.6 million (€20 million) in its extended Series B funding round. This brings the bank's Series B total to \$50 million (€46 million). The new investment round was led by Seed Capital, with participation from Greyhound, Socii and David Helgason, the founder of Unity Technologies, a Danish-American video game software development company.

Sony Bank picks OneSpan for mobile banking security

Japan-based Sony Bank has selected OneSpan as the provider of security solutions for its mobile banking services. The bank launched an English-language digital banking service earlier this month via its Moneykit platform, and it appears that OneSpan will be underpinning the new system's security.

HSBC launches mobile onboarding in mainland China

HSBC has launched its new Smart Mobile Onboarding feature for customers in mainland China. The bank will allow customers across China to open renminbi accounts through their mobile and has become the first foreign bank to introduce the service. It has released the programme in response to the ongoing coronavirus pandemic. New customers will be able to complete and submit an application for an appointment to open an account online through HSBC China WeChat Banking or its internet banking channel, the bank says.



Revolut loses its head of wealth and trading

Revolut's head of wealth and trading André Mohamed has left the challenger bank just nine months after it launched its stock trading feature. It is understood that Mohamed's is leaving the firm on good terms, and the bank is looking for a new head of wealth and trading to replace him. The bank also lost its chief financial officer David MacLean last month.

Will fintech CEOs follow in the footsteps of Dan Price post-COVID-19?

Monzo's CEO Tom Blomfield will cut his salary to nothing for the next 12 months, and New York-based fintech Moven's CEO Brett King tweeted he was going on zero pay until the coronavirus crisis was over. But there is one CEO who is far more familiar than most with the sacrifice of a drastic pay cut. And that is Seattle-based Gravity Payment's CEO, Dan Price, who in 2015, put all his staff on a salary of at least \$70,000, personally taking a pay cut of \$1 million. Five years on, Price has decided to take a 100% pay cut to stop his staff from being laid off.

France's central bank opens applications for digital currency experiment

The central bank of France has called on fintechs to apply for its central bank digital currency (CBDC) experiment, which will test the integration of a tokenised financial asset. Applicants must be based in the European Union or in the European Economic Area and have to put together a proposal on one of three specific use cases the central bank is exploring. Applications are due by 15 May 2020, ahead of interviews that will begin in June before final selection on 10 July.

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TRENDING



Stay home, save lives

Most of us have been or are currently in the midst of a government mandated lockdown, which means staying at home and working from the comfort of your sofa or quietest spot you can find in your house, if you can. This mode of life feels different. It doesn't have the same ring to it that it used to prior to the crisis. Before the pandemic, this was something that firms would offer employees as a perk. Now, it has a more serious connotation since being outside comes with a heightened sense of danger from an invisible, but all too real, enemy. This can sometimes feel isolating. But fear not, as the fintech community has shown it can come together in times of a crisis to help others in need. From reassuring tweets to assisting the self-employed, it always feels better knowing we've got each other's backs. Stay strong, stay safe and be kind. We can get through this!

Zoom or ZOOM?

In moments like this, I am reminded of how important technology is in our lives; it is something I often take for granted. Without some of these technological advancements, we wouldn't be able to speak to our loved ones abroad or continue our work relatively smoothly in our homes. The likes of Zoom, Microsoft Teams, Skype, Google Hangouts, Slack and more have shown us that we can adapt and conduct our work and relationships in different ways during a time of crisis. Zoom and Slack have even seen their shares soaring despite equities taking a downward spiral since the outbreak. If you're eyeing up Zoom's shares, do look closely at its name as the SEC recently suspended the shares of Zoom Technologies, a small Chinese company that investors were confusing with Zoom, the video-calling app.

Softbank

I thought I should have one item that is non-coronavirus related. Softbank's drama is the gift that keeps on giving for a journalist. From a 'clap-back' at Moody's for downgrading its ratings from Ba1 to Ba3, to in-house disagreements and rumours of trying to go private. This is definitely one to watch.

Collaboration is key

What better example do I have of our community coming together in a crisis than the excellent work that 11:FS, Fronted and Credit Kudos achieved over one weekend, while using open banking. Together, the teams created a platform called 'Covid Credit' to help the self-employed get access to further income relief amid the coronavirus. It exists as a standalone Python web application running on Google Cloud. The app uses the Credit Kudos API and aggregates data from an individual's bank accounts, applying a number of pattern recognition algorithms in order to calculate key income figures.

Goodbye cash?

Although the World Health Organisation refutes any claims that the coronavirus can be spread through handling cash, it has still left a psychological shift in attitude towards this form of payment. The virus has increased contactless and mobile payment usage all over the world. From the UK halving its usage in the space of a few days, to East Africa which has a high volume of mobile money transactions across Sub-Saharan Africa. It's starting to boom in West Africa, with growth in Ghana and francophone West Africa. Asia has also led the charge for fast-growing payment usage rates with companies like Alibaba and Tencent. In China, more than 600 million people already use mobile payments, and users in Southeast Asia are catching up fast.

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Coronavirus exposes gaps in innovation

By Ruby Hinchliffe, reporter, FinTech Futures

As central banks across the world are forced to react to the economic strains the coronavirus is putting them under, it has become abundantly clear that the delivery of these emergency funds to people and businesses is not quite as simple as announcing them on live television.

With a lack of sufficient digital infrastructure running through some of the banks tasked with doling out these huge billion and trillion-dollar bundles, some central banks have been left scratching their heads as to how they will physically get this money to those who are in need yet underbanked – i.e. cannot be reached through usual bank channels.

In the US, House Democrats even considered the creation of a 'digital dollar' in one of the early drafts of the country's \$2 trillion economic stimulus bill. Though deciding to leave it out of the final draft, the mere consideration of such technology on a mass scale shows a huge leap in thinking by the likes of the Federal Reserve chairman, Jerome Powell, who has traditionally opposed the creation of a Central Bank Digital Currency (CBDC).

It seems desperate times are calling for 'desperate' tech – or almost, anyway. It remains to be seen whether this fast-forward in thinking imposed by the virus will help, in the long-term, remove some of the roadblocks emerging technology advocates have faced in the US.

The UK's Bank of England hit similar roadblocks. Chancellor Rishi Sunak faced huge criticism for his lack of a financial aid solution for the five million freelancers across Britain, who suddenly

had to rely on a minimum of £94 a week. Because the government had no digital solution for them to officially prove their salary was getting hit by the virus, they were initially excluded from the financial aid funnelled to fellow workers capped at £2,500 a month.

TIME TO SHINE

But while institutional organisations are coming up short on digital innovation, the pandemic has given fintechs a time to shine and ramp up the demand of their services. The lack of freelance aid offered by the UK government prompted a group of isolated fintech developers to create a solution for it over just one weekend, gathering hundreds of sign-ups by the day following the launch of its website.

And in the US, fintechs were vying to get involved in the state's credit distribution to small businesses. So much so that they wrote a letter to US Congress asking to be included. Lenders such as Intuit, Square and Stripe can turn around

small business loans in a day, while a loan issued through the US government's Small Business Administration (SBA) takes on average 30-45 days to arrive.

A correlation begins to emerge in which fintechs can easily meet the quick turnaround times imposed by the virus, but established institutions are not so prepared. This begs the question: will the coronavirus be the kick banks need to integrate and innovate more with fintechs?

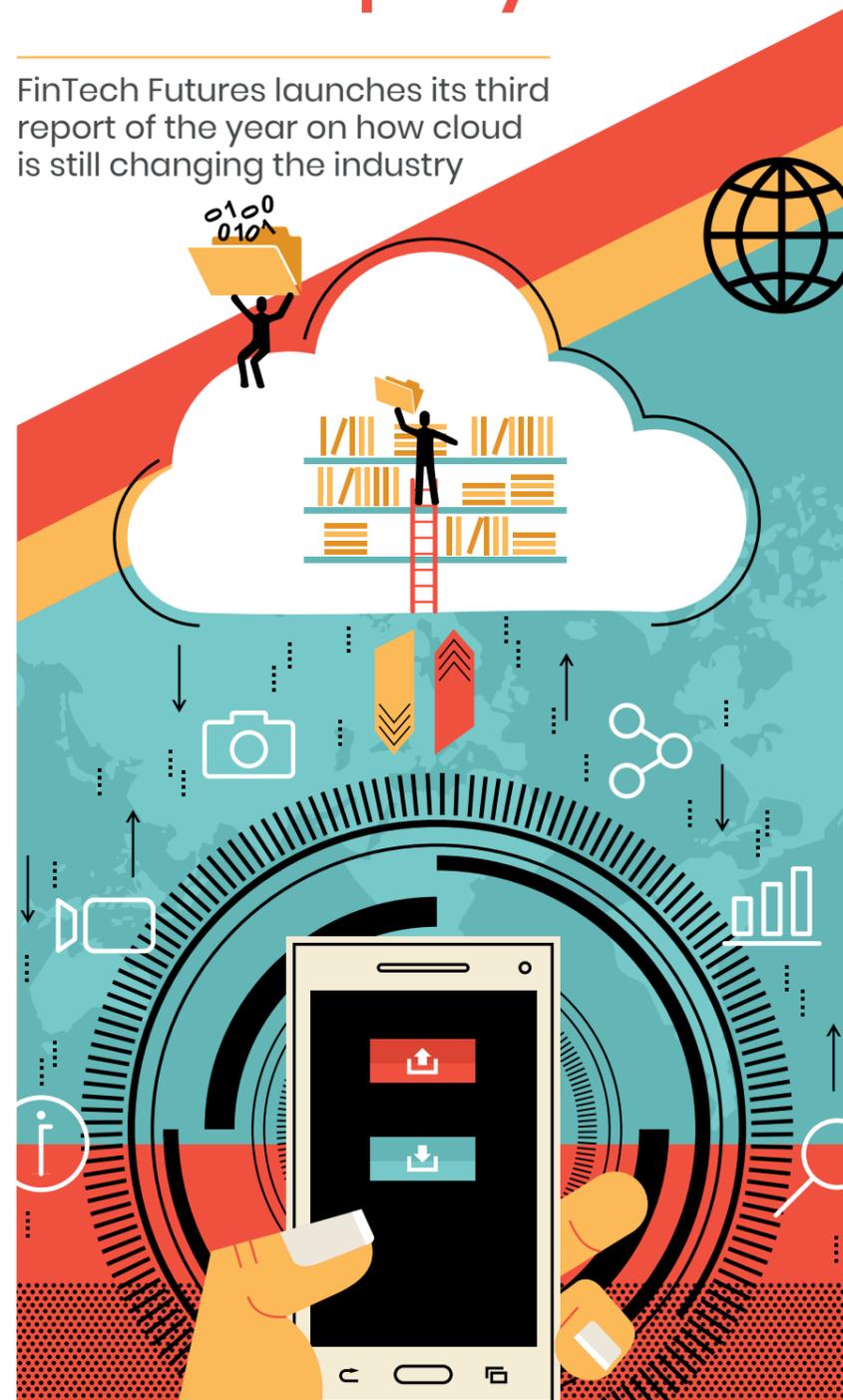
Some are already doing this amid the crisis. HSBC partnered with the logistics arm of Chinese ecommerce giant Alibaba to offer seven-day approvals for trade financing loans of up to \$500,000. Still not quite one business day, these sorts of partnerships hold a new sense of urgency as small businesses that underpin countries' economies face collapse.

But while the virus still grows, it's hard to tell which innovation gaps will change for good, and which will simply remain post-outbreak. It's likely that the longer these urgent conditions hang over us, the harder it will become to ignore the need for some of these vital innovations.



Cloud: the 2020 state of play

FinTech Futures launches its third report of the year on how cloud is still changing the industry



As we enter a decade of innovation and change, financial institutions are facing myriad challenges in the form of shifting customer expectations, emerging technologies and alternative business models. Yet as the industry tries to grapple with these challenges, perhaps its best solution is to look to a technology that more than a decade ago was making disruptive waves in the technology industry: cloud computing.

Cloud has been around for a long time. While data-sharing solutions were available in the early 1970s, the 1990s saw telecoms companies create virtual private network (VPN) services switching traffic between servers, something which evolved to cover all network infrastructure.

It was then that technology firms saw the potential of cloud on a large scale. Amazon founded Amazon Web Services in August 2006, introducing its Elastic Compute Cloud. Google followed in April 2008, launching the beta version of its App Engine. Microsoft unveiled Microsoft Azure in 2010, having announced its development two years prior.

CLOUD TIMELINE

- 1960s First experiments in virtualisation by IBM and DEC
- 1970s Data and time-sharing solutions pioneered by Multics, MIT
- 1990s Telecoms firms develop virtual private networks
- 1994 General Magic coins the term "cloud"
- 2006 Amazon creates Amazon Web Services
- 2007 IBM begins developing enterprise cloud solutions
- 2008 Google launches Google App Engine
- 2009 Alibaba founds Alibaba Cloud
- 2010 Microsoft releases Microsoft Azure

In 2020 cloud computing, once thought of as the bleeding edge of technological development, has become part of mainstream IT. The global public cloud service market is projected to reach \$266 billion in 2020. Some 94% of enterprises use a public cloud in some form or another, while 66% have a central team dedicated to the development of cloud-based technologies.

With all this in mind, what exactly does a cloud transformation look like for financial services firms in 2020? FinTech Futures has produced an industry report investigating just that, from how the banks view their technology stacks to how they can go about modernising a transformation that is already underway.

The report features expert input from Naresh Govindarajan, head of UK and



"The front office is where the game is. Cloud naturally comes into its own as a technology in this space."

Shanker Ramamurthy, general manager – strategy & market development, IBM

Ireland banking and financial services, NIIT Technologies; Shanker Ramamurthy, general manager for strategy and market development, IBM; and Justin Arbuckle, senior vice president, platform organisation and enterprise architecture, Scotiabank.

Everyone knows that cloud computing is an important technology, but few will ask just what that means for those lagging behind or struggling to upgrade. This report is not one to be missed. Download it today from the FinTech Futures website!

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How does your business grow?

By Dharmesh Mistry

Recently I've been helping start-ups and it has reminded me of how poor and uninspiring small business banking can be.

Yes, there are a number of digital players out there with super easy onboarding processes and nice mobile banking user interfaces (UIs) similar to the likes of Monzo. However, when it comes to banking there are serious shortcomings in service, both with traditional banks that appear to make it really difficult for customers to open an account, versus digital players that make it easy but just offer very basic banking services with serious limitations. I'm not going to name and shame, but I really do recommend that CEOs actually try the services for themselves and purposely make sure they make mistakes in the onboarding to witness how painful it is once you are off the happy path!

I shouldn't really be surprised that I've also found very little useful innovation – let alone disruptive thinking – in the space. But those that know me know that I'm not just a critic. I've presented a talk on small and medium-sized enterprise (SME) disruption years ago, so for those that haven't been to this presentation, here are five ideas for SME banking.

SME BANKING

Traditionally, banking for businesses revolved around branches. Typically, you open an account near your business and get assigned a banking manager who happens to be the same person that looks after the hairdresser, butcher, solicitor's office and chip shop. They may have one or two software/technology businesses. They understand balance sheets, P&L and how traditional business works, but generally not the idiosyncrasies of specific business types.

For example, I had to explain in software why our revenues were lumpy (licence deals) and why after strong signings we generally had a year of lower profits (as we focused on servicing those licences, and service have lower margins). Every business type has its nuances so one person servicing multiple business types is going to find it near impossible to provide advice in line with your exact business.

So, isn't it time banks start centralising the key business advice/expertise such

that a business manager only looks after software businesses or hotels or high street retailers? By specialising their role, they will better understand the business and their understanding/learning will get stronger over time as they see best practices from high-performing companies in the same space.

REAL-TIME BUSINESS BANKING

Small businesses typically live by cashflow and not P&L statements. In high-growth businesses like software, this is not always the case because they are typically funded by venture capital or investors. However, for the majority of small business, cashflow is king and banks are their main option for finance. While the bank account shows actual status of cash in the business, the P&L statements are useful for predicted revenues and costs, and this is produced by some accounting software. The two sets of data essentially live separately, though banks do allow you to link your account to third-party accounting like Zero or Sage.

This surprises me; valuable banking data is given to a third-party and the bank has no access to it. Instead, the bank has to ask the business for a copy of the accounting information. If a bank could provide its own accounting capability, there would be a number of benefits: it could charge for the accounting service (or take margin on a third-party service that is embedded); it would have real-time cashflow information rather than the dated info typically provided; and it could easily see business trends. I'm sure there are other benefits you can think of and I'm confident the benefits outweigh the disadvantages. Having acquired FreeAgent, I'm surprised RBS (NatWest) has seemingly not already done this, let alone make it easier to open a RBS business account from FreeAgent.

BEYOND BUSINESS BANKING

Business banking today still follows the traditional model of banking that is to provide purely banking services and products. As a previous owner, I've never felt the bank has cared about my business other than when it could profit from me, like giving me a loan when I least needed it and not when I most needed

“What we business owners really want is an experience-driven bank that focuses on making businesses profitable and helping them to grow.”

Dharmesh Mistry

it. Generally, the goal for a bank is to take the least risk and to make the most profit from its customers.

Looking through the lens of the customer, I believe that when goals are aligned, both parties succeed together. If the bank measured success based on the growth of a business or its profitability it would generally be aligned to most business owner's goals. The perspective should be that “the more successful I can help make this business, the more they are likely to stay with us and take more products”. This would require the bank to take a proactive role in a deeper understanding of the business, marrying it with best practices from successful businesses. I am sure this is a strong use case for AI rather than trying to just use people. Combining this with the bionic approach above would create a compelling mix of understand and care/empathy that business customers don't get consistently today.

BUSINESS OPEN BANKING

While the Second Payments Directive (PSD2) drives banks to create a base set of APIs to provide account data and make payments, most banks do little to open up

banking and to drive innovation and choice through third-party providers. While there are some exceptions – such as Starling Bank for retail customers to name one of a few players – I haven't found a clear role model in business banking. Ahead of open banking, Saxo Bank provides one of the richest sets of APIs for wealth management and is a great example of a bank that believes opening up is a better defence in digital than just complying.

By opening up more than the basic APIs, banks can try to create an ecosystem of third-party providers that can support general or very niche business use cases. For example, Hammock uses open banking to notify landlords of late rent payments and to manage their rental portfolio. In the same sector, LegalforLandlords uses open banking to better risk check tenants. Both these examples can help landlords be profitable, and a profitable business is one that will invest more.

BANKING MARKETPLACE

This idea is not mine, it's one that I consulted on for a bank in the dot com era. The idea was simple and now not a new concept: create an online marketplace for businesses. Every business uses a multitude of third-party services – for example, accountants, solicitors, stationers or couriers.

Why couldn't a bank provide the equivalent of 'trusted trader' for business, or an open marketplace for business services?

Clearly these are just ideas; the winners are those that execute well. However, as I have seen in the retail banking side, the focus on digital business banking generally tends to be on 'better banking'.

I know businesses want and deserve much more than simply better banking. I'm just saying that what I think we (business owners) really want is an experience-driven bank that focuses on making businesses profitable and helping them to grow.



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.

Looking beyond the horizon

By Martin Whybrow, senior staff writer, FinTech Futures



Following a career spanning more than 20 years at Barclays, Carole Layzell has been in the role of channel service director at Nationwide for just over a year. Her challenge upon joining the building society was to look at “what the future of CX looks like as well as how we serve our members today”. That is across all channels, from branch and contact centre to digital.

The future aspect of the role includes “scanning the horizon” and looking not only at its traditional competitors but also beyond these, including at the likes of Amazon. “Customers expect more and faster, they often expect instant,” she says. This requires a seamless experience and the ability to meet the needs of all its wide demographic of members.

More than most, Nationwide remains committed to the branch as part of its strategy. It has its ‘Branch Promise’ – existing branches will remain in place until at least 31 May 2021 and, while it is not ruling out closures after this, these would be limited to “some older branches in a few areas”.

Nationwide has a five-year, £350 million branch investment programme. It includes more open-plan branches, technology including iPads and free WiFi and ‘Nationwide NOW’, a video link service to teams of personal banking managers and specialist consultants.

The branch remains at the heart of Nationwide’s strategy, says Layzell, but it recognises the importance of digital as well – “it will be a blend, as always”. For simple, single transactions, there is a member demand to “get in and get out”.

“As always, we want to make sure we are staying abreast of the technology that is coming through,” she says.

However, there’s also a belief that members still want to be able to come in “for moments that matter to them... they want the human touch”. Such moments might be when they want to increase their overdraft, save for a home, establish a power of attorney or have experienced a bereavement. More self-service for the day-to-day business releases colleagues so they can be on hand to sit side-by-side with members, she says.

This is not limited to older customers, Layzell feels. Research shows that students, when they start to rent accommodation, speak to two people – their parents/carers and bank or building society. It is not regular interaction and they are clearly tech-savvy “but they do trust us”.

REAL-TIME FEEDBACK

Meeting the customer expectations means listening to them. Nationwide has introduced an ‘experience tracker’, a real-time survey that seeks to collect member feedback on their experiences of branch, phone, website and other interactions. That feedback aids staff at a branch level but the ‘thematics’ are also used by Layzell’s team to direct its priorities.

Skills are an important part of the solution. “We need to take our colleagues with us on the journey,” says Layzell. “Does our current workforce reflect our future digital self? Often not.” This means training staff to give them the digital skills to do their work and to allow them to take that know-how to the members, helping them to, for instance, use the mobile app and internet banking, and ensure they are safe online from frauds and scams.

There is, of course, a balance. Members expect Nationwide to know everything about them, she says, so long as the building society is using their data in the right way. Data is clearly critical and as well as keeping that data safe, there are ways to use it to respond to immediate needs.

Layzell gives two recent examples of this. With the recent flooding in the UK across many communities, Nationwide

“We need to take our colleagues with us on the journey. Does our current workforce reflect our future digital self? Often not.”

Carol Layzell, Nationwide

was able to message members in stricken areas and provided mobile insurance vans to give support. With the collapse of the UK’s largest regional airline, Flybe, it used its data to identify employees and members who might have booked flights to offer help. And with the coronavirus currently sweeping the world, it is also looking at a range of scenarios, to see how it can help colleagues and members, with a proportionate response.

BACK OFFICE OVERHAUL

As with all established financial institutions, Layzell accepts that legacy systems are part of the challenge in responding to the needs. On top of this, there are the regulatory requirements that must be met and the ever-constant need to ensure security from fraud and cyber-attacks. “Could we go faster? Absolutely,” she says. But she believes Nationwide has a “very robust technology strategy”.

Nationwide has been through a major overhaul of much of its back office technology in the last decade or so, with SAP a key provider here. This was within a £300 million Voyager business transformation programme. Nationwide COO, Tony Prestedge, admitted it had been a painful process but it seems to have been a success and has brought greater flexibility. This includes the ability to launch and adapt products, and real-time processing, putting Nationwide ahead of many of its competitors that either failed to undertake such a

programme or tried and did not succeed.

Of course, fintechs are not burdened by legacy technology and can often move faster than the incumbents. It would be foolish not to see them as competitors, says Layzell, but there are also plenty of partnership opportunities. And she believes fintechs still face the challenge of how to build trust with their customers. How many people are actually using them for their salaried accounts, she asks. They might use them if they are going abroad or for “going-out money” accounts but she feels many still choose traditional players for their main finances. And she raises again “the moments that matter” when people want to talk to a human.

Having spent most of her career at Barclays, Layzell says she is thriving on the focus on members and member outcomes at the mutually owned Nationwide. The UK’s largest building society is consistently already highly rated for customer experience and service – it typically comes out well in surveys of its peer group, such as those run by Which? and Ipsos MORI’s Financial Research Survey (FRS). However, that in itself is a challenge, ensuring it stays ahead in these times of rapid change and uncertainty.

CAROLE LAYZELL: CV

Mar 2019-present Channel Service Director, Nationwide Building Society

Mar 2016-Jan 2019 Digital Engagement Customer Experience Director, Barclays

Jan 2014-Feb 2016 Director of First Point of Contact, Complaints Advocacy, Barclays

Sep 2013-Jan 2014 Employment Duration Business Lead – Branch Network Transformation Programme, Barclays

Aug 2005-Sep 2013 Area Director – Retail Branch Network, Barclays

Oct 2003-Jul 2005 HR Business Partner – UK Banking, Barclays

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Banks' platform strategies are shaking up fintech

By Alex Hamilton, deputy editor, FinTech Futures

The changing platform strategy of major banks has led to a dramatic shift in the way that both established fintech firms and newly emerging start-ups are impacting the industry.

While five years ago only a small number of banks had begun to consider their abilities to position themselves as platforms – able to offer decentralised and distributed services to customers – that realisation has now taken root at a majority of major industry names.

James Buckley, VP & Europe director for Infosys Finacle, says that several banks are now opening themselves up, and dropping the traditional front-to-back methodology.

“Banks are realising that the old way of doing things, this ‘I manufacture specific products and sell to specific networks’, no longer works,” he says.

The change, says Buckley, has been driven by fintechs and start-ups.

“They’ve realised that they don’t have to do everything themselves and build everything themselves in-house,” he says. “They can become a much more open network proposition than they had been in the past.”

PRESSURE TO REDUCE COSTS

Yet a shift to the digital landscape has not been plain sailing for financial institutions. A reduction in interest rates following the financial crises, and a lack of recovery, has meant there is a continuous pressure on lenders to reduce their costs. This comes to bite hardest in the retail and distribution divisions.

A solution to the cost reduction has been to digitalise operations. While saving money, Buckley argues that the shift has meant banks entered into a highly

competitive space where they have lost their niche.

“Digitisation means you’re not reaching your customer in the traditional way – they’re not walking into branches and they’re not picking up their phones,” he says. “Once you’re digital you’re in a race to provide value-added services and experiences. Now you’re in a much more direct competitive race with other banks but also with the fintechs that can in many cases provide a superior experience.”

While some may believe that the market has shifted to a model focused on collaboration and cooperation between fintechs and banks, especially when facing up to the threat of technology giants such as Facebook, Apple and Alibaba, Buckley believes there is little room for true cooperation.

“You’re either attacking the established organisations as a fintech, aiming to provide better experiences, or you’re the incumbent entering a new space with new competitors,” he says. “The idea of cooperation in that world is a bit difficult. In more

cases it appears to be the banks looking to bring certain capabilities into orbit around themselves and then looking to either acquire, increase their distribution of products or temporarily improve their services while they work on something more concrete in-house.”

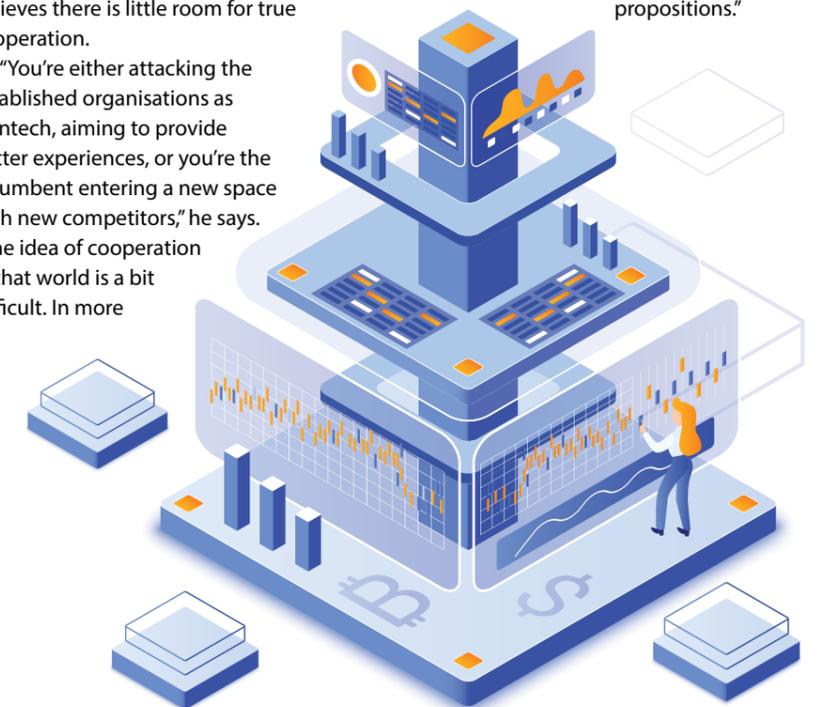
IMPACT OF COVID-19

The ongoing impact of the coronavirus will also be a litmus test for the industry, especially for emerging fintechs and start-ups trying to gain funding and support from a market in one of its most volatile periods.

“Funding will be much more difficult for lots of fintechs going forward and I expect there will be a rationalisation in the market for 12 to 18 months, certainly in Europe and the US,” says Buckley. “Fintechs are going to be expected to fund themselves in many cases, something they’re likely not used to.”

Where could that leave the fintech market? For those that can’t get the funding, the next best thing is finding a buyer, says Buckley.

“I think there will be a market for picking up propositions that the banks and other organisations will follow, especially cash-rich organisations that aren’t sitting on lots of corporate debt,” he says. “They will pick up quite a few fintechs that can augment their business propositions.”



All things equal

By Emily Fowler, staff writer, FinTech Futures

With both financial services and technology traditionally male-dominated industries, it's perhaps no wonder there is a problem with gender diversity in the fintech industry. That being said, there are efforts being made to resolve the problem, and in January, Accenture announced that its 2020 FinTech Innovation Lab was to include 50% more female-led companies.

When applications for the programme opened in August 2019, female-founded companies were actively encouraged to apply, with Accenture sharing research analysis that showed that start-ups founded by women received an average of £2.6m in VC funding, compared with £5.5m received by male-led companies.

WHERE DOES THE PROBLEM LIE?

There may be a marked increase in the number of women working in the UK fintech industry compared with a decade ago, but how many of those women are company founders or leaders? This is one of the major challenges facing women in the industry that Caroline Hughes, CEO and co-founder of consumer fintech start-up Lifestise, sees.

"Where are all the senior women?" she asks. "For all its progressiveness, fintech looks remarkably like traditional financial services in terms of the lack of women in senior leadership positions. I can name most of the other women CEOs of other fintech companies, because there are so few of us relative to the overall industry."

Lifestise is one of the 2019 FinTech Innovation Lab alumni, and Hughes believes these type of accelerators are particularly beneficial for female founders because of the way they provide access to a wider network of industry figures

– mentors, potential investors and corporate partners.

"We had such a positive response from the big financial institutions for what we've built so far and what's coming next," she says. "We were able to build senior relationships with key players for white-label distribution: big companies that as a start-up might have taken us years to crack. So, it genuinely accelerated our progress."

FUNDING TO SCALE FEMALE-LED START-UPS

The second challenge that Hughes sees is something that isn't necessarily unique to women in fintech, but faced by women in tech as a whole – accessing funding to scale. Having existing relationships within the investment world can be crucial in accessing that funding, and that's where female founders historically struggle.

"It's often talked about as a pipeline issue," says Hughes. "Not enough women put themselves forward. I disagree. I think it's a fault with the system that keeps the access to funding limited to certain groups of people who already have the key."

Lifestise is currently raising its seed round from a mix of respected fintech angels and a crowdfund on Seedrs, in part thanks to the relationships Hughes has built over the past couple of years.

THE GENDER PAY GAP

Valentina Kristensen is director of growth and communications at credit platform OakNorth and the first UK ambassador for ElevatHer, a networking app for women in banking and financial services. She is also an advocate for closing the gender pay gap and strengthening the female talent pipeline in fintech, and in financial services



as a whole. Mandatory gender pay gap reporting was first introduced as part of the Equality Act 2010, and came into force in 2017 with the first reports due in April 2018.

While it's still early days in terms of seeing a transformation, Kristensen has seen a noticeable change since the introduction of the reporting – numerous initiatives that organisations have launched to address the gender gap. She cites mentorship schemes, training programmes and creating clear pipelines for female progression as just some of the valuable schemes to have started since the

introduction of gender pay gap reporting.

"It's also worth noting that, generally, most of the numbers have been improving in recent years," she says. "For example, in 2018 women accounted for 18% of executive committees in the top 20 global financial services firms, up from only 13% in 2014."

THE FUTURE OF WOMEN IN FINTECH

Understanding where the industry stands at present in terms of the gender gap is essential to trying to address it, and as a multifaceted issue, it requires a multifaceted

solution. Kristensen believes the answer lies in the new initiatives taking place to address the gender pay gap, and in top-down support for women within the industry.

"I don't think setting quotas or signing charters is going to cut it," she says. "I'm very fortunate to have always worked in organisations where I've felt valued and for people who have supported me and given me opportunities to progress."

Hughes also sees the first wave of change happening. "I was named on Innovate Finance's Women in Fintech Powerlist this year," she says. "They have

done a great job of highlighting women across all parts of the industry, from founders to investors, to those working in innovation roles in the larger corporates."

This type of visibility for strong female players within fintech will surely encourage other women at all levels to strive to achieve similar success. However, as Hughes suggests, putting the onus on women to fix the problems isn't necessarily the way forward. "I'd like to see more accelerators and more investors actively scouting for female-led fintech companies, like Accenture did," she says.

Teaching from the Office

By Leda Glyptis

Everything I ever needed to know, I learned from *The West Wing*.

It's a thing.

If you haven't watched it, seriously, go. Watch it. I will wait. Yes, all seven seasons. This is important.

If you have watched it and don't love it, I don't know how you found yourself here, reading this but it is evidently an accident and you should really be off. For the rest of us, you know what I mean.

The conversation will come up in the office every now and then. Someone will say something and the die-hards among us will know it for what it is: a *West Wing* quote. And it will start. It doesn't last long. But it feels good. It feels right. It is a tribal greeting. Is it the best TV show ever made? I don't know. I don't own a TV but I am on my third *West Wing* box set (don't even ask).

It was the TV show made for me. Liberal political porn with a cherry on top. Everything I ever wanted politics to be. Human. Sweeping. Bold. Fallible. Expansive. I have written about this before.

That exchange between Mallory and Sam, fighting over whether the federal budget is wasted on space exploration when state-funded education is desperately in need of an overhaul; how, *how* can you justify pumping money into exploring space when right here, right now things are on fire? And Sam says: because it is next. As if that was an answer. Because that is the only answer. And I know you know.

All those of you who have received beating after beating in mahogany-clad board rooms, for pushing the need for an API strategy before the digital challengers made it inevitable; for defending a different way of working for the teams that had to deliver different results (how many disciplinary hearings have you been threatened with for things the bank later celebrated you for? Let's compare notes).

This is not quite Gettysburg, perhaps. But it matters to us. It is the part of the world we try to fix. The part of the world we lose sleep over. The part of the world we stand up to be counted over.

NOT THE STUFF OF DREAMS?

As I have said before and I will say again, perhaps not. But it is the hill most dreams die on. Money. Access to it. Lack of it. It's not glamorous. But it matters and we all perversely manage to get teary-eyed and wobbly-kneed about it. So, it is the hill we are dying on, glamorous or not.

This is the thing we lose sleep over.

So why do we do what we do?

Why do we come into work, day after day? Live with the stress, the politics, the uncertainty, the put downs, the insane hours... just to build a slightly better banking system? It is not the stuff of dreams when you put it that way.

But.

It is next.

For the institutions. And the people whose pensions we directly or indirectly support.

For the communities. And the services we directly or indirectly provide.

I don't know about you, but I grew up in a council block in central Athens. This life

was not what I expected because I didn't know how to even dream of it, let alone plan or expect.

There is that scene in *The West Wing* (yes, quotes) in which Jed Bartlett's team is losing steam. The second term is almost up – what is there to fight for?

And Leo (stay focused people, you got this), Leo says forget the curve balls and the stresses and the politics and the fuck ups. We are here. In this place. And we can do more in a day from this place than most people can do in a lifetime. More than we can do once we walk out of these doors. So let's do it.

We are not quite in *The West Wing* and yet, as someone who grew up in a council block, let me tell you, we can do more in a day from our offices and our pulpits than most people can do in a lifetime. Yes, we can. More than we will be able to do when we walk out of this industry's doors.

The question is, what will we choose to do and why?

A bit too rebellious for a Thursday morning in Canary Wharf?

Remember my piece from a few weeks ago (playing the hits here, folks)? Radical is all about making hope more credible than despair?

So.

Having lived through recessions and the abject fear of a recent/current pandemic, what will we choose to do with our time? What is the thing that we will defend as deserving time and attention because "it is next"?

Mine is core banking.

Because I know how to make it better and by making it better I make people's lives a little easier. A little less stressful. A little more inclusive. Yes I make some bankers richer too but I am ok with that provided that is not all I do.

WHAT IS YOURS?

And no, I don't accept you need to do good in a way that is ascetic and exclusionary.

And no, I don't believe that there is only one way to be a good citizen.

And no, I don't accept that core banking is a stupid place to start because it is too entrenched and too static and too big.

And no, I don't accept any of the dismissive questions that get hurled at me on a daily basis.

"I didn't get to where I am by accepting the premise of the question any old Joe throws at me. Being a girl with big dreams and no pedigree taught me that."

Leda Glyptis

I didn't get to where I am by accepting the premise of the question any old Joe throws at me.

Being a girl with big dreams and no pedigree taught me that.

My mother taught me that.

The *West Wing* taught me that.

It's a thing.

It's ok to challenge. It's ok to blunder. It's ok to mess up if you are trying, if you believe in things. If you know what you are trying to achieve but you don't know how to get there but you will bloody well try. Again and again and again.

The *West Wing* taught me that.

I AM A BIG ONE FOR LESSONS

From the *Mouse Army* to *The West Wing*, I am transparent like the day is long.

I look for inspiration, for validation, for people (or mice) like me. Because I didn't accept the premise of the question before *The West Wing*. And I craved to go for the thing that is next before *The West Wing*. But I may not have had the language. I may not have had the secret handshake of community. I may not have had the little badge that says "hey look: there is enough of us to make a blockbuster show of this shit, go hell for leather". You are not alone.

So I do. I go hell for leather. And I make mistakes. And I am often wrong.

But as CJ put it, some kids "don't raise their hand cause they think they are going to be wrong. I think you should say to these kids, 'you think you get it wrong sometimes? You should come see how the big boys do it'."

I did. It was a revelation.

This is our industry: for a very long time the new kids were afraid to put up their hand because they knew they would get it wrong. Then they slowly realised that they were told they were getting it wrong even when they weren't and what's up with that? And by the time we knew how wrong the big boys were getting it, it wasn't about that anymore.

It is time for action. It is time to do what is next.

We need a plan. Having none and hoping no-one will notice seems to have run its course. CJ was not talking about innovation theatre, labs and power without responsibility, but she might as well have.

At the time of writing, COVID-19 is raging, we are expecting a recession, we have been saying "change is the new normal" for 15 years and the hard questions remain hard. Which is as it should be.

So, as my favourite president said: we don't do nearly enough. We can do better and we must do better and we *will* do better. And so we shall.

Because we can do more in a day, from our place in the world right here, right now, than most people can do in a lifetime.

And we can and must and will do it. Because it is next.



Leda Glyptis is *FinTech Futures'* resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption as 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 LinkedIn (Leda Glyptis PhD). Visit our website for more of her articles.

Protect your ideas

By Sharon Kimathi, editor, FinTech Futures/Banking Technology

Does your fintech need a patent? Does your invention need protection, or will you need something else?

Innovation drives the fintech industry, and the latest ideas often need protection. Whether it is from a potential competitor or a litigious corporation, fintechs must get to grips with intellectual property (IP) law at an early stage of their inception or risk endless legal battles.

FinTech Futures interviewed some legal eagles from fintech-focused law firms to find out more about the patent process for budding start-ups.

What is the procedure for obtaining a patent in the UK as a fintech company? Additionally, is it through legal statute or common case law precedent?

Dani Kramer, partner at IP firm Mathys & Squire: “The procedure for obtaining a patent in the UK for a fintech invention is the same as that for inventions in most other technological areas. Somewhat simplifying the process, the first step is filing a patent application – to obtain a UK patent, this can either be a UK patent application filed at the UK Intellectual Property Office (UKIPO), or a European patent application filed at the European Patent Office (EPO), which is notably separate from the EU (so unaffected by Brexit).

“Subsequently, the relevant patent office (UKIPO or EPO) performs a search to identify similar prior technology and examine the patent application. At this stage, the patent office would in most cases raise objections against the patent application, after which the applicant (the fintech typically represented by a patent attorney) and the patent office would go through one or more rounds of negotiation. Once all of the

patent office’s objections are overcome, a European or UK patent is issued (to obtain a UK patent from a European patent, it needs to be validated in the UK).

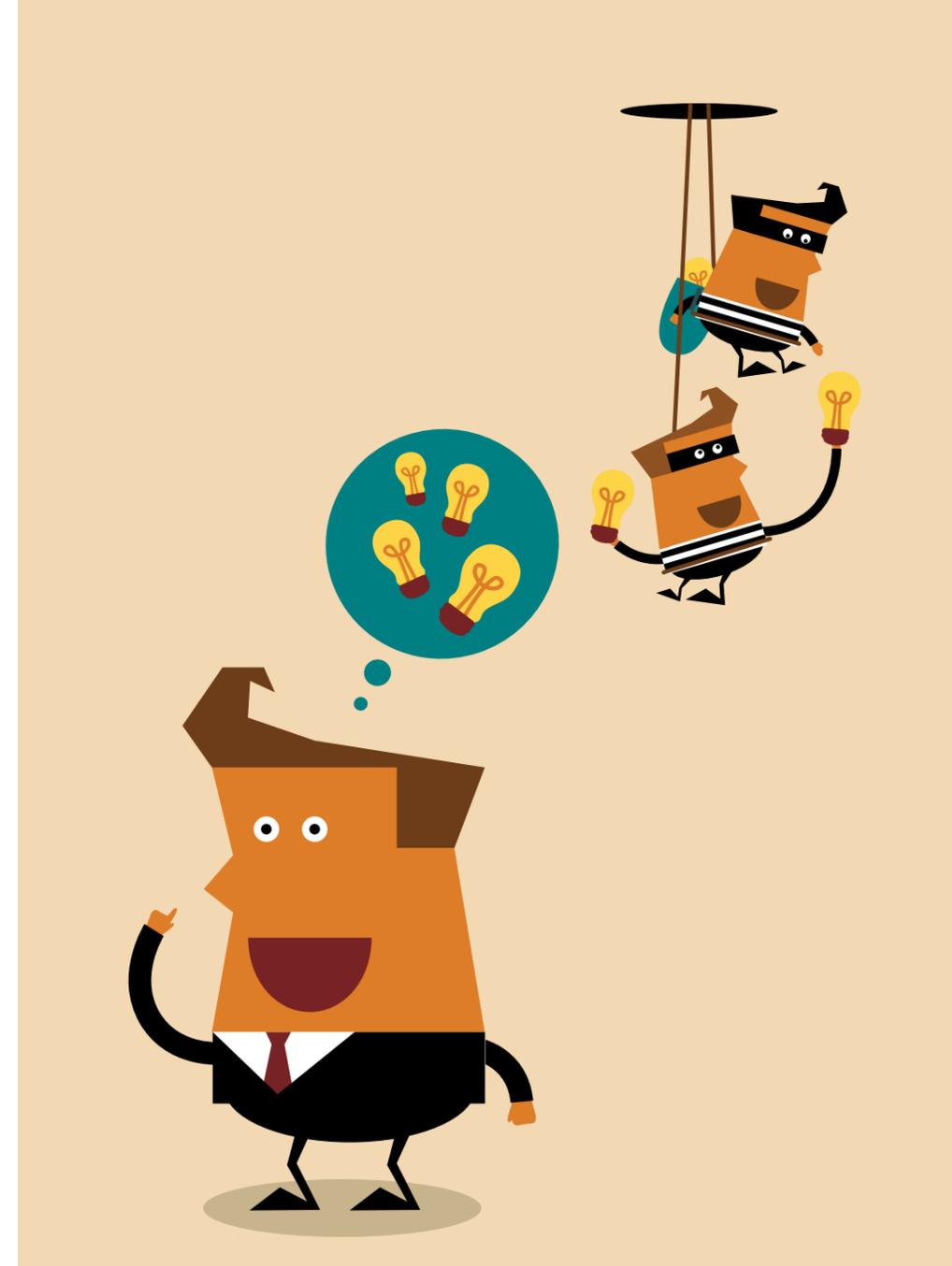
“Both at the UKIPO and the EPO, the laws and regulations with regards patents and their application are governed by legal statutes – the Patents Act of 1977 for the UKIPO, and the European Patent Convention for the EPO. That said, case law precedent does influence how these legal statutes are applied by the patent offices.”

Is there anything fintechs specifically should be aware of that might not affect other companies filing for a patent?

Diego Black, partner and patent attorney at European intellectual property firm Withers & Rogers:

“One issue of which fintech companies should be aware is that patent offices, including the UKIPO, have a number of ‘exclusions’. If an invention is seen as falling within these exclusions, this would disqualify the invention from being granted patent protection regardless of the novelty and inventiveness of that invention.

“For fintech, the most relevant exclusion relates to innovations that could be classed as a ‘method for doing businesses’. For example, an application for a piece of software that tells the user when to buy and sell stocks, shares or financial instruments, could be rejected on the grounds that it is a ‘method for doing business’. In contrast, an innovation relating to improvements in data security or authentication may be seen as allowable; however, each patent office will apply the exclusions differently, and the UKIPO is one of the strictest offices when it comes to refusing inventions for falling within one of the statutory exclusions.”



How long does this take and what are the average costs incurred?

Kramer: “It usually takes about 18 months to three years from the date of the application to obtain a granted UK patent. However, this process can be expedited, if certain fees are paid early and if you respond promptly to letters from the UKIPO, down to as little as 12 months. Once a UK patent is granted, renewal fees need to be paid annually to keep it in force.

“As much of the cost of obtaining patent protection depends on the time taken by the patent attorney to draft and prosecute the patent application, the average costs incurred vary widely depending on the complexity of the invention and the objections raised by the patent office. The

total costs from preparing and filing a UK patent application to grant are typically between £6,000 and £12,000 but can be higher or lower than this range.”

Do a lot of banks and large tech/ financial institutions (from Bank of America to Visa, for example, but not necessarily them) take out a lot of bulk IP for assets and has this (if it ever was a trend) increased or decreased over the past few years?

Simon Bennett, partner at Fox Williams: “Banks are savvier now when it comes to IP than they were. I defended a High Street bank some years ago that had not patented an innovative payment solution and was subject to a patent infringement claim by

a third-party that had patented it. Similarly, I am currently involved in a dispute for a payment service provider in a US patent troll action.”

Black: “In jurisdictions such as the US and China, there is a significant amount of filing activity for fintech patents, largely due to less restrictive qualification criteria that applies in these jurisdictions. Historically, one of the biggest filers has been Bank of America, which has invested heavily in its patent portfolio, particularly in fintech.”

Have there been any disputes between a fintech and a large tech/ bank in an innovation lab claiming that the product was theirs?

Kramer: “Yes, there have. A notable case – USAA v Wells Fargo – was settled only earlier this year. This was the first fintech patent suit launched by a bank, and it ended in a \$200 million damages order from Wells Fargo to the United States Automobile Association (USAA). This verdict may very well result in increased patent filing activity among financial institutions, as it demonstrates the need for building a ‘defensive’ portfolio (implying a threat of a countersuit) to protect yourself from patent suits from competitors.”

What kind of protection does each type of IP confer? Do certain kinds of inventions lend themselves better to patents, or to trade secrets?

Andrew Alton, patent and trademarks attorney at UDL: “Patents provide the exclusive right to commercially exploit the invention in the UK. However, the UK patent office does not consider business methods or computer programs implemented business methods to be the kind of technical invention for which patents should be granted and so it can be hard to obtain valid patent rights in the UK for some types of fintech inventions.

“It tends to depend on where the majority of the invention lies. If the invention is more in the ‘fin’ than in the ‘tech’, then it may not be possible to obtain a valid patent in the UK. If the invention is more in the ‘tech’ than the ‘fin’, then it may be easier.

“The leading case law on this, which current UK law is based on, was for an early fintech invention to do with a computer system for share trading. Merrill Lynch’s

Application – [1989] RPC 561 – where it was decided that even if the computer system was a technical invention, the system was excluded as the invention was simply a business method as such.

“The EPO may be more likely to grant a patent for a fintech invention using innovative technology than the UKIPO.”

Kramer: “When protecting a given invention, the trick is usually to use a combination of both types of IP. Aspects of the invention that are likely to become, or are inherently, publicly available (such as client-side code in a web-based banking application) may not be suitable for trade secrets, and patents (as well as other forms of protection such as copyright) may be more appropriate.

“On the other hand, aspects that can be kept secret more easily (such as server-side code) and that may not be patentable (for example, that may fall entirely within the exclusions from patentability) may be better kept as ‘trade secrets’. A skilfully drafted patent application would describe and protect the innovative features that are inherently patentable, while keeping material that would likely be non-patentable out of a patent application and maintained as trade secrets. This avoids, in effect, donating the non-patentable subject matter to the public and competitors, while keeping patenting costs down.”

IP IN NUMBERS

Within fintech, the number of worldwide patent filings may have slightly decreased in the last five years. This decrease would have largely been caused by a 27% decrease from 2013 to 2018 in fintech patent filings in the US (which accounted for 75% of fintech filings worldwide in 2018) in particular due to recent less favourable case law developments in the US in the fintech area.

Nevertheless, fintech patenting activity has remained high in the UK which is very prominent in a number of areas within fintech. For example, UK business filed 11% of all worldwide patent applications for blockchain technology in 2018.

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PayTech Awards winners: doing it for the girls

By FinTech Futures

Last year's Woman in PayTech Award winner, ACI Worldwide's Melissa McKendry, is continuing to promote fintech and payments as a career path for girls. The Coding for Girls initiative, which ACI started in the US and McKendry brought to the UK, continues, with this now also being picked up by other ACI country operations. In the UK, there is also consideration of other steps that might further improve the gender balance in these sectors.

McKendry has worked for ACI since 1997 and is now VP, Implementation Services for Retail Banking and Fraud. Coding for Girls comprises free half-day camps for pupils in years 7 to 9. "It has gone from strength to strength," says McKendry. To date, the camps have been held twice a year and have typically had 20 to 25 attendees. This is now being increased to 30 per camp, and with morning and afternoon sessions due to the demand.

Whereas the challenge was initially to spread the word about the camps, they now have good visibility and, largely by word of mouth, the catchment area has increased (they are held in ACI's UK headquarters in Watford, in partnership with West Herts College).

In the US, the camps began in Omaha, with others starting last year at the company's worldwide HQ in Naples, Florida. This was within the company's overall Pay It Forward corporate social responsibility programme. Other ACI countries that are evaluating or embarking on camps include Australia and India.

There certainly seems to be the demand, from pupils and parents, to take the initiative to the next level, says McKendry. Particularly requested are after-school clubs and this is something ACI would like to do. It requires coordination and would also place additional pressure



on the volunteers. However, "it is on our roadmap", says McKendry, and there is now a collaboration space in ACI's office that could be used to host these.

There was also interesting feedback, she says, and a bit of criticism, including from a few employees, related to the girls-only aspect of the scheme. When ACI looked into this, it found that most girls signed up because the classes were solely for girls and were felt to be less disruptive as a result. One local school had sought to hold co-ed after-school coding classes but attendances had been low. It might be that single sex coding classes for boys and girls will be the way forward.

In terms of the wider gender equality agenda, "this is talked about quite openly at ACI and we know we are not where we want to be", says McKendry. However, she feels that the ACI leadership team is committed to closing the gender pay gap and that the company is, overall, in a good position. It is also actively reported on internally, so there is transparency on the issue within the company.

More widely, within the sector, McKendry is optimistic that things are also heading in the right direction and points to what she feels is better representation from women on industry panels over the last 18 to 24 months.

The rise of P2P FX

By Paul Golden, staff writer, FinTech Futures

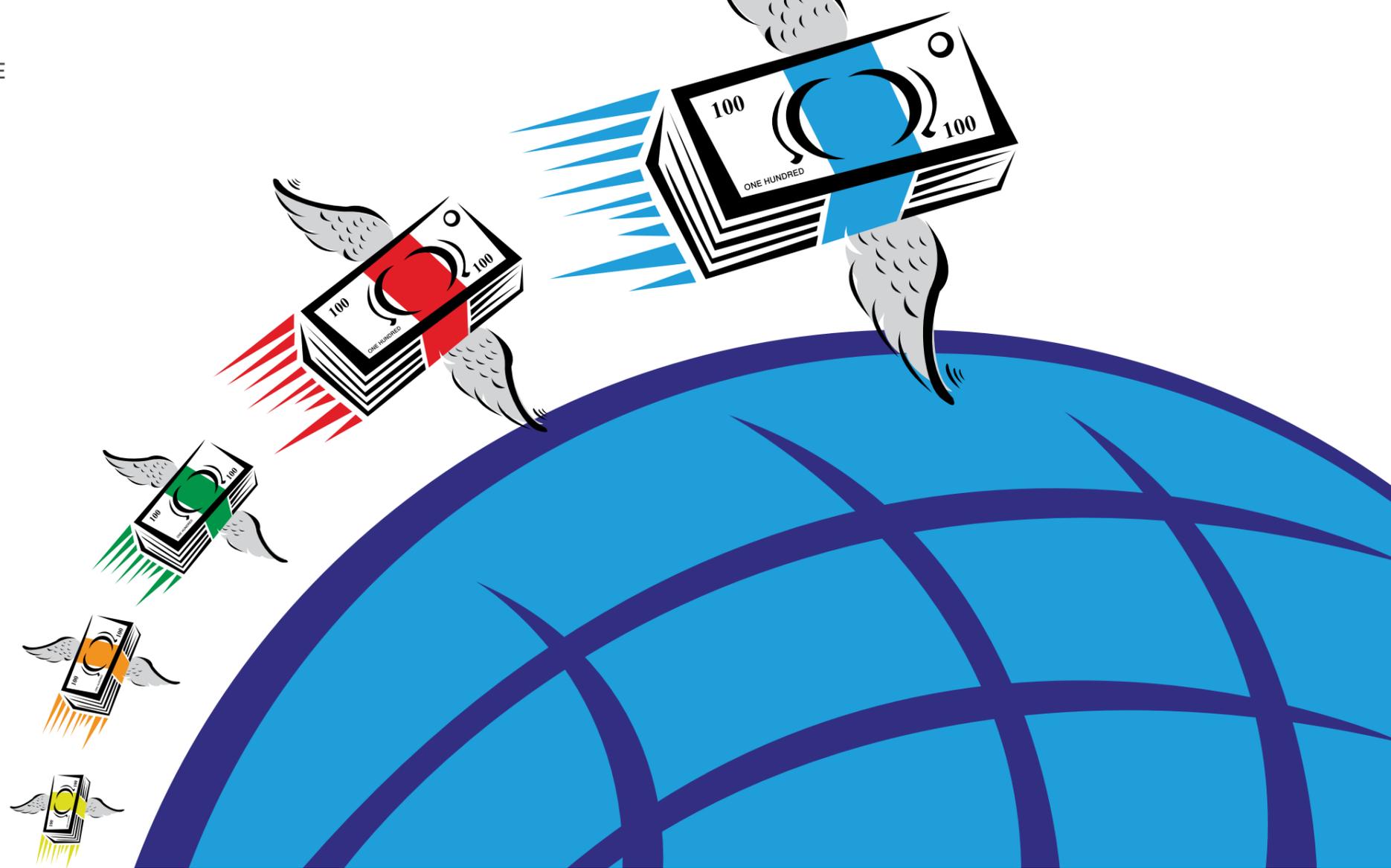
A New York-based fintech believes it has devised a platform that could finally unlock the substantial potential savings promised to corporates who exchange currencies with other companies rather than trading with banks.

Foreign exchange is the world's most valuable financial market. The most recent BIS triennial central bank survey found that \$6.6 trillion of currency was traded every day in April 2019. The major global banks sit between the buyer and seller on many of these transactions, generating billions of dollars a year in fees.

For decades, corporate customers simply accepted these costs, in part because they didn't know exactly what they were paying since bank fees were built into the exchange rate but also because they couldn't take their business elsewhere. Then as the FX market opened

"FX swaps are highly predictable, which means we can curate a community of peers with predictable flow that naturally offset one another."

Jay Moore, FX HedgePool



up and peer-to-peer financial services emerged, the concept of 'swapping' currencies began to generate interest.

A number of peer-to-peer FX companies hit the market, but over the years many have fallen by the wayside while others have changed their business model. One of the reasons why corporates have been slow to take their FX business away from the banks is that it is often offered as a package alongside other financial services.

Indeed, Claude Goulet, CEO of institutional peer-to-peer netting platform Siege FX suggests this is the main reason peer-to-peer currency matching has struggled to appeal to corporates. "This is particularly true for medium-sized and smaller corporate entities that have a greater dependency on their lending relationships and seek to bundle FX flow and hedging services with this balance sheet provision," he explains.

However, buy side matching utility FX

HedgePool's founder and CEO Jay Moore believes there is a more straightforward reason why corporate peer-to-peer FX has struggled to gain traction – it has focused on the wrong part of the market.

He suggests that spot trades (where currency is traded for delivery on a specified or 'spot' date) are too unpredictable to be matched on a regular basis, whereas swaps (where one party borrows one currency from, and simultaneously lends another currency to, the other party) are more suited to the peer-to-peer model.

"We are focusing on the swaps market and more specifically, the requirements of passive FX hedging programmes," he says. "Most of these programmes use forward contracts rolling on a monthly or quarterly basis in the form of FX swaps. These swaps are highly predictable, which means we can curate a community of peers with predictable flow that naturally offset one another."

Institutions that use passive FX hedging programmes include pension funds, asset managers, insurance companies and hedge funds looking to hedge the currency risk in their global investment portfolios or offer hedged share classes denominated in foreign currencies.

FX HedgePool's model does not completely remove banks from the process since its customers rely on the credit and settlement functions provided by their banks. Indeed, Standard Chartered Bank has signed up as the platform's initial credit provider.

The firm had to ensure that its integration requirements are non-disruptive to participating banks' existing workflows. "Even a good product can fail if the onboarding demands are intrusive, lengthy and costly," acknowledges Moore. "We have also seen that banks have been strategically evaluating the platforms they support for their clients and pushing back if the costs to support these platforms

outweigh the value they receive."

Workflow integration is also a vital consideration for Siege FX, whose CEO says larger institutions have become increasingly aware of their market impact costs and who is holding risk. "Our deterministic system needed to be easily embedded within current as well as new client workflows and rapidly deployed," adds Goulet. A deterministic system can be defined as one that will always produce the same output from a given starting point.

FIGHTING INDIFFERENCE

Of course, companies do not really care how their trades are conducted as long as they are getting the best outcome. Philippe Gelis, CEO of currency management solutions provider Kantox, says that while some retail customers like the peer-to-peer concept, corporate clients are completely indifferent.

"This is why we stopped offering peer-to-peer services," he explains. "What

"FX has a more homogeneous set of instruments and a greater diversity of participants, which provides a very interesting opportunity."

Claude Goulet, Siege FX

corporates really look for is transparency, immediate liquidity in any currency pair and technology to automate FX risk management and optimise execution. The largest banks hardly match more than 25% of their own order book, so matching a large proportion of trades is not realistic."

CurrencyFair is an established peer-to-peer currency exchange marketplace. Yet its CEO, Paul Byrne, agrees that his customers are generally more focused on cost, speed and the quality of service as they make payments with short time spans.

"Historically, CurrencyFair and other online payment companies were focused on peer-to-peer matching of FX flows for all clients," he says. "However, as our business has grown, that has all changed. We have the same access to the wholesale interbank market as any large bank, so our customers have real-time execution of their FX transaction, combined with immediate payment and local clearing without the need for correspondent banks."

However, Goulet is confident that peer-to-peer initiatives aimed at helping corporates transact more efficiently will continue to gain traction.

"As we have seen in the equities and securities markets, peer-to-peer or crossing networks have become important sources of alternative liquidity," he concludes. "When compared with these assets, FX has a more homogeneous set of instruments and a greater diversity of participants, which provides a very interesting opportunity."

How can I create a winning investment strategy?

By Greg Watts

Despite the challenging economic backdrop, now could actually be a good time for fintechs to accelerate their investment efforts. Let me explain why.

According to a 2018 study by US Bank, some 80% of businesses fail because they are unable to secure sufficient capital.

There are a number of reasons for this, but the most common is that they simply don't know how.

With more time on our hands, and with potential investors arguably more receptive to taking calls, this could be a good time to refresh your investment strategy and look for new sources of funding.

In this column, we'll look at why some companies struggle to identify and secure investment, provide suggestions on how to get the funding you require, and look at new funding sources that have emerged following the outbreak of COVID-19.

UNDERSTAND WHO'S WHO

When you're starting your fintech business – or even when you're established – the world of investment can feel like a Pandora's Box.

Who should you approach first? What's the difference between a high-net-worth individual, a venture capital firm or other sources of funding?

Here are the most common sources of investment:

Friends and family – Many fintech founders begin investment with friends and family. It's often the quickest and easiest way to get going. However, expectations must be managed to minimise any impact if the business doesn't work. You have to weigh up, "Is it worth it?" if things don't go to plan.

High net-worth individuals (HNWIs) – As the term suggests, these are wealthy individuals who invest in specific types of businesses and typically hold assets of more than £1 million.

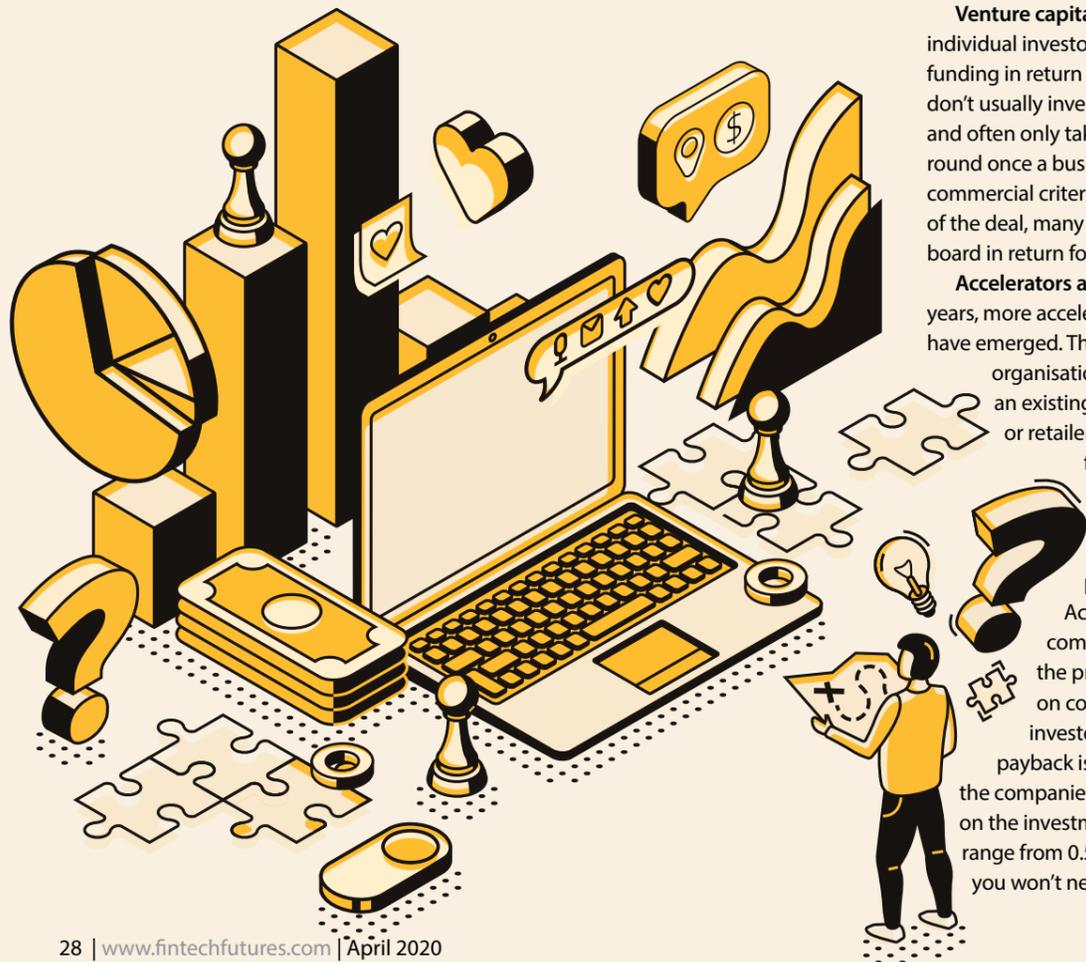
Venture capitalists (VCs) – These are individual investors or firms that provide funding in return for an equity stake. VCs don't usually invest in early stage businesses and often only take part in an investment round once a business has achieved clear commercial criteria. Depending on the size of the deal, many will ask for a seat on the board in return for an equity stake.

Accelerators and incubators – In recent years, more accelerators and incubators have emerged. These are either standalone organisations or one attached to an existing business such as a bank or retailer. Incubators offer seed

funding, help develop business models, offer product development expertise and often provide a place to work.

Accelerators look for companies further along in the process. Their services focus on connecting start-ups with investors and influencers. The

payback is usually an equity stake in the companies they nurture. Depending on the investment opportunity, this may range from 0.5% to 50%. In some cases, you won't need to part with equity,



just second-round funding. Examples of accelerators include Fintech Innovation Labs, Level 39, Plug & Play, Seedcamp, Techstars and Y Combinator.

Crowdfunding – The practice of funding a project or venture by raising small amounts of money from a large number of people. Typically (but not always) suitable for businesses already trading, notable examples include Funding Circle, Kickstarter, Ratesetter and Seedrs.

National and local government funds and grants – Another source of funding is central and local government. The British Business Bank, for example, recently launched the Coronavirus Business Interruption Loan Scheme to help struggling businesses.

There are still further resources providing a view on the current status of investors – indicating, for example, if they're "open for business" amid the outbreak and providing insights on how best to engage with them. A good example is the COVID-19 European Investor Status List, which is open source.

IDENTIFY CRITERIA FOR INVESTMENT

What do you need the investment for? How much do you require? Is it to launch a use case in a particular market to prove your technology or commercial model to investors? To develop a product or launch into a new territory? Or to strengthen your sales pipeline?

It's important to be clear what you want funding for before approaching investors. It's the first question they'll ask, so you need to be prepared with an answer.

Once you've determined how you'll use their funding, it's a good idea to create a one-page summary or more comprehensive (albeit no more than 15 slides) pack to share with them. These should include:

- A summary of your business
- The problem you're fixing
- A competitive landscape summary – and how you compare
- How much investment you'd like to raise
- What you'll use it for
- What returns and benefits investors will see

Establish a strong structure from the outset. Before contacting potential investors, it's important to have back-end structures and processes set up to ensure a solid footing from the start.

SOME ITEMS TO HAVE IN PLACE

Articles of association – This document specifies the regulations for a company's operations and defines the company's purpose. It lays out how tasks will be accomplished within the organisation, including the process for appointing directors and handling financial records. Effectively, it's your governance structure.

Share subscription form – Sometimes known as a shareholder subscription agreement, this is an agreement between a company and investors to sell shares to investors at a fixed price. This is done by offering new shares to investors, who after the closing of the transaction become shareholders of the company. In short, it's the agreement between the company and the business that sets up the 'rules' for how shares or equity can be transferred between parties under certain circumstances.

Non-disclosure agreement (NDA) – Many investors won't sign NDAs simply because they see so many pitch decks and regard them as an inconvenience. However, it's important to have one prepared just in case.

CREATE A PLAN TO CONNECT

Now that you're clear on how much you want to raise and how you'll use the money, the next step is to get in front of the right investors to pitch.

In a previous column, I outlined ways to get in front of prospects to generate more leads. The process is similar for identifying investors and funding sources. Different investors have different criteria so it's critical you research targets thoroughly.

For example, some investors only invest in post-revenue businesses or in those at more mature stages of growth, whereas others target seed rounds and smaller investments to maximise the Seed Enterprise Investment Scheme (SEIS) tax benefits.

Do your homework. There's nothing more frustrating for a potential investor than receiving untargeted or irrelevant approaches.

Once you've identified profiles of ideal investors, the next step is to create a target list and develop an outreach campaign to get in front of them. Tools to use include email, LinkedIn, networking events and introductions from mutual connections. The latter is by far the most effective.

Under 'normal' circumstances, many investors like to meet in person before making a final decision. However, that's obviously not possible at the moment, so the next best thing is to connect via phone or a Zoom or Skype call. With many investors working from home and arguably desiring more human contact and engagement at the moment, it's potentially a good time to have a conversation.

BRINGING IT ALL TOGETHER

Raising investment is never easy – global pandemic or not – but the process can be simplified if you have a clear plan before you make your approaches.

As with lead generation, it all comes down to having a clear message that resonates with your target audience.

Despite it being virtually impossible to meet in person right now, by simply changing your tactics you could potentially achieve a better outcome.

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.

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

You can post your questions in the comments section online, email Greg at greg.watts@demandcreationpartners.com and/or FinTech Futures' editor, Sharon Kimathi, or get in touch with Greg on LinkedIn.



Turning to an open source database strategy

By Darren Holdaway,
technical lead,
Fractal Labs

Fractal Labs is an API-based payment and insights platform-as-a-service. Headquartered in London, the company improves how small businesses access key financial services, helping financial institutions and small business clients save money by providing a smarter payments engine. Fractal Labs was founded in 2014 with a mission to level the playing field for small businesses by offering fast, secure and reliable connections to financial ecosystems through APIs.

THE CHALLENGE

As a growing start-up, it became critical for Fractal Labs to shift to an infrastructure that could support the company's scale and do so affordably. Similarly, to pursue its mission of eliminating digital transaction barriers and ensuring smaller businesses can complete online payments with considerably less friction, Fractal Labs knew it would require a particularly robust back-end architecture to underpin its financial services platform. As with any

fintech solution, absolute service reliability would be critical to customer trust and adoption. Similarly, high availability and redundancy were vital to guaranteeing customer experience integrity and the success of Fractal Labs' growing applications and services.

It began by breaking down its monolithic stack into many small, more efficient API-based microservices. That transformation decision enabled the company to improve scalability, uptime

and deployment time while eliminating single points of failure. At the same time, the pace of growth reinforced its need to transition toward more powerful data-layer technologies that could deliver better scalability going forward.

THE SOLUTION

Fractal Labs explored several database technologies, debating NoSQL vs SQL and open source vs proprietary. When the vetting was complete, the company landed

The strong open source community... gives us confidence for the long haul, and adding a managed service on top has really helped ensure we are taking full advantage of the technology.

on open source Apache Cassandra as the non-relational database best equipped to service Fractal Labs' data requirements as a payment services provider. The company was particularly impressed with Cassandra's high availability and incredible scalability right out-of-the-box, as well as its ability to perform at scale with extremely fast reads and writes. Fractal Labs also found that Cassandra's table-based architecture offered an invitingly easy learning curve, enabling its engineers and developers already familiar with SQL to quickly upskill to utilise Cassandra's CQL.

However, Fractal Labs also realised the complexity of Cassandra and the resource challenges that would come from managing its Cassandra environment internally. For these reasons, Fractal Labs also needed a managed services provider that could steer its open source database migration and management, and to help keep Cassandra continually tuned for high performance, low latency and guaranteed availability.

Once again weighing options, Fractal Labs brought in InstaClustr as the provider to execute the fintech company's Cassandra vision and allow its internal team to hone in on product development. The strategy enabled Fractal Labs' technical

teams to do what they do best: ensuring the quality and growth of the financial services application, while entrusting its back-end technologies to those with broader Cassandra expertise.

THE RESULTS

With the managed service strategy in place for its Cassandra deployment, Fractal Labs has been able to more acutely focus on building its applications and services – expediting time-to-market for critical product and feature releases. At the same time, Fractal Labs has been able to avoid dealing with the complexities of Cassandra, and to eschew the high costs of building the specialised data management team that would be required to realistically wield Cassandra internally.

The database decision was not one Fractal Labs took lightly – it knew how important it would be to get it right and make ongoing scaling that much easier. While the company didn't set out necessarily expecting to land on an open source database, it is glad it did. By going with a fully open source version of the database, versus a proprietary version of Cassandra, it is free from any kind of vendor lock-in. The strong open source community around the database gives Fractal Labs confidence for the long haul, and adding a managed service on top has really helped ensure it is taking full advantage of the technology.

With managed Apache Cassandra in place providing scalability as well as the requisite availability and uptime, Fractal Labs has now implemented Cassandra best practices and optimised usage in each deployment. Most importantly, the fintech start-up has done so while keeping costs minimal, enabling the company to continue breaking down financial industry barriers without breaking the bank for its own data architecture. Looking forward, Fractal Labs is considering additional open source data-layer technologies, including Apache Kafka for data stream processing, to fill out the company's data stack.

FINTECH FUNDING ROUND-UP

Xinja, an Australian neobank, has landed a notably large \$255 million (AUD \$433 million) capital injection from Emirates' World Investments (WI), an investment group based in Dubai.

With an immediate initial investment of \$94 million, Xinja will then receive the remaining \$161 million over a period of 24 months as it grows.

Xinja's CEO Eric Wilson told The Australian that, amid the growing pandemic, the capital raise would have been "almost impossible" through equity markets, highlighting the stability of private investments at the moment.

The challenger also announced a \$33 million Series D funding round at the beginning of March with a minimum investment on offer of AUD \$20,400 to give some customers a buy-in opportunity.



Bakkt, a digital asset services start-up, has landed an impressive \$300 million Series B with backing from big names such as Microsoft's venture capital arm M12 and Netherlands-headquartered fintech PayU.

Other investors in its funding round include Boston Consulting Group, Goldfinch Partners, CMT Digital, Pantera Capital and Bakkt's parent firm Intercontinental Exchange (ICE).

The funding round was closed on 13 March, the same day bitcoin experienced a multi-month low of \$3,916, according to the US Securities and Exchange Commission (SEC).

Launched just two years ago, Bakkt initially focused on bitcoin futures and options contracts with parent firm ICE. But as of October, the company announced its desire to target retail clients through a consumer-facing app.

Bakkt has now raised more than \$482 million in total, following a \$182.5 million capital raise in late December 2018.



New York-based challenger bank **NorthOne** has raised \$21 million in a Series A funding round led by Battery Ventures.

The fresh funding brings the total raised by the 2016-founded challenger to \$23.3 million.

NorthOne targets small and medium-sized enterprises (SMEs) in the US, with a particular focus on family businesses like hairdressers and bakers.



Payments company **SpotOn** has raised \$50 million in a Series B funding round including the investment firm founded by Twitter's former CEO, Dick Costolo.

The round includes 01 Advisors, founded by Costolo, as well as returning investors Dragoneer Investment Group, Franklin Templeton and EPIQ Capital Group.

The \$50 million in funding will be used to continue the firm's investment into product development and building solutions for specific verticals it plans on targeting.

The San Francisco-based firm employs 850 people and operates teams in Chicago, Detroit and Denver, and its newly opened offices in Mexico City and Krakow.

It has now raised \$130 million from four funding rounds, including a \$40 million raise in June 2019.



Emma, a UK-based personal money management app, has raised \$2.5 million in seed funding.

Led by Curve and TrueLayer backer Connect Ventures, the round also saw participation from Italy's Ithaca Investments, London-Berlin-based Tiny.vc and existing investor Aglaé Ventures, which has also backed Airbnb, Netflix and Spotify.

Emma connects users' bank accounts and crypto wallets under a single dashboard that tracks budgets, cancels wasteful subscriptions and syncs up to paydays.

The free app is designed to help users avoid overspending, but there is also an Emma Pro account that lets users create custom categories, export data between specified time ranges, create manual accounts in any currency and split transactions.

Most recently, Emma expanded its offering into the US and Canada. Its last round was in 2018 when it secured \$700,000 in angel funding.



VoxSmart, a provider of communications surveillance technology, has raised £5.5 million in a Series B funding round from UK bank NatWest.

The firm, which has raised \$13.6 million since its 2006 founding, offers surveillance systems to aid compliance with regulatory rules for financial markets. VoxSmart claims to be the first player on the market to offer a WhatsApp and WeChat compliance solution and has a customer base that includes 100 blue chip firms within the financial services sector.

For Oliver Blower, group CEO at VoxSmart, his firm is building something unique. He says that "no other vendor in this space" has the same pedigree and expertise in communications surveillance for financial services.

VoxSmart, based in London, has experienced three funding rounds. Its first in 2017 was led by Deepbridge Capital and landed the firm \$7 million. A venture round followed in 2018 but the financial details were not disclosed.



QRails, a Colorado-based payments technology firm, has raised \$8 million in Series A funding as it prepares to launch a new instant payments solution for payroll processing.

EFM Asset Management is the sole participant in QRails' latest funding round, which comes less than a year after the firm launched its wage processing solution.

QRails is now gearing up to launch a new instant pay service, available on a white-label basis to human capital management, workforce capital management and payroll processing platforms in the US, Europe and Australia.

German start-up **DataGuard** has raised \$20 million in a Series A funding round led by One Peak Partners.

The Munich firm, which offers what it calls General Data Protection Regulation-as-a-Service, helps companies ensure they are compliant with the regional regulations in the European Union and beyond.

DataGuard plans to use the capital to expand its business across Europe and the Americas, as well as a planned build out of its platform.

Since its launch in 2017, the privacy firm has managed to accrue more than 1,000 customers and aims to grab more from the "millions of companies striving to comply with privacy regulation such as GDPR or California Consumer Privacy Act (CCPA)".

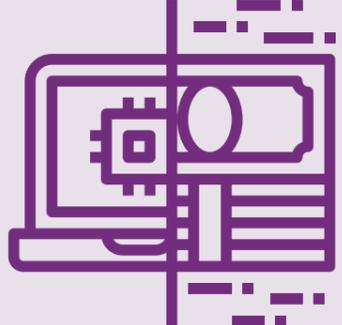


CreditEnable, an artificial intelligence-driven small and medium-sized enterprise (SME) credit business, has announced a \$2 million pre-Series A funding round.

The company stated that the investment will allow it to develop and launch a second-generation product for both lenders and borrowers, accelerate its direct marketing outreach to SMEs, and increase traction with a growing client base of lenders.

"The SME credit market globally is notoriously inefficient, leaving millions unable to unlock growth capital at a reasonable price – the demand and supply exists, but the market is not transacting efficiently – that is where CreditEnable comes in," said Nadia Sood, CEO and founder.

The firm has already closed a seed round of \$5 million, attracting early-stage fintech investors such as Cris Conde, executive in residence with Accel Partners.



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MOVERS AND SHAKERS



Meri Williams

Monzo, the UK challenger bank, has lost its chief technology officer (CTO).

According to multiple sources, **Meri Williams**, who joined the fast-growing fintech in September 2018, announced internally that she was departing, saying she wanted to voluntarily help with cost-cutting measures.

It is not clear who is taking up Williams' CTO responsibilities, especially as its previous CTO and Monzo co-founder Jonas Huckestein is thought to be on paternity leave.

Prior to holding the CTO role at Monzo, Williams worked at print and design company MOO. She has also worked as the head of engineering at M&S Digital and the head of delivery at UK's Government Digital Service.

Barclays has appointed two new executives to its team in the Asia Pacific region. **Carrie Chen** has been hired as vice chairman of greater China banking, while **Sung-Min Chung** has been brought in as head of technology in banking for Asia Pacific.

Chen joins Barclays from Morgan Stanley, where she was a managing director in China coverage. Before that, she spent time at Bank of America Merrill Lynch, Macquarie Group and McKinsey & Co.

Prior to his appointment at the bank, Chung served as the group CTO at iTutorGroup. He also worked as head of technology, media and telecoms (TMT) for ZZ Capital International and spent time as director of TMT for Bank of America Merrill Lynch.

Digital remittance service **Transfergo** has hired **Francesco Fulcoli** as its new chief compliance officer. Fulcoli will be responsible for leading the delivery of "cutting-edge experience" on know your customer (KYC) compliance, as well as anti-money laundering (AML) and counter-terrorism financing (CTF) prevention processes.

Prior to Transfergo, Fulcoli worked as compliance project manager at fintech unicorn Revolut in its financial investigation unit. He has also worked at the International Olympic Committee and the Italian parliament as a compliance officer and spent over six years at Oppenheimer & Co as a compliance AML officer.

Eileen Serra has been appointed to **Capital One Financial Corporation's** board of directors, as of 26 February 2020 and will stand for election by Capital One shareholders in April 2020.

Serra served in a variety of executive positions at JP Morgan Chase. Prior to that, she was a managing director and head of private client banking solutions at Merrill Lynch. She also served as senior vice president at American Express where, among other responsibilities, she led the small business credit card and lending businesses.

Serra is currently a director and member of the Compensation

Committee of Gartner, serves on the board of Women's Refugee Commission, and is a trustee of the non-profit Family Promise, an organisation focused on assisting homeless families.

Multi-currency account provider **OpenPayd** has appointed Fidor Bank's founder **Matthias Kröner** as a senior advisor. He will support OpenPayd by driving its plans for international expansion and helping the firm develop its Banking-as-a-Service offering. Kröner set the record of youngest CEO of a German direct bank, when he took charge of DAB Bank at the age of 32.

JP Morgan has hired Capital One's **Oron Gill Haus** as head of digital technology for the consumer bank. Haus leaves his role as chief technology officer for enterprise products and platforms at Capital One Financial.

Haus replaces James Young, who moved to a new role leading technology for the corporate and investment bank's Asia-Pacific team. Three leaders on JP Morgan's digital strategy team left the group in recent months, which has given the bank room to rethink its playbook after abandoning experiments including digital bank Finn and the Chase Pay app last year.



Oron Gill Haus

Former JP Morgan executive **Georges Lauchard** has joined pan-European stock market operator **Euronext** as COO and member of the managing board. Lauchard worked at JP Morgan for more than 20 years, holding numerous leadership roles in London and Hong Kong. In February 2018, he was appointed COO/CFO of the firm's corporate and investment bank technology team.

FINTALK OF THE TOWN



NOBLEMEN? OR JUST COVERING BACKS?

While it is ever so noble that banking big wigs are taking pay cuts or not taking their salary at all for some time (playing the world's saddest song on the world's smallest violin), one often wonders where they stand on bonuses and other forms of remuneration. It should be said that regulators have been suggesting bankers take a cut and even take measures to strictly enforce a "bonus moderation rule" since the crisis worsened.

But there may be more than meets the eye in some of these "humbling" moments that pose as a guise for covering up the blow back from furloughs and redundancies. As one LinkedIn user put it, COVID-19 is "not an excuse for cash squeezes and defaults due to irresponsible spending, over-leveraging, careless investing and excessive buybacks. Nor is it causing financial collapse due to resting on one's laurels rather than strengthening capital and strategically investing in preparation for an economic downturn."

WALK THE PLANK

Some may think that our resident Gossip Girl's rumour-well might run dry amid the coronavirus lockdown, but those naysayers would be wrong. I often think of it like being Lord Varys, aka 'Master of Whisperers', from the beloved television series, Game of Thrones. Despite any bizarre circumstance Varys finds himself in, he always manages to find out the latest scoop in Westeros.

Similarly, the Lady of Whisperers just boiled the kettle and is ready to spill some tea. Rumour has it that the CEO of a certain payments company resigned with some loyal staff members choosing to walk the plank with their captain. Although the strong-willed captain was not planning on deserting his ship, it seems like there was no other option but to dive into the uncharted waters of abandoning one's own creation.

CLOUT-CHASERS ARE JUST TROUBLE

A recent event caught my eye. Not for what it was about, but for who it was boasting as a speaker. It was a start-up 'digital' festival, and it's not like this particular speaker had any experience remotely related to the point of the event.

You see, this event was looking for a name big enough or controversial enough to trend on social media for right or wrong reasons, or as kids call it, 'clout chasing'. It did this by using a controversial actor and alleged sexual assaulter as a speaker to talk about "how to deal with an unforeseen situation and the uncertainties associated with it".

I'm no fan of cancel culture myself, but this isn't just about cancelling this person. It's about trying to clumsily shove an otherwise bland event with a figure known in popular culture to stir up trouble, which has nothing to do with the event but get clicks. For that I say, "shame!".

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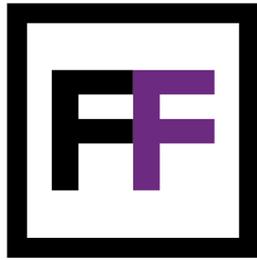
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