banking technology

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

UNLOCKING THE BENEFITS OF OPEN BANKING
Examining the transformation of the money management scene

OVERCOMING REGULATORY HURDLES
Conquering challenges on the road to open banking success

'BIG BANG' MOMENT FOR FINTECH
Analysing open banking through a Gen Z lens

Produced by
FINTECH FUTURES

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EDITOR'S NOTE

Sharon Kimathi
Editor, Banking Technology

Looking out the window and considering where we are, it is odd to think that we are already at our July/August summer edition. The fintech world, and indeed the global economy, is considering the ways in which to protect itself from the long-term pandemic pitfalls, and of course, for those of us doing business in the UK, we've got the regulatory maelstrom of Brexit around the corner too! Nonetheless, there are always new and exciting technological innovations to explore in our sector, as well as the ambitious individuals behind the brands. In this issue, we focus on open banking.

Jan Van Vonno, research director at Tink, discusses what financial institutions can do to capitalise on the benefits of open banking. He highlights Tink's latest research report on open banking attitudes and fintech partnerships, which shows that financial executives are more excited about open banking opportunities than ever before.

Rajashekara V. Maiya, vice president and global head of business consulting at Infosys Finacle, shares his insights on open banking with *FinTech Futures'* deputy editor, Alex Hamilton. Maiya believes that the open banking implementation hurdles banks face can vary depending on readiness and on the size of their balance sheet.

"Large banks generally have challenges when it comes to integration," he says, "if you demystify open banking and look under the hood it comes down to exposing certain APIs and certain sets of data in a limited manner."

We hope you find this summer edition of features and analysis insightful. From all of us at *Banking Technology* magazine, we hope you enjoy your summer and continue to stay safe.

FINTECH FEED

TWEET DECK Follow us @FinTech_Futures

#BreadBae
@EatWithNia
Racism has been postponed to 2021! Thank you Amazon.

> ACLU @ACLU · Jun 11
> BREAKING: Amazon just announced it will impose a one year ban on the sale of its face recognition technology to police.

Nanjala Nyabola
@najala1
You're the webinar host and both your mobile and ISP networks are down and the customer service line is unresponsive.

Olivia Solon
@oliviasolon
Wondering how many tech workers have realized, in the absence of all the perks and corporate coddling they get on campus, that their company's mission is meaningless.

Dani Burger
@daniburgz
Lol okay. Who did this?

THE NUMBER GAMES

$4 billion
The amount Wirecard owes its creditors after disclosing a €1.9bn hole in its books in Germany's worst-ever accounting scandal

$825m
How much Mastercard paid for data company Finicity

£21bn
The surge in deposits that led Goldman Sachs to close Marcus to new UK users

3
big tech companies – IBM, Amazon, and Microsoft – upend their facial recognition businesses

22%
of the UK population has heard of open banking as a concept, according to Splendid Unlimited

1.16%
The most attractive UK variable interest rate, which is being offered by National Savings and Investments (NS&I), a state-owned bank

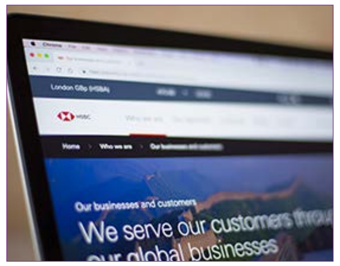
120 million
Brazilians will not be able to use Whatsapp Pay after the country's Central Bank suspends its features

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

THEY SAID IT…

"If you think you have a 'good eye for talent' but only hire Ivy graduates… I have news for you. You don't have a good eye for talent" Alejandro "Ale" Resnik, CEO and co-founder of Belong

NEWS ROUND-UP



HSBC glitch sends bounce back loans in error

An administrative error at HSBC has led to customers in the UK receiving government-backed loan offers with incorrect information. The bank addressed applicants for the Bounce Back Loan Scheme (BBLS) in their personal names, instead of their business name. HSBC has said it is in the process of fixing the issue and that its customers will not be liable. According to MoneySavingExpert, a quarter of small business owners are waiting longer than 30 days to get their funds, with HSBC keeping 42% of its applicants waiting more than a month.

SoftBank splashes $130m on Indian insurtech PolicyBazaar

SoftBank's Vision Fund has reportedly bought an additional stake worth $130 million in the owner of Indian insurance marketplace, PolicyBazaar. Times of India reported on the deal based on three sources who said the new investment would give SoftBank more than a 15% stake in the company.

Deutsche Bank signs Google Cloud strategic partnership

Deutsche Bank and Google Cloud have signed a letter of intent to establish a strategic partnership – to digitise a handful of the bank's systems. The two parties plan to seal a multi-year deal by the end of 2020. It follows "intensive discussions and due diligence" conducted over five months by the German bank, as it invited several major cloud service providers to propose a partnership as part of its multi-vendor cloud strategy.

Virgin Money restarts planned job cuts

Virgin Money has restarted its job cuts and branch closures after putting plans on hold due to the coronavirus crisis UK lockdown. Despite initially earmarking 500 job cuts in February, the bank says it will reduce it to 300 across the group. The programme is part of an ongoing combination of Virgin Money, Clydesdale and Yorkshire Bank.

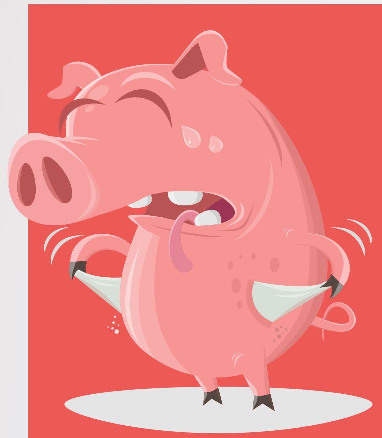
Commerzbank plans 10,000 job cuts as CEO and chairman step down

Commerzbank is planning on cutting 10,000 of its 40,000-strong workforce. The news follows CEO Martin Zielke and chairman Stefan Schmittmann stepping down from their roles at the top of the German bank in early July. The pair were under pressure from its vocal shareholder Cerberus Capital Management, who claims its management focused on unprofitable growth. It also hinted at a potential shareholder revolt.

Square's $55bn valuation reaches skies of major US banks

Square, a US-founded payments company, has seen shares surge this year, pushing its market valuation to roughly $55 billion. The paytech's shares went up as much as 13% on 6 July following commentary by analysts which suggested the fintech could eventually bag 20% of US direct deposit accounts.

TRENDING



Sad savings

According to Which? MoneySupermarket, Moneyfacts, and other comparison sites, the most attractive interest rate you can get for an easy-access/ instant savings account in the UK is a measly 1.16% variable interest rate from the National Savings and Investments (NSI). Victor Trokoudes, CEO of savings app Plum, says that there's a steady rate of savers amid the coronavirus pandemic, but it's a shame that this is the best that people can get. Although inflation fell to a four-year low of 0.5% during May, savers are still struggling to find attractive deals as providers continue to slash rates. Goldman Sachs had to close its UK digital arm, Marcus, to new UK customers as it approached its regulated deposit limits during the country's COVID-19 lockdown due to its competitive 1.05% savings account. Paragon Bank cut its easy-access rate in half to 0.5% on 14 May and the AA pulled its 1% easy saver from its sale and replaced it with a 0.25% rate.

Facial recognition on pause

CaixaBank has started deploying its facial recognition ATMs throughout Spain. Although the Spanish bank is pushing facial recognition forward, some big tech companies in the US have been consciously retreating from implementing the technology in the wake of the Black Lives Matter movement, highlighting the technology's discriminatory tendencies. On 8 June, IBM said it would stop selling facial recognition products. Google also advocated a temporary ban on the technology, and Amazon noted that it was putting a one-year pause on letting the police use its facial recognition tool. The American Civil Liberties Union applauded Amazon for "finally recognising the dangers facial recognition poses to Black and Brown communities and civil rights more broadly" but challenged the company to extend the moratorium on law enforcement use of its system until the US Congress passes a law regulating the technology.

Wirecard scandal

Everyone in the fintech industry (and their bemused other halves) know a lot about the Wirecard accounting scandal. The tale has all you can ask for in an HBO or Netflix series. From its former CEO, Markus Braun's arrest, to a mysterious legal settlement in Wirecard Card Solution's 2018 financial results, and its constant legal battles with journalists both in Germany and the UK. Despite the drama, it seems like the German paytech may inexplicably land on their feet. With its UK subsidiary unfrozen by the Financial Conduct Authority, and its US subsidiary sold off, speculators are driving up Wirecard's share price, assuming an eventual rescue of the scandal-ridden group.

Data aggregators

Finicity and Mastercard. Visa and Plaid. Data aggregators and large card networks seem like a match made in fintech heaven. However, some people are not so keen on the union. A class action lawsuit against Plaid was filed on 5 May. The suit alleges that "Plaid spoofs bank and investment firm logins to finagle a vast 'trove' of 'wrongfully obtained' data that it resells as 'consumer behavioural insights'". Plaid is also alleged to "have failed to disclose its process", according to Riabiz. The legal action comes as the Federal Trade Commission (FTC) brought nine data security enforcement actions last year against companies with direct consumer relationships and service providers like Plaid. The outcome of the Plaid case may be a crucial turning point for data protection provisions.

Boots on the ground

Why are banks so keen on getting their employees back into their giant offices, shackled to their umpteen screens? Santander even created its own track and trace app, Mi Vuente, which translates to "coming back to the office". Vikas Srivastava, chief revenue officer at Integral, believes the collective urgency to "business as usual" is a sign of a flawed technology strategy, especially since many staff workers have adapted to working from home. In fact, a recent survey by YouGov showed that only 6% of the UK public want life to "return to pre-pandemic times". It appears the banks are in a rush to reassure markets of the status quo, but to quote Bob Dylan: the time's, they are a-changin'.

Open banking: where you at?

By Ruby Hinchliffe, reporter, FinTech Futures

Open banking was supposed to be the 'Big Bang' moment for fintech. Application programming interfaces (APIs) were held up as the key to impenetrable banking systems. We're more than two years on from Europe's Second Payments Services Directive (PSD2), and many will argue that legacy banks' doors are open just a smidgen.

Data aggregators like Tink, TruLayer and Yolt Technology Services (YTS) have been busy making PSD2 a reality for fintechs in the UK and across Europe.

But there is still more to do, a lot more, and it heavily relies on banks' cooperation.

YTS' chief business officer, Leon Muis, told *FinTech Futures* in February that the aim of PSD2 is yet to be met in the UK. The Financial Conduct Authority (FCA) wanted open banking to promote account switches, not just enable different services.

It's through account switches that competition will really take off. Muis even mused that "it might be the quality of the API which determines account switches in the future".

If this predication comes true, perhaps banks' slow, bug-ridden APIs will finally see some drastic revamps.

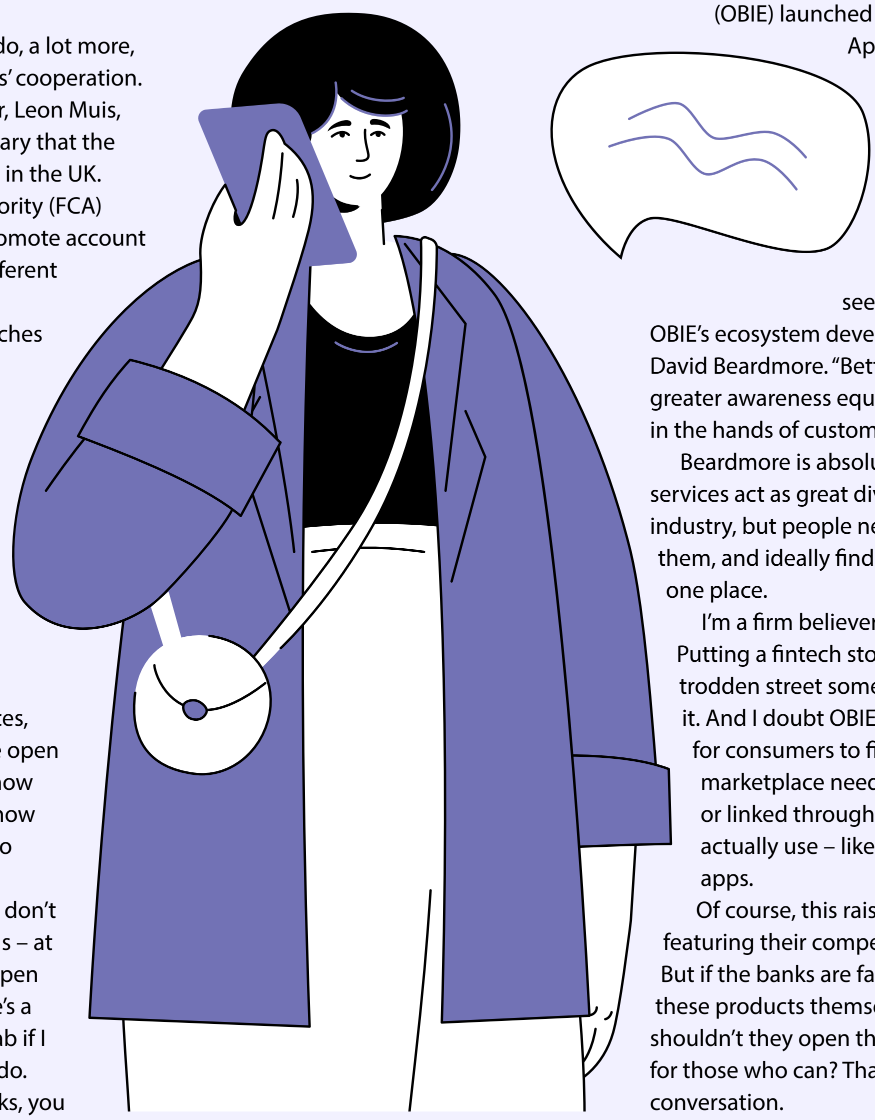
Speaking of added services, the first step of many on the open banking yellow brick road, how many consumers actually know what services are available to them?

Traditional banking apps don't advertise third-party fintechs – at least mine doesn't. When I open my Lloyds mobile app, there's a rather ugly 'open banking' tab if I scroll down – which I rarely do.

After a few too many clicks, you arrive at an 'add account' list. Hoping to find a treasure trove of fintech integrations at the ready. I am – shock – sorely disappointed. It's just a boring list of banks I don't bank with, because I already bank with Lloyds.

Now, I understand that open banking is infrastructure, better to be enjoyed than seen. But it can't be enjoyed in the first place if no-one knows it's there.

It's a bit like a barely used bus route.



All the stops are there, but next to no-one is waiting at them to hop onboard. Why? Because the stops are pretty much invisible to your average joe.

The UK celebrated one million open banking users in January. Of the 66.65 million people living in the UK, that means just 1.5% of the UK's population are riding that bus. Hardly the competitive landscape the FCA hoped for.

But this percentage could start to climb. The Open Banking Implementation Entity (OBIE) launched the 'Open Banking App Store' in June. At present, 68 apps are on show, but the OBIE says it will add ones weekly.

"Deciphering the advantages of each product can seem daunting," says OBIE's ecosystem development director, David Beardmore. "Better knowledge and greater awareness equate to more power in the hands of customers."

Beardmore is absolutely right. All these services act as great diversifiers for the industry, but people need to know about them, and ideally find out about them in one place.

I'm a firm believer in convenience. Putting a fintech store on a barely trodden street somewhere won't cut it. And I doubt OBIE's app store is easy for consumers to find. The fintech marketplace needs to be integrated or linked through platforms people actually use – like mobile banking apps.

Of course, this raises issue of banks featuring their competitor's products. But if the banks are failing to offer these products themselves, then why shouldn't they open the door a little wider for those who can? That's a whole other conversation.

Core banking transformation

FinTech Futures launches an industry report into what a core banking transformation looks like in 2020 and beyond. By Alex Hamilton, deputy editor, FinTech Futures

In a world where headlines can be dominated by new technology like artificial intelligence, quantum computing, application programming interfaces (APIs) and more, it can be easy to overlook the long-time workhorse of the financial services sector.

The core banking system has sat quite literally at the heart of major banks the world over for decades. These platforms are so mission critical to financial institutions that they spend millions in keeping them maintained. A core banking system needs to handle a high volume of transactions all day, every day without interruption.

Legacy core banking systems have usually been value for money, in that their reliability can be assured no matter their age. Despite many of the world's largest institutions sitting atop software that can be traced back to the 1980s, outages are a relatively rare occurrence.

The issue is that when these outages do happen, the consequences can be severe. A bank's services going down for extended periods of time can attract attention from regulatory bodies and government officials, lead to hefty penalties and loss of revenue, and result in a tarnished reputation in the eyes of the customer.

What is perhaps most worrying for banks is that as we enter a new decade the workforce of the banking industry is being saddled with greater responsibilities and duties. A core banking system is expected to adapt alongside and connect to API services, digital banking portals, and all manner of value-added services.

An ever-more demanding customer base has led to an expectation that banks process their transactions in real-time, connect to the latest fintech services, release new features on a (comparatively) lightning fast schedule, and compete with emerging competitors who aren't dragging 30 years of legacy technology behind them.

2020 is proving to be a landmark year in more ways than one. The COVID-19 pandemic has shifted already-nascent digital strategies to the forefront. The need to provide always-on digital services to a customer base no longer turning up to the branch or the ATM has had plenty of financial institutions glancing over their shoulders at the back office. But how can a bank know the time is right for change, and how do they go about it?

FinTech Futures has created a new industry report into what a core banking transformation looks like in 2020 and beyond, featuring expert input from Ohpen, HSBC, and Santander. It considers the issues facing banks looking to switch out their core systems, what options are open for a core transformation, and what the core banking system of the future will look like.

Head to the *FinTech Futures* website today to download the report!

Banking is moving to a dual core

By Dharmesh Mistry

In my last post I discussed the separation of manufacturing and distribution in banking and fleetingly mentioned "digital banking platforms" (DBP) aka digital banking engagement platforms as coined by Jost Hoppermann at Forrester. This has started taking shape in the analyst's world over the last few years but is a concept that still many banks struggle with. In my experience, smaller banks find it difficult to understand the separation as they rely much more on their core banking vendor, whilst larger banks have typically already separated their customer management and stitched together their own DBP.

The simplest definition of a DBP is that it is the platform that manages the customer lifecycle: everything from onboarding customers to managing their product holdings, its focus is on customer management and sales. When banks operated in product silos it was fine to manage customer lifecycles within each product system, but let's face it, most customers rarely have more than two products per bank. Such banks would typically consolidate customer data into a data warehouse and manage their "single customer view" from there. Typically, this was used to drive offline batch campaigns to target customers for new products.

As customers move online, they are less and less responsive to offline campaigns as they lack relevancy and timeliness. For example, when we receive a flyer for a new credit card in our bank statement we are left wondering why? However, if you received a message in your internet banking saying that your expenses have been steadily increasing and it is likely you face overdraft fees unless you plan ahead, this is seen as advice/helpful. If at that moment you were offered a credit card to allow you to offset some your expenses against your account, this becomes an offer that is timely and relevant. So, real time offers/advice based on a full understanding of the customer is one reason to separate your customer management.

Another reason is to use open banking to get a true full view of your customers money. Most of us typically have products from multiple suppliers. Using open banking makes it possible to aggregate a full view of a customers' accounts and therefore provide even better advice. To leverage open banking data, banks will need to manage customer consent, aggregate accounts (typically using a third-party API provider like Yapily or Strands) and then store/analyse this additional data. These new components are very much an optional part of a DBP, but increasingly will become staple features.

DBP is still a work in progress, after all the core banking world has evolved many times over the last 40 years. Additional modules deemed to be part of a DBP include entitlements, order processing, product catalogues and as highlighted above, digital engagement. A DBP is a layer above core banking and between delivery channels. It facilitates omnichannel customer journeys and shouldn't be confused with just being "internet and mobile banking".

Many banks, especially in the USA, adopt a DBP to overcome some of the limitations in their core banking, for example to facilitate direct debits and standing orders. Implementing a DBP is seen as lower risk and faster than doing a full transformation, so it is no wonder this is a popular approach to digitising banks. For incumbent core banking vendors, a DBP can be seen as a threat as it effectively increases the life of a competitor or a bank's legacy core banking system. However, some will see it as an opportunity to effectively allow them to sell where it is difficult to replace a competitor.

> "I'm not saying that digital transformation is just a case of implementing a DBP, it is however key to anyone that wants to manage, keep and drive customer loyalty."
>
> Dharmesh Mistry

It would be remiss of me not to mention how the biggest opportunity for a DBP could be outside of the banks! For any organisation that wants to leverage banking data and or be a pure distributor of financial products, a DBP is their new core. I have written extensively about experience driven banking: essentially, they are next generation banking distributors whose main revenue may or may not be from selling financial products. According to analysts, the market opportunity for DBP is already close to that of core banking and will soon overtake it. DBP will have a positive impact to core banking providers that have invested in this space as their market opportunity effectively doubles. For those that haven't, it will demand a sharper focus on their legacy core banking platform. Borrowing a term from ThoughtMachine, "hollowing out the core" is the shape of things to come in core banking; more on this in my next post.

I'm not saying that digital transformation is just a case of implementing a DBP, it is however key to anyone that wants to manage, keep and drive customer loyalty. I'd go far as saying that DBPs are the new core in banking for any organisation that wants to own profitable end customer relationships. For banks that also want to manufacture products (not just distribute) they will have run a dual core bank: a customer core (DBP) and a product core.

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.

Infrastructure that gives you an edge

By Ryan Jackson, head of UK high growth at Form3

The global surge in attempts to modernise the payments industry over the last few years is commendable and definitely well overdue. The need to modernise quickly has been brought into sharper focus as coronavirus (COVID-19) has tested every financial institution's ability to switch to near 100% digital delivery at a moment's notice. For some, their foresight and willingness to embrace new cloud technologies meant their core payment infrastructures were ready and did not have to adapt to cope with the changes in behaviour brought on by COVID-19.

For others it was a wake-up call, that if there was ever a time for banks to get moving with their digital transformation programmes and the modernisation of their legacy infrastructures, it is now.

Being able to rapidly deploy the most feature-rich, fresh, innovative front-end customer facing applications, whilst managing to provide stellar transaction processing and availability times has made the traditional banks sit up and listen. The likes of Revolut, Ziglu, Dzing, Curve, Tide have really gone for it, and why not. Uncomplicated by legacy technology, these new challengers are winning with the shiny stuff.

IF YOU ARE A BANK WITH A LEGACY PLATFORM, WHAT'S TO BE DONE?

Bolting superficial new services onto legacy infrastructure is a recipe for disaster. Many headline grabbing stories of financial institutions with IT issues, cyberattacks, frequent downtime and frozen apps swept the internet during 2019 and early 2020. In a bid to outdo the challengers, banks went on a spending spree, creating their own challenger brands with mixed success. Bó and Loot were launched, burnt a lot of cash, and then ultimately failed… why?

Despite some seriously nice-looking front-end payment apps, what has changed in the middle and back-office to ensure they met the needs of today's "always on" consumer or business? Is the conveyor belt of regulatory change fast enough or fit for purpose to enable this democratisation of payments? For some banks, they are putting a Ferrari body kit on a trusty old Volvo but expecting supercar performance. At the end of the day the engine that powers it all needs to be up to the job.

Any chief technology officer (CTO), in any financial institution big or small, will tell you that the challenges in payment processing are the same. Whether your card is coated in metal or hot pink diamante, a payment is a payment and people want them fast, really fast. The key is the payments architecture – what's going on under the hood. The back-end payment processing plant needed is a huge problem in a fast paced, 24x7, real-time hyper-connected environment.

The traditional agency bank model of batching payments and receiving transaction reporting in hours or days is no longer fit for purpose in the changed world. But it is still mainstream in many big banks – and the shiny new app just has to wait because it's relying on the legacy technology. And what about the cost of maintaining that legacy stack? Data centres, infrastructure and in-house software are expensive to buy and maintain.

In the past ten years, the cloud has tentatively made inroads. But the last 18 months has seen an explosion in more and more critical services being migrated to specialist cloud providers among banks and fintechs. The UK heavyweight consultancies all rate cloud native technology as one of the biggest trends in payments in 2020. Gartner notes that "cloud computing is firmly established as the new normal for enterprise IT", whilst Report Linker believes "the global cloud computing market is expected to reach $623.3 billion by 2023".

WHY IS CLOUD-NATIVE ADOPTION CHANGING THE GAME?

The need to scale and take advantage of new technology while controlling and reducing costs is imperative in the new "instant" world. People and businesses want to be paid instantly, they want to track their payments and get instant notifications.

Transforming critical payments infrastructure from a fragmented, on-premise environment to a cloud-native, agile, modular component-based model is how the payments industry is meeting the demands of the new normal. Cloud adopters are not putting a Ferrari kit on old metal, they are getting Ferrari performance without the price-tag.

The very nature of cloud enables instant scalability and deployment of new propositions quickly and efficiently without disruption to existing services. Adopting a modular, component-based approach enables reusability and testability of future investments. Updates are daily, and no longer just one release every six months. As a result, it is future-proofed and always compliant to scheme rules changes – which makes total sense in a fast-moving environment.

A cloud-native, API-based Payments-as-a-Service (PaaS) model delivers a faster, a more cost effective, complete, end-to-end payments journey, fully managed in the cloud. All payment schemes can be accessed through the same API so the core integration happens only once, and on a modular basis to meet current or future demand.

What's more, there is:
- no hardware;
- no software;
- no maintenance;
- no downtime;
- no unhappy customers.

Many UK and European banks are already underway with their large digital transformation investment programmes, working in collaboration with fintechs like Form3 to re-platform their payments architecture for a fraction of the cost of building their own. And the solution is the same regardless of their size.

The time is now to take advantage of a standardised, highly performant and scalable cloud-based payments infrastructure that is flexible and adaptable to the changing payments landscape.

Want to know more? **Talk to Form3**

How financial institutions can capitalise on open banking benefits

By Jan Van Vonno, research director, Tink

With a world that is becoming increasingly complex, both consumers and businesses are actively seeking out financial service providers that can achieve their financial goals in a manner that's relevant and seamless. The fewer steps it takes to achieve any objective, the better. Open banking provides a unique opportunity for financial services providers to do just this – transforming the way people and businesses manage their money and revolutionising the financial services industry in the process.

Encouragingly the first instalment of our 2020 open banking research – which focuses on open banking attitudes and fintech partnerships – shows that financial executives are more excited about the open banking opportunity than ever before, with a clear rise in the number of European financial institutions that feel positive towards it. And they are putting their money where their mouth is. Our latest open banking research indicates that the median open banking spending lies between €50-100 million, with 45% of financial institutions indicating their spending exceeds €100 million.

That being said, some financial institutions have missed a trick by approaching open banking purely as a Second Payment Services Directive (PSD2) compliance issue, rather than a strategic initiative that concerns the broader organisation and can create value for both business and customers alike.

To truly succeed and reap the short and long-term benefits of open banking, financial institutions need to look beyond compliance and be prepared to innovate fast. By staying savvy, nimble and open-minded, there is a huge opportunity to get ahead of the competition and enhance the customer experience. But how can they achieve this?

CREATING A CLEAR OPEN BANKING BUSINESS STRATEGY

While our data shows that there is ample confidence in open banking, it's also true that many financial institutions don't fully understand its benefits – something which is holding them back from making the most of the opportunity. Ultimately, institutions where executives are able to translate the opportunity of open banking into a clear strategy are the ones that are in the best position to start realising concrete returns. Most executives will understand that this does not happen overnight.

The good news is that according to our data, 58% of financial institutions indicate that they already have a clear open banking strategy in place. What this shows is that while some financial institutions approach open banking as a long-term strategic play, there are also a growing number of business leaders who see the opportunity for short-term, quick-win value creation.

The truth is that open banking offers considerable short- and long-term opportunities for financial institutions. The benefits shouldn't merely be seen as something that will be enjoyed in the distant future – they're ripe for the picking now. So, whether an institution has a long-term or short-term strategy in place, both offer their own rewards. It's a journey that is likely to start with more elementary open banking use cases and advance to more sophisticated use cases over time.

Specifically, the use cases many institutions are now prioritising relate to the first stages of the customer journey. Many financial institutions are looking at open banking to improve the know your customer (KYC) process and to simplify their onboarding, thus accelerating remote and digital access to financial services. This is also where they expect to find the most significant return on investment.

FORGING PARTNERSHIPS WITH FINTECHS CAN HELP FINANCIAL INSTITUTIONS DELIVER ON THEIR OPEN BANKING STRATEGIES

As well as having clear strategies, financial institutions must also invest time and effort in forging partnerships with fintechs.

Such partnerships can provide financial institutions with the technology, expertise and vision to drive open banking value creation, so it's extremely encouraging to see that across Europe, 69% of financial institutions have increased their number of fintech partnerships in 2019. Furthermore, the vast majority of executives also indicate that they are working with more than one partner – some even more than five – to realise their organisation's open banking objectives.

> "Ultimately, the positive shift in attitudes towards open banking is evidence for the incredible work that businesses have done to meet the regulatory deadlines."
>
> **Jan Van Vonno, Tink**

Before entering into a fintech partnership, however, it's important that financial institutions thoroughly assess a fintech's technology offering, whilst also carefully scrutinising their capabilities in terms of support, security and integrity. For a partnership to truly work and reap all its possible benefits, fintechs must be set up in such a way that they become adept at navigating the complex procurement processes and onboarding requirements that many banks have in place and need to be aware of the highly scrutinised and regulated environment in which banks operate. These types of high value and strategic partnerships will be vital to creating both short- and long-term value for financial institutions and, in turn, for their customers.

Ultimately, the positive shift in attitudes towards open banking is evidence for the incredible work that businesses have done to meet the regulatory deadlines. However, there is still work to be done before they can take full advantage of its benefits. But with the coronavirus accelerating the shift toward digital channels, I expect this positivity to continue to grow as more financial institutions concentrate on the digital transformation of products and services. The time for open banking is now and I am excited to see what comes next.

COVER STORY: OPEN BANKING

Managing compliance in an age of innovation

By Ruby Hinchliffe, reporter, FinTech Futures

The financial industry has, and is, experiencing a huge technology overhaul. Banks have committed millions in projects to digitise their operations, and in the current climate of lockdown where profits have more heavily relied on digital channels, these projects have been pushed even higher up on the agenda.

But as financial institutions (FIs) innovate with new technologies, they cannot ignore the compliance requirements and risks which come with them.

We sat down with Dell Technologies' chief technology officer (CTO), Arash Ghazanfari, and World Wide Technology's (WWT) CTO for EMEA, Dave Locke. The two companies have been working together for more than 25 years, helping banks execute their digital transformations by integrating IT infrastructure, digital workforce and security solutions.

We explored what sorts of challenges FIs come up against in their innovation journeys, how they can overcome them, and what sorts of risks they will have to consider as they implement these new technologies.

CHALLENGES

Locke sets the scene for these challenges, citing the "large legacy estates" in dire need of modernisation, the resource management which comes with developing competitive new products, and the complex regulatory and compliance roads which FIs must stick to.

One of the biggest challenges is what Ghazanfari calls "technical debt". He explains that many incumbent firms have acquired this over time because "they tend to sweat their assets by creating built-to-last environments rather than creating architectures that are built-for-change".

Many of these institutions have invested in cloud technologies. But as Ghazanfari points out, they have done so "without fully appreciating where the providers' regulatory and security responsibilities end and where theirs begin". There is no standardised framework in place for cloud providers to follow when it comes to legal liabilities, which leads to big risk considerations for FIs.

As financial institutions navigate their transformation projects, they face a choice – do they become the liquidity provider behind technology companies, or do they become the technology platform themselves? "There is no right answer," says Ghazanfari. "[But] we are increasingly seeing organisations shifting towards becoming technology companies in order to build a strong digital future."

As well as raising questions of ownership, implementing new technologies also raises questions around resources. Locke says that because financial services firms are looking to solve these challenges internally, they will come up against resource barriers – particularly time constraints. Banks have long struggled to crack the code which, if solved, would see them able to run current operations, whilst simultaneously changing their agendas for the future.

But knowing which technology to commit to can be a hard decision too, as its scalability will inevitably impact budgets, workloads and capacity. "Some workloads operationally and economically scale very well in cloud environments, while other workloads might be easy to start in the cloud, but scaling in the cloud might not be economically viable beyond a certain point," says Ghazanfari, highlighting the steep increases in price as banks continue to scale their architectures. "Our customers are starting to realise that no matter what cloud platform you buy into, you should always have an exit strategy."

For chief information officers (CIOs), security is just as important as scalability. But firms often struggle to align these new technologies with what are often already very overcrowded security systems. "The cybersecurity market is intensely fragmented," Ghazanfari explains, which equals to "a multitude of disjointed security controls". This "create[s] a noisy environment" where building intelligence on attacks is "impossible".

SOLUTIONS

Many banks have partnered with or acquired fintech firms to help modernise their operations. Whilst fintechs secure the stability of large banks, those same banks can capitalise on newfound agility to drive their legacy system modernisations forward.

> "The business has to acknowledge that not everything can be protected. This is essential to maintaining a sustainable resilience strategy."
>
> Arash Ghazanfari, Dell Technologies

This makes fintechs more than just drivers for product innovation, Locke points out.

"Differences in corporate culture can sometimes be a problem, with fintechs wanting to move fast and banks exerting a more cautious approach," says Locke, before adding that finding the right balance of pace can lead to "great benefits".

But whilst fintechs can be a force for good, they can also seriously hamper digital ecosystems in the traditional finance sector. This is why Ghazanfari says firms "must protect themselves against disruptive forces […] particularly in our current multi-cloud reality".

To do this, he says firms need to adopt "software-defined declarative and policy-driven architectures built on open standards", so enterprises can "declare" what good looks like. "Technology should essentially work for the business," says Ghazanfari.

But for these solutions to work in big institutions, a balance has to be met. Asked how firms can walk the tightrope between compliance and innovation, Locke says the firms getting it right are the ones "using a combination of internal resources and external support". By deploying both, these firms can operate environments which allow testing and certification to happen "in a much more agile fashion", says Locke.

WWT can help facilitate this approach in two ways. Firstly, by getting things right in the current estate. It can certify and test version control as organisations look to update their environments by providing a lab environment which takes the burden off of the organisation internally, and provide access to the technology and people to run that certification process.

And secondly, WWT can create consistent architectures with pre-defined components which can be built and deployed in an easy-button mode. When an organisation wants to implement new technology, it is already approved and certified meaning it's ready to be rolled out and deployed into the data centre. It is this external help, that compliments and supports internal resources, which allows FIs to focus on innovation whilst the business as usual activity is handed over to the partner community.

SECURITY

With the pressure on incumbent firms to come up with new, more competitive products, firms have to make sure these will work in their current estate. Locke says firms need to understand the "risk domains" of new technologies before moving towards them, rather than assessing them retroactively.

Firms can do this by using replica labs to emulate the environment and test upgrades and fixes, whilst also using these lab facilities to validate, compare and certify the new technologies. Locke swears by five key areas when it comes to security: visibility, patching, tools rationalisation, resources, and segmentation.

To be reactive to the risk they assess, firms also need to build architectures which are malleable. Ghazanfari says firms need to be flexible and reactive in their operational resiliency, coming back to his point on creating systems which are built for change and not built to last.

"Intrinsic security and an overall context-centric secure by default application delivery model must be central to every CIO's priority in the coming decade to build on operational agility," he says, adding that FIs must have a clear and real-time view of their critical assets.

And whilst firms must monitor and prevent attacks, they also need to be prepared for the aftermath. "Cyber recovery is not the same as back-up or disaster recovery," says Ghazanfari. This is because the operational aspects of cyber recovery require additional considerations.

"In a post-breach situation, before any cyber recovery is invoked, the organisation must first establish what assets can be trusted and exactly what systems have been affected," the CTO adds. "Unlike disaster recovery measures, the business has to acknowledge that not everything can be protected. This is essential to maintaining a sustainable resilience strategy."

CONCLUSIONS

So, there is a lot for financial services organisations to consider. The technical debt institutions are saddled with has to go, but to tackle it firms' IT transformations have to take into consideration the scalability, liability and resource management which comes with new technologies. In an age of fintech disruption, embracing modern applications has become more urgent, but innovation must happen at a pace which allows for cyber resiliency to be done properly, avoiding the current fragmented landscape many firms face.

Dell Technologies and WWT recently held a free webinar, Balancing the IT Compliance and Innovation Agendas in Financial Services, which is available on demand. Click here to listen to the webinar

The pretence of invincibility

By Leda Glyptis

"Life is lumpy." Robert Fulgrum's words, not mine. But truer words have not been spoken. Acknowledging the lumpiness and unpredictability of life is not about imparting wisdom by the way. Far from it. Rather it's about reminding everyone what game we are playing. What we all signed up for. In life and business.

Life is lumpy. The middle is messy.

Things will break. Things will go wrong.

We will make mistakes.

We will do everything right and somehow it won't work out but the thing we didn't pay attention to or spectacularly messed up will. That's how it goes. Them are the rules. That is the way.

It is frustrating. And glorious.

And anyone who tells you their success is bound to faithfully working to a plan is lying. And anyone who asks you to devise such a plan to and for success is delusional.

And yet that is how we have been running transformation work in banks for 15 years and, to my unsurprised dismay, it is how banks are approaching their mid COVID-19 "take stock" sessions: treat the global pandemic as an unforeseen delaying factor so replan, log, deliver.

In short it's back to normal: set a goal, make a plan, treat the plan as gospel and if anything doesn't go according to plan… well… we either work through the night and weekend to close the gap, ignore it, whitewash it, chastise the project manager or, if it's too big for any of those remedies, if it's COVID big, just replan as if it was just a blip in the matrix.

SO MUCH FOR AGILITY

Agile is not a software development methodology, boys and girls. It is a software development methodology that allows us to not try and answer all the questions when we know the least about everything and encourages us to learn each day, together, and apply our learnings immediately because that is what they are for.

Repeat after me. That is what learning is for: to be used. Ideally immediately.

If you find out the building materials you are using when building your house are highly flammable, you don't carry on building because you committed, while the rooms you just completed smoulder. You adapt. You learned a thing. And now you are doing better as a result.

Only, not in banks.

And why not?

We have some of the smartest people, we have some of the best kit. Why can we not do this thing that preschoolers learn?

Because banking decision-makers – and, sadly, decision-makers in a lot of other industries – have somehow learned that big girls don't cry, boys of any sizes don't cry, plans need to be infallible and approvals are invincible.

Am I exaggerating? Of course.

But not much.

In banks we submit a plan. We get approval. We agree on KPIs. And then the KPIs become our gods. The RAID logs, RAG statuses and updates. The things we measure. The things we agreed on. Right or wrong. And the assumptions we made are no longer allowed to be fungible as the things we were trying to achieve become secondary to The Plan. The projects we committed to pre-COVID more important than the business we were trying to deliver. The projects we can still deliver post-COVID more urgent as a question than the world that needs our service, how it has changed and how we need to change with it. And for it.

God forbid we remember that the game we entered was not static.

It was always lumpy and messy. Much as

we tried to order and control it.

The banks' pretence of invincibility has worked well enough, long enough, don't get me wrong. But have you ever wondered what isn't happening while bank decision-makers are busy pretending it's all in hand?

WHAT YOU ARE NOT DOING WHILE YOU ARE BUSY LOOKING LIKE YOU ARE IN CONTROL

The first thing that isn't happening is active learning. Because learning is vulnerable work. It starts with not knowing (on a good day) or being wrong (on a bad one). Neither of those things plays well inside a bank hierarchy on any given day. Even less so during times of stress (bad quarterly results), strain (a plan not going to plan) or full blown crisis (enter left COVID).

It is not unreasonable. Confident leadership is important. We all know that.

And banking is an industry where careers are built on expertise and authority.

Marry the two and you have folks looking in control even when they are not. And it can be reassuring. But it is also highly likely to blinker a lot of the learning, change the questions away from what we should be answering (How do we serve a changing economy? How do we retain relevance? How do we safeguard agility in a world that may hit us with another COVID-sized puzzle before long?) to the questions we feel comfortable answering (How many committed projects can still be delivered in 2020? Should we review our offshoring strategy? Should we revise our budgets in line with the loss of income the last few weeks experienced?).

The first set of questions is baffling. Scary. They are the problems you need to stay with before you answer them.

Instead we make them the problems we live with while asking questions we know we can answer. And now we look and feel in control.

The second thing that is happening while we are pretending to be in control and acting like the Process is our Shield of Invincibility (yes, the caps are meant to make it sound silly. And yet you know it's true.) is that we start believing our own storylines. We start believing that the game is to answer some questions. And if you answer them well and deliver against the tasks you set yourselves all will be well. That is the ballgame. That is the test. That is what being in control looks like.

Only saying it doesn't make it so.

Choosing happy doesn't guarantee you a happy ending. It is just a statement of intent about how you live despite what the world throws at you.

As an organisation, we pah-pah happy and try to Gantt-chart our way to the happy ending.

Doesn't work that way. Everything we do in business is in pursuit of relevance.

Revenue, profit and return on equity is how we measure that relevance. But the ballgame is relevance. The things customers come back to you for. And believe it or not, being in control is not it. It's a hygiene factor. But it is not all that you think it is. And being invincible isn't even on the board.

Relevance is what business is about.

> "Relevance is the ball game, as the goalposts just moved on us again. And you don't get to play the game you were playing before, just because you want to."
>
> **Leda Glyptis**

Relevance is what the digital transformation journeys we started were about.

It was not and is not about the digital capabilities themselves but about what they enable us to do in terms of building and asserting business relevance in a changing world.

Relevance is what the conversation should be in boardrooms the world over as we come up for air post the first wave of COVID-19.

Relevance is the ball game, as the goalposts just moved on us again. And you don't get to play the game you were playing before, just because you want to.

And you don't get to fast forward to the end by changing the size of the task to something you feel fit to face.

And you most definitely don't get to win because you found the courage to play.

But unless you do find the courage to play, learn, adapt and answer the question actually being asked rather than the one you are happy answering, then you don't stand a chance of winning at all.

And that is exactly what you are not doing while you are busy looking in control.

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.

Head in the clouds

By Sanjiv Roy, head of banking & financial services transformation (Europe), NIIT Technologies

My cloud journey began around 2006 when the term "cloud" was not part of the business lexicon and it still made me think of rain. As technology operations manager of the securities sales & trading business unit of a major investment bank, I was forced to ponder over how agile we were in responding to the needs of the business.

The investment in infrastructure had reached levels where additional demand for storage and computing was leading to confrontations. On one hand, there was tremendous pressure from the business to be more responsive to their fast-evolving needs and on the other hand, there was intense scrutiny of cost. Of course, I wasn't the only one facing this conundrum; this was the scenario pervading the enterprise, and an urgent need arose to build an agile infrastructure that could deliver computing and solutions to the business, and create new software products and services for our customers.

To begin with, the enterprise adopted computing architecture that enabled the bank to run large-scale grid computing. Also, in order to address the needs of a mobile and distributed global workforce that included large vendor offshore development centres (ODCs) at offshore centres, serving a global clientele, the firm invested in a virtual-desktop environment so that the workforce could access the firm's applications and services wherever they were and whenever needed.

PCs disappeared from people's desks and the entire computer processing moved to data centres around the globe. Gradually these concepts and principles were adopted into the core business processing procedures, and a uniform architecture for running an internal "private cloud" evolved.

The technology teams could put up requests for infrastructure provisioning through an in-house workflow system that made the whole process much more agile, efficient and transparent. It took about ten years to move most of the distributed workload to the private cloud.

The biggest value drivers of a private-cloud infrastructure were:

1. **Risk reduction:** the uniform structure of the private-cloud infrastructure reduced complexity and we could respond to failures more quickly.
2. **Improved agility:** automated environment provisioning and management helped reduce launch or update an application from months to days and sometimes even minutes.
3. **Improved user experience:** development and engineering teams could focus more on the application development, rather than underlying infrastructure, and end-users' experience improved significantly as a result.

However, the transition to the new infrastructure platform and the new ways of working wasn't easy. The complex technology environment, with thousands of critical systems and bespoke in-house applications, carefully orchestrated to serve critical business functions, required meticulous planning, strong change management and reorganisation of technology division. The entire application landscape was brought under the umbrella of an engineering led support organisation to drive the transformation and cloud adoption.

I know that many other enterprises had undertaken the same journey, more or less around the same time, and the process of change still continues. Now the focus has shifted towards public cloud adoption. When we talk about public cloud, one of the biggest challenges is determining how we could put private, sensitive and critical enterprise data and applications on servers and data centres owned and managed by a third-party. The journey from private to public cloud would also be an evolutionary process with an intermediate hybrid state.

The three key factors that always come up in my discussions with our financial services clients are:

Security: it is clearly at the top of the list of enablers for public cloud adoption for financial services firms since they are custodians of sensitive client information. A step by step approach of defining security architecture and classifying data for migration is essential.

Regulations: another critical factor. Local and regional regulations around data access, storage and management must be carefully analysed and considered.

Systemic risk: since there are only a handful of dominant suppliers, large financial services firms are wary of systemic risks that are posed by the cloud infrastructure. As a result, many firms are looking at multi-cloud environments.

> "Every business and technology leader today understands the urgency of moving to a cloud-based infrastructure."
>
> Sanjiv Roy, NIIT Technologies

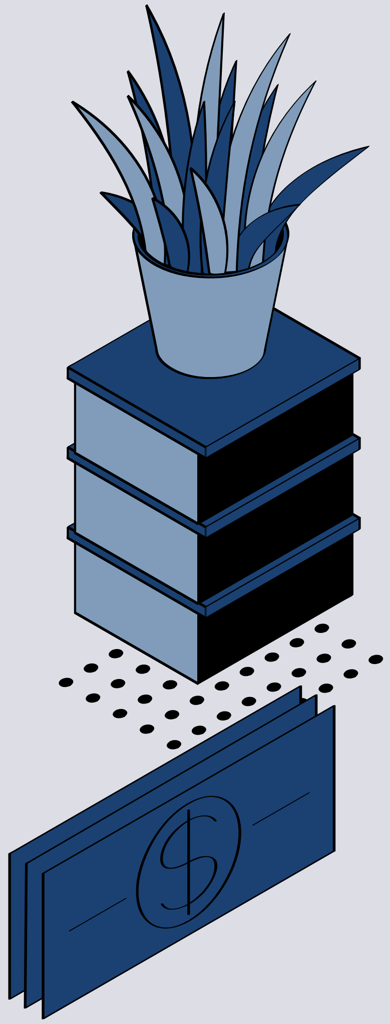
Cloud is no longer an "emerging" technology and most financial services firms have a cloud journey roadmap as part of their transformation programmes. With an underlying cloud infrastructure, firms can mine large volumes of enterprise data and can focus on building large, scalable ways of managing business intelligence. The concepts of machine learning and deep learning that rely on data to improve the predictive model accuracy can only be industrialised, if enterprise data is made available. The transition from bespoke to cloud infrastructure would help reduce the frictional middle parts of the IT infrastructure, and create a more seamless, end-to-end solution for end-users. The future of financial services depends largely on enabling a digital community. Every business and technology leader today understands the urgency of moving to a cloud-based infrastructure, even more so due to the prevailing pandemic situation, which necessitates greater scalability and reliability.

The debate and deliberations are no longer about whether to adopt to cloud, but it's about how to undertake the journey and whether to use private, public or hybrid cloud. A lot of these initiatives will be multi-year journeys that no firm can shy away from.

ASK THE EXPERT

How can I convince a prospect's finance team to work with us?

By Greg Watts



Here's a scenario I've often encountered when working with fintechs to help accelerate their partnership efforts: You've had a successful first discovery meeting with a prospect. You've validated your assumptions about their business, and they understand how your solution can enhance their proposition.

Now you need to demonstrate how it will impact their bottom line. You've been asked to meet their finance team to develop a business case. The question is, how do you persuade them to sign a partnership?

Here are three simple tips to get the agreement over the line:

1. CLARIFY THEIR GOALS

Demonstrate an understanding of their business and how your offering adds value. Based on their strategic and commercial goals, discuss how your offering will help them. For example, will it:

- Reduce operational costs – for example, processing fees or activation charges?
- Drive more customers to shop with them?
- Increase engagement and the average transaction value of existing customers?
- Reduce time spent at the checkout?
- Increase basket abandonment and conversion?
- Reduce fraud?
- Improve the overall customer experience? If so, how?

2. SHOW THEM THE MONEY – GET MODELLING

Now that you've shown how you can support them, create a value model in an excel spreadsheet to validate your assumptions and use it as a tool to secure the chief financial officer's (CFO's) buy-in.

Gather inputs by reviewing annual reports, financial statements and other sources of public information that provide deep, factual insights into the prospect's business. Consider the following:

- What was last year's turnover? How does it compare year-on-year? What are this year's targets?
- What is their average margin? What are the most and least profitable areas of their business?
- How is their cost base constructed?
- What are their average basket sizes?
- What is the frequency of customer shops?
- What are their engagement rates?
- What are their average transaction times?

Show you've done your homework by producing a draft model for the meeting that can be validated by the prospect and even modelled further together.

If approached correctly, the CFO and their finance team will relish the opportunity to co-create with you at an early stage – producing a collaboration model that becomes the basis for a business case and commercial targets that both parties buy into.

3. BE CLEAR ABOUT THE LEVEL OF RESOURCE REQUIRED FROM THE PROSPECT

Many fintechs claim to have minimal or no integration required, but that's rarely the case. It's important to be candid about the resources required for success and to build it into the business case and development plan that the retailer or bank signs up to.

Being evasive or unclear risks the loss of trust – or worse, the fledgling partnership being brought to a halt. The fact is, no one likes feeling they've had the wool pulled over their eyes.

BRINGING IT ALL TOGETHER

As a fintech, you've invested significant time trying to secure a meeting with a prospect, and they like what they see.

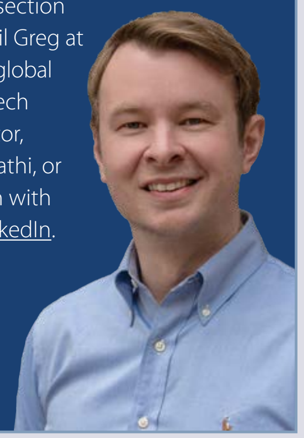
To ensure the partnership comes together, frame your solution in a way that supports their goals. Don't make the mistake of making it all about you – it needs to be about how you'll add value to their business.

Doing your homework and building a commercial case together from the second meeting should yield dividends.

Greg is the CEO of Findr, the AI matching platform for start-ups and their partners launching autumn 2020. He is a regular speaker, chair and panellist at fintech industry events, as well as a visiting lecturer at The American University in Paris. Greg 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.



Overcoming challenges on the road to open banking success

By Alex Hamilton, deputy editor, FinTech Futures

Banks of all sizes are facing challenges when it comes to adopting new open banking standards, as they seek a way to grasp the benefits available with flexible infrastructure.

Although a majority of the industry is waking up to the potential that open banking and application programming interfaces (APIs) have, worries still exist when it comes to integrating with legacy technology, changing corporate culture and finding the right talent.

Rajashekara V. Maiya, vice-president and global head of business consulting at Infosys Finacle, says that the hurdles banks face can vary depending on readiness and on the size of their balance sheet.

"Large banks generally have challenges when it comes to integration," he says. "If you demystify open banking and look under the hood it comes down to exposing certain APIs and certain sets of data in a limited manner."

The new standards are also asking firms to build a new infrastructure, adds Maiya. All of this brings threats in terms of opening systems and databases inside the bank that have been nothing if not confidential for a long time.

In many cases system integration issues cannot be easily solved when considering a large bank's core platforms. Another constraint on the larger banks is time. Maiya says that the Tier 1 institutions are used to budgeting time to projects that can last five or six years.

"That is not the expectation with open banking," he adds. "Regulators and customers are expecting this to be done much faster, and COVID-19 has accelerated that need by at least 12-24 months."

While medium-sized and small banks may not have a sprawl of legacy technology to navigate or integrate with, they have challenges in terms of access to a proper ecosystem.

"Most fintech ecosystems will be looking towards the larger banks," says Maiya. "Smaller banks also run into issues when it comes to attracting the best talent from an IT perspective."

Costs come into play with smaller banks as well. Maiya adds that while less capitalised banks have lower spend on technology, they equally have a smaller budget available to undertake technology transformations.

Despite the challenges, banks have several options available to them to ensure that they can be grab the opportunities available through open banking.

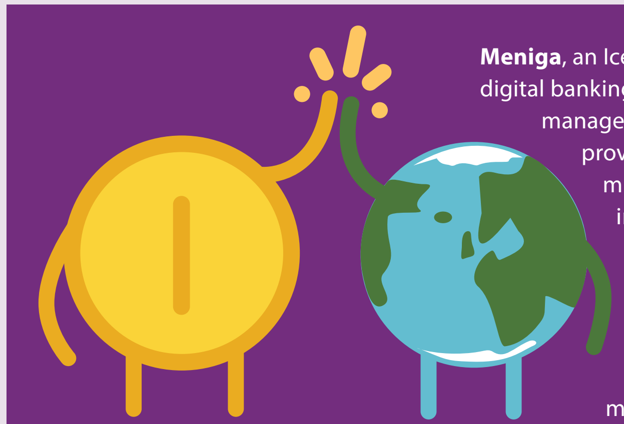
"What we look at first and foremost is the position of the API, in terms of its usage," says Maiya. "It has to be functional; it has to be business worthy. It cannot just be a technical thing. The second thing to focus on is a proper content management system so that the customer can view the data as well as the regulator.

"The third most important thing is to create a comprehensive fintech ecosystem, because you will not be able to go it alone. Fintechs have creative offerings and can save plenty of time by spinning up services much faster. Banks should not look to compete with them but instead onboard successful start-ups."

Maiya says that talent is also critical to properly engaging with open banking. "There should be an API product manager; an open banking analyst who understands your business context; you need an evangelist who can bridge the gap between external and internal perspective.

"You need an open banking architect, and you must have an API developer or team, who understands what fields to expose and how to make things readily available." Open banking will hit the entire organisation, concludes Maiya, and proactivity across a bank's infrastructure will separate the successes from the failures.

FINTECH FUNDING ROUND-UP



Meniga, an Iceland and UK-based digital banking and personal financial management (PFM) software provider, has landed $9.4 million in a strategic investment round led by Groupe BPCE.

Groupe BPCE has been one of Meniga's largest customers since 2018 with 36 million customers and will be extending this partnership to one involving equity as well as digital services.

The round also saw participation from new investor Grupo Crédito Agrícola, and existing backer UniCredit. Other investors included Velocity Capital, Industrifonden and Frumtak Ventures.

The PFM software provider says it will use the fresh funding to underpin its research and development activities, and boost its sales and service teams.

Pagaya, a US-Israeli wealthtech that uses artificial intelligence (AI) for asset management and institutional investment, has secured $102 million of Series D funding.

It will use the investment to hire more top tier data scientists and develop its technology further. The wealthtech will also use the funds to pursue new asset classes, such as real estate and other fixed-income assets like auto loans, mortgages, and corporate credit.

The round was led by Aflac Global Ventures, with participation from: Poalim Capital Markets, Viola, Oak HC/FT, Harvey Golub, Clal Insurance Ltd, GF Investments, and Siam Commercial Bank (through its digital ventures arm).

Checkout.com, a UK-founded payments platform, has landed a $5.5 billion valuation in its latest $150 million funding round. This makes it one of Europe's most valuable start-ups, alongside Revolut and Klarna.

Led by Coatue Management, the Series B round began in May when the firm approached eight investors and finalised the deal just one month later after receiving six offers.

Existing investors in the round included Insight Partners, DST Global, Blossom Capital, and Singapore's Sovereign Wealth Fund, GIC.

The fresh capital injection has nearly tripled Checkout.com's valuation and arrives roughly one year after its $230 million Series A in May 2019, which had increased its valuation to $2 billion.

The company is considering a US listing, according to its CEO, Guillaume Pousaz.

Thailand-based paytech, **Synqa**, has raised $80 million in a Series C funding round led by SCB 10X and Sparx Group. Participants in the round included Toyota Financial Services, Sumitomo Mitsui Banking Corporation, SMBC Venture Capital, and others. The firm plans to use its fresh capital to enhance its enterprise solutions in Asia.

Payfone, a New York-based digital identity verification software provider, has landed $100 million in funding. The new capital will be used to flesh out its algorithms with more machine learning and expand its reach to 35 more geographies. Payfone will also make some strategic acquisitions to bump up its technology stack, according to TechCrunch.

The funding was led by Apax Digital. It also saw participation from Sandbox outfits Blue Venture Fund and Sanbox Insurtech Ventures. Other investors include: Ralph de la Vega (former vice chairman of AT&T), Andrew Prozes (former CEO of LexisNexis), MassMutual Ventures, Synchrony, and Wellington Management.

To date, Payfone has raised $175 million, and its valuation stands at roughly $270 million.

Philippines-based digital bank, **Tonik**, has raised $21 million in a Series A funding round featuring blue-chip venture capitalist investors, Sequoia India and Point72 Ventures.

The funding round, Tonik's second since its 2018 founding, also saw participation from previous VC investors Insignia and Credence.

MayStreet, a market data infrastructure platform, has obtained $21 million in a Series A financing round led by Credit Suisse Asset Management's Next Investors. The investment will be used to accelerate MayStreet's product development and the expansion of the company's sales and marketing presence.

Additionally, as part of the investment, trading technology and market data industry veteran, Rishi Nangalia, will be joining the MayStreet board.

Santander InnoVentures, the Spanish bank's venture capital arm, has led a $40 million Series D round in US challenger bank, **Upgrade**, taking its valuation beyond $1 billion.

The San Francisco-based challenger focuses its offering around credit, giving users a contactless credit card, which has built in pay-over-time features.

The round also saw participation from: Silicon Valley Bank, Union Square Ventures, Ribbit, Vy Capital, Ventura Capital and Uncorrelated Ventures.

As well as fuelling the growth of Upgrade Card, the new capital will also be diverted to the upcoming launch of Upgrade Account, a mobile banking offering.

Formerly known as Margo Bank, the newly named **Memo Bank** has landed a €20 million funding round led by Paris-based BlackFin Capital Partners, and existing French investors, Daphni and Bpifrance. Founders Future and a host of angel investors also joined the round, including French billionaire Xavier Niel, Oleg Tscheltzoff, and Marc Simoncini. Memo Bank had previously raised €6.7 million in 2018.

The French fintech has also become a credit institution, having obtained licences from the French regulator Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the European Central Bank (ECB). Co-founder and CEO, Jean-Daniel Guyot, says this "hasn't happened since 1970".

Chicago-based investment firm, **M1 Finance**, has raised $33 million in a Series B funding round led by Left Lane Capital.

Jump Capital and Clocktower Technology Ventures also participated in the round, alongside existing investors.

The firm has raised $54 million over four rounds, with the last – a Series A – in April 2018 to the tune of $11 million.

According to its CEO, Brian Barnes, M1 will use the funds to double-down on its product focus, "just with more money to do so bigger, better and faster". The CEO highlights that the new money would also give M1 "more flexibility to make longer-term investments as people will need finance products for the rest of time".

Wahed, a New York-based Sharia-compliant investment start-up, has landed $25 million in a venture funding round.

The funding was led by Saudi Aramco's venture fund, Wa'ed Ventures.

The Islamic investment platform received backing from its existing investors, BECO and Cue Ball Capital. It also obtained funding from Dubai Cultiv8 and Rasameel Investment Company.

The start-up says the funds will fuel its global expansion, particularly in building out its subsidiary in Saudi Arabia.

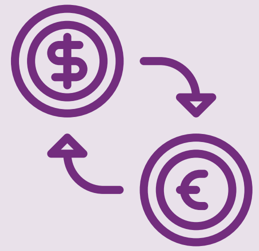
Chipper Cash has landed $13.8 million in a Series A funding round co-led by Californian investor Deciens Capital and Boston-based Raptor Group.

The San Francisco-based, no-fee, peer-to-peer (P2P), cross-border paytech, which operates across seven African countries, intends to use the fresh capital to grow its team by 30. It will begin hiring across its operations in San Francisco, Lagos, London, Nairobi and New York.

Liquid 2 Ventures and 500 Startups also participated in the fintech's most recent Series A. Chipper Cash has raised $22 million in total to-date.

As well as funding expansion of its operations, the start-up will use the capital to form the "Chipper Fund for Black Lives".

Multi-currency exchange platform, **iBanFirst**, has raised $21 million in Series C funding. The firm's latest round saw participation from venture capital funds Elaia and Bpifrance. Both join French funds Serena and Breega, which first invested in iBanFirst in 2018.



Pierre-Antoine Dusoulier, CEO and founder of iBanFirst, says the funding is a "decisive step" towards achieving maturity as a company.

IBanFirst allows its users to make cross-border payments in up to 30 currencies. The firm partners with local banks to provide the underlying infrastructure and to reduce costs.

MOVERS AND SHAKERS

Nikhil Rathi

The UK's **Financial Conduct Authority (FCA)** has appointed **Nikhil Rathi** as its new chief executive officer (CEO) for the next five years.

Rathi takes up his new position at the FCA in October. London Stock Exchange (LSE) since 2014, serving as the CEO of LSE plc and the director of international development at its parent company, the LSE Group.

He previously worked at the UK Treasury for more than four years and served as private secretary to prime ministers Tony Blair and Gordon Brown between 2005 and 2008.

Rathi will take over from the FCA's interim CEO, Christopher Woolard, who was appointed to lead the FCA in January 2020. Woolard was thought to be a strong contender for the permanent post, having worked at the regulator for seven years.

Synapse, a San Francisco-based fintech, has cut its staff by about half and signalled its intention to move more of its workforce to Texas in response to the pandemic, according to Business Insider.

As an explanation for the terminations, Synapse CEO Sankaet Pathak wrote the following in a letter obtained by Forbes to laid-off employees: "Because of the effects on business of emergency efforts being imposed to slow down the COVID-19 outbreak, Synapse Financial Technologies (Synapse) must lay off employees working at our San Francisco facility."

The note said 11 departments were affected, including "account management, engineering, machine learning, customer success, sales, compliance, facilities, design, operations, finance, and recruiting".

Markus Braun has stepped down from his role as **Wirecard's** CEO after €1.9 billion was found missing from the company accounts. Braun was also arrested on suspicion of false accounting and market manipulation on 23 June.

The prosecutors are accusing Braun of artificially inflating Wirecard's balance sheet and the company's revenue in an attempt to make the company look more attractive for investors and clients. Munich prosecutors suspect Braun did this in conjunction with others. A spokeswoman for the Munich prosecutors' office tells the Financial Times that the company's former management board is under investigation.

Braun reported himself to Munich prosecutors on 22 June, travelling to the German city from his home city of Vienna after a judge issued an arrest warrant. A Munich judge released Braun from custody on a €5 million bail on 23 June. The former CEO will have to report to police on a weekly basis.

Anna Manz

Anna Manz has been appointed as the new chief financial officer (CFO) of the **LSE Group**.

Manz succeeds David Warren, who announced his retirement in October 2019. Warren will be stepping down from his role as CFO and his board position, but he will remain with the group until his retirement in June 2021.

Manz arrives at LSE from Johnson Matthey, where she held the roles of CFO and executive director. Prior to this, she spent 17 years at Diageo as its chief strategy officer.

Amaiz, a new UK-based banking and bookkeeping service for small businesses owners, has hired **Francesca Dowling** as its head of compliance.

Dowling has more than 20 years' experience working in the regulatory field, most recently in risk and compliance. She has worked across many sectors including gambling, legal, financial services and banking. Previous employers include Virgin Money and Leo Vegas Group. She is renowned for her expertise in compliance (including international compliance), General Data Protection Regulation (GDPR), fraud prevention, anti-money laundering and cross-sector collaboration.

LenderClose, a proprietary, technology-focused lending platform based in Iowa, US, has appointed **Martina Schubert** as its chief technology officer (CTO).

Schubert joins LenderClose with more than 25 years in information technology leadership experience. In her most recent role with DLL Financial Solutions Partner, Schubert was part of two executive leadership teams, responsible for managing the enterprise-wide strategic and tactical planning process for IT.

FINTALK OF THE TOWN

ACTIONS SPEAK LOUDER THAN WORDS

Condemning white supremacy is an apparently controversial stance, according to certain top tier accountancy firms. Social media has circulated multiple instances of female employees getting the sack for their explicit support of the Black Lives Matters movement. Despite all the "diversity and inclusion" rhetoric plastered all over their websites and corporate literature, all it takes is a targeted campaign by far-right trolls for these firms to terminate contracts with anti-racist allies.

It's hardly surprising that nearly half (49%) of Black, Asian and Minority Ethnic (BAME) workers in the UK believe they must mask part of their identity to fit in at the office, according to research from the culture and change organisation, Utopia; the statistic jumps to 59% for BAME women. It's unsurprising that the second these women of colour (and their allies) felt comfortable enough to make a public stand against racism, they are punished – beyond disappointing.

ZOOM INTERNS

Banking and financial services summer interns are living their best lives amid the coronavirus pandemic lockdowns. Interns in a bulge bracket bank receive their full stipend for an internship that's half as long, as well as the relocation allowance, despite working from home. Corporate bankers have also complained of trolls infiltrating their Zoom meetings and that interns often play Fortnite (ask your kids) during mentoring sessions. Some interns have been making money out of the corporate swag they receive (moleskins, duffle bags, t-shirts, pens, etc), by listing them on eBay for double (or triple) the retail value. Optimistic, considering most of them are free on the regular conference circuit. Nevertheless, Gen Z's finest are making the most out of a bizarre situation; I'm almost jealous.

DOUBLE STANDARDS

Maria Rugolo, an apparel industry analyst for the NPD Group, conducted research on appropriate Zoom interview attire, running a poll that showed only 10% of people get dressed for working at home at the start of the day and change into "comfortable clothes" later.

As to our sartorial expectations, they concluded men only needed "a good shirt" and ought to expect to spend roughly $175 acquiring this incredibly necessary item. However, they suggest women should spend upwards of $1,500 on a floral ruffle blouse made by a company that happens to be run by a former analyst at Goldman Sachs (who also happens to endorse the results of the "study").

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