banking technology

The definitive source of news and analysis of the global fintech sector | **April 2021** www.fintechfutures.com

SOARING TO NEW HEIGHTS
A record-breaking first quarter of M&A activity

DRIVING DIGITAL TRANSFORMATION
Leveraging acquisitions for technological innovation

NON-FUNGIBLE TOKENS
How do you regulate a non-conventional marketplace?

Produced by FINTECH FUTURES

IN THIS ISSUE

EDITOR'S NOTE

Sharon Kimathi
Editor, Banking Technology

This month's *Banking Technology* magazine focuses on the growth of global mergers and acquisitions (M&A) as the first quarter of the year sees a 94% increase year-over-year from the same period in 2020. It also highlights developments in the fintech space such as special purpose acquisition companies (Spacs) and non-fungible tokens (NFTs).

Spring is a time of change, and I take this opportunity to announce that I will be leaving *FinTech Futures*. I leave with a heavy heart as the team have provided me with the most fruitful experiences of my professional career; from finding fresh talent and revamping the site to forming the *What The Fintech* podcast – all enabled by a flexible and understanding environment, for which I will always be grateful.

I'd like to thank my editor-in-chief, Tanya Andreasyan, for providing the freedom to experiment with new ideas. I'd also like to thank our reporter Ruby Hinchliffe for her tireless commitment to thought-provoking stories and passion for the sector. Thank you to the deputy, Alex Hamilton, for his fantastic work on the reports and as podcast host. My thanks to our marketing exec, Kiran Sandhu, who along with her work on the supplements, videos and creative flourishes, is the reason the podcast is successfully recorded each week(!), and thank you to the magazine's production manager, Simon Turner, for his creative vision.

The conditions surrounding the pandemic mean that our team has had to exist solely on Zoom chats and virtual workspaces, and it has been difficult to move on to pastures new under these circumstances, but I'm sure that once vaccinations are administered, restrictions are lifted and the long readjustment to ordinary life resumes, I will have the opportunity to thank you all in person.

Lastly, I thank the readership; *FinTech Futures* will continue to provide news, features and critical insights, and I depart knowing the magazine remains in excellent hands.

FINTECH FEED

TWEET DECK Follow us @FinTech_Futures

Joe Weisenthal
@TheStalwart
Looooong exhausted sigh

Item 8.01 Other Events.

Effective as of March 15, 2021, the titles of Elon Musk and Zach Kirkhorn have changed to Technoking of Tesla and Master of Coin, respectively. Elon and Zach will also maintain their respective positions as Chief Executive Officer and Chief Financial Officer.

Nina Mohanty
@ninamohanty
Counterpoint: Africa has *always* been the BIG thing. Few understand that.

Linas Beliūnas
@linasbeliunas

Africa is the next BIG thing.

Few understand that.

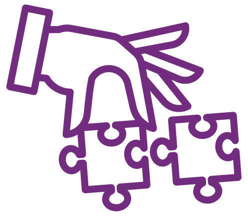
Robert Smith
@BondHack
Brutal FT comment on Andrew Bailey

martinus scriblerus
12 HOURS AGO

In Germany Felix Hufeld of Bafin was ousted for presiding over the Wirecard debacle. Here in England we promote failed regulators to run the central bank.

Nick Burns
@NickBurns
Guy looks like Dostoevsky in an IKEA

THE NUMBER GAMES



$170 billion
Refinitiv data published in March shows that mergers through special purpose acquisition companies (Spacs) surged to a record $170 billion this year globally

111
Santander announces the closure of 111 branches across the UK, affecting around 840 staff

£500m
HSBC's US arm has made a pre-tax loss of £500 million as profits dip 34%

$90k
Revolut froze out an investment manager's $90,000 transfer for two months

300
N26 loses 300 employees and head of HR in 12 months

65%
of UK financial institutions miss the Treasury's gender representation targets

13
first year analysts in Goldman Sachs' investment bank division reveal abusive working conditions in a leaked survey

$22.3million
US personal finance firm SoFi acquires Golden Pacific Bancorp for $22.3 million in an effort to gain a US banking charter

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

THEY SAID IT...

"Stop funding other people's SPAC launches. They don't love you back. This is a reverse wealth transfer."

Joshua M. Brown, financial advisor, Ritholtz Wealth Management

NEWS ROUND-UP

WhatsApp Pay finally gets greenlight in Brazil

WhatsApp Pay has finally cleared the way with regulators to relaunch its services in Brazil, after it was blocked in June 2020. On 30 March, the country's central bank approved peer-to-peer (P2P) payments for Facebook's messaging service. This will allow WhatsApp users to send each other funds on the Visa and Mastercard networks. Brazil is the messaging app's second-largest market, home to 120 million WhatsApp users.

US retail trade groups ask to join $5.54bn Visa and Mastercard lawsuit

America's two largest retail trade groups express their desire to join a federal lawsuit filed more than 15 years ago against Mastercard and Visa. The lawsuit is currently in the midst of being appealed. Levelled against the card issuers in 2005, the lawsuit saw Visa and Mastercard – along with some big banks – agree to pay $5.54 billion to settle the case. It hinges around the two firms charging merchants excessive fees. But now, the Retail Industry Leaders Association (RILA) and the National Retail Federation (NRF) are arguing that the class of merchants the lawsuit's plaintiffs are seeking to certify is too broad. The RILA and NRF believe the lack of specificity will prevent those retailers who don't like the settlement terms from opting out and taking their own legal action.

Airtel Africa sells 25% stake in mobile money arm to Mastercard

Airtel Africa, a London-listed telecom firm with a network spanning 14 African countries, has landed a $100 million investment from Mastercard for its mobile money unit. The investment sees the sale of a 25% stake in Airtel Mobile Commerce (AMC BV) to the card issuing giant. Airtel Africa will continue to hold a majority stake.

CaixaBank may cut up to 8,000 jobs after merger

Spanish bank CaixaBank may cut between 7,000 and 8,000 jobs after merging with smaller rival Bankia. "The bank is waiting for the merger to be legally done, in the coming days, to start talking to the unions," says the CaixBank spokesman. The merger was announced in September last year. Together, the two will hold assets of more than €650 billion.

Paysafe goes public via Spac merger

London-based online payments company Paysafe has kicked off trading on US public markets after merging with a blank-check company. The special purpose acquisition company (Spac), Foley Trasimene Acquisition II Corp, is owned by billionaire business and sports executive, Bill Foley. The Spac obtained a valuation of roughly $2.8 billion at the close.

Penta co-founder gearing up new venture Relio for Swiss SMEs

Lav Odorović, co-founder of German challenger bank Penta, has created a new financial services venture, Relio, aimed at Switzerland's small and medium-sized enterprises (SMEs). Relio claims to be "the first Swiss digital account for SMEs". It is currently seeking a fintech licence from the Swiss Financial Market Supervisory Authority (Finma) and signing up users to its waiting list.

TRENDING

M&A on the rise

The first quarter of 2021 saw the largest value of mergers and acquisitions (M&A) activity for an opening quarter since records started being kept in 1980, according to financial data company Refinitiv. With a global deal value of $1.3 trillion in Q1, representing a 94% increase year-over-year from the same period in 2020, it is also the second largest quarter on record, surpassed only by the second quarter of 2007, when $1.4 trillion in deals got done. Fintech M&A is also expected to rise sharply this year, according to FTI Technology. FTI's survey found that "more than 60% of companies agree that their company has recently been a target of aggressive M&A, and 39% say they are looking at M&A as a result of COVID".

Spacrazy

Special purpose acquisition companies (Spacs) have emerged as one of the most popular investment vehicles. As of March 11, 258 global Spac initial public offerings (IPOs) have come to market, overtaking the full-year annual record of 256 set during 2020, according to Refinitiv. Global Spac IPO proceeds totalled $76.7 billion so far in 2021, which puts the value just $2.5 billion behind the total from 2020. US Spacs have dominated the marketplace, with 250 blank check companies brought to market so far this year, up from just 13 at this point last year. Although analysts do not expect Spacs to replace M&A, it will continue to be utilised by fintech companies who want to go public instead of consolidating.

Payments

Paytechs have also gained significant traction in the M&A space. PayPal agreed to buy Curv, a Tel Aviv-based cloud-based wallet for digital asset securities, to flesh out its newly formed blockchain business unit. Fiserv is set to acquire Pennsylvania-based Pineapple Payments to expand its reach in the US merchant payments market. Square also bought music streaming service Tidal for $297 million, adding the platform's founder Jay Z to its board of directors. Xero, a New Zealand-founded cloud accounting platform for small businesses, made its second acquisition in a month via Tickstar, a Swedish e-invoicing technology provider, and Planday, a workforce management platform.

Domestic bank consolidation

This year has also seen some major domestic bank consolidation, especially in Europe. Spain leads the way with the mergers of CaixaBank and Bankia, and Unicaja Banco and Liberbank. Intesa Sanpaolo acquired UBI Banca, the third largest bank in Italy. Banco BPM is evaluating potential consolidation activities within the domestic space, while rumours persist about a potential merger between UBS and Credit Suisse. Reports from Bloomberg and Reuters also suggest Crédit Agricole could be interested in Banco BPM in Italy. Europe has also seen internal bank consolidation as Société Générale plans to merge its own French retail and commercial banking network with that of its wholly-owned subsidiary Credit du Nord, while LBBW Asset Management is planning to merge with LBBW Wealth Management.

Fintech-to-bank M&A

It's also been an interesting month for M&A activity in the fintech scene as US personal finance firm SoFi will be acquiring Golden Pacific Bancorp, and its subsidiary Golden Pacific Bank, for $22.3 million. The deal is part of SoFi's quest to gain a US banking charter. This type of fintech to bank M&A was seen last year as LendingClub announced its intention to buy Boston-based Radius Bank in a $185 million deal in February 2020. Additionally, California-based fintech Jiko obtained its charter in September through buying Minnesota-based Mid-Central Federal Savings Bank.

The role of the ego in M&A

By Ruby Hinchliffe, reporter, FinTech Futures

Having an ego is by no means exclusive to the entrepreneurial world. Whilst we all like to differentiate ourselves, creating stereotypes to make us feel better about our own vain motivations, the majority of roles in the working world come down to a degree of egoism. And that's ok, because our career – at least in the beginning – should be about us, and what we want to make of ourselves.

But what about when the career choices you make, and the emotion you allow to spill into them, impact your employees? And third-party partners' employees? Customers? Entire markets, at that?

It's long been purported that a company's appetite for mergers and acquisitions (M&A) can be found in the pocket of a founder's, or CEO's, inflated ego. This isn't, of course, a rule. Not every entrepreneur is narcissistic enough to sell a company purely to add "sold to Mastercard" on their LinkedIn career history (although some might, and they check it far more often than they care to admit).

I've interviewed and written about "serial entrepreneurs" who have sold off previous companies early on in their career. References to the sales can feel like they're citing a degree in business, rather than a strategic decision made in the interests of all involved.

In the American romantic comedy film, "Pretty Woman", Richard Gere's character Edward Lewis spends the majority of the cult classic trying to close the purchase of a shipping company.

Whilst Julia Robert's character, Vivian Ward, lets an escargot go flying from a fancy dinner table, a far more boring exchange between Edward and the two sellers is going on. Their "negotiations", which are essentially a rally of boasts about how rich they all are, taught us that M&A can often be reduced to egos.

With special purpose acquisition company (Spac) mergers becoming a popular route for companies to go public – particularly fintech scale-ups – a new meaning is attaching itself to the world of M&A. One which conflates taking your company public with selling up, which are traditionally routes that entrepreneurs would weigh up separately.

The Spac "craze" – as outlets are calling it – has prompted some analysts to worry over the emergence of an "M&A bubble". Goldman Sachs says such activity isn't excessive "when adjusted for the market capitalisation of equity markets". But what if it is? And how is such a "craze" shaping the approaches founders and co-founders are taking?

Chamath Palihapitiya is widely known as the "King of Spacs". Alongside his own six Spacs, Palihapitiya has also funded eight Spac deals through Private Investment in Public Equity (Pipe) – bringing his royal Spac total to 14.

Whilst his deals might be doing well – the majority of them are – Spacs have consequences if they're executed by companies unnecessarily. As Tanay Jaipuria, a former Facebook product manager, points out on his Substack: "The Spac should only be seriously considered if the price is unbelievable or if the company isn't 'IPO-ready'". For this reason, Jaipuria says "there will likely be a lot of lemons going public via Spacs".

Whilst some companies may take the Spac route unnecessarily, in part due to the ego-appealing hype created around them, we are seeing others mull a third option. Wise (Transferwise), for example, is considering a rare direct listing on the London Stock Exchange (LSE).

Ultimately, the start-ups I fear for most are those run by founders and CEOs who've already admitted – far too early in my opinion – that their purpose is to sell up "in a few years". We should be encouraging the next generation of entrepreneurs to think bigger than Spacs and M&A.

Despite her ego allegedly driving her to block out office windows for fear of Monzo employees stealing Starling's ideas, Anne Boden got it right when she said this: "I didn't do all of this to sell out to a big bank".

RESEARCH: 2021 AND BEYOND

The industry speaks: From payments to data, CX to core banking

By Alex Hamilton, deputy editor, FinTech Futures

There is no doubt that the financial services industry is approaching 2021 with a completely different mindset to one it had in January 2020. The global landscape has changed.

The ongoing coronavirus pandemic has fundamentally changed how businesses evaluate their future strategies going forward into a new decade.

With that in mind, *FinTech Futures* asked those with the greatest expertise in the industry: you. We polled our audience on what pressing technology trends, trials, and tribulations will shape the coming year.

From digital banking to the back office, from cryptocurrency to cybercrime, we went to the market to find out what's making the industry tick.

THE DIGITAL LANDSCAPE

Perhaps more than any trend in the industry, the provision of digital services has seen an unprecedented acceleration over 2020. This is reflected in the predictions of our respondents, with more than 40% believing digital and traditional will either merge until indistinguishable. A similar number also believe age of traditional tech is over, and that by 2023 it will be in total decline.

The greatest impact expected on the market, according to our audience, will be in the partnership between banks and fintechs. 98% of respondents think it will have a positive impact going forward. Other major positive impacts include new service launched by incumbents (95%), as-a-service models (91%), and digital services (87%).

When it comes to the technology affecting the future of the industry, 62% of respondents believe legacy technology will be a hindrance.

APIs and cloud will be leading the charge in changing the sector for the better, says our audience, with 78% believing APIs will have a strong positive effect, and 63% believing cloud will improve tech in the future.

CUSTOMER EXPERIENCE & UX

Offering a unique customer experience is growing in importance for players in the industry. 65% of respondents call the channel a "key differentiator" for banks going forward. A third of those in our survey label it a "total game changer", with another third believing it to sit among other major parts of a bank's strategy.

Traditional financial institutions are still falling behind the challengers, as 51% of our respondents say they have some way to catch up to neobanks' UX. According to our audience, the first change banks must take is reducing the number of steps a user must take in their apps (78%). The next-best move is to ensure customer centricity (65%), and to offer customer further recommendations (56%).

BACK OFFICE & CORE BANKING

Back office and core banking transformation appears to still cast a shadow over the industry. 50% of respondents believe it is essential firms change their core banking systems, while 26% say it is a major contributor to success.

Cost efficiency remains a top priority for those selecting a new system, with 65% believing it to be "very advantageous" as a trait in a platform. Functionality (65%), reliability (65%), flexibility (63%), and regulatory compliance (60%) are also major factors for our audience. The least favourable aspects of a system are scalability (42%), time-to-market (43%), and modern underlying technology (45%).

The greatest challenge to back office change is board and stakeholder buy-in, with 95% of people highlighting it as a major barrier to adoption. Organisation, management, and staff commitment is also a potential problem, 91% of respondents think it poor practices among staff is a major issue.

Cost (91%), project timelines (90%), and existing legacy technology issues (87%) are also highlighted as barriers to be overcome. Only staff layoffs (17%), and fear of failure (4%) were picked as a lack of challenge for change.

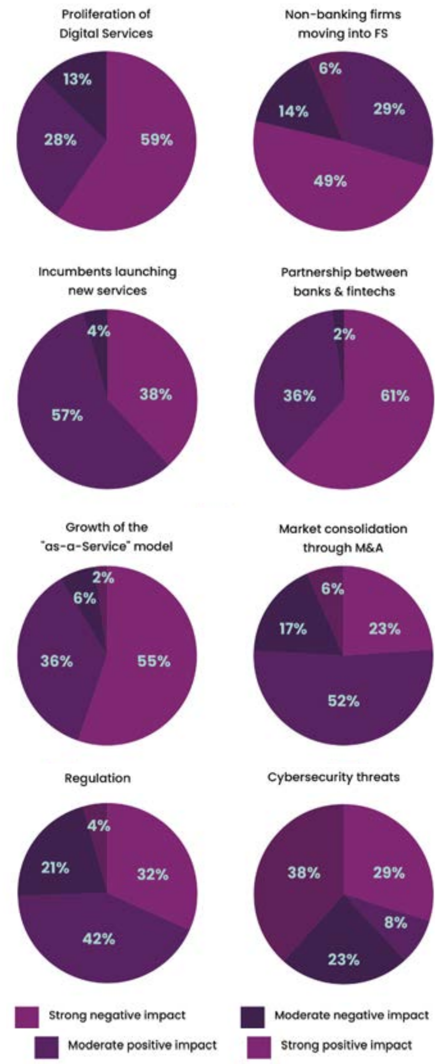
PAYMENTS & INNOVATION

Payments is becoming an ever-more important aspect of the industry. Changes overt the past few years, including the proliferation of APIs and initiation technology, have seen mega-mergers and funding rounds happen. 48% of respondents believe there is yet more to come, though great change us underway.

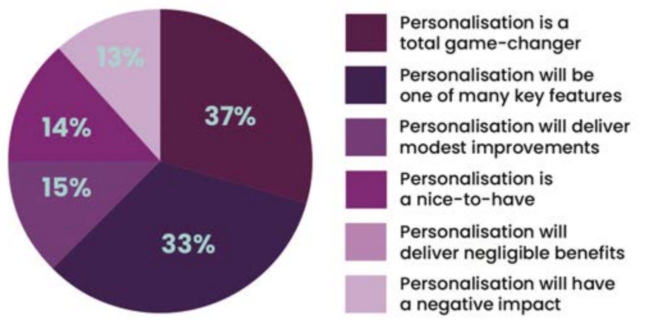
Partnerships and collaboration between incumbents and start-ups has the greatest potential to change things for the better, say respondents. More than half (56%) say it will have a strong positive impact. 51% believe start-ups can have great impact on their own too, without partnerships.

In terms of challenges, 66% think cybersecurity remains an issue, and could have a strong of moderately negative

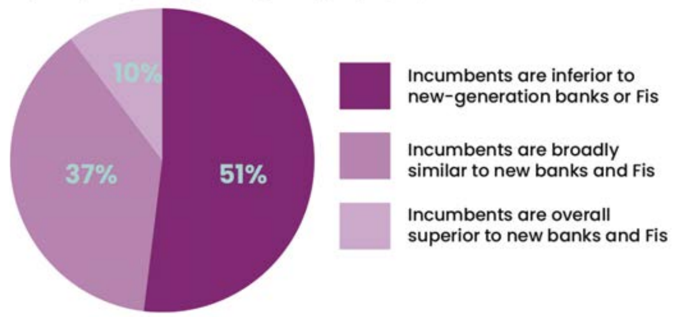
What kind of impact will the following developments have on the global banking market over the next two years?



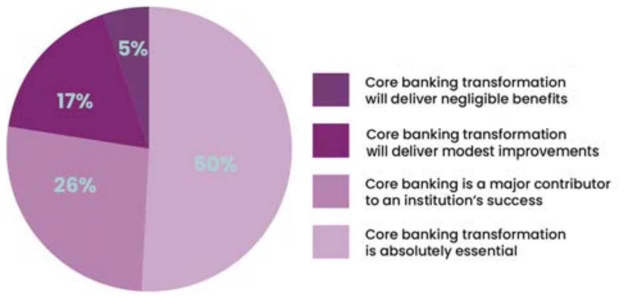
The importance of personalisation



How do incumbent banks compare with new entrants when it comes to UX?



Which statement best expresses the future of core banking in the industry?



What is your expectation of the banks' appetite for core banking transformation over the next five years?

impact on development. 19% also feel the entrance of new companies, like telcos and Big Techs, could have a negative impact on the industry.

In terms of technology, the cloud (81%) stands apart as a development our respondents believe will have a major positive impact on the industry.

Biometrics (58%), APIs (57%, and the Internet of Things (47%) are also major influences. Legacy tech rears its head again as a negative, with 30% believing it to have a moderate negative penalty. 37% also feel that ongoing modernisation is having a poor effect on the sector.

CYBERSECURITY

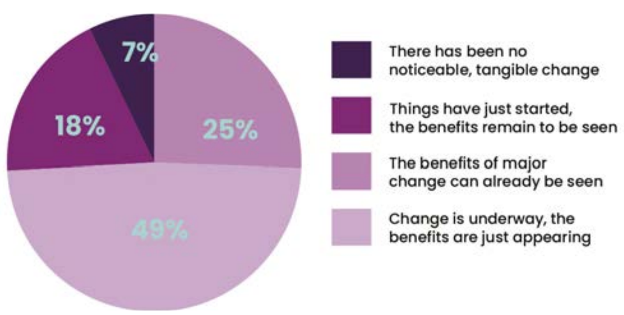
The threat posed by cybercriminals has appeared throughout the survey as having negative impacts on the industry. Despite this, 60% of those asked say they are "moderately confident" in the security abilities of the fintech sector. A further 24% are extremely confident in the ability of banks to hold off the bad guys.

In terms of the greatest risk, cloud technology is struggling to shake off accusations of insecurity thrown at it in its early days. 100% of those who answered said cloud posed either a significant or moderate risk in technology stacks. More than 95% of those asked also point at people within the organisation as a major security risk.

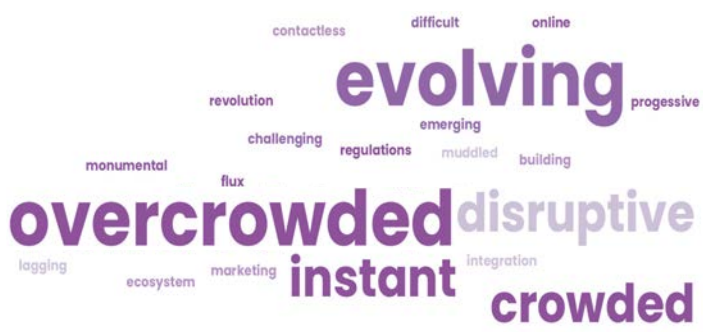
However, the adoption of new technology is worth the potential pitfalls, according to our audience. 60% say that experimentation and innovation outweigh any problems. Only 24% believe that new technology is too risky.

That sector can expect to have the greatest investment from companies in the future. 85% of those asked say tech infrastructure will gain major backing from the banking sector in the next two years. Planning (45%) and talent (45%) were also outlines as areas of new investment.

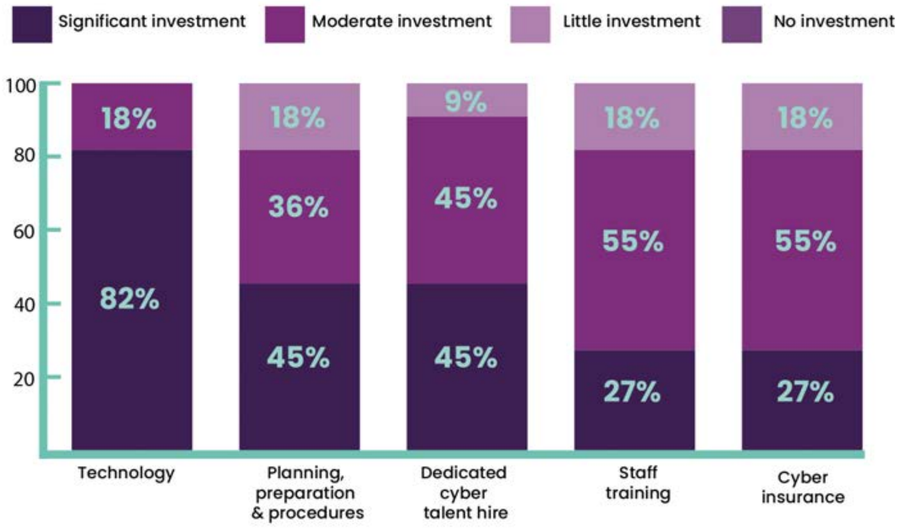
Which of the following statements best expresses your view on how far payments transformation has come in the last two years?



If there was one word/phrase to describe the current paytech landscape, what would it be?



In which cyber-related ares do you expect major investment in the banking sector over the next two years?



Register free to download the full report!

M&A whirlwind

By Ruby Hinchliffe, reporter, FinTech Futures

The first three months of 2021 have seen a flurry of fintech merger and acquisition (M&A) deals.

Whilst some big deals announced last year never came to fruition in these early months – including Visa's $5.3 billion acquisition of Plaid, and crowdfunding platforms Crowdcube and Seedrs – plenty of other deals emerged to take their place.

Here's a breakdown, in order of announcement dates, of some fintech M&A deals so far this year.

1 UK CHALLENGER CASHPLUS BUYS ICOUNT'S CURRENT ACCOUNT PORTFOLIO

Cashplus, a UK-based challenger bank, bought the 5,000-customer-strong portfolio of Manchester-based firm, icount, at the beginning of January. The value of the deal remains undisclosed.

As well obtaining new customers, of which Cashplus now has two million, the deal also saw £2 million worth of monthly customer transactions migrated over to the fintech.

A month later, Cashplus landed its full banking licence, having operated as an Electronic Money Institution (EMI) since 2005.

Cashplus is also raising £50 million and recently appointed banking veteran Mark Sismey-Durrant as its new chairman.

With both consumer and business customers, a licence, more than one million customers and an intention to turbocharge lending, Cashplus is now one to watch for Starling Bank.

2 86 400 BECOMES SECOND CHALLENGER TO EXIT AUSTRALIA WITH $169M NAB MERGER

At the end of January, 86 400, a Sydney-based digital bank targeting retail consumers, agreed to sell to National Australia Bank (NAB) for AUD 220 million ($169 million).

In December, fellow Australian challenger Xinja collapsed, making the 86 400-NAB merger the country's second challenger exit in just a month.

86 400, which bagged its banking licence back in 2019, decided to combine with NAB's digital offshoot, UBank. The challenger currently offers a host of savings features and provides home loans.

Following a month of consultation with the industry, the Australian Competition and Consumer Commission (ACCC) chairman Rod Sims said that the deal would not significantly reduce competition in the banking market on 30 March.

The deal, still subject to shareholder approval, will transfer all 120 of 86 400's employees over to NAB.

3 TANDEM BANK ACQUIRES £100M MORTGAGE BOOK FROM BANK AND CLIENTS

In early February, UK challenger Tandem Bank acquired the £100 million mortgage book of private banking firm, Bank and Clients.

The transaction, which completed on 22 February, saw the 300 or so clients in the book officially become Tandem customers.

Tandem's latest purchase comes as it seeks to differentiate itself from the rest of the challenger bank pack in the UK. A day before its new clients made their February switch, Tandem shut down its cashback credit card for good.

The challenger sent a note to its users in September 2020 that it had "tried to make our credit cards work" but hadn't succeeded.

Rebranding itself as "The Good Green Bank", Tandem has since focused on environmental banking and lending.

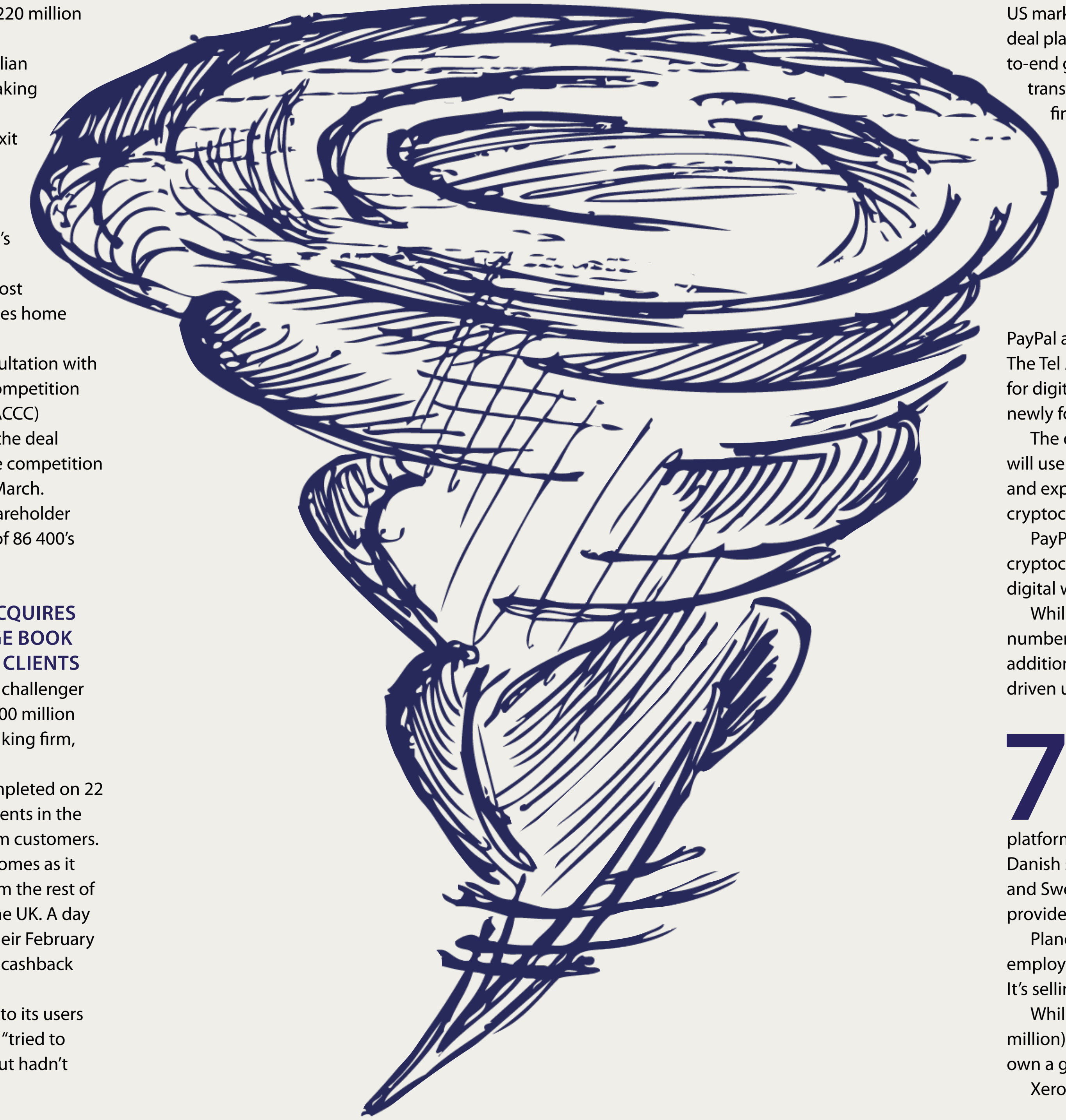
4 EQUIFAX ACQUIRES ACCOUNTSCORE TO BOOST OPEN BANKING CAPABILITIES

By mid-February, Equifax had acquired transaction analytics firm AccountScore to boost its ability to offer open banking solutions. The credit scoring giant plans to combine its traditional credit bureau information with bank transaction data.

Patricio Remon, Equifax's European president, said the deal is "a natural next step" for the firm.

Using open banking data, Equifax hopes its customers can demonstrate their creditworthiness using information that isn't currently taken into consideration.

Until now, a number of fintechs have been filling this gap.



5 WIPRO SIGNS OFF ON $1.45BN ACQUISITION OF CAPCO

Indian software giant Wipro announced its acquisition of UK technology consultancy Capco in a $1.45 billion deal.

Wipro is looking to expand its presence in Europe and Asia, away from its primary US market. The Indian firm reckons the deal places it as one of the largest "end-to-end global consulting, technology and transformation service providers" in the financial services industry.

The deal is expected to close at the end of June, subject to regulatory requirements.

6 PAYPAL BUYS ISRAELI CRYPTO WALLET CURV FOR ITS NEW BLOCKCHAIN UNIT

PayPal agreed to buy Curv last month. The Tel Aviv-based cloud-based wallet for digital asset securities will flesh out its newly formed blockchain business unit.

The online payments giant says it will use the acquisition to "accelerate and expand its initiatives to support cryptocurrencies and digital assets".

PayPal's introduced a buy, sell and hold cryptocurrency feature last October for US digital wallet owners.

Whilst PayPal didn't reveal exact numbers in its 2020 results, it did say the addition of cryptocurrency capabilities has driven user activity.

7 XERO SNAPS UP TICKSTAR AND PLANDAY IN A MONTH

In March, Xero – a New Zealand-founded cloud accounting platform for small businesses – bought Danish staff rota software provider Planday and Swedish e-invoicing technology provider Tickstar.

Planday claims more than 350,000 employee users across Europe and the UK. It's selling up to Xero for €183.5 million.

Whilst the $17.5 million (SEK 150 million) acquisition of Tickstar will see Xero own a global e-invoicing network.

Xero listed on the Australian Stock Exchange (ASX) back in 2007. Xero has made several acquisitions over the years, including Hubdoc, Instafile and Waddle. The company is currently valued at $13.5 billion, according to Financial Review.

8 INDONESIAN FINTECH ALAMI ACQUIRES RURAL BANK IN $10M DEAL

Indonesian peer-to-peer (P2P) lending fintech Alami acquired Shariah-compliant bank BPRS Cempaka Al-Amin in a $10 million deal last month.

According to DealStreetAsia sources, Alami is furnishing the bank with enough capital to comply with new limits set by the Indonesian Financial Services Authority.

Founded in 2017, Alami partners with Islamic banks to offer invoice financing for small and medium-sized enterprises.

The firm aims to expand rapidly into healthcare, farming, logistics, and groceries. Alami says it has already distributed more than $22,000.

9 FISERV ACQUIRES US PROCESSOR PINEAPPLE PAYMENTS

Late last month, Fiserv said it was acquiring Pennsylvania-based Pineapple Payments to expand its reach in the US merchant payments market.

The Pittsburgh-based company has a customer base of around 25,000 individual merchants. Pineapple Payments is Fiserv's second payments acquisition in six months. In December it confirmed the purchase of Ondot Systems.

10 FINCH CAPITAL ACQUIRES WIRECARD'S TURKISH OPERATIONS

To round off March, Finch Capital acquired the Turkish operations of Wirecard, creating a new entity – Nomu Pay – in its stead.

Nomu Pay, registered in Ireland, will spearhead Finch's growth in Turkey and the Middle East.

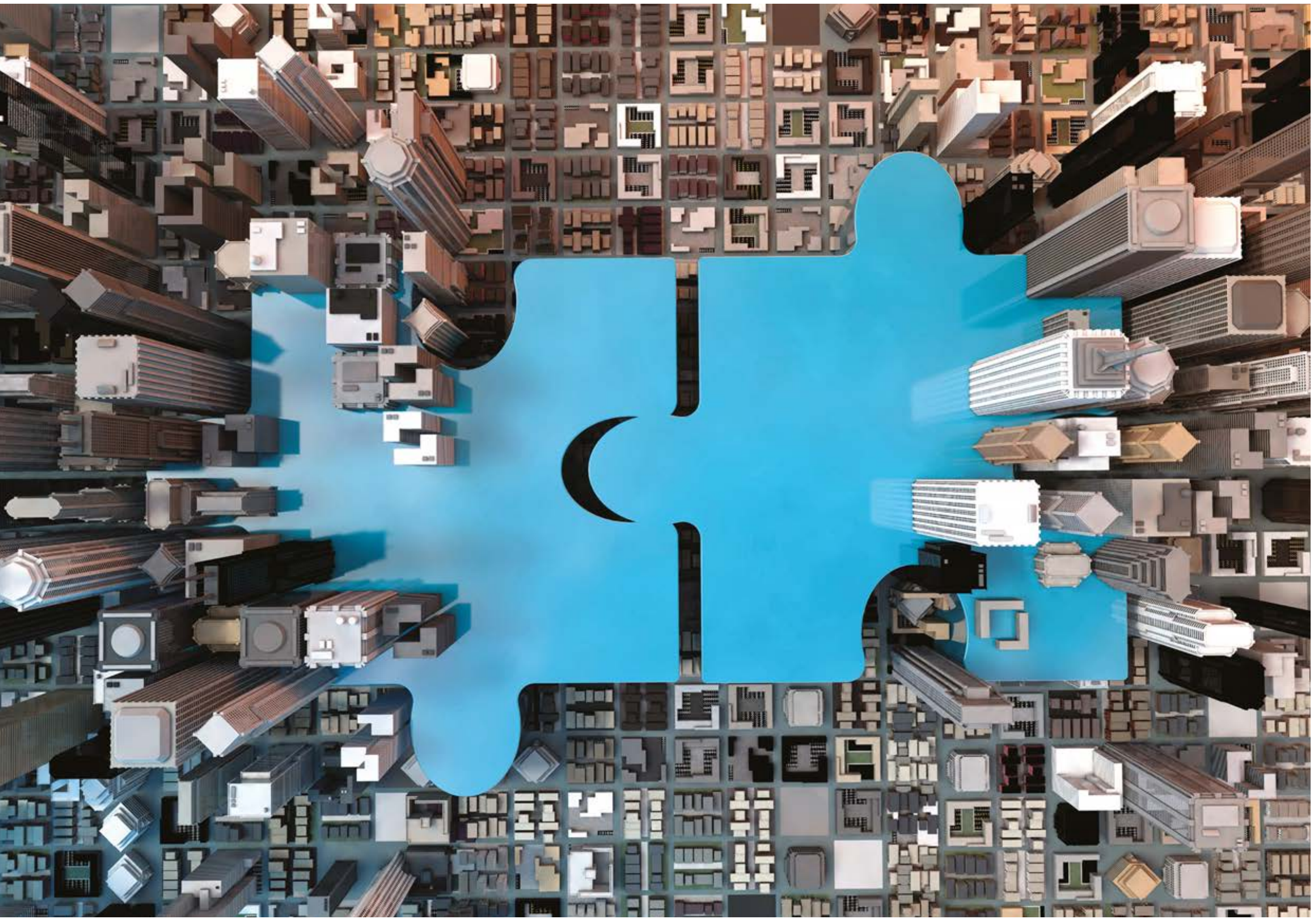
Wirecard plunged into insolvency in 2020 following its accounting scandal, failing to meet its loan obligations.

Pieces of the Wirecard business have been parcelled out and sold to bidders in the past 12 months, including to UK-based Railsbank and Australia's Change Financial.

OPINION: DIGITAL TRANSFORMATION

M&A is driving digital transformation across financial services

By Andrey Yashunsky, CEO and founder of PRYTEK



We have witnessed significant growth in the number of mergers and acquisitions (M&As) taking place within the fintech space to meet the growing demand for a digital experience offering.

However, due to high market multiples, many companies opt to go public rather than to be acquired, which has given birth to a fresh wave of special purpose acquisition companies (Spac) deals. When faced with inflation and an overpriced stock market, these types of deals are perfect for market players looking for a more creative approach to bringing a private company into the public market.

Yet we are already starting to see a calming in terms of quantity and scale of Spac deals taking place. While the number is falling, likely due to a lack of liquidity, the subject has raised some interesting questions. Should the UK be relaxing regulation on these types of deals? To ensure healthy capital flows into the industry, many argue that the UK needs to take a fresh look at its approach to the more exotic financial instruments.

For those companies that are deciding to go down the M&A route, there have been some noticeable trends taking place, including a strong preference to partner with companies that can provide the following:

- **Single solution provider to orchestrate multi-vendor operation.** There are an increasing number of new technology vendors approaching financial services firms offering solutions that promise to reduce the noise and offer clear access to a variety of technologies.
- **Customer experience.** Due to the pandemic, financial services are looking to enhance client engagement and improve how they interact with their customers.
- **Data insights.** Increased automatisation of decision making and on-boarding of clients based on data orchestration.
- **Building a foundation in the cloud.** For an organisation's digital transformation to reach its full potential, the proper infrastructure is essential. Open-banking partnerships, powerful consumer behaviour insights, and instant transactions from any device are entirely dependent on access to the right technology.

LEVELLING THE PLAYING FIELD FOR FINANCIAL SERVICES

While the pandemic has undoubtedly been an unavoidable catalyst for many, the increasing regulation of financial services has long been a digital transformation driver.

The increasing list of standards and regulatory demands for financial institutions to meet has created an almost constant technological improvement chase. Larger banks have profitability and scale, which has allowed them to build technology in-house rapidly. However, this is not possible, nor profitable, for the smaller and medium-sized banks.

To overcome this, a recent report by PitchBook outlines how incumbent banks are increasingly choosing to partner with managed-services providers to look after their non-differentiating banking activities.

> "Incumbent banks are increasingly choosing to partner with managed-services providers to look after their non-differentiating banking activities."
>
> **Andrey Yashunsky, PRYTEK**

We believe that this is an essential first step for any smaller or regional bank looking to improve its profitability. It will enable them to focus on what truly makes their bank unique and what makes it stand out against its competitors. A managed service provider can then allow banks to focus their energy on building strong customer relationships and trust.

This realisation was undoubtedly a key driver for Prytek's acquisition last year into Delta Capita, a global managed service, technology solutions, and consulting provider for financial services. The purpose of the acquisition was to create a new vertical in Prytek's technology supply chain offering and broaden our unique Business-Operating-Platform-as-a-Service (BOPaaS) business model, which currently extends to financial services, education, and HR.

LEVERAGING ACQUISITIONS FOR TECHNOLOGICAL INNOVATION

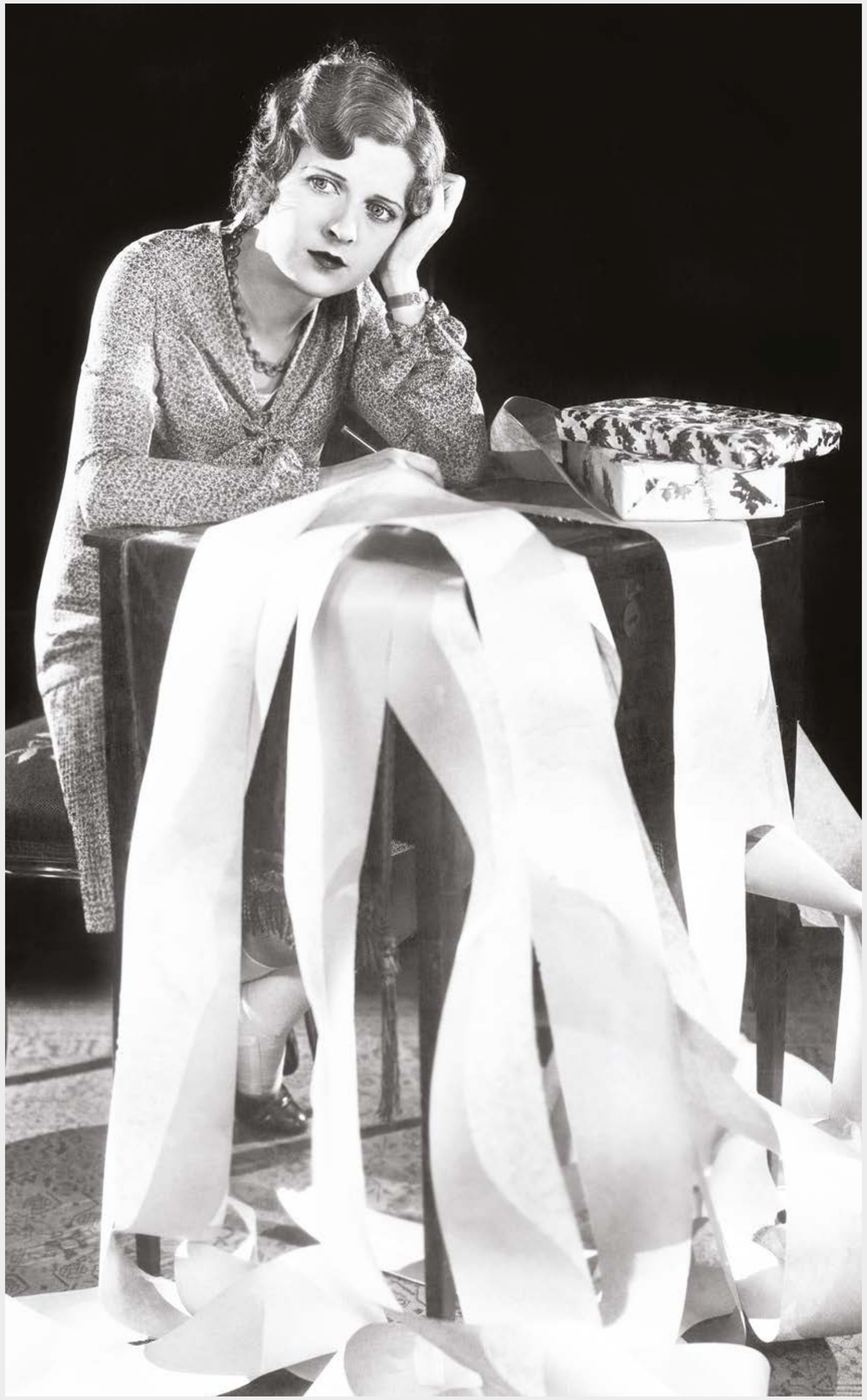
There will always be one clear winner when it comes to the collaboration of banks and fintech companies – the consumer. Combining different technologies, different expertise, and diverse backgrounds that come together through a merger or an acquisition is almost always likely to result in new products and services to enhance user experience. Through their digital transformation, businesses across financial services can engage and interact with consumers in ways that before were not possible.

We know this from our own experience. Through our acquisitions, we have been able to leverage the deep technologies that have been built in one business and use it to develop new technologies across other companies. For example, through our corporate venture capital arm, we recently invested in Blackswan, and by using Blackswan technologies, we were able to build Karbon, a Delta Capita customer lifecycle management (CLM) product.

FOOD FOR THOUGHT

Dirty little secrets and RFPs

By Leda Glyptis



"If an RFP reads well, is smooth, focused and doesn't feel like body parts stitched together, your competitor wrote it. You are dead in the water."

Leda Glyptis

I have a confession to make. I have never worked in procurement. But I have dealt with requests for proposal (RFPs) all my life.

Because I sat in teams in many a bank that needed a thing the bank couldn't build themselves so we had to go out to market for it and, of course, we did so in a way that took twice as long as learning and then building the thing ourselves would have done and ten times as long as it would take our partners to build the thing.

I have sat in committees inside a variety of banks, reviewing RFPs, both the drafting of and the selection post the drafting. So much reviewing.

And when I have not worked for banks but sold to them, I have been at the receiving end of 2,500 line spreadsheets as a tech vendor and worked through them cursing my fate, especially knowing what I know about how RFPs come to be and how they are read once received.

And here is what I know.

RFP processes are most often about risk-aversion and internal politics.

They are about risk-mitigation and responsibility evasion.

They are about creating a process whereby, if things go wrong it is nobody's fault, really. They are about the fact that these two department heads are not aligned and, rather than working that out, the organisation uses the RFP process as a way of creating a time-box for resolution. Forcing them to talk and play nice. Or institutionalising the problem.

Ask me about that time that channels and IT didn't manage to solve the issue they were fighting over and we ended up having a separate payments gateway and payments transformation programme resulting in two RPFs I could barely tell apart and a bunch of vendors tearing their hair out unable to understand what they were missing. And the selection committees sitting back to back with largely overlapping members going, "wait, which one is this one"?

If you ever wondered why a new set of stakeholders appeared three weeks into a selection process or why there were 17 different people on the client side during your demo, now you know.

If you ever wondered why there are three seemingly identical questions in the RFP, some questions that don't seem relevant at all and at least one question that seems to assume some technological advancements of the last ten years have not happened, your answer is RFPs are almost always Frankenstein documents.

They are more often than not made of recycled staple parts of old RFPs, watered-down requirements and vague business objectives written by people who didn't fully understand them and reviewed by people who couldn't be bothered to read through all the questions; but I am sure it will be fine, they thought, as long as our key questions are included it doesn't really matter what else is in there.

Only it does.

Because the vendor has no idea what is important but badly phrased, recycled but polished to great clarity over the years, trivial but written by a pedant or what.

Word to the wise, by the way. If an RFP reads well, is smooth, focused and doesn't feel like body parts stitched together, your competitor wrote it. You are dead in the water.

Is there no chance that you are dealing with a procurement department that has its act together, I hear you ask. Of course there is. In fact, I saw a decent, coherent, to-the-point RFP not so long ago. It was a marvel. I wanted to frame it. I will be telling generations to come about it. Like the duckbilled platypus, unlikely and yet possible.

Which is what makes your garden variety RFP so irritating. Because it is pervasive when the alternative is both possible and infinitely better.

I have another bitter truth for you.

Nobody on the bank side reads a full RFP end to end. Not when they are preparing it. Not when you submit it.

People will review their bits. The bits they care about. What to them are the important bits. Only you have no idea what those bits are and they are often not the bits you may think.

So.

How do you write a document nobody will ever properly read?

You won't like the answer.

You answer it in sequence.

You answer it in full.

You answer it like every question is the only one anyone will ever read. Because it might be.

How do you produce a good RFP, may be a better question.

And it has a short answer.

You don't.

You go back. Reshape procurement, the process, the risk matrix, the articulation of business value and your sordid office politics that play their own shadow theatre in your document and you shake up the review committee structure.

Do you really need a committee? Do you really need answers to 3,800 questions to make a choice? Do you know what you are trying to achieve, why, by when and at what price – monetary, opportunity cost and risk acceptance?

Do you?

Then, once you've achieved a small set of miraculous and much needed change, you go to the market with your ask – and yes sure it can look like an RFP, if it must – and make a choice that meets your needs and accept responsibility for your business vision and the choices you made to get you there.

Like a grown up.

#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.

DEEP FREEZE

By Sharon Kimathi, editor, FinTech Futures

UK-based fintech, Revolut, is facing fresh allegations of unjustified fund freezes as one private equity investment manager only received his $90,000 bank transfer made in January on 26 March.

In this exclusive investigative feature, the investment manager, who wishes to be referred to simply as Mr. Chen, tells *FinTech Futures* about his battle to receive the $90,000, which only became available to him on the eve of 26 March – the original date of publication for this piece.

FinTech Futures obtained correspondence with Mr. Chen and various Revolut chatbot agents, in addition to the email correspondence received on 23 March from the Financial Ombudsman and Revolut.

Although Mr. Chen has received his money following the added pressure by the Ombudsman, he is one of the lucky ones. Several Revolut clients remain in the dark about receiving their funds as noted on various groups on Reddit, Twitter and Facebook, in addition to reporting by *FinTech Futures*, the Financial Times, The Telegraph and The Times.

"I'VE NEVER EXPERIENCED ANYTHING LIKE THIS"

Mr. Chen, a UK-based private equity investment manager with a corporate law background, is no stranger to fintech.

"I'm very familiar with fintechs, challenger banks and the various tech ecosystems in China and the US. But my experience with Revolut is so appalling – I've never experienced anything like this," he tells *FinTech Futures*.

He signed up with Revolut back in 2015. "I wasn't a very frequent user. Like many of their users, I used the app to exchange different currencies when I travelled to Europe."

The $90,000 was "a loan from the company of which I'm one of the major shareholders," he says. As a personal account customer of the fintech for over five years, Mr. Chen trusted Revolut with the funds.

"The current situation is very embarrassing as I had to explain the situation to other shareholders and find alternative financial resource to repay the company!"

In January, the $90,000 payment was made from the company's corporate bank account to his personal Revolut account.

"I could have received it through my HSBC account, but Revolut had a more favourable rate."

"EVERY TIME IT'S A DIFFERENT PERSON"

On 19 January 2021, his corporate US-based bank sent Mr. Chen's funds to its intermediary bank in Europe. The intermediary took 10 days to check the origination of their funds for their standard know your customer (KYC) and due diligence checks. "I even received double confirmation from [my US bank] and [European intermediary] that the funds were released on 2 February, so I was expecting money to show up at any time… but then nothing happened."

He soon realised there was a problem and tried to contact Revolut. "There was no proper channel. Their phone number is an automated answer machine, which is not helpful, and there was some action through their app chat, so I tried that, provided all the details, but there was no meaningful reply. It was always 'we will be looking at it' or 'our team is on it just be patient' one time after another."

Mr. Chen provided *FinTech Futures* with screenshots of the chat with the Revolut correspondents and can confirm there was no singular case manager or account manager. "Every time it's a different person – it's like they will pick up and look at the chat history and update you when they feel like it," he says. In total, Mr. Chen was in contact with over 21 different chat agents since the saga began.

Correspondence with his US bank, which *FinTech Futures* also obtained, shows that the transfer was made on 19 January. Mr. Chen shared his concern about the funds' whereabouts with his corporate US bank on 27 January as the intermediary bank in Europe conducted its checks without any prior notification.

UNJUST ENRICHMENT

The European intermediary bank cleared its checks on 2 February and notified his US corporate bank about the release of funds on the same day. Still having no response from Revolut about his funds, Mr. Chen began his conversation with Revolut's customer service chat on 8 February.

The response, received on the 9 February by a Revolut chat agent, reads: "International (Swift) transfers take up to one-to-three working days."

Since the message noted that it "might depend on the sending bank", Mr. Chen decided to simultaneously email his corporate US bank about the issue on 10 February, where the US bank's relationship advisor submits a "trace request to the wire team".

Following communication with the Revolut chat agent on 10 February that blamed it on "not being a Swift transfer" when it was in fact, executed via Swift, the agent suggested a recall of the funds. Mr. Chen contacted his US corporate bank relationship advisor to action this plan.

However, the recall message did not go from the US bank to Revolut. In fact, the message from the US bank went via their European intermediary bank and on to another bank – Barclays. Although Barclays was "unable to comment on this occasion", Revolut confirmed to *FinTech Futures*, that "as an authorised institution, Revolut safeguards client funds as per regulatory requirements. Client funds are stored in a segregated account held with a Tier-1 partner bank (Barclays/Lloyds)."

On 17 February, Mr. Chen's US bank escalated the issue and requested a cancellation to Barclays via authenticated Swift, to consider the payment null and void and remit funds. "Kindly consider this our initial claim for unjust enrichment," read the message. As defined by legal research firm LexisNexis, a claim based on unjust enrichment "seeks to restore to an innocent party the gains that someone else has obtained from them. It is part of the equitable remedy of restitution".

The US bank did not hear back from Barclays or Revolut.

"WHAT!"

Having thought the funds could potentially be with Barclays, several weeks past with silence until Revolut provided Mr. Chen with a surprising response. "The payment was received on 12th. The relevant team already escalated this to a more specific team to check if we can process this payment and credit your account," the Revolut agent says.

"I was like, 'WHAT!'. Even before that, no one confirmed anything! Even on the chat on 1 March they said, 'no money had arrived – it must be an issue with the sender bank'," says Mr. Chen.

"The money arrived three weeks ago at this point, and I was asking every day to no real response as they revert back to me on 'auto mode'. I was asking every day – who is it? Where is the money? When is it processed?"

All chat agents responded with the same message since 2 March, stating, "as much as I wish I could resolve this all for you myself this very moment, I'm afraid we need to wait for any further info from the relevant team of experts who should be able to help here way more". Mr. Chen took the issue up with the Financial Ombudsman, threatening Revolut with legal action on 12 March. The fintech provided a link to an online form for him to make a complaint, noting that it would take them 15 calendar days to issue a final response.

Revolut's complaints department sent Mr. Chen an email stating that it "received [his] complaint on the 10 March 2021", that the transfer, sent on 2 February for a total of $90,000, "did not arrive in [his] account within the estimated timeframe of five working days", and that "the case was escalated internally to our Payment Investigations team, which is currently conducting a detailed analysis on the matter".

The email also stated that "[his] funds did reach Revolut's system, but it appears that due to an error in the format of the transaction data, we simply could not accept the funds and process them into your account". However, none of the chat agents referred to a payments investigation team, nor did they mention any transaction errors. Revolut tells *FinTech Futures* that, "this format error also delayed our team from locating the payment initially, and we apologise for the lack of clarity that was provided by some of our customer support team".

It also claimed that it referred to its banking partner to revert the funds on 18 March 2021. However, as confirmed by Mr. Chen's US corporate bank, no such confirmation was received, and no recall messages were answered. "So, as a result, the money was still missing, and Revolut failed to indicate if, and when, my money could be recovered," says Mr. Chen.

BIG RED FLAG

As a lawyer and investment manager with fintechs in his portfolio, Mr. Chen finds that companies treating customers like this would "be a big red flag".

"It doesn't matter how fancy your slogans and visuals are. If customers are unhappy because you lack basic services, then your business obviously has a serious problem," he adds. The Ombudsman tells *FinTech Futures* that in June-December 2020, "we received 985 new Revolut complaints".

"We expect all e-money firms to take appropriate steps to ensure customers are treated fairly before, during and after the point of sale of a product," a FCA spokesperson tells *FinTech Futures*.

> "It doesn't matter how fancy your slogans and visuals are. If customers are unhappy because you lack basic services, then your business obviously has a serious problem."
>
> **Mr. Chen, investment manager**

"Even if firms are offering a primarily online or online only service, customers should be able to engage quickly and easily to raise enquires and complaints, and responded to in an appropriate manner and timeframe," they add.

"On occasion, accounts may be frozen while firms look into possible financial crime concerns with an account such as seeking to make sure an account hasn't been compromised. However, we expect firms to provide effective and reliable means for customers to contact them regarding any concerns about using their accounts."

Although Mr. Chen has since received his funds as of 26 March, he is now unable to cancel the account. "There is an option to cancel it, but after several stages, it shows the error message," he says. "They don't have my trust anymore."

REVOLUT COMPLAINTS

"I was going to take it to the courts – I didn't see any other option," says Mr. Chen. *FinTech Futures* spoke to Florin Hrituliac, a Revolut personal account customer in Romania, who tried to transfer RON 20,000 ($4,832.68) from his company's bank account to his Revolut account on 9 September 2020, but was unable to access these funds. Hrituliac has since raised a lawsuit in Romania to access his funds and advises others to join the legal action.

FinTech Futures spoke to one such person considering legal action either by joining Hrituliac's action or raising a new case in the UK. The customer, who wishes to remain anonymous, was a Romanian premium personal account user whose account – in addition to his son's account (a UK-based student) – was blocked in September 2020.

In September 2020, the Financial Times spoke to a UK Revolut account user, Richard Walker, who had his account suspended after a £150,000 transfer from a friend.

"As a lawyer and now a full-time parent, Walker was aware that banks and electronic banking apps are required by the Proceeds of Crime Act 2002 to monitor accounts for money laundering and fraudulent activity," notes the FT. "A large sum being paid in from a foreign account looked suspicious. He decided to contact his bank to explain."

In another case reported by The Times in February 2020, Revolut suspended and subsequently closed a business account containing €300,000 belonging to Priorité Energie, which "helps low-income families in Paris to insulate their homes under a government initiative", preventing the company from paying its staff.

In January last year, The Daily Telegraph reported that Revolut suspended an account containing £90,000 for more than two months, and that another customer travelled 500 miles from Auvergne in France to Revolut's London offices in an unsuccessful attempt to recover £15,000 in an account that Revolut had similarly frozen without an articulated justification.

Although Mr. Chen speculated that it may be down to anti-money laundering (AML) system failures, Revolut states that: "Mr. Chen's Revolut account and funds were not locked or withheld during this period and the delay was not caused by understaffing, backlogs or KYC/AML checks, but by a transaction data format error on the part of one of the intermediary banks or the sending bank. Revolut is not suffering from understaffing (or undue delays in KYC checks). We have sophisticated methods and very high standards of AML protection, although that is not relevant to this case which arose from a technical issue".

Thankfully Mr. Chen was in receipt of funds on 26 March, and he did not need to file legal action, but with an increase in customer complaints last year and legal cases being pursued elsewhere, lasting concerns remain regarding Revolut's capacity to cater efficiently to its ever-expanding userbase.

INSIGHT: NFTs

Trading games

By Arthur Caplin, digital and technology law specialist, BLM

Non-fungible tokens (NFTs) are a relatively new concept, following the meteoric rise of bitcoin and the cryptocurrency marketplace, but have recently rocketed to greater prominence. With artwork sold for a jaw-dropping $69 million via NFTs, and Kings of Leon becoming the first band to release an album as an NFT, this new form of trading is garnering some serious investment and attention.

So, what is an NFT, and how might it overhaul digital currency? At its most basic level, NFTs can be defined as unique online assets, digitally generated on a blockchain. The potential applications are vast, though even the most digitally-savvy investors and creators will need to be clued up on the protections and emerging regulations surrounding NFTs – especially given this is a marketplace that prides itself on a lack of conventional regulation.

INTEGRATING NFTS INTO OUR LIVES

"Fungibility" is defined as something that is mutually interchangeable, or replaceable by an identical version, without any loss in value. An example would be exchanging two £1 coins. "Non-fungible" means the asset is unique and its value cannot be replicated. In the "real world", non-fungible assets would be unique works of art such as the Mona Lisa. When it comes to NFTs, assets are individual and irreplaceable, digitally generated, with unique values assigned relating to a specific asset. NFTs are also used to prove ownership of an asset and are indivisible, creating digital scarcity.

Each NFT on the blockchain has an owner, with an account associated with the ownership. The blockchain acts as a ledger of items, tokens, and cryptocurrency, recording who owns each NFT at a particular point in time. Owners of these crypto-assets have their own private key that allows them to transfer ownership of the item over to someone else. NFT transactions are recorded on the blockchain and ownership is updated via a decentralised immutable ledger where no data can be altered. As such, it is almost impossible to create counterfeits. This legitimacy is one of the key appeals of the crypto-market and NFTs.

Using the Kings of Leon NFT as an example, the band produced three types of tokens, and depending on which one was purchased, the NFTs granted: 1) a special album package, 2) a live show package that included perks such as front-row seats for life, and 3) exclusive audio-visual art. The NFTs were all sold through a specialised marketplace, initially priced between $50 – $2,500, and only available for two weeks. This new release strategy highlights the true power and versatility of the trading system. However, as with all digital assets, investors and creators alike will want to ensure that their asset is appropriately protected, and any sale is authentic and legitimate.

> "As is currently the case with cryptocurrencies, the law is going to need to adapt quickly to keep up with the rapidly emerging platform."

PROTECTING AND REGULATING THE MARKET

NFT transfers are facilitated by "smart contracts", which contain identifying information. These smart contracts, such as those developed for Kings of Leon's NFT by ticketing and blockchain platform YellowHeart, are pieces of computer code designed to carry out a set of instructions. Like regular contracts, smart contracts are designed to enforce the terms of an agreement, and will automatically execute when pre-defined conditions are met.

As is the case with blockchain transactions, smart contracts are often immutable, and once executed are unable to be altered. NFTs and related smart contracts allow for detailed attributes to be added, like the identity of the owner, rich metadata or secure file links. It's both a positive development for contracts and a risk: while it means a contact cannot be altered, if there are issues with the underlying code, it could become useless or even provide opportunities for hackers to exploit it.

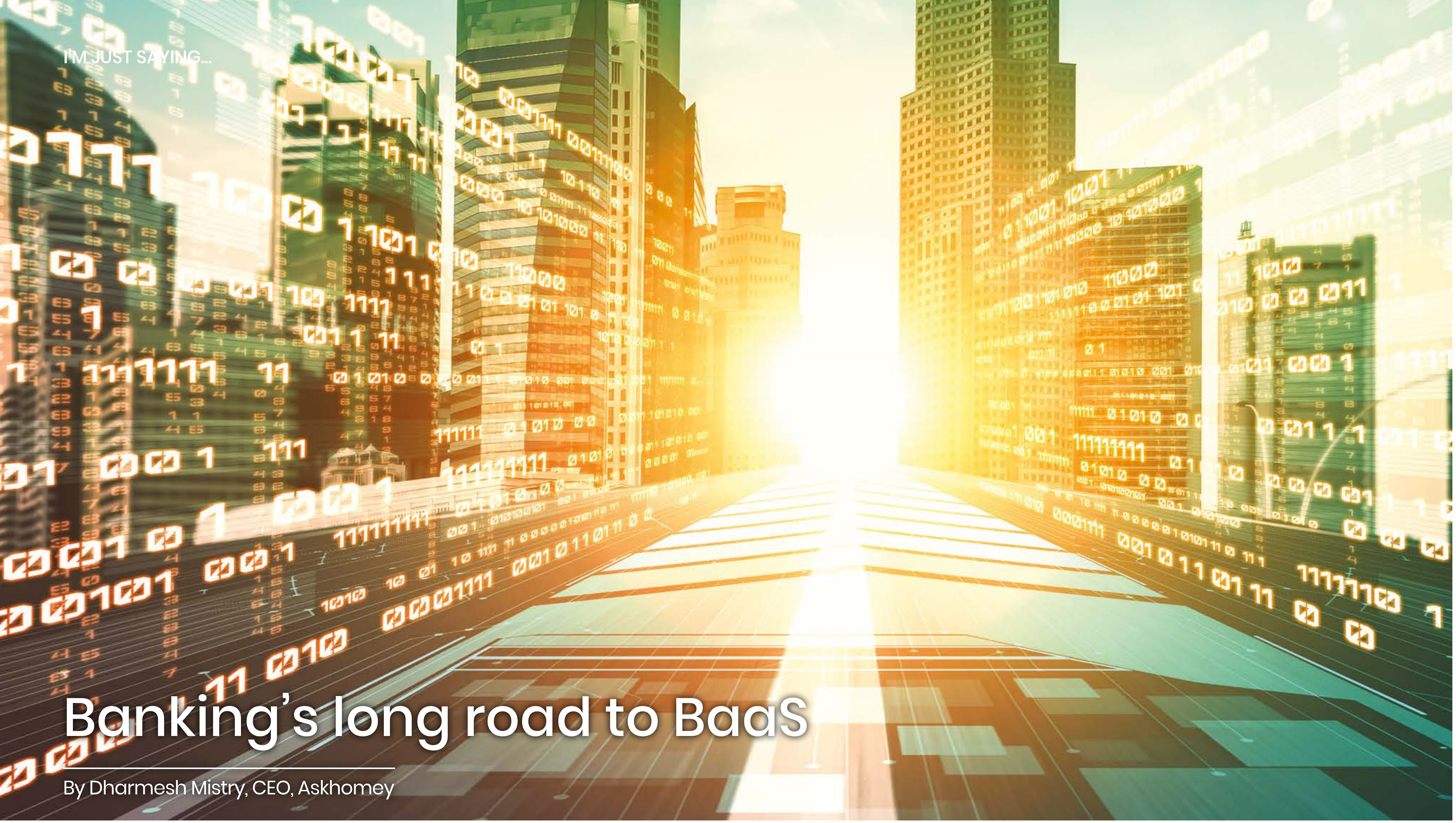
There's also the issue of regulation to consider. When creating an NFT, creators need to be mindful of the rights granted to the token holder. A 2018 European Securities and Markets Authority (Esma) report on Initial Coin Offerings and Crypto-Assets highlighted that "most crypto-assets are covered by the Unfair Commercial Practices Directive…to the extent the issuer is a business undertaking and the buyer of the crypto-asset a consumer." This complicates matters if the creator or issuer of an NFT grants the new owner specific rights, such as profit sharing or other entitlements. The token may then be treated as a "security token", a digital contract for fractions of any asset that already has value: perhaps real estate, a car, or even corporate stock. As such, it potentially subjects the NFT creator or investor to various requirements under relevant financial market regulations, such as Anti-Money Laundering (AML) rules, the Second Markets in Financial Instruments (MiFID II), the Prospectus Regulation and the Market Abuse Directive.

AN NFT WORLD

Will NFTs be a success? It's early days, but the system has introduced an entirely new type of unique asset and laid the foundation to expand into almost every aspect of ownership. The scope and applications are vast, and there's real potential in online gaming, through unique items and skins, and live events ticketing, as with the Kings of Leon.

While these early mainstream adoptions mark the beginning of NFTs eventual wider integration into life and business, there will always be challenges when attempting to regulate assets largely traded on a marketplace that revolves around a lack of conventional regulation. If eventually embraced by the masses, it is likely that disputes will arise and, as is currently the case with cryptocurrencies, the law is going to need to adapt quickly to keep up with the rapidly emerging platform. Until then, without the appropriate regulation, NFTs could have the potential to turn radioactive in the end.

I'M JUST SAYING...



Banking's long road to BaaS

By Dharmesh Mistry, CEO, Askhomey

I first pushed the idea of franchising banks in 1995 and I'm sure someone else in banking would have had similar thoughts before me.

The pitch was simple, the big four banks have huge IT capability why not leverage other brands customer base so they can provide "white labelled" banking. A few years later RBS tied up a deal with Tesco to provide banking through the retailer's customer base and stores. However the term Banking-as-a-Service (BaaS) was arguably first coined by Chris Skinner in 2009 and he identified that banks could provide smaller services like international transfers or cheque processing: "all bits of banking, all priced and packaged to plug and play as a service".

THE JOURNEY TO GET TO BAAS FOR BANKS IS LONG AND COMPLEX

Then it was around 2016 that bank-as-a-service.com produced a whitepaper detailing the concept further and providing early adopter examples, the whitepaper is still worth a read. Next Andreessen Horrowitz presented the concept that "every company will be a fintech company", which really highlighted that the opportunity for BaaS was much broader than banking and financial services. Around about the same time, David Gailbraith of Anthemis wrote "Embedded Finance – The Future of the Economy" (another great paper well worth reading).

Given all of this history and available content you would imagine banks are well prepared to take advantage of this huge opportunity?

For incumbent banks to move to BaaS, there are a couple of big challenges. The first is their core banking systems. With the opportunity to embed banking into every industry there is a need to scale well beyond the customer base than the bank serves today. This requires both hardware and software scalability and the ability to provide more granular services independently for example credit scoring or anti-money laundering as well as products like accounts and cards. The solution is simple, adopt a modern cloud native solution. In previous articles I have covered what this entails in more detail. The second problem is arguably the bigger challenge and possibly why we are seeing more banks hire key personnel from big tech companies – and that is, operating a BaaS business.

Banks have really only ever sold banking products to customers, be they retail or corporate customers. Being a BaaS provider is essentially selling access to software and hence a different operating model. This requires three key elements:

- a software infrastructure;
- strong developer community support;
- new sales and marketing team.

The software infrastructure is not only a modern banking system with application programming interfaces (APIs), but also everything that is required to secure, publish, manage, monitor and meter/bill for access. Again, technical solutions are available, but banks will have to put in place people and processes to manage the API infrastructure.

Next to support developers building solutions on top of the banks APIs/services there needs to be great developer support. This must go beyond simply publishing API documentation which is all that many banks did in the early years of open banking. Aside from sandboxes to test their integration to really drive adoption banks will need to provide training and support and even host developer conferences. ABN Amro boasted over 800 developers at its conference where I presented in 2018.

The third element is the hardest for banks as this requires a sales and marketing function that understand how to sell and promote Software-as-a-Service (SaaS) solutions. Everything from pricing, to targeting, contracts and service level agreements will be alien to banks starting on this route to BaaS. Hence, today banks are already competing with tech companies providing BaaS and some of these already have banking licences.

When the new banks like Starling and Monzo arrived they very much talked about being "tech companies with a banking licence". What this largely transpired to be is that they built their own core banking solutions into a modern architecture using microservices and cloud platforms.

This was probably the right thing to do at the time as players like Thought Machine and 10X were in their infancy. However, this is not the problem now with so many new platforms available banks are spoilt for choice for solutions. The real challenge is operating as a software company, because this is not only a change in people and processes but a very different culture to banking. Hence, the actual technology (software) is not the challenge, it is the implementation of a different business model that is key.

I guess I'm just saying the opportunity for BaaS is huge and compelling no doubt, but the journey to get there for banks is long and complex.

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

FINTECH FUNDING ROUND-UP

Airwallex, a Melbourne-founded fintech which allows businesses to set up bank accounts, process multi-currency payments, and manage expenses, has landed a $2.6 billion valuation.

The new price tag arrives off the back of its latest $100 million funding round.

Led by US-based Greenoaks, the raise brings the fintech's total capital raised to date to $500 million.

Local investors Grok Ventures, Skip Capital, and ANZi Ventures also participated.

Personal finance mobile app **Lumio** turned to crowdfunding for its latest fundraising campaign and secured £1.1 million from over 1,200 investors on Crowdcube, with its pre-money valuation at £3.5 million.

The start-up says its purpose is "to accelerate financial independence, integrity, and personal progress, through intelligent technology".

With 18,000 financial accounts already connected, Lumio's ambition is "to help one million customers grow their money by 2024" – a mission that the company describes as "big, audacious (and slightly scary!)".

Nigerian challenger bank, **Kuda**, has raised $25 million in Series A funding in a round led by Valar Ventures.

The round is the first time the Peter Thiel-backed VC has invested in an African start-up. The other backer in the fundraising is Target Global, an existing Kuda investor.

Founded in 2017, Kuda bank calls itself "the bank of the free". It offers a no-fee virtual account and accompanying debit card.

KreditBee, a Bengaluru-based digital lending platform, has landed another $70 million in a Series C follow-on round. Having already raised $75 million in February through its holding entity, Finnov, KreditBee has raised a total Series C of $145 million.

TPG-backed NewQuest Capital Partners and Motilal Oswal Private Equity co-led the $70 million capital injection.

The firms join initial Series C investors Mirae Asset Ventures, Alpine Capital, Indian business tycoon Azim Premji's Premjilnvest, and Arkam Ventures.

PPRO, a London-based payments infrastructure provider, has landed another $90 million with the help of JP Morgan and US holding firm Eldridge.

The fresh capital raise takes the start-up's $180 million January funding round – which provided PPRO's unicorn status – to $270 million.

Investors who joined the round two months ago include Eurazeo Growth, Sprints Capital, and Wellington Management.

This year's funding arrives around six months after PPRO raised $50 million from Sprints Capital, Citi Ventures, and HPE Growth.

Data collation fintech **upSWOT**, has raised $4.2 million in seed funding from a range of investors, including CFV Ventures, ICBA, and First Southern National Bank.

With this funding round, upSWOT plans to expand its US footprint, continue hiring onshore staff and develop partnerships with Tier 1 and Tier 2 banks.

upSWOT provides financial institutions with "simple-to-use" data aggregation, visualisation, and analytics.

South African fintech **Nomanini** has raised $1.5 million from new and existing investors.

The firm operates a platform that helps merchants in emerging markets to distribute "digital goods" like airtime and prepaid electricity.

The firm says it is using its new cash to grow its network of providers, invest in product development, and expand its team.

The Cape Town start-up has raised $7.4 million across six rounds.

Swedish fintech **Zaver** has raised $5 million to bolster merchants with the ability to offer buy now, pay later (BNPL) services.

Behind the new round are venture capital firms Inbox Capital and Inventure, as well as investors Fredrik Österberg, Fabian Hielte and Max Hobohm.

Zaver plans to target the "durables" market – goods that don't need to be bought regularly and last "a long time". These include house renovations, doctor's visits, or buying cars.

Mexico City-based fintech **Fondeadora** has extended a Series A funding round and raked in $14 million.

Portag3 and Gradient Ventures are involved in the extension, on top of involvement from Y Combinator, Sound Ventures and Ignia.

The Mexican challenger aims to help underbanked people in its home country and promises users an easy account opening service and swift issuing of a Mastercard debit card.

Lending marketplace provider **Lendo** has raised $7.2 million in a Series A funding round led by Derayah Ventures. The round featured participation from Seedra, Shorooq Partners, 500 Startups, and Impact46.

Lendo offers small and medium-sized enterprises (SMEs) the ability to digitally pre-finance their outstanding invoices.

The firm says its new funds will accelerate the company's plans to deepen its platform capabilities and expand the product offering.

Digital banking vendor **Meniga** has raised €10 million in a round led by Velocity Capital and Frumtak Ventures.

Swedish venture capital fund Industrifonden also participated in the round, in addition to existing customers UniCredit, Swedbank, and Íslandsbanki.

The vendor says its funding will go towards a continued investment into research and development, including the creation of green banking products.

JP Morgan Chase, Citi, and Bank of America have invested $40 million in Black-owned challenger bank **Greenwood Financial**.

The Atlanta-based fintech aims to serve Black and Latinx communities. Other big-name backers include Truist Financial Corp – who led the round – alongside fellow banks Wells Fargo, PNC Financial Services Group, and Banco Popular.

Mastercard, Visa, FIS, and venture capital firms such as SoftBank's Opportunity Fund, also participated in the round.

Recharge.com has raised $10 million in a debt funding round.

The company secured the funding largely from London-based Kreos Capital, which specialises in providing financing for high-growth companies.

The firm plans to use the funding to further enhance its mobile offering, extend its product range and accelerate its international expansion.

London-based **DIEM**, which describes itself as "a circular economy-oriented fintech start-up", has raised nearly £4 million ($5.5 million) in an oversubscribed seed investment round.

The investment round was led by Fasanara Capital and supported by Chris Adelsbach, founder of Outrun Ventures.

Additional investors included Andrea Molteni (early investor in Farfetch.com luxury marketplace), Ben Demiri (co-chairman at fashion tech PlatformE) and Nicholas Kirkwood (founder of the eponymous brand). DIEM plans to expand across Europe.

Mexico-based **Baubap** has closed $3 million in a seed funding round led by Grupo Grameen. It marks the company's fifth round and first raise in the millions.

The firm aims to offer banking services and products to underbanked or unbanked people in the country. Its first product arrived as a micro loans platform offering up to MXN 5,000 ($250). The firm claims it can approve loan applications in minutes, requiring only voter registration and a mobile phone.

B-North (Bank North), an aspiring Manchester-based bank for SMEs, will receive a £4.5 million investment from LHV Group once it gets its banking licence from the UK's regulators.

The commitment was made as part of B-North's Series A fundraise. The banking challenger needs to secure £20 million in capital before being granted the banking licence.

Founded in 2018, B-North aims to establish "the first truly regional lending bank in 150 years" in the UK.

Nigeria fintech **Bankly** has raised $2 million in seed funding in a round led by Vault. It digitises the banking process, allowing customers to deposit and withdraw money through agents located in Nigeria. It will use its funding to build out its agent network and acquire new customers. CEO Tomilola Adejana says distribution is the first key stage in financial inclusion.

Jeff App, a Latvian fintech start-up based around financial inclusion in Asia, has raised $1 million to support its operations.

Its round was led by the Estonian Business Angels Network (EstBAN) syndicate. Joining the funding are Startup Wise Guys, Taavi Tamkivi (ex-Transferwise and Skype) and "a number" of Nordic investors.

Know your customer software provider **Encompass Corporation** has secured new investment from Beacon Equity Partners, a Boston-based private equity group focused on regtech and compliance companies. Beacon joined with existing investors in a broader capital round supporting Encompass' growth in 2020.

MOVERS AND SHAKERS


Andy Maguire

London-based regtech firm, **Napier**, has hired former HSBC chief operation officer **Andy Maguire** as an advisory board member.

Maguire joins the fintech after spending 16 years at Boston Consulting Group (BCG).

Between 2014 and 2020 he worked at HSBC, leading its global operations, before moving back to BCG part-time.

Maguire remains chair of global banking and managing director at BCG. He is also chairman of the board at UK core banking firm Thought Machine.

European challenger bank, **N26**, has hired former SoundCloud executive, **Gilles BianRosa**, as its new chief product officer.

BianRosa spent just under two years at the audio distribution platform, and also has experience at Samsung Electronics, Tivo-acquired Fan TV, and Spigot-acquired Vuze.

He holds an MBA in general management from Harvard Business School, but has never worked at a financial institution.

N26 says BianRosa will lead all product teams based across the company's main offices and technology hubs in Berlin, Barcelona, Vienna and New York.

BianRosa's appointment arrives a few weeks after it was revealed N26 had lost 300 employees in the space of 12 months.

The Berlin-based firm's head of human resources, Diana Styles, has also exited after just six months in the role, alongside its global customer service director, Benedikt Dormann.

The company is now trying to recruit around 500 new employees by the end of June, according to an internal email seen by Finance Forward.

Norwegian web browser **Opera** has hired ex-PayPal and Tencent executive **Allen Qilin Hu** to head up its new fintech venture Dify.

The company unveiled the newly formed division last month. Hu will be its first enterprise vice president.

Dify's new boss spent more than nine years at PayPal, where he headed up global core payments out of California. His next employer, Chinese conglomerate Tencent, saw him manage "TenPay", now known as WeChat Pay.

Since these tenures, Hu has spent time at Ping An Insurance's fintech arm "OneConnect", and BaiduPay – part of Chinese conglomerate Baidu.

Most recently, Hu served as a venture partner at Sequoia Capital, and an advisor as the Hina Group, a cross-border investment firm with strong links in the US.


Katherine Dziaman

Sandstone Technology has appointed **Katherine Dziaman** as its new chief financial and operating officer (CFOO).

She replaces Pow-Chuan Lee, who leaves the firm after two and half years.

Dziaman joins from Tonic Health Media, where she spent four years as group CFO and acting COO. She has also held executive roles at JP Morgan Chase, Bovis Lend Lease, Mirvac, and Jones Lang LaSalle.

The new Sandstone CFOO says she looks forward to working closely with the executive team to scale a "great business".

Payments platform **Dwolla** has hired **Dave Glaser** as its new president and chief operating officer (COO).

Glaser is charged with "enhancing the company's enterprise growth strategies" and building "world-class customer onboarding".

He joins the firm from Mastercard, where he worked as senior vice president of global acceptance solutions. Glaser also had an 18-year career at companies Worldpay, Visa, and CyberSource.

At Mastercard, Glaser "spearheaded" new point-of-sale (POS) initiatives, including the industry's "first CloudPOS acceptance technology".

While at Worldpay he led the firm's initial public offering (IPO) and $10.4 billion merger with Vantiv.

FINTALK OF THE TOWN

COOLIO AND THE GANG

CEO of Starling Bank, Anne Boden, posted up a strange casting call screenshot on Twitter last December. The search called for lookalike actors to stand-in as leading fintech CEOs, including Boden, Monzo's Tom Blomfield and Revolut's Nikolay Storonsky. Reports amongst the fintech Twitterati pointed to a potential fintech movie. However, the fintech sphere was instead greeted with a "Fintech Rap Battle" which included a Cameo from 90s rapper Coolio, courtesy of Fintech Finance founder, Ali Paterson. Company responses were mixed: Tandem and N26's social media accounts reacted with horrified gifs, although others mentioned seemed happy just to be included.

CHIEF EXECUTIVE DELEGATOR

A certain start-up CEO decided to implicate herself in some light racialised exploitation of the Global South whilst simultaneously undermining her own value to her company in what could be described as one of the outstanding social media gaffes of 2021 thus far. Framed as a Twitter thread about optimal time management at executive level turned to farce as she described the plethora of tasks delegated to her overworked and underpaid executive assistant, working remotely from the Philippines. The endless list of tasks, from e-mails to sales, from writing playbooks to recruiting and onboarding new staff, this "bragging" begged the question: what does the CEO do all day? No wonder she has time to 'mentor' other CEOs and take a writing course! Sounds like someone needs a raise.

BYE BYE BIRDIE

A certain birdie told me that our editor Sharon Kimathi is fleeing the nest. I for one will not miss her: although no doubt talented and fiercely dedicated to her team, she was notorious for a level of self-indulgence and navel-gazing that this gossip columnist found both distasteful and pretentious. Let's hope she steers clear of any social media gaffes as I'll be snatching the dirty laundry off the clothesline faster than you can say "Finnovate" with two "n"s.

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