the Fintech Times

THE WORLD'S FINTECH NEWSPAPER

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What was your Brexit strategy?

→p. 3

NEWS AND UPDATES

Fintech Week is here

Fintech Week is back and bigger than ever. Fintech Week 2015 brought together innovative startups operating in the financial technology space with established multinationals, investors, the government and media; opening up exciting networking opportunities that ultimately lead to collaboration and innovation across the financial sector. This is why I started out down the fintech path – I could see that there was a huge amount of buzz, money was being invested, but what was dearly lacking was the right kind of forum for open discussion. Our aim was to create an environment where experts, novices, start-ups, VCs and everyone in between could feel comfortable and benefit from attending. We felt that an informal, but professional, environment for learning, connecting and sharing ideas was required to facilitate solid relationships that lead to the development of disruptive technology to ultimately create positive change.

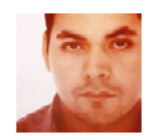
Fast forward to now and London's fintech scene is thriving. 2015 was all about fintech itself, but since then it has grown and now we can see a raft of subsectors cropping out of fintech, from regtech (regulatory) to wealthtech to protech. London is storming ahead as the world's financial capital, paving the way for intelligent entrepreneurs to solve the incredibly specific problems that can affect businesses operating in a variety of sectors.

However, like any business operating in a competitive world, threats lie ahead. We can see increasing competition from Asia and the US. Total investment figures provided last year by Ian Dowson of William Garrity Associates showed us that the UK was second only to its big brother, the US, an amazing achievement for a small island. This year, however, the gap has widened, perhaps due to larger markets like the US and China seeing what was happening in the London. It is more important than ever that investors don't lose focus on what the UK has to offer. The UK has the best regulatory environment as one of the most progressive regulators in the world. The FCA will be on hand to discuss their role in the progression of the Regtech sector. Blockchain was one of the most prominent aspects of last year and there's no sign of stopping so to start as we mean to go on we're kicking off on the 15th July with a Blockchain Hackathon. We've teamed up with UCL and the Open Bank Project to explore how Blockchain can improve banking. The hackathon is taking place at Google Campus. Three days of coding will result in a cash prize winner and a big pub session. This isn't just for software developers – everyone is welcome to attend and this diversity of people from a variety of industries encompasses the very ethos that makes Fintech Week what it is, instilling an energy that builds over the course of the week attracting individuals working for Unicorns right up to those who might buy them.

My decision this year was to host the event in one location – The Grange Hotel in Tower Bridge, which will help accommodate the greater number of speakers and sponsors, many of whom have made the trip from all over the world to make Fintech Week 2016 the global event that UK fintech deserves.

We're excited to have sponsorship support of Lloyds Banking Group, Pinsent Masons, Western Union, Linklaters and many others. We hope to see you there.

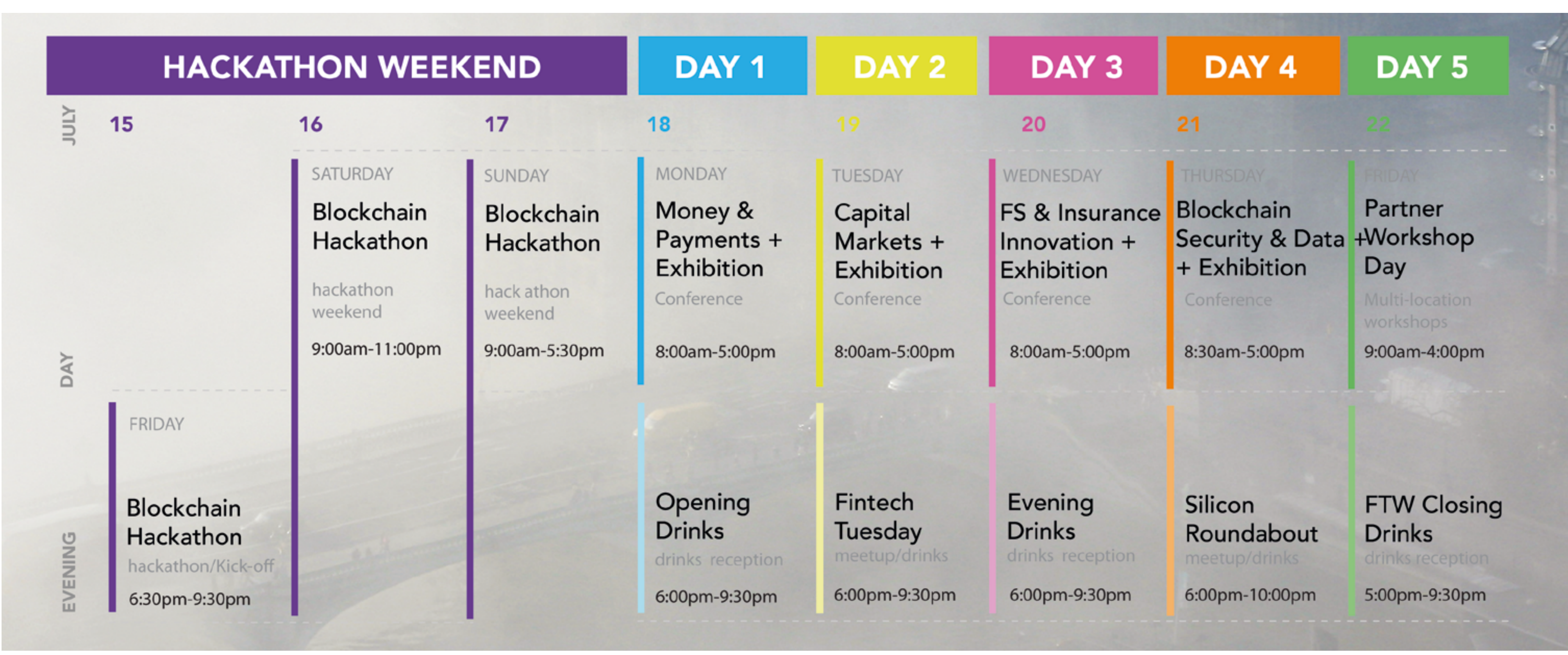
by LUIS CARRANZA, Founder of London Fintech Week & Blockchain Conference



No ceiling on UK Angels optimism as they descend on Dorchester Hotel

Despite an emergency change of setting with just 72 hours notice, the annual UKBAA Gala Awards event was an exceptional success. The Dorchester Hotel provided an elegant alternative to the pre-arranged venue, where the roof had partially collapsed.

Did this signal the sky falling in on the investment community post Brexit? Quite the opposite. The mood of the Angels was a cool mix of business as usual, with a hint of increased significance. UKBAA CEO, Jenny Tooth OBE, spoke of the importance of the Angel investment community in supporting the startup sectors, especially in uncertain times, reminding them that their investments have never been more valuable, and valued. And indeed, with seed level startup valuations likely to be more conservative since the referendum, Angels, as usual, will continue to be be focused on the upside.



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COVER STORY. FUTURE OF FINTECH

Brexit and THE FUTURE OF FINTECH

KATIA LANG

What was your Brexit strategy? Didn't have one? Not to worry, no one else did either.

But it's not what happens, it's what you do about it that determines the outcome. And we entrepreneurs aren't worth the paper stock we hold unless we can pivot this to our individual and collective advantage. I got a message from a newly retired FD of a private bank, asking if fintech is going to leave the UK and if so which European city is most likely to benefit.

Here's my workings out and subsequent answer. The actual changes to the sector are going to include: Regulations, Startups, Talent and Funding. Let's look at these and see if we can piece together a cohesive conclusion of sorts.

Regulation

The regulatory changes are unknown at this time, and range from no change through to substantial change in favour of the EU or the UK. In all probability there will be little material change in regulation. It's not really in anyone's interest to start fractioning the rules according to territory, and whilst some individuals or groups within the EU may like to 'poach' the UK fintech and financial sector using regulation change as a lever, it would only trigger a UK response to counter it, resulting in a legalistic and regulatory financial trade war of sorts, which would see all punished. Prediction: No significant material change in regulation. Query over PSD2 though.

Fintech Startups

People may be less inclined to leave their jobs in the city and start a fintech company in the blustery economic weather. However, someone already living in Paris or Frankfurt thinking of starting a fintech company will probably look for and find support more locally. Prediction: We'll see fewer fintech startups in London, at least in the short term, and an increase in mini fintech hubs in Paris, Frankfurt, Berlin, Amsterdam.

Talent

As a Country we have suffered reputational damage in terms of inbound talent acquisition. London however may well be (correctly) seen as the welcoming international city that it is. It was already getting very difficult to attract developer talent. Are we likely to see development teams establish wherever the best working conditions are? Amsterdam? Barcelona? The tech dev teams and the business dev teams and management teams don't need to be in the same place.

Prediction: Individual companies may decentralise operations in order to adjust to the new market forces. Looking more long term, the UK will find it possible to create especially attractive immigration opportunities for software developers from both EU and non-EU territories.

Funding

Pretty much all fintechs are funding dependent. London needs to keep funding fintechs, and the Government could very much support this. If funding dries up in the UK, fintechs in need of it will look to EU based funds that are likely to make the deal contingent on the transfer of operations to EU hubs.

Prediction: fintechs will need to have a Brexit strategy to maintain investor confidence. The UK Government may incentivise the funding of the sector. If funding dries up the fintechs will be lured out of London.

Overall conclusion

The biggest opportunity for fintech companies is the decentralisation of operations according to functions, giving wider access to talent and markets and possible funding. The biggest risk to London as a fintech hub is that funding becomes more difficult to obtain and fintech scaleups get drawn to mainland Europe, facilitated by institutional support and access to talent.

There will be competition from emerging fintech hubs in Europe, offering incentives for moving operations from London. London will respond with it's own incentives.

There will be competition from emerging fintech hubs in Europe, offering incentives for moving operations from London. London will respond with it's own incentives.

London will continue to be the biggest hub for the foreseeable future. Fintech as a sector is going to spread across Europe at an increasing rate, in a more decentralised way than we have seen.

Good for fintech as a sector, good for fintech companies that can turn it to advantage, good for business. Good for London if London makes the right moves.

In final answer to my friend's question, is fintech going to leave the UK and if so which EU cities will benefit, I offer this prediction. Fintech is not going to leave the UK, it's going to spread from the UK to multiple EU cities, including Amsterdam, Paris, Frankfurt, and probably a few surprises.

We'll be expanding there also. Exciting times.

WILL REYNOLDS

The referendum decision for the UK to leave the EU has sent shockwaves through Silicon Roundabout. Whilst the message from investors is one of pragmatic optimism - "Don't Panic, but..." - the UK startup ecosystem faces an uncertain future. Questions are being asked, risks assessed and due diligence toughening up.

Friday 1st July saw a concerned cross-section of the London startup and fintech scene gather to discuss Brexit. Panels of entrepreneurs insisted that their innate resilience and canny resourcefulness would see them through the challenges that lie ahead, but it was when the investors took to the stage to give their assessments that the room really tuned in. It's always worth listening to the people who are bankrolling our innovations.

If the referendum taught us anything, it's that the age of unprecedented access to information is going to waste so long as that information cannot be easily accessed and understood. Fragmented information engenders fragmented opinions, and creates fragmented societies. The great political challenge of the internet era will be the balancing act between information and leadership, underpinned by two key questions: who knows best, and who says so?

In a humble effort to push the needle, we've created TechUnity to provide the tech community with a centralised voice, an opportunity for discussion and a vehicle from which to amplify our opinions on the future of our industry in Britain. The tech world thrives on its shared values of openness, collaboration and a collective responsibility to innovate for the better, and here at The Fintech Times we want to do our bit to unify and consolidate the interests of our community.

COVER STORY. FUTURE OF FINTECH

by DAVID ROCHE
Director, Financial Services
Pramerica Systems Ireland Ltd.

Creative TECH' v Complacent FIN'.

Today, the fintech industry is in the early stages of cooperation and collaboration. To accelerate the true fintech arena, real commitment to partnership is a must. But you can't assume all tech companies want to partner. Many do, but others have absolutely no interest and want to disrupt the 'complacent fin'. Disruptive technology is the new norm in their world, lest we forget. Financial institutions internally will need to understand how this works, and how to innovate from within.

Customers are taking control of their financial wellness, and research shows that investment in the customer experience, market expansion, regulatory compliance and disruptive technology are the key themes and trends that the fintech industry is passionate about. Therefore, the tech industry must fundamentally understand how they will both operate and what they are hoping to achieve under the fintech umbrella. Cooperation is about understanding what both industries are really good at. Critically, the tech industry will need to fully understand global governance, regulatory demands and service culture required in financial services.

The fintech industry with its $30bn injection in the last few years is extremely active and agile. They have already managed to target some easy areas, bringing about greater convenience and reduced fees, leading the financial institutions to fast track digital transformation programs, hire new skills set, invest in new technology and carry out radical transformational changes with mergers and acquisitions. Today, there are two types of fintech; a) fintech legacy (these institutions have traditional legacy systems), and of course b) fintech innovators, whom execute better and faster because they leverage new technologies and do not have to carry any legacy systems, culture and staff.

Given that disruptive technology is the new norm, the fintech innovators will raise the bar even further and even more disruptive technology is taking pace right now, namely Blockchain and Ethereum (a blockchain based solution), that will remove the middleman between customers and service providers. Ethereum is a decentralized platform (a global computer) that runs smart contracts in the blockchain world and will revolutionize how people transact, contract, exchange and distribute content. It is a brand new paradigm based on the following principles: true peer-2-peer services, no need for middle-tier 3rd parties, indisputable traceability using shared ledgers, decentralized autonomous organizations and smart contracts. The applications are endless and will develop quickly as connected objects enhances the Internet of Things (IoT).

Where fintech innovators ask how can we transform financial legacy systems and processes using these new technologies, mainstream financial institutions think differently, asking instead, how can we apply technology to better our financial processes?

The main difference is that many large institutions think TechFin rather than FinTech. They begin with their existing operations and explore how to improve those operations with technology. It's a mindset that works differently in different markets. Asset & Wealth Management & Investment Banks in the Capital Markets world, for example, are far less fearful of ditching existing technologies and reinventing their operations than large institutions with legacy systems. This is not surprising, as Capital Markets compete in a very cutthroat marketplace where technology has been the competitive differentiator for some years.

> As we move towards 2020, fintech and the future of fintech will depend on cooperation and collaboration between all stakeholders within the financial industry.

Yes, we will see the digital migration of financial services from all financial institutions; and we'll also witness the age of internet finance, driven by the tech industry and led by outsiders and innovators. however it's the merger of both at pace that will determine the success of fintech through cooperation and collaboration of all stakeholders.

We have all witnessed the timeline of fintech: 1) the introduction of fintech infrastructure, 2) the introduction of start ups and innovators, 3) introduction of the institutions, 4) introduction of global governance and alliances, 5) now, it's the merger and cooperation and collaboration of all stakeholders.

Today, I believe fintech is driven by new waves of technologies that will revolutionize our world, and no doubt in time we will see the emergence of the next generation of technological advance. The acceleration of the next generation, and the scale of disruption from data, digital technologies, globalization and other forces means organizations have to evolve to survive.

SMEs and Start-ups: What lies ahead in the future of Fintech?

by DAVID TROSSELL,
CEO and CTO of
Bridgeworks
www.4bridgeworks.com

Investment by Apple, Google and now Intel into the fintech market strikes fear into many small and startup companies that are currently in or contemplating their entry into this market. But should they worry?

We have seen it already in other industries: with the massive resources available to them, the monoliths can quite easily dominate their sectors, squeezing out the little men from the market, stifling innovation just as it starts to gain traction. Is fintech doomed as well, or can we learn from other industries' fate to save its disruptive nature?

The larger the organisation the more it costs them to enter a market, which is usually why large corporations rarely explore a new sector before anyone else. Entering a new market as early as possible is clearly the ideal scenario, and often the fastest method for a corporate is simply to buy their way in - so-called "innovation by acquisition". Just look at what has happened with flash storage. A small number of the truly early innovative companies were bought by the likes of EMC, DELL, and HP.

Big corporations are coming, whether you like it or not, and your success as an entrepreneur will depend on your attitude.

> You can become part of a bigger picture and have the level of resources and financial backing that you've always wished for, get that exit you promised yourself would come, or go it alone and take on the giants. All are valid options!

COVER STORY. FUTURE OF FINTECH

by DAVID HITT,
Industry Head, Qubit
www.qubit.com

Does Retail Banking need to make an Amazonian effort to keep pace with consumer demand?

Consumer expectations are growing. Recent research suggests that given the chance, over half of financial consumers would opt to bank with Amazon. Why? Because a company famous for delivery innovation, outstanding customer service and thinking outside the box has fundamentally disrupted the service industry, reinventing what it means to provide a best in class customer experience. We believe that in the age of the expectation economy, there is much that retail giant Amazon, and disruptors like it, can teach brands about what it means to provide an outstanding experience and stand out from the crowd.

There is no shortage of commentators noting that retail banking is set for change, with a new breed of innovators entering the industry. It's not only Millennials that are demanding more Amazon-like experiences from every service provider, and banks need to catch up quickly. All customers are making these demands. The opportunity is huge. No-fuss problem-solving, always-on access, out-of-hours or even same-day delivery and new ideas daily are all reasons why Amazon is leading digital.

Banks can of course argue that Amazon is a digitally native company. It was built on a digital-first framework that lets it be completely iterative. It isn't hamstrung by decades of legacy systems and stringent regulation. But increasingly, neither are banks.

There is so much opportunity for traditional financial services providers to leverage their data and heritage to become fully successful customer-centric organizations. Emulating three key pillars of Amazon's underlying strategy is not a bad place to start.

Data underpins everything. It is the hygiene factor. Retail banking should be working to de-silo data, enrich it and make it work across the omnichannel. Using data intelligently creates an opportunity for intimate, one-to-one connections with customers, and automation efficiencies that, it is no exaggeration to say, have the potential to revolutionize retail banking.

Partnering with new, agile service providers, whether in enhancing back-end systems through Software as a Service (Saas) or managed services, or in creating front-end solutions for more tech-oriented segments, is a strong way to follow Amazon's service example. Amazon may have huge warehouses but it can't provide everything. For the things it can't, it finds the right partners who can.

Trust has been paramount to setting Amazon at the top of the retail tree. Incorporating genuine customer reviews from the start, creating full price transparency ("product is cheaper from these sellers") and no-quibble customer service brought the customer on-side even in the early days of e-commerce when buyers were wary. Prioritizing building trust is one of today's 'must do's for retail finance.

Getting started building a truly customer-centric, omnichannel organization is daunting, but if you want to thrive and differentiate in a crowded market place, it is key.

COVER STORY. FUTURE OF FINTECH

APIs are good medicine

RBS has been formulating its API strategy over the past few months. APIs will enable us to extend our banking platform and capabilities to third party application providers as well business customers, both large and small. This is why the strategy discussion should not be limited to a discussion about PSD2 or HMT's OB initiatives.

Is opening up access via APIs a good medicine?

The first concern cited is usually the thought of dis-intermediation - someone coming between the bank and its customers. Is the fear of dis-intermediation legitimate? Unequivocally, it is a real and present danger. But before we examine this question, let's raise the level of the discussion beyond APIs to Apps.

App economy is built on solid foundation of the API economy

APIs in and of themselves provide no value. Value is only realised when APIs are integrated with applications of some kind. Now, when we think about the disintermediation question, it is clear that if the bank merely provided APIs, with no end user experience (UX) in the form of APPs, then it could be described as a utility. RBS will not do that because we covet maintaining direct links with our customers – we will build and deliver APPs that utilise the APIs while simultaneously permitting, nay encouraging, third party FinTech developers to do the same. We call this co-opetition.

Why is third party App development good?

The reason third party development is a good thing is because they can offer a breadth of solutions for our customers that we could never offer. Many Apps target narrow and niche user segments, whereas others provide broad ranging horizontal functionality that appeal to many users. It is axiomatic that there are more smarts outside the bank than are inside. Doesn't it make sense to enable, rather than hinder, these third parties to provide a conduit whereby we may tap into those smarts and expose our services through a whole range of rich applications and user experiences?

But the bank will compete, in at least in some segments. The segments the bank will look to first will be horizontal, broad ranging functions affecting the majority of our users. Some customers will continue to use bank supplied Apps – it feels safe to them. On the other hand, there is a young and adventurous segment who will have less reserve and are always eager to explore, especially with anything that is trending and going viral on social media. The winners in the banking App game will be those that win users through an engaging user experience. But users are fickle, and although they are reticent to change banks, we suspect they will be willing to change banking App providers with frequency and impunity.

Why is RBS hosting Hackathons?

In order to dip our toes into this new API ecosystem, we started running Hackathons, doing 8 in the last 18 months. Lots of people ask: what do we get out of them? Almost everyone assumes we do them in order to generate ideas. The generation of ideas is a happy and pleasing side-effect but the real reason for us to get involved in Hackathons is to learn by experience what open innovation is. They are also a useful tool to effectually and convincingly engage executives and staff.

In order to grow the value of the Hackathons, we decided it would be advantageous to have our own developer sandbox dubbed BlueBank. We have found that a third party fintech company can integrate an app with BlueBank in a couple of hours! This surprised us, and gives huge confidence that: "if we build it, they will come."

#BANKOFAPIs

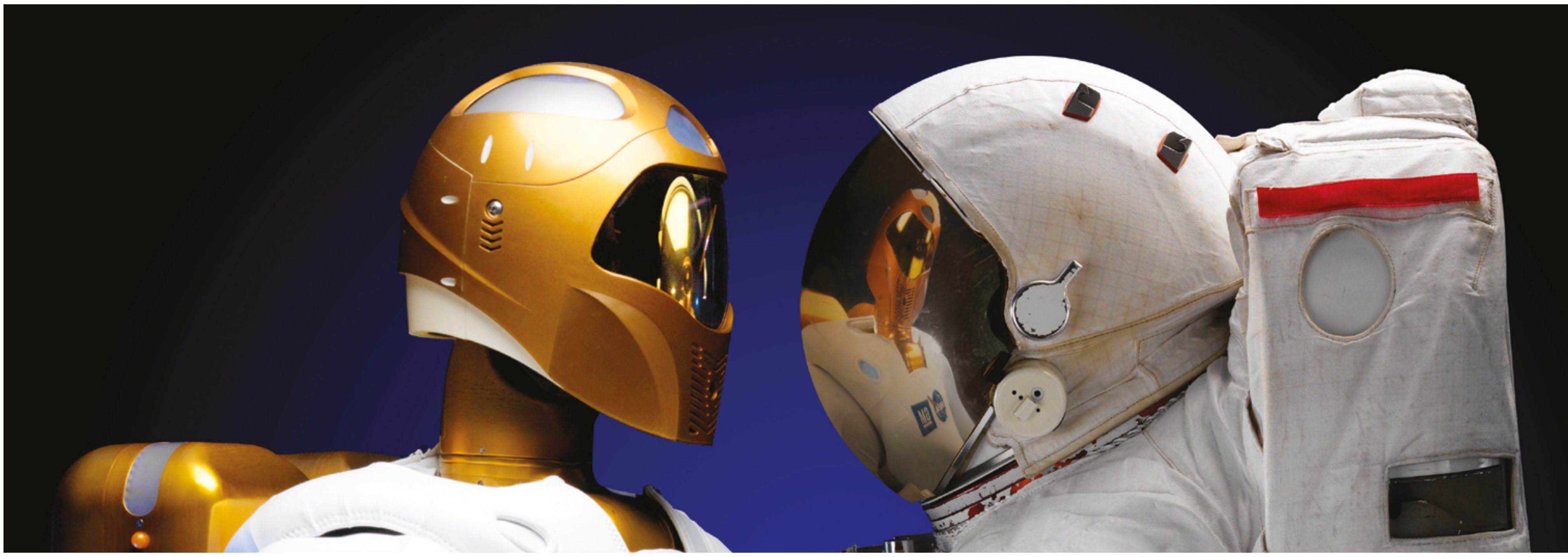
We decided to register the domain: bankofapis.com along with the Twitter handle @bankofapis. The rationale behind this move is that as we seek to market our API capabilities, we want to become known as THE #BANKOFAPIs.

Cultural Impact

Something we have noted when running Hackathons that was counter-intuitive is that people love to work this way. In a Hackathon, people voluntarily give up their weekend to work intensively. The experience is enlightening and the excitement is palpable even to the curious who stop by to observe. The whole thing is far, far removed from the perfunctory routine of any regular job in the bank. Could we begin to start a cultural revolution, a staff-engagement reboot, where there are lasting effects that can be empirically measured by a new order of staff enfranchisement and a shared belief that we can tackle the biggest problem that faces us, the lack of ability to make change with pace and alacrity? We all believe that "Culture eats strategy for breakfast." Full English please!

by ALAN LOCKHART,
Bank Of APIs (RBS)
www.bankofapis.com

COVER STORY. FUTURE OF FINTECH



Brexit was an outcome I think it's fair to say that the majority of the UK fintech community was neither desiring or expecting, but whenever there is change and uncertainty, there is opportunity.

Now that the dust is settling, it is time to take a dispassionate view and focus on the positives and opportunities that the situation might create, rather than the negatives. This approach is after all one of the key traits of the entrepreneurial mindset. To quote Dale Carnegie, "If you have a lemon, make lemonade."

Brexit could actually prove to be a boon to fintech innovation in the UK. One possibility is that, freed from the burden of EU over-regulation, the UK could become an even more attractive place for fintech startups. The UK government is already very supportive of entrepreneurs, new businesses and fintech, and I imagine that this support will now intensify.

UK fintechs will also be in a unique position to leverage their size and nimble nature to seize post-Brexit opportunities and deal with post-Brexit challenges far quicker than larger, more risk averse incumbents; incumbents who remain locked into routines and processes that prevent swift and decisive alterations to existing business models, making them ripe for disruption.

Interestingly, during the referendum Revolut was one of the only app based FX platforms who stood by all our British and European customers and continued providing the interbank rate during extreme market volatility. As a result we saw a 50% increase in user acquisition. Whenever there is change and uncertainty, there is opportunity.

With talk of Brexit comes talk of London. Whether in or out of the EU, London remains one of the coolest cities to live on the planet, and when it comes to attracting top fintech talent, this is an ace in the hole.

by EDWARD COOPER,
Head of Mobile, Revolut
www.revolut.com

I disagree that Apple, Google and other big corporations extending their tentacles into the fintech market should be viewed as a bad thing. They have a real affinity with startups and, within the years, they aligned culturally and crucially their view on fintechs as a necessary part of their business models, as they have utilised fintechs to form partnerships and collaborations to bring their new products to market.
Their interest in fintech should be viewed as a massive opportunity for many fintechs to commercialise their products and services, as well as to access to invaluable mentoring schemes provided by the larger organisations. Moreover, this new dynamic can help fintechs to tackle some key challenges they face, such as gaining trust, mitigating unknown regulation and having the credibility or brand to effectively break into the banking world.

On the flip side, fintechs need to be sure that they don't get swallowed up by these giants of tech. To avoid that, they need to ensure that they have a distinctive offering that is innovative, predict and satisfy customer demands as well as understand the direction in which banking products and services are heading.

To my mind, the bank of the future is one that understands how people connect with the world around them and seeks to bring a new dimension to these interactions. By placing customers at the heart of their business and understanding their lifestyles, banks can create highly personalised products and services at scale. They can make the complex simple, think beyond the now and forge a new era of banking – but they can't do that alone. Banks have the customer data, governance and market share, but they need forward thinking fintechs that are capable of thinking beyond the now and creating solutions for the future.

by STUART HALL,
Digital Practice Lead, iBe TSE
www.ibe-disruptors.com

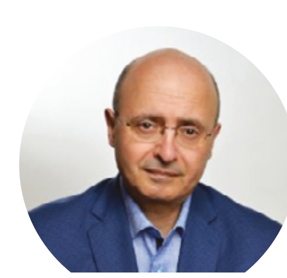
The future of FinTech will include a continuous assault on the large incumbent players whose market shares are eroding.

Large financial institutions are challenged, because they cannot innovate from within their current business models. They are happy improving themselves gradually, but are not able to make radical changes to their operations.

The blockchain is the biggest opportunity for change and innovation since the Internet came along, over 20 years ago. What remains unknown is the extent to which banks will see the blockchain as a threat or an occasion. Will they repeat the same mistakes they made when they under-estimated the impact of the Web on their business?

Innovation is at risk of being suffocated by rigid regulations that can't evolve with the increasing pace of technological innovations, notably the advent of the blockchain. I challenge regulators to take a turn at innovation by evolving and updating existing regulations accordingly. Don't succumb to doing the easy thing and apply old laws and practices to fundamentally new technologies that want to challenge the status quo.

by WILLIAM MOUGAYAR, author of 'The Business Blockchain: Promise, Practice and Application of the Next Internet Technology', investor and blockchain thought leader



COVER STORY. APPLYFINANCIAL

THE FUTURE OF FINTECH

— with a bit of Brexit thrown in!

I'm still in shock over the referendum result, but more about that later. According to the technologists we are all going to pay with thumbs, robots will make sure our pensions don't shrink, realtime payments will be global and and it will be impossible to launder money...

As a fully paid up member of the Gadgets for Addicts society its easy to convince me that any new technology is brilliant. But in reality I don't believe in technology for technology's sake, and feel their is an element of this in the current range of startups in fintech. Building something to create a market just because you can is extremely difficult and in most cases fails, but building something that the market is crying out for makes good sense. So all the talk about Artificial Intelligence, Crypto Currencies, Blockchain, Disruption, and so on, is good but does the end user really understand or even care?

Fintech has been around since the 70's and we sometimes forget that the worlds biggest fintech players are some of the world's biggest companies – Apple, Microsoft, Oracle, SAP and IBM just to mention a few. These companies along with many others have provided the engines to help clever technologists deliver ATM's, payment cards, POS and move us closer to a cashless realtime society. In many ways the future has already arrived with biometric payments, realtime bank transfers, marketplace loans, robo advisors, peer to peer insurance and cheaper cross border transfers. But in most cases these are solutions that are still running off existing rails provided by the very institutions we seem to think need disrupting.

The new solutions shaking up the industry are merely an appetiser to the big change that will come if the unseen infrastructures that drive our financial world are replaced for the right reasons. In many cases, this requires large infrastructure changes for incumbents such as the banks and huge investment plays for the new players. The reality is that it will take many years and won't be a smooth ride, a case of two steps forward and one step back, but I do believe it will happen.

So is blockchain the future? If so, how long will it take to deliver real value, 10 years? Is it fast, is it expensive, is it secure, is it capable of providing deep and detailed solutions, whilst providing a sophisticated audit capability? Will AI transform the client interaction, and will they notice? Will we trust it for advice? Will it become regulated beyond human advice? Will realtime payments become global, and what are the implications? Will the issues around market place loans and securitisation play into the hands of the banks and turn the darlings of fintech into lame ducks? Will global institutions such as SWIFT and VISA/Mastercard be squeezed out of existence over the next 10 years unless they radically change their delivery and charging strategies? Will regulation and compliance issues create a level playing field between banks and new players?

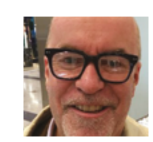
My conclusion as a consumer of these products is that a great deal of them are looking for rapid growth as well as eventually achieving a level of sustainable profit, and this concerns me. As a provider of fintech I would also say that investment patience is running out, and consolidation is taking place as I type, but if fintech can provide a seamless, easy to use and informative range of solutions to its clients, and a low delivery cost, then investment will continue to grow and the future will continue to look bright for fintech.

But what about Brexit the elephant in the room? As somebody who voted to remain I find it hard to be objective about this but here goes. The scare mongers are saying that there will be a sustained exodus out of London and investment will dry up, but I believe the reality is far less dire. London has been the home to world class finance expertise since even before my birth date, not least because it sits in a perfect time zone for the globe to be able to trade with us or use us as global brokers. So once we have seen this through, and the politicians have sorted themselves out, then I believe that common sense will prevail and London will still be a pre-eminent place for finance and fintech.

Anyway, look on the bright side, Article 50 has not yet been invoked, and with a new leader of the Conservative Party coming from the Remain camp we are not there yet.

In the meantime we will continue to innovate. Long live Fintech!

by MARK BRADBURY,
Founder,
www.applyfinancial.co.uk



COVER STORY. FUTURE OF FINTECH

MONEYCONF

Grace Systems crowned MoneyConf's best startup

Fintech leaders from across the globe came together to discuss the future of banking and technology at MoneyConf in Madrid.

Dutch data science and data mining provider Grace Systems won the title of most promising company in the fintech industry. After three rounds of pitching to audiences, Dutch firm Grace Systems was announced the winner and claimed its position as a fintech disruptor. Their pitch was in front of Rakuten Fintech Fund's Oskar Miel, Kabbage's Kathryn Petralia, Earnest's Louis Beryl and Web Financial Group's Dirk Behrens. This prize ensures that they are heading in the right direction with algorithm driven data science and data mining software.
According to MoneyConf there were 1,855 attendees from 62 countries. Over 100 speakers informed the assembled attendees, in workshops and roundtables.

Katia Lang interviewing Salvador García Andres, CEO and co-founder of Ebury

by CHRISTIAN WIENS
CEO,
www.getsafe.de

Many customers are frustrated with the perennial lack of innovation and transparency of financial and insurance service companies, which is why they are embracing new fintech and insurtech solutions. This at least is the feedback that we receive here at GetSafe in Germany, where decades of little competition in the insurance market gave established firms and agents no incentive to change and innovate.

Digitisation and the recent surge of new fintech solutions, however, have succeeded in bringing new movement into this lethargic market. Looking ahead, banks, insurers, and their distribution networks can no longer just verbally support the fintech/insurtech revolution - they also have to act accordingly. This applies internally to the reorganization of their workflows, as well as externally regarding cooperation with new market participants. Those who refuse to change within the next 2-4 years risk falling behind and losing the digital native generation as their customers.

Especially in the insurance realm, we believe that digitization could pose an existential crisis even to larger incumbents. In the coming years, several startups from the current fintech boom will have successfully established themselves as new players, and the pace of change will further accelerate. This will not require a new Google or Facebook; smaller firms with radically new or efficient approaches in one particular fintech area should be able succeed as well. That said, consolidation must take place. Already now, there are too many fintech and insurtech offerings that lack differentiation.

Whatever the future of fintech will bring, the central and defining new question has become: what does the customer want? What is the most convenient and transparent way for him to manage his bank accounts and insurance policies? Contrary to incumbents, we at GetSafe (and so many other fintech startups) had exactly this question as our starting point.

by ELINA RÄSÄNEN
Head of Marketing and Communications,
www.holvi.com

The future of fintech will be defined by those who can provide real value and solve real problems for customers in the most effective and elegant way. Technology being an enabler in the background, fintech companies are already defining a new standard in customer experience and usability of financial services.

Companies that can provide a superior value proposition, operate at a lower cost as well as succeed in digital sales and customer acquisition will most likely be the ones that consumers will adapt to. Fully digital onboarding, simple and clean design as well as seamless mobile experience, will also play an important role in the future of fintech.

With fintech companies building strong brands, using state of the art technology and regulation, as well as providing an engaging experience, they will be more and more capable of becoming established and credible financial institutions.

In the future the barrier for customers to switch to new services will become even lower. New disruptive entrants are already transforming verticals like payments, lending and wealth management and in the future we will probably see more fintech startups reinventing insurance as well. With new technological developments in big data, blockchain and cloud for example, fintechs will be able to innovate new services for customers at a much lower cost and faster go-to-market time. What is yet to be seen is how these new fintech innovations could also be used in the future to democratise financial services.

The impact of Brexit for fintechs is also yet to be seen, but it brings some uncertainty, especially on passporting European licences into and out of the UK for cross-border operations. Depending on how things materialise, this might have an effect on UK's attractiveness over other European countries.

Daniel Döderlein, comments:

"With the UK exiting the European Union, it's unclear what will happen now with PSD2 as this was under EU legislations. Will UK still decide to add this to its new legislation or not? The uncertainty alone to where the new UK legislation will be heading and how banks and financial services will need to operate is enough to bring concerns to most investors from the fintech UK landscape, and will highly impact future investments in the domestic market, especially when considering that fintech as a whole is experiencing a general correction of about 40% in terms of valuation. There are too few good deals and too much money involved, so it's likely to assume that investors will favour fintech companies that can address the whole region with EU harmonised licenses in sharp contrast to the uncertain UK companies.

The rest of the European fintech scene will continue and make their bets primarily in a union wide opportunity within harmonised laws and regulation, with a government driven towards deregulation to help drive innovation. This may hurt the European banks who are not following the innovation curve inside the EU, but that's nothing compared to the damage of the UK banks standing alone. The European Union was clear, 'the UK is to exit Europe and invoke Article 50 as soon as possible'. This will hurt the UK economy as banks will be reluctant to lend out more money, house market prices will fall and European people will be reluctant to invest in the UK property market.

The sharp contrast of this gloomy picture is the upside for European fintech companies that will see improved access to money, less competition from the UK and the opportunity to address a slightly smaller market with the UK being out. However, Europe enables companies to do business on a larger scale than just within the boundaries of the UK, so consequently UK fintech will be impacted and lose out, together with the rest of the country.

DANIEL DÖDERLEIN,
Founder of Auka

STARTUPS

Darwinex

Ignacio Colon, Head of Communication

www.darwinex.com

Darwinex is the revolutionary marketplace which bridges the gap between traders and investors. Using this online platform, traders get listed as a new asset class that investors, by backing the traders, can buy and sell.

For traders to succeed, they need a chance to show their skills. But the closed off financial system is traditionally a playing field accessible only by a selected bunch. Darwinex creates a new, better and fairer playing field that provides individual traders with the opportunity to put their strategies into use, enjoy trading and make a living.

Under Darwinex FCA (UK) regulation, traders benefit from optimal trading conditions and legal coverage to access the capitals of investors who, on the other hand, thanks to the platform's patented algorithms, can filter and detect those traders who are more likely to succeed, building their portfolios in an intuitive way with less risks.

Unlike traditional investment services, both trader and investor interests are aligned because there are no hidden fees or middlemen involved in the process: traders get paid a performance fee from their investors only if they generate profits for them. With traders competing with each other for a share of investment, Darwinex becomes a natural selection applied to finance.

Kantox

Arturo Pallardo, Financial Writer at Kantox

www.kantox.com

Kantox is a multinational fintech company offering FX management solutions, and was founded in order to simplify the process of currency exchange with a transparent and easy-to-use tool.

The expertise and products offered by Kantox allow its customers to manage their currency exposure, build hedging strategies, automate FX transactions and process international payments in a smart way. The company, headquartered in London and authorised by the Financial Conduct Authority, was born out of the idea of disintermediating banks and brokers from the foreign exchange process; the immediate result brought by Kantox is a cut-down of the costs and administration time for companies. The company has created a platform that acts as a complete control panel, allowing clients to optimise their currency exposure. The transaction happens in four steps: the customers book their trade; they send the funds to Kantox – which keep them in segregated accounts held in leading UK banks; Kantox trades the currency either by matching it with another company or through the wholesale FX market; the clients receive the funds to their chosen beneficiary account. So far, Kantox has gathered more than 1800 clients and, in 2015, it reached over 3 billion US Dollars in total transaction in 20 countries, becoming one of the leading names in the industry.

Money Mover

Susan Curtis, Marketing Manager

www.moneymover.com

Money Mover brings cutting edge technology to cross-border payments. Its online foreign exchange and global payments platform provides a secure and low cost way for businesses to make international payments.

In other words, Money Mover is targeting the $500bn that 5 million SMEs make in international payments every year.

Money Mover is a fintech startup with a compelling proposition in a huge market. Being a disruptor of the payment market, it differentiates itself from banks and the old world of FX brokers through complete transparency, a feature-rich web application and a simple fee structure.

The platform checks the rates, tell the admins who the users want to pay, and confirms their payment. Fees are all-inclusive and customers are not only shown the rate they will be receive but also the mid-market rates, usually unheard of. They can also see exactly how much of their home currency a foreign currency payment will cost. Users know exactly where their money is and when their payments will be received throughout the whole process via their dashboards and a series of email notifications.

Money Mover has been designed from scratch with the needs of the SME in mind.

Moo.la

Gemma Godfrey, CEO

moo.la

Moo.la is a digital investment manager. Its disruptive way of helping you manage and grow your money to take control of your savings and investments could represent the future of investing, and its value has been recognised by FinTech50 which ranked Moo.La in its top ten fintech companies.
One of the company's strengths is that it is composed of experts in their fields. It was founded by Gemma Godfrey, a former quantum physicist, who was previously Head of Investment Strategy for a publicly listed wealth manager and also worked for some of the world's largest financial institutions. The CTO and co-Founder, Andrew Jordan, previously co-founded the UK's number 1 destination for finding top-rated financial and professional advisers.

As with every successful startup, Moo.la found a solution to a real problem users had: the difficulty for the everyday person to access investment services, and the high costs of these services. The company is challenging the financial landscape by making investing easier to understand, offering options that were previously out of reach and empowering people with the knowledge they need to make their own decisions.

Moo.la's mission is simple: helping people make the right decisions when investing.

AimBrain

Peter Reynolds, Chief Commercial Officer

www.aimbrain.com

AimBrain, a next-generation biometrics engineering company, helps financial institutions easily, securely, and accurately authenticate their mobile banking users.

AimBrain delivers advanced biometrics technology to banks so they can stay ahead of mobile fraud through a secure and frictionless authentication experience.
AimBrain is helping some of the world's largest financial institutions know if their users are really who they say they are, thanks to a biometric authentication platform that provides voice, facial and behavioural recognition — with the latter being the very latest technology in the machine learning field. Banks can use these multiple authentication types to work together in a 'step-up' authentication process. This improves customer experience and reduces fraud immediately, and allows a bank to authenticate a user based on mobile or tablet usage.

Supported by Episode1, a leading UK venture capitalist, AimBrain is largely recognised for their potential to revolutionalise the world of money and has been named as a 2016 FinTech50 finalist.

LONDON

RATING CERTIFICATE // KASKO

WWW.KASKO.IO

Rated by Early Metrics

EARLY METRICS' RATING

78/100

CONTACT

nsuehr@kasko.io
+49 160 99 15 44 23

FUND RAISING

£ 300K on a pre-money valuation of £ 1.5M

MANAGEMENT

Nick- CEO
8 y. experience in consulting for financial institutions
Business Development at Oldie Car Cover
General Management & Business Development

Matthew - CTO
+5 y. experience: former Technical Consultant at Accenture & Software developer at Kulu Valley
Software Development

CHRONOLOGY

February 2015
Got request to create test drive insurance from AutoScout24

April 2015
Joined Seedcamp

February 2016
Test drive protection with AutoScout24

February 2016
30+ distributor requests, 10+ insurance products in the pipeline

PROJECT

Kasko has developed an Insurance On Demand tool that provides an intermediary between 1) the affiliate insurance provider 2) the end user 3) the insurance firm. The German startup targets multiple insurance products sold within digital platforms such as travel insurance, e-commerce payments, peer-to peer car sharing, property rental and banking.

MARKET

Key players	Schutzklick	Massup	Erste Digital
Key metric	600 B2B collaborations in Germany	150 insurance products	Incorporated in 2015
Country	Germany	Germany	Germany

BUSINESS MODEL

- Kasko's business model is not based on a subscription but depends on the product and volume having in mind that smaller premium insurances lead to higher margins.
- Kasko takes an average 10% commission of sales.

FINANCIAL STATEMENTS (K£)

SWOT

1 Strength
Strong sales pipeline, showing interest from key players (firms and affiliate)

1 Weakness
Complexity of the creation process of insurance products, with a dependency on insurers

1 Opportunity
Very good time to market: Insurance digitalization is growing quickly

1 Threat
Long sales cycles: fairly slow moving players

KEY METRICS

3 committed insurance companies

20 committed insurance affiliates

12 months time to market for first product

Rated last March, the German company which develops Insurance on Demand products connecting large insurance firms with any digital player, has since moved to London. Kasko's first pilote partner was AutoScout24, an European car marketplace. The company has a strong potential for growth along various verticals, including the travel, e-commerce, car sharing or banking industries, as illustrated by the startup's pipeline. Complementary to its clear business model, Kasko benefits from strong execution. The key challenge is now to streamline the creation process of new products, especially to tackle the dependency on insurers.

WWW.EARLYMETRICS.COM

Will London remain THE CAPITAL OF FINTECH?

by SARAH NOECKEL
www.earlymetrics.com

London is currently hailed as the global centre of fintech. This should come as no surprise, as it is by tradition a financial centre, with most of the leading banks operating in the European and African markets headquartered in the capital. Similarly, leading disrupting actors such as Funding Circle, Transferwise, Nutmeg, and Mondo have chosen London as their home, creating a stimulating ecosystem that other fintech startups can benefit from. The British capital currently hosts 17 of the top 50 fintech companies in the world (Currency Cloud, Revolut, Property Partners, GoCardless, Elliptic, Bankable, Ebury, iZettle to mention a few), and it is the biggest existing cluster of successful fintech companies, ahead of San Francisco, which is the home for 16 of these startups.

But will London manage to maintain its leading position in the fintech space?

YES — London will remain the leading fintech hub

1. London already possesses the infrastructure and the know-how. Leading on online access to financial services, it also benefits from high levels of internet connectivity and superfast broadband. A diverse capital, London attracts worldwide talents, with more than 44,000 individuals currently working on the most innovative projects in the fintech industry – more than in New York City or San Francisco.

2. Policy-makers will ensure future policies favour the ecosystem, with the adoption of initiatives such as the Innovative Finance ISA (tax-free interests for loans arranged through P2P lending). With compliance regulations already more flexible than in the US, the UK will strive to balance necessary regulations without constraining innovation: the FCA launched in May a regulatory sandbox to provide tailored authorisation processes to accelerate innovation. The financial authority plans to release its conclusive regulations on fintech in 2017 after an initial white paper.

3. Finally, London benefits from an un-replicable strategic position. Geographically situated between Europe and the USA, two of the current most mature and organised markets in the world, London offers fintech companies access to two streams of capital. More than half of all fintech investments in Europe are centralised in London with £357m poured in fintech start-ups in 2015, and London has recently seen the multiplication of new tech funds such as Santander (£60m), Index Ventures (£328m), Google Ventures (£76m) and Axa Ventures (€230m) focusing on innovative financial technologies. Furthermore, London-based fintech startups have the potential to capture a highly attractive combined total market of 900 million potential customers.

BUT — London will face increased challenges

1. Brexit - Whether the UK votes to exit the European Union on June 23rd remains to be seen. If such is the case, it should not kill London's fintech industry. An exit would however bring much uncertainty. The flow of investment could be reduced in the short term and the currency devaluation would be unfavourable for investment and operations. An exit will undeniably impact the UK's attractiveness for young talent who can currently freely travel. More importantly, the UK could be excluded from the Digital Single Market and SEPA. Several highflying fintech companies have expressed concern, and declared they could relocate their headquarters.

2. Competing fintech hubs are rising in peripheral markets. In the rest of Europe, Africa and Asia, new centres of financial innovation are emerging. Ambitious entrepreneurs are driving technological leapfrog in Berlin, Zurich, Tel-Aviv or Shanghai, challenging London's central position. Out of the top 100 fintech companies identified by H2 Ventures and KPMG in 2015, 42% were non western, with 20% established in the EMEA region. While Asia possesses capital to deploy and a huge market size, Africa hosts incredible talent and an attractive market growth which will support the establishment of new fintech centres.

3. As a result, international venture capital will be redeployed to these new centres. While London currently benefits from strong streams of US investments, it will increasingly compete with other centres. Already, the Asian tech scene is garnering significant investment, with $4,8 billion raised at the beginning of 2015. Asian VCs currently deploying a large part of their capital in other markets with reroute investments to support challengers (the Chinese fintech startups ZhongAn, Qufenqi) in their local markets, which will ultimately redefine the geographic flow of capital.

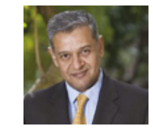
Conclusion

The current focus on fintech is justified, and London will remain the centre of it in the foreseeable future, due to its current leading position and the potential for innovation around various further verticals. However, the fintech industry is deemed to reach a level of maturity at some point. When the big players will have fully integrated innovation and startups will have themselves become big corporations, the industry will become much less hype and entrepreneurs will move towards a new more challenging sector. At this point, London better be prepared, if not to (Br)exit, at least to pivot.

FINT. MEMBERS. GROWTH

How to get INVESTORS CHASING YOU, the owner of a Fintech Business

JAY TIKAM,
Managing Director
at Vedanvi



According to a recent Accenture study, investment in fintech across the globe, continues to rise. In the first quarter of 2016, investments in fintech reached $5.3 billion, a 67% increase over the same period the year before.

However, the landscape of investment in fintech is changing. Fintech startups are no longer the only option available to investors, as bigger players, such as tech giants and some incumbent players, are starting to explore an entry into this lucrative sector.

In our last article (May-June edition), we put forward the case that organic growth is almost impossible for a fintech firm. In this new environment, fintech entrepreneurs of smaller businesses will find it increasingly challenging to attract investor attention.

Done in the right way, however, you can still succeed in getting investors queuing up to pour money into your venture. In this article, I explore some of the strategies you can use to successfully get investor attention and confidence.

Jay Tikam is the Managing Director of Vedanvi, a professional services firm dedicated to helping Fintech and Alternative Finance firms launch and rapidly grow their firm in highly regulated markets. For a free initial consultation get in touch with Jay at **JAY.TIKAM@VEDANVI.COM** or contact him on **+44 (0) 203 102 6750**.

If you interested in attending an event on how you can set your business up for high growth, then please email Jay expressing your interest.

Into the Mind of the Investor

Looking at things from their perspective, investors are most concerned about the risk of losing their money. Living in the risk/reward world, they understand that large returns are not possible without taking huge risks. So their risk appetite then determines whether they will invest in the venture at all, or if they do, how much return they must get to compensate them for the risk.

Now this may sound obvious, but you would be surprised at how many fintech entrepreneurs fail to look at things from the investor's viewpoint and are surprised when investors are not enthusiastic about their venture.

By nature, entrepreneurs are passionate about their venture, and can't understand why investors don't share the same passion. Entrepreneurs see the up side first, whilst investors start with assessing the down side. It's therefore no wonder that investors will start to gravitate to "bigger and safer" opportunities being created by more established players who give investors greater confidence and present less of a risk. To keep things simple, the more you can do to allay investor fears, the more interested they will become. Once you have their attention, this is the time to start showing them the future potential of your venture and sharing your passion. However, please bear in mind that investors will be assessing this future potential opportunity within the context of their risk assessment. If your grand vision doesn't match their assessment of how good you are at managing their risk, there is unlikely to be a deal, or investors will demand a great premium, regardless of how grand a vision you portray.

4 Strategies to Allay Investor Perception of Risk

By allaying investors' fears, they will be more open to exploring the vision and future potential of your business. When done in the right way, and in a market attracting huge investor attention, fintech entrepreneurs can successfully create an environment where investors actively line up to back your venture as opposed to the plethora of other opportunities out there. We set out 4 key strategies to build your fintech business in a way that provides investors with the certainty they expect from a fintech venture – i.e. excess profits in a short space of time, because you are able to execute on your strategy and manage the down side.

Strategy #1: Testing your Strategy

Reaching a gold mine that has already been mined 80% isn't going to yield riches. A "me too" strategy won't scale, and at worst is an unsustainable strategy. Whilst a disruptive strategy is 'cool', investors may prefer a strategy that is more collaborative with incumbent players or indeed creates a proposition that helps to improve the operational efficiency or customer experience of incumbent players. Alternatively, becoming an innovative distribution channel for incumbent players is another successful strategy.

Take a step back and reflect on your current strategy, whilst projecting your organisation 3 years into the future. Get an external perspective and realign your strategy if the future doesn't look that bright. If you are not in the right business, no amount of "working on the business" will help.

Strategy #2: Getting your House in Order

A firm that is not well run, doesn't inspire investor confidence. It's amazing to see lack of key performance and risk metrics deeply embedded in fintech firms. Without this, they find it hard to keep a pulse on the business and can't react quickly when the business faces challenges. Things go out of control when problems occur.

Professionally developed management accounts provide investors with confidence. If annual accounts are audited (even if not a legal requirement) – it brings about certainty and the sense of a professionally run business.

Strategy #3: Risk Management Framework

When investing in financial services firms, investors are always nervous about the risks that such companies bring. They themselves are vulnerable to risks or risk their clients' money through transactions they facilitate. Regulation is a constant threat and non-compliance can result in the rapid closure of the firm.

A framework supported by effective policies, processes and systems, will help to ensure that the firm is proactively able to identify potential future threats and respond before the risk is given the chance to materialise.

Easier said than done – after all, this is what got banks into major trouble during the financial crisis. If you get it right, its then a panacea for investors who will get certainty they require. Getting professional help may sometimes be the only option.

Strategy #4: Systematise to Scale

Without systems, a fintech firm can't deliver a consistent and remarkable service to their clients. More importantly, they can't also scale to reach growth rates expected by investors from their fintech investments.

Well documented processes and systems, and a workforce trained to efficiently operate the system, is what allows the fintech firm to expand into other products and explore new markets. A combination of different products cross selling through different channels is what brings massive scale to the business. A well-oiled system also makes the fintech firm attractive for acquisition by a bigger player. Investors gain confidence because they gain clarity about their possible exit route and the high returns they can make at that stage.

Oversubscribed

Once the above building blocks are in place, you as the fintech entrepreneur will gain huge amount of confidence about your business. This will show when you face investors and you will inspire confidence in them, confirming that the investment they make in your firm will be a lucrative endeavor. This confidence will enable you to line up investors, at least for an initial meeting. Instead of asking them to make an investment in your firm (and creating a big decision hoop they have to jump through), get them to simply sign an "expression of interest" (a much smaller commitment to make).

If you are genuinely able to pitch how you can take away risk from your investors' decision making, and if your vision is grand enough, then I can't see why you would not have more investors lining up to invest compared to the amount of funding you wish to raise (or equity you are willing to give up) – an OVERSUBSCRIBED business.

With an oversubscribed business, you can now dictate the terms of the investment.

FINT. MEMBERS. CYBERSECURITY

Translating Cyber-Threats into Business Risks

Aside from the relentless barrage of cyber-attacks, one of the key challenges for IT security professionals is getting the rest of the business on board with efforts to keep these threats at bay. There is great potential for things to get lost in translation when cyber-threats and remedies for protecting the organisation are communicated with non-security professionals.

Well-publicised breaches at Target, Ashley Madison, The US Federal Office of Personnel Management (OPM) and TalkTalk show that it is much easier to raise awareness if you define risks in everyday terms. A £10 million fine, a tarnished reputation or lost customers is far more impactful to business leaders and frontline staff than general references to "non-compliance" or data leaks.

The magnitude of the impact of these breaches is catapulting cybersecurity right up the business risk register, but there is still work to do. Ponemon research found that board members are increasingly aware of cybersecurity, but lack an understanding of the issues, which must limit their ability to evaluate situations and respond appropriately. The US NACD found that directors are dissatisfied with the information and clarity of cyber risk information they are given. This must be rectified before cyber-threats can be tackled effectively.

Tell Them Why They Should Care

One challenge in bridging the communication gap is that cyber-threats mean different things to different people and invariably impact different elements of the business. If the link between a cyber-threat and its ramifications are not clear, risks to the wider business can be obscure. To change this, security professionals must translate cyber-threats into business risks; presenting each part of the business with understandable and relevant information. This means stating not what the threat is, but providing intelligent metrics for cyber-risk. Impacts must be tuned to the specific mandate of the individuals – a CFO will be more concerned with financial impacts than a CEO who would focus on reputational and strategic impacts.

Turn Everyone Into a Cyber-Risk Sentinel

Aside from dealing with the difficulty of translating between technical and business issues, there is a need for greater collaboration in the security and compliance processes. There are more useful ways to approach compliance than seeing it as an annual tick-box activity. It must become a continuous, real-time process; with inbuilt quality improvement. Businesses need intelligent metrics for cyber-risk that show live, up-to-date security and compliance status of key systems and processes. This enables instant identification of problems and allows them to be dealt with before they become serious. Becoming fluent in risk means information is presented in a common and meaningful language across the business, so its importance is clear to everyone.

Ultimately, cybersecurity is not just an IT concern. It is a business-critical issue with ramifications for everyone. The only way to tackle threats effectively is to turn everyone into a business cyber-risk sentinel, so they understand risks relevant to their own role or part of the business.

This collaborative approach will decrease the risk that a business will be hit by a damaging breach or a costly fine; but it also reduces the risk of cyber-threats to the business being lost in translation.

by PIERS WILSON,
Head of Product,
Huntsman Security

ATTACKS AGAINST FINANCIAL SERVICES FIRMS ROCKET IN 2016.

Why is it happening, and what can be done about it?

In 2016, financial services organisations have been under attack like never before, with a series of high profile data breaches that have rocked the global financial system. The February theft of $81m from the Bangladesh central bank was significant – not least because of the huge sums involved but because it targeted Swift, the very backbone of the international banking system. The act continues to be investigated and just last week the U.S. attorney said 'people should be horrified' about the attack.

There's been at least ten breaches since, with banks in Qatar, the UAE, Nigeria, Nepal and Sri Lanka amongst those affected. What's interesting is that, with the Bangladesh case aside, the motivation behind these crimes is not always financial, and the data compromised from the affected companies was published and made freely available online. Whilst we can only speculate as to the motivation behind these crimes, they often happen for ideological or political reasons in an attempt to seek to damage a bank's reputation and cause consternation amongst its customer base.

What does this mean for the financial services sector? Simply, there is a realistic possibility that we will see further claims of data breaches against financial services organisations – and not necessarily from the motivation of financial gain. The threats against financial services companies therefore have arguably never been so complex.

To combat this upward trend in cybercrime, there is an acute need for organisations to understand which malicious actors may target them, why, and their methods of attack. This means being on the 'front foot' and (for instance) being informed about what potential attackers are saying about their organisation and the financial services sector generally on criminal forums. Gaining this cyber situational awareness means that firms can make more informed decisions about where and how to focus their security resources.

by JAMES CHAPPELL,
CTO and co-founder,
www.digitalshadows.com

EDINBURGH

FINTECH IS ALIVE AND WELL IN SCOTLAND,

with Edinburgh leading the charge.

The tech sector in Edinburgh now accounts for 1 in 8 businesses, and according to the 2016 Tech Nation Report, Edinburgh is the largest technology cluster outside London in terms of productivity. It's not just the burgeoning startup scene and growing infrastructure that makes Edinburgh an attractive proposition for entrepreneurs and their kin. The city is fondly referred to as one of the most liveable cities in Europe. The average cost of renting, say, a 1 bed flat in Edinburgh comes in at £525, compared to £1,430 in the English capital. Not exactly insignificant. With a population of 500,000, Indeed, those looking to attract the ambitious and tech-savvy to the city are calling it 'The Level of Living Capital', to reflect the comparably low cost of living compared to its counterparts further south.

Edinburgh is, after all, the second largest financial centre in the UK, giving fintech startups a solid financial infrastructure to work with. They're calling it a boom. We spoke to four companies who are lifting off. Oh, and they're hiring.

Money Dashboard has a growing reputation in Britain, having recently been featured by The Guardian, whilst miiCard has been described as 'pioneers of the online passport'. Float is a member of CodeBase, the technology incubator claiming to be the largest in the UK and one of the fastest growing in Europe, and Nucleus have recently hit £10bn worth of assets under administration.

Miicard

James Varga, CEO

www.miicard.com

We have a big vision: to create a layer of trust in the internet that doesn't currently exist. Through our B2C product, miiCard and our B2B product, DirectID, banks and their customers can share trusted data in a completely safe way. In seconds rather than days.

The concept of a trusted digital identity is the brainchild of Canadian entrepreneur and technology expert James Varga, who wanted to solve the disconnect between people's real and online identities. In 2009, he created an online identity system as credible as a passport or driving license. miiCard (My Internet Identity) was born.

Today we create trust online in over 32 countries, across 5 continents and to a potential audience of 500 million customers. Our mission is to create trust online. Why? Just imagine the limitless potential for growth once the barrier this uncertainty creates has been removed!

The best of all worlds: the fun of a startup and the security of a properly funded and successful business.

What we are looking for in an ideal employee is creativity, dynamism, openness and collaboration. A self-starter and a go-getter. We make every effort to help somebody relocate to Edinburgh. We also have offices in London, New York and Sydney, so depending on the role relocation may not be necessary.

Nucleus

Stuart Geard, Managing director

www.nucleusfinancial.com

Nucleus is a multi award-winning investment wrap platform that allows people to hold their pension, Isas and other investments all in one place. The platform is built on next generation technology, backed by excellent service and driven by financial advisers.

Nucleus was created in 2006 by a group of seven advisers who saw that pensions and investment products weren't as flexible as they could be. They set up Nucleus - an open architecture wrap with an unlimited choice of assets that took the control away from the life companies and put the adviser in charge. Our mission is to use transparency and technology to empower advisers to create exceptional financial solution for each and every client.

It's important for us that people feel valued and empowered to make a difference, so we've created a culture where everyone feels at home, relaxed and confident to be themselves and able to do their best work. There's no clocking in and no micromanagement. We pretty much celebrate everything we can, from pancake day to Halloween to key business milestones. We also cultivate ambition by providing opportunities for constant learning and development.

Cultural fit is as important as skills and experience for us. Nucleus is a fast-paced, ever changing environment. It's also small, so our ideal team member won't be afraid to get stuck in, take responsibility and make their job their own.

We also help with relocation. We want to attract the best talent to come and work here so if this means a move then we'll support this.

EDINBURGH

Money Dashboard

Steve Tigar, CEO

www.moneydashboard.com

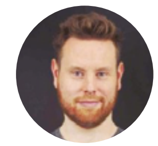
Money Dashboard shows consumers how they are using their money by pulling in data from all of their bank and credit card accounts onto one platform and then analysing it for them. We're a Personal Financial Performance tool.

We were founded in 2012 by serial entrepreneur Gavin Littlejohn. Since then we've grown to be the largest UK provider of these tools.

Most people don't know exactly where their money goes. What are they are spending on utilities, groceries, or going out? And where are they spending it? We help our users understand these things, so they can make better financial decisions. This includes helping them onto better products if they are paying over the odds.

We've got a a highly collaborative team and a very flexible approach to problem solving and design. We publically recogonise and celebrate our successes, both team and individual, on a weekly basis. Our location helps too; Edinburgh's a great city.

We hire for behaviours with an emphasis on ownership. We want team members who actively seek out and rectify issues as they find them. A collaborative attitude is also key, as is a desire to innovate; our product is unique to the market place.



Float

Colin Hewitt, CEO & Founder

www.floatapp.com

Float is an online budgeting and forecasting tool for small businesses. Float connects to the businesses accounting software and bank accounts to quickly predict the future cash balance in the business over time.

Float's founder Colin Hewitt ran a digital agency and was managing the forecast and budget with a spreadsheet. It was painstaking to keep it in sync with the bank and accounting software, and even though cloud accounting has come a long way - forecasting and budgeting still lags pretty far behind. We launched the product really early, and learned that simplification and automation were the keys that were needed in order to unlock this element of planning for most small business owners.

Our mission is to help businesses become better at managing their finances, specifically cashflow, budgeting and forecasting. It's often far too late that businesses realise they are going to run out of cash, or there is a constant anxiety about it as they are without a detailed cashflow report. We help business owners sleep better at night.

It's great working as part of small team, where you're seeing so much progress every day. Currently we're a team of 10 people, we're part of CodeBase which is great, and generally we've got a really smart team that love what they do, which keeps everyone on their toes!

Curiosity and humility are two things we value highly, combined with an energy to serve our customers. That's really all we ask for. Everyone is unique and hopefully surprising!

We cover interview costs for all applicants, and we'll also provide lots of local knowledge about how to get set up in terms of accommodation.

FUTURE

TIME TO MAKE FINTECH

SMALL

After Iceland had beaten England in the European Football Championship I was reminded of a Barclays TV-commercial from 2000 where Anthony Hopkins explains why 'a big world needs a big bank'.

It's a great commercial, and even though it's 16 years old and we have had two serious global crises in since then, there is nothing out-dated about its message. On the contrary, since 2000 global GDP has almost doubled and the big banks have become even bigger. The four largest banks in America are now 150 per cent bigger than the next 50 banks combined, and in the UK the four biggest banks control 85 per cent of the market. This trend towards consolidating financial infrastructure is ubiquitous. New figures from Denmark, for instance, show that since 2008 the 10 biggest banks have gone from being 5 times to 9 times bigger than the rest. It's been going on for a very long time.

But maybe being big isn't as important in the future as we think, which the plucky footballers from tiny Iceland have reminded us about. Maybe the big dream of economies of scale is a relic of the 20th century. Look at Iceland, it has a population the size of a London borough, the country went bankrupt in 2009 but 7 years later it has paid its debt and regained full employment. The country did not need an EU for that. For Iceland, being small was the reason why they managed. Maybe we should look at fintech and banking from this new perspective.

Investments in fintech have grown tenfold over 5 years, and last year alone 20 billion dollars were invested in new fintech ventures that were supposed to disrupt and revolutionise the financial services industry. It hasn't really happened, has it? The fintech revolution has made big banks bigger and small banks smaller, and new fintech startups have only won a few per cent of the total banking revenues. Market disruption seems a consumer generation away to me. Fintech is in the process of automating banking, but the winners are the big banks and the losers the small banks and their local communities.

From this perspective fintech has failed locally. Indeed, a new Scottish report, 'Banking for Common Good', states that continued consolidation of the banking industry is starving local communities. 1,500 local communities in the UK have no access to banking, and as the physical distance between banks and local communities increases, small and medium sized enterprises are desperately seeking funding to grow their businesses and stimulate local job creation.

The global economy, the technology companies and the mega banks have embraced fintech intelligently and are back in control after the financial crisis. Through their fintech funds, along with their incubators and accelerators, they are honing new talents and business models. Fintech has – with exceptions – become a cheap tool to make big systems even bigger.

This is the same philosophy the computer industry had in the 70s and 80s; thanks to technical innovation they were then able to build still more powerful mainframe computers and centralise data processing. Steve Jobs changed all that in 1984 with his Macintosh. He realised that new technology not only made it possible to create bigger IT-systems, it also made it possible to build them small and decentralise data processing away from mainframes; and while the rest of the world slept he proved his point once more in 2007 when he launched his iPhone, only this time decentralised computing came pocket-size.

In the last five years we have seen fintech used as a tool to succeed in a global economy. The potential of fintech is constantly measured in unicorns and billions, which is understandable if you are a big bank or a venture capitalist looking for the nearest exit. But for local communities it's more important to have patient capital that will fund a new restaurant or a small bicycle shop.

Few fintech investors have taken the local community banking market seriously. The local banks certainly haven't. Where are the venture funds that specialise in local banking? I can't find them. Where are the incubators that develop new financial community models? And where are the people from small financial institutions at fintech conferences? They are absent. On the fintech scene the agenda is set by the geeks and investors from Silicon Valley and Tech City, as well as the international banks.

It is about time we looked at fintech from a community perspective because new financial technologies such as crowdfunding, p2p lending, mobile payments, AI, advanced algorithms and blockchain technology will work just as well in a local environment as in a global. We have to make it a priority.

by NILS ELMARK
Consulting futurist,
www.bankinglab.london

INTERNATIONAL

ISRAEL:

The Rise of the Fintech Hybrid

Special Counsel, Adv. Roy Keidar of Yigal Arnon & Co. Law Firm examines the rise of the Israeli fintech sector.

Israel is globally known as the 'startup nation', a small country that has developed a rich ecosystem in which thousands of startup companies are creating new and innovative technologies. What it is less known for is its financial system. Israel's small size and distance from global financial centres such as NY, London, or Zurich, are significant barriers to further growing such a financial market.

Over the last few years, however, a growing presence of Israeli ventures has been evident in major business deals, investments, conferences, as well as global media coverage. Considering that the Israeli financial system has yet to show outstanding activity (2015 was a good fiscal year, but not exceptional), the key to such advancements may be the vibrant, creative and fast-growing fintech industry, driving technological solutions to one of the most conservative and highly regulated industries in the world.

> Since 2009, the Israeli Fintech industry has experienced a meteoric rise. Starting with 90 startups, the industry has grown tremendously to become a global leader over a 6-year period, quintupling its size, reaching 430 companies, 60 of which having raised about $370m in 2014.

During this period, a stellar number of 14 R&D centers were established by global companies, joined by bottom-up efforts by local entrepreneurs, lawyers and other professionals. This forward thrust has been felt at every meet-up, cocktail event and conversation. Even more surprising than its sheer size, the local fintech industry is diverse, with startups operating in almost every financial sector, including Payments, Trading, Lending, Anti-Fraud, and Insurance. On all fronts, startups offer relatively simple solutions to complex financial problems. eToro, for instance, maintains its position as a highly successful trading platform, while in the payments sector, companies such as Paybox are providing novel ways to circumvent the traditional bank payments system.

Within this vibrant financial ecosystem, one technology in particular stands out in its disruptive potential: the Blockchain technology, best known as the technology behind Bitcoin. A recent report, authored by the global consulting company Deloitte, describes 38 Israeli startups currently working on various applications of the Blockchain technology, ranging across the entire spectrum of services: security, hardware, new currency, payments, P2P, online commerce and social platforms. Israeli expertise in cryptography and Big Data gained in the world of security and defense is now proving itself useful in the financial world, allowing for better, safer and more efficient ways to perform trusted transactions without intermediaries.

Taking a close look at the structure of the Israeli market reveals a relatively small, local financial market with Traditional Financial Institutions (TFIs), which are comprised of a small number of players such as the major Israeli banks, insurance companies and institutional investors. These are often perceived by the public as slow-moving and conservative. Rigid regulatory constraints add insult to injury, providing TFIs with little wiggle-room. In contrast, but also in tandem, Israel is rich with highly experienced and gifted human capital, which has resulted in Israel taking shape as a Hi-Tech superpower, and continuing to lead the world in Cybersecurity and nascent fields, such as Big Data and Machine Learning.

There is little room for doubt that the global impact of fintech on TFIs is substantial, and it emerges at troubling times for the incumbents: TFIs are heavily regulated worldwide, while simultaneously the trust level in TFIs in a post-2008 world is dropping. On the consumer front, TFIs appear slow and unattractive in comparison to the agility and glamour of Silicon Valley startups, while tech giants, such as Facebook, Amazon and Google, are much more adept at tailoring services and products, financial or otherwise, albeit doing so by leveraging personal information of their customers. These giants prefer to brand themselves as innovative and inspiring, leaving the bureaucracy to TFIs. As Richard Summerfield argues, the rise of the Millennials only exacerbates the mistrust in TFIs, increasingly perceived as unnecessary middlemen. We have, after all, become accustomed to eliminating the middlemen with Uber and Airbnb. Why not do so in banking?

> These global trends, for better or worse, seem to play out differently in Israel.

First, there is no place to hide: there is constant friction between risk-taking and disruptive startups on the one hand, and TFIs and regulators on the other. The Israeli ecosystem is full of networking events, accelerators, incubators, hubs, conferences and symposiums, providing ample opportunities for VCs, startups and TFI executives to meet and develop relationships. While the heightened interest in fintech is new, the type of process that is taking place is not. We have seen it before in Cybersecurity. The Israeli ecosystem is merely perfecting yet another child prodigy.

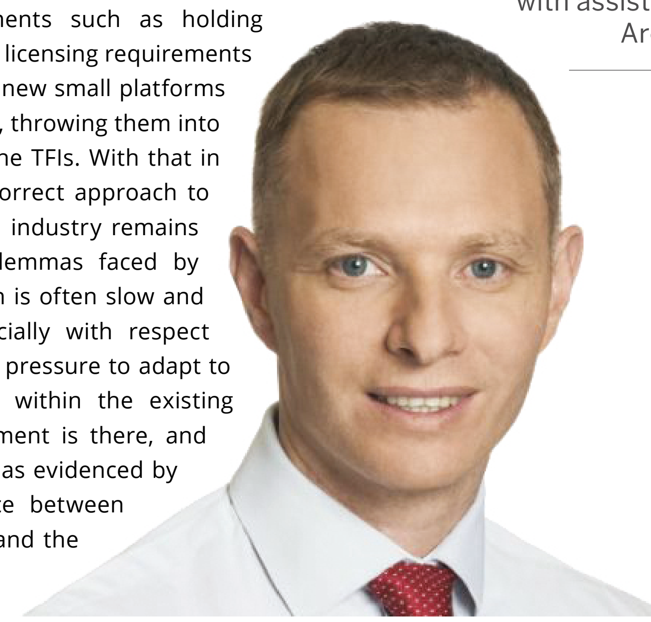
There is another — some may say surprising — catalyst present: lawyers and accountants are bridging the gap between conservative TFIs and agile startups, whether it is by navigating through the regulatory requirements or helping innovative technology to penetrate the market, and often providing valuable opportunities and solving problems.

Equally novel is the support and enthusiasm coming from local and international banks: from Bank Leumi's 'Elevator' to Bank Ha'Poalim's cooperation with Microsoft Ventures, these TFIs provide support to promising candidates in the form of funding, access, connections and guidance. This may seem counterintuitive. It is easier to imagine banks lobbying against those who challenge their quintessential business model. However, with increasing pressure from clients to cross the Digital Divide on the one hand, and faced with regulatory headache on the other, Israeli TFIs understand that they have much more to gain from working with fintech ventures than by working against them.

What about the Israeli regulator? Although present at the table, through funding and support provided by the Office of the Chief Scientist and the Ministry of Treasury, regulation remains a significant barrier to entry. Israeli banks have been under close scrutiny by the regulator to ensure the stability of the financial institutions, even in times of global crisis (the relatively mild effects of the 2008 financial crisis on the Israeli market is a prominent example). However, requirements such as holding minimal capital and licensing requirements makes it harder on new small platforms to enter the market, throwing them into the open arms of the TFIs. With that in mind, finding the correct approach to the growing fintech industry remains one of the big dilemmas faced by the regulator, which is often slow and conservative, especially with respect to banking. But the pressure to adapt to these technologies within the existing regulatory environment is there, and is felt on all fronts, as evidenced by the unlikely alliance between the regulator, TFIs and the startup ecosystem.

Looking ahead at the future of the Israeli fintech industry it seems that there is still work to be done. Many of today's startups are only in initial stages of proof of concept, while TFI-Startup integration is still in its infancy. Although TFIs may have promising technology at their disposal, they will still have to find their way forward. While doing so, they will struggle to find the right balance between maintaining their attractiveness to tech-loving millennials and the need to work with conservative, risk-averse, financial institutions. The inevitable outcome may be a hybrid — the brainchild of experienced yet conservative executives and innovative entrepreneurs — that will pave the road for a technologically-agile, user-friendly yet regulated financial system.

by Special Counsel, Adv.
ROY KEIDAR,
with assistance from
Arod Balissa



POLITICS

They say a week is a long time in politics but over the last ten days I don't think anyone would have predicted either the outcome of the EU Referendum, or indeed the shenanigans and Shakespearean dramas that have unfolded.

As I write this we are about to have the first vote of the Conservative hustings for the candidate for Prime Minister. ***Theresa May*** has just hired Boris's PR chief to join her Leadership Campaign and her closest rival ***Andrea Leadsom*** has now been endorsed by ***Boris*** himself (we all knew he would not endorse ***Michael Gove***!)

Stephen Crabb is trying to keep everyone united and no one knows what ***Liam Fox*** has to say as quite frankly he is given so little media attention he will clearly be the first to be voted out. There will be continued voting on Tuesday and Thursday evenings until there are just two candidates remaining, and then it will go to the Conservative Party members vote.

Parliament will be in recess from the 21st July until the 5th September and the first Conservative Party Board meeting will take place, and the full announcement will be on 9th September. So this leaves us with ***Cameron*** holding fort as well as summer chillaxing opportunities.

The Labour party aren't really looking any better, and perhaps people may begin to miss ***Nick Clegg*** (who?) who may now look more credible than ever, and ***Jeremy Corbyn*** continuing to cling on to his leadership but this will be increasingly difficult with ***Tom Watson*** and ***Angela Eagle*** hot on his heels. His vision of gentler, kinder politics has sadly been knocked out by what politics really is all about, the knife wielding corridors of power. Let's not even mention the Chilcot report that you will be reading all 2.6 million words of on your summer break.

After all you don't go into politics to gain friends, and as for ***Nigel Farage***, perhaps someone should have told him you can take a holiday rather than resign every summer. Maybe his valedictory speech of telling his EU colleagues they have never had a proper job really was a step too far.

IMPORTANT EVENTS

Fintech Week
London
15-22 July
fintechweek.com

WMA Fintech Conference
London
7 September
thewma.co.uk

4th Edition Third Party Vendor Risk Management for Financial Institutions
San Francisco
12-14 September
marcusevansassets.com

2nd Annual Design Thinking for Banking & Financial Services
New York
13-15 September
marcusevans-conferences-northamerican.com

2nd Annual Advanced Operational Risk & Information Risk Management
New York
20-21 September
marcusevansassets.com

Alternative Lending Summit 2016
Dana Point, CA
28 September
contextsummits.com

Insurance Analytics EU 2016
London
5-6 October
events.insurancenexus.com/insuranceanalyticseu

LendIt Europe
London
10-11 October
lendit.com

Global expansion Summit
London
17-18 October
www.gxpsummit.com

Banking Horizon
London
18 October
bankinghorizon.com

Customer Experience Conference
London
25-26 October
customerexperience.fintecnet.com

Web Summit 2016
Lisbon
7-10 November
websummit.net

BIG PICTURE

MONEY IS THE NEW MAIL?

Name:
Mihai Ivascu

Occupation:
Fintech Entrepreneur
CEO & Founder of MoneyMailMe

Born:
Alexandria, Romania, 1988

Favorite Books:
Art of War - Sun Tzu
Competitive Strategy - Michael Porter
Choosing The Hero - K Riva Levinson

Favorite Films:
A Beautiful Mind
Inception
Steve Jobs
The Theory of Everything

Hobbies:
Formula 3 racing
Motor sports
Chess

Business Philosophy:
Create Shared Value. Build systems that emerge as networks of value.

Favorite CEO:
Jack Dorsey, Co Founder and CEO of Twitter and Square

Quote:
"Value is about money. Values are about people."

Money is a means of communication, when you boil it down. It's a communication of value, which opens up a conversation, as it were. Money is a communication tool.

We were at MoneyConf in Madrid in June, and as ever at these events there were some rising stars visible amongst the constellations of fintechs, and as is often the case you can only identify the particularly exciting companies once you start talking with the founders. Somehow the banners and display stands don't quite communicate the potential in the same way as an enthusiastic CEO. When you meet the visionary behind the company, and they open up, that's when it gets really interesting.

I 'got' Moneymailme immediately. In my mind it makes absolute sense and has clearly massive potential. In a nutshell, it's a messaging app that you can also send money through. Imagine being able to send an SMS and as well as an emoji you can attach 1p, or 50p, or £5, or however much you want to send from your e-wallet.

> Friend had a bad day? 'Don't worry mate, go buy yourself a beer'. Attach a fiver. Lost a referendum? Send your mate £1 and tell them to enjoy the 70p it's now worth. Add a shocked face emoji.

The potential for invigorating communications by adding money is as limitless as the breakthrough of being able to add pictures to SMS texts. It's a bit obvious.

Some of the key understandings behind the Moneymailme vision is that the transfer of funds between known contacts should be as instantaneous as sending a text, it should be free, and it should be conducted across the same platform as the conversation. It should be like sending an emoji. From there, the users will create a million reasons to send money to each other. From the crucial, migrants supporting their families back home, to the obvious, friends paying a split bill, to the meme. My first transfer was to a mate who told me he'd just joined the Labour party. I sent him a £3 refund.

Moneymailme does take a commission on the initial upload of money into the digital wallet, 2.5% if I remember rightly. But account to account transfers are instant, seamless, and free. It's playful in the concept; it's professional in the delivery. They're partnered with Mangopay, who take care of the financial transactions and client funds, anti-money laundering regulations, and security.

Signup is pretty frictionless and straightforward, not a Facebook integrated login, that's against regulations and no bad thing. I enter the promo code and get £20 straight into my Moneymailme e-wallet account. I'm impressed. I can withdraw it to my bank account if I go through that process. But I don't want to withdraw it. I want to send it around to people for fun.

This is the brilliance of this app. It takes something normally very serious and utilitarian, money transfer, and makes it into a game, a banter between mates, a communication.

There's going to be loads of fun had with this, it makes a conversation more real, it does something fundamental to money, it makes it immediately shareable… It's a potential game changer. It's also a bit obvious. I mean, why could I not do this already?

Doubtless Facebook are looking at this kind of functionality, but for them, I suspect their size is actually a problem. Creating and building this kind of financial social network is one thing, and hard enough. Adding the financial component into an existing social network platform with billions of users and not all of them real is another thing altogether. Is this why it doesn't yet exist in a mainstream form? I've never seen an app like this before, there must be Chinese versions; digital wallets and chat systems, all as one interface. But no one has got mainstream traction that I can see. Keeping exploring, I remember Mihai demonstrating the function on the app that lets you send money to charities through Global Giving. The application for charities is clear and obvious, disaster relief, raising funds for communities, for school projects, for petitions, for a thousand possibilities. There's a shop component to the app in the pipeline too. In fact, there are so many possibilities, the challenge will be to introduce them in the right order, and not complicate the user interface. The real test of it will be the exponential increase in users, of course, scaling and keeping on top of customer service, for one thing. I can see challenges, certainly, and how things can be done better already, and no doubt each iteration of the app will bring it closer to perfect. I can also see the market, and it's huge, a vast ocean of possibilities, as individual as the communication between people can be.

Sending money as a hello. As a goodbye. As everything in between.