

July 2017



FinTrack

Tracking innovation in financial services

Introducing FinTrack, GlobalData's financial innovations tracker.

Every month, FinTrack will showcase the latest innovations from financial providers around the world.

Each innovation is assessed and rated on key criteria, providing you with valuable insight.

FinTrack will help you to:

- Keep up-to-date with the latest innovations from your competitors.
- Develop cutting-edge product and channel strategies.
- Identify the latest trends in the delivery of financial services.

FinTrack: the inside track on the latest financial innovations.

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Consumer Payments

FitPay to allow Mastercard contactless payments



FitPay has announced it has partnered with Mastercard to offer prepaid capabilities on wearable devices connected to the FitPay Payment Platform. FitPay integrates contactless capabilities to wearables and Internet of Things devices. This is intended to be another step towards a future where consumers can pay using connected devices.



Is it original?

This is not new. Wearables have been in the market for some time, and more connected devices can enable payments without the use of physical cards. Examples include Apple Watches and bPay wristbands.



Is it long-lasting?

Using wearables to make contactless payments has been slow to take off, but this is expected to change dramatically as more millennials start to use wearables. 43% of US consumers aged 18–24 are ready to adopt wearables as a payment tool as per our 2016 Consumer Payments Insight Survey. This represents a sizable opportunity for FitPay (and similar products) to grow in the US market.



Is it operationally game-changing for the provider?

FitPay can be used wherever Mastercard cards are accepted thanks to the partnership between the companies, greatly extending FitPay's reach. This launch will also add new revenue streams for Mastercard, although not significant ones given Mastercard's scale.



Will it significantly improve the user experience?

The FitPay platform is advertised as reducing the time to market, cost, and complexity of payment and authentication services for wearable device manufacturers. FitPay will also benefit consumers as other wearables either require authentication or (in the case of Apple Pay) the presence of an iPhone in order to work as a contactless payment tool.



Is it market-changing?

There is growing demand for payment capabilities from new devices, but this will not change the existing payments market due to the entrenched status of cards and cash. In addition, this service does not offer any market-changing advantages over other wearables.



TOTAL SCORE

3/5

Wave Money & Grab push for cashless taxis in Myanmar



Wave Money, the largest mobile wallet service in Myanmar, has teamed up with Grab, the country's first mobile ride-hailing service, in a bid to reduce cash-based transactions in the country. The partnership means Grab drivers can accept payments from Wave Money accounts, rather than customers having to pay with cash. As part of the deal Grab will use set fares for people paying using Wave Money, removing the need to bargain over taxi fares.

Is it original?

Grab and Wave Money's partnership allow drivers to accept electronic payments as an alternative to cash. This is not new, though – Uber is in the market and has a partnership with PayPal to enable electronic payments. However, in a country where less than a quarter of the population aged 15+ have a bank account according to the World Bank such a move is quite forward thinking – especially considering how new Grab is in the market.

Is it long-lasting?

Due to Myanmar's high unbanked population, Wave Money has potential to appeal to a wide variety of consumers and boost financial inclusion. The tie-up with Grab gives consumers more of an incentive to use the wallet, likely leading to long-term success.

Is it operationally game-changing for the provider?

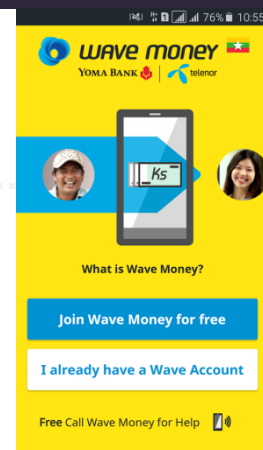
For Wave Money, the partnership with Grab will boost user numbers and usage frequency, without requiring any significant changes to its current offering. The only major work needed to be done is to share data between the two partners on account usage, meaning this deal will bring in revenue while not requiring heavy investment for Wave Money.

Will it significantly improve the user experience?

The new feature will remove the need for consumers to carry cash in order to pay taxi fares, and will also remove any uncertainty and bargaining related to the cost of a ride, making the process much more convenient for users.

Is it market-changing?

For a frontier market like Myanmar, there is a lot of room for services to transform the country away from cash dependency. Paying for transport has proven to be a gateway to wider acceptance and usage of electronic payment tools in markets such as the UK (with contactless), and this tie-up could do the same for mobile payments in Myanmar.



TOTAL SCORE

4/5



Visa is aiming to take on Kenya's P2P payments giant M-Pesa with a new free P2P payment service launched as part of its existing mVisa product. Kenyan consumers can use the new service to send money between accounts at Barclays Bank, Cooperative Bank, Ecobank, Family Bank, KCB Bank, National Bank of Kenya, NIC Bank, Prime Bank, and Standard Chartered Bank. The service requires access to a bank account, but unlike M-Pesa does not charge transaction fees.



Is it original?

Mobile-based P2P transfers are not a new concept. mVisa does not utilize any new technology or do anything substantially different to M-Pesa (aside from the lack of fees), meaning it cannot be considered original.



Is it long-lasting?

Among current users and bank account holders in Kenya this service has potential in the long term – especially since it is free. It is likely to be particularly popular among consumers with accounts at the participating banks.



Is it operationally game-changing for the provider?

For Visa, this new feature brings a small edge in a small market. Kenya is not a major market for the company, with little in the way of cards or infrastructure, and this launch is unlikely to open up major new revenue streams or opportunities for Visa.



Will it significantly improve the user experience?

The service offers an improved user experience to current mVisa users by offering P2P transfers in addition to the existing QR code-based POS payments. And its fee-free status places it ahead of rival mobile money providers, although this benefit will only be enjoyed by the minority of Kenyan consumers with access to bank accounts and payment cards.



Is it market-changing?

The Kenyan market will prove difficult to crack with a bank account-based P2P service. M-Pesa held a 66% share of the country's mobile money market as of Q1 2017 according to the Kenyan government. Meanwhile few Kenyans have access to formal financial services (debit card penetration in 2016 stood at 24% as per our *Payment Cards Analytics* tool), meaning the addressable market – and thus the potential of the service – is sharply limited.



TOTAL SCORE

2/5



General Insurance



Blink, based in Cork, is a digital insurance start-up targeting travel insurance. Using an automated claims process, its product allows travelers to instantly book a new ticket in the event of flight cancellation. Acquired by CPP Group in March, Blink participated in the first cohort of the FCA’s regulatory sandbox.



Is it original?

Blink takes a common sense, “human” approach that is actually original within the travel insurance space. It has gone the extra step by asking not just what a customer may need cover for, but what they will need in the moment if such an event occurs. A refund in a few weeks’ time is hardly comparable to being found a replacement flight when you need to get somewhere.



Is it long-lasting?

With Blink we see an example of the advent of new propositions leveraging digital solutions to earn customer delight in new and more impactful ways.



Is it operationally game-changing for the provider?

This product extracts a lot from the limited resources it requires. It leverages cross-examination of flight data and customer flight details using a cost-effective, automated operation to provide a pro-active, engaging, and useful solution to customers.



Will it significantly improve the user experience?

A few elements of Blink’s proposition are fresh to “traditional” models. First, it joins a growing trend of propositions charging a flat fee. Second, it automates the claims process through information on flight cancellations, without input required from the customer. Third, it pro-actively alerts the customer of any issues and provides practical, instant solutions for compensation.



Is it market-changing?

By focusing on one specific element of the travel insurance space, its impact on the wider market will be limited. Still, Blink asks a question that is relevant to all propositions – “what does my customer actually need at this moment?”



TOTAL SCORE

4/5

Jetty targets the renters insurance market



Jetty

New York-based digital-first provider Jetty uses the tagline “Plans designed for city life, by city people.” A suite of renters insurance products tailored to this demographic helps consumers get into the apartments they want with ease, and protects them and their belongings once they’re in.



Is it original?

Yes and no. At its core, Jetty offers a traditional home contents and liability product. It is perhaps in the packaging – a mobile-first, city dweller-targeted, added benefits-laden package that drives further engagement – where originality shines through. Its Passport surety products do stand out as fresh, offering a security deposit replacement service and a lease guaranty replacement service.



Is it long-lasting?

The insurance industry is yet to truly crack the renters insurance market. Policies are often not well suited to this increasingly large demographic. Jetty offers a package that has considered what this group needs from cover and identified existing gaps in standard coverage.



Is it operationally game-changing for the provider?

While a slick proposition, it is only Jetty’s Passport products that stand out as a real game-changer, potentially delivering a new product into the mainstream – the purchasing of surety bonds for those who cannot afford a full security deposit or lack a guarantor.



Will it significantly improve the user experience?

Passport products aside – which may only appeal to a niche segment – the personalization of products available and the added benefits on offer do not represent significant improvements compared to other propositions targeting this demographic.



Is it market-changing?

While Jetty is a slick, attractive, and well thought-out proposition to target a particular demographic, nothing it offers is likely to change the market.



TOTAL SCORE

3/5



nextinsurance

California-based Next Insurance is a managing general agent with its sights set on the US SME insurance market. Armed with a digital-first proposition, it aims to create policies that are tailor-made for entrepreneurs and their businesses.



Is it original?

Similar solutions are available in other markets. For example, in the UK it would join the likes of Simply Business' wide range of packaged cover, Digital Risks' online-first proposition, and even the scheme building seen within Bought By Many's service. This loses the start-up a mark for originality. However, within the US Next brings much-needed innovation and nuance to SME insurance.



Is it long-lasting?

While the personal lines insurance space has seen a plethora of increasingly personalized insurtech propositions, commercial insurance has remained a ripe, underdeveloped space for digital transformation. With 99% of UK businesses fitting into the SME category, better targeting of the segment has potential.



Is it operationally game-changing for the provider?

Next reportedly converts 95% of business without the customer speaking with an agent. In a space where customers often desire high provider contact, this raises an eyebrow. It is possible that, in providing increased care in molding a policy at the front end (with help from AI), Next instils client confidence and removes the need for additional conversation.



Will it significantly improve the user experience?

For the very smallest of businesses at least, this is a quick and convenient route to accessing a quasi-tailored policy.



Is it market-changing?

Next is essentially delivering bespoke scheme products through a digital channel. The latter is something lacking in the space and in demand from customers. The former, however, inherently lacks impact beyond a few niche segments. Next may also face challenges to its model as it widens its scope.



TOTAL SCORE

3/5



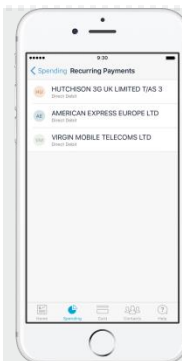
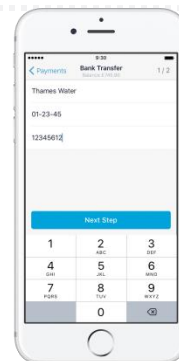
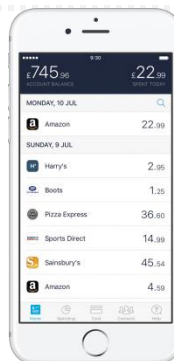
Retail Banking

Monzo launches its current account



monzo

Monzo, the UK-based mobile-only bank, has just launched its current account, which its 300,000 prepaid scheme customers will be transferred to during H2 2017. The account will add to the prepaid scheme's functionality with direct debit and standing order capabilities and the ability to process faster payments. These will add to existing features such as spending categorization and the ability to lock a lost or stolen card. Other features, such as budgeting targets, contextual advice, P2P payments, Apple Pay, and Android Pay, will be introduced later.



Is it original?

Monzo's main app-based banking rival, Starling Bank, beat it to the punch by launching the beta version of its own current account in March 2017. Monzo's proposition offers a very similar feature set to Starling.



Is it long-lasting?

The current account will form the long-term core of Monzo's consumer offering. Like Starling Bank, it will not create other products itself, but will instead promote its current account as an API-enabled gateway through which customers can access third-party products and services.



Is it operationally game-changing for the provider?

In the year to February 2017, Monzo made a £6.7m loss, up from £1.4m for the previous 12 months. Much of this is due to the prepaid scheme incurring average annual losses of £50 per active customer. The transition to current accounts should significantly improve Monzo's financial position.



Will it significantly improve the user experience?

Monzo's existing users will benefit from enhanced functionality, including the ability to manage standing orders and direct debits, make faster payments, have their salaries paid in, and use an overdraft. Access to third-party products and contextual advice will further improve the user experience when added in the future.



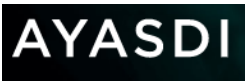
Is it market-changing?

At present, Monzo's current account is not a radical product. Spending insights aside, it offers nothing over a traditional account. However, the bank aims to be at the forefront of the API-based open banking revolution, and its current account will be at the heart of its strategy.

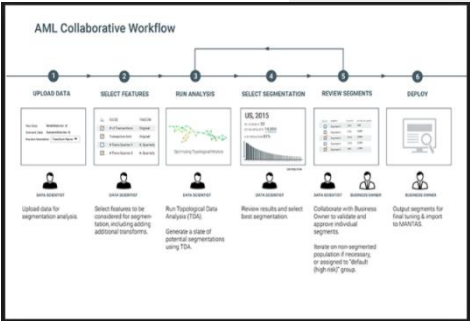


TOTAL SCORE

3/5



Ayasdi is a machine intelligence software provider. Its anti-money laundering (AML) intelligence platform processes large volumes of data by applying multiple statistical and geometric algorithms to gain insight and detect fraud. Its intelligent segmentation applies topological data analysis to find similar groups within the resultant data, which can flag suspicious transactions almost instantly. It reduces the risk of bias since the system focuses on what the data says in an unbiased way, rather than relying on analysts or data scientists manually running algorithms in support of pre-existing hypotheses. However, the compliance burden is still there, meaning there is room for B2B innovation.



Is it original?

AML is a particularly challenging area of regulation for banks, and even more so for large, geographically diverse institutions. In light of this, Ayasdi has created an AML solution that keeps an organization's compliance checks in one place.



Is it long-lasting?

Failure to have adequate checks in place can result in massive regulatory fines. As regulators demand stringent checks on financial customers, tools like this will be in high demand.



Is it operationally game-changing for the provider?

The AML solution is a facilitator rather than a game changer. Regulators will demand that financial firms go through the compliance checks, and this solution offers greater efficiency in AML processes while simultaneously decreasing exposure to regulatory fines.



Will it significantly improve the user experience?

The arrival of machine intelligence techniques can transform a bank's AML processes. However, the major issue is the volume of investigations. This automation is essentially an adaptable algorithm that can be used to check large volume of documentation, raising the alert when suspicious activity is detected. Applying smart systems to workloads that often require tedious activity for humans will enhance the user experience significantly.



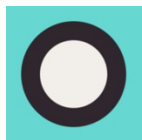
Is it market-changing?

The market for due diligence is shaped by regulation rather than consumer demand. Therefore, we cannot say that this service will be market changing.



TOTAL SCORE

4/5



Coconut is an app-based business bank account, designed specifically for freelancers and the emerging gig economy. The app offers tools specifically designed to aid freelancers with the ability to accurately and easily calculate their taxes and tax-deductible expenses. The tax calculator boasts a “running tax bill” showing live previews of tax assessments to highlight expected liabilities and avoid unexpected bills at the end of the tax year. The app also provides instant transaction notifications, reminders when payments are made and due, and the facility to instantly share all records with the user’s accountant.

81 days left until
the end of this tax year.



Is it original?

While there are alternative challenger banks such as Tide that tailor their propositions to small businesses, Coconut is distinctive in its exclusive focus on the freelancer market. It also offers users the all-important tax calculator tool

Is it long-lasting?

With 5 million UK-based freelancers, sole traders, and independent contractors (the number of freelancers alone increased by 43% between 2008 and 2016) the growth opportunity for Coconut is strong.

Is it operationally game-changing for the provider?

Freelancers have less predictable incomes than employees, and may switch altogether if freelance account providers offer personal current accounts with additional benefits and synergies. Banks will also need to adapt their products and services to cater more effectively for this growing segment.

Will it significantly improve the user experience?

Coconut aims to help with expenses and tax management, cut paperwork and accountant involvement, and reduce the fear around new requirements for submitting quarterly tax returns. If the app delivers on relieving these burdens then it will improve outcomes for freelancers.

Is it market-changing?

With strong growth prospects and regulatory enablers such as PSD2 and the UK’s Open Banking Standard on the horizon, freelance business bank account providers like Coconut are likely to grow quickly. They will start to pose a challenge to traditional banks as their platforms are enhanced by innovative third-party products and services. As consumers adapt to a rapidly changing labor market, traditional banks will have to follow suit.



TOTAL SCORE

5/5

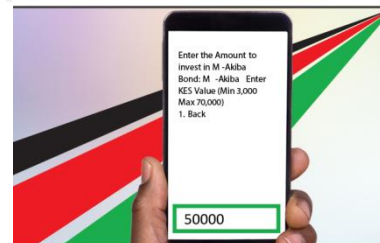
The background is a dark, muted purple. A large, thick, light-purple stylized letter 'S' is centered, composed of two curved segments. There are also three solid circles of the same light-purple color: one in the top-left corner, one in the bottom-right corner, and one smaller one near the bottom center.

Wealth Management

Kenyan government issues bonds available solely via mobile



Following a pilot launch earlier in the year, in June 2017 the Kenyan treasury fully rolled out a mobile-only government bond issue targeted at retail investors. The program, named M-Akiba (“akiba” is Swahili for “savings”), leverages the country’s mobile payments infrastructure, allowing individuals to invest in government debt using a traditional mobile phone or smartphone.



Is it original?

Governments across the world allow investors to subscribe to bonds using a variety of channels, including mobile. However, Kenya is the first to issue debt exclusively via a mobile channel.

Is it long-lasting?

The success story of M-Pesa, a mobile service for money transfers and microfinancing operating in Kenya since 2007, proves that mobile works well as households’ primary channel for dealing with finances. As M-Akiba uses mobile phones not just to buy bonds at the point of issue but also to trade them on the stock market, it is definitely a project with long-term potential.

Is it operationally game-changing for the provider?

The Kenyan treasury plans to raise KES5bn (\$49m) in 2017 in M-Akiba bonds, which is only 3.2% of the government’s full external borrowing plan for the year. While this is not much in absolute terms, and Kenya will still need to look for other sources of financing, it would represent a big increase over previous years, when only 2% of government debt was issued to retail investors. And there is a bigger picture – M-Akiba is not just about raising money, but also about educating the population about saving and allowing them to have an impact on the economy.

Will it significantly improve the user experience?

Offering bonds via a mobile channel will open access to the securities for many first-time investors. The investment process is straightforward, and many consumers are already familiar with mobile tools such as M-Pesa. In addition, the minimum investment in M-Akiba is just KES3,000 (\$30) – much lower than KES50,000 (\$490) before this issue. However, it should be noted that the current infrastructure features a maximum daily limit of KES140,000 (\$1,370), meaning larger investors may still prefer other channels.

Is it market-changing?

KES5bn (\$49m) is more than Kenyan retail investors hold in corporate bonds. If the government succeeds in floating the full planned placement it will have a significant impact on the general debt securities market in the country, and could change the way issuers engage with retail investors. It will also change households’ savings portfolio, which currently primarily consist of bank deposits.

TOTAL SCORE

5/5

Wayfinder tool enhanced to identify overlaps and crossovers between regulations



Waymark Tech is a regtech company providing software that allows banks and other financial services companies operating in the EU to identify regulations applying to their operations and manage their implementation. It also serves as a collaboration platform, allowing users from different companies to interact with each other. The latest addition to the company's Wayfinder product is an AI-powered tool that identifies crossovers and conflicts between relevant legislations in real-time.

Is it original?

Wayfinder differs from other regtech companies as it is fully cloud-based, leverages AI, and covers regulations across the EU. While providers such as RegDelta offer similar capabilities and functionalities, their offerings do not combine all these factors together.

Is it long-lasting?

The number of completely new regulations or amendments to existing regulatory frameworks have been consistently growing since the end of the financial crisis. This trend is unlikely to change, and solutions that can facilitate dealing with increasingly complicated compliance requirements are here to stay.

Is it operationally game-changing for the provider?

Wayfinder was launched in early 2017. The latest update is an improvement but will not be a turning point in Waymark Tech's business. The company aims to offer its platform as a white-label solution to law firms and advisors; signing a partnership with a large, recognized consultancy firm would be a game changer as it could open the door to new businesses.

Will it significantly improve the user experience?

The work of compliance officers and lawyers remains very much focused on pen and paper. Wayfinder allows them to track any new regulations (or amendments to existing law) and identify overlaps as well as gaps on a constant basis, at the same time putting these in a context relevant to particular financial services providers. Such capabilities could significantly improve the efficiency of compliance departments.

Is it market-changing?

Wayfinder can certainly improve the way financial services organizations deal with new and existing regulations. However, the company's innovative approach is paradoxically an adoption barrier, as the industry will be reluctant to rely solely on software provided by a small regtech company with a short history of operations.



TOTAL SCORE

3/5



FALCON PRIVATE BANK
SWISS PRIVATE BANKING

In July 2017 Falcon Private Bank added blockchain asset management to its suite of investment management products. The offering is integrated with the bank's digital platform, and allows clients to trade and store cryptocurrencies such as bitcoin. In addition, a bitcoin ATM was installed in the company's headquarters. The proposition was developed in partnership with Bitcoin Suisse, a cryptocurrency broker that provided infrastructure for the bank's platform.



Is it original?

Various platforms (one of them being Bitcoin Suisse, the bank's partner in this venture) offer access to cryptocurrencies. However, Falcon Private Bank is the first player in the Swiss private banking market to add it to its mainstream offering, and hence can claim to be original.



Is it long-lasting?

There are over 600 different cryptocurrencies available, and the rationale for existence of so many can be questioned. However, bitcoin is by far the most popular (accounting for more than a third of total cryptocurrency market capitalization), and is likely to retain its presence as an investment asset. This means Falcon Private Bank's offering is likely to have a future. In addition, the Swiss Financial Market Supervisory Authority is supporting the development of the cryptocurrencies market, indicating blockchain solutions have long-term potential.



Is it operationally game-changing for the provider?

Blockchain asset management is an addition to Falcon Private Bank's existing offering comprising different asset management services, from execution-only to discretionary. While it enhances the proposition and offers a good marketing opportunity, it is unlikely to disrupt its current operating model.



Will it significantly improve the user experience?

The bank's wealthy clients who are interested in alternative asset classes and technical novelties will appreciate having access to cryptocurrencies via their main provider, rather than being forced to look elsewhere for access to the market.



Is it market-changing?

With only CHF14.6bn (\$14.3bn) of assets under management, Falcon Private Bank is too small to change either the way cryptocurrencies are distributed or the way portfolios are managed. However, its launch of blockchain asset management was quickly followed by Swissquote, and if more competitors decide to offer similar solutions it could have a wider impact.



TOTAL SCORE

3/5

Definition of parameters

Is it original?

Is the innovation significantly different to other products or services already on the market?

Is it long-lasting?

How much longevity will the innovation have? Is the innovation more than a novelty that will only be of transient appeal to consumers? Is it sustainable for providers in the long run, with respect to the cost and complexity of provision?

Is it operationally game-changing for the provider?

How much impact will the innovation have on providers with respect to cost, speed, and efficiency of provision? Will it reduce barriers to entry or open up new revenue streams?

Will it significantly improve the user experience?

How much impact will the innovation have on consumers with respect to speed, ease of use, and cost or price? Will it enhance or add value to their experience, or will it lead to improved outcomes for consumers?

Is it market-changing?

How much overall impact will this innovation have across all market participants, both providers and end users?

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Ask the analyst

For further information, the Financial Services team can be contacted at clientservices.fs@globaldata.com.

