banking technology

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GAME CHANGER
How banks can adopt the metaverse

BACK WITH A BANG
Sibos 2021 focuses on digital acceleration

SHOW ME THE MONEY
We need to talk about financial inclusion

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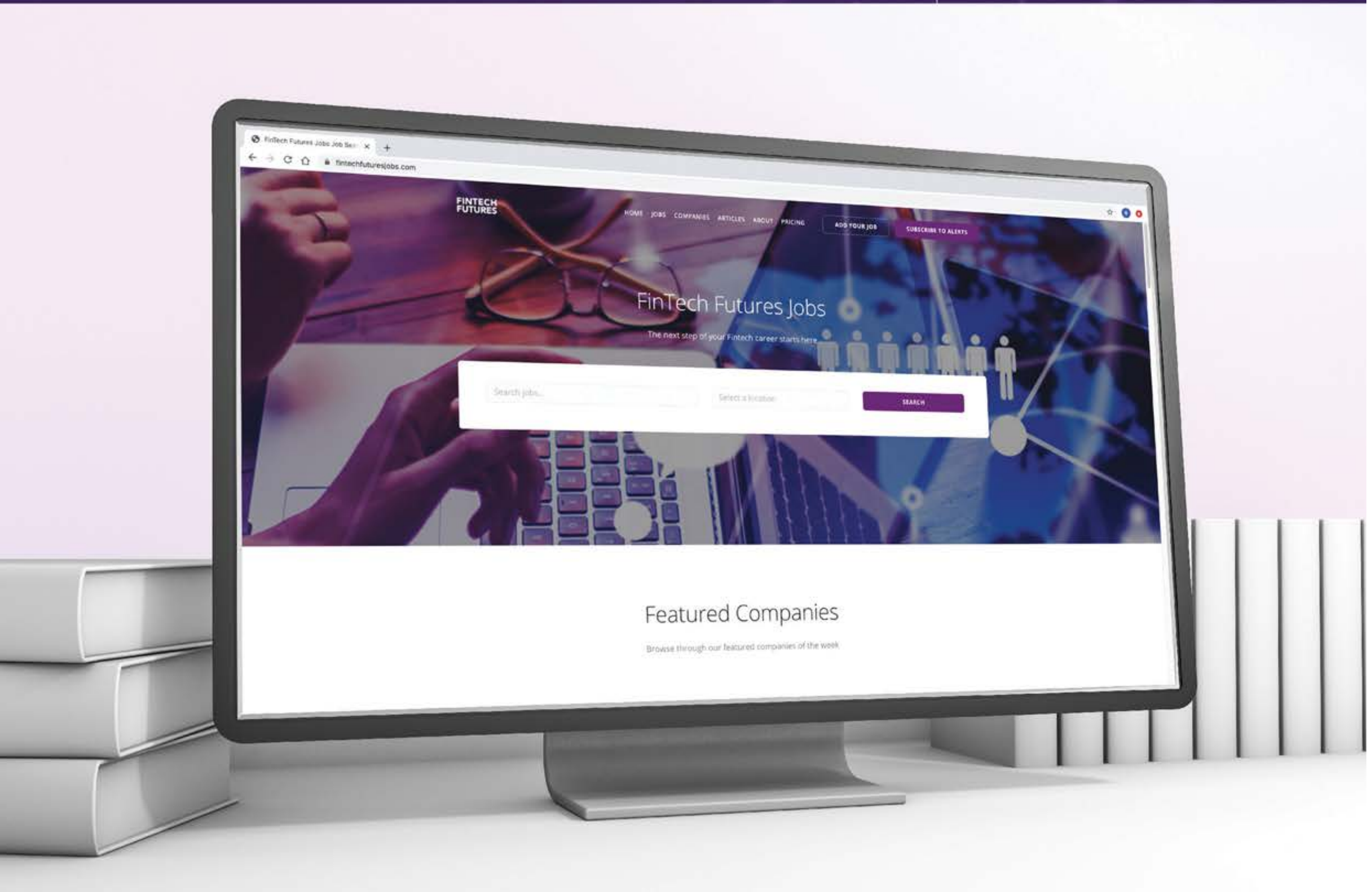


IN THIS ISSUE

EDITOR'S NOTE

Tanya Andreasyan
Managing Director &
Editor-in-Chief,
FinTech Futures

The recent month has brought some interesting developments in the core banking software space.

The UK-based newcomers (and rivals) 10x Future Technologies and Thought Machine have both reported deals with JP Morgan Chase. The bank's newly launched challenger in the UK is powered by the 10x core banking system, while the US retail banking business has opted for Thought Machine's Vault.

Temenos, a long-standing industry heavyweight, might be changing ownership, according to a Bloomberg report. Buyout firms EQT AB and Thoma Bravo are reportedly exploring potential bids for Temenos, Bloomberg says, which has a market value of CHF 9.8 billion ($10.7 billion). The rumours resulted in the vendor's share price rise, but at this stage there is no guarantee a takeover offer will be made by either EQT or Thoma Bravo, or whether other interested parties come forward.

Finastra, another long-term resident of the banking tech ecosystem, has been reportedly looking for a buyer for its capital markets business. Barron's reported earlier this year that the business produces $300 million in revenue. Judging by the recent deals in this space (for example, Finastra's rival Calypso Technology bought by Thoma Bravo earlier this year, with Broadridge acquiring Itiviti Holding around the same time for $2.5 billion), Finastra's capital markets unit could fetch 10-15 times revenue, which equates to $3-4.5 billion.

Around two years ago, Finastra's owner Vista Equity Partners tried to offload up to 50% of its stake in the banking tech vendor, reportedly valuing the company at $10 billion at the time. However, the endeavours were shelved in spring 2020 due to the pandemic.

Who knows what industry bombshells 2021 still has in store for us!

In the meantime, we hope you enjoy the November edition of the *Banking Technology* magazine, which is, as always, full of fintech and banking tech goodness, including the top news, punchy opinions, food for thought, expert analysis, and lots more. We hope you find it interesting, informative and useful.

NEWS ROUND-UP

Green Dot picks Temenos Banking Cloud to digitise partner accounts

US bank holding company Green Dot Corporation has selected Temenos and its Banking Cloud solution to power its digital banking services.

The new system will support credit, payment, lending, DDA accounts, and other Banking-as-a-Service (BaaS) features, which Green Dot will offer to its partners.

Banking Cloud combines the Temenos Infinity customer onboarding banking service and the Temenos Transact core banking system.

Founded in 1999 and based in Austin, Texas, Green Dot claims to be the world's largest prepaid debit card company by market capitalisation.

The firm has around 33 million customers, and revenues sitting at more than $1.25 billion. Its cards are available at 100,000 retail stores in the US, including CVS, Walgreens and Dollar Tree.

Monzo withdraws US licence application

UK digital bank Monzo has abandoned its attempts to gain a US banking licence more than two years after it first started negotiations. Monzo launched in the US in June 2019 and kicked off a full application with the Office of the Comptroller of the Currency (OCC) in April 2020.

The bank also hired former Visa executive TS Anil to lead its US business in 2019, with the new hire describing its licence application as a "significant milestone". Anil is now CEO, having taken over from founder Tom Blomfield, who stepped back in January.

New core banking vendor Perfinal launches in Europe

Europe has a new core banking software firm in Hungary-based Perfinal, which claims to offer "full financial automation" for clients. Founded in late 2020, Perfinal claims to offer "full financial automation" for clients via its "analytically-governed system".

"Many platforms promise partial automation by combining fixed silos with 'smart' solutions," the vendor writes on its website. "This only treats the symptoms and not the underlying cause of incomplete flows."

The vendor is led by CEO Mate Brezovszki, who co-founded portfolio management firm Galaxis Network and blockchain certification company Inventori Solutions.

Perfinal co-founder Imre Fazekas also has a background in blockchain, having founded payments firm NLV8 Technologies.

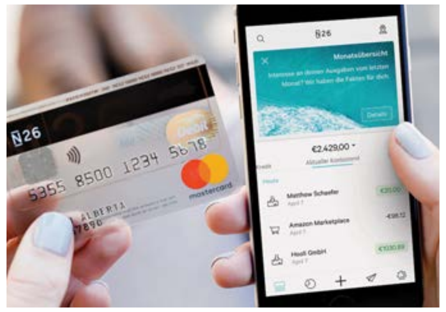
HSBC launches new BaaS offering with NetSuite

HSBC is set to launch a new Banking-as-a-Service (BaaS) product in collaboration with Oracle NetSuite. The global bank will embed international payments and expense management into NetSuite's SuiteBanking platform. This, it says, will enable customers to automate accounts payable, accounts receivable and reconciliation processes.

According to the pair, the new Banking-as-a-Service (BaaS) functionality makes NetSuite the first major enterprise resource planning (ERP) suite with native banking solutions. Other BaaS propositions are in the pipeline for HSBC. This includes HSBC Global Wallet, a multi-currency digital wallet for making and receiving international payments "like a local".

NEWS

N26 raises $900m in new funding to reach $9bn valuation



N26 has raised $900 million in a new funding round which sees the fintech claim a valuation higher than Germany's second-largest bank, Commerzbank.

The latest funding round was led by Third Point and Coatue and also featured Dragoneer Investment Group. It brings N26's total raised since 2013 to $1.7 billion.

N26 reports about seven million customers in Europe and the US and is also making a push into South America through a team in Brazil.

Despite its high valuation, N26 is yet to make a profit. The firm reported losses of $252 million for 2019, while its EU division lost $127 million in 2020. In comparison, Commerzbank reported an operating profit of $1.1 billion for the year ending December 2019.

GPS secures $300m investment

London-based Global Processing Services (GPS) has raised about $300 million in fresh investment as it looks to accelerate its product development and global expansion plans.

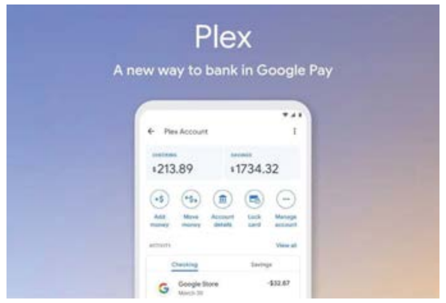
The new cash injection comes from VC firms Advent International and Viking Global Investors, who will jointly take a controlling stake in the company.

Founded in 2007, GPS offers an API-based payment technology platform that allows banks and fintechs to manage credit, debit and prepaid card transactions and launch card programmes across 48 countries.

Its platform has been utilised by a number of fintechs including Revolut, Curve, Starling Bank, Zilch, WeLab Bank and Paidy.

The firm claims to have issued more than 190 million physical and virtual cards to date, and last year processed more than 1.3 billion transactions.

Google pulls Plex after less than a year in development



Google has canned its Plex offering, which would have synced with Google Pay and seen the tech giant take on banking incumbents.

The cancelled Google Plex is due to missed deadlines and the departure of a Google Pay executive behind the project, according to the Wall Street Journal. The man behind Plex, Caesar Sengupta, left Google in April and was replaced by former PayPal exec Bill Ready, who according to WSJ adopted a less "disruptive" strategy to Google's relationship with the banking sector.

Plex was to have no monthly fees, overdraft charges or minimum balance requirements and users would have been able to request a physical debit card, which would have run on the Mastercard network.

Google planned to roll the platform out across 11 bank and credit union partners, who would offer Plex accounts to all customers.

The firm's new strategy, according to a Google spokeswoman, is to deliver "digital enablement for banks and other financial services providers rather than us serving as the provider of these services".

JIC Bank picks Technisys to power core banking

Puerto Rican lender JIC Bank has selected Technisys' Cyberbank core banking platform to power its back office operations.

Incorporated in 2016 as Instabank International, JIC is based in San Juan and serves retail customers and small businesses. Its initial rollout plans include digital wallets for consumer and commercial account holders.

Joseph Tempelberg, chief financial officer at JIC, says the bank evaluated other core banking vendors but chose Technisys due to its "proven core architecture".

Ian Cunningham, chief operating officer for North America at Technisys, says the system can be live at JIC in "as little as six months".

FINTECH FEED

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Penny Phillips
@ThrivosLLC
P.S. for young speakers - I've been a paid keynote spker for almost 10yrs & still get ppl right b4 I go up say "wow howd you land the main slot?" Know this: that never stops BUT evntually u stop caring & gain 100% conviction in your talent. Now I reply "you're about to find out".

Alex Johnson
@AlexH_Johnson
I motion that we outlaw the use of the term "fireside chat" at conferences unless the person being interviewed is, in fact, next to a fire.

Elizabeth Davis
@eldavis8
Yesterday, @anthemis announced that we're expanding our Female Innovators Lab, in partnership with @Barclays to invest $30mn in female fintech founders around the globe in the US, Canada, Europe & the UK 🎉

Geoff Whitehouse
@ByGeoffW
It would be a lot easier to take some fintech offerings seriously if even 50% of the time / effort / money they put into content marketing went to their customer support instead. Your chatbots are not working.

THE NUMBER GAMES

3,700
jobs will go between 2023 and 2025 in Société Générale's merger of its retail network and its subsidiary Credit du Nord

88
branches closed by Bank of Ireland in October as part of its "material restructure"

80%
of German securities will be digitised by mid-2022 with the implementation of a new digital registry and platform, hopes exchanges operator Deutsche Börse

$825m
to be paid by PE firm Silver Lake for a 10% stake in financial services company Euroclear

$70m
raised by New York-based embedded finance platform Alviere across two funding rounds to help it expand abroad

£100
is the UK's new contactless card limit as of 15 October 2021, an increase from £45

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

THEY SAID IT…

"I've never seen the industry refreshing itself more."

Haytham Kaddoura, CEO of SmartStream, talking about the financial services industry transformation drive over the last 18 months

TRENDING

NatWest falls Fowl of money laundering laws

UK bank NatWest has pled guilty to money laundering failings amounting to £365 million, becoming the first British bank to admit to an offence of this type. NatWest admitted guilt to three criminal charges of failing to properly monitor customer accounts between 2012 and 2016. For a nearly five-year period, NatWest handled suspicious funds deposited into accounts operated by a UK-based customer, jeweller Fowler Oldfield.

Clare Montgomery QC, prosecuting on behalf of the Financial Conduct Authority (FCA), told Westminster magistrates that when NatWest took Fowler Oldfield on as a customer, its projected income was £15 million a year. Yet between 2012 and 2016 the account received £365 million in deposits, with £264 million of that figure in cash.

Fowler Oldfield was based in the north England city of Bradford before it was shut down following a police raid in 2016.

NatWest has become the first British bank to face criminal proceedings under the UK's 2007 Money Laundering Regulations (MLR). A sentencing hearing will take place in December.

N26 hit with laundering fine

Germany's financial regulator, BaFin, has ordered N26 to pay a fine of €4.25 million for money laundering failures, namely for delayed responses to suspicious activity reports (SARs) flagged in 2019 and 2020.

According to N26, the matter is closed and the fine paid, while the SARs related to fewer than 50 instances.

The challenger had already been warned by BaFin to tighten its controls and safeguards against money laundering and terrorist financing. In a 20 May order, the regulator said N26 needed to remove backlogs in its monitoring systems and reidentify several customers.

BaFin also sent a special representative to embed themselves at the bank and keep a closer eye on its activities.

Fire lit under crypto investing

NatWest chair Sir Howard Davies has warned against investing in cryptocurrency, quoting Dante's Inferno in suggesting those who do should "abandon all hope". The British economist's hyperbolic remarks were made in a televised discussion held by the Centre for the Study of Financial Innovation.

He believes that cryptocurrency is "gambling… with a sort of libertarian veneer on top of it".

Davies, who is also a former director of the London School of Economics, a professor at Sciences Po in Paris and a former director-general of the Confederation of British Industry, says he applauds China's "instinct" following its recent ban on the mining and trading of cryptocurrencies.

The industry veteran's comments are consistent with NatWest's hostile approach to decentralised currencies, with board member Morten Friis saying in April the bank has "no appetite" for customers who are in the cryptocurrency business.

CFTC at the end of its Tether

The Commodity and Futures Trading Commission (CFTC) has fined Tether $41 million for allegedly making "untrue or misleading statements" about the stablecoin's US dollar backing. The Tether stablecoin is designed to always be worth $1 and fully backed by reserves. While there is more than $69.3 billion in Tether in existence, only around 2.9% of that figure is backed by cash, with the majority backed by commercial paper.

According to the CFTC, Tether was fully backed by reserves for only six and a half months between 2016 and 2018. The regulator also alleges Tether comingled reserve funds with its own corporate funds and held reserves in non-cash products.

In response, Tether says there is "no finding" that Tether tokens were "not fully backed at all times". It adds the findings discovered "simply that reserves were not all in cash and all in a bank account titled in Tether's name, at all times".

ANALYSIS

There's somefin about influencers

By Dave Wallace

A few weeks ago, I found myself as the face of amateur oyster shucking on social media. Long story short, my favourite online fish shop had launched a new line – fresh Pembrokeshire oysters – and in a fit of madness, I bought some, then realised I didn't know how to open them.

I sought some guidance and then offered my services to said fish shop and produced and starred in a video – "Dave's Guide to Opening Oysters". The video was uploaded to Instagram and viewed thousands of times.

For me, the real kicker was them sending an email to customers with a link to the video and calling me a finfluencer. In an ironic twist, a pun from a fish shop made me feel like I had finally made it.

But it also reminded me of a theme that I had discussed before around advice. I have briefly touched on the rise of finance-focused influencers, but I want to cover it in more detail due to its importance.

To stamp out mis-selling, regulators have put increasingly stringent rails around how a consumer can be given advice or guidance. Institutions have invested heavily in risk and compliance teams. If a customer wants advice, they generally have to pay for it – many people don't want to or can't do that.

The result is an advice vacuum, leading to a drop in financial literacy with a knock-on impact on consumer confidence, just at a time when new asset classes and self-directed platforms have exploded onto the scene.

WHERE TO GO FOR ADVICE?

People are increasingly turning to influencers on social media for guidance on everything, including finance. The Influencer Marketing Hub defines influencers as: "People who have built a reputation for their knowledge and expertise on a specific topic. They make regular posts about that topic on their preferred social media channels and generate large followings of enthusiastic, engaged people who pay close attention to their views."

The last few years have seen an explosion of accounts offering guidance and advice on all FS-related matters, many of them conforming to the above definition – hence the emergence of the "finfluencer".

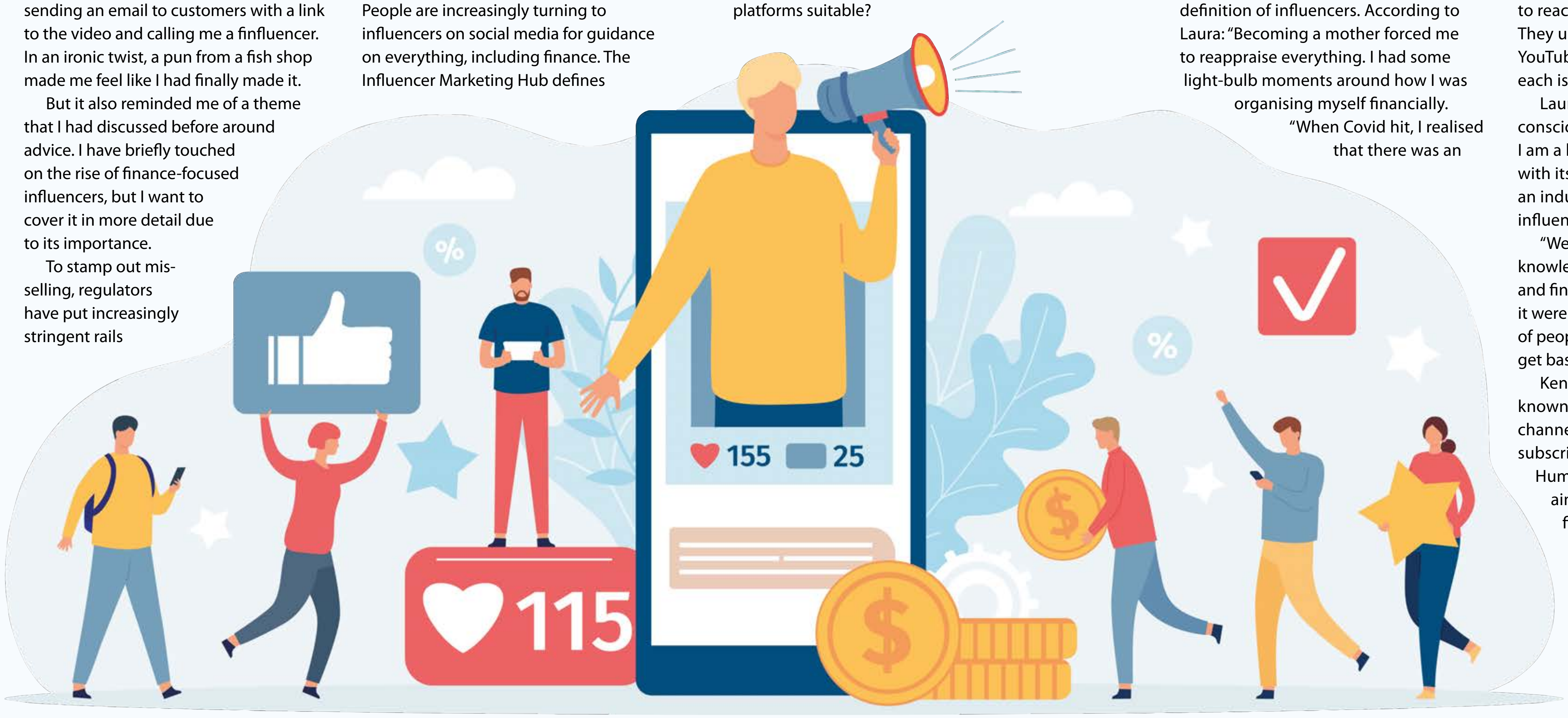
The stats around the subject are mind-boggling. According to City AM, TikTok videos tagged Moneytok have racked up 5.1 billion views. That is a lot of eyeballs.

But not everything is created equally. The quality of advice on offer varies considerably, and this eruption of content is testing regulators globally.

Critical questions for them include:

- Who are these finfluencers? And why are they doing this?
- Are the formats offered across the platforms suitable? Can a 30-second video on TikTok convey the nuances of a complex product?
- Who should be regulating what? Geographies do not confine social media, so the advice is increasingly cross-border.

The format question is relatively simple to answer. Influencers that know what they are doing use the formats available appropriately, working across platforms. Concerning cross-border issues, consumers have some responsibilities, such as checking the origin of the content, but there should be clear signposting.



WHO WANTS TO BE AN INFLUENCER?

Let's turn to the first question. What compels someone to become an influencer?

Laura and Holly Pomfret set up Financielle, a service aimed at helping women become more financially confident and adept. They are very active across all social media channels, and with 10,000-plus followers on Instagram and TikTok, they fit the definition of influencers. According to Laura: "Becoming a mother forced me to reappraise everything. I had some light-bulb moments around how I was organising myself financially.

"When Covid hit, I realised that there was an opportunity to help other people do the same. In talking to people around me, I realised that many financial products do not speak to women, leading to a lack of trust, low financial confidence and a lack of action when it comes to investing for the future."

> "Many influencers are doing an incredible job of helping consumers and filling the advice gap, which needs to be nurtured, not impacted by draconian measures."
>
> Dave Wallace

The Pomfrets realised that the best way to reach people was through social media. They use TikTok, Instagram, Facebook and YouTube, and ensure that the content for each is format appropriate.

Laura goes on to say: "We are very conscious of regulation from the FCA. I am a lawyer, so I ensure we comply with its guidance, but I would welcome an industry standard or kitemark that influencers could adopt.

"We're filling the fundamental knowledge gap that the financial advice and financial services industry is missing. If it weren't for platforms like ours, thousands of people wouldn't have the resources to get basic control of their finances."

Ken Okoroafor is another very well-known influencer, with a popular YouTube channel. It has in excess of 50,000 subscribers and growing. He set up The Humble Penny with his wife, Mary, and aims to help 10,000 families become financially independent this decade. Ken is a very experienced finance director, and I asked him what spurred him to start.

Ken told me that they saw a problem. People's relationship with money was not a conscious one. They identified that helping people wake up to money and take control could significantly improve their lives for the better.

The Humble Penny, therefore, provides content and tools to help people re-imagine money and future goals. Ken feels that influencers can be bold in their approach, and that is very necessary.

FILLING A GAP

There is no doubt that the regulators have a job on their hands. In the UK, they have recently focused on scams and accounts offering bad advice on crypto. But many influencers are doing an incredible job of helping consumers and filling the advice gap, which needs to be nurtured, not impacted by draconian measures. People need help. And so do the influencers.

Laura's idea of a kitemark has merit, as does connecting influencers with industry bodies and institutions. For example, Ken recently helped launch FT FLIC, the FT's first charity focused on lobbying for improved financial literacy education.

By the way, in researching this article, I visited the FCA website. The FCA is the UK regulator. What is interesting is that on its website, it has a list of unauthorised financial services firms and individuals.

It is a comprehensive list and, I would argue, very handy. But who would know it is there? I only bumped into it by accident. This is precisely the sort of content that should be on social media because that is where people are. It could really make a difference. Perhaps the FCA needs to work with an influencer. Any takers?

Dave Wallace is a user experience and marketing professional who has spent the last 25 years helping financial services companies design, launch and evolve digital customer experiences.

He is a passionate customer advocate and champion and a successful entrepreneur.

Follow him on Twitter @davejvwallace.

I'M JUST SAYING...

What's the meta with banking?

By Dharmesh Mistry, CEO, Askhomey

As we in the UK move from summer to autumn, it seems the hype surrounding the "metaverse" has calmed down. Like most, having researched what people meant by the term, I quickly realised there was no single, common definition.

Some definitions included technologies such as augmented reality (AR) where virtual objects seemingly appear in the real world, the most popular example being Pokemon-Go.

Other definitions were quite specific that a metaverse was just a virtual space where users could interact with other users, typically through avatars.

So what have banks been doing about this new buzzword?

Recently, Korean banks such as Hana, Woori and Kookmin have launched branches in a metaverse setting. Kookmin Bank allows its customers to move around their own virtual financial town that has a virtual branch and financial playground for customers and a "tele-commuting" centre for staff. Customers can wander into the virtual branch, interact with content and then speak to a real-life agent through a video call.

Woori Bank has opted to join a broader community initiative, the 'Metaverse Alliance', which has about 200 companies collaborating to create a metaverse broader than just banking.

However, we have kind of been here before with Second Life, created by Linden Lab in 2003. I believe ABN Amro was the first traditional bank to create a virtual branch there.

There was also the infamous Ginko Bank that offered 69.7% a year interest paid in the platform's virtual currency, Linden Dollars. This alleged Ponzi scheme triggered the closure of all banks on Second Life.

FUN AND GAMES

It's easy to see the fit for the metaverse and gaming. It's well known the gaming industry is bigger than Hollywood, generating over $174 billion in 2020 and forecast to grow to $314 billion by 2026 (according to Mordor Intelligence).

> "Adoption of metaverses will be driven by a number of factors such as digital currency, better experiences/ graphics and 5G."
>
> Dharmesh Mistry

There are more than 2.69 billion gamers globally, and with almost 1.5 billion in the Asia Pacific region alone, it's no wonder Asian banks are seeing an opportunity with an audience that is already comfortable with digital currency.

So, what's the opportunity for banks? For me, the most immediate opportunity is not necessarily financial, but a learning opportunity. It is a chance for banks to get ahead of the curve to understand changes in the following:

- **Customer behaviour/interaction:** A virtual world is not limited by space. Already investment banks have tested new interfaces that allow traders to go beyond the physical six-screen desks they currently have to boast almost limitless screen estate. In my previous role, we created a virtual wealth management solution that allowed us to explore how we could create more engaging wealth management dashboards that wouldn't be limited to a single laptop screen. Kookmin Bank's virtual town is another good example of this.
- **Digital currency:** Whether it is through CBDCs or other cryptocurrencies, it is clear that the future of money is moving to digital currency. Crypto projects like Axie already provide a platform for gaming currencies, as does Audius for music. Both enable new business models for the creator economy and hence provide an opportunity for banks to not only understand their role, but to find new opportunities in digital currency.
- **Collaboration:** It's difficult to see a bank creating its own metaverse without any collaboration with a broader set of partners, such as Woori Bank joining the Metaverse Alliance. Another example I'm exploring is with AR. Let's say a homeowner can walk around their home and interact with appliances to read/search for a virtual manual for the appliance, buy accessories from the manufacturer, buy an extended warranty or look at maintenance videos. The key point here is that a number of different providers collaborating on one platform is far more effective than a single app provided by a bank for financing options.

Like many new technologies, it is often not one thing, but many that drives adoption for a specific new solution. For smartphones it was the confluence of cheaper/better processing power, memory, screen quality, touch interface, mobile bandwidth and app stores. Similarly, adoption of metaverses will be driven by a number of factors such as digital currency, better experiences/graphics and 5G.

I'm just saying that just because the revenue opportunities may not be clear, just because there is more hype than practicality and just because it kind of failed before, it's no reason to stop trying, exploring and thinking different.

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

Accelerate and innovate

FinTech Futures brings you all the key takeaways from Sibos 2021

Building on its first all-digital event last year, Sibos returned for another fully online iteration in 2021, with the theme of "recharging global finance" through digital acceleration, technological innovation, managing risk and greater diversity and sustainability.

As always, *FinTech Futures* provided a feast of insights and discussion focused on the future of finance. Read on to discover what panelists thought about CBDCs, ISO 20022 and net-zero commitments, along with the thoughts of Citi's Paco Ybarra about collaboration and Standard Bank CEO Sim Tshabalala's take on Africa being the best place for financial institutions to flourish. Former governor of the Bank of England Mark Carney provided the closing keynote – find out what he had to say about the financial services' industry's role in tackling climate change.

There's lots more Sibos 2021 news on our website, so head there for more exclusive content.

Panel debates

Banks must work together to make the most of CBDCs

With more than half of the world's central banks exploring the use of Central Bank Digital Currencies (CBDCs), the question of whether they are a challenge or opportunity is on many bankers' minds.

This was the focus of conversation at Sibos 2021, as the Bank of England's Tom Mutton, BNP Paribas' Florence Lubineau, DBS Bank's Soon Chong Lim and Citibank's Tony Mclaughlin considered the risks and rewards of this entirely new form of money.

Tom Mutton says that while interbank digital currency is "extremely exciting and something that we think is very important", in a way it has been around for a long time, in the form of central bank reserves for those who are eligible to have access.

But he adds if there are new ways to interface with reserves and to interact with technology platforms, "I think that's a really positive development".

Much of the exploration around CBDCs has been taking place in Asia, particularly China. It's broadly accepted that China is the furthest ahead on developing retail CBDCs as it was already ahead of the pack when it comes to digital retail payments.

DBS Bank's Soon Chong Lim says some of the initiatives that come to fruition could be significant in terms of monetary arrangements and the use of settlement mechanisms for cross-border trade investments in the region.

Lim suggests that CBDCs could potentially challenge the US dollar when it comes to cross-border trade in Asia.

Pivoting to Europe, the EU has really started to take CBDC's seriously, with the announcement by the European Central Bank (ECB) of its digital Euro project in July.

BNP Paribas CIB's Florence Lubineau says the EU initiative will start with two years of investigating the key issues, such as

design, distribution and impact on the market, business models and legislative framework.

Prior to the ECB announcement, there was already some preliminary work being carried out by different national central banks, and because money creation and distribution in Europe is largely driven by commercial banks, Lubineau says it is important that banks and non-banks are subject to a "symmetry of regulation" when it comes to CBDC experiments.

There are currently two CBDC developments operating in parallel: stablecoins, which might use existing payment platforms, and distributed ledger technology (DLT) and similar technologies to make instant payments around the world decentralised.

And although many banks are starting to explore the former, Lubineau says regulators don't want stablecoins to unduly disrupt the system.

Meanwhile, banks are co-opting the latter, with a range of DLT experiments.

Citibank's Tony Mclaughlin says commercial banks must think about how they're responding to the world of CBDCs, stablecoins and crypto. "You know some banks may come to the conclusion that the appropriate response is to create a bank coin," he says. "I think that vision leads to fragmentation in the regulated space."

On whether the development of CBDCs is an opportunity or a threat, Lim believes it depends on how they're going to be designed and implemented.

"At DBS, we have taken the view that Pandora's box has been opened with DLT and with new forms of money," Lim says.

Stablecoins are somewhat easier to fit within the current regulatory landscape, but there are new forms of money being used as mediums of exchange that are not regulated, Lim adds.

Besides DLT and the emergence of new networks that are created around commercial banks, blockchain also shows promise through smart contracts – programmable money in which you can input conditionality into payments for the first time.

Lim thinks there is real potential "for us to make the next generational change in payments" and to offer payment services in a regulated fashion. Whether it's CBDCs or different forms of money, Lim adds: "We think it's not as important, I think what is more important to realise is what blockchain technology and smart contracts offer."

Rounding off the panel, Mclaughlin echoes his previous plea to avoid fragmentation in the sector. "Let's not have bank coins, where we fragment the regulated sector and every bank has its own coin," Mclaughlin says, calling instead for a shared regulated network where the liabilities of the sector are made fungible on that network.

"We really must avoid fragmentation," Mutton concurs, claiming it will cause inefficiency and poor outcomes in the system. He adds interoperability is "absolutely critical" and is what delivers good outcomes.

"Of course, what I would say is that we already have a very steady framework which has worked well for many years around private money, and the role of the central bank, providing wholesale services, providing infrastructure and writing wholesale assessment," he says.

"And if people are to develop new forms of money as well as new business principles, they will of course have to be appropriately regulated.

"That's absolutely non-negotiable for us."

ISO 20022 "isn't the solution to all your problems"

While ISO 20022 will make some large strides towards solving the industry's payments pain points, it won't be the solution to all problems, according to market participants.

During this panel session, Charlotte Hogg, CEO of Visa Europe, says one standard won't solve all interoperability issues: "Every time I think you go down the path of a single solution, you're beginning to create single points of failure in various ways."

Interoperability is an important issue, she adds, but it happens at multiple levels. The first is standards, for which ISO 20022 is "important" progress.

The other, says Hogg, is regulatory: "If you think about what puts brakes on a transaction, better than anything else, it's a change of regulatory structure as you cross borders.

"Let's think about all aspects of interpretability particularly the regulatory one, and also recognise that [ISO 20022] isn't the solution to all your problems."

Hogg adds that just because we're "moving down the pipe" towards ISO 20022, the industry cannot forget to be "more holistic, to work towards what real interoperability is".

She cautions that market participants shouldn't think they've solved a problem "when we probably haven't".

THE FIRST STEP

Ather Williams, senior executive vice president for Wells Fargo, says ISO 20022 represents "an acknowledgment of a problem that's been going on for multiple decades".

He adds that it is a problem treasurers and CFOs have "griped about for years". While individual institutions have launched products to help clients auto-reconcile their payments, says Williams, this has very much been a "step one".

What ISO 20022 will drive, he says, is a lot of beneficiaries of payments on the corporate side to set their systems up to handle better data.

A shift to more modern enterprise resource planning (ERP) systems, says Williams, can only benefit the industry and give rise to some "huge opportunities" in the long term.

Michael Gorriz, group CIO for technology and innovation at Standard Chartered, says technology is an enabler of innovation and ISO has helped to increase zero data rates through better overall quality. This, he says, has been important in helping compliance work often married to the process of international payments: "The quality requirements to initiate the payment are higher, but you get much more specific data with ISO and therefore, that's a big enablement for ease of use."

Despite this, he adds there are thousands of banks in the market who "don't exactly know how to format a Swift message" and may struggle with higher data quality requirements. "ISO is a huge step forward, but I agree not the only step forward," he says.

SIBOS 2021

Panel debates

Net-zero commitments from banks and governments "need to have teeth"

Both financial institutions and governments need to ensure their net-zero commitments "have teeth" to help tackle climate change, says TD Securities managing director and global head of sustainable finance and corporate transitions Amy West.

West says banks and countries should look to create more standardised climate-focused plans with both short and long-term targets to ensure climate goals are hit.

The panel also discussed the importance of improved sustainability reporting and disclosure agreements to ensure everyone is in sync with regards to the data being collected and reported so firms can more accurately see how they rank among other businesses and be held accountable for their results.

"The net-zero commitments – and we've seen dozens of them this year – need to have teeth," says West.

"We really need to work to understand where the emissions are actually coming from. Secondly, I want to see financial institutions set both short and long-term science-based targets, and this is going to be critical information.

"This data should be data that we're not just supplying to the market, but this should be data that our investors can look at as capital providers.

"While it may be uncomfortable, it also instils accountability in all large organisations."

DIVESTMENT

More and more financial institutions are looking at innovative new techniques and technologies to move to more green and sustainable processes.

One such solution discussed was blended finance strategies to promote sustainable expansion in developing countries, while Laurent Adoult, managing director and head of sustainable banking at Credit Agricole, stressed the importance of green bond markets and loans and the idea of divestment to ensure business financing takes ESG plans into account to make it difficult for companies without ESG initiatives in place to get funding.

Adoult says: "We'll get to a critical mass where all investors more or less have to start to incorporate some ESG criteria in the way they manage loans.

"Then as financial institutions, you start to have a significant impact on setting the world on the way to a cleaner economy."

LOOKING TO THE FUTURE

The panel closed the session by highlighting the need for cooperation between financial institutions and governments to ensure efforts are not rendered "ineffectual".

West says: "At the end of the day, we all have to work together to achieve the results, and we're still going to be hard-pressed to achieve the results that we want to achieve around net zero on the given timeline.

"This can't just be about the private sector or about the public sector. I think it's going to be about all of us. It's going to be about how do we rethink the life cycle of companies? How do we fund disruptive technologies earlier? How do we encourage our existing mature corporates to go down this path of actually revolutionising their business models?

"We have to make sure that we're engaging with clients, especially our clients that represent some of the biggest sources of emissions. Divestment, while it may be a simple solution and it cleans your own portfolio and what you present to the world, it doesn't actually reduce emissions in the real economy. And so I think that's a critical thing that we need to recognise."

CBDCs are important to the future of the industry

Central bank digital currencies (CBDCs) will form an important part of the future of financial services, according to Société Générale CEO Frédéric Oudéa.

Speaking at Sibos 2021, Oudéa says that while CBDCs may not play a major role for the next five years or so, they will come to more prominence in 10 years.

"There is a strong willingness, whether it's in China, the US, or Europe, to consider this kind of development," he says.

"At the end of the day, it might be more efficient than, and might replace, cash."

Oudéa says CBDCs are a natural part of the evolution of technology, but questions remain over how they will function in practice, and at what stage banks are involved.

"I think the European Central Bank has been very clear in saying we need to, and want to, preserve the role of banks as intermediaries."

Oudéa adds it is important the financial services sector gets involved in the first processes, to help shape "what would be an efficient system".

He sees CBDCs worked into a process which preserves "all the benefits that banks provide to their economies", but which also incorporate innovative technologies and systems.

He cites the world of payments as a place ripe for disruption, though specificity is needed. "It's very different between small payments and larger transactions.

"For small payments you have initiatives like the European Payments Initiative trying to create a more integrated European system with cheap costs and better efficiency.

"Regarding larger transactions, it is probably more about being able to establish standards." Oudéa says it is here that distributed ledger technology (DLT) could be beneficial.

"Regulated blockchain technology could modernise mechanisms and processes which still rely too much on paper and manual control."

The CEO view

Africa has world's best demographics for financial services

Standard Bank CEO Sim Tshabalala believes the African continent has the world's best demographics to allow financial institutions to flourish.

Speaking at Sibos 2021, Tshabalala says the population is getting younger, healthier, wealthier and more productive. As such, the opportunities for incumbents and disruptors alike within financial services are plentiful.

He believes that anybody involved in the retail side of financial services – whether payment, insurance or asset management – will have "vast opportunities if they are correctly positioned".

On the corporate side, Tshabalala believes there's an investment boom likely to take off, particularly in South Africa and eastern Africa, as these regions insert themselves into global value chains. He says this will provide distinct opportunities for corporates who can supply the infrastructure needed in those areas.

Tshabalala adds that across both retail and wholesale there's the key ingredient of accelerated digitisation, which has occurred not just due to COVID-19, but also as a result of Africans becoming more connected.

"There's evidence that in the last 10 years, the number of cell phone connections has doubled to half a billion and is likely to go to one billion by 2024," Tshabalala says.

Given that context, it's clear that the opportunity for facilitating payments is "incredibly exciting".

FINTECHS AND BANKS NEED EACH OTHER

Tshabalala sees more collaboration and partnerships between incumbents and disruptors rather than outright conflict.

"There was a time not too long ago, people were saying fintechs and Big Tech are going to be eating the lunch of financial institutions," he says. "Now they say, 'Well, perhaps we'll be sharing lunch. We'll be buying!'"

Tshabalala says this truce has occurred because, even in areas with open banking, it has not been as easy for fintechs and telcos to enter the space as they might have thought.

The need to comply with anti-money laundering and anti-terrorist financing measures and other compliance risks has led to numerous partnerships with financial institutions.

The consequence is that while there will be new entrants, "eating away at certain segments", outside innovators will continue to need financial institutions. Meanwhile, the financial institutions that will survive are those that adapt at speed and partner with fintechs.

SELF-DISRUPTORS WILL THRIVE IN AFRICA

This proposition applies as much in the retail space as it does in the wholesale space, with the African free trade area a key example.

"We work very closely with the authorities", Tshabalala says, helping them deal with the non-tariff barriers and talking to them about using blockchain and artificial intelligence to provide products and services that reduce the friction that arises from traditional payments.

In short, in both retail and wholesale, the winners are going to be those that disrupt themselves and are able to work with the disruptors, Tshabalala says.

He adds that one area Standard Bank is 'self-disrupting' is in transforming into a full-platform business that reduces barriers and friction for the consumer between the different products and services a bank traditionally offers.

"There was a time when, if you wanted to have a financial service, you'd buy a product, and the banks would sell you the product," he says. "And I think that there's still a lot of room for that."

But what Standard Bank aims to do now is connect people to "generators of power", which helps them with financing, moving beyond simply providing products and services and reducing the friction of buying financial services.

Tshabalala says there's no question that Standard Bank will remain a bank and a financial services organisation as we know it for the foreseeable future.

"However, we will [also] be providing people with products and services that facilitate their lives through activities that are adjacent to financial services," he says.

SIBOS 2021

The CEO view

Banks must adapt and collaborate in a rapidly changing world

"You can think of the history of the banking system as a history of disintermediation – we've gone from almost being in the middle of every single financial transaction to playing a smaller and smaller role."

This is the sobering assessment of Paco Ybarra, CEO of Institutional Clients Group at Citi, of the role banks now play within a changing and volatile financial landscape.

Ybarra says that despite rapid and disruptive technologies, banks like Citi must work with, rather than against, change. Even outside of the pandemic, Ybarra says the pace of change in recent times has accelerated, a fact he attributes to "the world becoming much more digital".

Ybarra says the sheer quantity of data that results from more and more of life being spent on the web and the sense of immediacy that the web engenders is having an impact on what clients expect from Citi, how the firm prices it services and the services clients expect from the firm.

"It's also attracting a lot of competition from people that are reimagining what we do and trying to do it better and faster and reinventing elements of our business, aspects of our business," he adds.

Ybarra says it's this competition, which has received an "avalanche of capital", that is disrupting the banking industry from the outside and is able to attract very high valuations and a lot of resources.

"Sometimes we find also that we are subject to some degree of competition from people that are not regulated to the same extent that we are."

"PART OF THE MACHINERY THAT MAKES THE ECONOMY WORK"

The CEO claims this uneven playing field is evident in the realm of cryptocurrency, and that digital assets can be viewed as a threat to the banking system as they have the appearance of alternatives to money and are networks that completely circumvent the banking system.

Within this constantly evolving landscape, "we just have to navigate all these things and find the places where we can continue to provide value", Ybarra says.

In this new world of finance, Ybarra is pressed on what role banks like Citi can still fulfil and what new roles they may take on in the future.

Whatever happens, banks must continue to play a fundamental role at the centre of the financial system in a way that "has developed over time and cannot be changed very easily" without risk, Ybarra says. "Banks are part of the machinery that make the modern economy work," he adds, and the world should not disregard the legacy system in the blind pursuit of innovation.

Ybarra says banks can also provide a more holistic service to clients and customers, whereas disruptors tend to focus on and improve one element of the business. This "multiplicity" puts banks in good stead within financial services but nonetheless, banks "do not have a right to exist, there is no natural law that says banks are absolutely necessary".

However, Ybarra doesn't think we are going to see banks disappear any time soon. He says that although continually evolving, the "accumulated abilities" of banks to provide services and capital, their history, the depth of their client relationships and a willingness to operate in many different markets at the same time and connect the world, "those things cannot be easily replicated".

"WE CANNOT OPERATE IN A VACUUM"

Banks will have to continue to connect with the outside world and the fintech world, so that rather than just managing disruption, through collaboration banks can accelerate innovation. "I don't think we can innovate by ourselves," Ybarra says.

Innovation needs the right environment and the right infrastructure in order to occur and these frameworks and platforms are very important.

"We cannot operate in a vacuum," Ybarra says, adding that the underlying market infrastructure allows banks and fintechs to collaborate and learn from one another, which is why central banks should be responsible for ensuring that infrastructure exists and is continually updated.

Ybarra says that the global payments network Swift, for example, must evolve accordingly and be invested in, "so that we don't leave an open door for adaptive technologies or infrastructures" such as blockchain and distributed ledger technologies. Nonetheless, disruptive technologies like digital assets are making waves in the industry.

Ybarra says the digital assets phenomenon has seemingly "come out of nowhere", in which an asset has value because its users have determined it has value both within the digital and the real world. This decentralised governance and the use of digital assets to assess and transfer value has only been possible since the advent of the web.

"It's a very remarkable phenomenon, and I think it creates a lot of trouble for the economic authorities," Ybarra says.

The internet also allows for a system that can be used to exchange value that is completely independent from the official banking system.

People can move money into a digital wallet and the money that exists in that wallet and between wallets has no consequence on any underlying system or accounts until the money leaves the system again at the end of all those transactions.

"That could lead to a completely new financial system," Ybarra says.

Lastly, Ybarra claims Central Bank Digital Currencies (CBDC) could see the eventual elimination of checking accounts from banks where all deposits are held by individuals at central banks.

The transition to this "completely new financial architecture", which cuts banks out of the equation, would be very complicated, Ybarra says.

But the underlying technology of encrypted cryptography and digital signatures that create trust in transactional systems on the web and allows those systems to be decentralised and not require a central authority could still completely revolutionise how markets operate. Importantly, these technologies have consequences way beyond the financial system.

"Although at this point, I would say the technology is not yet there, we have to keep a close eye on it to see where the threats and the opportunities for us are coming from.

"One thing is for certain; changes are here to stay," concludes Ybarra.

Closing keynote

Carney urges collective action on climate change

Mark Carney, UN special envoy on climate action and finance and former governor of the Bank of England, provided the closing keynote for Sibos 2021, addressing how the collective power of the financial services industry can tackle climate change.

Carney says that, with almost $100 trillion worth of assets committed to net-zero, the global financial system is at a tipping point when it comes to climate change, but adds that finance doesn't operate in isolation, and governments must also pull their weight.

He adds that alongside commitments to decarbonisation and reporting, "we're changing the plumbing of the financial system" in parallel with commitments made by governments, so that institutions "have the information, they have the tools, and they have some new markets in order to actually move towards net-zero".

ROBUST BOARD OVERSIGHT

In what is a trillion dollar opportunity for the financial industry, mobilising the capital to build the net-zero economy requires robust climate action plans and the need for basic information from financial institutions, including annual reporting, medium-term targets, five-year plans, climate disclosures and best practices.

"In the last few months, we've had the G7 and the G20 support mandatory disclosure of this fundamental information so markets can work, and we will have that mapped into rules, either in law such as in Europe, or through a whole new international body," Carney says.

As with anything strategic for a company, "and this is fundamentally strategic", he says it makes sense to have robust board oversight and to tie management compensation to the outcomes and progress on those commitments and targets.

Carney highlights the radical shift that has taken place already over the last 18 months. Before the pandemic, less than a third of global emissions were covered by net-zero objectives.

"Now it's three quarters and counting, so we've had a big shift in countries making those commitments and that's starting to drop down to policy – so it's really hitting the economics of things."

In particular, he says China's plans to halve emissions by 2030 and to cease funding new coal power plants abroad are "very significant", adding that in the new green economy, "great powers will be green powers".

Carney says the world needs $100-150 trillion to move to net-zero, half of which will be spent in Asia over the next three decades.

And companies cannot just sit on the sidelines as new reporting metrics are going to affect valuations quite substantially, Carney adds.

Regarding carbon offsetting, he says: "We're very pleased with the governance body which was just set up and announced in the last couple of weeks, which has a great mix geographically of market participants and major NGOs.

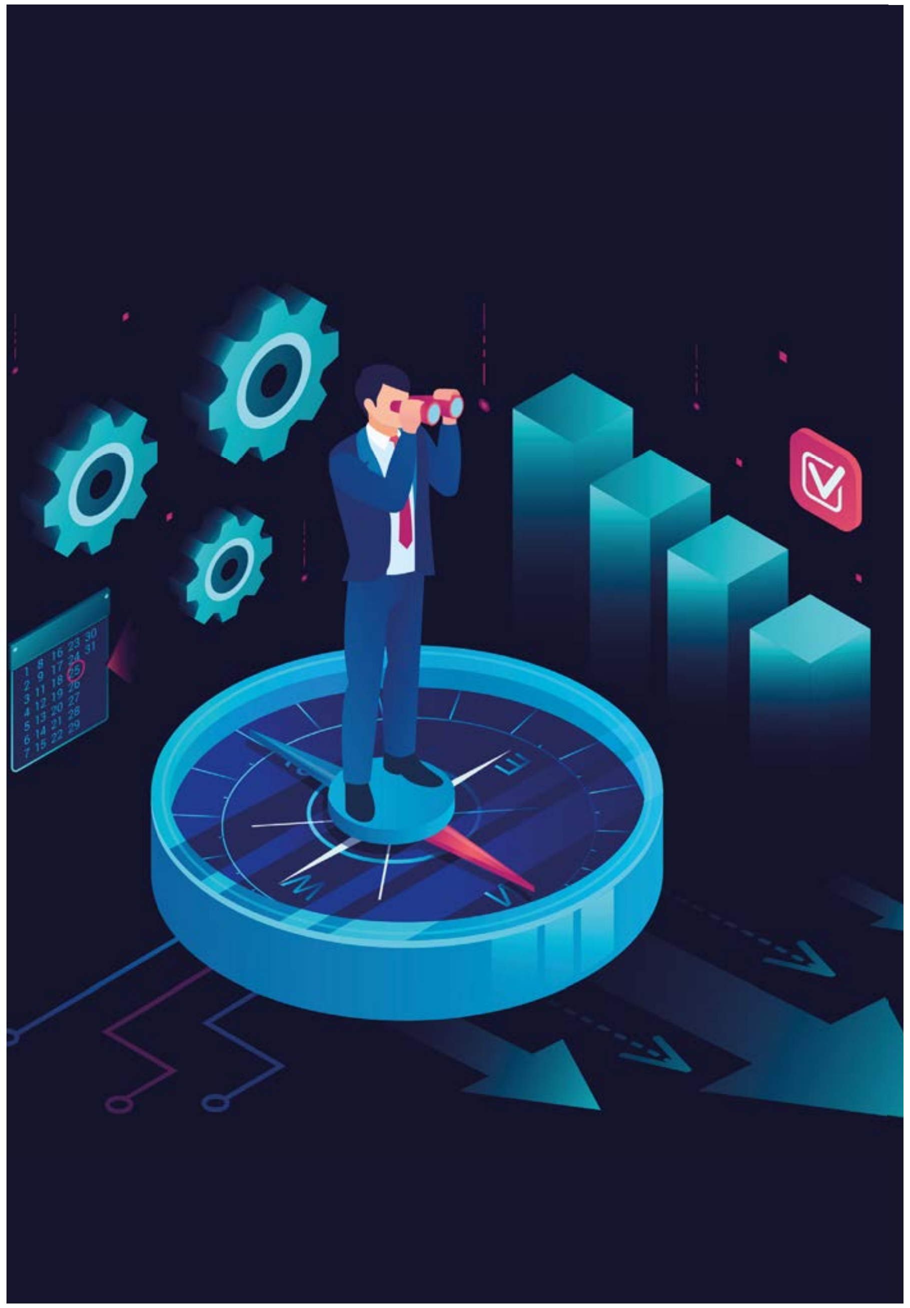
"So, there's a good spread of expertise and very senior and very knowledgeable people on that governance body."

Carney closes on two points. "Firstly, we need countries to really step up to get that target global temperature figure down from 2.1 degrees, where we're currently headed, to 1.5 degrees."

Secondly, the financial system needs to complete its transformation, which will mean every decision takes climate change into account.

"That's what we need for Glasgow COP26 and we have a few weeks left to finish the job," he says.

Reimagining business models for a post-Covid banking future



Banking was already in the throes of change when the pandemic hit. As nations went under lockdown and employees went home to a remote working model, businesses were forced to accelerate their digital transformation plans just to keep going.

The impact on financial services was swift and at scale, adding great momentum to the creation of digital banking business ecosystems. But to thrive in these ecosystems, banks need new and innovative digital business models.

Puneet Chhahira, head of marketing and platform strategy at Infosys Finacle, talks with Benjamin Ensor of 11:FS about what those models look like, and the tech-stack and culture required to take them to success.

Puneet Chhahira: Today's banking business leaders' biggest challenge is keeping pace with change. Whichever way you look at the industry, from the standpoint of the consumer, the investor or plain competitiveness, the traditional banking model does not look sustainable anymore, while innovative digital models are going from strength to strength.

Let's look at the situation from the customer engagement viewpoint – 20 years ago, 50% of banking transactions occurred inside the branch; today 95% of transactions happen in digital channels. In the near future, 50% of bank transactions will move to non-bank, third-party channels, thanks to embedded finance and open banking initiatives.

The pandemic has acted as a force multiplier of digital transformation. Every bank we have spoken to confirms a sharp acceleration in digital adoption across segments, as customers not only bank more on digital channels but also consume more products digitally.

Benjamin Ensor: Strategy is about choosing what you will do, and what you will not do. The universal banking model of serving all customer segments with all lines of business worked in a different world in the 1970s and 1980s when information and distribution barriers were high and it was hard for customers to find and reach banks.

The internet has fundamentally changed banking, enabling a vast array of specialist providers to excel and thrive in different customer niches. Companies that try to offer everything to everyone, particularly those that try to do so alone, are likely to be mediocre at everything.

PC: There are significant opportunities that can be unlocked across all these business models. Also, choices are not mutually exclusive, and most incumbents will play across at least a couple. But, at the same time, not all models are suitable for every incumbent.

Banks should introspect on the purpose of their organisation and the customers they serve. They should think about their customers' evolving requirements and preferences and build a business model to suit that context.

Like most industries, banking is also going the way of digital ecosystems. Vertically integrated pipeline-based business models are being replaced by ecosystems formed around customers. Digital technologies are unlocking unprecedented opportunities to create, deliver, and realize value in new ways.

BE: The big shift is the shift in mindset. Traditional banks built products and expected customers to come (and they did come to branches, because there was no other way to get financial services).

> "The internet has fundamentally changed banking, enabling a vast array of specialist providers to excel and thrive in different customer niches."
>
> **Benjamin Ensor, 11:FS**

Top-down, hierarchical cultures slow and eventually starve innovation with sluggish, risk-averse and slow decision making.

Instead, banks need to evolve to customer-centric cultures where everyone is focused on solving for customer outcomes and serving customers' jobs to be done. That requires a clear vision, purpose and mission from the top, shared values throughout the organisation, and incentives, metrics and team alignment that flow from having a clear vision and set of values.

PC: Various studies, including our own, consistently show that legacy technology is stifling innovation by creating siloes and making implementations costly, slow, and patchy. Organisations spend 70-90% of their IT budgets just to maintain these monolithic systems. Clearly, enterprises cannot sustain these stacks for much longer.

Instead of monolithic architectures, today's banks need composable front-to-back digital banking components that are independently deployable and scalable. This means composing the tech landscape to suit your evolving industry context and modernising progressively, including the core back-ends.

BE: There is no silver bullet, but you have to start with culture. Without a clear and deliberate change to the culture and ways of working, and the change of mindset that flows from that, traditional companies won't be able to innovate. But a great culture isn't enough. Becoming a truly digital business is a long journey.

Established businesses that have changed their cultures and developed new business models have worked hard to drive change across the whole organisation: in culture, ways of working, talent and skills, org structures, governance, funding, metrics, risk management, data and technology.

Truly digital businesses operate fundamentally differently from traditional businesses. Evolving from one to the other takes years of painstaking, deliberate change. Driving that change takes leadership, and not every leader wants to drive that change.

> "Instead of monolithic architectures, today's banks need composable front-to-back digital banking components that are independently deployable and scalable."
>
> **Puneet Chhahira, Infosys Finacle**

FOOD FOR THOUGHT

If I had a penny…

By Leda Glyptis

If I had a penny for every time someone heralded a momentous financial inclusion conversation and then talked about getting the unbanked onto the system by giving them a current account, I would be one rich woman and the financially excluded would be as excluded as ever. Only this time with bank accounts. Empty ones.

I am not suggesting having a place to safely store a hard-earned wage is not important.

It is.

And I know, from both personal and professional experience, that having a safe, accessible and cheap way of sending that wage home is, for migrant workers, as valuable as the wage itself. That's why they put themselves through the hardships of exhausting, manual, often unsafe labour. To send money home.

So yes. Mobile-first remittance money corridors at low prices are vital.

But inclusion?

Stand on the tarmac of Tribhuvan International Airport in Kathmandu, watching the coffins of workers killed in industrial accidents far away being shipped home to a country that until recently had not seen a coffin (they are not immortal, they just don't use them traditionally) and then tell me about how having a way to cheaply send wages home achieved inclusion.

BLEAK, HUH?

Now that I have your attention, I want to talk about infrastructure.

How is that for a segue?

Stay with me though.

The biggest reason for financial exclusion is not lack of access to banking. It's lack of access to money. Stay with me here.

I have worked with a bank that wanted to ensure they offered attractive remittance products but kept the workers out of the main product sets. Not to mention their branches.

I have worked with a different bank that was trying very hard to 'palm off' the elderly to a competitor with as little noise as possible. Because you don't want them on your books. But you don't want to be seen not wanting them.

I have worked with several banks that have agonised over how long the young take to become profitable and how that 'wait' is getting longer and longer for the bank. The actual youth struggling to reach financial independence in a world made inaccessible by the plenty of others, be damned.

I have worked with many banks that look at their client segmentation in terms of profitability. As they should. They have a business to run.

But the reality is, the workers are poor enough and desperate enough to leave home and hearth and seek a better future. Not for themselves. That's my story and I can tell you it's hard enough. No. We are talking about the workers who write themselves off for their children back home. Or elderly parents, or cousins and uncles.

The elderly are unprofitable because, in their majority, they live off a pension that doesn't last to the end of the month and they have to turn the lights or the heat off to make it to the next cheque.

And the young? The pesky snowflakes who have the moon on a stick and ask for sprinkles? The generation we love to vilify and have saddled with an explosive combo of overpopulation and a long-drawn out economic contraction that means they won't ever know middle class security unless they call Jeff Bezos Daddy?

So yes.

The vast majority of the world's population is extremely unprofitable for banks. Because they don't bring deposits. They don't make investments. They need access to loans and can't afford the repayments.

So.

Wanna talk about inclusion?

Talk to me about money. Not where you put it.

IF I HAD A PENNY…

Let me tell you this.

I am a banker by trade but a political scientist by background. I have a PhD in political reform and I know how capital markets work. I know how universal banking works. And I know how technology stacks work.

And yet a day doesn't pass when someone doesn't look at me in an 'oh, sweetheart' manner when I say that we can fix this. And it gets worse. I've been called naïve many a time. A few years back I got a bunch of death threats on Twitter because I publicly and unashamedly expressed admiration for the intentions behind India Stack, a public good infrastructure that tried, among other things and among many reversals, to enable access to the system. That doesn't mean current accounts. It means easier access to social security for those who need it with greater transparency and reduced risks of manipulation and corruption. It means access to meagre pensions without disruption. It means a lot of things. And of course it was not perfect. Genuine mistakes were made. Big ones. And of course it was politicised. And of course it was divisive.

But is that the requirement? To leave the poor to their fate until we can get things perfect?

The first time I read about Mahammad Yunus it felt like a Cinderella story, complete with a happy ending.

A bank that enables access to credit for the poorest of the poor, allowing them dignity and believing that their ability to repay is not just possible. It is profitable.

In his autobiography, Banker to the Poor, professor Yunus describes the what and the how of the Grameen project. He also describes that the biggest challenge was not getting the poor to pay back the loan. It was getting the establishment to believe that they would.

So spare me.

Vulnerable customers are not poor because they are vulnerable. They are vulnerable because they are poor. And of course access and financial education matters. But an empty current account ain't gonna solve nothin'.

And for the avoidance of doubt: we can fix this.

And we are not.

Because we are choosing not to.

I am not for a moment suggesting fixing world poverty is quick or easy. Just that it is possible.

But if we are going to talk about inclusion, don't talk to me about current accounts. Talk to me about money.

Because we are talking about people who have none, and the things they need to do to make it, store it, transport it or borrow it safely, without falling prey to manipulation, predatory arrangements or the exclusion and subsistence poverty we are seeing the world over.

The world is not bountiful enough for everyone to get a mansion. No arguments there. And I am not going to go full Communist on you, have no fear. I have no issue with wealth. None at all.

But the world is not binary and eradicating poverty should be our expectation, our mission and our north star.

Just because the problem is too big, we have no excuse to consider it inevitable.

At the end of the day, poverty is a societal construct.

We did this. And we should be fixing it.

So. Back to my point.

Financial plumbing.

The same infrastructure that enables open banking, BNPL or the cute little tooth icon next to the payment you just made to your dentist actually enables faster, safer and 'lighter' connectivity between systems.

So?

So. Banking becomes cheaper to run.

It becomes faster to parse data.

And more capable to plough through more data for more nuanced decisions.

It means micro-loans become financially viable because the cost of service goes down. It means alternative credit scoring becomes possible because there are multiple real-time data points.

Things that were too small or too complex for our old systems to cope with are now the right size. We can service the poor without losing money. And this matters. Banks are businesses. They can't run the ship aground, cold as it sounds.

But it's OK. They no longer have to make that choice. Alternative credit scoring with robust informed data sets underpinning it and lending products, repayment schedules and access points tailored for the poor are technically possible and financially viable.

This may not be sexy or dramatic. But it can change lives. It is here. It is real. It is robust, scaled and available.

Your move, now.

#LedaWrites

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

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

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

Creating financial inclusivity in a digital-first future

In its latest report, FinTech Futures looks at what it means to be underbanked and unbanked

How can banks serve rural and underbanked communities? As the industry takes a collective step forward, or as some take a collective step to catch up with fast movers, others are left behind.

While more options than ever before appear for users needing services from basic accounts to commercial lending, many still struggle to access them from traditional providers.

The rate of global financial inclusion has increased in the past ten years.

Latest figures from the World Bank show that 69% of adults have access to a bank account or mobile money provider globally, an increase from 51% in 2011.

Despite this, 75% of consumers rely on a money transfer service or payments fintech to transfer their cash.

The part financial services and inclusion can play in restarting and supporting the global economy in the wake of the pandemic can't be ignored.

Ensuring access to financial services appears in more than half of the UN's Sustainable Development Goals.

The digital finance market is estimated to be worth $3.7 trillion to those economies between now and 2025.

So why, despite growing numbers of people having access to digital services, are we still seeing a not-insignificant number of people locked out of the system? What can financial institutions look to when trying to encourage better interaction from traditionally underserved communities?

In collaboration with Mambu and with expert insight from the market, including Richard Morgans, general manager for UK and Ireland at Mambu, Andrew Arwas, head of corporate development at Chetwood Financial and Kaushik Sthankiya, chief commercial officer at Sokin, *FinTech Futures* investigates just what it means to be underbanked and unbanked in today's societies, and why it behoves financial institutions to offer more inclusive products and services.

Download the report today from the *FinTech Futures* website!

Dear Luc: Why the angst over the £100 contactless limit?

By Luc Gueriane

In this column, *Dear Luc*, we answer the questions the industry's fintech founders are too afraid to ask, and solve the problems they don't want their VCs to know about.

From regulation readiness to technology teething troubles, our start-up agony uncle, Luc Gueriane, is here to help.

He has more than seven years' experience working with flagship fintechs like Revolut, Wise, Monzo and Curve.

His expertise and extensive work in the fintech ecosystem mean that Luc is able to offer unique insight into the building of a successful fintech company.

Dear Luc, with the contactless limit increasing to £100, why are people so divided?

Contactless card payments have boomed since the onset of Covid-19 and 15 October marked yet another milestone with shoppers able to spend £100 per transaction with a tap of their card.

At first, an initial increase from £30 to

£45 in April 2020 was deemed essential when the Covid-19 pandemic first started and avoiding contact – especially the use of cash – was paramount. Now that two-thirds of transactions in the UK are contactless, and both consumers and merchants have become more comfortable with higher limits, the maximum spend is being increased.

However, the latest increase has been met with concern and confusion.

THE FRAUD CONVERSATION

With a £100 contactless limit and a cumulative payment cap of £300 being possible before a PIN is required, criminals potentially can use any card to spend higher amounts than previously possible. There were fears that this would set banks and fintechs against the change since the Payments Services Regulations state that customers must be refunded for any unauthorised payments, including those by contactless.

However, the reality is that contactless fraud rates are low. They are currently equivalent to less than 2p in every £100 spent, which explains why banks and fintechs alike welcomed the Financial Conduct Authority (FCA) and HM Treasury proposal to increase the limit earlier this year.

WHAT ALREADY EXISTS

It's important to remember that higher contactless limitations already exist through other payment routes. Google Pay and Apple Pay, which support most major credit and debit card providers, currently have no contactless limit – something that many consumers may not realise. Although you do need a mobile device to verify these services and must authenticate each payment with biometrics.

RESPONSIBLE BANKING

There is also an argument that consumers should be able to set individual contactless limits. A recent study by KIS Finance has revealed that despite 44.8% of people being happy with the increase, 73.1% of people want the option to set their own limit.

Fintechs have long driven innovations that allow customers to bank safely and responsibly. With the introduction of freezing and unfreezing your card, blocking certain transactions, or limiting the value of transactions in online apps, fintechs are ahead of the game compared with their traditional counterparts.

> "A recent study by KIS Finance has revealed that despite 44.8% of people being happy with the increase, 73.1% of people want the option to set their own limit."
>
> Luc Gueriane

Now the whole banking industry has also caught on to rising public concerns.

For example, Lloyds, Starling Bank and Halifax have introduced the option to allow customers to lower their contactless limitation and Nationwide gives the option to turn off contactless entirely.

It will come as no surprise that once the contactless limits increase, more banks will register customer requests and far more banks and fintechs will offer additional options to support responsible banking.

THE OPPORTUNITIES

With every new regulatory, technological, or industry-wide change there is an opportunity for your fintech to become top of wallet – even if that means changing the approach customers take to money management.

For instance, customers may be concerned by the idea of using the same bank card they use for high-value payments for contactless payments as well. Especially with heightened public concern around fraud. Instead, this is where providing different form factors and linked accounts might prove advantageous.

Primary and secondary linked accounts and wearable devices could be a way to encourage customer loyalty, while making it clear that you don't have to use traditional banks for big-ticket items and fintechs just for day-to-day transactions.

One option could be motivating your customers to feel comfortable having their salary paid into one account and then dividing this into monthly outgoings versus daily spend through different linked accounts.

They could then block contactless payments on their primary account and have a secondary card or wearable device to provide ease when making everyday contactless payments of up to £100.

When looking for opportunities to differentiate yourself, fintechs can use this opportunity to market to new customers with unique offerings as well as increase their current customer loyalty.

THE FUTURE OF CONTACTLESS

Starling Bank recently reported that it expects little demand for the new contactless limit. Yet with so many prominent figures discussing the benefits for consumers and businesses alike this may be a surprising claim to make.

Starling also comments that although the new limit for UK banks is £100, not all UK merchants will be ready for this change straight away, so the previous limit of £45 may still apply in certain instances.

Despite Starling's reservations, the increase is a positive change for the industry and wider economy. High streets are looking very different to how they once were and so providing faster and more convenient payment options will be a welcome boost to many struggling industries.

Not only will consumers benefit from this ease of use but legacy banks and fintechs can create unique services to change and support the way customers shop and ultimately manage their finances.

Do you have an embarrassing question you want answered, or a seemingly unsolvable problem you'd want help with? Email *FinTech Futures'* deputy editor, Alex Hamilton at alex.hamilton@fintechfutures.com in confidence.

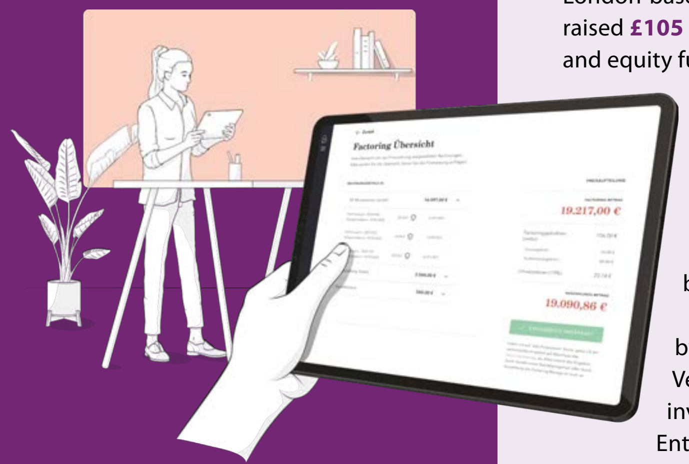
INVESTMENT & FUNDING

FINTECH FUNDING ROUND-UP

B2B BNPL start-up **Billie** has raised **$100 million** in a Series C funding round, valuing the Berlin-based company at $640 million.

Billie claims the funding round is the "world's largest to date in the B2B BNPL market" and says its valuation has quadrupled since its last financing round, a $35 million Series B in 2019.

The round was led by London's Dawn Capital, with BNPL giant Klarna, Tencent and previous backers Creandum, Speedinvest, Picus and GFC also participating.



London-based **Proportionality** has raised **£105 million** through debt and equity funding as it aims to help first-time buyers get a foot on the property ladder. It provides purchase equity loans with only a 5% deposit, reducing the amount the buyers need in savings.

The round was led by VentureFriends, Kibo Ventures and existing investors Anthemis, Entrepreneur First and Amro Partners.

Latin American fintech **Pomelo** has secured **$35 million** in a Series A funding round led by Tiger Global Management. Venture capital firms Insight Partners, Index Ventures, monashees, SciFi, QED Investors, BoxGroup, Greyhound, Gilgamesh Ventures and Clocktower also participated.

Pomelo claims the raise is "one of the largest Series A investment rounds in the history of Latin America".

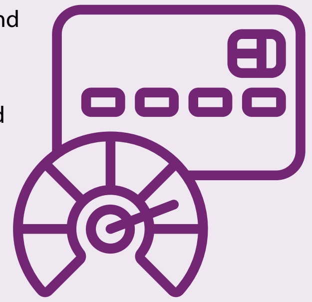
It offers infrastructure and financial services to fintechs and embedded finance firms, which allows them to issue prepaid and credit cards and launch digital accounts.

London-based merchant payment platform **Primer** has raised **$50 million** in a Series B funding round, taking the company's valuation up to $425 million.

The round was led by ICONIQ Growth and saw participation from Accel, Balderton, RTP Global, Seedcamp and Speedinvest.

The fintech was founded last year by former PayPal employees Paul Anthony and Gabriel Le Roux, and secured $14 million in a Series A round in December.

Bangalore-based **CRED** has raised **$251 million** in a new round of financing led by existing investors Tiger Global and Falcon Edge Capital, taking its valuation to more than $4 billion.



The Series E also saw participation from Marshall Wace and Steadfast as well as DST Global, Insight Partners, Coatue and Dragoneer, among others.

CRED aims to help people improve their credit score by incentivising members to pay their credit card bills on time. Members who pay their bills on time are rewarded with access to premium brands on the platform. It currently boasts 7.5 million users.

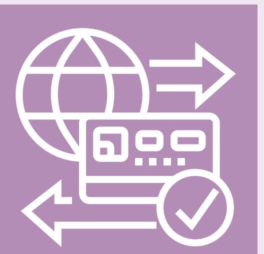
UK neolender **Updraft** has raised **£72 million** in equity and debt financing in the start-up's largest investment round to date. The round was led by NatWest, which provided Updraft's inaugural senior debt facility, with the fintech also extending its existing debt facility with specialist investment firm Quilam Capital.

Updraft provides a financial wellness app featuring lending and credit report offerings.

UK challenger bank **Zopa** has raised **$300 million** (£220 million) in a new funding round led by Softbank's Vision Fund 2 as it looks to continue its rapid growth.

The round saw participation from Chimera Abu Dhabi and existing investors IAG Silverstripe, Davidson Kempner Capital Management LP, NorthZone and Augmentum Fintech.

Zopa will use the money to meet its liquid capital requirements. It secured a full UK bank licence last year and focuses on savings and peer-to-peer lending.



California-based fintech **Tala** has raised **$145 million** in a Series E funding round, bringing its total funding to date to more than $350 million.

The raise was led by Upstart with participation from the Stellar Development Foundation, IVP, Revolution Growth, Lowercase Capital and PayPal Ventures, along with newcomers Kindred Ventures and the J. Safra Group.

Founded in 2014, Tala aims to provide financial services to emerging markets. The fintech offers a credit lending app designed to "serve the people that traditional financial institutions can't or won't".

It claims to have handed out $2.7 billion in credit to more than six million customers across Kenya, the Philippines, Mexico and India.

International hiring and payments platform **Deel** has raised **$425 million** in a Series D funding round, valuing the company at $5.5 billion.

The round was led by US-based Coatue, with several new and existing investors also participating including Altimeter Capital, Andreessen Horowitz, the YC Continuity Fund, Spark Capital, Greenbay Ventures and Neo.

Deel says the latest raise makes it the highest valued company in the hiring, payments and compliance space.

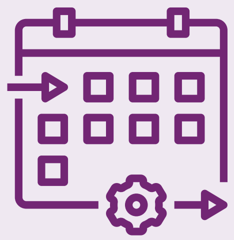
It provides onboarding capabilities, payroll, HR, compliance, perks, benefits and other functions needed to hire and manage global teams. It currently allows businesses to pay their teams in more than 120 currencies without the need for a local entity.

It reports more than 4,500 customers in over 150 countries, including Coinbase, Intercom and Shopify.

French fintech **Swile** has secured **$200 million** in a Series D funding round led by SoftBank.

Previous investors Eurazeo, Index Ventures and Bpifrance Large Venture also participated, along with newcomer Headline.

Founded in 2018, the start-up offers an all-in-one card that brings together employee benefits such as gift cards and meal vouchers as well as an app dedicated to employee engagement, with clients ranging from small businesses to the largest private company in France, Carrefour.



Canadian tech firm **Coconut Software** has raised **$22 million** (CAD 28 million) in Series B funding.

The round was led by growth equity firm Klass Capital, with participation from Coconut's entire roster of existing investors including Information Venture Partners, ScaleUp Ventures, Conexus Venture Capital Fund and Bay Partners.

Coconut provides appointment scheduling and lobby management software for financial institutions, which it claims reduces "no shows" and wait times for customer appointments and boosts conversion rates. RBC Royal Bank and Vancity are among its clients.

Bangalore-based **Open**, a business-focused neobank that claims to have more than two million users, has raised **$100 million** in a Series C led by Temasek and featuring Google. Tiger Global, 3one4 Capital and SBI Investment also participated.

Launched in 2017, Open claims to be Asia's first neobank for SMEs and is now valued at around $500 million.

Its key features include a digital business account that can be activated "within five minutes" using a fully digital onboarding process.

Australian paytech **Till Payments** has closed a Series C funding round, raising **$80 million** (AUD 110 million) in private capital.

Founded in 2012, Till claims to serve hundreds of merchants across 12 countries, providing a data-driven and end-to-end payment solution for online and bricks-and-mortar stores.

The funding was raised from both new and existing investors based in Australia and the US, including Avenir Growth, Woodson Capital and Akuna Capital, as well as customers of the business.

This is just a snapshot of the fintech funding activity worldwide. For more info on these and many other deals, head over to the *FinTech Futures* website!

MOVERS AND SHAKERS

Ronald Oliveira

Revolut's US CEO, **Ronald Oliveira**, is set to leave the fintech in the next few months after leading American operations since November 2019.

Previously, he worked for a handful of banks in the US, including Union Bank of California, Heritage Oaks Bank and Avidbank. His role at Revolut has mainly revolved around ensuring the fintech can launch products mirroring its offerings in its European heartlands. This includes its fractional stock trading service, for which the company recently received a broker-dealer licence.

In Mexico, Revolut has hired **Juan Miguel Guerra** to lead its market entry ambitions. Guerra joins from RappiPay and also held a senior executive role at Citibanamex.

Real-time cross-border liquidity firm **RTGS.global** has hired **Mike Koss** as its new head of cybersecurity.

Koss joins the network from investment firm Rathbone Brothers, where he served in a similar role. Prior to that, he worked at online retailer N Brown between 2017 and 2020, and settlement service CLS group between 2013 and 2016.

UAE-based bank **Emirates NBD** has hired a new chief digital officer in former Standard Chartered executive **Pedro Sousa Cardoso**. He also joins as the head of NBD's digital banking venture, **Liv**.

He spent four years at Standard Chartered, leaving as senior managing director for digital commerce and regional head in South Asia.

This is Cardoso's second stint at Emirates NDB. He worked at the bank between 2011 and 2017 as head of multichannel and digital transformation.

He replaces Evans Munyuki, who departed the UAE bank in March. Munyuki announced his departure on social media, saying that catching COVID-19 gave him a "greater appreciation of life".

Citi has hired a new head of digital for its treasury and trade solutions (TTS) in **Naveed Anwar**.

Anwar is a six-year Capital One veteran, and currently works as the firm's managing vice president for data platforms, strategic partnerships and integrations.

Prior to his time at Capital One, he spent more than 20 years at PayPal, eBay, AOL and Netscape, leading several products and platforms.

Ethan Teng is leaving **Daylight**, the first digital banking platform in the US designed for and by the LGBT+ community, where he was head of product for one year. Teng joined as employee #2 at pre-seed.

The decision to leave "was both one of the easiest and also one of the hardest", he writes on LinkedIn. "In the end, it came down to staying or choosing to double down on myself: my integrity and self worth. I chose to advocate for myself and I'm proud of that."

Atul Choudrie

Digital banking app **Monese** has announced a number of high-profile new hires.

Steve Tryner joins as CFO and **Stephen Chang** joins as VP of operations. Current Monese CCO **Atul Choudrie** has also been appointed as managing director of BaaS.

Tryner was formerly CFO at Revolut and has held roles at Deutsche Asset Management, AXA Investment Management, ABN-AMRO and Alpha Bank across his 30-year career.

Chang joins Monese from JP Morgan, where he spent ten years in payments and transactional banking. He also held senior roles across the US and Europe at payment giants Visa and Mastercard as well as Amazon and IBM.

Choudrie has been with Monese since 2019 and was appointed CCO in 2020, a role he will keep along with his new position. He helped to build out Monese's cloud-based transactional BaaS platform, which was recently with Investec.

HSBC has hired former Google executive **Aman Narain** to lead its global commercial banking platforms.

Narain, who describes himself as a "banker turned Googler", spent four years at the Big Tech before leaving as global new payments ecosystems lead.

His tenure at the firm's Singapore office saw the launch of Google Pay in the country. He also helped design the GooglePlex Account, the Big Tech's feted mobile banking app.

MODEL BEHAVIOUR

Cartoon by Ian Foley

Neobanks need to evolve their fee-based business models to target service-based revenues. New digital banks such as Revolut and Dave entered the consumer market offering debit cards and current accounts and then expanded into higher margin exchange fees (cryptocurrency, for example).

While this resulted in fast customer acquisition, a fee-based business model is susceptible to competitive pressure and has low margins.

To address this, neobanks need to move into banking services, which offer a more stable revenue stream and higher corporate valuations. For example, providing subscription-based solutions that offer a bundle of services.

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