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Banking must follow a more sustainable path

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Nominations for the Banking Tech Awards are open to banks, financial institutions, software providers, teams and individuals from across the world. This year will be our biggest awards to-date as we are excited to be celebrating our 25th anniversary!

The awards ceremony is set to take place on 4 December 2024 and will be held at the fabulous Royal Lancaster Hotel in London.

To learn more about the awards and see the full list of categories, visit bankingtechawards.com

Submit nomination
**NEWS ROUND-UP**

**Al Etihad Payments and Core42 launch open finance across UAE**

The Central Bank of the UAE (CBUAE) has inked a deal with infrastructure and IT solutions provider Core42, through its subsidiary Al Etihad Payments, to roll out open finance across the country. The project falls under the CBUAE’s Financial Infrastructure Transformation (FIT) programme and will be rolled out in a phased manner. Starting with open banking followed by open insurance, the services are expected to be available to most customers this year.

UK-based open banking technology providers Ozone API and Raindial have also been drawn in to the deal to assist with the central bank’s plans, working as part of a consortium of providers led by Core42.

Fatma Al Jabri, assistant governor for financial crime, market conduct and consumer protection at the CBUAE, describes the initiative as “a significant advancement” set to “accelerate the adoption of digital financial services”. The project falls under the CBUAE’s Financial Infrastructure Transformation (FIT) programme and will be rolled out in a phased manner. Starting with open banking followed by open insurance, the services are expected to be available to most customers this year.

**Monese to split business in two as funding acquired**

Monese is splitting its business in two – a consumer-facing money app and business-facing, Platform-as-a-Service (PaaS) unit XYB – and has secured fresh funding for both entities. It says money for XYB came from both existing and new investors. The two entities will operate separately. Current CEO Norris Koppel will continue to lead Monese, whilst XYB will have a new chief executive.

Monese was founded by Koppel in 2015 to offer digital banking services to banks. The two entities will operate separately. Current CEO Norris Koppel will continue to lead Monese, whilst XYB will have a new chief executive.

Until the latest funding, Monese received around $210 million in total investment but has struggled to make a profit. It posted a $37.6 million loss for 2022, which it largely attributed to its rising direct costs. At the time, Koppel commented the company was “reliant on access to sufficient amounts of new funding to finance its current operations and growth plans”. Without it, “the ability of the group to continue to lead Monese, whilst XYB will have a new chief executive.

Recently, Swedish investment group Kinnevik – which had owned a 21% stake since 2018 – announced it had written off “the entire carrying value” in the fintech.

**TabaPay to acquire assets of struggling BaaS fintech Synapse**

Payment processor TabaPay is to acquire the assets of BaaS platform Synapse Financial Technologies. The deal, the terms of which have not been disclosed, follows a turbulent year for California-based Synapse in which it filed a Chapter 11 voluntary bankruptcy petition.

Furthermore, the ten-year-old fintech laid off over half of its workforce in 2023, namely through restructuring efforts instigated in June which impacted 18% of its workforce, followed by a further 40% cut in October which axed 86 positions.

TabaPay, a fellow Californian, is understood to be acquiring Synapse’s brokerage, lending, credit and debit card issuing platforms, with Sankaet Pathak, CEO and founder of Synapse, due to join the firm as part of the deal.

**Salt Bank makes digital debut in Romania powered by Starling**

Salt Bank has become Romania’s newest digital challenger for consumers with the launch of its app-based offering in April. Operating as a subsidiary of an established domestic bank, Banca Transilvania, the bank introduced a founder programme, rewarding customers for early enrolment with “founder points”, which can either be redeemed against a monetary value or exchanged for shares in the start-up, if it lists on the stock exchange in the future.

Salt Bank offers current and savings accounts, deposits and a multicurrency card supporting 16 different currencies.

Its tech is provided by Engine, the Banking-as-a-Service (BaaS) technology platform of UK-based Starling Bank and supports digital customer onboarding, payments, lending and financial crime monitoring at Salt Bank.

Sam Everington, CEO of Engine, says the team was able to build and launch Salt Bank “in just under 12 months”.

**Goldman Sachs sells Marcus Invest’s digital investing accounts**

Goldman Sachs has agreed to sell its digital investment advisory unit, Marcus Invest, to robo-advisor Betterment for an undisclosed sum. Launched in October 2016, Marcus functions as Goldman Sachs’ digital consumer banking and lending platform with an offering including deposits, credit cards and savings accounts. Marcus was folded into Goldman Sachs’ asset and wealth management division in 2022, as part of the bank’s ongoing attempt to transition its remit away from retail banking.

Marcos Rosenberg, global head of Goldman Sachs Marcus, explains that the sale of the unit’s investment accounts to Betterment follows its decision to “transition away from our digital investment advisor offering.”

The bank’s focus will now be further concentrated on the Marcus Deposits platform, which serves over three million customers globally and holds over $100 billion in consumer deposits.

Currently serving more than 850,000 customers with $45 billion in assets under management, Betterment will offer transitioned account holders access to automated investing, tax and planning tools and a range of account types.

**Project Agorá to explore tokenisation of cross-border payments**

The Bank for International Settlements (BIS) has unveiled plans for a project to explore the potential benefits of tokenising cross-border payments, labelled Project Agorá.

Cecilia Skingsley, head of the BIS Innovation Hub, explains: “Today, numerous payment systems, accounting ledgers and data registries require other complex systems to integrate them.”

“In Project Agorá, we want to explore a new common payment infrastructure that could bring all these elements together and might make the system work more efficiently together on a digital core financial infrastructure.”

The announcement follows the successful conclusion of BIS Project Mariana last year, which explored the cross-border settlement capabilities of wholesale central bank digital currencies.
Our FinTech Founders series explores various aspects of funding and investment, featuring first-hand insights from fintech entrepreneurs and founders.

Recent speakers include:
- Chase Neinken, Chimney
- Karan Jain, NayaOne
- Kathleen Craig, Plinqit
- Michael Duncan, Bankjoy

Have you seen our new FinTech Founders video series?

The Number Games

- **£780 million**: To be paid by UK’s Coventry Building Society for the acquisition of rival financial institution, The Co-operative Bank, according to the non-binding heads of terms agreed recently between the two firms.

- **$700 million**: SPAC merger is on the cards for US digital investment platform Linqto as it plans to go public via a business combination deal with Nasdaq-listed special purpose acquisition company Blockchain Coinvestors Acquisition Corporation 1 (BCSA); founded in 2020, Linqto enables liquid investments in mid-to-late stage tech companies in the fintech, blockchain and auto sectors.

- **$550 million**: To be paid by Grupo Financiero Galicia for HSBC’s business in Argentina, including asset management, insurance and banking; the sale will result in HSBC’s pre-tax loss of $1 billion.

- **£147 million**: To be paid for Gresham Technologies by Alliance Bidco, a limited company indirectly owned by US-based private equity firm STG Partners. Gresham supplies automation and data reconciliation solutions for financial services firms – its flagship offering is the Clareti software platform, which provides data governance, regulatory compliance and risk management services.

- **$6.3 billion**: To be paid by US private equity firm Advent International for the acquisition of Canadian paytech Nuvei; founded in 2003, Nuvei provides businesses with payment processing technology, card issuing, and risk and fraud management services.

- **$785 million**: Is the price tag of Institutional Cash Distributors (ICD), a US-based provider of investment technology for corporate treasury organisations trading short-term investments, to be acquired by trading platform Tradeweb.

40%

Global headcount increase is planned by fintech Revolut this year, to around 11,500 staff by the end of 2024; at present it has it has 70+ live job listings online for roles mainly across its sales, customer support and financial crime teams.

They Said It...

“Now we’ve actually already proved how much of an impact fintech has and we’re having discussions about not just supporting early-stage companies, but about taking them to that next level and supporting the high-growth companies that are already impacting so many consumers across the entire UK.” Janine Hirt, CEO of Innovate Finance, speaking at the recent IFGS event on putting the UK’s fintech industry at the centre of the global stage.
Bank can see Clearly now the loss has gone

ClearBank, a UK-based clearing bank and embedded banking platform, achieved its first full year of profitability since its 2015 inception. According to its latest financial statement, it accumulated an annual pre-tax profit of £18.4 million in 2023, after recording a £7.1 million loss the year before. It also boosted its total income by 91% to £111.3 million.

Some of the primary drivers behind this success were its 54% YoY increase in payment volumes, which totalled 108 million for 2023, alongside a 103% increase in its deposits, which now stand at £6.1 billion and are held with the Bank of England.

Its deposit-taking endeavours have benefited heavily from the UK’s current high-interest environment, which it says has resulted in more clients “looking to increase protection and provide better returns”.

CEO Charles McManus says that ClearBank is now serving 221 live clients and has “moved up the curve in relation to larger and larger institutional clients”. He says that a key part of this growth was derived from its client base’s ability to offer financial services to their own customers through its embedded banking model, a function he claims has risen 93% YoY.

The bank made 330 new hires throughout last year, having named Mark Fairless as its new chief financial officer, Megan Cooper as chief product officer and Jonny Fry as group head of digital asset strategy. It also made four new appointments to its board.

ClearBank is currently in pursuit of a European banking licence and plans a full EU launch later this year.

Zopa into the black

UK challenger bank Zopa has a recorded £15.8 million pre-tax profit for FY 2023. According to its latest financial statement, the bank logged a total revenue of £226 million last year, making a 29.7% climb “despite the challenging macroeconomic environment” it adds.

The results indicate a positive shift in Zopa’s financial standing after it previously generated a £26 million loss in 2022.

It attributes the turn in its latest performance to a 14.9% increase in deposits to £3.4 billion against a promising 27.3% rise in loans on balance, currently standing at £2.7 billion.

Zopa says it experienced a 38.7% drop in its cost-to-income ratio as a result of its technology, while its products grew by just under a third to now serve in excess of one million customers.

The results reflect a positive year for the unicorn challenger, which raised £150 million in 2023, bringing its total funding to £530 million.

It also made its first acquisition – an e-commerce credit solutions provider, DivideBuy – as well as appointed ex-Leeds Building Society director Kate Erb to chief operating officer and Peter Donlon, a former Moongip chief, to chief technology officer.

Zopa is an online bank that offers deposit accounts, personal loans and credit cards. It began as the world’s first peer-to-peer (P2P) lending company in 2005 and gained a full banking licence in 2020. The following year, it closed its P2P business.

Lend and mend for Allica

Allica Bank has achieved its first full year of profitability as a result of its increased lending activity, according to its latest annual report.

The bank, which has been lending to UK-based SMEs since 2020, reports that its revenues increased 141% in the 12 months up to 31 December, standing now at £191 million.

Filing a 75% increase in customer deposits to £2.6 billion, alongside a 47% boost in SME lending to £2 billion, the challenger now says to be levelling £16.1 million in pre-tax profit, marking the first time it has achieved this feat since launching in 2017.

Speaking on the results, Richard Davies, Allica Bank’s CEO of four years, attributes its latest financial success to “significant growth in revenue, lending and deposits”, a growth he says shows that “our proposition for SMEs is starting to really cut through”.

The bank hopes hopes to capture over 10% of the market “in the coming years”. To date, it has raised around £385 million across multiple funding rounds, including its most recent £100 million Series C of December 2022. Among its backers are Warwick Capital Partners, Atalaya Capital Management and TCV.
Driving AI transformation in banking and payments

Praveen TM, CEO of Opus Technologies, talks to FinTech Futures about how the industry is evolving and how Opus is contributing to the adoption of new trends.

In an era where technology is reshaping the world of banking and payments, Opus Technologies is making waves through innovation. The company has launched a host of platforms and solutions to democratize artificial intelligence (AI) adoption among banks and credit unions.

In a recent interview with FinTech Futures, Opus CEO Praveen TM shared his insights on how the financial industry is evolving and how Opus is enabling banks, payment service providers, merchants and fintechs to build innovative solutions through an open collaboration platform.

The financial services industry is changing at a rapid pace. It seems like there’s an innovation around the corner all the time. Where do you see this trend going?

We are absolutely right about this. Research has shown that the financial services industry has been the leader in adopting the latest technologies. From going digital to cloud first and now moving to an AI-first approach, the financial industry has constantly evolved to keep pace with customer expectations.

We have to give due credit to fintechs for upping the ante for service delivery in the industry. They showed the customer what’s possible with technology upgrades, the industry. They showed the customer what’s possible with technology upgrades.

The story remains the same for AI. Beyond AI, what are the other trends that are going to change the banking and payments landscape?

AI is definitely the most exciting trend right now for any industry. Other trends that will make a significant impact on how businesses and customers pay and receive money are open banking and embedded finance. Real-time payments have been a major success. With FedNow, we are witnessing higher adoption rates.

Also, there are small shifts that are going to make big waves in the industry, such as ISO 20022. The last date for migrating to the 2022 standard is fast approaching. This shift is going to improve data exchange between entities and make domestic and cross-border transactions faster and more convenient.

How is Opus contributing to the adoption of these other trends?

With our deep understanding of the industry and the challenges that banks and financial institutions face, Opus has launched the Paysemble platform. It’s a suite of accelerators that aim to simplify technology adoption, migration and integration. With Paysemble, our aim is to offer a simplified set of workflows, data models and user interfaces that ensure rapid development and deployment.

We have achieved this by integrating three different layers into the Paysemble platform – message translator, workflow orchestrator and interface module. These layers are configurable to support a multitude of use cases, such as integration of real-time payments, retail payments, cross-border transactions and ISO 20022 migration.

The preset workflows are configured to ensure smooth data exchange, compliance and security for a given use case. Built on cloud and microservices architecture, Paysemble can be easily plugged into the existing IT infrastructure for faster solution delivery.

How do you ensure that your team is ready to take on innovation in an ever-evolving financial landscape?

Technology is evolving at a fast pace, and the industry is moving along with it. Innovation is the only way to survive in this competitive market. Since our inception, innovation has been our way of approaching a problem and suggesting a tangible solution to our clients.

We continue to learn and grow. A lot of learning comes from our constant and in-depth interactions with customers. As their strategic technology partner, we brainstorm with them and leverage our expertise to formulate a solution. We also collaborate with industry leaders in emerging technologies. These collaborations give us a deep understanding of the underlying frameworks that could be translated into solutions for the banking and payments industry.

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Embedded finance has been ‘de rigueur’ as a topic for a few years now. Or so I thought…

Because I have been speaking at industry events and in boardrooms about it by popular demand for the last… let’s call it three to four years.

Talking about how open finance regulation meets BaaS aspirations... how regulatory directional shifts and accelerating technology maturity and adoption mean a whole new world is opening up before us...

It has been exciting, heady stuff... talking about this. And doing this, actually. Building a BaaS platform was part of the day job not so long ago.

It is really exciting stuff... for me. But the reality is, it’s been all the rage for a very small group... fintech and banking geeks have been the only ones excited about this until recently.

When I tried explaining all this to my sister, her reaction was, “What? Like Uber?” We’ve had that for a while, how is that new?

“What’s the big deal? Who cares?”

Talk about bursting my bubble. She’s not wrong, though. From a consumer perspective, the excitement we experience on our side of the fence is just not there.

From an industry perspective, though... it’s a different story. Especially if you take the reports that every consulting firm is throwing our way these days, businesses care too. Especially as, apparently, the embedded finance opportunity was sized at $58 billion in 2022 and is expected to exceed $730 billion by 2032.

Some reports put that number above $1 trillion for the same timeframe.

If those numbers sound made up, by the way, it’s because they are. They take things happening today and size them... add a sprinkle of optimism for steady growth and hey presto. We have a trillion-dollar prize on our hands.

The reality behind the figures is more complicated, of course. The embedded finance opportunity is huge, don’t get me wrong, but it’s not all net new money. So, if you are going after this market because the prize seems worth the effort... working out who you are stealing market share from is not insignificant. Because it may be yourself.

What you’re insignificant. Because it may be yourself. Not there. Whatever it is, whether it’s whopping $1 trillion for the same timeframe.

That cost will vary depending on the age of your existing tech estate and the size of the uplift needed to participate. Whatever it is, whether it’s whopping migrate away from your mainframe strategies or slight extensions to your open banking compliance, if you were in business before this became possible, you need to do some work to be ready... and more importantly, some of that juicy multi-billion dollar ‘opportunity’ the consultants are flagging is your existing customer base. That’s your current business they are declaring open season on.

So, the opportunity for you, in this case, is defensive. Valuable. Yet. Not quite as exciting. If you are a provider designed for the unevenly distributed future – for instance, the present – then the uplift is not a concern. This cannibalisation is not a concern. And the opportunity is huge. And the opportunity is to stop talking to ourselves and do what firms are increasingly doing: reach out to the real world and say, ‘Hey... wanna play?’

Because there is some potentially very exciting stuff here for non-financial services providers to play with. Stuff that gives value to their shareholders and the customers. And the advantage is that you don’t need to understand card issuing to offer a branded, blended loyalty credit card to your customers loaded with offerings that go beyond a competitive APR.

You need to know your customers and find a partner who is good at the geeky stuff. I would suggest that the embedded finance capability currently available in the market is way more mature than the available use cases suggest.

The use cases are boring. Remember the first time you heard about Uber or Klarna and went, “Wait... What?” The use cases we have seen so far have lacked creativity. They have been dull. They have lacked creativity. So, getting the real economy engaged in thinking through the art of the possible is a case of ‘about time’.

But make no mistake: although the opportunity is universal, the field is not even, because the ability to execute is not equal among all players. A combination of legacy constraints, leadership constraints and imagination deficits makes it all a rather unfair race. So, if you are entering this space bursting with ideas, you should double down on the unfair advantage of picking a partner that is sea-worthy and ready.
Incumbent banks don’t have that option, by the way, because for better or worse, they are lumbered with themselves, so they need to make some hard decisions about opportunity size, opportunity cost and speed of execution constraints. It is possible. But it is harder.

For consumer brands entering this arena, it’s a different story. They can pick partners that don’t slow them down. And it’s an almighty advantage to leave untapped.

If you can avoid the people talking to themselves, dodging the proverbial elephant in the room we just discussed… why wouldn’t you?

Plus… there was a second elephant in that room. And we all need to be mindful of that.

If the first elephant is the fact that this shiny toy isn’t easily accessible to all when it comes to service providers, the second elephant is that this shiny toy may be dangerously accessible to all when it comes to consumers.

Everyone knows that when you get into an Uber you will pay a fare.

Many have learned the hard way that your express checkout for Amazon is exactly that, and although you thought you had a bit more time to make up your mind fully, you are now the proud owner of 1.2 flaringo shaped martini glasses. Next time, you will know.

But about half (46%) of the young people (aged between 18 and 34) in the UK are unaware that they can get into debt using BNPL products… and they are further unaware that a BNPL instrument is very, very similar to an unsecured loan, albeit not regulated the same way.

This research was quoted in This is Money in March 2024 by the way, in case you were wondering if anyone could get into debt using BNPL products.

At the time, you will know.

But the learning and trust curve of the consumers for the new service had been completed. They could absolutely believe it was real and quick. The egg timer was scrapped.

The lesson here is that people learn fast. So, teaching them is a realistic option. And I would argue, if we are going to embed choices of some complexity, teaching them as to what those options are... what the choices they are making and the alternatives available to them... is a duty.

An embedded world is one of high levels of cooperation and trust. Between providers and their partners... and between providers and their customers.

We have the tech to work wonders. An embedded world is an interconnected and interdependent world. It is a world where trust is essential and needs to be constantly renewed. And as we go through working through the exciting new use cases and the art of the possible... as we try to take the likes of my sister away from the space of this isn't new to me to a space of hey, that's cool; we have a duty to keep the conversation ever-widening, sparing the folks who don't care about the excruciating detail but never assuming that the foundational trust of our partners or consumers can ever be glossed over in the small print.

Because in embedded finance, trust is not just a parameter… it is the whole ball game.

Leda Glyptis is FinTech Futures resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption. She is a recovering banker, seasoned provocateur, and long term resident of the banking ecosystem. She is also a published author – her first book, Bankers Like Us: Dispatches from an Industry in Flux can be found here.

All opinions are her own. You can’t have them – but you are welcome to debate and comment. Follow Leda on LinkedIn (LedaGlyptis) and on Twitter @LedaGlyptis. Visit our website for more other articles.

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The Asian CBDC is ready to bloom

By Cameron Emanuel-Burns, reporter, FinTech Futures

As some parts of the world continue to deliberate the feasibility and consequences of adopting central bank digital currencies (CBDCs), 2023 witnessed Asia surge ahead of the pack in terms of development and implementation. What has motivated Asian nations to take the lead in the global pursuit of CBDCs and how is the region accomplishing its goals?

GLOBAL CBDC SUMMARY

CBDCs fall into two categories: retail and wholesale. Retail CBDCs are accessible by members of the public, whereas wholesale CBDCs are only accessible for use by a select group of financial institutions, primarily for border transactions for corporate entities. But we are still in the infancy of CBDC adoption. At the time of writing, only the Bahamas, Jamaica and Nigeria have a fully live CBDC in operation, all of which are retail. Nations such as the US and UK are lagging in the CBDC race. Just last month, Jerome Powell, chairman of the US Federal Reserve, was quoted as saying that the Fed is “nowhere near recommending, let alone adopting a CBDC, while the Bank of England and HM Treasury say “no final decision has been made to pursue a digital pound” in the UK, adding that “work will continue during the design phase exploring its feasibility and potential design choices.”

Meanwhile, in Asia where we’re witnessing some of the most significant leaps forward in CBDC development, the Monetary Authority of Singapore (MAS) has previously said that there is “no pressing need” for a retail CBDC in the country. This is in line with the interpretation of HSBC’s Nicholas Soo, who says the “use case for a retail CBDC is not as apparent” as its wholesale counterpart.

However, in 2022, MAS launched Project Orchid, which delved into the potential applications of a purpose-bound digital Singapore dollar (SGD) and the necessary supporting tech. While not a CBDC trial per se, it represents MAS’s exploration into the infrastructure required to facilitate digital currency transactions in the future.

MAS’s chief fintech officer, Sopnendu Mohanty, notes that “wholesale digital currencies offer efficiency gains across a broad spectrum of cross-border use cases,” underscoring the extensive exploration by the Singapore central bank in this area. In late 2022, the financial institution unveiled its Ubir万里 project, which builds upon the foundations established with the original scheme (Project Ubin 2016-2020), aimed at enhancing the country’s capacity to utilise digital currency-based infrastructure for cross-border transactions.

India

According to PwC, India leads the way in CBDC adoption thanks to its work on the digital rupee. In contrast to the preceding examples, which have primarily focused on wholesale projects, India has taken a different approach.

While also implementing a wholesale scheme of its own, the country has made significant strides with its pilot for a retail CBDC, known as the digital rupee (or e-rupee), launched by the Reserve Bank of India (RBI) in December 2022. India’s government believes that a retail CBDC will foster financial inclusion and advance the nation towards a cashless economy.

Throughout 2023, the RBI expanded its retail CBDC initiatives, uncovering numerous relevant use cases such as interoperability with UPI and offline capabilities. There is an anticipation that the country will issue a fully operational retail CBDC in 2024.

WHY IS CBDC ADOPTION A PRIORITY FOR ASIAN COUNTRIES?

Asian nations are emerging at the top of the most recent indexes for CBDC development, so what factors could be driving the push for CBDC usage in the continent?

Promoting financial inclusion

For developing nations in Asia, such as Cambodia, Laos and Myanmar, CBDCs serve as a “beacon of hope” for enhancing financial inclusion, according to the authors of the paper Asian CBDCs on the rise: An in-depth analysis of developments and implications in the Journal for Quantitative Finance and Economics. This is a result of new digital currencies enabling peer-to-peer transactions among individuals without requiring traditional bank accounts or internet connectivity.

Additionally, the paper suggests that a retail CBDC in the region could help promote inclusion by offering affordable payment alternatives.

Combating US dollar hegemony

Asian markets are recognising the potential of CBDCs to reduce reliance on the US dollar in bilateral transactions. As outlined in The Diplomat, numerous emerging markets in Asia struggle with weak currencies, particularly when it comes to engaging in international trade or obtaining corporate or government debt.

Typically, these markets are compelled to conduct trade and borrowing transactions in US dollars, which can be detrimental when repaying debts in dollars with a depreciated currency. CBDCs offer these countries the ability to settle debts by directly transferring digital currencies, therefore circumventing the use of dollars.

Safeguarding financial integrity

For emerging Asian economies, CBDCs offer the potential to decrease expenses linked with physical cash and coin management. By reducing dependence on paper currency, CBDCs will save states from costs related to distribution, issuance, printing, and storage. Furthermore, they present the opportunity to mitigate financial crime and counterfeiting risks, thereby safeguarding the financial integrity of these developing economies.

India serves as a prime example of this, as in 2016, the government demonetised two banknotes, which accounted for 86% of all currency in circulation, as part of an initiative to combat financial crime and undeclared wealth.

CONCLUDING THOUGHTS

It’s clear that the adoption of a CBDC, whether retail or wholesale, holds many advantages for countries in the region. These include fostering financial inclusion and innovating cross-border payments.

However, the quick implementation of any new digital currency carries inherent risks, including cybersecurity threats, the growing need to enhance public digital literacy and the intrinsic vulnerabilities of technological infrastructures.

Moreover, as Soo warns: “While interest in CBDCs is growing, so is the risk of fragmentation.” Although banks and regulators have been seen to work together in various pilot schemes, they each have different motives for experimenting with this new form of cash. Soo says the race we are witnessing in Asia is creating a “wider range of technologies and standards,” adding that countries and financial institutions must continue to cooperate while keeping “interoperability in mind.”

When attempting to forecast the future of CBDCs in Asia, only time will tell. If executed successfully, both the established and burgeoning economies within the region stand to gain from the advantages ushered in by tokenisation and CBDCs.
Plastic and dollars
By Dave Wallace

The theme of this year’s Earth Day, which took place on 22 April, was ‘planet vs plastics’, with Earthday.org, the NGO behind Earth Day, demanding a 60% reduction in the production of all plastics by 2040 and advocating for widespread awareness of the health risks they pose.

I am a strong supporter of this movement. When I was a child, I lived in Fiji, which was a beautiful place for a ten-year-old. It felt like paradise to me. We used to spend most of our free time snorkelling on the magnificent virgin reefs that surrounded the islands. I vividly remember the coral reefs were unspoiled by plastic. That there was no plastic pollution at all. We believe in Earthday.org, the NGO that took place on 22 April, was ‘planet vs plastics’.

The need for regulation is one of the many similarities the plastics industry shares with the world of finance. There are many more. Both have brought about significant changes that have fast-tracked us through catastrophic environmental degradation on an incredible scale.

According to Tony Worby, chief scientist of the Australian National University, “We recycle in our house, but as I read the packaging of our food, I am beginning to realise just how little plastic is truly recyclable. Only around 9% of all plastics ever produced have been recycled. Much of our plastic waste ends up in far-flung places worldwide, leading to catastrophic environmental degradation on an incredible scale.”

SOUND FAMILIAR?

It is a primary driver of consumerism, with corporations profiting and creating shareholder value because of what it has enabled. This has come at a cost. It is tough to get rid of it, so nature is being devastated by plastic pollution. Sure, there have been emergent trends, such as recycling and the ability to trade in plastic waste. We recycle in our house, but as I read the packaging of our food, I am beginning to realise just how little plastic is truly recyclable. Only around 9% of all plastics ever produced have been recycled. Much of our plastic waste ends up in far-flung places worldwide, leading to catastrophic environmental degradation on an incredible scale.

According to Tony Worby, chief scientist for the Minderoo Foundation (which campaigns for plastic-free oceans), we are far from peak plastic. In fact, the forecasted growth in plastic is alarming, with projections indicating plastic waste is on track to almost triple by 2060.

So, the cynic in me sometimes wonders if recycling is a classic case of sand-throwing, and we’re all too busy blinking to see how little difference recycling makes. I urge you to read the packaging of the products you buy and see what it says. Sadly, you will realise just how little is genuinely recyclable.

Plastic has developed its own life and narrative, and the punchline could be better. We will face a plastic future until companies limit or even abandon its use for consumer activities. But that means enormous sacrifices for all of us. But it also requires regulation.

CAN YOU IMAGINE A PLASTIC-FREE WORLD?

Plastic is essential to modern society. In many ways, it is a force for good, with whole societies developing and transforming because of its incredible properties. But like many things in life, its strengths are also its weaknesses. It is a primary driver of consumerism, with corporations profiting and creating shareholder value because of what it has enabled. This has come at a cost. It is tough to get rid of it, so nature is being devastated by plastic pollution.

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By Philip Benton, senior fintech analyst, Omdia

This issue, I’m stepping on the toes of fellow FinTech Futures columnist Dharmesh Mistry, who covers core banking in detail for his column and podcast.

To define core banking, Dharmesh uses Acronym Finder’s definition of “centralised online real-time exchange” and explains core banking technology as “software that manages accounts – be that your current account, deposit or loans. Each time money is taken out, core banking debits your account, and when money is put in, a credit is applied.”

I would go one step further and add that core banking is a backend system that financial institutions use to fully manage customers’ operations by centralising all required components and is the fundamental system of record for customer information. Core banking systems are often described as the ‘single source of truth’ for banks, but the problem is that banks have ended up, over time, with multiple core systems across their product lines (deposits, loans, mortgages and so on), and there is no longer a ‘single’ source of truth.

LEGACY CORE BANKING SYSTEMS ARE NO LONGER FIT FOR PURPOSE

Many banks have been reluctant to modernise their core banking infrastructure because of complexity, cost and risk. When they’ve had to comply with new regulatory changes or support some enhancement of their existing services, they have usually just updated and patched their existing system, making sacrifices, taking shortcuts or using workarounds to meet delivery deadlines and budget constraints.

These sacrifices eventually mount up and cause a technical debt within their core banking infrastructure, hampering their ability not only to innovate and respond to dynamic market requirements, but also to efficiently deliver services and accommodate volume increases because of their aging technology.

According to Omdia’s Retail Banking Survey, more than 64% of banks’ global technology budget is spent on maintaining existing legacy technology and just 36% is allocated to either growing or transforming their technology. In the same survey, banks indicated they are most worried about ‘customer management’, with 45% listing it as one of their top three business concerns.

However, there is a desire among banks to invest in core banking infrastructure, with 38% of respondents indicating that the leading factor in their decision to upgrade their core banking system is to ‘create a consolidated customer view.’ This is highlighted in the chart below.

CLOUD INFRASTRUCTURE IS A BIG FACTOR IN BANKS RECOGNISING THE URGENT NEED TO UPGRADE

The shift to cloud-based applications across financial services has been swift, especially in core banking. These upgraded core systems have seen a number of new cloud-native digital banks emerge. This has forced incumbent banks to accelerate plans to upgrade their core banking systems. According to Omdia’s Banking Software Contract Analytics (BSCA), core banking was the most common primary system selected for upgrade during 2021, accounting for 187 deals, representing 28% of overall banking contract activity.

The first generation of core banking systems was generally only used by incumbent financial institutions with complex needs, whereas today, core banking systems need to cater to both the simpler needs of neobanks and the more complex requirements of larger institutions.

Over the past five years, we have seen a new generation of core banking systems emerge, which have been built leveraging cloud-native functionality, open-source languages and modern coding standards to enable continuous integration and continuous deployment and, ultimately, accelerate the ease and speed of bringing new products to the market.

The architecture of these platforms is microservices-led and event-driven to enable financial institutions to embrace a new world of composable banking. Composable banking is about giving the bank the freedom to deploy modules independently, without vendor lock-in, and easily integrate multiple external systems driven through APIs.

‘BIG BANG’ MIGRATIONS ARE NO LONGER THE NORM, LOWERING MARKET ENTRY FOR NEW VENDORS

Last year, Omdia published a comprehensive report that evaluates both the new and legacy vendors that provide cloud-based core banking platforms. Our research findings show that the “big bang” approach of migrating completely to a new platform is no longer the norm, with many banks opting to adopt a phased “side car” migration by moving specific products or locations. This latter approach can take longer, requiring ongoing testing and rollout of new capabilities, but is considered less risky.

Some of the newer vendors to enter the cloud-based core banking market (Thought Machine, 10x, Pismo and so on) have taken the approach of enabling composable banking through a “thin core”, whereby they provide a narrower set of functionalities but make it easier to integrate broader capabilities through a wider partner ecosystem of niche solution providers.

This approach is viable as long as the vendor is able to provide a “golden” source of truth whereby data is easily shareable across the banking group, and the core banking solution can provide real-time transaction processing, settlement and performance at scale.

The vendor landscape is constantly evolving, with providers aiming to strengthen their position through M&A activity, fundraising or partnerships to capitalise on the expected growth in demand for modern core banking.
To find out more, talk to:

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platforms. Fiserv acquired Finxact in 2022 in order to accelerate the modernisation efforts of its clients and prospects and appeal to a broader client base. In January 2024, Visa completed its acquisition of Pismo, which will expand the vendor’s global footprint.

A growing number of banks are also investing in core banking vendors as they look to shape the overall direction of core banking software and innovation. Some banks have even spun out their core banking technology as a new division to sell to other banks, including Engine by Starling and XYB by Monese.

CORE BANKING REQUIRES CONTINUOUS UPDATES WITH SAAS INCREASINGLY IN DEMAND

Demanding customer expectations, growing competition from fintechs and increasing regulatory pressures (stemming from areas such as data privacy and open banking) will continue to play a part in the transformation of financial services. Despite macroeconomic uncertainty and cost-cutting pressures, investment in technology will continue to be the utmost priority for the industry, with banks looking to increase their IT spending with a focus on core banking systems. As such, the industry is now shifting to Software-as-a-Service (SaaS) and cloud-native models, which can facilitate innovation while simultaneously removing obstacles to integration with the wider fintech ecosystem.

Many banks remain wary of embarking on transforming their core banking system due to fear of the significant time and investment required before generating a return. However, many vendors look to overcome this obstacle by supporting a ‘side car’ approach, whereby enabling the new core to run parallel to the existing core by migrating certain products, locations, customers or lines of business. However, every bank’s needs are different, and so a one-size-fits-all approach will not be suitable for all. Banks should assess their existing capabilities, customer needs and operational risk and, in relation to market trends, select the vendor and platform most relevant to their business and technical goals.

For all financial institutions, one of the biggest challenges is keeping pace with constant change. To capitalise on new opportunities and be ready for the unexpected, banks need to have systems in place to support a flexible and agile approach to product development that allows for speed-to-market, with core banking being ‘core’ to it all.

Philip Benton is a principal fintech analyst at Omdia and writes analysis on the issues driving technological change in financial services. Follow him on LinkedIn and X (@bentonfintech)

Top three drivers for IT investment in core banking

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<th>Top priority</th>
<th>Second priority</th>
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<td>Creating a consolidated customer view</td>
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<td>Improving straight-through processing</td>
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<td>Providing enhanced customer service</td>
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<td>Developing more innovative products</td>
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<td>Redefining and streamlining processes</td>
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<td>Enabling quicker product creation and launch</td>
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<td>Incorporating regulatory change more easily</td>
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<td>Standardising your bank’s operating model</td>
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<td>Supporting your open banking strategy</td>
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Sample size: 337
Question: What are the top three drivers for IT investment in core banking systems in your organisation?

Vertical: Retail Banking
Primary business line: All
Country: All
Enterprise size: All
Source: Omdia
The real cost of cloud banking

By Dharmesh Mistry

In theory, economies of scale mean lower cost. This is the theory behind cloud adoption, too. However, lower costs in the cloud are not realised by simply moving existing software to the cloud, as too many banks are finding out. Some are now even looking to move back on premise.

As I have mentioned in previous articles, you have to design your products for the cloud. Simply putting your old software in a container and deploying to the cloud will not yield huge savings unless you are closing down data centres at the same time. And even then, the gains will be marginalised.

However, cloud platform providers are after all, like any other business, here to sell you as much as possible. First, they make it really easy and inexpensive for you to play with new technology. A click of some options and a few lines of code and hey presto, your solution now has AI built in. And all it cost you was the developers’ time, maybe half a day, right?

Wrong. The cost is in using this software, not developing with it. For each service, there are a number of parameters. From a developer’s standpoint, they are simply tasked to get something working. Billing is somebody else’s issue, right? Wrong again. When it comes to costs based on resources, processor, memory and storage, this has to be a combination of technical and business/finance. However, as I have previously found out, these decisions are not easy for either side.

I remember when I worked at a bank developing Windows applications to run on 286/386 Intel PCs with 2MB of memory. We could still run five to six applications. Then along came Visual Basic, which made it much faster to write our Windows apps but required us to upgrade all our 40,000 PCs with more memory.

Although compute and memory costs have come down and capacities have gone up over the years, the fact is an inefficient piece of software will still cost you more today than a well-designed, optimised one. Before it was a simple case of running your software and checking how much memory you were using. With cloud, the pricing may be transparent, but the options available and cost calculation are much more complex.

Such is the complexity involved with cloud costs that many banks bring in specialists to help them optimise their spend. In fact, it’s not only banks, but banking software providers too. Cloud cost optimisation is a fine art that requires time and expertise to fully understand.

It would be easy to blame developers, but I’ve never seen business requirements that state that applications should minimise their memory use or use the least expensive type of storage. I’ve been in the position of ‘the business’ needing to make decisions on requirements for storage options, and these decisions aren’t easy, even for someone with a technical background. In defence of cloud providers, their pricing is transparent. However, it could be argued that some provide too many options and encourage developers to utilise too many components. All of this has led to the creation of FinOps, which essentially is the combination of financial management and cloud engineering/operations teams to reduce costs.

This issue, I’m just saying that simply moving old software to the cloud will not necessarily save you much money. Even writing software for the cloud may not save you money, unless you make smart decisions upfront and really design for optimum cost efficiency as well as other technical requirements (scale, security, performance and so on).

In the meantime, it’s worth getting cloud cost optimisation experts in who can tell you how many millions your company could save.
Ramp has raised $150 million in a Series D-2 funding round at an increased valuation of $7.65 billion. The funding round was co-led by Founders Fund and Khosla Ventures with additional backing from new investors Greylock, Bupa, and the NHS. The funding round was also supported by existing investors Founders Fund and others, including Airtame, Bupa, and the NHS. Ramp’s platform allows employers to offer their workforce access to an interactive payslip, enabling employees to “choose when they get paid, save directly from their pay, save money on bills and get free debt advice.”

Ramp was also acquired by Venmo in a deal valued at $4 billion. The acquisition will allow Venmo to expand its product offerings to include Ramp’s corporate card and expense management services. Ramp was founded in 2019 and is headquartered in New York, USA.

Wealthtech start-up Midas has secured $45 million in equity funding to expand its product portfolio. The Series A was led by Toronto-based VC Portage, with participation from Earlybird Digital East Fund, International Finance Corporation, Spark Capital and Revo Capital (which previously participated in Midas’ $11 million seed round in 2022). The new funding will enable Midas, which hit profitability for the first time last year, to introduce three new product offerings: mutual funds, savings accounts and crypto trading.

Established in 2020, Midas endeavours to fill a perceived gap in the market for first-time investors in Turkey who are interested in investing in US stocks, with its stock brokerage app currently serving two million users.

Pomelo has raised $35 million in a Series A funding round while also securing an additional $75 million for its warehouse facility. The round was supported by Vy Capital and existing backers A* Capital and Founders Fund. This latest cash injection brings the San Francisco-based start-up’s total funds raised to date to $55 million in equity capital and $125 million for its warehouse facility, adding to the $70 million raised as part of a seed funding round in 2022, which comprised of $20 million in venture capital and $50 million in credit facility. Founded in 2019, Pomelo claims to be the first consumer fintech to enable international money movement with consumer credit, with its platform offering a remittance service that allows immigrants to send money instantly with either a secured or unsecured credit line.

UK fintech Wagestream has landed a fresh £17.5 million investment as it looks to build out its financial benefits platform for low and middle-income earners. The round includes funding from the fintech’s existing investor Northzone – which also contributed to its $175 million Series C in 2022 – as well as new investors Lombard Odier Investment Managers and British Business Bank subsidiary British Patient Capital. Wagestream’s platform allows employers to offer their workforce access to a “complete financial platform.” It will add new services in the course of this year, such as a credit-builder card for those with unfavourable credit scores, shopping discounts to counter inflationary pressures, loans and an AI-powered financial advice coach.

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In each episode Dave Wallace & Dharm Mistry bring in guests who are true movers & shakers in the industry. Dive into the hottest trends & technologies and hear CEO’s to innovators discuss their cutting-edge ideas & unique perspectives.

Zafin, a Canada-based provider of SaaS core modernisation solutions for banks and credit unions, has appointed Charbel Safadi as its new CEO, following his five-month stint as Zafin’s group president (and a year before that as president). Company founder Al Karim Sonji has stepped down from his CEO role after more than two decades. He will remain a member of Zafin’s board of directors.

Prior to Zafin, Safadi ascended through the ranks at tech giant IBM, where he most recently held the role of senior partner and business transformation services leader for IBM Canada. He was also chief technology officer (CTO) for IBM iX, a digital experience consultancy and design studio.

The leadership transition follows Zafin’s acquisition by Swedish private equity firm Nordic Capital earlier this year.

B2B payments platform Nium has named former Bank of America exec Alexandra Johnson as its first chief payments officer (CPO).

Johnson previously served as the head of new product development and innovation at Bank of America. Prior to that, she held the position of executive director at JP Morgan Chase, overseeing global FX product go-to-market, commercialisation and partnerships.

APPOINTMENTS

Tune in to the Dave & Dharm Demystify podcast

In each episode Dave Wallace & Dharm Mistry bring in guests who are true movers & shakers in the industry. Dive into the hottest trends & technologies and hear CEO’s to innovators discuss their cutting-edge ideas & unique perspectives.

PODCAST

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In the last couple of months, we have seen Sam Altman on a trip to the Middle East trying to raise $7 trillion to reshape the computer chip industry to support AI applications, while Saudi Arabia is planning to launch a $40 billion venture fund focused on AI.

Meanwhile, Y Combinator, the Palo Alto-based accelerator, saw over-subscribed interest from VCs in their latest cohort, of which 50% of the start-ups were working with AI.

The question is, how much of this capital will see return from the billions invested? A useful guide is to review earlier technology waves and see what was successful during their evolutionary journey.

While the application layer (for example, ChatGPT) dominates the spotlight, the picks and shovels are critical aspects of infrastructure investments that have consistently delivered higher overall returns.

These are the enablers that support and facilitate the growth of applications, which in other technology waves were cloud infrastructure providers, cybersecurity firms and data analytics companies.

Perhaps this time the laws of gravity will change and over-investment will match rising demand – but don’t bet on it.

“SPRING FEVER”
Cartoon by Ian Foley

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