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FINTECH FUTURES

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FINTECH FUTURES

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Editor's note

What has everyone been talking about recently, those inside and outside of the fintech world? TSB and its tech woes (see p8).

The bank has been steadily building up its reputation as a responsible financial institution, with high moral values and the desire to help consumers and SMEs to manage and improve their financial lives, as well as caring for and nurturing its staff. And it has been doing a really good job (in my opinion) until that ill-fated weekend of technology migration from Lloyds' systems to Proteo4UK.

I hope nobody doubts the bank ran plenty of tests. But clearly that was not enough. People were working around the clock to get ready for this migration, and I am sure programme management was in place. But it would seem it was not sufficient.

The bank was simply not prepared to deal with the volumes of small-value transactions that its five million retail customers do digitally (small everyday purchases multiple times a day, paying for train/bus/underground, downloading music and apps, checking balances and so on). And the influx of customer issues once the internet and mobile banking systems were down. Was there a fall-back plan? Erm…

It took much longer than anticipated to restore the systems, but even then user numbers and transaction volumes had to be limited.

More issues will come to light as the investigation into what went wrong and how to put it right is revealed. IBM has been parachuted in to help (and what an opportunity for the tech giant to make money, eh!). There will be lots of humble pie eating and appearing in front of various committees, and a hefty fine is predictable. And heads will roll.

"Big bang" migrations of this scale are very complex, and are often career makers or breakers. Lots of comparisons to "open heart surgery" and "changing a plane engine mid-air", and none to "a pleasant stroll in the park". No wonder banks try to avoid them as much as possible! But if you are a bank embarking on a tech overhaul project, take a closer look at the TSB debacle and learn from its mistakes so as not to repeat them.

And for TSB and its tech team that has probably had the worst couple of weeks of their careers, I wish the IT issues will be resolved soon – for all the customers, staff and the bank's reputation (or what's left of it) sake. **b**t

Tanya Andreasyan
Editor-in-Chief
Banking Technology

Indian challenger bank Cube preps for launch

India-based challenger bank Cube has moved into beta stage two as it readies for launch.

Cube is the brainchild of Satyen Kothari, who was the founder, owner and MD of Citrus Pay from 2011 to 2015. He sold it to PayU in 2016 for $130 million. With no modesty whatsoever he says it was a "textbook journey".

In his latest venture, Kothari has created Cube. It's pitched as "your private banker" and will act as a wealth and money manager in India.

Kothari says beta two will offer "simpler" onboarding, new asset classes, a "simplified" money manager and new UX and UI.

Cube is rolling out its beta two invitations in waves – and will naturally be seeking feedback as it looks to progress.

Like many other new fintech firms around the world, Cube will look after expenses and budgeting; and offer guidance on investing in equity and international mutual funds.

There is no exact official launch date yet as it is building its bank, products and team. Kothari is calling for marketing and customer care staff – and asks for "excellent communication skills". (Almost everyone says that.)

According to its site, its current team comprises individuals from firms such as Apple, Disney, IBM and HSBC.

Cube says it will integrate with the India Stack for know your customer (KYC) operations. In addition, it will integrate with BillDesk, Yes Bank and the Bombay Stock Exchange (BSE) to let users move money and pay bills.

Cube is built on Amazon Web Services (AWS) and is an AMFI-registered mutual funds distributor. The latter being the Association of Mutual Funds in India.

This new bank should not be confused with regtech firm Cube, which was founded in 2011. The latter has offices in New York, London and Melbourne.

Antony Peyton

Íslandsbanki and Backbase team for credit card management app

Icelandic bank Íslandsbanki has gone live with a new credit card management app, built with digital banking tech vendor Backbase.

"The project was completed to deadline and acceptance rates have so far exceeded expectations," Backbase states.

"Íslandsbanki faced the challenge of migrating data, including loyalty offerings, from American Express to Mastercard," the vendor continues. "This project had a very ambitious timeline, as implementation had to dovetail with the closure of American Express' operations in Iceland."

Amongst the functionalities required were real-time status, real-time transactions, card activation, PIN retrieval and freeze/unfreeze card. Airline loyalty points earned on the American Express platform also had to be migrated over.

The 20-people project team accomplished the go-live in six months.

Training of the bank's staff was done internally, with a workshop for developers in Ukraine. Backbase says it provided onsite support for the first month, along with further training and support through to completion. There was some remote Q&A following the project wrap-up, which the vendor also provided.

Within the first six weeks, over 7,500 customers came on board, over 4,000 cards were activated and the PIN was retrieved over 12,000 times, according to Jóhann Friðgeir Haraldsson, digital business partner, Íslandsbanki.

The two parties say they will continue their collaboration going forward, with commercial banking and a new website on the roadmap.

Íslandsbanki has a market share of 20-40% across all domestic franchise areas, including retail and corporate banking, wealth management, money markets, treasury and equity investments. It has total assets of over ISK 1 trillion ($10.2 billion) and employs 860 people.

Tanya Andreasyan

Start-up e-Doley Finance takes BGFI Bank to court

e-Doley Finance, a fintech start-up in Gabon, is taking a major African financial services group, BGFI Bank, to court in France and Gabon. The fintech firm is accusing BGFI of stealing its mobile payments tech, reports local media outlet Jeune Afrique.

e-Doley Finance and BGFI started working together in 2013 on a profit-sharing basis (per transaction made). Two years later, the bank launched its own mobile offering, BGFI Mobile, using the technology that was patented by e-Doley Finance, the start-up claims.

Ernest A. Tewelyo, CEO of e-Doley Finance, says the two parties initiated a test phase for a mobile banking solution in Q1 2015, at the end of which the bank offered to buy the technology and cease the earlier profit-sharing arrangement. Tewelyo said he needed to think about it. In December that year the bank officially launched BGFI Mobile and unilaterally stopped the agreement with e-Doley Finance.

Tewelyo accuses the bank of taking his technology without paying him. He is now suing the bank for tens of billions of CFA francs.

Tanya Andreasyan

CivilisedBank gives up banking licence for now

UK challenger CivilisedBank says it will release its banking licence to give more time to develop its technology platform, before subsequently reapplying for a new licence.

It's keen to stress that everyone is cool with this. It says the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) are aware and the decision is "fully supported" by CivilisedBank's main shareholder, Warwick Capital Partners.

Chris Jolly, non-executive chairman of CivilisedBank, says it made this choice "rather than try to rush through our current IT development phase".

For its technology, the bank originally opted for a packaged solution from local consultancy firm, Tusmor. It consists of Profile Software's FMS.next for core banking operations, Dovetail (now Fiserv) for payments, Sphonic for risk management and anti-money laundering (AML), and Aqilla for accounting.

The bank was granted a banking licence in May 2017 and initially said it was building its infrastructure and planning a launch to customers in early 2018.

It is focused on the UK SME market and funded by retail savings. It will offer savings and loans, transaction banking, overdrafts, current accounts with deposits and foreign exchange.

CivilisedBank will not have any branches, but offers a "Local Banker" network to help build one-to-one relationships with SMEs, "without the high client volume per banker or the traditional costs associated with the existing high street banks".

Within five years (or maybe later now) it aims to have a Local Banker, as opposed to a branch, "in every major town and city in the UK".

CivilisedBank is led by a team that has worked in a variety of banks, including Santander, Handelsbanken, RBS, HSBC, Societe Generale, Barclays, Lloyds and Bank of Scotland.

Antony Peyton

Saxo Bank to move full tech stack to Microsoft cloud

Denmark-based Saxo Bank has announced a "strategic partnership" with Microsoft, which will see the bank's entire technology stack moved to the Microsoft Azure cloud.

The bank states that with this partnership, it "aims to be at the forefront of cloud-based solutions in the financial industry".

Saxo specialises in multi-asset trading and investment, servicing clients in more than 170 countries. It also offers Banking-as-a-Service (BaaS) to other banks and brokers, which enables them to leverage Saxo's technology and global capital markets access.

It supports more than 120 white-label partnerships globally and facilitates access to more than 35,000 financial instruments across multiple asset classes.

As Saxo expects a significant increase in the number and scale of partnerships, it has decided that Microsoft's cloud environment will "ensure scalability, flexibility and security in the digital infrastructure".

Kim Fournais, the bank's founder and CEO, believes the future of financial services is cloud-based. "Saxo Bank was a fintech long before the term was created, and it is a natural step for us to also pioneer cloud-based solutions in financial services," Fournais states.

"We are proud to break new ground together with Microsoft," he continues.

"At an early stage, we saw opportunities in using the internet and digital solutions to differentiate ourselves. Since we launched one of the first online investment platforms in 1998, we have been a Microsoft house, as such the Microsoft cloud is a natural fit for Saxo Bank."

Tanya Andreasyan

European Union plots mega blockchain crew

The European Commission (EC) has revealed that 22 member states have signed a declaration on the establishment of a European Blockchain Partnership.

The partnership will be a vehicle for cooperation; exchange experience and expertise in technical and regulatory fields; and prepare for the launch of EU-wide blockchain applications across the "Digital Single Market".

Mariya Gabriel, EC commissioner for digital economy and society, says blockchain is a "great opportunity for Europe and member states to rethink their information systems, to promote user trust and the protection of personal data, to help create new business opportunities and to establish new areas of leadership, benefiting citizens, public services and companies".

The EC makes a big deal about user trust, saying it makes it possible to share on-line information, agree on and record transactions in a verifiable, secure and permanent way.

It adds that the technology is already being tested, "mostly in financial services", and will become "more operational and integrated into increasing number of digital services, such as regulatory reporting, energy and logistics in the coming years".

The EC also launched the EU Blockchain Observatory and Forum in February and has invested more than €80 million in projects supporting the use of blockchain in technical and societal areas. Around €300 million more is to be allocated to blockchain by 2020.

The list of countries that signed the declaration are: Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Germany, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, the UK.

Like any good host of a party, the EC welcomes other countries, i.e. members of the EU and of the European Economic Area, to join the European Blockchain Partnership.

Antony Peyton

Crypto-friendly Arival seeks US banking licence

The saga of "crypto-friendly" Arival Bank continues as its owner plans to head to the US for a banking licence.

As reported last year, Vladislav (aka Slava) Solodkiy, managing partner at venture capital (VC) firm Life.Sreda, went all Craigslist on us.

He was looking to get in touch with the owners of a small or medium-sized bank in the US – as he was willing to buy it… completely or partially. He's not short of cash as he has a VC firm.

Like many others, Arival plans to be a neobank. It will target the SME sector and be built on the principle of open architecture "BAASIS" – a set of open APIs integrated into its own Blockchain-as-a-Service (BaaS) platform (including blockchain-based digital KYC – BAASIS ID).

According to Solodkiy, this will allow it to partner with third-party developers and integrate into the networks of banks.

In the latest chapter, Solodkiy has an American dream: "I am going to the US to apply for a banking licence. For the first crypto-friendly bank. God bless me :)"

He adds: "Right now we are going to San Juan to submit our application for a banking licence in Puerto Rico." The latter is an unincorporated territory of the US.

Solodkiy has already been to San Juan in January where he presented "(the second version of) my vision of the bank there".

Right now he is doing preparation work – application forms, business plan, financial model, and anti-money laundering (AML) policy – "the hardest, longest and the most expensive and important part".

The idea of buying a bank seems to be off the menu. Solodkiy responded to this comment on Twitter: "I received many requests, met with 20+ banks, two were good for me… but in the US, if you want to change business model (I want) – you need to start from the beginning, and purchase of a bank couldn't save time-to-market."

He explains: "We thought to buy a small bank in the US, the UK, Switzerland: in Europe – you will be limited to work only with euro or British pounds (and not with USD), in the US – if you want to change the business model of a bank, especially to work with crypto-related clients, you need to receive approval for that once again."

Solodkiy also told *Banking Technology* on Twitter that the name Arival is a mix of "arrival of the first fintech bank" and "a rival for traditional banks who hate crypto-related customers".

We look forward to hearing about his American adventure later.

Antony Peyton

First official bank comes to Malawian refugee camp, Dzaleka

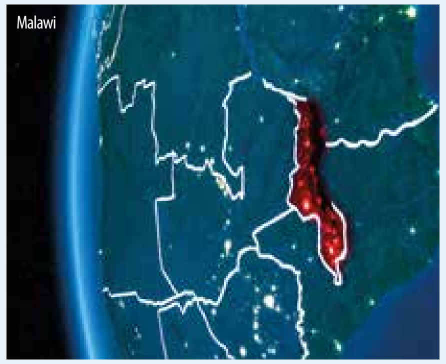
Germany-based fintech MyBucks and Finsbury Investments are launching a fully operational branch of its banking network – New Finance Bank Malawi (NFB) – at the Dzaleka refugee camp based outside of Lilongwe.

The organisers describe the initiative as a "world-first" that will enhance financial inclusion and better the lives of Malawi-based refugees.

"Comprised of approximately 35,000 refugees from the Democratic Republic of Congo (DRC), Burundi, and Rwanda, including many others from countries of political, social and economic distress in Africa, the Dzaleka refugee camp is home to residents that have been a part of its living fabric for as long as 20 years," MyBucks and Finsbury Investments explain.

"During this time, it has seen an explosion of entrepreneurism, giving rise to successful microbusinesses, from farmers to barbers, to profitable enterprises that include grocery shops and saloons, restaurants and poultry businesses."

NFB is aimed to "strengthen entrepreneurial progress" and broaden



financial inclusion, supported by the Malawian government under the auspices of the Ministry of Home Affairs and Internal Security, as well as the Ministry of Health.

The United Nations (UN) agencies are also involved, namely the United Nations High Commissioner for Refugees (UNHCR) as the lead agency, supported by the World Food Programme (WFP), plus other partners such as Plan International Malawi, Jesuits Refugee Services (JRS), and Churches Action in Relief and Development (CARD).

The new branch will, for the first time ever seen in a refugee camp worldwide, offer displaced individuals access to simple banking products and functions like fixed deposits, saving and transactional accounts; access to an ATM, agency banking and money transfers; and access to lending products such as micro-lending, group loans and the broader activities associated with foreign exchange.

"It is certainly a unique prospect," says Dave van Niekerk, executive chairman of MyBucks. "Dzaleka is living proof of human enterprise; how we can innovate and overcome in adversity."

For NFB, it "will prove a profitable exercise", says the bank's CEO, Zandile Shaba. "Investing in a local community that can save, invest and grow with us makes financial sense – and broader economic sense too in the context of Malawian growth and prosperity.

"However, on a community level, in Dzaleka and the surrounding communities where this investment will be felt most, the impact will be profound. Having access to world-class banking services is surely a fundamental economic right, without which Dzaleka cannot push on and thrive in the context of a technological world.

Tanya Andreasyan

Barclays UK Ventures in pursuit of innovation

Barclays UK has unveiled a new unit – Barclays UK Ventures (BUKV) – that will focus on "developing new business lines, promoting innovation and driving returns" within the banking group's UK business.

BUKV will be will be led by Ben Davey, formerly Barclays' group head of strategy, who will also join the bank's executive committee.

Davey says he intends "to build a strong team of technologists, developers and entrepreneurs within BUKV, mandated to operate independently of, but in partnership with, our core operations".

BUKV will "look and feel very much like a start-up or scale-up operation" in the way it works, he adds, so that things can be done quickly.

"Davey's new team will have the mandate and space to find and develop opportunities both within and outside Barclays that have the capacity to grow Barclays UK," the bank explains.

"Those opportunities will then be captured through a combination of organic build-out, commercial partnerships and venture investments." BUKV will be working closely with third parties through partnerships as well as by taking equity stakes in fintechs and other tech firms.

BUKV will be operating "semi-autonomously" in its pursuit of "innovative and disruptive themes".

Ultimately, it's all about the money. "We are a growth business and Davey's appointment will put real weight behind this new unit to provide new lines of revenue growth in addition to the organic growth of our core business," says Ashok Vaswani, Barclays UK CEO.

Tanya Andreasyan

TSB vows to put things right

In its latest financial results announcement, TSB says its teams "are working around the clock" to fix the IT issues "as soon as possible". The bank's migration to new systems over the weekend of 21-22 April caused chaos with online and mobile banking – for nearly a week customers could not bank remotely and reported multiple problems with their accounts and transactions.

The migration was a massive undertaking – five million customers and their 1.3 billion records were moved from the outsourced tech provided by Lloyds Banking Group to TSB's new banking platform, Proteo4UK.

In addition, TSB and its parent, Spain's banking group Sabadell, have appointed IBM as a systems integrator, "to help identify and resolve performance issues in the platform". The IBM team will report to TSB's CEO, Paul Pester.

"As we moved over to our new banking platform last weekend, the landing was an incredibly bumpy one for our customers, and for that I am truly sorry," Pester says. "This is not the level of service that we pride ourselves on providing – nor is it what our customers have come to expect from TSB.

"I want to reassure our customers that the engine room of the bank is working as it should. This means that for the vast majority of our five million customers, everything is running smoothly." However, he adds that the bank's online and mobile banking app still "isn't functioning as well as it should be" and acknowledges how "frustrating" this must be for TSB customers.

The bank assures that none of its customers will be left out of pocket as a result of these issues. "To begin to put this right we will be waiving all overdraft fees and interest charges for all of our retail and small business customers for April," it says.

"As a way of saying thank you to our customers for sticking with us, we'll be increasing the interest rate on our Classic Plus account to 5% AER," it adds.

Pester states: "We have achieved a tremendous amount in the past four years in building TSB. We clearly have some issues we're dealing with but we will come out the other side.

"The way we deal with every single one of our frustrated customers as quickly as possible will define TSB – both now and in ten, in 15 and in 20 years to come as we continue on our mission to bring more competition to UK banking."

As of 31 March 2018, TSB had a total customer lending portfolio of £30.8 billion and total customer deposits of £30.6 billion.

Tanya Andreasyan

Intesa Sanpaolo Private Bank swaps ERI's Olympic for Avaloq

Avaloq's Business-Process-as-a-Service (BPaaS) solution, Avaloq Banking Suite, has been implemented at Intesa Sanpaolo Private Bank Suisse as its new core banking platform.

Avaloq Banking Suite replaced ERI's Olympic core banking system, *Banking Technology* understands.

Avaloq says the new tech "will enable the bank to accelerate its growth strategy of client acquisition and geographic expansion". Intesa Sanpaolo's private banking division recently embarked on an international expansion programme and was looking for a system that could be implemented "within a short period of time".

"Avaloq used its tried-and-tested ready-for-business approach to bring Intesa Sanpaolo Private Bank Suisse live in the quickest time possible," the vendor states. "This involved using a BPaaS solution based on a fully working, pre-tested standard, including the delivery of new digital channels, which significantly lowered costs and time to market."

Tanya Andreasyan

Centra Tech founders arrested and charged with fraud

The US financial services regulator, the Securities and Exchange Commission (SEC), has charged the three owners of Centra Tech, Sam Sharma, Robert Farkas and Raymond Trapani, with fraud. The latter is the "mastermind" of the scam, according to the SEC.

All three have been arrested.

Centra raised $32 million last year for a cryptocurrency debit card via an initial coin offering (ICO), which was endorsed by boxer Floyd Mayweather and DJ Khaled.

"We allege that the Centra co-founders went to great lengths to create the false impression that they had developed a viable, cutting-edge technology," says Robert A. Cohen, head of SEC's cyber unit. He urges investors to "exercise caution about investments in digital assets, especially when they are marketed with claims that seem too good to be true".

According to the SEC, Centra falsely claimed major credit card partnerships, misrepresented the product, created fake founder biographies and manipulated the price of the Centra Tokens (CTR).

Deputy US Attorney Robert Khuzami says Trapani "conspired with his co-defendants to lure investors with false claims about their product and about relationships they had with credible financial institutions".

He adds: "While investing in virtual currencies is legal, lying to deceive investors is not."

The trio exchanged a number of text messages that revealed the phony nature of the enterprise. For example, when a large bank sent them a cease-and-desist letter to remove any reference to the bank from Centra's marketing materials, Sharma texted to Farkas and Trapani saying they "gotta get that s**t removed everywhere and blame freelancers lol".

In another instance, Trapani texted Sharma asking to "cook up" fake documents to get the CTR Tokens listed on an exchange. To this, Sharma replied: "Don't text me that s**t lol. Delete."

Trapani is now facing one count of conspiracy to commit securities fraud, one count of conspiracy to commit wire fraud, one count of securities fraud and one count of wire fraud. Three out of the four charges carry a maximum sentence of 20 years. LOL indeed.

In March, the SEC charged Michael Liberty, the founder of mobile payments start-up Mozido, with a scheme to trick hundreds of investors into investing in his shell companies instead of Mozido.

Tanya Andreasyan

US faster payments governance framework unveiled

A group of payments industry stakeholders released a draft of the faster payments governance framework for the US Faster Payments Council (FPC), and is calling on the industry participants to comment.

"The goal of the proposed organisation is to facilitate a ubiquitous, world-class payment system where Americans can safely and securely pay anyone, anywhere, at any time and with immediate funds availability," it states.

The draft proposal is the result of eight-month work by the 27-member Governance Framework Formation Team (GFFT), a short-term work group established by the Faster Payments Task Force and facilitated by the Federal Reserve.

The recommendation to develop and establish the framework was the leading directive of the task force.

"The GFFT has worked hard to produce a draft governance framework that's focused on broad participation and pragmatic, private-sector approaches to solving problems and removing barriers to ubiquity and adoption," says Sean Rodriguez, Federal Reserve EVP and chair of GFFT.

The FPC will be open for all to join as the long-term successor to the GFFT, which will be disbanded by the end of 2018.

"The task force and GFFT assert that an appropriately open and inclusive organisation can help get the industry to ubiquity faster than through bilateral cooperation alone," the organisers say.

The proposed FPC will:

- drive the emerging faster payments infrastructure toward interoperability where needed;
- foster a high-quality user experience for all;
- get the industry to ubiquity faster than otherwise possible.

Steve Ledford, SVP of The Clearing House, adds: "Helping consumers and businesses understand faster payments is another essential step to ensure confidence and make faster payments safe and ubiquitous.

As one example of its functions, the FPC will coordinate education and awareness campaigns to inform consumers about how to use this new payment option, and how it is different."

The FPC will be governed by the following guiding principles:

- openness and inclusiveness;
- flexibility and responsiveness;
- fairness and transparency.

The operating vision for the FPC – which it emphasises is "a work in progress" – is available for review and broad stakeholder feedback until 22 June 2018.

Stakeholder feedback will help determine where there is broad agreement on the proposed organisation, inform areas that require further refinement, and gauge support for moving it forward.

Upon completion of the comment period, the survey responses will be summarised and published in a report.

Tanya Andreasyan

Goldman Sachs acquires personal finance app Clarity Money

Goldman Sachs has completed the acquisition of Clarity Money to bring over one million customers to its online lending platform Marcus.

Clarity Money is an app that helps consumers manage their personal finances by using machine learning.

As reported in October 2016, Goldman Sachs unveiled Marcus. It's named after Marcus Goldman, one of the firm's founders, and the platform provides consumers with a way to "consolidate their high-interest credit card debt". Borrowers can apply for fixed-rate, no-fee personal loans of up to $30,000 for periods of two to six years.

According to Goldman Sachs, the acquisition expands Marcus' products and services. Clarity Money is free to use and over time will be branded "Marcus by Goldman Sachs". Financial details about the acquisition were not disclosed.

Stephen Scherr, CEO of GS Bank and head of the consumer and commercial banking division, says: "Clarity Money has pioneered a consumer-centric approach to personal finance that will help Marcus continue to put power in the hands of consumers."

In terms of personnel, Clarity Money's team of engineers, designers and marketers, led by its founder and CEO, Adam Dell, will join Goldman Sachs – with Dell becoming a partner.

Dell will continue to lead Clarity Money, and will be on the Marcus senior management team, reporting to Harit Talwar, head of digital finance, and Omer Ismail, chief commercial officer of digital finance.

Antony Peyton

Emirates NBD goes blockchain for its "Cheque Chain"

It's a mix of the old and the new as Emirates NBD has gone live with its "Cheque Chain", integrating blockchain into issued cheques to strengthen authenticity and minimise potential fraud.

Following a pilot last year overseen by Emirates NBD Future Lab, the bank is now rolling out its technology to its customers across the UAE.

Some (or most) of you might have thought cheques were long gone, but not so it seems for this bank.

According to Emirates NBD, Cheque Chain enables a unique QR (Quick Response) code to be printed on every leaf of newly issued cheque books.

This code registers each cheque on the bank's blockchain platform, "ensuring that once the cheque is received and cleared under the bank's ICCS [image cheque clearing system] technology, bank staff can validate the cheque's authenticity and have access to its source at all times".

Abdulla Qassem, group chief operating officer, Emirates NBD, says it is the "first bank in the region to offer this service".

It might be the only one. We'll see what happens.

Anyway, in its first month, the bank says it registered close to one million cheques using blockchain.

IT LOVES FIRSTS

In a separate development, Emirates NBD has launched its own private cloud platform.

It says it is the "first bank in the region to implement a private cloud platform that leverages similar technologies to cloud-native companies [i.e. Google, Facebook and Amazon]". This is a "major milestone" in its ongoing AED 1 billion ($272.3 million) IT transformation.

Through this cloud technology, the bank says its IT platforms and applications will get cost efficiencies, higher security, resilience, flexibility, insight and quality control.

Emirates NBD adds that it plans to move all of its applications onto the private cloud in the short term. No timelines or specifics were provided.

Antony Peyton

Banking tech firm Thought Machine restructures

Thought Machine Ltd, a UK-based banking software firm set up by ex-Googler Paul Taylor, went into administration.

According to The London Gazette, an official journal of record of the UK government that publishes various statutory notices, Taylor's two companies – Thought Machine Ltd and Being Technologies Ltd (trading as Thought Machine) – went into administration on 22 December 2017. Administrators have been appointed.

Thought Machine came onto the banking tech scene in 2016 (following two years in stealth mode) with a new cloud-based core banking software, VaultOS.

It says banking is "broken" and Vault OS is there to fix it being "the engine for the banks of tomorrow".

It was founded by a core of ex-Googlers, Taylor among them. A "serial entrepreneur", Taylor does not have banking software background, but focuses on speech, language and artificial intelligence (AI) tech. In 2006, he co-founded Phonetic Arts, which developed speech software for the games industry. In 2010, the company was acquired by Google.

Taylor contacted *Banking Technology* to explain that the move was a restructuring one. Thought Machine Ltd and Being Technologies Ltd ceased to exist, while Thought Machine Group Ltd was incorporated, acquiring the staff, business and assets of the two firms. "The process was largely seamless as the investors and board were the same, and all the staff, customers, contracts and IP carried over," he says.

"Thought Machine continues to grow, as now has 60 staff, and plans continued expansion," Taylor states. Some members of the team previously worked at Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS.

There are no known customers to date. It was considered for Santander's Openbank project, *Banking Technology* understands, but did not make it to the shortlist (Temenos got the deal with its T24 offering).

Tanya Andreasyan

NBC and JP Morgan test debt issuance on blockchain

National Bank of Canada (NBC) and JP Morgan have tested blockchain technology for debt issuance. Consultancy firm Synechron provided business and technology consulting for the project.

NBC issued a $150 million, one-year floating-rate Yankee certificate of deposit, with a parallel simulation of the issuance using blockchain technology. Goldman Sachs Asset Management, Pfizer, and Western Asset were among the investors in the Yankee certificate of deposit.

The simulation test had the banks mirror the execution of the actual transaction through a debt issuance application developed by JP Morgan, based on Quorum – a permissioned-variant of the Ethereum blockchain.

Quorum was developed by JP Morgan and unveiled in 2016. The bank is now planning to spin off the business as a standalone entity.

Christine Moy, blockchain programme lead at JP Morgan, says the project with NBC is "an exciting example" of how the bank can leverage its "combined capabilities in capital markets and blockchain technology".

The solution incorporates functions across the complete debt instrument transaction lifecycle, including origination, distribution, execution, settlement, interest rate payments, and maturity repayments.

Tanya Andreasyan

Danske Bank picks start-up Minna for PFM partnership

Sweden-based start-up Minna Technologies' personal finance management (PFM) solution for subscription management will be integrated into Danske Bank's mobile banking app later in 2018.

The deal means the PFM solution becomes available to the bank's 2.4 million private customers. In total, Minna says its platform will be used by seven million users in the Nordics.

Lars Malmberg, global head of business development at Danske Bank, says: "This is a good example of an innovative, digital solution that we believe can make a difference for our customers, and which is closely aligned with our ambition of giving customers full control and overview of their finances."

Through the platform, the bank's customers can cancel or "improve" their subscriptions directly within the bank's digital channels.

According to Minna, it has, since October 2017, helped customers of partner banks save more than €15 million.

Last year, Minna integrated its subscription management platform with Swedish retail bank, Swedbank.

As part of its international expansion, the company says it changed its brand from the Swedish name Mina Tjänster ("My Subscriptions") to Minna Technologies.

Antony Peyton

Tink unveils API developer platform

Swedish fintech Tink has introduced its API developer platform. With it, developers will be able to take advantage of the company's Account Aggregation and Categorisation solutions to design and launch products for end users.

The offering provides unanimous access to financial data from 300 financial institutions – all from a single API. By managing authentication and the customer-bank interaction, Tink says its platform frees developers to focus on the creative work of building and deploying new solutions for customers.

"Businesses can now come to us and implement something new in just a day, instead of having to wait for banks to open their APIs in two years time," Tink CTO Fredrik Hedberg says. "By democratising access to financial data, Tink is tearing down the barriers to innovation, and becoming the missing link that has stopped these ideas from becoming reality."

The developer platform initially will support Nordic banks, with a broader European roll-out anticipated "soon". The technology is already being used by banks like SBAB, which is leveraging the API to launch a "mortgage challenger" solution to help would-be homebuyers get the best deal on financing a new home.

"At Tink we have been trailblazing PSD2 since 2012," Hedberg says. "The ability to aggregate data is what has enabled Tink to grow into the business it is today. We know from experience that there are countless developers out there with brilliant ideas – but innovation has been held back by the lack of access to financial data."

The company emphasises that because it aggregates more than PSD2 payments data, its platform can be effective for developers in a variety of sectors who want to leverage financial data to better enhance their customer-facing products.

Tink was founded in 2012 and based in Stockholm. It has recently partnered with BNP Paribas Fortis to integrate its account aggregation, PFM, and payment initiation technology into the Belgian bank's mobile app.

In October, Tink picked up $16.5 million in funding which took the company's total capital raised to more than $30 million, and set the stage for further expansion into the European market. Tink also announced a trio of new bank customers: Nordea, Nordnet and Klarna.

David Penn, Finovate

India's central bank puts a stop to cryptocurrencies

The Reserve Bank of India (RBI) has told all regulated organisations in the country that they can no longer deal with virtual currencies.

In a statement, the RBI says these kinds of currencies "raise concerns of consumer protection, market integrity and money laundering" and "in view of the associated risks, it has been decided that, with immediate effect, entities regulated by the RBI shall not deal with or provide services to any individual or business entities dealing with or settling virtual currencies".

In the overly emotional fintech universe, this has caused quite a stir, and the RBI will be clarifying a few more points about this soon.

At a press conference, reported on by various Indian media sources, RBI deputy governor B.P. Kanungo drily discussed cryptocurrencies: "While the regulatory responses to these tokens are not uniform internationally, it is universally feared that they can adversely impact market integrity and capital controls. And if they grow beyond a critical size, they can endanger financial stability as well."

However, blockchain did get some love. Kanungo adds that the RBI sees it as offering "potential benefits for financial inclusion and enhancing the efficiency of the financial system".

The RBI is also looking at a fiat digital currency. In a statement, it says: "Rapid changes in the landscape of the payments industry along with factors such as emergence of private digital tokens and the rising costs of managing fiat paper/metallic money have led central banks around the world to explore the option of introducing fiat digital currencies."

These are early days as an inter-departmental group has been set up to do a feasibility study. The report is expected to be made public in June this year.

Almost every day, regulators around the world are getting tough (or rumoured to be doing something) on cryptocurrencies. China and South Korea are two big names that started early.

China stopped all websites related to cryptocurrency trading and initial coin offerings (ICOs), while South Korea is mulling something similar.

Meanwhile, the UK's Financial Conduct Authority (FCA) waded into the cryptocurrency derivatives arena by publishing a paper recently that clarifies who or what needs to be authorised.

Antony Peyton

NZCU South migrates to new core banking system, Oracle Flexcube

NZCU South, a credit union in New Zealand, has completed its migration to a new core banking system, Flexcube from Oracle FSS.

The project is part of a broader core banking replacement programme by Co-op Money NZ. The organisation embarked on the Flexcube project in early 2016. All in all, nine credit unions in New Zealand will be running the new system once the roll-out is completed later this year.

NZCU South has become the third credit union from this cohort to move to Flexcube in the last eight months. The other two are NZCU Baywide (the country's largest credit union by assets) and Aotearoa Credit Union (ACU).

NZCU South CEO Tania Dickie says: "Migrating to Oracle Flexcube is one of our three strategic deliverables for 2018 and we are glad to have achieved this for our 20,000 members just after the first quarter."

She describes Flexcube as "a flexible and robust IT core banking system based on a service-oriented architecture (SOA)".

The new platform, Dickie adds, "will lay an impeccable foundation for the credit union's other strategic initiatives, such as improving business structure and streamlining business processes", which she hopes will translate into better customer experience in the next few years.

Tanya Andreasyan

Jio Payments Bank launches in India

Jio Payments Bank, a joint venture between conglomerate holding company Reliance Industries and the State Bank of India (SBI), has been unveiled.

The bank joins a crowded market in India. To date, the Reserve Bank of India (RBI, the country's central bank and regulator) has granted approval to 11 payments banks. These include Paytm Payments Bank, Airtel Payments Bank, Fino Payments Bank and India Post Payments Bank.

With Jio's latest development, the bank says it will let account holders deposit up to IND 100,000 ($1,534) in a savings account and this "may be increased later".

There is no loans and credit cards facility, but it does provide ATM cards, debit cards, and online and mobile banking.

To create an account online, users need to download the JioMoney App. Users can also link their Aadhaar card to complete the verification process.

Antony Peyton

Ireland's central bank to launch fintech innovation hub

The Central Bank of Ireland has finally joined the party and set out its intentions to launch a fintech innovation hub.

In a speech by Derville Rowland, director general financial conduct at the Central Bank of Ireland, given at the Cork University Business School | University College Cork (UCC) Financial Services Innovation Centre (FSIC); she discussed "innovation and technology in financial services".

She says: "We can identify two features that are common across most regulators: dedicated innovation units or hubs; and industry engagement programmes."

With that in mind, and considering the global hub fever, the bank is now developing its version for firms to engage directly with the central bank on "innovation and fintech".

These are very early days as no timelines or specifics are on offer. But it seems this hub is a bit overdue.

Rowland says: "The absence of an accessible point of contact for fintechs is an issue that has come up repeatedly in our discussions with stakeholders."

In addition, fintech firms will now be able to contact the central bank by a dedicated email address: fintech@centralbank.ie with questions. The strength of fintech is certainly not waning.

She explains: "This will start a conversation. It will give firms a way to engage with us outside of more formal regulatory interactions, such as in the authorisations process. In so doing, the central bank will be able to learn from the firms about their ideas, the technologies they are developing, and have a view to where financial services are heading."

Rowland adds: "Just to be clear, we mean inclusive engagement with all firms that are innovating and changing financial services, that is, with both start-ups and incumbents."

It also launched a new dedicated section on its website. This will act as a portal of information for fintech stakeholders.

In terms of its new "industry engagement programme", there will be fintech roundtables hosted by the Central Bank starting later in 2018. No specific dates again but the bank plans these to be a regular thing.

EC LOVER

Elsewhere, Rowland says the bank welcomes the European Commission's recently published "Action Plan on Fintech", and its "more unified European response" on such things as increasing cybersecurity and the integrity of the financial system.

She notes that the central bank receives more than ten million records of securities markets transactions every day. Therefore, it is keen to keep cybersecurity and data efficiently controlled.

It also hosted a regtech roundtable in early April with UCC's Governance Risk and Compliance Technology Centre, the UK's Financial Conduct Authority and the Bank of England.

That roundtable focused on model driven machine readable and executable regulatory reporting. "Or, more simply, how to design a rulebook to be read by a computer."

She adds: "Development of regtech, here and in other areas, has the potential to give compliance officers the time to focus on other important issues like conduct and behaviour."

Antony Peyton

TransferWise joins UK's Faster Payments system

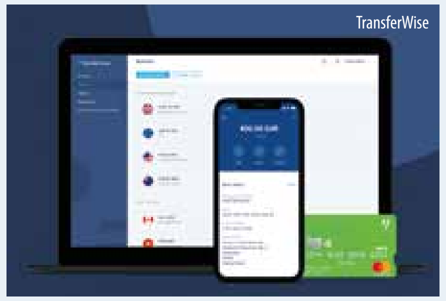
TransferWise has become the first non-bank payment service provider (PSP) to directly access the UK's Faster Payments system.

The Bank of England (BoE) says a "key component" of this work involved it extending settlement account access in its real-time gross settlement (RTGS) system to non-bank PSPs.

Mark Carney, governor of the Bank of England, says: "By stimulating competition and innovation, we anticipate increased diversity and risk-reducing payment technologies will reinforce financial stability while enhancing customer service."

To give you some background, on 19 July 2017 the central bank announced that non-bank PSPs were eligible to apply for a settlement account in its RTGS system.

According to the BoE, this change enabled non-bank PSPs to access directly the UK payment schemes that settle in central bank money for the first time, including Faster Payments, Bacs, CHAPS, LINK, Visa, and the new digital cheque imaging system.



The bank worked with the Financial Conduct Authority (FCA), HM Treasury, HM Revenue & Customs, the Payment Systems Regulator (PSR) and the system operators to enable access "whilst safeguarding resilience".

Allowing non-banks to hold a settlement account in RTGS is "just one way" in which the bank and the wider UK regulatory community is broadening access to the RTGS system.

In May 2016 the bank set out a blueprint for a renewed RTGS service. It says with an increasing number of payments being made through this system, it anticipates that widening access to CHAPS and payment schemes that settle over RTGS will "help to increase competition and innovation in the provision of payment services".

This work also supports the objectives of the PSR and FCA – who often talk about how they want to promote competition and innovation as well.

The BoE adds that any firms interested in accessing the UK payment systems directly should contact the relevant systems operator to discuss these issues further.

Antony Peyton

Milestones reached in Nordea's tech overhaul

Nordea is progressing with its enterprise-wide technology overhaul. The bank says new savings and term deposit accounts for Finnish household customers are now being opened on the new core banking platform, Temenos' T24.

This and other project updates were provided in the bank's Q1 2018 financial results.

"Earlier this month, we migrated just under 250,000 existing savings accounts belonging to household customers onto the new core banking platform and the remaining accounts will be migrated in the coming weeks," the bank says.

A milestone has also been reached in the roll-out of a new collateral management module in Norway – collateral worth NOK 30 billion ($3.8 billion) was migrated onto the platform. Collateral migrations in Norway will continue throughout 2018.

Also, the bank has started the roll-out of a "completely new" mobile banking app, with Finland as the first country. The roll-out is gradual, taking place throughout April and May. At present, the new app is available for 40% of Android customers in Google Pay and has been downloaded by more than 60,000 customers, Nordea says. It will be available in Apple's App Store shortly.

"We are more compliant with all euro payments (SEPA Credit Transfer Interbank payments), which are now running on one global payment engine," Nordea says. The underlying technology is FIS's Open Payments Framework (OPF) platform, which originates from the FIS acquisition of paytech firm Clear2Pay.

"We have also reduced complexity by closing close to 190 applications linked to our data warehouse simplification stream. Local data warehouses in Norway have now been closed," Nordea reports.

And finally, on the blockchain front, Nordea has joined the we.trade consortium as founding partner. Together with IBM, we.trade is building a platform based on distributed ledger technology (DLT) that aims to make domestic and cross-border commerce easier, safer and more efficient for companies.

"This is the first blockchain-based trade finance platform as such, marking a milestone in the practical adoption of DLT in the financial industry," the bank states.

Tanya Andreasyan

Metro Bank sets its Insights on Personetics' AI

UK-based Metro Bank's Insights has turned to Personetics for artificial intelligence (AI) powered money management through its mobile app.

Powered by Personetics' Cognitive Banking Brain, Insights monitors transaction data in real-time and identifies user-specific trends, events and spending habits – providing customers with "insightful prompts and forward-looking perspective into their finances".

Craig Donaldson, CEO of Metro Bank, says: "We've all been there when you forget to cancel a free trial and end up accidentally subscribing for another month, or you leave a cafe only to realise you've mistakenly been charged twice for the same cup of coffee. Insights is about being on the front foot; cutting through the noise to provide relevant and timely tips that make a real difference to customers."

The app will be made available this summer.

Antony Peyton

Ex-Lending Club boss gets an Upgrade

Renaud Laplanche, the former co-founder of Lending Club, has been rebuilding his reputation with a new US lending firm called Upgrade.

As reported in May 2016, Laplanche resigned following an internal review of sales of $22 million at Lending Club in near-prime loans to a single investor, in contravention of the investor's express instructions.

This was swiftly followed by Lending Club experiencing a management reshuffle and job cuts – and financial losses. Can't be great to lose your job because someone else messed up.

However, since 2017, Laplanche has been working on his new project, Upgrade. This start-up offers personal loans – and says "checking your rate won't affect your credit score".

It's made some reasonable progress so far. According to Laplanche, it's initiating $100 million in personal loans a month, with an average loan size of about $10,000.

He reveals that it has got $60 million in annualised revenue, and by the end of 2018, Laplanche anticipates this making a $100 million revenue run-rate and becoming profitable.

In its latest development, Upgrade has unveiled a new consumer product, "Personal Credit Line". The product is designed to combine the fixed rate and monthly amortisation of personal loans with the "flexibility and utility" of lines of credit typically obtained through credit cards.

With this product, consumers can get approved for up to $50,000 and can request an advance on the line when they need it, subject to credit approval.

Upgrade explains that this is similar to an instalment loan because each advance has a fixed rate and term.

There is no fee to open the line and no fee to use the line. Customers are only charged interest on the amount they use, and the funds are deposited directly into their bank account. Payment terms will vary from 12 to 60 months.

Personal Credit Line will be made "broadly available to consumers shortly". There are no specific dates but interested parties can join a waitlist.

Antony Peyton

RBS to launch "beta" of new digital bank in Q3

RBS is progressing with its mobile bank initiative, with plans to move one million customers onto the new offering, according to Forbes. These customers will come from RBS's retail banking subsidiary, NatWest, and will help the bank make significant per-customer cost savings compared to what the costs are now, Forbes says.

It is understood Mark Bailie, COO of RBS, is spearheading the project. The team consists of 80 developers and bankers.

The beta version of the mobile bank is on track to be ready in Q3 this year.

The business model, according to Forbes, will focus on "marketplace" banking, enabling customers to "switch and save" on financial products from RBS as well as a range of its partner fintech firms. RBS will earn commission on this.

The target customer base will be the less financially fortunate and savvy customers of NatWest, it is understood.

RBS remains government-owned, following its bailout during the financial crisis a decade ago. It unsuccessfully tried to carve out a separate bank under the Williams & Glyn brand, sinking £345 million into the project and giving up after three years (defeated by the tech complexities). It was then mandated by the government to set up a £750 million fund for smaller banking players in the UK that offer business current accounts and lending.

Tanya Andreasyan

Paysafe to purchase iPayment

US-based Paysafe will acquire iPayment Holdings, a provider of processing solutions for SMEs, as it seeks expansion in North America.

Via the deal, Paysafe will get access to 137,000 SME customers. Financial details were not disclosed.

Joel Leonoff, Paysafe's president and CEO, says the acquisition is "part of our long-term investment strategy to grow our business in North America and builds on our other successful acquisitions over the past couple of years".

In August 2017, Paysafe bought SME payments provider, Merchant Choice Payment Solutions (MCPS). Paysafe's goal is to establish itself as a "top five non-bank payment processor in the US".

iPayment had annual processing volumes of over $28 billion in 2017 and operates both direct and indirect sales channels. It employs over 450 employees across its four US offices located in Boston, Massachusetts; Westlake Village and Camarillo, California; and Minden, Nevada. Paysafe doesn't say what will happen to these people.

However, Todd Linden, CEO of Paysafe's payment processing division in North America, will lead the merged payment processing organisation at completion. Linden brings over 30 years of industry experience and was previously CEO of MCPS.

OB Rawls IV, CEO and president, iPayment, along with the CFO, Robert Purcell, will both remain with the organisation at completion as part of Paysafe's leadership team.

According to Paysafe, the integration of these two firms will bring merchants, partners, consumers and platforms "more product choice" via a platform which includes point of sale (POS) solutions, order ahead purchases, and online products such as Paysafe's prepaid solution, Paysafecard.

The acquisition is expected to complete in Q2 2018, pending final regulatory approvals. Until then, the two groups will continue to operate as independent organisations.

Paysafe has over 20 years of online experience. It says it has a combined transactional volume of $56 billion in 2017 and over 2,600 staff located in 12 global locations.

Antony Peyton

Revolut lands $250m funding

UK-based challenger Revolut has raised an additional $250m in Series C funding, which will see the fintech valued at $1.7 billion – a five-fold increase in less than a year.

Revolut says it is "one of the fastest tech companies in Europe to reach unicorn status".

The funding round was led by Hong Kong based DST Global, alongside a portfolio of new and existing investors including Index Ventures and Ribbit Capital. The latest cash injection brings the total amount raised by Revolut to $340 million since the company launched three years ago.

Revolut aims to onboard 100 million customers in the next five years. At present,

it has nearly two million customers, and says it is signing up 6,000-8,000 new customers daily, and processing $1.8 billion through its platform. It also boasts over 250,000 daily active users.

The new capital will be used to expand Revolut worldwide, starting with the US, Canada, Singapore, Hong Kong and Australia in 2018.

Revolut says it wants to grow its workforce from 350 to around 800 employees by the end of the year, "with a focus on attracting world-class engineers and designers".

Nik Storonsky, founder and CEO at Revolut, states: "Banking has historically avoided disruptions by technology, but that is all about to change on a big scale."

Tanya Andreasyan

Fighting a (losing) battle against fraud

Despite efforts to control payments fraud, it appears financial institutions and businesses in the US are fighting a losing battle.

The recently released 2018 Payments Fraud and Control Survey Report from the Association of Financial Professionals (AFP), revealed that fraud levels reached a record high in 2017, with 78% of the organisations surveyed affected by fraud.

Cheques were the instrument of choice for fraudsters, with 75% of finance professionals reporting that their organisation's cheque payments had been exposed to fraud. Business emails were also attacked, with 77% of organisations reporting their employees – from chief executives through to treasury analysts – had been targeted by email-based payments fraud.

Jim Kaitz, president and chief executive of AFP, says treasury and finance professionals need to better anticipate scams and be prepared to deter them. He is alarmed that the rate of payments fraud had reached such a high despite repeated warnings.

The survey also found that 65% of payments fraud was committed by individuals outside an organisation and 67% of fraud was detected by treasury staff. Nearly all – 92% – said fraud attacks collectively cost 0.5% of the organisation's annual revenue.

"The fraud survey serves as an important resource in understanding the potential risks within the payments industry," says Bob St Jean, managing director and treasury services executive at JP Morgan, which sponsors the survey. "With more than three-quarters of companies experiencing fraud in 2017, it is important that businesses take preventive measures by educating their employees and implementing processes to prepare and protect their infrastructures from cyber fraud."

A greater share of survey respondents from larger organisations and those with fewer payment accounts (those with annual revenue of at least $1 billion and with less than 26 payment accounts) report payments fraud activity than do respondents from other organisations. During the past three years, AFP says larger organisations have been more vulnerable to payment fraud attacks than other companies. At least 80% of the larger companies have been victims of payments fraud in each of the past three years.

The report outlines some of the attacks reported. For example, more than 100 cards in a commercial card programme fell victim to a credit master attack, where fraudsters used sophisticated algorithms to estimate what the account numbers and expiration dates were. In another instance fraud was perpetrated via cheque and ACH debits on an account that did not feature Positive Pay filters. Positive Pay is a fraud prevention system offered by most commercial banks to protect against altered, forged and counterfeit cheques. It checks the accuracy of a cheque's account number, date, and amount when the cheque is presented for payment. The company in question reported that once the necessary filters were added, the problem was solved.

"What is concerning is that despite the actions companies are taking to guard against payments fraud, scammers continue to persist in their efforts to attack payment systems," says the report. "Even when fraudsters face challenges when planning their attacks on a particular payment method, they likely shift their focus to alternative payment vehicles, as in the case with business email compromise. Business leaders need to be vigilant in their efforts to prevent future fraud attempts and to make it more difficult for criminals to hack into payment systems."

In Europe, payments fraud is also a concern. The European Payments Council (EPC) issues a yearly report on trends in security threats that could affect payments. Its most recent report, from December 2017, identified the main payments threats:

- an increasing professionalism and sophistication of cyber attacks;
- increasing numbers of distributed denial of service attacks, frequently targeting the financial sector;
- a shift from malware to social engineering attacks, or combinations of the two;
- a focus on mobile and internet of things devices.

The EPC believes the adoption of cloud services and big data analytics, while presenting new opportunities for organisations, may also present new risks. The idea that data is stored "everywhere" may be a concern.

Alongside the threats, EPC says there is a competitive market drive for user-friendliness and simplicity in payments solutions. This has led to increased pressure on security resources and to trade-offs by payment service providers (PSPs). "The challenge will be to find the right balance between the user-friendliness and the security measures needed," says the EPC. As security becomes more regulated through the revised Payment Services Directive (PSD2), General Data Protection Regulation (GDPR) and Network and Information Security (NIS) Directive, there are challenges because on the one hand payments are being opened to new PSPs, but security barriers with respect to fraud have been raised.

EPC says card not present and lost and stolen card fraud will continue to be the predominant drivers of payments fraud in Europe. Skimming is the most common fraud perpetrated at ATMs. With regard to Single Euro Payments Area (SEPA) credit transfer and direct debit transactions, fraudsters' use of impersonation and deception scams, along with online attacks, are the primary causes of fraud losses.

"An important aspect to mitigate the risks related to payments is the sharing of fraud intelligence and information on incidents amongst PSPs. However, often this is being limited by existing regulations related to data protection, even more so in the case of cross-border sharing," says the report.

> "The challenge will be to find the right balance between the user-friendliness and the security measures needed."
> **European Payments Council**

In response to the growing levels of fraud affecting financial institutions, Swift introduced the Customer Security Programme (CSP) in 2016. The programme includes the introduction of mandatory security controls, new services to help prevent and detect fraudulent activity, and community-wide information sharing initiatives to prepare for, exchange information about, and defend against, future attacks.

Phillipe Lepoutre, deputy head of global transaction and payment services at Societe Generale, says CSP is a necessary step in addressing cybercrime. "As a global network, Swift allows exchanges between different types of banks – from the very largest multinational institutions through to very small banks. The perception is that perhaps some of the smaller banks have not taken cybersecurity as seriously as they should, which has created weak points in the Swift network."

He believes the fraud attacks on the Swift network were a "wake-up call" for many of the cooperative's members. CSP will create transparency between members on the Swift network and will be a strong incentive for all banks to show they are not lagging when it comes to cyber security, he adds. **bt**

Heather McKenzie, freelance journalist and editor, www.fintecheye.com

Seeing things differently

Ahead of the Temenos Community Forum (TCF 2018), *Banking Technology* talks to *Jean-Michel Hilsenkopf*, chief revenue officer and member of the executive committee at Temenos, about the major themes in digital banking today.

What are the top three drivers of digital transformation?

When I'm talking to banks, three things always come up: changing customer demands, a more dynamic market and the economics of banking.

Take the first one. Our grandparents chose and stayed with a bank until they died. Today, customers go where they can get the best service at the best price.

This brings me to the second driver. We have a much more dynamic market. We've got banks, fintechs, platform players – such as Google and Amazon – and telcos all wanting a piece of the action.

This leads to the third driver: competition. There's no way that banks can continue as before. They can't afford to. The quest for profitability has intensified, and banks are now looking at technology as a key differentiator. Digitalisation is now a business imperative, not just a cost reduction exercise.

Banks are big IT spenders, but rather than spend on the maintenance of their legacy infrastructures, they can invest in new systems. This will allow them to innovative, to bring new and personalised digital products to market, and extract valuable data from their systems.

Technology is now driving the business conversation.

What are the secondary drivers?

Speed to market and product differentiation are secondary but important. Regulation is also pushing change. When a regulator opens up to a new idea it can really drive a market forward. Just look at Kenya.

A few years ago, the Kenyan regulator opened up a national database to third parties. The Commercial Bank of Africa partnered with local telecoms company Safaricom to launch a new mobile banking service that used the database to verify know your customer information. This massively simplified opening an account and cut the time required to just seconds. The whole service took five months to go live and within five months the bank had three million new customers. That's pretty powerful.

Another example is open banking, which creates a level playing field between incumbent banks and digital start-ups. Legislation in Europe obliges banks to share customer data and to open up their payments platforms to third parties. Open banking and EU's new payment services directive are the catalyst for banks to change their business models. Europe is the test bed, but other regions will follow.

Can you give any practical examples of successful digital transformations?

When launching Pepper, Leumi – Israel's largest bank – took a really disruptive approach. Pepper is a digital bank, and it runs on a Temenos core platform. I really liked their approach, with no hangovers from legacy systems, no constraints. They designed it for a new generation of clients – and it was designed by that generation. It's very refreshing.

How do different geographies compare with regard to sales?

From day one, Temenos has been a global company and we see differences and similarities across markets. Globalisation and regulation are themes common to all. Individually, European banks see digitisation and open banking as a priority.

We're also seeing Tier 1 banks increasingly opt for packaged solutions. In some APAC countries, 60% of the population is aged under 30 and they are very tech savvy – a factor shaping banks' strategies.

In Australia, the cloud is really important, whereas in the Middle East and Africa it's all about mobile banking and reaching the unbanked.

In Latin America, we are seeing a renaissance in private banking, with larger banks implementing state-of-the art wealth suites to deliver a far better service to clients. The technology also allows advisors to automate compliance and back-office functions, which saves on time and costs.

North America is an interesting market as banks there want to become more sophisticated. We're starting to see differentiation in terms of their offer and they see digital as a way of doing that.

Who are your main competitors and how does Temenos differentiate itself?

Our real competition – the big battle we have – is banks that do nothing. Only 30% of banks are using an external software vendor for their digital transformation plans.

I know it's a big decision. But many forward thinking banks now understand they can't do it themselves and must work with external providers. They need packaged software to innovate at scale.

There are many ways to do this. Some banks are transforming their architecture in stages. Others have chosen to launch digital-only banks built on entirely new technology platforms. At Temenos, we are specialists in banking and we adapt to our clients needs.

What big changes have you seen over your career?

I joined Temenos right at the start, even before mobile phones. Mobiles have made a massive difference. They really are part of delivering customer service today.

In that time we've seen a shift towards packaged software and open source. Temenos has always been about open technology – we provide the platform and APIs that will connect to and work with third-party software to give banks maximum flexibility.

> "We believe that to become fully digital, banks need to renovate their IT systems front-to-back office."
>
> **Jean-Michel Hilsenkopf, Temenos**

No one knows the future, even five years ahead, so banks need that flexibility. And as IT has become strategic to the future of banks, decision-making has moved from the IT department to the CEO and the boardroom.

I would also say that whereas fintechs were initially regarded as a threat, they are now seen as partners. Banks are investing, buying or working with fintechs as they realise they cannot do it all on their own.

Temenos is widely known for its core banking. Are there any plans to diversify?

While we are renowned for our core banking software, we provide the full front-to-back stack. We believe that to become fully digital banks need to renovate their IT systems front-to-back office.

We are passionate about the core and our software is second to none. We have a powerful front office digital engagement suite, embedded analytics, financial crime solution, and payments hub.

We also serve multiple verticals – retail, corporate, private, fund management, inclusive and Islamic banking.

We have a very significant market opportunity ahead of us in banking and we are seeing strong growth driven by digitisation, regulation changes and the move to open banking.

How important is the cloud in Temenos' strategy?

We've been in the cloud for 12 years. Initially, people thought banks would never go for it. Today, most of the requests for proposals (RFPs) we get ask for a chapter on cloud as clients are seeing cloud as a way to scale and bring agility to their business. But cloud is not just about software as a service or data processing. There are lots of ways you can use it – and we want to make sure that we can help banks in any way they need.

How would you define the culture of Temenos?

We take pride in seeing things differently. It started with our idea to sell banks packaged software and today it's about delivering the right technology to enable banks to be the best they can.

It's why we have the highest R&D in the industry, funded at 20% of our revenues, and we have a great track record – something like over 250 go-lives in 2017 alone.

Today we have over 3,000 clients all over the world, banks of all sizes. Half a billion people worldwide use and rely on Temenos' software to do their banking. We have done something really useful. It makes me very proud. **b**t

Jean-Michel Hilsenkopf was appointed chief revenue officer of Temenos and member of the executive committee in January 2018. He is one of the original members of the company, having joined in 1993. His deep understanding of the company, its culture, and passion for delivery gives him the vision to drive the company's regional strategy forward.

Prior to taking up his current role, Hilsenkopf was MD for Temenos in Europe, Middle East, Africa and Latin American regions, as well as Temenos' cloud business. He previously held the position of regional GM for Europe and also successfully integrated several acquired companies, such as Odyssey and Viveo. Before joining Temenos, Hilsenkopf worked as a consultant in the banking sector.

Hilsenkopf holds an MBA in international marketing from the University of Geneva, Switzerland as well as a master's degree in computer engineering from the Polytech of Clermont-Ferrand, France.

It's a safe bet branch banking no longer needs safes!

By *Richard Buckle*, founder and CEO of Pyalla Technologies

A bank safe or a painting?

It's almost as if we have reached the point where entering a bank is not much different from entering any other business. It's all about the customer experiences, or so we keep on hearing and the thought here is that the huge walls of bullet-proof glass along with the presence of guards posted nearby do not do anything – to improve that experience.

In fact, entering a bank's branch office today isn't all that different to entering a hospital or a government agency – think your average DMV. A somewhat sterile experience, where you worry that someone will approach you with bad news.

Walking into a restaurant this weekend my wife happened to notice a rather odd-looking painting. On further inspection, it was the door to a safe and on even closer inspection of our surroundings the restaurant was actually a re-purposed bank branch office. Clearly, the safe wasn't in working condition, although I gave the dial a twirl, but still the safe lent a certain other-worldly charm to the place. Times are changing and with that our expectations about what a bank's branch office should look like and the experience we expect to enjoy.

As a youngster living in Sydney Australia the image projected by banks, reinforced each and every time you entered them, was that it was an imposition on the bank to hand over cash as with such a transaction, it was bank's duty-bound obligation to inform you that tapping you savings, no matter the purpose, was against your better interest! No, leave your cash with us and enjoy the fruits of compounding interest until the time comes when you can use it to enjoy your golden years. Yes, put it all back in the safe for us to manage!

"But I need a new car, now, and I have saved for it so yes, give me MY cash." I have to go down the road; they're waiting for my return," I would tell them. I could always discern the look of condemnation on the teller's face. By the time the clerk updated my passbook and checked bank's ledgers, anxieties would overtake me to where, leaving the bank, with cash in my pocket, I felt like I had really done something wrong. Providing a good experience wasn't part of any bank's business practice when I look back at banking as it was done in my youth. When it came to interacting with merchants, cash was the most relied-upon instrument available to the general populace.

Banks have branch offices today as an integral part of their branding – vast sums of money have been spent on reducing the bank's name to a single word so that it can be easily seen, illuminated in neon, 24x7. Signs atop buildings, billboards and yes, the branch office, all contribute to reinforcing the image of size, strength and safety – your money is safe in our bank. But take away cash, a place to store important documents and legal records and yes, any further need of a safe, do we end up with an office indistinguishable from any other place of business? As long as that neon sign stays illuminated, it's a branch office, right?

Looking more closely at the safe inside the restaurant I could easily make out that it had been manufactured by the Mosler Safe Company – a manufacturer that went out of business in 2001. It had been in business for more than a century, but fell on ill times and Diebold ended up buying much of the former company in bankruptcy court. However, the company had had a glorious past having seen one of its safes in Japan survive a nuclear attack. Furthermore, according to one source I checked, "when the US government began building bunkers and silos during the Cold War, Mosler became the de facto gold standard contractor for blast doors." Where once a safe was used to protect money, records and documents today we are no longer as demanding of cash nor are we in need of physical barriers behind which we store all that we value!

Whereas in the past it was all an issue of whether you had the right mix of concrete, iron and steel behind which, banks assure their customers that their money, records and documents, are safe today the infrastructure we will likely encounter protecting all of this will be digital – blockchain/distributed ledger technology (DLT) and digital – perhaps even crypto – cash. Banks are carefully monitoring this technology as its immutable, hack-proof, structures seem ideal for ensuring deposit accounts, all records of the property we own, and yes even paper as diverse as wills and bills of lading are well-protected. With each new announcement of one bank or another piloting a program based on digitised and virtualised monetary systems, the role a safe may play seems so… twentieth century!

In many ways, banks relied upon their own deployment of safes at a time when the general populace didn't have any other means to protect its valuables. Today, however, safes are commodities and with the tendency of individuals today to gravitate to sole-proprietor business operations, safes of all sizes and strengths have flourished, where safes are common place in our homes and even in the rooms of hotels and onboard cruise ships. We have safes to store our cash, our business records and yes, more often than not here in America, our gun collections. Digital currencies with digital wallets and their digitised credit /debit cards, digital passports and drivers licences and yes, digital medical records – it is clear that safes may fade from the scene but where once we viewed our bank's branch offices as places we could rely on as having a safe, marketing no longer sees safes as having anything at all to do with defining a bank's branch office.

At a time when we question the future of branch offices and the role they will be playing in a digital and more than likely cashless society, it's a safe bet that betting on the presence of a safe will be futile. In a digital world, you will never hear the door close. It's as if our embracement of all things digital is signalling not just the birth of new industries but the end of others. As the Mosler experience exemplifies, if all you do is build safes and provide physical protection and then miss the opportunity to become part of the digital protection world, you will go the way of the buggy-whip manufacturer that misjudged the popularity of the automobile. The time is quickly coming where the last place you will want to turn up at, carrying cash, may very well be a bricks-and-mortar bank!

It is only a matter of time before digital currencies find their way into our daily lives (and no, I am not suggesting for a moment that we drop everything in favour of Bitcoin), our mobile phones become the keys to all our records (drivers licences are being phased out in favour of something displayable on our smartphones as are passports in some places) and just the subtleties in the way we walk – yes, our gait – may prove to be all that is required to check the status of any balances and valuables that we own.

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"Looking more closely at the safe inside the restaurant I could easily make out that it had been manufactured by the Mosler Safe Company – a manufacturer that went out of business in 2001. However, the company had had a glorious past having seen one of its safes in Japan survive a nuclear attack."

Richard Buckle, Pyalla Technologies

In truth, this is not a likely eventuality in the near term. I need to remind my readers that this is just a glimpse into one possible future. And safes are really a tangible symbol for security – what was an accepted practice in the past may just be an anachronism in today's world of banking. A symbol of what a bank stood for – protection and safe keeping. If we remove the need for safe keeping, will the branch office evolve to where it is little different to any other shopfront in a mall?

But here's the thing – if we still want to deposit cash or have a need to withdraw cash, there is always the ATM and with the morphing of ATMs into kiosks capable of performing almost any branch office operation, including the support of safe deposit boxes as has been demonstrated of late, then for a time, at least, branch offices have options as they transition to the all-digital branch offices of the future – indistinguishable from any other merchant. That is, for as long as we view ATMs, morphed or otherwise, playing a role in a bank's branch office.

"Clearly, the marketplace is already moving aggressively toward more advanced function ATMs and even the 'next generation' ATM platform that will further blur the lines between traditional ATM functionality and mobile devices," and perhaps much more, observes Paragon's director, global product marketing, Steve Gilde. "What this also means is that even more stuff will need to be tested to ensure that it all works well, i.e. new stuff, old stuff, transitional stuff and even stuff that hasn't been thought of yet." Safes may have gotten safer as more and more safecrackers tried their hand but today, there is a lot of onus on banks to ensure digital safecrackers are kept at bay!

> "The death of cash has been announced so many times now it should be mortally wounded – however, as we continue to hear the story that cash is disappearing, the opposite is actually true – the money supply increases year on year."
>
> **Craig Lawrance, OmniPayments**

There will continue to be a section of society that is either underbanked or even unbanked where cash remains the primary method for managing the budget. But these people have historically had little need to access a branch office of any bank. Any experience that they had was likely limited to the few occasions when they needed to "break a bill" for some reason, but even here, we already have ATM-like devices in most casinos capable of breaking bills.

"The death of cash has been announced so many times now it should be mortally wounded – however, as we continue to hear the story that cash is disappearing, the opposite is actually true – the money supply increases year on year," says OmniPayments VP of business development (EMEA), Craig Lawrance. "And so we shall continue to need ATMs to go on dispensing the cold hard cash."

I am still a huge fan of cash, mind you, as in times of crises when quick action is required, and when basic infrastructure is inoperable, having cash on hand can be very important. And yet, a safe-free world isn't something I am advocating as needing our attention next week, but there will definitely come a time when carrying cash into the bank will be cause for a mild-panic attack. Not from us, but the branch office tellers. No, not here – take it somewhere else; don't you know this is a bank and we no longer take cash! Why don't you take it down the road for goodness sake and buy a car; they still take cash, don't you know?! Ummm – as we then wonder; what's a car? **bt**

FINTECH FUNDING ROUND-UP

Fintech funding round-up

Who got to savour the splash of cash over the last month? Here's a compilation of the money givers and receivers across the fintech world in our new section.

MFS Africa has become the first African fintech funded by a China-based VC in a $4.5 million Series B round led by LUN Partners Group. Goodwell Investments, an Amsterdam-based firm, as well as several angel investors, completed the round.

According to MFS Africa, it operates the largest digital payments network on the continent – and it's accessible via one API. The company connects over 170 million mobile wallets through 100+ partners, including Airtel, Ecobank, MTN, Orange and Vodafone across 55 markets. As part of the deal, MFS Africa will work with LUN Partners to tap into the financial inclusion market in countries targeted by China's "Belt and Road" initiative.

Meniga, a white-label digital banking solutions provider, has received a €3 million equity investment from its customer, Swedbank.

The two companies partnered in 2017 to improve Swedbank's digital customer experience through a personal finance activity feed and data aggregation platform.

Meniga says the investment "forms part of a strategic financing round", which also features "other key customers" of the banking tech firm.

Israeli behavioural biometrics start-up **SecuredTouch** gained backing from Arvato Financial Solutions. The $8 million investment brings the company's total funding to $11.5 million. Yair Finzi, CEO and founder of SecuredTouch, sees "a clear synergy between the offerings and strategies of Arvato Financial Solutions and SecuredTouch".

SecuredTouch was founded in 2015 and specialises in behavioural biometrics for mobile transactions. The company maintains a foothold in the security space by leveraging more than 100 parameters to continuously authenticate users in a session without friction. Its technology is able to differentiate between human and non-human behaviour to catch and block would-be fraudsters. It offers U-nique, a behavioural biometrics technology that leverages machine learning (ML); U-manobot, malware detection technology; and Continew-ID, a device takeover prevention technology.

SecuredTouch's other investors include Rafael Development Corporation, Eshbol Ventures, and Wellborn Ventures.

Fintech in Singapore is always lively. Start-up **CardUp**, a digital payments platform for cash management, has secured $1.7 million in seed funding. The round was led by Sequoia India and Seedplus.

The firm is targeting the SME market and says over SGD $55 million ($41.7 million) in payments has been created on its platform in the last 12 months. CardUp adds that this represents more than 1% of overall credit card spend growth in Singapore from 2016 to 2017. According to the company it has partnerships in place with UOB, Citibank, Bank of China and Mastercard.

Singapore-based peer-to-peer (P2P) lending platform **Funding Societies** (also known as Modalku in Indonesia) has raised $25 million in Series B funding. Led by SoftBank Ventures Korea, the funding round also includes existing investors Sequoia India, Alpha JWC Ventures (Indonesia) and Golden Gate Ventures. Qualgro and LINE Ventures also participated. Funding Societies wants a piece of the financial inclusion market – although specifically in Southeast Asia.

In January 2018, the platform says it crossed the SGD 100 million ($76.3 million) mark in crowdfunded SME loans, which marked a 300% growth of its loan book since the same period in 2016. Funding Societies adds that its platform has also increased its lender base beyond 60,000 in less than three years of operation.

Malaysia-based investment platform **HelloGold** has secured Series A funding from Silicon Valley venture capital firm 500 Startups. The funding will be used for the integration and testing of blockchain elements on its mobile app. The firm says it offers the "world's first Shariah-compliant platform to buy, store and sell physical investment-grade gold". HelloGold is migrating its platform to Ethereum smart contracts in H2 2018. The funding amount was not disclosed.

Earlier this year HelloGold launched GOLDX – its Shariah-compliant Ethereum ERC20 cryptocurrency "backed by 99.99% investment-grade gold" – using smart contracts to digitise gold and make gold exchangeable outside its platform.

UK-based commercial insurance broker **Konsileo** has raised £2.7 million in Series A Funding from London-based technology investor Committed Capital. Konsileo will use the investment to scale up its operations by hiring commercial lines brokers and teams to work virtually in targeted hubs in the UK.

Using Konsileo's "fact find, operational broking and risk hub", the firm says this frees brokers from admin tasks and automatically processes their clients' data. The start-up says its software has been used to place £3 million in premiums. Konsileo was launched in April 2017 by CEO John Warburton and CTO Peter Henderson. Warburton, who seems to admire alliteration, worked at Aviva, Accenture and Allianz.

Global Fintech Solutions (GFS) has raised a new (undisclosed) funding round from several funds under the management of Da Vinci Capital and from its portfolio group, ITI Funds. Investment group Prytek was a co-investor in the round.

GFS says it acquires exclusive licences for tech products for further technology transfer into markets, including Russia. Its current product portfolio includes seven core technologies. The firm plans to enlarge its product portfolio twofold in 2018, boost its revenue to $20 million in 2019 and conduct an IPO in two-three years at an international exchange. It currently has offices in Luxembourg, Russia and Israel.

Santander InnoVentures, the fintech venture capital fund of Santander Group, has made its first investment in Brazil via digital lending platform **Creditas**. This is part of Creditas' Series C funding round of $55 million with the addition of Amadeus Capital Partners. The round was led by Sweden-based Vostok Emerging Finance (VEF).

According to Santander, Creditas has grown seven times in the last 12 months and plans to use the new funds to support its expansion plan, with "significant" investments in technology. With a staff of 365, Creditas plans to develop new products and explore new (unspecified) markets in the coming year. The firm was founded in 2012 by Sergio Furio and is based in Sao Paulo.

Eos Venture Partners (EVP), an insurtech venture capital investor, intends to raise a $100 million debut fund, EVP I. Eos was formed in 2016 and has made eight insurtech investments, with six going on to raise up-rounds. It mentions investments such as Neos, a connected home insurance firm, which raised $7 million from Aviva and Munich Re; and Digital Fineprint, a business that uses social media to enhance the insurance process, which raised $2.7 million from PenTech Ventures.

Eos currently has offices in London and Philadelphia, and this year will launch an insurtech innovation centre in India. It also (and coyly) announced a limited partner (LP) commitment of $20 million in EVP I from an unnamed global insurer; and a second $10 million commitment from an unnamed European insurer.

Over in Ireland, **Supply Finance** has raised €4 million in Series A funding from European and Asian venture capital company Finch Capital, and US-based venture capital firm Fenway Summer Ventures.

The start-up is targeting the SME market by offering trade finance products. The money will be used for expansion into three European markets – with only Denmark named so far. Supply Finance says it has completed its first partnership in that country with a €1 million investment in liquidity provider Omniveta Finance.

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FINTECH FUNDING ROUND-UP

Jack Ma's **Ant Financial** is looking to raise $9 billion in a private funding round, according to Wall Street Journal (WSJ) sources. Ant Financial owns Alipay, one of China's largest payment platforms. Also, as reported in February, Alibaba Group will acquire a 33% equity interest in its affiliate Ant Financial as it looks to push deeper into the fintech world.

According to the WSJ, Singapore-based Temasek Holdings, a state investment firm, desires to be the lead investor ahead of Ant Financial's IPO. If all this does happen, then Ant Financial could be valued at $150 billion, making it the world's largest fintech firm. Then it will be a separate story, not in a round-up.

Ripple invested $25 million in its XRP, a digital asset of the XRP Ledger, to **Blockchain Capital**'s most recent $150 million fund, specifically Blockchain Capital Parallel IV. San Francisco-based Blockchain Capital is the "first fund dedicated solely to the blockchain space and is also the first to accept capital calls in digital assets".

As you guessed, Blockchain Capital will focus on investing in entrepreneurial teams that are building businesses on blockchain technology. Patrick Griffin, SVP of strategic growth at Ripple, says: "This is the first fund that we've contributed to, and it won't be the last. We plan to be major players in shaping the future generation of blockchain or crypto companies." Blockchain Capital was founded in 2013 and has raised and deployed three prior venture funds, including the "first ever ICO of a venture fund" (BCAP) in April of 2017.

JP Morgan has become an investor in the series A round of risk and exception management service provider **Access Fintech**. Financial terms were not disclosed. The money will be used for expanding account coverage and product development.

In addition to the investment, Access Fintech has also joined JP Morgan's In-Residence programme – designed to help emerging fintech companies in deploying their solutions at an enterprise level. Access Fintech is headquartered in New York and was founded in 2016. It is led by entrepreneurs Roy Saadon and Steve Fazio.

Chinese artificial intelligence (AI) platform provider **SenseTime** has raised $600 million in its Series C round of funding, led by Alibaba. The company is raking in the money, as last July it got $410 million in its series B round. The latest cash injection will be used to "widen the scope for more industrial application of AI".

SenseTime says its "deep learning supercomputing" platform has over 8,000 GPUs. The firm is not limited to fintech as it works in the fields of facial and image recognition, autonomous driving, medical imaging and hardware optimisation. Last year, it revealed a partnership with Qualcomm for an "algorithm + chip" collaboration for smartphones and other devices.

Over in India, start-up **Kaleidofin** has raised $2.8 million as a part of its seed round led by Silicon Valley-based Omidyar Network, along with participation from Blume Ventures. Kaleidofin is targeting the underbanked market with its platform and financial solutions.

According to the firm, the funds will be used for customer acquisition, expanding its network of partners, and investments in technology and analytics. On its website, Kaleidofin says it uses the IndiaStack, data analytics, and structuring to design solutions – such as for credit, investment, insurance, and savings products.

London-based **CloudMargin**, a collateral and margin management solution provider, has completed a new round of investment totalling $10 million. The new investors are LVC, the venture investing arm of Leucadia National Corporation, the publicly traded investment holding company and parent of Jefferies, the global investment banking firm; and IHS Markit.

In addition, CloudMargin says it has "significantly" expanded the scope of its commercial alliance with IHS Markit announced last June. According to CloudMargin, it has more than doubled its client base over the past 12 months, and has "received commitments" from its first two investment banks and expects both to be live by the end of the calendar year.

US micro-loan start-up **Tala** (formerly InVenture) has got $50 million in Series C equity investment led by Revolution Growth. Additional participants include existing investors IVP, Data Collective, Lowercase Capital, Ribbit Capital, and Female Founders Fund. Tala has also recently raised an additional $15 million for its loan book. The round brings Tala's total fundraising to more than $105 million. The new investment will be used to promote its consumer lending app in Mexico and India. It already operates in Kenya, Tanzania and the Philippines.

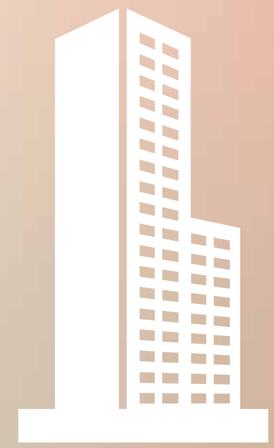
The firm says it uses a combination of Android and behavioural data to underwrite customers who have little or no formal credit history. Via an Android smartphone in Tala's markets, users can download the app, apply for a loan, and receive an "instant decision". Tala disburses loans between $10 and $500 to a mobile wallet or via payment rails of the customer's choosing. It adds that more than 85% of Tala's customers receive credit in less than ten minutes.

US wealthtech firm **DriveWealth** has closed a $21 million Series B investment. The fundraising round was led by Raptor Group Holdings, SBI Holdings and Point72 Ventures. DriveWealth's existing investors, including Route 66 Ventures, also participated in the round.

DriveWealth provides a suite of APIs; and says its cloud-based infrastructure offers online brokers, digital advisors and mobile online financial services companies access to the US securities market. There were no details on how the funding will be used.

PeerStreet, a US-based platform for investing in real estate backed loans, has closed a Series B funding round of $29.5 million. The round was led by World Innovation Lab. Existing investors Andreessen Horowitz, Thomvest, Colchis Capital, Felicis Ventures, and new investors, Solon Mack and Navitas Capital, also participated. The raise will be used for "broadening the type of real estate loans it cultivates from its network of lenders" and hiring more staff.

The firm calls itself a "two-sided marketplace", and connects lenders with investors. To date, PeerStreet has funded over $900 million in loan volume. It is now integrated with three personal finance platforms including WealthFront, Betterment and Personal Capital. PeerStreet is led by former real estate attorney Brew Johnson, former Google executive Brett Crosby and Y Combinator alumnus Alex Perelman.



BitPay, a blockchain payments provider, has closed its $40 million extended Series B funding round, which brings its total raised capital to over $70 million. New investors in BitPay include Menlo Ventures, Capital Nine, G Squared, Nimble Ventures (an affiliate of Passport Capital) and Delta-v Capital.

Stephen Pair, BitPay CEO, says it had a "record 2017 as we processed over $1 billion in Bitcoin payments" and its goals include "key hires in engineering and regulatory licensing, as well as expansion into emerging markets in Asia". Founded in 2011, the firm has offices in North America, Europe, and South America. **bt**

Antony Peyton

Risk vs reward

"What do we need to be doing to take advantage of financial technology in an intelligent way?" I was speaking on a panel at an event earlier this year, and this was one of the first questions from the audience. The man asking it was representing a credit union, and it was easy to hear the concern in his voice.

The challenge he and other credit union strategists are facing is a daunting one. Lean too far one way, and you expose your organisation to unnecessary risk. Lean too far the other way, and your customers begin to look elsewhere to get their financial needs met.

It's a dynamic that any financial institution has to struggle with, but credit unions in particular feel that pinch. With fewer resources at their disposal, there is a greater emphasis on prioritising the best path forward, and it can be hard to find the resources needed to properly analyse the pros and cons of engaging with one type of fintech over another.

"As any credit union IT leader will tell you, you have to be very strategic about where to make your investments," Steven Ramirez writes in a Credit Union Times article.

At the same time, credit unions are uniquely positioned to be able to take advantage of the opportunities that fintech brings to the equation. In his publication, The Financial Brand, Jim Marous writes: "Smaller players can be more nimble in adopting some of the new technology, because their infrastructure is smaller and they can implement new protocols much quicker than big institutions." That is a massive advantage, and if used properly, allows credit unions to be closer to the cutting-edge.

Fintech innovators are also keenly aware of the value that nimbleness can bring. For example, many early-stage fintechs that demo at Finovate actively seek out smaller banks and credit unions as early-adopting customers because they're easier to engage with. And a lot of the companies that have graced the Finovate stage before going on to do great things in the space have followed a "CU-first" customer-acquisition model.

With that background in place, let's get back to the original question: What should credit unions be doing to take advantage of financial technology in an intelligent way? Here are three suggestions:

1. BE TRUE TO YOUR BRAND

Fintech can't turn you into something you aren't, but it can help you be a better version of what you already are. As you look at prioritising the myriad of fintech options out there, keep your core values in mind, and look for tools that allow you to do what you already do, but better.

Recognise your advantages. Credit unions are frequently in a position to get new innovations into the market quickly, and they're catnip for fintech innovators. That combination means that credit unions have the potential to outpace larger banks when it comes to offering the latest tech to their customers.

2. ASK "SO WHAT?"

It's difficult to prioritise which technologies you should engage with and which ones are less valuable. As you see cool technology, ask yourself "so what?" Why does the technology matter? What does it let you do that you couldn't do before? Focus on real-world value and avoid getting caught up in something that is more hype than value.

3. ENGAGE WITH THE SPACE

Finally, and most importantly, simply engage with the space. Too many credit unions are still paralysed by a lack of knowledge of fintech, a fear of the associated risks and other factors too numerous to list. That fear is legitimate, but the only cure for it is to learn.

Engage with the space, learn what's out there, and start to take concrete steps towards integrating fintech in a way that makes sense to you. **bt**

Greg Palmer, VP, Finovate

> "Fintech can't turn you into something you aren't, but it can help you be a better version of what you already are."
>
> **Greg Palmer, Finovate**

INTERVIEW: ERIC WILSON, XINJA

Upbeat Down Under

In an exclusive interview, *Eric Wilson*, founder and CEO of Australian neobank Xinja, discusses European challengers, the flaws of the big four, and how his father-in-law inspired him.

Eric Wilson, Xinja

The glory of the gold medal. The honour of victory. Most people aspire to being first and claiming the sweetest prize of success.

Located Down Under but eternally upbeat, Sydney-based Xinja has emerged from the shadows to unveil its plans for a mobile-only digital bank.

It is the nation's first neobank, and if all goes to plan, it should be the first one to get all the required licences to start operating and take on the dominant players.

Of course, businesses always have competition. In March, Melbourne-based Judo Capital officially unveiled its banking plans as it targets Australia's SME sector.

Judo says it aims to become the country's first true "challenger bank" for SMEs, based on the models delivered by UK challengers such as Aldermore, Shawbrook and OakNorth.

But Xinja is not thrown by Judo's moves as it is already a few steps ahead.

In May 2017, Xinja raised in excess of AU$2 million ($1.5 million) in its first-round funding to launch a pre-paid debit card as a precursor to establishing Australia's first fully digital, independent neobank built for mobile. The bank will have no bricks and mortar branches.

In February, Xinja edged forward as it was granted an Australian Credit Licence (ACL) from the Australian Securities and Investments Commission (ASIC).

Soon after that, in March, it unveiled its prepaid travel and spending card and app. It has also just raised about AU$15 million ($11.6 million) in a Series B raise which will close shortly with AU$2.5 million ($1.9 million) of this coming from Australia's first equity crowdfunding offer.

Few could dispute it's been making progress.

FLOWING

When *Banking Technology* spoke to Wilson he was in the middle of two key funding raises (in France and Singapore).

The Series C raise will commence in the next couple of months. Wilson notes that it's "just starting to have those conversations now" and it's aiming for a further AU$15-20 million ($11.6-15.5 million).

While those figures and funding are crystal clear, do the people he meets understand the idea of a neobank straight away?

Wilson says: "In Europe and the UK, where there's the likes of Monzo, Starling and N26, it was an easier conversation immediately. They asked about plans.

"But in Southeast Asia and Australia, people asked what's a neobank, and why do we need another one. We have the big four in Australia – ANZ, CBA [Commonwealth Bank of Australia], NAB [National Australia Bank] and Westpac."

"In Southeast Asia and Australia, people asked what's a neobank, and why do we need another one."

Eric Wilson, Xinja

ABUSES OF POWER

Wilson praises the regulators in Australia but did have some pointed words for the big four banks.

He was keen to stress that they constitute an "oligopoly". And with that, there are "abuses of power". Wilson says: "We are seeing that with the Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry'."

To give you some background, in the aftermath of the global financial crisis, the Financial System Inquiry found ANZ (as one example) knew more than 80,000 Australians lost billions of dollars due to the collapse of managed investment schemes, poor financial planning advice and other misconduct.

The plan is for the big banks to think about why these failings happened and what they have done to fix them and stop them from happening again.

In Wilson's view, the Australian Treasury is pushing the regulator to let more entrants in.

While there is no love lost for the titans, it's a very different matter for fellow challengers.

As you may know, Jason Bates, Monzo's co-founder, joined the Xinja board last year.

When asked if Xinja models itself on Monzo, Wilson explains: "There's no commercial relations with Monzo" – aside from Bates on the board – "but we admire Monzo and its culture and community. We would love to mimic that and bring it to Australia".

"We have spoken to other neobanks" – and "that's quite typical – we are trying to help each other out and revolutionise banking".

"We admire Monzo and its culture and community. We would love to mimic that and bring it to Australia."

Eric Wilson, Xinja

NEAR NOT FAR

In terms of the future, then over the next few months it should get its final licence.

Its home loans were released in April as a beta product. The bank licence may be obtained in Q2 this year – possibly June. As soon as that pops up, Xinja will immediately launch current accounts.

The bank has 24 staff at moment – but he can see that "easily doubling by next year". As an example, he cites Starling Bank which is two years ahead of Xinja, and has 200 staff.

To give you some more stats, then Xinja's prepaid card was released in March and it has a waitlist of over 5,000 people.

Wilson explains that it is "deliberately not fixing timelines beyond six months as it's hard to say at this stage of development". That's fair enough.

We also discussed the marketplace concept which has swept across the fintech world. »

Xinja team

"Without doubt it's the most difficult and stressful thing I have ever done. But also the most joyous and worthwhile."

Eric Wilson, Xinja

"This is interesting to me as the concept is much more developed in London than in Australia. We should be in a position to create it and it's very high on our list of priorities."

TARGETS IN PRACTICE

Some of the newer banks seem to set their sights on the millennials. Not so with Xinja.

"We're targeting everybody – we're interested in 19 or 90."

He adds: "If you look at the demographics for the more mature neobanks, it's not necessarily 18-25. It tends to be 22-48, and it's quite widespread. We are not just offering a current account. We also offer prepaid cards and home loans, which tends to skew the demographic up the chart."

For its tech, its banking platform is used on a Software-as-a-Service basis. He didn't want the vendor to go on record as they were in the middle of negotiations.

Xinja can also offer APIs to use and has a mortgage origination platform, and the latter is supplied by Australian fintech specialist Iress. Wilson says this platform can approve mortgages in 20 minutes. Applicants should get a non-conditional offer – which in comparison to the traditional process "usually takes two to three weeks".

Again, it will have competition here. Last year, Australia-based start-up Tic:Toc launched an online home loan platform, offering customers approval in 22 minutes.

Tic:Toc is backed by Bendigo and Adelaide Bank, as well as the State Government in South Australia, which approved a $900,000 grant through its Investment Attraction Agency's (IASA) Economic Investment Fund.

MARKETING SMOKESCREENS

With the advent of open banking, a lot of the large banks have been partnering with fintechs. Does he see that as a threat to the Xinja model and would he team up with the mighty quartet?

He first answers with another comment on the less-than-fab four: "We have had a Productivity Commission in Australia and the government says competition was stifled by lots of different brands but all owned by three or four businesses. It's called a 'marketing smokescreen' to hide a lack of competition, and that worries me a bit."

But quite a few firms do talk to big banks. Think of Atom and Holvi – and their acquisitions by BBVA.

For Wilson that won't be happening. He did work at NAB for four years, as CEO of National Australia Trustees, and as an enterprise programme director of Future of Financial Advice Reforms.

"The big four are now direct competitors. We wouldn't accept money from them as that's not appropriate. We are keen to avoid them as their brands are under attack at the moment via the Royal Commission. It's all a mess at the moment."

There is little respect, but there is a lot of admiration for the people who inspired him to create Xinja.

"My father-in-law was an old school community bank manager in a little town in the middle of nowhere. He was a trusted part of the community and people went to him for advice. He lent appropriately and made sure no one got into trouble.

"He and I talked about that on a number of occasions. He'd ask 'why isn't banking like that?'. It used to be, even when I started in financial services. But it's not anymore. People are being lent too much. They are treated like a number and there's no service.

"He was right. I was working at NAB's National Australia Trustees, and they had an even higher level of responsibility and accountability. He got in my ear and the more I saw it, I finally came to a point that I didn't want to lend my strengths to that but fix it. I want to put bankers back in the centre of the community and bring some humanity back."

There was also plenty of input from Bates. Wilson has known him for 20 years now, and he encouraged him to start a bank.

But Wilson is under no illusions about this journey.

"It's an achievement if it works. Without doubt it's the most difficult and stressful thing I have ever done. But also the most joyous and worthwhile. People write to me and say we will hold you to your promise that you will act ethically and in a good way. It's a little terrifying to have this responsibility but also rewarding."

WHAT'S IN A NAME?

Xinja's a cool and catchy name, and naturally has origins in the word "ninja". Wilson points out he and his staff liked the name Money Ninja. But really they wanted something beginning with 'X' and via marketing testing, Xinja came out ahead.

By "complete chance" the name Xinja means "fortunate house" in pidgin Chinese. A stroke of good fortune.

Ninjas in feudal Japan would have skulked in the shadows, eyeing up their target, planning their deadly move.

Xinja left stealth mode some while back, and is now making its ambitions loud and clear about taking on the big four and shaking up the Australian banking scene.

It is no longer silent. It merely seeks to silence its rivals. **bt**

Antony Peyton

COMMENT

Survival guide: "active sponsors" and other mythical creatures of banking

By *Leda Glyptis*

Sponsorship is an active condition. I remember the first time some leadership training or other gave me that little gem. And I was suspended half way between "mind blown" territory and "what planet did they come from" disbelief.

That feeling has only intensified since digitisation, innovation, fear of missing out (FOMO) or whatever you want to call the roller coaster we live in has meant that people like me spend most of our working lives doing things for which organisations that love predictability have no templates.

Sponsorship is doubly essential for people like me.

It is also a double edged sword.

Without a sponsor nothing happens in banking. But very often nothing happens anyway, no matter how mighty your sponsor. Because although sponsorship is an essential condition it is not, in itself, adequate.

With the best sponsor in the world, you still need to put in the hard work of working things out and getting things built. With a less than perfect sponsor, you will need to sneak and strive, rally and toil. You will need to use your sponsor's name in vain and break all the rules when they are not looking.

One way or another, perfect sponsor or not, you will make this happen. Not your sponsor. But you still need them. And they can be the key to your success or your undoing so managing them needs to be top of mind at all times.

THE BATTLE OF THE DADS

In an ideal world, your sponsor resembles how you saw your dad when you were five: strong, calm, wise, able to fix what is broken and smooth what is ruffled. Able to understand complexity and guide through adversity. Such a sponsor is an incredible resource for any project, for the team and the strategic vision we all serve. Plus that sponsor becomes an incredible and not so secret weapon when it comes to funding and executive approvals. My dad is bigger than your dad is how you win budget allocation battles.

Sure you should have a business case, and robust ROI projections, and an insightful analysis of untapped value pools and the competitive landscape. But unless your dad is bigger than the other guy's dad your project won't get funded and that's that.

So when setting about to get your work approved see how much leeway you have to choose your sponsor, to put yourself out for adoption and not just go with the obvious (your boss, your reporting executive, the business owner).

"One way or another, perfect sponsor or not, you will make this happen. Not your sponsor. But you still need them."

Leda Glyptis

"If you have the luxury to choose your sponsor, don't just look at functional fit."

Leda Glyptis

If you have the luxury to choose your sponsor, don't just look at functional fit. Look at the most powerful – politically or organisationally – player who cares about what you are doing. You are asking them to go out of their way and use political capital. You are asking them to stand in the middle of the playground and be bigger than the other guys' dad. So choose the one who has the clout and cares to use it.

Care being the operative word.

The executive floors of banks are teeming with important people. People with clout. People who would definitely be bigger than the other guy's dad. But do they care? Do they have the curiosity, the passion, the compassion, the geekery to care about defending the weird and wonderful thing you are trying to nurture in the most inhospitable of environments: a bank?

If you can't choose your sponsor, or if you choose unwisely (no beating yourself up about it, we've all done it and will be doing it again without a doubt), or if the mythical creature I just described doesn't exist in your organisation and you have to make do, you need to figure out what beast you are dealing with. And fast. Because you still need to use your sponsor, where you can. And you also need to manage this precious and volatile resource lest it turns against you.

So while you are on the lookout for the unicorn that is the active sponsor, there are some rather more commonplace varieties to be encountered in the wild.

DIY: DON'T INVOLVE YOURSELF. THE ART OF MANAGING FROM HIGH ATOP A MOUNTAIN.

This is the most commonly encountered variety of the sponsor species.

They will vaguely care about the framing document, they will be extremely busy throughout the build phase and will be interested in the last mile. That may manifest itself in a variety of ways.

There is the benign version, that lets you get on with the hard slog but stays uninvolved and uninterested until things have a recognisable shape, like a parent

>>

COMMENT

that only cares to engage with their kids when they are capable of sustained conversation, not caring how that miracle actually happened.

And there is the less benign version, those who don't care about the hard slog and somehow want you to magic it away, get them from conception to delivery by getting nine women pregnant in one month, rather than waiting for a normal gestation period. And with no reference to biology or procreation in the process.

There is a hybrid version as well, these may randomly appear with demands for updates, not having read any document you sent them, not having accepted any meeting invitation you sent. They may swoop in out of nowhere wanting to make themselves useful because someone asked them how things were going and caught them unawares, or because they don't know or care what it takes to get something done, they want to be given something to do that makes them feel like they are helping accelerate towards the finish line.

"Sponsorship is an act of love and demands nurturing instincts and concern."

Leda Glyptis

Beware of the sponsor's need for escalation. This sponsor who cares not about the work and just wants you to finish is the species most likely to demand you escalate any delays or bottlenecks. With inadequate information on the project, your efforts or the nuance of what is going wrong and what needs to be calibrated, they will pick fights in your name, leave you to clean up the mess and then turn on you and demand why you can't just bloody finish, when they did everything you needed to clear your path.

They will demand you tell them what is slowing you down so they can fix it when you futilely explain you are not actually delayed. This is how long it takes. If you don't have a wand.

SERVING DIFFERENT MASTERS

Another mutation of the common sponsor, that may appear combined with the above but also exists as a standalone species, is the reporting fiend. This sponsor seems great at the beginning as they may barely look at your delivery schedule but seem keen to agree a communications schedule. When they get to hear, what and by whom.

Nice. You think. Sponsor cares to hear from us frequently. That can only be a good thing, right? Wrong.

The most common malady of the banking project, across all disciplines, is that things fast become victims of their own implementation discipline. Reporting becomes a deliverable and stakeholder management becomes more important that the code you are trying to ship or the hypothesis you are trying to test.

Beware of this species of sponsor as they serve different masters and sponsoring your effort fits into a world view where "doing" and "delivering" are interchangeable and boil down to endless PowerPoint slides and committee meetings.

This sponsor will have you managing leading indicators as if they were gospel and they will never ask, nor let you discuss with them: What is this for and how do we know it worked? For them it is about managing senior expectation and it worked if your report was on time. Irrespective of what was in it. This sponsor will kill scope in the name of your RAG status and will refrain from the ambitious in the name of the manageable.

It's all about the progress report, you see.

THE OPPOSITE OF LOVE IS NOT HATE, IT'S INDIFFERENCE

A sponsor who cares about you, your team, the department, the geekery you bring, the client you serve is like balm on a wound. Sponsorship is an act of love and demands nurturing instincts and concern.

The sponsor needs to care. That's the only way you make time, find energy, justify the effort.

In the absence of this, we languish in indifference, especially as most of our projects on the digital/innovation/new tech side are aspirational and nice to have. They are reversible, if we get them wrong, and nobody will go to jail or directly lose revenue if we don't do them at all.

So they are the first ones to suffer when time becomes a scarce commodity and tempers heat up. When the sponsor isn't driven by love, your meetings get rescheduled, you get dropped off the ExCo agenda for this quarter, your budget request gets tabled. And you get to hear the dreaded words that make us the Oliver Twist of the corporate world: I am sorry but this is the last thing on my mind right now.

As if the innovation teams wondered in from the street and made themselves comfortable uninvited. As if the future will wait for your convenience.

"A sponsor is essential but not adequate. The team on the other hand… The team is everything. They are the bringers of magic, the dreamers of dreams, the builders of things and the crackers of jokes."

Leda Glyptis

THE MEDIUM IS THE MESSAGE

Whichever species of sponsor you catch, or get caught by, you have a choice to make early on. You need to strike early, strike first and hold fast. You have the option to say hey me sponsor we are doing X, in the name of future profitability and your greater glory. We are running standup meetings and empathy mapping workshops, we write software, we run experiments, we use paper prototypes and minimum viable products. You are sponsoring a change in the way we, as a company, approach the client, each other, our work and the future. You are sponsoring something bigger than the project itself. Let our conversation be reflective of that.

We will brief and report, we will share and explain but let the way we say things be part of the way we work. Let us shape the conversation with you in a way that shows you more, not less, of what it is you are supporting us to do.

Let's face is, your sponsor will expect PowerPoint and inputs into the PMO weekly tracker and you can, of course, give them that.

And spend precious time turning your work into this unwieldy foreign language meant to inform your sponsor but actually succeeding in isolating you, your work and your team, by accepting implicitly that the language you speak in your batcave is not fit for executive consumption.

Which may be true. But isn't that the battle to end all battles?

PROTECT THE HUMAN

Whichever way this plays out, unless you live in a dreamscape of unicorns, wise sponsors and entirely bug-free software, you will have days when you will walk back from the sponsor's office to where your team are, and you will feel crushed. You will be deflated, tired of talking at cross purposes with the people who hired you to do the things they don't let you do, demoralised because you are forced to justify your very existence as if they didn't hunt you down, they didn't brag for your latest release, as if your entire team were tolerated out of some corporate magnanimity that is being stretched by your rebellious ways. You will find yourself in a corridor feeling utterly flat. You will feel fatigue at having to say the same things again and again and anger that even when you are proven right, your organisation doesn't let you bank that and move on but forces you to start from scratch each time, forcing you to fight the same circular battles each day.

Your team will be sitting in the batcave. Lab or normal office, makes no difference, the kind of team we are talking about has a magical effect on space, they will make the corporate wasteland of beige carpet and ergonomic grey chairs feel alive.

Your team will be waiting to hear how the meeting went. Or they will be getting on with the work, happy it's you and not them fighting that fight. Or they will be passionately debating a formula, a line of code, the inherent superiority of Batman vs Superman.

Before you go through the door to join them again you have a choice to make.

You have a responsibility to the organisation to deliver. And to your colleagues to be truthful. If the meeting sucked, tell them. They are part of the solution.

But as you walk towards them reflect: a sponsor is essential but not adequate. The team on the other hand… The team is everything. They are the bringers of magic, the dreamers of dreams, the builders of things and the crackers of jokes. Without them there is no transformation, no innovation, no hope of change. They are enough.

So if you can't bring them the sponsor they need, maybe that's your cue to become the sponsor they deserve.

Bringing in love what you may lack in political clout. **bt**

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

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

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

Follow Leda on Twitter @LedaGlyptis and visit our website for more of her articles.

Call of the cloud

Redwood Bank, which describes itself as the UK's first 100% "born in the cloud" bank, has gone on the record about its technology and providers.

TECH

The bank uses Microsoft Azure cloud, which hosts the DPR Consulting core banking system (as exclusively reported by *Banking Technology* last year), the Kentico content management system (CMS) and marketing platform, as well as a range of Microsoft's solutions, including Microsoft Office 365, Microsoft Intune to manage remote corporate and personal devices, and Microsoft Sharepoint for non-technical end users to manage documents and interactions.

CSI (formerly Niu Solutions) provided Azure infrastructure management and security services, New Signature provided Office 365 managed services, Newton IT supplied hardware and telephony, and Distinction was responsible for website design and monitoring.

This is the first instance of a "pure Azure implementation" of DPR's core banking solution.

"From its inception, Redwood actively undertook to minimise its 'on premise' IT infrastructure and successfully operate with a modest hardware footprint, limited to end user devices and network infrastructure," the bank states.

"This cloud-based outsourcing strategy enables Redwood to implement sophisticated digital solutions, without the need to build a sizeable in-house IT team."

SPEED

Gary Wilkinson, co-founder and CEO of Redwood, says the team achieved "one of the fastest 'licence-to-launches' in UK banking history", which was achieved thanks to the cloud environment and would not have been feasible to build in-house.

The bank launched in August 2017, just 12 months after submitting its banking licence application to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and after a mobilisation period of just four months following receipt of an initial, restricted banking licence.

"In launching a new business bank in a highly regulated environment, we needed to take advantage of latest technology to build a secure and cost-effective banking infrastructure. We decided to partner, wherever possible, with external specialist software, technology and infrastructure providers, to acquire high levels of expertise," he explains.

"The team saw significant benefits in adopting a 100% cloud-based strategy" – the result is becoming the first licensed bank in the UK to "fully utilise" Microsoft's cloud platform.

FOCUS AND OWNERSHIP

Redwood says its "mission is to offer simple and transparent loans and savings accounts to SMEs, focusing on providing simple and well designed business mortgages and business savings accounts, backed up by personalised service and efficient digital systems".

> "The team saw significant benefits in adopting a 100% cloud-based strategy."
>
> Gary Wilkinson, Redwood Bank

Its HQ is in Letchworth, Hertfordshire and it also has a regional office in Warrington, Cheshire.

Redwood is owned by private investors and by the UK local authority, Warrington Borough Council. It is believed that this is the first time that a UK local authority has made such a direct investment in a licensed bank.

"This innovative financial partnership is helping to stimulate economic growth, both in the heartland regions in which it focuses, including Warrington and the North West as part of the UK's Northern Powerhouse region," the bank says. It is quick to add, however, that it also offers products and services to businesses nationally across the UK too.

To chart its journey and the results so far, Redwood has produced a white paper, "Redwood Bank: Born in the Cloud" (which can be viewed on the *Banking Technology* website).

"We are proud of our achievements in building and launching our new bank, with a small internal team and within challenging timescales," Wilkinson concludes, "so we think it would be beneficial to our customers, partners, colleagues and other stakeholders, to share our story." **bt**

Tanya Andreasyan

Gary Wilkinson (left) and Jonathan Rowland (right), co-founders of Redwood Bank

The reality of a UK fintech doing business in China

By *Abe Smith*, founder and CEO, Dealflo

The last couple of months have seen a plethora of UK-China fintech announcements, spurred on by Theresa May's visit to China and the continuing development of the "Belt and Road" programme of infrastructure by the Chinese government.

Much has been made of the possibilities for UK fintech companies in China. In 2017 and early-2018, I travelled to China multiple times to meet with Chinese financial institutions and develop Dealflo's China proposition.

Despite a unique and complex regulatory environment in which the Chinese government holds many of the cards, I found the realities of being a UK fintech company doing business in China fascinating.

What I quickly learnt was that although regulatory complexities make it difficult for non-Chinese companies to sell directly to Chinese consumers, there are real opportunities for business-to-business (B2B) fintechs that sell to Chinese companies. Despite this, entering the Chinese market can be a complicated business.

I've found that there are three key areas that UK fintechs need to focus on if they want to launch in China:

1. DON'T APPROACH CHINA AS JUST ANOTHER MARKET

China is an exciting, dynamic market with huge trading possibilities. But despite a new approach to doing business with foreign companies, it remains culturally very different.

You need a great deal of patience to win business in China. Every step is time consuming, and there's a lot of waiting around for official approvals. There's tremendous potential for miscommunication, and even when you think you've prepared for every scenario, a new pitfall can present itself that will take time to resolve.

Abe Smith, Dealflo

2. WORK WITH LOCAL ADVISERS

You will need to work with good local advisers to help you navigate legal and cultural differences, and to deal with unexpected issues.

For example, when Dealflo started operating in China, new regulations were introduced by the Chinese government that effectively stopped Amazon Web Services (AWS) accessing cloud servers in China. That was unexpected and could have had a significant impact on our plans. We were able to work around the issue with the help of a brilliant Chinese lawyer, who understood not just the legal framework but also the historic and cultural barriers to opening-up access to cloud services. Had we not had that advice, we would have been scrambling to adapt.

We also had to go through a lengthy process with the telecoms regulator to ensure compliance with complex local regulation – again, something that we could only do with great local advice.

3. UNDERSTAND THE COMPLEX DATA RESIDENCY RESTRICTIONS

China introduced its cybersecurity law in June 2017. Under this regulation, data has to reside in China. Businesses wanting to move data of more than 500,000 people or data "likely to affect national security or social public interests" have to undertake a security assessment before being permitted to do so. Development work can still be carried out on foreign soil, but these regulations are, of course, very restrictive.

When you do business in China, you have to accept that the Chinese government decides what is, and what is not, important when it comes to data. It's a totally different approach for businesses used to working with data in the US or Europe. The government is so strict about access to personal data that it is effectively government controlled.

Too check someone's ID, for example, necessitates a process that involves the government. If your business involves working with personal data, then you must adapt to this way of working.

It's clear that there's tremendous opportunity for UK fintechs in China. In 2017, PwC China reported that 68% of Chinese financial institutions expected to increase their partnerships with fintech firms over the next three to five years.

Encouragement like this, as well as Theresa May's recent announcement of the launch of R5-SHCH Connect, a service that links Chinese banks with London's foreign exchange market, is further proof of the potential opportunities that the Chinese market holds. **bt**

Movers and shakers

Eli Rosner has been appointed as chief product and technology officer at **Finastra**, based in London. He moves from NCR Corporation, where he served as CTO and head of product management.

Prior to that, he was chief business delivery officer at Solera Holding Company.

Amber Baldet, head of **JP Morgan**'s Blockchain Centre of Excellence, has left the bank. She oversaw the development of Quorum, JP Morgan's own blockchain platform, as well as a range of digital currency and other blockchain initiatives.

She joined the bank in 2012. Prior to that, she was a senior consultant at Capco.

It is understood Baldet is embarking on her own venture. **Christine Moy**, a senior product manager at the centre, will take over Baldet's position.

Another JP Morgan Chase departure is **Hood Qaim-Maqami**, who has moved to rival US bank **BNY Mellon** as head of client service delivery technology and shared/corporate services technology.

At JP Morgan Chase, he was MD of wealth management. He also held senior tech roles at Bank of America, DTCC, Barclays and Lehman Brothers.

Paytech firm **Paysafe** has named **Karim Ahmad** as chief product and transformation officer, a newly-created role at the company. Ahmad previously held the role of EVP, global product and innovation at US-based paytech TSYS.

Meanwhile, **Daniel Kornitzer**, who was chief product officer at Paysafe, has become chief business development officer.

The company now also has a new non-exec chairman – **Stuart C. Harvey Jr**. Most recently, he served as president and COO of Piper Jaffray Companies, an investment bank and asset management firm.

Royal Bank of Scotland (RBS) has created a new role – chief digital officer – and appointed **Frans Woelders** to it.

The new position signals a "fundamental shift in gear to build world class digital services for personal and small business customers", RBS says.

Woelders had a long career at Dutch bank ABN Amro, which he joined in 1997 and, following a number of senior roles (including CIO), left in 2017 as CEO, retail banking.

He is also an advisor to Bain & Company.

Lendingblock, an open exchange for cryptocurrency loans, has a new CTO – **Luca Sbardella**.

Sbardella's experience includes working as a CTO, lead software engineer and senior quant developer at Bank of America Merrill Lynch (BAML), BMLL Technologies and Citigroup. He was also a hedge fund manager at Investec.

Mark Shaw has joined UK-based **TSB** as head of strategy and design, payments. He moves to the bank from paytech firm Vocalink, where he was strategy lead for nearly four years. Prior to that, he held a number of roles at Visa, the latest one being VP of mobile payments strategy.

Calypso Technology, a capital markets and treasury management tech provider, has appointed **Didier Bouillard** as CEO, based in London.

Prior to Calypso, Bouillard served as CEO of Ullink, a global provider of connectivity and trading services.

Simon Healy has joined **Unisys** as industry director for its financial services business in EMEA. He will drive strategy for Unisys' financial services portfolio including core banking, mortgages and omnichannel banking solution, Elevate.

Healy joins from Aldermore Bank where he was a founding member and MD of savings.

Steve Parkinson has left **DST Systems** to take "a few months off". Parkinson joined the tech firm in 2012 from Capita, where he was MD of financial services. Most recently he was CEO of wealth and insurance solutions at DST Systems. **bt**

EVENTS CALENDAR

May

16-17: COMPLY2018, New York
comply2018.com

June

4-6: Money20/20 Europe, Amsterdam
europe.money2020.com

6: Finnovation South Africa, Johannesburg
www.finnovationworld.com/southafrica

12-14: Cloud & DevOps World, London
tmt.knect365.com/cloud-devops-world

20-21: Asian Banking Forum: Southeast Asia, Singapore
www.arena-international.com/abfsoutheastasia

21: RegTech Summit Europe, London
finance-edge.com/regtecheu

25-26: MoneyLIVE: Digital Banking, London
new.marketforce.eu.com/money-live/event/digital-banking-2018

July

9-11: Intelligent Automation Financial Services, London
roboticsbfsi.iqpc.com/

18-20: Financial Innovation and Payments Summit, Newport
opalgroup.net/trk/fipsb1816.html

25-26: Africa NXT Banking Summit, Johannesburg
www.alphaone.events/africa-nxt-banking

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Out of office

"Game changer" Jargon Bank celebrates arbitrary milestone

On the acid-stained and motorcycle gang-infested streets of London, challenger Jargon Bank has re-emerged from the shadows to deliver another announcement of mind-numbing futility.

For those fortunate enough to have avoided this "game changer" bank so far, let's get you up to speed.

Jargon Bank launched in 2016 offering "compelling and innovative" products – and immediately annoyed every journalist it contacted.

Last year it thrilled us with a payments app update; an office move in March; a cat fooling its voice biometric system in May; and the appointment of a sales director in July.

Many of us had assumed (or hoped) it had failed and faded from view like a third-rate ITV sitcom that the channel relentlessly produces on its conveyor belt of mediocre "talent".

Alas, such thoughts, as malicious and cruel as they were, were dismissed when an email from the UK challenger appeared in our bulging inboxes. Jaws dropped, tears were shed, and swear words were uttered at its appearance. Although the latter happens most of the day anyway.

In its latest lengthy and laboriously written press release, the bank reveals that it now has 50,000 users of its app.

Tarquin Ponsonby, head of marketing at Jargon Bank and self-proclaimed duke of drivel, was excessively exuberant and as irritating as ever: "This significant milestone allows us to significantly accelerate our transformation initiatives and significantly foster a competitive edge in the banking market. We're always looking for significant ways to better serve our customers, and this significant milestone will enable us to provide the most significant customer experiences possible."

The "significant" press release, as befits a bank that has little to say, spewed out a torrent of witless words. It had no details beyond an alleged 50,000 users. There was no wordplay, energy or imagination. This is where the English language is heading.

The world of fintech journalism, unsurprisingly, didn't quite share Jargon Bank's enthusiasm.

Lucretia Waldteufel, editor of the gloomy and Gothic journal The Dark Fintech Rises, responds: "Ponsonby's words pierce my sacred heart like amethyst-encrusted daggers coated with poison. I sought succour from my twin ravens, Lovecraft and Leviathan, to stem the blistering pain that he had placed upon me. Like the insane opinions of grotesquely-coiffeured, quasi-racist Jeremy Clarkson, Ponsonby's ungainly words should be banished from our world."

Seems a bit melodramatic from Waldteufel and I reckon she might need cheering up. I'll send over a DVD box set of "Some Mothers Do 'Ave 'Em". That'll help.

Other journalists were more succinct.

Johnny Jaded, reporter at the youthful and preposterously aggressive publication Oi! Banker Scum!, adds: "SCUM!"

I'm sure many of us are grateful for that brief and nuanced nugget of wisdom. (Well, I did warn you it was aggressive.)

As we do at *Banking Technology*, some investigation was carried out. This figure of 50,000 seemed unusually high for the bank considering its past form and abilities.

Suspicions were immediately raised by simply looking at its site and Twitter account. People commented that they made enquiries to the bank and then were automatically added to a waiting list. Then by scrutinising the soporific terms and condition on its site, Jargon Bank decided to classify them as an app user. It also added two extra zeroes in for good measure. Oops.

When Ponsonby was repeatedly contacted regards this minor oversight, he said he'd be back with more information in five days. Yeah, sure.

Those five days have elapsed. Perhaps he meant 500 years? **bt**

Antony Peyton

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