

Daily News at Sibos

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THE INDEPENDENT NEWSPAPER

MONDAY 22 OCTOBER 2018

New look, new features

By Antony Peyton

Welcome back to *Daily News at Sibos* (DNS) and another year of fintech action and jargon avoidance (on our parts anyway).

This year we've made some changes. I'll be editor and feel free to contact me with news or comments here: antony.peyton@knect365.com I'm still deputy editor at *FinTech Futures* (who publish DNS) so no need to ask me if I've been busy.

The design is a little bit different. Just a few tweaks to make it look fresher in terms of style. No need to explain it all – if you can see it that's great. If not, no big deal.

We have generally introduced less text on each page. You as the reader have got hectic lives and a concise read may be better. Think Hemingway. Not Herman Melville.

One new feature (see p3-4) is "Alpha-Bets". This is where the DNS team look at four firms or banks (in each issue of DNS) that are exhibiting at Sibos and are worth checking out – or perhaps taking a "bet" on.

Another new feature is "Polls and Souls".

Usually at Sibos panel discussions there are some audience polls to capture the Zeitgeist. If something interesting comes up – we will share the stats.

The "Souls" part will be a collection of notable quotes from you the delegates. Perhaps something comes up at a panel discussion or on Twitter. It's our job to pay

attention or find it.

It's not all new in case you find the threat of change overwhelming. (Unlikely as you work in fintech.)

In this first day issue will be our

entertainment guide as we present the best bits of Sydney.

Our head of sales, Jon Robson, hails from the great city, so we spoke to him as well to get some insights.

And at the back of the Tuesday to Thursday issues will be the light-hearted Caught on Camera section.

Thanks for reading and don't forget we're also online at bankingtech.com/sibos and on Twitter @DailyNewsSibos. **DNS**

"Innovation was meant to keep us in the game. Not keep us at play."



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The *Daily News at Sibos* is an independent publication, wholly owned by Knect365, an Informa business.

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PRODUCED & PUBLISHED BY

Fintech Futures
Knect365
Maple House
149 Tottenham Court Rd
London W1T 7AD
UK

ISSN 0266-0865

PRINTED BY
Masterprint, Sydney

Daily News at Sibos

Published by
FINTECH FUTURES

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Alpha-bets: A-F

In our new feature, we have a quick look at fintech firms that are worth keeping an eye on. This first article focuses on four names within the A-F letter range. *Tanya Andriasyan*, editor-in-chief of *FinTech Futures*, explains her choices.

APPIAN

This US-based provider of low-code applications makes 30% of its money in the financial services space (other industries it serves include life sciences, healthcare and the public sector).

Among its broad international client base are Bank of the West and First Republic Bank in the US, Vontobel Bank in Switzerland, Santander in Spain, and Bendigo and Adelaide Bank in Australia.

It offers businesses potential to automate faster and make the most of the legacy systems most of large, established businesses have got.

John Rymer, principal analyst at Forrester, says the adoption of low-code development platforms is "on fire".

For example, a large business would have thousands of processes of which "most are not automated", according to Rymer. In his view, "low code is quick delivery".

Appian

BBVA

Spain's banking heavyweight BBVA hardly needs any introductions these days – start-ups want to get investment from it and other banks want to be it.

BBVA's influence in the fintech and paytech space stretches from the US – the acquisition of Simple, backing of the "world's first" global bank account Denizen; to Europe – the acquisition of SME bank Holvi in Finland, a 39% stake in Atom Bank in the UK, a major investment in Banking-as-a-Service (BaaS) platform solarisBank in Germany; to Asia – a \$50 million investment into Sinovation Fund IV, a Chinese venture capital fund.

BBVA is big on open banking (BBVA API Market was launched last year), blockchain experimentation (multiple projects with Ripple, Indra and Wave), paytech (e.g. bringing Alipay to Spain), chatbots and AI (voice assistant MIA at BBVA's subsidiary in Turkey, Garanti Bank; mobile banking chatbot in Spain); data and analytics (check out its BBVA Valora, Bconomy and Baby Planner functionalities of its mobile banking app).

It is also putting in practice the ideas of collaboration without borders: earlier this year it launched the first mobile banking platform developed globally by means of a coordinated effort involving multidisciplinary teams from Spain, the US and Mexico.

And not to forget the bank's Open Talent initiative – which it claims to be "world's biggest fintech competition" – as it hunts out ideas from anywhere across the globe, with a €150,000 prize fund for the overall winners.

BBVA



EARTHPORT

Cross-border payments specialist Earthport has 200 employees, an HQ in London and regional offices in New York, Miami, Dubai and Singapore.

The company was founded in 1997 but struggled with its focus (and making money) until 2010, when it had a major senior management and strategy shake-up. Hank Uberoi joined as CEO and had been instrumental in the efforts of turning the company's fortunes around.

Earthport's renewed focus concentrated on low-value cross-border payments – its "sweet spot" – a sub-\$10,000 payment space that sits just below correspondent banking.

Last year, however, brought some bad news, with the company's losses doubling in H2 2017 (to £3.2 million). In December 2017, it warned on sales for H1 2018 (a 10-15% drop in revenue), delays in expected contracts and the loss of a UK line of business with a major e-commerce client.

Uberoi relinquished his chief executive role and became a non-executive director and senior advisor to the CEO. The company embarked on a search for new CEO and chose Amanda Mesler in May. She previously worked at Microsoft and Misys (now Finastra).

But it's not all doom and gloom. Earlier this year, Earthport received its New York State money transmitter licence, paving the way for further US expansion. It also stated its interest in the distributed ledger technology (DLT) and is working with Ripple.



FINASTRA

Finastra is a recent creation – it came into existence in mid-2017, as a result of a merger of UK-based banking tech heavyweight Misys and its North American counterpart D+H Corporation. Both were owned by venture capital firm Vista Equity Partners and it was decided to bring the two together.

D+H's strength is in payments, lending and retail banking solutions in North America, while Misys' strength is in treasury and capital markets (TCM), corporate banking and retail banking globally. Both companies had grown over the years via multiple M&As.

As a result of bringing the two entities together, Finastra is now the third largest financial services tech company in the world. It intends to be everything to everyone, as it wants to work with global banks, community banks, credit unions and corporations.

The vendor boasts some big numbers – namely around 10,000 employees and over 9,000 customers across 130 countries, "including 48 of the top 50 banks globally".

It is privately held and led by CEO Nadeem Syed (who was CEO of Misys). CEO of D+H, Gerrard Schmid, left promptly once the acquisition was completed.



Tanya Andreasyan, @TanyaBankTech

Key ingredients of instant payment systems success

Carlo Palmers, head of payment market infrastructures, SWIFT

Those attending the Tuesday morning SWIFT conference session (23 October, 9:00-9:45 – SWIFT Hub L2, SWIFT Hub 1) will gain a unique insight into how SWIFT is driving instant payments.

Some countries have already implemented instant payment frameworks, such as the UK, whose Faster Payments system has been operational since 2008 (and is now coming up for renewal). However, for many countries this is a brand new endeavour, and we are assisting them with their payment modernisation efforts.

A notable case is Australia, where the New Payments Platform (NPP) went live in February this year following a joint project between SWIFT, local financial institutions and the country's regulator. The take-up has been impressive, and Adrian Lovney, CEO of NPP, will be speaking at our Tuesday conference session, demonstrating on stage how convenient the service is and looking at the SWIFT solution that makes the platform work.

SWIFT is also working with two major pan-European players – the Eurosystem on its TARGET Instant Payment Settlement (TIPS) service and EBA Clearing on its RTI instant payment system. The latter is already live and will start offering SWIFT connectivity from 20 November this year. It will be promptly followed by the TIPS go-live, which is scheduled for 26 November.

Petia Niederländer, chairperson of EBA Clearing, and Lorenzo Giammo, head of the Eurosystem MI Division at Banca d'Italia (Italy's central bank), will join NPP's Lovney at the Tuesday morning SWIFT conference session. They will all be available for a Q&A session afterwards, held in the SWIFT



"A notable case is Australia, where the New Payments Platform (NPP) went live in February this year following a joint project between SWIFT, local financial institutions and the country's regulator. The take-up has been impressive."

Carlo Palmers, SWIFT

Knowledge Bar (09:45-10:30 SWIFT Hub L2, SWIFT Hub Knowledge Bar).

One of the issues for discussion is the Eurosystem's planned consolidation of TARGET 2 (T2), TARGET2-Securities (T2S) and the aforementioned TIPS onto a single platform with a European Single Market Infrastructure Gateway (ESMIG) sitting at the front. The objective here is that the payments and securities markets participants will use ESMIG as a single gateway to connect to a consolidated market infrastructure.

The solution that we are now rolling out in Europe for TIPS and RTI is the first stage for our participants to be connected to the new unified market infrastructure, and we are putting forward three examples of its added value:

1. It is the initial step towards ESMIG.
2. It re-uses the SWIFT infrastructure that participants have already in place in terms of procedures, connectivity to the operating centres and support facilities as well as the security features that are used to sign the messages.
3. Our SWIFTNet Instant solution is what we call "multi-CSM" (clearing and settlement mechanism) – a single interface that market participants can use to connect to EBA Clearing's solution or the Eurosystem platform or indeed any other future payment solutions that will offer such connectivity.

This means that customers will not have to install a new payment gateway every time they want to connect to a new instant payment system, saving them time, resources and money. This is vital to a rapid deployment of faster payment systems. **DNS**

Join SWIFT, NPP, EBA Clearing and Banca d'Italia for a lively discussion on instant payments on Tuesday morning, 23 October, 9:00-9:45am at SWIFT Hub L2, SWIFT Hub 1

How to approach the market place in the age of plenty

Dr Leda Glyptis, chief innovation officer of QNB Group, has plenty to say about the right way.

I just got off the phone with a company with a vaguely defined offering. On the blockchain. They were unable to describe the offering or explain 'why the blockchain' without chasing their tail and wasting my time in buzzword-rich circles. In the end we got to them using the blockchain for the encryption.

There was no requirement for a ledger in their solution, definitely not a shared one. And all sensitive data was stored on end users' mobile phones, with no tokenisation.

The end. Ta-da.

You are laughing, I can see you.

The question is how did they get to be on a call with me?

Well.

They are doing a pilot with a central bank (not laughing any more, are we?) and used that reference and access to a former colleague to get introduced and of course when friends are involved you take the call.

And the less you know, the more impressive the buzzwords sound. Pilots with serious organisations. Shiny words you've read in the paper.

This happens all the time.

Things we dismissed four years ago are live and mocking us now.

Things compliance would never approve last year now come to us from compliance complete with exasperation: get with the programme, business people, the world is changing.

So as we are bombarded with ideas and companies, solutions and potential partners, we know that the stalwart defenders of the status quo have relaxed, we know some of the things we knew we knew are changing. And we know there are

13,000 fintech firms and counting for us to choose from, many walking the floors of grown up conferences like Sibos looking for all intents and purposes real and viable.

That's because they are.

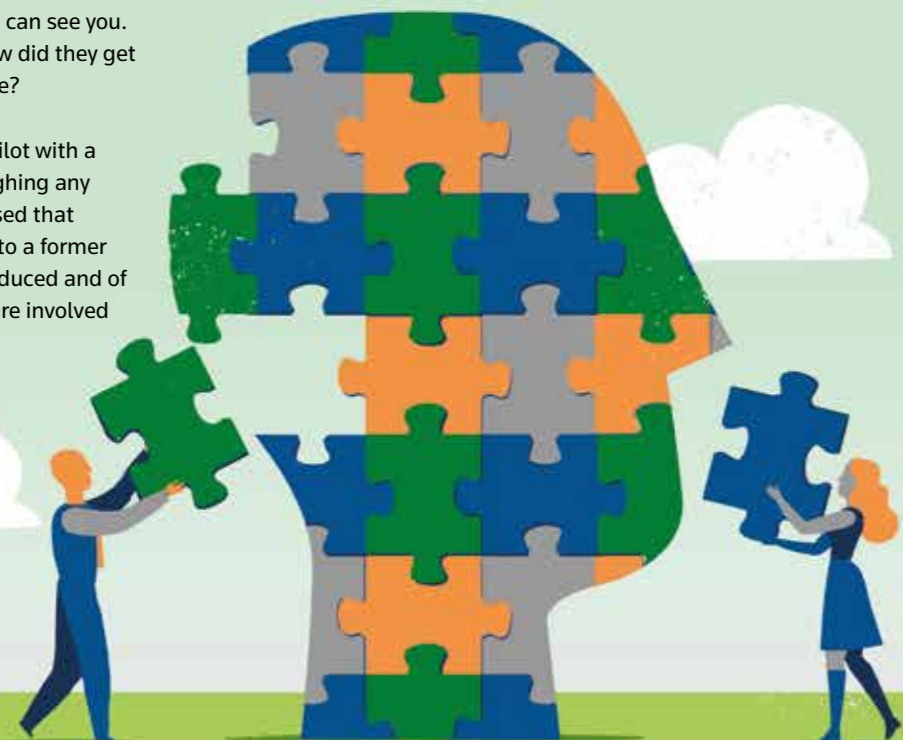
So how on earth do you pick?

Of buzzwords and empty calories

The era of learning pilots is over.

Now it's do or die.

But not every firm you will engage with is getting with the programme. >>



Welcome to next generation payments — open, instant, secure

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Open Theatre 2, today at 10:45

As we approach the third decade of the twenty-first century, financial institutions face an unprecedented spectrum of opportunities – and challenges. For over twenty-five years, Pelican has pioneered the practical application of AI technology to enhance, streamline and secure the payments life-cycle.

Pelican, in partnership with Celent, will be discussing how AI is transforming Payments and Compliance, at **Open Theatre 2, today at 10:45-11:15**. To find out more, visit Pelican at Stand M03.

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You need to know what you will be doing to make money, before you look for things to help you make it.

Once you've got that figured out, with heartache and trepidation, it won't be an exact science after all, unleash your hounds and go searching. Walk the floors here at Sibos, and other events, go to town meeting the cool kids with the cool ideas.

Filter out the buzzwords.

Bypass the pilot chat.

You are here to play ball. You are here to buy. This is a commercial conversation. We are no longer shooting the breeze.

1. Ask them how they make money. Not price point. Monetisation philosophy.

Are they subscribing to the same economic model as you? Good. Proceed to question two. If they are not, however, if their entire premise is resting on a very different way of making money, either taking a 'saving' out of your P&L or by destroying the market your clients live off, then they are not the droids you are looking for.

Sure the PR would look great but after the expensive pilot and the photo op you are no closer to building yourself a viable business for the future. >>

They know that for the last ten years buzzword-heavy, PR-generating, futuristic pilots were easy to sign off because money for them came from discretionary spend. There was money to be made there for start-ups. Not necessarily sticky, repeatable money. But money nonetheless. So the price for pilots started climbing – to often 90% of a full fat implementation - as the start-up realises how the game is played. Good on them. But that doesn't mean you have to pay the price they ask.

It means you have to pay closer attention.

Not to them. To yourself.

It's all about you

Innovation was meant to keep us in the game. Not keep us at play.

So stop playing.

What's your business model now?

How much of it is at risk over the next ten years? Is it worth investing in solutions to future-proof it or are you better off looking for ways to service your customers differently, upstream or downstream from what you are doing now, building on your brand permission but not flogging a dying horse, assuming the horse is terminal?

These are your questions to answer. Answer them before you go shopping. No start-up will help you answer those and if they offer to, don't let them.

Once you know what game you are playing, then pick partners.

If you don't know what game you are playing and need help figuring that out, what the options are, what the dangers are, what the journey of becoming something new may look and feel like, then you need a different kind of partner. But that's still a conversation to have before you go shopping in the much-lauded ecosystem.

“Innovation was meant to keep us in the game. Not keep us at play.”

2. Use their product. Test it for the unhappy path.

Using their product will immediately filter for vapourware; the 'I know we said we have an API but it's more of a point to point so why don't we send you a spreadsheet to get you started' brigade; and the folks with a single successful implementation that their pilot client owns so you buy knowhow but no code and they will start from scratch with you.

Now you have a smaller pool.

You have the app, the connection, the log on credentials. However they deliver. You have it.

Now use it.

Use it a lot. Look for the unhappy path.

Last week my high street bank asked me to uninstall their app and download it again to access my account from my new phone. A challenger gave me no option to register a new device (nobody had thought of that user journey?) and insisted on treating me as a new customer while also emailing me insurance offers for my new phone.

Oh the beauty of your own analytics showing you up.

Slick user journeys and fit for purpose architecture are hard.

Kick the tyres hard before you choose a partner.

Kick your tyres too.

The partner you found may have the APIs they promised. They may have the best developer experience your IT folks have ever seen. But

“Slick user journeys and fit for purpose architecture are hard.”

you still have a lot of critical data on spreadsheets. Does this partner have a cadence and process that can help you mature to where you need to be to work with them? If not, they are not the right partner. Yet. You need to do some cleaning up first.

3. Don't white label the magic sauce.

Stating the obvious here (my favourite thing) but whatever it is you believe your clients come back for and are willing to pay for, needs to be specific to you. If it's your service, product, pricing or experience; portfolio, footprint, unique knowledge or bespoke solutions. Whatever it is that makes you a living, don't outsource it no matter the cost saving.

If the differentiating factor is built, designed and delivered by someone else, then it belongs to someone else who may hold you to ransom or just take it... somewhere else.

If what the clients pay for is not what you do, then the clients don't come for you and it is a matter of time before they figure it out and cut you out of the payment equation.

By white-labelling, outsourcing and partnering on large chunks of your business before doing the hard work of thinking up your desired business future, you could be giving away the Crown Jewels in the name of speed, cost optimisation or just to assuage a rising sense of panic.

Until you know what will make you money tomorrow, don't pick partners.

That simple.

That hard.

Until you know, keep learning. Get the right partners for the right things. And don't assume time is on your side however deep your pockets.

Banking used to be risky business. This is what the risks look like on your watch.

It's hard. But it's meaningful.

And some of the best players in the game are here, in this expo hall with you.

If you know your game, go road test my questions.

Happy hunting. **DNS**



ABOUT THE AUTHOR

Leda Glyptis is *FinTech Futures'* resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption.

Leda is a lapsed academic and long-term resident of the banking ecosystem, inhabiting both start-ups and banks over the years. She is a roaming banker and all-weather geek.

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

Follow Leda on Twitter @LedaGlyptis and visit bankingtech.com for more of her articles.



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A Swift one

What has Swift been up to since last year's Sibos in Toronto? *Antony Peyton, Daily News at Sibos'* editor, has a look.

With the Toronto event over in October 2017, it all started off quite well for Swift. In November, Deutsche Bank went live on Swift's global payments innovation (gpi) EUR services.

This gpi offers real-time tracking of payments and same day use of funds for corporate clients. Deutsche Bank said it was one of the first banks globally to go live via an API. Gpi was first announced by Swift at Sibos in 2015 and then went live in early 2017.

New year

Last year doesn't last long in this article, and so let's move on to this year.

In January, the Swift Institute launched its third annual student challenge focusing on data protection in Australia.

Aimed at challenging students in all levels of further education, it wants young scholars to come up with solutions in the financial sector.

The 2018 competition was designed to address the issue of data privacy in an open API, specifically, how to keep personal information safe. The challenge was available to any recognised university or further educational establishment based in Australia.

The final presentations are taking place here in Sydney.

Treble trouble

Sadly for Swift, February was not so favourable.

Hackers stole RUB 339.5 million (\$6 million) from a Russian bank using Swift's payments messaging

system to transfer the money to their own accounts.

A central bank spokesman declined to name the bank or provide further details. A spokeswoman for Swift was also reticent and said it did not comment on specific entities.

At that time, Swift said its own systems had never been compromised by hackers.

In the same month, India's City Union Bank revealed it was hacked

and that nearly \$2 million was transferred to lenders overseas via the Swift system.

The bank discovered the three "fraudulent remittances", which were sent via correspondent banks to accounts in Dubai, Turkey and China.

N. Kamakodi, CEO of City Union, called it a "conspiracy" involving multiple countries.

Staying on the subject of India, the nation's central bank gave an ultimatum to banks that they had to integrate Swift into their core banking solutions.

The Reserve Bank of India (RBI) said as "part of its ongoing efforts for strengthening of the supervisory framework in the country, it has been issuing necessary instructions to banks from time to time on a variety of issues of prudential supervisory concern, including the management

of operational risks inherent in the functioning of banks".

Swift was not being singled out, but the RBI says the risks arising from the "potential malicious use" of the Swift infrastructure has "always been a component of their operational risk profile".

Back on Track-er

But life is always a mixture of ups and downs, and these kinds of hacking incidents passed.

In March, Swift extended its gpi Tracker to cover all payment instructions sent across the network, enabling gpi banks to track all their instructions and get full visibility.

The Tracker, which has been available since May 2017, enables banks to track their gpi payments in real-time.

It also announced that it was joining forces with SAP to offer

"The risks arising from the 'potential malicious use' of the Swift infrastructure has 'always been a component of their operational risk profile'."

Reserve Bank of India

treasurers an out-of-the-box integration with financial institutions, connecting to its network.

Called SAP Multi-Bank Connectivity, it is a new integrated connectivity solution based on SAP Cloud Platform technology, which enables corporate-to-bank connectivity for SAP S/4HANA customers who need to connect with multiple banks.

Hello stats

We can't seem to get away from gpi because in April HSBC joined the service.

In that deal, Swift pointed out that, overall, nearly 50% of Swift gpi payments are credited within 30 minutes and over 90% of payments within 24 hours. Those that take longer do so for a clear, known reason, Swift stated, such as extra compliance checks, complex foreign exchange conversions, or regulatory authorisations.

This was followed in June by Brazil's Banco Bradesco also joining gpi – becoming the first bank in the country to do so.

"The rapid widespread adoption and use of Swift gpi has been driven by demand for a faster, more transparent cross-border payments service," said Swift.

At that time, Swift said its network had over 165 banks, with over 80% of its cross-border payments traffic since launch last year.

The figures will no doubt change but it said with more than \$100 billion a day flowing over gpi, it is rapidly becoming the new cross-border standard, Swift states, helping to generate up to 50% reduction in enquiry costs.

All in all it was yet another eventful year for Swift and with no mention of Ripple for once.

Swift may well point to the success of its gpi while its detractors will probably make some noise about the hacks. **DNS**

Antony Peyton
@TonyBankingTech

"Sadly for Swift, February was not so favourable."



Welcome to Sydney: a city of views, sea and sharks

It can't be all work at Sibos, *Henry Vilar*, reporter at *FinTech Futures*, offers an entertainment guide to Sydney.

Photo: Benjamin Saw

Welcome to Sydney, the busiest and most cosmopolitan city in the last continent. You most likely have reluctantly travelled over a day to get here to listen to execs yabber about stuff you can barely grasp – and you're pretty sure they're as clueless as you are.

But since you're here, you better make the most of the Big Smoke. Here's a quick guide around the city and nearby hot spots. Get your Instagram filters ready and don't get too wrapped up in meetings, because our featured guide is *DNS'* own Jon, a Sydney-born travel expert more reliable than TimeOut,

who "doesn't favour the pay, but the good".

Pleasant and classy

Sydney has got much more than the **Opera House** – the one that looks like an echidna. Or an Australian hedgehog. If you want to take a closer look at this architectural beauty, there's a backstage tour that you can take. During the times of Sibos, you'll be able to buy tickets for Dario Fo's "Accidental Death of an Anarchist"; the Argentina-set musical "Evita"; dance performance "The Tap Pack"; and Shakespeare's political thriller "Julius Caesar". If

you're feeling boozy, the Opera Bar is a great place to drink with a view. If it's theatre that you're interested in, there are a few of them near the big Opera House that you can also consider, like **Roslyn Packer Theatre** and **Bangarra Dance Theatre**.

The Art Gallery of New South Wales is probably the best spot for the artsy crowd. Or even the historical one, as the **Yiribana Gallery** includes the best anthropological lesson in aboriginal art you can probably find in the city. However, there is plenty of Occidental art, both from Australia and Europe. If pleasant is what you're after, crown your visit to the museum

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with a stroll up and down the neighbouring **Botanical Gardens**.

Iconic food spots

If you're a foodie, DNS' in-house food connoisseur and Sydney indigene Jon recommends **Harry's Café de Wheels**, an iconic pie cart located in Woolloomooloo. "A Sydney institution since the 1930's, a must visit for a true Aussie pie and sauce," he says. The brand its best-known for its "Tiger pies", but hot dogs are just as good of an option.

Another memorable place is **Doyles**, more specifically, **Doyles on the Wharf**, located in **Watsons Bay**. This hidden gem is located by the beach, just at the edge of the city, and offers a great fish and chips and a gorgeous panoramic of the sea and the city. Apparently, a swim is not ideal, as shark-infested waters are just around the corner. Dive in at your own peril.

For top of the range, **The Quay** is the place to go. Elegant with great food – although not perhaps within reach for everybody's pockets. But hey, I'm sure if you get your boss drunk enough he'll pick up the bill.

Where's the John Dory?

There are plenty of drinking and partying spots throughout Sydney. It is particularly well-known for its speakeasy bars, and they're all around **Clarence Street**. You've got, to name a few, **Baxter's, Barber**

Shop, and **Grandma's**. **Darlinghurst** and **Surry Hills** also have a plentiful supply of bars, which start to get busier and busier the hotter the night is, as outdoors terraces make it a perfect spot to people-watch. **The Glenmore**, a rooftop bar, would also be a high point – no pun intended. Very cliché, busy and touristy, but "pretty nice" if you get there early enough.



Request a media pack for more information

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How to succeed in Fintech and influence people

As financial technologies prepare for Sibos in Sydney, one of fintech's original opinion formers shares his thoughts on what makes a successful fintech, the risks threatening this growing sector and avoiding "innovative solutions".

Once upon a time, I was sitting in Barclays' head office on Lombard Street, writing a crystal ball briefing on the growth and threat posed by financial technology for the CEO.

The briefing was printed out and faxed to him, because I didn't have an email account from which to send it. They hadn't sorted them out for the lower tiers yet. Oh the sweet irony.

Fast forward a *few* years and fintech is now white hot and getting hotter. The sector has sky-rocketed this year, with worldwide global investment in the sector for the first half of 2018 exceeding the whole sum value of 2017.

So to Sydney, Australia's magnificent capital. Fintech has the potential to take up to 30% of revenue from traditional banking in Australia, a prize worth a cool AU\$25 billion (\$17.6 billion).

The banks, acutely aware that their lunch is under threat, have sent their innovation leaders to Sibos, the annual conference, networking event and shopfront for Swift's services.

With its frequently brilliant Innoribe sessions and a solid line-up of speakers and panellists, the event has become a curious arena; it is hosted by an older payments infrastructure, with a safe space for challenger start-ups to engage, network and meet potential bank customers.

With start-ups to the left and shareholders to the right, banks may feel like they are in the squeezed middle. But in truth, finance and technology have become inseparable over the past decade or two. Crucially, the banks still hold the cards, the liquidity and the capital.

Fintechs need the banks. They have the markets, connectivity and ultimately the influence over any change to existing systems. And the banks, for their part, have been excellent investors and partners. They continue to engage and partner with fintechs – investing, encouraging collaborating and beta testing.



Nick Murray-Leslie, Chatsworth

It was always going to be this way. The bulldozer approach of some self-titled "disruptive" start-ups, where you build an alternative system and then trying to slam it into an existing market, simply does not work.

Traits of a successful fintech

Chatsworth knows a fair bit about fintech. We were the first marketing and PR agency to focus on this sector, working on electronic broking, online banking and market data. Over time, the story and clients moved onto prime brokerage and API trading, through to today's blockchain-inspired technology, data analytics and machine learning.

The markets and technology have evolved, but the methods and indicators of success remain the same.

Take R3, the breakout story in the enterprise blockchain space and the fulcrum for those looking to apply this technology to professional markets. Their model of engaging and working with banks, financial institutions and regulators right from the start has paid dividends, with over 200 organisations contributing towards the development of the Corda platform.

Of course everyone says they are specialists in fintech and blockchain in particular nowadays – witness the sheer volume of self-appointed advisors and PR "specialists" on LinkedIn.

In truth, this gold rush of the inexperienced is partly to blame for an over-cooked news and hype cycle which inevitably sets unrealistic expectations for speed of adoption.

So choose your advisors wisely and trust your reputation to the best hands. They will articulate and tell your story with confidence, creativity and commitment.

Wishing everyone a fantastic and productive Sibos.

Nick Murray-Leslie, Principal, Chatsworth
www.chatsworthcommunications.com

CHATSWORTH'S FAST FIVE FOR FINTECHS

- **Focus your competitive fire on inefficient models** – not individual organisations. Build relationships with firms and incumbents dealing with the same market challenge. Remember, a rising tide carries all boats.
- **Know your AML from your KYC** – digitisation to regulators signals potential facilitation of money laundering and terrorist financing. Engage with them.
- **Don't tech for tech's sake** – stick to use cases with transformative potential.
- **Don't overuse "innovative" or "solutions" to describe your brand.** This language is so clichéd and bland suggests the opposite.
- **Collaborate and keep off the Kool Aid** – engage with those who affect your ability to succeed and operate. But listen as well as talk, and don't be afraid to change tack.



The Argyle, in the Rocks, was recommended with certain hesitation. Apparently, it is fairly quirky, more suitable for those looking for something a bit edgier. However, it's not as hipster-y as **New Town**, and there's always something going on. Include **the Grounds of Alexandria** in that one – the younger crowd digs it, with quaint food markets, cafes and bars.

For live music, you can find a number of good jazz haunts and gig venues right the way across the city, from **Darling Harbour** to **Kings Cross, Oxford Street** and **the Rocks**. Some of them are classy, some of them are surely on the scruffier side. Find your pick.



Bondi Beach

Let's go surfing

A classic spot for any cinematographic view is **Bondi Beach**, the most iconic beach in the country. Whereas you're most likely safe from sharks there, October is right in the middle of the biyearly migrations of dolphins and whales. This means that pods of either could be spotted from the shore – and in many places throughout coastal Sydney. There are even reports of fairy penguins making appearances in Bondi Beach – a real treat.

For a bit of a salty splash, get the ferry all the way to **Manly**, just across Watson's Bay. Feel free to take your top off and have a walk up and down the *corso*, ice-cream in hand – this is how Jon calls the main street. For

food, make a stop at **Hugos**. Classy spot with good Italian food, and as expected, excellent views over the sea.

So you're not saying "hooroo!" yet

(Again, probably nobody *actually* says that.) If you venture yonder, beyond the confines of Sydney and out into the bush, there is still plenty of bonzer spots in the vicinity that can help you wrap up this trip immersed in nature and ridiculously dangerous animals.

One of these spots is the **Blue Mountains**, a mountain range just a stone's throw away from the city. If there's only so much nature that a city mouse like you can take, you >>



have one-day trips, where you will see enough green to quell your need to feel like Crocodile Dundee for a while. I'd suggest you avoid those big crocs if you see any. Yikes.

Just the name of the country evokes visions of deadly animals, concealed by the night in the

maroon plains of the aboriginal outback. Good news – you can now actually see them at the **Taronga Zoo**. And even hug them – yes, apparently you can hug koalas. Kangaroos, platypuses, and even polar bears! Just get the ferry from Circular Quay to get there – beautiful vistas on the way. And if you're in the mood for more wildlife, the **Sydney Aquarium**, just like the zoo, is highly regarded worldwide.

For a more adventurous take on the city, strap on a harness and climb the Sydney Harbour Bridge. You have probably figured out by now that this city is not short on breathtaking vistas. Well, this is just another one. There's not a "Sydney" filter on Instagram, but the "Melbourne" one will have to do. *Click. DNS*

Henry Vilar
@henrynotborja



Wave goodbye to the risks

In an exclusive interview with *Peter Hainz*, global presales programme manager – cash and liquidity at SmartStream, he explains how it helps banks deal with intraday liquidity risk challenges and how machine learning is making a major difference.

You could see Hainz's role as a doctor of fintech as he, and SmartStream of course, take all the pain away for banks when it comes to intraday liquidity risk. With 1,500 clients the firm has provided a lot of comfort.

Hainz's background displays a strong understanding of Basel III as he is professionally certified. Hainz shares his expertise as he has lectured at three universities in Vienna on treasury and liquidity management. He is also often asked by regulatory bodies to provide opinions about this subject matter.

With these kinds of skills, he can explain how SmartStream helps banks deal with intraday liquidity risk challenges.

"I have visited many banks in Europe, US, Middle East and Africa. Banks are coming to us as we provide thought leadership in intraday liquidity monitoring and management. The feedback I receive is that they often need guidance on how to apply intraday liquidity regulation along stress-testing.

"Currently many banks only have end of day (EOD) visibility in cash and liquidity. One bank contacted me and said, 'if I have only EOD data available, I have issues with big payments in the afternoon – as I do not exactly know what my actual position is.' So in order to avoid too large liquidity buffers or not enough liquidity, accurate real-time cash and liquidity data is necessary.

"A big challenge for our clients is highest data quality, which is required for excellent real-time intraday cash and liquidity monitoring. We have a very experienced team supporting our clients with these needs."

SmartStream also provides regulatory insight. For example, in specific regions in the Middle East Smartstream was



working closely with the regulator and they discussed the best intraday liquidity risk solutions for the banks. There are also different flavours to consider – such as local regulatory specifics.

"As a global company we have local management centres with regional knowledge. Our people know the local regulations. Basel gives their recommendations and we have local authorities that implement these solutions. Our aim is to talk with local authorities, like the UK's Prudential Regulation Authority (PRA) or the European Banking Authority (EBA) and provide solutions."

This is not limited to Europe of course. SmartStream does the same across the rest of the world, such as in Singapore, Hong Kong, India and the US.

Along with this global savoir-faire, SmartStream has been doing this kind of work for ten years with "many tier 1 customers across all regions". Clients include JP Morgan, Morgan Stanley, Goldman Sachs and Deutsche Bank.

RISE OF THE MACHINE

In the artificial intelligence (AI) and machine learning (ML) space SmartStream is up to some smart stuff.

"We have an innovation lab in Vienna, led by Andreas Burner. It is a highly functioning team working on AI, with a focus on ML. ML fits nicely into this because we are in the reconciliation space, so you have incoming and outgoing data which needs to be reconciled and ML is a perfect scenario for this.

"And then you have unsupervised and supervised ML, which is especially useful for regulators who receive tonnes of data and they have to evaluate this, especially in the liquidity space.

"Regulators have to assess anomalies. ML especially detects anomalies and learns from them, where for example the user then receives alerts.

"Given a set of data as input sample, ML can learn and detect anomalies and report them accordingly. This is certainly applicable for banks in the area of stress testing.

"We aim to help regulators, which have limited resources, with AI to detect anomalies which human resources, for example, cannot solve in a timely manner."

When it comes to future ambitions, Hainz is happy to explain.

"We are engaging with different markets which haven't fully integrated the reporting regime. We can help customers produce reports.

"We are also building out richer and more functional stress testing capabilities. We will offer more proactive monitoring, so banks can control what goes on."

It seems SmartStream's desire to remove pain in this part of the fintech world is looking healthy, wealthy and wise. *DNS*



SIBOS 2018 EBA COMMUNITY SESSION

FAST-TRACK TO THE FUTURE: HOW TO KEEP UP WITH EVER- ACCELERATING TRANSFORMATION IN PAYMENTS?

Tuesday, 23 October 2018

from 15:30 to 16:30 (local time)

Conference Room 4



To its Credit

In an exclusive tour of Home Credit's (HC) operations in Prague, *Daily News at Sibos* met seven staff members and learned about its retail challenger Air Bank, P2P lender Zonky and Home Credit Venture Capital (HCVC).

Picture in your mind a map of Europe. Sitting at the heart of the continent is the Czech Republic – the birthplace of HC in 1997.

Now expand outwards from Europe to show the entire world and see that HC is active in ten countries, including Russia, Kazakhstan, China, India, Indonesia, Philippines and the US. The consumer finance provider has grown to occupy large swathes of the globe with a diverse range of operations and activities.

HC sees itself as the "world's biggest fintech" and its goal is to lend to people with little or no credit history. A major shareholder is PPF, a privately held financial and investment group owned by billionaire Petr Kellner.

Things are going well. HC has €21.8 billion in total assets, a net loan portfolio of €16.4 billion and a healthy net profit in H1 of €40 million.

Around the world it has 130,800 employees. On my visit to Prague I met seven of them. These aren't people who've spent their whole lives at HC. Some are former bankers, while others were entrepreneurs. It is a fascinating mix – and their knowledge and interest in China and India shows not only a great understanding of those nations but where it sees the firm's future.

Make it likeable

Air Bank was created in November 2011 as HC saw a gap in the market for consumers. Its approach was to ask "what do people dislike in a bank?". For example a typical contract is 12 pages long, it's trimmed that down to one page.

It makes things less formal and removes petty rules. If you want to bring your dog or eat your ice cream in the branch, feel free. In fact, the

bank had some amusing photos showing people taking advantage of these rules – such as one guy with a gigantic potbellied pig happily sat on the floor in a branch.

Jana Karasová, the bank's PR spokesperson, says its research found that the traditional players were "mysterious, arrogant and monotonous". It's the opposite. Air Bank doesn't make money from banks fees – it profits from consumer loans and mortgages.

Its price list is kept simple at 250 words. Karasová cited one traditional bank which has a >>



Network platforms: a new concept for a new age

Daily News at Sibos talks exclusively to Mark Buitenhek, global head ING transaction services, and Daniel Cotti, CFO at TradelX, both members of the Marco Polo Network, about its benefits and what lies beneath.

The value of platforms as an enabler to customers wanting to access a full range of services is clear. A new network of platforms, the Marco Polo Network, takes the concept one step further within transaction banking.

Marco Polo is a network of bank platforms connected to their corporate clients via ERP trade and working capital finance applications, explains Buitenhek.

The network offers benefits to all stakeholders in the trade finance market – It enables both banks and clients to expand their global trade ecosystem and – most importantly – to improve client experience.

"It is creating a better customer experience and seamless data integration. It also reduces cost, time and risk by integrating receivables, payables and inventory information data directly from the ERP System with the financial institution," says Buitenhek.

He comments: "Marco Polo offers end-to-end trade and working capital finance applications within the ERP environment and integrates multiple different trade finance programmes and products. It will expand the market and trade footprint by connecting the trade ecosystem with the interoperability of the network."

TradelX acts as Marco Polo's technology provider, and Cotti explains: "This is not just a single platform it is a network of platforms that allows for almost endless engagement with the market. It is unusual and unique in the marketplace. Instead of a corporate being limited to the connections on their bank's own platform they can, via the bank's platform link to the Marco Polo Network, access numerous other platforms with their own specialties and ecosystems."



Mark Buitenhek,
ING transaction services

It essentially empowers open account solutions, which are based on trust. Buitenhek says that close to 85-90% of trade is done on open account. "With the Marco Polo Network, ING wants to simplify and ease the execution of open account trade and at the same time mitigate the risk our buyers and sellers."

Under the hood

But what lies beneath? Cotti explains: "The Marco Polo Network leverages APIs and blockchain technology. This includes a robust suite of trade specific APIs and technology tools, applications, a sophisticated rules engine, and an open, standard core infrastructure for trade data, contracts, and transactions on three principles: transparency, security and openness."

ERP in particular works well in this context and the distributed ledger allows buyers and sellers who don't fully know or trust each other to come to consensus about the existence, nature and evolution of a set of shared facts without having to

rely on a fully trusted centralised third party. This helps simplifying the complexity of trade finance."

The blockchain capability too adds to the appeal of the Marco Polo Network. "Based on Corda Enterprise from R3, the Marco Polo Network will increase efficiency, end-to-end visibility, allow enhanced (tailored to the lifecycle of the trade) financing with an accelerated transaction cycle. Corda will allow easier go-to-market access. For the trade finance industry it will be a game changer, but it takes time before it will really unlock the mass scale value we are looking for," says Buitenhek.

"The ERP-embedded Working Capital Finance App basically provides an invisible link to intelligently work with various banking platforms. Essentially, it's a platform having trade intel inside. It is unique in bringing everything together and creating a future proof environment of connectivity and seamless connections," summarises Cotti. **DNS**

Alison Ebbage

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contract of 11,972 words. That's almost a novella.

Air Bank is a challenger – and its customers can also be a challenger.

This means a user can dispute any bank charge three times a year. Within the app is a trash symbol – which is used to bin a charge if perceived as unfair. Think of a broken ATM, which means the individual has to find and use another one which charges a fee. The person challenges that and gets a refund.

While it's a digital bank, Air Bank does have 35 branches across the country.

I visited one of these branches, and as the name suggests, it had a light and breezy look. It was spacious, with an energetic green décor, and the assistants don't sit opposite the clients. The desks mean the customers sit next to them – they see what the assistant sees to break down any barriers.

Air Bank feels the branch has plenty of life yet. Karasová states that 79% of its new customers come through the branch. They walk in, like what they see and decide to open an account.

Jakub Petrina, CMO of Air Bank, also came over to the branch to have a chat. Air Bank is only in the Czech

Republic for now – with 650,000 customers – but Germany could be next and within 12 months.

The right mix

Zonky sounds fresh and different. And that's the plan. It was founded three years ago and its office is located away from HC. The idea is to create a separate culture where its approximately 150 staff can work. The vibe is certainly less corporate.

The firm lets people lend to people – and those seeking loans can tell their stories to try and get the investors on board. Investors can get a 3.5% to 5% yield. Zonky is proud of its net promoter score of 82 and that loans get approved within two days.

It has a community of 50,000 Czech users. Here people can share experiences and advice. For example, a person may well be looking for money so he/she can set up a coffee shop. They ask people who did it; and

the success is passed onto the next wave.

Currently Zonky does 2,000 loans per month. It is targeting 400,000 users by 2028.

In a video call with the CEO, Pavel Novak, who was in San Francisco for an event, he says while there are P2P firms like Zopa and Lending Club, "we have a community and we don't see them doing it".

He adds: "We are using cloud technologies and no one else on the Czech market is doing that."

Looking ahead, IT is its biggest department and tech investment is going to be a €5 million spend next year. He envisages seeing €20 million spent over the next few years. The Zonky office already has space ready for new IT recruits – as I saw first-hand.

Next year, he wants to double business again and look for 10% of the market share.

Freedom is part of Zonky's ethos. Novak says its innovation and IT department are independent: "We can decide what we want to do. If we want online cash loans – then we can do it."

Life is good

Because HC is the business of lending, risk management plays a huge part.

Radek Pluhar, group chief risk officer, feels "HC is nicely expanding and life is good" because it's found its niche. It would be hard to argue with this based on its geographical reach, 29 million customers and the stats mentioned above.

HC can make customer decision loans in one minute – and six million such decisions are made a month across the globe. And that's not counting holidays – such as Diwali or Christmas. >>



Air Bank interior



As the company has expanded, Pluhar explains it can now cross sell to a "safer group of people" – and 20% of its customers do take loans that way.

We met in person but Pavel Krbec is the group head of online. He feels "HC has mastered the offline world" but recognises how things have changed. For instance, it partners with Russian e-commerce firm Eldorado.

They have created a marketplace "so you can browse a catalogue like Amazon". During our meeting I saw it on a mobile phone. It was an easy-to-use UI. Krbec says it was created one year ago and at present "thousands of contracts" are closed every week. To get a loan is simple – there are five fields to fill out online – and the decision to authorise the loan is instant.

During the tour, quite a few people mentioned Kaggle – a Google-run platform and community of data scientists and machine learners.

Krbec says HC had a record 7,200 teams compete to work on a computational challenge via this platform. The idea was for these teams to use anonymised data to predict who will default on paying back a loan. This was HC's clever way of outsourcing an innovation lab.

Thinking ahead

For Home Credit to be successful in the fast-growing markets it operates in, it needs to be driven by innovative thinking.

Mel Carvill, group board member and chief officer for public affairs, runs programmes to help young managers realise their potential. At the heart of this thinking is that in less predictable emerging markets, the need for buffers and adaptive capacity increases.

My final interview was with Miroslav Boublik, managing partner of HCVC and head of special projects at HC.



Charles Bridge, Prague

HCVC has three projects. Nymbus, a cloud core banking provider; Barion – a payments gateway in Hungary; and Eureka.ai, a Singapore-based firm that uses telco data for monetisation. These are all minority investments.

HCVC invests anything from between \$1 million to \$20 million in each firm. He's looking for Asian expansion – "particularly in India". Boublik says "India as vibrant for its VC and start-up culture."

In his other role, HC wants to push on with open APIs. This was

"inspired by open banking in the UK" and he wants HC to participate in the ecosystem. This will make it easier to work with larger and smaller partners and bring HC's know-how into this arena.

At the moment, this project is in five countries – Czech Republic, Vietnam, India, Indonesia and the Philippines. The goal is to teach the standards to HC's local staff. Later, those people can work with companies.

The tour was a lively two-day affair. The chance to meet so many different people, visit two offices, and see a bank branch in action, offered a great insight into how HC works.

The company has proved that it can be versatile and successful. It's also proved that it has every chance to stay as the "world's biggest fintech". **DNS**

Antony Peyton
@TonyBankingTech



Air Bank, Prague



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People are important to us

Since 2000, our business has been steadily growing. Our approach to technology has succeeded because we understand the financial industry. We always listen to it. Listening is part of our DNA.

Technology is the life force of our business. But we also know that while AI and robots are pretty exciting – well, we find them pretty exciting – human beings are even more important. When it comes to understanding the challenges financial institutions face, and to deciding how technology can best serve those organisations, we realise that people are paramount.

We want to know where you need to get to and how we can help you get there. That is why talking to you face-to-face is important to us, and why getting to know you at Sibos is our top priority.

**Come along and join us on Stand I31,
it will be the best coffee you taste at Sibos.**

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