banking technology

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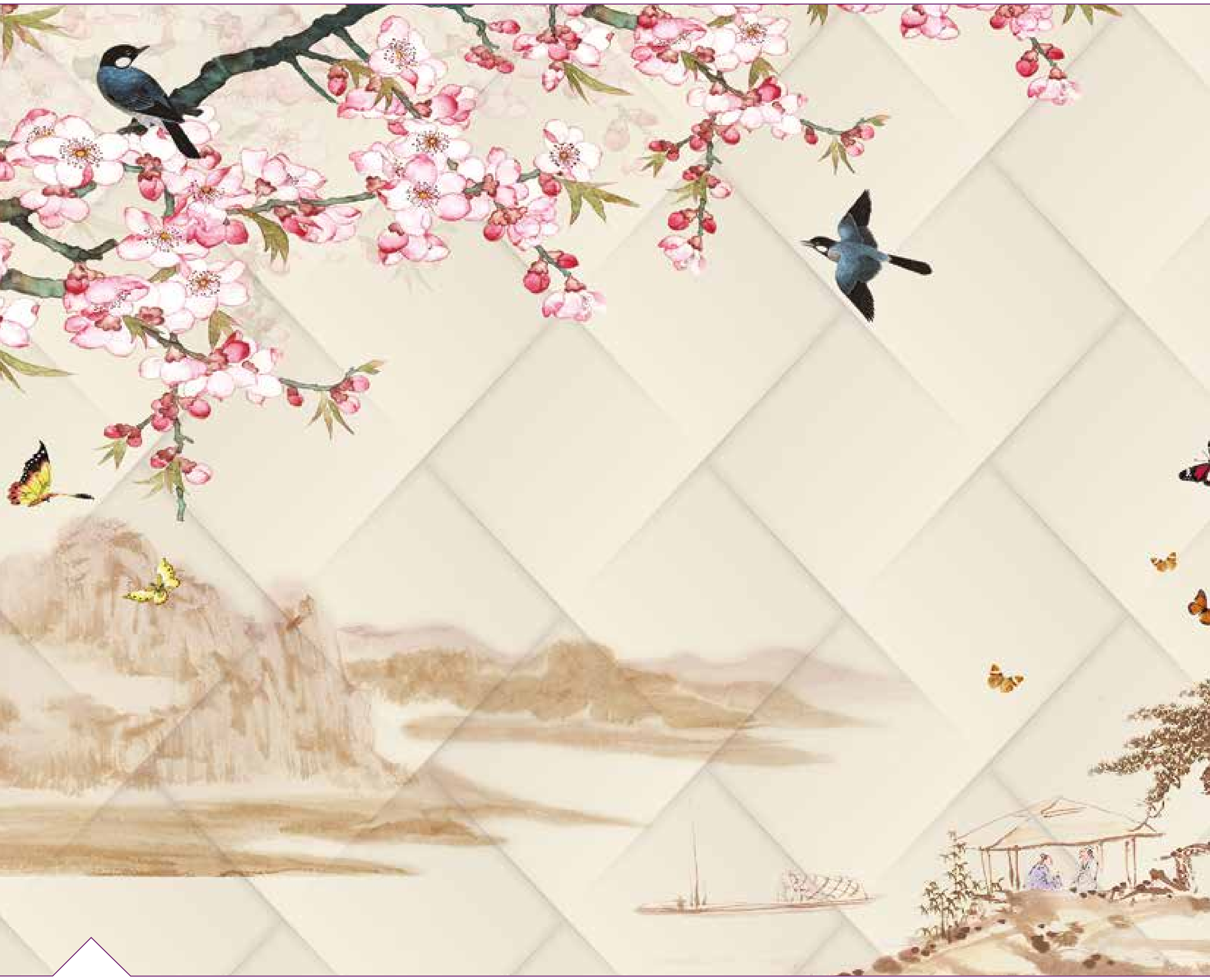

BREAKING WITH TRADITION
How Minna Bank is disrupting the Japanese system

UPSIDE DOWN
Operational excellence must be built on data

DEBT GETS PERSONAL
Tech can build trust between collector and debtor

Produced by
FINTECH FUTURES

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REGULARS

EDITOR'S NOTE

Tanya Andreasyan
Managing Director &
Editor-in-Chief,
FinTech Futures

There will be no slowing down for summer in the challenger banks world!

The latest month has brought the news of JP Morgan Chase buying a 40% stake in Brazil's start-up C6 Bank, a full-service digital bank launched in 2019 and already boasting seven million customers.

In the UK, JP Morgan snapped up wealthtech Nutmeg, the country's largest digital wealth manager. The value of the deal is understood to be around £500-700 million. Nutmeg will complement the upcoming launch of JP Morgan's own digital bank in the UK, Chase.

In the Middle East, Saudi Arabia has granted two digital banking licences to new financial services firms – one run by a telco and the other by a real estate firm.

In Australia, neobanks Volt and Judo raised new funds. Volt secured AUD 15 million in an extended Series E round from mortgage firm Australian Finance Group (which also obtained an 8% stake in Volt). Judo raised AUD 124 million in equity, hitting an AUD 1.9 billion valuation and hinting at a possible float.

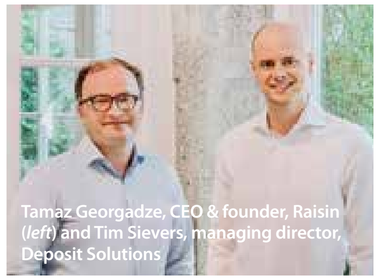
In India, FamPay is building the country's first neobank for teenagers – around 40% of the Indian population is below 18. It already claims two million registered users in the eight months since its launch and has recently raised $38 million in Series A (you can read more about FamPay's raise on p26-29, as well as other notable fintech funding stories from around the world).

In Japan, digital start-up Minna Bank is keen to disrupt the traditionally conservative domestic market. Furthermore, it intends to turn its in-house and Accenture built core system into a commercial offering in its own right (read our exclusive interview with the bank's president and COO on p16).

As always, there is lots more from the world of banking and tech on the pages of the magazine. And, as always, we hope you find this edition of *Banking Technology* interesting, informative and useful!

NEWS ROUND-UP

Raisin and Deposit Solutions merge to create pan-Euro fintech giant



Tamaz Georgadze, CEO & founder, Raisin (*left*) and Tim Sievers, managing director, Deposit Solutions

German fintech rivals, Deposit Solutions and Raisin, have completed a merger creating a pan-European firm with lofty US ambitions. The firms have spent a year preparing the deal.

Deposit Solutions operates deposit marketplaces for more than 150 partners, connecting them with deposit-taking banks from across Europe.

Raisin offers consumers access to deposit products, and also provides exchange-traded funds (ETF) portfolios and ETF-based pension products.

The merged entity – Raisin DS – operates its own B2C platforms across Europe under the Raisin, WeltSparen, Savedo and Zinspilot brands, and in the US under the SaveBetter brand. It has a customer base of 400 banks and financial services providers from more than 30 countries and 550,000 direct customers. In June, Raisin signed Dallas-based MapleMark Bank as its first US partner for its Savings-as-a-Service platform.

Saudi Arabia grants first digital banking licences

The Saudi Arabian regulator has granted two digital banking licences to new financial services firms in the country. One recipient is STC Pay, founded by the kingdom's largest mobile phone operator Saudi Telecom. Launched in 2018, it will now be converted into a digital bank – called STC Bank – with capital of $667 million. Saudi Telecom will invest a further $213 million into the new bank. STC currently allows users to pay for services, pay bills, share money and send cash internationally through a partnership with Western Union.

The second firm to nab a banking licence is an as-yet unnamed digital bank run by real estate firm Abdulrahman Saad Al Rashid & Sons (ARTAR). This new bank will launch with a paid-up capital of $400 million.

Saudi Arabia has set a focus around financial services innovation for its Saudi Vision 2030 project. This includes plans to go live with open banking protocols in early 2022, launch a new small business-focused development bank and develop a new real-time payments system with IBM and Mastercard.

Visa to acquire open banking platform Tink in €1.8bn deal

Payments giant Visa has signed a definitive agreement to acquire European open banking platform Tink for €1.8 billion.

Swedish fintech Tink enables financial institutions and merchants to build tailored financial management tools, products and services for European consumers and businesses based on their financial data.

Tink will retain its brand and team, and its headquarters will remain in Stockholm, Sweden.

The deal, which is subject to regulatory approvals and other customary closing conditions, comes after Visa and Plaid had to call off their $5.3 billion merger earlier this year following pressure from US regulators.

Oracle wins core banking software deal with Ethiopia's ZamZam

ZamZam Bank, Ethiopia's first Islamic bank, has selected Oracle FS and its Flexcube core banking system. The bank gained its full-fledged Islamic banking licence in October last year. This followed an initiative from the Ethiopian government and central bank aiming to establish Islamic lenders. Integration firm Profinch is handling the implementation of the Oracle system. It has worked with the vendor on previous African deployments, including Sudan's Nile Bank.

FinTech Futures understands Flexcube won out in a competitive tender including ICSFS, ITS and Path Solutions. Oracle FS has won a pair of other Flexcube deals this year, in Rabobank Brazil and Somalian Islamic bank Bushra Business Bank (BB Bank).

Novus partners Visa and Railsbank to launch sustainability app

London-based fintech Novus has teamed up with Visa and Railsbank to launch its new digital banking app.

The app will reward "conscious consumers" for sustainable purchasing choices as it bids to "embark on a revolution of purpose-driven, digital banking". Users will be given impact points that can be spent, saved and tracked via the app. They can then choose to use their impact points to support charities focusing on issues like gender inequality, world hunger and ocean pollution.

The app includes a marketplace featuring a number of ethical and sustainable brands and also allows users to track and offset their carbon footprint based on their card activity.

The app, which Novus claims currently has 15,000 people on the waitlist, will be available this summer.

Lloyds announces 44 UK branch closures, brings total up to 100

Lloyds Banking Group has announced its intention to close 44 branches in the UK, a result of customers moving to digital channels. This is in addition to its last year's announcement earmarking 56 locations for shut down.

Caren Evans, national officer of UK union Unite, calls the decision "baffling", and says that local ATMs are not suitable replacements for a fully-staffed branch.

"Unite does not view the bank branch network as a disposable commodity and the union believes that the branch network has a value far beyond its immediate commerciality," she says. "Unite wants to see Lloyds Banking Group invest in the branch network and commit to a meaningful presence in our communities."

The bank has spent a total of £4 billion on technology under its latest three-year digital transformation programme. Called GSR3, it concluded in December 2020 and included a 40% increased spend on digital.

Lloyds' digitally active customers increased by one million in 2020, a 6.1% rise, while mobile app users sat at 12.5 million.

Wise confirms direct listing on LSE at estimated £9bn value

Payments and FX fintech Wise (formerly TransferWise) is joining the London stock market. The listing, one of the largest this year, is expected to value Wise at upwards of £9 billion.

Wise plans to list directly on the London Stock Exchange (LSE), a strategy that enables the market to find the right level of value. The listing will be the first of its kind for a technology firm on the LSE.

Wise also plans to establish a customer shareholder programme, OwnWise, providing participants with the chance to receive bonus shares in Wise, representing 5% of the value of the shares they buy and hold for at least 12 months.

The firm, founded in 2011, originally started as a money transfer service between international consumers. Since then, the fintech has raised more than $1 billion in funding across 12 rounds. It also has some nine million customers and employs 2,200 people.

Société Générale in banking tech revamp with Temenos

Société Générale has selected Temenos to modernise the account management and payment systems of its Global Transaction Banking division across 13 countries in Europe and Asia. The Tier 1 bank is swapping existing legacy systems with Temenos Transact for corporate banking and Temenos Payments for payments.

Philippe Morère, global CIO and deputy COO for Société Générale global business and investor solutions, calls Temenos' platform a "proven solution". He adds: "A big advantage of Temenos is the ability to operate a unified platform on-premise or on the cloud."

Temenos CEO Max Chuard says the bank's choice of new technology and supplier demonstrates Temenos' "technology leadership" and "shared vision to make banking better".

FINTECH FEED

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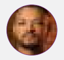
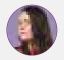


Steven Bartlett
@SteveBartlettSC

This is a CRAZY story

The CEO of Starling bank allegedly fired the entire team immediately after @t_blom quit...

The fired employees then spent 2 days in a bar, made a plan and founded @monzo - this will be a movie one day without a doubt



Liz Giorgi
@lizgiorgi

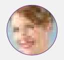
I hate to admit it… but it's been months.

I'm genuinely beat down and sad in my bones about the amount of sexism in startups and VC.

My heart is so tired. My spirit so sad.

I will always keep going.

But it doesn't mean women aren't silently paying an emotional tax.

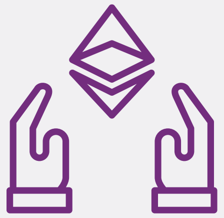


Sonya Dreizler
@SonyaDreizler

If you adopt the "move fast and break things" philosophy, be careful that the "things" you break aren't relationships.

Finance is a people business.

THE NUMBER GAMES



2.3 million

adults in the UK hold cryptoassets, according to a research by the Financial Conduct Authority (FCA), up 21% compared with last year

$4 billion

valuation anticipated for US-based banking app Dave (backed by billionaire Mark Cuban) as a result of a merger with a special-purpose acquisition company (SPAC) to become a publicly traded company

11 banks

have trialled a new solution for intraday foreign exchange (FX) swaps, built by London-based firm Finetum; NatWest Group and Deutsche Bank among these

30 years

Standard Bank has been working with Microsoft, with the relationship now extended to move the South African bank's workloads, applications and platforms to the Microsoft Azure cloud

$135 million

will be invested by PayPal into financial institutions and management funds that help underserved communities of colour to fight barriers to economic equity

4 times

oversubscribed was the Series C funding round of Germany-based digital insurer Wefox, raising $650 million

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

THEY SAID IT…

"Wise is used to challenging convention, and this listing is no exception. A direct listing allows us a cheaper and more transparent way to broaden Wise's ownership, aligned with our mission."

Kristo Käärmann, Wise CEO and co-founder, on Wise's upcoming direct listing on LSE

TRENDING

Help blossoms

A new financial services app is set to launch in the UK aiming to foster a community-led approach to helping recent migrants. Bloom Money describes itself as the app built "by migrants, for migrants". The firm says it wants to help answer the question of how the sector can better serve those moving between nations.

"We believe that every person deserves to live a dignified and prosperous life regardless of where they come from in the world," it writes on its website. "We provide the tools and environment to help our customers grow healthy financial lives so that they can pass the seeds of prosperity to their loved ones and community in turn."

Bloom Money will offer what it calls "circles" – communities in which users can borrow, save or withdraw cash. Customers can find circles based on their needs. They can search available circles by total amount, deposits per month or number of months, then choose which month they wish to withdraw. Withdrawals can be achieved through the connection of an existing bank account.

On the right Path

Mastercard has launched a new programme, part of the company's Start Path initiative, that aims to give minority-led start-ups access to the support and funding necessary to scale.

Start Path participants will receive direct access to the company's channels, customers and product teams as well as tools to uncover co-innovation and growth opportunities. All start-ups will also be paired with a dedicated Start Path sponsor who will work to ensure they receive relevant support, as well as a Mastercard mentor whose expertise matches their business area. The firm will consider grants or investments in participating start-ups on a case-by-case basis.

The initiative is part of Mastercard's In Solidarity commitment of $500 million in products, services, technology and financial support to help close the racial wealth and opportunity gap.

NY charter gets green light

An appeals court panel has overturned a New York ruling that allowed the state's financial services regulator to block the ambitious "Fintech Charter". The Second Circuit Court has ruled the Office of the Comptroller of the Currency (OCC) can grant special purpose bank charters to non-depository institutions.

This overturns a decision from 2019 involving the New York Department of Financial Services (NYDFS), which ruled the OCC's Fintech Charter broke rules in the National Bank Act. According to BankingDive, the three-judge panel said NYDFS failed to show it had suffered "actual or imminent injury" from the charter.

The Fintech Charter gives wannabe banks in the US a separate path towards legitimacy – it allows new fintech companies the ability to gain a licence across all 50 states, rather than having to deal with each states' regulators individually.

BBVA slashes jobs

BBVA plans to cut 2,935 jobs in its home market, representing 12.6% of its total workforce in Spain, and has now agreed its plans with the Comisiones Obreras (CCOO).

It says the job cuts are a necessary adjustment to "ensure the competitiveness and sustainability of future employment". The bank is under "tremendous competitive pressure" from low interest rates, new market participants and the "accelerated adoption of digital channels by customers".

BBVA initially aimed to close 530 branches and lay off 3,798 people, but CCOO negotiated those figures down, and the bank will instead close 480 locations. BBVA has set aside €1.17 billion to implement its plans, split between €720 million for redundancy packages and €240 million for branch closures.

INSIGHT: DEBT COLLECTION

Debt collection tech gets a "personal" upgrade for COVID-19 and beyond

By Saul Fine, Dan Ariely and Tal Shapsa Heiman

Debt collection is arguably one of the most difficult and unpleasant aspects of the credit industry, for just about everyone involved. Indeed, despite the fact that both collectors and debtors wish to resolve their debt issues, collection recoveries often fall far short of being successful.

That may be slowly changing, however. Recent advancements using new behavioural data can help stakeholders to better understand the nature of the collection scenario, personalise customer communications and make significant improvements to the outcome and overall collection experience.

In most cases, debt occurs due to unforeseen temporary events, such as a loss (or delay) of expected income, an increase in expenses or just bad planning – all of which make it difficult for the debtor to make timely credit payments.

Although the primary underlying reason for non-repayment is a lack of funds, many people have the ability to repay at least part of their debt, if they are willing to change some of their financial behaviours. For example, curbing one's monthly expenses, or perhaps even selling one's assets or equities. Doing so is easier said than done, however, and the solution steps that can be taken are not always obvious to the debtor. That is why the collection strategy is of central importance.

RETHINKING COLLECTION STRATEGY AND PERSONALITY

A collection strategy is essentially the approach taken by a credit issuer or collection agency to recover overdue payments. Collection strategies aim to make the debt recovery process both effective and efficient, but often take a one-size-fits-all approach, led chiefly by warnings of punitive consequences and the urgency to repay.

Given the nature of such an approach, there is unfortunately a perceived inherent lack of empathy and mistrust in the interaction between the debtor and collection that hinders cooperation, and makes for an overall negative experience. It is no wonder that recovery rates by third-party collectors average less than 10% (according to the ACA International white paper, "The Role of Third-Party Debt Collection in the US Economy"). Moreover, a recent McKinsey survey found that 20% of debtors admitted to having withheld debt payments due to an upsetting experience with a collector.

These poor results notwithstanding, even when the outcome is successful in the short-term, a negative customer experience can have downstream consequences for the credit issuer. Take, for example, a responsible borrower with a temporary loss of income due to an illness, who falls behind on a few mortgage payments. Many customers in similar situations are likely to successfully self-cure within a few months, and continue to make regular payments thereafter.

However, a negative or unsympathetic experience with a collection agent in a situation like that may tempt some customers to seriously consider leaving their credit provider and taking their business elsewhere, once their payments are cleared. Lenders are well aware of this, and some try hard to make the collection experience as positive as possible, while also trying to recover their own losses. It's a complex tradeoff, to say the least.

Unfortunately, this year, that tradeoff just got more complex. COVID-19 has influenced both the prevalence of debt problems, as well as the difficulty to manage them. To be sure, consumer debt collection was already a remarkably frequent phenomenon, with more than one in four American consumers having a reported debt collection incident in their tradeline files, according to a recent study by the Consumer Financial Protection Bureau (CFPB).

In addition, many experts warn that due to COVID-19, payment delinquencies are likely to climb sharply, as government stimuli, payment moratoriums and personal savings start to run out, all leading to an increase in debt collection incidents.

In addition to the expected financial losses due to increased defaults, managing the new volume of collection cases presents lenders with a real organisational challenge. For example, the wait times for credit card call centres are already up as much as 50% according to last year's study by JD Power. And, of course, simply allocating additional resources, without taking seriously the perspective of the debtor, is not going to be an efficient approach. It is important to truly understand the personal challenges that consumers face when they come to repay their debt, and approach them in ways that are compatible with their own limitations, abilities and personal motivations.

GETTING PERSONAL WITH BEHAVIOURAL SEGMENTATION

The moment we start looking at the abilities and motivations of people to repay their debts, and try to understand their challenges, it becomes obvious that different people have different challenges and will respond differently to different approaches. Indeed, more than a century of psychological research has shown us that individuals have different personal traits, preferences and attitudes, which influence how they behave and interact with others. Debt collection is no different.

There is a good deal of variance in the way individuals respond to collection situations, and a lot of that is based on their personal characters. A person who is naturally impulsive, for example, might find it difficult to budget for long-term payments, may incorrectly choose to take on more debt temporarily, and could thus be counselled otherwise. Another person, on the other hand – who is responsible and careful – might be more likely to self-cure fairly quickly without much treatment. And still another person, who tends to be anxious or insecure, may choose to ignore payment deadlines, or not answer the phone when contacted by the bank, but might actually respond well to empathetic text messaging.

Therefore, tailoring communications to fit a person's own personal disposition and preferences can make for a more pleasant experience and a more successful outcome. In fact, according to one survey, three-quarters of customers said they would be more willing to pay their debts if the collection process was personalised. In this respect, a collection treatment can look more like a team effort, helping to change one's priorities and cutting some spending in service of their debt.

It is true that collectors already realise the need to personalise interventions, and are often trained to adapt their approaches accordingly. However, their strategies are mainly based on traditional segmentation of customers into broad risk categories, related to their past transactional data and credit scores, and don't really consider character-related factors. Part of the reason for this is that to personalise collection processes, new data is needed for better segmentation.

Segmenting customers based on personality style is a relatively new idea, and is known as behavioural segmentation. Behavioural segmentation leverages psychological insights from what is understood about key personality traits and attitudes in order to tailor customer communications. There is evidence that such tailored communications work well for marketing, for example, whereby advertisements that appeal to an individual's salient traits have been found to be significantly more effective. Specifically, extroverted people were found to appeal more so to products associated with sociability and activity, compared with introverts, who appeal more so to products associated with solitude and serenity. And it seems that personality can be informative for collections as well.

According to a McKinsey article, within each traditional risk segment, lenders and collectors can tap psychological aspects and build better customer profiles for greater recovery success. For example, knowing that a certain type of person is generally agreeable and values their relationships with others, means that they are more likely to respond positively to collection treatments that show empathy, and where mutual trust has been well established. They may also be more keen to cooperate if they understand that failure to pay will have repercussions for their guarantors who are relying on them.

In another example, a person who tends to be more carefree and less conscientious may be less likely to cure on their own, and is a higher call priority, who could also benefit from early payment reminders, more frequent or smaller payments and automated debits. According to a recent study by McKinsey, psychology-based interventions in collection strategies can lead to 20-30% increased recoveries.

PSYCHOMETRICS AND WHAT'S NEXT?

To measure abstract personality traits among customers, we can look to

> Personalisation that allows the collector and debtor to work together… will inevitably help to build mutual trust, and encourage customers to become more financially responsible.

psychology, where one of the most reliable ways of doing so is using psychometrics. Psychometric solutions usually take the form of self-report questionnaires, where individuals are asked to rate the degree to which certain behavioural statements characterise them best. Algorithms are then applied to evaluate the person's most salient traits, and treatments applied accordingly.

While the typically lengthy personality inventories are prohibitive for customer engagements, new advancements in psychometrics now allows for ultra-brief questionnaires that can be completed in as little as one to two minutes. In addition, questionnaires can be designed in ways that are resistant to gaming, where there are no right or wrong answers per se.

In terms of their administration, customers may be invited to complete online surveys post loan origination or upon early delinquency, and incentivised to do so with rewards points or add grace periods, for example.

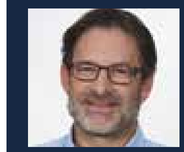
Since personality traits are considered to be stable over time, lenders can leverage customers' profiles for future communications as much as one or two years later.

Finally, researchers are now studying the use of social network data to infer some personality traits, where self-reports may not be feasible and artificial intelligence (AI) technologies such as chatbots, for example, can humanise some of the automated communication processes for a more pleasant and personalised experience.

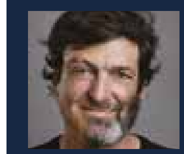
In all events, psychometric solutions such as these have the unique advantage of being easily implemented as complementary tools to lenders' current collection strategies, where treatments can be tailored as a given lender sees fit. Such options are especially exciting today, as lenders eye new technologies to help them upgrade their collection strategies as a means to cope with the madness and uncertainty surrounding COVID-19.

And yet, there is a far bigger picture here that is potentially even more exciting to consider. Personalising collection strategies and customer communications in the ways we have described can have a much more robust effect on customers' behaviours in general, well beyond the resolution of any specific debt incident.

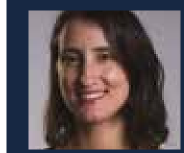
Specifically, personalisation that allows the collector and debtor to work together in a cooperative and productive way will inevitably help to build mutual trust, and encourage customers to become more financially responsible, so that they can avoid future debt. And then, in time, perhaps we can imagine a ripple effect that contributes to the build of a more financially responsible society overall.



Saul Fine is an organisational psychologist, former university lecturer and founder & CEO of a fintech start-up, Innovative Assessments.



Dan Ariely is the James B. Duke Professor of Psychology and Behavioural Economics at Duke University, and a NY Times bestselling author.



Tal Shapsa Heiman is a founding partner at Out of Line Ventures, a former senior macroeconomist in Barclays Bank and in Israel's Ministry of Finance.

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Enabling the next generation of banking inclusivity

Alex Hamilton, deputy editor at FinTech Futures, spoke to Infosys Finacle's Rajashekara V. Maiya on how agile can mean more than just technology

Banks with inclusivity in mind always aim for low-cost delivery to the customer – in what ways can cloud deployment or agile technology help them achieve this?
Inclusivity, by nature, brings in volume; it is not a high-value business globally. Hence, the per-transaction costs need to be highly optimised. This obviously leads to looking for alternative ways to manage the infrastructure.

Technologies such as cloud will allow these banks to be cost efficient and asset light. Along with the usage of cloud, the banks also need to look for very nimble and agile ways of delivering financial services to their customers.

With mobile penetration predicted to reach record levels in emerging geographies, how crucial is it for new banks (and banks embarking on new projects) to be mobile-centric?
Global smartphone penetration is at about 60% and feature phone penetration is at about 50%. With reduced communication costs, storage costs, computing costs and reducing smartphone costs, it has become imperative for all banks to look at the "mobile-first" approach.

With the pandemic forcing bank branches to close due to lockdown, the demand for financial services to be delivered on mobile devices has increased significantly. We have seen a huge surge in mobile-driven banking services in many Asian countries. This is more pronounced in countries such as Vietnam, Indonesia, Malaysia and India.

How can the scalability and flexibility of a core system enable new and inclusive banks to grow in scale?
Core processing systems have been built to manage scale. With an increased number of accounts due to inclusivity across Asia and Africa, the need for core processing systems to be robust and to perform at scale has only increased.

"Banks need to look for nimble and agile ways of delivering financial services to their customers."

Rajashekara V. Maiya, Infosys Finacle

Then, with cloud technologies coming into the picture, providing the expansion, provisioning and contracting on demand, banks need not create capacity on their own. We have seen such scenarios in India where – led by government direction – banks have onboarded about 400 million customers in less than 24 months.

Similarly, demonetisation also resulted in massive digital onboarding of customers. Further, the pandemic has also forced banks to not only onboard new customers digitally but also serve them digitally.

Time to market is always a concern for those serving new customers in fresh markets. How can back-office technology enable it?
Banks need to adopt "customer-first", "mobile-first", "cloud-first" and "API-first" approaches to succeed in such markets. Delivering financial services to customers 24/7 will lead to customer retention and advocacy.

Mobile delivery will reduce not only costs but also keep customers closer. Using cloud helps banks be secure, transparent and cost efficient. With a robust API strategy in place, banks should be able to bring in a whole array of "ecosystem" play to meet customers.

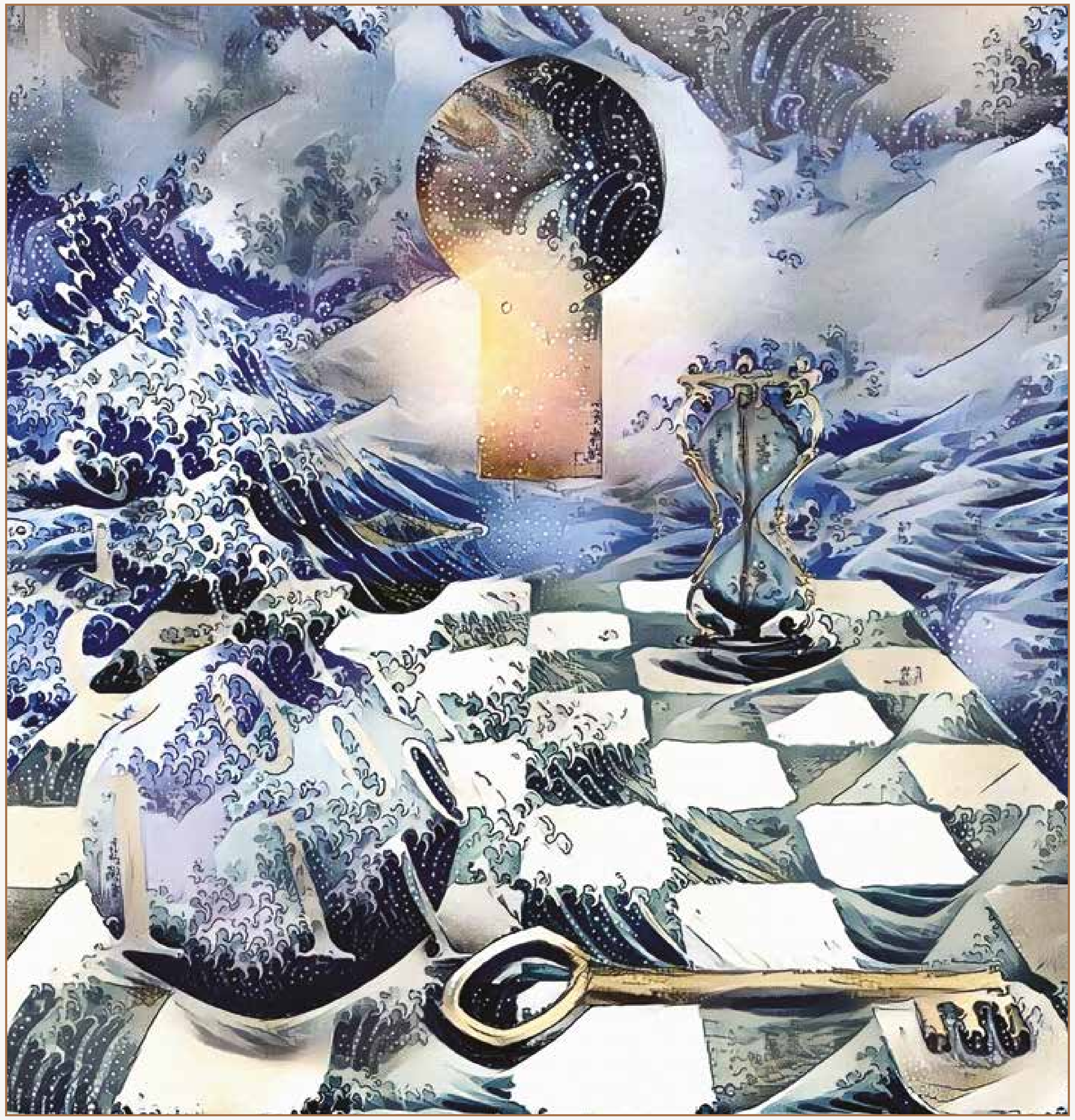
What characteristics and features should an inclusive bank, or new bank, look for in a banking technology partner?
The banks should look out for long-term credentials in delivering successful projects over the years. The technology partner should have a long-term commitment to the industry, invest in R&D on a continuous basis, employ the best and deliver on time.

It should also provide a pre-built platform, offer it on cloud and deliver it on a subscription basis. Apart from this, the technology partner should also offer a flexible solution built on open technologies that cater to local needs to comply with regulations.

They should also help the banks move from pipeline business to platform business. The technology partner should enable the banks to transform better, innovate better and operate better by providing better technology.

Experience-driven banking: experience enablers

By Dharmesh Mistry, CEO, Askhomey



I've talked at conferences, in podcasts and blogs about experience-driven banking for a few years now and I've generally focused on what it means from a customer perspective. Looking at it from a bank perspective, experience-driven banking is a strategic choice about whether you become a platform to enable experiences or whether you own experiences.

Of course, you can do both, but no bank will ever be able to compete for *all* customer experiences, so they will have to decide which they can effectively compete for (I'll cover experience owners in the next edition of the magazine).

In this article, I'm going to focus on experience enablers. Being an experience enabler is the superset of open banking and Banking-as-a-Service (BaaS). The strategy is really to shift towards a technology-based model of selling access to:

- **Products** – such as deposit/current accounts, loans, cards, mortgages;
- **Services** – such as identity validation, know your customer (KYC) and anti-money laundering (AML) checks, credit checking, treasury;
- **Data & insights** – such as average spend on utilities, seasonal variations on spend categories, discretional spend by age group or income bracket.

PRODUCTS

This may be simply providing the software to allow a fintech or a bank to onboard and run products for their own customers, and could include the bank underwriting the product with its banking licence. It could go further still and operate the back office for those products, handling enquiries and other product specific processes.

In the BaaS space, software vendors are increasingly acquiring, or partnering with, banks to offer all three options, whereas incumbent core banking vendors only offer software (be it in the cloud). In the 1990s, traditional banks offered this as "white label" banking, typically with a single supermarket brand. Today's providers such as Vodeno, for instance, offer this on scale and as an offering that is much closer to Software-as-a-Service (SaaS) than the custom developments banks did in the past with supermarkets.

As the notion of "embedding banking" into experiences owned by non-banks (for example, accountants providing banking for their clients) grows, the biggest opportunity is likely to be outside of banking itself. Hence, there is huge growth in the number of new players offering BaaS. Some have specialised in specific products such as cards, loans or accounts, while others provide a broader set of offerings.

> "What is exciting is that there is room for specialists with deep and narrow focus as well as generalists with broad offerings."
>
> Dharmesh Mistry

SERVICES

Providing a service could be coupled to a product or something that is standalone – for example, identity or KYC/AML checking.

Other services could include things such as providing money management capabilities and analytics, similar to what Bud and Tink are doing.

It could also be non-banking capabilities such as cashflow management or accounting, like FreeAgent from Royal Bank of Scotland (RBS).

Today's focus is very much around the periphery features of core banking; however, I suspect this will change as competition increases and providers seek to differentiate themselves. It's also highly likely that some consolidation of service providers will help create broader offerings for acquirers with greater scale.

DATA & INSIGHTS

While access to banking data through open banking is not chargeable, banks can charge for other data. For example, they could categorise transactions for third parties at an additional cost; essentially this would mitigate the third party having to do it themselves or buying a personal finance management (PFM) solution. These insights could be provided as chargeable alerts, for example, if a customer's income has increased or their average household spend has reduced. Clearly, this can only be done with customer permission.

Data/insights could also be aggregate data that is not customer-specific – for example, household expenditure by geography, age or income bands. With the volume or data held by banks and the opportunity to pull in more data (for example, data on housing), there is a huge opportunity here, limited only by the provider's imagination and creativity.

Being an experience enabler is a broad strategy to create an income stream not only from banking products and services but to go further. With everything being accessible through a set of application programming interfaces (APIs), experience enablers could become powerful platforms that power more than just fintechs and banks. It is no wonder we are seeing a growth of new players backed by venture capital (VCs). What is exciting is that there is room for specialists with deep and narrow focus as well as generalists with broad offerings.

Clearly, a new competitive landscape is forming, and it will be interesting to see how many "traditional" businesses survive as they are, be they banks or software companies. I'm not saying that old models of banking or banking software will die, I'm just saying that the battleground has changed – new players are now competing on different terms to how it was done previously.

Dharmesh Mistry has been in banking for 30 years and has been at the forefront of banking technology and innovation. From the very first internet and mobile banking apps to 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.

Getting to the core of digital banking

By Martin Whybrow, FinTech Futures

Japan-based Minna Bank has recently launched as a digital-only challenger; in parallel, its in-house and Accenture built core system is intended to become a commercial offering in its own right.

Minna Bank's launch in itself is notable, with few digital disruptors as yet in this traditionally heavily regulated country. However, in addition, at its core, the new bank has a system built-in partnership with Accenture that is ultimately intended to be offered as a commercial platform for other banks in the world, particularly in South-East Asia.

The bank gained a licence last December and its parent is the Fukuoka Financial Group (FFG), a Japanese holding company with $229 billion in assets as of 2020.

Minna Bank had been operating on a "friends and family" basis with about 300 individuals for some time and went fully live in early June, with its app available on iOS and Android.

The initial offerings include current and savings accounts, cash withdrawals and deposits via smartphone, a virtual debit card and account-to-account transfers. Working with a Japanese fintech, MoneyForward, customers are able to see their aggregated account activity across multiple banks in one place. For premium service clients, there are interest-free credit lines of up to ¥50,000 and 1% cashback for debit card usage.

The target customer, says president, Koji Yokota, is digitally mature 15 to 40 year-olds. It is the first bank in Japan to apply electronic know your customer (eKYC) to account opening 24 hours a day, 365 days a year, with customers able to scan driver's licence or other photo identification and then confirm their identity using video.

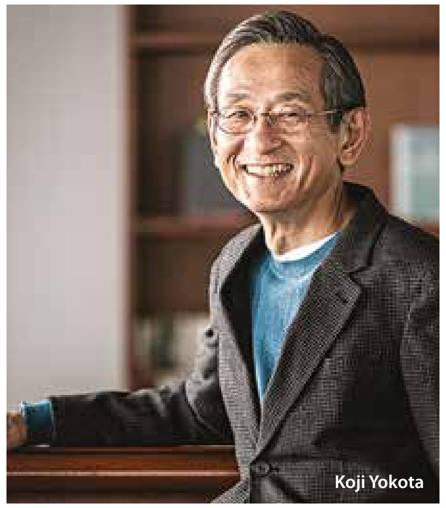
A lot of focus, says Yokota, has been on the customer user interface and experience. There is a mobile wallet, with deposit or withdrawal cash transfers via a QR code and four-digit number. A 'box' function allows customers to assign savings to particular goals. Spending records are easy to organise via a hashtag facility.

Other services will be added, says Yokota, including lending and wealth management products and additional types of customer insights. Minna Bank will also white label other offerings, providing a Banking-as-a-Service (BaaS) platform for non-financial business companies, with this planned for the coming year.

He sees embedded finance as the way forward, so Minna Bank could provide financial services to players in other sectors. Yokota is hopeful that two such agreements will be signed this year. COVID-19 has accelerated better digital experiences in many industries in Japan, he says, and this has furthered interest in embedding financial services.

The core system was built from scratch, says the bank's COO, Kenichi Nagayoshi. Third-party core systems from the likes of Oracle and Mambu were considered to be "black boxes" with limited functionality. The bank wanted control over its platform and appointed Accenture to work on the design and development. It is microservices and API-based.

Accenture provided know-how and development teams for the core system and the bank's infrastructure. The bank has its own smartphone app developer team but Accenture provided training here as well. At its peak, the core banking system development team was 180 staff, most of who were from Accenture. Now, out of a total employee headcount of 140, Minna Bank has 50 software engineers.



Koji Yokota

While built specifically for Minna Bank, there is a vision to bring the core system to the market as a solution to compete with the likes of Mambu, says the bank's president, Koji Yokota.

While built specifically for Minna Bank, there is a vision to bring the core system to the market as a solution to compete with the likes of Mambu, says Yokota. This could be for new players or non-banks in Japan but he also says it will be suitable for other countries. "The interface is Japanese, the system is international," he says. Accenture is broadening the system and will be a future partner. There is already interest from overseas banks in the region, Yokota says, and one option will be to take it on an open source basis.

The core system is running at Minna Bank on Google Cloud. In fact, the bank has a mixed cloud environment, as its call centre system is hosted on AWS and its virtual desktop system is on Microsoft Azure and Windows.

Kenichi Nagayoshi

The bank is the first in the country to run its core system on a public cloud and the first to use the cloud to connect to the Japanese clearing house.

Once more, in this, the bank is a pioneer in Japan. It is the first in the country to run its core system on a public cloud and the first to use the cloud to connect to the Japanese clearing house. The regulators, Financial Services Agency and the Bank of Japan, have been very supportive, says Yokota, albeit there were sensitivities around server locations. For Google Cloud, the servers and data are in Tokyo and Osaka.

Looking beyond Japan, at digital banks across the globe, Yokota points out that most are not making money. Those that are breaking even tend to have stemmed from existing financial institutions. As such, he feels Minna Bank's parent brings an advantage. FFG owns three other banks – The Bank of Fukuoka, The Kumamoto Bank and The Juhachi-Shinwa Bank. Its new digital addition can draw on FFG's 150 years of banking experience, he says, as well as its AML, risk management, compliance and back office staff and systems.

In return, over time, FFG might benefit from the technology of Minna Bank. The parent has a typical mainframe-based legacy environment, says Yokota, and Minna Bank's systems and know-how might be used to modernise this.

That is for the future. Today, the focus for Minna Bank is on a successful launch onto a market that, while relatively early in the digital banking stakes, has additional offerings on the way from other existing banking groups and fintechs. In parallel, if the core system that is supporting the launch can be turned into a mainstream commercial offering, then that will be an interesting twist to the Minna Bank story.

FOOD FOR THOUGHT

Don't diss the bankers

By Leda Glyptis

Admit it. There is a reluctance in hiring bankers. Even among bankers.

We still do it. The hiring part.

But we don't like it any more than we like ourselves for doing it. But we do still do it.

And we do it because, when you get it right, these are the best fintech hires you can ever make. The problem is, the odds of getting it right are stacked ever in your disfavour. The chances of hiring the wrong banker are high, the stakes of doing so even higher and the universality of the experience of getting it wrong means that dissing bankers becomes almost an instinctive position.

Nobody wants to hire bankers. But we all need to.

And not just because there are so many of them. But because the good ones are so damn useful.

When you are hiring for key transformation roles inside the bank, you are a little bit damned if you do and a big bit damned if you don't, because the bank wants fresh blood, ideas, a "view from nowhere" surge of energy… but… and this but is important…

The bank has more self awareness than we give it credit for.

The bank knows that it is a weird beast and it doesn't have time to waste while the newcomer marvels or despairs. "You do… what?" is an inevitable reaction to how a lot of global banking practice hangs together.

Hire someone with zero banking experience and you will spend weeks and months dealing with their exasperated confusion. And look. They are right. A lot of what we do is dysfunctional. That's why we are trying to change it.

And not being constrained by The Way We've Always Done Things is really important in driving change but… and this but is also important… you sort of need to understand what we are changing things away from to make sure nothing is dropped or broken and end up in a future state that is in some ways worse than the place we are in today.

And look.

The endless pleading cries of "why" that the non-banker will pepper you with as they try to familiarise themselves with their new habitat, do have answers. But who has time for lessons in fiscal history, technological evolution and human nature when the world is on fire and there is more work to be done than we have time for?

So the bank knows.

They know they need to balance fresh ideas and the ability to ask "why" with a solid baseline of relevant knowledge (in both banking and tech or reg or whatever it is that person is doing). The bank knows some things can't just be picked up as you go along.

So the bank will hire more bankers than not. Not because they are scared to venture forth and get non-bankers. But because they value time and insight. They know you can't always wing it.

> "Who has time for lessons in fiscal history, technological evolution and human nature when the world is on fire?"
>
> **Leda Glyptis**

They also know another thing. They, themselves, will get in their own way.

They don't mean to.

But they will.

So they hire bankers because they know what the problem we are solving looks like but also and equally importantly they hire bankers because they know that they need them to get around the bank's bad habits and inertia. That's probably the most important skill and, in that, not all bankers are created equal.

The bank knows that only too well and hires accordingly and start-ups would do well to learn this thing that the bank knows.

NOT ALL BANKERS ARE CREATED EQUAL

Start-ups are wary of bankers. We see CVs of folks coming out of big banks and seeking to pursue new opportunities in our dynamic, lithe organisations and invariably we ask each other: their skills and experience are absolutely right, but will they be all Big Banky?

We know what we mean.

We mean will they be able and – equally significantly – willing to actually do things or will they just move paper around, attend meetings, say words such as "alignment" and "capability matrix", and just hope that either someone else will do the work or nobody will notice?

The thing is, these guys are indistinguishable from actual working humans to the naked eye. The start-up doesn't want them any more than the bank does and is much less able to carry them and their big salary and their team with their inexplicable titles and reams of PowerPoint that look oh so similar week on week.

What the start-up isn't as good as the bank at doing is knowing which is which. It's a bit like mushroom picking (which I know nothing about) or diving for sea urchin (which I know a lot about): only some are good for eating. You need to know which or you will waste a lot of time and possibly end up with severe food poisoning. A metaphor that works on so many levels.

There are three types of bankers, as any banker will tell you.

The ones who do what they are told. No more, no less. And most definitely no different.

It is not theirs to reason why. Often they know the work will end up on the scrap heap. They know nobody will look at it. Heartbreakingly, they often know whatever it is they are working on, won't work. More often than not, they don't know what the thing they are working on is actually for. And don't care.

And before you think, "poor interns"… stop.

Some of these guys have a C in front of their title and a big office. Some of them get paid more than entire families. They are a species endemic to big organisations and they serve a purpose. They are good soldiers. They won't take initiative but they will do the thing that needs doing.

They are not bad, you understand. ›

But they can't thrive outside the banking ecosystem: they can't work without the structure, direction and momentum that the overall machinery creates.

They can work without asking why and no start-up survives long if its people don't ask why. And people who don't ask why either shorten their own life expectancy inside the start-up, or the start-up's.

Then there is the sub species we described above: on paper, similar to the worker ants who do the doing without asking questions. They look busy. They rush around. They play the corporate game and climb the ladder. They have meetings and send emails late at night and produce email attachments of varying lucidity. But they work hard. They are everywhere. And they are going places.

Similar to those who do the thing and don't ask questions, in some ways, respecting the rules of the game.

Oh, but they are different.

These ones talk a good game.

They make a point of talking about the significance of starting with why, moving the needle and putting their arms around any manner of problem. Then they hand the needle that needs moving and the problem that needs hugging to the doers who won't ask, "what on Earth is this for?". They will just do.

Meanwhile, our specimen will go onto another meeting where they will stay on exactly the right side of vagueness: things too theoretical to be objectionable, too high-level to be wrong.

They are visionaries, you see.

And they are dangerous.

Because they drink their own Kool-Aid and, before long, they want to work in the start-up, they think they chafe against the big bank guard rails, they rebel against the very things that make the mirage of their effectiveness hold.

And often, oh so often, they fly high enough on their own hype to interview well and then land inside a start-up and try to ply the same trade and do the same tricks. And a few weeks into the hire you are looking at a badly written two-page memo and think, "what have we done?".

So, of course we are wary of hiring bankers. Even the bankers are wary of hiring bankers. I should know. I am one.

> "There is a third category of banker and when the market learns how to recognise them they will be paid their weight in gold, because frankly they are already worth it."
>
> **Leda Glyptis**

But.

There is a third category of banker and when the market learns how to recognise them they will be paid their weight in gold, because frankly they are already worth it.

These guys and gals come in all shapes and with all titles. They come in all ages. They are not your digital native UXers only. They may sit in compliance. They may sit in HR, finance, IT (not the digital part, but the hardware and cables and "I need a new mouse" part), they may be close to retirement. They don't fit a mould.

And that's the point.

They are the people who do things. But not all the things. They do the things that need doing, side stepping the things that don't need doing even if a million empty suits say something is top priority until it isn't. They ask why without burning bridges. They go against the grain. They get things done. Through the noise. Through the inertia. They don't drink the Kool-Aid. Not their own. Not anyone else's. They don't fall for the empty suits but neither do they let them fell them.

These are the people who get things done despite it all. Despite the bank getting in its own way. They are the reason that every bank is still standing with some efforts of varying credibility to move in the right direction, despite the debris of pointless endeavour. They are the friends in low places, the rebels, the leaders, the quiet craftsmen. They come in many shapes and they are why the banks are still standing: they know how the whole thing works, they know what needs to change and what's not worth the effort, they know when to stand tall and when to let people talk themselves out.

They transform the banks they work in and the banking system they operate in despite everyone else's best efforts.

Those are the bankers you need: the ones who understand the thing you are trying to change (so they can change it) and get how to get change to stick inside a big organisation. They know how to avoid the noise and not get drawn to bright lights.

These are the people the bank needs.

These are the bankers the start-up needs.

They are not easy to find, I will grant you that.

But you need them.

So don't diss bankers. Just find the right ones.

#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.

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.

FOCUS: CUSTOMER EXPERIENCE

Turning the pyramid upside down

By Prerna Goel, head of customer experience, ClearBank

Banks are currently facing a tough challenge – how to preserve capital and reduce operational expenditure at a time of crisis. Markets are uncertain, margins are thinning and access to additional capital is harder to come by. Not to mention competition in the industry is fiercer now than ever, making customer experience pivotal in attracting and retaining business.

For most, delivering operational excellence with a view to not just saving money but enabling growth is critical. Operational excellence has the capability to increase efficiency while simultaneously creating a better customer experience – one that is simple, effective and efficient: simple, because it targets specific customers with specific content; effective, as it enables banks to fulfil the needs of customers; and efficient, because it doesn't require massive investment yet streamlines the entire organisation and dramatically improves operational efficiencies.

> "Data must form the foundation upon which the rest of the business is built."
>
> **Prerna Goel, ClearBank**

However, many banks are falling short of operational excellence as their operational models tend to form an inverted pyramid – resources are dedicated to a large number of "task junkies" or generalist staff manually driving processes/tools leading to siloed customer interactions and no "golden source" of data on which to make decisions. To deliver operational excellence, and reap the rewards, this pyramid must be flipped. Data must form the foundation upon which the rest of the business is built.

How do banks begin along this journey? Is the destination worth it? Well, let's see…

ACHIEVING OPERATIONAL EXCELLENCE "BUY-IN" FROM THE BOARD

The first step to achieving operational excellence is to be both acknowledged and prioritised by the board. The common misconception is that operational excellence can happen in isolation – it's the responsibility of the operational department. Actually, operational excellence entails a transformation throughout the entire bank, touching everything from systems to target customers, right through to the role of employees.

There is no denying short cuts – which reduce the top-line and boost the bottom line – exist but banks must wake up to the long-term advantages of operational excellence. From increased revenue and cost-efficiency to a better customer experience and a motivated workforce united by a clear and common goal, the results of operational excellence can only be experienced once it has been prioritised.

The way to achieve "buy-in" from the board is to frame operational excellence as solving problems for customers and as a driver of revenue. This prevents it from slipping down the priority list. Once the board buys in, it's time to assess the current state of a bank's data, customers, systems and people – then the bank is in a position to establish the operational excellence pyramid.

DATA IS THE FOUNDATION

Data forms the foundation of the operational excellence pyramid – it's the only way to understand the pain points customers experience and then make informed decisions on how the bank can alleviate them. Crucially, data must go beyond numbers and encompass everything a bank must know to make decisions about what customers need to drive the outcomes they want.

> "Achieving operational excellence means banks will improve the customer experience, become more efficient and boost employee morale and engagement."
>
> **Prerna Goel, ClearBank**

There is a lot of hype around technology that streamlines manual processes, such as artificial intelligence (AI) and machine learning (ML). Yet this technology is only as good as the data used to train those algorithms. Weak data results in inefficient technology and impacts both processes and people, meaning investment into gathering, analysing and processing data is crucial.

CREATING A SINGLE CUSTOMER VIEW

Once the data is in place, the bank can begin to establish a single customer view, rather than customers being fragmented across hundreds of core systems. This makes focusing the bank's products and services around customer needs much easier, as the data dictates what customers need and why.

The next step is then building products and services around this data. As the data reveals trends, or new pain points, banks can then adapt products and services to help customers overcome these new hurdles, which vastly improves the customer experience and ensures products evolve and grow with customers.

MAKING SYSTEMS MORE THAN AUTOMATION

Another misconception is that automating tasks automatically improves them. Wrong.

Systems are enablers of growth. As a bank moves away from manual processes to automated ways of working, the systems not only do the manual tasks formerly done by people but begin to provide desired outcomes. With the single customer view now established, the systems adapt and learn from the data, revealing new problems and solutions.

ELIMINATING TASK JUNKIES

Finally, at the apex of the pyramid is people. Task junkies no longer exist as systems move people away from doing generalist and repetitive tasks to managing specialised automated ones.

In addition, the pyramid empowers employees to drive growth and allows them to become masters in their field, which results in higher productivity and increased revenue. Once people are aligned to a clear objective and understand the impact their work has on progressing towards that objective, they are more motivated.

THE IMPACT

While the complete transformation of a bank seems daunting, another option is to implement operational excellence in different teams vertically. Taking one department at a time, restructuring it and then moving onto the next is another way for banks to begin this journey towards operational excellence. Whether a bank initiates an entire transformation or starts off with individual teams, the benefits remain the same; it's the scale that changes.

When considering if the destination of operational excellence is worth the journey, the answer is clear. Beyond boosting the top line while reducing the bottom line, achieving operational excellence means banks will improve the customer experience, become more efficient and – a factor often overlooked which is becoming more important as talent becomes harder to find – boost employee morale and engagement. On balance, I'd say it's worth it.

THE AGONY UNCLE

Dear Luc: Should we ditch the plastic bank card?

By Luc Gueriane

In this column, *Dear Luc*, we answer the questions the industry's fintech founders are too afraid to ask, and solve the problems they don't want their VCs to know about.

From regulation readiness to technology teething troubles, our start-up agony uncle, Luc Gueriane, is here to help.

He has more than seven years' experience working with flagship fintechs like Revolut, Wise, Monzo and Curve.

His expertise and extensive work in the fintech ecosystem mean that Luc is able to offer unique insight into the building of a successful fintech company.

Dear Luc, as mobile wallets overtake cards and we strive for a more environmentally friendly industry, is plastic still needed?

Sustainability is a big topic in payments and with the increasing adoption of mobile wallets, it's understandable why people might think that digital or sustainable payment methods are overtaking cards. However, despite efforts to create a more environmentally friendly industry, plastic cards are still overwhelmingly the most popular payment method with six billion banking cards made every year.

The most common route to access payment products is through a mainstream provider and it would be unusual if they didn't provide a plastic card. But that doesn't mean it will always be this way.

WOOD BE GOOD

Many well-known incumbent and challenger banks are turning the tide on the plastic waste problem by launching eco-friendly cards made from recycled plastics. Starling rolled out its debit card made from recycled PVC with Tagnitecrest earlier this year and HSBC announced a similar offering shortly after.

These use cases demonstrate that plastic cards are still viewed as an essential element of banking, even though recycled options appeal to consumers seeking out ways to reduce their carbon footprint.

Biodegradable and wooden cards are also arriving on the market with customers taking comfort that they are not only recyclable but created with more sustainable materials.

Treecard – which launches this summer – recently raised $5.1 million in seed funding to launch a card made out of wood that promises to fund reforesting via the interchange fees generated. Many potential customers have already joined its waiting list.

HEAVY METAL

On the other side of the industry, payment solution providers like Ecolytiq have been established to help banks and fintechs calculate the consequences of individual payment transactions and to guide their customers towards a more sustainable lifestyle through incentives, nudges and compensation.

Metal materials have also been gaining traction for a long time with the American Express metal Centurion Card celebrating its 20th anniversary this year, and inspiring the creation of new premium metal cards ever since.

Curve, Monzo, Revolut and even Apple have launched exclusive metal cards, showing that the material has firmly become a trend among UK challenger banks and fintech companies looking to set themselves apart. Although these are often considered luxury products and less about protecting the environment, it shows that not all customers are looking for plastic in their wallets.

> "Biodegradable and wooden cards are also arriving on the market with customers taking comfort that they are not only recyclable but created with more sustainable materials."
>
> Luc Gueriane

GENERATIONAL CHANGE

There is both growing recognition and growing pressure on fintech from the wider market to create more sustainable and environmentally friendly propositions. The examples I've shared show that the industry is now paying attention.

It is important to remember that plastic cards have been around since the 1950s and to replace them entirely with mobile wallets will require a seismic change in behaviour across different generations.

The pandemic is just one of those changes, which will almost certainly reduce the use of cash long term. However, this means we are likely to see card use grow in the short to medium term, not decline.

Furthermore, the shift to mobile wallets also requires reassurance about security, and how customer data is shared. It is one thing to tap a card from a security perspective but for many, tapping a card is an entirely different proposition given the vast amounts of personal data they hold.

We must also consider financial inclusion. Customers all over the world lack access to bank accounts, let alone a smartphone capable of mobile payments. There have been massive strides made to make mobile wallets universally available, but there will be demographics who either aren't that tech-savvy or simply wouldn't have the option to rely only on mobile or wearable payments.

In the UK alone, contactless ATMs aren't fully propagated yet, so for those that rely on cash, it would be hard to imagine their lives without a plastic card.

As much as tech adopters could lead the way by encouraging their friends and families to ditch plastic and go digital, I can't see plastic disappearing until programmes are offered only as mobile wallets, instead of the wallet being an add-on to the card.

However, I do predict that businesses with a sustainable ethos will continue to lead the way in encouraging further change and, in time, plastic cards will become a thing of the past.

Do you have an embarrassing question you want answered, or a seemingly unsolvable problem you'd want help with? Email *FinTech Futures'* deputy editor, Alex Hamilton at alex.hamilton@fintechfutures.com in confidence.

FINTECH FUNDING ROUND-UP

Digital mortgage lending platform **Accept.inc** has raised **$90 million** in debt and equity financing. SignalFire led the firm's equity financing to the tune of $12 million, with Y Combinator and DN Capital also involved. It brings Accept.inc's total raised to $92 million.

The firm describes itself as an "iLender", and plans to entice customers with a promise to cover any unexpected costs in the buying process.

It targets those willing and able to make all-cash purchases of homes by fronting the money and then taking commission from mortgage origination.

Philippines-based technology and financial services firm **Voyager Innovations** has raised **$167 million** to underpin its expansion into digital banking.

PLDT, private equity firm KR and Chinese Big Tech Tencent all participated in the round.

Voyager provides a range of financial services, including an e-wallet and digital payments system. The company claims to have more than 38 million customers.

It has now raised a total of $502 million across four funding rounds.

UK consumer finance company **ClearScore** has received a **$200 million** investment from Invus Opportunities as it looks to accelerate its UK and international expansion.

ClearScore currently serves 11 million UK customers and a further three million worldwide.

The investment puts the fintech at a valuation of $700 million and sees US-based Invus take a significant minority position in the company. As part of the deal, Benjamin Tsai of Invus will join the ClearScore board.

Existing investors – QED, Blenheim Chalcot and LeadEdge – together with management, will retain the majority of their positions in ClearScore.

Blockchain analysis firm **Chainalysis** has secured a **$100 million** Series E financing round led by Coatue.

It aims to build trust in the cryptocurrency industry by providing data, research and compliance software to government agencies and private sector businesses to detect and prevent criminal activities and money laundering.

"The future of finance and national security will be based on blockchain data-driven decisions," says Michael Gronager, co-founder and CEO of Chainalysis.

Chainalysis says this latest investment takes its total valuation to $4.2 billion, and brings its total amount raised to $365 million following its $100 million Series D round in March 2021.

Viva Republica, the South Korean technology firm behind super app Toss, has raised **$410 million** at a valuation of $7.4 billion.

This latest Series H round boosts the firm's valuation by nearly three times since its last injection – an August round worth $173 million. Toss has now accrued around $844 million in funding across ten separate rounds.

Alkeon Capital, a US-based firm, led the round, which also saw participation from Korea Development Bank, Altos Ventures and Greyhound Capital.

Viva Republica is pushing ahead with the launch of Toss Bank, a neobank slated to appear in South Korea around September this year.

The firm's super app already has 20 million users, representing 40% of South Korea's population. Viva Republica claims that its monthly active user figure sits at 11 million.

US fintech **Lower** has raised **$100 million** in its Series A funding round, led by venture capital firm Accel. Accel partner John Locke will join Lower's board of directors.

Lower is a home finance platform targeted at Millennial and Gen-Z customers to help them get a foot on the housing ladder.

"Homeownership is the greatest wealth creator for Americans and Accel's history of supporting bootstrap companies and their investment means we can help more people achieve it faster," says Lower co-founder and CEO Dan Snyder.

Australian business banking start-up **Zeller** has secured the **AUD 50 million** investment led by US-based venture capital heavyweights Spark Capital. The round also included additional funding from existing partners Square Peg, Apex Capital Partners and Addition.

The firm raised AUD 81 million in the 12 months leading up to its launch, making it Australia's most valuable pre-launch start-up.

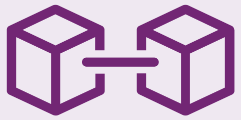
Zeller claims more than 1,500 businesses have already signed up to the platform in its first month.

"Over 80% of merchants who have signed up for Zeller had an existing business banking relationship with an incumbent," says Ben Pfisterer, Zeller CEO and co-founder. "The fact we're seeing so many established businesses switching to Zeller from the banks motivates us to double-down on our efforts."

American/Swedish fintech start-up **Majority**, which offers a mobile banking service for migrants in the US, has raised **$19 million** in seed funding. The funding round was led by New York-based venture capital firm Valar Ventures with participation from Avid Ventures, Heartcore Capital and a group of Nordic fintech unicorn founders.

Founded in 2019 with initial focus on Nigerian and Cuban communities in Florida and Texas, Majority is now available in all US states. It plans to expand into new migrant communities, with products for Mexicans, Cameroonians, Colombians, Ethiopians, Ghanaians and Kenyans.

It also intends to make hundreds of new hires over the next year. Magnus Larsson, founder and CEO at Majority, says: "Since we are a company of immigrants for immigrants, we look forward to hiring diverse talent that exists within the different immigrant communities we serve. This is more important now than ever given that many have been hit hard by the pandemic."



Blockchain start-up **Securitize** has raised **$48 million** in a Series B funding round co-led by banking giant Morgan Stanley and Blockchain Capital. Pedro Teixeira, co-head of Morgan Stanley Tactical Value, will join Securitize's board of directors.

The round also included participation from Ava Labs, IDC Ventures and Sumitomo Mitsui Trust Bank as well as existing investors Ripple, Blockchain Ventures and Borderless Capital.

The funding comes ahead of the company's planned launch of Securitize Markets, a marketplace designed for the trading of digital asset securities. It says investors will receive their shares in the form of digital asset securities issued by its platform.

Payment service provider **Mollie** has landed **$800 million** in a Series C funding round led by Blackstone Growth (BXG). EQT Growth, General Atlantic, HMI Capital, Alkeon Capital and TCV (who led the Series B investment in September 2020), also participated.

This latest investment takes the total amount raised by the company to more than $940 million and values it at $6.5 billion, making Mollie one of the top five most valuable privately held fintechs in Europe, and one of the top 20 in the world.

Launched in 2004, Mollie serves more than 120,000 monthly active merchants of all sizes across Europe, including Deliveroo, Gymshark, Wickey and Otrium. It claims to have processed more than €10 billion in transactions last year and is on track to handle more than €20 billion during 2021.

Novo, a New York-based banking platform for small businesses, has raised **$40.7 million** in Series A funding.

The round was led by Valar Ventures with participation from Crosslink Capital, Rainfall Ventures, Red Sea Ventures and BoxGroup. In a blog post, Michael Rangel, CEO and co-founder of Novo, says he believes the investment "is the largest-ever Series A financing of any challenger bank, anywhere in the world".

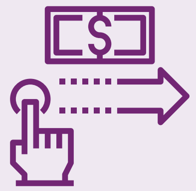
Launched in 2018, Novo claims to have processed over $1 billion in transactions for its customer base of more than 100,000 small businesses.

Israeli banking-as-a-service (BaaS) start-up **Unit** has raised **$51 million** in its Series B funding round. The investment was led by Accel with participation from existing contributors Better Tomorrow Ventures, Aleph, Flourish Ventures and TLV Partners.

Unit is a BaaS platform that allows companies to embed financial services into their products.

Over the last three months, Unit claims its deposit volume has grown by more than 300% and new users by 600%, having only launched its platform in December 2020.

The company has also announced the launch of Unit Go, which it states will allow companies to create live bank accounts and issue physical and virtual cards in minutes.



US freight payment platform **PayCargo** has announced an investment of **$125 million** from Insight Partners, part of its Series B round.

PayCargo, which provides a platform for moving money and remittance information between vendors and purchasers, claims to process $10 billion in freight payments a year.

This latest injection of funds comes just nine months after Insight Partners invested $35 million in PayCargo for its Series A round.

Open payments gateway **Volt** has raised **$23.5 million** in a Series A round – the largest Series A on record for the open banking industry.

It was led by EQT Ventures with participation from existing investors Augmentum Fintech PLC and Fuel Ventures as well as several angel investors.

Founded in 2019, the UK-based fintech currently facilitates open banking payments across its network of 5,000 banks in the UK and EU.

Cross-border commerce platform **Ebanx** has announced an investment of **$400 million** from Advent International. The Brazilian firm has also revealed an additional commitment of $30 million to its planned IPO in the US.

Ebanx provides a middle layer of payments processing for major companies aiming to attract Latin American customers, and counts Amazon, Alibaba, Shopee, Spotify and Uber among its partners in the region.

Advent says that for the first time in its history, all four of its funds – Latin American Private Equity Fund (LAPEF), Global Private Equity (GPE), Advent Tech, and Sunley House Capital – are participating in the same investment.

10x Future Technologies has completed a **$187 million** Series C financing round, co-led by funds managed by BlackRock and Canada Pension Plan Investment Board. The round was supported by existing investors JPMorgan Chase, Nationwide, Ping An and Westpac.

The raise is the first for 10x since a £32 million equity injection in the first half of 2019.

The London-based banking software company will use the funding to support its expansion plans into new markets, including North America.

Antony Jenkins, founder and CEO of 10x, says the firm is on a "journey to become the operating system of choice for leading banks across the globe" and "to reliably support more than one billion of their customers within the next ten years".

FamPay, a start-up building India's first neobank for teenagers, has raised **$38 million** in its Series A funding round. The round was led by Elevation Capital, with participation from existing investor Sequoia Capital India and other early investors.

The Bengaluru-based firm has crossed two million registered users in the eight months since its launch. Its app allows users to make online and offline payments with its built-in digital payments card FamCard, without the need to set up a bank account.

"With around 40% of the Indian population being below 18, every year millions of new teenagers will start using their first smartphone and FamPay envisions becoming their go-to brand," says Sambhav Jain, co-founder of FamPay.

Payments processing firm **DNA Payments** has received a **£100 million** investment from Alchemy Partners to boost its growth in the UK and Europe.

London-based DNA offers a cloud-based omni-channel payment processing service and claims to serve 45,000 merchants and process transactions worth £600 million every month.

In January, it acquired Active Merchant Services, marking a third acquisition in 14 months.

Mexican payments start-up **Clip** has received a **$250 million** investment led by the SoftBank Latin America Fund and Viking Global Investors LP.

Clip claims the investment is the largest ever for a payments company in Mexico and pushes the company's valuation up to nearly $2 billion.

Launched in 2012, it has clients in Mexico, the US and Argentina.

Clip's current list of investors also includes General Atlantic, Ribbit Capital, Goldman Sachs and Amex Ventures among others.

Digital lending platform **Splash Financial** has secured **$44.3 million** in a Series B funding round. The Cleveland-based fintech has now secured more than $60 million in equity funding since its launch in 2013.

The round was led by partners of DST Global, Citi Ventures and Detroit Venture Partners with participation from existing investors CMFG Ventures and Northwestern Mutual Future Ventures.

The firm helps borrowers shop and compare financial products from a network of lenders. It claims to be "one of the national leaders" in refinancing student loans.

Swedish fintech **Klarna** has raised **$639 million** in a new funding round, led by SoftBank's Vision Fund 2 with additional participation from existing investors Adit Ventures, Honeycomb Asset Management and WestCap Group.

The buy now, pay later (BNPL) company claims the investment takes its overall valuation up to $45.6 billion. It is currently the highest-valued private fintech in Europe and the second-highest worldwide after Stripe.

MOVERS AND SHAKERS

Afterpay has appointed **Zahir Khoja** as its new general manager for North America. Khoja leaves Mastercard after eight years, with his final two years as executive vice president for merchant solutions and partnerships.

Afterpay says he will cover sales, client relationships, business growth and partnerships as the firm continues a "rapid market expansion".

The buy now, pay later (BNPL) firm recently opened a New York office, and plans to establish a new headquarters in the region. It says its employee numbers have doubled in the US in the past 12 months.

Founded in Australia in 2016, Afterpay has expanded to become one of the largest BNPL services in the US.

It has raised $448 million in funding and counts Mitsubishi UFJ and Tencent as major investors.


Zahir Khoja

Deutsche Bank's head of group architecture, **John Smith**, has departed to join **IHS Markit**. Smith arrived at Deutsche from NatWest Markets in March, but is headed out after less than four months. Once chief information officer (CIO) at NatWest, Smith has a wealth of experience in the sector, including time at Barclays, Citigroup and UBS.

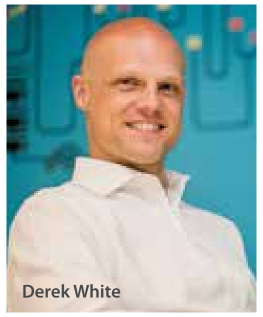
He isn't the only senior figure to leave Deutsche Bank in recent times as Neal Pawar, group CIO, left in March after eight months.

Lloyds Banking Group has appointed **David Gledhill** as its new chief operating officer (COO). Gledhill spent the last 11 years in Singapore as CIO and head of technology and operations at DBS Bank. He also spent 20 years with JP Morgan in a number of operational roles throughout Asia.

Interim COO, **David Oldfield**, will continue as group director for commercial banking.

The appointment follows the exit of Lloyds' chief executive officer (CEO) António Horta-Osório in April, who left the company after ten years. His successor, former HSBC wealth chief Charlie Nunn, started his tenure in June.

Lloyds has been struggling financially over the pandemic, with profits diving from £4.39 billion to £1.2 billion over 2020, a 72% drop.


Derek White

US-based payments and banking platform **Galileo** has announced **Derek White** as its new CEO.

White is a 20-year veteran of the fintech space. Prior to his brief nine-month tenure at Google Cloud as vice president of global financial services, he spent just over a year as the vice chair and chief digital officer for U.S. Bank, and global head of client solutions for BBVA for three years before that. He also spent nearly nine years at Barclays – he left the UK bank in early 2016 as chief design and digital officer.

Former CEO and founder **Clay Wilkes** has switched to vice chair and remains a member of the board of directors of parent company SoFi. Galileo was acquired by SoFi last year in a deal worth $1.2 billion.

Another recent Google departure is **Anil Saboo**, the Big Tech's head of fintech and financial services. Saboo joined Google to lead business development for Google Cloud's AI and machine learning division in 2018. After that he stepped into the role of evangelising Google's strategy towards fintech and financial services partnerships.

Saboo, who spent eight years at SAP and seven years at Oracle, has now joined cryptocurrency start-up **Bakkt**. He is the firm's new vice president of platform partnerships and business development.

JP Morgan's head of architecture, **Gavin Leo-Rhynie**, has recently resigned, according to efinancialcareers.

Leo-Rhynie joined JP Morgan in January 2020 after a 25-year career at Goldman Sachs, where he became head of platform technology.

At JP Morgan he joined up with former Goldman colleague Michael Grimaldi, CIO for the bank's corporate and investment divisions. Efinancialcareers reports Grimaldi as retired, and the executive has since listed himself as an independent advisor on LinkedIn.

Grimaldi's replacement is **Eisar Lipkovitz**, a former head of engineering at ride sharing app Lyft.

US banking and payments tech giant **Fiserv** has appointed **Guy Chiarello** as chief operating officer (COO). He moves from his current position of chief administrative officer at Fiserv.

The COO role had been held by Fiserv president, Frank Bisignano, before he assumed the role of CEO in July 2020. Prior to joining Fiserv, he was chairman and CEO of First Data (acquired by Fiserv in 2019).

Like Bisignano, Chiarello has a First Data background, having been president from mid-2013, following a long career at JP Morgan Chase, ultimately as CIO.

Suzan Kereere has been named as Fiserv's new chief growth officer. She joins from Visa, where she was global head of merchant sales and acquiring. Kereere's background also includes senior roles at American Express.

Fiserv's new chief administrative officer and chief legal officer is **Adam Rosman**, who will rejoin Fiserv from personal instalment loan company OneMain Financial. Prior to OneMain, he served as general counsel for First Data and played a key role in its merger with Fiserv.

He has also served as EVP, group general counsel for Willis Group Holdings, and as assistant US attorney and deputy staff secretary to President Bill Clinton.

Crown Agents Bank has appointed **David Mountain** and **Joe Hurley** as head of fintech and chief commercial officer (CCO), respectively.

The head of fintech role is new for the bank. Mountain will be responsible for mergers and acquisitions, as well as "the strategic use of technology". Mountain has experience in building fintech products. He founded Accucard, an online credit card business sold to Lloyds TSB in 2002.

Most recently he has worked as a board member of US-based fintech ProducePay.

Hurley joins Crown Agents Bank from Discover Financial Services, where he worked as senior vice president. While at Discover, he oversaw the firm's acquisition of the Pulse Debit business.

Steven Marshall, Crown Agents Bank's previous CCO, has shifted into a new position as chief product and network officer.

Mizuho Bank president **Koji Fujiwara** has stepped down from his position as he takes responsibility for a series of system crashes at the major Japanese bank. Fujiwara was appointed as chair earlier this year.

According to Nikkei, group CEO Tatsufumi Sakai remains in his job but may have to take a pay cut.

The bank's CIO is also set to vacate his position.

Four system failures rocked Mizuho Bank in two weeks at the end of February 2021, including a temporary shutdown of 70% of the bank's ATMs.

Nikkei reports the regulator is considering administrative sanctions after interviews with employees.

Canadian fintech **Payfare** has announced two new additions to its executive team: **Kamran Haidari** as chief technology officer (CTO) and **Braulio Lam** as chief product officer (CPO).

Haidari brings more than 19 years of payments technology experience in his roles with two major banks, TD Bank Group (TD) and CIBC, while Lam boasts 15 years of experience in managing and operating global payments and technology programmes.

Lam is currently a board advisor for TipTap, a specialised card present acquiring solution for micro payments, and he previously co-founded Pungle Payments, a Visa Direct integrated partner.

Indian software company **Wipro** has appointed **Anup Purohit** as its new CIO.

The 25-year banking and financial services veteran made the switch from Indian banking giant Yes Bank, where he was also CIO.

Purohit has also worked in leadership roles at RBL, Barclays and JPMC. Wipro had been without a CIO for the last six months following the departure of long-serving Rohit Adlakha.

The appointment comes as Wipro looks to expand its presence in Europe and Asia, away from its primary US market. It recently completed the $1.45 billion acquisition of UK technology consultancy Capco and finalised a deal to buy Finastra partner Encore Theme Technologies, based in India.

Fintech giant Broadridge has appointed financial services veteran **Ray Tierney** as president of its subsidiary **Itiviti**.

Broadridge acquired the Swedish capital markets company in March this year for $2.5 billion.

Tierney boasts 35 years of capital markets experience, having most recently served as global CEO of trading solutions at Bloomberg LP and CEO and president of Bloomberg Tradebook.

He also spent 18 years at banking firm Morgan Stanley as global head of trading and execution in the investment management division.

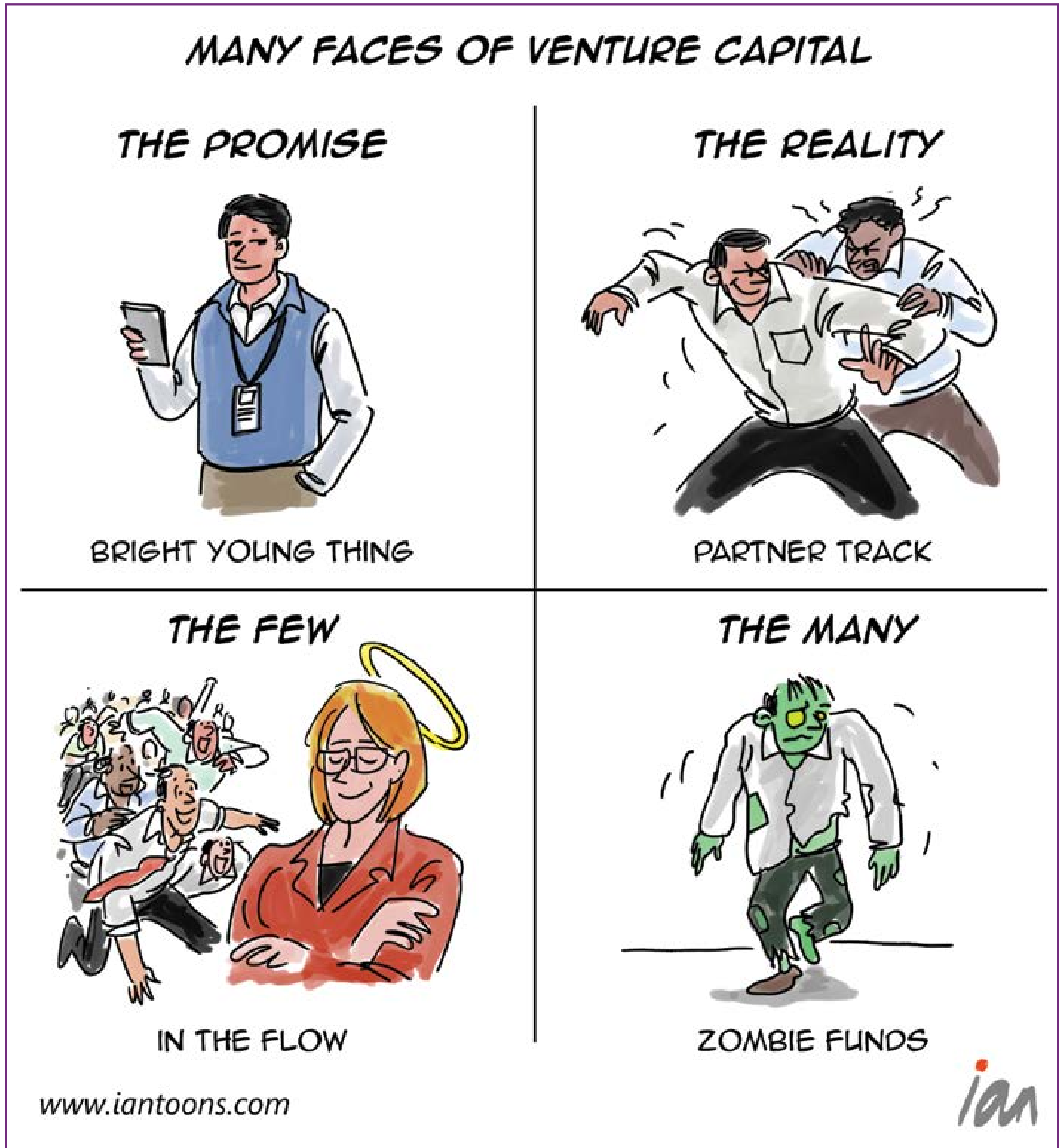
Rob Mackay, CEO of Itiviti since 2019, will move to a senior advisor role. He describes his successor as "the ideal leader to continue to grow and scale the business" and take it "to the next level".

Fintech scale-up **Pleo** has appointed former Freshworks Europe president, **Arun Mani**, as its chief revenue officer (CRO). Mani brings over eight years of experience leading and growing start-up businesses, and joins the company as it prepares for a $100m Series C funding round this summer.


Arun Mani

Pleo, which offers simplified expense and bill management automation tools and smart company Mastercards, raised $56m in its Series B funding round in 2019.

Mani will oversee all revenue-facing operations across sales, customer experience, marketing and partnerships across Pleo's European markets – in the UK & Ireland, Denmark, Germany, Sweden and Spain.



THE MANY FACES OF VC

Cartoon by Ian Foley

The different career stages of venture capitalists (VCs). Currently, there are 1,816 VC firms in the US employing about 12,000 staff; however, according to Seth Levine's analysis, 65% of investment rounds fail to return 1x capital and only 4% return greater than 10x capital. For those VCs that do not make partner track or whose firm does not raise another fund and become Zombie funds, it can often be challenging to find another career.

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