banking technology

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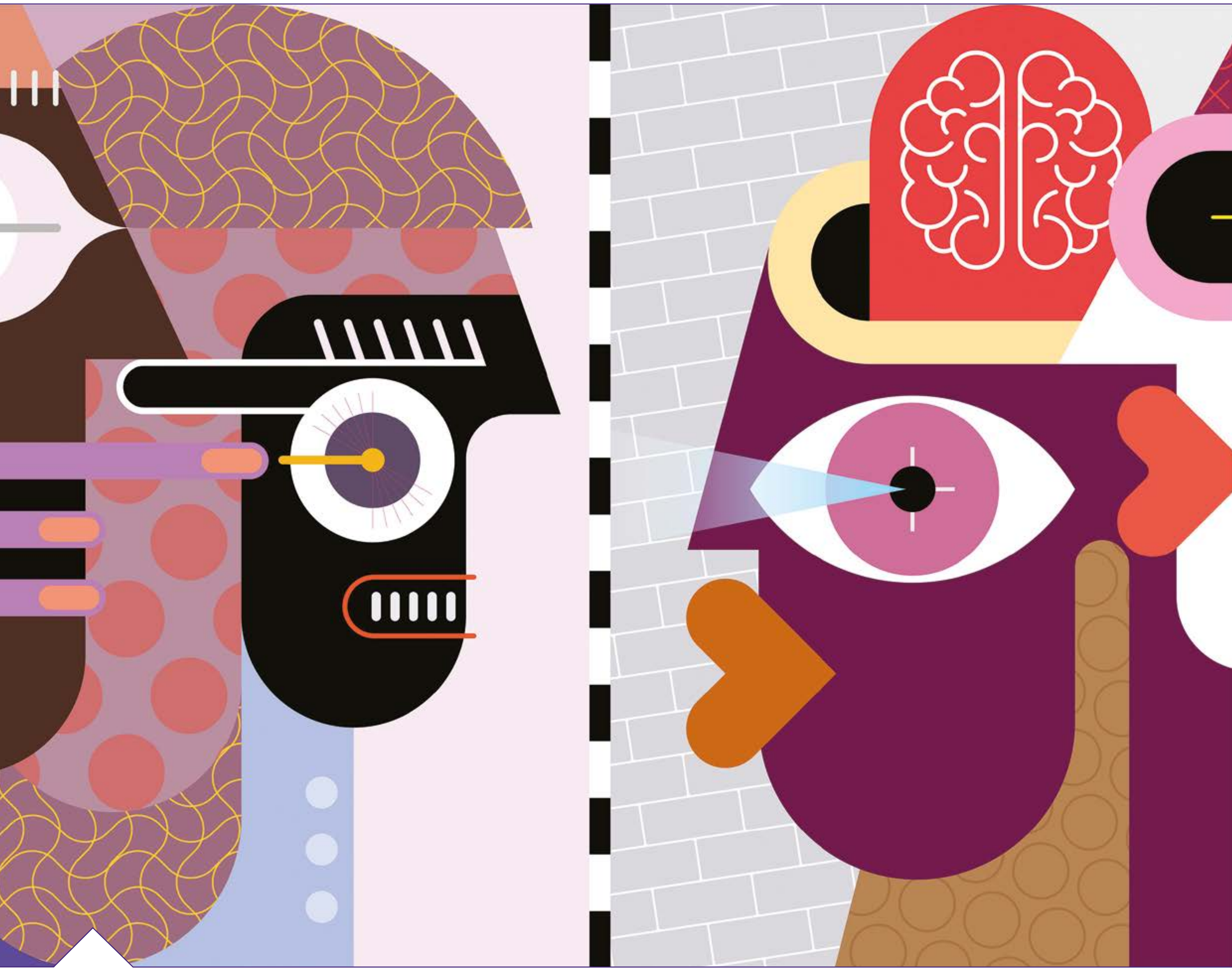

FACE OFF
Confrontation can be a good thing

CORE TO THE FLOOR
Transformation needs universal buy-in

LUCKY THIRTEEN
Neobanks approach their teenage years

Produced by FINTECH FUTURES

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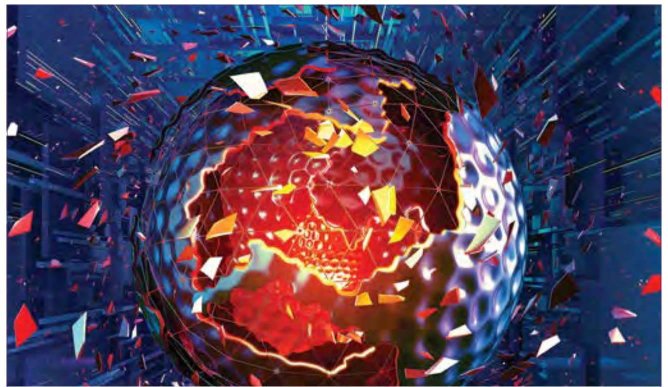


EDITOR'S NOTE

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

Welcome to the March edition of *Banking Technology*!

We are entering the spring season with the continuing shake-up across the industry – the buy now, pay later (BNPL) sector is finally put under the regulatory spotlight; the fintech darling Banking-as-a-Service (BaaS) hits rocky ground; redundancies are rife; funding and valuations ruthlessly cut; and lots of fintechs are putting up "for sale" signs.

Following the leadership shake-up at FIS and mass layoff announcements, the US banking and payments tech heavyweight has unveiled a $17.6 billion write-down on its Merchant Solutions business and plans to spin it off over the next 12 months.

The business mainly consists of payments software arm Worldpay that FIS acquired four years ago for around $43 billion. In turn, Worldpay was created through the coming together of paytech titans Vantiv in the US and Worldpay in the UK, in early 2018.

The Worldpay brand will make a comeback, with former Vantiv/Worldpay CEO Charles Drucker taking the reins once more.

FIS will then be left the core banking processing systems business, which makes up around 46% of its revenue, and its capital markets division, which makes up about a quarter of revenues.

Meanwhile, FIS rival and a long-standing player in the fintech space, Finastra, is looking to shed its core banking software business. Similar to FIS, it grew over the years via M&A, hoovering up several banking offerings, including the Phoenix core and Malauzai mobile banking solutions in the US; and Essence and its much older siblings, Equation and Midas (plus the now sunsetted Bankmaster), offered to banks worldwide.

Finastra is reportedly hoping to sell its "universal banking" business, which it's currently carving out, for as much as $7 billion (see p4). It will then be left with treasury and capital markets, payments and lending businesses.

Whatever comes next, one thing is for sure: there won't be a dull moment in 2023 for the world of fintech. We will continue to bring you the juiciest stories and the hottest coverage on the pages of the magazine and on our website fintechfutures.com.

NEWS ROUND-UP

OpenWallet Foundation launches in open-source software push

Linux Foundation Europe has set up the OpenWallet Foundation (OWF) to develop open-source software that supports digital wallet interoperability.

Although the OWF will not produce a wallet itself, nor offer credentials or create new standards, it intends to provide the "open-source software engine" that organisations and companies can leverage to develop their own digital wallets.

The OWF's software will support a wide range of wallet use cases, including making payments, proving identity and storing validated credentials such as employment, education, financial standing and entitlements.

Issues surrounding digital wallets, including vendor lock in, lack of interoperability, questionable security and limited capabilities, will also be addressed.

Non-profits and academic and government entities have joined the foundation, including Digital Dollar Project, Hyperledger Foundation, Massachusetts Institute of Technology (MIT) Connection Science and OpenID Foundation, among others.

Railsr reportedly under investigation over AML failures

Image: Polka/Wikipedia

UK fintech Railsr is reportedly facing an investigation by the Bank of Lithuania over alleged anti-money laundering (AML) and terrorist financing failings within its Lithuanian subsidiary, PayRNet.

PayRNet secured an electronic money institution licence in the country in 2020.

In a statement, the Bank of Lithuania says: "There is reason to suspect that the institution is grossly and systematically violating the Law on the Prevention of Money Laundering and Terrorist Financing."

The central bank has reportedly applied for a court order compelling Railsr to stop taking on new clients, warning the firm "not to establish business relationships with new clients, as well as intermediaries and persons distributing and/or redeeming electronic money of this institution".

A Railsr spokesperson says it has already "offboarded" customers who failed to meet the required standards and the firm is in the process of appealing the Bank of Lithuania notice, "which has been issued ahead of any final review findings".

Earlier this year, the fintech raised $46 million in a Series C funding round at a reduced valuation of $250 million. It is also rumoured to be up for sale, with African paytech Flutterwave reportedly considering the acquisition.

Finastra ponders sale of banking business

Finastra, an international banking, financial and payments technology heavyweight, is looking to offload its banking unit, according to Reuters. The London-headquartered company, which has grown over the years via mergers and acquisitions – picking up the likes of banking tech veteran Misys; Thomson Reuters' treasury capital and risk management software business; Canadian payments and lending tech provider D+H; and US-based digital banking vendor Malauzai, among others – has been known as Finastra since 2017.

According to Reuters, Vista Equity Partners, which has owned Finastra and its key component predecessors for more than a decade, is exploring the sale of its banking portfolio for as much as $7 billion.

It is carving out the "universal banking" business that will house core and digital banking solutions for banks and credit unions, which it believes can appeal to other venture capital and private equity firms as well as technology companies.

The business currently generates $1.7 billion in revenue and about $500 million of earnings before EBIDTA, sources tell Reuters.

Singapore and India link up for real-time cross-border payments

The Monetary Authority of Singapore (MAS) and Reserve Bank of India (RBI) have linked up their respective digital payment systems, Singapore's PayNow and India's Unified Payments Interface (UPI), to enable customers of participating financial institutions in both countries to send and receive funds between bank accounts or e-wallets in real time.

Using phone numbers, virtual payment addresses and UPI identities, customers in both countries will now be able to make real-time cross-border transfers.

The tie-up is the world's first real-time payment systems linkage to use a scalable cloud-based infrastructure to accommodate future increases in remittance volumes. The service will be rolled out to customers of Singapore's DBS Bank and Liquid Group to begin with. Indian customers of all participating banks (Axis Bank, DBS India, ICICI Bank, Indian Bank, Indian Overseas Bank and State Bank of India) will be able to receive funds through the service.

UK government lays out plans for BNPL legislation

The UK government has invited feedback on its buy now, pay later (BNPL) draft legislation that will bring BNPL into Financial Conduct Authority (FCA) regulation. It says the scope of regulation should be limited to agreements that are offered by third-party lenders, citing evidence from stakeholders that it would be "disproportionate" for regulation to apply to all agreements provided by merchants online or at a distance, "as it would potentially capture the types of arrangement where there is little, if any, evidence of there being a substantive risk of consumer detriment".

Currently, BNPL agreements are unregulated and firms offering them do not need to be authorised by the FCA or comply with Consumer Credit Act requirements.

Views are now being sought on whether the draft legislation effectively delivers the policy positions set out in the government's June 2022 consultation response, which outlined how lenders would be required to carry out affordability checks to ensure loans are affordable to customers and rules would be amended to make sure advertisements are "fair, clear and not misleading".

Challenger bank Zopa makes first acquisition

UK challenger bank Zopa has made its first acquisition, snapping up e-commerce credit solutions provider DivideBuy as it looks to deliver "BNPL 2.0". Financial details are undisclosed. The move will enable Zopa users to spread the cost of larger purchases worth between £250 and £30,000.

Zopa says its BNPL offering will run credit checks and affordability assessments, share data with credit agencies, enable the creation of credit profiles and help customers structure and pay off their debt. It will also provide instant decisions and combine "fully integrated" consumer journeys with consumer protection and the safeguards of a regulated bank, Zopa says.

Zopa has recently secured £75 million in a new funding round led by existing investors.

UK supermarkets look to shed consumer financial services business

UK supermarket chain Sainsbury's is looking to sell its £60 million mortgage loan book, which would see Sainsbury's Bank formally leave the UK mortgage market. It halted any new lending in 2019.

The Co-operative Bank is the frontrunner for the business amid a bidding war being run by consultancy Deloitte, it is understood. Challenger bank Starling was also reportedly in the running but has dropped out.

Meanwhile, Sainsbury's rival supermarket Tesco is reportedly considering the sale of its banking services arm, Tesco Bank. It is understood to have launched a review of its banking activities and has roped in Goldman Sachs to advise on Tesco Bank's future.

Tesco Bank was established in 1997 and is headquartered in Edinburgh, Scotland. It has more than five million customers in the UK, offering savings accounts, insurance products and credit cards.

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

FINTECH FEED

THE NUMBER GAMES

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

£144 million
to be paid by UK banking group NatWest for an 85% stake in UK-based workplace savings and pensions fintech Cushon

100
staff laid off at African cross-border payments firm Chipper Cash in a second round of job cuts in less than three months, shedding about a third of its workforce

450
jobs to be shed by UK-based Nationwide Building Society as it looks to "streamline" some of its non-customer-facing teams; Nationwide is the world's largest building society with 16 million members and 18,000 staff

31%
drop experienced by global fintech investment in 2022 – from a record high of $238.9 billion in 2021 to $164.1 billion – according to consultancy KPMG's Pulse of Fintech H2 2022 report

19%
of the workforce to be cut US buy now, pay later (BNPL) company Affirm; it has halted several initiatives, including the Affirm Crypto offering

$12 billion
is the latest valuation of Indian payments app PhonePe as it secured an additional $100 million in fresh capital, following a $350 million fundraise at the start of this year; PhonePe says it aims to raise up to $1 billion in capital

£10 billion
could be the value of the claim in a competition lawsuit that Mastercard and Visa are reportedly facing from UK businesses – the Competition Appeal Tribunal filing is expected to allege that the two payment titans overcharged companies for multilateral interchange fees (MIFs)

£650 million
mortgage loan book is to be sold off by Sainsbury's Bank, with the Co-operative Bank reportedly being the frontrunner in play to acquire it

€35 million
raised by Danish neobank Lunar in a fresh round of funding which it hopes will help "shorten the path to profitability" and expand across the Nordics

$100 million
secured by Singapore-based banking challenger Aspire in a Series C funding round; it serves 15,000+ start-ups and SMEs across Southeast Asia


Image: Swift

THEY SAID IT…

"Establishing interoperability in global payments is a formidable task. A careful balance must be struck between collaboration and competition, fostering new market entrants and simultaneously maintaining a universally recognised set of standards."

Thierry Chilosi, chief strategy officer, Swift

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

TRENDING

Bunq banks an EU first

Netherlands-based Bunq has become the first neobank in the European Union to report a quarterly profit after a decade of operations. Bunq, which is the second largest neobank in the EU, reported a pre-tax profit of €2.3 million over Q4 2022.

The digital challenger claims in Q4 2022 its net-fee income grew 37% compared with Q4 2021. User deposits also climbed by 64%, reaching €1.8 billion.

At the end of 2021, Bunq broke even for the first time. Since then, it says it has been on "a steady path to profitability", investing its operating profit in innovation, product development and international expansion. The firm intends to use the bumper profits to further fuel its growth as it looks to build the "first global neobank" for digital nomads and "location-independent" individuals and businesses.

Bunq CEO Ali Niknam says the firm has aligned its "user-centred philosophy with financial success". In May last year, it acquired Belgian fintech Tricount, a group expense management app that allows users to register and balance their expenses during activities with friends.

In October, Bunq won an appeal against the Dutch Central Bank (DNB) regarding the use of modern technology such as artificial intelligence and machine learning for anti-money laundering (AML) checks.

London clears $40m

UK start-up bank The Bank of London has raised $40 million in a Series C extension round at a sustained valuation of $1.1 billion. The funding round was co-led by Mangrove Capital Partners and 14W Venture Capital, with follow-on investment from ForgeLight.

The extension follows the company's $90 million Series C funding round held in Q4 2021 and brings its total capital raised to date to $160 million.

With the regulator's recent lift of the start-up's mobilisation restrictions for its licence, The Bank of London has become the sixth principal clearing bank in the UK and the second to launch in 250 years (the first one was ClearBank).

The bank says it is bringing the "end-to-end Software-as-a-Service (SaaS) to the financial services sector", enabling other banks, fintechs and non-financial services firms to build and launch financial products.

It appointed several senior executives over 2022, including former Silicon Valley Bank exec Gavin Hewitt as chief financial officer (CFO) and 10x Banking's Phil Knight as group chief technology officer (CTO) and group chief information security officer (CISO).

Love is in the air for Oxygen

San Francisco-based digital banking challenger Oxygen has secured $20 million in a Series B funding round and appointed David Rafalovsky as its new CEO.

Investors in the round include Y Combinator, 1984.vc, Rucker Park and Possible Ventures, plus a few angel investors.

Rafalovsky joins Oxygen as a major equity shareholder and replaces founder Hussein Ahmed, who will now take up the role of chief product officer (CPO).

With more than 25 years of global banking experience, Rafalovsky previously served as group CTO and global head of operations and technology at Russia's largest bank, Sber. He also spent nearly two decades at Citi as managing director, CTO of global functions (compliance, risk and finance).

Launched in early 2020, Oxygen provides digital banking services to consumers and small businesses, including cashback rewards, money transfers, deposit and savings. Businesses can also access integrated solutions such as nationwide LLC incorporation and custom invoicing. The firm's banking services are provided by The Bancorp Bank.

"Not only are small businesses driving the US economy, but they also keep the American dream alive," Rafalovsky says. "Oxygen is planning to play a significant role enabling small businesses' success."

NAB breaks the mould

Christer Holloman talks to Howard Silby, chief innovation officer at National Australia Bank, about the bank's approach to innovation

Image source: National Australia Bank

Like most banks, a few years ago, National Australia Bank (NAB) came to the realisation that it was slower to market with new propositions compared with emerging competitors, such as fintechs and neobanks. To address this, NAB's chief innovation officer Howard Silby and his team set up NAB Labs. Their first success was the creation of QuickBiz, the world's first fully automated SME lending decision proposition from a bank, leveraging rich third-party data such as transactions from open banking, accounting and e-commerce software. But the journey wasn't without its challenges along the way.

PROTECTING REVENUE

NAB is one of the four largest financial institutions in Australia. It operates as a retail and business bank in Australia and New Zealand (under the Bank of New Zealand brand) and as a wholesale bank in major global markets. SME business banking is the most important business unit within the group as it accounts for more than 40% of group revenues, which made it a natural area to focus the innovation on.

INCREASING THREATS

There was a strong sense among the NAB executive team that banks were under increasing attack from traditional competitors plus a proliferation of new entrants who think, behave and progress in a very different way to existing financial services business models. The central recognition was that in this new world, the customer is in control, and only organisations that can adapt through sensing and shaping customer expectations will thrive. To win, NAB determined it must give customers an experience that creates an emotional connection with a distinct value proposition.

EVOLVING STRATEGY

While the original thinking was that the bank was under-prioritising digital investment, one finding was that its digital progress and funding were comparable to peers but fragmented and not focused on better customer outcomes. The need to accelerate innovation (versus relying on new core tech to magically provide an innovation step change) was key. As the principal challenge became refined from "how do we accelerate digital?" to "how do we build a process to accelerate innovation?", NAB considered a variety of options: distributed models, outsourcing, pure M&A (acquisition of an innovation engine/digital incubator), alliances and partnerships. Several models were considered to try and increase the innovation cadence at the bank. The model chosen was a hybrid of the above and reflected the need to have something impactful, effective and internally owned, yet different to the core and able to operate very differently.

CREATION OF NAB LABS

The core of NAB Labs was a new innovation process that was anchored in 12-week sprints through a number of stages: Discover, Define, Validate, Create, Iterate and Integrate. Teams working on specific ideas usually consisted of an experiment owner, a business analyst, a scrum master, a user experience expert, a customer experience expert and developers/testers. A blend of agile service experience and user experience tools was utilised within Labs.

IN-HOUSE FINTECH

QuickBiz was built by Labs together with partners and launched as an MVP in customers' hands within three months. One such partner was DemystData, based in New York, as well as cross-functional business and technology teams. The proposition initially offered SME customers unsecured amortising loans, with the full application and approval process taking less than 20 minutes and cash received the next day.

It became a significant success, accounting for more than half of small business lending by the NAB small business division, and the service has since been replicated by competitors. The proposition was iterated while it was a standalone proposition before finally being integrated into NAB's core technology platforms. On the back of this success, a large number of other fintech-like initiatives were created.

As with any new learning experience, they didn't get everything right. There were too many 'so-so' deliverables from Labs and not enough game changers that 'solve our most pressing problems'. Labs lost its aura as a magnet for internal talent and an internal perception arose that the team was too big and working on too many things that did not make a sufficient difference. The technology stack that was used became a problem for future integration and scaling back into the bank.

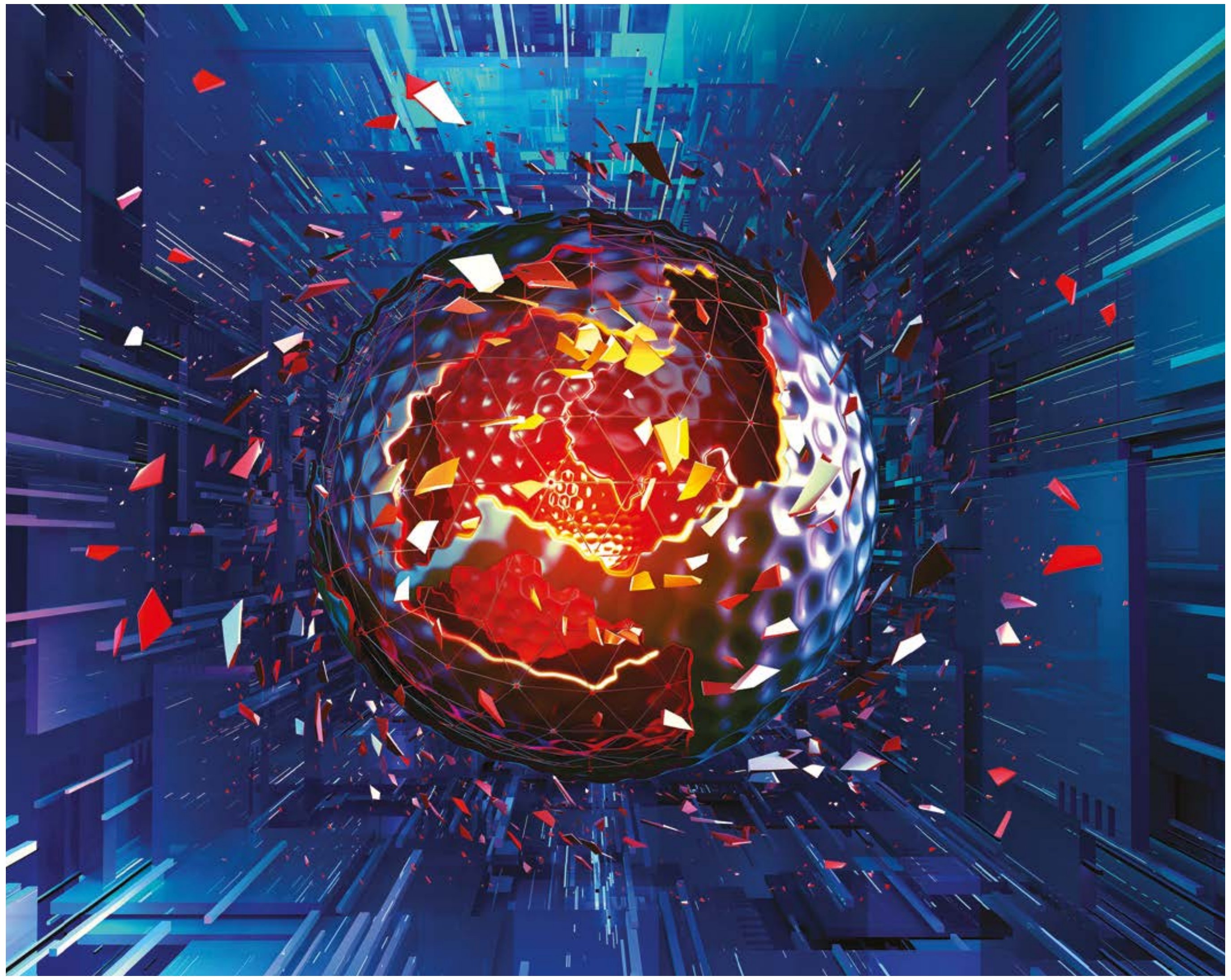
LOOKING AHEAD

The collective learnings from the first five years of NAB Labs were distilled into a new approach to innovation at the bank from 2020 onwards. The internal brand name 'NAB Labs' is no longer used and resources dedicated to the incubation of ideas have been consolidated and given priority once again. Howard now works closely with the strategy, M&A and transformation functions to make the output much more aligned with the broader business and has a number of exciting opportunities in the pipeline.

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

Why change your core?

By Dharmesh Mistry, CEO, Askhomey



In a recent episode of the Dave and Dharm DeMystify podcast, Dave Wallace and I interviewed Joseph Edwin from Bain & Company.

Previously, Joe had led core transformations at Commonwealth Bank of Australia and Nordea Bank, and now advises other banks on how to successfully navigate complex transformation journeys. It was a great conversation and having known him for a few years now, he clearly has deep expertise.

Joe is too humble to admit it, but in my view, there are few people in the world that can match his experience and knowledge. Even prior to the interview, we have spent much time discussing core transformation: what makes it work/fail, how to approach it, who to use.

However, for me, the most interesting aspect to discuss – and this is Joe's starting point when consulting with banks – is *why* are you undertaking this transformation? This is a point he insists organisations must agree on before commencing a multi-year transformation journey. This aligns with the great Simon Sinek, who said: "Why is probably the most important message that an organisation or individual can communicate, as this is what inspires others to action."

The most common 'why' talked about is, "Our systems are aging and inflexible to change and it is becoming increasingly difficult to find developers that want to support/maintain them."

There are actually two points to cover here: 1) legacy technology/skills, typically Cobol or assembly language code; and 2) lack of agility.

The skills issue can often be addressed by using a partner/outsourcing the work. By doing this, the bank doesn't have the challenges of having to replace staff or manage 'the bench' when workloads are lower. Most banks can change rates and charges fairly easily and can clone existing products to create new ones. However, creating the product is only a small part of the overall 'product lifecycle', which includes being able to provide simulations for selling a loan, onboarding customers, operating the product and eventually sunsetting (closing down) the product, for example. There are a lot more considerations and processes than simply creating the product in the core system, and this is why it often takes banks time to launch new products.

Even if a product could be launched faster, how much advantage would that give a bank? Especially if what is being launched is a reconfiguration of something that already exists. Launching a new type of product like the first offset mortgage, or in recent years buy now, pay later (BNPL) loans, can provide first mover advantage. However, there is time from when the innovative product is launched and when customer adoption scales for other banks to react.

A REAL MONEY SAVER

Another common 'why' is the operational cost. It's very true that a modern cloud-based core is going to save a bank money. However, the cost, time and risk of migrating to a new core needs to be considered, and projects often take years before the legacy core can be made redundant. During the migration period, banks have to shoulder the cost of both platforms. Recently, Leeds Building Society announced a budget of £30 million to migrate its core for just under one million customers. That gives us an optimistic figure of about £30 per customer. In comparison, TSB's recent migration, which didn't go too smoothly, reputedly cost about £366 million, including compensation and fines. This puts the cost at about £80 per customer. These levels of cost are not beyond banks of course, especially when you consider customer acquisition costs could range from £50 to more than £150 per customer.

Even though incumbent banks have high cost to income ratios (generally over 70%, with Lloyds being one of the best at 56% according to 2021 figures from Statista.com), this is also the case for challengers like Starling (77%). However, this is because challengers are investing in scaling their customer base and expanding their propositions to compete more broadly with incumbents. As such, without the heavy cost of branches, challengers will find it easier to reduce their cost to income ratios over time than incumbents.

In the US, core transformation projects aren't as common as they have been elsewhere. There, much of the 'innovation' is done outside of the core. However, I do believe it is only a matter of time before they find limitations in what the 'wrappers' they're creating around the core will allow them to do.

Any bank that has a vision to provide Banking-as-a-Service (BaaS) must also be based on a modern, fully cloud-native core. Without one, they will not only struggle to scale cost efficiently, but they will also not be able to provide the flexibility, agility and innovation their customers/tenants require.

> "A strong overarching purpose can not only transcend individual/personal goals, but provides something that unites disparate teams and departments."
>
> **Dharmesh Mistry**

OUTLIVING THE TEAM

There are many good reasons to change your core, and as always the appropriate numbers can easily be put together to justify the business case.

A key point that Joe made during our conversation is that a core transformation often outlives the team that initiated it. I've seen one project where the CEO changed three times before the transformation was complete.

Therefore, the 'why' has to be so important to the bank that it is seen through to the end. The 'why' is the reason that the people involved in the project strive to make it a success. It should inspire them with the belief that they are delivering something that is meaningful and purposeful. Making savings or creating greater efficiency isn't a 'why', but enabling financial inclusion, creating a sustainable bank or assisting customers to meet their financial goals are.

I'm just saying that if you treat core transformation like a standard large project, the chances of success are slim. Inevitably, politics and career paths will hamper successful implementation. A strong overarching purpose can not only transcend individual/personal goals, but provides something that unites disparate teams and departments. It should be something that doesn't only appeal to investors or those with bonuses tied to the project. It should appeal to customers and others that would benefit from the bank achieving its purpose.

Banks can of course have a purpose-driven vision without changing their core. But, if you're about to embark on something as complex, large and risky as changing your core, then you really want everyone's backing both inside and outside the bank.

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

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

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

Leading financial services to a more sustainable future

Opus CEO, TM Praveen, talks to FinTech Futures about how fintechs are excelling in the payments space

In a period of macroeconomic upheaval and disruptions, the global payments landscape continues to demonstrate impressive resilience.

As the drivers of payment growth are shifting, the leading global provider of niche payments technology, Opus, is creating new opportunities for incumbent banks and disruptors to build innovative solutions, win customers and gain market share.

FinTech Futures recently sat down with TM Praveen, CEO of Opus, to talk about the changing role of digital banking and payments in the broader financial ecosystem and how fintechs are setting new standards of excellence in this space.

TM Praveen, Opus

As payment infrastructures are being revamped and banks are making structural changes to their core systems, what is in store for payments in 2023 and beyond?

Fuelled by technological advances, rising competition and evolving customer expectations – the payments industry is witnessing a dynamic transition.

In fact, with the Big Tech companies looking for a piece of the payments pie, the industry is touted for significant growth over the next five years. Today, payments are increasingly convenient, instantaneous and ubiquitous. In the days to come, we can expect to see innovative payment solutions that will be more appealing to the digitally sophisticated audience of early adopters. As emerging shifts are forcing banks to reconsider operating models, open banking will set the stage to accelerate the digital payments revolution further and reshape the financial services landscape.

What do you believe are some of the key priorities for the growth-focused players in the banking industry?

Most banks today have gone past their initial struggle with modernisation and are making tremendous progress in transforming their underlying systems. Financial institutions are tapping into improved digital enablement capabilities to build their own solutions and add new values for their customers. We are likely to see more banks prioritise infrastructural upgrades to their core systems to better align with evolving customer expectations and thrive in today's competitive landscape. Banks are also looking to deploy blockchain technology to improve operational efficiencies and facilitate cross-border payments.

Cloud-native core banking providers will come to the forefront as financial institutions are looking to re-architect their internal systems, become more data-centric and deliver a rich set of business capabilities across digital and physical touchpoints.

What are the top trends driving the growth of payments?

Among many other lessons, the pandemic has taught us to be aggressive on the digitisation front. 'Digital as a foundation' will be key to delivering an unparalleled payment experience. While next-gen offerings like digital wallets, real-time payments and buy now, pay later (BNPL) are rapidly gaining share, we are likely to see more disruption coming from metaverse payments.

We are also stepping into an era of decentralisation where trends like open banking and embedded finance will take centre stage. The confluence of exponential technologies such as artificial intelligence (AI) and hybrid cloud has reduced operational costs and unlocked massive potential for platform-based business models. There is also a greater focus on enabling payments innovation with integrated DevOps.

What's your take on the booming fintech space?

Fintechs are a catalyst for the entire digital economy. As the appetite for Banking-as-a-Service (BaaS) grows, so will the innovative partnerships between banks and fintechs. The way I see it, the fintech landscape has never looked better.

There will also be a growth in the 'as-a-Service' subscription model owing to the myriad benefits it provides banks that are looking to leverage solutions from specialist fintechs rather than developing them in-house.

As key players in the financial services space expand into new verticals, having dynamic perspectives to draw from will be invaluable. Bringing together disjointed systems and channels through ecosystem partnerships is imperative to stay ahead of rising market expectations and create payment experiences that fit seamlessly into the lives of customers.

> "While next-gen offerings like digital wallets, real-time payments and BNPL are rapidly gaining share, we are likely to see more disruption coming from metaverse payments."
>
> TM Praveen, Opus

How is Opus helping its clients harness technology transformation and drive new value propositions?

Now is the time for payment players to build the agility that makes continuous payment innovation possible. On the banking front, there is a dire need to offer a comprehensive and integrated suite where customers have access to end-to-end banking services in real time.

Backed by a rich legacy of 25 years, Opus is among the world's most trusted names in modernising payment platforms and delivering transformative banking solutions. As a managed services provider, our expertise lies in platform migration and management, Testing-as-a-Service, building high-availability processing solutions across networks and end-to-end product engineering.

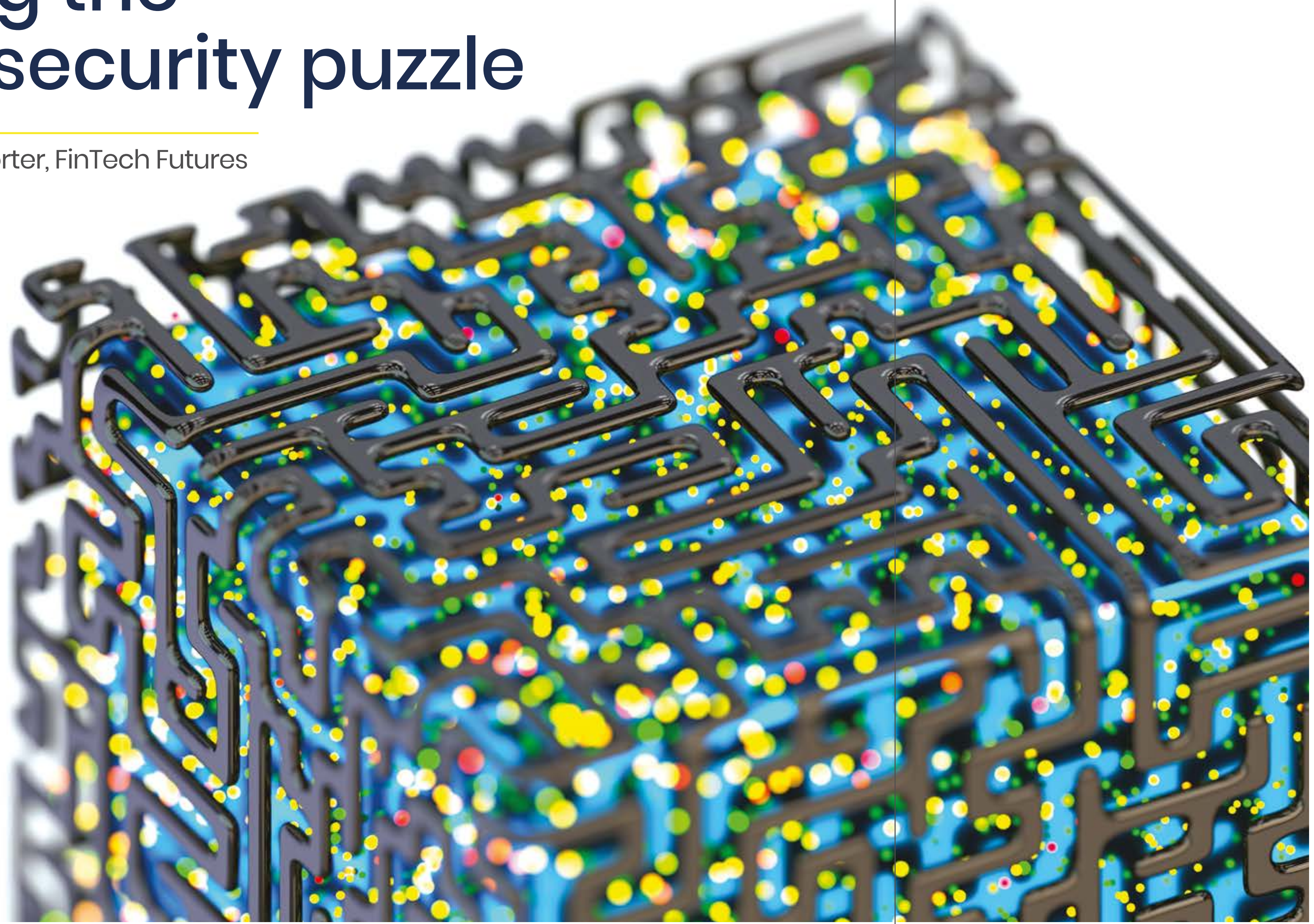
With our team of domain experts and global delivery models, we re-engineer products to be more agile, offer value-acceleration solutions that will speed up the time-to-market journeys, and help our clients outgrow the competition by simplifying money movement and commerce.

Our advanced automation capabilities and ready-to-deploy solutions in the cloud are helping key industry players remain relevant in an ever-evolving digital marketplace.

Given our technological and industry-specific expertise, we are well positioned to drive digital transformation and lead the financial services sector forward to a more sustainable future.

Solving the cybersecurity puzzle

By Alex Pugh, reporter, FinTech Futures



Cybersecurity is an issue facing firms across all sectors, and with large amounts of money at stake, fintech and financial services are huge targets.

However, many firms have yet to fully grasp the nettle and concentrate funds and resources towards tackling the issue, whether that is due to the sheer scale of the problem or naivety.

FinTech Futures recently spoke with two individuals who are on the frontlines in the cybersecurity battle: Professor Raj Muttukrishnan, a director at the Institute for Cybersecurity at City University of London, and Stuart Jubb, group managing director at cybersecurity firm Crossword.

Muttukrishnan's interdisciplinary approach to cybersecurity "cuts across psychology, social sciences, including law to computer science, engineering and business". He also does a lot of external work with various companies and the government and is a non-executive director for London's Cyber Resilience Centre.

"I work with technologies that are near market-ready, bringing scientific innovation into start-ups so that they can scale up with innovative new products in the cybersecurity space," Muttukrishnan says.

On Crossword's relationship with Muttukrishnan, Jubb says: "We were initially set up to commercialise IP from university research, which is how we know Raj. Obviously, we can't solve the whole cybersecurity problem, but we aim to try and solve certain segments of it."

STICKING PLASTER

Cyberattacks cost a lot to combat but can cost far more to ignore, and many firms seem to have not fully grasped the size of the problem.

Jubb cites research from McKinsey that shows the overall damage from cyberattacks across the globe has cost firms $2.6 trillion, but currently only $150 billion is being spent to tackle the issue. "So, there's a clear gap there," Jubb says.

Jubb relates how a large FTSE 100 British bank, which spends about a billion a year "just keeping the lights on", is spending around 5-10% of that on cybersecurity. "They've got a lot of legacy IT and systems that has all been merged – it's a complete mess," he says.

And because of regulatory concerns, they're loathe to ditch their legacy systems because they are worried about what information they will need access to in the future.

"The further you go down, companies are spending less, but we're finding with the fintech companies, they're taking cybersecurity seriously from the get-go," Jubb says. And as a result, "they're a lot more efficient in their spending".

Muttukrishnan works with a number of FTSE 100 companies, and for these firms, he says "the biggest threat they see is from the smaller players, because they don't have the budget to have anything in terms of cybersecurity".

It's because of this imbalance that Muttukrishnan took up the voluntary role of non-executive director for the London Cyber Resilience Centre in order to help small and medium-sized enterprises (SMEs) in London.

The major banks will have enough cash to budget for cybersecurity, but smaller outfits will not, "because they have to grow and scale, and their focus is more on business than cyber".

There is also a raft of new compliance and regulatory challenges that smaller firms such as fintechs must meet, Muttukrishnan adds. He thinks many of the big players have "very good infrastructure" in place in terms of cyber, conducting a lot of simulation attacks. But SMEs, for example, don't do phishing simulations on a regular basis.

"It's going to be interesting for fintech," Muttukrishnan says, especially as investment has dried up over the last six months. "Many of the companies I work with, they're just running to raise money."

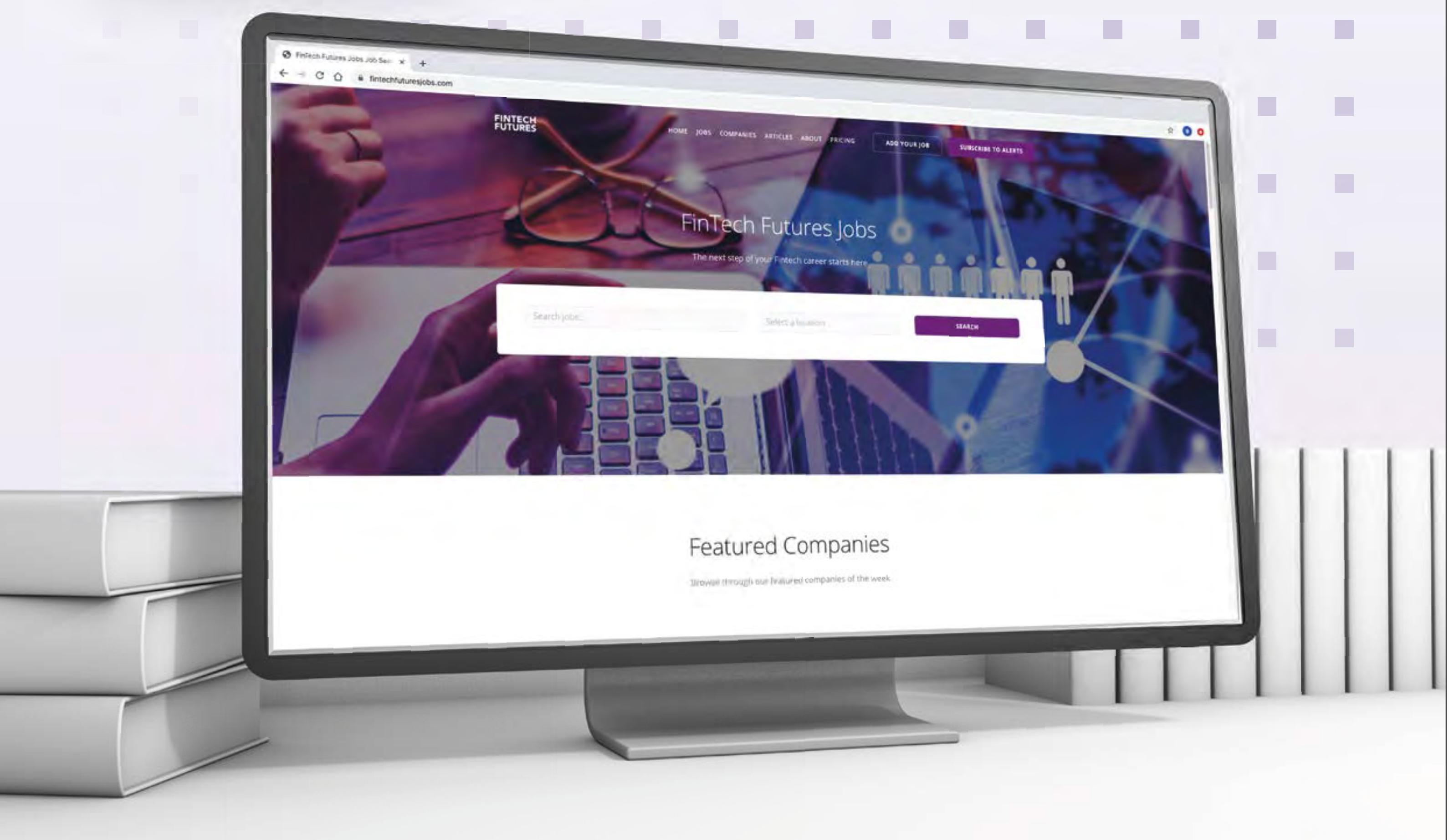
Muttukrishnan's "biggest worry" is fintechs are now diverting cash towards keeping normal business operations running. "When are they going to find the money to look into the new regulatory challenges that are coming along?" he says.

"Because big banks have been pushed to open up their datasets to APIs, their concern is they don't have the capability and software to scan through all these APIs that they are going to be connecting to."

Professor Raj Muttukrishnan

THREADS

Once cybercriminals breach the smaller fintech players, then you can easily navigate into the larger players, Muttukrishnan explains: "The big banks that I've talked to, because they have been pushed to open up their datasets to



APIs, their concern is they don't have the capability and software to scan through all these APIs that they are going to be connecting to. And that's the challenge."

We live in a connected world. Complex chains serve to provide financial services for customers and therefore, it's important to ensure that all parties in those chains are protected to prevent a domino effect that could lead to a breach.

Jubb explains that CISOs try to triage who the high-risk suppliers are "in terms of who have access to the crown jewels" and how secure their suppliers are, and then conduct due diligence audits. "But that just isn't working particularly well," he says.

Muttukrishnan explains that until we get to a space where the banks are collaborating, "and they've tried to do it a number of times", problems will continue to crop up. "I think they need to relook at how they manage the supply chain to move towards that more collaborative model," Muttukrishnan says.

Another household banking name, Muttukrishnan says, has tried to develop a collaborative supply chain model in which suppliers have a credit score, with all information shared among the parties, "but they just haven't managed to get it to work".

Jubb adds many financial services firms are trying to patch up and manage a "smorgasbord of technologies".

Combine this lack of preparedness and unwillingness or inability to upgrade legacy infrastructure with increasingly sophisticated cybercriminals, and you begin to understand the scale of the problem.

"It's pretty industrialised now," Jubb says. "Some of these hacking groups even have spokespeople who will make statements."

Many will be trying to get into a nation's financial services and critical national infrastructure. "We know that they've influenced elections," Jubb says. And it's often these same regimes that are responsible for cyberattacks against financial services.

While lone wolves in basements are sometimes responsible, this tends to be less of a systemic problem and more about trophy hunting. "I'd say the majority of the economic crime is coming from criminal groups and a lot are in former Soviet countries," Jubb says.

"The reality is if you're a bit of a rainmaker at a bank, you're not going to get fired for having poor cybersecurity hygiene."

Stuart Jubb

Muttukrishnan agrees: "I think now they're all state sponsored. It is more large scale and it's very sophisticated."

ARMS RACE

People are the weakest link in the cybersecurity chain, so how do we make humans more resilient to being targeted? "That's the million-dollar question. And I don't know if anyone has an answer," Jubb says.

"I think the main thing is having constant awareness across multiple mediums," he adds. While companies will do mandatory training every six months, for example, or simulated phishing attacks, it's fairly weak sauce given the threat.

Some banks may include in individuals' contracts a stipulation that if they fall victim to a simulated phishing attack, or even a real phishing attack, their bonus can be withheld. But, Jubb says, "the reality is if you're a bit of a rainmaker at a bank, you're not going to get fired for having poor cybersecurity hygiene".

Interestingly, Muttukrishnan is about to begin working with psychologists on a project that is looking to effect employee behaviour change within organisations. It's those on the lower rungs of the ladder that represent an organisation's vulnerabilities.

Despite all the training employees must endure around cybersecurity, "80% of employees don't do these exercises", Muttukrishnan believes.

Muttukrishnan has been conducting phishing training for CEOs and CTOs over the last six years but one of their biggest problems remains; their employees, especially contractors. "In terms of phishing, the only thing that will make an impact is behaviour change and the use of automation."

However, on a macro level, there is a lot more that could be done to shore up cybersecurity, not least sharing information and best practices.

"Given the hackers all speak to each other, there's a lot of ground to cover in terms of how companies collaborate, and cross-sector collaboration could definitely improve," Jubb says.

Also, companies aren't very strategic when it comes to cybercrime. "They're so focused on doing the basics, so focused on the day-to-day battle, they're not thinking about three to five years ahead," he says.

Jubb says firms should be asking themselves what technology they can start investing in now and how they can begin collaborating with universities and start-ups.

Even if financial services firms and fintechs are not necessarily looking ahead, hackers are, and an arms race is unfolding.

"There's a real gap at the moment, in our opinion, and if we don't be more strategic, we'll just continue to focus on the next six to twelve months, which isn't really good enough," Jubb concludes.

Lessons from reality TV

By Dave Wallace

I was recently laid low, having caught one of the many flu variants that seem to be going around. On the downside, I was forced to break from keeping up with what was happening in the digital world – although ChatGTP appears to be dominating the headlines still (I told you AI was coming to eat our lunch). On the upside, it gave me an excellent opportunity to catch up on some serious TV watching.

If you haven't seen them, I highly recommend Dopesick (absolutely shocking), The White Lotus (lols) and Andor.

One of the programmes that I binged was a reality TV show called The Traitors. The premise is quite simple. A group of people have to compete with each other to win money. They also have to collaborate in challenges to win cash that becomes the prize fund.

From the starting line-up of 22, the producers chose three traitors. The job of these traitors was to 'murder' one of the group daily. The three knew who the others were, but the rest had no idea and at the end of every day, the group met around a round table to discuss and vote out who they thought was a traitor.

Overall, the folks involved seemed like a good cross-section of society; the producers had done an excellent job of avoiding the self-promoting archetypes seen in so much of reality TV.

It was then fascinating to watch as the traitors got to work. As well as 'murder', they quickly looked at ways to deflect attention, lie and ensure that they did not find themselves discovered. In practice, innocent non-traitors often found themselves in the hot seat, justifying themselves and, in many cases, being voted out.

TINY SPARKS, BIG FLAMES

Watching the dynamics of the group was fascinating, and a few things stood out.

For what seemed relatively innocuous reasons, an individual would often be singled out and find themselves in what amounted to a pile-on. For instance, at the first roundtable, someone suggested a toast. Everyone raised their glasses except for one person. This was noticed by someone else and deemed odd behaviour. This became a major topic of conversation within the group (excluding the offending person) and seized upon as the mark of a traitor. Everything the person then did became a validation of their treacherous ways. (This reminded me of a psychology experiment in which students purposefully got themselves sectioned by displaying textbook mental illness symptoms. Once in the institution, they behaved normally. However, everything they did, including innocuous activities such as keeping diaries, was seen as further proof of their mental illnesses.)

Except as the viewer, we had seen why the person had not joined in. She was an amputee with no hand on the side where her glass had been placed. This poor person was doomed when it came to voting on who the traitor might be. Even when she pointed out her impediment before the vote had started, people's attitudes had become so fixed that they found it impossible to change their minds.

This is reminiscent of social media, where tiny sparks can quickly turn into big flames without much (or any) substance. Social media has no room for nuance. People often have definite ideas based on spurious reasons that then get amplified by others who agree with that perspective. And like the traitors, where one action condemned a person for what was patently (to the viewer) a completely understandable and justifiable reason, often these perspectives are wrong. Discourse, listening to others' views and, most importantly, being open-minded must be encouraged. It is one of the reasons I love podcasts. Podcasts are a long-form medium that enables a platform for people to put across a perspective and for the listener to have time to absorb what they are hearing and evolve their viewpoints. One of my resolutions for 2023 is less social media and more podcasts!

CLIQUEY DOES IT

Returning to The Traitors, I found some other things fascinating.

It was amazing how quickly friendships were made and cliques formed. These cliques became deep very rapidly and became instruments for the traitors to deflect attention away from themselves in classic 'us vs them' situations. Cliques developed narratives, and these narratives became incredibly easy for the traitors to subvert, which brings me to the final observation – people are terrible at spotting lies. By manipulating those around them and lying, the traitors survived for quite some time. Despite others saying how good they were at spotting people telling untruths, we saw just how bad we really are.

I often ponder why we are so susceptible to hyperbole, particularly in fintech, where we get caught up in the excitement of what we are told is the next great thing or what could be the solution to the x, y or z problem.

Despite what our heads are telling us, we let our hearts rule. The Traitors demonstrates how easy it is to manipulate and be manipulated.

The true secret to the success of the traitors in the show was picking on oddities, amplifying them and encouraging others to get involved. For me, the big lesson was we might not be correct or justified in our thinking as much as we think. And the more those around us seem to validate our position, the more we need to step back and think about an alternative view!

Dave Wallace is a user experience and marketing professional who has spent the last 25 years helping financial services companies design, launch and evolve digital customer experiences.

He is a passionate customer advocate and champion and a successful entrepreneur. Follow him on Twitter @davejvwallace.

The teens have the edge

By Philip Benton, senior fintech analyst, Omdia

With it being more than a decade since the digital-only banks movement took off, neobanks as a sector are now approaching their teenage years and quickly maturing, with talk of growth and scale being replaced by unit economics and profitability.

While incumbent banks have largely retained their customer base despite the threat of neobanks due to a combination of the limited product offering of digital-only banks and customer inertia at changing banks, neobanks are quickly expanding their product suite and adapting to a new world of alternative payments and embedded finance.

DEFINING A NEOBANK

The literal definition of a 'neobank' means 'new bank', which is derived from the Greek word *νεος* (neos) meaning 'new', but in practical terms it refers to a financial services provider that operates without traditional physical branch networks and exists purely online, often exclusively via a mobile app.

Neobanks saw a rise to prominence in the late 2000s in the wake of the financial crisis, during which trust was lost with the traditional banking incumbents and global regulators sought to increase competition in the banking sector by encouraging new entrants to provide banking-like services.

Despite the initial push of regulators to increase competition and enable new players to provide more innovative banking services, they grew in prominence more rapidly than anticipated, which caused pushback from certain authorities about 'neobanks' referring to themselves as chartered banks to avoid confusion for the customer, which forced US fintech Chime to stop using the word 'bank'.

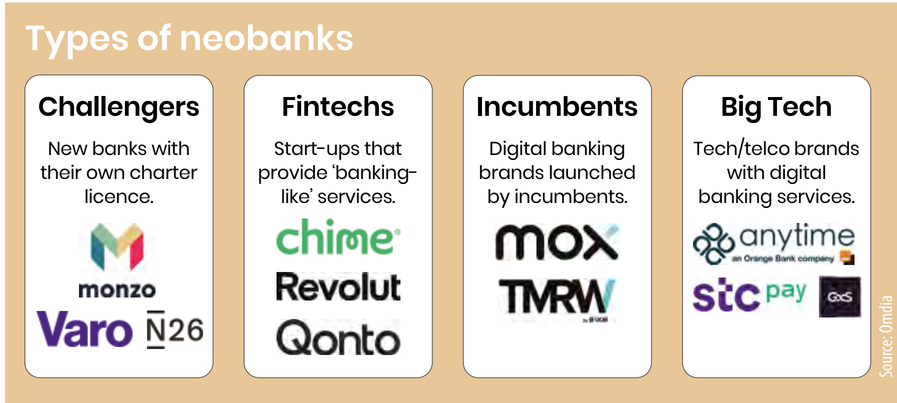
Omdia recently launched its Neobank Activity Tracker tool, which tracks more than 100 neobanks of various origin across 15 categories. Our criteria to be included in the tracker is that the neobank is a provider of banking-like services for consumers and/or businesses and must include at least one traditional banking product – for example, current/checking account, payment card, savings account, mortgages or loans.

There are various types of neobanks, with Omdia's definitions laid out opposite.

NEOBANKS' NIMBLE TECH INFRASTRUCTURE GIVES THEM AN EDGE OVER INCUMBENTS

Incumbent banks' technology infrastructure is largely tied up in traditional business functions such as branches, ATMs and contact centres, which accounted for more than 20% of technology spending in 2022, according to Omdia's Retail Banking Technology Forecasts.

Many incumbent banks also have large workforces with hierarchical organisational structures, which makes it challenging to respond quickly to evolving market conditions.



Neobanks have been able to adopt a different approach to their incumbent counterparts. Digital banks are not laced with the technology debt of lengthy contracts or managing a large real estate, and this has enabled them to embrace modern technology stacks at a fraction of the cost. Ultimately, it means that the cost to acquire customers and maintain accounts are much lower by adopting these different approaches to building their technology infrastructure.

Many of the 'challenger neobanks' that obtained chartered banking licences also opted to build their technology from the ground up. They were able to benefit from the latest technology to build and scale much more quickly, which is not only more efficient but cheaper to run.

Running the architecture in a microservices cloud-native environment and utilising Kubernetes (K8s) ensures deployment can be automated, allowing product development to occur on a more frequent basis versus the annual updates that the monolithic architecture of incumbents allows.

The emergence of neobanks has also spawned the creation of an entirely new category of fintech to support these start-ups, known as Banking-as-a-Service (BaaS). Deloitte has defined BaaS as "the provision of banking products and services through third-party distributors". In essence, this means that many of the core building blocks of a bank, from processing to card issuing, are provided in a neat off-the-shelf technology stack.

This enables neobanks to reduce both their speed-to-market and potentially the cost on the nuts and bolts of their business and focus instead on their product offering and how to differentiate their digital banking brand in a highly competitive market. This particular approach makes sense for non-financial services providers entering the space because they are unlikely to have the in-house expertise or experience to build the technology infrastructure required.

BaaS has also enabled the birth of embedded finance (the concept of tailoring financial services products at the point of need), which will forever alter the relationship banks have with their customers. At best, it puts the bank at the centre of everything a customer does but at worst, the bank is just a third party in facilitating a transaction. This creates a unique opportunity for neobanks to insert themselves in the heart of a new value ecosystem but requires strategic partnerships to succeed.

NEOBANKS 2.0

Retail banking is very local in nature, and aside from a select few megabanks that have global status and presence in multi-geographies – for instance, HSBC, Santander, ING Bank and Standard Bank – retail banking is dominated by a handful of local players.

The market dynamics of neobanks is similar in that no neobank dominates on a global scale – Revolut is closest to doing this in terms of its customer base across multiple geographies/regions – and there is an array of differing strategies across regions of how to succeed as a neobank.

Unlike incumbent banks, which provide a broad suite of financial products that are not always accessible via the same digital experience, neobanks start very focused and deliberately provide a narrow offering yet slick user experience which ensures there is increased engagement with the customer.

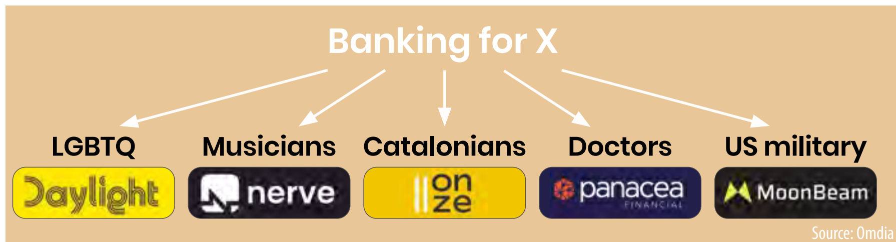
Many neobanks start with a basic current/checking account and a pre-paid debit card with financial incentives to sign up, for example no fees, cheaper FX rates or cashback offers plus a 'waitlist' to drive more signups on the premise of scarcity.

Increasingly, there is a new wave of neobanks emerging that not only serve specific needs but are curated for specific communities, including Daylight (banking for the LGBTQ community), Nerve (banking for musicians), 11Onze (banking for Catalonians), Panacea Financial (banking for doctors) and Moonbeam (banking for military veterans).

All these communities have specific financial needs, whether it is their preferred name on a bank card or an easier way to collect royalties on music streams. The sense of community and shared valued remains important in banking and presents an opportunity to evolve.

Banking is becoming increasingly commoditised and to stay relevant, you need to understand the needs of your target customer and personalise your services for them.

There has been a lot of doom and gloom around the future of neobanks, but as they pass through their teenage years and mature into fully fledged adults, they can co-exist with their elder incumbents and potentially dethrone them if established retail banks think the threat will diminish.



FOOD FOR THOUGHT

Confronting confrontation

By Leda Glyptis

"I am not good at confrontations."

I hear that phrase so often, and I always assumed that people mean either that they don't enjoy them – which, frankly, is the healthy way to feel about confrontations – or that folks were sort of cowed when conflict loomed.

Shrinking.

I assumed that people who say "I am not good at confrontations" actually meant that, when a situation starts gathering steam or when events transpire that need a reset, intervention or sudden pause… that they melt into a quietness that diffuses the moment. Squandering the opportunity to reset, for sure. Wasting the opportunity to be heard or to set the record straight or stop a bully or halt a lie. But avoiding conflict.

That's what I have always assumed.

Boy have I been wrong.

Twenty years in the workplace have taught me that, when people say "I am not good at confrontations," *they mean to insinuate* they detest conflict, but what they *actually mean*, whether they realise it or not, is that they are bad at it.

That when a confrontation looms they don't… confront it… so to speak. They participate in it when it's inevitable, when the conflict cannot be side-stepped or it gets too much to contain, but they do it in a way that doesn't see it through. They partake but don't resolve. The conflict is there, in a way that guarantees it will resurface.

All the pain, none of the progress.

A confrontation isn't a day at the beach. It is not there to be pleasant (unless you are a sociopath). It is there to be useful.

Sometimes it can be side-stepped, and I have seen it done masterfully.

Sometimes the only way to avoid the conflict is to accept the consequences of whatever is happening and weigh up whether you value the quiet life more than whatever it is you are losing in the situation you are not confronting.

For instance, a confrontation is needed when a client says "you are not being cooperative" after you refuse to accept an arbitrary change in what they have agreed to pay you or when your invoices are never paid on time.

A confrontation is needed when a colleague consistently 'forgets' to invite someone to a meeting and then accuses them of missing it. Conveniently 'forgets' deadlines and then blames their assistant, or yours. Innocently fails to have opinions or contributions until their boss is watching or behaves like an inert body in the name of 'policy', not saying no but not expediting either.

A confrontation is needed when a supplier fails to honour their SLAs and commitments and has outages that affect your business that are not treated with the seriousness you require.

All of those situations are unpleasant. Unhelpful. And while you could probably survive doing nothing in each of them, if they are constant and consistent, you'll probably want to do something about them to affect change. Long-term change, for all involved. To avoid that constant grating feeling of looming confrontation.

That is the point of a confrontation: stopping the natural or anticipated flow of unhelpful events to provoke and secure a different outcome.

Such a confrontation is unpleasant for sure. But they can be helpful. And yet that is not what tends to happen.

READY TO BURST

What happens mostly, driven by the brigade who profess to not like confrontation, is worse in every conceivable way because it perpetuates the situation that breeds confrontation. For people who don't like it, they sure ensure we have plenty of it.

Observe:

First, they do nothing for a bit too long. They let the problem build up and annoyance fester. They get silently angry. Oh, they are angry. They seethe. But silently.

Whatever it is that is causing friction or concern, they let it linger. Repeat itself. Build up. Occur again and again and again until the aggravation and annoyance is palpable.

When that angst has built itself up to boiling point, they have an outburst. They talk about outcomes in a public forum. They make an angry call talking about what happened on this particular occasion. How things feel on this particular occasion. What may have happened if this occasion was on a Tuesday and not a Friday.

They contemplate angrily the worst possible outcome. They don't, you notice, talk about the pattern or the reasons behind the issues. Just what the end result was.

I used to work at a bank that had two different internal systems for raising tickets. For IT issues, for new phone lines, for travel budgets. You name it. All of it was to happen through one of those two systems.

What fell under each system was not entirely clear. The art of navigating this set up was arcane and mystical.

In fact, the best way to navigate the system was to know one of the admins.

The second-best way was to have someone insanely senior cc-ed on an escalation email after failing to navigate the system for a while.

Neither way was efficient, you appreciate. The first way was a hack (and my preferred method, admittedly). The second way was a very high-calorie way of doing mundane work that inevitably entailed the wrong kind of confrontation. You shamed people into doing the thing that hadn't been done because the process was obscure and hard to follow.

Never in all my time in that bank did we have the conversation about changing the policy, scrapping one of the systems, making sure we don't have this angry meeting about approvals every few weeks.

We could have, you appreciate.

After my boss yelled at their boss about how we'd raised three tickets and followed up five times for each and we were getting nothing back on whether they had the right information. After we all made a big song and dance about how they were holding the work back and how they were busy and we need to understand that there is a process.

After all that, after we talked about outcomes and impacts and personal conduct and that guy who is unhelpful. After all the specifics had been discussed and some of the anger was spent and some concessions were made, everyone felt awkward and… stopped.

OK fine, that's OK, we got what we came for. Thanks, have a nice day.

Only we will be back here in a week or two. Because we just had a confrontation but did it so very badly.

THE SOUND OF SILENCE

When the anger is spent and the specifics discussed, that is the moment to push through and say OK, there's a pattern here. The specifics are illustrative, but this is not a one-off. Shall we discuss what we need to change? Not what we need to hack but what we need to do differently to not be back here.

Why are the invoices never processed on time? Do you need us to submit earlier? Would it focus your mind if we started implementing penalties?

Why are you hiding behind a policy that is not relevant, dear colleague? What is it your boss is looking over your shoulder at and how can we work together without wasting each other's time or indeed causing you problems with your boss?

Is the policy itself still serving a purpose? Should we change it so we control the right things in the right way?

In the silence we all sat in while seething, assumptions were made. Discounts were made. Conclusions were reached.

But none were discussed.

Not when we were silent. Not when the dam broke and the outcomes of the issues and the silence were addressed.

Not when we went back to an awkward, bruised silence after the specifics were resolved because we are all trying to act normal now.

Because confrontation is uncomfortable, and we were not good at it.

Only what we did there wasn't confrontation. It was conflict.

Of the least constructive and by axiomatic extension most repeatable kind.

Confrontation is what could have happened if we addressed the issues before the blow up, through the silence, to an outcome that is repeatable and solves the root cause of what could have been conflict. But wasn't. Because we had the confrontation and solved it before the blow up had to occur.

So, I would suggest having the confrontation, having the conversation, discussing patterns and not just outcomes. Exactly because nobody likes conflict and the best way of avoiding it is to prevent it. And the way to prevent it is to do it properly when the need arises.

That's the message, boys and girls: if you don't like confrontation, get better at it. So you can at least only have it once and move on.

#LedaWrites

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

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

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

Money transfers are HOP to trot

by Shruti Khairnar, reporter, FinTech Futures

Most immigrants know how expensive sending money to their home countries can be, with all kinds of fees eating away at the supposed benefit of earning money abroad.

MoneyHOP, which describes itself as India's first cross-border neobank, was born out of a similar hardship, when its founder and CEO, Mayank Goyal, discovered how much banks were charging him in interest and remittance fees while paying back his student loans in India from the UK.

"Beyond that, every time my friends and family would visit me in London, no matter what mechanism they used for currency exchange, be it cash, card or forex cards, it was an extremely paper-driven process," Goyal tells *FinTech Futures*.

The process led to a lot of obscurity, Goyal says, with charges being added "depending on how ill-informed the consumer was".

"Though I thought India was doing tremendously well, when it came to domestic remittances, I quickly understood that cross-border banking was still stuck in a rut," he adds.

Based off his own experiences, Goyal worked out three fundamental features young Indians wanted when it came down to cross-border finances: convenience, instant gratification and transparency.

"Banks didn't really bother too much about providing any of this customer experience to the end human, so I thought it was a good opportunity – a massive gap – and something I could work on, because I was driving data points from my personal experiences," he says.

MoneyHOP offers Indians the ability to send and spend money abroad via its app, and claims to provide real-time currency conversion at a "nearly zero percent" markup, meaning customers can easily switch between currencies on the go.

The start-up also provides access to a multi-currency bank account with a choice of 10 currencies, with plans to add more in the future. It has partnered with State Bank of Mauritius, India, which is an RBI regulated bank, to offer its banking services. The firm wants to enable Indian millennials to "be global and spend like a local".

The neobank has applied for a UK electronic money institution licence with the Financial Conduct Authority (FCA), and hopes to begin onboarding UK-based customers by mid-2023.

But every start-up has its own set of obstacles.

For an Indian cross-border fintech firm, Goyal says one of the main obstacles is the Indian currency capital controls.

"We come from a relatively volatile economic background, and due to those reasons, the Indian government has been slightly sceptical of making the Indian rupee an official currency," Goyal explains, "And rightly so. But what becomes the issue is that we have to make the central government aware of every single dollar that any person buys."

Second, Goyal believes India is moving "quite fast" when it comes to the fintech revolution, with many fintech companies expanding rapidly.

"During this phase when things are moving from A to B to C quite quickly, I think there naturally ends up being some amount of confusion in terms of what you can or cannot do, and how you navigate the system," he says.

Navigating such a phase is a tightrope walk because the regulatory paradigm can potentially stifle innovation, Goyal says, and "if you become too innovative, you would end up breaching regulations".

MoneyHOP launched beta testing for its mobile app in May last year, with about 25,000 users signing up for its remittance services. But while it's now out of its testing phase, Goyal says the firm is in no hurry to push the product yet.

"We want to be absolutely watertight in terms of the technology, because it is a financial services product," he says.

The neobanking start-up raised $1.25 million in seed funding from UK investors in September 2021, in addition to another undisclosed fundraise.

For its next phase of growth, Goyal says the aim is to land a UK licence. Further down the line, the start-up is in talks to make an acquisition in India, and it also plans to double down on integrating India's Unified Payments Interface (UPI) into the app.

Diversity of socks is our future

By Theodora Lau, founder, Unconventional Ventures

Before you wonder out loud why we are talking about socks in a fintech column, hear me out.

Think back to the last time you attended a fintech conference. Chances are there were more men on stage compared with women, regardless of how many women leaders you might have seen in the audience. Chances are there were a few panels filled with men only, and a few more others where there would be one sole woman (typically as the moderator) in a sea of men. And chances are there were few people of colour on the speaker list.

While you might not see much diversity in wardrobe choices among the sea of suits, chances are you came across a good variety of sock colours.

Voilà. Our future rests with the diversity of socks.

I hear the drumbeat of criticism already.

"Look, we have an event honouring women leaders in our industry!" we, as an industry, say while giving each other high-fives.

Fair enough. But why on a weekend?

"We even have a special panel talking about diversity in our industry! We are paying attention. Trust us, we are trying."

But why are we talking amongst ourselves on challenges that we already know, when the other half of the room should have been here too so we can solve the problem and create change – together? Are we really trying or are we just checking the box because that's the thing to do?

"You don't understand. We can't find women speakers with high enough caliber to speak at such an important event."

Except, what happened to that room of women leaders that you just honoured in that special event? Are they not good enough?

And so it goes. And that's the crux of our problem.

"Because we, as an industry, are systematically excluding those that don't look like us." I wrote this in an article back in 2019. "Creating an illusion of inclusion and diversity to deflect criticisms of bias is tokenism," I added.

That was 2019. It was true then. It is still true now. Maybe we have become more aware. I surely do hope so. But awareness does not always translate into action, unfortunately.

It's intention that we need. It's also metrics and yardsticks, and commitment to change. And we need accountability when change doesn't happen.

Anything less is nothing more than empty promises and PR, left to the whims of *flavor du jour*.

Look at the recent layoffs, for example. Companies including Meta, Amazon, Twitter and Snap have together cut more than 97,000 jobs in 2022, according to Reuters, citing a report from employment firm Challenger, Gray & Christmas Inc. But women are over-represented in the layoffs, representing more than 46% of the tech layoffs from September to December 2022, while making up 39% of the labour force in the industry. This is despite the industry's prior commitment to improve diversity. For example, back in 2019, Meta had committed to doubling the number of Black and Hispanic employees in its US offices and doubling the number of women in its global workforce by 2024.

THE ELEPHANT IN THE HOUSE

This reminds me of a story I read about a giraffe and an elephant who are friends. One day, the giraffe invites the elephant to his house, which is built with high ceilings and tall but narrow hallways, designed to meet the needs of tall and slender giraffes. Needless to say, the elephant encounters much trouble getting through the doorway and moving around the house. The giraffe suggests that the elephant should take aerobics and ballet classes to slim down to fit into the house. Meanwhile, the elephant thinks the house is the problem.

And there's the moral of the story.

Organisations are built for a group of people who think and act in similar ways, and more often than not, from the same culture and demographics. Whereas for others who are different – the elephants in this case – while they can get their foot partially in the door, they may not be able to fully get in. And while the giraffes will recognise the difficulty that their friends are encountering, they might not necessarily understand the need to make changes to the house. For any DEI efforts to work and take root, that is precisely what needs to happen.

So, my dear readers, are we ready for renovation?

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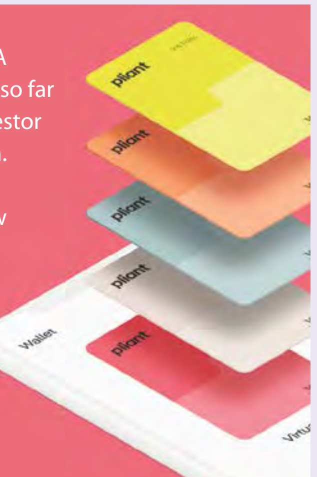
FINTECH FUNDING ROUND-UP



Berlin-based **Pliant** has secured **$28 million** in a Series A funding round – the largest fintech funding in Germany so far this year, according to the start-up. Led by Japanese investor SBI Investment, it brings Pliant's total raise to $48 million.

Existing investors Alstin Capital, Motive Ventures and Neosfer (the early-stage fund of Commerzbank) and new investor MS&AD Ventures also took part in the round.

Founded in 2020, Pliant's platform offers physical and virtual Visa credit cards for businesses.

It also offers financial software companies the option to embed its card platform into their existing product offerings. Among the first firms to utilise this capability are Candis, an invoice management software company, and Circula, a travel expense and employee benefits software provider.

Last year, Pliant expanded into seven European markets and says its customer portfolio grew six-fold.

UK-based car finance fintech **Carmoola** has secured a **£95 million** debt facility provided by NatWest along with **£8.5 million** in a Series A funding round led by QED Investors.

The Series A also included participation from existing investors VentureFriends and InMotion Ventures, the investment arm of Jaguar Land Rover.

Launched ten months ago, Carmoola aims to provide a "neo car finance" product that reduces the time needed to buy a car from days to "just minutes". Its platform provides buyers with a budget, generates a free history check on their selected car and allows payment to be made "both instantly online and at the showroom within just 60 seconds" using a Carmoola virtual card. The start-up plans to grow its staff headcount to 20 people.

Australian payments software firm **DataMesh** has secured a **$30 million** Series A funding round led by NAB Ventures, the investment arm of National Australia Bank (NAB). Along with the funding, NAB has also partnered up with DataMesh as it looks to improve its point-of-sale (POS) user experience for NAB business customers.

DataMesh provides a single platform for in-store, online and in-app payments, offering full payment orchestration and interoperability.

Additional investors in the Series A round were Deutsche Bank and 1835i Ventures.

Cross-border paytech **Tazapay** has secured **$16.9 million** in a Series A funding round led by Sequoia Capital Southeast Asia. The round also saw participation from new investors EscapeVelocity, PayPal Alumni Fund and angel investor Gokul Rajaram, as well as existing investors Foundamental, January Capital, RTP Global and Saison Capital.

Singapore-based Tazapay was founded in 2020 by former executives of Stripe, PayPal, Grab and Standard Chartered.

The start-up intends to scale its business across Asia and expand to the Middle East and Europe, where it claims to see "strong demand" for its services.

Switzerland-based **Taurus** has raised **$65 million** in a Series B funding round, led by investment banking giant Credit Suisse with participation from Deutsche Bank, Pictet Group, Cedar Mundi Ventures and Arab Bank Switzerland, as well as real estate group Investis.

Founded in 2018, Taurus provides digital asset infrastructure that enables businesses to issue, custody and trade digital assets including cryptocurrencies. It also operates a regulated marketplace for private assets and tokenised securities.

Deutsche Bank, Arab Bank Switzerland and Pictet are all clients of Taurus, which currently claims to work with more than 25 financial institutions and corporate clients.

The funds will be used to support the company's growth strategy across three priorities: hiring engineers to develop its platform; expanding its sales and customer-facing footprint with offices in Europe, the UAE, the Americas and Southeast Asia; and shoring up its security, risk and compliance requirements.

Cardiff, UK-based **Coincover** has raised **$30 million** in a funding round led by Foundation Capital. The company is attempting to restore trust in the cryptosphere through the provision of products that protect digital asset holders from "both hackers and human error".

Founded in 2018, Coincover works with more than 300 exchanges, wallets, hedge funds, family offices and banks to stop fraudsters and scammers. It also works directly with a number of digital asset custodians including Fireblocks and Bitso.

It says it handles the secure storage of digital assets and provides trained operators, separate insurance, technical expertise, training, testing and high-security hardware to businesses.

UK-based carbon credit transaction network **Carbonplace** has raised **$45 million** in seed funding and formed its own entity, appointing Scott Eaton as CEO.

The round saw participation from Carbonplace's founding financial institutions, namely BBVA, BNP Paribas, CIBC, Itaú Unibanco, National Australia Bank, NatWest, Standard Chartered, SMBC and UBS.

Each bank gets equal ownership through equity in the new firm, which plans to launch its platform later this year.

Eaton joins Carbonplace from capital markets fintech Nivaura, where he served as CEO. He brings more than three decades of experience, including senior roles at Algomi, MarketAxess, ABN Amro, Deutsche Bank and UniCredit.

Jobber, an operations management software provider for small home service businesses, has secured **$100 million** in a Series D funding round led by General Atlantic.

The round also saw participation from existing investors Summit Partners, Version One Ventures, and Tech Pioneers Fund.

Founded in 2011, the Canadian firm provides a Software-as-a-Service (SaaS) solution that enables users to accept credit card payments and generate invoices for customers, among a host of other services.

Since its last fundraise of $60 million in January 2021, Jobber claims to have grown its revenue threefold and onboarded more than 200,000 small businesses across 50 industries.

Mintoak, a Mumbai-based Software-as-a-Service (SaaS) platform for merchant services, has secured **$20 million** in a Series A funding round led by PayPal Ventures.

British International Investment, White Whale Venture Fund and existing investors HDFC Bank and Pravega Ventures also took part in the round.

Founded in 2017, Mintoak's offerings enable banks and merchant acquirers to provide financial services to their SME customers, including omnichannel payments acceptance, real-time analytics for business owners, commerce enablement solutions and access to capital.

Its solutions allow merchants to use their mobile phones as a medium to accept all forms of payments, including cards, QR codes, UPI and SMS link-based payments.

It claims to serve more than 1.5 million merchants across India's biggest banks – including HDFC Bank, SBI and Yes Bank – as well as international markets in Africa and the Middle East.

Know your customer (KYC) onboarding and identity verification platform **Smile Identity** has secured **$20 million** in a Series B funding round led by Costanoa and Norskenn22.

Also participating in the round were Commerce Ventures, Courtside Ventures, Two Culture Capital, Valuestream Ventures, Intercept Ventures, Latitude, Future Africa and 500 Fintech.

Founded in 2016 with headquarters in Lagos, Nigeria, Smile Identity equips companies with digital onboarding, biometric authentication, deduplication and anti-fraud checks, and KYC and know your business (KYB) compliance solutions.

Smile says it uses machine learning technology "designed specifically" for African devices, faces and data.

Since its $7 million Series A round in 2021, it claims to have completed 50 million KYC checks for "hundreds of partners" across the African continent.

UK business lender **Merchant Money** has secured **£115 million** in funding from Barclays Bank and new partner Quilam Capital.

Despite "challenging market conditions" causing many high street lenders and alternative funders to pull back in the SME lending space, Merchant Money believes it is well placed to expand its market share.

The firm has recently hired 15 additional members of staff across a range of functions, introduced open banking and launched a new online broker portal.

Shift has raised **$18 million** in a Series C funding round led by Sequoia Capital Southeast Asia, with participation of several existing shareholders.

Founded in 2014 and based in Sydney, Shift provides a credit and payments platform for Australian businesses. The firm recently secured a $96 million debt facility to support its lending operations.

Jamie Osborn, CEO of Shift, says the business credit and payments market is "highly underserved" and has "lagged behind the wave of innovation in consumer finance".

Rohit Agarwal, principal, Sequoia Capital Southeast Asia, adds: "While large corporates can access financing based on their income or cash flows and consumers can access financing via credit card or personal loans, many businesses in Australia have to rely on mortgaging their homes or vehicles. More than $3 trillion is outstanding in credit to businesses and more than 90% of it is backed by real estate or automobile."

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

MOVERS AND SHAKERS


Liza Landsman

Image source: Stash

US-based investing and banking app **Stash** has appointed **Liza Landsman** as its new CEO. **Brandon Krieg**, co-founder and former CEO of Stash, has become the fintech's head of business development.

Landsman brings more than 30 years of experience to her new role, having served in various senior roles at companies including Jet.com, Citigroup, BlackRock and E*Trade. Prior to joining Stash, she was general partner at venture capital firm NEA.

Stash claims to have more than two million active subscribers, with revenue surpassing $100 million and 30% growth seen last year. "Its simple-yet-disruptive subscription platform, rooted in a deep commitment to the financial well-being of our customers, is exactly what millions of everyday Americans need today," Landsman says.

Last year, it launched its own banking infrastructure, Stash Core.


Dan Schulman

US payments giant **PayPal**'s president and CEO **Dan Schulman** is set to retire from the company on 31 December 2023.

PayPal says it is starting the search for a successor, with Schulman set to continue serving on the board of directors.

Schulman joined PayPal in 2014. Since then, the payment firm's revenue has grown from $9.2 billion in 2015 to $27.5 billion in 2022, with total active accounts more than doubling to over 430 million in 200 markets. Total payment volume has grown fivefold from $288 billion in 2015 to $1.36 trillion in 2022.

"I'm at a point in my life where I want to devote more time to my passions outside the workplace," Schulman says.

PayPal recently announced a decision to lay off 2,000 staff.

Standard Chartered Bank has appointed **Divyesh Vithlani** as its new group chief transformation officer, based out of Singapore.

He brings more than 30 years of banking and technology experience to his new role, and joins from Accenture, where he spent five years, most recently as the consulting firm's senior managing director, Southeast Asia market unit lead.

He previously spent more than 16 years with Credit Suisse where he held a number of roles, including managing director – group technology chief operating officer from 2012 until his departure in 2014.

In his new role, Standard Chartered says Vithlani will be strengthening its capabilities and capacity to become an "even more client-focused digital bank".


Olaseni Alabede

Global Technology Partners (GTP) has appointed payments veteran **Olaseni Alabede** as its new CTO.

Prior to GTP, Alabede was vice president of product development in Mastercard's instalments business, where he was responsible for the development of buy now, pay later (BNPL) products.

Before Mastercard, Alabede spent nearly a decade at Interswitch, starting out as a product engineer before moving up the ranks to head of enterprise service management.

US-based GTP was acquired by MFS Africa in June 2022 and is the largest processor of prepaid cards in Africa, with more than 80 banks using the platform.

Mark Hipperson has resigned from his role as CEO of UK crypto fintech **Ziglu**, which he founded in 2018. He will remain on Ziglu's board as a part-time non-executive director.

"As a founder, it's never easy to step away from something you've built from the ground up, but I feel it's the right time for me to take a step back and pursue new opportunities," he writes on LinkedIn. "I leave Ziglu as one of only a few firms to be licensed and certified for banking services and crypto in the UK and EU with its own purpose-built technology."

Ziglu allows users to buy and sell cryptocurrencies through its app, make payments using a debit card and move and spend money abroad without fees.

The firm was set to be acquired by US stock-trading app Robinhood last year, but the deal recently fell through.

Hipperson was previously CTO of fintech Centtrip and founder and CTO of UK challenger bank Starling.

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

TARRED WITH THE SAME BRUSH

Cartoon by Ian Foley

Decentralised computing is a natural third evolutionary step in the shift from on-premise equipment (e.g. mainframes) to public cloud computing (e.g. Amazon Web Services). Also, the current web infrastructure is not designed for many of today's current use cases.

For example, the internet is a good file server, but the prevalence of digital rot and 404 errors suggests it is not a good long-term storage solution. Rather, using a decentralised and distributed blockchain, which ensures persistence, is a better solution for archival data storage.

The nuance of distinguishing between speculative crypto and the opportunities for decentralised blockchain infrastructure is lost for most people. As a result, the precipitous drop in confidence by consumers and investors in the speculative side of the industry has resulted in a dramatic decline in investment in the space.

The first half of 2022 brought in just under $30 billion of venture investment to the overall industry, while the second half only saw $7.3 billion. The one bright light is that investors are starting to distinguish between the different parts of the industry – with blockchain infrastructure investment securing the largest amount of capital (33% of all VC investment) and 295 deals.

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