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April 2015

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Taking flight

Recent developments at new digital venture Starling show just how tough it is to crack the retail banking market

In the last issue of FStech I interviewed Tom Blomfield, the challenger bank's CTO who had joined from FinTech startup GoCardless. "When I went into GoCardless I was new to financial technology. I almost stumbled across it along with a couple of guys I knew from university and over three or four years we built up a successful online direct debit business," he said. "During that time I met Anne Boden (Starling CEO and former chief operating officer at Allied Irish Banks) who had come from a very different background. What really attracted me to Starling was the scale of ambition; there is the opportunity to take what we did with GoCardless to the next level, to produce something that positively impacts the lives of potentially tens of millions of people, building a mainstream product that you can put into the hands of you or me or our parents."

"The Starling story highlights the challenges that come with trying to innovate in financial services while making sure that the different pieces of a very expensive jigsaw puzzle come together, particularly around the regulator"

Yet no sooner had the mag landed on readers' desks than the FT ran an article entitled 'Bank Possible's future in question as Starling team flies apart'. Gah! The gist of the piece: the founding team had broken up before it even obtained a licence. And the venture's future was now in question after the departure of Blomfield, along with other members of the senior management team. To quote the paper: "Two people close to the situation said the individuals' contracts had been ended following friction with Anne Boden."

The Starling story highlights the challenges that come with taking on the retail banking establishment, of trying to innovate in financial services while making sure that the different pieces of a very expensive jigsaw puzzle come together, particularly around the regulator. And let's not forget the lack of consumer enthusiasm to switch providers, as evidenced by the Government-backed account switching service's sluggish start to life. I put the latter point to Blomfield, and he replied: "The danger here is not one of the new banks taking market share from one of the others; the real danger is that collectively we're not able to show that we're really different from existing banks, as there is such apathy and anger towards them."

This is true. Many people stay put due to a perceived lack of alternatives. As Blomfield put it: "You can make switching as easy as possible but, if you're getting screwed by your current bank, why would you want to be screwed by another one? The supermarkets, for instance, are based on either legacy technology or off the shelf packages so the experience is one size fits all. I signed up to one of the major High Street banks recently; it takes two and a half weeks to do so. One of our guys went to one of the new challengers; it still took him an hour and a half. How long does it take to sign up to Facebook or Google? A matter of seconds. Why can't we have an experience like that with our banking?"

A compelling pitch but, as recent developments show, not an easy one to execute. I strongly believe, however, that the High Street banks are living on borrowed time as the dynamics of the role of the branch shift and consumer behaviours change. For more on why the old guard should be worried, check out our interview with Mark Mullen, former boss at first direct and now CEO and co-founder of Atom (pp. 44-46).

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at a glance

Rounding up the essential FS technology news from the last two months

Halifax is exploring how a customer's unique heartbeat rhythm can be used to confirm their identity for mobile banking purposes. The bank has undertaken a 'proof of concept' on how using the Nymi Band – from Canadian firm Bionym – can reduce the need for multiple passwords while still ensuring robust security. The band works by authenticating the wearer using electrocardiogram (ECG) when it's first placed on the wrist. Another set of sensors then continuously detects that the authenticated person is still wearing the band. Only mobile devices that the Nymi Band has already been paired with can detect its presence.

The director of innovation and digital development at Halifax, Marc Lien, said: "Exploring innovative technology that will help deliver for our customers and enhance our overall capabilities is a real focus for us at the bank. We are in the very early stages of exploring potential uses for the Nymi Band and wearable technology more widely, which will help us further understand how we can serve our customers in the way that best appeals to their needs."

Two fifths of iPhone 6 owners in the US have used Apple Pay at least once, according to new figures from Auriemma Consulting Group (ACG). Three quarters of these consumers then made a repeat Apple Pay purchase at the same location, reported the survey of 500 iPhone 6 and 6+ owners. Forty seven per cent of the respondents who had not yet tried Apple Pay said that they planned to do so in the next six months. Auriemma noted that as well as using the service in stores and restaurants, users had also quickly found mobile apps that accepted it. Among the people who had used it, 43 per cent had done so only in a bricks and mortar location, while 37 per cent had used it both in-store and in-app, and 19 per cent only in-app. In terms of user experience, 98 per cent of respondents rated their satisfaction as four or five stars, with 60 per cent awarding it top marks. Marianne Berry, managing director of ACG's payment insights division, commented: "Adoption of Apple Pay has been swift and widespread among iPhone 6 owners. Given that the product was launched only four months before this survey, the extent of both trial and repeat usage is impressive. The use of Apple Pay online is less visible than in the physical world, but has big implications for mobile commerce."

Business and retail challenger bank, CivilisedBank, has secured initial stage funding ahead of a planned launch later this year. It takes its place alongside a number of startups (Atom, Starling et al) who are looking to disrupt the

"Adoption of Apple Pay has been swift and widespread among iPhone 6 users."

UK banking sector. Headed up by Chris Jolly, a former senior executive at Merrill Lynch, Commerzebank and Societe General, the company will not have branches but will instead operate through a network of 'Local Bankers', backed by what it dubs an "innovative technology platform that is new to the UK." And that would be the Profile FMS.Next banking engine. The rest of the management team looks like this: Gordon Dow (CEO), Will Banks (CFO), Hazel Hellier (chief business development officer) and Fiona Brownsell (project manager and regulatory lead). Jolly said: "CivilisedBank will be at the forefront of a new generation of 21st century banks which are fair, transparent and responsible. We are pioneering a next generation model of customer-facing, technology-driven banking in the UK. Our 'Local Bankers' will be responsive to the banking and financial needs of businesses in their communities based on one-to-one relationships with their customers. After years of turmoil, we believe that the UK deserves a more civilised approach to banking."

Acceptance of new payment methods is on the rise in the UK, although cash remains the primary choice of payment, according to new Verifone research. Thirty eight per cent of respondents in London were either very or somewhat familiar with contactless payments, and 21 per cent were very or somewhat familiar with mobile wallets. At the same time, however, 65 per cent of UK consumers still favour notes and coins, followed by chip and PIN transactions and online payment methods. Conducted among 1,085 UK adults last month by Censuswide, the research highlights the effect of the rising prominence of technology in retail experiences, with 56 per cent of respondents saying the breadth of new ways to pay in-store is important to them. Three out of ten supported improvements made in the range of payment methods at the point of sale, while 32 per cent saw mobile applications that stored card details as important or very important.

TfL is the fastest growing contactless Visa merchant in Europe, and in the UK for Mastercard and American Express. It rolled out the tech last year on the London Underground, tram, DLR, London Overground, buses and most of the capital's National Rail services. On 13 March the number of contactless taps made on a single day reached one million. Whilst one in seven of all contactless transactions in the UK take place on the tube, buses etc.

Banks must concentrate on harnessing a range of digital technologies or risk losing customers to a new wave of competitors, according to a new report by the BBA and Accenture. Called Digital Disruption, the report flags up the risk that tech giants and innovative new start-ups could cherry pick key products and services from banks, and urges regulators to ensure that all organisations are regulated in the same way to give consumers certainty that they are properly protected. Policymakers must also be minded to the threat posed to financial stability from providers of banking services not covered by existing regulation.

Chief executive of the BBA Anthony Browne, said: "This is a tipping point for the banking world. On the one hand this is a time of great opportunity for our industry, as new types of technology allow us to serve our customers better and more efficiently than ever before. But this change poses challenges too. Technology is breaking down the traditional banking model and new entrants are changing our perceptions about what we consider a bank to be. More choice is good news for all, but it's vital that regulators provide a level playing field giving customers the same robust protection wherever they choose to bank. Banking has an exciting future. We need to be vigilant and responsive to the opportunities and threats that lie ahead. If we are, there is no reason why our country cannot enhance its reputation as a world leader in banking services throughout the 21st century and beyond."

Global investment in FinTech ventures tripled from $4.05 billion in 2013 to $12.2 billion in 2014. Europe was the fastest growing region in the world, according to a new report by Accenture. While the US still captures the lion's share of investment, Europe experienced the highest growth rate, with an increase of 215 per cent to $1.48 billion in 2014. The UK and Ireland (UKI) accounted for 42 per cent of the European total, up from $264 million in 2013 to $623 million in 2014.

TfL: Contactless poster child.

IN BRIEF

BT has inked a contract with the National Bank of Abu Dhabi (NBAD) to provide managed end-to-end networked IT services for its new financial hub in London. The bank has a had a presence in the capital since the 1970s but plans to use its new hub to link to its existing branch network and drive European expansion. As part of the deal, NBAD customers will also gain access to trading applications and services via the BT Radianz Cloud.

Charter Savings Bank has deployed SunGard's integrated treasury and risk platform to help it meet regulatory system requirements in obtaining its banking licence. The branchless retail bank, specialising in savings, loans and deposit services for UK customers, launched in March.

CaixaBank has created Europe's first m-banking solution that can be used hands-free in vehicles via voice control functionality. The technology utilises the new CaixaBank app, called Línea Abierta BASIC. Drivers will be able to make balance enquiries and transfers, as well as locate nearby branches and ATMs, by speaking into their Android device. It will be possible to use the app in Ford cars, courtesy of its SYNC with AppLink connectivity system.

Santander has unveiled the UK's first standalone ISA mobile app, available on iOS and Android. It has details of Santander's ISA product range and allows customers to open new ISAs, upgrade existing ones and make transfers into ISA accounts. It also features an interest rate calculator and a countdown clock to this year's ISA deadline on 5 April.

Grabbing the spotlight

[This year's Finovate Europe event saw more than 1,200 attendees from the FS sector and investment community pack into London's Old Billingsgate Market to hear seven-minute pitches from 72 new (and some more well established) FinTech companies]

Best of Show winner: ebankIT.

The London arm of US-based Finovate is now in its fifth year, and that was reflected to a certain extent in the slick product presentations. The deliveries were polished, but as a result the event lacked the more quirky and outlandish demos that delegates have enjoyed in previous years. No sparkly jackets, Daft Punk headgear or chief dream officers this time round; a juggling show on day two was about as good as it got.

There was the usual mix of personal finance management, data capture and form pre-filling apps on show this year, with a smattering of beacons and Bitcoins thrown in for good measure. Credit-scoring solutions, biometric authentication, the democratisation of finance and the importance of technology in making it available for the general public, and online management tools (for both consumer and business use) were also big. Indeed, FStech was suffering from 'dashboard' fatigue by the end of day two. There was slightly less focus on social payments compared to 2014, when there were Facebook-based payments and mobile money transfer apps aplenty.

One of the Best of Show winners was Avoka, with its three-minute loan application. In what was one of the standout presentations of the first day, the company outlined how its system had the ability to reduce lengthy application abandonment. Available on any device, but demoed on an iPhone, the browser-based process had the option to pre-fill contact details from LinkedIn and bank account info via Yodlee. ID documents were submitted with image capture functionality, while signatures were added digitally. Avoka said that it had worked with an unnamed lender to improve its loan approval rate from 36 per cent to 51 per cent in just 10 days. "Every tap and keystroke contributes to abandonment – that is your enemy, not competitors," stated Avoka's chief experience officer, Derek Corcoran. "This experience will reduce abandonment and increase the number of customers."

CoinJar picked up the Bitcoin mantle, showcasing its hedge account that claims to solve the Bitcoin "volatility problem" by pinning it to a currency. Bitcoin transfers could be made to other currencies, between a user's own accounts and to other individuals via the CoinJar app. There was also the option of spending Bitcoins at accepting merchants, or adding the funds to the CoinJar Swipe credit card. The company has seen 40,000 users in Australia come onboard in the last 18 months, and $15 million transacted so far. "Hedged accounts guarantee the value of Bitcoin," said co-founder Asher Tan. "We are here to make money natively digital – that's where I believe true innovation lies."

Another audience favourite was ebankIT, a multi-channel platform designed to integrate with core banking systems. The Portuguese startup, which has already inked deals with several European and African banks, demoed not one but six new innovations on its platform. These included an augmented reality function, the ability to add Facebook friends as payees, and voice control for mobile banking apps. Beacon technology to target customers passing branches, and a facility for in-branch staff to sell digital product subscriptions on a tablet were also highlighted. The company has also developed a smartwatch payments app, with ebankIT's omnichannel specialist, Paulo Oliveira, declaring 2015 to be "the year of the smartwatch".

Scooping an accolade for eToro was founder Yoni Assia and VP of product, Tal Ben-Simon. Even through the crowd didn't join in with their Jerry Maguire-style chant of "show me the money", Finovate attendees were obviously impressed with the company, which described itself as the world's largest social investment network. Their iPad app allowed investors to see a detailed overview of their own portfolio, but crucially, allowed users to follow other people's investments through a performance dashboard and risk matrix. Investors then had the option of copying the buying patterns of others or agreeing to be copied themselves – and rewarded with a slice of the gains. "Copy trading is the future of money management," predicted Assia.

Iceland-based Meniga rounded out the Best of Show winners for day one, with its next-generation PFM, intended to integrate with mobile banking apps. Customers were able to transfer money, get balance alerts and see spending breakdowns. But merchants would also have the opportunity to include personalised retail and restaurant offers in the app and via push notifications, with customers able to provide feedback on the deals. The technology was undergoing testing in Iceland, with three new countries also in the pipeline, said CEO and co-founder Georg Ludviksson, who added: "This is a vehicle for banks to drive engagement and valuable new services, as well as provide highly relevant, high quality offers integrated with personal banking."

Take your pick

Who out of the Finovate Europe 2015 lineup will prove to be gamechangers and which ones will fall by the wayside? You pays your money and you takes your choice. Truth be told, no one (not the many, many analysts, consultants or media commentators who were busy tweeting and generally sounding off throughout the day) really know who will thrive and who will perish in what is an increasingly noisy, overcrowded market.

If the event had a dominant theme, we'd say it was the user experience, with a emphasis being placed on providing customers with added value via an interactive, seamless and frictionless journey. Forrester analyst Oliwia Berdak said: "The firms that stood out at this year's Finovate Europe were the ones that demoed the use of information and data to generate new value for customers. The precursor of this trend was Meniga last year, when it presented an interesting solution that uses customers' transactional data to generate business insight for merchants. This year, Strands pushed the idea even further. Strands Loop connects personal and business finance management with

QUOTE / UNQUOTE

Choice quotes from this issue of FStech

"I've met with executives at large banks with a vision and an energy to execute. But they can't do everything themselves and often as that vision cascades down through the layers of the organisation for execution it gets bogged down in IT complications, procurement, legal, compliance, etc. The banks that truly master 'agile' will outmaneuver the rest." p. 34

"One of our guys went to one of the new challenger banks; it took him an hour and a half to sign up for an account. How long does it take to sign up to Facebook or Google? A matter of seconds. Why can't we have an experience like that with our banking?" p. 4

"Barclays have hired smart kids from Google and Amazon and so on and have figured out the future is not a chief information officer but these smart, techno people who have built in the cloud and know how to do it and make it secure." pp. 42-43

"When people say they're opening branches, they're actually extending their brand and that is the biggest role the branch has to play. There is a reason for branches, but it's not to serve customers. It's to make people aware of your brand, but frankly why not just buy a poster site?" pp. 44-46

card linked offers, demonstrating how banks can use one of their best business assets – transactional data – for the benefit of both their personal and business clients. I have no doubt that many retail banks will be looking to solutions like these both to create new services for their customers as well as to generate new revenue streams from their data."

She added: "Other impressive firms that use data to drive digital disruption are Xignite and BizEquity. Forrester has written extensively about disruptors in digital investment management – firms like Betterment and Wealthfront – and digital financial advice – Personal Capital. All three of these firms were partly enabled by Xignite. The firm's financial market data Application Programming Interfaces (APIs) and service-oriented architecture have helped these disruptors rapidly innovate their products. Now BizEquity is similarly addressing a specific customer pain – the need for affordable business valuation – by drawing on open data and using proprietary algorithms to cut the time and cost of these services and expand them to new customers. Banks could easily use this engine to offer their small business customer a service they badly need. Other key themes at Finovate this year included simplifying and lowering the cost of payments and improving authentication and customer onboarding. These two areas are getting a lot of attention from startups, vendors, and incumbents, but I still haven't seen a solution that would fully resolve the main problems affecting these areas."

Day two highlights included Nostrum Group launching its new Virtual Finance lending platform in a live demonstration via a smartphone app. This aims to offer a fully digital account management experience and interacts with customers in a conversational style and helps them carry out day-to-day tasks in their loan account. The interface replicates dealing with a real agent and offers a more personalised experience that, the company claims, is markedly different to the typical stilted interactions customers are used to having when managing accounts online.

Fiserv simulated an average customer's journey while going on a trip abroad and walked the audience through a variety of mobile experiences, demonstrating how mobile applications will soon have the ability to move away from a passive role and become an active resource to consumers.

Starting the "trip" as early on as entering the Duty Free shop at the airport Fiserv demonstrated making purchases and receiving tailored offers using augmented reality through the app, as well as showing how the application can automatically suggest new security settings and offer products such as insurance for the trip. The company talked about each phase of the payment experience (before, during and after) and how technology will enable people to be much more in control of their finances as well as make their lives easier. Once made part of commercial products, these innovations will become real differentiators for banks and allow them to increase customer loyalty as well as provide them cross-selling and business growth opportunities.

Poland's mBank and tech vendor i3D argued that the physical bank branch is not doomed. It has a future, just not as we know it. The presenters detailed the development of a new 'light' digital branch situated within shopping malls and offering the customer an interactive experience via the likes of multi-touch screens, motion-sensing and face recognition technology. When people are shopping, the last thing they're thinking about is their personal finances, the presenters noted. But this modern spin on the High Street branch is capable, they argued, of drawing in shoppers, of using interactive screens to capture their attention and flagging up, for instance, retailer deals. "There is a place for the branch but it must be located where the customer traffic is and it must deliver an experience in line with other places in the shopping mall, for instance, IMAX theatres," they noted.

Elsewhere, Crealogix laid claim to "providing an innovative product suite for the digital bank of tomorrow." They demo'd a product for financial advisers in which videos can be created to communicate essential information to the client. Whilst Misys delivered a roleplay-based demonstration of their mobile banking app, with an emphasis on simple, intuitive content.

At the end of the second day, the Best of Show winners were announced as Avoka, CoinJar, ebankIT, eToro, Jumio, mBank & i3D and Meniga. If some of those names sound familiar, it's because established players now loom large over Finovate Europe. It didn't feel like there was anything new or groundbreaking at the show this year. Partly that's because mobile banking, social media etc feel more real in our everyday lives than when this event started out. But partly it's because there are less and less startups taking centre stage. A show once stuffed full of exciting new technologies is running the risk of losing its wow factor.

Polished pitches aplenty.

On the rise

There is considerable evidence to suggest that consumer appetite for alternative payment systems is growing significantly

The second edition of Worldpay's Alternative Payments Report suggests that the value of alternative payment methods globally rose 21 per cent in 2013 across more than 300 alternative payment schemes. In Europe, 41 per cent of transactions were made using alternative payment methods in 2012, of which e-wallets were the most popular. UK, Ireland, Denmark and Turkey still favour cards, while alternative methods dominate in Poland, Finland, Germany and the Netherlands. While cards remained dominant in the North America, Latin America had a more diverse range of payment preferences, ranging from bank transfers (13 per cent) to e-wallets (10 per cent).

Almost one quarter (23 per cent) of transactions in Asia Pacific were made using e-wallets. While the equivalent figure for the Middle East and Africa was just five per cent, the Worldpay report referred to considerable growth potential in the region. Worldpay predicts that by 2017, 59 per cent of all transactions worldwide will be made using alternative payment methods (an increase from 43 per cent in 2012) with cash on delivery accounting for just two per cent of electronic transactions.

According to the latest RBS/ Capgemini World Payments Report, non-cash payments in the US and UK are being driven by a proliferation of innovative payments solutions and the rise of mobile payments. The report refers to mobile payments increasing at a rapid pace with non-banks slowly increasing their share of transactions. From 2011-2015, mobile payments are expected to grow by 61 per cent to 47 billion transactions, of which non-banks will account for seven billion.

The slight slowdown in e-payments growth (from 19.2 per cent in 2012 to 15.4 per cent in 2013 when there were a total of 29.3 billion transactions) is attributed to a shift towards use of mobile payments, driven by increased penetration of smart phones, advances in technology and innovative products and services. The volume of e-payment transactions in Europe is expected to grow as progress is made on the European Union's revised Payments Services Directive (PSD II).

In January, the Payments Council revealed that two million people in the UK had registered with their participating bank or building society to receive payments into their bank account using just their mobile number. More than £26 million was transferred via the Paym service in the nine months following its launch at the end of April 2014.

Trends that are becoming a reality

By Jonathan Reynolds,
Market Development Manager,
Callcredit Information Group

As consumers we are living in an age where electronic payments that work without a hitch are the norm. We no longer think about paying by card or other non-cash methods as unusual, in fact on most occasions it is our preference to use the electronic option. Electronic payments offer a more convenient and safer payment option and at times can be more profitable to the consumer thanks to loyalty and Value Added Services.

The use of alternative payments has grown in recent years largely thanks to the evolution in smartphones and tablet technology which has naturally led to behavioural changes in terms of consumer's payment habits. In fact what was once considered 'alternative' is now becoming main-stream as there is wider adoption of technology and an openness to trust electronic payments, wallets, prepaid and virtual payments. Wide types of alternative payments can include:

- New companies providing financial services
- New methods of funding, moving or purchasing
- Technology to refine the payment experience
- Data use and analysis of shoppers, purchase behaviour etc.
- Digitalisation – electronic payments, mobile, micro payments, low value transactions

We now see consumers using new methods of transacting first hand across a variety of funding types and for different uses. Likewise, corporate customers are starting to make more business to business payments through alternative payments channels too, using virtual single use card numbers and mobile transfer to enable money to be sent to a mobile phone number. For providers, there are vast sums of money in B2B payments making this an immediate area of opportunity to those that can support the unique needs of the business environment.

This increased sophistication means that end users are already starting to dictate what they believe is the "right" choice for them at each transaction and will drive transactions to their preferred models. This choice comes down to an amalgamation of convenience, security concerns, habit and whether there is anything in it for them – is the payment immediate, are there wider and more varied levels of Value Added Services?

As such alternative payments are more characteristic of an FMCG sector than banking, leaving traditional members of the payments value chain floundering. These rapid technological changes mean that companies who once thought they were innovative are being left behind in legacy systems, inefficient distribution models, risk adverse policies and outdated pricing/profitability approaches. So what challenges does this bring for suppliers, providers and the businesses which use them? Put simply, suppliers of alternative payments will need to provide safe, simple and secure payment mechanisms to support consumer or corporate needs.

For businesses, efficiency and transparency requirements will put pricing and margins under pressure. This threat to profits comes from the business itself to be more competitive or cost conscious than the competition or from the use of new technology to deliver speedier, lower cost services to end users. This trend in payments is driven by commodity pricing and the reduction of traditional revenue sources such as interchange or fees in light of new regulatory and compliance environments.

We will see traditional stakeholders acquire/move into alternative payments as they see opportunity to generate new revenue or target new customer segments. This will include existing players consolidating.

Although alternative payments provide a convenient method of payment for most, this is less easy and more complicated for providers who must manage the technology, regulation, competition, customers, suppliers and acquiring the customer in the first place. Ensuring the profitability of that customer and continuing to be the provider of choice for that customer over time while maintaining the evolution of your product set. So how can payment providers translate these challenges into opportunities?

Firstly, providers must think like a retailer not a banker by employing an offensive strategy to drive down costs, increase revenues through new service models and promote new payment technology. The key is to use the tactics that have made retailers successful. For example, the models of UK supermarkets that have shifted to online delivery models and providing smaller, city centre convenience stores. This meets the user need of convenience of location and provision of service to support busy time stretched lives. From a payments perspective this translates into making sure your distribution model means that users can purchase or be acquired by payments entities through a convenient channel with the minimum of friction in the transaction.

Secondly, providers need to stick to the principles that they believe will make them a success. Making sure you pick partners in these aspects of ongoing management that match your aspirations will greatly increase your chances of success. There are a number of companies with great ideas that have been hampered by inefficient service providers or suppliers who are not adapted or aligned with agile, speed to market based digital service offerings. By choosing the right suppliers and partners you will have an effective base to deliver your solutions. In order to meet future product needs and geographic expansion a flexible base platform is required. To maximise the business efficiency of this strategy the platform must be designed to enable the immediate targeting of a new niche or segment with the minimum of technical change or impact. This is equally important for mandatory changes in areas of compliance or in methods of loading of accounts or wallets.

Inevitably a payments business will need specialist support for particular functions or aspects of the customer life cycle that require specific experience or knowledge, this could be in managing compliance, ensuring efficient back office processing in customer verification and validation or supporting the management of fraud risk. Included within this is the embedding of the key aspects of security, verification and robust risk management which can be distributed across the future product set and geographies.

Thirdly, businesses need to manage through data analysis. It goes without saying that we need information to make decisions; the same is true in how you acquire and manage customers in the payments business. This ranges from the simple needs of signing up a customer to managing the path a customer takes through their activation, use and retention lifecycle.

Sources of data from your existing platform coupled with new pieces of information from a variety of internal and external sources my add value to your day to day business interactions and decisions. For example, if you are able to see all the data related to a transaction can you build up a picture of portfolio use which enables you to segment and therefore target customers differently? Can you use open data sources to help improve your customers' reaction to your business, for example if your product is aimed at travel could you add an open API for snow reports into you management package. Or if cash withdrawal drives the right business behaviour use the Visa and MasterCard ATM locator APIs.

Lastly, payment providers will need to have robust anti-fraud measures in place. There is no safety net for fraud management, payments will always be a target and criminals will always look for a weakness in systems, people or processes. Identifying who you are dealing with at the initial application stage, further authenticating the customer at the time of payment using real-time alerts to identify suspicious repeat transactions, along with international verification from global sources provide confidence levels for the business. With this knowledge comes the confidence that you are attracting and developing the right users and protecting both personal and financial data.

The emerging payments environment will continue to open up new challenges for the industry. And to meet these, participants must look to successful models and sectors outside payments. Taking cues from retail, FMCG, gaming and mobile operators, payment providers will need to continue to flex their thinking into the market and how best to serve customers. Distribution models, pricing flexibility, dynamic product development and the ability to operate these items efficiently, in compliance and within a wide range of use cases will differentiate your business.

Callcredit Information Group

Changing habits

Regulation is key in the development of the alternative payments market

A 2014 Accenture report on innovation in payments commissioned by the UK Payment Systems Regulator states that payers may be reluctant to store funds for future purchases in accounts that are not insured by central banks or through regulation, or may be reluctant to use a payments service without clear dispute rights. When asked whether there is a case for looser regulation of entities that merely facilitate payments rather than offering credit, Jonathan Reynolds, market development manager Callcredit Information Group explains that payments rely on trust between all the entities that are involved in the transaction chain. “This is true not only for the customer but also for the operational, IT and service companies that support payment transactions. In my opinion regulatory clarity is key, enabling payment companies to build the systems, processes and procedures around the requirements. Regulation also creates a level playing field for all parties – ensuring there are no unfair advantages, leaving only companies that operate more efficiently than others.”

Regulation and oversight helps to embed trust and protects all users, which benefits alternative or emerging payments companies because consumers are willing to trust their money with regulated entities, he continues. “There needs to be the right focus on regulation and the right balance to stimulate innovation with clarity.”

In March, Vodafone announced that following new agreements with Visa and Carta Worldwide, bank card payments via Vodafone Wallet will be enabled in European markets from the second quarter of 2015. Reynolds comments: “I see banks and alternative payments companies continuing to act more like the retail sector in the way they acquire and service their customers, which means through multiple channels and with targeted offerings based on their understanding of consumer needs. The likelihood of partnerships is increased when we think about the trust question - in terms of brand trust, retail/mobile phones companies and others tend to be favourites with consumers. This glow can rub off on banks and provides the retailer with credibility by working with a bank.”

To date alternative payment companies have had to use the existing banking infrastructure to enable certain activities, explains Reynolds. “Existing infrastructures will still be the rails for the key touchpoints of load, funding of a mobile wallet or depositing funds and processing, to enable a person-to-person transfer overseas. This is a common sense approach from alternative payment companies as the infrastructure must meet high volume real or near real-time requirements which is difficult to build, manage and maintain and needs the interoperability that big banks and card networks have developed.” He adds that the key issue for the alternative payments industry is access (and the commercial viability of this access) to the infrastructure and how this need matches the desire of the incumbents to support their business objectives.

The EPA describes lack of direct access to clearing and settlement systems at a fair price as a situation that negatively impacts both competition and innovation and ultimately results in fewer choices for consumers in terms of payment products and services. ‘This situation is a result of the current ownership structure of the payment systems and infrastructure within the UK and/or the capital cost barriers to entry coupled with an imbalance in governance. At present, to join the clearing systems smaller banks and non-bank payment companies need to have an agency banking relationship with a major bank player.’ According to the EPA, this lack of competition is ultimately hurting the service users and leaving large segments of the population underserved. This observation ties into Reynolds’s response to the question of whether demand for alternative payment services is going to be driven by emerging markets (where numerous providers are already operating) or connecting the ‘unbanked’ in developed economies. “Both these sectors make up a proportion of the opportunity,” concludes Reynolds. “In addition, general consumer trends will drive adoption of alternative payment methods. Payment habits are changing and consumers increasingly understand what the right payment method is for them for that particular transaction, so will therefore drive transactions to their preferred models.”

FinTech fever

Scott Thompson looks at why so many investors are scrambling to get some FinTech action

FinTech is so hot right now. To (sort of) steal a line from cult comedy classic, Zoolander. There are more startup events than you can shake a stick at, all looking to unearth the next big thing. There's Finovate, for example (more of which on pp. 8-10). And also the Barclays Accelerator, SWIFT's Innotribe Startup Challenge, Accenture's FinTech Innovation Lab London Investor Day and the BBVA Innova Challenge. Startups in this area raised a total of $6.8 billion in 2014, three times more than in 2013, according to research carried out by VC firm, Life.SREDA. The leading sectors in terms of funds raised in 2014 were: online lending ($1.8 billion), online acquiring and mWallets ($1.649 billion), PFM/PFP-services ($959 million), services for small and medium business ($783 million), and mobile acquiring ($491 million).

"A plethora of FinTech-dedicated funds, private and public, emerged last year, and one can hear recognised investors saying aloud what has definitely become a buzz phrase of the season: "FinTech is the next big thing!". We expect to see yet larger volume of investments, splashy IPOs and truly disruptive technologies in 2015," enthuses Vladislav Solodkiy, managing partner at Life.SREDA.

"Oiling the wheels of value transfer and providing a rich, informed, and personalised experience for customers are two of the areas attracting the big FinTech dollars"

FinTech is, dare we say it, suddenly sexy. So many people are looking for a piece of the action, even the previously hesitant banking establishment. "There's a recognition that they are somewhat behind the curve in terms of fringe areas such as social media and mobile wallets. They need to back a winner to differentiate themselves in the market, but in a lot of these areas it isn't clear who the winners are yet. So they need to establish relationships and get themselves into a strong position," notes Emma Rodgers, director, TMT market intelligence at Clearwater International Corporate Finance.

Or as Simon Barrows, director at Archioptiryx, puts it: "It seems that everyone is either involved in or talking about FinTech right now. If you're not, well, you're either not remotely interested in FS technology or have been hibernating or on some sort of grand walkabout for the last few years. When even the least trendy of the big behemoth banks and the Chancellor himself have gotten in on the act you know there's something afoot. But just what is that? Put simply, the environment couldn't be riper for focussed, nimble, innovative opportunists to be picking off choice elements of business from the decidedly stuck-in-the-mud big banks. Heightened customer demand for better service, greater convenience, transparency and value, coupled with the mobile revolution and digitisation of value on the web, has turned the heat up to roasting on the established players, who are still struggling with battered reputations and the handcuffs of regulation, old and overly complex IT and need to generate shareholder value, now!"

"Social media is overhyped still; useful for market research and that's it"

Simon Burrows, PWC FinTech director, agrees that it's the result of a perfect storm of factors – technological change, smartphones/consumerisation, customer dissatisfaction with the "old" financial products, availability of funding, financial sector regulatory and market changes. "There are currently huge opportunities in FinTech which historically have been underexploited due to the vested interests of incumbent operators," he comments.

So, are the right horses (online lending, mWallets etc) being backed? "International P2P money transfer services that allow consumers the ability to bypass traditional bank fees is attracting immense investor interest. We only need to look locally at the rapid rise and success of TransferWise," says Mark Kanji, CEO at Apptivation. "Another area that continues to see traction is security. With more people trusting and embracing digital propositions, fraud prevention has never been so important to both growing startups and more established providers. The pervasiveness of mobile phones coupled with recent technological advancements has opened up significant opportunities to better authenticate and verify customers and transactions. Solutions that help improve personalisation are also gaining traction. This ranges from products that allows financial institutions to better understand the needs of their customers at a more granular level so they can better serve and target through to more dynamic and customisable user interfaces. Personalised and simplified services will increase customer retention in an ever increasingly competitive market."

Burrows adds: "I would agree that these are all key areas – particularly payments/FX and online/P2P lending. In PwC we are seeing a lot of M&A deal activity as well as partnerships being struck in these areas. It's particularly interesting to see the large banks actively engaging with FinTech startups, who they previously would not have considered working with."

Professor Merlin Stone, a specialist in customer management, is, however, slightly sceptical about the amount of money going on mobile wallets, as opposed to just ensuring that web banking can transfer smoothly to smartphones and tablets without security risks, which is what most consumers seem to want. "However, I think that we may be on an S cure on that one, in the sense that eventually the market will take off and everyone will abandon their cards. The investment is looking towards that, but I fear the pay-off may take longer to come, partly because classic card providers are innovating like mad to keep control," he adds. "I'm still unsure about PFM/PFP, as some of this investment implies a degree of sophistication in consumer behaviour which just isn't there. I certainly believe that it is needed to stop people being silly about money, but they have a very strong desire to manage their money badly, it seems, according to all the behavioural finance research."

Barrows observes that, "Oiling the wheels of value transfer and providing a rich, informed, and personalised experience for customers are two of the areas attracting the big FinTech dollars. The web and mobile technologies provide a multitude of ways to link consumers of finance with providers of finance, in whatever shape that takes, to enable value to be exchanged more easily and at lower cost either using new fancy engines running over the existing payment tracks or building new global payment clouds. To Bitcoin or not to Bitcoin no longer seems to be the question. It is now how can I leverage the blockchain?"

He adds: "Or back in the land of the men and women on the street, in their homes, their businesses, or at the top of a red run, how can all that lovely data about them that's rattling around be put to some practical good use, to make something a lot easier or actually quite special – distil it all down, regardless of whether the data is Big or not, and produce a single smile? Don't try to sell me a loan if I already have one, or a few thou' gathering dust in a savings account right there. Them's the basics. And let's not go into what you were planning for Google Glass. Piffle! Look after my data. Use my data, carefully, wisely, creatively. Give me something back that I value, right when I need it. Help me transform not just my financial affairs but my life through technology. I'll probably trust you with a bit more of my data then and see what else you can do."

The buzz remains

When something operates at a significant premium and becomes shrouded in hype, a raft of companies usually pop up and start riding on the coat-tails of genuine innovators and trailblazers. Witness the overstuffed mobile payments sector, where arguably something will have to give before too long. Whilst there is undoubtedly a lot of opportunity, what technologies are overhyped and could we see the FinTech bubble burst?

"I don't see the buzz ending this year. When there is a lot of buzz around a market, it doesn't go on forever but I can see it continuing for at least the next couple of years as there is such a fundamental shift going on, it won't play out quickly," says Rodgers. "Thing like payments technology, for example. People were expecting mobile payments to take off more quickly, but it's happened quite slowly. It will play out over a number of years and the buzz will remain but not forever."

Kanji believes that the buzz is definitely sustainable and that the enthusiasm for this sector is being driven by the way the financial industry itself is developing. "Banks are increasingly willing to open up their data to enable an offering that matches often demanding consumer expectation for seamless technology. In essence, a seemingly insatiable consumer need for increased efficiency is driving this buzz. Consumers are now more willing than ever to digress from using services provided by traditional High Street banks," he says. "Yet, banks are under increased pressure to cut costs, maintain transparency and remain compliant: making it increasingly challenging to use their archaic in-house systems. FinTech offers agility: a flexible business model that accelerates the speed with which traditional banks can adopt new solutions to meet consumer demand, and this continues to be applicable across a wide range of segments in the industry. Moreover, as the millennial generation gives way to Generation Z, we will see even more reliance on mobile and online technologies and an even greater shift away from services associated with brick and mortar locations, further solidifying the scope and scale of the FinTech sector's current growth ambitions."

In the rush to find the next big thing, we shouldn't lose sight of the fact that FinTech isn't just about technology for financial services, it is about transforming financial services through technology. And like any form of innovation, not all of it will work, or at least not initially. "It can't do. That is almost the very definition of an innovation process, otherwise we'd all be using WD-1 not WD-40," observes Barrows. "Some FinTech companies will form part of the new world order. Others will be acquired by large banks or technology companies of the current establishment (BBVA/Simple). Some will continue in their niche. Many will go to Logo Heaven. Listen to all the pitches. Look at all the demos. Place your bets!"

Big Data, mobile wallets and social media often find themselves in the firing line for being overhyped. But all three still have legs. "The larger financial services companies tend to have a massive amount of customer data and aren't perhaps using it quite as effectively as other sectors. That Big Data story will develop more over the coming years as they tackle the issue more effectively," says Rodgers.

Stone comments: "Banks have always had Big Data, they now have even more of it, so I don't think they face anything new here. It's true that they sometimes can't bring it to bear sharply on recurring problems (customer fraud, customer profitability, management control/ethics). But they are learning. Social media is overhyped still; useful for market research and that's it. And mobile when seen as a magic solution as opposed to just migrating web banking to smartphone, which is something different."

Burrows sees huge opportunities around better exploitation of data. "But Big Data is a bit of a nebulous concept without further detail. For example, as payment interchange fees reduce, PwC believe that monetisation and exploitation of customer data will become a much larger proportion of revenues derived from payments processing. For me, wearable user interfaces are one of the more doubtful areas as I believe users are starting to resent the intrusion of smartphones into their daily lives. I think people want boundaries – and besides, wearable technology has the added complexity of keeping up with fashion changes."

Kanji concedes that Big Data has had its ups and downs but it is expected that, as we see a move away from simple data collection and toward creating more advanced products and services in the artificial intelligence and wearable tech market, interested investors will follow. "Equally, social media has been overhyped throughout the years, but as digital analytics companies refine their offering to include more actionable predictive intelligence from data collection, the social media space will become more valuable as a source of insight."

> **There are currently huge opportunities in FinTech which historically have been underexploited due to the vested interests of incumbent operators"**

Yep, FinTech is so hot right now as the IPOs just keep on coming and more and more innovation labs spring up. Some of the companies riding this wave will fall by the wayside, some could well go on to transform the way FIs operate. FinTech enthusiasts have high expectations for a sector full to bursting with cool startups looking to disrupt the old guard. These ventures are leading the drive to innovate in financial services, they rave. Their excitement is contagious, but it's important to keep things in perspective. I've lost count of the number of emails that have appeared in my inbox with the opening line, Hi Scott, this will be the next big tech company! Hmmmm, excuse me if I err on the side of caution. FinTech never sleeps, is a popular mantra right now. But on the flip side, bubbles have a tendency to pop when you least expect it.

Misys does the treble at FStech Awards

Misys picked up three awards across risk management, trading systems and online technology at the 2015 FStech Awards

FStech awards 2015 WINNER

"Winning once at the FStech Awards is an achievement, but to take home three awards is something that very few companies have managed since the event was launched 15 years ago"

Misys FusionRisk was voted as winner in the Risk Management Software of the Year category. This award recognises success in the development, implementation and running of risk management software for the financial sector. Applicants need to demonstrate how their software has been developed to best benefit the financial sector, and evidence of performance should be provided where possible. Winning this award previously in 2013, FusionRisk is Misys' strategic risk management solution that allows banks to build their risk intelligence across the trading and banking books. This allows banks to consolidate, analyse and report risk when and where it matters, across all business lines.

The Online Technology Provider of the Year category rewards the online technology provider deemed to have had a particularly successful year in serving the financial sector. Judges look at examples of new products and strategies, evidence of how they have been received by the industry, and performance for 2013/14. Misys was recognised for its FusionBanking Essence Personal Financial Management (PFM) offering. PFM is an online tool that enables banks to create differentiation in a crowded market, to engage and to better understand their customers' financial needs and aspirations. It provides easy-to-understand data visualisations, customisable user interfaces and captivating functionality – built on the latest technology and highest security standards.

FusionBanking Essence Personal Finance Management

Finally, Misys won the Best Trading System category for its FusionCapital product. This award goes to the best new trading system, whether it is installed internally at a wholesale bank or into the general financial markets for wide-scale use. New execution venues introduced after the EU's Markets in Financial Instruments Directive (MiFID) are encouraged to enter, as are updated technology platforms from incumbent stock exchanges or banks/brokers. Systems that specialise in non-displayed trades, public order books or data delivery are all acceptable. The winning entry demonstrates how the use of technology has improved processes, speeded up response times, enhanced capacity and helped further the chances of future business success.

FusionCapital brings together Misys' core trading systems with cloud-based global components to offer business-wide, cross-silo solutions in a single state-of-the-art architecture, with seamless front-to-back trade processing, unsurpassed cross-asset coverage and enterprise-wide consistency.

The Misys Fusion architecture creates an integrated platform that drives performance, growth and innovation. The company is continuing to invest in its solutions and currently has over 2,000 employees working in R&D.

"We're delighted to be recognised with three key financial technology awards from FStech," said Nadeem Syed, CEO, Misys. "It's fantastic to see the new product approach under the Fusion architecture receiving such positive feedback from the industry. There has been impressive growth while integrating and innovating our Fusion portfolio to deliver market leading solutions, and winning these awards is testament to the hard work from our employees to make this happen."

Scott Thompson, Group Editor, FStech, commented: "Congratulations to Misys on being one of the biggest winners on the night. Winning once at the FStech Awards is an achievement, but to take home three awards (Risk Management Software of the Year, Online Technology Provider of the Year and Best Trading System) is something that very few companies have managed since the event was launched 15 years ago. Their entries were clear and concise and demonstrated innovative solutions providing genuine business benefits, backed up by impressive customer testimonials."

Misys is at the forefront of the financial software industry, providing the broadest portfolio of banking, capital markets, investment management and risk solutions available on the market, and boasting more than 2,000 customers in 130 countries. It connects systems, collects data and creates intelligent information to drive smarter business decisions. To learn more about how the company's Fusion software portfolio can deliver a holistic view of your operations, and help you to solve your most complex challenges, visit www.misys.com and follow @MisysFS on Twitter.

Equiniti on a pensions mission

Equiniti picked up the award for Technology Provider of the Year at the 2015 FStech Awards

FStech awards 2015

WINNER

This FStech Awards category rewards the provider deemed to have had a particularly successful year in serving the financial sector. Judges looked at examples of new products and strategies, evidence of how they have been received by the industry, and performance for 2013/14.

Equiniti was pitted against such big hitters as Fiserv, VocaLink and Verifone, making their win a great reflection of the impact that Equiniti is having in the technology market. 2014 saw the company set out a mission to bring pensions into the 21st century. This has resulted in a number of innovations that are transforming the way pension scheme members view/

understand and manage their pensions, supporting employers and members through sweeping pensions reforms and helping to drive a 200+ per cent increase in pensions engagement.

Equniti is embracing mobile as a direct and added value means with which to engage with members, including using augmented reality apps such as Blippar to provide interactive feature-rich benefit statements and Push notifications through its app to deliver targeted and useful information that is front and centre on members' smartphones.

As a result of all of this, Equiniti now boasts client advocacy of 96 per cent and revenue is at a record high. Scott Thompson, Group Editor, FStech, said: "Equiniti's submission was hugely impressive, successfully highlighting how they are harnessing technology to develop ways in which pensions are even more accessible and engaging to members. Competition for the Technology Provider of the Year award was particularly fierce this year. So congratulations to Equiniti, more than worthy winners!"

Richard Llambias, head of product strategy, Equiniti Pension Solutions, commented: "Member engagement has traditionally been a challenge for all pension schemes but by embracing mobile, and all the rich functionality and content that mobile devices allow us to push to our clients' members, we are changing this reality and empowering them to make informed decisions about their retirement planning."

BT/Barclays lead the way

Groundbreaking work by BT and Barclays saw the companies come out on top in the Best Use of Technology in Customer Service category at the 2015 FStech Awards

FStech awards 2015 WINNER

Barclays were looking for a new, compelling and informative way to communicate with their customers and create a more personal experience with increased engagement. This led them to become one of the first businesses to trial a groundbreaking new service from BT called BT Contact personalised video service. The BT solution, using industry leading technology from Idomoo, allows delivery of short, individually tailored, high quality videos to millions of customers. Businesses can create a video message template and then easily integrate a customer's data to generate a unique and personal message.

Both voice and text can be produced in multiple languages — with or without sub-titles —and these can be selected by the customer as they watch. It can also be used to provide information to customers who have difficulties with traditional printed documentation, for example people with visual impairment. The service is delivered from the cloud, meaning there is no initial capital investment. It can be fully integrated with an organisation's web presence enabling near real-time creation of videos, delivered direct to a customer's device, be that a computer, tablet, smartphone or smart TV.

Barclays used the service to email its existing customers a unique video message, tailored with the information a customer would need to know about taking out a new loan or loan extension. It was able to tell its customers exactly how much they could borrow, and what interest rate they would pay, before they applied.

Scott Thompson, Group Editor, FStech, said: "This was one of the standout entries across all categories at the 2015 FStech Awards. Best Use of Technology in Customer Service was a hotly contested category, and the judges decided to give the award to BT and Barclays for a clear, concise and compelling submission, detailing innovative technology and a groundbreaking campaign using personalised video on an unprecedented scale that delivered significant uplifts in engagement and applications."

Andrew Small, vice-president, Unified Communications and Customer Relationship Management (CRM), BT Global Services, said: "Our new BT Contact personalised video service helps businesses connect with their customers in a much more creative and engaging way. It helps them create deeper, more personalised interactions, thus improving customer service and increasing sales. This ultimately leads to greater confidence in brand and increased customer loyalty, resulting in great business outcomes. Whether it is sending account updates, loyalty-point notifications, new offers or any other kind of customer communications, personalised videos provide a new way to reach customers."

15 years young

Welcome to our 2015 FStech Awards review. The potential of FinTech is huge. Innovations such as mobile payments, alternative currencies, crowd funding platforms, peer to peer lending and biometrics are transforming the future of banking and the way we engage with money and financial institutions. And that's where we come in...The FStech Awards acts as a showcase for excellence and innovation in the field of information technology within the UK and EMEA financial services sector. Once again the standard of entries was extremely high, with many great examples of cutting edge technology suppliers and financial institutions making innovative and effective use of technology in various pockets of the sector. In fact, I feel confident in saying that this was our best shortlist yet; there were strong showings from both established players and new entrants, highlighting just how vibrant the FinTech sector is right now. It was no easy task selecting the winners, believe me, so a big thank you to our 2015 judges for their help and assistance on this. We came together in January to run through all the entries and share our thoughts and, after much heated debate and several coffee breaks, we were able to agree on who should enter the 2015 Hall of Fame, pat ourselves on the backs for a job well done and head off for a thoroughly deserved glass of wine.

Judging panel as follows...Simon Barrows, Director, Archioptiryx; Simon Burrows, Director, PwC; Neira Jones, Chairman, Global Advisory Board, CSCSS, Chairman, Advisory Board, Ensygnia; Ali Farid Khwaja, Technology Analyst, Berenberg; Glenn Murphy, CIO, London and Capital; Richard Norris, Head of IT and Business Change, Reliance Mutual Insurance; Alistair Sergeant, CEO, Purple.

Congratulations to the likes of Lloyds Banking Group, Barclays, HSBC, SWIFT, Nationwide and Misys, for producing an excellent batch of entries. And thanks to our sponsors, BT, GBST, Maxymiser and VocaLink. You and many others have played a big part in the FStech Awards reaching its 15th year. 15 years! Phew, time flies and all that. Hope you enjoy reading the review and, if you're interested in taking part next time around, the website (www.fstech.co.uk/awards) will launch in the near future, with all the information you need.

Scott Thompson, Editor, FStech

2015 Overall Winner: HSBC

Winning formulas

HSBC, LV=, Lloyds Banking Group, Misys and VocaLink were among the winners at the 2015 FStech Awards. The event was held on 26 March at the London Marriott Grosvenor Square

Best Use of Social Media

Best Use of IT in Retail Banking & Insurance

Best Use of IT in Wholesale & Investment Banking

Best Trading System

The evening kicked off with a welcome speech by Scott Thompson, Group Editor, FStech. "We received entries laying out cool stuff like mobile banking, gamification, wearable tech and social media and highlighting just how, dare I say it, sexy the FinTech sector has become," he said. "But much like the so bad it's awesome 1980s movie Highlander, there can be only one. Or more specifically only one winner per category. If you fail to pick up one of our coveted gongs tonight, you can at least console yourself with the fact that you've helped make up a shortlist which reflects a hugely eventful, possibly gamechanging, year."

Dinner was then served, after which the host for the evening, comedian, actress and writer, Jo Caulfield, took to the stage to reveal the 2015 winners.

2015 Hall of Fame

Best Use of Social Media

Looking for more engaging ways of connecting with customers through social media, LV= partnered with everyone's favourite mockney celebrity chef Jamie Oliver to create co-branded videos which were played over a million times on YouTube. The company used this cost-effective channel to engage with a new audience and increase its brand awareness.

Best Use of IT in Retail Banking & Insurance

This award went to Aegon/Salesforce for Retiready, Aegon's digital pension advisory service for non-advised customers in the UK. It is the first B2C digital, mobile offering which puts control in the customer's hands and helps them save for the retirement they want.

Best Use of IT in Wholesale and Investment Banking

The delivery of a new commercial banking internet channel is a key output of Lloyds Banking Group's Transaction Banking Transformation programme. This will provide a single digital front door designed to extend new products and services offerings to clients across global transaction banking and financial markets.

Best Trading System

Misys FusionCapital enables users to build a trading platform for the future and to find their competitive edge in capital markets. Further info on this and the other Misys 2015 FStech Awards wins on pp. 20-22.

Storage Solution of the Year

Best Use of Technology in Customer Service

Best Use of Online Services

Storage Solution of the Year

Following the merger of Lloyds TSB and HBOS in 2009, Lloyds Banking Group had the opportunity to consolidate its UK storage estate to greatly improve efficiency and reduce costs. Project Bolt, which completed in June 2014, was one of the largest and most successful projects of its type undertaken by any banking group in Europe.

Best Use of Technology in Customer Service

Barclays wanted to create a personalised email campaign promoting its loan service, telling each recipient how much they could borrow before applying. Working with BT, they executed a campaign using personalised video on an unprecedented scale that delivered significant uplifts in engagement and applications. Further info on pp. 24-25.

Best Use of Online Services

The HSBC Online Mortgage Experience (HOME) enables customers to apply, save, retrieve and complete a full mortgage application online with the added reassurance of being able to call and speak to an adviser at any point along the way.

Highly Commended

To make impulse investing as simple as impulse spending, True Potential developed a world-first top-up technology, accessible from anywhere 24/7. With impulseSave, clients have so far added over £6 million directly into their investments, saving as little as £1 at a time to reach their financial goals faster.

Best Use of Mobile

Barclays' innovative mobile cheque depositing service is the first of its kind in the UK. It allows customers to deposit Barclays cheques (up to the value of £500) and access their money straightaway by simply taking a picture of the cheque.

Anti-fraud/Security Strategy of the Year

Deutsche Bank's digital initiative Next focuses on customer satisfaction. In terms of mobile and online banking, this involves increasing security aspects as well as an enhanced user experience while using state-of-the art smartphone capabilities. A new concept for transferring money without using passwords was earmarked for further development due to its clear business benefits and innovation potential. Further info on pp. 32-33.

Compliance Project of the Year

SWIFT emerged as the winner in this category for its Sanction Screening Service for customers looking to comply with the multitude of sanctions regulations. The judges were impressed by the take up of the service in 2014 and since its launch in 2012.

Systems Integration Project of the Year

The winning project saw millions of Lloyds Banking Group Retail, Corporate and Third Party credit card accounts migrated to, and integrated with, strategic systems. The migration was transparent to customers. There were no customer impacts during the transition to strategic systems.

Infrastructure Solution of the Year

Bank of America has grown through multiple acquisitions, resulting in a complex environment that included redundancies within the company's Technology Infrastructure (TI) environment. In 2013, following a series of focused analyses, Bank of America's

Best Use of Mobile

Anti-fraud/Security Strategy of the Year

Compliance Project of the Year

Systems Integration Project of the Year

Payments Innovation of the Year

Outsourcing Partnership of the Year

Infrastructure Solution of the Year

Omnichannel FS Provider of the Year

Financial Sector Innovation of the Year

IT Team of the Year

Cloud Computing Innovation of the Year

Risk Management Software of the Year

Most Innovative Product of the Year

TI organisation recognised the need to simplify the infrastructure consumed across the company. They formed the TI Volume Reduction team and initiated a multi-generational programme designed to achieve an optimal infrastructure footprint.

Outsourcing Partnership of the Year

Credit Suisse was looking for a strategic partnership to develop a world-class and lean Quality Assurance (QA) function for its Fixed Income division. The focus was to reduce QA operational costs, optimise resources and improve QA processes. Cognizant partnered with Credit Suisse to build a state-of-the-art Test Centre of Excellence with a three-phased fast-track approach. The first two stages were achieved in record time and the current phase of 'Continuous Improvement' is realising benefits with a positive ROI to Credit Suisse.

Payments Innovation of the Year

VocaLink's proxy platform removes the need to store personal details within an application or payment channel. The new platform offers fast searching for a payee, using only the mobile phone number as a unique identifier. In this way, data storage, search and retrieval are detached from the application; an industry first in UK payments.

Omnichannel FS Provider of the Year

In November, Lloyds Banking Group implemented a new multi-channel servicing platform across its 2,250-strong branch network and 4,500 telephone banking agents. The common servicing platform was the biggest change in the retail bank in 2014 and aims to give customers a market-leading and consistent experience across its channels (digital, branch and telephone banking).

Financial Sector Innovation of the Year

Thomson Reuters launched Social Media Monitor in Eikon in February 2014 to help customers make sense of vast unstructured data shared on social media. It separates the signal from the noise, allowing investment professionals to monitor and identify sentiment indicators from myriad sources and derive actionable investment intelligence.

Highly Commended

Nationwide's Quick Balance feature launched in June 2014, enabling mobile banking customers to access their account balances without logging in to the app. With the launch of Android Wear, it extended the feature to allow customers with Android smartwatches to access their account balances straight from their wearable device.

IT Team of the Year

Awarded to VocaLink for its work on the Current Account Switch Service. Now customers can switch banks free of charge and within seven working days. Those wishing to switch provider know exactly what will happen and when. The service is guaranteed, reflecting confidence in the underlying technology.

Cloud Computing Innovation of the Year

InvestCloud is a fast growing provider of cloud applications for the securities industry. In 2.5 years, it has acquired over 600 clients and $1.2 trillion in assets on its platform.

Technology Provider of the Year

Online Technology Provider of the Year

Risk Management Software of the Year
Misys FusionRisk was launched in July 2014, covers all types of risk (credit, market and liquidity) and integrates the trading and banking books for a full business-wide view of risk. The solution includes best-of-breed analysis to understand complex risk measures. It also helps customers to respond to regulations and make better decisions based on up-to-date risk information.

Most Innovative Product of the Year
SimCorp has worked with industry partners to launch a solution addressing regulatory concerns about the lack of contingency plans for the collapse of outsourced providers. This service provides a low cost utility for asset managers to continue to perform basic functions for their investors when their provider has failed.

Highly Commended
Artificial Solutions' Teneo offering is a fully integrated, natural language interaction platform that adds speech-enabled intelligence to mobile and connected consumer devices and a conversational dimension to a customer's online experience.

Technology Provider of the Year
Equiniti Pension Solutions were recognised for a number of innovations that have transformed the way employees view/understand and manage their pensions. Further details can be found on p. 23.

Online Technology Provider of the Year
Misys picked up its third award of the night for Personal Financial Management, an online banking tool to engage and entertain clients. It boasts easy-to-understand data visualisations, customisable surfaces and captivating functionality built on the latest technology and highest security standards.

Highly Commended
Creative Virtual developed V-Person and V-Portal to allow full-scale transactional conversations to occur between people and technology. In 2014 TSB used this technology to provide a more innovative self-help solution online.

Most Disruptive Financial Sector Technology
Sprint Enterprise Technology's Fastrak provides the UK financial advisory market with the missing link, bringing investment review and reporting together in one place and displacing the need for Excel workbooks and manual intervention.

Most Disruptive Financial Sector Technology

Barry Holland Memorial Award for Outstanding Individual Achievement
In recognition of his vision and decisive leadership, which is helping to drive huge change in the UK payments landscape, our 2015 winner was David Yates, CEO, VocaLink.

Barry Holland Memorial Award for Outstanding Individual Achievement

Overall Winner
There were a number of hugely impressive entries received this year and it was a real challenge selecting the overall winner. Candidates for the top prize included Lloyds Banking Group (who picked up an impressive four gongs on the night) and Misys and VocaLink (taking home three each). All three companies are worthy of an honourable mention. However, after much debate, the judges decided that the 2015 Overall Winner was an innovative service from a bank that is making a genuine difference to its customers' lives. Our winner…HOME, the HSBC Online Mortgage Experience. Congratulations to HSBC and to all our 2015 winners!

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Deutsche Bank takes security to next level

It was a successful 2015 FStech Awards for Deutsche Bank as the FI triumphed in the Anti-fraud/Security Strategy of the Year category

FStech awards 2015 WINNER

The bank picked up the award for its digital initiative 'next'. In terms of mobile and online banking, this involves increasing security aspects as well as an enhanced user experience while using state-of-the-art smartphone capabilities. Out of several ideas produced in multiple brainstorming sessions, a new concept for transferring money without using passwords was chosen for further development due to its clear business benefits and innovation potential. The FStech Awards judging panel felt that the resulting solution marks Deutsche Bank out as a mobile banking pioneer.

The gathering and execution of bank transfers via smartphones is a time-consuming and complex activity. Deutsche Bank wanted to improve this process by using technology which is able both to enhance the user experience and to meet its high security standards. Meine Bank is a free mobile application offering customers access to mobile banking and brokerage services. Deutsche Banks's mobile services now cover more than 25 per cent of all logins to its online banking offering and that is set to grow further. The newest version supports a range of functions, such as direct debit reversals and payment system functions.

A groundbreaking combination of fingerprint login and photoTAN enables users to execute bank transactions without the need for any passwords or separate devices. Using the Meine Bank app on the iPhone, users log into the mobile banking system via the biometric fingerprint mechanism. After this, they can choose a transfer template to enter bank transaction details. The photoTAN application generates a TAN. In compliance with security standards and increased expectations of application usability, the whole process can be completed without any kind of manual input. Deutsche Bank reports that Initial 'Uselab Sessions' have shown users trust this solution.

Scott Thompson, Group Editor, FStech, commented: "Not only did Deutsche Bank win our Anti-fraud/Security Strategy of the Year award, the judges also felt the bank came up with one of the standout entries across all the 2015 categories. The customer as well as the bank itself benefits from this sustainable, innovative solution, both from a security and a usability point of view."

Deutsche Bank's **Markus Pertlwieser**, COO Privat- und Firmenkundenbank, said: "This is a great appraisal for the progress we have made within our digital journey, positioning us as pioneers in the mobile banking industry." **Wolfgang Gaertner**, CIO Retail added: "This is a specifically important award for us as it acknowledges our efforts to deliver an outstanding user experience in a highly secure way that our clients can have confidence in."

FStech awards 2015

Scenes from the big night


Getting ready for the 15th FStech Awards.

FStech Group Editor, Scott Thompson, gives the welcome speech.

Dinner is served.

Our 2015 winners.


The 2015 FStech Awards judges strike a pose.


The ever popular post-Awards ceremony fun casino.

www.fstech.co.uk/awards

talking heads

Derek Corcoran, chief experience officer, Avoka

FStech: How did you get into the sector?

Derek Corcoran: My first job out of university was with Allied Irish Bank about 20 years ago and I've always been drawn to technology in the financial services sector. The sector has enormous opportunities to benefit from technology, and generally has the money to invest. And I love that the work we do at Avoka is focused on the customer experience making it public facing – it's tangible as opposed to the critical plumbing.

FStech: Who has been the biggest influence on your career?

DC: Can I have two? My first manager at AIB, Paul Delaney, sat me down and told me I was a good programmer, but not great. He saw my strength in innovation and bridging the gap between the needs of the business and the potential of technology. And also Steve Jobs (clichéd?); I've learnt from Steve's attention to detail. Our messaging at Avoka regarding "frictionless experiences" and "seconds matter in the customer experience" reflects his relentless pursuit of perfection and his attention to detail as an executive.

FStech: Who in the sector inspires you and why?

DC: Brett King (author of Breaking Banks: The Innovators, Rogues, and Strategists Rebooting Banking, and CEO at Moven) and Andy Lark (CMO at Xero and ex-CMO at CBA) are two guys I've met personally and love the fact that they have an opinion, are willing to voice it and are looking to disrupt for the benefit of the consumer – knowing that positive disruption focused on the consumer will result in the consumer rewarding them with loyalty.

FStech: Which IT professional do you most admire?

DC: Jeff Bezos is a man with a 20, 30, 40 year vision and that's rare these days. His relentless focus on growth is an inspiration and the simplicity of the Amazon business model (the Amazon Flywheel) is beautiful.

FStech: Is there anything that you dislike or that frustrates you about the sector?

DC: The size of the large organisations is one of their biggest strengths and weaknesses. I've met with executives at large banks with a vision and an energy to execute. But they can't do everything themselves and often as that vision cascades down through the layers of the organisation for execution it gets bogged down in IT complications, procurement, legal, compliance, etc. The banks that truly master 'agile' will outmaneuver the rest.

FStech: What technology can't you live without?

DC: My Android smartphone for obvious reasons. NotesPlus on my iPad with the Magulus stylus for handwritten note taking – I don't carry pen and paper to meetings but I don't like typing in meetings…I can't concentrate on the conversation if I'm typing. My wife bought me a Samsung Gear Live smartwatch running Android Wear for Christmas and that's rapidly becoming something I depend upon. I'd encourage Android users to try it out.

FStech: How do you relax?

DC: Two kids under six certainly help me unwind! I enjoy skiing, fly fishing and golf. I've figured out that I'm drawn to technical sports – things that require a technique for competency. I'm not particularly good at any of them, but when I'm engaged in one, it forces me to think about what I'm doing which distracts me from the ever-present workload.

FStech: What was your last banking experience both online and on the High Street and were they positive experiences?

DC: I'm about to relocate to the USA and my lack of a credit history in the US makes it challenging to get any form of credit. It's frustrating that credit history isn't recognised globally. Virgin Australia recently sent my Platinum membership card with a multi-currency pre-paid Visa Paywave card on the back. I activated it and started using it – frictionless experience. And I love the 'tap and go' payment technology…no swipe, no PIN, no signature.

More information on Avoka can be found on pp. 8-10.

People on the move

Brett King

Moven founder and Breaking Banks author, Brett King, has taken on two new roles in addition to his position as CEO at the mobile banking application. King has been appointed to the board of the Center for Financial Services Innovation (CFSI) in the US, and is also joining digital FS investment and advisory firm, Anthemis Group, as a venture partner.

David Lefferts

David Lefferts has been appointed managing director of market initiatives for the Americas at SWIFT. He joins with more than 20 years' experience in the financial services technology industry. He was previously a member of the management team at Markit, and vice president for fixed income strategy at FINRA, the independent securities regulatory body in the US.

Nadish Lad

Nadish Lad has been appointed as head of payments product at Volante Technologies. He joins from Ernst & Young, where he was a senior manager in the financial services advisory practice and focused on the development of corporate banking transformation for various UK banks. Prior to that, Nadish held senior positions at Citi and Wipro.

Betty DeVita

MasterCard has announced that Betty DeVita will become the chief commercial officer at MasterCard Labs, the company's global research and development arm focused on payment innovations. In this role DeVita – who was previously president of MasterCard Canada – will be responsible for developing and managing strategic partnerships.

Russell Gould

Business e-lender Orange Money has hired Russell Gould as its chief operating officer. He was formerly managing director at Everline, the loans company purchased by Orange Money in February. CEO Tomer Guriel said: "We look forward to working with Russell to take the strong foundations from both businesses and create an even stronger business for the future."

Simon Pearse

Simon Pearse is to join peer-to-peer lender RateSetter in the newly created role of head of compliance. He has 13 years' experience in risk, compliance and regulatory affairs, including eight years as a senior manager at the FSA/FCA, and a stint leading the development of the regulatory risk framework for challenger bank OneSavings Bank.

ING

Aris Bogdaneris is to become head of challengers & growth markets at ING Bank. He joins from Raiffeisen Bank International where he was a member of the management board responsible for the retail banking business as well as the chief operating officer overseeing IT and operations/shared service centres throughout the group. Bogdaneris will also be a part of ING Bank's management board.

Lee McSorley

Force Over Mass Capital, the specialist technology startup fund, has appointed Lee McSorley as chief technology officer. His experience in the development of systemic trading systems in the hedge fund community includes roles as a quantitative developer at OTAS Technologies and Integral Capital Management, and as a lead software architect at Caliburn Capital Partners.

Cloud

[supplement]

Treading carefully

Many financial institutions continue to err on the side of caution in terms of cloud-based solutions and technologies. And yet, as this FStech supplement shows, the cloud is coming, and can't be ignored

[Contents]

Virtual reality

Many financial firms are already virtualising, but the technology can cost more than it saves, observes Kate O'Flaherty

Not long ago, virtualisation was touted as the watch-word for financial institutions grappling with cloud computing. In reality, the technology is now part of a bigger picture. It can cut costs and increase efficiency; it is even viewed as fairly secure by financial organisations. But the technology is not right for all. In some cases it can actually increase costs and add complexity.

There are some who claim that the cloud must start with virtualisation. But others argue that it merely adds another layer of software. These conflicting views are leading many financial CIOs to question what the most cost-effective choice will be and which one will bring the most productivity. On top of this, they must consider security and regulation, factors that can prove to be make or break for data sensitive financial services organisations. In the right circumstances, virtualisation can be beneficial. As well as being a stepping stone to the cloud, it has benefits including the ability to consolidate server workloads, optimise server utilisation, and improve portability of application workloads, says Doug Piper, vice president of product strategy at vision solutions.

It is already being used across the board in financial services, according to Lauren Nelson, senior analyst at Forrester Research. "With those who haven't, it is often because there is a barrier, such as an app that doesn't virtualise well. This is seeing some looking towards container-based systems in a cloud environment," says Nelson. This type of virtualisation uses a single kernel to run multiple instances on a single operating system. Typically, businesses use hypervisors on multiple operating systems. The financial services sector has had some challenging requirements in terms of latency and scale, says James Mucklow, IT expert at PA Consulting Group. "But we are starting to see systems outside the sector develop solutions that meet these requirements." Mucklow agrees that virtualisation is already widely implemented in the financial sector and that there is a move to containers. He explains: "We had physical machines, then this evolved to virtual, and now we are moving to containers. This allows you to get more efficiency out of your machines."

According to Mark Child, partner at Kingston Smith Consulting, most financial firms are already well on their way to virtualised environments and already have a strategy in place. "With virtualisation and cloud, you would have naturally gone down a route when strategising. Part of this would entail questioning which applications should go in a virtual environment and which should remain in a local one."

Many financial companies are turning in this direction as a route to cloud due to its ability to reduce costs. Mucklow says: "You can see massively reduced costs. We recently launched a national service and we saw the load on the system jump to 25 processes. The cloud handles that issue, and sees us move away from capacity management and able to focus on other things instead."

Yet Child says virtualisation does not necessarily cuts costs. "It is overplayed a bit by the vendors. I have certainly seen cases where organisations have looked to deploy core apps and infrastructure and have had to literally undo it as it's opening too many avenues or doors, and the cost is bigger than the savings."

Nelson agrees that the technology can be expensive and says that containers are more likely to significantly reduce costs: "Centrally, containers can be a lot cheaper. It allows you to remove the virtual machine cost. At the moment when you want to virtualise, there is a fee for each server. Containers allow a similar type of efficiency building without the cost."

Regulation has also been a barrier. Despite incoming EU data protection laws, many financial firms are not giving enough thought to this issue, experts claim. "We often see cloud deployments that are breaking the law in terms of data," says Child. "With any medium to large organisation that works in multiple jurisdictions, seven or eight times out of ten, we find an issue with a local piece of data protection."

Another big challenge, and separate from the data protection issue, according to Child, is overall IT security: "Not enough thought at the outset of virtualisation was being given to security. You had lots of commodity cloud providers that were cheap and easy to administer and many jumped on the bandwagon, and then people started to question security."

Also from a cyber security perspective, CIOs need to examine how they are reporting and monitoring, he adds. Those that did not consider security because of cost pressures are now finding themselves "almost back fitting it to a product", says Child. "There is a lack of awareness in terms of what applies. There is not enough consideration prior to deployment of the data and security implications."

And he points out: "It's not just security, it's data. All cloud emanates out of infrastructure. I think people delude themselves that it isn't entirely virtual. Within configurations that we've audited, so many have something wrong; I still think there is a lack of appreciation of what the issues and vulnerabilities are."

Mucklow disagrees that security is an issue: "Many of the security issues are perceived rather than actual. It comes down to where you host things: do you keep it in house, or give it to someone else to manage? In terms of risks, it all comes down to trust of supplier. Do you trust the supplier, do they have the right technical competencies? But we are seeing people rely more and more on international security standards, which is helping this element."

With this in mind, managed hosting has many benefits. "Using someone else gives you much bigger scale and can improve security. If you think of Google and Amazon for example, they are huge hosting companies and as a result, they have greater security expertise than most organisations would have in house."

Weighing up the benefits

Virtualisation can reduce costs and increase efficiency in many cases. But it is not always the answer: it can be an unexpected expense and firms must balance the benefits of efficiency vs security. This is leading many to virtualise some of their environment, while keeping sensitive data in house. Child says: "I'm 100 per cent behind cloud and virtualisation, but you have a lot to do when balancing out cloud and security. I think there are instances where it looks like the answer but the reality is it might not always be."

However, cloud technology is particularly useful to underpin data back up solutions. "It can be used for disaster recovery or business continuity but lots of people don't give it that credit. A lot of organisations we look at traditionally have back up in datacentres but cloud allows you to operate 24/7."

While virtualisation was the watch word a few years ago, many experts believe containerisation is the next step. According to Mucklow: "When we move from the physical to the virtual environment, we can increase the capabilities of the machine by a factor of 10, and when we move to containers we increase this by 10 times again. We get even more efficiency out of the machines. It improves the availability of the systems and makes sure they are all available for work."

A big issue

We often hear about the many benefits that the cloud can bring. But at the same time, a lack of standard security practices, concerns about the implications on compliance frameworks and operational risk worries continue to cause problems. Hannah Prevett reports

Banks have traditionally prided themselves on keeping close control of their IT. They employ large in-house teams and, at least historically, have built their own datacentres. The theory was, that less was likely to go wrong if they had a vice-like grip on resources and infrastructure. In the early days of cloud, there wasn't a CIO in the Square Mile that would have seriously considered it a viable option with security the top of the cons list. But the tide may be turning: with the cost-savings more compelling than ever, is now the time for some blue sky thinking?

There's no denying the benefits of cloud: not only is server space cheaper, but the resource is agile, meaning banks can hire servers by the hour for applications, testing and development. What's more, customers are demanding more from their banks and expect regular innovation in products and services. But still the question of security continues to plague FS company bosses. And it's not an issue confined to the IT department: according to research from the Cloud Security Alliance and Skyhigh Networks, 67 per cent of EMEA respondents said that the security of data residing in the cloud is an executive or board-level concern.

"The prevalence of high-profile data breaches makes it a boardroom issue," explains Martin Budd, major account manager, finance, at Fortinet. "Any adoption of new technology therefore comes under significant scrutiny."

There are pros and cons of different types of cloud services for FS companies. Whereas private cloud is essentially the adoption of cloud technology that is implemented within the corporate firewall, usually under the control of the IT department, in a public cloud environment, banks will be sharing infrastructure on a service model. This clearly has much greater ramifications for security.

"Banks and financial services businesses are only considering the use of public or hybrid cloud [a mixture of public and private] in areas with minimum risk profile, and only a subset of IT processes and assets. For example, exploring the use of public/hybrid cloud to facilitate credit scoring. By contrast, no one is looking to transition core banking apps," says Budd.

It's a question of application, notes Jamal Elmellas, technical director at Tolomy. IT directors must choose wisely. "The gains and benefits of [building their own cloud computing capability] must be clearly demonstrable; if it's profitable or efficient and that outweighs the negatives, then yes, cloud computing gets the green light. But something like portfolio management, where numbers are large and the impact is huge, would be less likely to be delivered via cloud computing, as the perceived risks outweigh the benefits."

Cloud adoption

Some of the banks are indeed taking small steps into cloud deployment. Earlier this year, Santander revealed plans to offer cloud-based storage solutions to corporate clients as a bid to improve customer retention. In an interview with the FT, Ana Botín, chairman of Santander, recognised the substantive security concerns but said the bank could leverage the trust it already has amongst customers. "As a small business or private individual customer, where you lodge your information is something you should think about," said Botín. "One of the things that banks have is trust and resilience and as you know with all the cyber risk that is incredibly important."

And this won't be Santander's first foray into this area. In 2014, it began offering cloud-based customer and financial management software to small and medium-sized businesses. Barclays have got in on the act too: in 2013, the High Street bank launched Cloud It, a cloud-based platform for customers to upload, sort and manage their important financial documents.

Outside of the UK, banking institutions have taken cloud adoption further still. Robeco Direct, a Dutch bank offering, besides other things, saving products, investment funds and mortgages, manages more than €8 billion in assets. It has moved its entire retail banking platform to the cloud to help reduce complexity and costs while improving agility. Meanwhile, Bakinter, Spain's sixth largest bank, has said it uses the Amazon cloud to run credit risk stimulations. The benefits are clear to see: a process that once took 23 hours now takes just 20 minutes.

But these are only very small islands of adoption in the vast sea of financial services products and services. In order for banks to be able to leverage the benefits of cloud elsewhere in their business, it's critical to ensure they have the relevant skills in-house to attend to the very real security risks – which is often not the case currently. The Cloud Security Alliance research found that 38 per cent of EU companies suffer from a skills gap in this area.

This will change in time, says Budd. "The cloud industry continues to be a very dynamic landscape and the goalposts are shifting all the time, making it difficult for a given financial services business to address its unique cloud security requirements. As orchestration and management of cloud services becomes standardised and mature, the appropriate security safeguards can be more robustly applied."

In the meantime, it's commonplace for banks to lean on third party service providers for their cloud nous. "Outsourcers, consultants and systems integrators are undoubtedly providing value in developing new security models because, despite their amazing security acumen, internal bank IT staff have enough on their plate working out how to transform the way they create and manage services to take advantage of cloud," adds Budd.

Another way in which CIOs may be persuaded to give cloud a try is if providers get better at building specifically tailored products to the FS sector, says Elmellas. "Cloud computing that is built around specific financial regulatory requirements and markets would give the business more confidence that their data and services will remain compliant and secure."

After all, the compliance requirements are onerous – and could become more so. The list of concerns for regulators is a long one, observes Budd. "Regulators are concerned by the global nature of public cloud infrastructures making it unclear which jurisdictions specific data is located in. Another issue is the role of outsourcers and third parties, obscuring who in fact is responsible for the integrity of data."

Providing yet more burdensome regulation is not necessarily the answer, he adds. "The overriding regulatory challenge for cloud is how to verify compliance beyond question. Cloud has made data more ephemeral than ever before and providing regulatory checks and balances is a challenge for the whole industry. Regulators need to ensure that the complexity and cost of meeting compliance is not so punitive that it offsets the advantages of cloud and inhibits adoption."

That's not to say that the future is not bright. The small pockets of adoption will continue to grow in size and number. But it may be a while yet before the tier one banks put much more than a toe in the water – particularly when it comes to public clouds. "The ubiquity of public cloud adoption in financial services will only come when the rewards are significantly ahead of the risks. Security incidents are extremely damaging, and it seems unlikely for banks to ever be motivated to put their 'crown jewels' in a public cloud infrastructure," Budd concludes.

Fluffy clouds?

A recent study from IDC Financial Insights says that in a few years the migration of many banks' data and processes to the cloud is set to transform the industry. And yet, as Liz Morrell finds, that's where the widescale and open take-up of cloud computing largely remains – in the future

Figures from the analyst suggest that only a small percentage of financial institutions in Western Europe have adopted or are planning to adopt cloud-based solutions and technologies currently with just under 15 per cent of respondents having already adopted public cloud solutions whilst 25 per cent have implemented private cloud computing.

Much of the hold-up still remains around the regulatory state of the market; whilst a few start-up banks are considering wholesale cloud deployments – unhampered by legacy systems – many of the larger ones are more hesitant despite the fact that IDC suggests there are numerous "low hanging fruit" for those moving their non-core activities to the cloud.

James O'Neill, senior analyst at Celent, says that despite its attractions many organisations are keeping quiet about what they are doing in this area, simply because of the concerns around security and regulation. "Few banks will go on record with their cloud services strategy due to lingering concerns about drawing increased scrutiny from the regulators. However the worst kept secret in banking is that nearly everyone is experimenting with cloud services, starting with internal private cloud pilot projects aimed at achieving server consolidation benefits."

Jeremy Suddards, vice president general manager, financial services at HP, observes that for those who aren't yet there it's no longer a question of "if" financial services organisations should move to the cloud but when. "Looking at financial organisations today you see that they cannot keep running their operating systems and systems of record the way that they currently do."

Making progress

Sameet Gupte, senior vice president and managing director of Europe at Virtusa, says the true definition of cloud is now being realised by the industry after somewhat of a false start. "Two years ago people said that they were in the cloud but they had only taken stuff out of a datacentre and put it in an intranet."

Since then European banks have been closely watching the approach of a number of their North American and Asian counterparts who have taken the plunge and started to put things in the cloud to see how it should be done. However, European banks have bigger challenges. "They want to do it and we are seeing more discussion but the biggest thing is ensuring they meet all the EU regulations," says Gupte. "Financial services companies don't have a choice. They have to move to the cloud but it's about how to ensure they are not inheriting fraud and are providing a secure environment to their customers and their customers' customers."

The regulatory issue means that private cloud options are currently being explored more since they offer a level of flexibility and elasticity whilst also conforming to regulatory compliance factors. Many also prefer it since it operates like their traditional infrastructure, but with the elasticity needed to meet the cost of changing business needs, according to Suddard.

O'Neill, however, argues that the two can't be differentiated. "The fact is that a public cloud is inherently no riskier (or safer) than a private cloud or a private traditional datacentre. What that means is that there ought to be a single standard of care for the maintenance of sensitive customer data, regardless of where the data is held. This standard of care includes things like never storing sensitive customer identifiable data "in the clear", but rather encrypting all sensitive data regardless of where it is held. Other best practices include things like stripping or masking customer identifiable data from transaction records before storing them," he says.

He believes it's a fairly easy move from private to public cloud and therefore both will be realised in the future. "What is interesting about cloud services is that if you can successfully implement a private cloud it's pretty easy to extend your IT model to incorporate aspects of a public cloud as well – a hybrid cloud deployment."

"In the future there will be an evolution of hybrid cloud transformations, including managed private cloud and virtual private cloud but you will likely see in the near future that public cloud is adopted more for financial services that don't hold private data," says Suddard. A hybrid cloud approach offers the more agile and resilient computing infrastructure that the banking and financial services industry of the future requires. He points out that some are already moving this way with Deutsche Bank having signed a multi-billion, 10 year contract to move the bank's IT infrastructure to HP's Helion Managed Private Cloud model. "Hybrid cloud is the reality right now and, contrary to what some people perceive, it is already popular and a necessity in the banking and insurance industries."

Gupte flags up that for all the hesitation of banks and financial services companies around security issues there are big businesses already doing it very effectively. "If you take the example of Amazon they have one of the biggest database of payment details but we have never had a news story on how they have messed up. The likes of Amazon are not regulated yet and yet they manage the security issues," he says. He believes the likes of Google, Apple, Amazon and PayPal are redefining what the world of banking will look like.

He cites Barclays as a leader in the cloud race purely because they have looked at the aforementioned examples. "They have hired smart kids from Google and Amazon and so on and have figured out the future is not a chief information officer but these smart, techno people who have built in the cloud and know how to do it and make it secure," he comments.

The cloud is no longer a fluffy concept but is fast becoming a reality. "It is coming – we can't ignore it. Banks will adopt it but it will be staged and it will be controlled and the cloud providers will have to be extremely conscious they don't have breaches, otherwise it will kill the market," says Gupte.

O'Neill argues that others must get onboard. "For banks willing to give cloud services a go it can yield IT infrastructure savings that can be reinvested in customer-facing things like new product development and other innovation initiatives," he says. "If you are someone like BBVA or Santander, global pioneers in pursuing the promise of cloud services, the opportunity is to better serve customers by ensuring that the IT services stack is as up-to-date and efficient as possible.

It's a fact that the industry can't choose to hide from for much longer.

A chat with...

Mark Mullen talks to Scott Thompson about making the leap from first direct to new digital-only bank Atom, and the challenges encountered thus far and opportunities involved

"There is a reason for branches, but it's not to serve customers. It's to make people aware of your brand."

ST: How long have you been in your current role and what have been the highlights thus far?
MM: I joined Atom formally in September of last year but I've been working with Anthony Thomson (co-founder and former chairman of Metro Bank) to develop and create Atom for a lot longer than that. And the highlights have been, well, how many people get to develop a business from a blank sheet, let alone a bank? Meeting so many new people, it's like a completely different life. Seeing an industry from a fresh standpoint with an opportunity to do things differently, as I've been in this area for almost 30 years. It was a privilege and a joy to lead a business with the reputation of first direct (where Mullen held the position of CEO). But before first direct I spent a lot of time doing various different big jobs within the HSBC group. So I love financial services as an industry, albeit it's justifiably had a terrible time since 2007. When I was looking at what to do next, it was a case of, go and work for another big bank, why? Go and find something like first direct, there isn't anything out there. Or go and create something completely new. And the latter was by far the most appealing of those options. But you need a bit of good fortune and luck so there's a certain serendipity in that things came together at the right time.

ST: Why have none of the traditional banks followed this strategy and created a new brand with a completely new IT infrastructure? first direct was that but it didn't exactly spark a revolution. There hasn't been a flurry of activity since its launch.
MM: Yes, first direct was that. We've seen the likes of Intelligent Finance and Smile, so there have been new entrants and/or new brands created by the financial services companies. Most of them were attached in some way to the mother ship so very few of them were completely separate, very few had bespoke or completely new IT systems and any that did are now getting a bit long in the tooth. I suppose the answer to your question lies somewhere in the midst of the financial crisis; since then the banks have been trying to consolidate, restructure etc and also play catch up on their core systems. This would be another opportunity but also another problem and they're trying to solve problems not create them. To some extent it's easier to do this from a standing start than from within the culture and complexities of an existing player, which I really wouldn't underestimate. The culture of a big, longstanding institution is not that of an innovator or a startup. I can tell you that from first hand experience.

ST: What are the biggest challenges and opportunities facing Atom?
MM: The biggest challenge is that the process of designing a new bank and obtaining a banking licence is complex and justifiably so, it's not like we're opening a cornershop. It requires significant investment. And technology is also complex because you're marrying new and old worlds as you still need core banking systems, systems that are capable of managing tens if not hundreds of millions of accounts. On top of that you need to be able to create a very flexible, imaginative and engaging customer experience. It's a technical challenge to choose the right tools, partner with the right people, choose the right infrastructure, test it, develop it etc, the whole process is time consuming, expensive and fraught with stress. The opportunity is to do something new as opposed to pricing a bit differently or tweaking

this or that. We can do a lot more than that. We can engineer our entire model to serve and benefit our customers so we're capable of offering low prices. Very few existing businesses can do that. Also, we don't have to choose to be for everybody. That's a huge advantage as businesses that try to serve everybody all of the time have a great deal of difficulty, at least when they're starting up. Whereas most banks have to do that, they're universal banks, they've been around for hundreds of years and they grew by acquisition. When you buy banks you get what you bought, not what you chose. You're talking about serving everyone from your eight year old saver to an eighty year old pensioner. I wouldn't underestimate how complex and difficult that makes the delivery of banking for the big FIs.

ST: Who, then, are Atom initially targeting?As a digital-only venture, is it millennials?

MM: That's a very good question and one that we've thought about endlessly. The short answer is, we're targeting a mindset and that mindset is about digital, but it's also about innovation and the future. If you have people who are emotionally bonded to the way in which banking currently works, they're probably not for us. That's OK. But if you have people who are willing to reappraise what a bank actually is and how they should be benefiting and getting value from it, then that doesn't have to be an 18 year old, it can be an 80 year old. It's a mindset about whether people value the traditional way in which current accounts are delivered via branches etc, if so, they are well served by the many banks out there offering that. If they value a bank that focuses all of its energies on its digital offer, we're more likely to appeal to that customer. There's another practical point which is that people's willingness to move banks declines as they get older, financial behaviours become more entrenched as their complexity of needs increases. We are likely to be more appealing to younger people but we have to produce a product and a brand that they like, and that's not an easy challenge. We'd like to be there but we've got to prove ourselves.

ST: Being a mobile only bank, do you think that (particularly among older people) there might be concerns around security? Whatever the rights and wrongs here, a fear of the new comes up a lot. There is so much consumer research highlighting mobile payments security concerns.

MM: It is a huge question. Anything that's new will be challenged. The question becomes one of loss liability, do customers lose money or are they recompensed for any loss? Traditionally the primary risk has been with the bank and that's not likely to change any time soon. You have to find the right balance, the size of payments, the process of creating confidence, the levels of authentication. Make no mistake we're making a huge investment in identity and authentication, and also in the protections we offer customers if something goes wrong. We'll stand behind our brand. It's a very, very big market so if security concerns are a big thing for customers, they're probably not for us and that's fine. The mobile banking market is growing faster than any other distribution channel and there's no going back from that. The distinction between desktop vs cloud-based or portable technology is largely semantic now. It is a challenge for the industry but technology has become inherently mobile so it stands to reason that banking should be mobile as well. Why on earth would someone get in their car, pay for parking and stand in a queue at a branch? It makes no sense to me and hasn't for some time. I've banked personally with first direct for the last 20 or so years. In the 21st century, you shouldn't be tied to any particular distribution outlet or any fixed position experience. It should be in your pocket.

ST: But do you think there will always be a market for the High Street branch? TSB, for instance, has been making a big song and dance about investing in its branch network. Metro Bank places a great emphasis on its 'stores'.

MM: Do I think people will want to talk to people, both now and in the future? Yes. But you don't need to spend millions of pounds a year running big branches. I think it's a ridiculous waste of money. If you're selling shoes, it's a personal style thing, but you're selling advice and/or money, not a physical product, and the last time I looked my money was the same as everyone else's money. Technology can deliver face-to-face conversations and it can do it brilliantly and at minimum inconvenience to the customer. There is no pot of gold sitting in a safe somewhere representing your bank account, it is literally bits and bytes, that's what banking is today and has been for decades. When people say they're opening branches, they're actually extending their brand and that is the biggest role the branch has to play. It creates a familiarity and that helps build trust. So there is a reason for branches, but it's not to serve customers. It's to make people aware of your brand, but frankly why not just buy a poster site? It's a really old fashioned way of doing things. But then I have no monopoly on being right, it just happens to be my belief.

ST: Anthony Thomson is the co-founder and former chairman of Metro Bank. As already mentioned, the bank's model is based around the High Street and it continues to open new stores. But these days he is rather vocal in his belief that bank branch usage has fallen off a cliff.

MM: There's a reason for that though, in fairness. Anthony started to think about launching a bank in 2007 and Metro Bank opened for business in 2010. In 2008, the iPhone launched and then the app store and the iPad and in those three innovations you've got seismic behavioural shifts taking place across various industries, not just banking. It has transformed the sector, something strange happened, it was a technological catalyst making it happen and it's just accelerating. The speed of downloads is getting faster and faster, look at the roll-out of ultra fast, fibre-based broadband, the advent of 5G. Therefore the limitations of devices and connectivity are being removed. What you have in myself and Anthony are two people who genuinely believe that customers should be served well and haven't been served well by the banking industry for years. I struggle to understand why you would build a branch-based bank today.

ST: Turning to the seven day current account switch service, the level of switching remains low and none of the new entrants have made a dent into the big retail banks' market share as of yet.

MM: There are a whole bunch of things playing into that. People are conservative with their money, it's an emotional thing linked to their self-worth and their futures. The nature and quality of the alternatives is an opportunity for us. Switching has tended to be driven by price and there's not necessarily anything wrong with that. But if it's the only way they're competing, it tells you that the banking industry has run out of ideas when it comes to innovation. So there's an opportunity for brands that are genuinely different. I also think that if a bank is spending millions of pounds a year on marketing, why should anyone be surprised that it's a brand which many people are familiar with? The only way you can compete as a startup is to spend more money on marketing (which is unlikely to happen) or be better, be competitive on price but most importantly be innovative. Why on earth would you go to all the trouble of moving your account if you thought the destination bank was no better than the one you were leaving?

ST: There's a disclaimer on your website: 'Atom isn't yet a bank, but we'd like it to be. So we're applying to the PRA and FCA for authorisation to become one.' What is the current state of play with the banking licence?

MM: Our formal application is with the regulators, we're in constant dialogue with them and have a very good relationship. And they will act when they're good and ready. We have no reason to believe we won't be launching in the second half of this year as originally planned. But we have to respect the regulator's decision making process.

ST: And you'll be offering a typical range of banking services, deposit accounts, credit and debit cards etc?

MM: We will offer a full range of personal and business accounts and we will deliver then through app-based banking, mobile devices but also desktop devices. We will also provide customers with a facility to enable them to make cash and/or cheque deposits but we are not yet in a position to confirm how or who we will partner with to do so. We'll support all of this with a UK-based contact centre, available all day, every day. It's a not a case of, here you go, look after yourself. We're creating a high quality experience and customer journey.

ST: Finally, if we jump forward five or so years from now, where would you like Atom to be?

MM: We have a business plan with growth numbers. For obvious reasons I can't go through it with you during this interview but it's one we have shared with our investors and the regulators. What's most important for me is that we have a fantastic reputation, quality trumps volume every time. We will move out only as quickly as our quality standards allow. We're not trying to build a brand in a day. Our belief is that it's a brand that should be associated with innovation and excellence. That's where I want Atom to be in five years. If we achieve that, I'm pretty sure the customers and revenues will follow. But if we don't get to that point, we'll be just another bank. And I don't want that. I want us to be a byword for brilliance.

Early steps

There's a big fuss being made over Big Data but, asks Glynn Davis, are banks seizing the benefits or are they missing out?

Big Data is a term bandied around in all sectors and the financial services industry is no exception as it comes to terms with the fact it has to use the masses of data it is accumulating to enhance the customer/client experience.

The reality is that banks have historically used lots of data and arguably they know more than Google about the lives of their customers but they have not utilised this information in the same way as digital companies – helped by the fact they were specifically designed to leverage value from data. Remco Neuteboom, global head of digital transformation for financial services at Atos, says: "Banks are not very far down this road. Amazon and Google have had data and agility at their heart in order to keep competitive, whereas most financial services firms are at a disadvantage as they were never designed to make money out of data, but innovations are derived from it."

Although he says the early returns on investment from investing in data-driven strategies are low, there is a "huge opportunity here". And if they don't act then there is the risk they will fall prey to the predictions by some in the industry that 50 per cent of bricks and mortar banks will disappear because of digital transforming the landscape.

The opportunity lies around using the insight to create a richer experience for customers across all channels so it seems seamless – and in real-time. Strategies can be used to drive better customer experiences through algorithms that enable banks to use machine-learning to give recommendations. "Firms knew the customer down to a segment of one but they could not target using algorithms. But now they can do this across millions of people," says Neuteboom, adding that this could involve offering services at specific times such as when customers are travelling – using contextual data – and putting themselves between the utility providers and the customers to offer better deals and with the bank handling the switch-over.

It is for just such customer-facing applications that Big Data is so well suited rather than it being simply viewed as a new way to store and process data using Hadoop (rather than using traditional relational databases). But for Davy Nys, vice president for EMEA and APAC at Pentaho, it is undoubtedly a sensible strategy to initially regard Big Data as a way to more efficiently store data from across financial service firms' businesses. "It can take out costs and is a stepping stone to using it for insight. It's an easy business case and enables firms to see how they can centralise data and make it easier to communicate with customers/clients," he says.

This move away from ERP data warehousing solutions to Hadoop can yield cost reductions of six to 40x for data storage. Nys says there is much evidence of this sort of investment being made by financial services firms who want to not only reduce costs but also better control their data. This crucially involves having it in one place that enables them to find answers quicker for the likes of risk positions and P&L figures. "They go from batch processing to intra-day operations," he says, adding that the capabilities can be enhanced by extending the data stored to include extra sets including those from social media and from third parties.

Ed Wrazen, vice president of product management for Big Data at Trillium, agrees the key starting point is to bring the disparate data in silos together: "Data can only be used to uncover patterns when you put it together and cleanse and standardise it. We've seen clients HSBC, Barclays and Lloyds move to these Big Data platforms."

With the data in the same location and with the flexibility to be able to analyse it, Wrazen says there are much greater opportunities to identify risk and defaults and exceptional activities. This is especially relevant to retail banks who typically deal with large volumes of complex customer data from different sources including third parties. He cites credit card companies collating their transaction data with information from the likes of hotels and car rental companies to understand more about their customers in order that they can offer them value-added services. Likewise with insurance firms who can bring in additional data sources such as call centre recordings that could provide "nuggets of information" that might hint at potential fraud.

"It's all about the volumes and the variety. Big Data platforms allow data to be stored in these different formats and for the analytics to be undertaken," says Wrazen, adding that the ease with which data can be "mashed together" means it can be handled by individual departments rather than going through the IT department.

By bypassing the traditional routes there is less governance and control over the data, which he believes is a risk for financial services firms as it can lead to privacy concerns. This has been recognised by Anthony Pickup, chief information officer at Pickvantage, who says: "The technology and the ability of the technology are ahead of the regulatory curve. We are just starting to see some of these stories hitting the press."

Big issues

One of the big risks is from anonymised data – that does not identify an individual – being linked with other such data and it reversing the anonymous element to reveal the person's identity. Although he admits most of the value of Big Data is derived from internally sourced data – and financial services firms are aware of the issues around privacy – there can still be potential problems when they buy-in third party data. Often this is used for marketing activities. "Using this to determine loan acceptances and deciding on rates of interest is a good thing as it reduces risks and costs. There is clearly a huge benefit from this but we should not overlook the risk of it – to people's privacy. The problems could be unforeseen," explains Pickup.

Privacy concerns aside James Goldhill, head of financial services at Transform, agrees the benefits are powerful and that it represents a shift in how firms are using data – from driving internal benefits to seeking more customer-led upsides. He points to the predictive aspect that Big Data can bring to bear, citing Visa as being able to predict in advance when somebody is going to get divorced (based on their purchase behaviours). Such data points are being multiplied at a great rate as we move to a less cash-based society and audit trails for individuals are becoming much richer. This is already being used by the likes of Wells Fargo, which is tailoring its ATMs to individual users – whereby if they typically withdraw the same amount then they will initially be presented with just this option on the screen.

This highlights very early steps down this route and Goldhill says financial services firms should certainly be looking to take full advantage. As it is they are "grappling behind the scenes" with the rapidly changing state of the market and new skill sets that are needed if they are to fully reap the benefits of the masses of data they are accumulating.

Bringing in the required experts is simply one aspect that financial services firms have to contend with if they are to seize the day. But they are fully aware that the dramatically changing digitally-driven marketplace means they have to take the necessary steps as this is something that will arguably be the lifeblood of their operations long-term.

Fresh thinking

Michelle Stevens reviews the Innovate Finance Global Summit

Innovate Finance was launched last August as an industry body for the FinTech community, aiming to cement the UK's leading position in global financial services by supporting the next era of technology-led innovators. Its inaugural Global Summit, held in London's Guildhall in March, featured a packed agenda, ranging from investor and political keynote speakers, to bite-sized panel discussions and startup showcases. The day touched on several themes, including the future of the UK's FinTech ecosystem and its impact on the banking sector, as well as gender diversity and talent issues within the FinTech sector itself, and the potential of the industry to reach the world's unbanked.

Based out of Canary Wharf's accelerator hub Level39, Innovate Finance is led by founding chief executive Claire Cockerton. Opening the conference to a 900-strong crowd, she explained that the organisation had grown from just over 50 to 100 member firms (including both banks and tech companies) since its 2014 launch, exemplifying the "next generation revolution" that was currently happening in FinTech. While London's FinTech scene was booming – with twice the global average of investment last year – Cockerton acknowledged that two thirds of the one million people in finance in the UK were employed outside of London, and announced that Innovate Finance was rolling out a new regional strategy, starting with Leeds, Manchester and Edinburgh.

"Just as finance no longer needs to be centralised and delivered by the few, we understand the need to be close to the consumer and to the specialised assets in our clusters in the regions, so we truly are a united kingdom for FinTech," she said. "Because the world is watching us set standards and produce dazzling innovations in product and policy." But looking across international borders was important too, she added, emphasising the need to "forge investment opportunities between critical trading hubs" such as New York and Singapore. Cockerton also called for "collective action" in the industry, as FinTech advancements enabled more people to become responsible for their own financial future, and highlighted alternative finance providers such as peer-to-peer lenders as an example of a segment that was "driving greater returns and access for consumers."

Following Cockerton onto the stage, and explaining why her VC fund was investing in FinTech companies, was Eileen Burbidge, a partner at Passion Capital. She said that the opportunity for efficiencies in financial services, the prospect of seeing immediate returns on investment, and the potential of mobile in emerging markets, were some of the reasons that the FinTech sector was attracting a lot of attention. "We're just at the beginning of what we are going to see in terms of innovation in financial services," she observed. Speaking specifically about the conducive environment in London, she noted that as well as the presence of policy makers and regulators in the capital, London was "a combination of Silicon Valley and Wall Street all in one city."

London calling

There were now 44,000 people working in FinTech across the UK, and the sector was valued at £20 billion last year, the audience heard in the first panel debate of the day. But there was still potential for that to expand much further, said Eric Van der Kleij, head of Level39, who added: "As a single market, the UK can compete on a global stage." Bright Bridge Ventures CEO Dan Cobley agreed that the UK was an excellent proving ground for FinTech startups, pointing to the country's advanced e-commerce market, robust regulations, access to talent, visa system and tax regime. Fellow speaker Samad Masood, the open innovation lead at Accenture's Fintech Innovation Lab, argued it was important that the sector did not become "overhyped", that it maintained energy on its growth journey and extended the current level of acceleration throughout the UK. "London is the centre for financial services, the digital economy and investment; if we can make it easier for startups outside of London to access investment across the country, we make it easier for change," he explained. "The big challenge is competing with Europe – it is expensive to set up in London, but less expensive in the regions."

Another of the morning's panels considered what a 21st century customer looked like and how this could impact the banking sector. Nadeem Shaikh, co-founder at Anthemis, said research showed that present-day customers were "looking for something different; they care most about how [a service] is integrated with their lifestyle, how simple it is and about transparency and pricing, as opposed to whether they can get it on a mobile, online or in branch". Nick Williams, consumer digital director at Lloyds Banking Group, argued that digital banking was not just for young people, as shown by the adoption in older age groups across the UK, and that user rates were set to accelerate. "It's about giving customers something they have not had before, and control of their finances through a device," he said, adding that there was still a place in the multi-channel experience for face-to-face banking for "moments of truth in life" such as mortgage and pension arrangements.

The audience was also played a video message from PayPal co-founder Max Levchin, who made points about how millennials were failing to connect with today's banks – many of whom were basing their systems on decades-old infrastructure. "Most companies described as too big to fail are actually too big to innovate," he stated. This was a sentiment echoed in one of the day's keynotes from Gordon Graylish, VP and general manager for worldwide enterprise solution sales at Intel. He told delegates that the world was "in a period of change that only happens every 100 years." He picked out the challenges that disruptive and low cost technologies were creating for traditional financial institutions, but countered that they could stay agile by working together with new FinTech innovators. He also highlighted that many Gen Y employees, who were making up an increasing proportion of the workforce, were preferring to work for startup companies because they did not find the culture of giant multi-national corporations an enticing prospect.

And the issue of talent was one that re-emerged throughout the day, alongside warnings that this could be the one factor to put the brakes on the impressive growth of the UK FinTech scene. Russ Shaw, the founder of Tech London Advocates, went so far as to say that the UK's migration system was already hurting the development of FinTech, suggesting that some skills might need to be added to the shortage list in the short-term. Introducing coding onto the school curriculum was a positive move, he added, but one that would not produce fresh talent fast enough. Tech City UK's CEO Gerard Grech observed that some tech jobs of today did not exist 10 years ago, and that many of the current successful breed of entrepreneurs were either self-taught or re-skilling. Providing grassroots mentors to tomorrow's talent and developing digital skill academies should be important aspects of the country's strategy, he noted, in addition to attracting digital leaders to the UK as, he concluded, "investment follows talent."

talking heads

Jack Horton, CEO, Whites Technology Group

FStech: How did you get into the sector?
Jack Horton: I started off working as an apprentice at my dad's engineering company, which was largely based around software. At 18, I went to work in the City in the fund administration and management space. This was based on technology and administration systems, although bad ones! When I started Whites, I wanted to make this service highly efficient and transparent for the end user. Since then, we have developed a number of different products that offer the same benefits across the wider financial services sector.

FStech: Who has been the biggest influence on your career?
JH: My dad; he was a very good business man and programmer. I grew up watching him design and develop numerous pieces of award winning software. When he passed away in 2007, I was 19 and it gave me the drive to try to replicate the impact he had on textiles within the industry I am passionate about, financial services.

FStech: Who in the sector inspires you and why?
JH: There are a number of people I have met and have done business with in the past that have inspired me. One of the biggest influencers was a CEO of a finance company (that I won't name). I pitched him a product when I was working in London. His enthusiasm and ambition was admirable. He had taken his company from a sector that was in decline, into a sector with growth. This took massive restructuring and hard decision making, but in the end it was hugely successful. I think his passion and agility is something I try to bring to Whites.

FStech: Which IT professional do you most admire?
JH: I would say Jack Ma of Alibaba Group. He is a man that had an incredible vision to change the way international trade was done in China. He started his company and everyone thought he was mad, but he persevered and went on to achieve the biggest IPO in US history in 2014. Even listening to him speak today, you can still see his ambition, drive and enthusiasm, which makes him and his story very inspirational.

FStech: Is there anything that you dislike or that frustrates you about the sector?
JH: I think compliance and time; these two factors are the biggest frustrations for me. Obviously compliance is a necessity but with ever changing regulations, it consumes an immense amount of time ensuring our systems are faultless and up-to-date. Time is generally a massive frustration for me as everything seems to move at a snail's pace within the banking industry.

FStech: What technology can't you live without?
JH: My iPhone is probably something I would feel lost without. My life revolves around WhatsApp, emails, calls and messages, so without it I don't think much would get done.

FStech: How do you relax?
JH: I like to play football and golf in my spare time. It tends to take my mind off work.

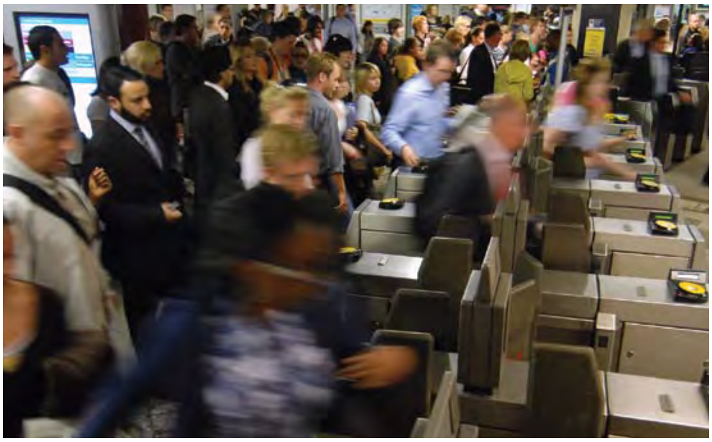
FStech: What was your last banking experience both online and on the High Street and were they positive experiences?
JH: I have recently switched to a new bank and have found their mobile app to be a cut above what I was using in terms of services available, functionality and speed. Also, I really like the share dealing facility and was pleasantly surprised at the level of service in their branch.

Jack Ma: Incredible vision.


FStech

“Banks in the UK already pay more than £40 billion in taxes each year, helping to fund schools and hospitals across the country”

The BBA takes exception to the bank levy increase in the Budget



“Trust in the system has been badly damaged and it’s no surprise that the public expects change after everything that has happened. Banks recognise the urgent need to raise their game and build the necessary momentum for change. It won’t happen overnight and it will be an uncomfortable journey but the time has come to win back trust”

The Banking Standards Board’s Dame Colette Bowe lays down the law

1 in 7

...of all contactless transactions in the UK take place on London’s transport network

“This might be a bit too Minority Report for many people”

Kevin Dallas, CMO, Worldpay eCommerce, on Halifax prototyping the use of heartbeat technology to authenticate mobile banking transactions

$16.2bn

The amount raised by crowdfunding platforms in 2014, according to a report by Massolution

coming up

FStech rounds up the must-attend FS technology-related events taking place in the next 12 months

21-22 April: Payment Security Summit
London
Website: www.pay-sec.co.uk

22 April: FStech/Fujitsu roundtable
London
Website: www.fstech.co.uk/events

06-07 May: Compliance and Conduct Risk in Financial Services Forum
London
Website: www.ethicalcorp.com/compliance-conduct/

18-21 May: MDM Summit Europe
London
Website: www.irmuk.co.uk/mdm2015

02-04 June: Infosecurity Europe
London
Website: www.infosec.co.uk

15-17 June: Enterprise Architecture Conference Europe
London
Website: www.irmuk.co.uk/eac2015

21-23 September: Business Analysis Conference Europe 2015
London
Website: www.irmuk.co.uk/ba2015

7-8 October: IP Expo Europe
London
Website: www.ipexpo.co.uk

12-15 October: Sibos
Singapore
Website: www.sibos.com

02-05 November: Enterprise Data and BI Conference Europe 2015
London
Website: www.irmuk.co.uk/edbi2015

18-19 November: Apps World
London
Website: www.apps-world.net/europe

12-13 April 2016: Cloud Expo Europe and Data Centre World
London
Website: www.cloudexpoeurope.com

FStech roundtables

FStech hosts exclusive roundtables throughout the year, which are free to attend for financial IT professionals. Recent topics under discussion have included cloud computing, social business, retail banking and IT security.

For further information on our forthcoming roundtable events, contact Rhiannon Wooding at: rhiannon.wooding@fstech.co.uk, or on 020 7562 2439. For sponsorship enquiries, contact Sonia Patel at: sonia.patel@fstech.co.uk, or on 020 7562 2430.

Got an event to publicise? Send the details to Scott Thompson, Editor, FStech at: scott.thompson@fstech.co.uk

Further information on industry events at: www.fstech.co.uk/events

FOCUS

2015 FStech/Retail Systems Payments Conference
Thursday, 22 October
London
www.fstech.co.uk/payments

Tech innovation and the mobile and online explosions are combining to radically change customer behaviour and, as a result, payments has become increasingly tricky terrain to navigate for retailers and banks alike. Enabling constantly connected customers to research products and purchase them anywhere and at any time is a challenge many retailers now face. FIs, meanwhile, know that there is a wide trend of consumerisation in the industry and retail banking is no exception.

This conference will see senior figures from across the retail and FS worlds come together to debate the key issues, innovations and challenges confronting them in 2015 and beyond.

For sponsorship enquiries:
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We're on the look out for speakers and panellists. Interested in participating? Contact:
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PAYMENTS CONFERENCE
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Directory of key players

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To make the directory section as easy as possible to use, we have added an index of headings above. These are listed alphabetically in order for you to find the products and services you are looking to source.

To list your company within the section, please contact:
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Auriga's flagship solutions are WinWebServer (WWS), a unique cloud-based concept to manage all distribution channels consistently and with minimum effort, regardless of the manufacturer of the terminals, and PlainPay a mobile app integrated in WWS architecture, testimony of how Mobile technology can become a cross channel enabler in today's banks' multi-channel strategy.

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Financial Services Solutions

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IRESS is the leading software provider to the financial services industry, known best for its market-leading solutions including The Exchange, XPLAN, Adviser Office, Trigold and MSO.

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IT Infrastructure Provider

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IT infrastructure solutions

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Eze Castle Integration is the leading provider of IT services to hedge funds and investment firms. More than 600 funds rely on Eze Castle to be their single source of strategic IT consulting and support in designing, procuring and managing their infrastructure. Services include Outsourced IT, Private Cloud, Disaster Recovery and BCP, Storage, Archiving and more. Eze Castle Integration has offices in London, Boston, Chicago, Dallas, Geneva, Hong Kong, Los Angeles, Minneapolis, New York, San Francisco, Singapore, and Stamford.

IT security solutions

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payments solutions

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book review

Title: So You've Been Publicly Shamed. Author: Jon Ronson. Publisher: Picador. RRP: £16.99 (hardback edition)

Few write with more wit and insight about the strange things people do than Jon Ronson. "Over the years I've sat across tables from a lot of people whose lives had been destroyed. Usually the people who did the destroying were the government, or the military, or Big Business, or as Jonah Lehrer, basically themselves. Justine Sacco felt like the first person I had ever interviewed who had been destroyed by us," he observes.

Lehrer and Sacco have been the recipients of high-profile public shamings, fuelled by social media and Twitter in particular. Public shamings are, of course, nothing new, and it's pointed out that they enjoyed a renaissance in Mao's China, Hitler's Germany and the Ku Klux Klan's America. In So You've Been Publicly Shamed, Ronson focuses on how they have had a very 21st century makeover. The rise of social media means that the silent majority are getting a voice and using it to mercilessly find people's faults. Could my organisation get caught in the crossfire? you will ask yourself over and over as you turn the pages of this by turns scary and funny book. It's an issue many banks have been grappling with since the onset of the financial crisis. Engaging with the general public online brings with it the potential risk of negative feedback. Remember how in 2013 JPMorgan's #AskJPM Twitter hashtag backfired in spectacular fashion? '#Badidea! Back to the drawing board,' the bank posted. 'Sorry we ruined your hashtag event, if you could just apologise for your plunder of the global economy, I think we'd be even. #askjpm' was one of the responses.

Trying to get to the heart of the escalating war on human flaws and the part we all play in it, Ronson offers up a series of case studies. He starts with his own bad experience; in 2012, some academics created a fake Jon Ronson. As part of a post-modern experiment, a spambot was spawned which "got my character traits all wrong, turning me into a horrific garrulous foodie, and strangers believed it was me, and there was nothing I could do." Then there's the aforementioned Jonah Lehrer, a high flying writer whose career was all but destroyed when it emerged that he had made up a Bob Dylan quote for one of his books. And Justine Sacco, sacked as communications director of InterActive Corp, after she tweeted: 'Going to Africa. Hope I don't get AIDS. Just kidding. I'm white!' Funny? Nope. But the punishment (ritual humiliation, unemployment) by far outweighed the crime. "A life had been ruined. What was it for: just some social media drama? I think our natural disposition as humans is to plod along until we get old and stop. But with social media we've created a stage for constant artificial high dramas. Every day a new person emerges as a magnificent hero or a sickening villain. It's all very sweeping, and not the way we actually are as people."

It's not all bad, of course. As Ronson says: "When LA Fitness refused to cancel the gym membership of a couple who had lost their jobs and couldn't afford the fees, we rallied. LA Fitness hurriedly backed down. These giants were being brought down by people who used to be powerless; bloggers, anyone with a social media account. And the weapon that was felling them was a new one: online shaming." But there's a flipside to that coin. As one of Ronson's interviewees (the struggling journalist who brought down Lehrer) says: "You turn around and you suddenly realise you're the head of a pitchfork mob. And it's, What are these people doing here? Why are they acting like heathens? I don't want to be associated with this at all. I want to get out of here."

In a nutshell, social media belongs to the people and people are strange.

Reviewed by Scott Thompson

TOP OF THE TWEETS

The most tweeted stories at FStech Online (www.fstech.co.uk) during March/April. Follow us @FStechnology

2015 FStech Awards: winners announced
HSBC, LV=, Lloyds Banking Group, Misys and VocaLink were among the winners at the 2015 FStech Awards. Read our review of the big night on pp. 26-31.

Apple Watch 'a huge opportunity' for digital banking
A fifth of Brits would like their bank to offer an app on the new Apple Watch, Intelligent Environments says.

Londoners 'in fear of cyber crime'
Some 63 per cent of Londoners are worried about becoming victims of fraud through using either online banking or their credit and debit cards on the internet, according to London Assembly Police and Crime Committee survey.

UK govt lays out open APIs plan
The government has committed to delivering an open Application Programming Interfaces (API) standard in UK banking.

Bitcoin users 'to approach 5mn by 2019'
The number of active Bitcoin users worldwide will reach 4.7 million by the end of 2019, Juniper Research has predicted.

Banks 'transforming in-branch technology'
Banks worldwide are deploying a diverse mix of technologies to transform their branches and the customer experience, according to a new report from RBR.