banking technology

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EVERYTHING, EVERYWHERE...
…but is all at once the answer?

HOORAY FOR HOLLYWOOD
The art of storytelling

THE FUTURE IS FEDNOW
US gears up for a digital payment push

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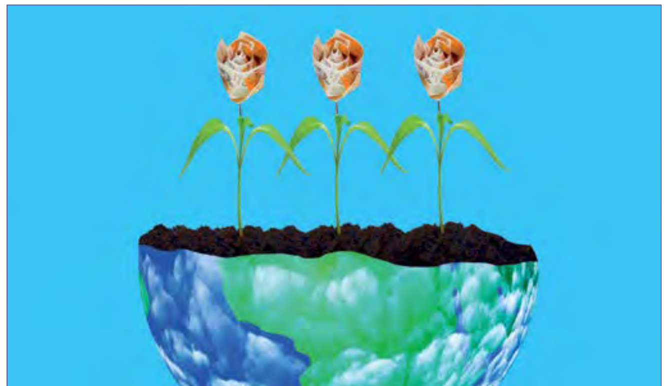

REGULARS

EDITOR'S NOTE

Tanya Andreasyan
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Editor-in-Chief,
FinTech Futures

Welcome to the May edition of *Banking Technology*, coming to you at the height of the fintech conference season.

From FinovateEurope in the UK to Money20/20 in Europe and FinTech Nexus in the US, to name just a few – there are myriad events all over the world. Check out the events calendar on the *FinTech Futures* website – you'll be spoilt for choice!

You can also find editorial reports and videos from the key fintech conferences on the website as our journalists bring you breaking news, juicy stories and highlights from these events. And if you have a story to share or would like to meet our team, please get in touch!

The industry seems to be in an events frenzy like never before. And considering the economic outlook, it probably won't be like this again for some time (see p28 for the latest valuation troubles of challenger banks).

According to the market intelligence platform CB Insights, while global fintech funding increased 55% Q/Q in Q1 2023, the bulk of it – more than 40% – came from Stripe's mammoth $6.5 billion round. Even so, Stripe saw its valuation nearly halve to $50 billion.

Taking Stripe out of the equation, funding actually fell 12% to $8.5 billion over the same period. Deal count also dropped, while the number of new unicorns fell to one for the first time since 2016, an 86% drop Q/Q. Banking funding and deals also hit their lowest level since Q2 2017.

Stock up on resilience and optimism – we're all going to need it!

NEWS ROUND-UP

EU crypto "travel" regulations pass European Parliament vote


The European Parliament in Strasbourg

The European Parliament has waved through the first EU rules designed to trace cryptoasset transfers and beef up consumer protections. The European Union's Markets in Cryptoassets (MiCA) regulation will require crypto firms to register in one of the EU's member states, before allowing them to operate across the bloc.

Stefan Berger, lead MEP for the MiCA regulation, says: "Consumers will be protected against deception and fraud, and the sector that was damaged by the FTX collapse can regain trust."

The European Banking Authority and the European Securities and Markets Authority will ensure crypto firms are playing by the rules, which include adopting risk management and governance processes.

MiCA was approved by MEPs with 529 votes in favour to 29 against and 14 abstentions.

The regulation aims to ensure that crypto transfers, as is the case with traditional financial services, can be traced and suspicious transactions blocked. This "travel rule" will ultimately ensure that information on the source of the asset and its beneficiary will have to "travel" with the transaction and be stored on both sides of the transfer.

The law would also cover transactions above €1,000 from private wallets when they interact with hosted wallets managed by cryptoasset service providers. The rules do not apply to person-to-person transfers conducted without a provider or among providers acting on their own behalf.

Schroders slashes valuations of UK challengers Revolut and Atom

Revolut shareholder Schroders Capital Global Innovation Trust has cut the valuation of its stake in the fintech by almost half – suggesting $15 billion (£12 billion) could be wiped off its $33 billion valuation.

In its annual results, Schroders has marked down its Revolut shareholding by 46%, down to £5.4 million from £10.1 million last year. It invested £9.9 million into Revolut in 2021 as part of its Series E funding round.

The devaluation by Schroders comes weeks after the fintech released its long-awaited annual report for 2021, for which its auditor BDO had flagged concerns about not being able to verify three-quarters of its revenue.

US-based investment firm TriplePoint Venture Growth also reportedly slashed the valuation of its holding in Revolut by 15%.

Schroders has also marked down its stake in another UK challenger, Atom, by 31%, but is positive about the outlook for the bank. "The business continues to scale up and is now profitable," it says.

Worldline and Crédit Agricole launch payments joint venture

Multinational paytech Worldline has partnered with retail bank Crédit Agricole to build a new joint payment company in France.

The joint venture is expected to be operational by 2025 and will leverage Crédit Agricole's merchant acquiring footprint, distribution network and knowledge of the French market as well as Worldline's tech and global infrastructure capabilities across in-store and online payments.

Worldline is keen to expand its footprint within continental Europe's largest acquiring market, worth around €700 billion in merchant sales value.

Cash still constitutes 40% of payment volumes in France, and the two firms believe this represents an "attractive growth opportunity".

The joint company will be majority owned – 50% of total capital plus one share – and fully consolidated by Worldline. Over 2023 and 2024, both parties intend to invest €80 million into the venture, with an even split.

Goldman Sachs mulls sale of BNPL fintech GreenSky

Image: Goldman Sachs


David Solomon

US banking heavyweight Goldman Sachs is exploring the sale of GreenSky, a fintech lender and buy now, pay later (BNPL) provider. The bank acquired it in September 2021 in a $2.24 billion deal to add to its Marcus retail banking app.

However, Goldman Sachs folded Marcus into its wider asset and wealth management division the following year as the focus was shifted away from the consumer banking proposition. Instead, the bank is concentrating on trading and investment banking, asset and wealth management, and transaction banking and partnerships like those with Apple.

The bank's CEO David Solomon says that despite GreenSky performing well, Goldman Sachs "may not be the best long-term holder of this business".

Goldman Sachs reported Q1 2023 earnings down 19% due, in part, to the $470 million loss on the sale of some Marcus loans.

The bank's platform solutions unit, which includes its transaction banking, credit card, and fintech businesses, has lost $3 billion over nearly three years.

Allianz ponders sale of its shares in N26 at a discount

Image: N26

Allianz X, the venture capital arm of German financial services giant Allianz, is understood to be considering selling its stake in German challenger N26.

Allianz owns a 5% stake in the digital bank and is reportedly mulling the sale of its shares at a price point that would value N26 at around $3 billion, a drop of 68% from the $9 billion valuation it achieved when it raised $900 million in a funding round held in October 2021. With the sale of its stake, Allianz would realise almost $160 million, which, based on public filings, would still more than triple its investment from N26's 2018 Series C round.

Despite its unicorn valuation, N26 is yet to turn a profit, reporting in October net losses of €172.4 million for FY 2021, up 14.4% from the previous year. The bank has also seen a number of senior leadership exits of late, including chief risk officer Thomas Grosse and chief financial officer Jan Kemper quitting earlier this year.

The German challenger was also made to pay a fine of €4.25 million by German regulator BaFin for anti-money laundering failures in October 2021, and in May 2022, its Italian branch was banned by the Italian central bank from onboarding new customers over AML shortcomings.

P27 Nordic Payments withdraws licence application

P27 Nordic Payments (P27) has withdrawn its clearing licence application from the Swedish Financial Supervisory Authority, casting doubt on the grand project's future.

This is the group's second application for a clearing licence, lodged in 2022, after its initial application was rejected in 2019.

The withdrawal also comes after Denmark's banking sector decided to go forward with other payment modernisation plans separate to the P27 project. Sweden also intends to follow a similar path.

P27, a joint initiative between Danske Bank, Handelsbanken, Nordea, OP Financial Group, SEB and Swedbank, says "new requirements and regulations" have challenged its operating model.

The fact it will not handle Swish in Sweden (the country's popular app-based payment method) and the recent decision by the Danish banking sector "has put the company in a new position".

CEO Paula de Silva says the group is now "in a dialogue" with its bank members "to evaluate the best options going forward".

P27 was set to be the largest regional, cross-border, instant payment project ever attempted, linking payments between Sweden, Norway, Denmark and Finland. "Lately, it is evident that our vision was too ambitious and complex," comments de Silva.

For a healthy dose of daily news on all things banking, fintech and payments head over to the FinTech Futures online news section.

FINTECH FEED

THE NUMBER GAMES

To read more about any of these stories, visit *www.fintechfutures.com/type/news*

40

year anniversary is celebrated this year by *FinTech Futures* – established as *Banking Technology* in London in 1983, we have been the trusted, go-to media resource for the global fintech community ever since! (See p2 for more details of the summer party we'll be holding in July in London)

55%

increase in global fintech funding in Q1 2023, according to market intelligence firm CB Insights, with Stripe's colossal \$6.5 billion round contributing more than 40% of the total amount

\$30 million

debt facility secured by Spanish fintech ID Finance from SR Alternative Credit to support its consumer lending business in Mexico – the firm already claims more than two million registered users in the country and originated more than €98 million in consumer loans in 2022

€55 million

to be paid by Engineering Group for the source codes of the Illimity Bank's IT platform, which the vendor will then offer to third parties on a Software-as-a-Service (SaaS) basis

10%

staff – approximately 225 job roles – to be cut by Iress, an Australian software provider to financial services firms worldwide, as it looks to restructure the business and anticipates annual losses of over \$100 million

47

employees laid off by Open Financial Technologies, an India-based neobank for SMEs, and Its founders have also taken a 50% cut in their salaries as the company strives for profitability

\$2.5 billion

takeover is being considered by Dubai-based paytech Network International as it has been approached by a consortium of investors, including French private equity firm CVC Capital Partners and global tech investor Francisco Partners

\$100 million

bagged by Indian payments app PhonePe in additional funding from existing backer General Atlantic and its co-investors, as part of its ongoing efforts to raise \$1 billion; the latest investment brings its total capital raised to \$750 million

£81,000

fine issued by the UK's Prudential Regulatory Authority (PRA) to former TSB Bank chief information officer (CIO) Carlos Abarca for breaching its senior manager conduct rules, stating he "failed to take reasonable steps to ensure that TSB adequately managed and supervised appropriately its outsourcing arrangement in relation to its 2018 IT migration programme"

THEY SAID IT...

"We try to learn from UK fintech day and night and copy shamelessly what you're doing well."

Sopnendu Mohanty, chief fintech officer, Monetary Authority of Singapore (MAS), speaking at the recent Innovate Finance Global Summit in London

• Click here to read the full interview on the *FinTech Futures* website

TRENDING

Milleis out of the core banking blocks with Olympic

Milleis Banque Privée, a France-based financial institution specialising in private banking, has completed the roll-out of its new core banking system, Olympic, supplied by ERI Bancaire.

The large-scale project started five years ago. The bank, which stems from Barclays' wealth management business in France (sold by Barclays to AnaCap Financial Partners and subsequently rebranded as Milleis), selected Olympic ahead of the offerings of ERI's rivals Temenos and Avaloq.

ERI says its flagship core banking system covers 70% of functionality at Milleis, acting as "the backbone" of an ecosystem that integrates additional specialised services, such as customer satisfaction, debt recovery and litigation.

The system is interfaced to other third-party applications for know your customer (KYC), anti-money laundering (AML), authentication, risk management and regulatory reporting (provided by Wolters Kluwer). According to ERI, there has been a fourfold reduction in the number of applications in use and requiring maintenance as a result of this consolidation.

"It is a real revolution for the business. Over a hundred people have worked tirelessly to make this project a success," comments Julien Calvar, the bank's chief operating officer (COO).

Regions branches out with Temenos

Regions Bank in the US has tapped core banking vendor Temenos to modernise its legacy customer records and deposits systems.

Regions' CEO and president John Turner says modernising the bank's core systems "paves the way" for continued, sustainable growth.

With \$155 billion in assets, Regions is one of the US' largest full-service providers of consumer and commercial banking, wealth management, and mortgage products and services.

Together with Commerce Bank, which completed its core transformation on the Temenos core banking platform in early 2022, Regions will collaborate with the tech vendor to help guide its product roadmap for the US market.

Vemanti looks to SE Asia

Fintech company Vemanti Group has partnered up with Finastra as it looks to build Southeast Asia's first SME-focused neobank.

Vemanti will deploy Finastra's core banking solution Fusion Essence to launch a full digital banking offering initially in Vietnam. It will also implement Lendscape, part of Finastra's partner ecosystem, for its invoice financing and supply chain financing technology.

Founded in 2014 and based in California, US, Vemanti intends to expand across Southeast Asia helping businesses in the region "become borderless".

Intellect feels the need for speed

Intellect Global Consumer Banking, the consumer banking arm of banking tech vendor Intellect Design Arena, has launched eMACH.ai, an open finance-based core banking platform hosted on the Amazon Web Services (AWS) cloud.

The company claims the offering is the largest of its kind in the world and comes with a pre-integrated marketplace for UK and Europe. It provides more than 285 "ready to use microservices" on the cloud and connects with 1,214 APIs.

Intellect says eMACH.ai allows banks to onboard a customer "in three minutes", integrate with fintechs to offer deposits through aggregators and offer credit services such as buy now, pay later (BNPL), among other functionalities.

The platform is also fully compliant with the regional regulations and supports various payment rails.

Rajesh Saxena, CEO of Intellect Global Consumer Banking, says the new platform "democratises the financial services space by creating a level playing field for all types of banks in the UK and Europe".

Hollywood ending

By Leda Glyptis

Don't get me started, man.

Founder stories and Hollywood rom-coms: always with the inevitable happy ending. The predictable plotline. The hero standing vindicated and victorious at the end. A montage perhaps of reversal and trepidation. Doubt and worry but then the sun comes up and our hero is yet again certain and focused and undeterred by the naysayers and emerges victorious in the end. In love and business.

Of course, when you ask, "Where is the line between conviction and obstinacy?", nobody can tell you, other than retrospectively.

My people say, "Never call anyone *blessed* before the end", and by the end they mean the end of their lives. Not the end of the episode, not the end of this particular story.

You just don't know what gives until you know for sure that it's all been played out.

So, with that in mind, when do you call something a success? When you get an over-subscribed series whatever giving you unicorn status? Mythical creatures and paper money for the masses. When you get business sustainability?

SVB was a success before it was not.

Credit Suisse was a success before it was not.

Hell, when I finished university, the millennium was daunting. We didn't trust our computers to compute the year dropping to 00 and Credit Suisse was *the* employer of choice for many of my highflying brethren graduating from the hallowed halls of Cambridge University then. It was not just a success. It was the story.

In his novel, Aunt Julia and the Scriptwriter, Mario Vargas Llosa refutes the belief that relationships come in two shapes: failed and forever. His characters fall in love, face disapproval and resistance and stand tall. They stay together for a time. A long time (eight years – don't ask me why I remember that as it's been three times that many years since I read the book, but I am pretty sure it was eight). And then they split. And them splitting up doesn't make their love less true or their story less good.

A LESSON TO US ALL

Why am I telling you this?

Because things are rough and don't seem to be settling. Because reading about banks failing and being taken over overnight is unsettling.

Because we know enough about the inefficiencies inside banks that most of us are not wondering "What happened?" like those outside our industry but rather "Why now?" And the point is, the two answers are intertwined in ways that cannot be simplified enough to satisfy either side: those who know a lot and those who know very little about finance are incapable of putting their finger on the thing that caused the events of recent weeks. There are narratives. There are causes. There is complexity.

But were SVB, Credit Suisse, Signature Bank and First Republic plagued by the same thing? Did they suffer what, from the outside, looks like a similar fate for the same reasons?

> "If you stack your plot in a particular way, it will build up enough force of its own eventually that no amount of reversals will stop it from playing itself out."
>
> Leda Glyptis

The answer is yes only in the highest level possible. So high level as to be useless.

What happened in each situation was specific to them, the moment and the evolution of their business. Trying to make sense of it all as 'one thing that happened' is not helpful.

But that is what we are trying to do. Inside the industry and outside.

We are trying to 'story-tell' what happened in a way that sheds light. In a way that helps us understand. That helps us feel less afraid that there is more to come.

It's human nature to want that… and understandable but problematic to the extreme.

THE NARRATIVE STRUCTURE

My beloved Terry Pratchett always said that stories find a way of getting themselves told. There is power to narrative structure. If you stack your plot in a particular way, it will build up enough force of its own eventually that no amount of reversals will stop it from playing itself out. That's how literary tropes work. That's why you choose a rom-com if you are in need of joy and uncomplicated platitudes. That's why you choose a whodunnit if you want to exercise your brain but leave with answers and all things explained by the end. Because you know the narrative structure you expect to get.

But in life?

In life we don't know when the story ends. By choosing to tell a story we give in to mankind's earliest urges but also make choices that may affect what we see, what we relate and what we teach. Especially in the context of societies (and an industry) where the memes of 'dream it and you shall have it' abound. Where the message of perseverance at all cost for vindication at the end seems to be woven through everything we consume, through work or leisure.

In this context, when we try to 'story-tell' what the hell happened, we make choices, wittingly or unwittingly.

We choose an arbitrary moment of when our story starts and ends. You have to, otherwise you can't tell the story. But in making those choices, we make them real in that we create reality for those consuming our storytelling.

Did SVB's collapse start with the way their exposures were stacked? Did it start with the company's risk balancing choices? Did it start with the fact that their customer base is a concentrated, always-online echo chamber? Or did it start with the emergence of a particular type of finance institution, way before they came into existence?

And where does this story end? When HSBC paid a pound for SVB UK? Or when their loan book is assessed by the incumbent giant… and whatever comes next?

The choice of beginning and end is key as it casts the characters in different lights. Depending on when you start and finish your tale, your heroes and villains, your protagonists and irrelevant personalities shift like shadows. What's important changes size. Just by choosing when the story you are telling starts and when your storytelling will stretch to.

AND THAT IS NOT ALL

When we start telling a story, even if it's dry and static and full of numbers, we choose a genre. In the telling, we choose what type of narrative steam we are building. Is it a tragedy? Is it a Hollywood drama with reversals and edge-of-your-seat anxiety but a happy resolution in the end?

The urge of finding a simple moment when it all goes wrong and a set of people who made bad choices in a small window of time is strong because it makes for good TV. It's a neat story. You can work with that. But is it accurate?

> "I am a big believer in storytelling as a way of thinking through the world. It is useful. It is valuable. But it comes with responsibility. In telling the story, you make it."
>
> **Leda Glyptis**

The urge of presenting what happened as an aberration, awful and tragic and maybe avoidable but over, finished, done… and not affecting the rest of our lives any more… that urge is strong.

But is it right?

I am a big believer in storytelling as a way of thinking through the world.

It is useful. It is valuable. But it comes with responsibility. In telling the story, you make it. You are not just a neutral storyteller. You are a world builder. In explaining, you interpret.

Are you defending the industry's obsession with optimism? Are you pointing to the end of an era and need for radical reform? Are you reassuring or calling folks to arms?

Where do you start and finish your tale? What's the narrative arc? Who are the heroes and the villains?

Hollywood's happy endings are so pleasant, aren't they? But they are neither guaranteed nor always… the end.

How do you know Snow White's prince charming wasn't an abuser after the curtain fell? How do you know after the guy got the girl and the credits rolled he didn't become sullen, uncommunicative and cruel?

So, as you try to story-tell your way around this, maybe Hollywood isn't the construct you should default to.

Maybe fairy tales and fables of old are better suited to the situation we are in. Where things go wrong because life is chaotic. Where the bad guys don't always get their comeuppance and the good guys don't always win. Where life doesn't always make sense. Where the point of the story is not to make you feel better but to teach you vigilance for the future.

Not a soothing explanation of what has been, but a cautionary tale to protect you from what lies ahead.

#LedaWrites

Leda Glyptis is *FinTech Futures'* resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption. She is a recovering banker, lapsed academic and long-term resident of the banking ecosystem. She is chief client officer at 10x Future Technologies. She is also a published author – her first book, *Bankers Like Us: Dispatches from an Industry in Transition*, is available to order now.

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.

Why doing everything, everywhere, all at once is not necessarily the answer

By Brian Harkin, CTO, Kynec

Executing multiple streams of work at the same time will be much faster than performing activities in a sequential fashion.

The idea is totally logical. It makes perfect sense, doesn't it?

We've all been there. There's a huge programme of work that needs to be completed in a ridiculously short period of time. Whether this is a digital transformation, a programme to deliver on a significant piece of regulation, a change activity to improve the business/generate more revenue or any other large change programme, the solution that is presented is always the same.

To achieve the organisation's goals within the ever-shortening time constraints, we will need to run multiple, concurrent, interrelated streams of work, or put another way: we'll need to do everything, everywhere, all at once.

Ask anyone how much more efficient they are when they multitask (the answer is invariably "much more efficient").

Ask any computer programmer how multithreaded programming – a technique that allows a software application to execute multiple tasks concurrently – always results in improved performance (the answer here is normally "it depends").

However, there's plenty of research out there telling us that multitasking on a human level is counterproductive. Shifting focus between different tasks or activities is detrimental to overall efficiency, reduces productivity and has a negative impact on quality.

For the computer programmer, multithreading may not generate any performance gains due to shared resource contention or other technical factors.

So, what's this got to do with digital transformation?

THE HUMAN FACTOR

At its core, digital transformation is a human-centric change, and as such we can extend the above principle to any digital transformation initiative.

Organisations are unlikely to run into significant issues if transformation initiatives are small, discrete and involve two parallel streams where the interdependencies between these streams is kept to a minimum. However, increasing the number of streams or the dependencies between these streams, even by a small amount, increases the complexity, cost and risk profile of the delivery significantly.

Managing interdependencies relating to resources, schedules, technical requirements or any of the other myriad factors that affect delivery becomes extremely complex. The lines of communication also increase significantly resulting in more delay, more scope for confusion and more complexity.

To be clear, not all large change initiatives that run multiple, parallel, interrelated streams of work are destined to fail. However, with each new stream of work or interdependency that is added, the risk of failure and cost overruns increase significantly.

This push for efficiency ignores the fact that change occurs within a complex, constantly evolving and multifaceted landscape. In a situation where a programme management function plans, monitors and coordinates multiple, interrelated streams of work, this results in a steeply rising non-linear cost curve.

I like GeePaw Hill's Many More Much Smaller Steps (MMMSS) approach to change, which challenges the common attitude centred around making everything more efficient. In GeePaw's words: "Parallelism is never free, and the cost isn't linear as the size of the problem goes up. It doesn't just get harder when we add more streams, it gets significantly more difficult, quickly swamping any benefit it might deliver."

So, how should we approach large and complex transformational change initiatives?

MAKE THEM SMALLER

With most digital transformations being undertaken to improve efficiencies or to meet the ever-increasing pace of changing customer expectations, it is crucial to success that we don't only improve the pace, but also effectively manage the risks associated with this type of change.

> "It is crucial to success that we don't only improve the pace, but also effectively manage the risks associated with this type of change."
>
> **Brian Harkin, Kynec**

Rather than tackling any digital transformation as a large, complex, multi-headed beast, we should improve one discrete area of the business quickly and then move onto the next by adopting an iterative process that allows organisations to deliver and demonstrate continual progress at speed.

Simplifying the change and progressing quickly through a number of smaller transformations drives behavioural change and delivers intrinsic human and organisational benefits beyond improving delivery (for example, improved morale and reduced transformation fatigue).

As the organisation becomes more adept at transformational change, it may look at running two transformations in parallel (again minimising the interdependencies between the initiatives). However, for the reasons outlined above, we should not increase the number of parallel, interrelated streams above two.

VALIDATION, INNOVATION AND RISK MANAGEMENT

So, rather than investing significant time and effort on up-front analysis and decision making and then taking a bet that, at some point (possibly 12 months or more) in the future, these still hold true, the above process of small iterative transformations allows organisations to validate their assumptions and the feasibility of ideas much more quickly.

The outcomes here are much more favourable and allow for better risk management around the execution of conceptual ideas. Either the bets and assumptions are correct – which allows another set of risks to be taken and drives more innovation – or the organisation fails fast and corrects quickly. No matter which of these results is achieved, both will, ultimately, improve delivery velocity.

Fundamentally, the organisation is not risking everything on a single event or set of assumptions that were taken a long time ago at the start of the transformation. It is betting on a series of smaller initiatives that are delivering results over shorter timeframes which in turn improves how the organisation manages risk.

WHAT'S WRONG WITH THE STATUS QUO?

We've all seen the well reported statistic that 70% of transformations fail to deliver successful outcomes, but the issue being addressed here is broader than that. It touches on all large change programmes.

It is a very rare occurrence that, when a large transformation or other change initiative (with many heavily interconnected, parallel streams of work) completes, everyone whoops for joy at the success of the delivery. More often, the expectation that everything will be better once the initiative is delivered results in a drop in morale when the outcomes fail to match or exceed expectations.

By adopting a (more or less) sequential, iterative and incremental approach, we see a situation where everyone is pleased when something works, but if it does not, we course correct quickly and move on.

CLOSING THOUGHTS

Against the delivery pressure of an ever-closing time window, the idea that we should do one thing at a time is seemingly counterintuitive, but doing everything, everywhere, all at once is not the answer.

LEADERSHIP

How Metro Bank has got innovation licked

Christer Holloman talks to David Thomasson, managing director, banking products and digital at Metro Bank, to learn more about the company's approach to innovation

Image: EG Focus/Flickr

David Thomasson is responsible for planning, implementing and managing all product, digital and customer analytics-related functions for Metro Bank (MB). This includes the development of new products and services for customers and delivering the bank's commercial plan. Here, he gives us the lowdown about the bank's strategy, specifically with regard to using acquisition to speed up its digital transformation.

THE NEED TO DIVERSIFY REVENUE MIX TO STAY RESILIENT

2019 was the most challenging year faced by MB since it was launched in 2010. This included making a material adjustment to its Risk Weighted Assets (RWA), periods of net deposit outflows and a delayed senior MREL (Minimum Requirement for Own Funds and Eligible Liabilities) issuance. These major challenges, together with continued competitive pressures in the residential mortgage market, resulted in a difficult year.

In February 2020, under fresh leadership, the bank set out a new strategic direction. Enhancing its product portfolio and broadening existing offerings were central to this strategy. Within that, there was a significant drive to diversify and increase the bank's returns over a period of several years. Among other initiatives, MB decided to get into the unsecured lending space. It felt obvious, as the firm has such a large current account deposit base.

ACQUISITION AS A STRATEGY

The bank sought to identify immediate and near-term ways to achieve these objectives. It was eager to have a successful consumer lending business on its books and, after confirming how much it would cost to develop this capability in-house, it decided the best way to achieve its aim was to purchase a successful consumer lending business already active in the market.

The bank's leadership team identified the fintech RateSetter (RS) as the ideal acquisition target. The company got to work quickly, engaging its legal and advisory partners to analyse the rationale for a deal and its potential terms. Following extensive due diligence, the transaction was agreed and quickly completed.

FROM ACTIONS TO RESULTS

To realise the expected upside, MB and RS created a number of joint working groups, workstreams and project management teams in order to deliver all aspects of the integration project quickly. This was overseen by a streamlined senior management structure consisting of both MB and RS directors. Teams met regularly and collaborated effectively to deal with challenges as and when they arose.

The bank decided to continue to leverage RS's mix of product, technology, data and talented staff with deep unsecured lending expertise. As key milestones were ticked off, the integration of the two businesses matured and results started to become apparent. MB's acquisition of RS completed in September 2020, with MB-funded lending via RS commencing just a few weeks later in October 2020.

KEY LEARNINGS

Having a strong commercial focus was crucial to staying on track with delivering the project. Never losing sight of the original objective – to help diversify and grow the bank's revenue streams – gave everyone involved an overarching focus point. MB originally wanted to enable the various functional teams to develop their own individual integration designs. However, it quickly learnt that this was an inefficient approach that hampered productivity and reduced consistency across the project.

The bank shifted its approach to have a top-down steer on designs and principles. With hindsight, MB could also have used its cross workstream approach more prominently when it came to release management of the different integration functionalities, the main reason being it would have been a great help in overcoming some of the silo issues that cropped up in a few specific working groups.

WHAT'S NEXT?

There is a clear path for innovating together in the next decade, growing revenue streams in the process. The RS brand will be used for aggregator and direct channels, with the expectation that significantly more volume can be achieved on price comparison websites, which are predicted to become increasingly important across the unsecured lending space in the future.

Away from its relationship with RS, MB launched into the specialist mortgage market in late 2020, transforming its products and criteria. The bank has plans to innovate further in this space, stating its ambition to become the UK's number-one specialist lender. This forms a key part of MB's revised strategy, as it seeks a better-yielding asset book and improved returns by rebalancing its lending mix towards areas such as niche mortgages, SME banking and unsecured loans.

Christer Holloman is the author of the "How Banks Innovate" book and writes for *FinTech Futures* about innovation and diversity within financial services and fintech.

The future is FedNow: US set to disrupt payments

By Alex Pugh, reporter, FinTech Futures

The US is often held up as a bastion of progress when it comes to finance and technology. With the likes of Silicon Valley and Wall Street, the nation has often been ahead of the curve in this arena.

But when it comes to payments, the US has been lagging compared with its peers in Europe, Africa and Asia. Whether it's contactless payments, UPI, open banking, PayNow or NITMX, nations across the world are racing ahead when it comes to innovation in digital payments.

In the US, cash and paper cheques are still relatively common ways to pay. According to Pew Research Center, as of late 2022, 59% of Americans still pay for at least some of their weekly purchases with cash while cheques are still used for 60% of retail payments, according to the Federal Reserve Bank of San Francisco.

Cheques can take several days to process, as can Automated Clearing House (ACH) transfers, which are used for moving money between bank accounts digitally.

Payments in the US, therefore, seem ripe for disruption. The stage is set. Enter FedNow.

SHOWTIME!

FedNow is a real-time payment system developed by the Federal Reserve, allowing for instant money transfers between banks, individuals and businesses. Set to debut in July, the system will operate around the clock and works off the principle of real-time gross settlement (RTGS), settling funds almost instantaneously rather than overnight, therefore improving cash flow and increasing operational efficiencies.

It also has the potential to drive innovation in the financial services industry by enabling the development of new payment products and services and could promote financial inclusion by providing a more accessible payment system for underserved communities.

"While many other countries have already deployed a real-time system, it's good to see the US finally getting its own real-time/instant payment system," says PJ Gupta, CEO at Checkbook, a US-based push payments platform.

For financial services providers, Gupta believes FedNow will improve both customer satisfaction and increase revenue. It will also enable businesses to offer more flexible payment options to their customers, such as real-time payments and on-demand payments.

Crucially, FedNow can create opportunities for payment providers to develop new payment products and services that leverage the real-time capabilities of the system. It will also create competition for existing payment providers, as businesses and consumers may choose to use FedNow instead of traditional payment systems.

"Basically, enabling faster payments creates huge opportunities across the board. FedNow has the potential to transform the payments landscape by providing a faster, more efficient and more accessible payment system that benefits both consumers and businesses, though it will take some time before it's enabled with all banks," Gupta says.

> "FedNow will increase competition in the payments market, which could lead to lower fees and better services for consumers."
>
> PJ Gupta, Checkbook

Real-time payments could also help consumers to manage their finances more effectively. For example, if a consumer needs to make an urgent payment, they will be able to do so instantly without having to worry about waiting for funds to clear or incurring fees for expedited payments.

Additionally, real-time payments can help consumers to avoid overdraft fees and other penalties, as they will have more visibility and control over their account balances in real time.

"Another potential benefit of FedNow is that it will increase competition in the payments market, which could lead to lower fees and better services for consumers," Gupta believes.

By providing an alternative to existing payment systems, FedNow will give banks and other financial institutions motivation to innovate and improve their services to remain competitive.

TEAMWORK MAKES THE DREAM WORK

In addition to the Federal Reserve, there are several other players involved in the development and implementation of FedNow.

Alongside banks and FIs, payment processors such as Checkbook and other third parties will play a key role in integrating FedNow into their systems.

The Clearing House, a private organisation that currently operates the

largest real-time payment system in the US, called RTP, is working closely with the Federal Reserve to ensure that the FedNow system is compatible with RTP and other payment systems.

Technology providers will also be crucial in the development and implementation of the FedNow system. They will be responsible for building and maintaining the technical infrastructure that powers the system, including the software, hardware and network components.

Industry associations and standards bodies, such as the National Automated Clearing House Association (NACHA), will set standards and guidelines for the use of real-time payments in the US. These organisations will work closely with the Federal Reserve and other stakeholders to ensure that the FedNow system is compatible with existing standards and regulations.

Overall, FedNow is a complex project that involves multiple stakeholders across the payments industry, including banks, financial institutions, payment processors, technology providers and industry associations.

"Cooperation and collaboration among these stakeholders will be critical to the success of the project," Gupta says.

GOING LIVE

Checkbook will be going live with FedNow on day one with its banking partners and has been a member of the FedNow pilot programme since it launched in 2019 to test the system's functionality and gather feedback from participants.

"As a participant in the pilot programme, Checkbook has been able to provide valuable insights and feedback on the system's design and functionality," Gupta says.

The company is working to develop solutions that will enable its clients to access the FedNow network. This includes enabling its existing APIs to integrate with the FedNow system and make real-time payments.

Checkbook is also working to raise awareness of FedNow and the benefits it offers. "This has included speaking at industry events, publishing content and engaging with key stakeholders in the payments ecosystem," Gupta says.

> "[AI and ML] can be used to enhance fraud detection and prevention, automate payment processes and provide more personalised payment services to customers."
>
> PJ Gupta, Checkbook

FedNow has a lot of ground to cover in order for the US to catch up with its peers across the globe. So why has the US lagged behind when it comes to payment technology?

"It's a simple but ubiquitous reason," Gupta believes. "Once a system is built and all the banks and institutions are integrated with it, it becomes more and more difficult to make any changes since any change must be accepted and implemented by every bank and institution. In other words: it's easier to build a new system than to transform an older one."

"ACH was one of the first online systems when the US built it almost 48 years back. However, the world has come a long way since. It doesn't scale in today's day and age," Gupta says.

Another factor is that the US has historically been focused on card-based payments, such as credit and debit cards, rather than other forms of payment, such as mobile payments or real-time payments. "This focus on card-based payments has led to a less developed ecosystem for other forms of payment in the US," Gupta believes.

But with the introduction of FedNow, the US is taking a "significant step" towards catching up with other parts of the world when it comes to payment technology. FedNow has the potential to provide a more efficient, secure and cost-effective way for businesses and individuals to make real-time payments, which is a key feature of many other payment systems around the world and "is essential for staying competitive", says Gupta.

THE FUTURE OF FEDNOW

Gupta believes FedNow will act as a foundation for other payment technologies in the future.

"The real-time payment infrastructure that FedNow provides can serve as a platform for the development and implementation of other payment technologies and services, such as digital wallets, mobile payments and peer-to-peer (P2P) payments," Gupta says.

One example of how FedNow can be used to support new payment technologies is through the use of application programming interfaces (APIs). FedNow's open architecture will enable banks and other financial institutions to develop their own APIs and integrate them with FedNow, allowing for the creation of new payment services and applications.

Another example of how FedNow can be used to support future payment technologies is through the use of artificial intelligence (AI) and machine learning (ML).

FedNow's real-time payment infrastructure can provide the necessary data and connectivity to support the development and implementation of AI and ML-based payment technologies.

"These technologies can be used to enhance fraud detection and prevention, automate payment processes and provide more personalised payment services to customers," Gupta believes.

Built using modern technology and best practices, with a focus on security, resiliency and reliability, FedNow has been designed to be adaptable and scalable, with the ability to support future upgrades and enhancements as needed.

"The Federal Reserve has also stated that they plan to work closely with industry stakeholders to ensure that the FedNow system remains relevant and effective as payment technology continues to evolve," Gupta concludes.

Despite dragging its heels for decades, the US may now be set to reclaim its crown as chief global innovator, with FedNow opening up new and unknown opportunities for financial institutions, paytechs and, of course, consumers.

The start-ups behind the growth in ethical finance

By Shruti Khairnar, reporter, FinTech Futures

The average UK consumer has a lot going on right now – with the cost-of-living crunch, rising inflation and eye-watering prices, focusing on the environmental, social and governance (ESG) activities of the companies they use to manage their finances may just be the last thing on their mind.

But does being 'ethical' mean having to compromise? Some fintech start-ups don't think so.

Broadly speaking, 'ethical finance' refers to selecting firms or services that focus on doing good for the planet and society – in line with ESG investing and being 'socially responsible'. With climate change on the rise, recent years have seen these terms gain more spotlight in news and discussions. Fintech start-ups have taken to the trend as well, with a number of ethical fintech start-ups cropping up across the globe.

FinTech Futures spoke to some of these fintech companies operating in the UK to learn more about their modus operandi and why they believe ethical finance is the way forward.

ETHICAL BANKING

One fintech which brands itself as an 'ethical challenger' is Algbra. For the start-up, ethical finance is built not only within its product offerings, but also in the way it operates as an organisation.

Algbra has built its own values and ethics policy, which boils down to using customer funds in a positive way, and not investing them in industries that carry a negative impact on society – for example, tobacco and gambling.

"We make all our key partners sign up to that values and ethics policy," says Fizel Nejabat, Algbra's co-founder and COO.

"So what that means from a customer perspective, is when you've got your money with Algbra, as opposed to a high street bank, know that your money isn't contributing to any of those industries.

"And for a lot of people that peace of mind is extremely important and lacking in our climate."

The challenger is also Shariah-compliant, catering to underserved Muslims in the UK, and also offers carbon offsetting on its mobile app. In the next few weeks, it will also be launching a new donation feature that will allow users to donate to up to 100 different charities straight from the app.

Founded in 2020 and based in London, the challenger launched towards the end of 2022 after around 18 months of development.

"The main thing we spent a lot of time working on is making sure that we can choose the right partners to work with to be able to say we're not funding or we're not getting involved in any other institutions that might lend your money out to unethical industries," Nejabat explains. "That was tough. It wasn't just a matter of contracting, we had to build out a whole new set of technology to make that happen.

"But it's technology that gives us the flexibility to choose who we work with and how we work with them and therefore it is providing the cast iron guarantee in that respect."

> "Ethical finance is fantastic, but it has to be as good as or better than the alternative. You can't blackmail customers with a poor product by saying it's good for the environment."
>
> **Fizel Nejabat, Algbra**

BRINGING THE ETHICAL TO DEBT RESOLUTION

Founded in 2019 and headquartered in London, Ophelos describes itself as "a new kind of debt resolution company, one with a social purpose and mission – putting people and their well-being first".

Amon Ghaiumy, co-founder and CEO of Ophelos, believes there is a huge void in the debt collection industry, with little to no innovation seen in the past 20 years.

"In my previous roles, I saw first-hand how underinvested and underdeveloped debt collection departments and agencies are," Ghaiumy remarks, "and how much strain that caused to customers who were in debt, and who are oftentimes facing the most difficult of situations.

"Also, from an operational perspective, I could see the internal inefficiencies at large enterprises."

Ophelos was built to balance both sides – to not only provide a better experience for the customer, but also to make the process of debt collection more efficient for businesses.

The way Ophelos works is through partnering with businesses and engaging directly with customers who fall behind on payments. The ethical element lies in the way Ophelos communicates with its customers.

"We use machine learning to determine what is the best communication method for each individual customer, including details such as the tone of voice, time of day and preferred day of the week," Ghaiumy says, highlighting that the firm's process is very different from what traditional companies normally go for – a "one-size-fits-all" approach.

The second aspect of the platform is that it allows customers to self-serve and set up the "right type" of payment that works for them, with options to pay upfront or schedule payments as and when they see fit.

Ophelos also leverages open banking technology to gauge customers' potentials for affordability, and ultimately help them understand how much they can really afford.

The platform, Ghaiumy adds, also utilises natural language processing to help it pick up potential vulnerabilities in communication.

"It is an industry in which we've seen a lot of predatory and hostile behaviour in the past by other players," Ghaiumy says. "And for us, it's key that we change the way customers see the space and interact with us throughout this journey."

On the other side of the lending spectrum lies Plend, which bills itself as an ethical consumer lender.

A partner of Ophelos, Plend was launched in July last year in a bid to provide affordable loans to people in the UK who struggle to gain access to credit.

Plend says its mission is to "rebuild the outdated and backward credit system, which discriminates against applicants based on historic and limited data rather than what someone can truly afford".

The start-up also makes use of open banking to develop an "accurate picture" of customers' true financial position and use a "fairer way" of assessing creditworthiness to provide loans tailored to an individual's needs.

In November 2022, Plend landed £40 million in a seed funding round. Last month, it tapped GoCardless for its variable recurring payments (VRP) solution, which will allow its customers to change their payment schedule to suit their financial circumstances and offer instant payment confirmation.

THE PATH AHEAD

With all of the start-ups mentioned above launching with funding in hand, all three firms seem set on the path towards growth, with a focus on hiring the right kind of talent and onboarding partners that share similar mindsets and values.

"For us, it's about building our product," says Ghaiumy. "Ophelos is currently building the right foundations for an organisation that is hopefully going to be around for a very long time."

That brings us back to the question – is ethical finance here for the long run, and does it mean having to compromise?

"Ethical finance is fantastic, but it has to be as good as or better than the alternative," says Nejabat. "You can't blackmail customers with a poor product by saying it's good for the environment.

"At Algbra, we have built our product in the best of the competition, yet still aligned with our values and true to everything that we do."

Building for the future

By Dharmesh Mistry, CEO, Askhomey

With the ever-increasing changes in technology, it's difficult for any business to know what actual line of business they will be in in the future.

Big banks can invest in the future by exploring the possibility of new tech now, but smaller banks will not have the budget to look so broadly. This for me begs the question, what does the future hold for smaller banks and especially not-for-profit financial co-operatives like credit unions in the US and building societies in the UK?

Credit unions were set up in the mid-1800s initially as a way to serve poorer and more rural communities that banks couldn't reach. Building societies were similar but had a few differences, with the name first coming about sometime in the early 1900s. Both extended the reach of financial services (savings and borrowing) both physically through branches and by policy, with the aim to accept anyone as a customer.

For both, quite often they have scaled using the inverted business model of a co-operative. Banks had a centralised structure and grew with economies of scale. With co-operatives, all members shared decision-making responsibility and control – a decentralised model. There were also independent building societies/credit unions that often managed to capture a specific target market, like a farming community or local traders/artisans.

Fast forward to today and there are a number of challenges for both credit unions and building societies:

1. As customers migrate towards digital payments and banking apps, having physical branches is costly and less of an advantage.
2. The cost of operating on legacy systems and the cost of physical branches puts them at a disadvantage to digital-only platforms.
3. Their ability to adopt/invest in the breadth of new technologies is limited by their size.
4. The increasing cost/complexity of compliance/regulation is also putting a strain on finances, as well as the increasing threat and complexity of managing cybercrime and security.

That being said, while there are fewer credit unions in the US today than 10 years ago (5,117 vs 7,200), their collective assets under management have grown from $900 billion to $2.2 trillion. In the UK, according to the FCA, the membership of building societies doubled between 2007 and 2017 and their collective assets managed grew by 250%. This kind of growth and loyalty is enviable for traditional banks. This for me highlights that for all the hype that fintechs and neobanks will address the gap in banking for the underserved/underbanked, it is still credit unions and building societies addressing this space best.

One of the big advantages they have is their membership model creates a higher level of loyalty among customers because they know the organisation serves to meet their needs and not those of shareholders as banks do. They can also increase trust by involving members in key decisions and meeting them locally. Focusing on specific communities also allows them to have a deeper understanding of their members' needs and therefore design products and services specifically for them. Some like Ecology Building Society have focused on sustainability and therefore had success reaching climate-conscious customers.

Going forward, many are addressing the need for innovation through fintech partnerships, recognising that not all innovation needs to come from in-house. Many also now provide digital access for their members, and open banking further extends their capability to reach more digitally savvy customers. Increasingly, they are also adopting cloud technology to reduce their costs and improve operational efficiency, giving them the ability to launch products faster.

So, it seems there is a healthy future for credit unions and building societies that are taking a progressive approach to the changes in customer behaviour and technology. However, it would be foolish to be complacent. As of 2021, Chime in the US had 12 million customers, making it larger than the biggest credit union in the US, Naval Federal Credit Union, which had 11 million customers. Chime was started in 2013 with a simple mission to make banking simple, affordable and accessible. Going forward, there are several technologies that could have massive transformative effects to banking products and services. Luckily, customer adoption tends to be much slower than innovation.

> "The formula of focusing on the specific needs of a niche audience will always be a winning approach."
>
> **Dharmesh Mistry**

I'm just saying that with the finite resources of a small bank, credit union or building society, the future could be daunting. However, the formula of focusing on the specific needs of a niche audience will always be a winning approach. The huge advantage the internet brings is that those niches have no physical limits and hence provide plenty of opportunity for growth or for reinvention.

Dharmesh Mistry has been in banking for more than 30 years and has been at the forefront of banking technology and innovation. From the very first internet and mobile banking apps to artificial intelligence (AI) and virtual reality (VR).

He has been on both sides of the fence and he's not afraid to share his opinions.

He is CEO of AskHomey, which focuses on the experience for households, and an investor and mentor in proptech and fintech. Follow Dharmesh on Twitter @dharmeshmistry

In focus: FinovateEurope

By Philip Benton, senior fintech analyst, Omdia

Image: Finovate/Flickr

Finovate recently hosted its first major event of the year, FinovateEurope, which was held at the O2 Intercontinental Hotel in London over 14-15 March 2023.

The event took place just days after the dramatic demise of Silicon Valley Bank (SVB) – which meant an emergency session discussing the fallout was added to the agenda – and during a London tube strike which luckily did not put off the hundreds of attendees from the fintech community.

Key topics that were discussed included the evolution of neobanks, fintech/incumbent partnerships and the role of financial services in supporting ESG initiatives.

OPTIMISM DESPITE CHALLENGES

Fintech itself was only established following the 2008 global financial crisis which saw the now giants of fintech emerge – including Stripe, Revolut and Wise – so venture capitalists are unsurprisingly on the lookout for the next iterations. This optimism for the future of fintech was debated in the panel session "Where is the smart money investing in fintech?", which featured panelists from venture capitalists including Sie Ventures, Citi Ventures, Portage and Outward VC.

Even though the valuations of later-stage start-ups are significantly down (inevitable for those who didn't make it to IPO in 2021/22), early-stage start-up valuations have remained stable and seed-stage valuations are growing, according to Luis Valdich, MD of fintech investing at Citi Ventures.

He says: "It is harder to raise money now but if you do, it provides validation, so it's easier to compete and raise money later on.

"We saw in the aftermath of the 2008 crash that a lot of iconic start-ups were formed. I am hopeful that this difficult macroeconomic environment will provide the same."

INCREASINGLY IMPORTANT PARTNERSHIPS

The early days of the fintech revolution were about 'disrupting' banking, but incumbents and fintechs now increasingly work together to lead innovation. The neobank sector is now approaching its teenage years and is quickly maturing, and firms now realise they require strategic partnerships to expand their product suites and evolve their offering, in a similar vein to the approach of incumbent banks.

Omdia's Ouliana Smith kicked off day two of FinovateEurope by discussing how neobanks are increasing their reliance on partnerships. In her "Analyst

All-Star" presentation, she outlined how partnerships were the second largest category in Omdia's Neobank Activity Tracker, after products and services launches and announcements.

With some neobanks announcing up to four new partnerships a year, standalone growth and scaling are not necessarily the predominant factors driving innovation in financial services. Incumbent banks that outsource their digital banking platforms also have access to third-party providers through their relationships with vendors, which is exhibiting a trend towards convergence, integration and efficiency and security of service delivery. She noted that the rise of so-called 'super-apps' in Asia, which do almost everything for the customer including payments, demonstrates that convergence is accelerating much faster elsewhere, requiring an improved strategy for European players to better address changing consumer preferences.

Although incumbents are just as enthusiastic as neobanks to embrace partnerships, they face different challenges to successfully onboard a partner, as discussed during the "Fintech ecosystem and strategic partnerships" panel featuring speakers from ING, Raisin, KBC and Coinbase.

Katharina Lueth, chief client officer of German fintech Raisin, explained how culture clash is a common obstacle: "Expectations and culture are the hardest thing to align between a fintech and incumbent. Six months is very fast for a project to an incumbent, but that is slow for a fintech."

Jurgen Vandenbroucke, MD of everyoneINVESTED (the wealthtech spinoff of Belgian incumbent KBC), agreed, adding: "It's difficult to find the correct decision-maker at the right time, but even if you did that today, you would realistically not see the results [of a partnership] until the backend of 2024. That's just reality."

> "60% of wealth will be managed by women by 2025 in the UK. We need wealth managers to be engaged and familiar with how women want to invest their money."
>
> **Sanghamitra Karra, Morgan Stanley**

TACKLING ESG FROM A FINANCIAL SERVICES PERSPECTIVE

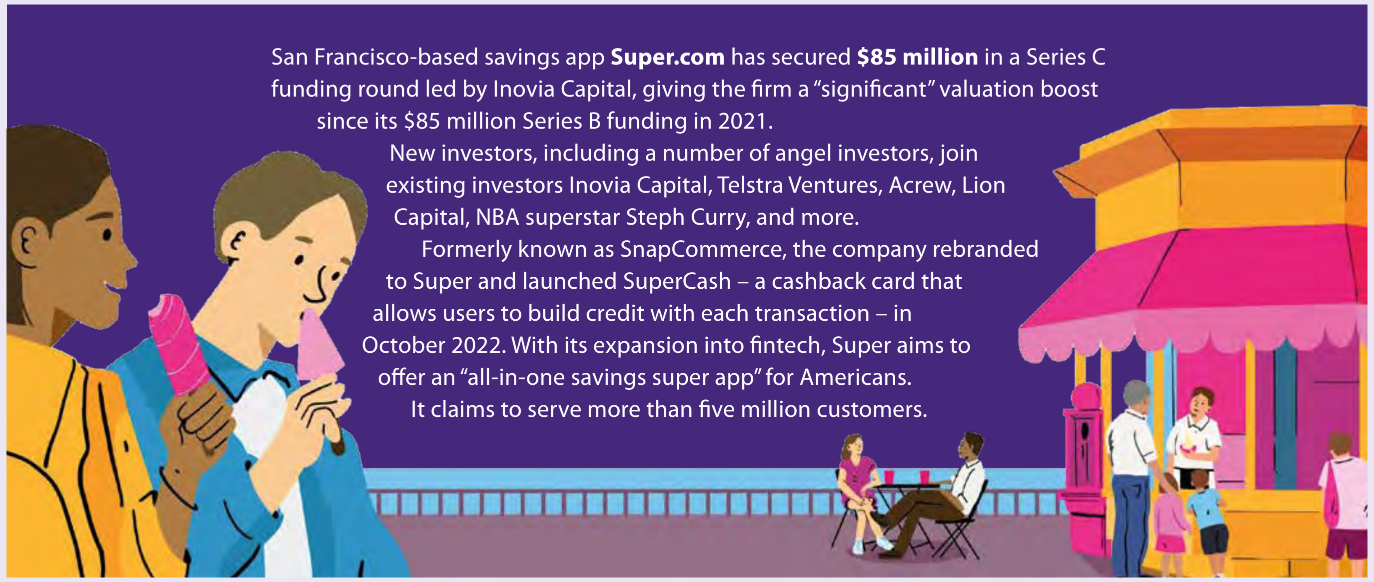
ESG was a key topic discussed at FinovateEurope, but the lack of progress in the financial services space was evident, as outlined by Matt Bullivant, director of ESG strategy at OakNorth, who explained that there is not enough people in banks with the relevant experience that are able to model the true impact of ESG on their business. OakNorth was one of the first banks in the world to stress test its climate change strategy, but few banks have followed, with regulators slow to agree on the appropriate policy.

According to Omdia's IT Enterprise Insights 2022/23 survey, 30% of banks claim to be in the assessment phase of their sustainability strategy and more than a quarter of banks have stated that their strategy is well defined and covers both their company and supply chain, yet there is little evidence to suggest this. OakNorth's Bullivant explained how the sector needs to make transparency a priority in order to succeed in their ESG efforts: "To combat 'greenwashing', you need to be completely open about what you've done well and what you haven't (but plan to)."

Although tackling environmental matters is often the most talked about aspect of ESG, social factors are equally as important. Sanghamitra Karra, EMEA head of inclusive ventures group at Morgan Stanley, argued that diversity and inclusion is the more immediate opportunity for financial services in her panel discussion "Why diversity matters". Karra outlined how the diversity conversation has moved on from a few years ago and is a big opportunity for financial services: "60% of wealth will be managed by women by 2025 in the UK. We need wealth managers to be engaged and familiar with how women want to invest their money."

Citing her risk management background, Karra went on to explain how the first principles of risk management in financial services is to diversify your portfolio, but the same principles aren't applied in terms of diversifying the workforce, adding: "When looking for innovation, you look at the peripheries of what isn't happening."

FINTECH FUNDING ROUND-UP



San Francisco-based savings app **Super.com** has secured **$85 million** in a Series C funding round led by Inovia Capital, giving the firm a "significant" valuation boost since its $85 million Series B funding in 2021.

New investors, including a number of angel investors, join existing investors Inovia Capital, Telstra Ventures, Acrew, Lion Capital, NBA superstar Steph Curry, and more.

Formerly known as SnapCommerce, the company rebranded to Super and launched SuperCash – a cashback card that allows users to build credit with each transaction – in October 2022. With its expansion into fintech, Super aims to offer an "all-in-one savings super app" for Americans.

It claims to serve more than five million customers.

French corporate spend management firm **Mooncard** has raised **€37 million** in a Series C funding round led by Orange Ventures and Portage.

Also taking part in the round were existing investors Aglaé Ventures, Blackfin Capital Partners, Partech Partners and RAISE Ventures.

Founded in 2016, Mooncard offers a cloud-based Software-as-a-Service (SaaS) solution that allows firms to automate their corporate spend and expense report activities. It provides Visa-powered spending cards with controls, spend management and approval tools and accounting functionalities.

The firm says companies can open an account "in five minutes" and have a card available in 24 hours. It currently claims to have more than 6,000 companies as clients.

The funding will be used to develop new solutions, particularly to meet evolving accounting requirements, and will assist the firm as it aims to adapt its offering to meet the local needs of six additional European markets: Germany, Austria, Belgium, Spain, Italy and the Netherlands.

Mooncard previously raised €20 million in a Series B funding round in 2021.

San Francisco-based start-up **Clerkie** has raised **$33 million** in Series A funding.

The round was led by Left Lane Capital, with participation from investors including Wellington Management Company, Flourish Ventures, Citi Ventures, CMFG Ventures and Vestigo Ventures. Nubank founder David Velez also participated in the round.

The company previously raised a $6 million seed round.

Founded in 2017, Clerkie's financial planning platform uses conversational AI to interact with users, provide them personalised debt guidance and work out options to avoid delinquency and build up their credit scores.

"The consumer debt market is fundamentally broken for consumers and the creditors that serve them, as evidenced by the predatory collections practices and the crushing amount of debt burdening American families," says Guy Assad, CEO and co-founder of Clerkie.

UK-based paytech **TerraPay** has raised more than **$100 million** in debt and equity funding as part of its Series B round. The round was led by IFC and supported by Prime Ventures, Partech Africa and US International Development Finance Corporation, among others.

Founded in 2014, TerraPay says it has been building a "payments highway" to enable businesses to provide secure and real-time payments across 27 markets. Its network currently consists of more than 108 receiving countries and 205 sending countries with 62 settlement currencies.

TerraPay plans to boost its global expansion, with a focus on Latin America and MENA. Its goal is to increase its pay-out network to 150 countries by 2024. It also plans to invest in the marketing and adoption of alternate payment methods for mobile wallets, such as request-to-pay.

TerraPay will also build out its regulatory and compliance infrastructure, including applying for new licences around the world.

Altruist, an investment platform for financial advisors, has raised **$112 million** in a Series D funding round led by Insight Partners and Adams Street.

The company combines a self-clearing brokerage with software for account opening, trading, reporting and billing for registered investment advisors (RIA).

The new funding follows a previously undisclosed $110 million Series C raised in November 2021 led by Declaration Partners, with Venrock, Insight Partners and Vanguard also participating.

The firm also recently acquired custodial platform Shareholders Service Group and says the deal now positions the fintech as the third-largest custodian in the US by number of companies served.

Kuala Lumpur-based paytech **Soft Space** has secured **$31.5 million** in a Series B1 funding round led by Southern Capital Group.

Also taking part in the round were returning investor Transcosmos Inc, strategic investor JCB and venture capital fund Hibiscus Fund, jointly managed by RHL Ventures and South Korea's KB Investment.

Founded in 2012, Soft Space operates a payments platform that enables businesses to provide a "frictionless" payments experience for customers. The firm says its platform also harnesses data to provide its business customers with actionable insights and ensures clients remain compliant with regulatory standards.

It claims to have seen its revenue almost double over the last two years, with its payment stack now used by more than 70 financial institutions and partners in Japan, Europe, Oceania and the Americas.

New York-based fintech **Clear Street** has secured **$270 million** from Prysm Capital in a continuation of its Series B funding round.

The new cash injection follows an initial $165 million raise in May last year and now values the firm at $2 billion.

Founded in 2018, Clear Street offers a cloud-based prime brokerage platform that enables institutional investors to trade US equities and stock options.

The company aims to replace legacy infrastructure across capital markets. Its first product, an equity finance platform, processes more than $10 billion worth of transactions every day.

Chris Pento, co-founder and CEO of Clear Street Group, claims the company has increased the number of institutional clients on its platform by 500% and its daily transaction volume by more than 300% in the past year.

UK-based **Yonder** has secured **£12.5 million** in equity and **£50 million** in debt as part of its Series A funding round.

The round was co-led by Northzone and RTP Global, and featured participation from a number of angel and existing investors.

The fresh funding gives Yonder a post-money valuation of more than £70 million.

Founded in 2021 and launched in March last year, Yonder offers a lifestyle rewards credit card targeting young consumers. The firm makes use of open banking to build a personalised picture of customers' spending habits based on transactional data, as opposed to using traditional credit checks. The card also offers travel insurance and no spending fees when travelling abroad.

"We've built Yonder as a key to the city for young professionals, which encourages responsible use of credit while helping them to unlock more value from their spending," says Yonder CEO Tim Chong.

Yonder plans to double the size of its team and expand its credit rewards offering to new verticals such as sport, fitness and theatre.

It also plans to extend its Series A funding to early-stage members through a private crowdfund.

South African paytech firm **Peach Payments** has raised **$31 million** in a Series A funding round led by Apis Partners.

Founded in 2012, Peach Payments offers a payments gateway to enable secure transactions for businesses and consumers in Africa. The company also operates to Kenya and Mauritius and plans to use the new funding to expand across new markets.

Through its infrastructure, merchants can accept, manage and make payments via mobile and web. It supports a range of payment types including cards, electronic funds transfer, digital wallets, mobile money and buy now, pay later (BNPL), among others.

The company claims to have seen a 650% increase in revenue since 2020, with an 80% increase in 2022 alone, having onboarded clients "in almost every vertical".

With the new investment, Peach Payments plans to expand across new markets in Africa and strengthen its product offering.

Co-founder and CEO Rahul Jain says the payment firm's mission is "to enable African businesses and entrepreneurs to succeed in digital commerce".

"We want to be the infrastructure layer they build their business on. This was our original vision when we started, and is more relevant today than ever," he adds.

This is just a snapshot of the fintech funding activity worldwide. For more info on these and many other deals, head over to the *FinTech Futures* website!

MOVERS AND SHAKERS


Christian Owens

Christian Owens, founder of UK-based fintech **Paddle**, has stepped down as CEO, moving to the role of executive chair.

Owens, who has been leading the firm for 11 years, will be replaced by current chief operating officer (COO) **Jimmy Fitzgerald**. Prior to Paddle, Fitzgerald held senior roles at US software firm ServiceNow, leaving the company as senior vice president for customer outcomes.

The change at the top comes after the firm announced a round of layoffs – 8% of its total workforce – at the start of the year.

In May last year, it secured $200 million in a Series D funding round led by KKR, taking its valuation up to $1.4 billion. Later that month, it acquired ProfitWell, a provider of subscription metrics and retention software, in a deal worth more than $200 million in cash and equity.

Paddle integrates checkout, payment, subscription management, invoicing, international taxes and financial compliance processes on one platform.

UK-based embedded finance platform **Railsr** has appointed a raft of new executives to lead the firm following its recent sale to a consortium of venture capital companies.

The fintech has named **Philippe Morel** as its new CEO, **Debbie Lotz** as chief financial officer (CFO) and **Nick Charteris** as COO.

Morel has more than 25 years of financial services experience and will report directly to board chair Rick Haythornthwaite. In his previous role, he was the CEO of blockchain-based settlement and payments firm SETL for four years until its acquisition by Colendi. Prior to that, he served in various senior roles for Boston Consulting Group.

Morel replaces Nigel Verdon who co-founded Railsr in 2016 (it was known as Railsbank at the time).

Lotz is a chartered accountant with more than 25 years of experience in global banking. Most recently, she served as an executive leading data risk governance at National Australia Bank. She has also held roles at the Commonwealth Bank of Australia, Royal Bank of Scotland and Dresdner Kleinwort Wasserstein (now part of Commerzbank).

Charteris rejoins Railsr from Crypto.com, where he served as general manager in the UK for the last year. He previously served as global head of operations at Railsr.

UK banking giant **Barclays** has appointed **Kirsty Everett** as its new chief compliance officer (CCO). Joining on 1 July, Everett brings more than 25 years of work experience in financial services. She moves from HSBC where she worked for four years, most recently as its group head of compliance. Prior to that, she was at UBS for seven years in various senior roles.

Everett succeeds Matt Fitzwater, who has been working as the chief compliance officer on an interim basis and who will return to the bank's legal division as group centre general counsel.


Emma Shand

Emma Shand, CEO of Australian paytech **EML Payments**, has resigned. She became CEO less than a year ago, replacing Tom Cregan who had been with the company for over a decade.

The firm has appointed **Kevin Murphy** as interim group CEO and has commenced a global search for a permanent replacement for Shand, for which Murphy will also be considered.

EML Payments has also embarked on a strategic review that could see all or part of the business sold and has appointed Barrenjoey, the Australian partner of Barclays, to conduct the review that will "consider all options". The paytech, which has a substantial operation in Europe, says it is reconsidering its long-term strategy to solve current business challenges.

San Francisco-based compliance regtech **Very Good Security**, which simplifies the collection, protection and exchange of sensitive financial data, has appointed **Chuck Yu** as its new CEO.

Yu has held executive leadership roles at Visa, Point Digital Finance and TrialPay. At Visa, he led teams across the business, including sales, partnerships, finance and operations, and was head of business development for Visa's global fintech team.

Prior to Visa, Chuck was chief revenue officer at TrialPay (acquired by Visa in 2015).

Very Good Security has earned funding from investors including Visa and Goldman Sachs, and venture capital firms such as Andreessen Horowitz and Vertex Ventures US.

For more news on appointments in the industry, head to the Movers and Shakers section of the *FinTech Futures* website.

PIVOT

Cartoon by Ian Foley

In 2021, fintech was the leading sector for venture investment, with at least $131 billion globally going into start-ups in the space. Many fintechs went after the consumer market identifying underserved customers as a target audience to develop new products. However, many of these markets often do not have strong unit economics (e.g. consumer checking), are very cyclical (e.g. lending) or have scale or credibility issues for start-ups to overcome (e.g. wealthy management).

Pivoting a start-up's business to find product market fit is very common. For example, PayPal initially pivoted from a payment encryption service to a PDA-to-PDA payments app and finally to a web-based payment processor. However, the fintech market is currently going through an industry-wide pivot caused by macro-events, including higher interest rates and the demise of crypto as a high-margin business (hello, all you neobanks).

According to Gokul Rajaram, a Silicon Valley investor and operator: "Each pivot does take a psychic toll on the company, and I don't think a company can do more than, say, two pivots before employees start wondering if there is a method to the madness and start losing trust in the founders."

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