POWERED BY **FINTNEWS**.COM

THE FINTECH TIMES

| THE WORLD'S FINTECH NEWSPAPER | THEFINTECHTIMES.COM | #15 | SEPTEMBER 2017 | £2

The key steps to comply with new EU regulations

Insurance trend map: massive seismic shifts

CEO Interviews: insights from Fintnews

MIND THE MIND GAP

What corporates and startups must do to assure successful collaboration

It used to be that experts and commentators enjoyed weighing-up whether startups were more 'disruptors' or 'collaborators' for traditional business. That's all now dead and gone. Today's startups are both innovative disruptors - primed for collaboration with the mainstream big-time brands, if it gives them a way into markets and investment. However, both the startups and brands could benefit from 'Minding The Gap' – and take steps to close it.

In today's investment era, itself a facet of the rapidly changing face of global business, a new trend is setting the pace, one in which collaboration and partnerships determine success. On a industry-wide level, this involves all stakeholders, from regulators to startups, and the localised can only underscore the necessity of cooperation between established brands and the startups driving innovation. In reality, it's collaboration that prompts fresh ideas, provides them with markets and customers, and opens doors to capital.

See page 3

News & Updates

Fintech Hubs: London is still Number One. Regardless of Brexit. For now.

London has long been heralded as the financial technology capital of the world. Even though "Brexit" has been hanging over the city like a dark, thunderous cloud, London still retains its title as the number one fintech hub.

London's fintech industry enjoys strong backing from venture capital investment with access to liquid capital markets.

During 2016, £936m was invested in UK fintech and £820m of that related to London alone. Although this is slightly down from the 2015 figures, it still towers over 2014's figure of £620m. Three of London's top fintech startups received a combined total of $210m in investment during 2016. According to the EY FinTech Adoption Index 2017, the UK's fintech adoption rate is 42%, well above the global average of 33%. Furthermore, FinTech City's annual FinTech50 guide shows that more than half of the top fintech companies call London home (31 in 2017, compared to 29 in 2016).

A lot has been said about Brexit and how the UK's decision to leave the EU will be the deathblow to London's fintech dominance. However, at least for now, it would seem that the UK's fintech industry is just keeping calm and carrying on.

HELLMANN'S TEAMS UP WITH STARTUP QUIQUP TO ENGAGE WITH A NEW MILLENNIAL AUDIENCE

Global dressings brand, Hellmann's, has partnered with on-demand delivery startup Quiqup to deliver fresh ingredients to consumers at the click of a finger.

Established through Unilever Foundry, Hellmann's is working with Quiqup to launch on-demand recipe delivery via the Quiqup platform and app. The service allows consumers to choose their favourite recipe and get the fresh ingredients delivered to them directly within an hour.

The innovative partnership is an opportunity for Hellmann's to engage with its consumers in a new way and take advantage of the growing trend of consumers buying goods on impulse.

The partnership came as a result of Unilever Foundry, a global platform for startups to collaborate with Unilever's 400+brands. Unilever Foundry has been an entry point for innovative tech companies for over three years, piloting over 100 startups with Unilever brands.

Joanna Allen, Global Brand VP for Hellmann's, commented:

"We're very excited about this partnership. By offering consumers the opportunity to directly shop the Hellmann's recipes, we free up consumers' time to focus on what they enjoy most - the pleasure of eating great tasting food."

For more information on the partnership please visit: https://quiqup.com/hellmanns

To find out more about startup collaborations with Unilever Foundry please visit: https://foundry.unilever.com

P2P Lending Levels Continue To Rise

The latest OFF3R Index data revealed that peer to peer lending levels continue to rise in the UK. The data shows over £1.8 billion was lent in the first half of 2017 by the nine platforms that make up the Index. This figure represents an increase of over £350 million from the previous half year period at the end of 2016 and an increase of over £600 million for the same period in 2016.

The half yearly figures were boosted significantly by the fact that over £330 million was lent by the platforms in June. This represents the highest amount lent on a month-by-month basis since the OFF3R Index started in 2016. The figures follow the announcement last month that the first half of 2017 was also a record breaking period for the equity crowdfunding sector.

These are very positive results for an industry that continues to benefit from the current low interest rate environment. Another milestone was also reached last month, when Ratesetter announced that they had lent over £2bn as a platform.

ENTRIES NOW OPEN for NTT DATA's Open Innovation Contest 2018

NTT DATA is excited to announce that entries are now open for its 7th Open Innovation Contest. The competition invites startups from across the globe, in the fintech community and beyond, to submit ideas that overcome specific societal challenges.

Regional contests will be held at 15 locations worldwide, with each heat's winner earning their place at the Grande Finale in Tokyo early in 2018. The contest's overall winner will then receive business development support from NTT DATA over a three month period to help make their idea a reality.

NTT DATA UK will host the London heat with Innovate Finance at Level39 in Canary Wharf. This follows a successful event earlier this year with over 400 entries and ideas ranging from payment systems to new applications for drones. The deadline for this year's submissions is 10th October 2017 and the competition is expected to be fiercer than ever. In addition to participating in the Grande Finale in Tokyo, the UK finalist will earn a year long membership to Innovate Finance.

ClimateCoin – The New CO2 Token To Fight Climate Change!

ClimateCoin, is a new cryptocurrency created for climate change action. ClimateCoin has announced the launch of its "CO2" Token Sale. Following the organisation investing in companies that fight climate change, users will receive a percentage of the accumulated benefits.

The Organization will become a sectoral investment fund focused on companies that fight climate change and generate carbon credits. ClimateCoin is being advised by the United Nations in order to select the projects that meet the carbon credits criteria. The ClimateCoin team aims to provide any citizen in the world with a unique mechanism to participate in the fight against climate change, as currently only governments and large Private/Public Organizations are have the capacity to be able to do something about it.

THE FINTECH TIMES

PRINCIPLES

- To deliver fintech opportunities and solutions to mainstream audiences
- To identify social, economic, political, and cultural problems
- To explore potential tech enabled solutions
- To bring stakeholders together to develop those solutions

THE FINTECH TIMES

Published by Disrupts Media Limited
10 Finsbury Square, London EC2A 1AF
E: newsroom@fintnews.com
thefintechtimes.com

Editors:
Kate Goldfinch
Katia Lang
Bird Lovegod

Assistant Editor:
Josie Ball

Designer:
Lisa Wade

Images:
LinkedIn
shutterstock.com
pixabay.com

Copyright The Fintech Times 2017. Reproduction of the contents in any manner is not permitted without the publisher's prior consent. "The Fintech Times" and "Fintech Times" are registered UK trademarks of Disrupts Media Limited.

A Slice Of Disruptive Collaboration Pie

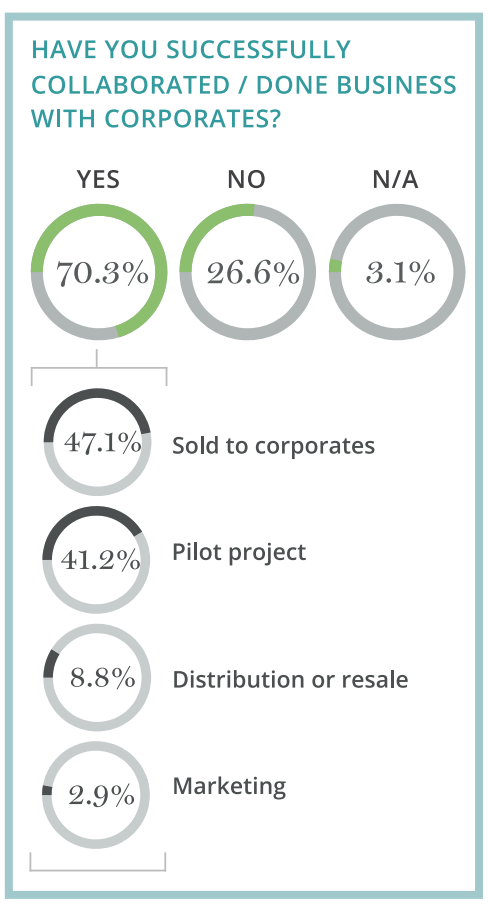
Continued from page 1

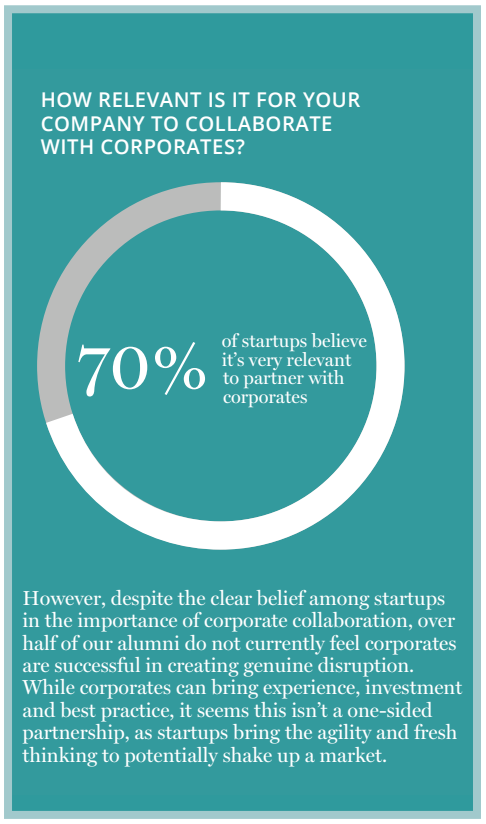
Kate
GOLDFINCH

Editor of The Fintech Times

USEFUL COLLABORATION

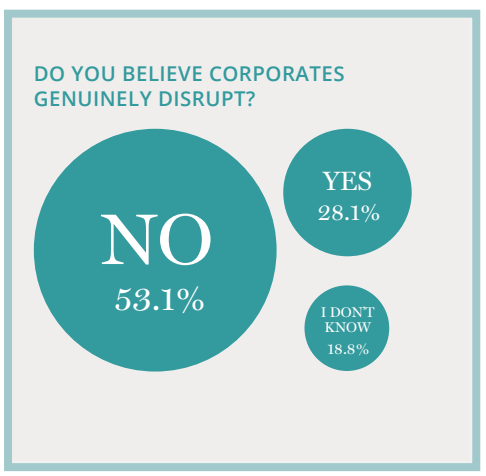
Numerous research projects conducted by global innovation hubs highlight the huge importance of partnerships between corporations and startups. According to Startupbootcamp's research 'Collaborate to innovate' from 2017, in which about 350 global businesses were surveyed and 6 leading global corporations interviewed (Cisco, ING, Intel etc.), up to 70% of the surveyed startups said it was very useful to collaborate with major brands and around 50% of them were sold to large businesses





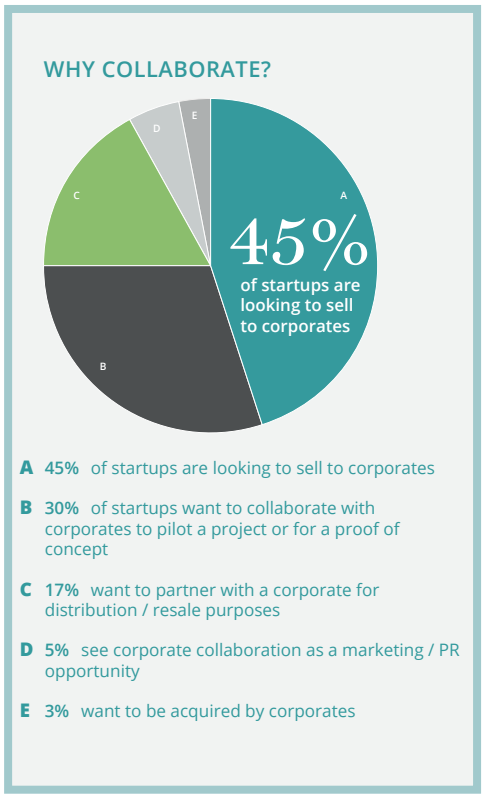
Source: Startupbootcamp 2017 research 'Collaborate to innovate'

It is interesting to note that more than 50% of the startups do not believe in real disruption by large businesses



Source: Startupbootcamp 2017 research 'Collaborate to innovate'

For 45% of them the basic motive to collaborate would be a sale of a company or idea to established brands, for 30% of the startups the key motive would be mutual implementation of pilot projects, and finally for 17% it would be an opportunity for distribution or re-sale of an idea



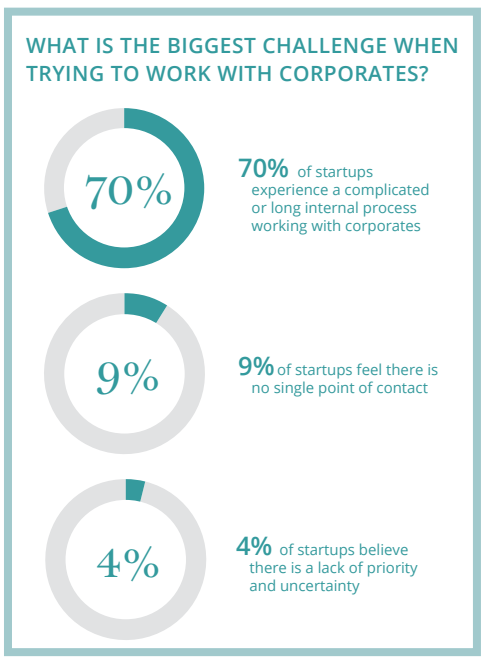
Source: Startupbootcamp 2017 research 'Collaborate to innovate'

> **More than 50% of the startups do not believe in real disruption by large businesses**

Speaking of serious challenges in collaborating with major brands the startups noted the following

1. Complicated and long internal process working with corporates (70%)
2. No single point of contact (9%)
3. Lack of priority within corporations and the uncertainty factor (4%)

Half of the surveyed startups faced a situation whereby entering into a



Source: Startupbootcamp 2017 research 'Collaborate to innovate'

Continued on page 4

A Slice Of Disruptive Collaboration Pie

collaboration agreement with corporates took longer than 6 months, and 60% of them had to make more than 10 calls and emails to get in contact.

Source: Startupbootcamp 2017 research 'Collaborate to innovate'

KEY PROBLEMS AND EXPECTATIONS

In order to look deeper into how startups and corporates view the problems and opportunities of collaboration, and exactly what kinds of collaboration they believe would give the best results, *The Fintech Times* carried out its own research. The answers corporations and startups gave (a selected few responses are given on the following pages of the Cover Story) form the basis for the following conclusions:

From the corporate viewpoint:

1. Collaboration with startups is of critical importance to corporations. From a corporate culture viewpoint, it resuscitates their ongoing ways of doing business, activates corporate teams, and prompts the formation of new kinds of business thinking.

2. Start-ups have deep-rooted expertise in technologies and market needs, which makes partnership with them of crucial value when it comes to gaining insight.

3. Major corporations usually have diversified businesses, whose portfolio covers a wide range of activities and projects – and whose management is not always nimble or fast-moving. Startups have usually one single focus, offering quick and agile responses to development issues.

4. Startups can provide exceptional user experience and customer service that can boost the prioritised technological aspect of a corporation's business. For example in banking a startup can assist in setting up relevant banking software apps based on the existing platform of a corporate, and then carry out market testing of these apps among potential clients. Furthermore, a startup can make effective localised adaptations of software products or services of major global brand.

5. To set up a mutually worthwhile collaboration with a startup, one should make use of different collaboration formats. Business accelerators and incubators can be an effective way of identifying suitable startups. Setting up your own in-house innovation hub doesn't always make financial sense, if we factor-in the high capital outlay. However, there are successful examples of in-house innovation hubs, such as Metlife LumenLab, Barclays Rise, or the London Metropolitan University Accelerator. Another effective way of collaborating with startups is within the context of specially-declared programmes such as the Mastercard Start Path programme.

6. Corporations can assist startups in recognising their weaknesses and strengths, through mentorship programmes and by leveraging their top-grade reputation and global experience in scaling up products or services.

7. For corporates, holding hackathons for corporations has a huge value for their in-house corporate culture – company staff get a unique insight from collaboration with startups, and this stimulates the search for fresh ideas to new ways to solve problems.

From the startup viewpoint:

1. Startups seek collaboration with corporates for a large number of reasons:
- Corporates as clients. For example, for the software startups corporates are potential first clients for the products they produce.
- The client networks. Startups look for partnerships to launch their products into the distribution networks of major brands, and access their client databases. Corporations have thousands of clients and excellent reputations – which can help startups reach large markets quickly with the right products and services.
- Brand. Collaborations with big brands help to enhance a startup's brand, and market recognition through the reputation of an established corporate partner.
- Financing. Lots of corporates run strategic funds for R&D and innovations – and startups who need financing can find this a huge plus-point.

2. Startups generally don't have established reputations, and are therefore considered high-risk businesses. The collaboration with established brands is an evolutionary step for startups in establishing their credibility in the eyes of potential investors.

3. Startups can't simply be pigeon-holed as 'disruptors' or 'collaborators' any longer. We are in a partnership era - and they have clear interests in that. Yet from a different viewpoint, they can bring changes to the internal culture of the corporation as proven by the experience of the regtech startup ClauseMatch which created an innovative documentation workflow service. During the test phase of this product, document handling was managed by an established brand and automated, which provided a competitive advantage in the market.

4. During a startup's early stage, there's much to be gained from trying numerous partnership formats – including accelerator and incubator programmes, contests and hackathons, as well as dedicated partnership programmes ran by major brands. Accelerator and incubator programmes offer the chance to get priceless experience from corporate mentorship, and help to shape an idea into a more mature business plan. It often happens that startups continue to receive support over the two or three years following the official end of an accelerator or incubator programme. This can also be a way of sourcing potential clients. These same mentors can often become the startup's first testers and customers. Many startups mentioned that the accelerator format has been the most effective – since this format leads to major brands investing extensive time and resources in startups. However, it can be costly for corporates.

5. Hackathons are a format which provokes some disagreement. Some startups view it as an ideal opportunity to enter the competitive environment, evaluate their own potential, and the viability of their idea. However, the atmosphere of hackathons can be too dynamic to establish long-term collaborations with brands. This format can still be good for startups providing them with the opportunity to present themselves. It can also be helpful for finding potential co-founders and staff.

6. Working with corporates always means them allocating investment for a startup's service or product only if this fits with the strategic plans of the corporate. No matter how good the idea is, corporates won't spend any time (or money) on it as long as it doesn't match their own plans.

7. Of course, the million-dollar question: 'What works better for a startup - gaining from being integrated into the corporation, or setting up a partnership agreement with them? There were many different 'pros' and 'cons' put forward on this issue. Respondents said that if they were seeking fast expansion for their idea, then the format of external partnership was worth it – especially since the alternative of becoming embedded within the corporate structure of a major brand was a drawn-out and complex process. ♦

Startups have usually one single focus, offering quick and agile responses to development issues.

ACCELERATORS SAY...

Collaborate (or Die)

Top 5 things corporates gain from doing so

TOBY KRESS

Toby Kress runs Accelerator London in Shoreditch. Home to 30 early stage tech companies that raised £9m in investment and created 120 new jobs last year. Accelerator is part of London Metropolitan University, who are committed to supporting innovation and helping young entrepreneurs get started.

One hundred years ago the average lifespan of the 500 largest companies in the US was 67 years. Today it is just 15. It's no secret why this dramatic change has happened. The environment companies operate in is increasingly volatile, uncertain and fast changing. Success is now driven by speed, adaptability and innovation. Not something large companies are known for. It is however the perfect environment for startups - and they are thriving!

Corporates have woken up to this reality and - out of a combination of fear and opportunity - they are embracing the potential of working closely with startups. Here are the top 5 things corporates gain from doing so:

1. Innovation

Companies need to innovate or die. For years this has been led by internal R&D teams but this is no longer enough. Jeremy Basset, who started Unilever's Foundry startup programme, points out that "99.9% of innovation is happening outside the walls of your organisation". With that in mind it's impossible to imagine that an internal R&D team is going to create the best possible future for your company. The real innovation in almost every industry is being driven by startups. In essence, there are thousands of small startup teams working on solving your customers' problems and they are doing it quicker and better than you are. It is far more powerful to find the best ones and partner with them, than it is to try to do it all internally.

Corporates approach startup collaborations in many ways - from short hackathons to longer accelerator programmes to open collaboration platforms - but the key is to harness the power of startups around a specific challenge a company faces. One of the very first startup projects Unilever Foundry did was aimed at driving engagement for their Knorr food brand in the fast-growing African market. Rather than spent months on internal R&D or outsource it to a consulting company, they allocated a small amount of funds to partnering with startups. The result was the hugely successful artificially intelligent chat-bot 'Chef Wendy", which drove customer engagement far more than existing channels.

2. Company Culture

An entrepreneurial mentality can be incredibly powerful within a large organisation. Companies are desperate for people who are customer focused, obsessive about finding and solving real problems, and have the initiative and drive to get things done. Giving existing staff the opportunity to work alongside entrepreneurs can be a great way for them to see these traits in action and for some of it to rub off on the corporate team.

These interactions can be anything from getting startups to deliver talks at the company offices through to getting senior staff to mentor startups or even do secondments with them. The corporate experts add deep industry knowledge to the startups and in exchange pick up valuable insights. When Google opened Campus in London in 2012 one of the key benefits to startups was access to hundreds of Google mentors for free who would drop in for 1-2-1 sessions on everything from advice around a specific tech challenge to marketing tips to grow their business. In return Google's employees got to work side by side with early stage startups, helping Google keep its entrepreneurial culture alive and well.

3. Reputation

For many companies, working with startups is - at least in part - a marketing exercise. The message they want to deliver is clear: we are a forward thinking, tech savvy company. When Marriott Hotel Group launched its own TestBed accelerator programme last year they were seeking to work with startups with innovative ideas for improving their guest experience. But they were also sending a message to young, tech savvy travellers that we are the hotel for you.

NatWest are the corporate partner behind Entrepreneurial Spark, the world's largest free accelerator programme in terms of number of companies supported. For them it's a clear public statement of their commitment to being THE bank for small businesses.

4. Investment

Many corporates now have their own venture arm that makes strategic investments in startups that can add value to the whole company. But they are also looking for a straight forward financial return on investment in the same way as any VC.

5. Corporate Social Responsibility

Many of the startup programmes mentioned have an element of giving back alongside other aims. Mentoring young entrepreneurs and supporting innovation are worthwhile pursuits in and of themselves that often also benefit the company.

Of course, the best collaborations between corporates and startups result in all of the above. The gold star programmes will drive new innovations and allow them to scale in ways that provide value and return for the corporate and the startup, while also improving the corporate's reputation and internal culture.

Considering the rapid growth in corporate—startup collaborations it's not surprising that a whole industry of match makers has sprung up to facilitate the process. Accelerator companies such as TechStars run programmes for corporates including Barclays, Amazon and Honda. There are hundreds of companies that run hackathons for corporates and platforms like F6S connect startups with corporate partnership opportunities online. Companies like L Marks work with corporates through various programmes including accelerators but also consultancy and bespoke programmes, and Co-Cubed go a step further by working closely with corporate Innovation Directors to get internal buy-in, create startup friendly processes and deliver collaborative innovation programmes.

As the Director of an established startup incubator in Shoreditch, I am approached weekly by companies who want to do something with our startups. Some of the ideas are great but some you can see right from the start just won't work. So, what marks out a successful project?

HERE ARE 8 TIPS FOR COMPANIES LOOKING TO START OR GROW THEIR STARTUP PROGRAMME THE RIGHT WAY.

1. Understand the value you can bring to startups and build your programme around that - not just what startups can do for you. You can add value through investment, help them in scaling more quickly, offering advice from your experts and access to your network, helping them by leveraging your reputation to give them credibility in the market. Be up front about what you can do and you'll get great startups wanting to work with you.

2. Don't waste time (yours or theirs). If you haven't thought through what you want to achieve you'll end up wasting a lot of time and if there's one thing startups don't have it's time to spare.

3. Think big, start small. Think deeply about what you want to get out of the collaboration and be as specific as possible. Start with a tangible problem that you have a budget to solve. Something you are doing anyway.

4 . Get some budget signed off but small enough so you can fly under the radar and move fast.

5. Think beyond the hackathon and Accelerator. These can be powerful formats but are also limiting. You work with only a tiny fraction of the startups in your area and it's hard to scale. Think about approaches that allow you to connect with many more startups, build relationships with those whose solutions fit and then taking that partnership forward through pilots, joint ventures and investment.

6. The team running your collaborations with startups is important. The internal people need to be independently minded enough to get on and do stuff but also have the connections and social capital within the company to bring people on board and allow you to grow.

7. Get the balance right between what is done internally and externally. There are a lot of things you don't need to do yourself. Use the experts that are out there to help with things like finding startups to working with or organising events.

8. Bring the leadership team with you on the journey. Use your first project to demonstrate the potential and get buy-in from the top to allow you to scale up.

Clearly, corporate-startup collaborations are starting to have an impact but there is also a long way to go. For those companies who have engaged with startups it's still a relatively peripheral part of their innovation strategy and most companies haven't got started yet.

There is huge potential for what can be achieved by combining the speed and innovation of startups with the resources and scalability of corporates. Excitingly, we've only seen the tip of the iceberg. ♦

TECHSTARS: A BLUEPRINT FOR CORPORATE INNOVATION

Techstars • www.techstars.com • Interview with Chris Adelsbach, Managing Director

"Techstars...the worldwide network that helps entrepreneurs succeed." That's underselling it slightly... It's also a multi billion dollar organisation.

TECHSTARS STATS

- 168 countries
- 10,000 mentors.
- 300,000 alumni from techstars programmes, including startup programmes
- 30 Techstars accelerators on 5 continents
- Boulder is now the USA's 6th largest VC ecosystem in America - .....mainly down to Techstars and its founders
- 3 components: Techstars Startup Programmes, Techstars Accelerators, & Techstars Ventures
- 90% of the companies that have gone through the programmes since 2007 are operating or acquired
- 119 companies acquired via M&A
- $3.7B raised
- $9.7B market capitalisation
- 10,000 jobs created
- Techstars Ventures is a $300m VC fund
- 1 in 20 companies (in the US) that raised a Series A financing in 2016 was a Techstars aluminus (!)
- The valuation of accelerator companies + Techstars Ventures investments is $80 Billion

I've known of Techstars since getting involved in the startup scene. In maybe 2014, I used to see kids in distinctive green Techstars T shirts hanging around Shoreditch, or more likely, hunched over a laptop in a coffee shop. When Disrupts magazine, (now Disrupts.com), produced a Fintech edition in July 2015 I had the opportunity to meet David Cohen, one of the co founders of the organisation. He gave us an interview and this quote:

The Techstars mantra is "Give First".

Give First. Now there's a thing. A potentially dangerous thing. I've had experience of 'Giving First' to corporates. It's a great way to get exploited. It's also a very enticing idea, because if it works, systematically as a commercial principle, it's a very free and easy and humane way to exist and expand. It's also an inversion of the typical 'corporate greed' mentality, IF it's actually practiced in reality not just used as window dressing.

Obviously it's the corporates that should be giving to the startups. Not just individual startups, but the startup ecosystem. Unconditionally.

It's two years later to the month, and I'm now talking with Chris Adelsbach, Managing Director of Techstars fintech accelerator in London, run in partnership with Barclays, and I'm curious. Has the Techstars 'Give First' mantra filtered down? Critically, does it work, commercially? Or is it just PR without substance? It's a nice idea, Give First, but I want to know if it can be lived.

Chris himself is an entrepreneur, a successful one at that. He joined Techstars as a mentor in 2014 after exiting from his own financial services company, Marlin Financial Group, sold to an undisclosed NASDAQ-listed entity. He's also recently named on LinkedIn as the most active fintech angel investor in the world over the past three years, in terms of number of investments, over 50 companies, two of which were in the top 20 equity raises this year. (Atom Bank and Smart Pension).

Having started as a mentor with Techstars, he has a particular insight into the organisation and the programmes, which in a super simplified way come down to three sections in three months. Mentorship month one, Traction month two, Storytelling month three. I'm curious especially about the mentors. I can't say I've ever had one, personally, no doubt to my detriment, and I'm genuinely interested. What do mentors actually do? And why is it such a big part of the Techstars program? And who are the mentors, how are they qualified to be mentoring these really innovative company founders?

> **Techstars is part of the startup scene infrastructure, which is exactly what it aimed to be**

Mentors. What do they do?

"I'd be happy to introduce you to some if you'd like! Mentors are incredible. They are often at the top of their game, founders with exits, former and current C-suite bankers, partners at magic circle law firms, public relations directors, executive search directors, partners at hedge funds and VC's. They're an international bunch. Increasingly, there are more female mentors in Techstars, now about 1 in 4. Many of them dabble in Angel investing too."

"They are door openers who take pleasure in finding one or two companies that they can take under their wing and bring them straight to the top."

"Critically, they share our values. They Give First. Founders rate all their mentors and the best ones are invited back. Mentors sometimes become investors, founders become mentors, one company from our last programme, Shieldpay, hired two of our mentors. Eight of their mentors invested in their Seed round and they hired two Techstars Associates."

Not a company that does technology. Technology AS a company

Bird: There seems to be a high degree of freedom within the Techstars Network. People move through it.

"Ultimately it comes down to the network effect again. The mentors are part of the network. If they don't know what you want to know, or have what you need to have, they probably know someone who does, or might. What it isn't is listening for 20 minutes then telling the cohort member what to do. It's about engaging in the creative process, the exploratory process, it's about being a sounding board, it becomes two way mentoring. The people they are giving insight to are also smart, and so both parties are learning from each other."

Listening to Chris I'm very much starting to see the visual of the organisation structure, it's very tech, networked systems learning from each other and pooling the collective intelligence, it's a humanised version of a digitised system. It has an elegance and inherent truth, cohesive, correctness, I'm enjoying looking at it. Is it really based on a principle of giving?

"Back to the primary Techstars value: Give First. Give time, give intellect, mentors are not paid, they do it because they believe in the value of it, because they want to give back."

Bird: And also, I suspect, they want to be part of something amazing, extraordinary and profound in both concept and delivery and measurable success. One of the startling stats Chris reeled off to me, and he seems to have a limitless supply of them, is that for every series A funding round in America last year, literally across all sectors, 5% were from Techstars. To clarify that, 5% of ALL series A funding rounds (value usually $5m - $15m) were Techstars alumni. One could conclude that Techstars has a measurably important place in the American economy, and as it grows into Europe, Africa, India, and beyond.

Techstars is part of the startup scene infrastructure, which is exactly what it aimed to be, an accelerator not just of the individual companies, but of the entire technology sector, and more than that, the entire entrepreneurial sector itself, which is basically a cultural component.

Chris: "Teams find themselves surrounded with people who find it hard to say no."

People who find it hard to say no. Firstly, because their very nature is to give. It's core to them. However, these same naturally giving people are also very successful and have created wealth for themselves and others. How? By giving?

How do you create wealth by giving?

- By connecting people is one way.

- By creating networks and being part of the value exchange across those networks. Which is exactly the kind of mentor Techstars seems to want and attract.

- By trusting in the system. When the system is of like-minded people, trust is well placed.

- In a network of 'givers' another 'giver' just becomes part of the whole successful enterprise.

- There are no barriers to movement through the network, for anyone, and this I think is hugely important. A mentor can become an MD of a programme, a mentor can become an investor, a cohort founder can doubtless become a mentor, and a mentor can become a future early hire to a Techstars alumnus.

- There's no artificial constraints, no rigidity, it's about passing value, and that's all. The value could be advice or know how or technology or another connection or money or legal counsel or any other intellectual or digital or literal currency. Techstars itself is a network, in the same way an intranet is a network. Everyone has access to everyone else, ultimately, through a series of connecting points. (Techstars also has an intranet, which I imagine to be a web-based version of itself.)

This in my mind is what it means to be a true technology company.

The technology principles are also the foundational principles of the structure of the human organisation.

Not a company that does technology. Technology AS a company. Profound difference. I'm digressing somewhat, but not overly so. The fundamental difference in attitudes, in values, in actual principles, is one of the major reasons why 'startup' newcomers are removing the old style companies from the tables. It's not just what they do is different, it's how they do it, how they structure the entire organisation in an integrated built for growth way. It's why it's hard for traditional companies to even survive, even when they start with all the money, all the staff, all the resources, all the customers even. An upstart fintech can come in and take chunks from them and the organisation literally doesn't know how to react, can't react, even when it knows what's happening, because its corporate structure is calcified.

Chris tells me Techstars, at the end of each programme, asks the participating companies to rate the mentors and the corporate partners, which include companies such as Barclays, Metro Group, SAP, Amazon, Ford, and Techstars itself, as a service provider.

They even have an equity back guarantee. If a graduating company feels let down, under delivered to, failed by the programme, they literally get their equity back. And this is right and proper actually, and Chris challenges that every accelerator should do the same, and indeed they should, and if they don't why not.

It just occurred to me the 'give first' principle, was this somehow a consequence of the financial crash, which was pretty much an inversion of that same principle, I wonder. I digress. And ask Chris about the selection process for the actual startups for the programmes.

There are startups and there are startups. Techstars attracts all, but accepts only a particular standard of them, in defiance of the stereotypes actually. Stereotypically, startups are male, young, early twenties or even teens, and there's a lot of early stage startups that fit those. But you probably won't find them in Techstars. Chris again reels off names and credentials, founders who have already had major successes, "this is not startup school at all. This is for amazing founders who value their time, who want to do more faster. An accelerator buys you time.

MORE TECHSTARS STATS:

- Average age in the past three cohorts: 38
- Average founder has been a founder already
- Average founder has raised a seed round before entering the program, up to 7 figures
- Average team 5 - 10 people
- Most companies have an MVP
- About 1/2 have revenue

Examples of "later stage" companies joining the programme include:

- **Simudyne:** had raised $1.5m pre-programme.
- **Post Quantum:** had a product, IP protection and paid contract with UK Government and NATO.
- **Alyne:** 5 figure MRR pre programme.

"Sometimes we go early but only if the founder and team is absolutely incredible: Everledger: Leanne Kemp, had three exits to three listed companies BEFORE she entered the programme. Atlas Money founder was a Peter Theil fellow, founded his first company at 17 (and raised 8 figures) and had tried out to be an US Olympian. Shieldpay: another two time founder.

I ask Chris about the process of selecting startups. How?

"Madeleine and I do a 12 country scouting tour across Europe and America. In every city we meet 20 to 40 founders face-to-face, in the evenings we'd have dinners with helpful people, VCs, community leaders, maybe alumnus companies. We also do a bottom- up analysis on over 3000 companies and generally reach out to 100 that catch our eye. We'll want to speak to and ideally meet the founding team in person. The idea will

only get you so far. We usually get about 700 companies that apply each year so we are accepting the upper 1%."

Bird: There's a very people-centric, human approach to this, especially considering that many of the companies are in the business of developing technologies that actively remove human beings from processes.

"Ultimately it's about people. Finding driven people that work well together. Mission driven. When you meet them, you know. You can't tell by looking at a pitch deck. There is no algorithm for identifying future successful startups. (There are some people and programmers that are trying to hack that though.) I embrace more serendipity, I look for a team that didn't meet each other yesterday, that shares history, compliment each other, diverse, probably a technical co founder, likeable. In early stage investing, it's a big relationship. I want to be a value add investor. As an early stage founder you need favours. You have no money, no resources, people do things because they like you. If they're arrogant or don't receive mentorship well, that's a problem. I look for intelligent, engaging people that I want to spend time with."

A human-centric approach to technology.

A giving first principle to making wealth.

A network of like-intentioned individuals, creating companies at scale, in a self-proliferating, organic, futuristically digitised system.

A matching of corporate strength and individual qualities.

Techstars is the commercial embodiment of startup culture.

And I wonder, which came first.

I wonder, if there had been no Techstars, would the 'startup scene' look different? I think it would. I think perhaps Techstars really helped define it, the culture of it, the way it is. And for some reason, that moves me.

It should also move every corporate and brand to look hard at what they are doing, and why they are doing it, and in many instances, to change.

If companies go to techstars.com, 11 programmes are presently accepting applications all over the world!

By Bird Lovegod,
Editor of The Fintech Times

CORPORATES SAY...

"We have chosen to set up our own program for scaling startups..."

Amy Neale, the global lead for startup engagement at Mastercard, explains the company's strategy on how to work with startups

Why to connect with startups

At Mastercard we work with startups for a number of reasons. Through our Start Path program we tend to work with later stage startups – companies that have raised capital, have a validated solution and a strong management team and are posed to scale.

Start Path is a global team within Mastercard Labs which launched in 2014 to help startups to grow their businesses faster than they could by themselves. Startups that join the program can benefit from the knowledge of a global network of Mastercard experts, access to Mastercard customers and partners, and the ability to innovate alongside Mastercard solutions. Mastercard customers that join the program as partners get connected to the best and brightest startups, and gain access to innovations from across the globe.

Over the past four years we have worked with about 150 startups and have products in market with them – we recently launched a service with Netplus in Nigeria offering retailers an alternative to cash on delivery, and a pilot with Kasisto in the US to provide a conversational AI service to banks.

The most productive ways to work

There are lots of different ways corporates can work with startups effectively. Of course, they can set up their own accelerators, but this requires investment and a dedicated team, so some corporates may choose to forge relationships with existing accelerators. We have chosen to set up our own program for scaling startups – Mastercard Start Path – and have seen huge benefits.

We hold hackathons around the globe, where startups are given a specific brief or

problem to solve. We are also able to learn from startups when it comes to our own internal culture. For example, we hold company hackathons in cities around the world for our employees. We find this is a great way to engage employees and give them some time away from their day job to come up with ideas and solve problems.

Added value to deliver

- Our Start Path program offers unique access not only to Mastercard but also to our network of customers and partners. Our startups gain from access to our expertise and our channels into new markets across the globe.
- We have a strong supplier diversity program which offers opportunities to small businesses, to ensure we strengthen local economies and work with a diverse range of companies.
- On the investment side, we don't take equity up front and instead take an option to invest at the next funding round. This allows us to first work on a commercial level with each startup before both sides evaluate if an investment relationship makes sense. ♦

CORPORATES SAY...

"Startups are becoming a new force changing the landscape of the financial industry..."

Yuriy Batkhin, business development director at Mastercard in Ukraine, Moldova, Georgia and Central Asia, speaks about a new type of collaboration with startups

Today the payment industry is becoming increasingly omnichannel and consumer-oriented. While payment systems, banks and merchants are the major players in this field, startups are becoming a new force that is permanently changing the landscape of the financial industry. Standing on the edge of innovation, at Mastercard we see our mission as creating platforms for networking and collaboration among key drivers of the sector in order to support new beginnings and to open new opportunities for our customers and consumers.

> **We are launching the first fintech incubation programme in Ukraine**

Together with the National Bank of Ukraine and the 1991 Open Data Incubator, we are launching the first fintech incubation programme in Ukraine, called Fintech Master. This will bring together Ukrainian startups that are interested in developing solutions in the areas of retail commerce, data governance, financial inclusion, smart city and living, loyalty, as well as other fintech categories. A full-scale incubation programme will cover all stages, from pre-selection and a hackathon to a demo-day in order to present business cases to potential investors and the business community. In particular, startups will be able to use data, made available by the National Bank of Ukraine. Expert and mentoring support from the Mastercard team and other experts in the field will be provided.

In the end, we intend to not only raise the question regarding a new type of collaboration with startups among the business community, but promote the fact that the incubation programme will add to creating ready-to-use solutions for the financial sector, which should open new prospects for the industry and consumers, thereby further promoting the e-economy and a cashless lifestyle. ♦

CORPORATES SAY...

Why established companies are looking to connect with startups

Simon Williams, CEO at NTT DATA, clarifies how established brands and their clients benefit from startups

Why to connect with startups

The processes and policies holding together large organisations can restrict the generation of ideas and can sometimes hinder creativity and experimentation. At NTT DATA, we are always looking for ways to help our clients reach their goals and generate fresh ideas. Startups come with both an innovative mindset and are laser focused on particular challenges – this is what can make them so potent and ultimately successful.

We are instinctively collaborative, so working with startups feels natural and sits well within our culture. It enables us to tap into a wider pool of talent, but it is also great for our own team; they get to work with a variety of people and really enjoy the experience.

Finally, we often advise clients on how to sell more effectively to small businesses, including startups, which account for 99% of the businesses in the UK, and employ 65% of all employees. Working with a larger organisation such as NTT DATA, can help those smaller companies bring their offerings to market.

We work with startups because it is good for our clients, it is good for us and it's good for the wider economy.

The most productive ways to work

We work with a variety of startups, organising hackathons, supporting clients to build accelerators and deliver long-standing innovation partnerships, including investment.

We find that simply running a hackathon is a very easy and powerful first step; we have had a positive experience with clients and employees alike, generating new ideas together and then delivering against them efficiently. This is something that we do internally, as well as externally, and we are just starting our next Global Hackathon for employees.

We also like to find direct partnering opportunities to work on concrete problems with our clients – this has the biggest impact for all parties by focusing expertise on real challenges that are of immediate commercial benefit.

Added value to deliver

- We use our established, long-term client relationships to provide a route to market for organisations that would otherwise be too small to register with our clients. From the startups' perspective, this allows them to sell to organisations that would otherwise be out of their reach, and from our clients' perspective, we provide the reassurance of a large organisation which takes responsibility for ensuring success.
- We are proud of our innovative history and take R&D very seriously (as NTT Group we invest $2bn - £3bn a year in R&D), so there is the opportunity to enrich start-up offerings by incorporating some of our own intellectual property.
- Finally, our size gives startups access to our broad network of contacts and our strong Japanese foundations enable us to give them direct access into the Japanese market, which can be particularly useful for fintech startups. ♦

CORPORATES SAY...

"Start-ups possess a deep understanding of the technologies and market needs..."

Emilie Casteran, digital strategy manager at Gemalto, explains why a collaboration with startups can be helpful

We think it's extremely important to work with startups. From a cultural perspective, we find they enhance traditional approaches and reinvigorate established teams, driving new ways of thinking. In the banking and payments sector, for instance, we are adding next-generation technologies such as blockchain and machine learning-driven fraud prevention solutions. We've found that startups possess a deep understanding of the technologies and market needs, so engagement with their experts has been very useful.

We also find the collaborative process helpful. We have a very large solution portfolio, meaning we must manage different priorities as part of our development process. In contrast, startups tend to focus on just one area – meaning they can be more agile, develop faster and can help us to better define the way forward.

Fintech startups can also be important channel partners for Gemalto, as they offer a unique user experience or a combination of services that we can power with our core technologies. For instance, we provide "banking as a service" platforms with proven KYC, authentication, and payment solutions, which they can integrate into a comprehensive banking offer.

We find that a mix of different approaches is needed to get all the benefits, and in general we usually prefer to work with accelerators rather than building our own.

In addition, our strategy team regularly approach (and are approached by) fintechs directly to collaborate on projects. For example, a key priority for us right now is adapting our banking and payment solutions so that they comply with new Open Banking initiatives and new regulations like PSD2. As part of this process, we're collaborating with different types of fintech startups to ensure end-users enjoy a secure end-to-end experience when using their preferred app to access banking services.

Our regional teams also create partnerships with local fintech startups, or regional hubs, to build offers adapted to their specific market requirements.

We bring value to startups by helping them to understand the strengths and weaknesses of their established competitors, and through our reputation and global experience we can offer much better access to the market. We have an unmatched pool of 3,000 digital security and payment experts who can support them in driving innovation or service development, as well as help them to comply with new security regulations. ♦

STARTUPS SAY...

"Building partnerships all parties win..."

The Fintech Times spoke to Vaidas Adomauskas, Co-Founder and CEO at WoraPay about partnership with established brands such as Mastercard and Lloyds Banking Group

We believe that partners, especially established brands, can help to scale your idea, your business. For example in WoraPay, we believe that people should not queue to pay. We have built technology that allows you to avoid waiting to pay in many different scenarios (pre-order your coffee; scan barcode on goods with your phone, pay and leave; pay at the table at the restaurant, pay at the pump at the petrol station and more). Nevertheless, this is change in people's behaviour and it is not easy to scale. Therefore, our partnerships with Mastercard and Lloyds Banking Group allows us to bring our services to retailers faster (using their sales channels) as well as motivate customers to try new behaviours, learn new ways and enjoy the time they save from queueing to pay.

We are collaborator. We strongly believe that by building partnerships all parties win. For example, now we are partnering with Lloyds Banking Group Cardnet department as we have complimentary skills and expertise in building mobile technologies that their retail customers are looking for..

The mutually valuable partnerships are best for collaboration. Of course, there is a need for processes to get introduced to the right people and to form/test these partnerships and/or ideas. Therefore accelerators or hackathons are really good for these. Nevertheless, we see that corporates win most when they are very open with startups, they have sandboxes for them to play in and are sharing their issues. Then startups can easily see if there is a match and start collaborating.

Our solution works as a service, but of course it needs integration towards the partners like acquiring bank (Cardnet) or payment methods (Masterpass by Mastercard). Nevertheless, those are arm length integrations, that connect two systems, rather than being integrated into the infrastructure. ♦

STARTUPS SAY...

"It's so hard to sell a product to a corporate..."

Evgeny Likhoded, CEO and Co-founder at ClauseMatch, on why startups seek to connect with corporates

Startups seek to connect with corporates for numerous reasons. For enterprise software startups, corporates are the primary buyers of their products and that one deal with a corporate could be the very first step to success. Other reasons may be a partnership to integrate or distribute a startup's product to the corporate's large customer base. Corporates have thousands of clients and established relationships, which are invaluable and they also have the reputation. For an unknown startup with a great product it's still harder to sell it than for a corporate with an average and outdated product. Startups would eagerly use collaboration with a corporate to scale the product, benefit from its reputation and get exposure by being associated with a well-known trustworthy brand.

Many corporates also have their own strategic investment funds to invest into startups that align with their products or offering, while startups are usually desperate for investment.

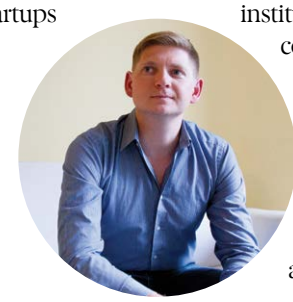
Ultimately, it's so hard to sell a product to a corporate because of the risks involved with associating its brand and putting its reputation on the line with a risky venture, being able to sell to or partner with the corporate is the ultimate test of whether a startup has a product-market fit. And this test is what differentiates a startup that is "over the line" from a startup that is still looking to get its product tested on the market.

While we are collaborating with financial services firms to help them address outdated and cumbersome documentation processes and workflow, our product is disrupting the tools that people use in enterprise. From that point of view, ClauseMatch is innovating in the space but not yet disrupting completely how people are doing things today. However, once we have succeeded in streamlining the documentation workflow, the data on the platform can be used and applied to learn about the intricacies of the organisation that is using the platform. This would enable us to provide the insights and the level of automation that was never possible before, which would disrupt how an organisation works internally and provide a massive competitive advantage.

ClauseMatch has been through a variety of collaboration formats, including accelerator programmes (Barclays Techstars Accelerator and Accenture FinTech Innovation Lab), competitions (BBVA Open Talent Challenge 2014) and hackathons (FCA TechSprint). These forms proved themselves very useful as it is known that startups are really vulnerable in the first years.

During the accelerator programmes we received invaluable mentorship from leaders and experts in the financial services industry, which allowed us to get early feedback and advice on our product, our business model and put new investment opportunities within our reach. Since then, most of our mentors from the programmes have been sending opportunities our way and their help is still sending echoes even 3 years later. Several of our current clients bought our platform due to the accelerator programmes.

Hackathons are great, as they provide a collaborative and competitive environment at the same time for all the participants: one challenge, several teams and a deadline to solve it. Solutions often materialise into market products following the hackathon, because it allows startups to showcase what is possible with their solution and concentrated effort in a very short period. This often impresses corporates who see much longer delivery times when it comes to internally developed products. We are extremely positive about the innovative initiatives led by the UK financial regulator – the Financial Conduct Authority. ClauseMatch had an excellent experience taking part in the TechSprint organised by the FCA. "In the Unlocking Regulatory Reporting" TechSprint in Autumn 2016, our team worked with JWG RegDelta's team to link the FCA Handbook provisions directly to a bank's internal policies and governance documentation. As a result of this hackathon, our combined solution was noticed by several banks who were willing to fund the development run pilot projects.



Investments are also becoming more common, but they typically only take shape where a startup's product is strategic to a corporate. While such strategic investments can be great and provide startups with the required capital and partnership opportunities, it is important that such investment does not hinder the strategy and growth plans of the startup. In our view, such investments should not be made to direct the startups strategy solely towards the goals of the corporate investor.

In our experience, accelerators work better than other forms of collaboration simply due to the amount of time and resources that corporates dedicate to the startups on the programme. It is also the most expensive form of collaboration for a corporate.

Our aim is to deliver a market product to be used by any financial institution with minimal configuration. With the concept of Software-as-a-Service, direct integration with corporate infrastructure is becoming a thing of the past and such integrations are mostly done via API. ♦

STARTUPS SAY...

"Partnership model is more suitable for business..."

Andrew Zimine, CEO of Exscudo, examines the pros and cons of startup and corporate cooperation

Established business with reputable brand means seriousness and stability; such companies cherish their reputation and consider every step. For a startup it is very important:

a) to get "elder brother's" recognition;

b) through this recognition win the users' sympathy and attract an audience.

One of the clearest examples is PayPal, a project that decided not to compete with Visa/ MasterCard, but offered the Ebay auction platform (even then it was a big company) a service which included payment instruments of the abovementioned systems. (Ebay bought PayPal for $1.5B).

For a young company entering the market it is very important to test its idea. Well-known brand support is half of the success: it means that startup is on the right track, at least. Popular brand participation has a crucial meaning for investors and future clients as well.

Besides obvious advantages big companies also have their drawbacks: becoming big and successful they often become clumsy and short-sighted. There is no need to go far to find examples: Yahoo missed Google, Google missed Facebook, and, finally, Microsoft missed Internet...

They just need new small and innovative companies as fresh blood for their successful business continuation. And the most flexible and reasonable model for a corporation to cooperate with startups is to create incubators (which means: a friendly and supportive environment for young teams), which solve the problems of coworking, basic technical needs (cloud services, workstations and presentation equipment rent) and also may provide legal assistance. This is a great environment for "hunting" and choosing the useful projects, and projects that can be transferred to the next stage. In most cases projects attending incubators are in the stage of preparation for seed investment, and this is a good opportunity to watch how a team may develop an idea into a prototype or MVP, the dynamics and quality of the work. Allocating its employees for consultations and support, a big company (site owner) in future may integrate the startup into its business or develop a new one easily enough, because it is at the very roots of idea's origin and realisation. At the same time, entering the project with investments (direct ones) may have a negative impact on its development, because the investor's motivation is not always to create a good service, but often it is just to bring the idea to a certain capitalisation and exit. ♦

STARTUPS SAY...

"We see our company as a disruptor of the status quo..."

Ravina Mutha, Co-Founder at Enterprise Bot, explains how 'startups and corporates' ecosystem is transforming

The ecosystem has significantly changed over the past few years where we as startups see corporates as great opportunities to expand our business and a final customer rather than as our competition. This has happened for multiple reasons but one of the major reasons is that connecting and collaborating with established brands allows us to scale and receive investment much faster. This isn't an easy journey with long sales cycles, but by collaborating with large corporates, startups get a steady cash flow.

In a world where startups start and go bust faster than news is published having a steady stream of revenue and being able to prove metrics with a large brand can help startups sustain and grow in an organic and sustainable manner.

Reputation is another important factor for startups to collaborate with corporates. Often, we see ourselves offering a good first financial deal to reputed corporates as this makes it easier for us to leverage their brand and engage with others as well as build a relationship with the wider group within the corporate. We have collaborations with the following corporates so far: The SIX Group Switzerland- they are the stock exchange and largest payment services provider in Switzerland; AfterPay, a Bertelsmann Company- consumer debt financing company in the Netherlands; Generali Switzerland; and Rabobank.

We see our company as a disruptor of the status quo. We as a B2B company must collaborate with corporates to make our visions come true, but as we look at transforming customer service and customer interaction there is no question that we must explain to our consumers why they should change the way customer service has been operating for decades.

Over a period of time we have tried most interactions from corporate accelerators to hackathons and outsourcing contracts. We have seen that rather than the channel it is the need and relationship built with the corporate that truly drives productive collaboration.

That being said, Hackathons in general have not been very useful channels for lasting interaction while accelerators such as F10 Zurich and Startupbootcamp Fintech London, that put you in front of clients, have worked out really well for us. This is because hackathons are short bursts of ideas while B2B sales need long interactions to build trust and belief in new ideas. We believe the amount of time in the Hackathon is too limited to build a meaningful relationship. Since there is so much pressure to build a team and build the product in time it gets difficult to set up a long-term relationship. This is a major reason why we see accelerators as a great starting point to interact and explore opportunities with corporates.

> **Reputation is another important factor for startups to collaborate with corporates**

We believe that the best way for corporates to understand and implement startup offerings is through Poc's and pilots. We have had great collaboration opportunities through this wherein the corporate benefits from the startups solution at a fraction of the cost and incomparable agility than larger, similar providers. Of course for startups it's a great opportunity to test the solution and make iterations from corporate feedback.

Whether to be integrated within or to have an external co-operation is the million dollar question. As a startup that likes scale, external co-operation is the easier and quicker option while being integrated into a corporate means longevity and stickiness. We have taken a dual approach based on client feedback and regulatory requirements. While financial corporates are leaning towards external solutions due to the ease of integration and maintenance, in our industry given that it is so regulated and security is a big topic, it is always easier for corporates to integrate within their infrastructure. This allows us to deploy our technology inside the corporate ecosystem, which once set up is easily leveraged across use cases within the corporate. We see that the industry is moving towards external solutions that in the future will certainly help us scale quickly. ♦

The Empire Strikes Back with PSD2

Nigel Verdon, Co-founder and CEO of Railsbank, the FinTech Open Banking Platform company which gives businesses access to global banking with just five lines of code, takes a quick look at the challenges and opportunities with PSD2. And beyond PDS2 to AISPs and PISPs.

PSD2 might sound like a robotic character from the Star Wars franchise, but it actually paints the EU in a surprisingly good light as it helps set up the fintech industry for a very viable future.

The Revised Payment Services Directive, or PSD2 as we love to call it, is a sensible move forward. The European regulators are endeavouring to create a level playing field that takes in both traditional and emerging payment systems. However, this is not so much largesse from those on-high in Brussels, but as a response to what's happening in the consumer market. It is the users of the financial services sector that are demanding change and they want it today, not tomorrow.

But, let's start at the beginning. PSD2 is a huge game changer, it has at its heart the very concept of disruption that fintech companies and their founders love. We're entering into a sector that has been moribund for generations. To quote a line in the recent Absolutely Fabulous movie, you can almost smell the formaldehyde. PSD2 will act as a defibrillator for the banking system. It will allow banks, and most importantly, other players in the market of course, to take their traditional product base and expand it rapidly to meet the growing consumer demand.

FinTech companies don't need a second invitation. They're at the watering hole and drinking with gusto. But, will the banks grasp this opportunity? The greatest challenge for them is being able to understand what their customers want and then provide it, and promptly, before they leave in droves. Banks will soon no longer be the gate-keepers for payments and access to account information in the market. Thankfully, many of the banks we work with, new and old, have enough foresight to see what is around the corner and are up to the challenge.

Not least is the fact that everything is being simplified and PSD2 is mandating certain functionality and data from your bank is made accessible programmatically via Application Programming Interfaces (APIs) - basically opening up bank account access to the App Store generation and innovators.

The key APIs being initially mandated by PSD2 are through two new regulated activities known as PISPs (Payment Initiation Service Providers) and AISPs (Account Information Service Providers). These have received less attention in the media, but will also in their own right be game changers.

PISPs could radically change eCommerce and massively reduce card payments online - traditional card acquiring businesses need to be very aware of the challenge they face. It allows a payment provider (with my permission) to initiate a payment from one of my (existing) bank accounts. If hooked into Apple Pay, or WeChat Pay, it could massively reduce card payments via terminals.

> **PSD2 is a huge game changer, it has at its heart the very concept of disruption that FinTech companies and their founders love**

An AISP allows me to give access to my bank account data (for example, transactions). This is going to be massive for when it comes to mortgage and loan applications, and getting pre-approval and building new credit rating models. It's also significant for the risk management of loans, as it will help spot changes in repayment behaviour. Of course, the unintended consequence is the 'un-banked', who are data poor, will likely get worse credit ratings and thus worse rates.

So, may the force with you, because as PSD2 kicks in, we're all going to need it. ♦

Money 20/20
OCTOBER 22–25, 2017
THE VENETIAN, LAS VEGAS
REGISTER NOW & SAVE $250
Use Promo Code: TIME250

15-16 Nov. 2017
The largest must see event in insurtech and insurance innovation worldwide.
DIA MUNICH
50 handpicked insurtechs on stage.
750+ insurance execs and investors in the audience.
Check out www.digitalinsuranceagenda.com to get a taste.
Use the FT200 code for a 200 euro discount when you secure your seat!

The KEY STEPS to comply with new EU regulation

With only 10 months remaining before the GDPR deadline, businesses are urged to start taking action to ensure they can demonstrate the technical operational measures necessary to meet the 25 May 2018 deadline. Six key steps will guide you through the process of achieving the new regulation terms

I was recently at a Fintech event speaking to a room of 150 delegates about GDPR readiness. The first question I open with is "who has heard of GDPR?" Not surprisingly, everybody raised their hands (probably due to the fact that there has been no shortage of information on the EU regulation). The second question I ask is "who is actively doing anything about GDPR?" Out of 150 people, I counted only 10 hands raised. This on-the-spot survey is consistent with a recently published article by Gartner entitled "Top 5 Priorities to prepare for EU GDPR," where it states 50 percent of organisations will fail to comply with the GDPR. An IT governance paper entitled "General Data Protection Regulation (GDPR) Report" also backs up this statement. It surveyed over 250 professionals globally and concluded that only 50 percent of businesses are doing anything towards being compliant with the EU regulation. The report also highlights that the average budget that organisations have assigned to GDPR is £5000 and existing staff members have been appointed to carry out the DPO role.

The EU regulation poses a significant challenge for most businesses because no standard exists to support the regulation. Over the years, I have implemented ISO frameworks, and PCI DSS, environments and although these can be challenging, there is a clear set of prescriptive requirements that you need to meet. If you consider that, the GDPR regulation consists of 99 articles and 177 recitals all written from a legal perspective, which is a huge amount of material, making it very hard to digest. Now if we apply a £5,000 budget to the task of compliance and focus on poor Julie from accounts who has recently been promoted to DPO we can see why businesses are finding it difficult to know how to put the right frameworks in place to deal with the problem.

With only 10 months remaining and the heavy sanctions which the EU can place on your business, the risk of doing nothing far outweighs the risk of doing something. However, what should you do in order to meet the regulation by 25 May 2018? It is clear that GDPR is leaning towards international standards such as ISO 27001, Personal Information Management System (PIMs) and BS 10012, but not all businesses have these in place. The following steps will guide you through the process of achieving compliance with GDPR.

Step 1 - Add GDPR to your corporate risk register. The potential of being fined of up to 4% of your global turnover or 20 million euros (whichever is highest) and suffering reputational damage to your business means that the number one risk to your business right now is whether you are going to achieve compliance with GDPR by the May deadline.

Step 2 – Add GDPR as an agenda point within the boardroom. 68% of boardroom members are aware of GDPR. However, there is nobody taking ownership and driving compliance at this level. GDPR requires a top down approach as decisions must be made regarding budgets, people and organisational changes. Without this input and resorting to the appointment of somebody internally at mid- management level, there will not be the support required to implement the framework.

Step 3 – Create a governance team. Within your organisation Personal identifiable information (PII) may flow through all departments including HR, Accounts, and the IT department. Each department will have its own manager. Therefore, it is fitting to appoint these managers to form the governance team. They will be able to drive operational process, policy and procedure through their respective departments and create the necessary awareness through their teams. At this juncture, you may also require the services of a consultant or DPO to outline their responsibilities and tasks. A RACI model is ideal to map key individuals to GDPR tasks in order to drive compliance through the business. Checkpoint meetings thereafter will help discuss progress and mitigate risk.

Step 4 - Privacy by design. Where you store, process or transmit PII you must align to the six principles of GDPR. The first task of the governance team should be to understand where PII flows through your business. Once you know what information you hold and where that information is held you can design your controls and systems according to the six principles. Depending upon the knowledge within your business, you may require certain third party applications or tools to help you discover this information and report on the status of this information. This is a crucial step as it helps you think about how PII information is handled within your organisation and ask the right questions such as how have you gained consent, do you have purpose limitation for the information you hold, is the data accurate and stored for only as long as it is needed?

Step 5 – The enhanced rights. GDPR sets out eight enhanced rights for EU citizens. You will need to ensure your business clearly understands the rights and your accountabilities. The rights protect EU citizens and there are specific timelines where you may need to relay information or certain actions must be taken if a right is invoked. The team need to underpin these rights with the correct policy, process and procedures. As with any new policy or procedure, the right level of release management needs to take place within your organisation so that the business is aware of what responsibilities have changed. Training and awareness will be an important part of ensuring that the policy, process and procedures work successfully within your business.

Step 6 – Know your role. As well as the enhanced rights you also have extended accountabilities placed upon you whether you are a data controller or data processor. For instance, it is the responsibility of the data controller to notify the relevant statutory authority within 72 hours of a breach and provide sufficient guarantees that the data processor can process information on behalf of the controller. Similarly, as a processor you cannot contract out your responsibilities or duties because you are directly bound by the regulation. With this in mind it is vital that you understand your accountabilities and the role you play and that you put in place the necessary legal contracts and procedures to adhere to the regulation.

These simple steps will help you to build the framework required to meet compliance. By highlighting the risks to your business and providing a top down senior management approach, you will have the key stakeholders and decision makers to drive GDPR throughout your organisation. The governance team will play a vital role in developing the framework and aligning operational process, policy and procedure to the regulation. Understanding the data you hold, applying the six principles of GDPR to that data whilst accommodating for the eight enhanced rights will pave the way to compliance. The role your business plays may need legal consideration in terms of customer and supplier contracts to meet your obligations under the regulation. ♦

Christopher Scott, Programme Director/ Compliance Lead & DPO at The Bunker

Company EPA • www.emergingpayments.org • **Interview** with Tony Craddock, CEO • **Subjects** Disruption, Regulation, Payments Industry

Emerging Payments Association Director General, TONY CRADDOCK

Expansion Factors of Paytech

Hello Tony, please tell me what you do, what EPA is?
The EPA is Emerging Payment Awards, we're a trade association, and we manage the biggest community of progressive companies in the payments industry. We define the payments industry as any organisation involved with helping people move money, ... between people to people, or business to business. We estimate there to be around 3000 such companies globally, directly involved in facilitating the movement of money, and connected to them in some way is basically every other business in the world. Typically they are very entrepreneurial, very sophisticated, these types of payments companies.

Three main drivers of expansion:
To quote Tim Cook, Apple CEO, the key factors in financial technology markets that make it such an exciting place to do business are: changing tech, changing consumer preferences, and regulation.

Let's look at these three components in more detail, the three drivers of the market:

Changing Technology:
Technology is changing so quickly, and in so many ways. There are wearables, blockchains, smart and mobile everything, AI, cashless payment systems of every kind, and many more in the pipeline. From a payment company's perspective, all these technologies, be they backend or consumer facing, are there to make payments cheaper, quicker, and more value adding. For some the vision is to make payments 'invisible.' Especially in the infrastructure companies, everything they do should be automated, seamless, integrated. Invisible unless it goes wrong. It is slightly different for consumer facing fintechs. For example, Amazon Go, the retail outlet with integrated paying. You walk out of the shop without actually going through an action that could be described as 'paying' for the goods. The payment still happens, but it happens without the consumer doing anything.

There's also systems where shoppers can just 'pay' with a thumb print, or eye scan, or other biometrics. From a retailer's

perspective, this clearly removes many frictions, cash holding, staff, banking the day's takings, stock ordering, accountancy. It makes a totally end-to-end integrated system possible whereby the consumers themselves are the drivers of the entire process. From a consumer's perspective, this makes for a quicker, easier, shopping experience. However, and it is a big however, the second of the drivers of the market, consumer preference, may or may not want this. At least yet.

Changing Consumer Preferences
Is there a good fit between what the consumers want, what the technology can deliver, and what the businesses implementing it want to achieve? Consumers actually want some 'frictions' in some instances. Especially when these frictions have another name: 'human interaction'.

The process of shopping isn't just about the acquisition of nutrients and essential personal hygiene products. It's cultural, it's as ancient as hunter gathering, it's an opportunity to speak with the nice man on the fish counter, the kind lady on the bakerery section, the school leaver on the till. What a fintech CTO calls 'frictions' could, for some people, be called 'chatting', 'community', or 'social interaction'. There's something de-humanising about only using technology, with supermarkets that only have digital checkouts. It doesn't make for a nice shopping experience, the consumer feels like they are part of a system, rather than a customer. Understanding consumer preferences in this way is key. Many technologies are available, but not implemented, for the simple reason people didn't want them. Google Glass was a consumer preference issue, not a tech issue. Combining payments into mobile phones is another one, like Apple Pay. It might be a good idea on paper, but in practice most

> **Technology is changing so quickly, and in so many ways. There's wearables, blockchains, smart and mobile everything**

Company MyFirmsApp • www.myfirmsapp.co.uk • **Interview** with Joel Oliver, CEO • **Subjects** Disruption, Brexit, Future Fintech

MyFirmsApp CEO, JOEL OLIVER

Riding Australian Tech Waves

Profile: MyFirmsApp is the "World's leading and largest app developer for financial service firms", which specialises in providing the only "compliant, approved and endorsed accountancy app." MyFirmsApp has a global 24/7 client base, "all employees are hired in the UK" and the time scale for building an app is 5 to 6 weeks", in case you were wondering.

Fintnews: How has the Brexit decision impacted MyFirmsApp, if at all?
For MyFirmsApp Brexit was a "great decision", although initially it saw a global impact as many other UK based companies have done, which caused uncertainty and delayed decision making. In fact, the world's response was a sterling weakness, which created an uncertain environment to operate in for lots of companies.

Nevertheless, MyFirmsApp operates constantly and as Joel puts it, they "don't really have competitors based in the UK." Expansion plans into Australia are in progress where the demand is highest, with America coming in at a close second.

Why is Australia such a strong market? Well according to Ian Pollari, Global Co-Lead Fintech, from KMPG:

"Australia and Sydney's fintech sector continues to go from strength to strength, highlighted by a more than five-fold increase in the number of fintech companies over the past 3 years and more than 10 times the amount of capital being invested into the sector, another dimension of this evolution is that increasingly international fintech companies are recognising Australia as a core part of their offshore expansion plans. This has seen the likes of Square, RateSetter, OnDeck, Spotcap, OurCrowd, Ripple, Harmoney and many others enter the Australian marketplace."

According to Joel, MyFirmsApp were in a unique position being "first to market," and "have built more apps than all of their competitors combined." Joel credits their "innovative roadmap" as being a key to their disruptive business model, along with their "significant pioneering R&D." It's not all easy riding though, "We're hiring in a broken planet... hiring skilled staff is very challenging, especially in the area of R&D. However, we've defeated these skills shortages with constant recruitment from within the UK and our world class apprenticeship scheme."

Fintnews: Speaking of disruption... Is there a formula for it, in your understanding?
"Challenging an existing structure or behaviour... being able to identify a pain point and resolving it using tech... after looking at behaviours of end users and customers."

In their own words: "MyFirmsApp is 'turning the professional services industry on its head'. The sector is moving away from necessary face-to-face meetings to an app that accountants needed to grab and share data with the end user. The push notification feature enables 'hyper connected communication'. For example, "a professional service organisation can be put in the middle of the data flow... geographic targeting can enable the client's mileage to be calculated using GPS, this information can then be sent straight to the accountancy service for processing their expenses claim, for example."

Fintnews: What future developments and challenges do you see developing in your industry?
Joel believes that the future disruption for his industry will revolve around the understanding of "who owns the app relationship?" One client services firm can either create "a series of 6 - 15 apps, which clients download individually to their devices", or there is "one app that the client services company owns" in the app store. Joel is "selling the intangible," so who is the owner of the app in the app store? Joel likens the situation "to what domains were 10 to 15 years ago... it's quite fragmented who owns the data flow."

"We're just a few years from streamlining the collection of data from the financial services sector and evolving it from annual reporting to live real-time reporting using real-time connected data."

Joel predicts that the financial services sector front end will be dealing with AI in our apps within 12 to 18 months' time...Amazon are already using AI.

"Companies are surviving their own disruption... cannibalisation... they don't realise how quickly their projects are going out of date... at risk of disruption from their own creation!"

For Joel, speed will be the main challenge in the future, but what will

people just don't feel comfortable with it. People make decisions based on feelings, and tech doesn't have feelings, at least not yet.

Finally the third part of the trinity.

Changing Regulation.
You may think regulation slows down a market, and in some instances it does, if the regulation is badly considered or lacks clarity or is too localised. On the other hand, regulation also helps form it, shape it, give it structure and credibility, and enables trust in the market. These factors provide confidence to investors, and that's what drives the market expansion. Regulation provides stability. It can also provide opportunity, in the case of PSD2 for example.

So to summarise,

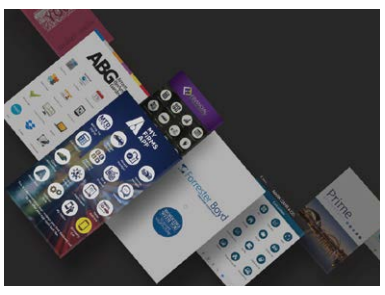
- Technology provides the creativity of products and services.
- Consumer preferences provide the direction of technological implementation.
- Regulation provides the stability of environment for high growth.

And rapid and synchronised changes in these three aspects are what makes fintech payments, and our entire sector, a jolly exciting space. ♦

happen when the growth begins to slow in the future? Joel brings up the example of the internet "bringing a whole wave of disruption... it all happens in a cycle."

Going on to list some of the "giants created out of disruptive phases" in history, Joel highlights "Yahoo vs Google... Apple vs Microsoft... it (Microsoft) is coming back though... and look at Kodak, they had the technology" but they were too comfortable and were reluctant to "change the way it was working" ultimately leading to their downfall.

Only time will tell what the extent of the damage will be when the next technological wave hits and the new disruptive tactics that will be employed by the tech giants to ride out the wave. I hear surf's good in Australia though. ♦

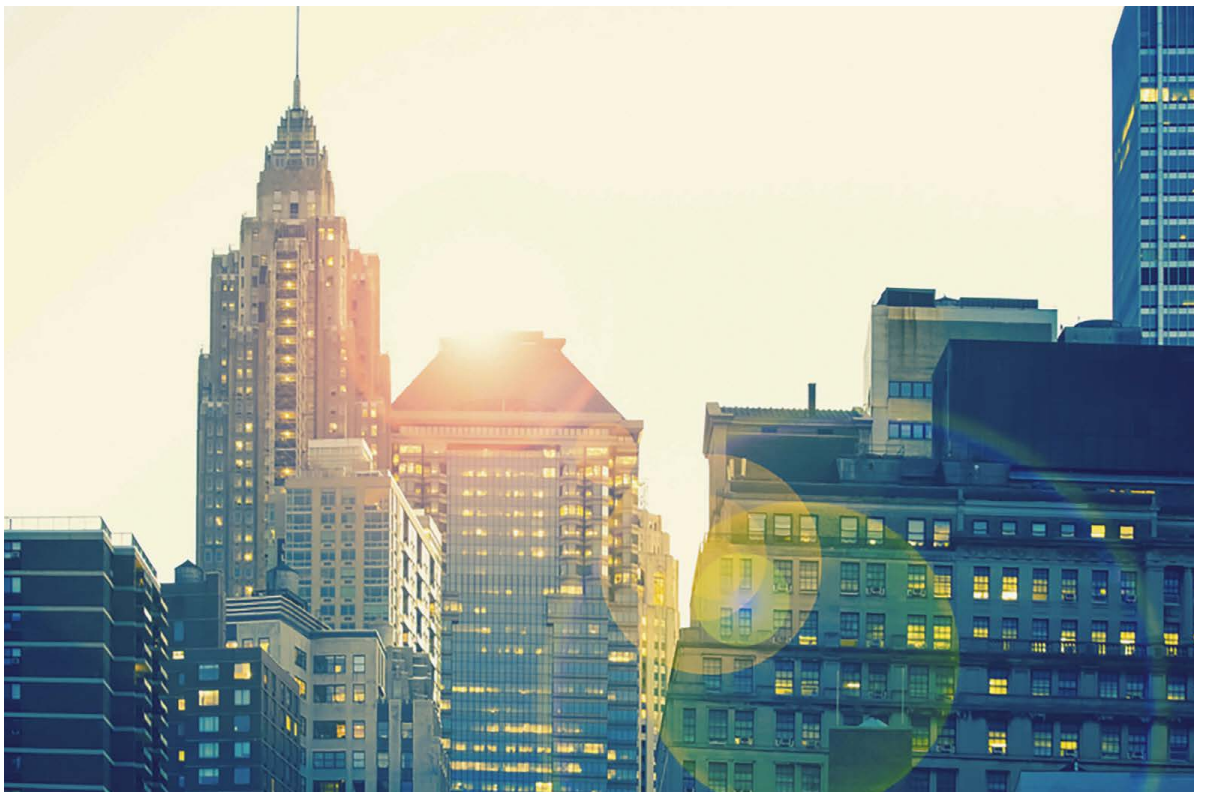


Company Axelisys • www.axelisys.co.uk • **Interview** with Ethar Alali, Director • **Subjects:** Disruption, Dynamic Packaging, IoT

Axelisys CEO, ETHAR ALALI

Lunch with Axelisys - Smart Cities for Starters - Smart Contracts for Mains

> **Imagine product packaging as a flexible display. Bendable, dynamic**



Ethar Alali, the CEO of Axelisys, is having lunch when I call him for an interview. Even so, he's happy to detail his company's achievements, and equally fascinating creative structure. He tells me they do three things. Number one, outsourced R & D and prototyping, number two, software development, and before he has chance to explain number three, I'm jumping in with a question.

Prototyping what?

"Of whatever our clients need. Brand new tech, cutting edge stuff. We were recently asked to look at flex displays in packaging and marketing. Imagine product packaging as a flexible display. Bendable, dynamic."

I jump in with another question because the Manchester based firm might just be toying with graphene applications, being in the hometown of that invention. "No, not to do with graphene but we have had other conversations regarding that. This is dynamic packaging, packing that becomes advertising, [for example,] we worked on packaging for a drinking glass. Cross branding - the possibilities are pretty expansive."

Dynamic packaging: You heard it first here. That's definitely got to be a thing of the future, no? Packaging that moves, selling stuff from the packaging of other stuff. It might get a bit hectic visually, but it wouldn't be a great leap to imagine a bottle of hair product that moved to attract your attention, or a million other variations of that. It's gonna happen sooner than later, and with e-inks it's almost surprising it isn't already here. I digress.

Ethar continues, "We built an IoT platform going live imminently, relating to social care and care in the community. The issue is not enough resources, so what they are trying to do is find ways to reduce costs and make everything more effective, because there's a big knock-on effect. When social care is ineffective it leads to NHS pressure. For example, an elderly person has a fall because of lack of social care, now it's costing tens of thousands for a hip operation rather than hundreds for a preventative solution. And that's just the financial implication, not the human. Of course the systems are not joined up, and there's a lot of people who can't afford social care. We are working to create a system for Manchester to try to deliver these devices, like augmented fire alarms and smoke alarms who can notify care teams and family if something is wrong in the house, to create a smart home scenario that can support care sectors. We're working with City Verve, (http://www.cityverve.org.uk), a collective consortium of 23 organisations across Manchester City Council, creating a platform on top of the council's own technology stack."

Lunch with Ethar is continued next month with the smartest way to create software that I've heard yet. ♦

Company Adelphoi.io • www.adelphoi.io • **Interview** with Gabriel Dusil, Co-Founder • **Subjects** Blockchain, Future, Disruption

Adelphoi CEO, GABRIEL DUSIL

Blockchain... A Techno-Philosophy for our Time...

Extracts from an esoteric conversation between Fintnews and Gabriel Dusil of Adelphoi.io

Fintnews: I've been watching American Gods, just to catch up on human affairs, and it's sent my mind into an esoteric place, which is ideal for thinking about blockchain.

Gabriel: Some people leaving school ... see blockchain as their destiny, ... they will never have a centralised brick and mortar job, ... blockchain represents an ideology and a philosophy and a lifestyle.... The ambitions of it as a technology are reflected in the ambitions of the adopters.

Fintnews: Right there you show it clearly, blockchain is more than a technology, it's much more than that for some people, closer to a religion or belief system.

Gabriel: Blockchain technology only scratches the surface of what the whole thing is about... database,... chaining, ... nodes, [it] only scratches the surface. It's really about the ideology and the ideology is still very much shaping itself, as is the technological representation of it.... Blockchain is a much bigger movement than the technology,... blockchain is ... a technological translation of a neo-internet ideology.

Fintnews: It's almost as if someone developed software based on the teachings of the Buddha. it's a lifestyle, a way of thinking and being, a guide to make decisions by, and because it's a technology with commercial applications, it's a way to earn money, and to create money, literally. It comes with its own currency built in. A way then to achieve freedom for the followers and devotees, who in turn create more of the blockchain systems.

Gabriel: Blockchain is software as a philosophy. And philosophy as a software. And that, when you think about it, is extraordinary.

Fintnews: It's a fact that blockchain and its siamese twin currency, Bitcoin, were conceived and created by a mystic, Satoshi Nakamoto, who may or may not be a man, or a number of men, or a group of men and women, or a woman, or none of the above. Like any true mystic, there's theories. Some have stood up and claimed to be Satoshi, only to sit back down again a few days later. Some say Satoshi is a CIA project, largely because Satoshi Nakamoto loosely translates as 'Central Intelligence', if you want it to, and because whoever he/she/it is, they certainly know how to make change.

Is it about time? Intriguing, is it not, how the blocks on the chain resemble encapsulations of shared experience, like frames on an old movie reel, each one an immutable record of what happened, each one a Truth, that can be revisited, and experienced, and held as, yes, this is what happened, we were there. And perhaps on a macro scale, a technological representation of the continuum of time itself. And this eloquent delivery of double truth is recognised by some as a thing of import, as a way to live and create more of the way, as a means to be free and to create freedom, as a system to speak to, and with, and through, a system with truth inside, a higher truth, a higher meaning.

"And these devotees understand the scriptures of the code, and hold it immutable, a foundation upon which to build their own node heart's desires... on this Block they build their lives, and with these Chains they set themselves free, and the technology platforms are their churches and temples..."

So strange and so mystical.

Hybrid technology religions.

Why is that not even surprising?

The Fintech Times, they have never been so ... changing. ♦

The Telegraph

Future of Fintech.

September 28, 2017
etc.venues, County Hall, London

Placing UK Fintech on the National Agenda

The Telegraph Future of Fintech conference 2017 provides a platform for senior stakeholders from across the industry to discuss collaboration and key issues.

Join the discussion:

- Maximising the transformative power of fintech for financial inclusion
- The impact of the latest technologies, regulation and tackling the skills gap
- Creating open banking and general markets to empower customers

Register now

£595 + VAT
Limited places available
Use promotion code FINTECHTIMES to save £200 on conference passes.

telegraph.co.uk/fft
+44 (0)20 7931 3986
conferences@telegraph.co.uk

Gold sponsor
BARCLAYS

Supporting partner
INNOVATE FINANCE

Speakers include:

Ashok Vaswani
Chief Executive Officer
Barclays

Gwyneth Nurse
Director of Financial Services
HM Treasury

Reshma Sohoni
Founding Partner
Seedcamp

Chris Skinner
Chief Executive Officer
The Finanser

Kosta Peric
Deputy Director, Financial Services for the Poor
Bill & Melinda Gates Foundation

Jan Hammer
Partner
Index Ventures

Maria Flores Portillo
General Manager UK
Persado

Iain McDougall
UK Country Manager
Stripe

Company Hedgd • www.hedgd.com • **Interview** with Oliver South, CEO • **Subjects** Disruption, Trade Management, Finance

Hedgd CEO, OLIVER SOUTH

Trade Management … Hedgd

Hedgd is a London-based startup that is "ready to disrupt the trade management market". Actually they're not. They're facilitating it. Which is a far better proposition. Fintnews asks the questions.

Fintnews: What's it about?

Oliver: We are launching technology company in the financial services sector. I used to be a buyer and user, and manager, in this sector. We discovered we were buying old legacy platforms. Lots of them are decades old, they can be very strong, but if you're running an old car it costs more to MOT every year... and this is one of the main problems for financial services companies, the maintenance of the platforms.

That and porting to the cloud, which for old systems can be difficult and a big investment. This is a recurring problem of legacy systems... not mobile, they pre date smartphones, and not cloud-based, for the same reason.

"What we're creating and offering is contemporary technology for financial services. Built for the cloud... not an old system that isn't truly cloud-based... but a new truly cloud-based system with distributed performance and backups..."

Fintnews: What specifically are the products for, could you explain the user case please?

"It's about facilitation of communications between various teams... for example, the portfolio manager decides what to invest in... and the execution traders, they actually do the trade. The communications between these parties, and there might be three or more traders for each portfolio manager, is typically done by email, which is easy to get wrong, or miss, there's no audit trail, no compliance or controls built in, it's just a poor way to communicate when it's such a critical process. What our system does is take a fairly standardised workflow and supply that on the cloud. We have the ability for people to work remotely, in a scalable and mobile way. Whereas a lot of legacy systems are awkward for mobile or tablet use, ours are designed for the actual way that people work and want to work."

"Done through the platform, this creates a structured way for that communication to happen, audited, formalised, now they receive instruction in real time, and in an orderly way. It's adaptable for each company. In some companies, everyone can see what others are doing, in other firms, not. Our system enables different portfolio managers... to collaborate or not... depending on their preferences and policies."

"It's simple but obvious. The existing legacy platforms prove the demand exists. They are just very expensive, not always efficient, and basically clunky and non-agile. New incoming regulation will further encourage better solutions. MIFID2 is also going to be important for traders, the regulation doesn't specifically mandate it but it makes it easier to conform. And there's huge EU wide changes and regulations all concerned with enforcing transparency and accountability. The regulators are keeping up with the tech and actively encourage it, the codification of compliance, building in transparency, a very new thing for banking. Compliance was previously more administrative but now more technology based, and moving towards a place where your compliance electronically monitors your trading. In a perfect world."

Hedgd will be soon launching its OMS (Order Management System) that enables investment managers to take control of data, costs and productivity. Hedgd.com. ♦

> **The existing legacy platforms prove the demand exists**

Company Strive Insight • www.striveinsight.com • **Interview** with Mark Yeoman, Director
Subjects Disruption, Banking, Adaptation

Strive Insight Director, MARK YEOMAN

Can you add more frictions please?

Fintnews: Hi Mark, can you explain what your company does, first of all?

Mark "Our main role is to act as an intermediary between our blue chip clients and consumers, to be the voice of the consumer and use the insight gathered to drive change in the business. Sometimes that involves us finding out what's going on in the market, understanding the landscape and from that helping clients design, develop and test new product and service ideas. Ultimately delivering products and services of best fit and ideally finding new opportunities and new markets to move into."

Fintnews: So if I understand this, the service Strive Insight provides is basically knowing the score, in street terms, and it is street level, or handset level at least, where the news and the action is happening. Bulky brands frequently operate from the 49th floor of What's Going On Towers and can hardly see the street, let alone smell the millennial spirit emanating from it. Big brands have the resources to deliver culturally significant and generation defining products and services. However, unless they are already highly integrated into the culture by having already delivered successfully, they are by definition on the outskirts somewhere, their sad faces pressed against the window as the cool kids have all the good times. I think that sums it up.

Mark expands on this, "In finance we've been looking at money transfer, high-street to high-street is changing, it already has changed, to phone-to-phone. High-street banks, they are going through a period of change."

Fintnews: That's a fact. Problem is, in my opinion, banks want to change what they do, or how they are perceived, without actually changing who or what they are. There's so much they could clearly do, but it's so far from what they are doing, they won't do it. And the further behind they get, the greater the leap will have to be, and the more reluctant they are to make it, until one day they see the ship on the horizon and disappearing over it, and they'll wonder how they missed it so completely. I digress, but I do think the main problem with most high-street banks is the lack of agility, which is directly resulting from the corporate structure, which is the one thing they seem unable to authentically change. Because that means changing themselves, not just what they do. They don't need consultants. They need counselling. I'm still digressing.

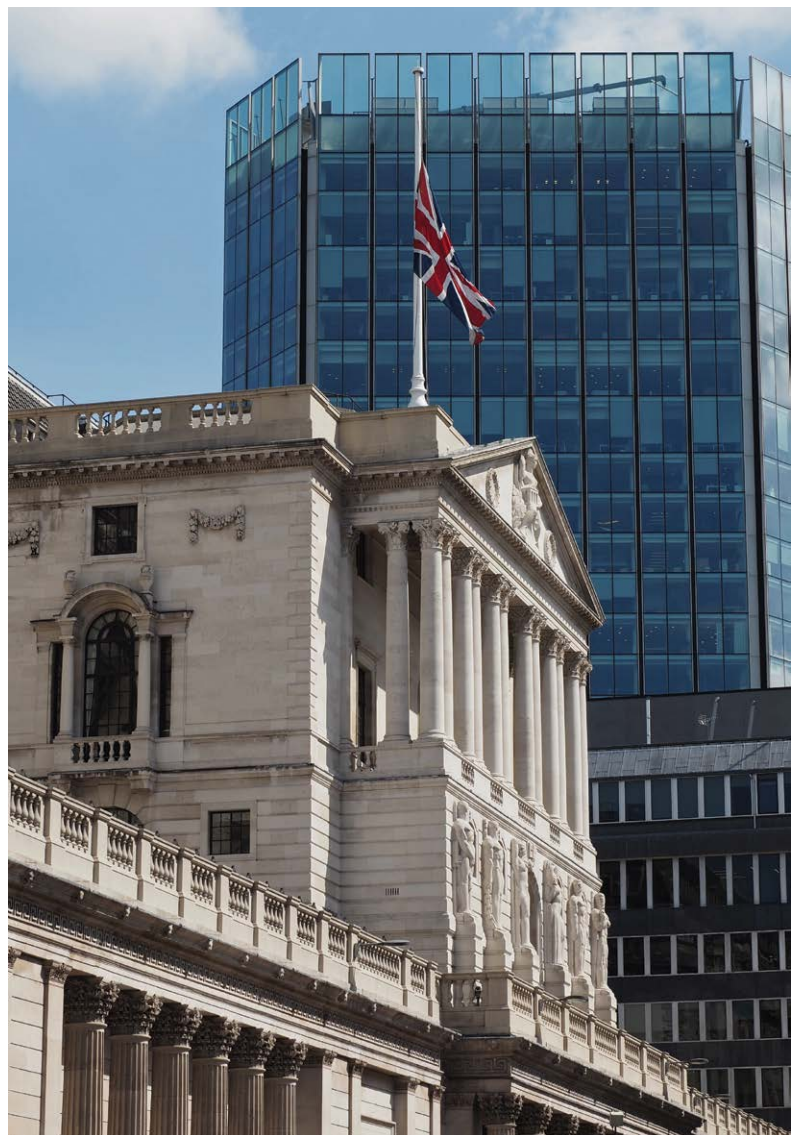
Mark details that, "we were helping develop an app-based lending product, and we were involved in consumer testing, from ideas to prototypes, not just how the app works but how the customer works. That project was an end-to-end loan. The users are borrowing from their bank, applying for a loan, getting approval, and the money is transferred to the retailer directly rather than the customer."

Fintnews: Sounds good in principle...

Mark "The interesting part, the psychology of consumers, they found it hard to press a button on an app to transfer £5k or £15k because it was too easy, the process lacks 'weight'. (Indeed ... it lacks chronological wait as well.) We've seen similar in peer-to-peer money transfer, whereby unfamiliar users start by transferring £10 to see if it works.

Fintnews: Ahhh ... a UX developers sweat-drenched nightmare. "Can you build frictions into this process please? It's too streamlined and customers are used to obtuse banking practices. Can we hold up some totally unnecessary hoops to jump through so the process feels more familiar to them?"

The re-education of banking customers may take longer than we think. ♦



Company Saxo Payments • www.saxopayments.com • **Interview** with Anders la Cour, CEO • **Subjects** Disruption, Finance, Future Fintech

Saxo Payments CEO, ANDERS LA COUR

Saxo Payments CEO Anders la Cour on the future

Fintnews: Firstly, what does Saxo Payments do?

Anders: The short answer is we are a financial utility... we believe the transition in financial sectors is creating a huge digital global market, with many companies delivering financial services. For many of these players it doesn't make sense for them to develop their own back end systems. What Saxo Payments does is create the infrastructure to enable financial services to be delivered profitably. This includes FX, money transfer, bank-to-bank transfer, everything to do with moving money cross-border.

Fintnews: What do you think the financial world will look like in ten years from now?

Anders: More players than today, that's for sure. Telcos, tech companies, banks, all trying to get a foothold in the space. Everyone will compete to have the client relationship.

Fintnews: Interesting... the client relationship. That's the final piece of the pipeline, the infrastructure. The brands delivering the service, from the client perspective.

Anders: Apple, Google, they will probably enter financial services... Amazon as well. It's a natural way of monetising on the client base they have. We will see Telecoms companies offering banking services, mobile phone operators, Samsung, for example. Traditional perceptions of what a bank is are changing a lot.

Fintnews: What a bank actually is, is changing, can you expand on that please?

Anders: People are slow to change who they bank with... but the way they will interact with banks in the future will be very different from how it is done today. People are starting to use a lot of different services, fragmented services... they'll pay friends by Facebook, send overseas transfers by Transferwise or Azimo, they'll use a digitised wealth management platform for their savings, and so on. It's a fragmented landscape.

Fintnews: That's interesting, that's already happening, the 'one shop for all financial services' model that was the banks is being fragmented. That's a good word for it. It's like each slice of the pie is being offered by a different company, specialising in that particular service. And because these are delivered largely through apps, it's a perfect fit. Apps are good for doing one specific thing very well. How are the incumbent banks going to respond to this?

Anders: There's going to be a lot of competition from the banks as soon as the challengers get up to speed... the incumbents are more aware of what's happening but they're still developing how they will respond ... I expect most people will still have their mortgage with a bank... It's not about switching banks... it's about switching services... changing service provider.

Fintnews: Ahhh, that's a considerable distinction. You're suggesting people will keep their bank, for the most part, but most of the transactional things they do, sending money, investing, even spending on a day to day basis, and so on, are likely to be done via a different company?

Anders: The client relationships are changing, becoming much less fixed. Digital relationships are easier to switch, to change, to replace, to move, it's all about the agility the business has to change services to meet customer demands. Challengers come in and identify specialist areas, how then does a bank fragment its services without fragmenting itself?

Fintnews: Very insightful. Talk to me a bit about some principles of disruption, if you would.

Anders: Adaptability and agility are key business traits. Instrumental in a successful business model is the combination of distribution and technology. Changing the distribution model is one methodology for developing disruptive businesses. If you succeed in completely changing the distribution model... it's very powerful... especially if using technology. Consider Amazon vs Walmart, or Netflix vs Blockbuster, two examples of a total redesign of distribution. And from the incumbent's perspective, if this kind of disruption occurs, as soon as the damage is done it's basically impossible to come back from. Their business model itself has been superseded. It requires a total rebuild and relaunch to adapt.

Fintnews: I see. The delivery of financial services is itself changing, being disrupted, as you describe. What do you think the financial world will look like in fifty years from now?

Anders: It's completely impossible to predict 50 years. Impossible.

Fintnews: Impossible to predict 50 years, 30 then? Still impossible? 10 maybe? But even then, maybe not. Fintech is 22 years old, as a distinct sector*. It's probably easier to create the future than to predict it, in this instance. ♦

**Fintnews holds the creation of fintech as a sector as being 13th November 1995, the registration date of Fintech.com*

Innovative RegTech Companies

Make sure your company is included in the **RegTech 100** research project...

...and gets the attention it deserves from financial institutions

REGTECH 100

REGTECH 100

The world's most innovative RegTech companies that every financial institution needs to know about

www.RegTech100.com

Company Albert • www.getalbert.com • **Interview** with Ivo Weevers, Co-Founder • **Subjects** Mobile, fintech, disruption, future

Albert Co-Founder, IVO WEEVERS

Free the finance for freelancers

Having previously worked side by side developing P2P inside apps for RBS and Natwest, co-founders Ivo and Dan's frustration as freelancers lead them towards creating Albert - a solution for managing finances for freelancers. Travelling for work between L.A and London, they realised that there was no simple way to calculate their freelancer finances all in one place. Luckily, that 11 hour flight was just enough time to prototype the first version of Albert!

For Ivo, "fintech is when you help people in a new way with their finances". Albert is merging the "bookkeeping and financial world" into one easy to use, free app which is helping freelancers "who typically have very little knowledge of accounting and finance."

Managing finance for many is often very complex and around "75% of freelancers are not using any dedicated financial software." From Ivo's personal experience as a freelancer, "you are constantly worried about money... when setting up a business, the first questions people have are, how do I get a client and how do I get paid? To get paid they need to be able to send an invoice..." This is where Albert comes in, "Albert helps you with your first few steps, helps with basic tasks such as invoicing, and grows with you after that. The core of the process is extremely simple." Albert has now over 20,000 clients, as a platform it is designed to grow with them.

Ivo thinks that the issue with the main players in accounting is that they "offer a product and a pricing model which are quite complicated, and often perceived as scary and alienating." Ivo says that Albert aren't competing with services such as Xero, as they are, "helping a different group of people."

When it comes to the future technology Ivo has very strong views:

"Mobile, mobile, mobile. Moving around the world has never been easier. It changes how people interact with others and with services. It changes how you experience sports, religion, and of course your finances. There's a whole new generation that lives and breathes their mobiles, and is quite likely to continue doing do throughout their whole life. Some are saying that apps are dead. But that's absolute rubbish. As apps combine with newer mobile interactions they generate more and more ways of connecting with people. Sure, mobile economics is changing - as is the way we need to approach building apps - it is a very different ballgame today compared to the early days of the iPhone. But one thing's for sure - that there's still an overwhelming number of opportunities out there for apps to help people's lifestyles.

For Ivo disruption is about creating value in a superior way. "I'm surprised how many industries are still relatively archaic in their business thinking. Think accounting and insurance products - it's crazy that most people still don't feel comfortable using them, and these are the basic aspects of our lives that are supposed to be made easy!"

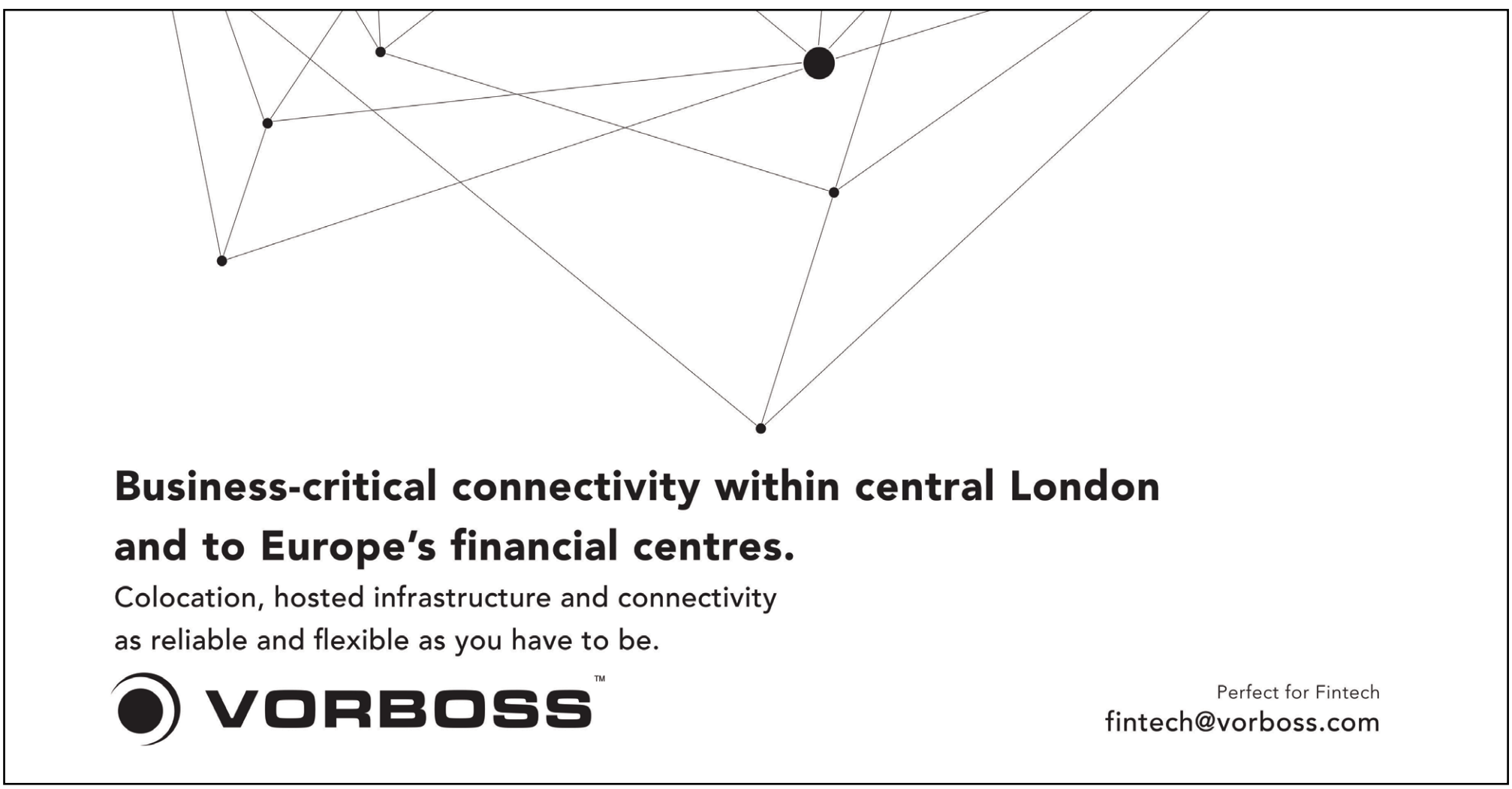
I ask whether there is a formula for disruption... "MAYA. It stands for Most Advanced, Yet Acceptable. It was first coined by designer Raymond Loewy. It means that a new solution will be most successful when you create it for the future, while still being close enough to the current norms and values of most people. Disruption in itself is not the purpose. Creating new value that people adopt is.

That's what we do at Albert. Every freelancer needs to invoice, expense and monitor cash flow. We do it from your favourite device, we try to do it better than anyone else and most importantly providing a whole new and simple experience. This brings great benefits to every self-employed person, as well as to those that feel finance management is alien to them. Every week we have people telling us how Albert takes away the fear associated with the most frequently carried-out actions and transactions for self-employed people. That impacts a core emotion toward something people deeply worry about. That is change.

Disruption in finance is about using ingredients to come up with a whole new recipe. Just a new bank account (or prepaid account) on a mobile is not disruption. It has to be about creating new tangible value.

Finding new finance recipes is often a longer-term move (due to the nature of the industry) to create new, sustainable value for users, investors and stakeholders. However, this has to be based on a model where customer lifetime value and acquisition costs add up, or else it runs the risk of becoming a leaky bucket. Disruption in finance will come from the companies that manage to master this."

Ivo is not afraid of change: "Listen, learn and respond to the people around you. But don't forget the reasons that got you in the game in the first place." ♦



Company VoxSmart • www.voxsmart.com • Interview with Oliver Blower, CEO • **Subjects** Banking Evolution

VoxSmart CEO, OLIVER BLOWER

Transparency creates Transparency

With mis-selling costing financial services literally billions, the commercial case for transparency continues to become clearer. Fintnews, the world's fintech news agency, talks to VoxSmart CEO Oliver Blower.

In a nutshell, VoxSmart's main product, 'VSmart' allows any communication carried out over a mobile connection to be recorded and stored in real time.

VSmart has initially offered their service to the financial services industry as the product "is fully compliant with current and pending legislation" and has the capacity to, "capture, secure and analyse the data." However, they hope to enable mobility in other markets in the near future, too.

Oliver tells Fintnews that "VoxSmart's customers, are by definition global and by using VSmart, real time mobile data can be logged and VoxSmart ensures that the "data is secure at rest and in transit."

Oliver joined VoxSmart after working on the trading floor and using voice recording systems whilst at Barclays and Bank of America, experiencing "lots of white noise and dead air...which meant that users often hung up". These systems were put in place so that the whole process was more transparent, a way to make the financial sector more compliant as regulation tightened.

The end user can become a disruptor in their own right, as they can become more efficient and compliant as a result of the VoxSmart system that is "invisible to the user and not intrusive" as well as meeting the FCA tech updates. Although Oliver points out that VoxSmart are not regulated themselves, their tech helps those who are or need to become regulated meet those obligations.

VoxSmart partner with banks and third party suppliers and vendors, like Green Key Technologies, Finitex and Blackberry and in their words, "try their best to collaborate within the ecosystem of fintech."

Fintnews: Have you felt any disruption from the Brexit decision?
"Any volatility creates disruption." VoxSmart relies on inward investment and customer acquisition.

They began fundraising around the summer of Brexit and saw "decision paralysis," however both factors have since unlocked and the UK business of fintech "looks healthier than ever."

Overall, regarding Brexit, Oliver believes that both "UK fintech and regtech" have seen "little impact."

VoxSmart are beginning to scale up their UK operations, with 40 employees based in London alone. Oliver insists that, "throughout Brexit we've had no problems attracting and retaining staff" with a number of international and EU employees on their books.

Fintnews: Has there been any resistance to the product enabling a transparent flow of information?
No, the "power of transparency" means that once one bank introduces a mandate, their technology will continue leaching under the umbrella of banking, i.e., practices from one become practices of all. Capital marketing, advisory, research, sales and trading could all benefit in this way.

In fact, VoxSmart believe that they have the potential to become a "disruptive player for all heavily regulated industries...criminal justice system, social workers..." So, nearly any industry where there is a "high regular mobility" of information could benefit, making information more coherent and people more accountable for their actions and the public more aware.

VoxSmart has seen "interest from national police forces, health care, pharmaceutical and defence industries" and aims to begin exploring these sectors in "12 - 18 months." However he says that he needs to "focus on financial services first...it's important to build a deep footprint as you increase the chances of failure by spreading too thin."

Fintnews: Do you believe that there is a formula for disruption?
Oliver wants to see a "cross pollination effect between vectors," we've seen that the "banking world is allergic to taking tech from contact centres...but this is what a trading floor does."

For real disruption to occur Oliver believes that it needs to occur "inside out," clarifying by explaining that there needs to be first a "deep understanding of the problem and then find solutions."

"Former (banking) institution members are now becoming board members" at VoxSmart and other fintech disruptors, who have a deep understanding of the problems within the industry and want to be part of finding solutions. We share a unified vision at VoxSmart within our target vertical (market)."

For Oliver, the answer is to look at the ecosystem from "the top down within organisations... you need to unlock the capability of individuals at the ground level. By asking the individuals using the service day in, day out, what they want to change."

Oliver recently attended a KPMG panel, and heard a very pertinent quote, "incremental gains before quantum leaps." Oliver believes that the speaker was trying to convey that, "we are each participating in a small element of disruption. There is a recipe for collaborating, it may happen as a result of an industry shock which triggers disruption and innovation." Remember, 10 years ago the word fintech didn't exist... even blockchain is still only in its incremental gain phase...positively incremental... ♦

Company Žltý Melón • www.zltymelon.sk • **Interview** with Jos Henson • **Subjects** Brexit, P2P

Žltý Melón CEO, JOS HENSON

What can UK P2P learn from Žltý Melón?

FINTNEWS: First of all, what does ŽLTÝ MELÓN do?

ŽLTÝ MELÓN: "We are a P2P platform connecting borrowers and investors / savers. It's a win for both parties, as by cutting out the middleman (banks) and because of our lower overhead costs, we are able to provide a better deal for both borrowers and savers. We have successfully been operating for almost five years now. The typical amount borrowed on our platform is between 500 - 10,000 EUR and our investors can start with as a little as 25 EUR. Our investors are EU wide, and our borrowers are in Slovakia and the Czech Republic. We are the first and largest P2P lender in Slovakia, and are also one of the main players in the Czech Republic. We have been successful because we understand the market and our customers especially in terms of how to assess risk there."

FINTNEWS: Brexit: How is that affecting you?

ŽLTÝ MELÓN: I think it represents an opportunity for companies such as ourselves. The uncertainty that Brexit is creating, both for institutions and individuals, will help reverse some of the trend of gravitation towards London, in terms of money, talent, and attention. I think that Brexit might help shine a spotlight more on what's available outside of the UK. I also think the disruption from Brexit may make UK firms less able to expand. For instance, some UK lenders may have been able to become pan-European lenders, but now they have huge barriers, of uncertainty, and possibly financial passporting, as well as user preferences in other markets.

FINTNEWS: It's giving everyone a chance to catch up possibly?

ŽLTÝ MELÓN: "I wouldn't say that everything was necessarily more innovative in the UK before now. It's more like Brexit gives other areas and regions an ability to shine, to be seen. There are some great companies with very innovative products that are thriving outside of the UK, but that wouldn't be seen until now. For example, the financing of deposits for mortgages. This is not available in UK (as far as we understand), yet it is well established in Slovakia. We just launched our new mortgage deposit loans, and as we already do loans to finance the reservation fee and deposit for new build homes, it's already familiar to our investors. It's also guaranteed and the investors' money is secure.

FINTNEWS: How do existing mortgage lenders respond to that?

ŽLTÝ MELÓN: Collaboratively. We are working with a leading mortgage finance provider as well as several real estate developers. Recent regulations here ended the 100% mortgage, now it's 80% in most cases. There's a real need for traditional mortgage lenders to have the 20% gap filled. We are supporting the existing industry, which was disrupted by regulation, to maintain stability.

The crucial thing that makes this secure, for borrowers, investors and mortgage providers, is that in Slovakia our new loans are to people who have already been

approved for a mortgage by their bank. This means that both they and the property they are buying have been thoroughly verified, which isn't true for most current forms of P2P real estate investments. Our investors don't need to go and do lots of background research, or know anything about property in order to invest in this loan. Also, while the loans are taken out over a period of 25 or 30 years, which makes them affordable for borrowers, the investors are only signing up for 5 years at a time, with a return of 5.9%. Compared to Ratesetter and Zopa, it's very attractive. ♦

Next edition: How bidding for loans on a P2P platform works in practice.

INTRODUCING THE INSURANCE NEXUS GLOBAL TREND MAP

Despite its little-deserved reputation as the sleepy corner of financial services, insurance can be a disorientating industry to work in as insurers and insurtechs alike contend not just with cyclical adjustments but massive seismic shifts in the business.

Low interest rates continue to constrain carriers' investment profits, while, in our globalising and increasingly interconnected societies, risks are becoming trickier to understand and price. Meanwhile, the growth of digital distribution – in financial services and much more broadly – is driving a far-reaching re-evaluation of the insurer-customer relationship. And, as every challenge is also an opportunity, we find insurtechs and outside-of-industry players waiting on the wings.

29% of (re)insurers report losing market share to new entrants…

With the industry at a crossroads, Insurance Nexus set out to comprehensively map the state of insurance in 2017. After 50 interviews with the industry's leading influencers and an international survey attracting over 1000 responses, the Insurance Nexus Global Trend Map is finally ready and available to download free of charge (www.insurancenexus.com/trendmap).

Contributing to the Trend Map are representatives of fifteen major (re)insurers, brokers, associations, VCs and, of course, Insurtech, with insights from Spiros Margaris, Cindy Forbes, Sabine VanderLinden, Charlotte Halkett, Matthew Josefowicz, Steve Tunstall, Stephen Applebaum and others.

In this brief intro we highlight, through a range of stats, the overarching themes of the Trend Map: low interest rates, the complexification of risk and insurers' overwhelming move towards customer-centricity.

The majority of carriers have diversified their investment portfolios in the face of low interest rates…

Cutting across all the world's insurance markets are the low interest rates that have endured since the 2007/8 financial crash. The poor investment climate this creates is forcing carriers to seek higher underwriting margins, which is difficult in today's soft market where excess competition is putting strong downwards pressure on premiums. This is driving investment into new technologies, such as robotics and analytics, many of which are essential not just for cost-cutting but also to deliver the service levels demanded by today's ever more demanding customers.

The top three 3rd-party service types for carriers are: Digital Innovation, Analytics and Internet of Things…

On top of adverse market conditions, we also point towards the steady complexification of risk: the world is moving fast for people and businesses alike, hastening us towards a more turbulent, less predictable future. We need look no further than the ballooning global population and the ongoing shift towards megacities to see that the future will bring higher pollution levels, increased political instability and greater movement of people; in these circumstances, existing liability classes will likely become more problematic, with greater accumulation risk.

Commercial currently trails other insurance lines on IoT platform implementation…

The above consideration applies also to global supply chains, which come with numerous points of failure and ample chaos potential. The IoT can expedite risk management and mitigation in this field, although it is early days for the technology still.

Providing adequate cover to enterprises is becoming harder, due to the volume of customer data in play and the proliferating attack vectors (especially through IoT). Cyber incidents and data breaches are rising year-on-year (take this year's high-profile Wanna Decryptor and Petya ransomware attacks), so cyber represents a massive, albeit challenging, new product opportunity. At the same time though, insurers must ensure they keep their own shop in order from a security perspective.

75% of carriers are confident they are adequately protecting customer privacy and data security…

As the nature of risk evolves, and the insurance market and interest rates move through their time-honoured cycles, the ground on which carriers fight is changing. This is not all though; the way they fight must change too. If we had to pick, the overriding theme throughout the Trend Map, regardless of the specific topic under discussion, would be: customer-centricity.

Only 45% of (re)insurers believe their organisations are truly customer-centric…

The advent of digital channels has broken what was formerly a captive market wide open, fuelling competition both among incumbents and from new entrants. Especially in the personal lines, insurance customers can easily shop around – and if they don't like the prices, the products or the services offered by their existing insurer, they can easily turn to another.

Nearly three quarters of insurers have a direct-to-customer offer…

Today's customers expect strong digital offerings from all their brands, and financial services are no exception. The impact of digital far exceeds raw sales figures given consumers' widespread use of multiple touchpoints across their research and buying cycle – so, in addition to being available both online and face-to-face, today's insurers must also be consistent across these channels.

Customer experience (CX) in claims is 'very important' for over two thirds of carriers…

Positive customer experience starts with marketing and distribution but encompasses the entire customer journey, from underwriting through to claims and renewals. The stakes are particularly high with claims, where positive customer experiences, regardless of outcome, can count double.

So what insurance paradigm do we see emerging in response to these industry pressures? Broadly speaking, we are moving towards usage-based models wherein client and insurer are 'risk partners' and it is in each party's interest to share as much information with the other as possible, so as to work together proactively to reduce exposures.

32% of insurers have Usage-Based Insurance (UBI) strategies…

Personalisation, especially on price – an area naturally fraught with regulatory hurdles – is as much a part of customer-centricity as consistent, positive experiences across channels, and this all goes together with insurers' quest for lower-cost operating models. AI, IoT and blockchain all have roles to play realising this new model.

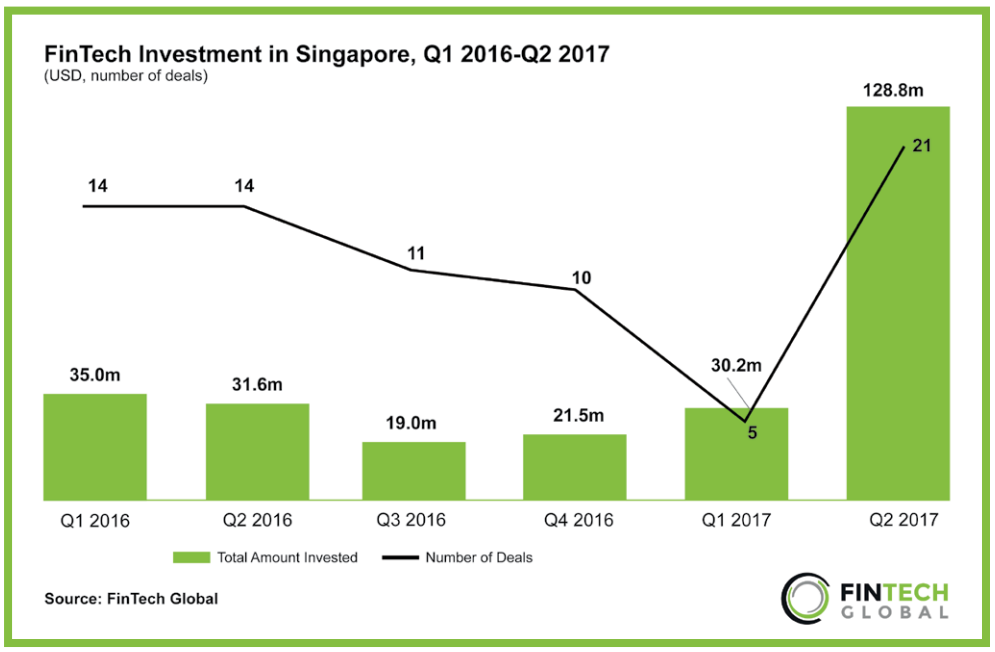
28% of carriers are using machine-learning/AI…

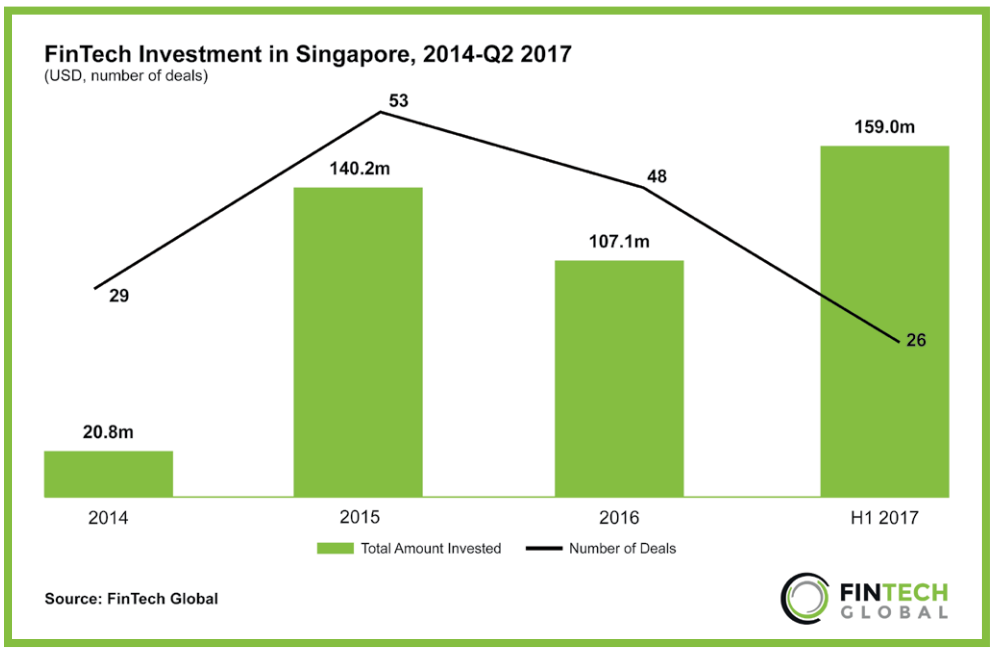
In addition to covering the 'megatrends', the Trend Map addresses functional and technological developments across all the world's major regions, through a blend of influencer commentary, industry analysis and shareable infographics. ♦

Alexander Cherry, Head of Research at Insurance Nexus

If you've enjoyed this brief intro, please download your full copy of the Trend Map via the link (www.insurancenexus.com/trendmap). We'd love to know what you think!

> **Global supply chains come with numerous points of failure and ample chaos potential**





2017 is already a record year for fintech investments in Singapore

FinTech funding in Singapore looks set to soar this year, according to research from FinTech Global

Until the close of Q2 2017, 2015 was the year that FinTech in Singapore saw the largest amount of funding across a single year, with $140.2m. However, the first half of 2017 already surpassed that value by 13.4% with $159m-worth of investment, which is more than seven times the amount of funding 2014 received. In contrast, last year saw a downturn in both figures compared with 2015, with investment falling 23.6% and deal activity falling 9.4%.

The record-breaking funding levels in 2017 were achieved by a rise in larger deals rather than increased deal activity. In fact, deal activity is on track to remain at similar levels to last year and below the peak of 53 transactions reached in 2015. This resulted in an average deal size, in the first half of the year, much larger than previous years. The average transaction size in H1 2017 was $6.1m, whereas for 2016 and 2015 they were $2.3m and $2.6m – 37.7% and 42.6% of H1 2017's average, respectively.

Q2 2017 was a record quarter for FinTech investment in Singapore with over $125m invested

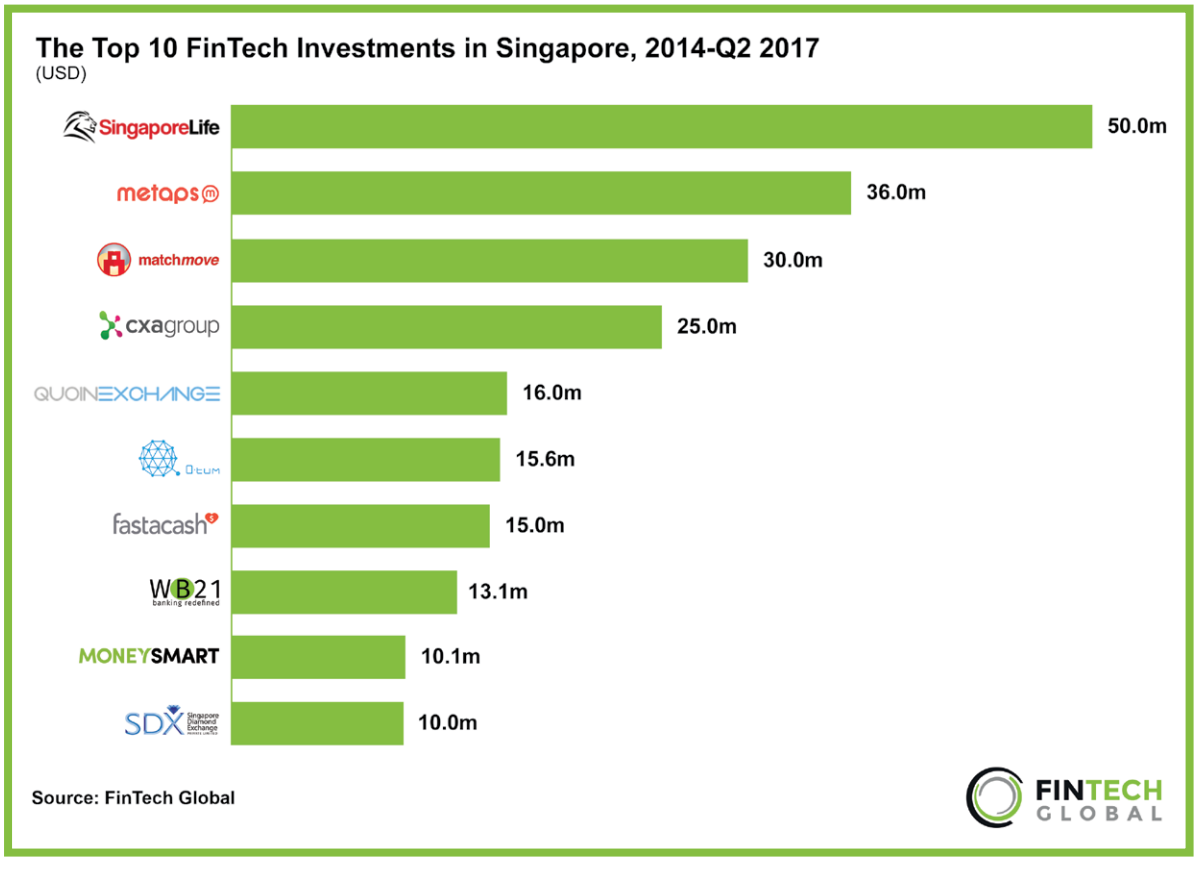
• $220.8m was invested across the top ten deals in Singapore-based FinTech companies since the start of 2014, the largest of which was the previously mentioned $50m Singapore Life funding round. That deal was followed by the $36m Series C round received by AI and Big Data powered monetisation platform Metaps back in 2015.

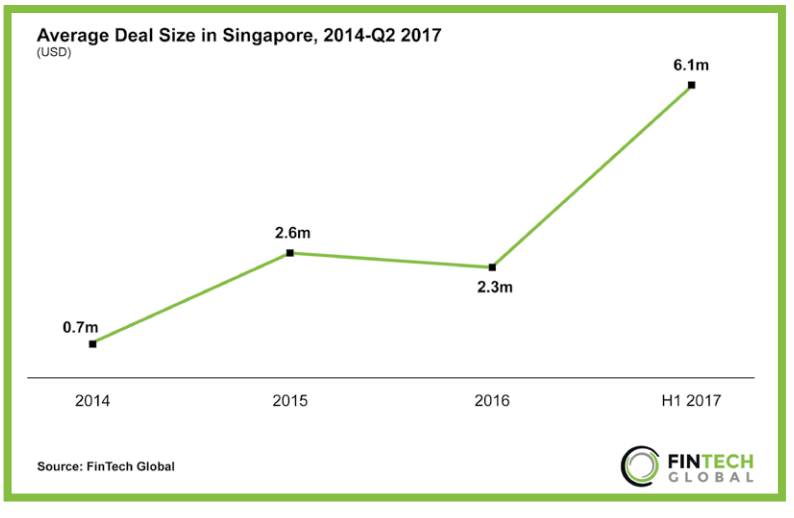
• Also in the top ten is smart-contract on the blockchain company Qtum, whose $15.6m funding round came in the form of ICO. Qtum used multiple cryptocurrency exchanges/ crowdfunding portals to conduct the ICO – these included Bizhongchou, Yunbi, and ICOAGE, among others.

• Another notable inclusion includes trading platform Singapore Diamond Investment Exchange (SDiX), which claims to be the world's first commodity exchange using physical diamonds as capital. They raised a $10m Series B in Q2 2017, in a round co-led by the firm's own co-founder Alain Vandenborre and domestic VC Vertex Ventures.

• Half of the companies featured in the top ten received Series B or later stage funding rounds. The crowdfunding financing of Qtum along with Series A rounds for Singapore Life and Quoine, were the only early stage funding rounds on the list. MatchMove and WB21's funding round stages were undisclosed. ♦

The data for this research was taken from the FinTech Global database. More in-depth data, research and analytics on investments and companies across all FinTech sectors and regions around the world are available to subscribers of FinTech Global. www.fintech.global ©2017 FinTech Global





Startups and ideas to change the world

In partnership with Fintnews.com

Mark
BRADBURY
Managing Director
Apply Financial

Apply financial was started in November 2010 and our Validate solutions have enabled over 700 businesses to capture, verify, cleanse and enhance payment data either for single payments or for bulk files. We help our clients dramatically improve processing efficiencies by ensuring the right details are provided to guarantee a payment reaches the intended recipient on time every time without the need for manual intervention to fix any errors.

Since we were started we have been at the forefront of payment digitalization. We have overcome a number of challenges, namely being in the cloud and not 'on premise' and getting clients to feel comfortable with a REST API. The next challenge was to prove we could scale and add even more functionality around payment requirements to ensure 100% STP, which is an ongoing challenge and one we are happy to take. Now the world seems to be more acceptable of scalable cloud and REST API's so the challenges we face moving forward are maintaining the integrity of our data, which covers over 170 countries and the rules and structures around accounts and bank branches for those countries, seamlessly and without our clients feeling any pain.

Our aim has always been to provide a simple to deploy REST API which provides comprehensive payment validation capabilities in real-time without our clients needing to do any 'on premise' deployment, and to rise to the challenges of ever-changing legislation, changes in banks and the adoption of instant bank-to-bank payments around the world.

Over our life time we have helped our clients process over £1,000 billion in payments around the world without a single lost payment. This has enabled payment institutions to lower the cost of providing foreign exchange services to individuals for remittances which have been historically expensive and also to corporates who felt they were being overcharged for their payments. ♦

Gareth
SHIP
CEO
Brickowner

Brickowner allows investors to access sophisticated property deals from £100, we provide new sources of capital to property managers and allow investors to access returns of 8%+.

Traditionally everyday investors are unable to find and access the best property deals, put together the minimum investment required (usually c£25k) or don't want to be tied in for a minimum term. Brickowner helps solve these issues by using the crowd to reduce the minimum investment, offer a secondary market to exit early and provide accessibility to a number of managers.

Property managers are unable to access capital, reduce their minimum term or administer smaller investors. Our platform helps to solve these issues by automating the onboarding and management of investors.

The major challenge for our business is trust, investors quite rightly, are careful about how they invest their money. We need to prove as a business that we are transparent and deliver the best opportunities in the market. This is earned through constant communication and performing against expectations. I am pleased to say that so far all our returns have been on target and investment is growing everyday!

Definitely we are providing access to investments that people normally wouldn't have access to. In years gone by people put their money into a savings account, currently the best rate in the market is around 2.5%, we are aiming to offer returns of 8%+ by accessing new investments.

We are lifting the veil on the world of institutional investment, most people know property is an attractive investment but don't always understand the opportunities outside of the buy-to-let market. We hope that as more people invest we are able to educate them about the types of property investment you can make and how by diversifying your property portfolio you can reduce your exposure, if certain areas of the property market perform poorly.

People in Britain love to invest in property, but in recent years this has proved difficult to achieve due to high upfront costs. We aim to simplify this and open up property investment to all. ♦

Kris
LEONIDOU
Co-Founder
Echofin

Communication is a crucial aspect of all businesses, all the more of any financial related issue. While institutional traders have the proper tools for their communication, retail traders have been relying on generic messaging apps to communicate and a set of different tools to gather market information. This resulted in a lot of noise, incoherence and wasted time between tasks.

Echofin offers a specialised, trading-focused, fast and secure solution for undistracted communication between financial traders. Financial teams are able to quickly set up their chat environment, packed with different types of chat-rooms, financial widgets like charting, real time price updates, news and live video. Since all the market information a trader needs can be found within Echofin's environment, switching between different desktop windows and screens becomes redundant. Moreover, Echofin's integrated billing solution gives team owners the ability to enable pay-to-access content and effortlessly monetise their users.

Since Echofin is relatively new to the FinTech industry, most of the trading teams still rely on generic monolithic solutions like Telegram and WhatsApp. Once they find out about Echofin, they want to switch to the platform but are deterred by the intricacies of the migration process between another app and Echofin. While we take care of this, providing a streamlined migration process, team owners are often still skeptical, making user adoption the most important challenge right now.

While big, institutional traders have been covered for a while by Bloomberg and Thomson Reuters, no one has thought about handing comparable functionality and power to the little guy. Through Echofin, market information is not limited to the wolves of Wall Street and white-collar traders, and learning or talking about trading has become available to everyone, regardless of social status/connections. Our easy billing/monetisation features do represent a step forward for the retail trading community. ♦

Danny
WATKINS
CEO
Market Earlybird

Market EarlyBird solves the problem of making Twitter available to financial firms, particularly for use on trading floors and other regulatory sensitive environments. Twitter is where news happens first – not only does social media generally beat the news wires to major news stories by several minutes, but it can provide an excellent analysis resource to find out why a market or instrument has moved. However most financial firms block Twitter both because it allows outbound broadcast and because it has a private messaging service which isn't recorded or tracked. Because of the risk of it being used for collusion or market abuse, this kind of communication is strictly forbidden.

We solve this problem by providing a strictly read-only Twitter client that prevents any Tweeting or direct messaging, then records and timestamps the receipt of each Tweet for regulatory compliance.

Having solved the regulatory problem, EarlyBird layers on advanced search, filtering and curation capabilities that help traders, analysts and portfolio managers find financially relevant tweets. An intelligent scoring system using reputation analysis and natural language processing means users can choose to receive just the most highly rated Tweets, or delve down much more deeply to find the cause of an unexplained price movement.

Generally, we find those people already familiar with Twitter immediately see our product's value and understand its importance. Our challenge is in convincing others, who may see Twitter as inessential or distracting, that Twitter really is timely, relevant and useful for trading and analysis in financial markets. But with 80% of world leaders on Twitter, around 24% of verified accounts held by journalists and Twitter being an approved channel for the publication of SEC key company information then it's becoming easier to persuade the doubters of Twitter's relevance.

Providing compliant access to real-time news and analysis on Twitter enables regulated financial firms and investor to access news, information and opinion that allows them to make better trading decisions. ♦

SMART CONTRACTS & BLOCKCHAIN... how far can it go?

Adam Leonard CEO, BlockEx | www.blockex.com

Subjects: Disruption, Blockchain, Smart Contracts

All the way to the top, apparently.

Blockchain is the technology of choice for digital asset exchange platform BlockEx. Here's why.

"In the context of digital assets, blockchain technology provides a powerful accountancy system for tracking ownership. The immutable nature of a blockchain lends itself towards the issuance of digital assets thanks to the ability to quickly audit data and track ownership in a secure manner. Ownership of an asset can also be transferred in near real time. The ability to granularly track ownership allows us to undertake other useful activities, like the automation of corporate actions..." BlockEx.com

What BlockEx have built, over the last 2 years, with 40 employees, including time in the FCA sandbox, is a blockchain platform that enables the secure, compliant, and soon to be authorised trading of ... everything? Their website has the most outrageous claim:

"Disrupting how the world trades, raises money, and accesses the capital markets."

It may be outrageous, but that doesn't mean it isn't true. How disruptive is BlockEx's business model? Adam jokes that BlockEx is "the most loved and hated company in the city." BlockEx has been able to "build an entire industry... and collapse lots of different things into one platform. And by offering everything all in one platform, you know who owns the debt at any one time. For the issuer it's a lot cheaper, and more efficient, and for the traders it opens up a 24/7 market place."

BlockEx is, in Adam's words, "very disruptive to the intermediaries." In fact, Adam believes that instead of seeing the automation of the industry by technology as a threat, "intermediaries (brokers) can use the platform to automate their product, and can offer more."

Collaborate or die then, to paraphrase the Economist event last year. Middle men disrupted by technologies frequently get to enjoy this silver or lead binary. It's an entire financial market, from what I understand. A platform from which to buy and sell bonds, shares, equities, debts, and not just buy and sell, but originate, manage, sell, resell, service, divide, bundle. In other words, to quote another BlockEx website statement:

"One platform for the entire lifecycle of an asset."

That has a ring to it, and that's the nutshell of it. The trust aspect, the who owns what and did what, is carved in stone for all time, or in blocks if you prefer, and laid end to end, so everything is clear and accountable.

"It is extremely difficult to change or remove data from the ledger once encoded into a block. When data gets added in this manner all the network participants (all of whom have copies of the blockchain) validate the new data via a series of automated computer processes. If the majority of network participants successfully validate the new data against the blockchain history, then the newly added data will be approved and the new block will be appended to the chain. This process forms what is known as a 'consensus mechanism.'"

In other words, the system itself knows what it is doing, and what is allowed, as do the people using it. This has not always been the case with conduct in financial markets. But the 'run the whole platform' thing is rather counter to common wisdom. The trend in fintech is, 'do one thin slice of a thing very well. Specialise. Segment the market and own one segment.' But in Adam's words,

"The formula for disruption depends on the industry you are tackling... In the fintech space, we see lots of people trying to tackle part of an industry. At BlockEx, we believe to be truly disruptive you need to tackle the whole thing. Even this is opposite to the advice given in a 'lean startup guide.'"

Very interesting. He may just be right about his industry. In the simplest metaphor to come to mind, it's like this: there's one restaurant in town. Do you open a competing restaurant, or do you open a snack bar selling just one thing from the restaurant's menu?

Either might work, it depends, but if your restaurant is quicker, cheaper, better value, and offers tasty food and service, why not offer the whole menu if you can?

The other advantage of running the whole platform is you don't need anyone else's cooperation, as it were. Many a David has developed a product that requires a Goliath to want to adopt it, buy it or sell it on. Sometimes Goliath doesn't want to cooperate, or has a choice of other Davids to choose from. Better to have the entire supply line if you can, the whole ecosystem, whatever that looks like. Simple yes, like 'A is for Apple'. This way you only have to integrate with yourself.

BlockEx had a "first to market advantage", and Adam sees its main competitors as being those based in the USA who deal with digital assets singularly; no one has attempted to enter the market with an entire platform. By building from the ground up, from scratch, they avoided any legacy issues or the implementation risk that a bank would have.

"With BlockEx, from the user's perspective, it's about how easy it is to pay, get onboarded, have access to products and trade products."

I guess that covers it. It might also be a model for how the entire global financial system should look. Integrated, transparent where required, private where required, inherently compliant, quick, trustworthy, auto-auditing. I'd eat there. ♦

Blockchain Disruption on Crypto-Steroids

Andrew Zimine CEO, Exscudo | www.exscudo.com

Subjects: Disruption, Banking, DLT, Blockchain, Cryptocurrency

In a nutshell, Exscudo's mission is to revolutionize the banking sector through the implementation of their platform, which acts as a base for their continued introduction of new fintech products that are "bridging the gap between the traditionally highly regulated industry and the rapidly evolving cryptocurrency sector." Upon their next launch they want to be able to equip everyone who has either a credit card or access to the internet with access to cryptocurrency.

It's apparent Exscudo have chosen to attempt to revolutionize one of most regulated industry sectors. Andrew explains that in an attempt "to make this industry more transparent and secure", regulators and bankers have in fact simply created more barriers, such as cost, that are hindering the "fast implementation of innovations."

In fact, "everything started with the development of products based on EON blockchain." Andrew highlighted an example of a problem that occured when using the "bitcoin peer system..., we wanted to use a particular distributed system, but during text data transmissions we faced the problems which were related to the large amount of information storage and the long block confirmation period."

Fintnews: What problems make the banking industry a target for disruption?

"The emergence of new players in the transactional business market is happening right now, rethinking the approaches to banking business, for example in the past where the bank played the role of Escrow agent or guaranteed value transmission."

Andrew has observed that companies, who are also trying to disrupt the banking industry by developing technologies and new approaches for leading business in the banking field, are also having a negative influence. Andrew says that "the lack of clear algorithms, unified standards of implementation together with the long period of implementation may set to zero all innovative decisions of a bank." Explaining that due to the very lengthy implementation process, a product which may be greatly useful to a bank right now, by the time the idea passes all the stages of coordination, it may already lose its actuality and innovativeness. This is just one of many reasons why Andrew believes that the banking sector is gradually losing its positions to new companies in the fintech sector.

The solution to resolve such negative impacts on the banking sector, according to Andrew, is not only to follow the market and industry news, but also to modify the business model, enabling testing of technologies within the frameworks of the current business "sandbox", at the same time coordinating it with the regulator. The initiative, as Andrew points out, can be used as a way to "quickly measure startup decisions whilst keeping any money or time losses to a minimum."

Fintnews: Could you explain Exscudo's disruptive business model?

Through combining their previous (working) experiences, the team collectively understood how much the cryptocurrency industry lags behind other emerging industries. Exscudo also saw that following the crisis which led to the MtGox situation, there were also some legal difficulties for honest work of the trading platforms.

Exscudo was immediately able to resolve the problems they were facing "by developing our own technology", and Andrew said that this opened up a whole "new window of opportunities for using our solutions."

In essence, Exscudo set out to "create a transparent trading platform, secure not only for clients but also for us as organizers." The result of their R&D efforts is the, "Exscudo project, combining classical client-server solutions and EON blockchain technology."

Fintnews: What do you think future fintech disruption will look like?

Andrew believes that, existing fintech solutions will be disrupted to "build new ones", which will be "more modern and effective." This future disruption will occur as "no economy enjoying the benefits of [the] digital world would be able to function without any fintech system."

> **The team collectively understood how much the cryptocurrency industry lags behind other emerging industries**

The disruption of the old system and implementation of a new system will involve "stages of testing, identification of mistakes and the correction of the identified mistakes." Andrew rightly asks, will "the economy wait all this time? Of course not!"

Going on to explain the most realistic scenario for future fintech disruption, Andrew states that, "blockchain technology will be 'smoothly' integrated into the existing system, step by step replacing nodes and processes, ... working on old client-server solutions. However, only time will tell how quickly these solutions can be implemented, given that most traditional banks have large and existing legacy issues to contend with." ♦

LUNCH WITH... Premonition

Guy Kurlandski, CEO | **Toby Unwin,** CIO | **Ian Dodd,** UK Director

Subjects: Disruption, AI, Lawtech, Sushi • Premonition | www.premonition.ai

Few businesses could be more contentious in their sector. The company seems to inspire a strong love / hate reaction in everyone who comes into contact with them, ambivalence isn't really on the menu. It was time to see what all the fuss was about.

If you want to see the future sometimes it helps to get high, and from the 39th floor of Heron Tower you can see further than from the ground. Lunch with Premonition was at SushiSamba, and yes, it was predictably and delicately delicious.

Sitting round the table, listening to the extraordinary business that is Premonition.ai, taking notes on my iPad pro, nibbling at tempura sea bass and wafer thin slices of Wagyu and what I recall as a ribeye served on hot stones and a succession of delicacies, it occurs to me life could be worse.

It also occurs to me, as I savour the fusion of artificial intelligence, law and finance, with a blended foam terminology of each, that "Understanding relationships gives one the ability to make predictions, to see what others cannot." The company calls this "Perception / Reality Arbitrage". Pretentious? Maybe, but also compelling. It's one of the most interesting businesses I've seen for a long time. I've gone back to their website a few times since, each time picking up a different nuance, seeing a different thread in an artfully woven strategy. Prepare to get your mind blown. They're applying AI to law, and the bitter sweet insights juiced from the dynamics of these two sectors are fascinating.

Here's a single example to demonstrate the principle.

Imagine being able to predict share price movements in 6 months' time. Not exactly, but specifically, the company, and the direction, shares up or shares down in price. If you're a hedge fund manager, that information is maybe worth $100M that day.

OK. Work it back.

Airline Companies.

At any time, 2,000 litigations are going through. Typical value, £0.5M to $5M. It's normal. Quarterly performance reports. It's normal. However, it's knowable that in 9 months' time, there's going to be a statistically significant increased number of these litigation actions coming to court for a specific company with a spike in the activity of them being settled, and 50% will be concluded that month. It's also knowable that a statistically significant number of them are going to have a particular outcome, 75% are going to be lost by the airline, against what would normally be an average of 50%.

It's also knowable that the average liability on those will be $2M.

A few sketched sums:

- 2,000 litigations @ 50% being settled = 1000
- 1,000 @ 75% being lost = 750
- 750 x $2M = $1,500M liability
- Typical liability @ 50% being lost $1,000M
- Actual liability $1,500M
- Unexpected loss $500M

This will impact in the quarterly report in 9 months time.

That will impact the share price.

As they say, "Losing is expensive".

However, the poor performance is both tempura, sorry, temporary, and predictable. And the tempura is amazing, the sea bass cuts are meaty, more like monkfish.

Therefore, a strategy for making profit from this knowable future price fluctuation can be devised and implemented. Put a few billion on it, make a few tens of millions, maybe a hundred. Have lunch. This is a somewhat simplified example of one of the things Premonition.ai is working towards being able to do.

Understanding the relationship between the lawsuits, and the airline share price.

All they need to do is understand how all those lawsuits are going to pan out in court.

Which is knowable.

When you understand the relationship between the courts, the judges, and the legal counsels.

Which is knowable.

When you gather all the data together from the past performances of those interactions, and find the patterns. For example, counsel X wins before Judge Y 87% of the time. Counsel Q loses before Judge L in Court W in case type H 94% of the time.

All of which is public record, as raw sashimi information.

As are the future case line-ups.

Premonition calls it "A very, very unfair advantage in litigation."

And thus, the share price fluctuation of Airline A is predictable in 9 months' time.

Providing nothing totally unexpected happens. Which it might. So the more of these pillars of data, law, weather, oil price, political activity, one is able to acquire predictive data for, the more complete the picture. Providing you are able to cross- reference the impact of one against the other by understanding the relationships between them.

Understanding relationships. Between everything ultimately. The recipe for success.

Buying the litigation winners in an industry and shorting the losers.

Assembling perfect hedged trades based on information no other company can derive.

I don't know whether they teach that in business schools.

Maybe they should.

One more stat from Premonition.ai

Women partners are better than men partners at law. They have a higher win ratio. It's a fact.

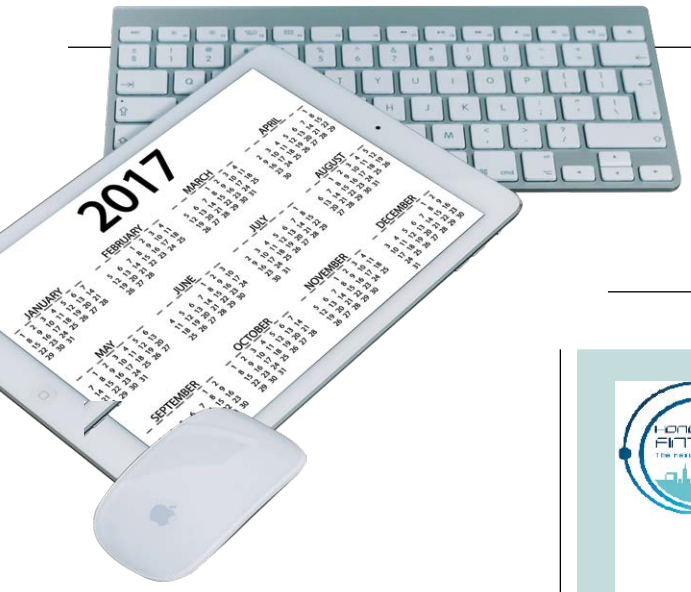
Perhaps for the reason outlined above.

Premonition give me much more to digest than just this outline example, and also share the principles they hold to operate as an agile and very disruptive company. But right now, I'm thinking about the sea bass.

To be re visited, in both instances. ♦

SUSHISAMBA: 110 Bishopsgate, London, EC2N 4AY
Premonition.ai You knew that already.

Want to have lunch with The Fintech Times...? Write to Katia@TheFintechTimes.com



THE FINTECH TIMES

Events

11-14 September
Finovate Fall @ NYC

Finovate organises four annual events around the globe showcasing the most important new financial and banking technology. Finovate attracts more than 5,000 financial and technology execs annually to watch 250+ companies launch new products and technology. Fall 2017.
finovate.com

19 September
The Fintech Growth Forum @ London

The event will provide a platform for startups to engage and learn about the opportunities to grow their businesses. It will aim to help startups answer some of the most pressing questions on their scaling journey, and features speakers including: Iain McDougall, New Country Manager, Stripe; Rita Lui, Head of Emea, AliPay; Jonathan Quin, CEO, WorldFirst; Christian Nentwich, CEO, Duco. And 40+ more speakers from UK and European fintech scale ups.
new.innovatefinance.com/fintech-growth-forum

23-27 October
Hong Kong Fintech Week @ HK

Hong Kong Fintech Week will showcase Hong Kong's vibrant FinTech ecosystem with a mix of local and international firms as well as support from the private and public sectors. Join an array of international Fintech companies and start-ups looking to grow their business, as well as accelerators, incubators and investors searching for opportunities and innovation here. This year, Hong Kong Fintech Week will be the first of a series of three consecutive weeks of Fintech activities in Hong Kong to be attended by regulators, entrepreneurs, investors, start-ups, academics and service providers from Hong Kong and around the world.
fintechweek.hk

28 September
Future of Fintech @ London

The Telegraph Future of Fintech 2017 unites senior influencers and tech innovators from UK, European and global markets under one roof for a dynamic day of strategy talks and myth-busting debate.
www.telegraph.co.uk/business/fintech

Use promocode FINTECHTIMES and get your discount

22-25 October
Money20/20 @ Las Vegas

Money20/20 is the world's largest marketplace for ideas, connections and deals in payments and financial services. With 11,000+ attendees, including more than 1,700 CEOs & Presidents, from 4,500 companies and 85 countries, expected at our 2017 U.S. event, Money20/20 brings together the who's who of an industry that's revolutionizing the future of money.
www.money2020.com

15-16 November
DIA @ Munich

The must-see event for insurtech and innovation in insurance. Innovative solutions for new revenue streams, sophisticated underwriting, even leaner operations, effective customer acquisition, and increased loyalty and advocacy, and much more.
digitalinsuranceagenda.com/dia-munich

6-7 December
Fintech Connect Live @ London

Combining the hustle and bustle of an exhibition featuring over 3000 visitors, and 200 exhibitors and partners from over 50 countries, FinTech Connect Live is the UK's largest fintech event. Playing host to 4 strategic conference sessions with inspirational case studies from around the world, a technology buyers' theatre with 50 product demos, 12 educational workshops tackling practical fast growth challenges, and two full days of dedicated mentoring clinics for startup leaders, all brought to you from over 300 of the industries' finest speakers, FinTech Connect Live is the 'must have ticket' for stakeholders from across the full fintech ecosystem.
fintechconnectlive.com

FinTech CONNECT *Live!*

6-7 DECEMBER 2017 | EXCEL LONDON, UK

THE UK'S LARGEST MEETING PLACE FOR THE FINTECH COMMUNITY

#FTCLIVE17

ATTEND
Over 120 sessions & 8 Workshops covering Fintech/Payments/ Insurance and Cloud

HEAR
From over 250 excelling global Fintech leaders and founders

MEET
With over 3000 potential partners, customers, investors & advisors

BENEFIT
From on site advisory clinics run by senior market experts

WATCH
An array of product demos from start-ups and large tech companies

INTERACT
With over 200 partners and exhibitors showcasing the latest industry solutions.

+ 3000 ATTENDEES

+ 50 COUNTRIES REPRESENTED

+ 200 EXHIBITORS & PARTNERS

+ 250 SPEAKERS

BE THERE! VISIT WWW.FINTECHCONNECTLIVE.COM

Supported By:

Department for International Trade

Cymru Wales

ENTERPRISE IRELAND where innovation means business

the LHoFT Luxembourg House of Financial Technology

I amsterdam.

Host Publication:

OPERATED BY FINTNEWS.COM THE FINTECH TIMES THE WORLD'S FINTECH NEWSPAPER | THEFINTECHTIMES.COM