Hello

Welcome to the second edition of the Rise FinTech report. Rise, created by Barclays, is a global network of the world’s top innovators working together to create the future of financial services. In this edition, we discuss ‘open innovation’, dig deep into the Israeli FinTech scene and ask how FinTech impacts financial inclusion. We also highlight some of the FinTechs who’ve made a mark in Q2.

With over 150 companies across our Rise sites we have access to a huge range of change makers in the industry. Our mission is to better connect technology, talent and trends from our network to accelerate innovation and growth for Barclays, startups and corporates. We hope you enjoy and will share these insights.

Join us and rise to the challenge to transform finance.

#HomeofFinTech

Foreword
Making corporate innovation ‘open’

With technological advancements and a constantly evolving competitive landscape, innovation plays a key part in sustainable growth. Innovation can happen through the creation of new products, features, processes or business models but people often think it has to be a big, transformative change. It doesn’t. Small steps forward – something you can do to make your team’s or client’s life easier and better – are just as important.

A popular approach to accelerate innovation within an organisation is ‘open innovation’ – an approach adopted by Barclays. Traditional innovation is about creating ideas and implementing them in-house. Open innovation moves away from that towards a model of engaging with different groups and individuals to create the best and most innovative solutions possible.¹

Let’s look at open innovation in two ways, outside-in and inside-out²:

• Outside-in means letting the wider, external ecosystem input and contribute to your organisation’s ideas to better meet the constantly changing demands of your consumers

• Inside-out lets unused and under-utilised ideas escape the organisation and evolve within other organisations and individuals

At Barclays, we have deployed distinctive open innovation strategies:

• The Barclays Accelerator, powered by Techstars, allows us to find entrepreneurs solving challenges that are close to ones curated by the firm

• Rise, created by Barclays, global FinTech co-creation hubs allow us to work side by side with our friends in the FinTech community sharing best practices and ideas

• Innovation forums and challenges for Barclays colleagues across the firm allow us to come together outside of our day jobs to collaboratively solve problems

Adopting open innovation and working with the broad FinTech ecosystem through the Accelerator and Rise has provided great opportunities for both parties. The startup community provides speed, talent, agility and a different perspective on ideation, while Barclays provides them with our bank’s deep-rooted and expansive knowledge, trust, security and infrastructure. Together, we have successfully accelerated innovation, impacting the way we serve our customers and bringing value to our shareholders.

To learn more about the Accelerator and Rise, visit rise.barclays.

¹ Why The Future Of Innovation Is Open, Inc.com, 2017
² Bringing Open Innovation to Services, Henry Chesbrough, MIT Sloan Management Review, 2011

John Stecher
Group Chief Technology and Innovation Officer
Editorial special
Cyber security in Israel

Israel is one of the leading experts in cyber security solutions, generating $6.5 billion in 2016. More than 10% of all global investments in cyber security are made in Israel, making it one of the country’s main export segments. In 2018, Israeli startups received $1.19 billion or almost 20% of global VC investments in this technology, up 47% from the previous year.

Israel is uniquely geared towards cyber security, and more importantly the associated innovation. The country has a culture of entrepreneurship and invention, which generates talented and well-trained cyber-security experts with a vast experience in product development, team management and the capabilities of the technology. Young Israelis in leading technology units (for example, the Israel Defense Force, IDF, Unit 8200) experience real-life and leading-edge cyber security challenges and solutions. As these units function like startups, they also get to experience teamwork, leadership, significant decision making and how to survive failure, which are all great preparation for entrepreneurial life.

To keep them – at least for a while – from starting their own ventures, the IDF entices them to extend their service by funding their PhD studies or providing other incentives they will not find in civilian life.

The ecosystem is constantly evolving and encourages collaboration between the government (including the military), businesses and universities, with the government playing an important guiding, coordinating and advisory role. It has served as a catalyst for cyber security to become an economic growth engine.

The market demonstrates the importance of Israel’s contribution to cyber security. Two of the world’s top 10 cyber security companies are Israeli – CheckPoint, a security solutions company with a 2015 total revenue of $1.6 billion, and Cyberark (trading on the NASDAQ as CYBR) worth $1.8 billion that provides privileged account security solutions.

As cyber security breaches become more common, innovation in cyber security and supporting infrastructure remain paramount in how organisations safeguard their assets and people.

Ronen Gottlib
Security Innovation Director, Barclays
This article is inspired by the results in the first ever State of the Israeli Ecosystem report, an overview and analysis of the high technology innovation ecosystem in the country in 2018.

Now, more than ever, international corporations – technology leaders in their home countries and their own verticals – are expanding into Israel and changing how the local players operate and evolve in the country’s dynamic FinTech ecosystem.

Corporates have been innovating in the Israeli market for decades, but their motivation has recently shifted. Between 2004 and 2016, the number of R&D centres created every year increased but in recent years the growth has flattened. Before 2017, for instance, 20 FinTech R&D centres and five open innovation programmes were created. Since 2017, only one R&D centre but 16 open innovation programmes have been established. Clearly, the potential for innovation and partnering provided by such programmes has been recognised rather than the desire to build ‘just another’ research outpost.

2018 and the first quarter of 2019 was an interesting period:

- Multinational corporations participated in 38% of FinTech startup investment rounds compared to 26% in 2017
- Israeli, like the rest of the world, witnessed a wave of blockchain-related startups
- By the end of 2018 and the first quarter of 2019, with the decline in value of virtual currencies like Bitcoin, many startups shifted from blockchain to solutions combining AI and machine learning

Today, there are approximately 500 FinTech startups in Israel and that number is growing steadily. Startups keep maturing with more rounds of financing and new products.

More recently, there have been several high-profile FinTech investments such as:

- Pagaya, an AI-driven institutional asset manager that focuses on fixed income and consumer credit markets, with total capital of $119.3 million
- Rewire, an international borderless platform for migrants, raised $12 million in Series A funding led by Viola Fintech with participation from Standard Bank of South Africa and BNP Paribas

These are just two examples of the Israeli FinTech ecosystem maturing and becoming a global leader in cutting-edge technologies aimed at institutional entities and consumers alike.

This year is set to be another exciting one for Israeli FinTech with more disruptive, innovative technologies on the horizon.
The relationship between FinTech and financial inclusion

It’s difficult to imagine daily life without access to a bank account – getting a job, renting a house or even using public transport would be nearly impossible without one. Yet financial inclusion is a significant barrier and a cost to a staggering 1.7 billion adults, who are left outside the formal global economy. In an increasingly cashless society, this presents real social challenges, leaving individuals stuck with a ‘poverty premium’ (paying more for basic services), making them increasingly marginalised.

FinTech can play a critical role in reducing this problem for many. In Indonesia, for example, Quick Response (QR) codes let millions of people make payments with a smartphone without the need for a bank account. QR code payments follow the success of M-Pesa in Kenya, which allows smartphone users to send and receive cash via text message. Almost half of Kenya’s GDP is currently processed through this system.

The FinTech sector provides more opportunities to deliver sustainable results that promote financial inclusion. Alternative microfinance solutions, such as peer-to-peer networks, are extending access to credit and financing for consumers and businesses, while ‘robo-advisors’ provide expert financial advice and education. Open Banking also holds great potential for products and services to more closely meet consumer and business needs, adding a potential £18 billion per year to the UK economy. Examples include third-party integrations for businesses and database-assisted digital ID recognition.

The opportunities for FinTech to contribute to financial inclusion will continue to develop:

- Research by PwC shows that only 53% of financial institutions believe they are fully customer-centric compared to 80% for FinTech firms.
- World Bank data shows that 1.2 billion adults have obtained a bank account since 2011.
- Crowdfunding and peer-to-peer financing now comprise over 10% of how businesses in the UK access capital.

One last point. If the services provided by FinTechs are to play a role in financial inclusion, the digital infrastructure used to deliver those services will also be key and must remain a priority for governments and infrastructure providers.

Romit Patel
Associate, Competition Finance, Financial Conduct Authority
Rise global ecosystem

Q2

Capital Markets & Trading

Enterprise Solutions

Innovation Services

Lending

Risk, Compliance & Regtech

Services

Banking & Payments

Blockchain

AI, Big Data & Machine Learning

The information on the infographic is accurate at the time of publication.
The FinTech Power 50 startups that made a mark this quarter

The FinTech Power 50 is an annual guide to the most influential and innovative companies, and visionary personalities shaping the FinTech industry. Each year it selects 40 innovative companies and 10 of the world’s best FinTech Influencers. Here, they share four notable FinTechs that made a mark in Q2.

🌟 Bankable

Founded in 2010, Bankable is a global architect of innovative banking solutions – thanks to a secure and scalable middleware platform and ecosystem. Bankable offers a modular approach to banking by which turnkey and bespoke banking solutions are developed and deployed.

With Bankable, financial institutions, FinTechs, corporates and marketplaces have access to virtual or physical card programmes, real-time (i.e. FPS, SEPA, STEP2, BACS and SWIFT) payments, cross-border payments, e-ledgers and account solutions. In April 2019, Bankable and Visa entered into a strategic partnership to accelerate digital banking solutions. Visa also made a financial investment in the company. The partnership gives Visa members access to Bankable’s platform as a way of deploying digital banking and real-time payment services.

fundingoptions.com

🌟 Funding Options

Funding Options is the UK’s leading marketplace for business finance. The company helps small businesses find the right type of funding – whether they’re fighting for survival, looking to grow or simply need finance to pay a tax bill.

Funding Options was awarded a £5 million grant from Pool D of the Capability and Innovation Fund. With this grant, they plan to deliver £0.5 billion of new alternative lending to UK small businesses by the end of 2022. This means that for every £1 of grant money received, Funding Options aims to deliver £100 in new lending to SMEs, the backbone of the UK economy.

fundingoptions.com

🌟 Konsentus

Under the PSD2 Open Banking initiative, a financial institution (FI) cannot deny access to a Third Party Provider (TPP) if they are appropriately regulated. But how does the FI know if the TPP is who they say they are, and are appropriately regulated. Konsentus is a RegTech company with a software-as-a-service solution based on RESTful APIs. It operates across all 31 National Competent Authorities working with the European Banking Authority TPP Register, and over 70 Qualified Trust Service Providers (QTSPs) to ensure FIs never provide data to unregulated TPPs.

In June 2019, London-based Konsentus closed a multi-million-pound Pre-Series A financing round led by Mastercard that will support an accelerated growth plan across Europe. The RegTech market is growing at over 45% per annum. There are over 9,000 FIs in Europe delivering PSD2 Open Banking, and the demand for the Konsentus service is significant.

konsentus.com

🌟 CreditEnable

CreditEnable is a UK-based global credit insights and technology company that enables intelligent lending to SMEs. CreditEnable offers a Cloud-based platform with a suite of credit analysis tools that are designed to improve speed, efficiency, consistency and decision-making in the SME lending process.

CreditEnable and the Confederation of All India Traders (CAIT) have launched the Changemakers programme a few days after a UK report pegged the programme as the largest ever attempted mobilisation initiative helping secure, affordable credit for SMEs. The focus of Changemakers is making more than $320 billion in affordable credit accessible to SMEs.

creditenable.com
Rise ecosystem insights Q2

Rise data collected from each Rise location. VC investment statistics are for the second quarter of 2019, provided by Innovate Finance and IVC research centre and are not limited to Rise ecosystem companies.

**London**
- $1.74bn in VC investments
- 56 VC deals
- Top VC deals: Greensill Capital – $800m; Checkout.com – $230m; WorldRemit – $175m
- 9800+ Rise visitors
- 70+ Rise events

**New York**
- $894m in VC investments
- 46 VC deals
- Top VC deals: Grasshopper Bank – $116m; Trumid Financial – $58m
- 6,300+ Rise visitors
- 40+ Rise events

**Tel Aviv**
- $1.81bn in VC investments
- 73 VC deals
- Top VC deals: Lemonade – $300m; Monday – $250m; SentinelOne – $120m
- 2300+ Rise visitors
- 30+ Rise events

**Mumbai**
- $3m in VC investments
- 1 VC deal: EnKash – $3m
- 3900+ Rise visitors
- 50+ Rise events
Case study: Waffle

Waffle insures you and everything you love through one fully customisable policy

Unconstrained by traditional insurance lines, Waffle is the first company that insures you (health, life) and everything you love (car, home, electronics, travel, pets, etc.) through one fully customised policy. In the process, Waffle offers its customers a much broader coverage for a similar price. This is made possible due to (i) a revolutionary model, built by the team at MIT, that determines an individual’s holistic risk profile and (ii) a de-risking engine that helps the customers to both decrease the risks they face and reduce their premiums.

Key features

Tailored to needs
- Personalised protection based on what customers decide
- Coverage includes car, home, life, health, tuition, art, watch, pet, travel, electronics, friends, family and more
- Broader coverage, fewer exclusions

No fine print
- One-picture policies – easy to understand
- Fully customisable – customers write their own terms

No hassle
- One provider for everything – no broker
- Automated claims
- Right from the customer’s phone

Value

With Waffle, customers get coverage tailored to their needs, policies that they themselves design and are easy to understand, and a much better customer experience that not only processes their claims in seconds but also helps them to live safer lives and be rewarded for it.

The Waffle experience is conducted directly from a mobile phone or online, which allows customers to manage their protection from their pocket or their desktop.

Case study: Novo

Banking services are critical in the early days of startups and SMEs – purchasing goods, receiving investment, etc. are all important.

Novo has built a mobile-first banking service for the modern entrepreneur so they can send and receive funds seamlessly. Novo accounts give a comprehensive financial picture in real-time with AI-powered insights so business owners can spend time where it matters most – growing their business.

Key features

- User-friendly mobile application
- Multiple user functionality
- Easy application and 24-hour approval

The Barclays partnership

Waffle was part of the 2018 New York Accelerator class and is the first company to receive finance from Rise Growth Investments.

Although insurance has not traditionally been a core activity for Barclays, there’s high interest in the US retail banking space where our US Digital Consumer Bank has an opportunity to think innovatively and can drive differentiation through new products and new markets – like insurance.

trywaffle.com

Value

- FDIC-insured business checking accounts
- Bullet-proof security
- No hidden fees

The Barclays partnership

Novo joined the Barclays Accelerator, powered by Techstars, in 2017. Through that programme, Barclays has supported Novo with John Stecher, Barclays Chief Innovation Officer, working as an advisor to Novo.

The business banking team in the UK has been actively engaged with Novo, sharing learnings from the UK SME banking market segment.

banknovo.com
### Why join?
At the #HomeofFinTech, conditions for innovation and growth in financial services are unmatched.

We have helped over 150 FinTech companies globally who call Rise home, raise capital, navigate the hurdles of financial regulation and compliance to build the future of financial services. Together.

### What you get:

- Unique FinTech workspace
- Global like-minded community
- Access to investors
- Help from advisors and mentors
- Barclays help and support
- Global industry events

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### The Rise Platform in numbers

- **1,000+** Individual Rise members
- **150+** Rise FinTech members
- **90,000** Yearly visitors (2018)
- **32,000+** Social media followers

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**Discover the Home of FinTech**

Join Rise New York, created by Barclays

Sign up at bit.ly/JoinRiseNewYork
About Rise, created by Barclays

Rise, created by Barclays, is a global community of the world’s top innovators working together to create the future of financial services. With a diverse network of FinTech talent, one of the world’s leading accelerator programme and workspaces based in the main FinTech hubs of the world, Rise is an exclusive place for FinTech companies to connect, create and scale together with Barclays.

To join our community, or keep in touch with the latest Rise news, visit or follow us on:

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