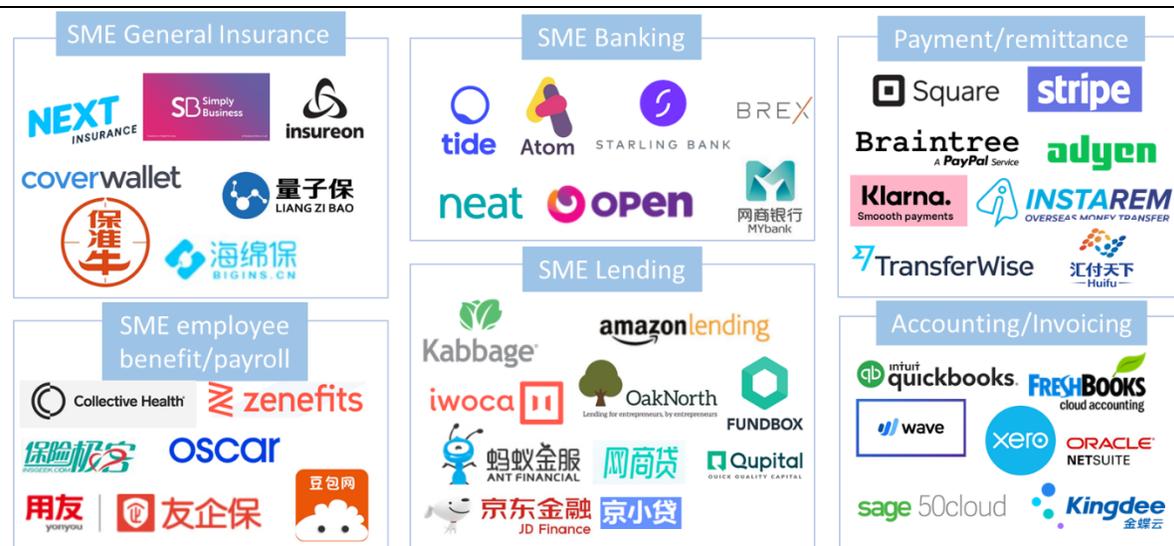


Global FinTech Weekly



Highlight of the week – SME FinTech: From payment, banking to insurance

Figure 1: SME FinTech market map



Source: TechCrunch, AMTD Research

SME FinTech may become the next wave of focus in Asia

While majority of FinTech activities target consumer market, SME FinTech may become the next wave of focus. Lack of historical data, high servicing costs and difficulty in underwriting and pricing and high failure rates are the key reasons that traditional financial institutions are unable to serve SMEs. From payments to banking and insurance products, SME FinTech companies are tackling the market failure in serving SMEs. Payment companies could facilitate SMEs' payments at lower cost with faster speed; the use of alternative data source from accounting software, digital payment, e-commerce platforms, funding data provide alternative credit score and improve the availability of financing to SMEs; SME insurance platforms could provide tailored employee benefits and P&C coverage for SMEs. However, it is unclear if SME fintechs are just as scalable as consumer fintech and if their revenue models are sustainable.

We will see more crossover between non-insurance companies and InsurTech

We've noticed increasing insurance offering from non-insurance FinTech. For example, many online consumer lenders in China started to offer auto and life insurance products. Credit Karma in the U.S. started to offer auto insurance comparison. Some InsurTech startups are helping smaller insurers to capitalize micro-insurance opportunities in SME market and at the same time explore consumer insurance opportunities for SMEs: 1) Baozhunniu from China customizes micro-insurance for sports including liability insurance for football games,

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basketball games, marathon and liability and accidental insurance for O2O platforms; 2) Liangzibao is enabling its insurance partners to provide tailored insurance to niche market including insurance for driving schools, schools, aesthetic medical clinics etc.

Digital payments pave the way for credit; but SMEs need more than just credit

Payment companies eye-catching valuations reflect investors' enthusiasm in their potential to monetize their payment data, through loan product as a first step. However, SMEs need more. We start to see startups to incorporate payments, corporate cards, expense filing and management tools, accounting & invoicing, HR&employee benefits and business registration in their services.

SME insurance market is largely a neglected market in Asia

Insurance platforms that targets SMEs are emerging in developed markets. The key is simplified but tailored product and automated process. Customers can get a quote, buy the policy, file claims, share the proof of insurance, all online. Simply Business in U.K. (acquired by Traveler) serves more than 590,000 small business and landlord customers. Simple Business partners with insurance companies to create new products for SMEs based on its proprietary data and insights. It provides covers a wide range of trades and professions and including public liability insurance, professional indemnity insurance, employers' liability insurance, tool insurance etc. Similarly, Next Insurance in the U.S. provides SME coverage with more than 100,000 customers. A few online platforms that aim to provide group life insurance for SMEs as a supplement to social security insurance have emerged in China.

News of the week

Insurtech

Munich Re invests \$250m in Next Insurance

Next Insurance, a US digital insurance startup focused on small businesses, has joined the unicorn club after securing a \$250 million investment from German reinsurer Munich Re. Palo Alto-based Next Insurance launched three years ago, providing SMEs with a host of tailored insurance products through its online platform. The company has already amassed a customer-base of over 100,000 firms.

Source: [Finextra](#)

SME

Challenger Bank

UK challenger Recognise signs for nCino cloud package

Recognise Financial Services, the latest challenger brand taking aim at the SME sector in the UK, has contracted with core bank provider nCino for delivery of its cloud-based Bank Operating System, as it gears up for launch in 2020. Recognise will use the nCino platform to provide onboarding, loans and deposits across all lines of business. The package will also be used to integrate further third party services ranging from biometrics, to video conferencing, due diligence checks, and open banking initiatives.

Source: [Finextra](#)

SME

Challenger Bank

UK Challenger Bank Tide Secures £44.1 Million Through Series B Funding Round

Tide, a UK-based SME challenger banking, announced on Monday it secured £44.1 million through its Series B funding round, which was led by specialist fintech investment companies, The SBI Group and Augmentum Fintech plc. Tide describes itself as a current account that saves businesses time and money with its tools that automate bookkeeping and make paying/sending invoices quicker.

Source: [Fintechranking](#)

Payment

B2B

Fundbox raises \$176 million Series C to build 'Visa' for B2B payments

Fundbox, the SF-headquartered startup, wants to ultimately transform B2B payments by creating a Visa-like payments network that allows businesses to transact with each other without having to know counter-party risk while also getting everyone paid faster. Fundbox's core product is a revolving line of credit for small businesses. To apply for the loan, companies connect Fundbox to their financial data store (for example, QuickBooks), and Fundbox slurps in the data and offers a credit decision in as fast as minutes. Companies can then tap their line of credit almost immediately and use it as working capital.

Source: [Techcrunch](#)

Payment

Financing

'Fintech-as-a-service' platform Rapyd raises \$100m

Rapyd, a fintech-as-a-service' platform that enables businesses and consumers to pay or be paid however they choose for local and cross-border e-commerce transactions, has closed a \$100 million funding round led by Oak HC/FT and joined by Stripe. Its platform lets firms access over 500 local payment types including bank transfers, e-wallets and cash in more than 100 countries. In addition, the platform offers disbursements in over 170 countries, multi-currency settlement to a single file across 65 currencies, and KYC, AML and counter financing terrorism services.

Source: [Finextra](#)

Payment

PayPal

PayPal gets Chinese payments license

PayPal has become the first foreign firm to get an online payments license in China after buying a 70% stake in Guofubao Information Technology Co (GoPay). PayPal will be able to offer online, mobile and cross-border renminbi payments, taking on market giants WeChat Pay and Alipay.

Source: [Finextra](#)

Payment

SME

Khatabook raises \$25M to help small businesses in India record financial transactions digitally and accept online payments

Khatabook, a Bangalore-based startup, said on Tuesday it has raised \$25 million in a new financing round and the startup has raised \$29 million to date. Khatabook operates an eponymous Android app that allows micro, small and medium-sized businesses to keep a digital log of their financial transactions and accept payments online. The app, which was launched on Google Play Store in December last year, has amassed 5 million merchants from more than 3,000 cities, towns and villages in India.

Source: [Techcrunch](#)

Neo Bank

Upstart banking company Dave is now worth \$1 billion

Two years after the Los Angeles-based fintech startup Dave launched with a suite of money management tools to save consumers from overdraft fees, the company is now worth \$1 billion thanks to a nascent banking practice that had investors lining up. The company used its overdraft protection service and money management display to shift customers' focus away from the total balance that their account would show by giving them a sense of how much was actually left in their accounts once debits were included in their statements.

Source: [Techcrunch](#)

Payment

Visa opens resource portal for fintechs

Visa

Visa is looking to cosy up to fintech firms through the launch of an online portal giving them "unprecedented" access to its technologies and network. Visa has launched Visa Partner, a one-stop shop to simplify the process of working with the payments giant, helping fintechs more easily leverage its network, resources and tools. The portal helps with fast digitised licensing; offers a comprehensive partner directory full of BIN sponsors, issuer processors, PCI, compliance and KYC and AML partners; and contains educational videos that teach the basics of payments and issuing.

Source: [Finextra](#)

Authorisation

MasterCard introduces Threat Scan to help banks assess fraud exposure

MasterCard

Mastercard has launched a service, called Threat Scan, to help banks proactively identify potential vulnerabilities in their authorisation systems. Mastercard's new offering is designed to complement card issuers' existing fraud tools by simulating known fraudulent attacks on issuers and pinpoints authorisation security weaknesses. Issuers can see the scan results immediately and take action to shore up their weak links.

Source: [Finextra](#)

API

Citi and RBC join \$18m funding round for card data API startup Fidel

Fidel, a UK-based startup that gives developers access to real-time transaction data from the big card schemes via an API, has raised \$18 million in a Series A funding round joined by Citi Ventures and Royal Bank of Canada. Fidel makes it easy for developers to build applications that connect directly to consenting users' debit or credit cards. Its API provides access to real-time payment data from the three major card networks - Visa, Amex and MasterCard - through a single integration point.

Source: [Finextra](#)

Challenger Bank

Challenger bank Bunq expands to all EU countries

Fintech startup Bunq is launching in 22 additional markets today. It is now going to be available in all European Union markets as well as Norway and Iceland. Overall, users can sign up in 30 countries. More recently, Bunq also launched a (nearly) free tier called the Bunq Travel Card. The main advantage is that Bunq uses the standard Mastercard exchange rate but doesn't add any markup fee. Most traditional banks charge you 2 or 3% for foreign transactions.

Source: [Techcrunch](#)

Open Banking

Nationwide invests in BankiFi

Nationwide Building Society has invested in Open Banking vendor BankiFi, as it gears up for the forthcoming launch of its business banking service. The UK building society says it plans to use BankiFi's platform to provide business account holders with a menu of additional services - such as accounting, invoicing, payments, VAT submission, lending and banking services - from pre-approved third party providers through a single API.

Source: [Finextra](#)

Cryptocurrency

Bitrue Exchange to Launch Crypto-Backed Loan Platform

Singapore-based exchange Bitrue is launching a low-interest crypto lending platform, the company said. The service, which goes live on Sept. 30, loans BTC, ETH XRP and USDT at a 0.04% daily interest rate. Users pledge existing Bitrue-held crypto assets as collateral against their \$100-minimum loans.

Source: [Coindesk](#)

Data Privacy

Data Privacy Startup StrongSalt Raises \$3 Million for Encrypted API Service

Blockchain

A new encryption-as-a-service company raised \$3 million to bring standardized encryption techniques to the blockchain. StrongSalt “bakes” its encryption service into workflows and applications and pairs with both permissioned and permissionless blockchains. StrongSalt is chain-agnostic, as it can work with almost any blockchain.

Source: [Coindesk](#)

Online loans

Kreditech targets India after EUR20m funding boost

Kreditech, a German-based online lender and POS financing provider focused on “near prime” borrowers, is looking to the Indian market after raising EUR20 million in funding. Founded in 2012, Kreditech practices what it calls ‘algorithmic banking’, using big data to make credit decisions on loans for people who might be shut out by high street providers. The firm has moved beyond its home market to establish operations in Poland, Spain, Russia and India, where it now plans to scale its business and take advantage of a huge underbanked population before entering other countries.

Source: [Finextra](#)

Trade Finance

HSBC launches trade finance API

HSBC has launched a trade finance API that lets partner financial institutions and their clients see the status of their bank guarantees in real time from their own platforms. The bank guarantee API, currently being tested by ING and Standard Bank, lets partners build their own applications for clients using HSBC's network. HSBC says the API is just the first of several in the trade finance area it is developing, while ING is floating the addition of real-time documentation negotiations or pricing agreements.

Source: [Finextra](#)

Biometric Payment

New York Mets introduces biometric payment kiosks

The New York Mets has installed AI and biometric powered self-checkout kiosks at its Citi Field stadium, enabling fans to pay for their brews and snacks using just a touch of their finger. Aramark, the food and beverage provider for Citi Field, teamed with biometrics firm Clear and Mashgin, a provider of kiosks that use AI to scan multiple items at once, to implement the system.

Source: [Finextra](#)

Start-up Loan

Mercury banks \$20M for its banking service aimed at startups

Mercury, which describes itself as a bank for startups, has banked \$20 million of its own in funding. This latest funding comes on the heels of Mercury having launched only in April 2019, and is a result of what appears to be very strong demand for what it has to offer. In the first week of its launch it had 1,500 signups, and it has been growing at 40% each month since.

Source: [Finextra](#)

Payment

PayPal

PayPal joins traditional banks in KBC Mobile account aggregation package

Belgium's KBC has added PayPal balances and transactional information to its mobile bank account aggregation app. The inclusion of PayPal, alongside Argenta, Belfius, BNP Paribas Fortis and ING, reflects the great strides the company has made in insinuating itself into people's everyday shopping and payments habits.

Source: [Finextra](#)

Budget Management

ANZ leads A\$2.3 million round in DiviPay

Australian expense management startup DiviPay has raised \$2.3 million in a funding round led by ANZ. DiviPay enables companies to provide staff with access to company money whilst controlling exactly how that money can be spent. After signing up to the DiviPay platform, managers are prompted to create budgets for their team and set their desired level of control by either allocating budget members a pool of funds or requiring approval for every expense.

Source: [Finextra](#)

Blockchain

Ant Financial and Bayer to Jointly Develop Blockchain for Agriculture

Bayer Crop Science has agreed to work with Ant Financial, the payments affiliate of Alibaba, to develop a blockchain-based system for agricultural product monitoring. The companies signed a letter of intent to utilize blockchain technology to increase efficiency, improve the income of farmers, ensure the production of high-quality food and aid in the digitization of agriculture, according to a Sept. 25 announcement.

Source: [Coindesk](#)

AI

NatWest taps AI to simulate future market outcomes

UK bank NatWest is teaming up with Microsoft and AI specialist DreamQuark to simulate financial markets, transport networks and other environments and then use the information to spot risks and opportunities. The Next Generation Complex Analytics platform will use a combination of simulations and machine learning across a host of use cases within NatWest's personal and commercial businesses.

Source: [Finextra](#)

Neo Bank

Glint Pay goes into administration

Glint, a London-based fintech startup that enables users to store and spend their wealth in gold, has gone into administration, leaving customers high and dry.

By using the Glint iOS app and the Glint Mastercard, Glint clients were able to make everyday payments by debit card in multiple currencies specified by the user at the point of sale. In July this year it sought to raise £1.25 million in a crowdfunding exercise as part of a Series A financing of £15 million. At the time, Glint said the app had achieved more than 50,000 app downloads, 10's of thousands of registered users and more than USD \$50 million in transacted volume.

Source: [Finextra](#)

Neo Bank

Monzo takes the axe to Monzo Plus team

UK digital bank Monzo has disbanded the entire team responsible for its subscription-based Monzo Plus offering after receiving a wash of negative feedback from customers who signed up for the service. The premium service, which went live five months ago, was a key plank in Monzo's attempts to drum up additional revenue as it strives to break even. Users were charged up to £13 per month for a range of packaged service bundles like additional ATM withdrawal allowances, travel insurance, airport lounge access, Monzo merchandise and prize draws.

Source: [Finextra](#)

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