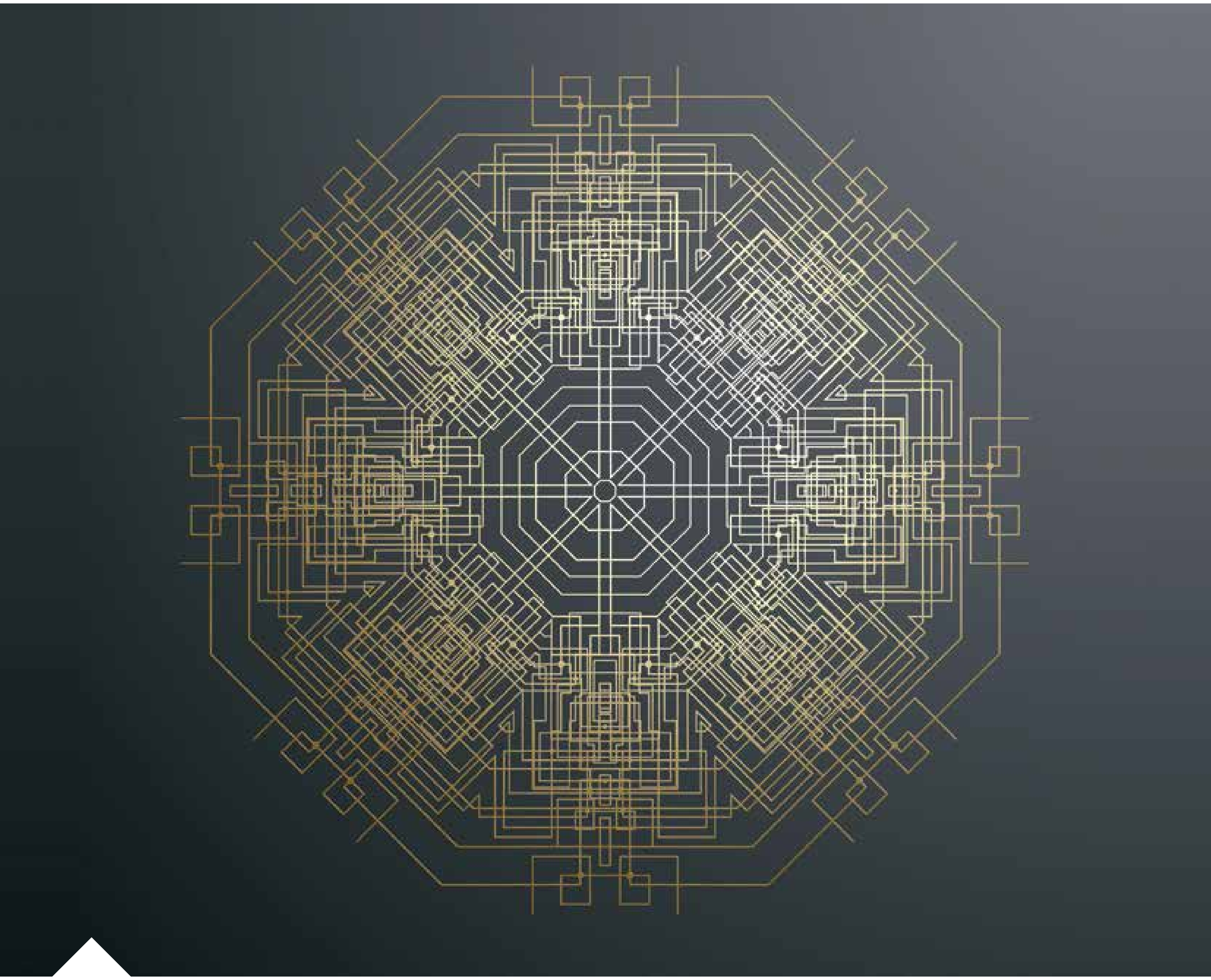
banking technology

The definitive source of news and analysis of the global fintech sector | **April 2018** **www.bankingtech.com**



YOU SOUGHT SYMMETRY
And fintech came to you

OPPORTUNITY COST AND GENDER PAY GAP
The market value of decency

PAYTECH AWARDS 2018: ENTRIES NOW OPEN!
Celebrating the best in payments and people

FINTECH FUTURES

Contents

FINTECH FUTURES

Managing Director & Editor-in-Chief
Tanya Andreasyan
+44 207 551 9010
tanya.andreasyan@knect365.com

Deputy Editor
Antony Peyton
+44 207 551 9010
antony.peyton@knect365.com

Design & Production Manager
Kosh Naran
kaushik.naran@knect365.com

Business Development Executive
Alec Gost
+44 207 017 6122
alec.gost@knect365.com

Marketing Manager
Irena Andrisevic
+44 207 017 5379
irena.andrisevic@knect365.com

Subscriptions and Renewals
Tel: +44 207 017 5533
Email: telecoms.enquiries@informa.com

Subscription for one year:
- £495
- €625
- $795

Subscription for two years:
- £800
- €880
- $1,000

Onalytica's
TOP 100 Fintech Influencer and Brand

Banking Technology is published ten times a year

Address
Maple House
149 Tottenham Court Road
London W1T 7AD
UK

Printer
Hobbs the Printers Ltd
Hampshire, UK

ISSN 0266-0865
www.bankingtech.com

KNect 365
an informa business

Editor's note

Fintech funding fuels the world! Here is a quick recap of the standout deals over the last month.

First stop is Germany, where mobile challenger bank N26 reeled in €110 million in its Series C funding round. N26 is keen to consolidate its presence in Europe and is also now eyeing the US market. CEO and co-founder Valentine Stalf is quoted saying "we're now ready to expand and dominate the US" (see p9).

Also in Germany, solarisBank, which claims to be the first banking platform with a full banking licence, raised €56.6 million in a Series B funding round. It, too, has plans to grow internationally (see p6).

Next stop is the UK, where we can't get enough of challenger banks! Chetwood Financial, with a fresh banking licence, is to receive up to £150 million in investment from Elliott Advisors (see p13). The bank's first product – an "innovative" unsecured loan under the LiveLend brand – will be launched soon.

Another newcomer, Atom, raised £149 million in its latest funding round, including £85.4 million from its existing investor, BBVA (see p4). BBVA, which now holds a 39% stake in Atom, states the investment is a "sign of its confidence in both the business strategy and management team at Atom". Yet, Atom's founder and chairman, Anthony Thomson, has recently resigned.

MarketInvoice, a UK-based business finance company, signed agreements with Portugal's Banco BNI Europa (BNI) and Germany's Varengold Bank to add £90 million and £45 million respectively on its platform. Institutional funding will support larger invoice finance deals as MarketInvoice targets £3 billion in lending to SMEs.

In the Middle East, eToro, a social trading and investment platform with roots in Israel (although now it also has regional HQs in the UK and Cyprus), fundraised $100 million to support its expansion into new markets and for the R&D of blockchain and the digitisation of assets.

In the US, major banking player BB&T Corporation, set aside $50 million to invest in and/or acquire emerging digital tech companies. The bank, which operates over 2,100 financial centres across the US, says its digital ambitions began in 2015 by appointing a chief digital officer.

And finally, in Asia, seemingly omnipresent Ant Financial invested $184.5 million in Pakistan-based Telenor Microfinance Bank, taking a 45% stake in the bank.

Can't wait to see what cash-coated action the next month will bring! **bt**

Tanya Andreasyan
Editor-in-Chief
Banking Technology

Folkefinans in tech revamp with Mambu

Folkefinans, a Nordic finance and credit company, is rolling out a new back office processing solution, supplied by Mambu, to "power its long-term growth strategy", the vendor says.

The solution is supplied on a hosted, Software-as-a-Service (SaaS) basis, and was chosen "for its flexibility and scalability", according to Mambu.

Founded in 2006, Folkefinans operates in Norway, Sweden, Finland and Estonia, and has over 350,000 customers. It is migrating its products across all geographies onto Mambu's platform (to be completed within a year) and has also launched a new product using the new tech – a revolving credit loan.

The revolving credit loan will be available in Sweden and Norway from April 2018.

"We were one of the first digital consumer lenders in the region and as we've grown, the need to expand our portfolio of products has become rapidly apparent," explains Martin Holmin, CTO of Folkefinans.

"However, we found that our custom-built lending platform could not keep pace with our aspirations so we sought a solution that could help us differentiate and go to market quickly."

He continues: "Mambu's functionality matched our requirements perfectly: it integrates seamlessly with our existing ecosystem and is highly configurable which makes it able to cope with regulatory changes, a key requirement for us."

Mambu describes its flagship platform as "the lean alternative to cumbersome core banking systems, a cloud-native software, supporting open API-enabled ecosystems".

The company was set up in 2011. It says that today it powers over 6,000 loan and deposit products that serve over four million end customers across 46 countries. Its customers include Ualá and Wenance in Latin America, N26 in Europe, and Fuse in the Philippines.

Tanya Andreasyan

Digital bank bunq launches Apple Pay; comes to Italy and Spain

Bunq, a new digital bank from the Netherlands, is expanding into Spain and Italy, and has also introduced Apple Pay – the first in the Netherlands.

"At bunq our firm belief is that usability can always be improved upon. Given the fact that user experience is at the core of Apple Pay, it perfectly aligns with our company philosophy," states the bank's founder and CEO, Ali Niknam.

The geographical expansion follows bunq's "successful growth" in the Netherlands and Germany. In Spain and Italy, there is "a growing desire for an alternative to traditional banking", bunq feels.

"bunq, which doesn't invest its users' money in shady businesses and doesn't sell personal data to third parties, thus meets the demand of the Italian and Spanish people," the bank adds.

It also claims to be the first bank in the country to have ever implemented Mastercard Identity Check. Furthermore, it integrates this authentication method "in a unique way".

"Mastercard Identity Check is the latest implementation of Mastercard Securecode, a secret code that protects against unauthorised use of your card and a method that is a requirement for certain webshops," bunq explains.

"Where traditional providers still require the setup of a complicated password, bunq makes this process easier and safer by replacing the password with a QR code."

The bank has also fully redesigned its website and the app, and continues with its public API initiative (launched in early 2017), which enables developers to set up connections between their devices and bunq through the API.

Tanya Andreasyan

Challenger bank Atom raises £149m

UK-based digital bank Atom has raised £149 million in its latest funding round, including £85.4 million from its existing investor, BBVA.

BBVA now holds a 39% stake in Atom, and has so far invested £167 million into it.

BBVA states the move is a "sign of its confidence in both the business strategy and management team at Atom". It's worth noting that Atom's founder and chairman, Anthony Thomson, has recently resigned.

"Atom is progressing extremely well and we continue to support the company," states BBVA's CEO, Carlos Torres Vila.

Since its inception in 2014, Atom, which focuses on savings and lending (it does not offer current accounts), has achieved:

- attracted over £1.3 billion of savings deposits;
- lent over £1.2 billion to SMEs and homeowners;
- raised £400 million of equity capital, including from Toscafund Asset Management and Woodford Investment Management (in addition to BBVA);
- established an international network of partners, including Deposit Solutions in Germany;
- built a team of 310 employees.

Atom also claims to have the fastest account opening time in the UK – it takes just five minutes from downloading the app to account opening (provided the right requirements are in place).

Tanya Andreasyan

Absa takes payments shot with Sling Pay

South Africa-based Absa Bank has unleashed its new Sling Pay app that allows users to send money, data and airtime.

To send money, users (or "Slingsters") need the cellphone number of the recipient – and so removing the need to remember account numbers, branch codes or account types. The bank says Sling also remembers all payments to speed up the process in the future.

The app allows people to send cash to any Absa ATM countrywide and then withdraw it without a card. It provides a one-time PIN and a security code that will work for just that withdrawal.

When it comes to prepaid data, airtime or electricity, Sling Pay lets users buy such things for themselves or send to other people.

Absa doesn't offer specifics or timelines but it will be adding other features and functions "over time". The app works with Android or Apple.

This version of Sling Pay is currently limited to sending only to Absa account holders. Users don't need to have an Absa account. When they download and register Sling Pay, they will be able to create a Sling Pay account that will allow them to start sending and receiving.

Antony Peyton

UK government fires up fintech with sector strategy salvo

The UK government has unveiled a new cryptoassets task force, revealed its next steps in "robo-regulation" and built a UK-Australia "fintech bridge".

This trio of plans were announced in London at the government's second International Fintech Conference – all part of its first "Fintech Sector Strategy".

Chancellor of the Exchequer, Philip Hammond MP, says: "From the square mile in London to Scotland's Silicon Glen, the UK leads the world in harnessing the power of fintech as we create an economy fit for the future."

He adds that the task force will help the UK to "manage the risks around cryptoassets, as well as harnessing the potential benefits of the underlying technology".

This force consists of HM Treasury, the Bank of England, and the Financial Conduct Authority (FCA).

In terms of robo-regulation, there will be pilot schemes to help new firms, and the financial services industry "more widely, comply with regulations by building software which would automatically ensure they follow the rules, saving them time and money".

The Fintech Sector Strategy also involves appointing three new regional envoys to "ensure the benefits of fintech are felt across the UK"; and creating a set of industry standards which will enable firms to "more easily partner with existing banks".

In addition, the government is dreaming big and has unveiled a "Connect with Work" programme developed by its Fintech Delivery Panel to "help fintech firms to take advantage of the UK's diverse workforce".

While the UK and Australia may not get on in cricket and rugby, the UK's Chancellor and Scott Morrison, Treasurer of the Commonwealth of Australia, will sign a new Fintech Bridge agreement.

According to the UK government, this will help to open up the market for UK firms wanting to expand internationally by selling their products and services in Australia.

As part of this bridge, Innovate Finance and FinTech Australia will introduce a regular business-to-business (B2B) summit, advising the UK and Australian governments on how best to support the sector.

As mentioned at last year's conference, the government tells people again that the UK fintech sector contributes £6.6 billion annually to the economy, and employs over 60,000 people across 1,600 companies. In the first three quarters of this year the sector received a record £2.1 billion investment.

Antony Peyton

BNP Paribas and Tink team up for mobile banking

Belgium-based BNP Paribas Fortis will integrate the aggregation, personal finance management (PFM) and payment initiation technology from Swedish fintech Tink into its mobile banking applications.

The first step in the partnership between the two firms will be the release of the new multi-banking app for Hello Bank! later this summer. (Hello Bank! is BNP Paribas' direct banking subsidiary, launched in early 2014 across a number of European countries.)

Tink and BNP Paribas Fortis will then work together to update the latter's mobile banking service – Easy Banking App – by autumn.

Tink's aggregation product allows for the aggregation of any financial information that is typically available in banks' mobile apps.

Daniel Kjellén, CEO at Tink, is "beyond excited" to partner with BNP Paribas Fortis. "Our product is in great hands," he adds. "The partnership is proof of a retail banking market that is becoming fully transparent and customer centric."

Max Jadot, CEO BNP Paribas Fortis, says his team "strongly believes that technology and changing legislation, such as PSD2, offer exciting opportunities for banks and their clients". He highlights Tink's strong focus on business-to-consumer (B2C) and "a proven track record with its consumer app in Sweden with over half a million users". The app was launched in 2013 and allows users to connect all bank accounts and credit cards, providing a full view of their finances.

This partnership is Tink's first in the Belgian market, and follows the fintech's last wave of partnerships in October 2017. BNP Paribas Fortis will join Nordea, Nordnet and Klarna, which partnered with Tink last autumn, and SEB and ABN Amro, which did the same in 2016.

Tink was founded in Stockholm in 2012, and has 70 employees today. Its investors include Nordea, Nordnet, ABN Amro Ventures, SEB Ventures, Sunstone Ventures, and Creades.

Tanya Andreasyan

UK regulator grants Tide e-money authorisation

UK-based SME banking start-up Tide is "entering adulthood" as it turns 15 months old, "in a distinctly youthful way and with plenty more to come".

"Milestones matter. They mark progress and the making of memories, the sorts of things we're here for," says George Bevis, founder and CEO of Tide.

"We're announcing a raft of new features, a new design, and a bigger persona."

Tide's new card design is "now vertical, blue and radically simple". The company has also launched the Team Cards feature: up to 35 employees can get a Tide card and have their spend tracked through the manager's app.

A new Account Reader service can give the customer's accountant read-only access to their transactions, saving time otherwise spent downloading and

attaching statements one by one.

There is also an integration with FreeAgent Collaborations to record transactions.

And the Financial Conduct Authority (FCA) has granted Tide the authorisation as an electronic money institution (EMI).

Multi-currency accounts and international payments are on the way, Bevis adds.

According to Tide, within a year, one in 12 business current accounts opened in the UK was with Tide. More than 30,000 businesses are now Tide members.

"We want to liberate you from banking, admin and everything else you'd rather not do while you're running your business," Bevis states. "It's a frustration we've heard from every Tide member we've ever spoken to and it's why we're helping you 'do less banking'."

He cites the figures to support the "less banking" claim: the fastest account-opening Tide has witnessed is two minutes 14 seconds. The fastest it sent a business credit, from first click to money in their account, is six minutes and one second. "We believe this is the fastest business loan service in the world," he says.

"Now, we're ready to go bigger. And keep making good on our promise – to help you do less banking, and more of what you love."

Tanya Andreasyan

Ant Financial invests $184.5m in Telenor Microfinance Bank

Pakistan-based Telenor Microfinance Bank (TMB), a subsidiary of international mobile operator Telenor Group, is getting a $184.5 million investment from Ant Financial in return for a 45% stake in the bank.

TNB is formerly known as Tameer Microfinance Bank – it changed its name in March 2017, following its takeover by the Telenor Group.

"The strategic partnership between Telenor Group and Ant Financial combines TMB's knowledge and local market presence with more than 20 million customers, and Ant's technology in Alipay, the world's largest digital payment platform, and other financial services, to bring mobile payment and inclusive financial services to individuals as well as small and micro businesses in Pakistan," the two parties explain.

In addition to providing microfinance services, TMB also offers Easypaisa, Pakistan's first mobile financial services platform launched in 2009, which has since developed into the largest branchless banking service in Pakistan in terms of agent network, active accounts and transaction value (according to the State Bank of Pakistan data).

According to the World Bank, more than 100 million Pakistanis are unbanked, accounting for 5% of the world's unbanked population. This is expected to change drastically in the years to come, especially with rising smartphone penetration, Telenor says. "To prepare for that, TMB needs to build its digital competence and execution capabilities to serve the need of the users," it adds.

Tanya Andreasyan

solarisBank in €56.6m funding round

Germany-based Banking-as-a-Service (BaaS) platform, solarisBank, has completed a Series B funding sound, raising €56.6 million.

The investors included ABN Amro, Visa, Lakestar and BBVA. The latter, in addition to investing, is also purchasing solarisBank's stake from Unicredit in Germany.

The existing investors Arvato Financial Solutions, a unit of Bertelsmann, and Japanese group SBI, have also joined this round.

The newly raised funds will help solarisBank expand internationally. It is already active in seven countries and has over 60 corporate clients using its banking platform.

solarisBank claims to be the first banking platform with a full banking licence. Its BaaS concept enables companies to offer their own financial products from solarisBank and also those of third-party providers, via APIs. It targets fintechs, banks, corporates and established digital companies with its "highly developed banking ecosystem".

In addition to digital banking and card services, it offers its corporate clients financial and credit services, as well as payment and escrow services – all accessible via APIs.

It has passporting rights across all European Union states.

Since its creation in 2016, it has raised more than €92 million.

Tanya Andreasyan

Standard Chartered unveils group's first-ever digital bank in Africa

Standard Chartered has launched the group's first digital bank in Africa – opening virtual doors in Côte d'Ivoire. The bank is the first of its kind in the country.

Sunil Kaushal, regional CEO, Africa and Middle East at Standard Chartered, describes the launch as "a key milestone on the bank's digital journey".

Jaydeep Gupta, regional head of retail banking, Africa and Middle East, adds that the team took into consideration the feedback from the customers at each stage of the design process, which resulted in a comprehensive mobile banking functionality – 70 banking services are available through the app.

"In addition, for the first time, the client onboarding journey has been digitised and in under 15 minutes a client can open a new account through the app," Gupta says.

"What has also been introduced is the ability for clients to track and trace a request submitted, which is a first for Standard Chartered. This is something we are very proud of."

Tanya Andreasyan

Riyad Bank launches Saudi Arabia's first contactless payment wristband

Riyad Bank, one of the largest financial institutions in Saudi Arabia, has teamed up with Gemalto for the country's first-ever range of contactless payment wristbands.

The two companies are already long-standing partners.

The wristbands are fitted with Gemalto's Contactless MiniTag and linked to the user's existing debit, credit account or prepaid accounts, enabling them to make "tap and go" payments.

The bank has also launched Gemalto's contactless sticker that can be fixed to the back of any mobile phone to turn it into a contactless payment device.

Nassir Ghrous, SVP, banking and payments for CISMEA at Gemalto, observes that "a new generation of consumers across the Middle East is looking for banking solutions that can help facilitate their busy, on-the-go lifestyles".

Tanya Andreasyan

nCino gets second client in the UK, Yorkshire Building Society

The Yorkshire Building Society has deployed nCino's cloud-based digital Bank Operating System for commercial lending operations.

This is US-based nCino's second triumph in the UK – as reported in June 2017 challenger bank OakNorth deployed the same system.

In the latest deal, Bradford-based Yorkshire Building Society, will use the system to lets its employees make faster decisions and provide funding more quickly to its customers. According to nCino, it completed the deployment in less than 90 days.

Phil Green, head of commercial lending and social housing at Yorkshire Building Society, says: "We invested in the nCino Bank Operating System because it helps automate tasks that were previously paper-based and manual, allowing colleagues more time to deliver differentiated and personalised service."

The nCino Bank Operating System is built on the Salesforce platform that combines customer relationship management, loan origination, account opening, workflow, enterprise content management, business process management, digital engagement and reporting.

Last month, nCino reeled in investment from Salesforce Ventures, adding to the company's known total capital of more than $81 million. It has also recently inked a deal with TD Bank in the US for corporate and commercial lending tech.

Antony Peyton

Saudi Real Estate Refinance live on TCS Bancs system

Saudi Real Estate Refinance Company (SRC) has implemented the TCS Bancs platform from TCS Financial Solutions for its core operations to refinance real estate.

SRC is a start-up – launched in partnership with the Ministry of Housing in 2017 – designed to stimulate housing sector development in Saudi Arabia by injecting substantial liquidity into the somewhat constrained real estate market.

The company will act as an intermediary by aligning the liquidity, capital, and risk management requirements of real estate mortgage companies, and aims to refinance up to $20 billion of mortgage debt over the next five years.

The vendor says this is the "first of its nature deployment in the Middle East region".

The single, integrated platform will service the complete mortgage refinancing lifecycle, including the treasury function as well as finance, HR and payroll administration through its partner network.

SRC opted for TCS due to the "comprehensive functional capability" of its flagship TCS Bancs offering and the company's "execution rigour and domain expertise demonstrated globally", the vendor says.

"Our vision directly tracks the country's 2020 National Transformation Programme, which calls for a 100% increase in real estate's GDP contribution from 5% to 10% by 2020," explains Fabrice Susini, CEO of SRC. "To reach this ambitious goal, we needed a flexible and agile platform."

He compliments the "modern functionality and architecture" of TCS Bancs as well as the vendor's "deep commitment and support".

Neeraj Srivastava, country manager of TCS Saudi Arabia, describes the country as "a strategic market" for the vendor in the Middle East.

TCS already has a number of users of TCS Bancs in Saudi Arabia, including National Commercial Bank, the country's largest financial institution; Samba Financial Group; and Tadawul, Saudi Arabia's stock exchange.

Tanya Andreasyan

PSR turns focus to consumer protection and ATM survival

The UK's Payment Systems Regulator (PSR) has turned its focus to consumer protection and the survival of ATMs.

At the recent launch of its "Annual Plan and Budget for 2018/19" at Glaziers Hall in London, the PSR outlined its two-pronged approach.

By way of recap, at the event last year, it called for even more competition and creativity in the sector.

Now it feels it can build on those previous efforts and says "good progress" has been made against its objectives and it has "a commitment to keep this momentum going".

At the Glaziers Hall event, Hannah Nixon, managing director of the PSR, said: "We were created to shake up a sector that was dominated by major players, and we have done just that.

"By opening up access in payment systems, we've made good progress on levelling the playing field. This is critical to boosting competition in retail banking and improving the range and quality of services that consumers receive."

Nixon cited its fight against authorised push payment (APP) scams. As reported last month, it announced the outcome of its consultation on introducing a


Hannah Nixon, PSR

contingent reimbursement model for victims these scams.

In an interview with *Banking Technology* at the launch, Nixon gave more details and said this model and new code of practice are intended to be up and running by the end of September 2018.

This means banks will have to reimburse victims and the PSR has set up a steering group to get this in place on time.

Nixon says the PSR wants a "slick process" so victims have a chance to get their issues sorted quickly and painfully.

She stressed that the steering group is made up equally of representatives from industry and consumers. The group will start its work in the first week of April.

In terms of free-to-use ATMs, these are far from forgotten. Nixon says the number of cash withdrawals may have fallen but the PSR has done two studies with LINK – the UK's shared interbank network of ATMs.

Interchange fees have been cut to help; but the PSR has been "very clear" with LINK that it must ensure there is a good geographical spread of ATMs and that LINK bolsters financial inclusion.

Nixon says LINK agrees with these points and will report to the PSR monthly on its developments.

The PSR adds that it will intervene if it believes the current broad geographical spread of free-to-use ATMs is "threatened".

Away from the interview, the PSR used its annual plan to remind everyone of the establishment of the New Payment System Operator (NPSO) and the introduction of the New Payments Architecture (NPA).

It says the NPA will focus on giving users more control over the timing and amount of their payments with request to pay – "allowing businesses to reduce the chances of payments not being made".

The PSR adds that it will also help to fight fraud by introducing a confirmation of payee service – "enabling consumers to have greater confidence that they are paying who they intend to".

Antony Peyton

Personetics brings cognitive banking to Banca Transilvania

Romania's second largest bank, Banca Transilvania, will integrate artificial intelligence (AI) powered, forward-looking financial guidance into its digital banking experience courtesy of a new partnership with Personetics.

The bank, with more than 2.2 million clients, will add Personetics' technology to the new version of its BT24 Internet Banking and Mobile Banking solution this year, giving Banca Transilvania's retail and business customers access to insights and tools to better manage their finances.

Banca Transilvania's CEO, Omer Tetik, praises the way the new technology will enable the bank to get its products to customers faster, and calls the partnership with Personetics, "a new and strategic step regarding our digital focus".

Personetics specialises in leveraging machine learning (ML), predictive analytics, and AI to help banks and credit unions create personalised, digital banking experiences for their customers and members. The company's Cognitive Banking Brain engine enables a range of applications including a Cognitive Banking Framework; Personetics Engage to provide personalised guidance for customer financial management; Personetics Assist, an AI-driven chatbot solution for institutions; Personetics Act, an automated money management solution; and Personetics Anywhere, which enables banks to deploy chatbot solutions over popular messaging platforms. The solutions help banks lower operational costs, increase cross-selling, and build better quality online engagement, the vendor says.

Last month, the company announced that UK challenger bank Tandem would use Personetics' technology to provide personalised financial guidance for its customers. Also this year, Personetics has announced a partnership with Israel Discount Bank, where it will power the intelligent financial assistant, Didi.

Personetics was founded in 2010 and is headquartered in Tel Aviv, Israel. It says it serves more than 45 million customers worldwide.

The company has raised $18 million in funding to date and includes Lightspeed Venture Partners, Viola Ventures and Sequoia Capital among its investors.

David Penn, Finovate

Isabel Group and norbloc to pilot blockchain KYC project

Isabel Group, a Belgium-based market infrastructure player, has taken over from TrustHive the initiative to build a blockchain platform to simplify identity management – know your customer (KYC) – for corporates.

TrustHive, launched last year by B-Hive (a European collaboration platform for tech start-ups and established players in financial services), initiated the KYC blockchain development together with AG Insurance, Belfius, BNP Paribas Fortis, Euroclear and KBC. It also received endorsement from other partners of B-Hive: AXA, Baloise, Allianz, ING, Swift, Bank of New York Mellon, Isabel Group and Mastercard.

A proof of concept (PoC) was delivered in October 2017 and, according to B-Hive, was so successful that it "rapidly triggered interest from financial and non-financial organisations".

"For that reason, B-Hive together with the four largest Belgian banks – Belfius, BNP Paribas Fortis, ING and KBC – decided to hand over the ownership of the initiative to Isabel Group to manage the governance of the platform, set up a pilot with the four banks and facilitate its future growth," B-Hive explains.

Norbloc, a Swedish start-up that builds regulatory applications on blockchain platforms, was selected as a technology partner for the pilot phase, following "an extensive analysis of different parties".

Norbloc brings to the table its flagship platform, Fides. "I'm confident that Fides will create great operational and regulatory efficiencies to all participants," states the company's CEO, Astyanax Kanakakis.

Jean de Crane, CEO Isabel Group, envisages the benefits of the new offering: "Instead of a time-consuming and often still paper-based onboarding process, this KYC platform will provide a unified ecosystem for financial organisations and others to onboard clients and legal entities in particular.

"We will be able to offer one unique KYC file across institutions, reducing duplication of efforts in financial entities and their clients alike. Furthermore, individuals will be able to control how and when their data is shared through a customer-oriented portal, which respects the oncoming General Data Protection Regulation (GDPR)."

Tanya Andreasyan

N26 raises €110m and eyes US expansion

German mobile challenger bank N26 has closed a €110 million Series C funding round as it seeks to consolidate its presence in Europe and expand to the US.

The new funding round was led by Tencent and Allianz and some of N26's existing investors – and it brings the total raised to over €160 million. N26 says its launch in the US is expected in June with over eight people employed in its NYC office. The funds will also be used to grow its team in Berlin, which currently stands at 400.

CEO and co-founder Valentine Stalf made the announcement about the funding round internally last week, notifying all employees that "we're now ready to expand and dominate the US".

According to the source, the company's efforts have been turned towards the expansion since September 2017 and is seen as its "highest priority".

In fact, back in October, N26 said on its website that it will be available in the US starting mid-2018.

Investors in the latest round include both US and European investors.

The bank has been doing fairly well – as reported last year it was planning to enter the UK market in the first half of 2018.

The source adds that N26 has signed up over one million customers since its inception. N26 says it is growing by 5,000 customers per day.

The bank was founded in 2013 by Stalf and Maximilian Tayenthal.

For its core processing technology, N26 uses Mambu's core banking system, provided on a hosted basis.

Antony Peyton

BlueOrange deploys Latvia's first contactless card ATMs

Software and service provider BS/2 has installed the first ATMs in Latvia that support contactless cards. The ATMs are provided by Diebold Nixdorf, and are for a local bank, BlueOrange Bank (formerly known as Baltikums Bank).

Five ATMs with contactless card readers are now operational in Latvia's capital, Riga.

Egita Ermane, head of e-commerce office of BlueOrange Bank, says BS/2 "has many years of experience and supplies a truly German quality for Diebold Nixdorf ATMs and delivers diverse support at the European level". Ermane adds that the bank considered proposals from a number of providers before choosing BS/2.

"In addition, our new partner acted as an operative, reliable consultant, able to take into account individual wishes." The bank is now offering "the most advanced technological solution" in Latvia.

The bank's contactless cards ATMs support all of the main functions, Ermane says, such as withdrawal and deposit of cash, getting the report on the last ten transactions and obtaining information on the card balance.

BS/2 Latvia has four service centres in the country and serves more than 450 ATMs. It is a subsidiary of Penki Kontinentai Group.

Tanya Andreasyan

OCBC Bank to be "AI-first" with new AI unit

OCBC Bank has become the first bank in Singapore to set up an artificial intelligence (AI) unit "to strategically develop in-house AI capabilities". The bank will invest up to $10 million in it over three years.

"The pioneering team of three data scientists, led by Singaporean Ken Wong, will drive the adoption of AI across banking services such as wealth advisory and loans financing," the bank says.

"With the set-up of our very own AI lab, we are able to experiment for the first time with deep learning neural networks and graphics processing units, which are heavily used in the gaming industry and hardly used in banking," Wong says.

"This is an exciting new space to be in, especially for banking, and we welcome talent who have the passion to develop something new and fresh for the industry."

The unit – called AI Lab@TOV – plans to double its headcount within a year "to manage the surge in AI technologies that the bank plans to implement".

It sits within OCBC Bank's fintech and innovation group, The Open Vault (TOV) at OCBC. It will serve as a "test bed" for all new AI technologies and will demonstrate the feasibility of new technology before it is integrated into the bank's existing systems.

It will experiment with real-life anonymous customer data leveraging the bank's data sandbox and APIs, generating various proofs of concept (PoC).

AI Lab@TOV will apply natural language and speech processing technology from the Agency for Science, Technology and Research (A*STAR) to develop solutions that can recognise and understand local accents accurately, such as the Singaporean accent. If successful, it could be used to create chatbot services that can respond to customers using voice messaging.

The AI unit will also work with Amazon Web Services (AWS) DeepLens, the world's first deep learning video camera for developers, to create "a more personalised experience" for OCBC customers – leveraging facial recognition technology that could be deployed at OCBC Bank branches or ATMs.

Pranav Seth, head of e-business, business transformation and fintech and innovation group, believes AI will "redefine all aspects of banking" and its "impact cannot be ignored".

"The time to act on AI is now! It is integral to digital banking, or what we call 'the new digital'," he states.

"I believe there is a massive competitive advantage to be gained from being a first mover in this space. AI is going to break the internet and be bigger than the mobile revolution. We want to be at the forefront of this new age of banking."

OCBC Bank has been working on a number of AI projects, including the launch of the Emma chatbot in 2016 (developed with a fintech start-up, Cognicor) and using AI software from another start-up, Thetaray, to identify potential suspicious transactions.

The bank says both initiatives have been successful in increasing operational efficiency and derive new revenue streams. Emma, which responds to customer queries on home and renovation loans, has helped to bring more than SGD 100 million ($76.3 million) in home loans; while Thetaray's solution has reduced the volume of transactions reviewed by anti-money laundering (AML) compliance analysts by 35% and increased the accuracy rate of identifying suspicious transactions more than four-fold.

Tanya Andreasyan

Experian buys credit checking start-up ClearScore for $385m

Experian is to acquire ClearScore, a two year-old UK firm that offers free credit checks for consumers and has over six million customers. It comes with a price tag of £275 million ($385 million), with an additional earnout potential.

The deal is subject to approval from the UK's Competition and Markets Authority (CMA) and the Financial Conduct Authority (FCA). On completion, ClearScore will be included within UK Consumer Services.

Experian anticipates a one-off integration expense of $20 million "to integrate the business and realise the planned synergies".

For calendar year 2018, ClearScore is on track to generate revenue of around $55 million, an increase of 50% on 2017.

"The acquisition of ClearScore will combine two well-known, high growth UK consumer brands, both of which will be retained," states Brian Cassin, CEO of Experian.

"It will also bring together two businesses with complementary assets and skills to improve outcomes for consumers. We expect ClearScore to benefit from Experian's broad data assets, analytical capabilities and distribution, while Experian will benefit from ClearScore's skill in developing services which are appealing and easy to use, as well as an agile culture accomplished at keeping its membership engaged.

"In addition, ClearScore will help to accelerate our ambitions to provide services to consumers internationally, having recently launched a service in South Africa."

ClearScore backers are London-based venture builder Blenheim Chalcot and venture capital firm QED Investors (set up by CapitalOne's co-founder, Nigel Morris).

Tanya Andreasyan

Orange Bank turns to IBM Watson for virtual advisor tech

Orange Bank says it is bringing "unique customer experience" with its new virtual advisor, Djingo, powered by IBM Watson.

It also claims to be the first mobile bank in France with a customer relationship model based on artificial intelligence (AI) technology.

Orange Bank, a new mobile bank launched by telecoms operator Orange last autumn, has around 100,000 clients today. They can now interact with Djingo, which can answer their questions in natural language and perform actions such as blocking a card in case of loss, or unblocking it.

"Mobile banking is becoming for French people the preferred mode of interaction with their bank," Orange Bank says. It cites research that nearly two out of three (63%) have downloaded their bank's app on their mobile, and almost one out of two (47%) consults the app at least once a week.

Available 24×7, Djingo is the first point of contact for customers and prospects with the bank. Every week, almost 24,000 conversations are performed by Djingo, the bank says, with nearly 20% of these conversations taking place outside traditional working hours. The conversations are "constantly analysed" by a team of Orange Bank and IBM specialists to improve the knowledge of the virtual advisor.

Jean-Philippe Desbiolles, VP of IBM Cognitive Solutions France, says Djingo understands more than 85% of the questions asked in natural language.

Orange Bank says its new relationship model relies on IBM Watson and Salesforce CRM "to create a fluent interaction regardless of the channel used", enabling "omnichannel management".

The bank is accessing the Watson services through the IBM Cloud.

Tanya Andreasyan

New Zealand trials open banking

Governance organisation Payments NZ has unveiled an industry API pilot to test open banking and digital payments in New Zealand.

The pilot will be conducted by six partners – ASB, BNZ, Datacom, Paymark, Trade Me and Westpac – a mix of banks and third parties. They will build and test two payment-related API standards.

Steve Wiggins, CEO of Payments NZ, says it wants to "ensure the safety and security of the payments system and the information being shared" and will take a "balanced approach" to test the viability of these APIs.

The APIs being tested are account information and payment initiation. The first one will enable the verification of account details and funds, and the latter will enable payments by connecting directly with the user's bank.

According to Payments NZ, both APIs were chosen to be piloted because they have the "greatest potential to ease the process of digital transactions for the benefit of consumers, businesses and service providers".

The APIs have been adapted and modified from the UK's open banking API standards for local market conditions.

Alongside the pilot, Payments NZ says an industry working group is designing

New Zealand

a framework within which the APIs could operate. The outputs and practical insights from the pilot will feed into the design of the framework.

Payments NZ says its research into global changes and local needs began in 2015, and a plan for investigating the shared API framework opportunity commenced in early 2017.

During this time, Payments NZ has been working with industry and interested parties, including regulators, to ensure its initiatives take into consideration wider ecosystem developments.

The pilot is expected to be completed late in 2018. It is part of a wider programme of industry activity to improve the nation's payments system.

Antony Peyton

"World's first" global banking account launched

San Francisco-based Denizen has unveiled the "first true global, borderless account" for expat banking which allows customers to receive money in one country and pay it out in another.

Designed for mobile populations, the firm says its banking platform avoids international transfer fees and eliminates currency exchange fees.

"National borders act as barriers to the free movement of money, inhibiting individuals and limiting the potential for global commerce," says Denizen co-founder and CEO Joaquin Ayuso de Paul.

The account is the first product in a planned family of Denizen solutions for international banking. It offers a no FX fee, a no bank-owned ATM fee debit card and a mobile app.

Denizen is co-founded by Joaquin Ayuso, the former co-founder and CTO of Tuenti, described as "the Spanish Facebook". Might have been best to omit that quote based on current events.

Denizen's initial funding round was provided by BBVA's New Digital Businesses unit, which is incubating start-ups in its Silicon Valley-based fintech lab.

The account is currently available to expatriates living in the US and Spain, with plans for European expansion later this year.

Antony Peyton

Barclays France in wealth management tech revamp

Swiss private banking tech specialist ERI is believed to have landed a deal with AnaCap Financial Partners, a UK-based private equity firm, to implement its flagship Olympic core banking system at former Barclays business in France.

AnaCap purchased Barclays' retail and wealth management operations in France in late 2016. At the time, the PE firm said its ambition was to create "the leading independent wealth manager in France" and it would invest in a complete technology overhaul to achieve this.

The takeover brought AnaCap €7 billion of assets under management (AUM) and around 140,000 clients.

AnaCap considered various options in the market, *Banking Technology* understands, including Temenos' T24 and Avaloq's Avaloq Banking Suite. The latter is used by Barclays' wealth management operations in the UK and has also been rolled out globally (with Tech Mahindra/ Sofgen as the main system integrator).

It is understood the implementation of Olympic in France is currently underway.

AnaCap is yet to change the Barclays name to a new one.

Tanya Andreasyan

Say ciao to new ItaliaFintech association

A group of domestic and foreign players in Italy have set up the sector's first trade association, ItaliaFintech.

Its goal is to help companies and individuals get access to fintech services, foster dialogue with "traditional" institutions and turn market growth into real development.

The 19 firms are BorsadelCredito, Conio, Credimi, Epic, Fifty, Housers, Lendix, Modefinance, MoneyFarm, N26, Oval Money, Let's Lose, Raisin, Satispay, Soisy, Soldo, Virtualb, Workinvoice, and Younited Credit.

Ignazio Rocco di Torrepadula, founder and CEO of Credimi, says it will "facilitate the access of Italian companies and individuals to new sources of financing and innovative services in the fintech domain" and be a "point of contact for regulators".

According to ItaliaFintech, the 19 companies combined have a Europe-wide portfolio of over 920,000 customers, of which 425,000 are located in Italy.

The members' savings, loans and managed payments amount to €450 million and their total investment capacity is €253 million.

ItaliaFintech will be chaired by each of the members in turn. Rocco di Torrepadula will be the spokesperson for the first half of the year.

Antony Peyton

BB&T scraps SAP core banking tech project

US-based banking heavyweight, Branch Banking & Trust (BB&T), is believed to have halted the project to implement a new core banking system from SAP.

The bank unveiled its plans for a "gradual renovation" of its core banking technology landscape in 2016 at SAP's annual Sapphire conference.

SAP for Banking (namely its Loans Management component) was taken to support BB&T's retail lending operations. The first involved the back office operations of Sheffield Financial, a small North Carolina-based subsidiary of BB&T that specialises in power equipment and specialist vehicles financing.

This was SAP's first and only known core banking system deal in the US. Will Shupe, BB&T's EVP responsible for IT and operations, described the deal as "a leap of faith".

Banking Technology understands the project has now been scrapped.

Both SAP and BB&T provided a "no comment" response on this turn of events.

Meanwhile, BB&T's digital, phone and ATM operations suffered a widespread outage recently.

The culprit was "a technical issue" within the bank's systems, BB&T said.

Tanya Andreasyan

Chetwood Financial lands £150m investment

A newcomer to the UK banking space, Chetwood Financial, is to receive up to £150 million in investment from Elliott Advisors.

As reported earlier by *Banking Technology*, Chetwood now also has a banking licence, adding to its existing authorisation for lending business.

The bank plans to launch its first consumer finance product in Q1 2018 – an "innovative" unsecured loan under the LiveLend brand.

Already in beta with its LiveLend loan, Chetwood says it is "a true challenger, given its move away from the typical banking model to a route of manufacturing bespoke products for customer groups who aren't being served".

Chetwood will operate on a new, cloud-based technology platform, Yobota. It elaborates: "The platform can house a range of standalone products, from lending to savings and more, which won't just fit the traditional financial services mould, but enable responsive and dynamic products, not yet seen in the industry."

Chetwood Financial and Yobota were founded in 2016 by ex-HSBC senior banker Andy Mielczarek and technology strategist Mark Jenkinson.

Tanya Andreasyan

P2P investor Bondster implements Leveris' core banking tech

Bondster Marketplace, a new peer-to-peer (P2P) investment platform in the Czech Republic, has implemented Leveris' core processing platform.

This is Leveris' first known customer, *Banking Technology* understands.

Leveris itself is a start-up and has roots in the country – its development team was behind the creation of Air Bank in the Czech Republic. Air Bank, now part of the PPF Group, was set up in 2011 to be "the first bank people can like".

Leveris was founded in 2014 by Conor Fennelly, who is the company's CEO. It employs 150 people, located in Ireland and the Czech Republic.

The vendor says it has developed a fully integrated, front-to-back office core banking platform, that was built using open standard formats, APIs and protocols. It is aimed at retail banks and lenders.

Bondster was launched in 2017 and is owned by CEP Invest Private Equity. Acema Credit Czech, a major domestic provider of non-bank secured loans, is the company's main strategic partner (and holds the option to buy a stake in Bondster).

Bondster says it is "breaking the habits of investing". It operates as a marketplace where loans are offered as investment opportunities to general public and acts as an intermediary between investors and lenders. Loan types may vary and they may be secured or unsecured (e.g. mortgages, leases, consumer loans and so on).

It is now enabling investment in EUR and CZK loans, with Leveris providing the underlying technology.

Tanya Andreasyan

Coinbase taken to court, twice

San Francisco-based cryptocurrency exchange Coinbase has landed in more hot water with two federal class action lawsuits.

The first lawsuit, filed by Jeffrey Berk on behalf of himself and a number of other Coinbase customers, accuses the exchange's employees of profiting illegally on insider information trading, namely regarding the planned roll-out of Bitcoin Cash (BCH) support at the end of last year.

According to the plaintiffs, "on 19 December 2017, a month after tipping off its own employees as to when it would commence fully supporting BCH, Coinbase suddenly announced that it was opening up its books to the buying and selling of BCH within minutes after its announcements.

"Unsurprisingly, those who had been tipped off, immediately swamped Coinbase and the GDAX with buy and sell orders, thinning the liquidity but obtaining BCH at fair prices. The market effect was to unfairly drive up the price of BCH for non-insider traders once BCH came online on the Coinbase exchange."

The plaintiffs are asking for compensation for all Coinbase customers who placed purchase, sale or trade orders with the exchange on 19-21 December and "suffered monetary loss as a result of defendants' wrongdoing".

The second lawsuit, filed by Timothy G. Faasse and Jeffrey Hansen on behalf of a group of clients, accuses Coinbase of "unlawful and unfair business practices". The plaintiffs say Coinbase knowingly kept the funds that didn't belong to the exchange simply because users had not claimed them, thus violating California's law regarding unclaimed property.

"Imagine writing a cashier's cheque to a friend. The bank withdraws funds from your account, but your friend never cashes the cheque. Does the bank get to keep the funds? The law clearly says no. But this is exactly what has happened with cryptocurrencies sent through Coinbase.com, owned and operated by Coinbase Inc," the plaintiffs say.

"Coinbase users can send Bitcoin, Ethereum, Litecoin and Bitcoin Cash (collectively 'cryptocurrencies') to an email address. Plaintiffs and the class were sent an email from Coinbase stating they had cryptocurrency, with a link to create a Coinbase account to redeem it. But until 2017, most people never heard of a Bitcoin or cryptocurrency, so most of these emails were disregarded. And most of the cryptocurrency went unclaimed."

However, instead of notifying the recipients they had cryptocurrencies or turning those over to the state of California – as required by the state's Unclaimed Property Law – Coinbase kept them to itself, the plaintiffs say.

Last month, Coinbase was found to be overcharging its customers by thousands of dollars due to a bug linked to how credit card companies bill for its service.

Shortly afterwards, it was ordered by the US Internal Revenue Service (IRS) to hand over data on 13,000 clients for tax purposes.

Tanya Andreasyan

Tandem acquires money management app Pariti

UK-based challenger bank Tandem is buying Pariti, a money management app with 95,000 users.

Pariti was founded in 2014 by Matthew Ford, who is the company's CEO. It is understood that he is now joining Tandem, alongside Pariti's CTO Peter Townsend. So perhaps it is more of an "acqui-hire".

Pariti's investors include Index Ventures and JamJar Investments.

In 2016, Pariti partnered with HSBC to power the bank's micro-savings app, SmartSave, but the partnership did not move beyond the trial phase.

Tandem has recently completed its acquisition of Harrods Bank, which came with a banking licence and £80 million of capital.

Tanya Andreasyan

FinTech Australia searches for new CEO

FinTech Australia is on the hunt for a new CEO as Danielle Szetho has resigned less than two years into the job.

Sarah Worboys has been appointed as interim CEO. Until recently, she was the head of strategy and operations at Timelio, a Melbourne-based P2P invoice financier.

"For the last 20 months, Danielle has been the heart and soul of Australia's fintech community," says FinTech Australia chair Stuart Stoyan. He describes her departure as the organisation's "loss".

Stoyan is himself new to his role, having been appointed chair earlier this year following the resignation of Simon Cant, the association's founding chair.

"We are in the market for a candidate that can drive our ambitious programme to take the Australian fintech market to the next level," Stoyan says. "This is a great leadership opportunity in what is Australia's largest and arguably most exciting start-up sector."

FinTech Australia is a national association for the Australian fintech start-up community. It currently has over 200 members. It states its vision is "to make Australia the leading market for fintech Innovation and Investment by working with both sides of government, industry and the Australian fintech community to create a supportive environment and partner ecosystem in Australia and abroad".

Tanya Andreasyan

New Pelikin app fits the bill for globetrotting millennials

Digital banking start-up Pelikin aims to reshape the way people save, send and spend their money in Australia and while travelling abroad. The company's slogan is "spend like a local".

It will be targeting "digital natives" with its app and debit card. It hopes to launch by mid-2018 and is currently seeking expressions of interest for investment on Birchal, an Australian equity crowdfunding platform.

"Acting as a transactional base for funds, Pelikin wants to create a seamless digital experience between everyday banking and travel banking; an important element for a younger market who are known for their tech-savvy and globetrotting lifestyle," the company explains.

It is currently beta testing features such as immediate currency conversion, foreign

bill splitting and group holiday saving goals.

Born out of 28-year-old founder Sam Brown's own negative experience with banking, the app aims to fix the issues he encountered both locally and internationally, from hidden fees to customer support unavailability.

"Pelikin is a fintech start-up that is created for us, by us. We can't wait for an ex-banker to have an epiphany that the Australian banking world needs to catch up to the tech world, so we decided to do something about it," Brown explains.

"People should be able to spend their money overseas just like they can while at home. The clunky banking travel apps and higher fees for overseas spending just make no sense and are unjustifiable."

Also, Pelikin says it is doing away with complicated account numbers and instead encourages users to set a unique Pelikin handle, just like Twitter.

"Setting up a Pelikin account will take as little as three minutes and it will travel with you wherever you go," Brown says. "Gone are the days of notifying your bank that you're travelling overseas or waiting over 24 hours for a bank transfer from a friend to come through."

Tanya Andreasyan

Gatehouse Bank launches Islamic home financing platform

UK-based challenger Gatehouse Bank has launched a Shari'ah-compliant home finance platform.

It is underpinned by a bespoke case management solution, based on BEP Systems' Apprivo2. It uses "cloud-based, mobile-ready technology" and will enable intermediaries to "effortlessly process home finance and buy-to-let applications from enquiry through to completion", Gatehouse Bank says.

The platform will be supported by a team of specialists based at the bank's new customer service centre in Milton Keynes.

The bank currently offers buy-to-let finance and plans to roll out Shari'ah-compliant home owner finance through selected brokers in the near future. Home finance products (also known as home purchase plans) are the Islamic alternative to traditional mortgages.

Chris Little, managing director of BEP Systems, believes Gatehouse Bank "is set to become a major force within the huge growth sector that is Shari'ah-compliant home finance". He hopes the Apprivo2 platform "will make the journey ahead seamless and effortlessly scalable".

Authorised in 2008 and based in Mayfair, London, Gatehouse Bank specialises in real estate investment and financing, treasury, wealth management and Shari'ah advisory. It advises funds with approximately $1.2 billion in real estate assets in the US and the UK.

Tanya Andreasyan

Two Chinese FIs live with TCS Bancs core banking system

Gansu Bank and Hunan Rural Credit Union in China have gone live with new core banking software, TCS Bancs from TCS Financial Solutions.

Gansu Bank, the only provincial city commercial bank directly managed by the Gansu Provincial Government, went through "a complex overhaul of the IT infrastructure", TCS says, including the TCS Bancs integration with 100 other peripheral systems.

"With the rapid changes in the Chinese banking industry, the role of technology has now evolved from business support to a major competitive differentiator," observes Li Xin, the bank's president.

Xin describes TCS Bancs as "a proven, fully localised platform" that will help the bank to become "progressive, modern, highly competitive and IT savvy".

The contract was signed in Q3 2015, *Banking Technology* understands. The implementation was completed in 18 months – "truly a feather in our cap", in the words of Venkateshwaran Srinivasan, head of TCS Financial Solutions.

Gansu Bank focuses on local economy, namely agriculture, urban and rural residents, and SMEs.

Hunan Rural Credit Cooperative Union (HNRCC), the largest financial services organisation in Hunan province (Central China), has centralised 100 disparate systems and operations with a new platform.

HNRCC consists of 126 credit unions, which collectively amount to six million individual and co-operative customers, 120 million accounts, 4,207 branches and 40,000 employees.

The go-live was accomplished within 30 months "amidst ambitious timelines", TCS says. The contract was signed in 2015.

More than 830 banking functions were integrated for digital banking without disruption of customer service or day-to-day business operations, the vendor adds.

Zhang Zhijun, chairman of HNRCC, says the union's "vision to drive innovation and growth has been jump-started by this implementation of TCS Bancs".

He explains: "The platform functionality is robust and is totally adaptable, especially to our complex credit cooperative domestic banking requirements."

He adds that the go-live took place ahead of a "pressing schedule".

TCS says it has 23 banking software customers in the country. TCS Bancs users include Bank of Hangzhou, China Construction Bank, Guangdong Rural Credit Co-operative Union, Hua Xia Bank, Hubei Rural Credit Union, Panzhihua Commercial Bank, Qinghai Rural Credit Union, Shanghai Rural Commercial Bank and Tai Fung Bank.

Tanya Andreasyan

RBC first Canadian bank to open API developer portal

Royal Bank of Canada (RBC) is claiming bragging rights as the first Canadian bank to launch an API developer portal.

The portal will allow eligible, external software developers, "industry innovators" and clients to access select RBC APIs.

Sumit Oberai, senior vice-president, digital technology, RBC, says the bank has the "opportunity to increase connectivity, create new tools and experiences for clients, and enable open and innovative collaboration to improve the future of banking".

RBC is initially offering five API packages in the portal. Each API package delivers the data elements, orchestration and business logic required to deliver the end-to-end business process:

- Credit card catalogue API – provides access to credit card rates and fees through a business oriented interface. These values are organised in terms of line of business, product family, and individual products;
- Minimum down payment API – calculates the minimum down payment required for a given purchase price of a home;
- Branch locator API – accepts postal code or keyword search term and returns the address and hours of operation of the closest branch, or a list of the closest branches;
- Amortisation schedule API – calculates the number of payments associated with a mortgage amount, amortisation period, interest details and payment details;
- Safety deposit box inventory API – provides safety deposit box information at a specified branch.

RBC says additional API packages will be added in the future. No timelines or specifics were offered.

Antony Peyton

Ziraat Bank launches proprietary mobile wallet

Ziraat Bank has unveiled its own mobile wallet – Bankkart Mobil – developed by its tech division, Ziraat Teknoloji, together with VeriPark and MagiClick Digital.

Customers can manage their cards and transactions through a single mobile application, receive highly targeted mobile campaigns and reward programmes, and analyse their spend.

The mobile wallet is available on the iOS and Android smartphones.

"We believe a large section of Ziraat Bank customers will use Bankkart Mobil and experience the ease of transaction management, as well as be a part of the payment systems revolution sweeping through across Turkey," says VeriPark, an international digital solutions and consultancy services firm.

Istanbul-based MagiClick acted as the user experience (UX) and user interface (UI) design partner in this project. MagiClick is already working on Ziraat's larger omnichannel redesign and development initiative, including all transactional platforms and a new website on SharePoint.

Ziraat is one of the largest banks in Turkey with over 30 million customers, 1,800 branches and 7,000 ATMs country-wide.

Tanya Andreasyan

Fuelling open innovation in banking

In an exclusive interview with the financial services team at Red Hat; *Eric Marts*, technical marketing manager, and *Alessandro Petroni*, director, global head of strategy, discuss cloud titans, blockchain and why the company is at the heart of the open source community.

The Cloud is full of clouds. Which one is good for you?

To give you an idea of the present situation, Petroni explains that inside the banks there are multiple pilots moving work to the cloud. Sometimes different business units are pursuing different cloud providers.

Red Hat works with the tech titans – i.e. Google, AWS and Microsoft Azure – to deliver a unified cloud experience.

Petroni says: "We bring portability in the cloud. We are also part of this amazing discussion and can be the vehicle to use the cloud for disaster recovery and reaching new partners for these various firms."

Interestingly, in 2014, Red Hat took a risk, moving its OpenShift platform to containers and Kubernetes. A risk that has paid off for customers globally. Used as a container-based software deployment and management, customers are able to run workloads in the most cost efficient location.

Eric Marts, Red Hat

Marts explains more: "If we use the analogy of shipping – then we are that standardisation that allows for goods to move efficiently. We are not competing for shipping ports, but show our value add with technology that allows for free cargo movement anywhere."

IT'S TIME

With blockchain constantly grabbing headlines across the fintech world, Red Hat has an important part to play in this area.

Petroni makes it clear that the company does not play any role in initial coin offerings (ICOs). However, it has a key role with blockchain connectivity and running the blockchain service.

He explains: "We want to be the enterprise runtime platform for blockchain and can do this with Red Hat OpenShift Container Platform and with Red Hat Enterprise Linux."

Petroni sees Red Hat as enabling connectivity for blockchain, with its expertise in middleware, such as Red Hat JBoss Fuse. The company describes Fuse as "an agile, lightweight, and modular integration capability that interconnects the enterprise, including blockchain/distributed ledger technology (DLT) as emerging next-gen cross parties B2C and B2B business platform".

COMMUNITY SPIRIT

As an open source solution provider, Red Hat is very much involved in wide and lively open source communities.

"We are catalysts for innovation by bringing together fintech and financial service organisations into open communities."

Eric Marts, Red Hat

Alessandro Petroni, Red Hat

"We want to be the enterprise runtime platform for blockchain."

Alessandro Petroni, Red Hat

Marts says: "We are catalysts for innovation by bringing together fintech and financial service organisations into open communities."

Petroni adds: "Fintech and financial service organisations need a platform to speed adoption of each other's solutions. Red Hat provides an industrial grade platform supporting open standards to lower risk and friction that allows fintech and financial services to group the business network quickly and securely."

Here, Petroni sees banks are sharing code more and becoming "more open" – and Red Hat acts as the open source trusted advisor and bridge between the Fintech and the banking world with an open enterprise grade platform.

As this spirit of collaboration progresses – and as cloud, blockchain and open source continue their healthy ascents – the company will push full steam ahead and "play a relevant role as community leader". **bt**

I N T R O D U C I N G

PayTech AWARDS 2018

13 JULY 2018, LONDON

New and exciting awards celebrating excellence in the use of IT in the finance and payment industry worldwide, and the people who make it happen!

Built on the renowned Paybefore brand, the Awards recognise innovation by banks, financial and payment institutions, software providers, as well as individuals and teams all around the world.

JUDGED AWARDS

Enter your projects, products and services in the following categories:

- **Best Consumer Payments Initiative**
- **Best Corporate Payments Initiative**
- **Best Mobile Payments Initiative**
- **Best Use of Biometrics in Payments**
- **Best Prepaid Initiative**
- **Best Cards Initiative**
- **Top Paytech Innovation**
- **Best E-commerce Initiative**
- **Best Paytech Partnership**
- **Paytech for Good (see opposite for more details)**

#PayTechAwards

PAYTECH FOR GOOD AWARD

This year's event will be honouring an organisation for its outstanding contribution to the community in which it serves.

The Paytech for Good Award – in partnership with Comms for Good – celebrates organisations that put the wider community first and demonstrate the values of connection, collaboration and humanity above and beyond the usual confines of business goals.

This award is available to banks, financial and payment services or technology organisations worldwide that have a deliberate and structured plan for social impact in place.

LEADERSHIP AWARDS

We're on the lookout for inspiring individuals and high performing teams for:

- **Woman in Paytech**
- **Paytech Leadership**
- **IT Team of the Year**

EDITOR'S CHOICE AWARDS

The FinTech Futures editorial team will give a special recognition to vendors and solutions in the following categories:

- **Paytech Start-up of the Year**
- **Paytech Provider of the Year**
- **Paytech Solution of the Year**

NOMINATIONS NOW OPEN!

To find out more and to enter the awards visit:
www.bankingtech.com/paytechawards

Deadline for entries is 20 April 2018

Please get in touch for further information:
Irena Andrisevic
e: irena.andrisevic@knect365.com, t: +44 (0)207 017 5379

The future is nearer than you think

One of the interesting aspects of the European Payments Summit (EPS), which was held in the Netherlands in mid-March, is its willingness to present on subjects that seem incredibly futuristic.

But as delegates at this year's event found, that future is much closer than they might have thought.

The conference chairman, Harry Smorenberg, is a technology and payments enthusiast, and that is reflected in the conference programme. Rather than creating an event as solely a money-making enterprise, EPS has the feel of one that's been put together by people who are interested in, and understand, the payments business as well as where technology might take that business.

For example, when was the last time you attended an event that included a presentation on quantum technology? I saw a presentation on quantum computing a few months ago as part of Nerd Nite; but that was for, well, nerds. (If you've never heard of Nerd Nite, search online; they are fun evenings.)

George Gesek, founder and chief executive of Vienna-based Novarion Systems, told delegates that a universal quantum computer is about two years away from completion. In about four years, the world will have its first products based on quantum computing. The details of what quantum computing is are mind blowing enough; Gesek's time line really had delegates thinking.

In financial services, quantum computing has significant implications for existing security measures. Current encryption methods, which are based on prime factorisation, are difficult to crack. For example, Gesek showed that it would take many trillions of years of computing time to crack RSA encryption algos on a Turing machine (Gesek used the term "Turing machine" to differentiate from quantum computers, which are very different beasts). Quantum computers are dramatically faster; within 70 microseconds, a quantum computer can decrypt any encrypted message. "This means all internet security is gone," he said. "This could happen in five years."

Quantum computing is something that any organisation which relies on data security (as in any transactional system) should view as a "big thing" with which to deal.

A bit like the Hindu god Shiva, quantum computing will destroy current encryption methods (technically not "evil", if you know your Hindu gods) but will also transform them. Firms can use quantum technology to make transactions secure in the future, said Gesek. This can be done without ditching current technology; Turing computers can run quantum algos to withstand attacks perpetrated by quantum computers.

> "You don't have an 'AI product', you have a business product that uses AI."
>
> **Vivek Bajaj, IBM's Watson Financial Services**

This could take the form of a quantum secured blockchain. In June last year, MIT Review reported that Evgeny Kiktenko and colleagues at the Russian Quantum Centre in Moscow designed, built and tested a quantum blockchain system in which the security is guaranteed by quantum mechanics. It was built using a standard quantum cryptography system of the kind that is already commercially available. It uses a quantum identification system in which each party can verify the identity of any other in a way that is guaranteed by the laws of physics. This quantum signature is attached to every transaction, making it impossible to tamper with.

The MIT Review echoed Gesek's warning to EPS delegates: "The threat from quantum computers is certainly real – and not just for blockchain technology. Any information that is currently stored using conventional cryptography will become unsecure as soon as the first powerful-enough quantum computer is switched on."

Gesek predicted that the first quantum secure algos for Turing computers would be available in software code by 2019. "Banks have time within the next two years to get this technology and then another two years to implement it. This is a possible timeframe for any organisation."

Banks should initiate post-quantum security assessments and figure out which systems will be affected by quantum technology, he said. "Do this now, because it will take some time. Once you have quantum secure ICT, follow developments over time because the technology will develop and you will need to scale your defence on Turing machines."

In response to a question about how much a quantum computer might cost in five years, Gesek said about $1 million. Another audience member observed that the US National Security Agency has said it is "years ahead" in the development of quantum computing. Gesek rather scoffed at this idea and put it down to "US marketing". Europe, rather than the US, is well-placed to take the lead "this century" in the development of quantum computing.

Another presentation at EPS that set brain cells whirring was that from Vivek Bajaj, vice-president of IBM's Watson Financial Services. He reminded delegates that any technology – no matter how leading edge – requires context if it is to be of value.

"Artificial intelligence (AI) in itself is of no value; it is about the application of technology to solve specific business problems," he said. "You don't have an 'AI product', you have a business product that uses AI."

Bajaj believes the key challenge that all financial services firms face is how to derive contextual information from the exploding volumes of data that are coming from an increasing number of sources. Within this, firms must decide which use cases for AI will deliver the most value.

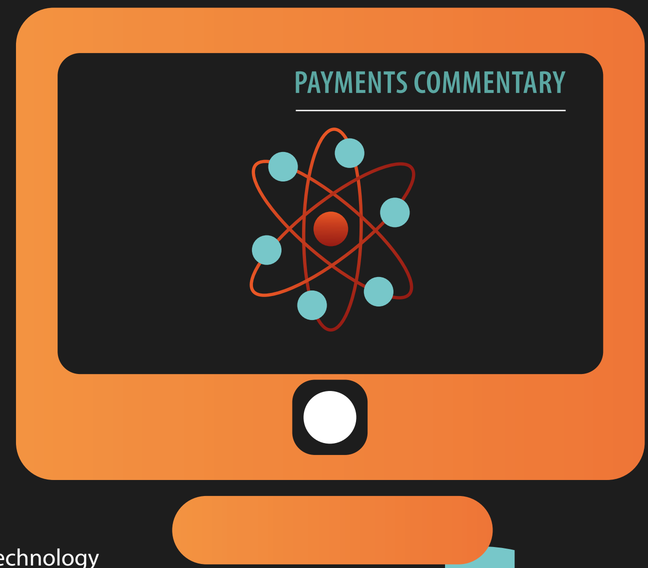
He defined three areas that could deliver such uses cases: customer insight and engagement, regulatory compliance, and payments.

For those who fear that AI will eventually remove the need for humans, Bajaj said the technology can augment human intelligence, rather than replace it. As an example, he cited Brazil's Bradesco bank, which has implemented Watson in its call centres to support relationship managers. The AI system was trained by the bank's best call centre staff and customers at no time interact with the AI system. On the other hand, RBS in the UK implemented AI for direct customer interaction bots. Going one step further, Japan's Mizuho used a robot as a greeter in branches.

"Banks should be thinking about the business problems they have and understand how they can inject these technologies and get real value in a short period of time," he said.

That urgency is not misplaced; with quantum computing just around the corner, the future will be here before we know it. **bt**

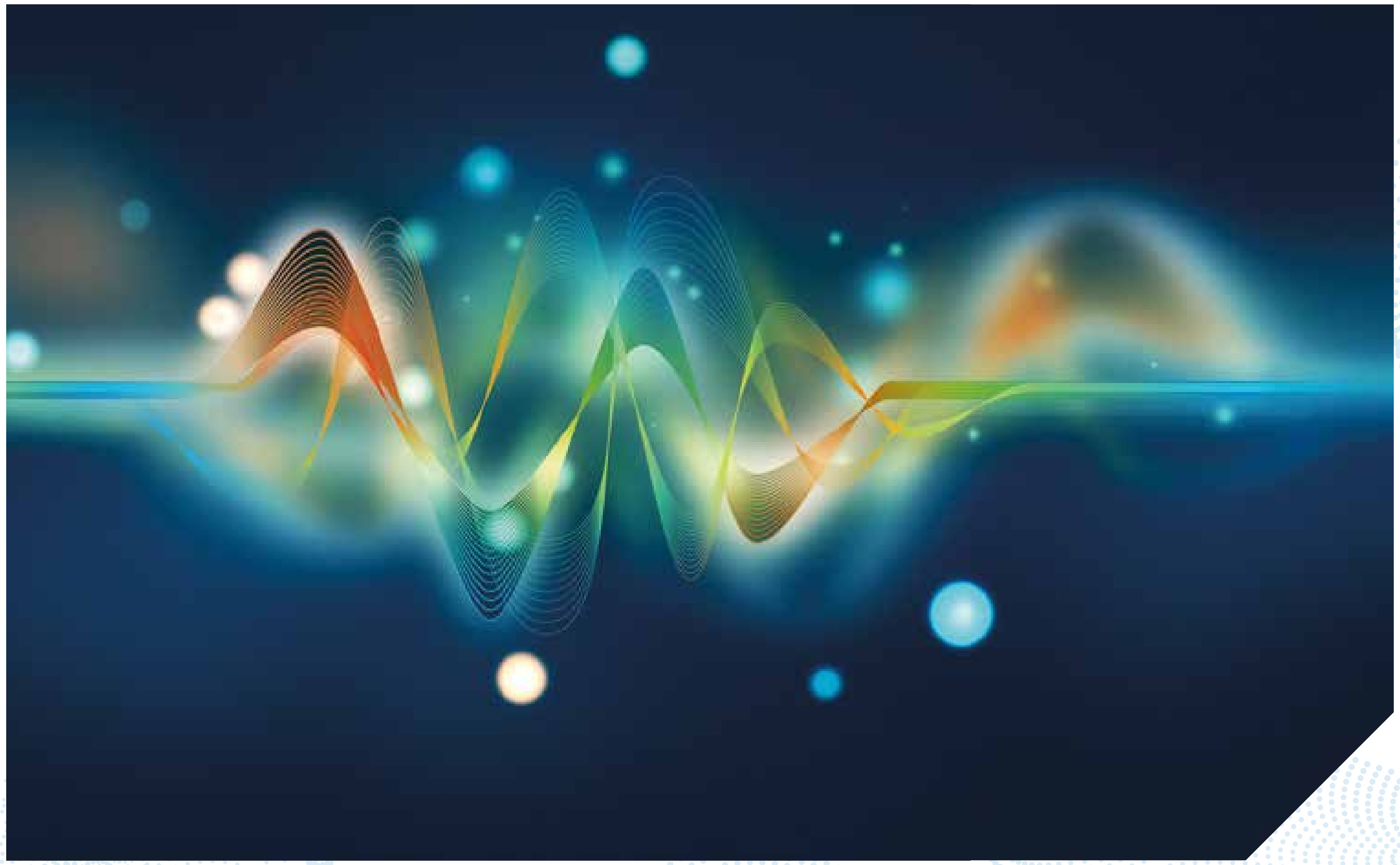
Heather McKenzie, freelance journalist and editor, www.fintecheye.com



INTERVIEW: CYRIL COTTU, BNP PARIBAS

The Tesla effect

Banking Technology met with BNP Paribas Global Markets' *Cyril Cottu* to discuss AI, bots, the demise of email, its investment in Symphony and a host of other tech topics. All fit within three "mega-trends" that are driving the strategy, investments and skillsets of the bank.



Is the financial services sector at a tipping point when it comes to technology? That's certainly the view of Cyril Cottu, global head of digital and e-commerce in BNP Paribas' Global Markets business. He foresees exponential growth in data, computer power and connectivity, with these 'mega-trends' driving rapid change.

They are also driving much of the bank's strategy and investment, as reflected in its strides in areas such as artificial intelligence (AI) and its investment last year in cloud-based messaging and collaboration platform, Symphony.

London-based but France born and educated, with a mathematics background, Cottu joined BNP Paribas two years ago having been head of fixed income, currencies and commodities sales at Goldman Sachs. It is not so much a Q&A when we meet as an initial question and then an avalanche of rapid-fire ideas and observations over the next hour or so. But this is far from abstract. These are now the drivers behind BNP Paribas' day-to-day, medium and long-term decision-making.

There is a big gap at present between the impact that data, computer power and connectivity is having on our personal lives and its impact to date on the way we work, says Cottu. In his sector, "most processes in global markets are inefficient, there is still a lot of voice and manual interaction. Many banks in global market operations are living in a legacy world." That includes using perhaps 5% of the data that is available.

DATA AND AI

Now, everything that can be automated will be, he feels, and there will be much greater use of structured and unstructured data, harnessing techniques such as deep learning, data science and natural language processing. AI will provide speed and capacity to detect patterns and trends, make decisions and send out messages to other machines or humans. "In global market operations, this has barely started."

The convergence of these forces will mean that every system will talk to every other system, which will support more regulation and transparency as well as supporting the massive shift to reduce costs – "everything is linked", he feels.

AI is needed to interpret the data because this will be beyond the human brain, as today's eight zettabytes of internet content moves to, he predicts, 40 and beyond in the next two to five years. However, Cottu believes that humans will still need to understand the context and make judgment calls. "AI is not there yet and potentially it could take years."

There is a need to much better understand customers, trends and risks, leading to "smart actions". The technology will unlock the complexities of big companies and should provide the capacity for coverage of companies that are currently too small for research.

COLLABORATION

This is another major area of change, Cottu believes. While in a personal capacity there is a lot more use of messaging apps, such as Whatsapp and Slack, email still dominates in financial services but he predicts its steep decline. Email is highly inefficient for digesting and sharing content so he foresees a shift towards communication hubs that can deal with all forms of data.

He expects a similar transition from today's static reports, so that they will eventually disappear, to be replaced by dashboard-driven information that is much more relevant and customised.

That collaboration includes working with start-ups. "There is not a single workstream where we are not talking to start-ups with components of what we need," says Cottu. Last year there were probably conversations with 100 such companies, with investments in a few and a further four or five likely to follow, plus proof of concept studies with between ten and 15.

Banks need humility, he says. "A bank pretending it can do everything on its own would be making a big mistake." The relationship needs to be a fair and honest one, with open discussion. From a start-up's perspective, there is often a moment when it realises it can't be as global as a bank so it makes sense on its part as well to partner.

The other collaboration that Cottu expects is across the sector, so a realisation of the much touted but often more theoretical than actual outsourcing of all non-added value areas. "We need to ask, what is BNP core, what is our value and our skillset? What can we outsource, where can we work together? Let's outsource what we can, I think this is an industry shift, particularly for regulation."

The proactive approach to Symphony can be seen as this philosophy in action. It promises a much more powerful messaging system for market players, he believes, which will speed up the goal of sharing structured and unstructured data.

Indeed, Symphony is often described as like Slack for banks (alongside discussions as to whether it is a 'Bloomberg killer or an email killer'). It allows users in highly regulated environments to combine encryption and security with online text and voice communications. There is a growing number of third-party apps that can, for instance, display financial data, monitor sentiment on Twitter, and produce visual representations of datasets.

Clients themselves are becoming smarter but Cottu believes only a handful, perhaps ten or 15, are more advanced than the bank for their trading operations, "so for the most part, we will remain a value provider, with a big role to play". >>

"AI is not there yet and potentially it could take years."

Cyril Cottu, BNP Paribas Global Markets


Cyril Cottu, BNP Paribas Global Markets

What does this mean in practice?

Banks are clearly investing in digital and, indeed, BNP Paribas has publicly committed €3 billion to its overall strategy in the next three years. For global markets, this means analysing all processes and identifying what needs to be enhanced and where to innovate. This has led to multiple workstreams but everything converges on the 'mega trends'.

Cottu gives the example of the "idiosyncratic" corporate bond market, with its inefficient and fragmented market structure. BNP Paribas, within a project called Omega, is applying AI-based algorithms to try to analyse every piece of information it can from its customers. This is to detect, for any given bond, at any given time, the most relevant and interested customers.

The capability allows staff to contact, say, the top two customers, rather than more speculatively contacting the top 20, which builds better relationships and improves the return from meetings and calls. Cottu predicts that the next step for this automation will be to stream information that customers have an interest in and, ultimately, within preset parameters, to connect with their order management systems to automatically place orders that meet their criteria.

While the bank is initially focused on corporate bonds, this technology and approach is completely transferable, says Cottu. As per the bank's overall work with start-ups, Omega from day one has included partnering with AI specialists.

Another enabler is likely to be bots, the apps that run automated tasks over the internet. Cottu can foresee a sales person asking a bot questions such as, what did the market do yesterday? Again, the next step would be to open up this capability, with jointly developed bots for use by multiple banks and streaming of answers to customers.

BNP Paribas has been building bots for the last four to five months and is now structuring this work but still with plenty of room for creativity. Delivering tools like this to smart people is already changing some legacy processes that might have been untouched for decades, says Cottu. In this way, he says, there will be a phased replacement of the old back-end systems, which will take some time and involve difficult decisions but will lead to lighter, more agile systems.

"You can't make a Tesla out of General Motors."

Cyril Cottu, BNP Paribas Global Markets

Although challenging, this core will need to be addressed: "You can't make a Tesla out of General Motors," he says. Not everything can be changed straightaway but usually it becomes apparent to everyone when the time is right, he feels.

COMMUNICATIONS AND SKILLSETS

Clear communication is one prerequisite. "We need to share the vision, with our people, management and those who will execute it. Each workstream needs to know where it fits in the bridge we are trying to build." Linked to this, there is an effort to merge business and digital teams, with a focus on real business needs and a bottom-up approach to execute the vision.

In terms of skillsets, it is a challenge to change the culture and skills of the existing workforce, with this ongoing. In addition, he says, BNP Paribas is about to launch a digital graduate programme. It is also seeking to hire "smart people" with data skills for all levels of the bank, including senior management.

The outcome will be new human skills alongside much greater automation. Cottu uses the analogy of a London black cab driver with an encyclopedic knowledge of the city and one who relies on real-time technology: the best driver will be the one who combines the two.

CONCLUSION

It is impossible to predict all of the innovation that is coming, Cottu concludes, but there is a concrete vision for the next two to three years and a higher level one beyond this. And it is clear that the bank isn't just idly monitoring the trends, it is committing plenty of money and resources to harness new technology to transform its business. **b**t

COMMENT

2018: the year of data, data, data

By *Chris Truce*, global head of fintech, Saxo Bank

We are often told that regulation and technology are the key drivers of change in banking. This maxim remains true, but can distract from a more critical insight.

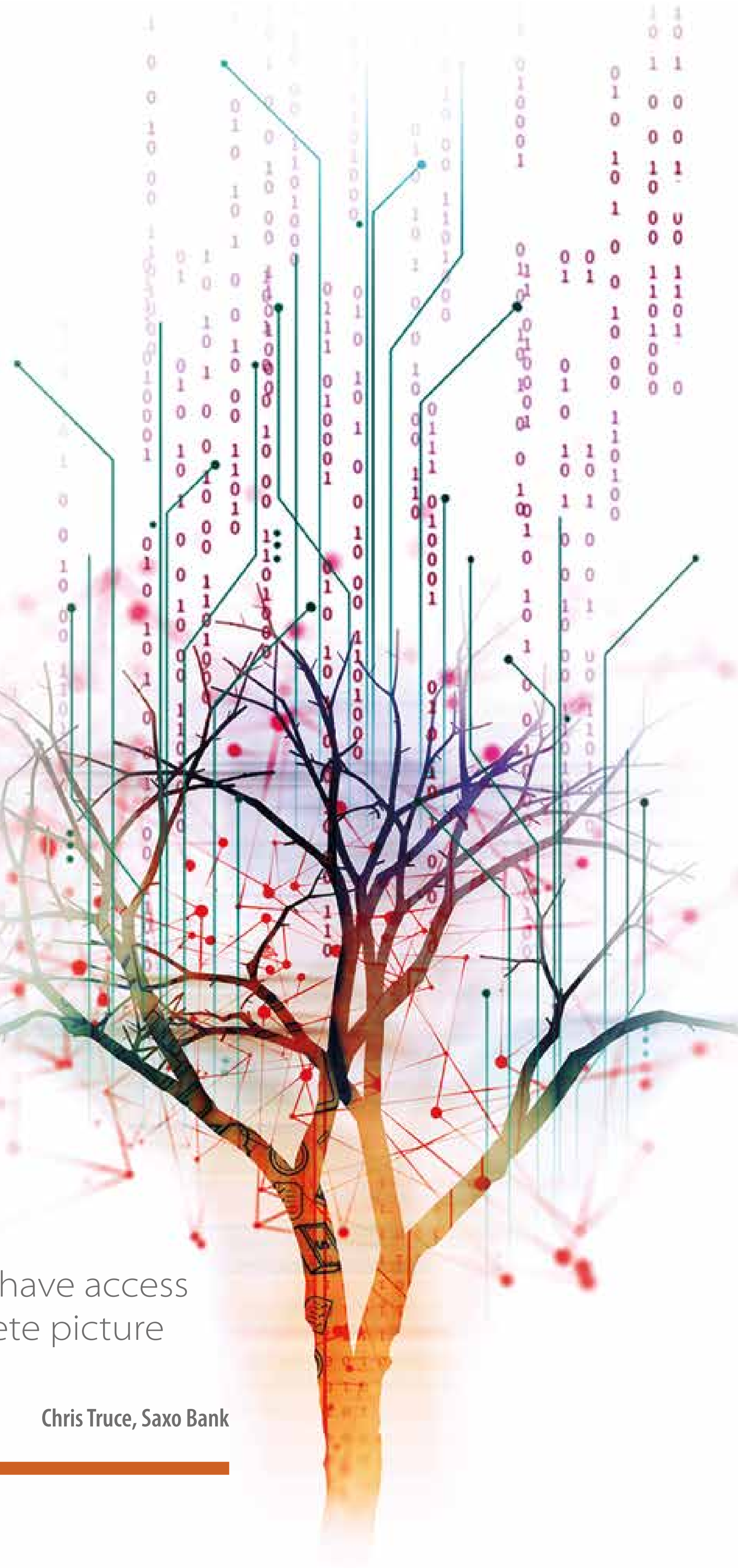
In 2018, regulatory reform and technology innovation will continue to reshape banking. But the changes they enable are being propelled by forces so profound and far-reaching as to require a fundamental rethinking and reconstruction of banks' business models and operational structures, placing data at the core of both.

We know the second EU Payment Services Directive (PSD2) and application programming interfaces (APIs) will combine to make the client data held by banks more mobile and accessible. However significant, this is just one example of a much more transformational change. With so many of our economic interactions now being conducted via digital means, more data are being generated – and in more places – than ever before. This represents a shift in how financial value is generated, exchanged and recorded, and calls for data-orientated business models if banks are to avoid being marginalised.

In agrarian, pre-cash economies, value was exchanged and generated through nodes such as markets with a restricted number of participants and interactions, and few links between these nodes. These decentralised models, which required limited data exchange, were replaced by centralised ones as financial interactions meshed with the levers of government (e.g. treasury departments, central banks, tax authorities etc), which collectively dictated the rules of financial intermediation and dominated its data flows. Today, however, we're seeing the emergence of a distributed model, whereby governments oversee a framework that allows economic actors to choose how value is transferred from a range of competing options, leveraging technology innovations such as APIs and blockchain. In this distributed model, consumers and platforms are the nodes in the network, connected with APIs to access, exchange and mesh multiple data flows.

In this digital economy, banks have access to more data, but a less complete picture of client activities and needs. Digitisation's impact in other industries is well established, but in 2018 it will become much more evident in banking. Over the next 12 months and beyond, we see three "mega-trends" as pointing the way to the future needs of clients and the changes banks must undertake to remain relevant.

The first mega-trend that will continue to drive change in banking business models is the rapid service digitisation that has transformed multiple industries over the past decade. These services leverage technology innovation to provide greater speed, choice and simplicity to users, with implications for banks' traditional role in the financial value chain. As more services to consumers and businesses are delivered digitally, a more diverse range of data flows are being generated, while banking services are increasingly integrated into the back-end of third-party value propositions, meaning banks risk losing control and visibility of client data and relationships.



"In this digital economy, banks have access to more data, but a less complete picture of client activities and needs."

Chris Truce, Saxo Bank

Chris Truce, Saxo Bank

Having reduced margins and overturned business models elsewhere, service digitisation is now directly impacting banks, most notably through regulatory support for "open banking", our second 2018 mega-trend. With the PSD2 entering force, regulators are encouraging competition from fintechs, primarily weakening banks' traditional control of account and transaction information, while facilitating – explicitly or implicitly – new entrants in fields such as wealth management and lending. By unleashing new forms of competition and decentralising data, the new framework empowers firms that can use it to deliver value to the consumer, forcing banks to adapt operationally and strategically.

While PSD2 gives customers control over which service providers may manipulate their banking data, it is just one example of the power shifts in the new distributed data model of financial value. This third mega-trend of 2018 is driven by the increased volume, diversity and mobility of data flows in the digital economy, but is also supported by regulatory reforms that reflect the importance of data and digital identity in the exchange and reporting of financial value. The EU General Data Protection Regulation (GDPR), for example, not only governs how companies store and use data harvested from consumer interactions, but also offers opportunities for consumers to monetise their digital assets, via their new rights to grant or withhold access to their data history.

For decades, banks have held privileged access to client data, but their siloed structures have often frustrated efforts to create a joined-up view of the client and their future needs. Although service digitisation across multiple sectors and interactions has generated a treasure trove of data, banks are ill-equipped to maximise this opportunity. Few have the processes or infrastructure to effectively capture, store and analyse transaction data; moreover it represents a fragmented and fast-declining share of client activity. There is a real risk of further margin compression as banks' value-add becomes less clear to the end-user.

There is an alternative for banks with the resolve and vision to change. In sector after sector, platform-based approaches are being adopted by incumbents in response to digital disruption. Though models vary, a key attribute is the ability to combine resources and relationships into a flexible value proposition that leverages data to inform future service development. By consolidating data from multiple retail partners with transaction information, perhaps in a budgeting app, banks can provide real insight and value, which are rewarded with loyalty and transaction fees. To do this, banks must not only reassess their data management, aggregation and analytics capabilities, but also develop new relationships and value propositions.

The pace of regulatory change in the finance sector might have slowed down, but 2018 will not mean a return to business as usual. 2008 was not just the year of the financial crisis but also marked the dawn of an era of digital transformation that is reshaping our economic and social lives, and now placing data at the centre of new business models.

Banks have long-known that effective data management is key to cost reduction and operational efficiency through greater automation, as well as effective defence against cybersecurity and other financial crime threats.

The distributed data markets of today's digital economy – driven by the combined force of innovations such as blockchain, cloud computing and artificial intelligence – represent a more fundamental shift. As such, 2018 will be a critical year in the reshaping banks' data management strategies, operating infrastructures and business models. **bt**

Advantage Russia

Banking Technology caught up with Yandex.Money CEO, *Ivan Glazachev*, to talk about what is driving his business and wider e-commerce trends in Russia.

Yandex.Money is owned by two heavyweights, Sberbank (75%) and the country's largest search engine provider, Yandex (25%), and it has a dominant position in Russia's online payments sector. Within the Yandex Corporation it sits alongside a host of other businesses which reflect the diversification of its Nasdaq-listed part-owner over the last few years, including in e-commerce, navigation, car-sharing and robotics.

Yandex.Money itself has broadened its scope. It has one of the oldest and largest e-wallets, established 15 years ago and now with more than 35 million customers. Five years ago it moved into merchant services with Yandex.Checkout, now claiming around 30% of all on-line stores and e-services in Russia.

As such, the company has a good vantage point for spotting on-line trends. CEO, Ivan Glazachev, flags one clear shift of late. In the last three or four years, the e-commerce market has been growing at low double-digit percentage levels. It now stands at an estimated RUB 1.3 trillion ($22.6 billion). However, cross-border traffic has been growing at a much faster rate, at around 36% last year compared with around 13% in 2014. Shortly he predicts that half of Russia's e-commerce will be cross-border.

By quantity, the largest traffic, at 90%, is with China. However, by value, non-Chinese e-commerce accounts for just under half, with a fairly even three-way spread across Europe, the US and the rest of the world. The main reason for the explosion, says Glazachev, is smart phone uptake and the resultant internet access. Last year, for the first time, smart phones matched PCs for internet access rates in Russia.

Historically, Russia had a very strong PC market, he says, but that is changing

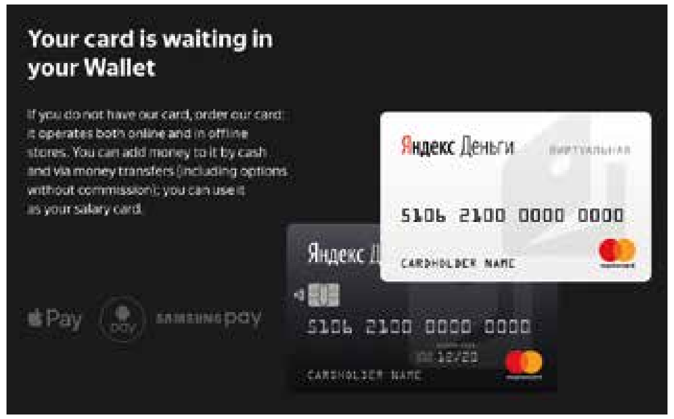
"We have good relationships with other banks, frankly because we are one of the biggest providers of merchants and traffic."

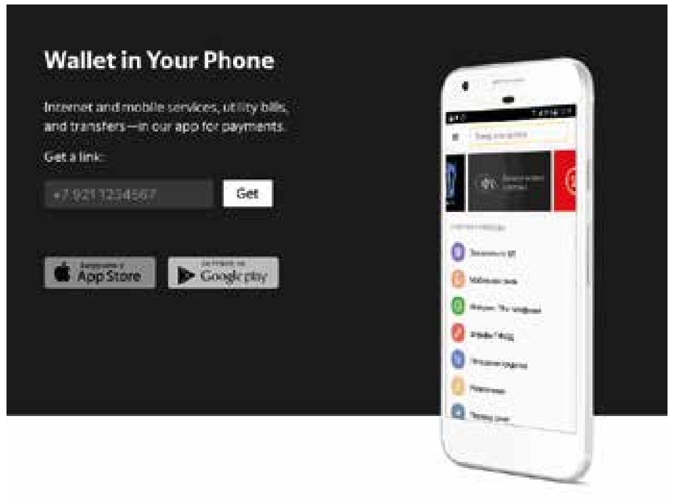
Ivan Glazachev, Yandex.Money

rapidly, with smart phones providing a much enhanced experience for interaction with other people, companies and content.

Similarly, the trend is reflected at Yandex.Checkout. At the start of 2017, purchases via smart phone were around 20%; by the end of the year they stood at 36%. "So online purchases are increasing steeply."

There is plenty of additional room for expansion. One factor, says Glazachev, is that e-commerce in Russia accounts for around 3-4% of GDP whereas in many developed countries this is 10% or more. He sees no let-up in the switch by Russian consumers to on-line and this will be furthered by the rapid expansion of new businesses, such as online food delivery,





"Blockchain we are evaluating. It seems not directly applicable for payments but in some other cases it could be quite useful."

Ivan Glazachev, Yandex.Money

which has taken off in the country in the last year or two.

Also likely to drive expansion are new applications, such as a recent app launched by Yandex.Money to allow consumers to pay for petrol without getting out of their vehicles. That initiative started in Moscow and is being rolled out to many more garages across the country.

While the e-wallet can be used to pay for parking and to buy and top-up travel cards, there is not yet a "touch and go" capability for public transportation such as in London but this will no doubt follow. "We are constantly working on more projects and services," says Glazachev. This includes customer offers, discounts and cashback coupons linked to the e-wallet, so that the ecosystem around this is expanded.

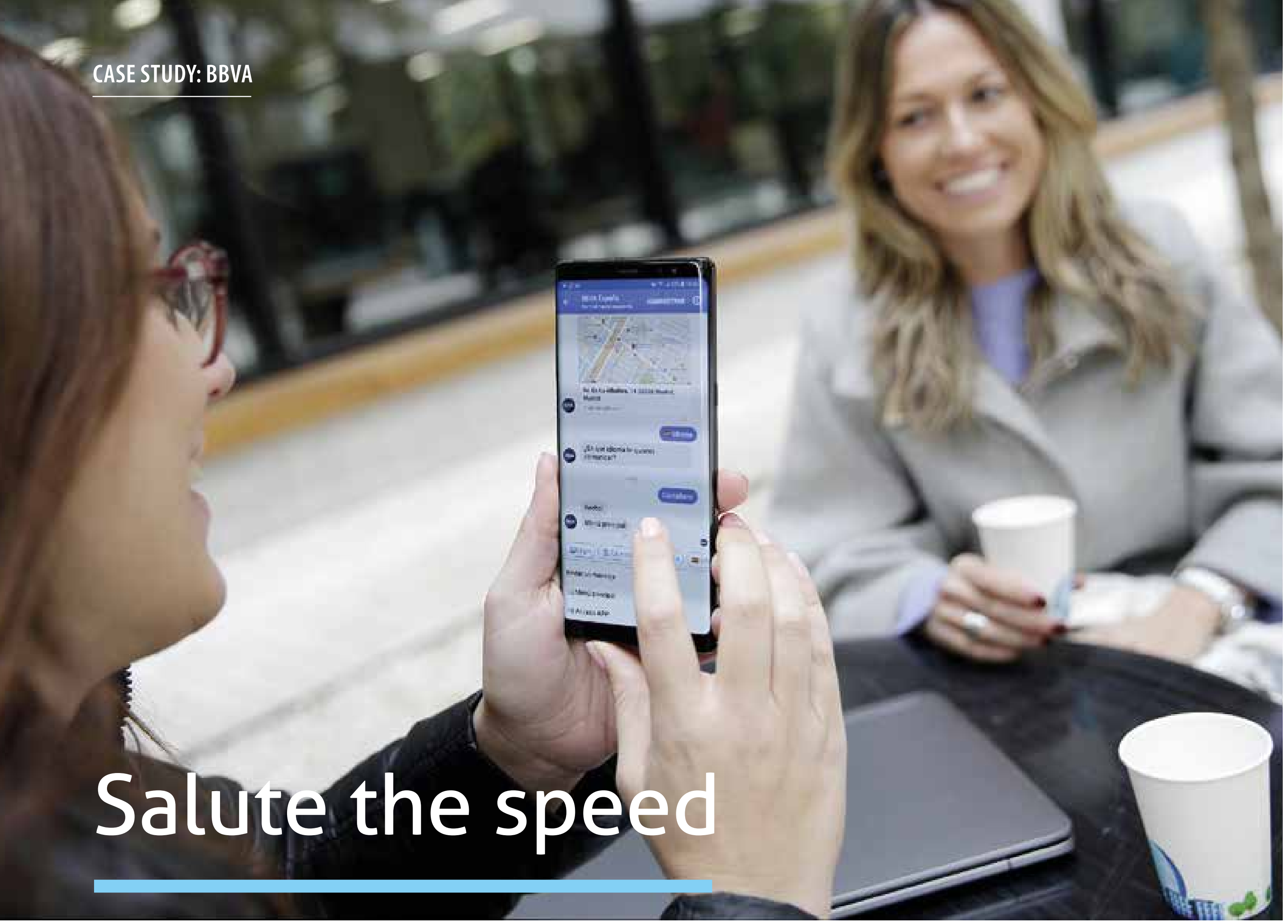
The broader Yandex activities, such as Yandex.Taxi, also provide synergies. One of the largest customers of Yandex.Money for payment services is Yandex.Market. It has 20 million users, 20,000 domestic and international merchants and, following a recently announced joint-venture, will work with Sberbank to further develop the e-commerce ecosystem in Russia.

Sberbank is not only the majority-owner of Yandex.Money but also its largest merchant acquirer. There is close cooperation, says Glazachev, including for technology, leveraging the bank's huge IT resources and know-how, in areas such as artificial intelligence (AI) and cybersecurity. For AI, personal assistants and other developments, Yandex is always looking at the business cases. "Blockchain we are evaluating. It seems not directly applicable for payments but in some other cases it could be quite useful."

Glazachev says the Sberbank ties do not impact Yandex's relationship with other banks. "It is business and commerce based so we have good relationships with other banks, frankly because we are one of the biggest providers of merchants and traffic."

Nothing to do with Russia is ever small-scale and Yandex, including its payments part, is a case in point. At the same time, while today's numbers are huge, it is clear that there is a lot of scope for growth in all areas. There is no cause for complacency, but it would seem likely that Yandex will be at the centre of much of the e-commerce growth in the years to come. **bt**

Ivan Glazachev, Yandex.Money



Salute the speed

BBVA is receiving widespread recognition for its progress and innovation within the digital banking arena.

The banking group's push to develop functionalities and services for its customers saw it place it the top spot in Forrester Research's 2017 European Mobile Banking Benchmark. This recognised the intensity and speed at which BBVA has made progress over the past two years in the digital arena, as well as the broad variety of transactional functionalities and marketing and sales initiatives enabled by its initiatives, particularly its mobile app.

At the end of 2017, BBVA had 22.6 million digital customers, an increase of 25% in year-on-year terms. Of these, 17.7 million were mobile users, up 44% from last year. Another interesting figure is that in 2017, 18% of BBVA's new customers signed up online.

The bank is also actively involved in the digital market as a whole. It announced in March that it is to increase its stake in UK digital bank Atom to around 39%, or some £167 million. It is also an investor in solarisBank, a German banking platform, following its participation in a Series B funding round. In addition to this investment round, BBVA is also acquiring solarisBank's stake from Unicredit's German unit (see p6).

> "We designed a character to embody the mobile assistant concept and create a companion-like emotional relation with the user."
>
> **Didem Dinçer Başer, Garanti Bank**

MIA VIRTUAL ASSISTANT

BBVA's artificial intelligence (AI) voice assistant MIA, launched within in Turkish bank Garanti, has been a quiet success. Turkey is a highly mature market in terms of digital offerings and as a leading bank in Turkey, Garanti has been sure to invest and develop its digital offering to meet the demands of its mobile-savvy customer base.

So far Garanti has: 6.2 million digital customers, 5.4 million of which are mobile and 95% of non-cash transactions being made through digital channels. The bank is also the "Best Digital Bank in Turkey" and has the "Best Mobile Banking App in Turkey", according to World Finance. And according to Mediacat Lovemark Research, it is also the "Most loved mobile bank in Turkey".

Prior to developing its AI voice assistant, Garanti built a robust mobile banking app – CepBank. The app's popularity lies partly in its user-friendly log-in – it uses eye recognition to verify identity. This works by scanning the structure of the eye and then generating a personalised key that the bank stores.

Then, the bank sought to find out how the app's functions could be most effectively served by an AI-based voice assistant within its mobile banking app.

And so, MIA – Mobile Interactive Assistant – was born.

"For MIA, we analysed commonly used mobile app functions that we thought would be most valuable for customers. We looked at customers' need and daily routines to define different use cases. From there, we designed a character to embody the mobile assistant concept and create a companion-like emotional relation with the user," says Didem Dinçer Başer, executive vice-president, digital banking at Garanti Bank.

MIA basically lets users of the mobile app speak to it to transact. It answers questions about the latest account activity, performs transfers, lets customers buy or sell foreign currency or find out the exchange rate, all via voice. So far, 1.3 million customers have had more than 12 million interactions with MIA.

To do this the bank has employed the latest voice technology like Apple's Siri or Amazon's Alexa use – to its mobile banking app. The result is something much more sophisticated and customisable. It uses AI to learn from its conversations and therefore continually improve the range of questions that it can respond to.

"MIA also comes with an extensive grammar and comprehension capability, creating a distinctive experience that is also compelling for the audience," says Başer.

An example of its intelligence is that it can route customers to alternative branches if they are looking to make an appointment but their own branch has no availability. It also routes customers to ATMs and digital channels if branches are particularly busy.

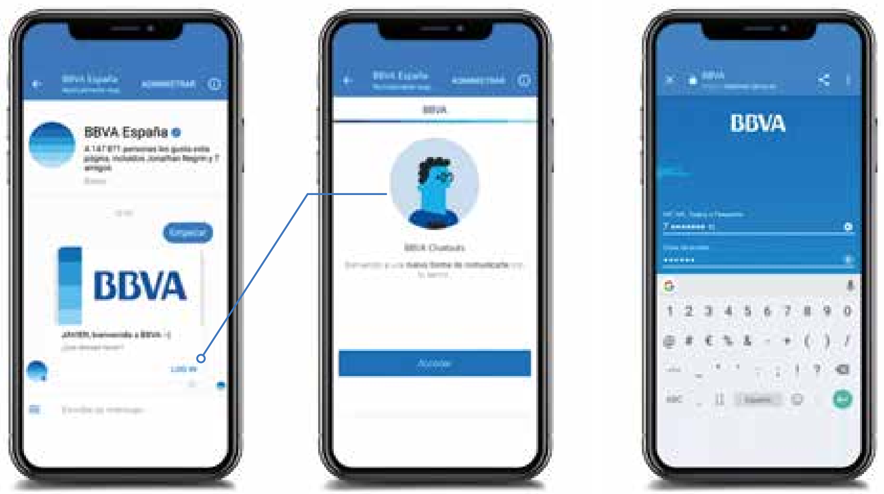
OMNICHANNEL

One of the most relevant characteristics of MIA is that it provides an omnichannel experience. This means that if users' requests cannot be addressed on a smartphone, MIA is capable of offering other ways to address them.

Başer comments: "For example, when customers say that they have lost their credit cards, MIA asks: 'Would you like me to call Alo Garanti right away to cancel your card?'. If customers say 'yes', the app puts them in contact with customer service at the call centre without having to log in again or identify themselves.

"Customers really like this sort of thing as it removes the stress and hassle out of everyday banking and provides a more joined up experience for them."

> "Without a doubt 2017 saw the take-off of chatbots."
>
> **Raúl Navarrete, BBVA Spain**



HOME MARKET

But Garanti is not the only part of the bank making its mark within the digital world.

Indeed, within its home market in Spain BBVA has made significant strides within its mobile and digital offering. It already has a high quality mobile app which has gone from offering 16% of the bank's products three years ago, to 92% today.

The app also has three big data-based functionalities: Bconomy (an in-app financial wellbeing tool), BBVA Valora, which allows users to calculate the best price at which to rent, sell or buy a home and Baby Planner, a tool to better understand how having a baby will affect users' finances. In addition the BBVA Contigo Advisor function, gives users access to a team to manage day-to-day investments and borrowing from their phone.

The firm has just added to its capabilities by allowing users to automate payments via a new app – which is verified using biometric technology. The app facilitates making reservations and placing orders from a smartphone. Currently on trial at BBVA's headquarters the idea is that users can arrive at a restaurant with a reserved table waiting for them, eat and then leave without having to ask for the bill or manually pay.

This latest functionality adds to the functionalities that the bank can offer and extends its reach out of the day to day banking zone. It means that more and more people will use the bank's technology for non-banking related purposes and therefore compounds the bank's usefulness – hopefully adding value and underscoring loyalty.

CHATBOT

But it was the introduction of a chatbot and mobile payments functionality, Cashup, over social media platforms and messenger »

> "Customers like these functions as they are on demand and easy to access. It is especially attractive to millennials who spend time on their phone but avoid making actual phone calls."
>
> **Raúl Navarrete, BBVA Spain**

services last year that really underscored the bank's capabilities.

"Without a doubt 2017 saw the take-off of chatbots. The number of organisations that use chatbots or virtual assistants to communicate has grown exponentially. In fact according to a Gartner study, by 2020 almost 80% of companies will have their own chatbot," says Raúl Navarrete, mobile channel manager of BBVA Spain.

The chatbot and mobile payment function both work by integrating with social media apps that connect to the bank's existing mobile app and platform beneath. The security follows the same protocols as mobile banking app but the authentication is not inside the messaging apps; instead a window is opened which feeds through to the bank's authentication process.

The chatbot is available on Facebook Messenger and Telegram and in the future the bank hopes to incorporate it into Slack too. Cashup, meanwhile, is available in any social network.

Navarrete explains: "The chatbot is basically an automated programme capable of processing the language (buttons, text, voice) and maintaining a coherent conversation with a person through a chat."

The chatbot functionality has two modes; public and private. The public mode allows users to call the service centre and choose their language (Spanish, Catalan, Galician, Basque and English), as well as find the location of the nearest BBVA ATM.

In private mode however, the customer can view total balance, look at payments in and out and find out the IBAN of the bank. Customers can also check their cards and send money from mobile to mobile through the Bizum payment system – a

government and industry-supported mobile payments platform.

"If the chatbot is being used via messenger there is also support from contact centre agents; people with the same role that a branch agent. In the future we want to enhance its capabilities with AI to allow a more complete interaction between the bank and the user," Navarrete says.

CASHUP

The chatbot is complemented by the P2P payments service – BBVA Cashup – an instantaneous money transfer. Customers can send money to any of their contacts without having to leave their social media platform. It works on WhatsApp, Telegram, Google Hangouts and Facebook Messenger.

"Within the chat window the customer can change the keyboard for BBVA Cashup keyboard. From there they choose the payee, input the amount, and hit 'send'. Since this is an instantaneous money transfer, the payee will receive a message in his or her messaging application," says Navarrete.

The money transfer service has also been extended to Siri, Apple's assistant. This is independent from the chatbot but also works through Bizum.

"It's another example of how the bank is determined to be present and offer access to financial services through all the channels and platforms that clients already use on their phones," Navarrete says.

The overall idea is that by extending out the capabilities already available on the mobile app then customers are able to integrate their experience. They do not need to leave a chat or social media to open another app to perform basic banking services.

"Customers like these functions as they are on demand and easy to access. It is especially attractive to millennials who spend time on their phone but avoid making actual phone calls," explains Navarrete.

He says that the bank is actively aiming to be at the forefront of digital provision and that by providing service like the chatbot and Cashup, that the bank can generate customer engagement and loyalty. This, he says, is the most vital piece of any bank's strategy going forward and one that BBVA takes very seriously. **b**t

Alison Ebbage

Move forward or fall behind

Swift's global payments innovation (gpi) is meeting the needs of corporates head-on, and is going some way to creating a more effortless cross-border payments environment. Deutsche Bank's global head of clearing products, cash management, *Christian Westerhaus*, makes the case for banks becoming Swift gpi-ready.

Today, corporates are rightfully demanding more from their banking partners. Among the most commonly shared frustrations with respect to cross-border payments is that funds can take anywhere up to a week to be credited to a beneficiary's account. Fees are another issue. Banks, at present, charge for processing cross-border payments by deducting their fees from the original transaction amount. However, this creates transparency issues when the corporate reconciles its received and invoiced amounts. Further, foreign exchange (FX) fees can easily become shrouded within long and enigmatic payment chains, while end-to-end remittance information is largely unavailable.

No longer. Developed in collaboration with the wider banking community, Swift's gpi has been readily implemented by financial institutions since it went live last year. gpi has, for the first time, created an industry-wide payment standard for cross-border payments, by connecting all intermediaries in a payment chain via a cloud-based payment platform. It thereby addresses the corporate treasurer's most severe pressure points, granting them better visibility of transaction fees, FX rates, unaltered remittance information and, importantly, near-instant payment processing times.

While over 150 banks (at the time of writing) have either already begun processing payments via gpi (Deutsche Bank went live with USD and EUR clearing last year) or have committed to going live, the story is not yet over. Those 150 banks will between them encompass more than three-quarters of all cross-border payment traffic yet the industry must coalesce around gpi more closely to demonstrate its advantages to those banks yet to sign up.

> "gpi has, for the first time, created an industry-wide payment standard for cross-border payments, by connecting all intermediaries in a payment chain via a cloud-based payment platform."
>
> **Christian Westerhaus, Deutsche Bank**

> "Ultimately, gpi represents a zero-sum gain for the payment industry. "
>
> **Christian Westerhaus, Deutsche Bank**

UNDER THE HOOD

So, how does gpi work? The initiative is being rolled out in three phases, each addressing a pain point of transacting cross-border payments.

Launched in February 2017, the first phase (V1) established the new standard, allowing gpi-ready banks to clear funds on the same day and access to unaltered, full remittance data. May 2017 saw the introduction of the gpi Tracker, a cloud-based database hosted by Swift with similar capabilities to a courier's tracking platform. gpi-ready banks can enjoy full visibility of a transaction's journey via end-to-end status updates on any given transaction – from the moment it is instructed until it is confirmed.

Roll-out of the second phase (V2) is scheduled for November 2018 and comprises two mandatory elements. First, it introduces the Stop and Recall Payment service (gSRP), enabling a payment to be immediately stopped via MT192 irrespective of its position in the payment chain (unless it has already reached the beneficiary bank). In a situation where the payment has already reached, however, the service permits the remitting bank to recall the funds – provided the beneficiary bank consents.

The second element is the gpi Cover service (gCOV), which will encompass MT202COV messages under gpi's scope, thereby expanding the offering beyond customer credit transfers (MT103). This should bring myriad benefits: same-day availability of funds; real-time confirmation of credit; reduced counterparty risk for the instructed agent; and improved straight-through processing (STP) rates.

Then, tipped for inclusion are the International Payments Assistant service (gIPA) and the Rich Payment Data Transfer service (gRPD). The former is a means of helping corporates to ensure their cross-border payment instructions are error-free – most likely through a series of pre-checks at payment origination and potentially by providing extended information alongside the payment instruction. The latter, as the name suggests, enables the transfer of rich payment data, including line item details or documents necessary for compliance checks.

V3, meanwhile, is already underway. It explores the potential use of new technologies in the cross-border payment experience, notably distributed ledger technology (DLT). To this end, in January 2017, Swift announced the launch of a proof-of-concept (PoC) to explore whether DLT can improve the reconciliation of banks' nostro databases in real time and also optimise their global liquidity. The PoC's preliminary results appear positive. Indeed, based on extensive testing, the participating banks found that the nostro DLT application when combined with the underlying ISO 20022 data model delivered the business functionalities and data richness required to support automated real-time liquidity monitoring and reconciliation.

Christian Westerhaus, Deutsche Bank

THE ROAD AHEAD

Given its aim to significantly enhance the customer experience, the next step will be ensuring gpi becomes the universal cross-border payment standard. However, given the time and resources required for its implementation, establishing the business case for gpi at smaller or regional banks is, understandably, more challenging. With that in mind, some banks may require assistance from their service providers to enable gpi payments.

In our view, these hurdles can be overcome – and it is clear that gpi *does* bring benefits for financial institutions, and not just end-users. Certainly, the initiative allows banks to provide a client experience for payments that is more aligned to the "on demand" services enjoyed in other areas of modern life. Banks can also expect their operational costs to shrink: enhanced tracking capabilities should mean fewer resources can be devoted to investigating claims of non-receipt, while this should also improve STP rates at correspondent banks.

For Deutsche Bank, gpi's future claim to becoming the industry standard for cross-border payments relies on further uptake. Ultimately, gpi represents a zero-sum gain for the payment industry. And, with that in mind, market participants should move forward or else risk falling behind. **bt**

Opportunity cost and the gender pay gap: the market value of decency

By *Leda Glyptis*

Can I tell you a little secret about banking salaries?

They are good, compared to most other jobs, sure. But banking is not a generous industry. Banking salaries may be fundamentally unequal to the rest of the economy but they are also profoundly unequal to each other, as the golden rule is "if I can get away with paying you less, I will".

Folks outside banks always equate bankers with fat pay cheques but that only applies to a lucky few and salary inequality is everywhere within each bank. And that is not a function of usefulness or performance.

Traders get paid multiples of what developers get, even though they are nowhere without their platforms. They get to take home the zeros and yell at the engineer because a three minute outage loses money, but when things run smoothly it's not the platform that makes the money, it's the trader.

Fair? No. Fact? You bet.

The staff who rose through the ranks, yes even the trader, is always worse off than the newer joiner, for the same job and irrespective of performance. You can be amazing. If you want to truly hike up your salary you have to leave your organisation. Banking doesn't reward loyalty.

If you come to banking from a different industry, or move countries to a banking hub, in pursuit of a better life, your "better offer" will be an increment on where you started, not a match for where you are going and definitely not a match for what others in the same organisation get for the same work you are about to do. And you will be happy because you will be, net net, better off. Even though it's not fair and equal, it's better. Plus you may never know about the "getting away with it" practice. Until you are hiring yourself.

Oh and women get paid worse than men on average.

Why?

Because each job offers you an increment on the previous job and it's easy to get locked into a lower band. Because women "lose" years and associated increments when they have children. Because employers hold back on promoting women "in case they get pregnant in the next few months". Because women tend to stay with the same employer longer and suffer the loyalty discount. Because women tend to be over-represented in the caring and creative sides of the banking army, HR and advertising, employee engagement and PR. And those support functions get paid less because that's the market and that's the food chain and that's that.

And yet, if you think this is a gender issue, you couldn't be more wrong.

THE PAY GAP SAYS NOTHING ABOUT THE VALUE OF THE EMPLOYEE AND EVERYTHING ABOUT THE INTEGRITY OF THE MANAGER

Inequality in banking pay is a fact that goes way beyond gender.

It is true and it affects us all.

And we have lived with it for a long time.

> "When I see the pay gap I see a choice actively made to do what we can get away with, as an industry."
>
> **Leda Glyptis**

As a hiring manager I got into a lot of trouble a few years ago for refusing to pay new engineers more than my existing ones, for the same grade and expertise. I got yelled at by HR for being naive. For weeks. My view? Yell away.

I have been yelled at before, for less. This was a matter of personal integrity. This was moronic from a business perspective.

The engineers I were hiring were almost exclusively male and that is not a function of pay by the way, that is a function of women historically staying away from STEM. A huge but separate problem. But the pay gap among the male engineers was as real and the reason for it was "the new guy always gets paid more, that's just how it is" which is no more compelling than "suck it up".

Well sod that. We are leading a digital revolution, we are re-imagining the human experience, we are building things that my younger self could only fathom in a Culture Novel and you are telling a digital practitioner that the way it has always been is the way it will always be? I think not.

DISCLOSING THE PAY GAP: STATING THE OBVIOUS

4 April 2018 is the deadline for banks in the UK to disclose their gender pay gap. Most are dithering, letting others go first, trying to put remedial action in place in a last-ditch attempt to doctor the numbers.

If the Barclays disclosure in mid-February is anything to go by, we are in for a howler.

The pay gap is as wide as 70% in some geographies and for some types of compensation.

Surprised? I shouldn't be. Women get paid less than men in every industry and every geography. And yet I am. Surprised. And incandescent. Because even as the dirty laundry is getting aired, the industry still tries to make this appear smaller than it is by focusing on who it affects more than on why it exists in the first place. It's a huge issue for women, they say. Huge, but contained, only affecting women and we are sorry.

No. This is not about women. It's not even about money. It's about what hiring and rewarding with integrity does for your business. And you should be sorry. Because it hurts you the most.

We all have to make tough choices when hiring within banks. I know I have and I can't claim I always got it right. But all those years ago, I got to build a team from scratch, with internal people as well as new hires and I had to make a stark choice on day zero: about would I normalise inequality in my own team? Would loyalty be an impediment to my people? Could I look at my guys in the eye »

> "We are leading a digital revolution, we are re-imagining the human experience, we are building things that my younger self could only fathom in a Culture Novel and you are telling a digital practitioner that the way it has always been is the way it will always be? I think not."
>
> **Leda Glyptis**

and say "I won't always succeed, but I will always have your back".

HR refused to raise existing engineers' salaries to match what they saw as market averages, so I played the hand I was dealt and hired for potential rather than experience, where I could reward fairly vis a vis both the market and my team.

I pissed a lot of people off and I lost some kick-ass applicants, but I didn't lose a single guy already on my team.

So when I see the pay gap I see a choice actively made to do what we can get away with, as an industry. This imminent disclosure shows to what extent women have been taken for a ride – and before you say it: shared and compulsory parental leave solves the maternity issue. It takes two to tango and, if nothing else, it would be a lesson in parenting: I don't care what shape your family has, anyone in loco parentis gets to go on parental leave. Mums, dads, carers. Even Alfred, if you are Batman.

There. I fixed it, so now you can focus on the real issue. Which is you and the choice you made by thinking you had no choice. Or, at least, thinking your part in this would not be found out.

Everything comes at a price.

What's the price you were prepared to pay? Losing good employees to higher pay packages elsewhere? Evidently. Losing the trust of your people when they inevitably discuss pay by the water cooler? Your behaviour says yes even if you say no.

But, as if all this wasn't enough, the philosophy of hiring and rewarding on the basis of what you can get away with, comes at a much higher price you have been paying without even realising because your choices made you poorer from the get-go than you would have been had you chosen differently. Had you chosen to care.

THE ART OF CARING: DIVERSITY AS A DIGITAL ESSENTIAL

Caring is not an abstraction and it brooks no exceptions.

If you only care about guns in schools because you are a parent, refugees because you are Rohinga and the pay gap because you are female, then you don't care at all. If you only care about issues when they become front page news, then you don't care at all.

Caring can neither be personal, nor can it just exist on the edge of pain where dramatic and traumatic events focus the mind. Caring is an "always on" thing. You need to bring it to work.

You either care, all the time, or you seek what you can get away with each time. There is no middle ground.

It is a moral choice. And it matters because you can't hide the choice you made even if the salary specifics or your hiring practices remain opaque. This is not about your soul, you understand. This is not motherhood and apple pie, it is about the performance culture you are building, and the market impact you hope to have. The moral discount is ultimately netted where it hurts the most. Your bottom line.

RECLAIMING DIVERSITY

I have no children and I am a huge fan of seeing mothers return to work. And no, not because I may one day be one of them.

I want to see them back at work because it gives my team the message that we, as an organisation, do not lose sight of life outside the office doors. Plus I want them back, because parents are jugglers and if anyone can do 76 things at once, it's a parent alright: they will do more with less and that is good for my business.

Plus I want parents on my workforce because I am designing digital services for real people and it doesn't get more real than parents and I am not one, so I need what they know to make my product better.

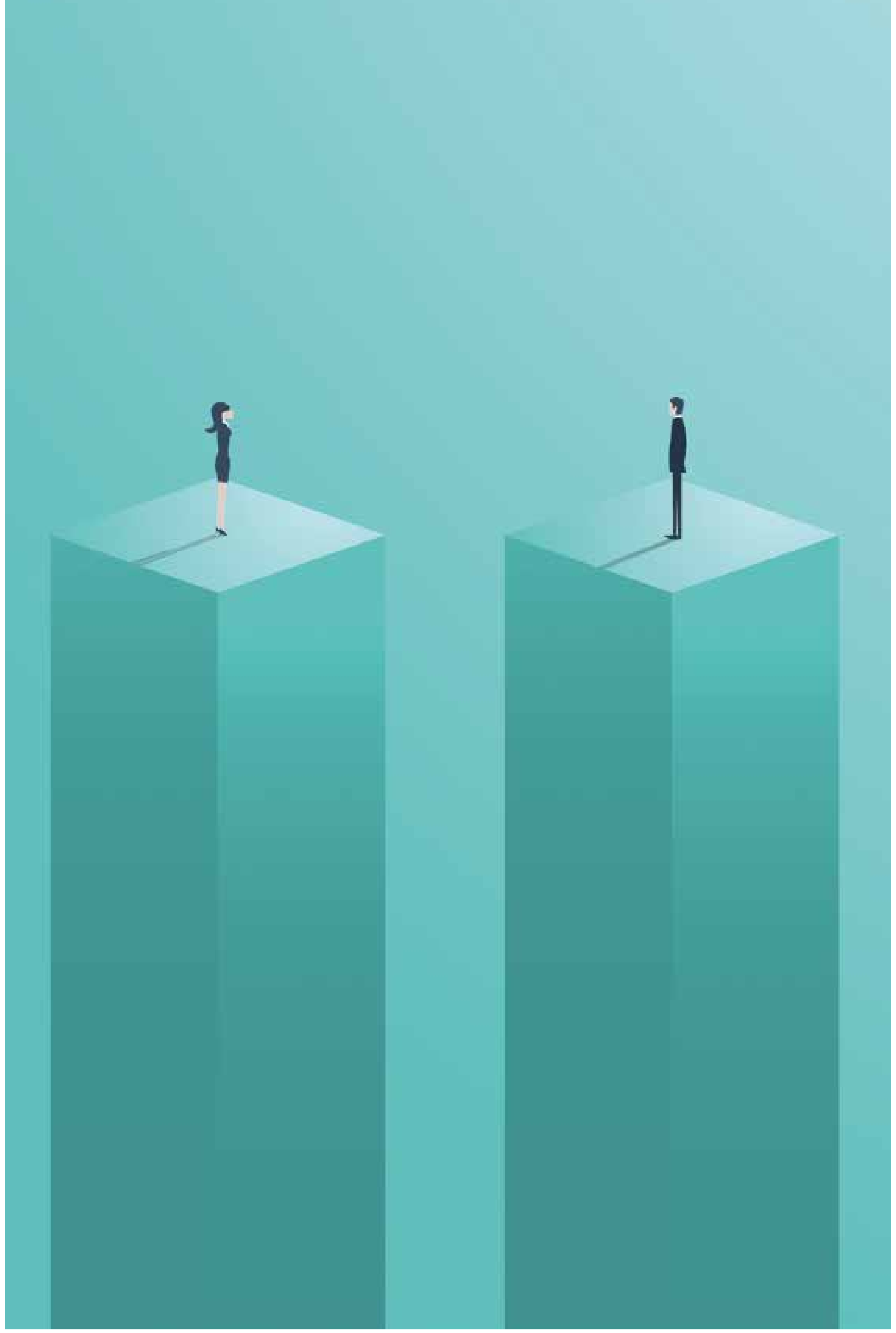
I am not discussing a parenting-specific services here. I am discussing reducing approvals for fund accounting reporting to a few commands that can be exposed on a smartphone for your stakeholder who is at home with a sick kid. An omnichannel service designed for interruption: that's another word for "life".

And life is messy, and diverse and unexpected.

So if your workforce is pliant, monochrome and predictable, doing to others what you did to them in perpetuity, you know what the price of doing what you can get away with is. And you are already paying it.

"Look closely and you will see the pay gap touches everyone. Your diversity blindness doesn't just affect race and gender. Look closely and you will see big chunks of humanity absent from your organisation."

Leda Glyptis



"I want parents on my workforce because I am designing digital services for real people and it doesn't get more real than parents."

Leda Glyptis

BACK TO BASICS

You know why I need a data scientist in my team?

Because I am not one.

Stay with this. If I am championing human-centred design for services on and off the glass, I need as much of humanity's diversity in the office as the building can hold. And if I am counting on innovation and creativity to safeguard my market share in a brutally competitive landscape, I want these people to trust each other, rather than resenting the newcomer who got paid so much more for the same seat at the table, and I want them to trust me: in exchange for their best ideas, their time and creative energies I need to know that they know I will do my best by them. It's a small price to pay as an employer since we are totally getting the better deal here.

The choice has sweeping consequences but it only gets made once. You can't be this way with some of your organisation and that way with the rest. You are not unfair to women only. Look closely and you will see the pay gap touches everyone. Your diversity blindness doesn't just affect race and gender. Look closely and you will see big chunks of humanity absent from your organisation. It's your loss, not theirs. And it's your choice, or rather the choice that got made when you thought you had no choice, or quietly chose to see what you can get away with. And maybe you got away with spending less, time and time again. But a quick look at the disruption narratives suggests that you didn't get away with this. The impact on your performance and output has made headlines.

Turns out getting away with it didn't work.

And the cost saving? Down the drain, as it looks like the opportunity cost of not doing the right thing just shot through the roof. **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.

The relegated bank: a positive scenario?

By *Periklis Thivaios*, partner, True North Partners

In a recent paper, the Basel Committee on Banking Supervision (BCBS) identified a number of scenarios for the banking industry. Under one of the scenarios discussed (the relegated bank), banks are envisioned as the plumbers of the financial system: they become commoditised service providers, leaving customer ownership to new intermediaries such as fintech or bigtech companies. This scenario reads pretty catastrophic for incumbent banks and risky from a financial stability, consumer protection and data privacy point of view, at least based on the authors.

In this article I will argue why this may not be the case, drawing on past experience and parallels from insurance distribution models. In other words, I will suggest that bank executives should actively consider the "relegated bank" scenario as a potential option to be pursued in order to survive the disruptive wave of fintech and bigtech.

IS PLUMBING THAT UNGLAMOROUS?

The term "relegated" may carry rather negative a connotation. In the BCBS paper, incumbent banks lose control of the customer interface and are left to compete with fintech and bigtech for service provision (product and risk management). Is this such horrible a scenario? Maybe not!

Banking has long been an umbrella term referring to a number of activities that have traditionally been performed by banking institutions. In other words, banking is neither an industry, nor a business model. As a consequence, banks are trying to be too many things to too many customers, an approach that is bound to be disrupted by more agile, customer friendly and cost efficient technology firms.

Could a focus on production and risk management (a relegation to "plumbing" the financial system) be the source of competitive advantage, instead of a path to oblivion? Could it result in material economies of scale, massively wider and more efficient distribution and a shift away from areas where banks traditionally performed poorly? Customer service and end-user distribution were never a bank's strongest cards, so why keep trying?


Periklis Thivaios, True North Partners

A collaborative (or co-opetitive) model with fintech could turn banking from a business-to-consumer (B2C) to a business-to-business (B2B) business, with all the benefits – and downsides – that this may carry. Banks would need to deal with fewer direct counterparties, invest less cost and effort in distribution and widen the scale of their production through intermediation.

Interestingly, insurance firms have traditionally focused on production and underwriting (risk management). They generally don't have high street branches; they happily work with independent brokers (and not-so-independent agents); and they have no problem white-labelling their production and risk management capabilities for use by third-party distributors. So why is this intermediated approach so bad or potentially risky for banking?

FROM A DISINTERMEDIATION DISCOURSE TO THE "NEW FINANCIAL RE-INTERMEDIATION"

Intermediation is another word that carries a negative burden. Disintermediation, on the other hand, is often portrayed as the beginning of emancipation from the Damocles' sword of intermediaries.

> "I would encourage bank executives to actively consider the relegated scenario as a strategic option to be pursued, instead of avoiding it in an ostrich-like fashion."
>
> Periklis Thivaios, True North Partners

The rise of the "internet era" about 20 years ago was hailed as the end of intermediation. Contrary to popular predictions, however, today we have more intermediaries than ever before and the reasons are pretty simple to grasp.

Economic theories attribute intermediation to two primary drivers: transaction costs and information asymmetry. Even though the internet has materially reduced transaction costs, it has simultaneously resulted in increased information asymmetry. Web pages are "flat" shop fronts and despite the unlimited customisation potential, the results of a search do not always appear trustworthy. As a consequence, the need for trusted intermediaries has increased.

CAN BLOCKCHAIN COME TO THE RESCUE?

Blockchain technology has the potential to increase trust between counterparties by making trust irrelevant. But the achievement of such trust comes with a material increase in transaction costs, aptly illustrated by the massive energy consumption associated with "proof of work" approaches (such as the one used by Bitcoin). Ironically, newer approaches to blockchain architectures (such as the one employed by the R3 consortium) introduce the concept of trusted notaries (supervising nodes) to address transacting inefficiencies, i.e. introduce some form of trusted intermediation.

WAYS IN OR WAYS OUT?

The Basel Committee makes it clear that it is hard to predict the likelihood of each scenario, so who am I to question this assertion! Having said that, the relegated bank scenario is already a reality!

In 2016 I had an interesting conversation with a leading credit card issuer in the US. Representatives of Apple Pay had just visited their offices. Apple's proposition was not exactly appealing: the issuing bank would keep the processing of transactions, would continue managing the operational and fraud risks, would continue funding the balances and would also pay Apple a commission. Kicking them out of the door was the first thing that came to mind.

Yet they accepted the deal. Apple carries a really powerful card, customer loyalty, and declining the deal with Apple Pay would have simply diverted Apple's clients to the more collaborative competition. The relegation happened, and it is only a simple question of algebra as to whether the intermediary's commission is compensated by the increase in volumes.

IF YOU CANNOT AVOID IT, ENJOY IT

In summary, I would encourage bank executives to actively consider the relegated scenario as a strategic option to be pursued, instead of avoiding it in an ostrich-like fashion. This scenario is already happening in banking, it is quite predominant in insurance, and has the potential to bring along economies of scale and focus on areas where banking institutions have a strong competitive advantage.

This is a positioning not to be pursued by every incumbent. But in a rapidly globalising world where a handful of companies tend to dominate industries, it is only a matter of time before we see a more global financial ecosystem where scale is of crucial significance. If a bank's competitive advantage is not in customer service and customer data aggregation, focusing on the wholesale provision of specialist production and risk management services may be the way out of disruption. **bt**

Movers and shakers

Angelique Schouten has joined the board of Dutch banking tech vendor **Ohpen** and has also become the company's chief commercial officer.

Schouten was previously CEO of Ohpen UK, which she built from the ground up. "Two years ago, I flew to England with only a laptop and a credit card, and now we have a banking licence from the local regulator, a number of amazing customers and a diverse workforce consisting of 30 employees all hired based on our core values," says Schouten. Women comprise 50% of Ohpen UK's workforce.

Schouten is succeeded by the new CEO UK **Lydia van de Voort** and COO UK **Ian Hutchinson**.

Van de Voort was the right-hand woman of Ohpen's founder Chris Zadeh and worked as business consultant where she was responsible for optimising business processes between the UK and Dutch office.

Hutchinson moves from International Financial Data Services (IFDS), where he was director of operations.

Duena Blomstrom has left **Temenos**, where she had a one-year stint as chief growth officer, Temenos Marketplace.

Blomstrom is founder and author of Emotional Banking, with her book coming out soon.

Previously, she also worked in sales and marketing at Meniga, a provider of white-label personal finance management (PFM) and online banking solutions.

US-based digital mortgage tech vendor **Roostify** has appointed **Mark McLaughlin** as VP of business development

McLaughlin is a veteran in enterprise SaaS business, coming to Roostify from DocuSign where he served as the company's VP of business development, including the financial services vertical.

SmartStream Technologies, a financial transaction lifecycle management tech specialist, has promoted **Christian Schiebl** to the role of COO and hired **Vincent Kilcoyne** as head of product management.

Schiebl was previously head of SmartStream's Corona business.

Kilcoyne held senior roles in product strategy, pre-sales and product development for major fintech organisations, including Sungard (now FIS), Misys (now Finastra), Trema (now Ion Trading) and SAS.

Cryptocurrency loans exchange **Lendingblock** has onboarded **Andrew Mullinger** as an advisor to the company, ahead of ICO.

Mullinger co-founded Funding Circle in 2009, stepping back from day to day involvement in 2016. During his time at Funding Circle he served as global head of credit and COO.

Gerrard Schmid, former CEO of D+H Corporation, has joined **Diebold Nixdorf** as president and CEO. He left D+H last year, shortly after its merger with Misys. The two firms combined are now known as Finastra.

Prior to this, Schmid managed the retail banking business at Lloyds TSB in the UK. He was also EVP and COO for retail banking at CIBC in Canada.

USAA, a major provider of financial services to US military members and their families, has named **Scarlett Sieber** as VP and head of business development for USAA Labs.

Sieber moves from Opus Bank, where she was chief innovation officer for one year.

Prior to that, she spent two years at BBVA Compass as SVP of open innovation, ecosystem builder and global business development for new digital businesses.

Ken Katz has left Finastra (formerly Misys) after 26 years as part of the Loan IQ team (Loan IQ is a syndicated lending system). He spent the last 14 years there as director of product strategy.

He has now joined **Synaps Loans** as chief product officer, sell side. **bt**

EVENTS CALENDAR

April

24: Swift Business Forum, London
swift.com/events

25-26: TradeTech, Paris
tradetecheu.wbresearch.com

May

2: Digital Transformation in Insurance, London
www.arena-international.com/insurance

2-4: FIMA US, Boston
fimaus.wbresearch.com

8-11: FinovateSpring, Santa Clara
finance.knect365.com/finovatespring

8-10 InsurTech Rising US, Boston
finance.knect365.com/insurtech-us

15-16: European Banking Forum: Digital Transformation in Retail Banking, London
www.arena-international.com/ebf-car

16: Digitising Wealth & Asset Management Summit, London
www.finance-edge.com/wameu

31: Finnovation Kenya, Nairobi
www.finnovationworld.com/kenya

June

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

11-17: London Tech Week, London
www.londontechweek.com

Banking Technology is a prominent media partner of many financial services and banking technology industry events worldwide. If you are interested in a media partnership with us and marketing opportunities, please contact:

Irena Andrisevic, Marketing Manager
Tel: +44 (0) 207 017 5379
Email: irena.andrisevic@knect365.com

Out of office

Fintech tour Hell: hot enough for you?

The diabolical dominion of Hell is calling out to fintech firms with the offer of tax breaks and moral ambiguity.

In an exclusive tour of the infernal plane, *Banking Technology* was invited to meet Satan and his coterie of fallen angels to hear how they are hellbent on tapping into the "lust" for fintech "riches". That's two sins out of seven already crossed off. Good work Beelzebub.

As the oldest staff member, by an incredibly long way it must be said, it was decided that I should be sent to the underworld. (Just in case of any problems.) In fact, this trip coincided with *Banking Technology*'s editor-in-chief, Tanya Andreasyan, telling me to "go to Hell". Although this does happen at the end of every conversation I have with her. Ah well.

As an atheist I was mildly surprised to find that Lucifer and his soulless sanctuary are real. I had assumed they were just another set of ancient religious superstitions designed to sow fear into the hearts of those who can't think for themselves.

That said, I wasn't against such concepts as they have resulted in extraordinary feats of imagination – i.e. Dante's The Divine Comedy, Milton's Paradise Lost, The Omen movies and some awesome heavy metal albums.

DON'T ABANDON ALL HOPE

Anyway, onto the tour. The good news for fintech companies is that you don't have to be dead to enter the abyss. Satan, with the wisdom that befits his supra-genius intellect, recognises that this may deter some firms. You are free to come and go as you please. Just remember to use a pentangle, candles and the correct potions when transferring between dimensions.

The Devil is reasonable enough once you get to know him. Let's not forget, he was kicked out of Heaven for being overly ambitious. But perhaps best to keep clear of that subject as that may send him into an unholy rage. Wow. What a temper.

You can easily do business here. Satan is keen on making money, acts and talks briskly, and generally has a cool acerbic demeanour. He'll talk to you politely if you are of use to him. Pretty much like 90% of people I meet at fintech conferences.

The Antichrist and his acolytes are not unpleasant on the eyes. They are merely angels that didn't quite fit the "company ethos" of Heaven and are now called devils as part of a rebranding exercise. They have wings and human features – but they do come across as jaded and bitter at times. Kind of like some journalists aged in their late 40s.

BISH BOSCH

Hades is not as bad as you may think. It is very warm – but I routinely use the aircon-free Piccadilly line on London's underground in the summer. That is far more unpleasant. And I must pay to use it.

However, if you're familiar with the art of Hieronymus Bosch or Pieter Bruegel the Elder, then the infernal regions can be overwhelming at first. There are pits of fire, the sounds of screaming and suffering, and an extraordinary tide of humanity. But it's still not as crowded as southeast England.

Funding is available to start-ups displaying consummate creativity – just note that the money may have been obtained via acts of questionable legality. But hey, it's business. You probably do that already.

In terms of the dead, you may also wonder who ended up here. Easy to answer – people who litter, people who say "know what I mean?" at the end of every sentence, and PR execs. Of course the latter are here. Who do you think torments all the journalists in Hell?

CONCLUSION

This was my first perusal of perdition, but I do think it would be a good place to live and do business. Satan and his minions are keen to work with fintech firms and if you steer clear of religion, you should be able to avoid their wrath.

Compared to London, Hell doesn't have so much traffic, the air is cleaner, and the devils are politer and more civilised than 99.9%* of the people I meet. (* The world turned upside down.)

You'll have to arrange any tax break deals with Satan on an individual basis but do be aware at the end of the contract you may forfeit your soul. Best to check the small print and "terms & conditions" on that. Please – I mean it – do check them.

Would I go back again? Definitely. In fact, when I asked Satan about this he said: "Don't worry Tony, in about 30 years you'll be here for the rest of eternity."

What a nice person and what a lovely thing to say. Can't wait! **bt**

Antony Peyton