banking technology

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

REAL-TIME PAYMENTS AND FRAUD
Balancing customer relationships and security

COMBATING CYBERCRIME WITH COLLABORATION
How to beat the fraudsters in open banking

PAYTECH AWARDS: WHERE ARE THEY NOW?
Catching up with Streeva, PayTech for Good Winner 2019

Produced by FINTECH FUTURES

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EDITOR'S NOTE

Sharon Kimathi
Editor, Banking Technology

In this issue of *Banking Technology* magazine, we'll be focusing on cybersecurity and fraud in open banking and real-time payments.

Jim Wadsworth, senior vice-president at Mastercard, explains how collaboration and partnerships will beat the fraudsters in open banking. He draws attention to the challenges that arise when working with third-party providers (TPPs) when "banks have to deal with the reality that TPPs, with whom they often have no prior relationship and no requirement to establish a contractual agreement, are wanting to access their customer accounts".

Wadsworth's solution for ensuring the success of open banking in the future, is for organisations to collaborate, to solve these issues together, and ensure the vital architecture underpinning the ecosystem is robust and secure.

Doug Clare, vice-president at FICO, discusses the difficulty of striking a balance between offering real-time payments and security to customers. "It may be seen as unfair to leave consumers to bear the burden of losses to clever scammers but to expect banks to recompense when customers are negligent or claim fraudulently that they've been victims is also untenable," he says. Clare finds that failure to address the issue of liability adds reputational risk, damaging the bank's credibility with potential customers.

We hope you find this month's features and analysis insightful. Feel free to check out the website for all the latest news and industry reactions to the coronavirus crisis – just click on the URL at the bottom of each page and then click on the COVID-19 tab.

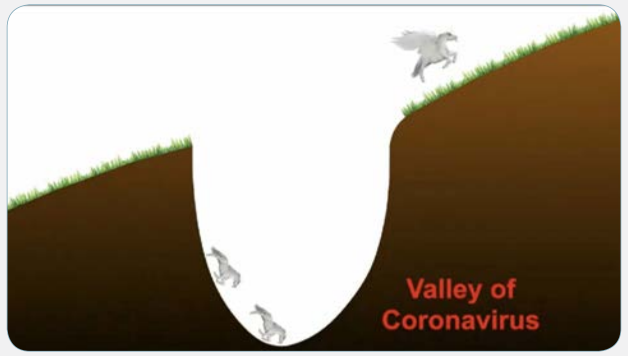
From all of us at *Banking Technology* magazine, we hope you continue to stay strong and stay safe!

FINTECH FEED

TWEET DECK Follow us @FinTech_Futures

Carlanda McKinney
@carlanda_
Question for my investor peeps.
How can you be a pre-seed investor but require '100 paying customers' or 'significant revenue' to write the check? 🤔🤔
Doth thou knoweth what pre-seed means!?
#VCtwitter #CutTheCheck #investors

Kia K.
@imkialikethecar
Why do I stay up really late for SoftBank's earnings every quarter? For amazing presentation slides like this, of course:



Albrey Brown
@AlbreyBrown
I'm 100% sure we could get all tech folks on board with defunding the police if we just called it DISRUPTING the police.

Virginie O'Shea
@virginieoshea
Bank culture, John Hughes style. #fintech

THE NUMBER GAMES

$1.25 million
The Monetary Authority of Singapore (MAS) launched a $1.25 million fintech innovation challenge centred around COVID-19 and climate change

74%
The amount MoneyGram's share price went up after the rumoured Western Union acquisition

8.8 million
People in the UK are over-indebted and nearly two million adults do not have a bank account

40%
Monzo's valuation plummets to £1.25 billion in latest fundraising, down from £2 billion in June 2019

50
employees were pressured to leave Revolut, an investigation by Wired found.

$6.1bn
Global fintech is facing the worst first quarter of venture capital backed deals since 2016

$13 billion
SoftBank reported its largest annual operating loss of JPY 1.36 trillion ($13 billion) and a net loss of JPY 961 billion

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

THEY SAID IT...

"What are you willing to do differently to root out the white supremacy the technology sector perpetuates?"
Tiffani Ashley Bell, founder and executive director at the Human Utility

NEWS ROUND-UP

India creates $66m digital payments fund

The Reserve Bank of India (RBI) has created a $66 million (INR 5 billion) Payments Infrastructure Development Fund (PIDF) in a bid to improve the payments ecosystem in India's rural districts. The central bank wants to attract acquirers to deploy the point of sale (POS) infrastructure – physical and digital – to cities with less than one million people and to all the north eastern states. Half of the investment will come from RBI and the other from India's card issuing banks and network operators.

OakNorth partners with major US lender PNC Bank

OakNorth has formed a partnership with PNC Bank – its biggest US banking customer yet. The UK challenger bank which began outsourcing its self-built lending technology to banks abroad in September 2018, will be deploying its COVID Vulnerability Rating (CVR) framework across PNC's commercial & industrial (C&I) and commercial real estate (CRE) loan books.

Singapore develops "fairness metrics" for AI adoption in finance

The Monetary Authority of Singapore (MAS) has announced it is developing "fairness metrics" for two financial use cases: credit risk scoring and customer marketing. Under the first phase of its Veritas initiative, which is aimed at promoting responsible use of artificial intelligence (AI) in financial services, the regulator is working with a consortium of financial firms to create the metrics. The consortium is made up of 25 financial firms in total.

EY sued over Wirecard audit

Longstanding auditor for Wirecard, Ernst & Young (EY), is being sued by some of Wirecard's investors for allegedly failing to flag a €1 billion accounting error from 2018. Law firm, Wolfgang Schirp, will be representing Wirecard's investors, following a raid of its headquarters on 5 June by Germany's financial regulator, BaFin.

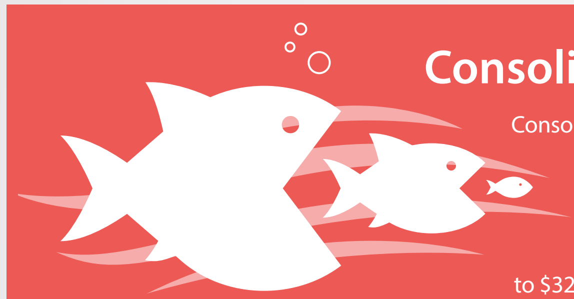
US digital banking rules could change as OCC calls for input

The Office of the Comptroller of the Currency (OCC) has called for public feedback on the current US digital banking regulations, including answers to a question on the "obstacles to further adoption of crypto-related activities" in the banking industry. The US banking regulator, part of the US Department of the Treasury, issued an advance notice of proposed rulemaking (ANPR) on 4 June to get comment from the industry on the country's digital banking rules ahead of potential changes.

DIFC dips into $100m fund to invest in four start-ups

The Dubai International Financial Centre (DIFC) has made its first round of major investments since it launched its $100 million fintech fund in 2019. The fintechs receiving an investment are: FlexxPay, Go Rise, Now Money and Sarwa. Each has received pre-Series A to Series A funding from the Dubai fintech fund.

TRENDING



Consolidation

Consolidation seems to be in the works as a means of combating the economic effects of coronavirus. In the payments sector, Western Union is allegedly eyeing up its rival MoneyGram as a potential acquisition candidate. Western Union reported a 5% decrease year-over-year in revenue to \$1.3 billion, whilst MoneyGram reported a revenue loss of 14% year-over-year, falling to \$323.8 billion. During our reporting of the two payments giants' losses last year, many of our readers wrote comments about how they were either defrauded, paid high fees or faced poor customer service. Over in banking, PNC, US Bancorp and Wells Fargo are speculated to be on Goldman Sachs' shortlist for a merger deal. The development was first revealed in a tweet by Fox Business' senior correspondent, Charles Gasparino, saying that sources told him Goldman Sachs' "weakening biz model" would "force a merger".

Changing workspace landscape

As the US, the UK and much of Europe begin to loosen lockdowns, bank executives are wrestling with the question of how many traders to send back to their offices. Major banks and financial institutions indicate that they will continue working from home for the foreseeable future due to the serious challenges they face, including safeguarding the health of employees. More than three-quarters of Royal Bank of Scotland's 65,000 staff will continue working from home until at least the end of September, whilst Morgan Stanley CEO, James Gorman, said the bank would need "much less real estate" in the future. About 90% of Morgan Stanley's employees have been working from home during the pandemic.

Support not "help"

SoftBank's chief operating officer, Marcelo Claure, announced the launch of a \$100 million fund that "will only invest in companies led by founders and entrepreneurs of colour". In the context of the current economic climate and the fintech funding space, \$100 million is chump change in today's market. This is the same company that invested \$7.5 billion in WeWork and gave Adam Neumann \$1.7 billion just to leave. Although there are plenty of vocal VC firms on social media calling for change, what any founder wants is a considered investment, belief in their product, and faith in their ability to deliver. Black-founded start-ups don't want to feel like a charity case: too often they are over-mentored and under-invested.

Digital coins

Perhaps with coronavirus revealing the hygienic and practical limitations of paper currency, many countries are accelerating their proposals for digital currencies. China is progressing a new digital yuan with several businesses for the end of the year; Banque de France published a request for proposals for a central bank digital currency (CBDC); Australia's central bank, the Reserve Bank of Australia (RBA), has been working on its own digital currency since January; and India's national strategy on blockchain and distributed ledger technology also proposes a central bank digital currency (CBDC), the digital Indian rupee, and a national blockchain.

LatAm heat

There's been a flurry of investment and growth in South American companies. Santander InnoVentures invested an undisclosed sum in Latin American alternative small and medium-sized enterprise (SME) lender a55. Nubank, a Brazil and Mexico-based neobank, reached 25 million customers. Addi, a Colombian fintech which offers consumer credit in as little as four minutes, has landed a \$15 million investment round.

Libra's second wind

By Ruby Hinchliffe, reporter, FinTech Futures

After a number of heavyweight members jumped Libra's embattled ship last October, Facebook's crypto project took a step back from the limelight. Libra remained silent during the months that followed.

Principal at venture capital firm Northzone, Wendy Xiao Schadeck, tells *FinTech Futures* this intentional silence is likely down to the social media giant trying to navigate the regulatory roadblocks it encountered last year. She recalls Basis Coin, a stablecoin start-up which had to shut down in December 2018. Despite securing $133 million in funding, the start-up got too ahead of its product roadmap and eventually blamed "regulatory constraints" for its closure.

Determined to avoid Basis Coin's fate, Libra revamped itself in April with a considerably scaled-back proposal, which it hopes will get regulators on side. Instead of a stablecoin backed by a mixture of currencies and government debt, Libra's new version will offer stablecoins pegged to national currencies, with governments able to "directly integrate" any future central bank digital currencies (CBDCs) into Libra's network.

Since then, Libra has welcomed two big new members: online payments processer Checkout.com, and Temasek, Singapore's state-owned investment firm. The association has also landed the CEO of its regulation-mired dreams – HSBC's chief legal officer, Stuart Levey, previously the Under Secretary of the Treasury for Terrorism and Financial Intelligence for George W. Bush and Barack Obama.

But some think the slow progress of blockchain projects like Libra is not just because of regulatory hurdles. Richard Olsen, founder of Swiss-based fintech Lykke, tells *FinTech Futures* there is "a lack of understanding" around what firms can do with existing regulations. "Bitcoin has distracted people from the rest of the industry. What has been incredibly painful in the last few years is that blockchain has not been embraced [to solve] the problems now at stake," says Olsen.

Whilst huge international entities such as Amazon and IBM have blockchain departments, and most big banks are using it, the world is still very early on in what many experts hope will become a journey to large-scale public adoption of blockchain.

Libra wants to launch its stablecoin before the end of this year. Whilst Bittrex Global CEO, Tom Albright, tells *FinTech Futures* he considers blockchain to be a "foundational technology" which is predominantly used "behind the scenes", Libra intends to be consumer facing. So, what will that look like? If we were asking this question regarding Libra's old model, the answer might be more interesting.

The new stablecoins Libra is proposing will likely see Facebook compete in a similar way to existing digital wallets such as PayPal's Venmo, through which users can store a balance and spend it at any time. Social payment apps like Venmo, which grew 2.6 times more than its parent company did last year, cater to the social lifestyle habits of Generation Zs, allowing them to share and split payments for presents, holidays and dinners.

Libra will act much the same. Facebook's digital wallet – newly-named Novi – will be integrated into WhatsApp and Messenger, allowing users to send money peer-to-peer (P2P) as easily as they send a text.

The key difference is that Libra will not require users to have a bank account, hence tapping millions of unbanked consumers around the world. Skipping the bank altogether, Libra could cause some disruption – but this will likely only go so deep, with banks still serving a purpose when it comes to issues of employment, housing, tax and immigration.

There are still regulatory gaps in Libra's proposal, including around how cross-border payments will work. And though its new member additions have helped reinvigorate the momentum, it will take more high-profile members if it wants to establish itself as an enticing investment proposition.

Adapting to industry wide change with ISO 20022

FinTech Futures launches an industry report on the hurdles banks must overcome under the ISO 20022 migration. By Alex Hamilton, deputy editor, FinTech Futures

The payments migration by major banks and Swift to ISO 20022 has been rightly hailed as a defining moment for the financial services community.

The new standard promises not only greater interoperability between disparate settlement networks, but also easier global communication, simpler straight-through processing (STP), and more efficient compliance processes in conjunction with emerging instant payment systems.

Such is its potential impact that banks and financial institutions cannot afford to think of their implementation of the new standards as just another IT project, or a box-ticking exercise they are being strong-armed into by a global standards body. ISO 20022 represents an opportunity for banks to reinvent the way they operate and prepare for a digital future.

The ISO 20022 transition may seem like a mandatory compliance exercise, yet the opportunities it provides means that a bank can deploy a series of robust and future-ready strategies. The ability to deliver new data components and exchange richer information creates a transparency in the payment chain, which makes regulatory compliance a simpler task.

The enhancement of payments data will also lead to improved customer service, greater usage of digital STP, a reduction in operational costs, increased innovation, and a boost to the entire payments value chain.

Saqib Sheikh, global head of the ISO 20022 programme at Swift, says that better quality data is the "foundation" on which new capabilities and new client propositions can be built. "Clients today require predictable, fast, low cost and transparent payments so they can achieve their own business goals in a better way."

He adds: "ISO 20022, with its increased detail, flexibility, efficiency, reduced costs and STP rates, opens up a world of new opportunities for financial institutions and their customers."

Significant changes are on the horizon for banks and financial institutions whether or not they grasp the opportunity presented to them. There are a multitude of operational, infrastructural, and technical considerations, and rising to meet them will be key to success not just in the movement towards ISO 20022.

An ability to handle multiple migration timelines, asses and evolve legacy systems, mitigate problematic data truncation, deal with the co-existence of standards and prepare for an interoperable future will set financial institutions apart from the pack. These elements of success will be a launchpad from which a bank can continue to innovate and thrive in a digital future.

FinTech Futures has produced a report into five crucial success factors that can help financial institutions make the most of their ISO 20022 migration, featuring input from Wells Fargo Corporate & Investment Banking and Swift.

ISO 20022 will shake up the industry and its footprint will be felt well beyond the payments value chain. To see just how banks can grasp the opportunity presented to them, head to the *FinTech Futures* website to download the report today!

I'M JUST SAYING...

Banking's long divorce process

By Dharmesh Mistry

Banking, like any other business, is about two things: products and customers. So, it is no surprise that every incumbent core banking vendor manages these two aspects in their platforms. Although each has their own lifecycle, it is the product lifecycle that vendors focus hardest on. From defining a product, publishing a product, simulation (showing a product behaviour, e.g. loan repayments or investment growth), to selling a product (onboarding customers), operating a product and finally closing or transferring a product.

The customer lifecycle has largely been delegated to client relationship management (CRM) systems. Many of the tier one banks created their own customer management systems in the 90s, thereby separating customer management and product management. I was involved in Lloyds development of the "customer file" – at that time the largest implementation of a DB2 database costing hundreds of millions of pounds.

The separation of customer management from product management has very strong advantages, the main one being that it is possible to aggregate (aka a single view) customers holdings irrespective of the platform the products ran on. Banks typically will run products on separate platforms, e.g. cards, deposits/ loans, mortgages and insurance are typically on separate platforms. Banking had always had these two parts, until the late 90s.

I pitched the idea of "franchising banks" (similar to what we call Banking-as-a-Service/BaaS today) to three of the top banks in the UK, and all three declined the opportunity. The proposal essentially makes the separation of product and customer management a business model change. However, a few years later, RBS struck a deal to provide banking for Tesco, whilst Bank of Scotland supported Sainsbury's.

The advantages were clear. Retailers had better client engagement since customers are visiting their stores and they were already selling third party products. These retailers also had large customer bases, which effectively made them "distributors" of banking products. These partnerships over time were replaced by the retailers getting their own banking licences and systems.

Late in the 90s came the internet and most banks over time added the internet as an alternative channel to their branches and call centres. However, a number of direct (branchless) banks did emerge: Intelligent Finance, Egg and Smile. Smile is the only one that remains operational for new customers today. These banks also managed both the customer and products.

Fast forward another decade or so to 2014 when the discussion on open banking started, and the creation of several vendors targeting BaaS emerged. This was yet another enabler for the separation of distribution and manufacturing of banking products. This time was different, as these initiatives received regulatory backing since innovation came to the forefront as a key diver to increasing competition in banking.

Now we are seeing new distributors leverage open banking to own the banking relationship by enhancing banking customer journeys. Some 200 new "banks" have since been created in the UK. Only a few of these have full banking licences, the majority have trusted third party access to banking data and aggregate from existing banks.

These new players are starting with digital banking platforms (DBP) that allow them to create and manage multi-channel customer journeys without the heavy burden of having to be a fully licensed bank. They may go on to acquire a banking licence and implement a full core banking solution, but if they do, they will expect it to be a headless core, i.e. one that only provides "product management" as their DBP will handle customer management.

> "I pitched the idea of 'franchising banks' to three of the top banks in the UK, and all three declined the opportunity."
>
> **Dharmesh Mistry**

Technology has a key role in enabling a business model shift and, as can be seen from the above. We've already seen a couple of failed attempts at separating banking distribution and manufacturing. So, the question is whether the change driven by open banking will stay or, like before, it will fade away leaving customer saddled with traditional banks. It also begs the question for incumbent core banking vendors that haven't made this separation; have they "got away" with delaying a major technological shift or will they falter because they didn't?

My view is clear, this is a shift that makes sense from a business model perspective and the technology is here to support it. I don't believe we have seen the full extent of the impact of open banking, I believe that comes as verticals outside of banking start to leverage the open banking opportunity. That was my view over six years ago; I'd love to hear what you think the future holds.

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

Partnering is a solution to the regulatory "new normal"

By Alex Hamilton, deputy editor, FinTech Futures

In a time of upheaval the world over, and in one in which the narrative around innovation and digitisation is being rewritten on a day-to-day basis, financial institutions are discovering new challenges and solutions when it comes to dealing with regulatory compliance.

"We've entered different territory in the last eight to ten weeks," says James Buckley, vice-president and Europe director for Infosys Finacle. "Until the COVID-19 crisis there was a 'new normal' in terms of regulation and meeting the standards regulatory regime. It had also been a significant part of the workload that banks deal with."

There had been an increasing set of frameworks around both the systemic risk level and on the customer transparency level, says Buckley. This had been creating an increasing amount of effort required by financial institutions.

Now, he says, the "new normal" is a rapid scaling of digital capabilities together with a situation where the risk landscape is mutating. "Up until ten weeks ago there was plenty of VC capital floating around to service a large number of fintechs and that backdrop has changed fundamentally."

Banks and financial institutions are trying to digitise as fast as possible and virtualise a lot of their face to face interaction in the wake of societal changes wrought by coronavirus. This creates a situation in which the regulator has to speak to a bank trying to keep its core business running while simultaneously attempting to rapidly digitise.

"This means that regulators are in a much more active mode right now," says Buckley. "They're working with banks and others that are trying to work through the minefield of using various fintechs to create their digital journeys."

He adds that there are "probably


James Buckley, Infosys Finacle

hundreds of initiatives across the banks in Europe alone" across the financial services sector where regulators are actively monitoring and engaging with banks. "The issue now is that the speed at which some of these projects have to be done really requires the regulatory regime and the regulators to work quite closely with the banks to ensure that they can effectively maintain a compliance framework."

The industry is in a situation where banks and financial services organisations were looking at fintechs to circumvent the heavy regulatory regimes and provide ancillary capabilities to banks like marketplace aggregation. Yet a headache arrives for banks when the question of liability arises, says Buckley. "They have to be liable for the compliance and regulatory regimes around these particular fintechs, unless using them for off balance sheet, deregulated, allied initiatives."

With banks attempting to digitise rapidly in the face of the challenges brought on by coronavirus, risks are bound to be around the corner, especially as they aim to cut costs. "One of the first things that happens in a rapid downturn is that banks cut discretionary spend, and a lot of that falls on consulting spend," says Buckley.

"What happens when you cut back on that is you start to remove change capability around digitisation but also around compliance. Various compliance programmes begin to grind to a halt. It gives them a very short-term relief in terms of budget but leaves them short-handed when it comes to implementing fast changes."

Those rapid changes are happening right now, according to Buckley, as at the board level in Europe a "change fast and survive" mentality is taking hold to avoid seeing market capitalisation drop through the floor in the medium term.

The good news is that banks are aligning themselves with fintechs emerging in a world where compliance is their bread and butter. For example, there are fintechs that are borne out of applying themselves to solve items like Open Banking and the second Payment Services Directive (PSD2) from inception.

But even these fintechs are finding that one size doesn't fit all and that their attempt to scale may be difficult. There are nuances between banks when applying tech solutions, says Buckley, and you can't go to 100 banks with the same solution 100 times, because each financial institution will have a different operating model. To that end, collaboration between fintechs and banks, and proactive input from regulators, will be a cornerstone of this regulatory "new normal".

INSIGHT: PAYMENTS FRAUD

Real-time payments and fraud: what can be done?

By Doug Clare, vice-president of fraud, compliance and security solutions, FICO

The US is likely to encounter more fraud and financial crime problems as real-time payments increase in both value and volume. The answers are neither fast nor easy but there are things that all participants can do.

WHAT CAN THE BANKS DO?

In countries such as the UK, real-time payment schemes have been ubiquitous for many years. Banks have suffered from bad publicity when money laundering happens, or their customers fall victim to fraud. These can be difficult issues to manage but there are steps that banks can take:

• **Innovation in analytics**
To effectively manage fraud risk, companies should use advanced analytics techniques. The methodologies that underpin transaction risk analysis for cards can be deployed for other payment types, with the speed and volumes needed to assess real-time payments. While criminal activity, such as authorised push payment fraud, can be difficult to spot because it is the legitimate account holder making the transaction, there are still anomalies that can be detected by machine learning models trained to spot outlier behaviour. Even if the legitimate customer is making the transaction it is likely that there are clues that they are doing so under duress, because they have been tricked, or because they have turned to the dark side.

In recent years, financial institutions have advanced in their use of artificial intelligence and machine learning to detect money laundering. It is natural that they should further extend these methods to look for money laundering and fraud in real-time payments.

• **Customer communications**
Authorised push payment fraud relies on customers making a payment without stopping to think. Banks should therefore look at how they educate their customers. Education shouldn't only mean sending customers materials but also look at how financial institutions communicate with their customers during transactions. Integration of the fraud risk engine with customer communications means that highly individualised just-in-time messages can be pushed to the customer when transactions seems suspicious using SMS, telephone call or in-app messages.

• **Don't forget in-bound payments**
Instinctively, it feels like the onus for prevention sits with the payer's bank where the payment is being initiated. This is a false presumption and the payee's bank that is receiving the money could be considered more at fault. The accounts receiving money may be under the control of a criminal and this may be because either the account has been opened using a stolen or synthetic identity or because the account holder is participating in money mule activity. The receiving bank should have controls in place to identify and prevent both crimes. Using transaction risk analysis to assess in-bound payments is a worthwhile safety net for when criminals are controlling accounts.

• **Remove silos**
At a recent user group attended by FICO's Financial Crime Compliance Community, one phrase really resonated: "sometimes it's fraud, sometimes it's money laundering – mostly it's both". Yet, banks often have fraud and AML compliance teams operating in siloes. This makes it difficult for them to track the proceeds of fraud as they are laundered and fully understand the network of criminal behaviour present in their account portfolio. The convergence of fraud and compliance management activities in banks will challenge established practices and entrenched fiefdoms – but it has the promise to drive efficiencies and effectiveness into both.

> "At a user group attended by FICO's Financial Crime Compliance Community, one phrase resonated: 'sometimes it's fraud, sometimes it's money-laundering – mostly it's both.'"
>
> **Doug Clare, FICO**

• **Mutual authentication**
A particularly nasty variation on authorised push payment fraud is when criminals pretend to be from the fraud department of a customer's bank. They convincingly persuade the account owner that they are investigating fraudsters operating within the bank and they ask their victim to transfer money in their account to a new account to keep it safe. But of course, the new account is held by the criminals. This fraud is enabled – in part – because of the inconsistent ways in which banks contact their customers. The lack of standardisation in methods and scripts leave room for fraudsters to trick the unsuspecting. While checking the identity of customers is par for the course, the same effort has not gone into making sure that whenever banks contact their customers (even for sales purposes) that it is clear to the customer that it is a legitimate contact by their bank. »

WHAT CAN THE INDUSTRY AND REAL-TIME PAYMENTS SCHEMES DO?

There are systemic steps that can be taken to protect the payments infrastructure independent of the banks including:

• Confirmation of payee

A fundamental issue with payment transfers is that the person you intend to send money to might not the holder of the bank account, but a criminal. Businesses who want to make real-time payments can buy software solutions that verify bank account ownership, but of course that is a cost to them, and it is not available to consumers. Schemes could look to integrate a "confirmation of payee" service into the real-time payments' initiation process. This is not infallible, but it could prevent many cases.

• Fair liability model

Real-time payment schemes give people the ability to send and potentially lose life-changing sums of money. However, they don't offer the protection that is inherent in other payment systems such as credit cards. There is a difficult balance to be struck; it may be seen as unfair to leave consumers to bear the burden of losses to clever scammers but to expect banks to recompense when customers are negligent or claim fraudulently that they've been victims is also untenable. Not addressing the issue of liability leaves banks facing negative publicity when their customers have been defrauded and makes consumers and businesses suspicious about using the schemes.

• Consumer education

The different real-time payment schemes emerging in the US are currently involved in a "land grab" for market share. This must not come at the expense of exposing consumers and businesses to more risk. Continued rises in transaction limits must be coupled with ongoing consumer and business education programs that don't only focus on the undoubted advantages of real-time payments, but also risks and liabilities.

• Transaction risk analysis

As mentioned above, both the payer and payee banks will benefit from implementing transaction risk analysis on payments. Additional protection could come from the schemes implementing risk analysis in the interbank space. Doing this would not negate the need for banks to carry out analysis but could spot additional cases. The schemes have a view on potential fraud and money laundering across all the financial institutions who participate in their scheme. For example, they could detect suspicious payment going to an account not just from the perspective of a single initiating bank, but across all banks sending payments to that account.

> "With real-time payments, once the payment is initiated, the money is gone – so be sure to act on even the slightest suspicion before pressing send."
>
> **Doug Clare, FICO**

WHAT CAN USERS DO?

It can be easy to talk about the users of real-time payment schemes as if they are passive victims. Whether they are businesses or individuals this does not have to be the case, and given that they may end up bearing the losses there is much we can all do.

• Work with your bank or other providers

Scammers can be very persuasive, but victims who feel even the smallest suspicion should act on it. Your bank's customer services and fraud departments are ready and willing to help you. Even if you think it is your bank that contacted you, a genuine bank won't mind if you stop the call and phone them back on the number on your card or their website. If you are suspicious that it isn't your bank that has contacted you, be sure to make a phone call.

Individuals should also be wary when buying goods from online auction sites, if the seller asks for payment by means other than specified by the site (for example, if buying on Ebay using Paypal is recommended). Follow the advice of the website and if it is fraud you will be better protected and the fraudsters more easily traced and stopped.

• STOP and think

Fraudsters rely on creating a sense of urgency and panic so that their victims, whether businesses or consumers, act without thinking. Never be afraid to query something that doesn't feel right, if someone is applying undue urgency to a payment being made, particularly if it is for something you weren't expecting. You may have good reasons to be suspicious. Your bank will not mind if you query such payments. With real-time payments, once the payment is initiated, the money is gone – so be sure to act on even the slightest suspicion before pressing send.

• Strong supplier management

Businesses are being defrauded when criminals send change of bank account details notifications or fake invoices. Businesses should have processes in place to check supplier bank account details when they set up new suppliers, when invoices with new bank account details appear, or if they receive a change of bank account notification. Manual processes such as contacting the suppliers accounts department to confirm will help, as will using a commercially available solution that verifies bank account ownership.

• Emergency payment policies

To prevent staff acting on CEO fraud, businesses should have policies in place that help staff to understand any circumstances where an urgent request for payment from a senior member of staff could occur. They should have checks and balances in place so that staff do not simply act on such a demand but must make checks first. It is vital that staff feel they can make these checks for legitimate payments without retribution from impatient leaders.

CONCLUSION

Experience in countries such as the UK where real-time payments have been ubiquitous for more than a decade shows that there is real value to being able to move money quickly. Fraud and money laundering are real issues but there is much that all involved can do to increase security and make the real-time payments schemes a resounding success.

Collaboration will build a high fence to stop fraudsters

By Jim Wadsworth, senior vice-president, open banking, Mastercard

It's no surprise that one of the bigger concerns we hear from financial institutions across Europe about open banking is fraud and loss, especially as volumes are now growing. Having to verify the regulatory status of every third-party provider (TPP) requesting access to customers' payment accounts, while monitoring for indications of fraud for each individual request, many financial institutions are facing significant complexity in trying to manage risk.

Having been at the heart of open banking since the start, it has been refreshing to see so many financial institutions now embracing open banking. But banks also have to deal with the reality that TPPs, with whom they often have no prior relationship and no requirement to establish a contractual agreement, are wanting to access their customers' accounts. End users, to a certain extent, are protected by the Second Payment Services Directive (PSD2) – if they lose money through an open banking transaction, their bank is obliged to pay them back. But this means the challenge and the risk sits with the financial institution.

It's therefore important for banks to make sure they are dealing with legitimate and regulated TPPs to determine whether a transaction should be processed or not. With the number of TPPs rising, this is no small feat. According to data published recently by Mastercard and Konsentus, as of 31 March 2020, a total of 279 third parties were registered with a National Competent Authority in Europe. While the UK leads Europe with 129 or 46% of "home" registrations, each country has at least 44 registered TPPs through passporting arrangements. And of course, it isn't just the newly regulated entities that are looking to take advantage of PSD2. Other banks as well as payments institutions are also able to do so, increasing further the need.

Regulatory-driven change, courtesy of PSD2 and Open Banking in the UK, leads to a complex web of compliance standards just by virtue of having to deal with multiple countries. And, as with all legislation, the devil is in the detail: its only once implementation begins that bumps in the road are uncovered. For example, each third party needs to obtain a licence from a national regulator, and once they've received that licence they can passport it to a number of European markets. This immediately introduces a pan-European dimension, dealing with third-party providers from different countries all operating under potentially slightly different regulatory regimes.

There is huge complexity in checking the regulatory status of a third party; consider the challenge for a bank in having to reach out to all of the 70 qualified trust service providers (QTSPs) and 31 national competent authorities (NCAs) in real-time. As Brendan Jones, chief commercial officer at Konsentus, explained: "All 31 NCAs and the more than 115 registers they maintain run on different technology stacks; the information presented across registers is not standardised or consistent, and there's often duplication or information missing."

The success of open banking in the future will be predicated on innovation, collaboration and partnership – organisations coming together to collectively deliver greater solutions that one organisation could not do alone, ensuring the vital architecture underpinning the ecosystem is robust and secure.

Open banking is an evolution. We agree with Brendan when he says, "The ecosystem is just at the start of its journey, and every participant is learning as we go". The ultimate challenge is making sure there are compelling propositions for customers, banks and third parties underpinned by a balanced, robust ecosystem. It's a case of risk and reward – people will make their data available but there has to be something in it for them. Unfortunately, if there's more data available and more ways for fraudsters to exploit it, then the sophistication of their attacks will increase. So, it's essential that we continue to collaborate and keep the fences as high as possible.

Getting reconciliation right in the "decade of data"

By Sharon Kimathi, editor at FinTech Futures

Digitisation of manual systems has been pushed to the top of banking executives' agenda since an early push in the early 2000s to automate parts at the very back-end of the system. However, innovation in this area has stalled and operations reliant on people power and spreadsheets are still prevalent.

One process that often gets delayed is automation of reconciliation functions from onboarding, compliance, trade data and regulatory reporting. Reconciliation is an essential control function in financial services, aimed at eliminating operational risk that can lead to fraud, fines or in the worst case, the failure of a whole firm.

FinTech Futures sits down with Douglas Greenwell, reconciliation expert at Duco, to explore how firms can automate and streamline their reconciliation functions today, the options available for updating and consolidating systems, and the potential for machine learning to revolutionise how these processes are carried out.

"What I think most organisations face is represented in the diagram where there are a multitude of systems, different processes, technology types and computing. Within that, there are three key reasons that are making this difficult: a lack of standardisation, increasingly complex instruments being traded, and poor data quality," says Greenwell.

This is why Duco penned a paper that looks at the whole maturity of reconciliation - a best practice guide for all reconciliation practitioners, or executives overseeing a reconciliation function. "We believe there are five key stages organisations can find themselves at," says Greenwell. "Firms can use the Reconciliation Maturity Model to benchmark where they are in terms of reconciliation best practice, and what steps are needed to improve automation, efficiency and operational resilience".

"We find that most organisations are at the hybrid stage," he adds. This is stage two, where a firm's complexity is such that spreadsheets and manual processes alone are not enough to deal with the issues it faces. "This is where firms will have multipoint systems in place, resulting in a patchwork of disparate processes and spreadsheets. The goal is to move from this hybrid stage to the automated stage and beyond."

Most institutions struggle to move from stage two to stage three. To do so requires a fundamental rethink of the reconciliation architecture, from point solutions that specialise only in certain type of data, to agile technology that can onboard and automate new reconciliations very quickly, even with new types of data the firm has yet to deal with.

Once widespread automation has been achieved, the aspiration – and where organisations really start to drive tangible value – is to move beyond stage three and four towards a place where errors are spotted and corrected automatically, and the need for intersystem reconciliation is all but eliminated. This can be achieved through machine learning.

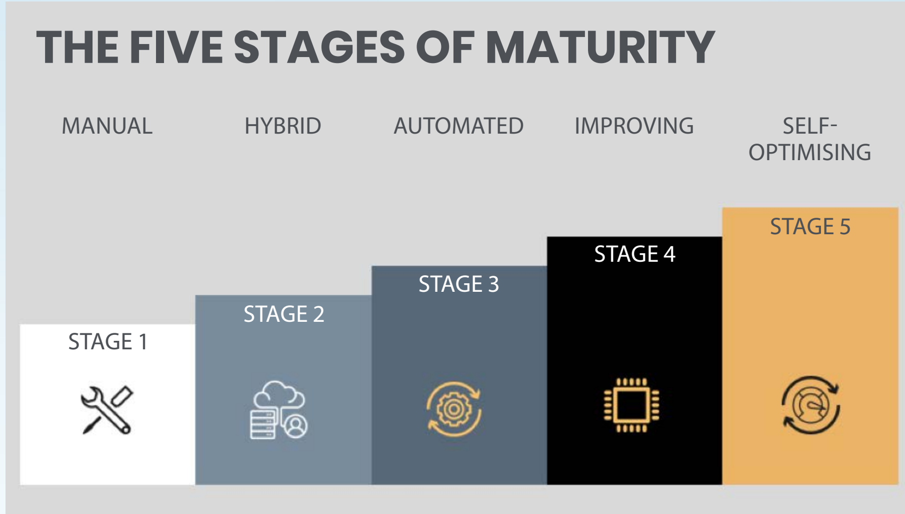
"Machine learning, when implemented properly, will enable firms to spot and correct data errors, inconsistencies and poor quality at source, before issues are created in downstream systems," continued Greenwell. "Reconciliations are often used as an 'after-the-fact' control point. But if you can fix the data at source – by using machine learning technology that has trained on past data – these reconciliations will start to flag up fewer and fewer issues, and can be eventually be removed entirely."

However, not all machine learning technology is created equal, and there are some pitfalls that organisations should be wary of. For example, a machine can only learn from the data it trains on. If the machine learning technology is installed on an on-premise system, for example, and only able to train on data within the boundaries of one organisation, the scope for improvement is limited. But if the machine learning technology is cloud based, training on industry-wide data, there's a flywheel effect – the more data that becomes available, the more accurate the models and predictions become.

In terms of customer data, when that data is corrupted from the start, this represents a real issue. But how can firms prevent having to reconcile the data in the first place? Brittany Garland, director of operational risk & regulatory compliance at IHS Markit, tells *FinTech Futures* that firms should ensure the data is clean from the start and aggregated at the point of account opening – ensuring that the data continues to be maintained throughout the lifecycle of the account.

"We can start to get that data from the point of entry by introducing tech elements in the onboarding process. The onboarding process is extremely manual and heavily reliant on email communications, which are prone to human errors, and falls short of collecting all the data on a client at the point of account opening," says Garland. "To start solving these challenges, it's important to digitise these processes and have full transparency of your data requirements at the point of onboarding, removing manual intervention."

Chad Giussani, head of transaction reporting compliance at Standard Chartered Bank, explained that there are additional hurdles with regulatory reporting data and the requirement to obtain additional data on a client post-account opening. But his solution came with more regulatory intervention. "What's been helping us is the increased adoption of data standards," he says. Giussani references the ISO standards and legal entity identifiers (LEIs). "Once you use standards under specific regulations, like the Second Markets in Financial Instruments Directive (MiFID II), so it has to be 'x long' and it 'can or can't contain numbers', this helps with usable checking and referencing external sources to ensure validity."



Although regulations help, they can also hinder certain departments throughout the trade and data lifecycle. Greenwell believes that the overriding issue is that most of the technological infrastructure that organisations are grappling with is centred in the IT departments as opposed to the reconciliation operation itself. "Systems need to be more self-service in order to fulfil the need that comes out of the front office or new regulatory obligations. The reliance on legacy technology has led to a massive explosion in both manual and automated hybrid processes," says Greenwell.

Having data formed accurately at the start of the process improves its chances to stay clean throughout the entire trade and data lifecycle, especially within areas that are often overlooked such as the archiving and deletion processes. Most firms focus on the trade and regulatory reporting elements due to audits that can lead to massive fines if the data is inaccurate or misleading. There are also a variety of reasons for data to change over time such as: new regulatory requirements, mergers, acquisitions, name changes etc.

But keeping data clean throughout this process can help allay any fears of such legal enforcement action. This is where the reconciliation maturity model comes in, as it can assist organisations in reaching that clean state. This can help firms to develop a robust model and follow best practices for new data and regulatory requirements.

"The key lies in organisations addressing technology stacks. Firms should use technology that is fully resilient and empowers employees in multiple geographies," adds Greenwell. He believes that the model can provide that sense of empowerment in both operations teams and IT departments, while also assisting with cost-cutting.

The full Reconciliation Maturity Model can be **downloaded here**

PayTech Awards winners: Streeva living the good life

By Martin Whybrow, senior staff writer, FinTech Futures

In the last year, Streeva has taken considerable strides towards introducing its payments solution for the UK's charity sector (albeit not without a twist or two on the way). And the brother and sister start-up has also gained funding from the UK's HMRC to see if its technology can be applied to a thorny tax issue.

This wasn't how it was meant to pan out at the start. Initially, it had set out to tackle the arguably less critical but nevertheless irritating challenge of linking receipts to expense systems at the point of sale.

"We had a solution to a problem but we didn't know how big the problem was," says co-founder, Beth Michael. The technology links payments to payment data without compromising data privacy and as the co-founders looked around, other pressing challenges started to loom.

This was particularly from talking to those in the charity sector. It was out of these conversations that Streeva identified the need for a service to fully automate tax relief for donors and charities across all methods of donation.

Its initial focus has been around Gift Aid, a UK tax benefit that boosts charitable donations by 25% at no extra cost to the donor. According to a recent report by the Charity Tax Commission (CTC), Gift Aid generated £1.3 billion in payments to charities in 2017/2018 but some £560 million was unclaimed. Small to medium-sized charities were the biggest losers.

There have always been reasons why Gift Aid is lost, including lack of awareness, the bureaucracy of the current system and errors, but the move to different forms of contactless payments have exacerbated the situation.

Streeva took its emerging technology and created Swiftaid, which initally automates Gift Aid for contactless payments. In fact, Streeva originally sought to use the UK's Open Banking to link its technology to donor bank accounts. It signed up around 20 charities but the uptake and retention from donors was not good, in part because of a reluctance to share account details.

The focus as a result has switched to a card-linking solution, with Streeva now moving its charities across. Donors register on the Swiftaid website and then all of their future donations to charities within the scheme will automatically include Gift Aid, with neither the donor nor the charity needing to do anything else.

The first to move across, perhaps unsurprisingly as it was a contactless pioneer, is TAP London. It is focused on contactless payments for people experiencing homelessness.

TAP uses specialist fundraising technology company, GoodBox. In terms of reaching charities, Streeva has mainly done this by working and integrating Swiftaid with the likes of GoodBox and other fundraising platforms.

Small to medium-sized charities have proved the easiest to work with to date, says Michael, as they tend to be able to make quicker decisions than their large counterparts. Swiftaid charges charities 5% on the amount of Gift Aid claimed, there are no subscription or upfront fees.

In terms of HMRC, Streeva is being supported by it to demonstrate the ability to automate tax processing.

Just to add to a busy year, Streeva is seeking to raise £2 million in investment.


Streeva: winner of the Paytech for Good Award, 2019

> "We had a solution to a problem but we didn't know how big the problem was."
>
> **Beth Michael, Streeva**

Around one-quarter of this is committed, from angel investors and high-net-worth individuals, and there are advanced conversations with venture capital companies and other investors for the rest.

Having been set up in 2015, Streeva started developing Swiftaid in 2018 on the back of an Innovate UK grant in collaboration with the University of Surrey. It also raised some seed investment and today has nine staff. These are still relatively early days and, as is often the case with new technology, the company has taken a while to find its niche. However, with Swiftaid on the cusp of taking off alongside an overall Future of Gift Aid project led by the Charity Tax Group, and with the company also now involved in the HMRC project, there look to be interesting times ahead for the team at Streeva.

PayTech Awards 2020 are open for entries! For more information and to enter, visit paytechawards.com

ASK THE EXPERT

How can I improve my success rate creating partnerships?

By Greg Watts

Alongside raising investment, generating leads and securing meetings with relevant decision makers are the most important activities a fintech can do. Commercial agreements and partnerships are, after all, essential for growth. And with up to 90% of start-ups failing in the first year, you need to have a pitch that stands out.

But why do many fintechs struggle to create leads, reach the right decision makers, close deals and create valuable partnerships? Here are some reasons:

- You haven't identified the right target businesses.
- Your approach is too generic.
- You haven't spent sufficient time identifying key stakeholders.
- Your offering and content doesn't resonate with target partners.
- You haven't spent sufficient time or resource in the right places generating awareness of your business.

Here we'll explore why some fintechs struggle to generate leads, then provide tools and tips to enhance your approach to accelerate your partnership efforts.

1. RE-EVALUATE YOUR TARGETS

In theory, lead generation is a straightforward process. However, many businesses fail at the first hurdle – which is to have a razor-sharp focus on targets.

For example, many fintechs decide to create partnerships with "all" retailers or banks in a particular market, then expect their sales teams to hit the phones and secure meetings. However, with finite resources, that's often an inefficient and ineffective approach.

Fintechs need a clear set of criteria. The start point should be, what pain or benefit does your proposition fix or provide to your target partner? Will you save customers money, make them more efficient or bring them more business? The criteria for each fintech will vary, but some questions to consider include:

- Which verticals, sectors or categories do you want to focus on?
- What are the characteristics of your target partners? For example, are they high frequency retailers such as coffee chains or do they boast high transaction values, such as luxury brands?
- How easily can you partner with them? For example, a Tier 1 retailer such as Tesco or Boots is likely to take more time to partner with than a smaller coffee chain. Given how important time to market is – it can take months, if not years, to create partnerships with larger businesses. Targeting smaller partners to create compelling case studies – which demonstrate the benefits of your business to new potential partners and investors – might be a more efficient strategy.

Once you've evaluated your targets, you should assign weightings to help you prioritise where to spend your time and resources.

2. REFINE YOUR APPROACH TO LEAD GENERATION

It's critical to underscore the importance of getting lead generation right.

Once you've identified your target partners, the next step is to ensure all your resources and activities are focussed around generating awareness of your business to help you secure meetings with target stakeholders and decision makers – and ultimately – create and close commercial deals.

The next step is to identify buyer personas within your target companies. The reason for this is to create content that makes them want to engage with you.

As you create the buyer personas, some points to consider are:

- What problems do you fix?
- What benefits do you offer? How do these compare to other players or competitors?
- Why should they engage with you?
- What channels do they engage with? How can you reach them?
- Which events or forums do they attend?
- Who – if anyone – do they currently partner with?

As a guide, a business should have between four to six buyer personas for each industry. Categorise them as budget owner, influencer, key decision-maker, executive sponsor and detractor (this last one is particularly important so you can pre-empt potential obstacles or reasons to not buy). Cluster them to create segments with common challenges and issues you can solve. Ultimately, you need to articulate why they should engage with you.

Once the personas have been created, you can focus on your content plan, encompassing your website, social media feeds, thought leadership and other marketing efforts.

Finally, allocate weightings and corresponding triggers within your marketing automation system for interactions with your business – these are known as Marketing Qualified Leads (MQLs) and Sales Qualified Leads (SQLs). For example, if a prospect visits your website and downloads a thought leadership article, that might be classed as sufficient to be passed to the sales team for follow-up. Assigning weightings means the sales team will already know the prospect and have an interest in their business. Effectively, these are now warm leads who will be receptive to an introductory call or meeting.

3. MAKE IT A TEAM EFFORT

Too frequently, lead generation is viewed as the sales team's responsibility. Yes, the role of a salesperson is to sell – however, he or she must have the full support of the business behind them when it comes to generating leads. Without that, the business will struggle to make an impact.

One way to instil this mindset and a create a high-performing culture is to display sales targets throughout the organisation and provide regular updates on performance.

Another way is to hold a 15-minute all-hands meeting focused on: How many leads have we generated today? What can we do to be more effective? It's amazing how many great ideas will be generated by employees outside of the sales organisation.

BRINGING IT ALL TOGETHER

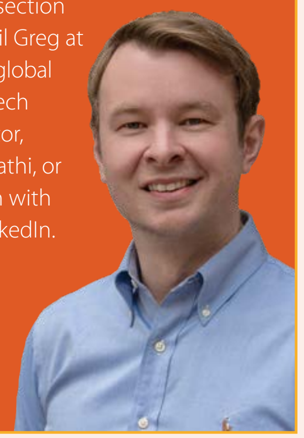
Generating leads often sounds easy. However, without the right planning and focus, the results may be disappointing.

Being ruthlessly clear on who you're targeting and why they should engage with you – and then creating content that resonates – will make for a more effective approach when it comes to creating long term, valuable partnerships.

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

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

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

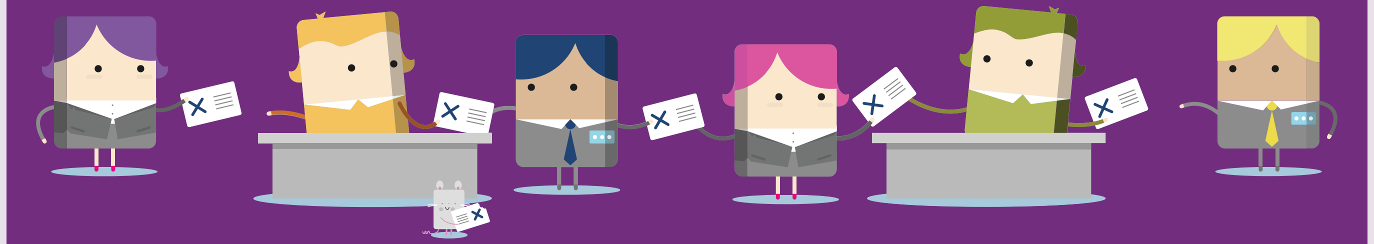


FINTECH FUNDING ROUND-UP

Proxymity, an investor communications platform spun out by Citi, has landed $20.5 million in a funding round that will see it become its own London-based entity.

The fresh capital comes from investors including Citi, Deutsche Bank, HSBC, JP Morgan, State Street, Clearstream, and Computershare. All eight investors are in the fintech's newly created consortium.

Proxymity says it will use the backing to scale its platform and team. It also plans on expanding its services to "a wider client base" and geography, starting with European Union markets ahead of the Shareholder Rights Directive II implementation deadline of September 2020.



Brex, a US-based corporate card provider tailored to start-ups, has landed $150 million in a Series C extension from investors including DST Global and Lone Pine Capital. It's the fintech's largest single raise to date.

With $732.1 million raised in total according to Crunchbase, the fintech plans to use its newest capital to continue boosting its engineering, product, and design capabilities.

GoBear, a Singapore-based insurance and banking marketplace, has landed $17 million in a funding round led by existing backers Walvis Participaties and Aegon.

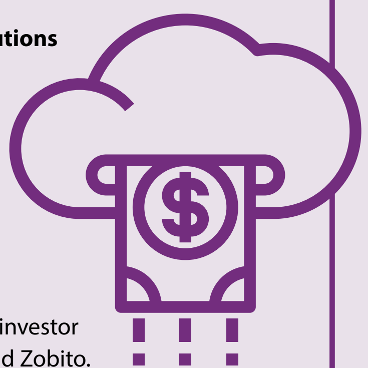
The funding follows the fintech's larger $80 million raise in May 2019 with the same investors, and marks GoBear's fifth fundraise to date.

GoBear says it will use the fresh capital to accelerate its transition into "a full-fledged financial services platform" that is built on alternative data, which draws from non-traditional sources.

Fly Now Pay Later, a UK-based fintech which allows people to spread out the cost of their holiday trips, has landed £35 million in a Series A funding round.

Amid a near shutdown of the world's travel industry during the coronavirus crisis, the start-up has managed to raise a mixture of new equity and debt led by Revenio Capital, with participation from Shawbrook Bank and BCI Finance.

Treasury Intelligence Solutions (TIS) has raised $20 million in additional financing led by Aquiline Technology Growth, an early and growth-stage fund managed by Aquiline Capital Partners.



The round also included participation from existing investor 83North, Target Partners and Zobito.

TIS, which provides a cloud platform for managing corporate payments and cash flows, plans to use the new funding to further accelerate product development and to scale operations in Europe and in the US.

Verteva, an Australian fintech looking to digitise the home lending industry, has landed AUD 33 million ($21.4 million) in a Series A funding round led entirely by New Zealand investment group Bolton Equities.

The 2019-founded start-up is headed up by two former Westpac execs, Andrew Walker and Chris Lumby, and the fresh capital will go towards the launch of its digitised home loan solution.

Wave Money, a Myanmar-based digital money transfer service, has landed a $75.3 million investment from Ant Financial. The investment makes Ant Financial a substantial minority stakeholder, alongside existing shareholders Telenor and Yoma Group.

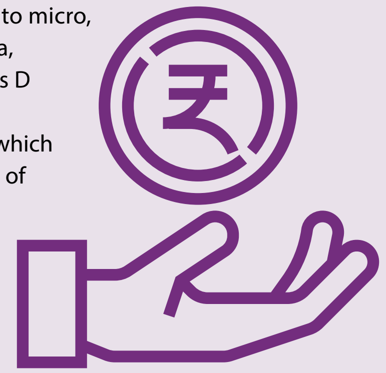
N26 has extended its Series D round and landed another $100 million in funding from its existing investors.

The Berlin-based challenger bank, still valued at $3.5 billion, has raised a total of $570 million in its Series D, which has seen two other additions, including its initial $300 million raise in January 2019, and its $170 million extension in July 2019.

Lendingkart, an Indian-based fintech which lends to micro, small and medium enterprises (MSMEs) across India, has raised $42.1 million as part of its ongoing Series D funding round.

The round is made up of a $31 million D1 round which was raised last August, and a $11.4 million D2 round of fresh investments.

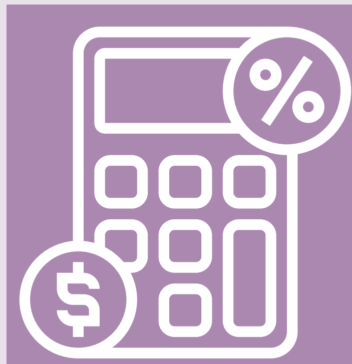
The funding was led by existing investor, Fullerton Financial Holdings, with participation from fellow existing backers, Bertelsmann India Investments, Sistema Asia Fund and IndiaQuotient.



Customer lifecycle and interaction platform **Appway** has raised $37 million in equity funding from Summit Partners.

The funding is Appway's first external capital raise and will be used to help the company to "further expand its product portfolio and accelerate international growth".

It will use this new funding to support expansion initiatives in core markets around the world, including Europe, the APAC region and focusing on North America.



ANNA, a UK-based fintech that offers small businesses accounts and tax services, has raised £17.5 million from ABHH Group.

ANNA says it will use the funding to expand outside of its familiar, domestic UK market into wider Europe, by building on the rails of Netherlands-based ATB.

Financial crime prevention firm **Featurespace** has raised £30 million in a venture funding round led by Merian Chrysalis Investment Company.

Featurespace provides adaptive behavioural analytics software, designed to prevent financial crime and fraud. Headquartered in the UK, its customers include HSBC, Danske Bank, Vocalink and Worldpay.

Starling Bank has raised an additional £40 million in funding from existing backers, adding to its £60 million raise in February. The round was led by JTC and Merian Chrysalis Investment Company Limited.

To date, the UK challenger bank has raised £363 million since its launch in 2014. The fresh capital will go towards its company-wide growth strategy and its "much-needed support to small business customers who have been hit by the coronavirus emergency", a bank spokesperson says.

South Korea's fintech sandbox has landed $110 million (KRW 136.4 billion) in funding and has created 380 jobs so far. The sandbox was set up by South Korea's regulator, the Financial Services Commission (FSC), with an initial $3.5 million (KRW 4 billion) investment to kickstart the programme. It allows fintechs to test their proof of concepts whilst being exempt from regulations and licensing for up to four years.

Varo Money, a San Francisco-based challenger bank hopeful, has landed $241 million in a Series D funding round. The capital raise was co-led by a new investor, Gallatin Point Capital, and an existing investor, The Rise Fund. Other participants in the round included HarbourVest Partners and Progressive Insurance. To date, the fintech has raised $419.4 million.

Varo Money will use the fresh capital towards developing new financial products and obtaining a US banking licence.

Friends in low places

By Leda Glyptis

I have had my fair share of leadership training over the years and, I will admit, that the first time I heard the phrase "sponsorship is an active condition" my little mind was blown.

This is it, I thought. This is what I have been lacking all this time, I thought.

Sure, I had a senior sponsor, we all know nothing happens in a big bank without them.

But they were not active. They were not present, they were not engaged.

They had kicked off the programme, signed off the job descriptions, shook the new hires by the hand. Sometimes even gave us a budget. Then moved on. There was a comms schedule according to which we would keep them updated and, for the rest, their people would be "on point" day to day and they were apart, a red phone, a point of no return, an escalation point.

No.

An Escalation Point. Capitals.

A bridge-burning, colleague-alienating, use-it-and-you-burnt-it card that nobody in their right time plays.

If only they were engaged, thought Young Me.

They would know. They would fix. They would shorten some of our pointless, endless run-arounds that leave us exhausted and battle-worn, standing exactly where we had started after avoidable fights and unproductive confrontations seemingly designed to see whether we have what it takes to be allowed to live another day. A test of fitness rather than a way to progress.

MIDDLE MANAGERS AND THE ENDLESS SWAMP

If the sponsors were engaged, I wouldn't get stuck in the swamp again and again, thought Young Me.

And let me tell you, the day I heard one of the most senior people in our bank describe middle management as The Swamp, where things get stuck, where things sink, where things die miserable, slow, damp deaths, my little mind was truly blown for a second time.

Firstly because I discovered you are actually allowed to say what you think in a big bank (a lesson I didn't need to have repeated) and because I had, until then, lived in the vain hope that the reason we were all locked in this endless, fruitless battle with middle management was because the Senior Sponsors in their lofty High Places on the upper floors, didn't know.

They couldn't see.

They were naïve, distracted, doing more important things elsewhere. Whatever… but they didn't know how we struggled through unnecessary minefields of the organisation's own making each day. And that's why they let it happen. Because it was too low level for them to bother, too low intensity for them to care or too low latency for them to notice. And yet pervasive enough for everything to get tangled, slowed, weakened and more than often killed in its sticky, a priori resistance.

But oh no.

Here is the Senior Sponsor of many a bedraggled initiative, the shining benefactor of many a programme mired in internal feuds and entirely unnecessary battles saying: oh I know.

Middle Management, she said with a bitter laugh, squeezed from the top, challenged from the bottom. Hungry for resources. Beaten back one too many times. Often not ambitious enough, more often than not not good enough, to get out of that miserable place and, before you know it, they are part of a Swamp. A Swamp you have to cross to get anything done. The Swamp where everything will get stuck. Where pointless battles will be fought. Where the direction of Senior Sponsors will matter little and the heartfelt efforts of young whippersnappers will matter even less.

I don't know that I have come across a sadder thing in all my time in banking.

Sadder than the Swamp itself.

The admission of its existence and inevitability.

The acceptance that people will be stuck in it, become it, and all your best ideas will have to deal with it for no reason other than… it's there and enough people seem to think it's here to stay that it does.

I sat back in my seat with one thought. Hold up.

I am middle management.

Recently promoted at the time and at no small personal cost in terms of labour and effort. And here is the top brass saying good luck not getting stuck among the invisible disaffected masses of mediocre folks who never wanted more or never could achieve more and now they shuffle along the bank's corridors day in day out, executing tasks and saying "no" a lot. Because let's face it, middle management doesn't come with much power and the little you have, you exercise when things get desperate.

And the Swamp is almost always desperate.

I had one thought that day: I can't stay.

I have to cross this Swamp fast and come the other side.

I have never been so hungry for promotion in my life. I became consumed with the single thought of not being of the Swamp. I became even more determined than normal – and let me tell you, that takes some doing.

And I did it.

I was out of the Swamp double quick. I got the promotion. I got the title. I got the Keys to the Kingdom. I got to speak to the Senior Sponsors casually. No Escalation Drama. I could sound them out, get their thoughts, push and cajole.

> "I have never been so hungry for promotion in my life. I became consumed with the single thought of not being of the Swamp."
>
> **Leda Glyptis**

I was one of them. Or near enough.

And, you guessed it, the penny finally dropped. Their absence was never an absence of awareness or interest. Fancy that. They stayed aloof because they didn't know what else to do. They let the Swamp do its thing because they didn't know how to stop it.

They genuinely wanted the thing you were tasked with to succeed, although they often didn't believe it could because they couldn't see a path. Through the habits, through the process, through the bloody Swamp, from the way things are to the way things could be.

That's why you were on your own.

Fancy that.

SAVING GRACES AND FRIENDS IN LOW PLACES

And yet. You were never alone, were you?

For any of us who have navigated a big organisation to successful outcomes against impossible odds, for any of us » who survived crossing the Swamp, there was always a long line of people, a huge group of humans, who helped.

In ways big and small.

By finding you equipment when the powers that be wouldn't sign off on budget. By cutting code or encrypting and scrambling client data over the weekend to give the team a hand.

By breaking a little rule here, bending a bigger rule there. By bumping you up in the release plan. By finding the right reference for the right form and getting a set of sign-offs unstuck after weeks in limbo. People who quietly did the thing that was needed.

Knowing that their own Middle Manager Swamp Lord of a boss would tell them off and make their ascent into the Swamp a little bit harder.

And knowing that the Senior Sponsors may never hear of their help. And if they did, they wouldn't understand or appreciate how important it is that the audiovisual guy found you a way to demo when the corporate wifi rules changed overnight and you had clients in the room and nothing was working, or the junior QA wrote test scripts in their free time to get you past their boss's intransigence, understanding that their resistance was part power-trip and part total confusion when faced with the new and unknown. The financial controller who unpicked the tangle of rules not designed for what you are trying to do, for you to get the approvals you needed, the HR admin who helped you stand firm by principles the company didn't agree with but didn't always need to know about.

I have gotten a lot done in banks that didn't expect me to succeed.

In banks that occasionally did their level best to stop me, in order to make a point about Swamp Inevitabilities.

In banks that desperately wanted me to succeed but didn't know how to get out of my way.

> "You want things done, you want things moving, you want the impasse broken? Then you need friends in low places."
>
> **Leda Glyptis**

Every job. Every project.

Every day of every year, someone in an obscure desk, usually in a basement or back room, with no title and no great support from the top, quietly helped me find my way to the next step. And maybe they wouldn't have driven the strategy all the way without me but I would have not gotten past GO without them so, two decades in, I say: sure. You need a Sponsor in a High Place, but better if you are one.

And sure, you will have to deal with the Swamp, but better if you don't think it inevitable and maybe give the people in it a path to being something else?

But whatever comes and goes in the management floors, if you want to get things done, if you want to get things moving, you need friends among the doers. Many many floors down.

We spend years telling people nothing happens without friends in high places.

I beg to differ.

Things may not start without friends in high places. Things may not get celebrated as successes without friends in high places.

But you want things done, you want things moving, you want the impasse broken, the computer that says no circumvented and the Swamp crossed with silent dexterity?

Then you need friends in low places.

Who will save your life and think nothing of it. Who will do their thing with a smile and a wink. And they'll say, you go girl.

And they won't want recognition.

They never want recognition, that's how you know who they are.

They have seen through the Swamp and don't care to become it or cross it with the fiery fury people like me are consumed by, and they are given no other option. So they stay put. They do. They solve. They save the day. Every day.

And they stay on their invisible shores.

They save the bank in small and quiet ways every day. And the Swamp stays murky. And the Senior Sponsors stay baffled as to how some of the magic happens.

So let it be a secret no more.

If you want something done in a bank you don't need friends in high places. You need friends in low places. And if you are a good friend you don't expose the rules they broke and shield them from their bosses' ire.

But if you are a true friend, you take on this madness as the next battle you fight.

You will need all your friends about you for this one, mind.

Because of all the battles you have fought, this will be the longest, the hardest and the most meaningful.

And that is ok, 'cos here is the one question nobody asked you yet: all the folks who were your saving grace along the way, what would it take for you to be theirs? And the answer is not obvious.

What can you do for them, in a world where one size doesn't fit all, your fire doesn't consume all and yet all need *them*: those doers, those saviours, those quiet problem solvers, your precious saving graces and friends in low places?

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

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

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

MOVERS AND SHAKERS

Jack Ma

Jack Ma, co-founder of Alibaba Group, will be stepping down from **SoftBank Group**'s board after serving as a director for 13 years.

Ma's resignation will be effective on 25 June, the date of SoftBank Group's annual shareholder meeting.

The company did not give a reason for the resignation, but over the past year, Ma has been pulling back from business roles to focus on philanthropy. Last September, he resigned as Alibaba's chairman, and is also expected to step down from its board at its annual general shareholder's meeting this year.

Monzo's co-founder, **Tom Blomfield**, is stepping down from his UK CEO position after five years. Instead, Blomfield will be taking on the newly created role of president at the challenger bank.

TS Anil, who was hired in December as Monzo's US CEO, will also hold the UK CEO role, subject to regulatory approvals.

The challenger has also appointed banking veteran, **Dave Laramy**, as a new vice-president and head of its global financial crime unit. Laramy comes with more than 17 years banking experience from Barclays, Santander and Capital One. He is also an advisory board member at Cifas, a non-profit fraud prevention body.

Monzo has made a second round of cuts to its workforce, announcing the redundancies of 120 staff in the UK. The layoffs, which account for roughly 8% of the start-up's workforce, are being made in Monzo's London-based head office and in its operations team.

Payments platform provider **Paysafe** has hired **Noah Sharp** as its new chief banking officer.

Sharp joins from Standard Chartered where he was responsible for building and advising the bank's fintech client franchise in Europe and North America.

Prior to his roles in Standard Chartered, Sharp spent 11 years at Deutsche Bank working as a corporate banker, managing global relationships for European and US headquartered fintechs.

Silicon Valley Bank (SVB) has appointed **Patrick Flynn** as its new chief operating officer (COO) for the UK and EMEA.

Flynn, who previously served as COO at Santander's corporate and investment bank for four years, will lead SVB's operations, client service, technology and vendor management in the UK and across Europe.

Prior to Santander, Flynn spent six years at Barclays as COO of its capital arm. Before his time at Barclays, he spent nearly 10 years at Lehman Brothers, finishing his tenure at the investment banking firm as a senior vice-president and chief analyst officer.

Metro Bank has appointed **Martin Boyle** as its new chief transformation officer.

Boyle had been at Nationwide Building Society for 13 years, having joined as head of group programmes in August 2007. He had been in the CTO position at the building society since November 2016.

In his new position as CTO at Metro Bank, Boyle will report to CEO, Dan Frumkin, and become a member of the high street challenger's executive committee.

Johanna Pugh

Mambu has hired a new managing director for its North America region. **Johanna Pugh**, who previously spent over ten years at banking tech provider Finastra (and its predecessor, Misys), will split her time between Texas, Miami and New York.

Mambu opened a second North American office last spring, following a €30 million fund raise in February 2019 led by US-based Bessemer Venture Partners. The investor also backs cloud lendtech provider nCino, a strategic partner of Mambu.

Deutsche Bank has appointed **Kamran Khan** to the newly created role of head of environmental, social and governance (ESG) for the Asia Pacific region.

Khan brings decades of experience in financial markets, sustainable development, and corporate and public advisory.

He was appointed by the Barack Obama administration to serve as head of global investments and operations at the US Millennium Challenge Corporation. Previously, Khan established the World Bank Group Hub in Singapore and led the World Bank's Infrastructure Finance Practice in East Asia.

FINTALK OF THE TOWN

PIGGYBACKING

One can't help but notice the "solidarity" messages from various bank social media posts regarding the Black Lives Matter movement, and more annoyingly, a new trend of piggybacking.

Now, I know there is only so much a corporate entity can do (unlike US law, I will defer to English & Welsh law whereby a corporate is not considered a human) at times like these and I welcome genuine sincere efforts to show support to the pain being felt across the world. In fact, I quite like how a UK challenger bank did its best to offer its Twitter followers with links to donations that tackle racial inequality and reading materials to enhance their customer's understanding.

However, another challenger merely piggybacked off that initial thoughtful tweet with the corporate equivalent of "ditto" when it retweeted it with "couldn't have said it better". Was there no one in the entire team that could've relayed even the most basic sympathetic message? All it did was make it seem disingenuous. Say no to piggybacking. Say yes to education and donations.

UNFOLLOW

The venture capitalist space is yet another realm that lacks diverse voices, and evidently, it even shuns those that merely support inclusion. One Utah-based investor voiced his dismay at being unfollowed due to other VCs realising they're so racist they can't cope with seeing mildly supportive tweets on the issue.

If you relate with the VCs that are unfollowing this gentleman, then I urge you to find the UK challenger bank's pinned tweet and educate yourself on the topic with the links provided. If you are in the investor's shoes, take comfort in knowing your feed will be going through a deep clean for the better.

IT'S NEVER TOO LATE TO APOLOGISE

As the world watched the Black Lives Matter protests emerge, first across America, and then with solidarity marches across the world, a certain member of the fintech Twitterati decided that this may be an opportune moment to spread a message about diversity. In fact, a co-founder of a fintech consultancy suggested that being working class "has the equivalence to being female or black in terms of cultural disadvantages in tech".

After realising that this statement may be "the wrong thing at the worst possible time", a sincere apology followed, as well as an acknowledgement that such unintentional erasure can cause hurt. When it comes to issues of social justice, people are willing to forgive those acting in good faith, even if they make mistakes along the way. Perhaps our politicians ought to note that both sincerity and humility are admirable qualities in leadership.

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