banking technology

The definitive source of news and analysis of the global fintech sector | **March 2020** www.fintechfutures.com

KEEP CALM AND CARRY ON
Where does COVID-19 leave the Chinese fintech market?

BEYOND THE BIG NUMBERS
Exploring the eye-watering fundraising rounds in the industry

WHAT CAN WE EXPECT IN THE NEXT DECADE?
A forecast on existing and upcoming innovation

Produced by FINTECH FUTURES

IN THIS ISSUE

EDITOR'S NOTE

Sharon Kimathi
Editor, Banking Technology

I've been introducing new items in the editor's note for the past two editions of Banking Technology magazine, and this month is no different!

Since we're heading into spring, we decided to give our magazine a spring clean with a fresh look. Within it, you'll find a new 'fintech feeds' section featuring the industry's funny and witty tweets, my top five industry top picks and a tongue-in-cheek gossip column from our resident 'Gossip Girl'.

This month's theme, 'the rise of China', comes at such a prescient time for the nation as it battles with the unfortunate effects of the coronavirus (COVID-19). We highlight how people in the country and the financial services industry are coping with the crisis.

Emily Fowler unpacks the initiatives of fintech giants such as Tencent, Baidu and Ant Financial, who are digging deep to help people affected by the outbreak. The companies have been offering financial support to merchants being treated in hospitals for the virus, hospitals in need of medical supplies and scientists working on a vaccine.

But its effects on the local fintech market aren't all negative, as technology is being leveraged there to help during the outbreak.

It wouldn't be fair to just discuss China's financial developments in the context of the virus as there are plenty of topics to highlight. Marcus Hughes, director of business development at Bottomline Technologies also explores how China has been in the comfortable position of having already implemented the ISO 20022 format in most of its mission-critical payment systems.

There's also plenty more analysis to sink your teeth into, so I won't keep you any longer – turn the page already!

FINTECH FEED

TWEET DECK Follow us @FinTech_Futures

Corey Quinn
@QuinnyPig
UBS: "How long do your AWS servers last, and how much are you spending on them?"
AWS: "Roughly four years, and oh my god you're adorable. Just ADORABLE! You don't tell us how to run a cloud, we won't tell you how to rig LIBOR."

Annika Lewis
@AnnikaSays
Happy Valentine's Day to my sweet, innocent husband.

Paul Loberman
@ploberman
I asked everyone to get out of the bank vault today, and I just sat there pretending to hand out large sums of money to invisible customers. I just wanted to be a loan. #UKPunDay

Tim Wood
@TimOnPoint
There are just some things that can only be done with cash. Fight me #fintech mafia. #payments

Chris Gledhill
@cgledhill
And today's #fintech #finfail award goes to

Bank customers baffled by cash machine 'made for giants'

NUMBERS GAME

$5.5 billion
Revolut's latest valuation after its $500m funding round, making it one of the most valuable fintechs in Europe

37,000
people set to lose their jobs at Lloyds Banking Group, Virgin Money, Direct Line and HSBC. The latter plans 35,000 job losses over the next three years

1,600
individuals affected by the Financial Conduct Authority's data breach that revealed their names and other identifiable information

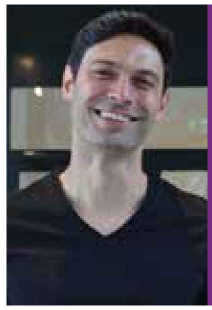
$3bn
The settlement fine that Wells Fargo has to pay for its criminal and civil investigations into its fraudulent sales practices

26%
Lloyds Bank's drop in pre-tax profits to £4.4 billion, after paying £2.5 billion in 2019 to customers in PPI compensation

$92.8m
Swedish bank Klarna's first annual net loss (SEK 902 million)

3
court claims brought against Oracle for its "defect-ridden" cloud technology

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



THEY SAID IT...

"It's a marathon not a sprint; we run our own race"

bunq CEO Ali Niknam isn't phased by the apparent race some challengers find themselves in

NEWS ROUND-UP

Barclays makes cuts affecting more than 1,000 staff

The bank plans to permanently shut its Leeds office by the end of this year, which will affect 800 employees. Additionally, Barclays will put a further 340 staff on notice for job cuts or relocation across the country, pushing the total jobs affected to 1,140. This adds to the rising number of job cuts in the financial industry from the likes of Metro Bank, Virgin Money, Direct Line, UBS, HSBC, NatWest, Wells Fargo, UniCredit and JP Morgan.

China's Ant Financial buys small stake in Swedish unicorn Klarna

Ant Financial, the Alibaba affiliate company that operates China's digital wallet Alipay, has bought a small stake in Swedish fintech unicorn Klarna. The buy now, pay later firm is already embedded into AliExpress, the international shopping platform run by China's ecommerce giant Alibaba. At the end of February, the $5.5 billion-valued Swedish firm announced its first ever annual net loss of $92.8 million.

Financial regulators address the economic effects of COVID-19

The Bank of Japan (BoJ), European Central Bank (ECB), UK's Financial Conduct Authority (FCA) and the US Federal Reserve have all announced a range of measures that target the economic and operational risks the coronavirus poses, signalling a growing willingness to intervene. "We stand ready to take appropriate and targeted measures, as necessary and commensurate with the underlying risks," said Christina Lagarde, president of the ECB.

Starling Bank looks to Ireland for Euro expansion

UK challenger Starling Bank has concrete plans on a European expansion via an Irish banking licence, its CEO Anne Boden has revealed. The challenger has been eyeing up the Emerald Isle for some time. It was reported back in March 2019 by the Irish Times that Boden's firm was planning a 2019 launch and had lodged an application with the Central Bank of Ireland for a licence.

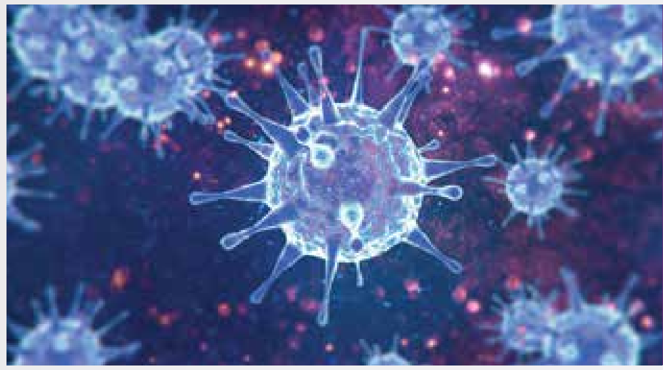
Thought Machine completes $83m Series B funding round

Cloud core banking firm Thought Machine has closed a Series B funding round worth $83 million. Thought Machine's existing investors (Lloyds Banking Group, IQ Capital, Backed and Playfair Capital) participated in the round. IQ Capital contributed $19 million from scale up fund. The firm plans to use most of the funding to fuel its expansion into markets outside of Europe. It has already opened a Singapore office in 2019 to offer Vault in Asia Pacific markets, plans a North American presence and has floated expansion plans to Australia and Japan.

Capital One announces US branch closures

Capital One is closing 37 branches across the US as it shifts towards a new digital strategy. The bank holding company filed an application with the Office of the Comptroller of the Currency (OCC) at the beginning of March outlining its plan. The news comes amid a slew of similar announcements from other major banking brands. Lloyds Banking Group posted plans to close 31 branches in the UK in February, while Italian lender UniCredit revealed it would be slashing 6,000 roles and 450 branches in a major cost-cutting plan.

TRENDING



Coronavirus

Op-ed after op-ed on various news platforms has focused on the economic effects of coronavirus, but I implore people to keep humanity at the forefront. Sure, it might affect supply chains, tank stock prices and lower bond yields, but we need to always keep in mind the very serious risk it poses to human life and this is way more valuable than any financial instrument. Health is wealth, people!

Intellectual property law

Not quite the riveting topic to most fintech fans, but as a former legal eagle, the relationship between law and technology has always fascinated me. It just so happens that the number of patents in the fintech space has been rising as banks are savvier when it comes to IP than they were a few years back, according to my IP sleuths. In fact, one such source is currently involved in a dispute for a payment service provider in a US patent troll action. Watch this space!

Acquisitions

If they're not cutting jobs, they're buying up techs. Banks have been on a spending spree – gobbling up fintechs like it's the last supper. Morgan Stanley bought E-Trade for $13 billion while BMO acquired Clearpool for an undisclosed amount. But banks are not the only ones enjoying this acquisition party as LendingClub became the first fintech to buy a US regulated bank. Seems like the fintech purchasing party just won't stop.

Job security

I can barely finish my week without reporting on mass job cuts. Metro bank, Virgin Money, Direct Line, UBS, HSBC, NatWest, Wells Fargo, UniCredit and JP Morgan all plan on axing hundreds to even thousands of roles. Some institutions are doing it as part of their restructuring plans, while others cite reasons ranging from a downturn in the global economy, to changes in customer behaviour, to Brexit.

"Big brother"

It shocked me, yet did not surprise me, when inside sources at Barclays revealed the totalitarian use of monitoring technology being introduced to employees' regiment. According to City AM's sources, the software, provided by Sapience, has been rolled out throughout the product control department within the investment bank division. It monitors workers' activity on their computers and in some instances, admonishes staff in daily updates to them if they are not deemed to have been active enough or "being in the zone". Shudders. I can only trust that the industry would frown upon such encroaching use of spyware in the sector. Otherwise, we're all on a slippery slope to George Orwell's dystopian future.

Will Asia's Big Tech European expansion stick?

By Ruby Hinchliffe, reporter, FinTech Futures

We know it's happening. Ant Financial and Tencent – Asia's two largest Big Techs which are valued at a collective $625 billion – will be expanding their presence in Europe.

Last year, Ant Financial, which operates digital wallet Alipay and ecommerce store Alibaba, bought UK currency exchange giant WorldFirst, establishing its own, solid market connection between the two continents. Meanwhile, Tencent, which operates rival digital wallet WeChat, revealed it has its eyes on European merchants, having grown a network three and half times the size of the one it had in 2018.

The two have been building up their partner lists in the region. In January, Tencent invested in Paris-based challenger bank Qonto and French mobile payments start-up Lydia. That same month, UK-based remittance firm WorldRemit shook hands with Alipay so its users could send cross-border payments using the Chinese digital wallet.

But will these digital wallets win over the European demographic? One of the important things Asia's domestic digital wallets are out to prove is the superiority of QR codes over cards. Alipay's QR code payments underpin 15 million of China's small and micro businesses, and similarly large swathes of African and Indian businesses depend on them too.

HELPING WITH COVID-19

Amid the coronavirus outbreak, Tencent and Alibaba are even helping the Chinese government use a traffic light QR code system to track citizens' health. The three colours range from safe to travel, a seven-day quarantine and a 14-day quarantine, all of which are tied to each user's ID numbers.

But in some parts of Europe, QR codes do what contactless is already doing – which is replacing cash payments. One example is London and its cashless bubble, where it'll be challenging to convince users to switch payment services to QR codes, especially if they do the same thing.

This is why you might think Asia's Big Techs would be better off starting their European conquests in predominantly cash heavy countries like Germany.

Then again, what about the 120,000 Chinese university students the UK is currently home to? This number, though seemingly small, grew by 13% last year, and offers a substantial user base for the Big Techs to start squabbling over.

And how will geopolitical considerations come into Europe's decision to widely adopt more Chinese technology? Huawei has not been banned from the UK's 5G networks, showing a push against US pressures to axe out Chinese Big Techs. The question simply remains whether negative reports on Chinese technologies sent over by our cross-Atlantic neighbours have already stuck.

RELYING ON CHINESE INVESTMENT

As for businesses, the UK is now the biggest recipient of Chinese investments in Europe, enjoying $38 billion of the country's money between 2005 and 2017, with signs of those figures increasing year-on-year.

So, if European tech companies' success rests on Chinese investors, they'll be obliged to link up their offerings to the Big Techs, just as WorldRemit did this year, making consumer adoption in the region less of a barrier.

And why is it that Europe can't quite get it together with its own $500 billion Big Tech to rival China and the US? Sweden's Spotify and Germany's Zalando, which held a combined market value of roughly $42 billion in 2018, are still way off the likes of Tencent and Amazon. It's largely down to a historic lack of mega funding rounds, which makes the likes of Revolut's much applauded $5.5 billion valuation last month look like child's play.

The digital passport

FinTech Futures launches its second report of 2020 on the importance of digital identity. By Alex Hamilton, deputy editor, FinTech Futures

Identification is a process which appears to have been left in the dust by technological advancement. While many digital options are available to customers when it comes to opening a bank account, taking out a loan, or creating an investment portfolio, the authentication stages of these processes still pull us back to an age where the paper document is king.

For most actions that require authentication, the fallback remains a digitised version of an existing physical identification (the scan or photograph of a passport or driver's licence). When you consider that proper identification and know your customer (KYC) controls sit at the very heart of a vast majority of the financial services industry, it's not hard to imagine the role a digital replacement could play.

Information accuracy is critical for banks, brokers, intermediaries and lenders. The smudge on a poorly scanned passport image affects not only a firm's ability to offer prospective customers the right services but may also complicate its risk profile.

Regulators stand ready to lay massive fines at the door of non-compliant companies and becoming increasingly interesting in gaining oversight on transactions. This makes a watertight and proper handling of data is another persuasive argument for widespread digital identity.

£1.2 billion
was stolen by fraudsters and scam artists in the UK in 2018

An estimated
4.7 million
adults in the UK have been victim to credit or debit fraud

1-3 billion
records lost by Yahoo in 2013 in what it called a "state sponsored attack"

If there was a silver bullet for security online, then we'd all be using it. As it is, every new innovation has a list of disadvantages almost as long as its advantages.

The speed of new developments in the marketplace, as well as the overhanging threat of regulatory punishment, means that banks and financial services firms can no longer think of identity as an afterthought, or even as a mid-term development.

Digital account opening, authentication and identity changes are happening on a monthly basis and failing to keep track of the latest developments could leave firms with confused customers or an irritable compliance officer wondering why the regulators are tapping at the window.

FinTech Futures has produced an industry report investigating the importance that digital identity will play in the financial services industry in 2020 and beyond. In it, we unearth the depths of just why it has become so difficult for banks and financial institutions to replace the passport as a method of digital identity, what technical solutions are being prepared by the industry, and just who exactly owns their digital data.

Featuring expert input from Asger Hattel, CEO of Signicat; senior associate at Fox Williams Mardi MacGregor; and B2B tribe lead at Rabobank Nico Strauss, this report is not one to be missed.

Download it today from the FinTech Futures website.

Where does COVID-19 leave the Chinese fintech market?

By Emily Fowler, senior staff writer, FinTech Futures

Home to fintech giants including Ant Financial (Alibaba), Tencent and JD Finance, the Chinese market continues to accelerate, even making inroads into continents such as the US, Europe and Africa. But with the new coronavirus – COVID-19 – declared by the World Health Organisation (WHO) a global health emergency, could we be seeing the future of Chinese fintech stalling?

Thought to have originated in the Chinese province of Wuhan at the end of 2019, COVID-19 was officially identified and named by the WHO on 11 February 2020. The immediate and obvious impact of the potentially fatal (and contagious through human-to-human transmission) disease was to offline/physical businesses in Wuhan itself and neighbouring cities in the Hubei province. The question is what, if any, impact will we see on the fintech industry, and financial services in general?

THE IMPACT OF COVID-19 ON THE FINTECH INDUSTRY

As with any global issue of this scale, there's always an initial 'panic' impact, but once the situation is better understood, financial markets often recover fairly quickly and completely. Locally there is obvious impact, with major fintech events due to take place in Asia having been cancelled or postponed amid security and safety concerns, such as the Hong Kong Blockchain Week 2020 and Token2049 in Hong Kong, and Binance Blockchain Week in Vietnam.

The effects of the coronavirus on the local fintech market isn't all negative, however, as technology is being leveraged there to help during the outbreak, whether it's blockchain being used to ease the pressure on healthcare workers by speeding up medical data verification (at Blue Cross Asia-Pacific Insurance) or cashless payments

> With one of the biggest challenges faced by the Chinese market being global expansion, a global health emergency like this could certainly damage, or at least slow down, its potential.

being encouraged in Vietnam as a way to prevent the spread of the virus. Xiang Hu Bao, Ant Financial's mutual aid platform, relies on blockchain to fasten settlements and lessen cases or fraud, thus fast-tracking insurance claims payouts.

Fintech giants such as Tencent, Baidu, and Ant Financial are also among the businesses digging deep to help people affected by the outbreak – offering financial support to merchants being treated in hospitals for the virus, hospitals in need of medical supplies and scientists working on a vaccine. Ant Financial's MYBank recently announced discounts on loans for companies at the centre of the outbreak in Hubei province, with zero interest for the first three months on one-year loans, with a 20% discount for the remainder of the term.

These positive actions may well help to lessen the financial impact of COVID-19, both in terms of providing much-needed cash injections and helping the local economy bounce back as quickly as possible. And, of course, the much-welcomed good publicity gained by offering support will paint the brands, and the industry as a whole, in a positive light.

THE CHINESE MARKET PRE-COVID-19

The fintech landscape in China has shown tremendous growth, going from an abundance of inadequately regulated services to a sector that last year challenged India for its title as top fintech hub in Asia. By using innovative products to effortlessly combine day-to-day activities with financial services, Chinese fintech companies are adding value to consumers' experiences, with new opportunities regularly emerging.

But with one of the biggest challenges faced by the Chinese market being global expansion, a global health emergency like this could certainly damage, or at least slow down, its potential.

HAVE WE SEEN ANYTHING LIKE IT BEFORE?

The obvious comparison here is the SARS (severe acute respiratory syndrome) outbreak in 2002/2003. China was also the epicentre of that outbreak, and it naturally took a toll on the country in terms of global socio-political and financial impact as well as in terms of public health.

In China at the moment, industries such as manufacturing and export are still almost completely shut down because of the coronavirus, so there's an obvious impact on the global economy, as there was with SARS. But back in 2003, the economy recovered quickly, so there is hope we'll see the same with the current crisis. However, it has been reported that there have been more deaths attributed to COVID-19 in a matter of weeks than there was during the entire eight months of the SARS outbreak (though at the moment COVID-19's fatality rate is believed to be lower than that of SARS). Another indication that the impact of this outbreak may need longer to recover is the growth of the Chinese economy in global terms over recent years. Currently, the GDP value of the Chinese economy makes up 21.95% of the world economy, but during the SARS epidemic it was only 4.5%.

There are obvious concerns that the Chinese fintech market will be severely disrupted by the spread of COVID-19, as shockwaves from the outbreak affect other markets across the globe.

It's looking unlikely that business, trade and economic issues will be resolved any time soon, but in the long term it's almost certain that confidence and investments will get back to the stage they were at before the coronavirus hit – though industry actions might be cautious for some time to come.

Open banking could become a closed garden

By Dharmesh Mistry

In Europe, open banking has led to a slew of new challenger banks with the majority offering 'better banking' to retail customers or small businesses. As open banking initiatives roll out globally, we are experiencing the start of similar growth of new banks in these countries. So, is Europe leading the world towards a new direction in banking? Is open banking the future?

I've been a proponent of open banking since its inception and believe the true benefits and future design of banks is yet to come, and that 'better banking' will be overtaken (not replaced) by experience driven banking. However, another model has emerged from the East that is, in a way, the total opposite.

This is the ecosystem play – a model very different from 'marketplace' banking and their focus is much broader than banking alone; they want you to facilitate as much of your life as possible. Whether it is chatting to your friends, getting a meal, watching a movie, paying your bills or just simply saving for a car, their remit is to facilitate your life as much as possible. Here, banking is merely transacting the monetary aspects of those experiences because spending, saving or investing has a lifestyle/stage purpose.

The big Chinese tech players have huge ecosystems that encroach into an ever-expanding range of their customers' online worlds. Their huge customer bases attract third-party developers wanting a slice of the action in a similar way to the iOS app store – seemingly open but yet still a closed walled garden with a single gatekeeper.

Their business strategies have been executed well with growth fuelled by a mixture of in-house development, acquisition and investing.

Whether it was destiny or simply luck, these ecosystems have benefited from China's unique differences and its changes in politics. For example, the change from state-run businesses to relaxation to initially allow farmers to run side businesses and then others to drive commerce occurred around the time of the internet.

However, the Chinese government created a walled garden thus making it hard for foreign competition. Another unique characteristic is its single-child policy, which has created a different population of Chinese millennials versus those in any other country. Chinese millennials grew up needing the internet to chat with friends as typically they would not have siblings to play with. Another difference is the Chinese millennials' wealth distribution, as far more of them own their own property than millennials in any other country in the world. Of course, having a huge population also helps. So, for a multitude of unique circumstances, Chinese tech companies have grown very big, very fast.

A BROAD ECOSYSTEM

So, are ecosystems exclusive to large tech companies? Well no, and they also do not have to be Chinese as Yandex and Tinkoff in Russia have proven. While Yandex is Russia's Google with multiple internet-related products including ecommerce, like many fintechs, Tinkoff describes itself as a tech company with a banking licence.

Tinkoff is closer to the likes of Baidu, Alibaba and TenCent, where banking is embedded into a broad ecosystem. However, Tinkoff started out as a bank and has expanded its vision towards an ecosystem/super app plan showing that banks with real vision and ambition can compete with tech companies. Compared with Chinese companies, Tinkoff's customer base is a mere 10 million users but it has time and room to grow with its proposition. Its initial super app displays open APIs, facilitates a broad range of health and beauty services, and has a voice assisted bot, Oleg, that provides financial advice.

> "Where are the ecosystems with banking embedded in Europe and the US? Is the door being left open to the East?"
>
> **Dharmesh Mistry**

An ecosystem leverages platform effects for growth so is compelling from a growth perspective. The more products/services, the more customers, the more products/services. However, the hidden gem here is about owning online time/interaction.

The more time customers spend in your ecosystem, the more you learn about them, and the better you can personalise offers. Here, higher levels of engagement drive greater opportunity to capture wallet share. Their experience-driven mini apps also allow ecosystem players to identify needs earlier, so they are far better positioned to make timely and relevant offers than 'transaction-led' banks. This is a very compelling strategy and one that puts the customer at the centre of its closed garden.

This begs the question: where are the ecosystems with banking embedded in Europe and the US? Is the door being left open to the East? Will it be a tech player or bank that takes up the ecosystem battle?

I'm not saying there is no place for traditional banks or pure play 'manufacturers', or that open banking is dead. I'm just saying that the future of banking will come in many forms, but Europe and the US have to create their own ecosystems to compete with the East.

Dharmesh Mistry has been in banking for 30 years and has been at the forefront of banking technology and innovation. From the very first internet and mobile banking apps to AI and Virtual Reality. He has been on both sides of the fence and he's not afraid to share his opinions.

INTERVIEW

Taking chances

By Sharon Kimathi, editor, FinTech Futures/Banking Technology

Following on from a successful FinovateEurope based in the up-and-coming European start-up hub, Berlin, FinTech Futures speaks to one of the budding fintechs based in the city – CrossLend. Chuka Ikele, legal counsel at CrossLend, shares his views on diversity in financial services, the role of fintech in capital markets and living in Berlin.

What is the role of a lawyer now in an ever-changing technological market? Will it stay the same?

This, just like every other aspect of human endeavour, continues to evolve. With the rise in legal tech, automation, artificial intelligence and machine learning, there are no limits to what is attainable. Lawyers – just like their contemporaries in other fields – are now beginning to confront and adjust (although belatedly) to the looming disruption powered by technology. I believe that the role of lawyers would be impacted but in a different fashion and not necessarily undermined, this is due to the discerning and versatile roles played by lawyers in the course of servicing clients which goes beyond just interpreting the law and advisory but well into problem-solving, risk management and advocacy. As this eventuality draws nearer, lawyers must as a matter of strategy begin to acquire new skills and competencies to be able to render excellent services in the tech age. A key takeaway from a recent EY study which appraised the need for legal functions to be reimagined for the digital age is that "failure to take advantage of innovative technology could make the legal function a weak link in the operational chain."

Do you think fintech has disrupted debt capital markets?

The nature of the financial system and investment industry is such that it is underpinned by the relationship between finance and capital markets. This relationship guarantees an avenue for trading of various financial assets (securities) and movement of capital within a functional economy. Noting the different market participants with diverse interests; banks looking to relieve their balance sheets, investors looking for interesting opportunities and middlemen looking to create a working pipeline between the former and latter; it is contemplated for systems in place to be improved for efficiency purposes.

This ultimately stems from the need by market participants to explore better, seamless tools to make transactions faster, more efficient and less costly, leading ultimately to increased revenues. >>

This is where fintech is primed to play a critical role in disrupting the existing systems ranging from trading, custody services, clearing, analytics down to the regulatory aspects – the possibilities within the entire value chain remain enormous. As to debt capital markets, fintech is already reshaping the way loans are originated and transformed through securitisation into tradable securities to the advantage of all market participants, fintech is also driving effective data analysis for easy decision making as well as providing cross-jurisdictional access to markets. The trajectory since the arrival of blockchain technology, process automation, electronic trading and artificial intelligence has somewhat solidified the role of fintech as the bedrock for future developments in the capital markets – debt and equity alike.

There is a debate at the moment about fintech just being in a bubble about to burst – do you agree?

Conventional ways of accessing capital or financing are fast being replaced by more modern and technologically driven processes. Who would've thought in the recent past that cheque books and banking halls would be replaced? I think the surface has barely been scratched as to the possibilities of fintech in the financial services sector. With each passing day, there is cutting edge innovation, new ideas are cultivated, old records are broken and systems are rethought. With evolving business models and global increase in the demand for unconventional/alternative methods of financing, the future of fintech remains very bright.

Does the financial industry needs to make improvements on diversity?

While it's been noted that considerable progress has been made over the years regarding representation, diversity and inclusion, I believe improvements can always be made. Considering the numerous wins (talented workforce, innovation etc) associated with diversity within the industry and in workplaces, the significance of this topic cannot be overemphasized. I would advocate for overt measures such as fine-tuning live strategies in line with current realities, setting stricter standards to keep industry stakeholders committed, continuous assessments to track progress levels and most importantly, keeping the conversation alive by relentlessly speaking on the subject, to raise awareness which ultimately leads to action.

I personally think it is very important for the younger generation of minority groups to grow with the idea that there are no glass ceilings to their aspirations, regardless of the field of their future endeavours, profession or office setting – to know that their dreams are and always will remain valid.

> "Lawyers – just like their contemporaries in other fields – are now beginning to confront and adjust (although belatedly) to the looming disruption powered by technology."
>
> **Chuka Ikele, CrossLend**

In a recent interview you conducted with Africa Legal, you mentioned that you developed a strong bias for corporate law, debt and equity financing and private equity. Why is that? What drove you to these specific divisions within law and finance?

Given my prior inclination to finance as well as my immediate environment in a corporate focused practice group of a law firm – I was exposed early to a great deal of tasks of a corporate and commercial nature where I began to advise clients on the legal structures and approaches for building, scaling and expanding business operations. It was at this point that I came to fully understand and appreciate the dynamics around how law and finance synthesize to create among other things, stability and certainty for businesses and ecosystems to flourish. I also came to understand the underrated power of capital when deployed effectively and efficiently in combination with sound business planning.

INTERVIEW

As a black-British African, my parents drove me to Law – it was one of the three (medicine, law & engineering) approved career paths. Did you face something similar or did you just want to go into Law anyway?

Yes you can say that, although I have always been inclined to letters. I was drawn more to art, history and archaeology when I was younger and I wanted to pursue a career in any of these areas. My father at every opportunity he got, made it his mission to remind me of the huge prospects and potential associated with studying to become a lawyer. I would not say it was the main determinant, however it played a role amongst others in the reasons I chose to study law. After taking into consideration the various options in front of me as well as the subjects which I was good at, I naturally settled for law noting the impact I could make with such an education.

What was your first role in the financial industry?

I started out in a full legal capacity – advising on transactions while working in the corporate commercial practice group of Jackson, Etti & Edu, an international law firm in Lagos, Nigeria. Prior to attending law school, I participated in a couple of internships where I had a first glance of the inner workings of corporate law, this led to an inner curiosity which lived with me through law school. Landing my first real job after law school, I was naturally drawn to matters of a corporate nature, fundamental deal topics such as due diligence, deal negotiation and other regulatory aspects. A combination of these experiences ultimately contributed to developing a strong bias for further specialization in finance, on both equity and debt sides.

Why finance?

This question draws flashbacks from my experience while putting down my thoughts and motivations in a personal statement for my LLM [Master of Laws] application, there I highlighted and drew a connection between the correlation of law and finance especially the pivotal role of law in providing a solid framework on which a healthy and stable financial system can be built. As a young adult, while learning and understanding the role of enterprise, industry and commerce in the scheme of things that enable ecosystems or economies thrive on a macro level, I came to understand that a major contributory factor was the availability of financing to galvanize and transform ideas from drawing board to proven profitable enterprises. It is given that in less developed or deprived ecosystems, the missing piece has always come down to the same conundrum – finance!

> "It is given that in less developed or deprived ecosystems, the missing piece has always come down to the same conundrum – finance!"
>
> **Chuka Ikele, CrossLend**

As a child of the diaspora, how do you find living and working in Berlin?

It has been interesting for the most part, a large, multicultural city with diverse little corners for each person regardless of lifestyle differences. Working as a professional has also been very enriching and international, building networks and benefiting from cross-cultural team exchanges and experiences.

Are there any challenges?

Moving away from familiar surroundings, especially family and lifelong friends could be difficult. The challenge of making new friends, learning a new language from scratch and the continuous task of countering widespread stereotypes is also quite strenuous.

What are the positives?

Due to its size, population demography and position as the capital city of Europe's largest economy, living and working in Berlin definitely has its perks and advantages. For starters, the high level of creativity to be tapped into, huge talent pool, access to capital, among other opportunities are particularly worth mentioning. Berlin is also popularly known for its startup ecosystem which makes it one of the world's startup capitals and breeding ground for founders/entrepreneurs. As one who has since time been intrigued by the process of building and scaling enterprises, it is no coincidence that I found myself in Berlin.

What are your highlights so far in your career?

Significant highlights of my career would include the transition from a common law based legal system to a civil law legal system in Europe, venturing into and developing competencies in structured financing, securitisation and private equity. I am also particularly proud of the fact that I have learned to speak some German.

What would you tell your 15-year old self if you had to do it all over again?

Take more chances! I would still end up a lawyer but complement my legal education by acquiring interdisciplinary skills early enough in math, accounting and coding etc. I would also learn to play a musical instrument and travel/discover more.

What career advice would you give to young aspirational black and ethnic girls and boys?

Take advantage of all opportunities to improve your abilities, skills and networks. Be brave enough to venture into uncharted territories far away from your comfort zone. It is alright to doubt yourself sometimes but more important to reassure yourself by putting in the actual work.

CHUKA IKELE: CV

Oct 2018-present Legal Counsel, CrossLend

Mar 2018-Aug 2018 Intern & Working student, EY

Nov 2017-May 2018 Student Researcher, Statista GmbH

Nov 2014-Aug 2017 Associate (Qualified Lawyer), Jackson, Etti & Edu

Jun 2014-Jul 2014 Legal Extern, Chief Rotimi Williams Chambers

Beyond the big numbers

By Cecile Sourbes, senior staff writer, FinTech Futures

High fundraising rounds in the fintech world continue to make the headlines. From neobanks around the globe to firms specialised in structured working capital financing, many reached several hundreds of million in fundraising in 2019.

Also, in the absence of details around the terms and conditions set for the deals, the numbers can easily make other entrepreneurs' mouths water. But, as Pascal Gauthier, CEO of the crypto asset wallet firm Ledger notes, "the devil is often in the detail".

"We always talk about the big numbers," he says, "but what's behind the number is probably more interesting than the value itself and entrepreneurs should look closer."

When we look at the hard figures, two elements can come into play. First, venture capital (VC) firms usually introduce a notion of stage financing, whereby the entrepreneurs gain access to the whole amount of funding in successive tranches only if they achieve certain milestones.

"This is a way for VCs to limit their financial risk," explains Aram Attar, managing partner at Kagemusha Capital and founder of Tytchme Academy, an e-mentoring platform. "Although they promise a high round of funding, they may never unlock the second or even third tranche simply because the firm has not delivered on the financial milestones."

"We always talk about the big numbers, but what's behind the number is probably more interesting than the value itself and entrepreneurs should look closer."

Pascal Gauthier, Ledger

Beyond the financial argument, there is also a governance factor. As Gauthier notes, stage investing allows investors to protect themselves from a potential 'take the money and run' effect.

But, far greater still than that, what entrepreneurs should pay attention to is the type of shares the VCs will take in the company. And this is where the devil lies.

"We must distinguish common shares from preferred shares," notes Attar. "In Europe, common shares are usually owned by the entrepreneurs and the business angels who invest in the company at an early stage, either on a pre-seed or seed round of funding. The preferred shares are usually introduced as soon as a series A round of funding takes place when VC firms get involved."

These preferred shares give investors access to the information concerning the company they invest in or even a governing right. But, more importantly, they confer investors the priority over the common stock upon the exit of the company.

HOW DOES IT WORK IN PRACTICE?

Let's say a company has already raised a few rounds of funding and is now valued at $20m pre-money. The company needs some extra capital to expand further and is raising a new round where the investors are willing to bring $10m. The post-money valuation of the company is now $30m.

Now, let's assume that the company and the previous investors owned up to 20,000,000 shares and they issue 10,000,000 new shares. The VCs taking part in this new round will own 33.33% of the capital, while the founders and the previous investors will retain 66.66% of it.

So far, so good. Also, in an ideal scenario where the firm was to exit at this point (either through an IPO or an acquisition, for instance), the entrepreneurs and the business angels would automatically access 66.66% of the proceeds of the sale. Or, at least, that's what some tend to think.

But, as Attar explains, the reality may well be different.

"Everything depends on the preferred shares and on whether the exit is successful or not," he says. "The system of preferred shares introduces a sort of waterfall, which will determine which shareholders get paid first in the event the company is sold. At that point, the investors who invested last will say: 'Hold on, considering the fact that we have invested $10m in the company, we want our money back first, so you owe us $10m. Then, and only if there is something left out of the sale and no other rules apply, we'll share it on the 67/33 basis."

If we assume that the value placed on the firm at the exit stage reaches some large multiple of the amount of money its investors committed, the entrepreneurs and the business angels could still have a chance of earning something.

However, as Gauthier points out, the entrepreneurs and the business angels should pay attention to the 2x liquidation preference, often introduced in the pre-IPO rounds. With these shares, late investors can be paid returns twice as high as the amount they have invested – in this case, $20m.

For the founders and the business angels, though, the amount of money left at the end could be meaningless. The early VCs who invested from the series A of funding may have already introduced some preferred shares. In that case, those investors would also have the right to claim their investment first upon exit, leading to the cake shrinking yet further for the founders and the business angels.

Now, let's assume the value placed on the firm at the exit stage fails to reach the large multiples. In that case, the amount the entrepreneurs will receive could be down to zero.

"Everything depends on the preferred shares and on whether the exit is successful or not."

Aram Attar, Kagemusha Capital

"Let's say a company exits with a valuation of $10m, which is much lower than its post-valuation of $30m; the late VCs will still take their $10m back and there is nothing left," explains Attar.

And he adds: "What is confusing is that people tend to think they have sold 33% of their company, whereas in some cases, they may have sold 100% of it."

In these circumstances, it's easy to see why some companies may not be fit for the VCs' investment model. But, as Gauthier reminds us, everything depends on your company and your capacity as a founder to raise money.

"At the end of the day, if you can prove that your business is viable, your team is on track and that your model is scalable, you can potentially convince investors to follow you, based on your own conditions," he says. "But if you don't, then VCs will certainly impose their own rules."

Cloud security in a post-GDPR world

Alex Hamilton, deputy editor at FinTech Futures, sat down with Lalit Mohanty, global head of cloud at Infosys Finacle, to discuss cloud adoption in financial services

With an increase in cloud adoption throughout the financial services industry, the transition can have an advantageous impact on firms and allow for the better optimisation of IT resources.

Yet with the use of cloud, challenges arise when it comes to the security of the data stored by either financial services in a private cloud ecosystem, or cloud service providers operating on behalf of banks.

While jurisdiction-specific data laws impact the way that firms in the space operate, the European Union's General Data Protection Regulation (GDPR) has changed the way in which firms handle sensitive data operate when it comes to the cloud.

"GDPR has had a massive impact on cloud security in the finance sector," says Lalit Mohanty, global head of cloud at Infosys Finacle. "For one, it means service providers need to make sure that any data from a bank is held securely. It also means they need to make sure the data is available and secure across jurisdictions. GDPR is having a massive impact certainly when it comes to the contractual obligations of the service providers."

With stricter controls being placed on cloud providers and those that store precious data in a cloud environment, it's important that firms consider their options carefully when selecting a technology provider, says Mohanty.

"When looking at a data service provider – especially when it comes to risk management with the cloud – it's important to go through and get an independent assessment of that provider," he says. "This could be achieved by auditing firms or by a specialist consulting firm that can ensure they investigate the privacy architecture from a design standpoint."

HEAVY PENALTIES

European regulators are prepared to levy substantial fines on noncompliant firms. A historical concern for financial institutions when it comes to the deployment of the cloud has been data security and the potential for damages in the event of breaches. So, has GDPR made a cloud transformation a risky bet? Mohanty believes not: "Just because there is a risk that someone could hack me for using a computer, does that stop me from using the computer? The answer is, of course, no."

If you have ensured that your computer is protected and safe for use, he adds, there should be no concern about bad actors. Not using the computer would be a direct detriment to a person's ability to get work done in an efficient way.

"The same goes for cloud technology," adds Mohanty. "It is giving you the scale, availability, time to market, agility and more. Of course, if you place everything into an insecure cloud then the risk increases, because the target increases in size."

Firms are rightly concerned about the penalties that come with breaching GDPR, says Mohanty, especially as the reputational hit could be as damaging as the potential revenue fine. "Yet the world is moving towards cloud and it is the way to go for the future," he says. "You can't escape from the way the market is moving. What you can control is ensuring that both you and your cloud provider have the proper strategy and proper frameworks in place."

Move over China, it's Southeast Asia's turn in the spotlight

By Fady Abdel-Nour, head of M&A, PayU

The rise of China has been a source of endless amazement. The country's economic performance and pace of technological innovation over the past 10-15 years has been hailed by experts as nothing short of miraculous. This has led to numerous Chinese bred companies such as Alibaba and Tencent establishing themselves not only as peers but rivals to long established, powerful global entities in the US.

THE NUMBERS BEHIND THE MARKET

Last year, transaction volumes in the Chinese investment market reached just over $45 billion, a 21% rise year-on-year. This was one of the main reasons that investment activity in the Asia-Pacific region reached a record high of almost $169 billion, according to data published by JLL.

However, when we look at the industries that make up that investment, specifically fintech, we see a different story. A recent report from Innovate Finance found that the US led all global fintech investment with $16.3 billion across 1,095 deals in 2019. Meanwhile, China experienced a decrease in not only deal size from $26 billion in 2018 to $1.8 billion in 2019 (caused by a mega deal in 2018), but also its total deal count (245 in 2018 to 166 in 2019).

A SATURATED MARKET

The Chinese fintech market is reaching saturation point, and while it's clear there is still strong support for the fintech sector, investors have become wary of certain models such as peer-to-peer lending and are increasingly looking outside China and towards even more emerging markets, in particular India and Southeast Asia, for opportunities. For example, in 2019 alone Southeast Asia raised $701 million across 87 fintech deals.

According to the latest World Payments Report, the number of global non-cash transactions reached 433.1 billion in 2015, mainly driven by strong growth in developing markets, and is expected to reach 725.8 billion by 2020. Emerging Asia, thanks to China and India, should remain the fastest-growing region and has the potential to double its share of global non-cash transactions to around 30%.

Every region comes with its own nuance, with high-growth markets particularly having their own unique challenges, for example outdated legacy infrastructure and a lack of framework. Historically, this may have deterred investors and proved a barrier to investment. However, as entrepreneurs and investors alike have come to better understand, respect and overcome these challenges, more opportunities have been seized and developed. Take China's fintech giant Ant Financial's decision to set up a $1 billion fund to invest specifically in fintech start-ups in Southeast Asia and India.

SOUTHEAST ASIA: A REGION EVER MORE APPEALING

With high mobile data consumption and often limited access to financial services, it's no wonder that Southeast Asia has been hailed as the next region for financial innovation. In just five years, internet penetration in the region has rocketed from 25% to 63%. The outcome is an environment perfectly primed for disruption from mobile-based services, further supported by predictions that tip Southeast Asia's internet economy to reach $300 billion by 2025.

Where traditional banks are less established and infrastructure seldom caters to the masses, fintech is a natural solution that will enable emerging and developing markets to join the economy. With an increasingly tech savvy population, the rapid adoption of mobile phones and improving internet connectivity, fintech start-ups are seeing significant uptake.

In particular, start-ups are finding fewer obstacles than in the product saturated markets like China, due to the opportunity to influence infrastructure and fintech rules for a modern era. Investors can also take an active role in this, ensuring their investments are compliant and equipped to succeed in their market.

EAST V WEST

Despite their appeal, high-growth markets are still prone to experiencing technology clashes. Investors from the West arriving with developments or products built to connect with traditional financial services will most likely encounter obstacles to deployment; for example, in the Indonesian e-commerce space only 20% of transactions are digital. This is likely due to the fact that more than half the population remains unbanked and is something that any fintech looking to implement digital wallets will have to bear in mind.

> "In Malaysia, regulators have taken steps to make the country a competitive hub for fintech start-ups in a bid to grab a share of the fintech opportunity."
>
> Fady Abdel-Nour, PayU

The attractiveness of high-growth markets and their consumers will only continue to increase as the fintech industry collectively develops and harnesses the technology necessary for global financial inclusion. But it is not a seamless process; there are barriers that will need to be overcome before we see uptake on a large scale.

LOOKING TO THE FUTURE

Southeast Asia is expected to continue its fast pace growth and triple in size to $240 billion in total payments volume by 2025.

Looking specifically at the countries within the region, it's clear that each has its own unique qualities that are appealing to investors. In Malaysia, for example, regulators have taken steps to make the country a competitive hub for fintech start-ups in a bid to grab a share of the fintech opportunity, for example with Luno, the first fully regulated Malaysian crypto exchange.

The Southeast Asia region is full of promise and possibility for investors and entrepreneurs alike. It will be fascinating to see the impact of increased investment over the coming years, and perhaps even witness Southeast Asia reap success akin to that of China.

The closet of shame

By Leda Glyptis

Although I am no longer a banker, I work with banks. And, hand on heart, I am not sure if I will ever fully not be a banker. It's a world I get and care about. It's a space that makes sense to me, with all its failings and foibles. It's the industry that made me who I am and the cause I come back to time and again. And if I castigate, it is because I care. And if I flag its shortcomings, I do not consider myself outside looking in and making light. Far from it.

Everything I flag, I want to fix, not mock.

And nothing more than the closet of shame, an idea that isn't even mine.

It came from an ex colleague, Bill, who had a sharp wit and a soothing sense of humour on a bad day. Well. Every day, to be fair. But it was most needed on a bad day.

And we had been having a bad day. I can't even recall why. The details are lost in the decade between that conversation taking place and now and the multitudes of times the same circumstances have transpired since.

Are you a banker?

Then this one is familiar.

There is a mistake.

It can be a small one or a huge one.

It can be a deliberate political manoeuvre or a genuine miscalculation.

It may be that person who was given responsibility for a big deliverable and is really not working out but nobody is willing to call it. It could be a glaring error (like that bank I once worked for who forgot to accrue contractor pay for the month of May and would rather delay all projects by a month than go up the food chain and admit the boo boo). It could be miscalculations in estimates, complexity, dependencies or you name it.

It could be the height of stupidity or a most human error.

It doesn't matter. Both happen all the time. What matters is what happens next.

WILL WE NEVER LEARN?

So that thing that I genuinely can't remember had happened and I am on the phone to Bill. He can't fix it any more than I can and although he is as disappointed as me, he is resigned to my furious. And why am I furious? Because that thing, whatever it was, had happened before.

It was entirely avoidable and would have been avoided, if only we had talked about it and learned from it the time before, and the time before that.

That person doing a terrible job at stakeholder management has actually driven three more projects into the rocks of misaligned expectations. Why are we acting surprised?

Why are we using the same estimation tools that didn't serve every other time we used them? Why did we repeat the same mistakes in the same way?

Why can't we learn?

Because of the closet of shame, said Bill.

Everything that goes wrong in a bank, big or small, gets put neatly away in the closet of shame.

Don't get me wrong. Consequences are real and for big mistakes financial repercussions, fines and folks losing their jobs are not unheard of.

But even then, subsequent reflection is minimal. The organisational learning non-existent. Because, once the dust settles, the incident is put in the closet of shame never to be talked about again. Never to be learned from.

Or not quite.

LEARNING THE WRONG THINGS

We actually do learn. We learn that the closet exists and therefore you take things out at your own peril: if you have ever mentioned past failings and were enveloped by the awkward silence in the meeting room you know what I mean.

If you want to know what is actually inside the closet of shame, don't ask in the meeting room, don't ask by the water cooler. Don't ask in the pub; don't be daft, that only happens in movies.

Ask on plane rides and train journeys (the in-between places where everything is possible), ask during time out of time

> "Everything that goes wrong in a bank, big or small, gets put neatly away in the closet of shame."
>
> Leda Glyptis

moments when you will receive an answer human to human, not colleague to colleague. But be careful not to use that knowledge and betray the confidence. For the unwritten rule is that we know of the closet but do not speak of what is in it. Only the non-bankers are laughing by now.

What else do we learn? We learn that responsibility and accountability are slippery things and if you retain deniability, if you produce enough paperwork to show due process, if you have a risk log and close your Jira tickets, you may fuck up and still triumph.

We know that there are tools and paper trails that can protect you from memory and consign your failures to the closet.

And although nobody sets out to fail, everyone protects themselves just in case.

That's why half your life as a banking junior is spent filling out templates and producing documents that have no purpose: no actual usefulness and no apparent use.

But as you grow and learn the skill of creating a project plan, and pre-agreeing KPIs and milestones, and communication cadence models and risk logs, you realise nobody is trying to arm the team to do the work through these tools and artefacts. That comes after, if it comes at all.

All this effort, all this work, all this toil is the one-way ticket to the closet should things get bad. Failure isn't talked about if it's neatly wrapped in logs and reports, updates and Gantt charts.

So what if we never learn to estimate? So what if we never learn how to measure performance in ways that will, god forbid, improve it? So what if we never give people a chance to fall, get up and learn from the process?

We have learned that all of those things matter less than the closet of shame. And we have learned why.

ANYTHING YOU SAY CAN AND WILL BE USED AGAINST YOU

It's sad but it's true. Although I have met incredibly supportive colleagues, bosses and mentors in my years as a banker, life inside a bank is spent mostly dodging bullets and deflecting poisoned arrows. Internally launched in an endless nonsensical battle for resources, air time and supremacy that may turn into currency at bonus, promotion or redundancy time. You don't know when you are going to need it. And the old hands play a deft game.

As a newbie all this is above your head. But the time comes when you start to rise and the surest sign of impending success is that the missiles start pointing at you. A dubious honour and one that feels deeply personal at first. Then you learn.

You learn to hate neither the player nor the game. You learn that a good boss is a shield. You learn to become a shield for your people. You learn that trust is a different kind of currency inside a big bank, and a constantly appreciating one. And you learn about the unspoken truces and the battle-ready mountains of paper that surround the closet of shame. Just in case.

You know that if you fail (and come on, you will, in ways big and small, you will because only those don't try don't fail) there are two paths: the door, or the closet of shame for your misdeed. It's not a pardon. It's a polite "we shall not speak of this again". If you try for the third path of "let's talk and learn and reflect", you will find arrows galore pointed at your head: because nobody fails alone and nobody wants to join you in your Quixotic quest for self reflection.

So we learn. We learn from our mistakes. We learn who to trust. We learn how to protect ourselves to live to fight another day. We learn how to dodge bullets and work around assumptions and sacred cows. We learn who we can count on and who is waiting to pounce before the closet of shame does its job, when things are still raw and it's fair game to use them against you.

We learn all this and it is useful.

What we don't learn is how to bloody estimate better. How to support that project manager develop and not watch the same chaos unfold each time she's at the helm. >>

How to have checks in place so that, if a junior working late into the night forgets to drag the month tab 12 clicks on his spreadsheet and sleepily only goes as far as 11, the whole division doesn't down tools for a month because nobody picked up on the error and how embarrassing is that?

AVOIDING THE RETRO PLACEBO

Before you suggest it, banks do retros. And they are sad affairs. They involve dancing around elephants in rooms and flagging things like "we should talk more, email less", "we should have involved Jane earlier", "we should have had a coffee machine in the project room", "we should have pre-agreed holidays to align to the skills matrix so that Joel didn't go away on honeymoon when we most needed him".

All probably true. All probably beside the point that probably would have entailed a conversation about departmental politics delaying approvals, the fact that releases are timed by people who have not been told the 1980s are over, the fact that some tech choices were made that are no longer fit for purpose but who's going to tell the CTO that? The fact that we missed things. Were wrong about assumptions. But now we know.

And what we know is uncomfortable because it involves changing a lot. And having hard conversations about people's styles and personalities and actual commitment. The things that can really make or break a project.

The things we don't talk about because we know it is above the pay-check of the people in the room to fix and because it's no skin off our nose, right? We won't even be working as a team in this guise on the next piece of work so what's the point?

Plus we have probably told our boss over a drink and now it's his problem. Only he really doesn't feel that way. It is not a problem for him. Not really.

> "Banks do retros. And they are sad affairs. They involve dancing around elephants in rooms and flagging things like "we should talk more, email less" or "we should have had a coffee machine in the project room."
>
> **Leda Glyptis**

He didn't lose sleep over it. He didn't feel its consequences on his skin like you did and nor will he suffer from re-living it next sprint. Your boss will protect you from yourself and not let you flag and fight this. He will let it go the way of the closet and look after your career.

How do you break the cycle? In a bank? I am not sure you can. I hope I am wrong.

But outside a bank? In our efforts to build and create technical solutions and culture wedges to help the banking industry from our hipster offices? How do we ensure this doesn't happen because we are not immune to any of this.

It is human nature to want to let mistakes be forgotten. It is human nature to try and protect yourself from potential blame.

It is human nature to see something going wrong and try and put it at someone else's feet. It is human nature and it is entirely, totally and irredeemably damaging.

So how do you stop it? Seriously, DM me, comment, send a courier pigeon. I want to hear your solutions.

HERE ARE MINE

Unless another person has been hurt, upset or in any way emotionally involved, any mistake big or small is mine as much as the person who made it.

I am the boss right?

My team. Their success is my success, no? Right. So are the mistakes.

And on a fundamental level they are. Errors of omission or commission, bad behaviour or genuine fucks ups, they are my responsibility and my fault as much as the perpetrator for missing them, if nothing else. As is the responsibility to solve things.

Second. It doesn't matter who did it. Who broke it. Who didn't think about it. Whose idea this was.

Unless it's malicious. Unless someone did something on purpose. Unless someone was hurt in the process, never ever ever ask who. Ask what now, what next and how we will prevent this from happening. Ask how do we fix and how do we learn from this.

Do not seek blame.

And equally, do not permit blame. Even when people are potentially right. Even if they are conceivably notionally right. The minute your team starts pointing fingers at each other and say he did or didn't, she could but hasn't, is your moment to act.

You are what you tolerate. And if you tolerate that, your own closet of shame is not far behind.

In our team, when something goes wrong, we roll up our sleeves and say, "this is a fine mess mate, how do I help?". And when things are no longer on fire we talk about how we can do better. Together. Because that is how we work and how we mess up and how we fix things.

And maybe every problem is fresh and we can't learn all that much from our errors. So be it.

We will at least have learned how to have each other's back. How to pull together. How to be a team. And that, is everything.

Leda Glyptis is *FinTech Futures'* resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption as CEO of 11:FS Foundry. She is a recovering banker, lapsed academic and long-term resident of the banking ecosystem.

All opinions are her own. You can't have them – but you are welcome to debate and comment!

Follow Leda on Twitter (@LedaGlyptis) and LinkedIn (Leda Glyptis PhD). Visit our website for more of her articles.

The allure of omnichannel

By Thomas Schulze, vice president of systems for the Americas, Diebold Nixdorf

Banking journeys and the touchpoints within financial institutions (FIs) are becoming more complex, starting and stopping across multiple channels that include a mix of physical and digital.

Even though digital engagement is growing, physical interactions and the mix between teller and self-service play important roles in many consumer journeys, especially in the small and medium-sized business (SMB) segment, where SMB owners often have physical storefronts and use financial services constantly.

Our research has found that 55% of SMBs use the branch teller twice a week and 59% use the ATM twice weekly. Although SMBs are using financial services frequently, 93% of FIs confirm that merchant customers can't always fulfil all their cash and coin needs. More than half of SMBs feel they spend too much time waiting in line and more than 75% of merchants say they would use automated or self-service technology for cash deposits and withdrawals, if the right technology was available.

As is usually the case with technology, interest and usage varies from one individual to another. SMBs, like every consumer, want to have the choice. In a survey Diebold Nixdorf conducted last year, SMBs expressed a desire to use more tailored self-service technology but would also consider switching banks if they were forced to use self-service instead of going to a counter.

That paradox underscores the importance of delivering an omnichannel experience, rather than focusing on one area, be it physical or digital. Self-service operates in the sweet spot between physical and digital channels, enabling fast and secure cash transactions 24/7 and helping banks drive visibility across their entire network. Regardless of whether FIs view their ATMs as a utility for cash management, or as a strategic touchpoint in their overall digital strategy, how to make the most of ATM interactions should be top of mind.

With the right software in place, the ATM can play a new role, not just 'in' the branch but 'as' the branch, fulfilling the advanced transaction set required by SMBs, such as bulk deposit, split deposit, instant crediting and so on.

EVERYONE'S A WINNER

With the right self-service solution in place to automate additional transactions, employees are free to help develop SMB relationships; it's a win-win situation for FIs and SMBs:

- FIs benefit significantly from cash automation due to reduced workload and costs of manual cash handling tasks.
- SMBs reduce their waiting time in the branch – which is one of their biggest concerns – and receive enhanced capabilities with 24/7 cash services, especially if they are able to pre-stage a transaction via mobile or any other digital channel wherever and whenever they want and complete the transaction in the branch or at the self-service device at a later stage.

Customers have the freedom of choice they demand, and FIs have enabled an ideal omnichannel experience.

Learn more about the benefits of modern self-service technology at www.dieboldnixdorf.com/smb

SELF-SERVICE 'IN THE BRANCH' OR 'AS THE BRANCH': ADVANCED TRANSACTION SET REQUIREMENTS OF SMBs

Business cash deposits and withdrawals

Instant crediting
Flexible cash deposits with direct crediting to the account and full transparency at any time

Bulk deposits
High-volume cash deposits available 24/7 at the self-service device

Split deposit
Flexibly deposit cash or a cheque into two or more accounts. Traditionally this capability took two steps at the ATM – deposit then transfer, or required manual teller intervention

Payments
Ability for SMBs to pay their bills with cash or their deposit account

High-value withdrawals
Over-the-daily-limit withdrawals – pre-signed or via real-time approval of bank staff

Individual bill and coin mix
Withdrawal of the individual denomination max (e.g. for exchange money)

Omnichannel transactions and assisted services

Pre-staged transactions
For example, taking the card out of the transaction completely, and empowering people to pre-stage their transactions via mobile or digital channels

Assisted services e.g. transaction override

Within the branch environment: Tablet-enabled Within the branch environment, a branch employee can quickly assist the SMB

Remote or outside branch hours: Video-enabled The SMB can engage with the remote service representative via mobile or self-service

China leads the way in adoption of ISO 20022 for payments

By Marcus Hughes, director of business development, Bottomline Technologies

While Swift continues to work hard with the global payments community to prepare for a mass migration to a data-rich format known as ISO 20022, a few major economies – in particular China – are in the comfortable position of having already implemented this flexible format in most of their mission-critical payment systems.

In recent years, Swift has been using all its powers of diplomacy and gentle persuasion to coax banks and payment market infrastructures to agree upon an ambitious five-year program (2021-2025) to migrate the world's major payments systems to ISO 20022. This new format will impact systemically important payment systems such as the US FedWire, the UK's new Real-time Gross Settlement (RTGS) set to replace CHAPS, and the EU's TARGET2. Additionally, the complex network of correspondent banks that manage cross-border payments will be affected directly. This ambitious program will involve a period of co-existence with legacy payment formats because the timing for migrating different systems will be phased.

Asia Pacific is widely considered to be the world's most innovative region in terms of payments technology, with the Chinese market at the forefront. It should, therefore, be no surprise that in the global migration to ISO 20022, the People's Bank of China (PBOC) published its ISO 20022 migration plan as long ago as 2011. Furthermore, by 2013, the country's primary payment system, spanning both RTGS and ACH payments and known as CNAPS2 (China National Advanced Payments System), was live using ISO 20022 with multiple messages. A particular advantage of using ISO 20022 in China is that the format can carry Mandarin characters as well as Roman characters, as we use in English. Usually, traditional payment formats like Swift's MT FIN messages use Roman characters only.

China's Cross-border Interbank Payments System (CIPS) also uses ISO 20022. CIPS launched in 2015 as a worldwide interbank payment system to encourage the use of the Renminbi, reducing costs and processing times. Later cut-off times have extended CIPS' operating hours for payments, which makes it easier for participants in Europe to execute same-day payments. More than 800 banks from about 90 countries participate in CIPS, either as direct or indirect participants. The settlement system has proven especially popular with banks from countries exposed to US sanctions, such as Russia and Turkey, as well as African states that are benefiting from infrastructure projects under China's Belt and Road Initiative.

CIPS is a game-changer, providing controlled cross-border access to the onshore Renminbi clearing system CNAPS2. This control makes CIPs an essential milestone in making the Renminbi easier to use globally. China's low-value real-time payments system, known as Internet Banking Payments System (IBPS), already uses ISO 20022 and has seen rapid adoption with more than 200 banks using the system. As well as the widespread usage of ISO 20022 for payments, The China Foreign Exchange Trade System (CFETS) has developed ISO 20022 messages covering post-trade foreign exchange activities.

MORE STRUCTURED DATA

The switch to the ISO 20022 standard allows payments to carry a great deal more structured data, as well as standardizing payment formats that were previously inconsistent. Regulators like the move to ISO 20022 because it includes more information about all parties in the transaction. This additional data makes it easier for banks to comply with anti-money laundering (AML) requirements for transaction screening.

Another significant advantage is that ISO 20022 messaging increases efficiency, which results in lower cost and higher straight-through-processing (STP) rates. The increase in information provided also reduces the risk of errors, as users can include additional payment details and references, making reconciliation easier for the beneficiary. It is noteworthy that, although Chinese payment systems are highly advanced in their adoption of ISO 20022, they do not use the Swift messaging network for their payment systems. It is thought that this is because China wants to minimise its reliance on Swift, whose governance is dominated by US and European banks. Hence, China prefers to manage its proprietary messaging network, albeit using a modern international messaging standard – ISO 20022.

In addition to China's pioneering status with the new payment format,

> "Their early adoption of the data-rich ISO 20022 is a further example of the dynamic and innovative payments landscape in China."
>
> Marcus Hughes, Bottomline Technologies

other countries enjoying the benefits of early adoption of ISO 20022 include India and Switzerland. Furthermore, the EU's SEPA scheme for credit transfers and Direct Debits also uses ISO 20022. Overall, the advanced position of China's payment systems regarding the adoption of ISO 20022 is in stark contrast to other RTGS payments systems in Europe and North America, which are still deep in the planning phase of the migration program. Looking beyond payments, in the securities industry, China Securities Central Depository & Clearing (CCDC) is exploring the adoption of ISO 20022, even though Swift and the global securities industry have agreed not to lay down a hard end-date for a mandatory migration to ISO 20022.

E-WALLET PIONEERS

There is little doubt that China's reputation for advanced technology and innovation in payments is well-deserved. For example, mobile payment giants Alipay (Alibaba group) and WeChatPay (Tencent group) have pioneered e-wallets. With more than one billion users each and total transaction values of $40 trillion per year, they have outstripped Western rivals in terms of integration with ecosystems, advanced technology and user-friendliness.

Meanwhile, PBOC and China's commercial banks have adopted a lower profile approach and received less publicity. Their early adoption of the data-rich ISO 20022, however, is a further example of the dynamic and innovative payments landscape in China.

Sponsored by SWIFT

Bringing peace of mind to cross-border payments

Swift's global payment initiative (gpi) has rapidly become the new standard in cross-border payments. Today, nearly 60% of Swift cross-border payments are sent via gpi. There are more than 3,500 financial institutions that have committed to gpi who are processing the equivalent of 300 billion dollars every day.

The service was created to enable banks to meet the growing demand for fast, trackable and transparent services. Since gpi's inception in 2017, Swift has continued to innovate and enhance the cross-border payments experience. The next step, says Swift, is through the new universal confirmations initiative.

Financial institutions currently sending payments through gpi benefit from tracking and confirmations, allowing them clear sight of where their payments are and when they've reached the intended recipient.

Universal confirmations will extend these benefits to all financial institutions on the Swift network, including non-gpi banks. To make this possible, all Swift-enabled institutions will be required to confirm payments once they've been credited to the beneficiary's account. Swift has set a timeframe in which to achieve this as a community: the end of November 2020.

"It's similar to when you send a package via a delivery company," says Fabien Depasse, head of Swift gpi customer success. "These days you don't just expect to be able to track your package's journey, you also want to know that it's arrived safely. And that's exactly what corporates and individuals want to know about their payments."

Swift says that this fairly simple change will have a big impact, allowing every financial institution on the Swift network to see the final status of each payment and access reliable, up-to-date tracking information.

"We know that customers aren't just asking for this, they expect it," Depasse says. "They want to be able to say, 'I've done the trade, I want to know that the payment has arrived.' For example, if I am a corporate and you are a supplier, you will only ship goods that I've purchased after receiving my payment. Confirmation is an essential element to satisfy the supplier but also, importantly, to allow corporates to build a reliable supply chain."

AUTOMATED SERVICES BUILT IN

Confirmations also reduce the need for manual intervention in cross-border payments. This leads to big steps forward in customer experience, and reduces costs for financial institutions, as resource that was previously used to chase payments is freed up.

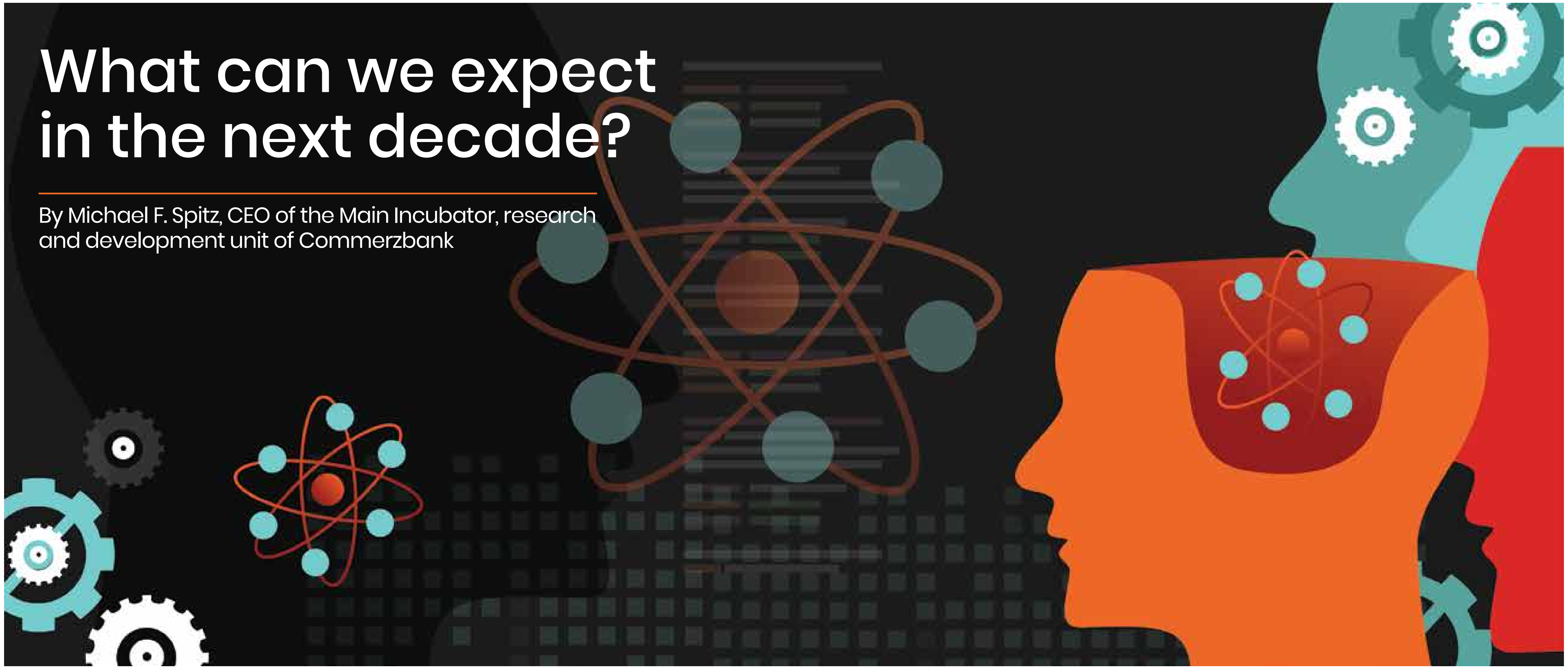
Swift has been working with the software community to make sure confirmations solutions can be pre-built into existing payment applications and has designed a range of tools to help financial institutions build payment confirmations into their existing operations.

For bigger organisations, Swift will provide automated services that will be integrated into existing applications and message flows. For smaller organisations, it is developing a "basic tracker", a light version of its full gpi tracker. This will be provided for free and will allow banks to confirm payments manually by clicking on a single button.

Swift says confirmations will enable the financial industries to develop a range of digital services. "Confirmations will enable banks to innovate. For example, many banks are already making their confirmation data available via an API or similar technology. Customers can see their payment activities via internet banking or a mobile app in real-time. This allows banks to be fully transparent on payments, something which customers really appreciate," Depasse says.

Swift says full end-to-end payment tracking and confirmations are the foundation upon which it is developing many more innovations. Ultimately though, all Swift gpi services have the same objective at their core: making payments fast, transparent, trackable and certain.

FORECAST: INNOVATION



What can we expect in the next decade?

By Michael F. Spitz, CEO of the Main Incubator, research and development unit of Commerzbank

Technological innovations are developing at an unprecedented speed. At the turn of the century, mobile telephony was a luxury and the features of a typical mobile were limited to calls, texts and basic games.

But since then the use and ubiquity of mobile telephones has increased exponentially, accelerated by the game-changing launch of Apple's iPhone in 2007. Now nearly all individuals of all social classes possess a smartphone, and it is perceived not as a luxury, but a necessity.

Smartphones have become an integral part of our lives and act as our digital personal assistants, which accompany us in every situation. The incorporation of other functions into smartphones have transformed them into a multifunctional device, effectively replacing cameras, walkmans and navigation systems.

Given the success and the increased use of smartphones, social media networks as well as platform economy companies such as Facebook, AirBnB, Amazon, Spotify and so on have developed concurrently and became some of the most valuable companies of our times.

But what makes these companies so valuable? The answer is quite simple: their user data. These platforms collect user data to varying but often large extents: on the one hand to enable their own services; on the other for targeted advertising.

From the user's point of view, this involves both opportunities and risks. This vast data gathering exercise has also resulted in wider debates about the protection of personal data and data sovereignty.

Machine learning has developed to try to collect and analyse these enormous amounts of data. Its goal is to link data intelligently, to recognise connections, to draw conclusions and to make predictions.

Examples of use for machine learning can be found everywhere in everyday life, including speech recognition in digital assistants, mail spam filters or face recognition in smartphone photo galleries. It can also provide many other benefits to consumers, such as in the prevention and detection of fraud.

> "Emerging technologies such as quantum computing will enable us to analyse and draw more precise conclusions from big data."
>
> **Michael F. Spitz, Commerzbank**

The larger the data amount those algorithms can access, the more they learn. But this data is analysed by machines only, not by humans. Theoretically, this should lead to greater fairness, but this is a false assumption. Machines use algorithms that are unregulated and uncontestable, even if they're wrong. Therefore, machine learning can result in bias and can actively reinforce discrimination.

GOVERNANCE

Due to this bias, the need for unbiased governance methods, such as Distributed Ledger Technology (DLT) and its characteristic immutability, is increasing. The nature of DLT means that the data is 100% tamper proof and has an extra layer of security from the fact that it is decentralised. Interestingly, DLT is simulataneously secure and transparent as it allows all information to be freely viewable by all relevant parties.

The applications of DLT are wide ranging, but we see a particular opportunity for its application to trade finance. Even in today's more digitised world, trade finance transactions are still largely paper-based, and as such there is a huge opportunity to increase efficiency and transparency through use of automatisation and DLT. We have already taken steps towards the automation of trade finance and are investing in technology that will allow us to digitise paper-based data, compliance checks and manual data analysis. We expect automation to move quickly and expect that this will be applied to 80% of our trade finance transactions in the next few years.

DLT and blockchain are still emerging technologies, but large companies and institutions are gradually recognising its potential. As such, over the next decade we would expect to see the application of this technology grow, not only within trade finance but also in other areas such as capital markets infrastructure.

MOVING INTO SPACE

So, what other technologies will shape our lives in the next ten years? The debate around data is likely to be taken to the next level as we start to examine where data is actually being stored. Cloud technology is used across all kinds of platforms, including smartphones and smart TVs via streaming platforms. But the use of the term 'cloud' to describe the storage location is a misnomer. Data is not left hanging in the air, but instead has to be stored somewhere. And that somewhere is on space satellites.

What happens when we run out of room on the space satellites to store data? Potentially, the need and demand for cloud data storage among consumers and businesses could drive a race in the development of space technology, similar to the boom in telecommunications that we have seen in the past decade.

This new focus on space technology, for the first time fuelled by private commercial enterprises rather than governments, is likely to spur further debate over the ownership of data and the putting into place of laws governing data sovereignty. This, accompanied by greater application of technologies such as DLT, will help society overcome the negative implications of big data and mark a new era in how it is shared and stored.

In addition to the new way of sharing and hosting big data, emerging technologies such as quantum computing will enable us to analyse and draw more precise conclusions from big data. It's one of the areas of focus for our research and development unit and we're already seeing how it could help various industries such as logistics, chemical and financial services to enhance and develop more efficient business processes and decisions.

ASK THE EXPERT

What's the best market to launch my fintech?

By Greg Watts

The recent decision by N26 to pull out of the UK – albeit citing Brexit concerns – underscores the challenges of launching a fintech in a mature market and begs the question if there is an alternative approach to market expansion.

What factors should fintechs consider when developing their strategies for market entry and growth? Which markets should they prioritise and why?

In this column, we examine four key considerations for expansion.

1. ASSESS THE LANDSCAPE

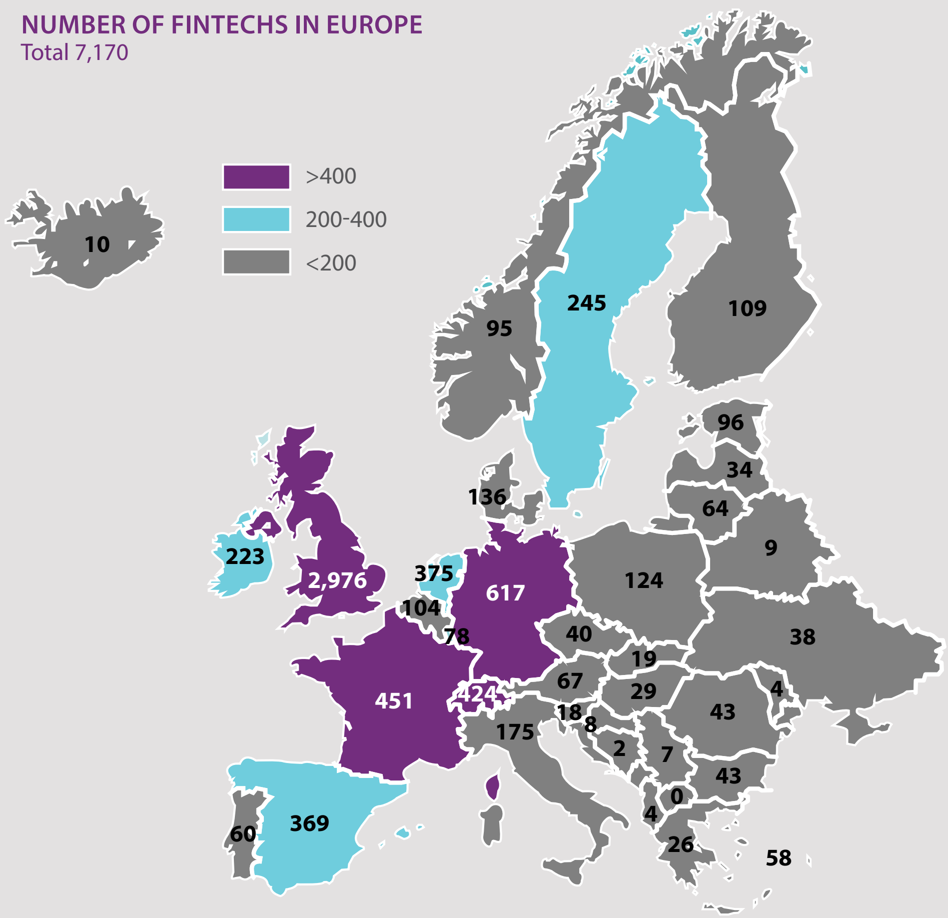
Do you know how many fintechs actively operate in the UK vis-a-vis other markets across Europe?

In 2019, Demand Creation Partners undertook an assessment of the fintech landscape in Western Europe. It found that out of a pool of 7,200 companies, nearly 3,000 – or 41% of the total – are active in the UK. Further, the data shows that 81% of all fintechs in Western Europe actively operate in just eight countries. This is illustrated in the breakdown below.

You can now start to get a picture of how the region is constructed, allowing you to make an initial assessment about the suitability of different markets.

It may make sense to target a market with less competition and potentially lower barriers to entry to create a compelling use case for future growth.

NUMBER OF FINTECHS IN EUROPE
Total 7,170



BY COUNTRY AND PER CAPITA

COUNTRY	RATIO OF STARTUPS PER CAPITA (per million)
UK	45
Germany	7
France	7
Switzerland	50
Netherlands	22
Spain	8
Sweden	24
Ireland	45
Italy	3
Denmark	23
Poland	3
Finland	20
Belgium	9
Estonia	72
Norway	18
Luxembourg	127
Austria	8
Lithuania	23
Portugal	6
Cyprus	66

Source: DCP Analysis, 2019

2. IDENTIFY YOUR LAUNCH CRITERIA

When considering options for expansion, it can be tempting to start with larger, more mature markets such as the UK or US.

Despite leaving the EU, the UK remains the leading fintech market in Europe, accounting for half the region's VC deals – for example, the $80 million funding of BitFury and $110 million funding of Monzo. Brexit has not slowed deal making this year, with BCR recently infusing £280 million into ClearBank, Metro Bank and Starling.

However, even with significant investment, the UK can be a hard market to crack.

It's mature, with just over half of all payments made via card. And even though the US and UK share the same language, there are subtle cultural differences that must be understood before engaging potential partners or signing up users.

To assess your chances of success in a particular market, it's important to research and weigh launch criteria, such as:

- Macroeconomic factors including GDP, economic performance and availability of government incentives
- Competitive landscape – how many other fintechs operate locally? How do they differ from you? Do you offer a compelling advantage?
- Barriers to entry – are these high or low? How will local legislation or regulation impact your launch?
- Structure of the local retail and payments market – is it comprised of home-grown players you'll need to establish partnerships with or global organisations with which you already have relationships?
- Consumer behaviours and indictors, such as penetration of mobile phones and percentage of cash versus digital payments.

Knowing where you stand vis-à-vis these criteria will help you to realistically gauge and prioritise which markets to invest in.

3. UNDERTAKE A DETAILED MARKET ASSESSMENT

Now that you've prioritised your launch market(s), the next step is to undertake detailed assessments of each.

A market assessment is a comprehensive analysis of market trends, entry barriers, regulatory requirements, competition, risks, opportunities and available company resources. Whether you are thinking of venturing into a new market or launching a new product, conducting a marketing assessment is a critical step in determining if there is a need or customer base for your product.

A well-executed market assessment will enable you to decide where to apply resources for the best return.

4. DEVELOP A GO-TO-MARKET PLAN

Now that you've prepared your market assessment, the next step is to develop a go-to-market plan to ensure successful entry. Some key considerations include:

- Access to local talent is crucial. Recruit leaders and sales and marketing personnel with a thorough understanding of the market. Be aware, however, that securing the best people can be difficult for a lesser known brand, so think carefully about your resourcing strategy. In the short term – while momentum is being built and resources are constrained – you can support functions such as product, legal, operations and technology from HQ.
- Identify local partners who can help you raise awareness and introduce you to prospects – for example, chambers of commerce, payment associations or retail consortiums. Who are the banks, acquirers, PSPs and retailers you need to cultivate relationships with? Can you leverage existing relationships? Choosing partners with presence in your target markets will save you a lot of time.
- Differentiate yourself from local players. Understand local issues and market nuances and develop a proposition that resonates. Ask local experts to review your collateral to ensure your messages are relevant and cannot be misinterpreted through subtleties of language.
- Create an integrated demand generation plan to qualify opportunities for the sales team such as must-attend events at which you can build relationships with target clients and partners.
- Identify a local PR agency to support your launch and develop a map of local influencers to form relationships with – for example, journalists, bankers and retailers.

BRINGING IT ALL TOGETHER

When assessing markets for expansion, it can be tempting to prioritise more mature countries such as the UK or US – particularly when you're under pressure from investors.

However, these markets often have higher barriers to entry, making them harder to crack.

The goal for any fintech must be to create one or more use cases that prove a solution works; that there's genuine demand for it; and ultimately, that customers will use it. In order to create these success stories it may make sense to prioritise markets with lower barriers to entry, where the chances of success are higher.

Taking the time to identify criteria for market entry will allow you to focus your resources more effectively and accelerate your plans for growth.

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

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

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

Mobile technology enabling financial access to millions

How one financial services company is employing unique tactics to serve a growing African mobile market

Africa is the fastest-growing mobile financial market in the world. While traditional banking services may be out of reach for many Africans because of the low density of bank branches or ATMs, mobile phones are providing hundreds of millions of Africans access to financial services.

Africa's young population that is about to double within the next 25 years is adopting mobile financial services faster than anyone else in the world. No wonder that the emerging African economies lure fintech companies to investigate the endless opportunities of the second biggest continent, as the best moment to invest in Africa is now.

Zenka Finance, a mobile lending fintech company with origins from Poland, has been successfully trying to make its mark in Africa. It began operations in Kenya in December 2018, targeting small business owners and consumers by offering micro mobile loans from $5 to $200.

The FinAccess survey of 2018 indicates that the highest number of digital loans are used for business needs. Given the value and tenors of the loans, the benefits of digital credit are most suited to the micro and small businesses that are otherwise unable to access credit from other sources.

Zenka has identified this need and gone out of its way to design and deliver a service that meets the requirements of this market segment.

FLEXIBILITY AND SCALABILITY

First and foremost, Zenka's loan products are fully flexible and scalable (which is not the market standard), and the client decides on the payment period ranging from one to 30 days.

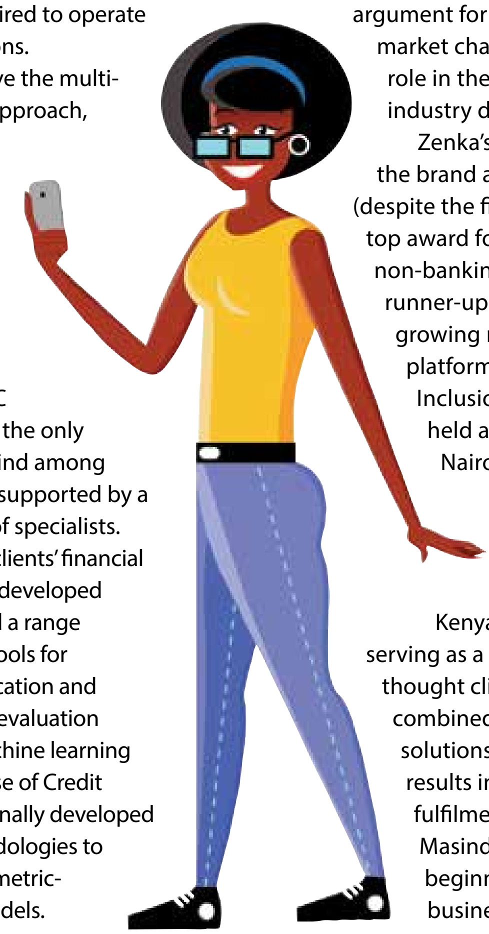
Additionally, the extension and top-up options are ripe for the taking, allowing borrowers to extend their repayment date or apply for an additional amount of money within their loan limit.

Another unique and revolutionary feature implemented by Zenka is the possibility for first-time borrowers to take their first loan for free.

The consumer-oriented approach is noticeable from every angle of Zenka's business. Not only does the lender provide highly tailored loan offers, but we also pay attention to the seamless client experience. The loans are easily accessible for every customer – through the app on Android and iOS, as well as through the USSD short code *841#. This multi-channel approach is ideal for micro and small business clients who may not have smartphones capable of hosting mobile apps. This client segment is often also sensitive to the cost of mobile data required to operate mobile applications.

Over and above the multi-channel service approach, Zenka has also invested a lot in customer care and experience. Clients' service enquiries are managed swiftly by AI-powered CC system (arguably the only solution of that kind among Kenyan lenders), supported by a dedicated team of specialists.

To secure the clients' financial safety, Zenka has developed and implemented a range of sophisticated tools for customer identification and creditworthiness evaluation ranging from machine learning algorithms, the use of Credit Bureaus and internally developed anti-fraud methodologies to dedicated econometric-based scoring models.



ENABLING FINANCIAL INCLUSION

All this contributed to Zenka's dynamic growth, resulting in building the base of more than 700,000 customers in just seven months. Undoubtedly by enabling financial credit encounters for more than 700,000 people (considering that total population of digital credit users is estimated at 7 million), Zenka has made a substantial contribution to financial inclusion in the country and has shown the potential to continue doing so in the foreseeable future.

It's also worth mentioning that Zenka's CEO, Robert Masinde, was appointed as the chairperson of the Digital Lenders Association of Kenya, which is another argument for claiming that this market challenger plays a vital role in the Kenyan lending industry development.

Zenka's customers voted for the brand and enabled it to win (despite the fierce competition) the top award for the most preferred non-banking platform and the runner-up award for the fastest growing non-banking loan platform in the Financial Inclusion Awards ceremony held at Crown Plaza Hotel, Nairobi in August 2019.

Zenka is challenging its competitors and courageously conquering the Kenyan lending industry serving as a proof that well-thought client-focused strategy combined with the innovative solutions and bold approach results in the African dream fulfilment. Although, as Masinde claims, this is just the beginning of the incredible business journey.

FINTECH FUNDING ROUND-UP

It has finally happened. **Revolut** has closed its next round of mammoth funding. Now valued at $5.5 billion right behind its US challenger counterpart Chime ($5.8 billion), the UK-founded bank has landed its $500 million Series D with the help of leading investor Technology Crossover Ventures (TCV), the early backer of Airbnb, Spotify and Netflix.

Now the most valuable UK fintech and one of the most valuable European fintechs up there with Klarna (which was valued at $5.5 billion last year), Revolut has tripled its value since its last valuation in 2018 which put it at just $1.7 billion. Rival Monzo is in talks with SoftBank for a £100 million fundraising round, but even once this round is closed, Revolut will still be the highest valued UK fintech.

The neobank says the new capital will help strengthen its presence in current markets, with "a particular focus on product development that will help accelerate daily usage of accounts". This points to a challenge for neobanks, often defaulted as the secondary account and used only for holidays abroad where users can take advantage of fee-free spending.

However, the challenger is still making a loss. In 2018, when it last filed its financial results, Revolut lost $32.8 million despite increasing its revenue by more than four times the size from 2017 to 2018.

Revolut is "mid-process" with Australian regulators for a banking licence. The neobank only has one banking licence in Lithuania, with the majority of its 10 million customers served through an e-money licence, which piggy backs off a third-party bank and does not protect funds with deposit insurance schemes. The full Revolut Australia launch is expected in the first half of 2020.

SoftBank is set to inject a further $1 billion into Latin America this year, adding to its $1.6 billion commitment from 2019.

With a focus on ecommerce, health care – presumably including the increasingly popular 'healthtech' – and fintech companies, the capital is part of the investor's efforts to support around 650 firms across LatAm with a total Vision Fund of $5 billion for the region.

So far, the Japanese conglomerate has poured between $100 and $150 million into 17 companies and two venture capital (VC) firms, including a $125 million investment into Mexico's small and medium enterprise (SME) lender AlphaCredit last month.

As well as fintech, ecommerce and health care sectors, the investor giant is looking at companies applying artificial intelligence (AI), as well as ones related to food – particularly ones focused on plant-based food.

Freire says SoftBank is currently "paying special attention" to two companies from Brazil, one from Peru and one from Chile.

The investor will also roll out an 11-week programme with data science and engineering talent finder Correlation One. The programme will aim to train and, eventually, hire future AI experts.

Payments processing firm **Flywire** has received $120 million in funding in a Series E funding round led by Goldman Sachs and announced the acquisition of healthcare technology firm Simplee.

The funding, which pushes Flywire past the billion-dollar mark and into unicorn status, will be used by the firm to bolster its "multi-vertical strategy". The firm has now raised a total of $260 million. Its acquisition of Simplee, meanwhile, will see Flywire combine its payments platform with the healthcare firm to "empower" the settlement capabilities of patients and providers.

Flywire was founded in 2009 to simplify the process of paying for education while living abroad, and has since dipped into other verticals such as hospitality, healthcare and retail.

TripActions, the Palo Alto-based travel management unicorn, has raised a $500 million debt facility to fund its new product line that includes 'TripActions Liquid' – a service that promises real-time travel payment reporting.

Offering an alternative to company cards, TripActions Liquid floats an employees' travel spend so their personal cards are not burdened with the expenditure. Using a TripActions-issued Visa card – which can be physical or virtual – employees can see their expenses reported in real-time without the need to file bundles of receipts on their return.

With this business model comes the need for a lot of money, hence the $500 million debt facility that will act as a short-term credit line while the travel tech start-up grows its assets. The money comes from Silicon Valley Bank (SVB), Goldman Sachs and Comerica Bank, pointing to the wide and substantial appeal held for its products by the big players.

Founded in 2015, TripActions' first product was an Expedia-style travel-booking portal, designed so employees could book their own flights and hotel rooms.

OTB Ventures, the Polish investor focused on the Central and Eastern Europe (CEE), has raised a $100 million (€92.4 million) fund to support the region's technology start-ups.

Dubbed "the largest venture capital fund in CEE", OTB's nest egg is backed by the European Investment Fund (EIF), which provides finance to SMEs. OTB says it is focusing on start-ups with "unique intellectual property (IP) and disruptive ideas" in each of these areas "with strong regional footprint[s] across CEE".

The early growth technology fund will focus on post-product start-ups working in industries spanning fintech, cybersecurity, AI, Big Data, IoT, robotics, cloud and SaaS.

Aiming to fill its portfolio with 16 companies by 2022, OTB has already invested in eight CEE companies. These include the Polish start-up Cosmose, which is quietly tracking 1.1 billion mobile phones; part-Romania based start-up FintechOS, which creates front-end digital products for financial institutions; and Finnish start-up ICEYE – the backer's biggest investment to date at $10 million – which builds a satellite-based service that provides "near-real-time" imagery from space.

With a long-term investment of up to 10 years, the fund will be split into pockets of $15 million and OTB will acquire a stake of about 10-15% in each of the invested start-ups.

SoftBank is set to invest $100 million from its second Vision Fund – the first famous for investments in Uber and WeWork – in UK-based artificial intelligence start-up **Behavox**. The firm helps banks achieve compliance by monitoring its employees' behaviour. It is designed to spot instances of internal bribery and rogue trading, two issues many major global banks have been grappling with recently.

SoftBank's investment will become the fifth Vision Fund capital injection for a UK firm, ahead of ARM Holdings, Improbable, OakNorth and Greensill.

Its choice to back Behavox, which is also backed by Wall Street giant Citi, comes as interest surges in offerings that help financial institutions manage compliance.

Behavox said 2019 saw "record" results for the start-up. Unable to reveal its client list or exact performance metrics, the firms says it bagged some of the world's biggest banks from North America, Europe and Asia – particularly Japan – last year.

JP Morgan, Goldman Sachs and global trading firm Jane Street Capital have all thrown their hat in the ring to back **Members Exchange (MEMX)**, a new low-cost stock-trading start-up.

MEMX is looking to rival the big three – New York Stock Exchange (NYSE), Nasdaq and CBOE Global Markets – which collectively account for roughly 60% of US stock-trading volumes. While these exchanges say their fees are reasonable, the industry has long criticised them.

In 2018, the Securities and Exchange Commission blocked NYSE and Nasdaq from raising their prices for market data, and then called on exchanges to justify any increase in fees.

The three heavyweight investors join a new round of funding for the exchange, which announced its creation in January 2019 and plans to launch this summer. Other backers include Morgan Stanley, Bank of America, Charles Schwab, Fidelity, TD Ameritrade and E-Trade – the electronic trading platform Morgan Stanley is set to buy for $13 billion.

The exchange already has electronic trading giants Virtu Financial and Citadel Securities in its founding circle, which process roughly 40% of US stock market shares. "One aim is that [these investors] have a strong voice in the market structure debate alongside exchanges," says MEMX's CEO Jonathan Kellner, who once headed up electronic brokerage Instinet. Last year MEMX raised $70 million in an initial round.

MOVERS AND SHAKERS

Ralph Hamers

UBS has appointed ING boss **Ralph Hamers** as its next chief executive, replacing Sergio Ermotti at Switzerland's largest bank. Hamers will take over on 1 November from Ermotti, who has spent almost nine years turning around the Swiss lender after it was bailed out during the financial crisis.

Hamers joined ING more than 28 years ago and has been chief executive of the lender since 2013.

Ermotti is one of the longest-serving European bank chief executives, having taken over in November 2011.

Photo: Willem Poppeler

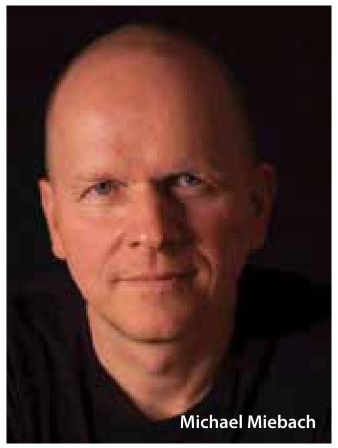
Kahina van Dyke has joined **Standard Chartered's Corporate, Commercial and Institutional Banking division (CCIB)** as its global head of digital channels and client data analytics.

She joins from Ripple where she was senior vice president, business & corporate development, and was previously the global director, financial services and payments at Facebook. She also spent several years at Mastercard and Citigroup.

Credit Suisse has had to force out its five-year serving CEO **Tidjane Thiam** following a spying scandal that shook the Swiss investment banking world.

Thiam will be succeeded by Thomas Gottstein, who is head of the Swiss business at Credit Suisse. Chairman Urs Rohner, who has been locked in a high-stakes power struggle with Thiam, said there was no option but to "make a change at [the] top of the house" after it emerged last year that the Swiss bank was spying on its top executives.

Prior to his role at Credit Suisse, Thiam was the chief financial officer of insurance and the multi-national financial services firm Prudential from 2007 to 2009, and then its CEO until 2013.



Michael Miebach

Mastercard has announced the appointment of its new CEO **Michael Miebach**, starting from 1 January 2021.

He replaces Ajay Banga, who will step aside as the payments company's chief executive at the start of 2021 and move into the role of executive chairman.

Prior to Miebach's recent appointment, he was the group's chief product officer and president of the Middle East and Africa region between 2010 and 2015. He has also held various managerial positions in other financial firms including Citi and Barclays.

Celine Le Cotonnec

Bank of Singapore has appointed **Celine Le Cotonnec** to the institution's newly created role of chief data and innovation officer. She will be responsible for the institution's data strategy and will also be serving as the head of various innovation-focused initiatives.

She previously worked at AXA Insurance Singapore, where she served in the same role. She spearheaded the company's data analytics and artificial intelligence (AI) projects, and also collaborated with leading fintech firms on various initiatives.

Banco Santander has appointed **Trish Burgess** as the new global head of peer-to-peer (P2P) payments. In this newly created role, Burgess will lead the strategy and deployment of P2P payments worldwide. She joins the bank from Apple, where she was providing direction for the launch of Apple Card. She also expanded the global launch of Apple Pay in Europe and Asia, enabling e-commerce platforms, and increased Apple Pay's reach to hundreds of thousands of merchants.

Metro Bank has a new director of technology and engineering in **Sailesh Panchal**, who joins the bank from Orwell Group.

Roger Davis, the chairman of **Sainsbury's Bank**, is to leave after seven years in the post.

FINTALK OF THE TOWN

A FANCIFUL FLAKE

Now I'm a person who enjoys a Flake. I especially love it in a vanilla ice-cream cone during a hot summer's day in London while taking a stroll down Hyde Park without a care in the world.

However, what I do not take kindly to is 'a flake' – the well renowned colloquialism that refers to someone who generally makes plans but never seems to follow through.

So, dear reader, imagine my chagrin when a certain CEO of a certain payments company flaked on taking part in our dear podcast – not once, but twice! Excuses ranged from an impromptu emergency to international trips for potential future deals. But when searching for said deals on various news outlets and sources, it came up short. What did emerge was his love of sharing vague corporate platitudes on social media and rubbing shoulders with one of the most controversial prime ministers elected in the UK.

Perhaps I'll grab his attention with a saying here that he can like and share: "In life, one should take the time to enjoy a Flake, but never be a flake."

HEARD IT THROUGH THE GRAPEVINE

The vineyard has been ripe with market chatter about a bank and fintech partnership turning sour. Don't all freak out at once as it could be any one of you at this point.

Rumour has it that there's been "a lot of infighting internally over who's boss". Now, couples go through this type of thing all the time. Who does the dishes? Who's cooking? Who's the highest earner? This sort of conflict is expected and comes as no surprise. But this spat's roots don't exactly stem out of love, but because of a power vacuum left right at the top.

According to our sources, the tech firm wishes to branch into a new business idea or venture, but the bank is being too protective, which is made harder by the lack of leadership at the fintech. Oops! I think I said too much.

WISHFUL THINKING

According to a law professor at the University of Hong Kong, we should all remain calm about the effects of the COVID-19 coronavirus currently sweeping around the world – which is a reasonable request – and rely on the power of blockchain and artificial intelligence to solve the epidemic.

Of course, the scholar's "hot-take" drew plenty of ire on social media. "We are saved! Blockchain and AI will rid us of the coronavirus! How come we haven't thought of that before?" notes one user, while another jibes at the paper, adding: "We can defeat the coronavirus if we throw enough cryptocurrency at it!"

Although the professor's research was well-intentioned, a famous proverb does state that "the road to hell is paved with good intentions".

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