



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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The background is a dark purple color. It features a large, stylized, light purple 'S' shape that curves around the central text. There are also several circles of varying sizes in the same light purple color, scattered around the 'S' and the text.

Consumer Payments



Following its unsuccessful bid to acquire international P2P firm MoneyGram, China's Alipay has launched its own cross-border remittance service based around blockchain technology. At launch this service will allow for transfers between Hong Kong and the Philippines, facilitated by the partnership between Alipay Hong Kong and GCash. Alipay's founder Jack Ma has stated that the aim of the service is to allow for remittances at almost no cost to the user, in order to undercut Western Union and MoneyGram.



Is it original?

Cross-border payments based around blockchain are not a new concept, having been trialed by, among others, Santander in the UK and MoneyGram (both via Ripple). However, this will be the first example of this type of service in China.



Is it long-lasting?

Remittance payments are increasingly important worldwide as more consumers move into other countries for work and want to send funds home. This is a worldwide phenomenon, but as China becomes more economically powerful its demand for remittance services will grow considerably, particularly to and from neighboring countries like the Philippines. This service puts Alipay in a strong position to reap long-term rewards from the growth of the market.



Is it operationally game-changing for the provider?

This launch represents Alipay's first move into the remittance business, opening up a sizable revenue opportunity for the company in this increasingly important payments market.



Will it significantly improve the user experience?

Compared with other international P2P options, the main advantages of a service of this type that uses blockchain are that it can charge less than the major providers do (due to more efficient infrastructure supporting the transfers) and that fund settlement tends to be faster. These are very real benefits for consumers – particularly cost, which is a major concern for the core customer base of low-income migrant workers.



Is it market-changing?

This service is not based on a groundbreaking innovation, but it does have the potential to change the remittance market in China. Alipay is a huge domestic brand that is trusted by millions of consumers to handle payments every day, giving it huge and immediate potential in the market. As demand for remittances in China and Southeast Asia grows this service will naturally expand at a rapid pace, and its lower pricing will likely force other companies to adopt the same technology in order to compete with Alipay.

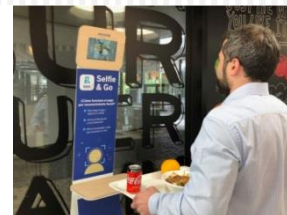


TOTAL SCORE

4/5



BBVA has announced a trial of a new selfie-based payment service among BBVA staff. The service involves a camera booth that recognizes registered users' faces and automatically charges them for food and drink they have selected. The service is currently limited to pre-set orders, but BBVA is reportedly planning to add functionality to allow for the machine to scan trays and charge users without them needing to do anything other than stand in the booth.



Is it original?

Using biometrics to make payments is not new. Companies are already beginning to use biometric technology like fingerprint scanning and facial recognition – and companies like Mastercard are already using selfie-based biometric payment systems.



Is it long-lasting?

This service requires extensive testing to prove its worth. The hardware required is relatively large compared to other POS hardware, and thus requires a lot of space. Usage requires pre-registration from consumers, as well as careful implementation to familiarize them with how to use it. If it can overcome these implementation hurdles this service has transformative long-term potential in the retail market.



Is it operationally game-changing for the provider?

BBVA is looking to become a digital technology company first and a bank second – this launch is just one of its steps towards that goal. If it proves successful, this service will be a useful proof of concept towards realizing its ambitions.



Will it significantly improve the user experience?

The new payment system is designed to improve the customer experience, making payments frictionless. Users have to register in the app, activate their smartphone's Bluetooth and localization, and look at the camera to identify their face. The system automatically identifies and bills the customer, which saves time and reduces consumer input (and thus friction) to the bare minimum. Once the goods-scanning function is enabled the user experience will be even more streamlined.



Is it market-changing?

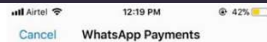
This type of service has the potential to completely transform physical retail by automating all processes by the consumer – in particular, the goods-scanning feature has a lot of potential. Insofar as there can be said to be friction at the physical point of sale, it is where consumers need to physically interact with the terminal. This service removes almost all of this interaction and thus provides a more frictionless experience.



TOTAL SCORE

4/5

WhatsApp to launch payment service in India



In India, WhatsApp has around 1 million of its user base on board to test the beta version of its soon-to-be-launched payment feature. The payment gateway will be based on Unified Payments Interface (UPI), India's instant payment system. The user's bank account is associated with their mobile phone number and WhatsApp account on setup, although multiple bank accounts can be added as desired. By tapping on the attach paperclip icon in WhatsApp users with the feature will see a payment icon, which will allow them to make P2P transfers to anyone within their contacts in the app.



Send and receive money securely with UPI

Tap "Accept and Continue" to accept the WhatsApp Payments Terms and Privacy Policy and the payment provider's Terms and Privacy Policy.

Accept and Continue

Is it original?

Payment features on mobile messaging services first surfaced in 2014 via WeChat. Since then other messaging services, including Line, have offered similar features.



Is it long-lasting?

WhatsApp payments will use the UPI gateway, meaning they are based on a permanent payment system used for transfers between bank accounts – giving the service a strong long-term foundation. And with over 200 million active monthly users, WhatsApp has a significant potential user base.



Is it operationally game-changing for the provider?

This move opens up a new line of business for the company, and is likely to be especially valuable in India, where one in seven WhatsApp users are located. This service will open the door to another revenue stream for WhatsApp, while potentially enabling the same type of service to be rolled out to other markets.



Will it significantly improve the user experience?

Yes. Most mobile phone users have over 20 apps installed, and the most commonly used are social media and messaging apps. A lot of payment apps struggle because they fail to gain "front-screen space" and are thus forgotten about. WhatsApp's payment feature operates within an already popular app, and will allow consumers to both pay and message friends without needing to switch apps.



Is it market-changing?

Not in its current format – there are plenty of P2P payment solutions already available in the market. WhatsApp could stand to be bolder, perhaps by incorporating a merchant payment service using QR codes. This would offer WhatsApp the chance to establish a dominant position in the market



TOTAL SCORE

3/5



General Insurance



ProtectMyPeople is a UK-based group life insurance comparison website aimed at SMEs to help them compare and purchase a death-in-service benefit for their employees. It launched in 2017 and is part of theidol.com, which is owned by Legal & General. The service aims to help users save time and money by allowing customers to get quotes from multiple insurers at once and compare them easily. The service also provides impartial information to help SMEs make an informed decision on which policy is right for their business.

Is it original?

Price comparison sites are an important distribution channel in the general insurance space, and it is only more recently that websites have included or launched to cater for life insurance and protection. But even these are built for individuals purchasing cover. A service that allows the comparison of employee benefits for businesses is therefore original.

Is it long-lasting?

Providing a comparison site for group life insurance will dramatically improve the customer purchasing process for SMEs, which will make it long-lasting. Its place in the market will depend on demand among SMEs to provide their employees with this benefit.

Is it operationally game-changing for the provider?

ProtectMyPeople will provide another distribution channel where insurers can sell life insurance as an employee benefit. According to the brand its panel covers 95% of the market. Providers will have a wider customer reach as insurers will be able to provide quotes to customers who otherwise would actively have had to decide to approach their brand.

Will it significantly improve the user experience?

SMEs want to self-serve. Being able to receive quotes from multiple insurers by entering information only once will improve the user experience. SMEs can choose the level of cover they want to provide and easily upload an Excel document of employee information. However, the service remains a little limited in the time it takes to get quotes. Quotes can be provided in 48 hours, but a final quote summary takes 11 days.

Is it market-changing?

At present ProtectMyPeople does not have enough consumer awareness to be market-changing. In future, the service could be introduced by the big four comparison sites in the UK, which would give it more reach and exposure to SMEs wanting to buy group life insurance.



TOTAL SCORE

4/5



With the global economy becoming increasingly connected, the potential threat of cyber attacks is always growing. As a result, the need for cyber insurance is also rising. Zeguro has developed a product designed for SMEs that lack the financial capabilities to protect themselves to the same extent as large corporations against this growing threat.



Assess



Mitigate



Insure

Is it original?

Zeguro offers its customers more than just cyber insurance. It aims to assess the policy holder's needs by automating the identification of vulnerabilities; it also mitigates potential risks by training employees to give them the necessary skills to act as a human firewall. But Zeguro is not the only provider to take this holistic approach when providing cyber insurance – in a space where risks are constantly evolving this type of service is essential.



Is it long-lasting?

Demand for cyber insurance is only set to move in one direction, with businesses becoming increasingly data reliant and facing growing exposure to potential losses from cyber attacks. Zeguro's focus on a preventative approach and targeting of an SME market far from saturation – where companies typically lack the financial capabilities to build strong IT capabilities – mean product uptake should be substantial.



Is it operationally game-changing for the provider?

Zeguro's three-step approach – assess, mitigate, and insure – indicates a shift towards a more preventative stance within cyber insurance, with a greater focus on preventing claims from occurring in the first place.



Will it significantly improve the user experience?

Training employees to be aware of potential cyber attacks will undoubtedly improve the user experience. This will not only give employees greater confidence in identifying cyber threats but also give the company financial support following a cyber attack – something that is essential for SMEs.



Is it market-changing?

Despite the savvy preventative approach taken, Zeguro's market entry is unlikely to either stand out significantly or by extension counter the low uptake of cyber insurance compared to the potential size of the market.



TOTAL SCORE

3/5



The P2P bicycle insurer, formerly known as Insure A Thing, raised \$1.5m in funding in June 2018. Its unique model – built by developing a community of cycling enthusiasts, with cover supplied through a monthly membership fee – allows customers to have free cover if no claims are made.



Is it original?

Yes. Although P2P insurance is well-established, Laka's ability to offer completely free cover when there are no claims – by making profits from the claims side – is unique. Laka's focus on the bicycle insurance space – where enthusiasts exist and there is a gap in the market in terms of targeted products – is also distinct.



Is it long-lasting?

Yes. It offers customers cheaper premiums. The model works by charging no set upfront fee, but a flexible amount dependent on overall claims. If there are no claims then there is no fee. Laka makes its money by adding 25% to any cost paid out, which may also improve consumer trust as it is not in Laka's interests to reject a claim. It also has a high-profile partnership with Zurich, which underwrites its policies.



Is it operationally game-changing for the provider?

Yes. It is a completely different style of insurance, to the extent where it is almost a reversal of traditional policies. Whereas traditional insurers hope to avoid claims, Laka needs them in order to make any profit.



Will it significantly improve the user experience?

Yes. On top of cheaper premiums, it puts particular emphasis on community. It aims to help customers protect their bikes by offering advice on what they need to do to keep it safe. It also groups cyclists into "packs" based on cycling habits, meaning customers are in groups with people of similar risk levels.



Is it market-changing?

Yes, it certainly has the potential to be. While P2P insurance may not be destined to succeed in all insurance lines, bicycle cover seems to be a natural fit. Cyclists are generally very passionate about their bikes, and cycling is something of a lifestyle. This means many will be prepared to take the time to get involved with the community-style environment that Laka is trying to create.



TOTAL SCORE

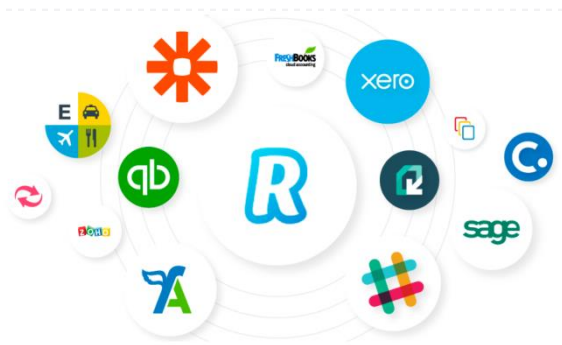
5/5



Retail Banking



Revolut has launched Revolut Connect, an app store for business banking. It lets users of its global business current account integrate third-party business-oriented services such as Xero, FreeAgent, and Zapier. Revolut Connect uses the Revolut for Business Open API to enable these integrations, and Revolut will create a developer portal that will let third parties create completely new apps. This will prompt the creation of an ecosystem of customized products that users can access to help with accounting, payroll, communication, expense management, and other activities.



Is it original?

Marketplace banking, where providers offer access to third-party products and services via their digital banking platform, has already been pioneered by providers such as Starling Bank in the UK. However, Revolut is the first UK-based provider to introduce SME accounts with this functionality.

Is it long-lasting?

Open banking is now in force across the UK and the EU, and is gaining traction in other markets. A growing number of banks will therefore start using a similar marketplace strategy, and Revolut Connect is thus likely to establish itself as an important proposition.

Is it operationally game-changing for the provider?

Revolut has scored major success in the consumer market, but Revolut Connect will greatly strengthen its business proposition and help differentiate it from its mainstream rivals. Revolut is now well-placed to exploit open banking and become a major presence in the SME market, as it has already done in the consumer market.

Will it significantly improve the user experience?

The Competition and Markets Authority's 2016 retail banking market investigation found that the market for business bank accounts was relatively uncompetitive and lacking in innovation. Revolut Connect has the potential to become a credible alternative for SMEs, and its integrated add-ons will make it significantly easier for customers to manage their businesses.

Is it market-changing?

Revolut currently has around 2 million customers, making it a sizable player. It therefore has the potential to attract a significant number of SME clients, particularly given the relative lack of competition and novelty in this sector. If successful, it could prompt other banks to introduce similar products.


TOTAL SCORE

4/5

ABN Amro adds machine learning technology to combat money laundering



ABN Amro has partnered with ThetaRay to improve its anti-money laundering (AML) and counter-terrorist financing capabilities. ABN Amro will utilize ThetaRay's technology, based on algorithms and progressive machine learning, to detect financial crime patterns and provide advance warning of incidents. The low false positive rates generated by ThetaRay's solution will enable the bank to handle the dangers of money laundering, terrorist financing, and other crime-related risks. The bank-wide five-year project will enable ABN Amro to focus on making its post-transaction monitoring more effective and efficient.

-  **Transaction Monitoring**
Automatic, precise detection using advanced machine learning technology.
-  **3rd Party Alert Reduction**
Focus on the alerts that matter, with meaningful detection to reduce false positive rates.
-  **KYC Risk Score Anomalies**
Identify inconsistencies in customer risk scores across all processes and databases.



Is it original?

AML is a particularly challenging area of regulation for banks, and even more so for large, geographically diverse institutions. However, there are similar providers on the market already, such as Fortytwo Data and Aquibix.



Is it long-lasting?

Fraud and crime are perennial issues in financial services, and banks are being subjected to ever-stricter regulatory obligations. Failure to comply due to inadequate safeguards can result in massive regulatory fines. ThetaRay's solution, with its machine learning capabilities, is capable of adapting to new threats and should therefore prove enduring.



Is it operationally game-changing for the provider?

This AML solution is a facilitator rather than a game-changer. Regulators will demand that financial firms go through compliance checks, and this solution offers greater efficiency in AML processes while simultaneously decreasing exposure to regulatory fines. Additionally, it will also reduce the need for manual intervention.



Will it significantly improve the user experience?

Machine learning and AI techniques can transform a bank's AML processes. This platform enables financial institutions to build customized solutions to identify anomalies in data sets in real-time, regardless of source. Additionally, an adaptable algorithm can check large volumes of documentation, raising an alert when suspicious activity is detected. Using smart systems to automate repetitive, high-volume tasks will significantly enhance the user experience.



Is it market-changing?

No. ThetaRay's AML solution is an enhancement rather than a market-changer.



TOTAL SCORE

2/5

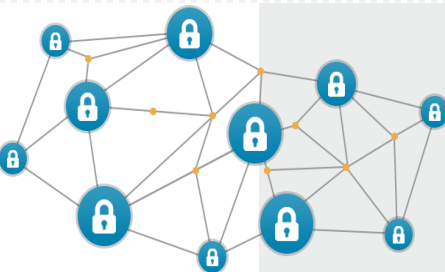


Wealth Management



NORTHERN TRUST

Northern Trust received two US patents in June 2018 for its use of distributed ledger technology in conjunction with IBM. The first was for using one-directional cryptographic hashes to log biometric client data, and the second was for recording meeting minutes by generating encrypted keys that are appended to a blockchain. These patents are part of the company's broader digital strategy, which includes increased use of artificial intelligence and robotic processing.



Is it original?

Northern Trust is the first wealth management provider to patent its use of blockchain technology. While companies such as Bank of America have trialed similar blockchain uses and applied for patents, Northern Trust is the first to fully operationalize them and be granted patents.



Is it long-lasting?

Many wealth management providers have been experimenting with similar technology, signaling that there is growing demand for similar procedures. Greater emphasis on data security creates demand for innovative technological solutions, and the incontrovertible nature of the record produced by the blockchain, as well as the encryption complexity, provides a solution to concerns about compromised personal and financial data.



Is it operationally game-changing for the provider?

Northern Trust's internal operations will become more efficient, and data security will be enhanced. However, it will not change the fundamental procedures engaged by the company, nor will it cause it to offer any new services to clients.



Will it significantly improve the user experience?

Northern Trust's blockchain technology will increase biometric data security for users because of the computational impossibility of reverse-engineering a client's data from the output stored on the blockchain, due to the complexity of encryption algorithms. This means the risk of users' data being compromised decreases.



Is it market-changing?

While useful, the introduction of technology that increases the security and efficiency of transactions does not shift the market or change the nature of wealth and asset management services.



TOTAL SCORE

3/5



In June 2018, the B21 group launched a new wealth management app for trading, investing, and setting financial goals exclusively in cryptocurrencies. It will allow users to set financial goals and invest in various cryptocurrencies without a sophisticated understanding of the technology. Fees will be settled in the cryptocurrency tokens created by B21.



Is it original?

A few companies have previously developed cryptocurrency wealth management apps, including Bankorus in China and the deVere Group in the UK, which launched their apps earlier in 2018. The use of artificial intelligence to give investment advice has also been deployed by many companies, but very rarely with regards to cryptocurrencies. B21 is the first to combine investing in cryptocurrencies with automated financial planning.



Is it long-lasting?

At the moment, cryptocurrencies are widely discussed and are considered the forefront of new financial technology. However, numerous potential macroeconomic problems could arise from the widespread adoption of cryptocurrencies as a replacement for fiat, and central banks such as the European Central Bank and the Bank of Mexico warn against the volatile and decentralized nature of cryptocurrencies. Because B21 only deals in cryptocurrencies, it will not last if their use diminishes significantly.



Is it operationally game-changing for the provider?

This is one of the first products offered by the B21 group; previously it was best known for creating the world's first cryptocurrency debit card. The creation of a wealth management app represents a significant broadening of the scope of its operations.



Will it significantly improve the user experience?

B21 will act as a custodian, eliminating the troublesome need for users to own private keys for their cryptocurrency transactions. Additionally, offering a platform for diversified portfolios of cryptocurrencies provides users with greater flexibility for investments. The ability to set financial targets and receive automated advice on investments is also beneficial. B21 requires less advanced knowledge of cryptocurrencies than its competitors, decreasing the entry barrier to such investments.



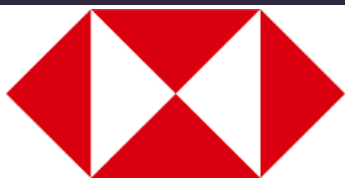
Is it market-changing?

Because the market for crypto assets is relatively small compared to wealth management in general, given that only a small fraction of high net worth individuals' assets are in cryptocurrency it is unlikely this app will prove a pull towards non-traditional financial investments.



TOTAL SCORE

3/5



HSBC

In June 2018, HSBC launched a concierge service for members of Jade, the bank's invitation-only non-financial benefits program that provides exclusive access to luxury restaurants, entertainment, and travel experiences. For example, it allows clients access to tickets and reservations a few days ahead of use, while the general public must reserve months in advance.



Is it original?

Concierge services are not new – in fact, they are commonly offered by private banks. Additionally, HSBC's partner company Ten Group is the same lifestyle management company that Coutts, RBS, and Citi all collaborate with.



Is it long-lasting?

HSBC's concierge service is responding to growing demand for management beyond financial services. High net worth clients have been using private concierge services for years, and will continue to do so.



Is it operationally game-changing for the provider?

These luxury services are unlikely to be a notable source of revenue, and are small compared to the scale of HSBC's other operations for its Jade clients.



Will it significantly improve the user experience?

This will significantly improve the experience of HSBC's Jade high net worth clients by offering exclusive services that were previously unavailable. While luxury entertainment access is not instrumental to the financial goals of clients and is not a key part of any private banking offering, it remains sought after and will be appreciated by HSBC's clients.



Is it market-changing?

HSBC's personal concierge services are more a symptom of the increase of non-financial services provided by wealth management firms than a catalyst for change. This move will not take the wealth industry in a significantly different direction in terms of operations or services offered.



TOTAL SCORE

2/5

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

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