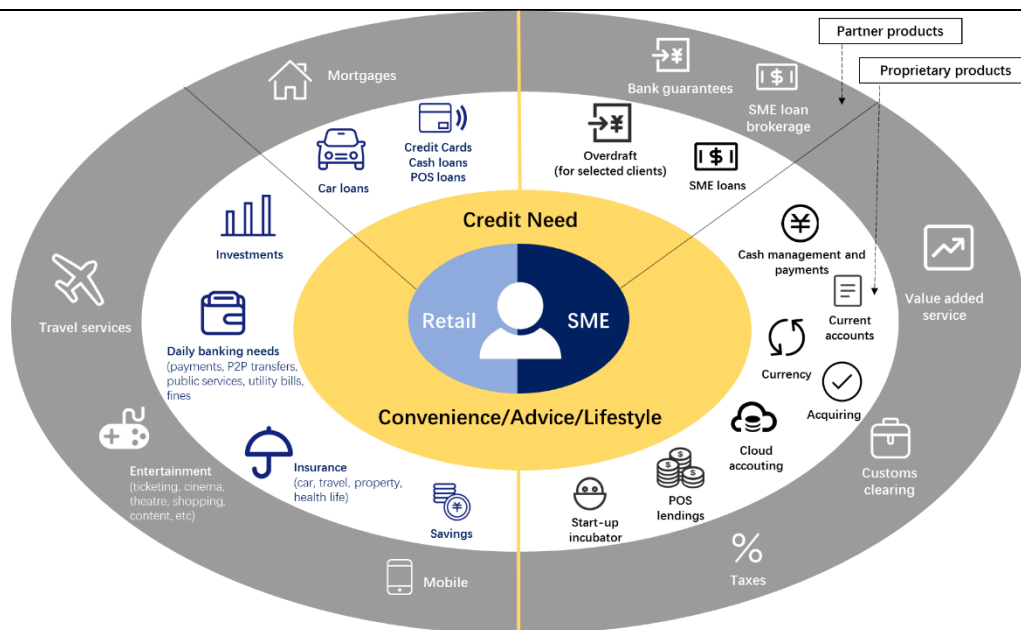


Global FinTech Weekly



Highlight of the week – FinTech or TechFin

Figure 1: Tinkoff’s move towards the lifestyle banking/Super app



Source: Tinkoff Investor Presentation

From Tech to Fin vs from Fin to Tech; the line between Tech and Financials is blurred

The market may be more familiar with the stories of the big tech companies going into financial businesses leveraging on their data and customer trust – this is usually referred to TechFin. At the same time, FinTech players going into a broader tech business is also happening. Both Tinkoff Bank in Russia and Ping An Group from China offer great examples of From Fin to Tech. While it is hard to tell which model will be more successful, the line between Tech companies and Financial companies is ever blurred.

Russia based Tinkoff Bank generating lucrative profit by serving the under-served

Tinkoff is a Russia based mobile bank listed on London Stock Exchange. It was founded by Russian entrepreneur Oleg Tinkov in 2006, inspired by Capital One’s direct banking model. In 1H19, the bank achieved a 64% ROE, 22.4% net interest margin, 41% cost-income ratio by focusing the underbanked retail and SME customers. Gross loans grew by 42% while net profit grew by 31% in 1H19. The bank has been able to achieve an average of 10% credit cost throughout the credit cycle in the past 10 years. By Jun-19, Tinkoff Bank has 6 million customers with loans outstanding, 5.7 million debit card users, 484k active SME accounts and 593k active investment accounts. It ranks

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second in Russia credit card market with a 13.0% market share and third in <3year retail loans with 7.2% market share.

Tinkoff's roadmap to the Super App: Lifestyle banking

Tinkoff's success is attributable to a top-class innovation, seamless customer experience, personalization, and process automation. However, it doesn't stop at financial businesses. It expands into lifestyle service including theatre and cinema ticket bookings, travel and restaurant reservations and similar services, which can be used without leaving Tinkoff's banking app. In 2017, Tinkoff even launched a function "stories", similar to the Stories features on Instagram and Snapchat. Tinkoff even has a mobile virtual network operator (MVNO), Tinkoff Mobile. The MVNO will give customers more options when selecting a mobile plan. The goal is, to increase customer stickiness and trust, and of course data to offer more personalized recommendations and services, and improve customer engagement.

Not all financial companies are able to go into tech business

For traditional financial institutions, to enable successful digital transformation as a first step is already challenging. It takes a top-down determination, long-term commitment and tradeoffs between short-term profit and long-term competitiveness. Ping An Group stands as a success example of this. Ping An takes this capability further by exporting its in-house technologies to other smaller financial institutions. Challenger banks such as Tinkoff or larger pure FinTech players that already owns customer trust, without any legacy system, enjoy the advantage of moving even more briskly.

News of the week

Payment

Payments giant Stripe is raising another \$250M at a \$35B pre-money valuation

Financing

Stripe is raising another \$250 million in funding at a pre-money valuation of \$35 billion. This is a huge jump in valuation for the company: Stripe was valued at \$22.5 billion earlier this year when it raised \$100 million. The startup said that General Catalyst, Andreessen Horowitz and Sequoia are all in the round already.

Source: [Techcrunch](#)

Square

Jack Dorsey's Square Is Testing a New Free Stock Trading Service

Square is testing out a new Cash App feature that would enable users to make free stock trades. While the exact date of its launch is yet to be determined, employees began testing the new feature in recent weeks. The free stock trading feature would position Square as a direct competitor to fintech startup Robinhood Markets Inc., which has gained millions of customers by offering no-fee trading, and most recently garnered a valuation of \$7.6 billion.

Source: [Bloomberg](#)

Mastercard

Mastercard, R3 to Develop Blockchain Cross-Border Payments Platform

Blockchain

Payments giant Mastercard is to develop a blockchain-powered cross-border payments platform in partnership with enterprise-focused blockchain firm R3. The two firms have inked a deal to "develop and pilot" the payments solution. It will initially be aimed at connecting faster payments schemes and banks backed by Mastercard's clearing and settlement network.

Source: [Finextra](#)

Lexin

LexinFintech Announces US\$300 Million Private Placement of Convertible Notes with PAG

Lexin announced that it has entered into a convertible note purchase agreement with PAG. The Company will issue and sell convertible notes in an aggregate principal amount of US\$300 million to PAG through a private placement. The convertible notes will mature in seven years, bearing interest at a rate of 2.0% per annum. The notes will be convertible into fully paid Class A ordinary shares of the Company or ADSs at a conversion price of US\$14 per ADS at the holder's option from the date that is six months after the issuance date.

Source: [Bloomberg](#)

Blockchain

Santander issues end-to-end blockchain bond

Banco Santander has issued a \$20 million bond that will run its course entirely on an Ethereum blockchain. Banco Santander is itself the issuer of the \$20 million bond, while one of the Group's units purchased the bond at market price. The bond carries a quarterly coupon of 1.98%. The Spanish bank used the public Ethereum blockchain, tokenizing the bond securely and registering it in a permissioned manner on the blockchain.

Source: [Finextra](#)

Blockchain

Russia's Largest Bank Buys \$15 Million in Debt Using Hyperledger Blockchain

Sberbank, the largest bank in Russia, has bought about \$15 million worth of accounts receivable from the Singapore-based commodity trading giant Trafigura using a blockchain. The pilot transaction was made on the Hyperledger Fabric platform. It took advantage of Fabric's private collections feature, which can keep a certain set of data confidential among a subset of network participants. The system piloted by Sberbank leverages smart contracts written in the Scala language, using the Aurelia framework and Sberbank's own cloud solution, SberCloud. It takes one second to form a block of complete transactions, the company claimed.

Source: [Coindesk](#)

Blockchain

DBS

DBS uses blockchain platform to resolve cash-flow problems for SMEs

DBS Bank is to offer multi-tier financing on a logistics blockchain platform named Rong-E Lian, to help small and medium-sized enterprises (SMEs) in China get faster access to trade financing. The bank integrated its digital onboarding API into the blockchain platform, allowing DBS to verify the credentials of a supplier within seconds. Once credentials are verified, the bank is then able to offer digital trade financing services to upstream suppliers, often SMEs, in the ecosystem within 24 hours.

Source: [Finextra](#)

Challenger Bank

One in every 20 adults in the UK now bank with Monzo

UK challenger bank Monzo has broken through the three million customer mark, with sign-ups continuing to accelerate for the app-only bank. The milestone was reached just four months after Monzo hit two million users. More than £18bn has been spent through Monzo since the bank's founding in 2015, with £4.9m sent between Monzo users every day. Monzo's slick interface and range of customer-

friendly features - including budgeting and savings tools and fee-free spending abroad - is clearly winning over smartphone users.

Source: [Finextra](#)

Payment

JPMorgan Chase and Wells Fargo invest in kids debit card Greenlight

Greenlight Financial Technology, the startup behind an app and debit card for kids, has closed a \$54 million Series B funding round led by Drive Capital and joined by JPMorgan Chase and Wells Fargo. Atlanta-based Greenlight combines a "smart" debit card with an app to help kids improve their financial literacy while giving parents controls on spending. Since launching in 2017, half a million parents and kids have signed up. Parents can choose the exact stores where their children can spend, manage chores and allowances, set parent-paid interest rates on savings and more. Kids monitor balances, create saving goals and learn to make real world trade-off decisions.

Source: [Finextra](#)

Investment

Consumer Credit

Hubei will promote official loans for college students to curb illegal loans on campus

In order to get college students away from "illegal loans", Hubei Bureau of China Insurance Regulation Commission said it would improve the construction of college students' credit system, including enlarging formal banking credit products supply on campus and reducing the threshold of loan. Every student may get loans of around 5000 RMB through the bureau's efforts and there will be 8-10 billion RMB consumer credit supply for all college students across the province, meeting the normal demand of college students' consumer credit.

Source: [Snowball](#)

Digital Exchange

SIX Digital Exchange launches DLT-based trading and settlement prototype

Swiss stock exchange SIX has launched a prototype of its distributed ledger technology-based digital exchange and central securities depository. Meanwhile, trading has started on Boerse Stuttgart Digital Exchange. SIX Digital Exchange (SDX) promises to be the world's first end-to-end exchange for digital assets when it launches properly in the fourth quarter of 2020, offering listing, trading, settlement and custody service.

Source: [Finextra](#)

Deutsche Bank

Deutsche Bank dives into 'Blue Water Fintech Space'

Deutsche Bank is looking to tap into China's burgeoning startup and innovation ecosystem with the opening of its first innovation hub, 'Blue Water Fintech Space', in Shanghai. The facility will be run by a dedicated Innovation and Digital Solutions team with the aim of providing clients with new ideas through digital transformation workshops, proof of concept roadshows, acceleration and incubation of fintech projects.

Source: [Finextra](#)

BNP Paribas

BNP Paribas embeds digital assistant in single dealer platform

BNP Paribas is claiming an FX industry first with the release of a single dealer platform, Cortex Live, with an inbuilt digital trading assistant going by the name of ALiX. ALiX works with Cortex LIVE to provide clients with a running commentary, as well as important events like data announcements, market moves or changes in liquidity. The AI bot is capable of reacting to over 100,000 data points per second, says the bank, offering clients a comprehensive view of changing market conditions.

Source: [Finextra](#)

AI

Surveillance

Standard Chartered invests in Digital Reasoning

SC Ventures the fintech investment unit of Standard Chartered has invested in artificial intelligence outfit Digital Reasoning, bringing its Series D-1 funding round total to \$40 million. Digital Reasoning's AI platform parses unstructured communications data to add context to human conversations, spotlighting compliance failings and potential fraudulent behavior. UBS and Point72 use the company's Synthesys technology to scan internal e-mails in search of unfamiliar patterns between employees.

Source: [Finextra](#)

Data Sharing

Investment

Visa and Mastercard join Plaid financing

Visa and Mastercard have joined a \$250 million financing round in Plaid, a US startup that links consumer bank accounts with fintech apps. The startup has focused on helping financial applications interact with checking and savings accounts, striking deals with big banks such as JPMorgan Chase and fintechs including Robinhood and Acorns. The company claims that a quarter of US consumers with bank accounts have connected to Plaid through an app. In December, amid rumours of a bidding war, Plaid closed its \$250 million Series C round at a \$2.65 billion valuation.

Source: [Finextra](#)

Blockchain

Payments Network

Deutsche Bank Joins JPMorgan's Crypto Payments Network

JPMorgan's blockchain-based payments initiative has added Deutsche Bank as its latest member. The addition brings the total number of banks signed up for the Interbank Information Network (IIN) to 320. Announced in October 2017, IIN is built on Quorum, the ethereum-based blockchain network developed by the banking giant, and employs a stablecoin dubbed JPM Coin. The bulk of the member banks use JPMorgan to process USD payments. Deutsche Bank, though, ranks number one globally for clearing of euro-denominated payments.

Source: [Coindesk](#)

Cloud

Google

Deutsche Börse signs cloud deal with Google

Deutsche Börse has inked a deal with Google that will see the German exchange operator migrate workloads to the public cloud. The move to Google Cloud is designed to accelerate Deutsche Börse's push into new technologies such as big data and analytics, machine learning and AI and DLT. Another benefit touted is agile implementation of new functionalities as well as reduced operational costs through automation.

Source: [Finextra](#)

ID Verification

Goldman, Citi and Santander invest in ID verification outfit Trulioo

Big-name financial services players Goldman Sachs, Citi and Santander have joined a funding round for Canadian identity verification outfit Trulioo. Trulioo claims to provide instant global identity verification for five billion consumers and more than 250 million business entities in areas such as banking, e-commerce and payments in over 195 countries — all through a single API integration.

Source: [Finextra](#)

Payment

Barclays and JPMorgan Chase join TouchBistro funding round

Barclays Bank, RBC Ventures, BMO Capital Partners and JPMorgan Chase have participated in a C\$158 million funding round in iPad POS outfit TouchBistro. Founded in 2010, TouchBistro's iPad point of sale system has been developed specifically with the needs of the restaurant trade in mind, catering for order taking, payment processing, menu management, sales tracking and reporting, and staff scheduling. The company, which currently serves 16,000 restaurants in 100 countries, has processed more than US\$11 billion in annual payments through its payments platform.

Source: [Finextra](#)

2B

Insurtech

Banco Sabadell invests in cyber-risk modelling startup Kovrr

Banco Sabadell's innovation hub InnoCells has joined a \$5.5 million funding round for Israeli cyber-risk modelling startup Kovrr. StageOne Ventures and Alma Mundi Ventures co-led the round. Kovrr provides insurance carriers and reinsurers with an end-to-end cyber risk modelling platform. The startup delivers data-driven insights and enables clients to quantify and manage their cyber-risk exposures across all lines of insurance.

Source: [Finextra](#)

Investment

Deposit Solutions

Deutsche Bank buys stake in Deposit Solutions

Deutsche Bank has acquired a five percent stake in Hamburg-based fintech Deposit Solutions for £50 million, an existing technology supplier to the bank. Besides Deutsche Bank, nearly 100 other banks from 18 countries are using the Deposit Solutions platform either to offer their clients deposit products from third-party banks or to source deposits for their balance sheet.

Source: [Finextra](#)

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