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PAYING IT FORWARD
Reimagining the future of money

BALANCING ACT
UK building societies adapt to digital change

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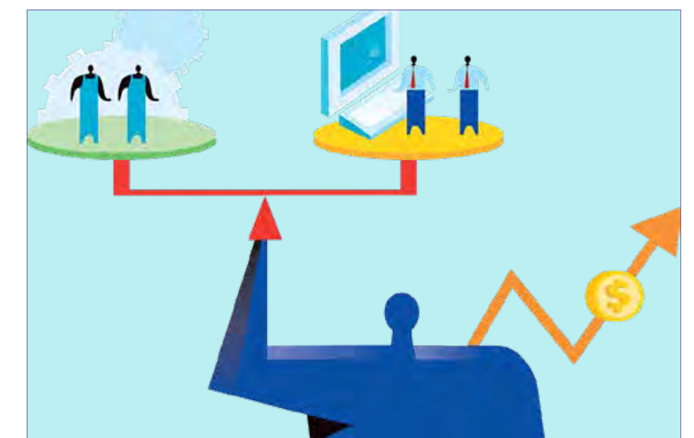

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EDITOR'S NOTE

Tanya Andreasyan
Editor

Welcome to the June edition of *Banking Technology*. The talk of the month has been the collapse of Banking-as-a-Service (BaaS) provider Synapse and the ripples it has sent across the BaaS and fintech industry in the US. "Large chunks of the sector today are a downright mess," TechCrunch observed.

According to Jason Mikula, a fintech advisor and consultant in the US who has been closely following the story, as many as 100 fintechs and ten million end customers could be impacted by Synapse's demise. Casualties include Copper, a banking app for teens, that had to abruptly halt its banking deposits and debit card offerings, and Mainvest, a lender to restaurant businesses, that had to completely shut up shop.

Among other affected fintechs that used Synapse's services for embedded finance are crypto app Juno, savings app Yotta and GigWage, a workforce management platform for businesses that employ contractors.

One of Synapse's banking partners, Lineage Bank, a small bank in Tennessee, was hit with a consent order by the Federal Deposit Insurance Corp (FDIC) earlier this year, in relation to its fintech partnerships. The consent order mandated the bank to increase capital levels, significantly improve its risk management as well as terminate agreements with some of its fintech partners within.

Meanwhile, Synapse's co-founder and CEO, Sankaet Pathak, dialled into bankruptcy hearings from the luxury island of Santorini, Greece, and the fintech's general counsel, Tracey Guerin, did the same from Rome, Italy.

Furthermore, The Information alleges that the financial discrepancies have been known to its business partners – banks and investors – for as long as two years.

And so the saga continues. Our editorial team will be bringing you updates online as more details emerge. Subscribe to our free newsletter and keep an eye on the *FinTech Futures* website for the latest developments.

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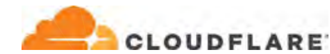

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NEWS

NEWS ROUND-UP

Challenger bank N26 fined €9.2m by regulator over AML issues

Photo: N26

N26 has been hit with a €9.2 million fine from the Federal Financial Supervisory Authority (BaFin), with the German regulator claiming the digital challenger "systematically submitted suspected money laundering reports late in 2022".

N26 says that it has implemented "numerous measures to further improve reporting processes" since then, including an €80 million investment into its personnel and technical infrastructure "to maintain the highest industry standards in combating financial crime and money laundering".

BaFin previously fined N26 €4.25 million in 2021 for delayed responses to suspicious activity reports (SARs) flagged in 2019 and 2020. The regulator also placed a temporary cap on the number of new customers N26 could onboard monthly – 50,000 new customers – and appointed a special commissioner to report on the progress of the bank's implementation of risk mitigation measures.

The restrictions were fully lifted on 1 June 2024.

CFPB: BNPL firms must comply with credit card protection rules

The US Consumer Financial Protection Bureau (CFPB) has designated buy now, pay later (BNPL) firms as credit card providers, and has ruled that the sector must comply with some of the same consumer protection rules.

Following a three-year inquiry, CFPB says BNPL firms must enable consumers to dispute charges and request refunds for transactions completed through BNPL loans.

Commenting on the decision, Rohit Chopra, director of the CFPB, cites "overextension and excessive debt accumulation" as some of the wide-ranging problem areas that currently vex BNPL consumers.

BNPL players must satisfy three new requirements: investigating disputes instigated by consumers, with payment requirements paused during the investigation phase; providing refunds when BNPL-funded products are returned; and issuing periodic billing statement to consumers "like the ones received for classic credit card accounts".

The CFPB is calling on the public to submit comments regarding this ruling until 1 August.

Comerica Bank & Trust reaches enforcement agreement with OCC

The US Office of the Comptroller of the Currency (OCC) has reached a formal agreement with Comerica Bank & Trust, National Association – the Michigan-based subsidiary of financial services firm Comerica Incorporated – over an enforcement action from the regulator relating to "unsafe or unsound practices, including those relating to the bank's risk governance framework and internal controls".

Comerica has agreed to create a compliance committee containing at least three members to "monitor and oversee the bank's compliance with the provisions of this agreement".

By 30 June, the bank must issue the regulator with "an acceptable written programme to provide the overall direction, oversight and corporate governance of the bank".

Comerica has also been ordered to provide the regulator with "an acceptable written plan to improve the bank's asset management internal controls", along with a data management and management information systems plan, a financial accounting plan, a written internal audit programme, a "written program to effectively assess and manage the risks posed by third-party relationships" and "a written programme to mitigate information technology asset end-of life risk".

A Comerica spokesperson tells *FinTech Futures* the company takes this agreement "very seriously" and emphasises that Comerica Bank & Trust is "a small, niche national bank separate and distinct from Comerica Bank".

Funding Circle to cut 120 jobs in £15m cost savings drive

Photo: Funding Circle

Small business lending platform Funding Circle is set to axe around 120 roles within its workforce. The strategy, which seeks to create "a simpler, leaner and better positioned UK focused operation", is expected to deliver cost savings of around £15 million by 2025. It will also incur non-recurring costs of approximately £5 million.

In addition to the job cuts, Oliver White, Funding Circle's CFO of four years, will be stepping down from his role and leaving at the end of 2024. He'll be succeeded by Tony Nicol, a former financial controller for IG Group and the company's current director of finance and investor relations.

Funding Circle is also looking to sell its US division. "Whilst the US business offers attractive long-term growth, it also requires a significant amount of cash and capital to grow the small business administration proposition and we don't believe that this is the best course of action for the group," according to the company's founder, Lisa Jacobs.

New challenger bank to launch in the UK, SilverRock

London-based challenger SilverRock Bank has been granted a banking licence with restrictions by the Prudential Regulation Authority (PRA) and plans to open for business this year.

This follows the completion of a £50 million funding round. In development since 2022, SilverRock will first aim to provide "funding as a service" with forward flow financing for non-bank and specialist lenders and building societies. Savings products are planned for early 2025. By 2029, the bank aims to secure a balance sheet of £3 billion.

CEO Alan Jarman claims SilverRock is the first of its kind in the UK to focus on this specific market, worth £250 billion and presenting "the potential for significant expansion".

Visa and Mastercard set to pay $197m to settle US ATM fee lawsuit

Visa and Mastercard are set to pay a combined $197.5 million to settle a historic class action lawsuit in the USA relating to allegations of fixing the price of ATM fees.

According to the filing by the plaintiffs' lawyers last week, the settlement relates to "individuals and entities who were charged unreimbursed access fees to withdraw cash at bank-operated ATMs" since 1 October 2007.

The ATM users represented in the case allege that Visa and Mastercard "agreed, among other things, to so-called Non-Discrimination Rules that allegedly had the effect of increasing the amount of ATM Access Fees paid by the Settlement Class", according to the filing.

The settlement is subject to court approval. Should it be approved, the filing says it will "resolve all of plaintiffs' claims against the Network Defendants and will bring this longstanding and hard-fought case to a close". The lawsuit was first filed back in October 2011. Both Visa and Mastercard have denied any wrongdoing.

Subject to court approval, Visa will pay 53% of the settlement amount, totalling $104.6 million, while Mastercard will pay the remaining 47%, totalling $92.8 million.

The money will be placed in a Settlement Fund and will be distributed among class members who submit valid claims.

The plaintiffs previously secured a $66.74 million settlement with US banks JP Morgan, Wells Fargo and Bank of America in August 2022 as part of the same case, with total recovery now standing at $264.24 million.

For a healthy dose of daily news on all things banking, fintech and payments head over to the FinTech Futures online news section.

Nominations are now open!

Nominations for the **Banking Tech Awards** are open to banks, financial institutions, software providers, teams and individuals from across the world

This year will be our biggest awards to-date as we are excited to be celebrating our 25th anniversary!

The awards ceremony is set to take place on **4 December 2024** and will be held at the fabulous **Royal Lancaster Hotel** in London.

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$100 million

additional penalty to be paid by JP Morgan Chase to an unnamed US regulator over alleged data deficiencies in its trade surveillance programme. The bank was previously hit with a $348 million fine in March after a coordinated investigation conducted by the Office of the Comptroller of the Currency (OCC) and the US Federal Reserve Board (FRB) discovered it had "failed to surveil billions of instances of trading activity on at least 30 global trading venues".

$1.1 million

fine issued to US fintech SoFi by the Financial Industry Regulatory Authority (FINRA). According to the filing, SoFi failed to establish and maintain an effective customer identification programme (CIP) or a written identity theft prevention programme (ITPP) for its SoFi Money unit, which enabled fraudsters to make away with funds totalling approximately $2.5 million.

$190 million

in additional funding secured by UK digital challenger bank Monzo, adding to its initial $430 million raise in the latest funding round in March, led by CapitalG (an independent growth fund of Google's parent company, Alphabet); the additional investment was also supported by a new investor, VC firm Hedosophia, alongside CapitalG and brings Monzo's valuation to more than $5.2 billion.

£85 million

investment secured by GB Bank, a specialist property finance bank based in Middlesbrough, UK, from new backer Hera Holdings and existing shareholder the Teesside Pension Fund. Founded in 2017, the challenger obtained its full banking licence in mid-2022.

$475 million

to be paid by US-based corporate payment solutions provider Corpay for the acquisition of Paymerang, an invoice and accounts payable (AP) automation platform in the US.

$13 billion

hostile takeover bid of Spanish banking giant BBVA for its counterpart Banco Sabadell – a purchase offer to Sabadell's shareholders for 50.01% of the company, after its board of directors had rejected an offer on the same financial terms.

$87 million

to be paid by Turkish paytech Iyzico to acquire Paynet, a fellow Turkey-based firm that focuses on B2B and B2B2C payment solutions, from parent company the Arena Group.

£40 million

investment, spread over the next five years, pledged by JP Morgan Chase in the UK to boost economic growth; £24 million will aim to improve access to job opportunities for young people and underserved communities, while £16 million will help families build "stronger financial futures".

THEY SAID IT…

"Europe's financially excluded have a strong correlation with nations that have not yet experienced the full benefits of digital transformation in banking – or digital transformation more broadly. European governments, businesses and industry organisations all have a role."

Martin Heraghty, regional director Europe, Paymentology

• Read the full article on the *FinTech Futures* website here

EDITOR'S CHOICE

TRENDING

Chime did the crime, now it must pay the fine

US fintech Chime has been fined $3.25 million by the Consumer Financial Protection Bureau (CFPB) for failing to issue balance refunds quickly enough to consumers after their checking and savings accounts were closed.

The CFPB says: "Until 2021, Chime's policy, reflected in consumer account agreements, was to process and mail refund checks within 14 days of an account's closure."

However, the regulator notes that "thousands of consumers waited for weeks or even months for balance refunds" after closing their accounts, claiming that it found "thousands of instances in which Chime did not get refunds to consumers within 90 days".

It claims impacted consumers were "often unable to pay for basic living expenses, and likely had to use or search for expensive credit alternatives, such as credit cards or payday loans".

Chime partners with two FDIC-insured banks, The Bancorp Bank and Stride Bank, to offer financial products, including checking accounts, savings accounts and credit cards, and is responsible for processing account activity, including payments, which it does by contracting with a third-party payment processor.

In a statement, Chime says "the majority of the delayed refunds were caused by a configuration error with a third-party vendor during 2020 and 2021".

"When Chime discovered the issue, we worked with our vendor to resolve the error and issued refunds to impacted consumers. We share the Bureau's goal to create a more competitive and accessible financial landscape that is good for everyday consumers," the fintech adds.

"Our settlement agreement with the CFPB reflects our belief that the timely handling of customer matters is critical, even amid the pandemic's unique challenges."

In addition to the fine, which is to be paid to the CFPB's victims relief fund, Chime is to also pay "at least $1.3 million in redress to harmed consumers".

"Chime's customers had to wait weeks or months for access to their own money and were forced to use alternative funds to cover their essential expenses," comments CFPB director Rohit Chopra.

"Fast-growing financial firms must treat their customers fairly and understand that federal law is not a suggestion," he adds.

Chime was founded in 2012 and is based in San Francisco, California. It is estimated to have about 22.3 million customers, according to a US consultancy firm Cornerstone Advisors. Earlier this year, Bloomberg reported that the fintech planned to go for an initial public offering (IPO) in 2025.

> "We share the Bureau's goal to create a more competitive and accessible financial landscape that is good for everyday consumers."
>
> Chime statement

> "Fast-growing financial firms must treat their customers fairly and understand that federal law is not a suggestion."
>
> Rohit Chopra, Consumer Financial Protection Bureau

How low can SoLo go, asks the CFPB

SoLo Funds, a peer-to-peer (P2P) lending platform in the US, is being sued by the CFPB for "deceiving borrowers about the total cost of loans". The regulator alleges that despite its promise of providing zero-interest loans, the lender had engaged "dark patterns" to see that "almost every borrower pays a fee".

Los Angeles-headquartered SoLo Funds has been operating its community finance platform since 2018, and touted the service as a "consumer-friendly alternative to high-cost, short-term loans", according to the CFPB. The fintech also brokers loans between borrowers and lenders, and encourages users of its platform to pay "tips" to the lender and "donations" to itself.

Despite SoLo Funds' claims that the above fees are voluntary, the regulator challenges this notion, stating the voluntary fees presented to consumers were void of an option for zero.

It adds that consumers who chose not to pay a fee were "unlikely to get their loans funded", and states that of the 540,000 loans provided by the platform up to 31 December 2022, only 0.5% did not include a fee paid to the lender by the borrower.

Up to this date, SoLo Funds is thought to have garnered more than $8 million in "donations" and almost $13 million in lender "tips" through its platform.

Aside from misrepresenting the true cost of a loan, the CFPB also accuses the fintech of "making false threats" against borrowers and leveraging an in-house credit scoring mechanism without the "adequate steps to make sure the data the company gathers on consumers is accurate".

For these proposed violations of the Consumer Financial Protection Act and the Fair Credit Reporting Act, the CFPB is now seeking to sanction the fintech with a civil money penalty and injunction in an attempt to retrieve monetary relief for borrowers.

"The CFPB is suing SoLo for using digital trickery to hide interest and fees on its online loans," comments Rohit Chopra, director of the CFPB. "SoLo has had repeated run-ins with state regulators, and we are putting a stop to their fake tipping scheme."

SoLo claims to have been "blindsided" by the law suit in a statement to TechCrunch, with CEO Travis Holoway stating that "regulators seem driven by press releases when they should be motivated by true consumer protection and empowering equitable solutions".

In its action, the CFPB highlights the growing list of law enforcements and regulatory sanctions brought against SoLo Funds in recent months.

> "SoLo has had repeated run-ins with state regulators, and we are putting a stop to their fake tipping scheme."
>
> Rohit Chopra, Consumer Financial Protection Bureau

These include a lawsuit with the State of California in May 2023 for "misleading disclosures and advertising" and its failure to obtain the necessary state licensing, as well as its settlement with the District of Columbia concerning its "usury limit violations and actions to deceive consumers", actioned the same month.

It also caught the short end of the Connecticut Department of Banking last year when it was ordered to refund all tips, donations, late fees, administrative fees, transaction fees and recovery fees to consumers as part of a temporary cease-and-desist order.

SoLo Funds' troubles continued into December, when The Baltimore Sun reported that the fintech had been served an additional cease-and-desist order by the State of Maryland.

The UK's digital identity crisis

By Dharmesh Mistry

What is the first thing everyone does when they engage online, whether it's accessing a bank account, buying or selling goods, or applying for government benefits?

We have to identify ourselves, either explicitly (for example, via biometric recognition) or implicitly (for example, via delivery address and/or payment details).

Digital identity is the cornerstone of any digital transformation in every country, let alone industry.

According to Statista, India's Aadhaar system boasts 1.3 billion registered users. It works both online and offline, supporting biometric recognition through fingerprints or iris scans. Aadhaar is linked to various government services, enabling users to have bank accounts for receiving and making payments.

The impact of Aadhaar in India cannot be underestimated; as part of a broader digital infrastructure, it arguably makes India a global leader in digital identity.

Yet India is not alone in achieving digital identity adoption rates of over 80%. Other countries with high adoption rates include Singapore (SingPass), the UAE (UAE Pass), Saudi Arabia (Absher), Sweden and Norway (BankID), Estonia (e-Residency), Kenya (Huduma Namba), and Brazil (Cadastro de Pessoas Físicas – CPF). This list is not exhaustive, but it highlights that, regardless of population size, it is possible to roll out digital identity across a country.

In stark contrast, the UK amassed a paltry 8.6 million users for its GOV.UK Verify scheme before it was shut down in 2023 due to a variety of issues. Its replacement, GOV.UK One Login, has yet to be integrated across all government services, which will be key to adoption. It is fair to say that the UK currently has one of the lowest rates of digital identity adoption globally.

As a country, there are a number of reasons why this matters:

- **Missed economic opportunities:** Digital identities can streamline business operations, reduce fraud and enhance customer experiences, driving economic growth. Slow adoption means the UK may lag behind in this area.
- **Inefficiencies in public services:** Effective digital identity systems can significantly reduce bureaucratic inefficiencies, saving time and resources for both citizens and the government. The UK's slower adoption hampers these potential efficiencies.
- **Lag in innovation:** Countries leading in digital identity are often at the forefront of broader digital innovation. The UK risks falling behind in developing and implementing advanced digital solutions.

All of this has a downstream impact on industry. For example, consider the home buying process. Without a digital ID, a home buyer must be identified independently by multiple parties: their solicitor, the mortgage lender and the estate agent selling the property (before an offer can be made). Then again they must be identified by utility companies (water, gas and electricity), the council and services (TV, broadband and so on) when new accounts have to be set up. Typically, this involves sharing a photo ID and proof of address, causing our personal information to be shared with multiple organisations. This alone should put people off buying a house.

Why does this matter? As the world continues to move into industry tech (fintech, agritech, biotech and so on), we will see greater innovation as industries overlap. Embedded finance is a prime example of financial services entering other industries. As Angela Strange at Andreessen Horowitz said a few years ago: "Every company will be a fintech company." In this world, sharing customer data will require sharing customer identity (with customer permission), hence why digital identity is key to digital transformation.

I'm just saying that the UK needs to prioritise and accelerate digital identity adoption not only to compete globally, but to attract and retain talent and industry support. Until now, I never really thought of the UK as a laggard in anything.

Dharmesh Mistry has been in banking for more than 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.

He is an entrepreneur, investor and mentor in proptech and fintech. Follow Dharmesh on X @dharmeshmistry and listen to the Demystify podcast he co-hosts with Dave Wallace.

Reimagining the future of money

By Amnon Samid, CEO, BitMint

In this article, I will discuss a few key misconceptions, concerns and risks related to current digital money designs.

The focus is on central bank digital currencies (CBDCs), non-sovereign digital currencies, stablecoins, payment tokens, asset and deposit tokenisation and other forms of private currencies (all referred to here as 'digital money').

I'll also suggest a few key principles for building a secure, efficient and versatile form of digital money for online and offline use.

Key takeaways

- The idea of digital money is to fulfil the vision of restoring the old way of payment with cash and to fit it for the digital age.
- The main challenge is enabling two parties, human or devices, to trade like cash with no intermediaries and not dependent on a network of validators.
- Protecting privacy is critical for digital money in order to obtain public trust, while also maintaining quantum-grade cybersecurity, resiliency and sustainability.
- Central banks continue to grapple with risk-prone crypto-based CBDCs, ignoring an emerging world of eco-friendly, quantum-randomness-based digital money that is already here.
- Digital money can flourish or it could be a disaster. It's in the hands of decision makers, and you start by choosing the right technology.

A GOLDEN OPPORTUNITY THAT SHOULD NOT BE MISSED

Historically, whenever payment became easier and smoother, commerce flourished and civilisation advanced greatly. It happened when barter was replaced by primitive money, when precious metal became standard money and then again when pre-minted coins replaced scales.

We saw the medieval period end and the renaissance bud up when the first promissory notes became popular and introduced the notion of paper money.

We now face an opportunity to cure a fundamental deficiency experienced by money when most of it became computer handled. Money then lost its identity, which was there when money was physical, and it shrunk to be a number only.

This opportunity opened up after the seminal paper by Nakamoto in 2008, although Chaum brought the buds of the revolution back in 1982, and Samid filed the first comprehensive digital currency patent in 2007.

The advent of digital currency introduced a new financial language that restores identity to digital coins and thereby puts them on a par with physical coins as to the inherent advantages held by banknotes and metal coins, while offering cyber-unique advantages through being subject to cryptographic processing.

PRIVACY, FRAUD AND HIGH COSTS

Among the purposes of digital money are preserving the features of physical cash and especially enabling bilateral privacy payments with no intermediaries, making it suitable for the functions of an effective modern economy.

Apart from the hurdle of lack of privacy in all payment rails, excluding cash, data from McKinsey revealed an average US family lost about 3.78% of monthly income in 2021 through charges by legacy financial services providers.

On top of that, when you pay with a credit card, you give a merchant your credentials in order to conduct a bank transfer. Credentials can potentially be stolen and used fraudulently countless times at the expense of the issuer, so they erect and dictate the deployment of a complex and expensive fraud detection system, which the fraudsters time and again pierce.

That is what the high fees are for. On top of that, merchants add a buffer of 1% or more to the price of their merchandise to account for the overhead created by credit card issuers in the form of chargebacks, and the effective price increase for consumers amounts to at least 4%.

Well-designed cash-like digital coins that are splitable to any denomination only by a traders' device and which also have a unique verifiable identity overcome these privacy and fee hurdles. Customers will pay a digital coin to a merchant, and move money, or any portion of a tokenized asset, from one to another, free of charge, with adjustable privacy.

BEHIND THE SCENES OF CENTRAL BANKS' CBDC EXPLORATION

The most basic need of people, businesses and countries that central banks should fulfil is that money is stable and universal.

You can put your digital money into your digital device, back it up, encrypt it, secure it, be assured that its buying power will not erode, and use it anytime, everywhere.

Central banks should work for us. Currencies are the operating system for an economy. Major central banks claim to be trying to stay at the frontiers of what is going on in digital currency and finance.

However, currently, major central banks are exploring digital currency architectures, both retail and wholesale, that may

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jeopardise the little freedom and privacy that is left.

Under advice and guidance of consulting firms, credit card and banknote issuers, and other lobbyists, they explore architectures that may open the door for bad actors to cause the entire currency system to collapse and for foes to peer inside citizens' sensitive data.

NSA director of research Gil Herrera recently warned about the looming threat of quantum attacks and AI-cryptanalysis that threaten the safe custody of assets and, even worse, could potentially cause the collapse of the entire financial ecosystem.

The idea of selecting different algorithms for each specific component or deploying The National Institute of Standards and Technology algorithms, like Crystals-Dilithium or Falcon, cannot mitigate the risk of national currency collapse. Their security is based only on no published breach, but they have no mathematical proof of efficacy.

"Let's work together, public and private sectors, to grasp the fascinating opportunity to democratise access to finance and to contribute to economic and financial inclusion."
Amnon Samid, BitMint

How can it be fixed?

Currently, the only manner to make CBDCs quantum-safe is by deploying lavish use of quantum randomness, combined with continuous rolling mutations of random algorithms in the transaction protocols, and by deploying Pattern-Devoid-Ciphers, such as the Trans-Vernam family of ciphers, which rely on mathematical proof of efficacy.

FATAL MISCONCEPTION REGARDING OFFLINE PAYMENTS

It's common knowledge that dedicated secure hardware is essential to mitigate risks such as double-spending and unauthorised money creation (counterfeit money) for offline payments. The Swedish Riksbank recently stated that a counterfeit-safe, quantum-resistant offline payment solution is not in reach in the near future.

Other central banks are being lured by technology vendors that promise that their secure elements can prevent distribution of unauthorised money via a cryptographic dialogue between payer's and payee's secure elements.

However, central banks need to realise that it is impossible to prevent distribution of counterfeit coins that are transacted in an offline mode when a cryptographic dialogue is carried out between payer and payee.

This vulnerability relates to most known secure elements/devices, stored-value cards, universal access devices and Tamper Resistant Elements (TRE), such as smart cards, SIM cards, embedded secure elements and so on, that are already being tested for offline clearing and final settlement capabilities.

It derives from realising that any cryptographic dialogue that convinces a payee offline may be emulated by a resourceful counterfeiter.

If you wish to execute payments between two parties in offline mode when there is no internet connection, with no risk of counterfeit money to be distributed by adversaries, you need to have a physical procedure (not cryptographic) that enables a fast, instant, simple and secure (up to being quantum-safe) validation process and payment transaction, with finality of payment.

CLOSING THOUGHTS

Regrettably, policymakers around the world still grapple with risk-prone crypto-based CBDC solutions that could potentially cause every citizen to pay an enormous unnecessary tax, will be vulnerable to identity theft and private data breach and which could cause the entire national currency to collapse.

CBDCs and other digital currencies, asset tokenisation, tokenised deposits and digital payments, will face a multitude of challenges, including operational, security and monetary challenges. They are threatened by new attack vectors including quantum and AI-cryptanalysis.

Only very few central banks decided not to ignore feasible quantum-based technologies as well as quantum-resistant protocols, in which transactions with digital currencies are not relying on one cipher, but on random mutations of the algorithms. A concept that is superior in every way to the existing implementation of currency, legacy and digital, and that will eventually enjoy legal and regulatory clarity, along with mass adoption.

Let's work together, public and private sectors, to grasp the fascinating opportunity to democratise access to finance and to contribute to economic and financial inclusion by equalising and connecting people, and creating trust between strangers, embracing interoperability, advocating digital innovation in sovereign money and in non-sovereign digital currency networks.

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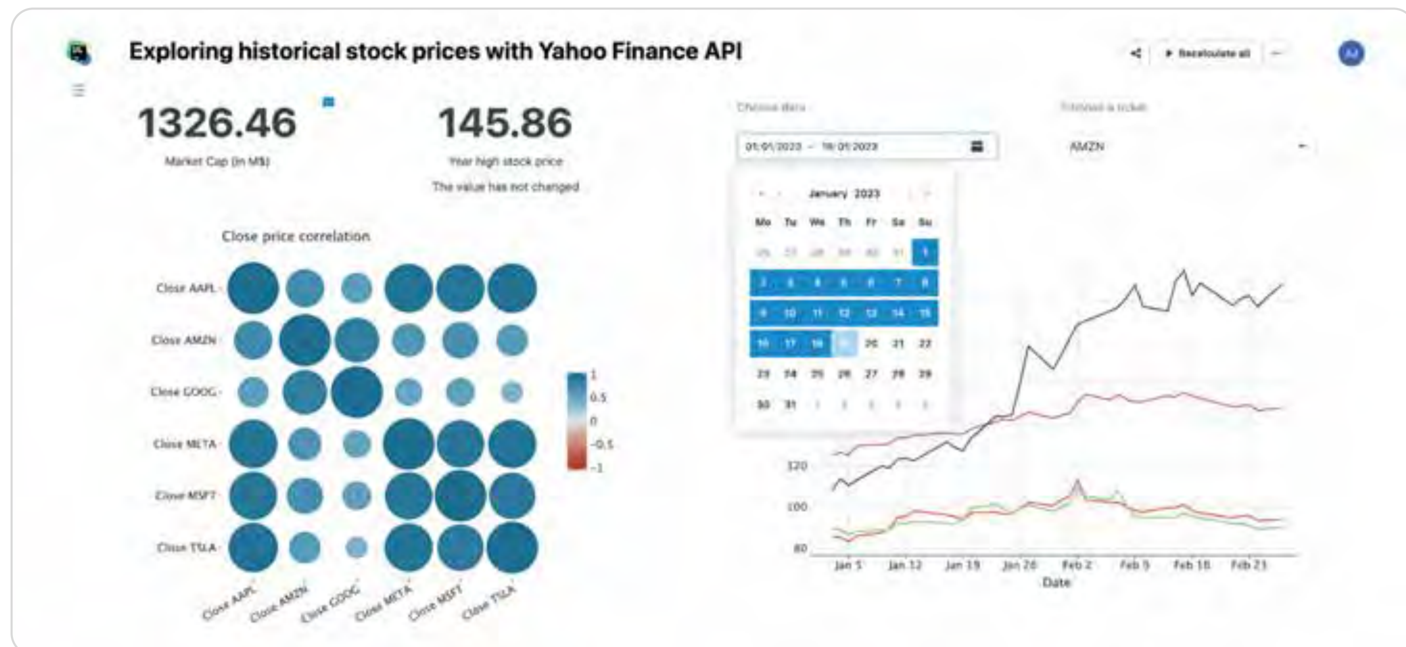

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FINTECH FUTURES | WHITE PAPER

Datalore by JETBRAINS

Bridging the gap between data science and decision-making in financial services

In its latest white paper, FinTech Futures in association with Jetbrains unpicks the challenges that data teams face in dealing with data within their organisations

To stay competitive, financial firms are facing an urgent need to modernise and better apply data science for their decision-making processes.

They encounter several key challenges including achieving efficient communication of data insights, handling large and complex data sets, and boosting team productivity. There is also a pressing need to democratise data accessibility across all company levels, not just for data scientists, and to eliminate inefficient processes in order to spur innovation.

This white paper discusses such challenges and proposes potential solutions to help teams speed up insight delivery, improve collaboration, and enable company-wide data-driven decisions, all of which can secure improved competitiveness in the sector.

Download the free report from the *FinTech Futures* website here!

Taxonomies of courage: ESG metrics and what then?

By Leda Glyptis

ESG is *the* topic right now, isn't it? Some people genuinely, passionately believe in it. Some are just going through the motions, doing the absolute minimum because they have to for regulatory reasons and market optics. Others just talk and hope we won't notice that that is all they intend to do.

We notice, by the way.

We notice that there is a lot of talk. We notice who is saying what. And we notice who is doing what.

And of course talking about things is important because it puts them on the agenda. It is a start, and not talking about things is actually worse.

And keeping the conversation going helps things stay on our radar. I am not against the talking part. I think it is valuable even if it gets noisy at times. When trying to tackle big, complicated topics that touch on everything we do across our economies and lives, the multilateral, multi-faceted, ongoing dialogue is important.

You need the global players at the table. They are the ones who can have the most impact, so without them, we are nowhere.

You need the policy angle.

You need government and regulatory players at the table.

You need to hear the intent and the activity being undertaken. You need to discuss the regulatory frameworks. Understand the taxonomies, the timelines, the expectations. It is helpful to share work undertaken. Challenges faced and overcome. It is helpful to share the thinking and the ambition. Baby steps and grand dreams.

And look.

Sometimes we talk about things as we work through them. I firmly believe that.

I remember doing industry panels around what an API was and why it wasn't the end of the world as we know it.

This was on the main stage at huge events, standing room only. Over a sustained period of time.

It's funny to even say that now.

It's hard to remember a time when this was new and scary to the banking industry.

But in a very recent past, it was new technology for banks and there were technical as well as risk and compliance fears to be overcome. Things to be understood before they could be built. So talking about this new thing while it was scary was part of how it became less scary. That and actually doing things. Talk and activity is how an API-first architecture became part of the furniture now.

That said…

I was also there as we started talking about innovation… and I am here while we still talk about it like it's an abstract thing that can be achieved through a Reverse Voldermort (whereby it materialises if you keep saying its name). With action remaining patchy and inconsistent still and aspiration ranging from the lofty to the barely there.

I sincerely hope ESG will be the former, not the latter.

But I had a moment's pause, and not a good one, while listening to an ESG panel a little while back. One of the biggest asset managers on the planet was saying that they now have a full and granular view of their carbon footprint as a business (in terms of their own operations) *and* across their portfolio.

That is a yay moment.

That is big, because without information, where do you even begin fixing things?

So here he is saying we have the information. And then he went on to say that when you do that work… you quickly realise that a handful of clients, no more than five or six, represent about 80 to 90% of your entire footprint. That is another yay moment. Or is it?

> "I was there as we started talking about innovation… and I am here while we still talk about it like it's an abstract thing that can be achieved through a Reverse Voldermort."
>
> **Leda Glyptis**

If you undertake the fiddly and costly work of assessing your footprint… if you go through the effort… this is the kind of find you want to have: stark.

There is a big arrow and flashing lights showing you which way to go to start addressing this.

There is leverage because if five or six clients have 80 to 90% impact then these are sizeable relationships *that matter*, and relationships that matter provide their own context for ongoing engagement. You can have a conversation, any conversation, when you have a relationship that matters.

It also means that you have the option for a concentrated, demonstrable ta-da! No need for the bitty work of having to make a million small adjustments to eventually add up to material change. You can play in the big leagues.

You can. But will you?

Because depending on who those clients are… or where they are… which jurisdiction they call home and how much their regulators care about this all… what means, tools and mechanisms do they use for measuring impact and do their numbers, perceptions, obligations and appetite tally with yours or will you have to convince them as to the size of the footprint? Or the significance of the cause?

Your concentration is the answer to the unspoken question. And it may also be where the discussion dies.

In Greece, we say, "Bigger boats bring bigger storms at sea". Don't ask me how that works. You'd have thought that a bigger boat would help you navigate the storms.

You'd think concentrated risk would focus the mind. You'd think that if you do all the work to calculate your footprint and find that 90% of it is in one place… or 5… but not 105… the action plan writes itself.

You'd think.

When you set out to measure things, you hope for stark, self-explanatory findings. You hope for numbers that speak for themselves. You hope for an obvious answer.

It is a rare bit of luck to get what you hoped for. To get data that screams the solution at you.

Facts such as these.

What to do next was always going to be a conversation around conviction, materiality, profit and leadership. Knowing what the answer is, it turns out, is immaterial until you are prepared to do something about it.

It always comes down to that, after all.

#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. She is also a published author – her first book, *Bankers Like Us: Dispatches from an Industry in Transition*, is available to order now.

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

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

How UK building societies are finding a digital balance

By Tyler Pathe, reporter, FinTech Futures

Digital transformation across the financial services industry is inherently driven by the ambition to enhance the end-user experience, whether that's the customers themselves or the employees knee-deep in back-office operations in dire need of a little automation.

Financial institutions have been quick to tap the potential of new technological advancements. From high-street firms to nimble neobanks, all have taken their shot at refining various financial processes for the betterment of service delivery and user retention.

However, while larger banks have the financial muscle to test and deploy new technologies, smaller institutions, such as regional building societies, must be more focused and selective with their digital transformation projects to get the biggest return from their investment as they look to keep up with the ever-increasing pace of digital change.

The rise of digital has also resulted in a wider decline in physical bank branches. UK building societies pride themselves on their customer service and community-centred offerings, and so finding a balance between their digital services and physical branch presence is essential to ensure all customer needs are met while maintaining a strong community-focused drive.

MOVING AS ONE

It is estimated that the UK's 43 active building societies serve about 26 million people. Like banks, building societies typically count mortgage lending and savings accounts among their core provision, and like credit unions – a sector that also has an ever-focused eye on digital – they intend to serve a specific geographic area.

One of the foundational differences with building societies is the unwavering focus on their members and their community, an approach inherent to the sector since the founding of the first building society in Birmingham, UK in 1775. A founding father of community-based banking, Ketley's Building Society set the standard for pooling assets and lent heavily on the familiarity of its origins in the country's prolific pub culture to maintain trust among its inaugural members.

In more recent times, this effort to move as one for the benefit of all has culminated in a community-led operating model where members leverage a stake in the building society to direct matters regarding social policy, the distribution of funds, leadership appointments and so on.

While this dynamic serves its purpose effectively for the 26 million people currently subscribed to a building society in the UK, it also poses a string of limitations when it comes to the rise of digital.

Among these are a restricted capacity to trigger a transformation internally with such closely governed capital, and a quite often unique wish list of tailored transformation tools specific to the needs of the sector.

Furthermore, building societies remain a sure pillar of physical banking, and routinely support their presence in the market through a careful balance between online services and brick and mortar branches.

This is evidenced through Newbury Building Society, a mutual building society currently maintaining 10 branches throughout Berkshire, Hampshire and Oxfordshire for its 75,000 members, alongside a suite of online services.

"We're very member-centric and service-driven, but we underpin it with digital as well as the human touch," says chief executive Phillippa Cardno. "The human touch is really important to us and we want to make sure that our members can choose how they want to transact and engage with Newbury."

She explains that the building society, which was founded in 1856, has recently been engaged in a "major upgrade to our core software", and reveals that it first decided to branch out into app-based services five years ago.

The offering, which launched in April, is currently powered through the mobile app solution of French fintech firm Sopra Banking Software (SBS), and supports self-service capabilities for viewing statements, handling deposits and managing savings and mortgage accounts.

Further innovations expected to emerge from Newbury Building Society are to include a product switch service for its mortgage line and mobile-operated deposit transfers in line with the maturing of its payments strategy.

Cardno emphasises that this digital transformation, which has been underway "for a number of years", is centred on "digital complementing, not digital replacing", without the sacrifice of its core values and structure.

She highlights how a significant portion of this endeavour, as exemplified by its extended partnership with SBS, has lent on the capabilities and know-how of third-party vendors, which for Cardno, must "always understand our purpose and align to our values".

"There's no point partnering with an organisation that's more attuned to big banks, which want full automation, AI and the customer experience to be fully automated. That's not our model," she says.

"We're member-based and member-owned; everything we do is for member benefit. So it's important that whatever we're investing in, it is giving us back that member value."

PROVIDING A CHOICE

Unlike banks, building societies operate on a not-for-profit model, which enables more energy to be directed towards actioning member-facing initiatives in a way that isn't solely shaped by the balance sheet.

Many exist in a market niche halfway between the heavyweights of the high street – many of which have been cutting branch numbers in recent years – and the digitally exclusive services of the neobanks.

"We're member-based and member-owned; everything we do is for member benefit. So it's important that whatever we're investing in, it is giving us back that member value."

Phillippa Cardno
Newbury Building Society

This variety in service delivery, if maintained, ensures that building societies are able to provide a standardised set of services via the most convenient channel for their members as possible.

Therefore, any effort to implement digital, as Cardno stated, must complement existing workflows, structures and values, instead of the typical all-ends overhaul induced in other areas of the industry.

Vernon Building Society offers another example of this practice in action. The firm has also led its provision of savings accounts and mortgages for the community of Stockport through a hybrid structure of digital combined with a strong physical branch presence.

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Celebrating its centenary this year, Vernon Building Society exists "to best serve the needs of our over 25,000 members as they want to be served", says chief digital and information officer, Manmohan Purewal. He explains how the building society has adopted a "blended approach" to serving its members, over 70% of whom are aged 60 or above: "A lot of those people value the high-street presence. It's about giving them the choice."

To double down on this valued trait in particular, the building society is currently engaged in a £1.2 million refurbishment of its six branches, which will see a multi-purpose community space installed in its headquarters at street level.

Given its community-driven strategy, the building society remains largely dependent on a close relationship with its members to guide its decision making.

Purewal explains that input on its initiatives is primarily generated through "several feedback mechanisms", including AGMs, online surveys,and feedback delivered directly to in-branch teams.

This approach, he says, is supported by a relationship with UK-based technology provider Mutual Vision, which currently provides Vernon Building Society's line of business software.

Tim Bowen, CEO of Mutual Vision, tells *FinTech Futures* that its ready-made banking platform is tailored to the specific needs of building societies and specialist lenders that might otherwise struggle to build an offering from scratch.

"This lets them compete with larger lenders at a fraction of the cost digital business transformation firms would charge," he explains, stating that the sector's ability to pool their investments in technology "keeps costs down".

Purewal cites Mutual Vision's own ownership structure as a direct attribute of its selection, as the vendor itself is owned by a cohort of UK building societies. "You're not going to get a supplier who understands your business any better than that," he says.

The vendor notably introduced its Mambu-powered "bank-in-a-box" MV Solar platform in May, in an attempt to provide its target audience with tools for loan origination, underwriting and savings, as well as the management of arrears, workflows, payments, regulatory reporting and online services. "We are helping small to midsize building societies and other specialist lenders level the technological playing field with Tier 1 players," claims Bowen.

> "We are helping small to midsize building societies and other specialist lenders level the technological playing field with Tier 1 players."
>
> Tim Bowen, Mutual Vision

MANAGING THE BALANCE

Other examples to emerge from building societies' increasing pursuit of digital this year include Nationwide's partnerships with Auriga and Signly to bolster the accessibility of its self-service channels; Newcastle Building Society's efforts to enhance its workplace flexible benefits programme with Zest; and Nottingham Building Society's deal with Nova Credit in May to enable foreign nationals to utilise their overseas credit history when applying for mortgages in the UK.

Boasting an unmatched market view of these developments at large is the Building Societies Association, a trade association that voices the views of all the 43 building societies currently active in the UK.

Chief executive Robin Fieth tells *FinTech Futures* that "technology is evolving rapidly" amid "considerable investment amongst building societies as they partner with a range of technology firms to benefit their members".

He claims the sector has a particular penchant for "cloud-based systems, with associated modern API connectivity and data management", with a balanced approach in "supporting those members wanting a face-to-face service and those who expect a full digital offering".

"Technological innovations to help manage that balance are increasingly being employed by the sector with a real focus on the end customer," he says.

If banks are to cut a single takeaway from the digital transformations of building societies, it should be the resounding message that all and every effort towards innovation should be shaped with the end-consumer in mind.

Digital capabilities can, and continue to, elevate the market status of early adaptors to new heights. But they are also capable of widening existing cracks between firms and their customers should they fail to align with the innermost wants and needs of the intended first line of users.

Building societies continue to put customer service and community focus at the forefront of their strategies as they adapt to the increasing pace of digital change, and ensuring customers have the choice between physical and digital banking remains key.

Making financial services child's play

By Dave Wallace

As a fintech enthusiast, I keep my eyes open for ground-breaking ideas.

I look for innovators who obsess about a problem they have seen or experienced and fuse this with the latest technologies and trends to create new customer propositions that deliver something different.

My vigilance is sometimes rewarded.

I recently sat down with the team behind a new venture called Sunshine+Kittens, which is taking a new approach to an old problem exacerbated by digital technology.

Financial literacy and our relationship with money are becoming more problematic. From the moment our conscious life begins, what most people learn about money and finance can be written on the back of a small envelope. There is little, if any, formal education at school. This lack of education means that people learn by trial and error and snatched moments of education from family and friends.

As money has moved from analogue to digital, this problem has worsened. Very few children benefit from real money dropping into real piggy banks. Increasingly, children will have zero experience with physical cash, which used to be crucial to understanding the value and management of money.

It is an issue I ponder but have done nothing about.

However, the founders of Sunshine+Kittens, Charles O'Neil and Paul Jason, are fathers with young children who are busy launching a service to address these issues. They worry about the problems I have outlined above and believe that finance is getting increasingly complex.

Charles and Paul had many conversations about the issue, trying to identify and summarise the problem statement in a brief to themselves. For most, that's where the process would have stopped – nice chats over beers.

But in a chance conversation, Charles's son introduced the duo to a name: Sunshine+Kittens. This quirky name turned out to be the key that suddenly unlocked everything for the duo.

As often happens in a creative process, an insight or creative thought can mean everything suddenly drops into place. The name gave shape to the conversations, and Charles and Paul decided to launch a finance app targeted at children that was laser-focused on the educational aspect of the experience.

They were joined by some others, including Jonty Nuttall, a technologist with vast knowledge of natural language platforms and AI, and Jake Lunt Davies, a designer with a long, distinguished career in the Star Wars universe, whose designs include the beautiful and iconic BB8.

Looking at the competition, they felt what was on offer looked like traditional banking simplified for children. These bank standard transactional interfaces lacked the critical things they felt were needed: an exciting interface, AI-served content and interactivity, with hyper-personalised features for each child designed to bring them back repeatedly. From what they could see on the various review sites and in the research they undertook, while parents seemed to like the control, the kids responded: Meh!

They decided that creativity and technology would be at the heart of the experience. Jake was tasked with designing a character that could be personalised to each customer and act as a guide, mentor and springboard into the world of Sunshine+Kittens. Obviously, an account has to be set up and administered by a parent or guardian, but it's there to support the user's journey to money wisdom.

With a background in digital product design and user experience, Paul told me how the team began by focusing on what would encourage kids to engage and return to learn.

"With the current fintech solutions offering little more than a veneer of kids-centric appeal, we focused on placing the child central to every design decision and function within S+K. We have an aggressive and long product roadmap to achieve one of our founding principles: helping kids have better life outcomes," he says.

Key features of the service include:

- **A vibrant interface:** The interface is designed with the child at heart. Visually appealing, relevant and designed to capture their imagination, it has been inspired by the likes of Teen Titans and Spider-Man into the Spiderverse.
- **Rewards system:** Incentives for completing chores and homework will be a feature. Parents can set tasks and children can earn rewards, fostering a sense of responsibility and accomplishment.
- **Interactive learning:** The app will include tasks and challenges delivered creatively, including helping children learn entrepreneurial skills.
- **Personalised experiences:** Using AI, the app will offer a personalised curriculum tailored to each child's learning style and pace, ensuring that every child gets the most out of their interactions with the app.

Charles says: "We are well into the development of the UI and back end, along with a key partner, SaaScada. We have a growing number of potential customers signed up, and we will be announcing a launch date in the next couple of months."

He cites SaaScada's strong core banking credentials, flexibility and real-time data features as crucial reasons for its selection. Charles has a history of running compliance technology programmes for a global investment bank, so needless to say, the app is being built with compliance top of mind.

I asked about research with their target audience. It's easy to get carried away by ideas (no dancing dads and all that). The target audience's opinion matters. They have developed a panel in conjunction with local primary schools and found that children love it.

When talking to the team, the sense of higher purpose is evident – the genuine desire to do something good. They know that rehashing traditional ways of doing things won't cut it with this digital-native younger audience. It has to be done differently.

Charles and his team are committed to making a social impact by improving financial literacy and addressing financial inequality.

Jonty highlights the potential dangers of financial products such as buy now, pay layer (BNPL). Without proper understanding, these can lead to significant phantom debt and financial mismanagement issues for young people.

It's fantastic to see fintechs such as Sunshine+Kittens aiming to equip children with the knowledge and tools to navigate these challenges effectively. And it's great to see they started with a creative idea, not the balance screen of a bank account.

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 X @davejvwallace and listen to the Demystify podcast he co-hosts.

What are the strengths, weaknesses and concerns around open banking?

By Ouliana Smith, senior research analyst, Omdia

I think it's time to take stock of open banking. Like most areas of fintech, with open banking, there is a key focus on how to bridge the gap between the promise of the technology and the commercial reality of running a business.

As such, there is a lot of focus on how banks and fintechs are approaching open banking in terms of their business models and, by extension, how they are intending to generate a sustainable margin of profit from the technology.

At Omdia, we've done a lot of work examining participants in the sector that are finding use cases that offer a compelling revenue model.

HOW ARE BANKS PREPARING FOR THE OPEN BANKING REVOLUTION?

In Omdia's tracking data for financial services and banking technology, we are closely following the development of open banking around the world.

Our Banking Software Contracts Analytics Tracker shows open banking was the third most popular area of focus among core banking deals tracked between 2021 and 2023, with a total of 109 deals. This reflects the growing importance of core banking system upgrades among banks in facilitating open banking-like services.

Our Banking Software Contracts Analytics Tracker also shows that the most contract deal activity in this area is coming from smaller banks, with legacy and major institutions making fewer commitments of capital in the area.

One could infer from this that smaller banks feel that open banking offers a route to rapid scaling in an era when capital-intensive growth tactics are no longer available.

THE STRENGTHS: AN EVOLVING INFRASTRUCTURE

As noted in Omdia's Market Landscape: Open Banking report, over the years, open banking has evolved alongside modern infrastructure, with a growing number of fintech companies attempting to offer a full range of banking services.

One such example is OpenPayd, a Banking-as-a-Service (BaaS) platform, which offers a range of banking and payment services to both financial and non-financial institutions, allowing them to embed financial services through a single API. The services are supported by a global network of licences covering IBAN, open banking, electronic money accounts, FX conversion, international payments, card processing and debit cards.

> "Open banking has evolved alongside modern infrastructure, with a growing number of fintech companies attempting to offer a full range of banking services."
>
> Ouliana Smith, Omdia

Others, like Nuapay (recently acquired by GoCardless), act as outsourcing partners for banks, payment service providers and corporations. Their services can be integrated with popular software packages to support account-to-account (A2A) payments utilising open banking.

Meanwhile, some companies are focusing on serving the needs of specific market niches. For example, Prommt's payments platform offers a solution that accepts both card and open banking payments, which is integrated with major payment gateways and enterprise systems in the hospitality, automotive and luxury retail sectors.

All of these are examples of innovative use cases that are emerging where the value of open banking makes sense. The focus then needs to be on raising consumer awareness, boosting the consistency of experience and improving conversion rates.

THE WEAKNESSES: USER EXPERIENCE

Although new and innovative payment options have emerged utilising open banking as an alternative to traditional payments such as card, cash and ACH, adoption has been slower than anticipated.

This is in part due to an inconsistent and unreliable user experience with open banking payments that does not incentivise consumers to change behaviour, suggesting urgent investment is required to enhance the customer experience.

A recent APImetrics report on UK open

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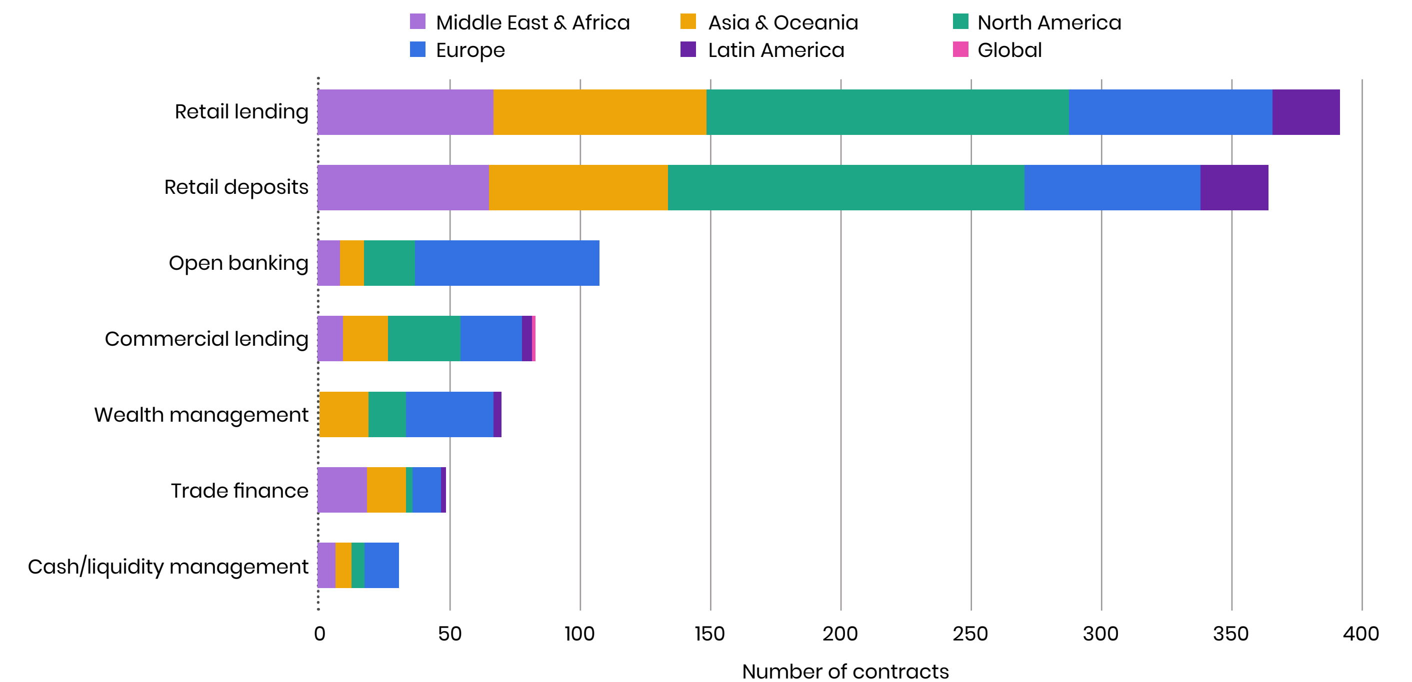
Number of core banking software deals by sub-system area, 2021–23



Source: Omdia

banking API performance in 2022-23 found there was a 6x difference in total latency between the fastest and slowest banks, which is a big barrier to the universal adoption of open banking payments.

As the digital economy becomes increasingly prevalent, digital identity is an area that will continue to gain increased attention in the context of open banking and, subsequently, open data, enabling product pathways to move much closer to being seamless.

This will require a much broader range of data than open banking can provide, and it will be interesting to see the practicalities of how open banking data can be combined with other forms of data, particularly as consumers in the UK have both the facility to request what data an organisation holds on them as well as the right to be 'forgotten', in terms of data deletion.

These are interesting practical and organisational issues for the future of the open data economy, and there is as much risk as there is opportunity.

THE CONCERNS: CONSUMER PERCEPTION

Although the regulatory framework is evolving to address some of the challenges around standards and security, consumer perception of open banking remains at low levels.

Some consumers may be wary of allowing their financial data to be accessed by third parties due to concerns about privacy and security. And with increased data sharing, there are also growing fears about cyber threats.

With any technology, consumer confidence is absolutely key in determining adoption, and any potential missteps can result in a perfectly good technical solution becoming commercially unviable. Unless and until there is standardisation, the mismatch between systems will create both opportunities and challenges in the open banking landscape.

The open banking industry has been searching for a way to drive adoption so that they can take open banking from a growing but still niche part of the finance industry and demonstrate traction to investors.

All kinds of good use cases are emerging, and they need to be in the vanguard of technological rollouts. The industry must look beyond the pure technical capabilities and ensure that the technology is serving the strategic needs of consumers as well as institutions.

Ouliana Smith is a senior research analyst in Omdia's Enterprise IT Financial Services Technology team and has ten yearsof experience in financial services. Since joining Omdia in 2022, she has focused on digital transformation in retail banking and fraud solutions with a strong interest in alternative payments. Follow her on LinkedIn @oulianasmith

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FINTECH FUNDING ROUND-UP

Félix Pago, a chat-based platform for Latino workers in the US to send money abroad via WhatsApp, has raised **$15.5 million** in a Series A funding round.

The round was led by Massachusetts-based VC firm Castle Island Ventures with additional support from previous backers including Switch Ventures, HTwenty, MELI Capital and Contour.

Founded in 2021, Miami-based Félix enables remittances to Mexico, Guatemala and Honduras. It reportedly plans to enter the markets of El Salvador and Nicaragua next, followed by Colombia and the Dominican Republic, and eventually the rest of Latin America.

Users can text Félix via WhatsApp to start an instant money transfer, which can be deposited directly to a bank account or withdrawn in cash in participating stores.

Solutions by Text (SBT) has bagged **$110 million** in fresh growth financing. The round was co-led by US-based global private markets investment firm StepStone Group and Edison Partners, a growth equity investment company. In addition, Stifel Venture Bank, a division of Missouri's Stifel Bank, has provided a lending facility.

Founded in 2008 and headquartered in Dallas, US, SBT claims to be the world's first "FinText" firm, offering the consumer finance sector a platform which combines messaging and real-time embedded payments services. SBT says it will use the money to expand its AI and payments capabilities and seek "inorganic opportunities" for growth.

Relay, an online business banking and money management platform based in Toronto, Canada, has raised around **$32.2 million** in a Series B funding round. The round was led by Bain Capital Ventures and supported by existing investors BTV, Garage and Tapestry, with new participation from Industry Ventures.

Founded in 2018, the Relay platform supports online current accounts, the issuance of up to 50 virtual and physical Visa debit cards, ACH transfers and payment collection tools, among other services.

The start-up says its business clients tap the service 13 times a month on average, 40% of whom rely on Relay as their primary banking platform and interact with the platform daily.

Fintech start-up **Majority**, which offers a mobile banking platform for migrants in the US, has raised an additional **$20 million** through its latest funding round. This fifth round of funding was comprised of $12.5 million in equity and $7.5 million in debt. It was led by "a group of seasoned fintech founders".

These include Klarna co-founder Victor Jacobsson, Hjalmar Winbladh of Ark Kapital, and Izettle co-founders Magnus Nilsson and Jacob de Geer, with follow-on investment from venture capital firms Avid Ventures, Valar Ventures and Heartcore Capital.

Majority has now raised more than $90 million in equity since its founding in 2019.

For $5.99 a month, Majority provides checking accounts and debit cards, retail discounts, and international calling and money transfer services.

It says it currently generates $40 million in annual recurring revenue (ARR) and receives $200 million in new deposits per month.

UK-based **Vitesse** has raised **$93 million** in a Series C funding round to support its ambitions of tapping the "significant growth market" of the US.

US investment firm KKR led the round through its Next Generation Technology Growth Fund III, with Patrick Devine, KKR's managing director, joining Vitesse's board of directors. The round also saw participation from German venture capital firm Hannover Digital Investments and other existing investors.

Founded in 2014, Vitesse provides treasury and payment solutions for the insurance industry and claims to have facilitated more than $10 billion in payouts through its payments network to date.

To lead its US endeavours, Vitesse has appointed former 10x Banking chief Curt Hess as its new US executive president. With 15+ years of experience, Hess also previously was CEO of Barclays' US consumer bank and VP at Citi.

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Aeropay, a business payment solutions start-up based in Chicago, US, has secured **$20 million** through a Series B funding round, led by fintech venture capital firm Group 11, and supported by Chicago Ventures and Continental Investment Partners.

Claiming to have experienced "10X revenue growth" over the last year, while also tipping into cash-flow profitability in Q4, Aeropay says it will use the funds to tap new markets, citing a specific focus on financial services, wellness, utilities, quick service restaurants and property management.

In tandem with the funding announcement, the company has unveiled its new "homegrown bank aggregator" named Aerosync. This aggregator integrates with its API-driven platform launched in 2018 that facilitates account-to-account (A2A) payments for businesses.

Swiss neobank **Alpian** has raised **CHF 76 million** ($83.5 million) in a Series C funding round.

The round includes a CHF 40 million ($44 million) investment led by Fideuram, the private banking and wealth management unit of Italian banking group Intesa Sanpaolo, supported by other existing investors. This investment will see Fideuram become the majority shareholder.

Alpian was incorporated in October 2019 and incubated by banking group REYL Intesa Sanpaolo.

Alpian says its client assets "rapidly nearing CHF 100 million" and its client base doubling "to several thousand" during Q1 of this year.

Digital lending platform **Blend Labs** has received a **$150 million** investment from US-based private equity firm Haveli Investments. The investment was delivered through a purchase of the platform's Series A convertible preferred stock – with no fixed dividend payments – with the option to convert to Class A common stock at an initial conversion price of $3.25 per share. Blend says the majority of the investment – $145 million – will be put towards repaying all amounts payable under its existing credit agreement.

Founded in 2012, the cloud-based platform enables banks, fintech and credit unions to digitise consumer banking workflows with a specific focus on mortgages, credit cards, deposit accounts and other forms of lending.

Blend's last raise was in 2021 – a $300 million Series G. It also acquired Title365, a title insurance and settlement services, that year for $422 million. Blend had $156.8 million in total revenues last year.

FintechOS has completed a **$60 million** extension to its Series B funding round (which took place in 2021 and raised $60 million), led by BlackRock, Cipio Partners and Molten Ventures, with participation from existing backers EarlyBird VC, Gapminder VC and OTB VC.

Founded in 2017, FintechOS provides a low-code platform to help financial services firms with their core modernisation efforts. It claims 50+ clients globally, including Admiral, Avant Money, Société Générale and Vibrant Credit Union, and says it's on track to break even this year.

Texas, US-based paytech **Forward** has secured **$16 million** through a seed funding round co-led by Elefund, Commerce Ventures and Fiserv.

Founded in 2022 by former Fiserv partner solutions head Brandon Lloyd, it works with Software-as-a-Service (SaaS) firms to increase their revenue by "two to three times" through the integration of payments as a product.

"We believe many software companies who have 'integrated payments' should be generating greater revenue from these products, and Forward is here to help them do that," states Lloyd.

Commenting on the investment, Dan Rosen, Commerce Ventures' founder and managing partner, says that Forward has "built a product that will re-define the category, and have empathy and passion for helping SaaS companies succeed in their payments journey".

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!

PODCAST

Tune in to the Dave & Dharm Demystify podcast

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MOVERS AND SHAKERS

Suavek Zajac

UK digital bank **Tandem** has hired former Railsr head **Suavek Zajac** as its new CTO. Zajac brings nearly 25 years of experience in the technology sector, with a background in leading tech teams at companies such as Grand Parade, William Hill and Dell. His most recent positions include serving as CTO for Blackberry and UK-based fintech Railsr.

Launched in 2014, Tandem offers its environmentally conscious clients a range of "green" products, including mortgages, home improvement loans, motor finance and instant access and fixed-rate savings accounts.

Canadian payments processor **Nuvei** has hired Stripe's former head of payment methods, **Gang Wang**, as its new CTO.

Wang has been tasked with leading the fintech's global technology team with Max Attias, who transitions to the role of CIO at Nuvei after almost six years as CTO.

Prior to joining Stripe in 2021, Wang spent over 13 years developing architecture and systems for US financial software provider Intuit, rising to the position of VP engineering fellow.

Nuvei is in the process of being acquired by a US private equity firm, Advent International, for $6.3 billion.

Moneythor, a Singapore-based provider of personalisation solutions for financial institutions, has appointed **Martin Frick** as its new CEO. The fintech's co-founder Olivier Berthier is to transition to the role of chairman.

Previously, Frick co-founded and acted as CEO at Singapore-based software developer Force For Good, and has previously held positions at Temenos and Avaloq, where he served as managing director of the APAC region for both companies.

Freetrade's CEO and co-founder, **Adam Dodds**, has announced his departure after eight years at the helm of the stock trading app. Viktor Nebehaj, the firm's COO and co-founder, has assumed the CEO role.

Founded in 2017, Freetrade claims to service 1.5 million retail investors with access to more than 6,000 stocks and exchange-traded funds (ETFs).

Lemonway, a payment services provider based in France, has appointed **Céline Bayer** and **Nicolas Vigier** as CTO and CFO respectively. Bayer was previously CTO for AI surveillance software firm Veesion and payment infrastructure firm Mangopay, after heading technology project orchestration for French sports newspaper L'Equipe.

Vigier previously served as CFO for merchant payment solution Payplug and Dalenys Payment. Prior to this, he spent eight years within the finance department of payment acceptance and services provider Ingenico Group, and ascended to the position of CFO of its enterprise business line in 2018.

Paymentology, a UK-based issuer-processor, has appointed **Tim Joslyn** as its new CTO, succeeding interim CTO James Letley.

Joslyn brings over 25 years of experience in the fintech space, building and exiting a number of B2B and B2C companies. Among them is Pollinate, which specialises in merchant acquiring, co-founded by Joslyn in 2017.

Prior to joining Paymentology, he had a one-year stint at UK-based insurance broker Superscript, serving as the firm's chief technology and operating officer.

R&T Deposit Solutions has appointed industry veteran **Mieko Shibata** as its executive VP and CIO. She joins from Bank of America, where she held a number of tech leadership roles.

Shibata also held senior roles at industry heavyweights such as Morgan Stanley, JP Morgan and the Depository Trust & Clearing Corporation (DTCC).

Digital payments infrastructure firm **PPRO** has appointed industry veteran **Bronwyn Boyle** as its new chief information security officer (CISO).

Boyle brings over 20 years of expertise across fraud prevention, cybersecurity and regulatory compliance. She has previous experience working at industry heavyweights including IBM, Barclays and Lloyds Banking Group, and was also previously CISO at Software-as-a-Service (SaaS) cloud core banking vendor Mambu.

Most recently, Boyle spearheaded TSB Bank's security transformation and AI enablement initiatives.

Traydstream, a UK-based trade finance technology provider, has appointed **Stephan Hufnagl** as its new CTO.

He brings 20-plus years of industry experience in cloud architecture, business strategy and engineering, and is to join directly from Microsoft, where he was most recently director of technical specialists and oversaw the analytics, data and AI teams.

He also spent several years at Google, finishing his tenure as the data analytics practice lead for Google Cloud in the EMEA region.

For more news on appointments in the industry, head to the Movers and Shakers section of the *FinTech Futures* website.

"WORKING AT THE EDGE"

Cartoon by Ian Foley

The debate about where to place computing intelligence – either at the centre or the edge of a network – has gone on for over 50 years. With the advances in machine learning, this debate has shifted to what level of localised control should be allowed by TinyML. TinyML is a type of machine learning that allows models to run on smaller, less powerful devices, which only take up a small footprint.

Example TinyML use cases are predictive maintenance, image traffic optimisation, noise monitoring and other services that can run locally on distributed sensors and cameras without needing to take direction from a central database.

Consumer use cases today include keyword spotting in voice technology solutions. For example, when we call, "Hey Siri…", a TinyML function with low battery/intelligence usage wakes up the central database.

However, some of the challenges of TinyML include the fragmented hardware environment and working out how to get different devices with TinyML to work together.

One area that might prove instructive to this issue is how ants organise – making localised decisions and using antenna touches to communicate with each other.

According to Professor Bernd Meyer from the University of Monash in Australia, ants "make quite complicated decisions without the help of a logistics expert". He adds: "The way ants organise themselves can give us insights into things like better traffic flow management and factory floor optimisation."

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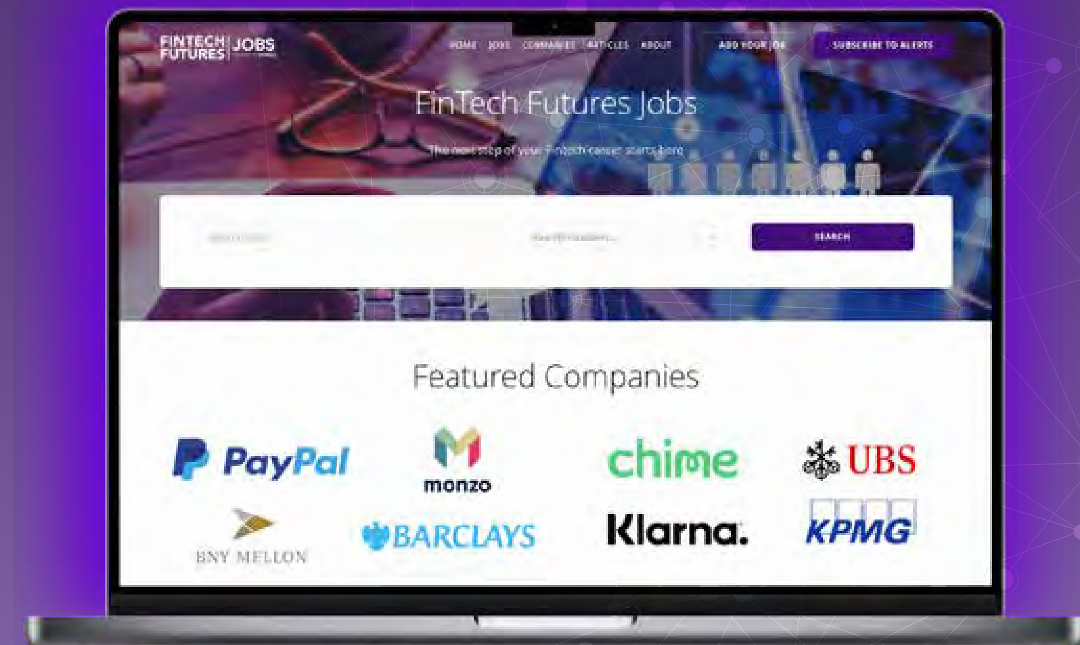

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