Rise FinTech Insights

May 2020

Created by BARCLAYS

#HomeofFinTech

Dear friends

These are strange and challenging times, but we hope that you, your families and communities are staying safe and well. At Rise, we remain focused on building and maintaining a global community of the best minds in FinTech to disrupt, challenge and confront the way things are done in our industry. This edition of the Rise FinTech report, which we've renamed Rise FinTech Insights, is part of that effort. We hope you enjoy it and we welcome your feedback. Please take our short survey (link below) to help shape the content and format of future editions. We'd love to hear from you.

Right now, maintaining the ability to innovate is especially important to startups and scaleups, which is why we've focused this edition on Open Banking. This is a technology that presents rich opportunities for FinTechs to uncover the potential in banking data and develop new financial products like funding platforms, supplier payment services, credit checks or insurance.

Now more than ever, people are at the heart of what we do, so you'll also find another important highlight in this edition: news from our Rise site leads around the world, and how they're helping our communities in these times.

Take the survey:

Scan this QR code:

Or visit:

https://tinyurl.com/rise-report

#HomeofFinTech
#powerofcommunity

Contents

The world's most valuable resource is no longer oil, but data[1]

Open Banking - building better customer-centric propositions

As The Economist pointed out[1], the world's most valuable resource is no longer oil, but data. One of the most effective ways that FinTechs can access the rich seam of consumer banking data is with Open Banking, the API-driven revolution that started in 2018 and continues to take shape around the world. For some sectors, it's been more evolution than revolution, with progress slower than expected. However, FinTechs have certainly played their part and continue to make great strides, developing a host of new, customer-centric financial products and shaping the way that data is used innovatively and, of course, securely – whether that's building new funding platforms, supplier payment services, credit checks or insurance products.

The number of calls to Open Banking APIs is growing, allowing previously inaccessible customer data to be released, with consent, for useful and fascinating purposes. As FinTechs and financial service incumbents alike provide ever-improving solutions to customers' problems, those customers are becoming more willing to share their data and aggregate their accounts.

Even with the challenges that 2020 presents, technology organisations including FinTechs, banks and data aggregators will need to keep collaborating on ways to enhance customer service and value propositions through new offerings. With regulators providing the framework in which to operate, we're sure to see innovators continue to join forces on Open Banking in ground-breaking ways that will expand the possibilities of financial services. It's a global movement with genuine scope to disrupt the industry.

Through its Open Banking APIs, Barclays is playing an active part in that movement and is creating services that are making customers' lives easier and helping them make the most of their finances. If you're interested in collaborating on APIs with Barclays, visit the Barclays API Exchange[2].

Ben Davey
CEO,
Barclays Ventures

ben-davey-7186b7161

1. https://www.economist.com/leaders/2017/05/06/the-worlds-most-valuable-resource-is-no-longer-oil-but-data

2. https://developer.barclays.com/

The industry's perspective on Open Banking

Open Banking is transformational. It's more than just regulation. Across the world, banks are publishing standardised APIs that offer customers the choice to share with, and extract information from, third party apps. Those apps can then offer additional value-add financial services to consumers as a result of the access to banking data.

While conventional wisdom would suggest that regulation such as Open Banking could be a threat to an incumbent bank like Barclays, we took a different approach and really embraced the initiative. Before Open Banking, we'd always required customers to come to us – in our branches, through our phone lines, to our website, with our mobile banking app. Open Banking has enabled us, for the first time, to go to where the customer is. It's been an opportunity to accelerate the digital transformation of our bank and ensure we provide greater value to our customers.

It was, and is, our belief that the customer will go to whomever they trust most and provides the best customer experience. We have our 328-year-old legacy and award-winning mobile banking app, a testament to both pillars of trust and customer experience. By embracing Open Banking, we were the first high-street bank in the UK to offer in-app aggregation. We figured that if customers already loved the app, why not empower them by consolidating all of their financial accounts in it? More recently, we enabled payments from aggregated accounts to be facilitated through our app.

This is only the beginning of the Open Banking journey for Barclays as we continue to drive innovation throughout the industry. Ultimately, it's about the customer and offering them greater simplicity, more innovation, more data to more places and, most importantly, the highest level of trust and value. Read about the Open Banking options available to Barclays customers[1].

Ashok Vaswani
Global Head of Consumer Banking and Payments, Barclays

1. https://www.barclays.co.uk/ways-to-bank/open-banking

Open Banking has enabled us, for the first time, to go to where the customer is

Open Banking's origins and global reach

Historically, owning customer data gave banks a competitive advantage in pricing and risk scoring. The concept of Open Banking was introduced by EU regulators so that new market entrants could access consumer data and payments more easily.

The European Payment Services Directive (PSD, later revised as PSD2) and Global Data Protection Regulation (GDPR) have enabled third parties to develop new services that educate customers about their finances and help them make better financial decisions.

Open APIs are at the heart of Open Banking. They provide safe, secure plug-and-play connectivity between companies and networks, and customers have transparency and control over what data a company uses.

Since the first Open Banking products and services pioneered in 2018 in the UK, new forms of collaboration between traditional banks, FinTechs, consumer representatives and regulators have rapidly emerged. Despite its early successes in the EU and UK, the adoption of Open Banking on a global scale is still limited[1]. The level of local regulatory involvement, consumer sentiment and adoption, and climate of innovation will determine the speed of adoption in individual countries. Large banks, traditionally providers of uniform services globally, will face challenges in adapting to different regional requirements.

Open Banking in the United States

At the time of writing, there's no Open Banking regulation in the United States. We see the implementation being largely driven by industry or customer demand. In particular, the younger generation of consumers, comprising millennials and Gen Z, appreciates Open Banking for its flexibility and transparency.

Sharing data through Open APIs can bear significant risks that challenge supporting processes, governance and infrastructure. But experiences from regulated markets in which Open Banking operates support a standardised approach to developing and operating the APIs. For example, California's privacy law has recently been informed by GDPR legislation[1]. User adoption in the United States is likely to grow in 2020 with more banks beginning to publish APIs that allow consumers' financial data to be transferred in a secure and safe way to third party applications.

Benefits of Open Banking

The expected benefits are substantial, and extend beyond payments. The consumption of retail banking products through a marketplace will open up access to more transparent and customer-centric experiences. A great example is how Barclays is using APIs to roll out itemised, digital receipts for customers and merchants in the UK, following a recent minority investment in the Barclays Accelerator, powered by Techstars, company Flux. Traditional and non-traditional providers are competing to close gaps in existing offerings and in anticipating future customer needs, for example by enabling underserved customers to access credit.

Matthias Hauser
Strategic Advisory,
Barclays International
hauserma

Customers have transparency and control over what data a company uses

1. https://www2.deloitte.com/global/en/pages/financial-services/articles/open-banking-around-the-world.html

What’s needed to make Open Banking a reality?

Open Banking has the potential to transform financial services by allowing customers to share their financial data with third parties, who can use it to build innovative solutions that meet those customers’ unmet demands. That includes demands in underserved markets. Open Banking has been on the horizon for a decade. Only today are we beginning to realise its potential. Its success depends on two key building blocks: consumer data rights and secure technological infrastructure.

Data rights build consumer trust in the ecosystem, and ensure a level playing field for participants. Governments can set the landscape for Open Banking by enshrining data rights that promote transparency, control, choice and protection, while also prohibiting resale of data beyond consumers’ explicit permission. Some jurisdictions, like Australia, have strong data rights in place. Data rights controlled by other authorities leave much to be desired, as in the European Union where rights only extend to certain data types, limiting choice and innovation. A strong foundation of data rights enforces uniformity of data access by any financial institution or third party. Consumers are then empowered to choose how to connect financial accounts and financial tools. This type of control and the innovation that underpins it are exactly why Open Banking was developed.

Secure technological infrastructure ensures that the ecosystem keeps bad actors out but legitimate, consumer-permissioned data flowing seamlessly.

Building this infrastructure requires that all participating parties - banks, technology companies and data aggregators - work collaboratively to protect against fraud and provide the connectivity that consumers demand. Financial data is sensitive information, and digital financial services ecosystems are complex. Customers want to share data from many different institutions with many different applications created by many different developers. This is where data aggregators play an essential role. By providing network connectivity, aggregators work with both banks and developers to ensure data sharing is simple and secure, and that data security practices are enforced.

Globally, consumers are using FinTech more than ever. Its use has skyrocketed from 16% in 2014 to 64% in 2019[1]. They now stand to benefit tremendously from the benefits provided by Open Banking, as do providers who can capture entirely new markets. However, consumers and providers will only benefit if governments enforce data rights and new forms of collaboration flourish across our ecosystem. With these building blocks in place, Open Banking’s future is bright.

John Pitts
Policy lead, Plaid
john-pitts-70549b3

1. https://fintechauscensus.ey.com/2019/Documents/ey-global-fintech-adoption-index-2019.pdf

Globally, consumers are using FinTech more than ever. Its use has skyrocketed from 16% in 2014 to 64% in 2019[1]

Open Banking in an unregulated world

In the new reality of COVID-19, we've seen even greater demand for digital banking products, with adoption borne out of necessity. This has expedited demand for Open Banking approaches to deliver financial services.

In October 2018, EY published the EY Open Banking Opportunity Index[1], which analysed four factors critical for the promotion of an Open Banking ecosystem:

- **Regulatory environment:** How conducive is the regulatory environment to Open Banking?
- **Consumer adoption:** What is the potential for consumers to adopt Open Banking services based on existing behaviours?
- **Consumer sentiment:** How do consumers feel about Open Banking and the data sharing involved?
- **Innovation environment:** How strong is the environment at fostering innovation, especially among financial services firms?

These factors still hold true today, although various geographies have taken different approaches. The UK, for example, adopted a prescriptive model where banks are mandated to specified and standardised APIs. In contrast, Open Banking in the US is being shaped without a strong regulatory mandate, leaving banks and innovative FinTech companies to work out standards among themselves.

Fast forward to today, and Open Banking in the US is thriving. Increasing consumer adoption, positive consumer sentiment and the fast pace of innovation seem to have outweighed the lack of a national regulatory agenda on Open Banking.

The potential of Open Banking is becoming more evident through a growing number of new embedded financial services offerings.
For example:

- **Uber Money:** Uber's partnership with Green Dot to offer checking account (current account) services to their drivers
- **Brex Cash:** A partnership between Brex and Radius Bank to provide reward-earning corporate cash management accounts
- **Alphabet Inc's Google:** Plans to offer personal checking accounts through its Google Pay app in 2020 in partnership with Citibank and Stanford Federal Credit Union

Behind the scenes, the growth of Open Banking is a direct result of private-sector agreements on data sharing and the evolution of state privacy laws.

1. https://www.ey.com/en_gl/open-banking-opportunity-index

As early as 2018, large banks began entering into agreements with data aggregators to provide secure access to customers' financial data. More recently, in February 2020, the parent company of Fidelity Investments, FMR LLC, spun out its own secure data access network, Akoya, into an independent company jointly owned by Fidelity, The Clearing House, and 11 of its member banks - large and regional.

Unlike the UK, there are no federal consumer data privacy laws in the US. However, several states (California, Hawaii, Maryland, Massachusetts, New York, and North Dakota) have begun the process of introducing their own laws based on the EU's GDPR and PSD2 legislation. In July 2020, California will begin enforcing the California Consumer Privacy Act. Banks that embrace Open Banking will be a step ahead of their competitors in complying with future state-level privacy laws as they'll already have greater insight into their data and how to manage it.

What does the future hold for both FinTech companies and banks in the Open Banking world?

More now than ever, I expect to see FinTech companies narrowing the regulatory gap through banking-as-a-service partnerships, newly licensed banks (like Varo), and acquisitions (like LendingClub). Through these partnerships, future FinTech leaders may transform from single product companies to financial services platforms.

Banks may also seek to increase their addressable market by embedding their financial products into a growing number of technology and consumer platforms that are emerging across the e-commerce, mobility and lifestyle ecosystems.

Although uncertainties remain, within a few short years, Open Banking has emerged as a disruptive force that's reshaping the banking industry and creating a new range of innovative customer products and services. Impediments and barriers are being addressed or removed and the future of this new ecosystem remains bright.

Sara Elinson
Principal, FinTech Strategy & Transactions Leader, Ernst & Young LLP

sara-elinson-01643910
@SaraElinson

Data sharing in the world of Open Banking

Lock down your data - it'll set you free.

For over a decade now, data scientists from all walks of life have had access to some amazing Artificial Intelligence (AI) resources. Personal finance, however, has been overlooked for several reasons.

Linguists got Google N-Grams in 2011. This was 2.2 terabytes of text taken from more than 30 million books and it revolutionised the way people studied predictive text. If you're studying image recognition, you've had 14 million images on ImageNet since 2009. Want to guess how old someone is by looking at their hands? There's even a labelled dataset for that[1]. (Labelling data adds extra, meaningful information to data.)

In almost every niche, from solar flares to soybeans, there's an abundance of clean, functional, sometimes even pre-labelled data. But that's not true when it comes to your finances. It always astonishes me that, to model the likelihood of an El Nino weather system coalescing, we can access data from more than 178,000 buoys, but if we want to use AI to help someone get on in life by spotting a change in their electricity bill, we have to build our own dataset from scratch. There are precisely zero free or low cost options available.

The reasons are pretty clear. Ownership and sensitivity are obviously factors. I'm unlikely to be able to commit fraud or other crimes using weather data and (probably most importantly) sharing weather data isn't creepy. That's not true of personal finances and the decades of cultural norms built into our relationships with money and privacy.

It's this lack of available data that explains why AI hasn't yet impacted our personal finances. It's not that we don't trust computers: we do. We're comforted by the presence of the state-of-the-art-autopilot that flies our plane. In contrast, AI's value proposition in relation to our finances isn't yet clear because institutions have understandably shied away from making our sensitive transactional data available to the outside world and the potential fraudsters in it. They've effectively locked the data away in a vault.

But there are ways of releasing data from the vault safely and appropriately. Modern enterprise architecture is more than capable of sharing it with data scientists while retaining privacy and security. It's mostly organisational culture, practice and architectural decisions that prevent this. Institutions need to be able to trust AI in order to roll it out at scale, and that means trusting that the data behind it is being handled securely and ethically.

Trust is the key. As an industry, if we can build that, then the data will come and with it we'll deliver true value to people in their everyday lives. Building trust isn't easy. At Bud, we make it deliberately hard for ourselves - as we all must. We need to lock down the data and look to cutting-edge technology to return quality results within those self-imposed constraints. There needs to be an industry standard for anonymisation (the UK Anonymisation Network, UKAN, is a good start) that's trusted by FinTechs and institutions alike. The practice of encrypting individual users' transactions with individual keys also needs to be commonplace.

When, as a sector, we can reliably say we're hitting that bar, we'll be in a great position to really start delivering on the potential of AI to impact people's financial lives for the better. Until then, we'll be looking enviously over our shoulders at the linguists and the meteorologists.

Ed Maslaveckas
CEO, Bud

edmas
@Hyper_Ed

1. https://sites.google.com/view/11khands

2018 saw the first wave of M&As in the Open Banking space

Why Open Banking is a catalyst for global M&A

Open Banking has disrupted the financial services landscape for key players including traditional banks, FinTechs and challenger banks, creating opportunities and threats for all players and leaving them with two choices: either to invest internally in R&D and expansion or to find external opportunities for growth through strategic partnerships and consolidation.

2018 saw the first wave of mergers and acquisitions (M&A) in the Open Banking space, driven in part by the UK's Competition and Markets Authority's (CMA's) mandate that the nine largest account providers develop APIs. In September that year, PayPal announced its acquisition of Swedish mobile payments company, iZettle, for $2.2 billion, enhancing PayPal's products and services for small businesses. Other notable acquisitions into 2019 included Fiserv's $22 billion acquisition of First Data and FIS's $33.5 billion acquisition of Worldpay.

Most recently, in January 2020, Visa announced its acquisition of US-based Plaid for $5.3 billion. The acquisition is strategic for both parties and places Visa firmly in the FinTech realm, allowing it to build relationships with FinTech companies while also providing new business opportunities. And Plaid gets a platform to scale its products both in the US and globally. The announcement was met with a positive reaction from the market and could encourage other Open Banking players to look to M&A as a strategic alternative.

The COVID-19 pandemic is leading to an increased need for digital banking services, which could accelerate disruption from FinTechs and incumbents alike. In April this year, SoFi announced the acquisition of Galileo, the API and payments platform provider, for $1.2 billion. The acquisition will allow SoFi to distribute products through APIs to Galileo's partners, including Robinhood, Monzo, Chime and Varo. The announcement amid market uncertainty could indicate continued appetite from strategic buyers and investors to engage. Open Banking players might be well positioned to succeed in the new, digitally disruptive environment we now find ourselves in.

Susana Lacouture
Analyst, Barclays International

susanalacouture

Q&A: A VC's perspective on the current FinTech landscape

When we started planning this edition of Rise FinTech Insights, the World Health Organization had just announced COVID-19 as the official name of the disease caused by Coronavirus. The FinTech community has not been immune to the effects of this global pandemic. For that reason, our editorial team thought that this report would be incomplete if it did not address the current impact of COVID-19 on FinTech startups and the teams behind them.

In this article, **Alexandra Gheorghe**, editorial lead and Rise FinTech Platform Manager for Barclays Ventures US, spoke with **Nari Ansari**, General Partner at growth equity firm TCV. Nari spearheads TCV's Financial Technology and Payments practice in North America.

Alexandra Gheorghe: Thank you for participating in this interview, Nari. To begin, I want to discuss the effects of COVID-19 and the instability in the public markets. Tell us about one or two main impacts on the private markets and VC funding due to the recent volatility?

Nari Ansari: Investors will likely be slower in deploying capital. We are coming off a 10- to 12-year bull market, so even though it's hard to know exactly what the percent drop will be, we do expect to see a reduced velocity on the investor side.

On the entrepreneur side, there is a lot of uncertainty about the environment, whether it's the funding environment or the health and wellbeing of their employees, and of their customers and revenue from them. It's a dynamic environment right now on a number of different fronts, but I do think that deals for good companies will continue to get done, though these deals may have different set-ups with regards to their terms and value.

AG: The FinTech industry is a combination of different verticals, some of which have been well positioned to deal with the market volatility and effects of COVID-19. Have you seen certain verticals within FinTech weathering the storm better than others, and why?

NA: A question we ask ourselves a lot as investors is whether or not we are seeing a short-term pull-forward of demand or a fundamental altering of the demand curve.

The trading businesses have seen a short-term benefit from volumes and volatility, and I think you can see that across a few different companies. So they are seeing some positive effects for the moment.

Digital payments will continue to be an area that should see strength on the back of e-commerce in a shelter-in-place environment. Relatedly, digitising business-to-business (B2B) payments should see a healthy uptick in adoption in a remote work setting where invoicing, writing cheques and anything that is manual or paper-based is a challenge.

Those are a couple of categories that should see benefits. However, the short- versus long-term effects on the demand curve in the current environment are a little too early to predict.

AG: TCV focuses on growth stage investments. Do you have insights on how early-stage companies are weathering the volatility?

NA: Every late stage company was an early stage company first – that's something we like to say at TCV. We have a fairly good view of the longitudinal evolution of many of these companies because we spend a lot of time with them in their earlier incarnations before they get to the scale and maturity that makes them viable candidates for our funding model.

For early stage businesses, liquidity management and thinking through runway in terms of cash and cash burn are incredibly important. The haves and have-nots are going to be decided by those with a clearly established product market fit, even at an early stage, versus those pivoting or experimenting.

AG: VC firms are shifting support towards their existing portfolio companies and placing a premium on existing relationships. What are the biggest challenges you have seen these companies face during this time and how are you helping them address those challenges?

NA: I think it depends on each firm's unique situation but we are certainly open for business and looking for new investments – though even in the pre-COVID-19 era, for new deal opportunities we were often focused on existing relationships with companies operating in segments we had followed for a long time. On working with the portfolio during this dynamic period, there are about four or five main areas that we have been emphasising with our portfolio companies.

First, capital. Capital allocation and liquidity management you're focused on right now whether you are an early stage, later stage, or even a multi-billion-dollar company. Companies should also focus on workforce planning, particularly where you are seeing different types of dynamics in your end market with regards to demand. Industrialising go-to-market initiatives, including sales, marketing and customer success, is important in keeping existing customer relationships healthy and being able to add new ones where possible. This is especially important for SaaS companies, subscription software companies, where their lifeblood is renewals.

Lastly, scenario planning. We spend significant time with our companies walking through the scenario plans for 3-, 6-, 12- or 18-month disruptions and getting them prepared for those potential elements. Thankfully we have a dedicated portfolio operations team here at TCV that spans functional centres of excellence across talent, product, operations, and sales and marketing. They have been instrumental in helping our portfolio navigate some of these challenges.

AG: Where do you see the biggest opportunity for FinTechs post-COVID?

NA: I think there will be an acceleration in cloud adoption for banks and insurance companies to deal with the cloud-based digital automation of workflows for different activities. Financial services has been one of the industries more reticent to move to cloud due to security, privacy and existing infrastructure. However, in a remote and distributed workforce environment, you see that the ability to access cloud infrastructure is more critical than ever for business continuity planning.

One of the areas we're also monitoring and think is very interesting is the narrative of fraud and risk. If there are technologies to help banks, payment firms, merchants and other participants deal with these challenges, including credit card fraud and money laundering (among other things), that could be something that continues to show strength through this period and beyond.

AG: The need for a stronger cybersecurity and risk environment is an increasing trend across the finance industry. Final question. What advice would you give to a founder as they navigate both positive and negative exposure to the current environment?

NA: First, I think exhibiting the right kind of leadership right now for their employee base – empathy, transparency, decisiveness and over communication – those are critical right now. Second (and it probably sounds like I am beating a dead horse right now) is cash. Cash is oxygen. The runway allows for flexibility and the ability to navigate the hour-by-hour, day-by-day changing landscape is incredibly important. Third, a view that is much more nuanced is the need for founders to take a granular assessment of their business right now, and to understand how their clients will be affected across different verticals, channels, product mixes and delivery modalities, because they won't all be affected in the same way.

Finally, companies need to think about how they plan to play offence on the other side of this. Because there will be 'the other side'. One of the things we talk about with our companies is, don't just think about your cash as a runway through the downturn, think about your cash as a runway through the upswing on the other side. This last point is a little bit more optimistic compared to the other three pieces of advice I mentioned, but again, great businesses get battle-hardened in times like these and come out stronger at the other end.

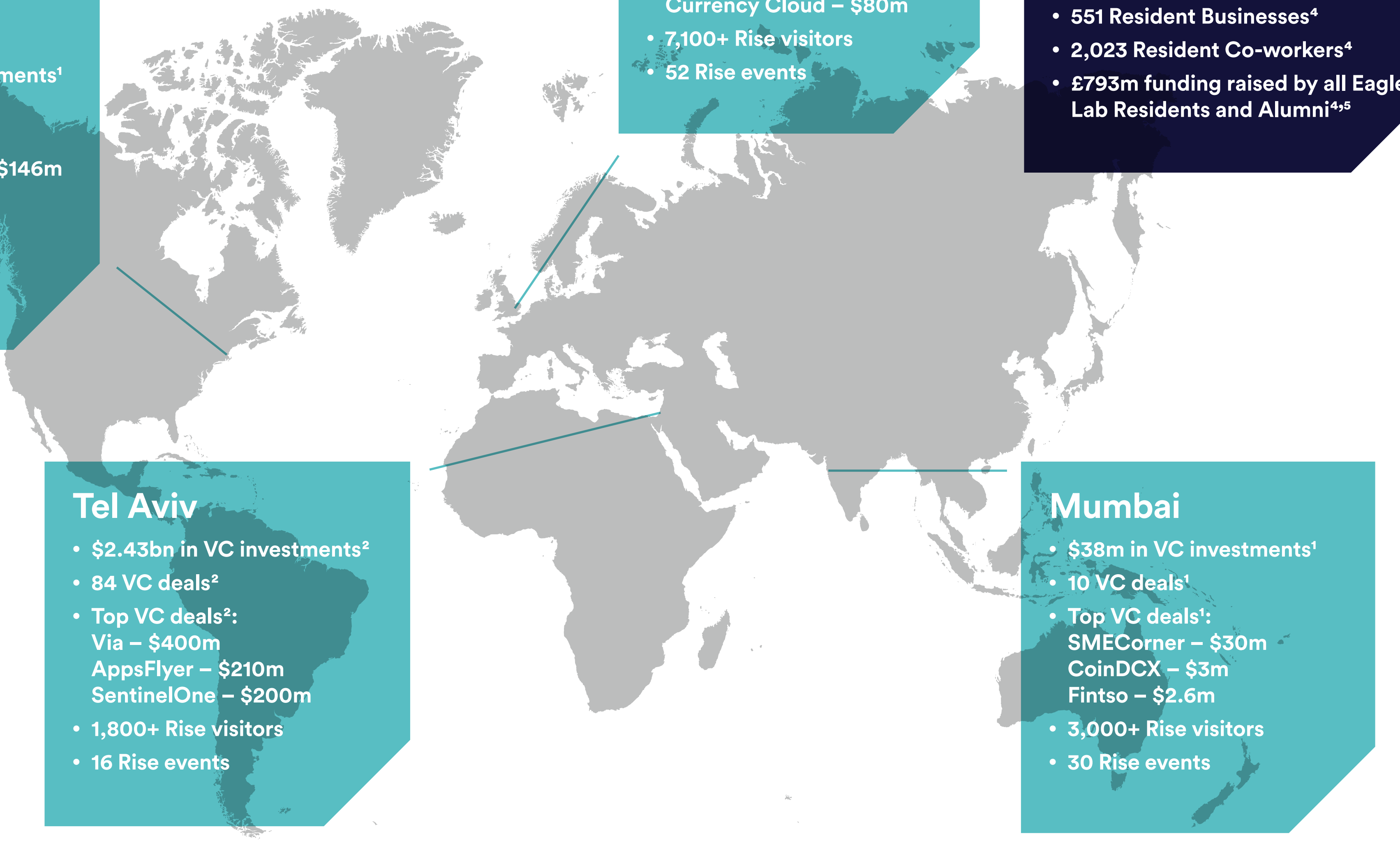
AG: In an environment like this, it's essential to retain that optimistic view of the other side of this crisis. Everyone, including FinTech, will get through this crisis with lessons learned and new opportunities on the other side. Thank you so much, Nari, for sharing your thoughts and advice with the Rise community.

Nari Ansari
General Partner, TCV

technology-crossover-ventures

@TCVTech

Rise and Eagle Labs ecosystem insights



New York

- $458m in VC investments[1]
- 40 VC deals[1]
- Top VC deals[1]:
  iCapital Network – $146m
  Justworks – $50m
  Kasisto – $22m
- 3,600+ Rise visitors
- 63 Rise events

London

- $1.14bn in VC investments[1]
- 56 VC deals[1]
- Top VC deals[1]:
  Revolut – $500m
  Thought Machine – $83m
  Currency Cloud – $80m
- 7,100+ Rise visitors
- 52 Rise events

Eagle Labs (UK)

Eagle Labs in the UK support non-FinTech sectors including HealthTech, GamesTech and LawTech.

- 85,700+ Eagle Labs visitors[3]
- 2,460+ Eagle Labs events[3]
- 551 Resident Businesses[4]
- 2,023 Resident Co-workers[4]
- £793m funding raised by all Eagle Lab Residents and Alumni[4,5]

Tel Aviv

- $2.43bn in VC investments[2]
- 84 VC deals[2]
- Top VC deals[2]:
  Via – $400m
  AppsFlyer – $210m
  SentinelOne – $200m
- 1,800+ Rise visitors
- 16 Rise events

Mumbai

- $38m in VC investments[1]
- 10 VC deals[1]
- Top VC deals[1]:
  SMECorner – $30m
  CoinDCX – $3m
  Fintso – $2.6m
- 3,000+ Rise visitors
- 30 Rise events

INNOVATE FINANCE

Sources:
1: Innovate Finance via Pitchbook. Q1 data, not reviewed or approved by PitchBook analysts
2: VC-backed deals in Israel (not Tel Aviv alone). Q1 data, provided by IVC Research Center
3: 2019 data, all UK sites / 4: As of March 2020 / 5: Data from Crunchbase

From our Rise sites

Rise London

Where to begin. The world's facing a health crisis unlike anything we have ever seen before and, at the time of writing, the UK has been in lockdown for several weeks. Unprecedented levels of uncertainty and adjusting to new ways of working – possibly involving kids, pets and a lot of virtual calls – are the new normal. Navigating all of this quickly and responding to this huge change is imperative to the future of our industry.

What does the future of financial services and, most importantly, FinTech look like from London? There is no doubt that the effects of COVID-19 will be hard felt by entrepreneurs and businesses. Unfortunately, many will struggle over the coming months, and we may see a number of them fold under these new, harsh economic pressures. However, with this adversity come some opportunities. The FinTech sector defines itself by its ability to adopt creative approaches to problem solving and to meet new customer demands at speed. We've seen this in action already within and around the London ecosystem. And, because most FinTech companies are built in a digital environment, switching to remote working doesn't seem to have surfaced too many challenges.

By adapting quickly, FinTech companies (not just in London) will be best placed to support the global population in this time of change, potentially giving them a distinct 'edge' on the competition. That always was the case, but these days that adaptation may be the key to success.

In the next three to six months, we'll track closely how the UK FinTech ecosystem responds and takes advantage of the UK Government's various funding initiatives. UK FinTech can benefit from cash injections through a number of grant, loan and equity investment schemes. It's also interesting to see how many FinTechs are playing a key role in distributing these funds and helping the Government do so quickly, as the current situation requires.

Clare Whitehead and Magdalena Krön
Rise London

@clarewhite200

magdalenakron
@MyKron

Rise Mumbai

In the wake of the COVID-19 outbreak, Indian businesses have been forced to switch to a remote working model and rely on digital touchpoints to connect with their customers. FinTech startups, viewing the crisis as an opportunity, are swiftly adapting their operating models. With their backend and development stacks typically built on a cloud environment, they're well equipped to operate in this new environment. They're considering new ways of operating in every way, to engage with their employees, customers, investors and other stakeholders.

FinTechs are launching innovative solutions to support the customers affected by the crisis. For example, some people fear that the virus can spread through physical currency, so FinTechs are pushing digital payment options like mobile payment apps. To increase customer retention at such difficult times, some FinTechs are offering discounted pricing and free services. CreditEnable is offering free credit health checks for its SME customers. According to Akbar Khan, the CEO in India: "Disruption is an opportunity to accelerate our business, both from an operational and a business standpoint". Similarly, to support their institutional clients such as banks and Non-Banking Financial Companies (NBFCs), FinTechs are enhancing their solutions to cater to the new online world, with Signzy, for instance, recently launching three new products - a video-based Know Your Customer (KYC) tool, a digital signature tool and a two-way video conferencing tool for a completely digital onboarding experience.

FinTechs are also creatively leveraging communication tools like Skype to keep their employees engaged. They're focusing on employee engagement through virtual sessions like yoga, HIIT, coffee breaks and even jamming to maintain the mental and physical wellbeing of colleagues.

While the impact and magnitude of the COVID-19 pandemic on FinTechs' financial viability is still uncertain, fundraising for the 2020 fiscal year could be challenging as many VCs, fearing a global recession, are delaying investment decisions. In order to cope with shrinking cash flows, startups looking to raise funds are relying heavily on existing investors, while bootstrapped companies are considering angel investors. Startups are looking for a flat round of funding that gives them 12 months of visibility while they continue to conserve cash and optimise burn rate.

At present, the Indian digital ecosystem continues to grow, and so too does trust in it. If that situation continues, the reliability, efficiency and adoption of 'digital' also paves the way for a full digital economy in the country.

Lincy Therattil and Arti Agrawal
Rise Mumbai

lincy-therattil-9010157
@LTherattil

arti-agrawal-87096536

Rise New York

To look at this past quarter at Rise New York is to find the common thread of unity within our community.

In the first half of the quarter, our community united to celebrate Black History Month and International Women's Day. Rise New York partnered with Barclays' Diversity and Inclusion network to host an evening with Lauren Simmons, a former equities trader who, at 23 years old, became both the youngest and only full-time female trader on the New York Stock Exchange. Simmons was also the second African-American female trader in the NYSE's 226 years.

Today, we are united for another reason. Our community, and every community around the world, is facing a period of uncertainty and social distancing. But, through this uncertainty, Rise has united to support its member companies by temporarily freezing memberships and by creating a digital platform and virtual offerings for members, supporting the FinTech community as it continues to build the future of financial services.

There will be challenges as economic instability forces companies to make harsh decisions about their workforce and the resiliency of their businesses. But, with challenges, come opportunities. FinTechs are digitally native and highly agile when faced with problems. As a result, we have seen some FinTechs providing discounted services to assist small businesses and others using new technologies, such as AI and blockchain, to reduce the impact of COVID-19 for customers and for financial institutions.

We can't be certain when life will return to normal. But, New Yorkers are resilient, as is the FinTech community. Both will embrace this new normal, and the next normal, to continue innovating and providing the best products to customers, now more than ever.

Ilana Fass and Alexandra Gheorghe
Rise New York

ilana-fass-66813789

gheorghealexandra
@theAlexGheorghe

Rise global ecosystem

rise

Created by BARCLAYS

This infographic shows companies resident at our Rise sites. The information is accurate at the time of publication.

Rise in numbers

1,000+

Individual Rise members

175+

Rise FinTech resident companies

80,000+

Yearly visitors (2019)

37,000+

Social media followers

NOTES

Created by
BARCLAYS

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 programmes 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:

rise.barclays
@ThinkRiseGlobal
thinkrise_global
Rise, created by Barclays
bit.ly/Rise_iTunes
bit.ly/Rise_Soundcloud

#HomeofFinTech

20018-2