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THE WORLD'S FINTECH NEWSPAPER

INDUSTRY REACTION AS UK GOVERNMENT SEEKS TO SUPERCHARGE FINTECH

IN THIS ISSUE

THE FINTECH TIMES

BRINGING FINTECH TO THE WORLD

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THE FUTURE OF FINTECH

A year ago, all eyes were on Rishi Sunak's first Budget as the Chancellor outlined the government's measures for tackling the growing spread of the coronavirus. But he also announced the launch of a review into the UK's fintech sector headed by former WorldPay CEO, Ron Kalifa OBE, and just a few weeks ago we finally saw the publication of the highly anticipated report.

The 106-page *Kalifa Review of UK Fintech* highlights the opportunity to create highly skilled jobs across the UK, boost trade and extend the UK's competitive edge over other leading fintech hubs. Among its recommendations, the review proposes the creation of a £1billion growth fund, financed by insurers, pension funds and private investors, to support fintech startups in unlocking direct access to institutional capital.

In this issue of *The Fintech Times*, we delve into the review, alongside another recently published report by Lord Hill (a former EU commissioner), designed to encourage investment in UK businesses, benefit companies who choose to float in London and improve the UK's competitive position.

The *UK Listings Review's* key recommendations include changes to listing rules around dual class share structures, free float requirements and special purpose acquisition companies (SPACs).

We hear from fintechs around the global community who, in large, welcome both reports and the potential opportunities they propose but highlight a number of questions and challenges to be addressed. Turn to page 4 for all the reaction.

During this year's Budget, the government announced a new loan scheme to support access to finance for UK businesses as they recover from the upheaval of the pandemic. The Recovery Loan Scheme replaces the current Coronavirus Business Interruption Loans (CBILS), which closes applications at the end of March.

On page 18, we ask fintech lenders to share their experiences of CBILS as we say farewell to the loan scheme.

Finally, we're delighted to announce that nominations are now open for *The Fintech Power 50 2021* – the annual guide to the most influential and innovative companies, and inspiring personalities shaping the fintech industry.

Between now and the end of April, members of the industry can nominate a fintech company and a fintech star – from anywhere in the world – that they believe should be featured in this year's cohort.

Last year, The Fintech Power 50 included fintech industry researcher Devie Mohan, Dr Ruth Wandhöfer, a leading expert on banking regulatory and innovation matters, payments expert David Parker, financial industry strategist Jim Marous and Lawrence Wintermeyer, the digital finance advocate. Plus, companies, such as Jumio, OakNorth and SmartStream.

Hear more from the 2020 flock of the fintech's finest and learn how you can get involved with The Fintech Power 50 for 2021 on page 22.

Happy reading! TFT

Claire Woffenden, TFT Editor

A NEW ERA FOR UK FINTECH?

Industry reacts to the government's fintech vision as Kalifa and Hill reforms seek to accelerate investment in the sector and stop the UK falling down the global pecking order

For the UK to boost its position as a world leader in financial technology and continue to attract investment into the sector, it needs to offer an environment that supports innovation.

Covid and Brexit, in addition to increasing overseas competition, are key threats to the UK's ambitions that need to be tackled to ensure the country can continue to scale a business from creation to widespread adoption. That's the findings of two major government reports, which have given the financial industry much food for thought.

The Kalifa Review of UK Fintech, published at the end of February, outlines a comprehensive plan to support and bolster the fintech sector's significant presence across the globe. Led by former Worldpay boss Ron Kalifa, the in-depth review was commissioned by Chancellor Rishi Sunak in the hope that it will help fintech thrive after Brexit.

A separate review of the UK's listing framework carried out by Lord Hill – *UK Listings Review* – came shortly after, highlighting key areas for reform in the stock market. The recommendations intend to encourage investment in UK business and increase the number of companies choosing to float in the UK.

The Kalifa report's five-point plan of key recommendations and 15 sub-recommendations to bolster UK fintech

POLICY AND REGULATION

- Deliver a digital finance package that creates a new regulatory framework for emerging technology
- Implement a 'scalebox' that supports firms focusing on scaling innovative technology
- Establish a Digital Economy Taskforce (DET) to ensure alignment across government
- Ensure that fintech forms an integral part of trade policy

SKILLS

- Retrain and upskill adults in support of UK fintech by ensuring access to short courses from high-quality education providers at low cost
- Create a new visa stream to enhance access to global talent for fintech scaleups
- Build a pipeline of fintech talent by supporting fintech scaleups to offer embedded work placements to Further Education and Higher Education students and Kickstarters

INVESTMENT

- Unlock institutional capital to create a £1billion 'fintech growth fund' of sufficient scale to act as the catalyst in developing a world leading ecosystem
- Expand R&D tax credits, Enterprise Investment Scheme and Venture Capital Trusts
- Improve the listing environment through free float reduction, dual class shares and relaxation of pre-emption rights
- Create a global family of fintech indices to enhance sector visibility

INTERNATIONAL

- Deliver an international action plan for fintech
- Launch an international 'fintech credential portfolio' (FCP) to support international credibility and increase ease of doing business
- Drive international collaboration through the Centre for Finance, Innovation and Technology, and launch an International Fintech Taskforce

NATIONAL CONNECTIVITY

- Nurture the high growth potential of the top 10 fintech clusters
- Drive national coordination strategy through Centre for Finance, Innovation and Technology
- Accelerate the development and growth of fintech clusters through further investment, such as in R&D

Key recommendations of the UK Listing Review

ALLOWING DUAL CLASS SHARE STRUCTURES, WITH WEIGHTED VOTING RIGHTS, FOR PREMIUM LISTINGS

- Premium listed companies cannot currently extend weighted voting rights to holders of different classes of shares
- Permitting dual class share structures, subject to certain safeguards, including a five-year limit and a maximum weighted voting ratio of 20:1

REFORMING THE RULES REGARDING SPECIAL PURPOSE ACQUISITION COMPANIES (SPACS)

- The UK is considered to be unattractive to SPACs, in particular because of the presumption that trading in shares should be suspended on announcement of a potential acquisition by a SPAC (a De-SPAC). It is recommended that this presumption of suspension be removed for De-SPAC transactions
- In addition, safeguards could be developed for SPACs, such as:
  - A requirement for shareholder votes on De-SPAC transactions
  - Redemption rights for investors prior to completion of a De-SPAC
  - Information requirements on target companies

MAKING CERTAIN CHANGES TO THE FREE FLOAT REQUIREMENT

- A reduction of the free float requirement from 25 per cent to 15 per cent
- Changes to the definition of free float to better reflect shares which are actually liquid to exclude shares subject to certain lockups
- Allow companies to use other measures to demonstrate liquidity

EXEMPTING HIGH GROWTH, INNOVATIVE COMPANIES FROM THE THREE-YEAR REVENUE EARNING REQUIREMENT FOR PREMIUM LISTINGS

The reaction…

CHARLOTTE CROSSWELL, CEO, INNOVATE FINANCE

"We welcome the findings of Lord Hill's *UK Listings Review.* This report and the *Kalifa Review of UK Fintech* provide recommendations that will cater to the changing dynamic of our listing and capital raising environment. We have an incredible pipeline of companies who are scaling rapidly and we must respond accordingly to provide options for growth and patient capital in the private and public markets. We are particularly encouraged by the call to update rules around free float requirements and dual-class share structures, in order to attract founder-led and high growth companies to list in the UK. We are also pleased to see the Review addressing the competitive market for SPACs which are increasingly targeting European tech and fintech companies."

NIGEL VERDON, CEO, RAILSBANK

"It's important to emphasise that the Kalifa Review is not simply about a set of individual recommendations, but a wider strategy for the sector with a delivery model. We're not asking for the government to do everything, but rather an 80/20 rule – with main activity driven through the private sector and the government then asked to support and convene activity to enable the delivery of that strategy. The fintech sector must come together to lead the UK's economic recovery. However, it's shocking the elephant in the room with Brexit is never acknowledged – the market dropped from 720 million people to 60 million overnight and has cost all of us millions to set up mirrored infrastructure in Europe"

DAUMANTAS DVILINSKAS, CEO, TRANSFERGO

"The Kalifa review provides crucial steps to demonstrating how the UK can continue to lead the fintech revolution. Like so many others we have chosen the UK as a base because we believe it has the talent, infrastructure and policies that will help fintechs thrive and build an inclusive community that equally supports businesses and the customers they serve."

CHARLES DELINGPOLE, FOUNDER AND CEO, COMPLYADVANTAGE

"The £1billion of additional capital is very welcome but that is in the context of an already successful existing VC landscape. It will be important to be meaningfully differentiated from the commercial growth funds of which there are many. While regional fintech clusters might be an attractive aspiration for politicians seeking to democratise access to financial services jobs, in reality, given that London is a global financial centre its gravitational pull eclipses all other cities in the UK. Therefore, any specialisation is limited to servicing the needs of London rather than being a specialist cluster in its own right."

CLAUDIA HARRIS, CEO, MAKERS

"The skills analysis in the Kalifa Review is our lived experience at Makers. We recognised this challenge seven years ago and created the software engineering bootcamp industry in Europe. The industry's effectiveness has in effect 'credentialised' it and most employers recognise it as an alternative to university. The review is seeking to accelerate the credentialisation of the specific short form courses required by the fintech sector with the steering committee it proposes. We welcome this and look forward to playing our part."

STEVE DAVIES, PARTNER OF DIGITAL INNOVATION IN BANKING, PWC UK

"Talent, rather than technology, is the most critical enabler for successful digital transformation, and with fintech driving the wave of digitisation through the financial services industry today, the focus on both global talent attraction and digital upskilling in Ron Kalifa's report are welcome. The Kalifa Review seeks to move UK fintech into the lives of businesses and individuals around the nation. We have a world class asset and the five-point plan is something the UK FS industry can all get behind."

VIRRAJ JATANIA, CEO AND FOUNDER, POCKIT

"These initiatives can breathe new life into our industry. They can set the scene for accelerated growth, keep businesses based in the UK, create new jobs and help people develop specialist skills. The fintech sector is a key growth engine of the UK economy and can be a centrepiece of our Covid-19 recovery. But for the sector to achieve its potential we need to roll out the welcome mat to fintech talent from across the globe and to improve access to investment."

LINDA MAIN, HEAD OF CAPITAL MARKETS ADVISORY, KPMG UK

"However controversial, SPACs are providing an alternative mechanism for companies to access the public markets. The changes proposed are positive because they seek to put London on a level footing with other global financial hubs. That said, there's an element of 'buyer beware' here. The people behind SPACs usually enjoy very good returns. It's contingent on investors to take this into account when deciding whether to participate."

ERIN PLATTS, PRESIDENT OF SILICON VALLEY BANK'S UK BRANCH

"The Kalifa review recognises that despite the macro-headwinds from the pandemic, economic backdrop and Brexit, the UK remains the one of the most attractive places to found and build leading fintechs. By putting into practice the recommendations laid out in the report, the UK can capitalise on this competitive edge and build on the momentum seen to date and encourage more companies to go public through UK markets."

JIMMY WILLIAMS, CEO OF URBAN JUNGLE

"Potentially, the most impactful proposal of the Kalifa report is for the creation of a £1billion fintech growth fund. Currently, most fintechs are forced to look outside of the UK for funding when they get to a bigger scale. Having a major fund in the UK would be very beneficial and would mean the very biggest companies had more chance of remaining in the UK. Regional hubs sound like an interesting idea and finance has historically been successful outside of the capital. Finding talent when you are a startup is a challenge and so specialist visas would be welcome."

IVAN SEDGWICK, INVESTMENTS DIRECTOR, LGB & CO

"Lord Hill's Listing Review makes a number of constructive suggestions. Particularly welcome is the redesign of the prospectus regime which encourages the use of exemptions that can cut out smaller investors while failing to protect others. The easing of liability on forward guidance may be helpful, though the US is quite strict on this and it does not seem to hold back activity there. Also looking to the US, shelf registration would be a welcome improvement in the UK, while allowing SPACs doesn't see like a battle worth having even if past experience of shell companies, their closest equivalent in the UK, is that they tend to attract chancers and abstract wealth from shareholders. The UK government should remain cautious of embracing measures that might be seen as self-interested lobbying by industry."

LOUISE O'SHEA, CEO OF CONFUSED.COM

"The findings put in place the foundations to encourage innovation in financial technology in the UK. Wales is already a prominent place for fintech businesses, with companies like Confused.com, Wealthify and Delio having established long term roots here. But the publication of the Kalifa report puts a spotlight on the fintech industry and acknowledges how important it is to support further growth. The review reinforces Wales' position as a fintech hub within the UK and means that as businesses, we're able to be even more active in developing innovations and skills, while creating additional jobs in the industry. This will only accelerate the opportunity for positive change and help position us as being world leaders in fintech.

SAM SMITH, FOUNDER AND CEO, FINNCAP GROUP

"Overall the review's recommendations are positive and could make a big difference to attracting more high growth tech companies to list in London. But it is a shame that the review did not include more to support the role that retail investors can play. The technology already exists to run a retail offer as part of an accelerated fundraise with no delay to the issuance timeline or impact on pricing. If the economy is to recover from the pandemic as quickly as possible, it will need to access the widest pool of capital available. That means the UK doing everything it can to attract both institutional and individual retail investors, not either-or."

ALEKS TOMCZYK,COO, EXIZENT

"Fintech is not a niche within financial services, it is 'a permanent, technological revolution' and, in the current situation, where so much of what we do has moved online, this has never been more pertinent. The UK is currently a world leader in this space, but the rest of the world is catching up, so we cannot rest on our laurels. We therefore welcome the report's recommendations, in particular around investment, skills, availability of talent and creating an environment to facilitate success, and as a Glasgow based firm, are pleased to see the recommendation that a 'cluster' is set up in the Edinburgh / Glasgow corridor to support the Scottish fintech sector."

KARIM HAJI, HEAD OF FINANCIAL SERVICES, KPMG UK

"Relaxing the rules on dual-class shares and the minimum level of free float are about providing entrepreneurs and investors with more flexibility and the incentive to raise and invest their capital here in the UK, which in turn helps the economy. When successful UK companies feel it is more beneficial to list in New York or elsewhere, it is very logical to consider how we can ensure London remains a world-class financial market that attracts the best businesses. Of course, a key driving factor in this is Brexit. There now appears to be a willingness to take advantage of the additional flexibility offered by being outside the bloc to boost London's competitiveness on the global stage."

RICHARD WILSON, CEO, INTERACTIVE INVESTOR

"We welcome the Kalifa Review's ambitions to reduce regulation and red tape for growth companies, so that the UK not only keeps its seat at the table as a fintech hub but builds on it as a world leader. But we are also firm believers in the integrity of UK standards and shareholder rights, and we have serious reservations about some of the proposals. There are better ways to be a world leader, and doing the right thing is number one. Shareholder rights have already taken a beating over the last 12 months, with pre-emption rights all too easily waved away, and IPOs continuing to ignore retail investors. Dual-class structures with differential voting rights, would erode shareholder rights further, and distorted rights distort governance and accountability. Founders of companies must not be allowed to have their cake and eat it."

ARE CHALLENGER BANKS SURPASSING TRADITIONAL BANKS?

Challenger and neo banks are acquiring significant market share in the banking world - let's address what sets them apart from traditional banks

Generally defined as small, relatively new banks with the aim of directly competing with the traditional high street banks, challenger banks are often incredibly innovative and will usually operate in a digital capacity.

The pandemic has seen a huge surge in onboarding for these kinds of banks as customers have needed a new way of achieving their financial services needs. The compound annual growth rate (CAGR) of these banking sectors currently stands at 46.5 per cent and it's only increasing.

SPOT THE DIFFERENCE

Firstly, the biggest difference between neo and challenger banks and their incumbent competitors is their physical presence. Neo and challenger banks tend to be entirely digital, cloud-based enterprises that utilise web platforms and mobile applications as their main points of customer contact.

In direct opposition to this, traditional banks are burdened with legacy technology and infrastructure and still take up significant space on the high street. This was an advantage, but the coronavirus crisis has shown these kinds of physical structures are more prohibitive these days than beneficial.

For example, as the pandemic caused lockdowns across the world, challenger banks were relatively unaffected. Their customers were used to managing their finances with an entirely digital-first experience. As a result, challengers can be defined by their flexibility, scalability and that their customers have a method of banking that better fits their lifestyle.

HOW CHALLENGER BANKS HAVE GROWN

The challenger banks currently leading the way include the likes of NuBank, a Latin American startup that acquired 15 million customers in 2019, Chime, a US neobank which quadrupled its valuation in less than a year to $5.8billion from $1billion in March 2019 and Revolut, one of the first challenger banks to launch and arguably one of the most well-known challenger brands in Europe, which is now valued at $5.5billion.

However, in the last decade there has been an enormous influx into the market, with other challengers rising in the ranks, including Monzo, Starling, N26, Monese and SoFi to name but a few.

With their flexibility, accessibility and digital nature having ensured they are here to stay, challenger banks have gradually won over customers from traditional banks through a wide range of value-added services and add-ons in addition to unrivalled customer service.

Furthermore, challengers don't just provide a current account for users, but they also offer features that help customers with money management, often targeting specific needs of customers that are self-employed, or travel extensively. As well, they tend to target the financial challenges facing SMEs, utilising open banking, banking as a service and PSD2 to provide solutions that far outstretch their traditional banking counterparts.

THE IMPACT OF COVID-19

Despite their digital-first approach, challenger banks have witnessed declining app downloads this year. Conversely, traditional banks like Lloyds and TSB have seen the opposite and have gained greater interaction with their online banking platforms, not necessarily because customers want to interact digitally but rather they need to during the pandemic. With the convenience of online banking being experienced first-hand, this trend is set to continue.

Moreover, there is still a perceived level of safety associated with incumbents which challenger banks have yet to conquer. Customers of challenger banks tend not to deposit large sums of money into their accounts but rather use their card abroad, due to the competitive exchange rates, and for smaller purchases with their 'spare change'. The global lockdown has abruptly stalled travel plans and small purchases such as eating out, subsequently pausing the growth momentum for challengers.

ARE CHALLENGER BANKS ACQUIRING SIGNIFICANT MARKET SHARE AWAY FROM INCUMBENTS?

There are currently an estimated 100 challenger banks in operation globally, and traditional banks are feeling the pressure. There is a rising need for traditional banks to develop strategies to minimise the erosion of their place in the market they once dominated. However, legacy banks are relying on there being obstacles to inhibit challenger banks from becoming the primary bank account and financial provider of choice.

For example, certain customers who always used legacy banks will be harder to persuade to switch. Legacy banks already have their roots firmly planted, so challengers don't just need to convince customers to switch, but they need to implement a differentiated growth strategy while simultaneously not overstretching themselves. Not only this, but they also need to consider how to become financially viable on the trajectory from startup to scale up and beyond.

THE FUTURE FOR CHALLENGER BANKS

Both challengers and neo banks have set certain expectations and standards which are here to stay and will continue to be expected within the banking industry. Not only this, but they could become a formidable presence in the banking space, if they can gain the required confidence, trust and market share which expands beyond millennials and early adopters. If achieved, they have the potential to overshadow the legacy banks that have remained unchallenged for decades.

STARLING BANK

Helen Bierton is the chief banking officer at Starling Bank, overseeing its personal and business bank accounts and marketing. Prior to Starling, she spent 24 years in banking and, in her opinion, the use of technology in the financial industry has been a key trend this year

"2020 has been a difficult year for everyone, and while the world continues to grapple with the impacts of the pandemic, one of the many things that has shone through has been the power of technology and how it has truly been a lifeline for many.

"At Starling, we're extremely proud of some of the ways that we've been able to use our tech to support people. In May, we became accredited under the Bounce Back Loan Scheme, which we did alongside providing support via the Coronavirus Business Interruption Loan Scheme (CBILS). Both schemes have been integral to supporting thousands of businesses during a challenging time and it's been a privilege to have played a part. So far, we've been able to loan over £1.4billion to our business customers through these schemes.

"To provide support for some of our more vulnerable customers, we decided to accelerate the roll out of our

Connected Card, a second card that customers can connect to their existing account and give to anyone they trust to pay for groceries and other essential items on their behalf. Our cheque imaging tool also enabled customers to continue banking at home which was vital as many banks closed over lockdown.

"2020 has definitely been a transformational year for Starling. With nearly 1.8 million accounts and over £1.4billion in lending, we were pleased to recently announce that we're the first digital challenger bank to break even!

"In 2021, we'll continue to focus on growing as a profitable and sustainable bank, and on developing products, including paid-for products and money management tools that give our retail and small business customers the best banking experience."

CHETWOOD FINANCIAL

For Andy Mielczarek, CEO of North Wales based Digital Bank Chetwood Financial, the increase in digital banking is one of the key features of the year.

"It's a cliché to say that 2020 has been unprecedented. Looking ahead, however, we believe that the fintech industry will continue to see positive impacts on the back of Covid into 2021. For example, the uptick in customers moving to digital banking as a result of branch closures and restrictions posed by the pandemic is a positive trend for many fintechs, as it increases the size of their target market dramatically.

"In addition, as high street banks pulled back from the digital lending market during the first lockdown, we saw more and more customers move to newer fintechs who continued to offer them access to credit. This represents a shift in behaviour which we expect will continue into 2021, presenting a real opportunity for product diversification and disruption for lenders.

"We've also seen many businesses looking for new revenue streams to protect themselves from the impact of events such as Covid. As a result, we're expecting to see increased interest in companies like Chetwood that also provide banking as a service or white label opportunities, as a way of adding new revenue streams to an existing business model. There are already plenty of use cases for this – from travel agents to professional bodies – and we expect to see more."

SOVCOMBANK

Dmitry Gusev is the CEO of Sovcombank, one of Russia's largest privately-owned banks. Like the others, he thinks the transition to digital has been significant this year, particularly in mortgage lending.

"In addition to giving rise to an e-commerce boom and a surge in online transactions, 2020 brought an increase in mortgage lending. All of these trends were ongoing at the start of the year and were then accelerated as much of the global population stayed home to prevent further spread of Covid-19. Mortgage lending took a hit early in the year as the pandemic emerged, but the sector has proven resilient and benefited from government-subsidised rates aiming to ensure the industry's strength, both as a provider of jobs and as an entity that is interconnected to other sectors. Sovcombank proactively built loan-loss provisions to increase our resilience capacity, resulting in a higher margin of safety when compared to the Russian financial crisis in 2014.

"The determining factors in how well firms navigated the volatility of the past year are infrastructure and agility. Banks with an established infrastructure supported by modern technology were better prepared not just to mitigate any disruption caused by Covid-19, but to capitalise on the resulting surge in retail investment. In parallel, firms had to be dynamic and flexible to simultaneously address challenges and seize opportunities.

"In 2021, the financial and technology industries will take stock, scrutinising their performance in 2020 to determine areas of strength and weakness. Firms will then apply that information to their strategies, whether that involves updating infrastructure, prioritising agility, or expanding strong mortgage and payments functions to ensure they are prepared to embrace any future opportunities that the coming year may bring."

There are currently an estimated 100 challenger banks in operation globally, and traditional banks are feeling the pressure

CLEARBANK

Charles McManus is CEO of ClearBank, the UK's first clearing bank in more than 250 years. In his opinion, Brexit and open banking are going to have the biggest impact on fintech in 2021.

"The strength of the UK's fintech sector not only attracts investment, creating jobs and wealth, but makes the UK more resilient, now serving millions of customers. In 2020, that scale coupled with scandals and the pandemic revealed gaps in governance and compliance that threaten the sector's reputation. As fintech comes of age in 2021, the industry and its regulators must work together, so regulation can move at the speed of technology and fortify not just fintech's future but UK plc's too. This is going to play out in two key areas.

"The first is Brexit. The exit creates a complex environment for banks and fintechs, especially the loss of passporting rights and question marks over equivalence. Thankfully, we have seen the FCA step in with regards eIDAS certificates, moving quickly to permit UK-based third-party providers to use an alternative to the certificates to access customer account information.

"The second is open banking. Open banking adoption accelerated in 2020 driven by Covid-19, as consumers and businesses consolidated accounts to better understand their financial options during a recession. But open banking still isn't driving the innovation it was built for. I expect to see open banking providers partner with payment gateways to drive account-based payments outside card scheme networks. This will generate rich data, unlocking a universe of new use cases to help open banking finally deliver on its promise.

"As we approach 2021, industry and regulators need to work closely together around Brexit and open banking to fortify the future of fintech." TFT

Why regulation is the future of global retirement

*The nature of retirement is changing rapidly and the industry needs to get things right and fast, writes **Dan McLaughlin**, Director of International at **Smart***

First up, before we get into the synergy between regulation and technology, it is important to flag that global retirement is growing and expanding at a relentless pace. The recently published *Global Pension Assets Study 2021* by the Thinking Ahead Institute put overall pension assets at more than $50trillion. Pretty huge, but still not enough if you go by the World Economic Forum's retirement savings gap analysis which suggests that this gap will reach hundreds of trillions of US dollars by 2050.

In closing this gap, it is pretty unrealistic to expect governments, or taxpayers, to foot the bill. Not least as we see the increase in life expectancy across many parts of the world and diminishing public finances pre but certainly post Covid-19. The solution must be regulatory reforms, and ambitious ones at that, to ensure citizens across the world can retire with the dignity they deserve.

There are, arguably, record levels of regulatory change happening across the world with much more in the pipeline. Many governments are wrestling with the need to increase pension coverage, either through the second pillar (workplace) or third pillar (private savings). It seems that trying to amend the first pillar (state pension) can be problematic!

What we are seeing is uniformity in that defined contribution (DC) is now the dominant retirement model. Clearly, there is a huge volume of defined benefit (DB) assets, but DC is very likely to be the weapon of choice as governments introduce reforms. If even more evidence were needed, the Dutch Pensioenakkoord reforms are the case in point and arguably the biggest retirement reform in the world right now. The reform involves transferring Dutch savers and their assets to a new DC system by 2026.

Within this overall DC superstructure, there is a degree of uniformity in the shape and size of the regulatory changes and proposals. Take auto enrolment – while there are slightly different flavours, it is already well established in Australia, the UK, New Zealand, Hong Kong and recently Poland (to name but a few). Other countries are seriously considering or close to implementing auto enrolment, including the US, South Africa, Ukraine and Greece (with the latter possibility tightly woven into the financial stability of the nation's finances).

At the other end of the spectrum we are seeing a range of softer, voluntary reforms. The Loi PACTE reforms in France have provided overall system improvements to create a DC wrapper which includes a simpler workplace DC pension offering. Elsewhere, we are seeing more pressure for financial institutions to digitise, as in Mexico.

Pooled or collective models are beginning to reach new heights too, whether through a master trust in the UK or UAE, a pooled employer plan in the US or a collective system as in the Netherlands (and now UK, albeit limited). We'll have to wait and see to what extent collective DC takes hold in the UK.

Where uniformity starts to fall away is retirement and retirement income. Unless you have a defined benefit pension as the main part of your retirement income, the only uniform feature of retirement is that an individual's personal circumstances become far more personalised, non-linear and certainly more complicated. It is pretty unreasonable to expect people to become retirement and tax experts just because they've retired. In Australia, retirement income is a super hot topic as it is a now well-established position that it is not sustainable to essentially abandon retirees at the point of their retirement. Legislation is likely to require trustees to have a retirement income strategy, similar to the way in that they must have an investment or insurance strategy. We are also seeing some movements in the Netherlands with lump sums, the ability for US employers to more widely offer annuities in 401(k) plans and in the UK investment pathways provides savers who aren't receiving advice with better retirement outcomes when going into drawdown.

Through a modern digital experience, technology can deliver greater individual engagement in retirement particularly crucial for DC systems where retirement is essentially delegated to the citizen

So, enough of the retirement – what role does technology play in all this? The short answer is lots. DC systems need modern technology to deliver the whole host of outcomes from operational efficiencies to a world class digital customer experience. Think about this – when was the last time you received a bank statement in the post? Or visited a branch to pay a bill? In which year did you most recently queue up at a supermarket checkout with a cheque book and pen in hand? For a generation of people now used to mobile and online banking – and even paying in shops, bars and restaurants using smartphones – methods that were common just a few years ago seem antiquated. This same generation is the first cohort that will save for their retirement predominantly through defined contribution auto enrolment vehicles. The experiences they have with their banks and other service providers will lead them to expect the same from their pension. They want to access their balance quickly and easily, and the ability to make changes to their investments and contribution rates at the touch of a button or tap of a screen.

And yet, they will find the pensions sector is decades behind most of the financial services industry in terms of technology. That's because, despite the introduction of robo-advice, artificial intelligence and real-time dashboards, the online experience for pension scheme members varies considerably.

For many providers, communications are still paper-based. Online platforms are slow. Many remain inflexible and lack functionality. Legacy systems like these are a lead weight around the necks of many pension providers, and their lack of flexibility threatens to disengage and disillusion millions of savers for whom understanding their savings will be vital to their long-term financial wellbeing.

Through a modern digital experience, technology can deliver greater individual engagement in retirement particularly crucial for DC systems where retirement is essentially delegated to the citizen. From a financial institution's perspective involved in the delivery of pensions, regulatory change is often the trigger for digital transformation and adopting a technology first retirement offering to the market. Pensions, across the world, are littered with legacy systems that add cost to delivery and drain assets from accounts. It doesn't have to be this way.

This is not an easy task but that doesn't mean you shouldn't keep trying. Many technology systems – whether at insurance companies or pension providers, or in-house at large pension schemes – were built at a time when large operational teams were expected to use and complement them. As a result, there was no need for the software to be enhanced to replace or to improve upon some of those processes.

However, as soon as you start onboarding people onto that software, and as soon as you begin to store members' assets and data on there, it becomes very difficult to do two things. First is to move or improve the data. The other is to alter the operational processes around the data and the day-to-day business processes.

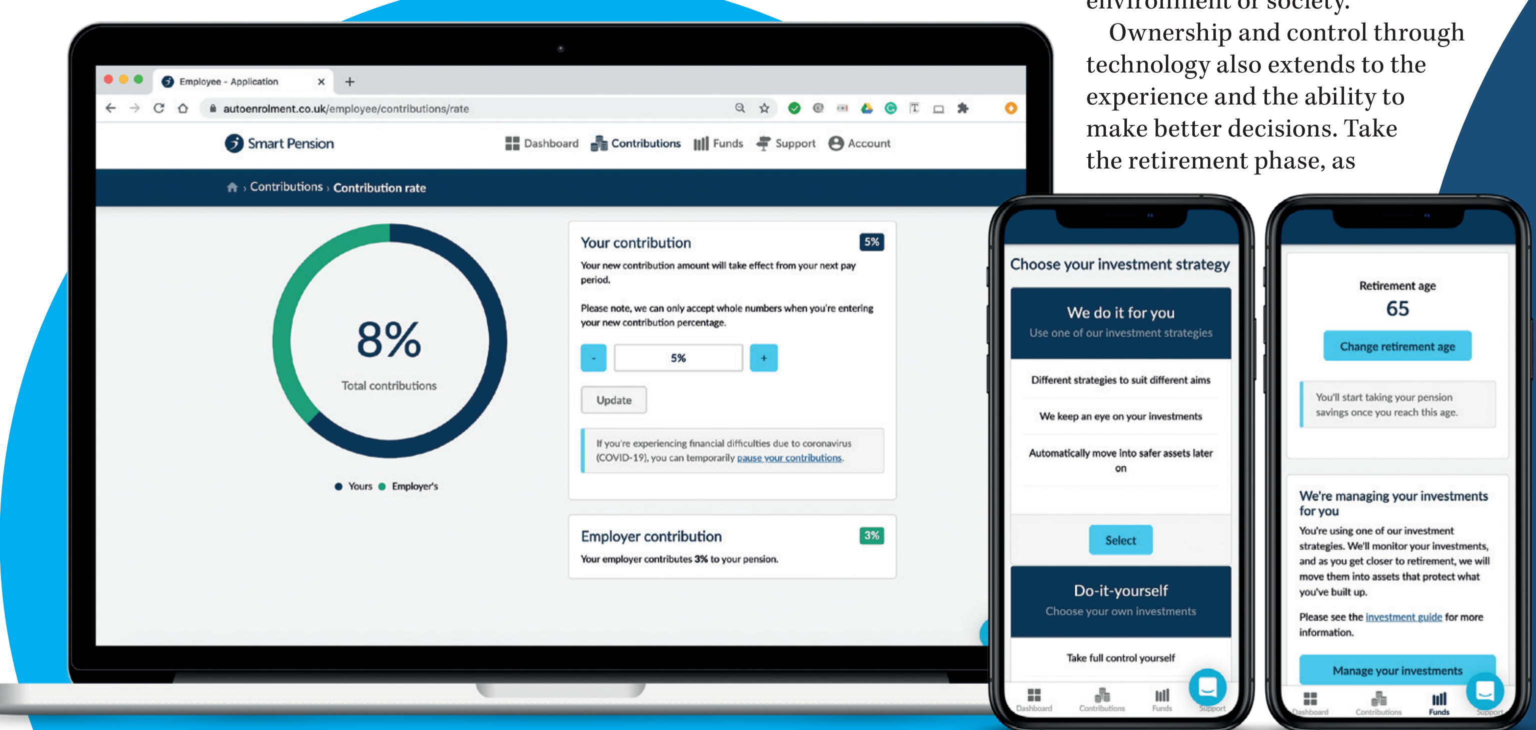
This is not just a problem when moving people between providers, but also often an issue within the same one. Products launched in the 1980s, for example, will still be reliant on paper-based systems and old mainframe computers often located on-site today. The challenge of such a system is significant at the best of times but has been thrown into sharp relief during the Covid-19 pandemic and the nationwide lockdown.

Using a combination of cutting edge UX and behavioural techniques it is possible to engage people at key moments with the right information. Technology also provides more hands-on control and ownership including the ability for individuals to have more say or at least understanding of what impact their investments are having on the environment or society.

Ownership and control through technology also extends to the experience and the ability to make better decisions. Take the retirement phase, as mentioned earlier, you have to become a retirement ace just because you have finished working. Technology, like our own Smart Retire, removes all the complexity and arduous processes that often stand in the way of very simple decisions and outcomes. Smart Retire is able to operate in multiple jurisdictions.

At Smart, we understood, very early in our journey, the global retirement opportunity. That is why we have built and continue to develop our world class global DC retirement platform. Already operating in Europe and the Middle East, and with further rollouts planned, we are able to transform retirement propositions across the world so our partners can take full advantage of the opportunities brought by regulatory changes. Overall, we can be sure of a few constants in the world of retirement:

1. People will age
2. Government finances will rarely improve
3. DC reforms will continue at pace
4. Regulation is the future of retirement TFT



About Dan McLaughlin

Dan is director of international at Smart and is responsible for leading its global savings and technology platform. Dan holds an MBA and, before joining Smart, he was a policy adviser at the UK's Department for Business Innovation and Skills where he advised ministers on business strategy and innovation. During Dan's time at Smart, the operation has grown from a single office in London, to a presence on four continents.

About Smart

Smart is a global technology business that focuses on modernising and innovating in the pensions and retirement savings industry – a sector now worth nearly $50trillion globally and growing at eight per cent a year. Our Smart Platform is revolutionising saving for and spending in retirement, supporting both businesses and members towards better outcomes and financial wellbeing. As well as our platform, our technology powers our UK-based master trust scheme, helping hundreds of thousands of members save for retirement. We have a clean sheet of paper, always looking at things with a fresh perspective, and not just doing things a certain way because that's the way it's always been done.

Website: www.smart.co

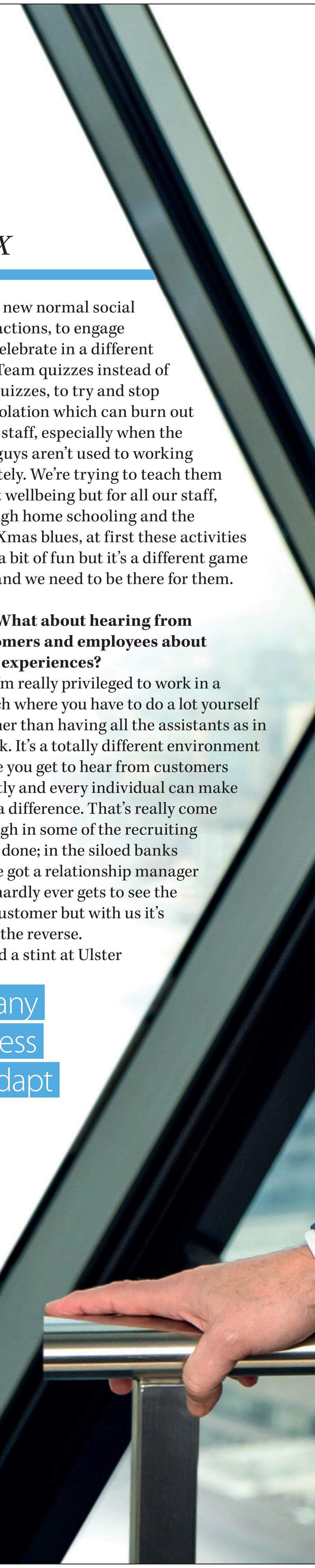
Linkedin: linkedin.com/company/smart-pension

Twitter: @smartpensionuk

Smart

A CLEAR PATH

***Charles McManus**, CEO of **ClearBank**, chats to The Fintech Times' editor-in-chief Gina Clarke on rolling out a remedies fund for SME Covid-19 recovery and diving into FX*



Cloud-based ClearBank is the UK's first new clearing bank in more than 250 years. Built from scratch, unencumbered by the entrenched legacy platforms that inhibit other banks from delivering the simplicity that modern customers have come to expect, ClearBank focuses on making transactions as efficient, fast and cost-effective as they can and should be.

Last year, together with Tide – the Financial Services Compensation Scheme (FSCS) protected bank account provided by ClearBank – the pair were awarded £25million from the RBS Alternative Remedies Package to strengthen the challenge to High Street banks and help small and medium-sized businesses turn the Covid-19 crisis into opportunity.

Both companies have made gains in market share in the last 18 months and aim to further break down barriers to competition in business banking. Earlier this month, ClearBank announced that it would be supporting RationalFX, a leading UK payments and foreign exchange provider, with a range of tailored payments services that will improve the visibility, liquidity and control of funds for RationalFX's customers. The partnership will allow RationalFX and Xendpay, both part of the Rational Group, to offer customers a combination of sort code, account numbers and an addressable IBAN. The companies also gain access to real-time Faster Payments, BACS and CHAPS payment rails.

Running the ship at ClearBank as chief executive officer and executive director is Charles McManus, an experienced international banking professional with more than 30 years in global investment banking, wealth management and retail banking. Charles was the group CFO of RBS Ulster Bank Group until 2013, before which he spent 13 years with The Royal Bank of Canada (RBC), culminating with his role as CFO of Europe and Asia and global head of product control.

THE FINTECH TIMES: The banking as a service space is really exciting and innovative at the moment; since becoming the CEO of ClearBank how have you seen the sector evolve?

CHARLES McMANUS: It is very exciting but banking as a service is very much an overused term. Our product is essentially embedding our bank account into our customers front end product. What we want to do is offer customers a bank account instead of a prepaid card, so that their money is safe in a UK regulated bank.

Fintechs on their own can't offer that without a banking licence, so what we're doing is powering all those front end fintechs. Our first premier service is with Tide, which owns five per cent of the SME market – around 260,000 SMEs. As soon as a customer opens up a Tide account, they get access to ClearBank services, such as faster payments, which are all embedded through the Tide app. From our perspective it's the one to many. We came up with that idea and of course it's been incredibly successful in terms of our application to the RBS Remedies Fund. We're proud of our innovation and our relationships – and if you look at another of our partners, Chip, they've made quite a storm in terms of interest rates on saving products. They're doing that in relation to ClearBank's FSCS protection where they can remain a brilliant savings app combined with banking abilities, without becoming a bank.

We're looking to expand that concept and have other propositions in the pipeline, such as asset management and merchant acquiring. It could unlock a huge potential of customers – whether through retail, SME, insurtech or regtech, there's a lot of possibilities.

TFT: Since coronavirus, have you seen a particular sector or category that has gone through considerable change?

CM: We're very fortunate in that our whole platform is built on Microsoft Azure native cloud. When I first became CEO of ClearBank with Nick Ogden (founder and investor) and Andrew Smith (founder, previously CTO now head of CBX) we built the tech and connected it. Then we tested it and did more tests so that in 2018/19 we could come out with a proposition and go to market.

Together we are an interesting mix in that we're a fintech with a banking licence and the culture of holding that licence demands that regulation is rightly protected for our customers. But with our tech base we're very used to remote working and separate working with all of our employees. Before lockdown we decided to go fully remote a week before to test that all 272 employees could work remotely. And actually, the switch was seamless and is still going today. We've had an amazing time in relation to last year, doubled our revenues, onboarded clients and welcomed 30+ new employees. And we continue to grow very fast.

What's changed? Well, the strategy hasn't changed in terms of providing low touch, real-time digital payments but Covid and externals have added to the tailwinds of the need for more of our products. With the accelerating of digital transformation programmes there has been tremendous momentum.

TFT: Going back to March 2020, what sort of position were you in when the first lockdown occurred and did your strategy change as a result?

CM: We had to take real fast action, some of this took away from our products and strategy as the interest rates collapsing hit a major area of income which in order to handle, we took a number of belt-tightening cost measures to go on without damaging service or assets. This included a voluntary pay reduction and a look at what spending we could reign in when it came to surplus cost. We went through everything spent from top to bottom.

This pivot meant that we were fortunate in that our strategy didn't need to be overhauled or changed. And this was in thanks due to the four management behaviours that I try and instil. These are:

1) Decide with speed over precision
2) Adapt boldly – my view is adapt or die
3) Reliably deliver, critical in terms of servicing customers and operational resistance, no matter what's going on externally – you can rely on us
4) The people aspect – engage for impact

Although we're a tech company, we're actually a people business and we've tried our best to adapt to those new normal social interactions, to engage and celebrate in a different way. Team quizzes instead of pub quizzes, to try and stop the isolation which can burn out some staff, especially when the tech guys aren't used to working remotely. We're trying to teach them about wellbeing but for all our staff, through home schooling and the post-Xmas blues, at first these activities were a bit of fun but it's a different game now and we need to be there for them.

TFT: What about hearing from customers and employees about their experiences?

CM: I'm really privileged to work in a fintech where you have to do a lot yourself – rather than having all the assistants as in a bank. It's a totally different environment where you get to hear from customers directly and every individual can make such a difference. That's really come through in some of the recruiting we've done; in the siloed banks you've got a relationship manager who hardly ever gets to see the end customer but with us it's quite the reverse.

I did a stint at Ulster

> Although we're a tech company we're actually a people business and we've tried our best to adapt to those new normal social interactions, to engage and celebrate in a different way

Bank through the Irish financial crisis as CFO and then we had the RBS IT failure. It was 10 days of customers not knowing what their bank balance was and many went out of business – mainly due to the technology. I saw the impact of what happens when it goes wrong and that's weighed quite heavily on me since. What you need is an instantaneous solution and what you can't have is a lack of operational resilience.

It's very important for me to sleep well at night and so I was determined when we set up ClearBank that we got the right culture. If something goes wrong – put your hand up, there's no blame. We've taken out hierarches and launched with the flattest structure we could and for the first 62 employees I met every single one for five minutes, now I do a lunch with all of our new joiners. I talk a lot about transparency and telling it the way it is. We've got an open-door policy for whoever has the best idea, not like some banks who say they're 'embracing fintech' but don't actually use it.

TFT: Where do you think 2021 might lead us?

CM: We are very hopeful and ambitious of what we're going to do next which includes expanding into foreign exchange with RationalFX. But we want to be aware of the real world outside of payments. Other aspects include expanding our ESG agenda, with the intent of supporting businesses in the SME space. We're members of the Bankers for Net Zero alliance convened by the All Party Parliamentary Group (APPG) on fair business banking. It's a new framework that has been launched to guide UK banks' decarbonisation efforts, focusing on fossil fuel divestment and climate-responsible advocacy. Although we're only small at ClearBank we are playing our full role in zero carbon commitments. And, for me as CEO, this is so important.

Then we also have the Remedies fund to roll out, although we have the funding there is still a strict amount of governance involved and any residual money will get handed back in five years in theory, because we've looked after it.

And finally, just to continue to listen to our customers. Many say that they don't actually hate the big four, they just don't like their service. And that makes a lot of sense to me – this is why we want to stay ahead and differentiate ourselves from the big banks. TFT

AT A GLANCE

WHO WE ARE: ClearBank is a cloud-based clearing bank that offers a full range of banking as a service solutions to regulated institutions. The UK's first new clearing bank in more than 250 years, ClearBank is unencumbered by the entrenched legacy platforms that inhibit other banks from delivering the simplicity that modern customers expect. ClearBank's cutting-edge technology makes transactions as efficient, fast and cost-effective as they should be.

COMPANY: ClearBank
FOUNDED: 2015
CATEGORY: Cloud-based clearing bank
KEY PERSONNEL: Charles McManus, group CEO and executive director
HEAD OFFICE: London, UK
ACTIVE IN: Global
WEBSITE: www.clear.bank
LINKEDIN: linkedin.com/company/clear.bank
TWITTER: @clear_bank

EUROPE'S FINTECH HOTSPOTS *Revealed*

The European Union is home to some of the world's most admired fintech hubs with a blend of the more established, like Berlin and Amsterdam, and smaller players, such as Vilnius, Malta and Luxembourg. ***John Reynolds*** *and* ***Benedict Smith*** *take you on a European tour*

Industry figures reveal that Europe (including the UK), with 78 fintech clusters, plays only second fiddle to the US and Americas, with 101 fintech hubs on the global stage.

In this article, *The Fintech Times* focuses on five key fintech hubs across the EU: Berlin, Paris, Amsterdam, Dublin and Vilnius. But this only paints part of the EU fintech picture, as areas like the Nordics, home to Sweden's Klarna and Estonia, the birthplace of the founders of TransferWise, arenot included.

Many of these smaller hubs have benefited from devising beneficial national initiatives and marrying them with the benefits of being part of the EU. Venture capitalist money continues to plough into all of these EU fintech hotspots as tomorrow's entrepreneurs look to follow in the footsteps of the likes of N26 and Adyen. TFT

DUBLIN

Dublin's strengths as a fintech hub are manifold, running across payments, regtech, lending and financial management. It's low corporate tax environment and relatively cheaper housing affordability have helped to lure in numerous fintechs.

According to Crunchbase, France, Germany and UK are the only European countries with more fintechs. Payments giant Stripe, founded by Irish brothers John and Patrick Collison, has one of its dual headquarters in Dublin. Fintechs with a growing reputation in Dublin include Future Finance (student lender), CurrencyFair (peer-to-peer currency exchange), Travacoin (blockchain-based payments) and Kyckr (providing firms with compliance solutions).

Accelerators and incubators in Dublin include Aon Centre for Innovation and Analytics and Ulster Bank Dogpatch Labs while key events include Fintech Start of the Global Nation. Associations include Fintech Ireland and Fintech & Payments Association of Ireland.

Meanwhile, those pondering a career in fintech can earn their stripes by studying for a Higher Diploma in Science in Fintech at Dublin Business School.

DUBLIN CASE STUDY

fenergo AND TransferMate GLOBAL PAYMENTS

According to a Fenergo spokeswoman, the firm's Dublin base provides 'a highly-skilled talent pool, proximity to Europe and easy access to the world's financial centres'.

Support from the Industrial Development Authority (IDA) – which is responsible for attracting FDI to Ireland – and government tax incentives have helped Fenergo's development, she added.

The firm, which provides firms with regulatory compliance help, is valued at $800million after its most recent funding round in February.

A further boon is the concentration of regtechs in Dublin, which means that Fenergo can 'tap into a wealth of regulatory knowledge and talent' that is 'unique' to the area. Although none of these regtechs are in direct competition with Fenergo, securing talent is an 'ever-present challenge'.

Brexit is likely to compound the issue as many global companies will be relocating their headquarters to Dublin, reducing the available talent pool even more.

TransferMate is headquartered in Kilkenny but has an office in Dublin. A spokesperson for TransferMate said: "As the business hub of Ireland, it was important for TransferMate to have an office in Dublin close to many major international business' office and some of our banking partners. We are part-owned by the ING bank and Allied Irish Bank and AIB even has an office at our headquarters in Kilkenny."

PARIS

President Emmanuel Macron has promised to make France into a 'startup nation' and has pushed through a handful of labour reforms to make France more appealing to investors.

Currently, payments and remittance companies lead the fintech charge in Paris. According to industry figures, between 2014 and 2019 in France, nearly one in every four fintech deals have involved payment and remittances companies. Wealthtech is another key sector in Paris, which is positioning itself as a rival to Berlin and London.

Key fintech startups in Paris include Alan, the digital health insurance platform; Kayrros, the data analytics company; payroll manager Payfit and Ledger, which makes security platforms for cryptocurrencies.

Helping Paris-based fintechs is the French government which supports the industry with programmes to promote startups and SMEs and financial incentives, such as tax credits for research.

Likewise, Paris's growth as a tech hub has been aided by being a central cog in the EU wheel as well as initiatives like the superhub Station F and the French Tech Visa Programme, offering foreign entrepreneurs and investors a four-year visa to move to Paris with their families. Station F claims to be the world's biggest startup campus, offering more than 30 startup programmes and is home to more than 1,000 startups. It offers incubators and works with venture capital funds offering resources and fintech knowledge.

Other accelerators in Paris include 104factory while key events include B2B Rocks and Apero Entrepreneurs. Paris also has Anticafe, Europe's largest coworking café and other coworking spaces include Numa and Kwerk.

PARIS CASE STUDY

qonto

Qonto, the neobank for freelancers and SMEs, is based in the Paris business district of Opéra which is 'very prestigious' with a 'dynamic business scene' and is also home to incubators, accelerators and banking institutions like BNP Paribas. "You can attract a strong talent pool if you can offer a well-located office," a spokeswoman said.

Qonto is based in Wework offices, which she says offers them 'flexibility' as it is growing fast. Qonto says it has benefited by teaming up with Station F and other accelerators, incubators and networking events.

On the downside of being located in Paris, the spokeswoman adds: "It's not that easy to fund large offices in the centre of Paris for big companies. It can be a real challenge for us in the future if we'd need to move again."

AMSTERDAM

A rival to Berlin, Amsterdam is one of the most prominent European fintech hubs, home to several unicorns and a thriving payments sector.

Unicorns based in Amsterdam include Adyen, the payments giant and one of Europe's most valuable fintech at $8.3billion which has benefited from the e-commerce shopping boom spawned by the pandemic.

Amsterdam-based payment platform Mollie recently got promoted to unicorn status, following a funding round and Flow Traders, the liquidity provider which specialises in exchange traded products, are other examples of unicorns in the city. Payment companies in the city also include Payvision and PayU. Venture capital funding has been flooding in: in 2019, Mollie attracted $25million while Brand New Day (online pension bank) raised $25million and Creative Group (online payments) $22million.

Don Ginsel, chairman of Holland FinTech, the fintech hub, said the Netherlands is the country with the fewest cash payments in the world. A further boon to fintechs has been help from traditional banks: ING has set up innovation labs across four countries including Amsterdam and has a venture fund of $300million for investing in fintech.

ABN AMRO, meanwhile, launched payments fintech Tikkie in 2016, which has proved a hit with punters. Incubators include Startupbootcamp's FinTech & CyberSecurity Accelerator which provides 10 startups access to a global network of industry experts, business mentors, investors and corporate partners. In partnership with Startupbootcamp, ING is building a fintech campus to focus on AI, blockchain and UX design.

The Amsterdam Internet Exchange (AME-IX) developed in the 1990s is one of the largest hubs for internet traffic in the world.

AMSTERDAM CASE STUDY

bunq

Dutch bank Bunq says Amsterdam has a 'personal connection' as it's the company's home town.

"New developments are popping up everywhere around town and we're super happy that Amsterdam is thriving even in the toughest of time," said a spokesperson. "Operating from Amsterdam is definitely an advantage as so many amazing companies are located here, including great startups, so the overall atmosphere of innovation and focus on the future is a great vibe to be surrounded by. Amsterdam is our hometown but we still are growing and spreading out. The latest of our expansions, the new office in Rotterdam, is an important milestone, but our heart still beats in Amsterdam."

BERLIN

Berlin is a thriving fintech hub, with a blend of world-renowned fintechs and startups spanning areas like crypto, insurtech, lending and savings.

An Ernst and Young report identified around 2,500 active startups in Berlin which raised a total of $4.5billion in venture capital funding in 2019.

Berlin's shining star is N26, the neobank which is one of the most highly valued fintechs worldwide and has more than five million customers globally.

Other fintechs with a global reputation include Raisin (savings marketplace), Billie (B2B invoicing and payments) and Omni:us (insurtech) while fast-growing Berlin-based fintechs include Moonfare (offering wealthy clients investment in private equity funds) and Penta (challenger bank for SMEs).

Insurtech is a big play in Berlin, with Friendsurance, Simplesurance and Element all Berlin-based players in the sector.

Likewise, crypto is a hotbed in the Kreuzberg district of Berlin (Berlin has been dubbed the crypto capital of Europe), which at one point had the highest density of businesses supporting Bitcoin in the world. According to fintech data specialist Findexable, Berlin is ranked the number two fintech hub in Europe (behind London) and ranked ninth globally (Berlin is likely hoping to improve its status following the UK's exit from the EU).

Within Germany, Berlin has more fintechs (197 startups) than Munich (84), Frankfurt (57) and Hamburg (51) combined, according to industry figures. An indication of Berlin's standing is that neobank giant Revolut chose Berlin as the site of German HQ while Facebook, Airbnb, Siemens and Sony have offices in Berlin.

A mix of availability of capital and funding, a creative atmosphere, good quality of life, an international talent pool, well-regarded incubator and accelerators and ease of access to EU, are among the reasons Berlin is proving popular with startups.

A crucial cog in Berlin's growing status has been Silicon Allee (inspired by San Francisco's tech hub), which was set up in 2011 to build a startup community in Berlin and helped those arriving from overseas.

Silicon Allee opened a campus in 2017 for tech companies and in 2019 launched the Berlin Founders Fund (equity-free fund for early-stage founders). Students at the Berlin-based European School of a Management and Technology, meanwhile, can pay tuition fees using Bitcoin.

Jens Woloszczak, CEO of Spotcap, the Berlin-headquartered lender, said low office rents make Berlin an attractive prospect compared to other European capital cities as well as New York and San Francisco.

Despite its fintech fame, the major financial intuitions are not based in Berlin but Frankfurt and Munich, which can make it trickier for Berlin's startups to network and exchange ideas with big financial institutions.

Financial regulation is also heavily geared towards consumer protectionism in Germany which presents a further challenge for fintechs.

BERLIN CASE STUDY

solarisBank

Berlin-based digital banking platform Solarisbank runs a banking-as-a-service platform, which allows partners, such as South Korean Samsung Electronics, to offer branded accounts and financial products to their customers.

Baha Jamous, VP marketing and communications, says Berlin is known as one of the 'most attractive locations worldwide for founders and tekkies'. He said: "In the beginning, Solarisbank was targeting especially fintechs which is why Berlin was a great location too (home of N26, Raisin etc). As the company is growing, Solarisbank will soon move to a new and bigger office within Berlin."

VILNIUS

Vilnius, the capital of Lithuania, defies its moderate population as a leading fintech player.

The city's strength runs across lending, banking and payments: hundreds of fintechs operate in Lithuania with regtech, digital currency and wealth management displaying strong growth too. **Revolut**, which has a Lithuanian banking licence, opened an office in Vilnius in 2017, while Nevada-based payment unicorn Shift4 Payments set up its first tech centre in the city to develop product design and development functions.

CEO Jared Isaacman refers to Vilnius as a 'small version of Silicon Valley' adding that 'the city, its infrastructure, the prevalence of technology made an impression on me'.

Lithuania is also home to the founders of TransferGo, as well as being a major market to the money transfer firm. Up and coming fintechs include NEO Finance (P2P lending platform) and CoinGate (crypto payments). The Bank of Lithuania provides a regulatory sandbox for startups to test financial innovations and authorises electronic money or payment institution licences within three months (two to three times faster than other EU jurisdictions). Vilnius University provides a course in financial technology and Vilnius Fintech Week brings together fintech stakeholders to provide scaling opportunities for startups.

VILNIUS CASE STUDY

coingate

Dmitrijus Borisenka, CoinGate CEO, says: "Vilnius is hometown for the company's founders and the majority of the team. It's also Lithuania's capital and the regulators have a very innovative and supporting approach towards fintech, resulting in a climbing number of electronic money institutions registered.

"Combine that with a well-educated population and you have a perfect environment for this type of business to flourish. We have offices all around the city and the technology sector is quite diverse and developed.

"Companies often form associations with government organisations to encourage education and share their expertise. Incubators are hosted all the time, where startups can learn from more mature companies. Overall, our region has a strong financing potential, especially in networking and education for fintech."

5 MISCONCEPTIONS MERCHANTS REALLY HAVE ABOUT PSD2

***Galit Michel**, VP of payments at **Forter**, puts fallacies of the European regulation for electronic payment services to rest*

Payment Services Directive (PSD2) is a European regulation for payment services that aims to make payments more secure and help financial services innovate within the space. Before the revised version went into effect, there were a lot of questions, concerns and misconceptions about how the new regulation would change online payments.

Much of the discussion around PSD2 has centered around the transparency of banks and the friction on consumers. As a result, the entire ecosystem is concerned about the impact on revenue generation and profitability.

Merchants must recognise that PSD2 is just part of the new payment revolution; once they do that, it will be possible to leverage this new directive into a stronger payment solution that will benefit their customers and their bottom line.

In my conversations with top e-commerce leaders, I discovered that several misconceptions are shared by merchants, and I want to help explain them.

1 PSD2 WILL PROTECT MY BUSINESS FROM FRAUD

This is one of the most common misconceptions about the new directive and one of the most detrimental ones to merchants.

Many merchants believe that PSD2 will protect their business from fraud because they will perform 3D-Secure authentication on all transactions and, as a result, chargeback liability will be passed to the banks and they no longer have to worry about it. However, that is wildly incorrect.

While part of the goal of PSD2 was to make online payments safer for consumers, the directive never intended to replace fraud prevention solutions.

PSD2 did not take into consideration the sophistication of fraudsters. As more consumers turn to online shopping worldwide, fraudsters constantly develop new ways to manipulate and deceive online payment systems and bypass the multi-factor strong customer authentication (SCA) methods required under PSD2.

Ultimately, the most important thing to remember is that PSD2 is not a fraud solution. What PSD2 does, however, is harm conversion rates. Merchants who do not have a fraud protection solution in place will, as a result, suffer from higher fraud rates, increased chargebacks and reduced conversion.

2 UNDER PSD2, 3D-SECURE (3DS) MUST BE APPLIED TO MY ENTIRE PAYMENT PORTFOLIO

Many merchants believe that under PSD2, they will have to apply 3DS to their entire payment portfolio; however, doing so is not only unnecessary, but it will almost certainly impact their profitability and negatively impact customer experiences. I recently spoke to a merchant in Spain that applied 3DS to all his transactions in an effort to be completely PSD2 compliant. The result was a 25 per cent decrease in revenue. This merchant failed to understand the reason for declines, not realising the complication that 3DS causes both from the payment ecosystems perspective and from the consumers' side.

About Galit Michel

Galit Michel, VP of payments at Forter – a provider of e-commerce fraud prevention – has more than 15 years of experience in various leadership roles around operation, payments, fraud/risk, regulations, compliance and product.

The 3DS authentication process introduces significant friction and often leads to user abandonment or failure to complete the 3DS challenge. This can occur due to confusion over the process, technical issues such as users not receiving the SMS with the code to complete the purchase, or simply because consumers have more time to second guess their purchase and decide not to complete it.

Even consumers that do complete 3DS authentication may not be authorised. This is because 3DS authorisation sometimes has a higher decline rate due to the fact that acquirers do not want to take chargeback liability upon themselves.

Under PSD2, merchants can request 3DS exemptions for relevant transactions, with the most important type of exemption being Transaction Risk Analysis (TRA) exemption.

For a merchant to be granted a TRA exemption and to leverage PSD2 exemptions to their benefit, merchants should have a payment optimisation and fraud solution in place that includes a powerful exemption engine, as well as ensure they have an accurate and comprehensive overview of their payment ecosystem to understand how prepared their ecosystem is for the new directive.

3 PSD2 IS A LEGAL ISSUE, SO ONLY THE LEGAL DEPARTMENT NEEDS TO DEAL WITH IT

PSD2 is much more than a legal and compliance issue; it is a far-reaching directive that directly impacts profitability and revenue generation.

While the responsibility for ensuring compliance is the role of legal departments, mitigating its impact is a company-wide endeavour. PSD2 requires infrastructural changes that necessitate IT/technology departments' involvement, especially if a merchant wants to enable payment optimisation and request SCA exemptions.

> Now is the time for merchants to recognise that the global payment environment is changing, and they have to change with it

Customer satisfaction and experience departments also need to be concerned about the impact of PSD2 because of the friction it creates for consumers. By increasing the touchpoints that consumers encounter and complicating the checkout process, the entire user experience is negatively impacted by the new regulation. This is particularly critical for merchants who will solely rely on 3DS to process transactions and will not seek to integrate dynamic 3DS or non-3DS transactions into their payment offering.

Operations and e-commerce teams who monitor revenue generation also need to care about PSD2 because of its impact on declines. Paying closer attention to the decline and abandoned rates within the 3DS authentication phase will provide critical insight regarding the number of consumers that are lost during the 3DS checkout process, as well as the inclination of acquirers to accept exemptions and their preferences for 3DS over non-3DS transactions and vice versa.

4 MORE DECLINES ARE INEVITABLE, AND MERCHANTS JUST HAVE TO DEAL WITH IT

While declines may rise, there are many things merchants can do to reduce their impact, specifically leverage exemption requests to reduce the need to use 3DS on all transactions. Under PSD2, merchants can apply for exemptions for eligible transactions including low-value transactions and low-risk ones. However, acquiring banks may reject exemptions and non-3DS transactions if they deem them too high risk.

Merchants that want to take advantage of the most common exemption, transaction risk analysis (TRA) need a powerful fraud prevention solution and exemption engine in place. When merchants apply for TRA exemptions and have a fraud prevention solution, that will increase their chance of the exemption being granted. In addition, fraud prevention solutions often take chargeback liability upon themselves, allowing the merchant to avoid liability as well as 3DS while maintaining PSD2 compliance.

Declines can also be from the issuer's side. Issuers may not be able to process 3DS2 and, as a result, may rely on 3DS1 which has higher abandonment rates. Issuers may also opt to use stand-in-processing (STIP) to complete 3DS. When using STIP, another processor, namely Visa or MasterCard, evaluates the risk and decides whether to take chargeback liability. If there is a low-risk, the liability then shifts back to the issuer, who may choose to decline the transaction simply to avoid the risk, even if it is a low risk.

Knowing where the declines come from can provide merchants with the ability to adapt their operations accordingly, ultimately reducing the number of declines they experience and increasing their revenue generation and profitability levels.

5 PSD2 WILL NEVER GO INTO EFFECT IN THE UK! I'M AMERICAN – I DON'T EVEN CARE ABOUT EUROPE

While the rollout of PSD2 has been pushed back more times than the regulators would like to admit, it would be prudent to think that PSD2 will never go into effect or that it will not impact the operations of those who are based overseas.

In the UK, PSD2 has already been written into law and, as a result, its implementation is inevitable, despite the fact that Brexit has many thinking otherwise. Other countries in Europe have already altered their operations to enforce the new regulation, and the rollout is expected to continue.

Merchants that do not have to comply with the directive may find themselves losing opportunities in countries where PSD2 is mandated due to their failure to acknowledge the regulation and adapt their checkout process for the European market.

Merchants should also remember that what happens in Europe doesn't always stay in Europe. Other regulations that were initially implemented in the EU later were adapted and implemented in the United States, Australia and more.

Now is the time for merchants to recognise that the global payment environment is changing, and they have to change with it. Staying behind and not integrating innovative solutions, protecting their operations with fraud prevention solutions, and shifting their operations to be customer checkout experience-focused will ultimately cost them customers – and that is the last thing merchants want to sacrifice. TFT

REGULATORY CLARITY AN 'URGENT PRIORITY' FOR THE CRYPTO MARKET

SEC commissioner Peirce hopeful for clarity on cryptocurrency rules

Hester Peirce (left), commissioner at the US Securities and Exchange Commission, has called for clear cryptocurrency regulation.

Speaking at Global Digital Finance's (GDF) Global Leaders Webinar Series, Peirce said regulatory clarity from the Commission is an 'urgent priority' for the crypto market and digital assets space.

During a chat with GDF board member Jeff Bandman, Peirce said it is now 'a good time for us to take a fresh look at what we are doing in this space'.

According to the Commissioner, key issues include what is or is not a security as well as clarity on what broker-dealers and investment advisers are allowed to do in the market plus clarity on what the SEC is looking for in products and on what basis it issues denials.

"The overarching theme is we need clarity, and the clarity should come from the Commission level. I think we can do something to provide clarity," she said during the webinar.

Peirce highlighted Singapore as a good example of a jurisdiction that is taking a 'wise approach' to the regulation of crypto markets and the digital assets space.

When Bandman pointed out that the nominee for new SEC chairman Gary Gensler has extensive experience and knowledge of the digital assets space, Peirce agreed that could be an advantage.

Peirce said she was keen to update her own safe harbor approach, which gives companies three years for the offer and sale of crypto tokens without the need for securities laws provision to take effect, with more protection for customers. She supported the need to learn from public consultation as well as other jurisdictions in order to allow innovation to happen and stressed that US partisan politics should not be a barrier as there is a joint understanding of the need for innovation.

> The overarching theme is we need clarity, and the clarity should come from the Commission level. I think we can do something to provide clarity

The recent Gamestop issue was raised by webinar viewers – Commissioner Peirce stressed that it was natural that regulators were cautious but warned it raised important issues about retail investors participation and ensuring that markets remained accessible.

A survey of GDF members reported in the organisation's 2020 annual report identified a lack of regulatory clarity as the biggest challenge facing the sector this year. Other issues were the readiness of financial institutions for the crypto and digital asset sector, blockchain interoperability, access to banking facilities and then issues around digital identity. TFT

Building more than sandcastles

An overview of regulatory sandboxes in the Middle East and Africa

Richie Santosdiaz, Head of Middle East and Africa (MEA), *The Fintech Times*

Regulatory sandboxes are becoming part of a common trend in fintech ecosystems. Broadly described as a unit that typically sits within a country's conduct regulator, sandboxes are used to evaluate the need for fintechs to conduct controlled market tests under less stringent regulatory requirements.

The solution borrows inspiration from the pharmaceutical industry and the tiered process for testing new drugs. Regulatory sandboxes sit on the border between an ecosystem approach and infrastructural change in regulatory innovation.

On the one hand, regulatory sandboxes permit regulators to engage entrepreneurs quicker and at a lower compliance cost, in a controlled setting. On the other, regulatory sandboxes constitute a process or infrastructural change, on the path towards reforming the authorisation procedure. In the global stage, sandboxes in the United Kingdom and Singapore are often referenced as examples of leading and advanced regulatory sandboxes.

In the Middle East, the United Arab Emirates (UAE) – home to Abu Dhabi and Dubai – and Bahrain have been leading the way. For instance, Abu Dhabi Global Market (ADGM) announced in November 2016 the first regulatory sandbox in the Middle East and North Africa (MENA) region, ADGM RegLab. Afterwards in 2017, both Dubai Financial Services Authority, located in Dubai International Financial Centre (DIFC) and the Central Bank of Bahrain (CBB) created their own regulatory sandboxes. The latter was MENA's first onshore sandbox as both ADGM and DIFC are free zones, whereas the CBB has 32 innovative fintechs from all over the worlds testing their technologies today.

Other countries in the Middle East have also built their own regulatory sandboxes. For instance, in 2019 Saudi Arabia announced the design of its regulatory sandbox and has been an active one since. Last year, it was announced that the Saudi Central Bank (SAMA) welcomed nine more fintech companies to take part in the sandbox, which included companies, such as Manafa Capital, Funding Souq, Circles, Nayifat Finance and Sahlah. The sandbox is home to 30 fintechs, which includes fintech companies like BayanPay, Skyband and Lindo Financing.

In 2018, the Central Bank of Kuwait launched its regulatory sandbox framework. Other neighbouring Gulf Cooperation Council (GCC) countries, such as Qatar with the Qatar Central Bank have also begun with its own regulatory sandbox journey, while Oman end of last year announced that the Central Bank of Oman would be launching its own.

Other countries beyond the GCC in MENA countries include Jordan, which launched the Central Bank of Jordan fintech regulatory sandbox framework in 2018. Last year saw the launch of the Central Bank of Tunisia's regulatory sandbox as well as Egypt in 2019 with the Central Bank of Egypt.

Interestingly, the 'startup nation' Israel does not have a regulatory sandbox. However, that looks to change with recent news headlines reporting that the Israeli government submitted a bill to encourage the development of financial technology via bill 5721-2021. The aim of the bill is to establish an experimental two to four year regulatory programme for fintech companies in Israel, making it a major step in helping further ease and accelerate further growth in the fintech landscape in the country.

In Turkey, there are developments as well with its wider regulatory sandbox. The Turkish digital strategy for 2023 (Turkey's 2023 Industry and Technology Strategy) highlights how it will develop its technological capabilities. Turkey intends to have a 'national blockchain infrastructure' among cloud computing, internet of things and open source initiatives. The country will build this infrastructure to encourage innovation and implement blockchain in the public sector; this initiative includes a regulatory sandbox.

Over in the rest of the non-MENA African nations, there have been other growing developments with regulatory sandboxes.

For instance, in Nigeria, the largest country in Africa by population at around 200 million, the Securities and Exchange Commission is working towards setting up a regulatory sandbox that will offer a 'safe space' in which startups and other businesses can test innovative products, services, business models and delivery mechanisms relating to the capital market in a live environment without immediately satisfying all the necessary regulatory requirements.

> 2021 will continue to see further advancements in fintech, which includes the regulatory sandbox, regtech and wider ecosystem, both in the Middle East and Africa

In January this year, the Central Bank of Nigeria released two regulations: the Framework for Regulatory Sandbox Operations (Sandbox Framework) and the Framework for Quick Response (QR) Code Payments in Nigeria (QR Code Framework).

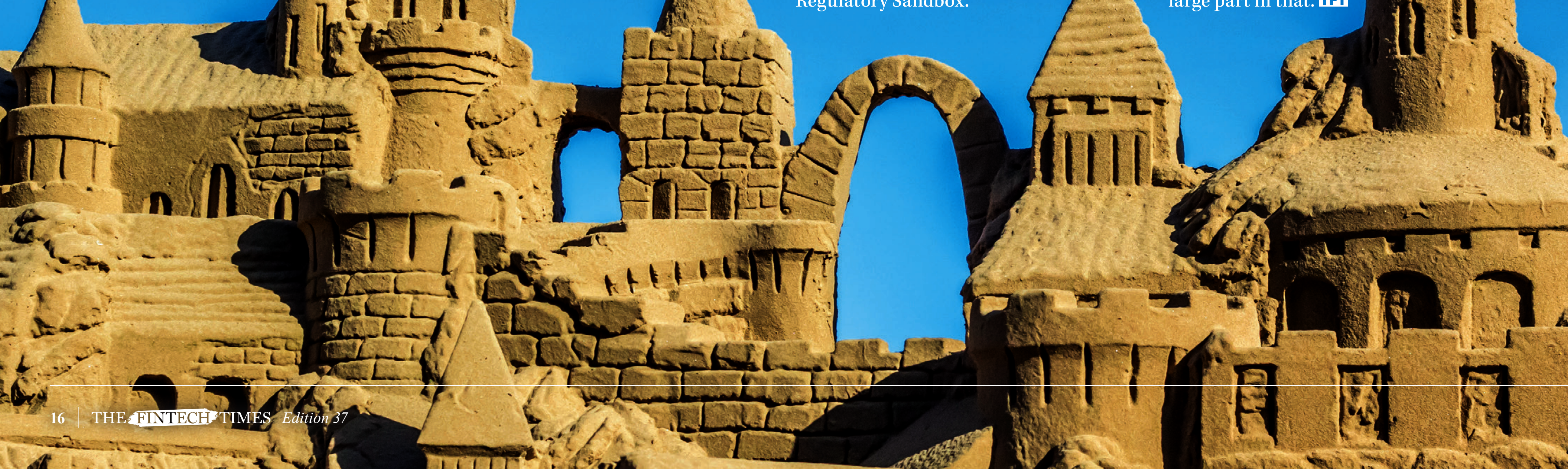
In South Africa, the South African Intergovernmental Fintech Working Group (IFWG) has announced this year the first cohort of the IFWG Regulatory Sandbox.

Meanwhile, in Kenya there is a regulatory sandbox with its capital markets authority – there were three fintechs admitted to the sandbox back in 2019 following approval of the regulatory sandbox policy guidance note.

In Mauritius, the island nation has implemented a regulatory sandbox regime, under which its Mauritius Economic Development Board has granted licences to at least nine companies as of August 2019, including crowdfunding platforms, blockchain services and cryptocurrency exchanges. Also, in Rwanda a regulatory sandbox by the National Bank of Rwanda has been in place since 2017.

Despite that, Africa still has much to advance with respect to the wider advancement of fintech regulatory sandboxes. However, recent headlines also show signs of exciting news hitting the regulatory sandbox front in the continent. Development countries, such as Angola with the National Bank of Angola (Banco Nacional de Angola), are currently developing their own regulatory sandboxes. Furthermore, Ghana's Bank of Ghana has launched a regulatory and innovation sandbox pilot as part of its mission to promote and support fintechs, as well as drive financial inclusion. The sandbox will provide a forum for financial sector innovators to interact with the sector regulator to test digital financial service innovations while evolving enabling regulatory environment.

2021 will continue to see further advancements in fintech, which includes the regulatory sandbox, regtech and wider ecosystem, both in the Middle East and Africa. Despite the current challenges, MENA has potential in further developing and maturing its fintech ecosystem; regulatory sandboxes play a large part in that. TFT



THE IMPACT OF ISO 20022

***Mark Kane**, financial services expert at innovation consultancy **PA Consulting**, explains how the new messaging standard will help financial firms communicate better, improve accuracy and reduce operational risks*

ISO 20022 is an internationally recognised standard for payments messaging and reporting that's transforming the payments industry.

While existing message type (MT) proprietary standards compete with each other, ISO 20022 is unifying financial institutions. In fact, we predict that more than 90 per cent of the world's financial transactions will be using the standard by 2023.

Financial firms that adopt the ISO 20022 common language will be able to communicate richer, more structured remittance data in a universally agreed manner. This better data will help them improve accuracy in sanctions screening and reconciliations, reduce the operational risks associated with multiple messaging standards, and identify differentiated products, services and value propositions that meet real customer needs.

But implementation isn't easy. Migration to the standard requires significant work and isn't only a cash management problem; it impacts more than just core payments processing.

GLOBAL PAYMENTS STANDARD IS MORE THAN A CORPORATE BANKING CHALLENGE

The Bank of England's Real Time Gross Settlement (RTGS) renewal is driving readiness for CHAPS participants, and SWIFT are mobilising change for ISO 20022 CBPR+/cross border payment and reporting messages. But the ISO 20022 challenge is far wider than corporate banking.

For smaller challenger banks that are indirect participants of RTGS, Pay.UK is proposing a common UK credit message (CCM) across both CHAPS and the new payments architecture (as the replacement for Bacs and Faster Payments). CCM provides ISO 20022 standard definitions, structures and rules for payment service providers and end users to input data into a payment message. Furthermore, indirect CHAPS participants (such as smaller banks and building societies) will have to work with their correspondent banks to understand how they connect to their direct participants during the ISO 20022 cutover.

The migration to ISO 20022 affects more than just payment flows. As well as supporting enhanced data, companies will need

> Over the next few years, we're going to see a shift in how banks view, process and use payment information

to define new processing rules, indicators and validation flows, as the new standard impacts payments channels, core banking systems, transaction monitoring, the integration layer and archive management systems.

Within each of these system capabilities, ISO 20022 asks firms to do something they haven't done before. They'll need to be able to store, generate, process, forward and reject payment messages and reports that carry two to three times the amount of data compared to today; therefore firms must decide whether application upgrades, complete system rewrites or the introduction of translation services will allow them to achieve the benefits they seek.

To be successful, firms need to complete end-to-end impact assessments to understand how the increase in data, and structure of that data, will affect systems, processes and people. By identifying all impacted channels and touchpoints, firms can create an understanding of what requires change and how to change it. This will let them fully grasp their starting point and determine whether they need full scale system rewrites or application upgrades.

REDEFINE DATA AMBITIONS

ISO 20022 message data contains enhanced character sets and lengths in an improved structure. With ISO 20022 messages set to standardise data fields, such as BICs and full legal names, and introduce the use of legal entity identifiers (LEIs) and unique end-to-end transaction references (UETR), firms must reconsider how they process, store and utilise the enhanced data by looking at:

- **Data management** Creating a standard way of managing ISO 20022 data to ensure they can source, maintain and distribute it
- **Data cleansing** Assessing the quality of reference data to ensure consistency across source systems
- **Data analytics** Enabling data analytics on the enhanced data to improve management information and drive more informed decisions

Firms need to look at using the payment data to deliver more appealing propositions and revenue-boosting services. By mobilising internal readiness programmes and analysing the current state vs ISO message type delta, firms will be able to define value-adding services based on enriched, structured remittance data early. This could help banks build new revenue models and improve compliance and customer experience.

PRIORITISE BUSINESS NEEDS FOR INTERNAL READINESS

Banks already face a tsunami of regulator, operational and business-critical imperatives. As well as moving from legacy formats, updating payments architecture and business processes, and changing system-to-system payments flows, there are crucial ISO 20022 compliance issues beyond technology:

- **Update key artefacts** Understand how to manage internal readiness, such as the rewriting of SLAs and T&Cs with third-party suppliers
- **Upskill people** Operators must understand how payments move through the lifecycle of the transactions and continue to offer status updates to customers
- **Adapt risk and compliance** Identify new internal and external risks, and cross programme dependencies, in line with your risk management framework

Understanding who ultimately owns the transition to ISO 20022 and achieving continued sponsorship of the change is a challenge when the internal impact is wide ranging, yet determining this responsibility is key when it will influence multiple capabilities and projects.

To understand the full scope and scale of ISO 20022's impact on firms, detailed planning is essential. By undertaking technology and business impact assessments of operating procedures and process instructions, they can understand the core project and join the dots across multiple business domains, including technology, operations, anti-money laundering, product and sales. This can help the enterprise determine its key priorities and inter-programme dependencies, and help mitigate resource, cost and milestone conflicts.

ISO 20022 PROVIDES A NEW WAY OF OPERATING

Over the next few years, we're going to see a shift in how banks view, process and use payment information. We'll see a shift from payments being a commoditised proposition to payments being a strategic, value-adding one. ISO 20022 offers that trigger for change.

The possibility of creating new business models, such as straight-through processing of payments and the facilitation of onboarding new corporates, requires firms to act. They need to scope the size, scale, impact and severity of ISO 20022 on their systems, processes, data and internal readiness, and start acting now. TFT

What did fintechs think of CBILS?

*The Coronavirus Business Interruption Loan Scheme (CBILS) has seen lenders give £22billion to more than 90,000 businesses during the Covid-19 pandemic but will be replaced in April by the government's new Recovery Loan Scheme. While initially criticised for the slow pace at which banks processed loans to pandemic-hit companies, **The Fintech Times** hears from accredited fintechs who believe the scheme has been a crucial lifeline for bloodied UK businesses*

CBILS – one of several state-backed packages – launched in March 2020 and saw the government guaranteeing 80 per cent of loans up to £5million to SMEs with a turnover of up to £45million.

British Business Bank has operated the demand-led scheme, which closes applications on 31 March 2021, via its more than 100 accredited lenders. But, from 6 April 2021, the government's new Recovery Loan Scheme comes into play, providing lenders with a guarantee of 80 per cent on eligible loans between £25,000 and £10million.

HOW MUCH HAVE FINTECHS LENT THROUGH CBILS?

Businesses across the UK have to date benefited from 92,449 loans worth £22billion through CBILS, in addition to 705 loans worth £5.3billion through the Coronavirus Large Business Interruption Loan Scheme (CLBILS).

OakNorth Bank said it has approved just over £590million through CBILS and its sister scheme CLBILS, around a third of its total lending over the period.

Peer-to-peer lender Funding Circle had approved £1.85billion as of 15 November last year while small business finance provider Iwoca said it was on track to provide £300million when CBILS applications end.

Nucleus Commercial Finance has lent over £150million to date and aims to lend £200million by the end of March while Market Finance said it expects to have lent between £200million and £250million when CBILS ends.

Atom Bank has lent £340million across 506 applications while ThinCats said it expects to have lent around £250million through CBILS by the time it closes, around 75 per cent of this supporting new borrowers. Ultimate Finance, meanwhile, said it had hitherto lent around £35million and expects to lend between £60million and £65million by the end of March.

HAS CBILS BEEN A SUCCESS?

Of the fintechs we spoke to, the overall consensus is that CBILS was handled well by the British Business Bank in difficult circumstances and has proved an important lifeline for businesses.

Paul Elliott, head of business banking, Atom Bank, said: "Without government-backed guarantees we would have seen the drawbridges of lenders come up and wait for the storms to pass.

"Unfortunately, this would have resulted in an exponential business failure rate that would have dwarfed the figures we are seeing now and an incredibly swift and high unemployment rate."

Yet CBILS has had its critics: from fintechs believing they were unfairly treated by the CBILS administrators and business owners angry at high-interest rates on the loans levied by some finance providers.

Meanwhile, questions remain about the spectre of millions not being paid back in debt in government-backed loans, the replacement scheme for CBILS and whether banks will retreat from the market once the government-backed scheme ends.

LENDERS' INTEREST RATES OVER 10 PER CENT

With CBILS, lenders could set their own interest rates, up to a maximum of 14.99 per cent. For example, ThinCats has a CBILS interest rate of between six and nine per cent, plus a two per cent arrangement fee while Merchant Money had a rate of more than 13.5 per cent and Lending Crowd more than 11 per cent, according to *The Sunday Times*.

These lenders said they have to charge more as they don't have access to the Bank of England's term funding schemes, which allows high street banks to borrow near to the Bank of England base rate of 0.1 per cent.

OakNorth and Atom have declined to disclose exact details of their rates but said it has varied customer to customer.

CASES OF CBILS FRAUD AND DEFAULTS

The haste with which millions of pounds was lent out to rescue firms has led to concerns about fraud and defaults.

Chirag Shah, CEO at Nucleus Commercial Finance, said CBILS had been successful but added a note of caution that "the downside is that businesses are highly levered and once things start opening up, many will struggle to repay debt and manage creditors".

According to Action Fraud, the national reporting centre, it had received 176 reports that mention at least one of the following terms – CBILS, BBLS, Bounce Back Loan (BBL), Coronavirus Bounce Back and Business Interruption Loan – as of October last year.

Of these reports, 95 are crime reports and 81 are information reports, with loses, which haven't been verified, attributed to the reports of £17.5million.

Accredited CBILS fintechs say defaults are more likely to be on loans dished out through the Bounce Back Loan scheme which are 100 per cent state-backed with lighter checks carried out on the suitability of borrowers than usual.

A spokesperson for ThinCats said: "One of the key differences between BBLS and ThinCats CBILS is that our CBILS loans have been through a full credit and underwriting process to assess affordability with the usual due diligence.

"As the loans are not 100 per cent guaranteed this has created an incentive for lenders to approach the CBILS loans in a similar way as for their regular loans."

According to the National Audit Office, taxpayers could lose as much as £26billion from fraud, organised crime or defaults through the BBLS.

FRAUD EXISTS ACROSS ALL GOVERNMENT-BACKED SCHEMES

One legal expert said fraud existed across all government stimulus schemes. Sam Tate, head of white collar crime at Reynolds Porter Chamberlain LLP (RPC) said: "Fraud exists across all Covid-19 related government stimulus schemes. The pace at which loans were deployed to businesses has resulted in high levels of fraud.

"In particular, the BBLS subjected applicants to less onerous checks and therefore it has been targeted by criminals, often via identity theft to form bogus companies and claim funds."

WHAT FOLLOWS CBILS?

CBILS has already been extended twice, with the deadline for applicants now 31 March. However, the Chancellor Rishi Sunak has unveiled its replacement.

The Recovery Loan Scheme, announced at the Budget, aims to help businesses affected by Covid-19 and can be used for any legitimate business purpose, including managing cashflow, investment and growth. It is designed to appeal to businesses that can afford to take out additional debt finance for these purposes.

UK businesses of any size can apply for a loan or overdraft of between £25,000 and £10million until the end of 2021; the government providing lenders with an 80 per cent guarantee.

WILL LENDING BE IN RUDE HEALTH FOLLOWING COVID-19?

Many of the fintechs *The Fintech Times* has spoken to say they expect to see 'strong demand' for loans from small businesses post-CBILS.

Atom Bank, for instance, like others, has continued to do non-CBILS lending alongside CBILS lending.

Elliott said: "We'd loaned just under £250million to UK SMEs before we started lending under CBILS. We're expecting to add another £50million of non-CBILS lending by the end of our financial year in March 2021."

But the Iwoca CEO struck a note of caution. Christoph Rieche said: "Once the government schemes wind down there is a risk that banks retreat and potentially leave a material void in the market. Cash-flow will become an even bigger challenge for businesses than it has been pre-Covid."

ON DOWNSIDES TO CBILS

Market Finance CFO Tom Stenhouse said the stop-start nature of CBILS (which has twice been extended) had likely been to the detriment of some fintechs, causing interruptions to their lending.

Stenhouse said: "That tends to help more incumbents. If you are a bank and have your own balance sheet, whether it's stop or start, doesn't matter so much. You still get access to funding. You're just then lending with a government guarantee or you're not. And you just price appropriately. For the fintechs, I suspect some will have struggled. The stop-start nature of that will have had an impact."

ON POSSIBLE CBILS DEFAULTS AND FRAUD CASES

Funding Circle said: "While BBLS loans are 100 per cent guaranteed, CBILS is only partially guaranteed and therefore requires all lenders to conduct a full and stringent credit assessment on each loan. We also conduct full fraud checks in addition to adhering to the British Business Bank's fraud guidance."

ON FOLLOW UP SCHEME TO CBILS

Josh Levy, Ultimate Finance CEO, said: "I am confident they are thinking about the right ways to improve it. What they have done very well, the British Business Bank, through trade associations is take feedback and have been open to suggestions and open to critique of the current scheme. And that as a lender is all we can really ask. To have a voice, I think is powerful." TFT

> Many of the fintechs *The Fintech Times* has spoken to say they expect to see 'strong demand' for lending from SMEs post-CBILS

Buy now, pay later firms welcome increased scrutiny though some fear regulatory oversight will dent sales

The Financial Conduct Authority says new credit agreement regulations will protect consumers

The buy now, pay later (BNPL) market is booming in the UK. Figures show the market nearly quadrupled to £2.7billion during 2020 with five million people using BNPL services since the start of the pandemic.

Consumers hail the benefits of BNPL for managing their finances as they spread the cost of a purchase over interest-free instalments. In some cases, people can defer payments for up to 30 days.

But in early February, the Financial Conduct Authority (FCA) published a report on the unsecured consumer credit market, following a review by the UK financial regulator's former interim chief executive Christopher Woolard CBE, that called for urgent regulation of BNPL products.

The report warned of 'significant potential for consumer harm' with more than one in 10 customers of a major bank using BNPL already in arrears. It said billions of pounds were being lent in unregulated transactions – putting millions of consumers at greater risk of getting into financial difficulty.

Under new proposals, BNPL companies, whose services are used by ASOS, M&S and Boohoo, must carry out hard credit checks and affordability tests when customers choose to defer payments. BNPL customers will also be able to escalate complaints to the UK's financial ombudsman.

BNPL FIRMS RESPOND TO FCA RULING

Firms have welcomed more scrutiny by regulators amid concern over young shoppers' debt but some argue the clampdown could significantly dent UK sales in the sector.

Leading BNPL firms like Klarna, Afterpay (which operates as Clearpay in the UK) and Laybuy have welcomed the proposals, but some firms have expressed concern about how the rules will be implemented.

Gary Rohloff, the co-founder of New Zealand founded Laybuy said the review 'highlights the benefits of the sector' and it also focuses on ensuring the entire industry works in the interests of customers. He didn't think tighter rules will materially impact Laybuy's business in the UK.

"Debt per se is not a bad thing [if offered in a responsible manner]," said Rohloff. "The review and recommendations are not something that will materially affect our business because we are doing what the regulator is proposing the industry does anyway."

London-based Zilch, which unlike some rival BNPL firms doesn't require merchant integration and can be used in any store that accepts MasterCard, has already been granted consumer credit authorisation from the FCA.

Zilch founder and CEO Philip Belamant said the new recommendations have the 'potential' to have a positive or negative impact on the industry, depending on how the rules are implemented. But he expressed concerns about how the regulation might be implemented, cautioning against an older approach as to how customer affordability is worked out.

What we wouldn't want to see certainly is a 10-year-old approach to the assessment of affordability

Belamant said: "On the positive side, there is certainly something to be said around the regulation of integrated point of sale finance at the checkout. A potential downside may be that if the regulator takes an older approach to how they regulate. For me, I am specifically talking about how one should assess the affordability of the customer.

"What we wouldn't want to see certainly is a 10-year-old approach to the assessment of affordability. Because what that will do is disqualify a lot of young customers in this process which flies in the face of the point of this type of lending which is really democratising access to free credit."

Damian Kassabgi, EVP of public policy, at Clearpay, welcomed the recommendations, saying: 'It has always been Clearpay's view that consumers will be best served by products designed with strong safeguards and appropriate industry regulation with oversight from the FCA. Unlike a lot of other buy now pay later firms, we specifically are in the business of providing an instalment service for consumers that is free and that is very short term. The business model here is making revenue from merchants, not customers."

Payments firm Klarna also said it welcomed the oversight but expressed surprise at concerns about the buy now, pay later model.

"We agree that regulation has not kept pace with new products and changes in consumer behaviour and it is now essential that regulation is modern, proportionate and fit for purpose, reflecting both the digital nature of transactions and evolving consumer preferences," a Klarna spokesperson told CNBC.

Klarna chief executive and co-founder Sebastian Siemiatkowski later told BBC Radio 5 Live's *Wake Up To Money* programme that he was 'slightly surprising to see the concern with buy now, pay later' and 'surprised to see that there's not a more positive response'.

CRITICS OF BNPL

Some critics of the BNPL industry claim that unless regulated the industry was heading for another Wonga-style scandal, referring to the payday lender that went bust in 2018.

Labour MP John Spellar said: "These companies make it easier to overspend online because the costs appear lower as they are spread out, yet with furloughing and redundancies growing what seems affordable in one month may not be in the next."

Alice Tapper, a financial campaigner who has pushed for regulation of the BNPL sector, said she was 'delighted' at news of the regulation. "Regulation means consumers will receive the information and protection they deserve. The FCA and government now need to act fast to bring these recommendations into fruition."

CONCERNS OVER REGULATION

Some argue the proposed new rules could undermine the sector's sales, with finance blogger Iona Bain saying: "BNPL allows the fantasy to happen for shoppers by giving them an easy way to defer the real cost, as well as promising an easier life for serial returners who over-order clothes online.

"But the fantasy disappears as soon as the credit provider is required to ask lots of rigorous questions about your income, your job status and your borrowing history – if this is what an affordability assessment will look like, and anything less would surely be ineffective?

"This puts a big obstacle in the way. Carts will be abandoned left right and centre as shoppers wake up to the commitment that is taking out credit. What they might have once thought of as a cost-free magic wand suddenly becomes an onerous headache."

DELAY BEFORE FCA RULES COME IN

Despite the FCA review calling for urgent action, there is no date set for regulation. According to *The Financial Times*, BNPL firms have indicated it could take time to create the required procedures.

For example, Klarna sys that credit reference agencies, which amass credit data from banks and other credit providers, don't have the necessary technology for BNPL firms to share data on their products. TFT

THE FINTECH POWER 50 2021: NOMINATIONS NOW OPEN!

Nominations are now open for The Fintech Power 50 2021 – the annual guide to the most influential and innovative companies, and visionary personalities shaping the fintech industry

For the third year running, 40 trailblazing companies and 10 of the world's best fintech influencers will be elected for the exclusive annual programme, which acts as a hub for driving change and creativity in the financial services industry.

Between now and the end of April, members of the industry can nominate a fintech company and a fintech star – from anywhere in the world – that they believe should be featured in this year's cohort.

The team behind The Fintech Power 50 will then compile two comprehensive lists of nominees – one for businesses and one for industry influencers – with the public given the opportunity to vote online between April and the end of June. Winners will be announced in July.

Inclusion in the prestigious list not only showcases the most exciting companies and informed individuals in the industry, but also offers members access to The Fintech Power 50's trusted network of fintech companies and leaders. Other benefits include guest spots on webinars and podcasts, as well as the opportunity for opinion-led articles in *The Fintech Times* newspaper, invitations to networking events and support with talent acquisition.

In 2020, *The Fintech Power 50* included some of the biggest hitters in the global financial services industry, including Dr Ruth Wandhöfer, a leading expert on banking regulatory and innovation matters; Jim Marous, the globally recognised financial industry strategis; Lawrence Wintermeyer, an influential digital finance advocate; and payments guru David Parker.

Brilliant international businesses honoured on the list included mobile identity verification specialist Jumio, cloud native payment solutions expert Form3, business finance platform Tide, OakNorth – the next-generation credit platform – and Cambodia's leading mobile banking service provider Wing.

Mark Walker, co-founder and chief operating officer, says: "Every year, The Fintech Power 50 highlights the cream of the fintech community, shining a light on innovative and brilliant companies and truly influential individuals from around the world. But it's not just a glittery list of fintechs and influencers but a programme that provides help and support for every member for a whole year. We're excited to start the nomination process for The Fintech Power 50 2021 and welcome industry members to start sharing the people and companies that are exciting them the most."

Dr Ruth Wandhöfer says: "I absolutely loved being part of The Fintech Power 50. It's a fabulous community of diverse industry experts and aficionados and we all collectively help the fintech ecosystem to strive and grow. In times of ceaseless technology innovation, helping to identify, celebrate and support fintech businesses is more important than ever. For me being part of The Fintech Power 50 programme was also a great opportunity to support female fintech entrepreneurs and I look forward to this becoming a growing pillar of the fintech ecosystem going forward."

Lawrence Wintermeyer, co-founder and principal at Elipses, adds: "The Fintech Power 50 community is a leader across the global financial services sector and should be on the watchlist of market leaders and investors alike. The Fintech Power 50 is, without a doubt, the preeminent fintech influencer community on the planet. It is an honour and a privilege for me to be a part of this community."

Jim Marous comments: "Each year I look forward to the announcement of The Fintech Power 50 as a way to keep aware of the people and companies that are in front of the knowledge curve. Everyone in the banking industry should use this as a resource to keep abreast of market changes."

David Parker, CEO at Polymath Consulting, adds: "Of all the years to be in The Fintech Power 50, 2020 will certainly stick in everyone's memory. We looked forward to meeting up at all the great events with fellow Power 50 companies and people, but unfortunately many got cancelled due to Covid-19. That was the downside, of course, the upside though is that it has still been incredible to be involved. From the announcement itself, where it is always an honour to be selected among such great peers, to the virtual events and, for me, the highlight of the year, co-editing an edition of *The Fintech Times* where we focussed on financial inclusion and PSD2 Open Banking."

Nominations for The Fintech Power 50 2021 will close on 30 April 2021, with voting online available until 30 June. The final selection will be announced in July. To nominate yourself or someone else visit www.thepower50.com/nominations-2021

FOUR FINTECHS ALREADY NOMINATED FOR 2021

marshmallow

Web: www.marshmallow.com
Twitter: @getmarshmallow
Linkedin: www.linkedin.com/company/marshmallowltd

"Marshmallow will write $100million of gross written premium (GWP) in 2021. This level is approximately the same amount that Lemonade did in the year before its initial public offering (IPO), making Marshmallow a likely unicorn at its next valuation. The team is led by twin brothers who are black British, a rarity in fintech and something that should be recognised and celebrated. Hedosophia invested $30million in a $300million pre-money round last year – making this one of the largest fundraises of the year. Not to mention, its product allows many to access a far fairer insurance product."

AZIMO

Web: www.azimo.com
Twitter: @azimo
Linkedin: www.linkedin.com/company/azimo

"Azimo is one of the world's most successful money transfer businesses. Launched nine years ago, it has since grown its online service to cover nearly 300 countries. With around 80 different currencies on offer users can choose from a variety of ways to move their money, including bank deposits and mobile wallets. It's even possible to use cash, despite the current prevalence of coronavirus putting many off old school paper money. Three years ago Azimo boosted its appeal by developing a money transfer option specifically for businesses, which offers a neat twist on the convenience of sending money around the globe. Azimo Business lets small and medium-sized ventures make use of transfer services that can be less expensive than their banks, while also offering a faster and more efficient service.

Azimo experienced a 50 to 70 per cent surge in customer acquisition during the height of the lockdown from April to May in 2020. Since people were restricted from going out, they couldn't send money over the counter, therefore seeking the services of digital providers such as Azimo. Reason for this uptake? It is faster, cheaper and massively more convenient to send a transfer from your smartphone than it is to go and queue up in a corner shop or venture outside in the middle of the pandemic.

Apart from that, Azimo's habituation rate consistently remained at 40 per cent before, during, and after the nationwide lockdown. Habituation rate refers to the proportion of people who have become long-term customers since they first subscribed to the platform. Not only did Azimo experience a huge leap in customer acquisition during the pandemic, but the company also saw May to August as their best four months for revenue increase in the history of the scaleup."

Callsign

Web: www.callsign.com
Twitter: @callsign
Linkedin: www.linkedin.com/company/callsign

"Groundbreaking UK deep tech firm that sells B2B software to the world's biggest banks. It spends £0 on PR and marketing and sells through word of mouth on how cutting edge the product is. I know the founder and execs and it has tripled revenue in 2020 with Covid-19 and done a series B not yet announced. The hidden secret of the UK tech scene."

YAP

Web: www.yap.com
Twitter: @yapbanking
Linkedin: www.linkedin.com/company/yapbanking

"YAP, a leading fintech revolutionising the digital banking experience in the Middle East, Africa and South Asia, is launching the first independent digital banking platform in the United Arab Emirates (UAE). After completing a digital onboarding process, members get a bank account, a YAP Mastercard Debit Card and an app with a simple digital user interface that provides a 360-degree view of a consumer's spending analytics, easy ways to transfer money and pay bills, and real-time notifications of purchases, withdrawals and transfers. YAP is in the Beta testing phase with more than 100 live users and is planning a public launch soon." TFT

THE FINTECH POWER 50

JOBS IN FINTECH

The Fintech Times selection of TOP fintech jobs this month

Junior Java Developer at FINASTRA

At Finastra, its purpose is to unlock the power of finance for everyone. It builds and delivers innovative, next-generation technology on its open development software architecture and cloud ecosystem FusionFabric. One of the world's largest fintechs working with more than 9,000 customers, including 90 of the top 100 banks globally, Finastra's scale and reach allows it to build long-lasting relationships that put customers and their customers first.

ROLE OVERVIEW:

Finastra is looking for a talented Junior Java Developer who will be responsible for the implementation and enhancement of existing Java J2EE applications including web-front-end. The successful candidate will participate in the conception, design, and implementation of modern web-applications for financial messaging. They will develop the ability to analyse a large amount of data to optimise existing or find new algorithms (data mining), while also developing the ability to manage optimisation and false positive reduction by statistical learning or machine learning.

YOUR RESPONSIBILITIES:

- Implementation and enhancement of existing Java J2EE applications
- Participate in the conception, design and implementation of modern web-applications.
- Be an active team player in an agile development environment
- Develop the ability to analyse a large amount of data to optimise existing or find new algorithms

THE REQUIREMENTS:

- Education to degree level in Computer Science or other technical related fields
- 1-3 years' professional experience in software development
- Solid fundamentals of Java
- Understanding of agile methodology (specifically scrum)

THE BENEFITS:

Finastra offer continuous learning and development to take your skills to the next level. It's not just about being the best you can be at work, it also has a variety of benefits to make your non-work life better; including paid holiday, flexible working, pension, health and wellbeing initiatives and many more.

Sales Manager EMEA at STATE STREET

Whether it is helping investment companies operate more effectively, providing valuable market insights, launching innovative investment products or acting sustainably, State Street is focused on cultivating collaborative partnerships. As one of the world's largest servicers and managers of institutional assets, its success depends upon the success of its stakeholders, clients, employees, investors and the communities that it serves. State Street's goal is to help these stakeholders realise the best possible outcomes for the future.

ROLE OVERVIEW:

State Street is seeking to recruit a Sales Manager to work with the assigned territory of EMEA to both grow the existing client base and extend the footprint within existing clients in the region. For existing customers, the company has a client management team, whose primary role is to execute on a tactical operating plan and address day to day issues. This will enable you, the Sales Manager, to focus on understanding the customer's strategy and business to create and execute on a plan that results in deployment of solutions to address the customer's strategic business objectives. You will be responsible for:

- A mix of new business sales and existing customer account management
- The entire sales and account management process from inception
- Systematic prospecting and lead generation across EMEA and vertical markets within the 'buy-side'
- Selling the value proposition around a comprehensive SaaS solution to new and existing customers

THE REQUIREMENTS:

- University degree preferably in a technology or finance discipline is essential
- Fluency in English (oral and written) and excellent communication skills essential
- Experience of growing existing accounts
- Ability to understand key concepts, observations and articulate CRD and the CRIMS value proposition

THE BENEFITS:

- Competitive salary
- Medical insurance coverage
- Life insurance
- Meal card benefit
- Education assistance programmes

Benefits Partner at MOODY'S

Moody's Corporation is a global integrated risk assessment firm that empowers organisations to make better decisions. Its data, analytical solutions and insights help decision-makers identify opportunities and manage the risks of doing business with others. It believes that greater transparency, more informed decisions and fair access to information open the door to shared progress. With more than 11,000 employees in more than 40 countries, Moody's combines global presence with local expertise and over a century of experience in financial markets.

ROLE OVERVIEW:

Moody's Corporation is looking for an experienced Benefits Partner to join its ranks. The successful candidate will be responsible for researching, analysing and evaluating corporate benefit plans and programmes within the company. They will assist in planning, developing and redesigning Moody's benefit benefits programmes and analysing benefit costs.

YOUR RESPONSIBILITIES:

- Assisting in ensuring legal compliance with plan provisions for all benefit plans
- Serving as point of contact for vendors and employees
- Build strong relationships with internal stakeholders including HR, Payroll, Legal, Procurement

THE REQUIREMENTS:

- Bachelor's degree or equivalent in business, human resources, or related field
- Experience working in employee benefits or benefits consulting
- Strong knowledge of EMEA benefits practices and legislation
- Proven ability to handle multiple priorities and meet deadlines

THE BENEFITS:

- Great workplace culture
- Competitive salary and benefits package
- Flexible working

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HTTPS://THEFINTECHTIMES.COM/JOB-BOARD/

DOING BUSINESS THE ASIAN WAY

Essential rules of etiquette for effective cross-cultural communication

Asia is a hub of world trade, home to some of the world's largest companies and the engine of global consumption growth. The region is on track to top 50 per cent of global gross domestic product (GDP) by 2040 and drive 40 per cent of the world's consumption.

Despite the global pandemic, it's very much business as usual in Asia with a promising post-Covid financial services landscape filled with innovation and an appetite for the best technologies and partnerships from around the world.

Forging links with Asia requires a cultural understanding. In Asian business culture, personal connections play a vital role; building trust and inspiring respect is crucial for developing business relationships that go beyond basic contractual obligations.

CurrencyFair, the international money transfer technology company which exchanges to more than 20 currencies in 150-plus countries, estimates that 33 per cent of global money transfers will occur in the region by 2026 and expects many businesses will be planning to expand into Asia.

However, it warns that failure to respect important cultural differences could lead to long-term damage to a company's reputation and performance and has published a *Guide to Essential Etiquette for Business in Asia*.

Paul Byrne (right), CEO and president of CurrencyFair in Singapore, says: "There are always risks when you enter new markets – some you can easily mitigate against, such as insuring stock or partnering with regulated entities, other risks are less black and white. Cultural nuances fall into the latter bracket and should be a major consideration for any business looking to move into an Asian market.

"In Asian business culture, people focus more on relationships than in the west. Knowing the correct etiquette in a variety of situations can really help build trust more quickly and it demonstrates that you respect the person and their culture which can effectively open the doors you need to get a deal done."

1 AVOID ASKING DIRECT QUESTIONS

If you have something difficult to say, find a subtle and indirect way to say it. Learn to read visual cues, such as expressions and body language. For example, in Cambodia and other south-east Asian countries, pointing with one finger is rude. In Japan, you should avoid making direct eye contact for too long. In India, shaking the head doesn't mean 'no' and moving the head up and down doesn't mean 'yes'.

2 ARM YOURSELF WITH BUSINESS CARDS

Business cards are a big deal in Asia. Keep several with you at all times and hand out and receive them with both hands and a slight bow. When accepting an associate's card, show respect by taking a few seconds to read and comment on it. Don't pocket any business card straight away – this can be viewed as disrespectful.

3 DON'T BE A LONE PLAYER

In Asia, the culture is collectivist and decisions are made in groups. While you might be used to negotiating one-on-one with the decision-maker, in Asia you should prepare to negotiate in numbers with people representing all levels of the business. Greet people in order of seniority senior downwards, this is expected even when the likelihood is that decisions will be reached by consensus.

4 THINK OF REPUTATION

'Saving face' is about raising self-worth. Insulting, criticising or making fun of business associates will invariably cause them to 'lose face', especially if there are other colleagues present. Even if you believe your intentions to be harmless, your contact will feel disrespected and humiliated. Failing to recognise someone's high rank would also cause someone to lose face.

5 GIVING A GIFT

Gifting is a deeply rooted tradition in many Asian cultures, and there are special rules for business relationships. What's appropriate in one country may not go down so well in another. For example, in China it's rude to give clocks or watches because they're a symbol of time running out. In Malaysia, white is a symbol of death. While in Singapore it is not common practice to give business-related gifts but if someone invites you to their home a small gift is acceptable. To receive a gift, use both hands to accept it.

6 INVEST IN RELATIONSHIPS

While spending time building relationships before you try to negotiate a deal is important in any market you operate in, it is specifically instrumental in Asia. Be present in your market of choice, so you can invest in nurturing local connections and building trust over time.

7 KNOW CURRENCIES

Find out everything you need to know about the local currency. What the symbol looks like, as well as how to pronounce it and any special nuances e.g. the difference between renminbi and Chinese yuan.

8 TRANSLATE INFORMATION

Provide clear written information in both English and the local language(s) on your company and in proposals. Don't forget to translate your business cards, too. Use professional translations, whether that's direct translations for legal documents or using local translators with a nuanced understanding of the vernacular for websites and marketing communications.

9 FAMILIARISE YOURSELF WITH LOCAL ASSOCIATIONS

Asia is home to a vibrant selection of economic trading blocs. While the most familiar is likely to be the Association of South-east Asian Nations (ASEAN) there are a number of associations it may pay to be familiar with if you are considering entering the region. Each one has its own unique trading agreements, supports and regulations which could influence any decision to move to a specific country. TFT

The BIG Tech Effect

Gina Clarke, Editor-in-Chief, *The Fintech Times*

In this book, *Born Digital: The Story of a Distracted Generation*, the author Robert Wigley tackles the thorny issue of the generation that has has grown up surrounded by electronic devices with access to the internet at their fingertips. But while mainstream discussions around Gen-Z focus on the negative aspects of these constant-communicators, driven by shares and likes, Wigley shines light on just why there is such a generational divide and how it could affect the workplace. It leads you to a place of understanding more than questioning and could even drive workforce change in digital policies if it was more widely read.

Wigley himself has had a celebrated career that has been at the forefront of technical adoption. He has spent three decades in finance rising to be EMEA chairman of Merrill Lynch and a member of the board of the Bank of England during the 2008 financial crisis.

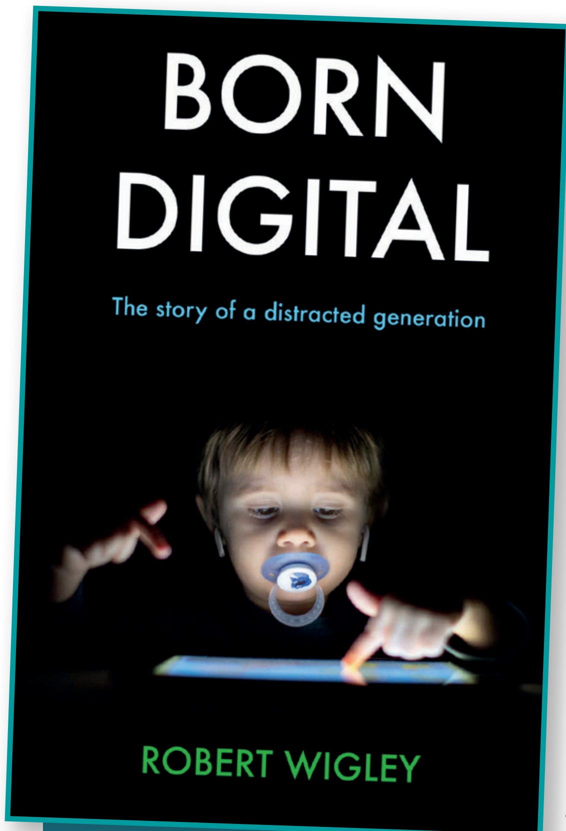
What's more, he was chairman of the Green Investment Bank Commission and wrote the seminal report *Winning in the Decade Ahead* on the future of London as a global financial centre. This was under Boris Johnson when he was Mayor of London. It has been issues such as using technology for financial good alongside climate change and green finance that stimulated Wigley to write this book – well that and his three sons, who each fall into the Gen-Z category.

Each chapter is peppered with a reference as to how technology has shaped his relationship with them, whether it's phones at the dinner table (and the adults are just as guilty) or the family WhatsApp group, Wigley portrays a new family dynamic which is now replicated in millions of houses across the country. But by delving into the psychology of a Gen-Z, he also does a great job of explaining to parents just why they might have a bit of trouble getting through to their child.

It's not just technological distractions that Gen-Z children have to deal with after all. As Wigley suggests, they might not remember 9/11, but they feel the impact in the constant news cycle. The war on terror, followed by shocks in the job market and widescale unemployment coupled with rising house prices mean that the sheer environment surrounding young people feels a lot more negative when you're surrounded with device overload. And while young people feel that they are now more financially savvy than their parents, this comes with an increased level of anxiety and a wish to 'do better'.

Wigley spends a lot of time comparing the altruistic and green-friendly nature of Gen-Z, mainly because they feel that it is something they can change as a generation, if they each lend their voice to the cause (although as individuals they are much less driven). A large salary, home ownership and the traditional nuclear family are becoming distant dreams, and so job satisfaction and mental wellbeing are becoming much more of a priority for this generation. That means aligning themselves with employers who have the same viewpoints.

Interestingly, Wigley finds that this generation is much more at ease with the thought of entrepreneurship than any other, although perhaps for different reasons. They believe that they may have to sustain themselves in their career somewhat. Other thought-provoking chapters highlight the need for wellbeing that this generation has fully welcomed, whether it's 10 or 20 minutes a day without a device, or a whole detox. The need to go 'device free' is recognised and often acted upon.



Born Digital: The Story of a Distracted Generation
by Robert Wigley
Available: Kindle, Audiobook and Hardcover

Many of Wigley's insights come from the 200 Gen-Z entrepreneurs he has made time to sit down with while writing this book, and interestingly, most of them have created their companies to solve a problem. So intrinsically, while the work ethic might be more mobile-centric and their screen time is much higher than any previous generation, Gen-Z are also trying to effect change much more than any other, even Millennials.

And while the introduction of the book is bold on its purpose – 'our attention has been hijacked by the tsunami of devices, games and social media which now dominate our lives. This new technology brings efficiency, cost-savings and instantaneous information. But when our attention is the currency being traded by big tech firms, what price are we willing to pay for convenience' – I'm not sure that Wigley necessarily has all the answers for some of the dystopian scenarios he paints.

He calls for stricter regulation of the internet and offers resources at the end for better internet governance alongside tips for parents. But it all feels like it could be too little too late. He mentions the big corporations who are exploiting the generations who let's face it, are addicted to their technology – whether for work, social or connection. But even the strictest methods of regulation, such as those seen in China, have not had much success with tackling the inherent anxiety and need for communication that Gen-Z shows a propensity for. Wigley even goes against the 'little and often' rule that most parents would advocate for. He calls for total blanket bans to focus attention spans in crucial times, and wants young children to be kept away from the small screen full stop – these tactics might work for future generations but he has already previously explained how the dopamine hit of a mobile phone notification stimulates the Gen-Z mind, so from this I question what is next for those born digital? Are are we just to leave them behind like some sort of social experiment?

While Wigley's book is fascinating on how someone in the Gen-Z generation actually thinks – the book is full of analysis on the chemical changes in our brain which dictate our emotional needs – overall the discussion of how Gen-Z needs to be catered for, both in fintech right now as the driving adopters and in the future, needs more consideration from the public as a whole. But if you're looking for something thought-provoking or just want to understand Gen-Z a little more, then this is it.

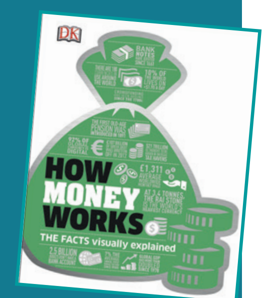
The book itself is light and easy to read, handily condensed into specific chapters which make it easy to dip in and out – especially with the resources at the back of the book, where there is also a raft of references to take the reading material further.

Perhaps if more people in fintech were to give this book a read, there would be a greater understanding of how we could serve this next customer base, especially as together, they have more combined purchasing power than older generations. Something which tech companies seem to understand much more than any bank. TFT

5 BOOKS TO GET AHEAD IN FINTECH

Investor Ready: The Guide For Start-ups On Getting Investors to Say YES
by Julie Barber
Available: Kindle and Paperback

How Money Works: The Facts Visually Explained
by DK
Available: Audiobook, Hardback and Kindle



The Critical Handbook of Money Laundering: Policy, Analysis and Myths
by Petrus C. van Duyne, Jackie H. Harvey and Liliya Y. Gelemerova
Available: Kindle, Hardback and Paperback

Digital Bank: Strategies to Launch or Become a Digital Bank
by Chris Skinner
Available: Kindle, Hardback and Paperback

The REGTECH Book: The Financial Technology Handbook for Investors, Entrepreneurs and Visionaries in Regulation
by Janos Barberis, Douglas W. Arner and Ross P. Buckley
Available: Kindle and Paperback