

Global FinTech Weekly



Highlight of the week – The challenger bank brand magic

Figure 1: The most valuable challenger banks in the world

	Nubank	N26	Brex	Monzo	Revolut	chime	Starling Bank	Marcus	Acorns
Valuation	US\$ 4bn	US\$ 2.7bn	US\$ 2.6bn	£2bn	US\$ 1.7bn	US\$1.5 bn	£1.5bn	n.a.	US\$ 860m
Home country	Brazil	Germany	US	UK	UK	US	UK	US	US
Founded year	2013	2013	2017	2015	2014	2013	2014	2014	2012
Flagship product	Credit card	Current account	Startup credit card	Current account	Prepaid card	Spending (checking) account	Starling Marketplace	Personal loans, high-yield savings account	Micro investment
Investors	DST, Sequoia, Peter Thiel, Tencent	Peter Thiel, Tencent, GIC, Allianz	YC, Peter Thiel, DST, Rabbit Capital	YC, Latitude, General Catalyst, Stripe	DST, Rabbit Capital, Index Ventures	DST, Coatue, General Atlantic, Menlo Ventures	Harald McPike, Merian Global Investors	Goldman Sachs	NBC Universal, BainCapital, Blackrock
Number of users/accounts	9 million	3.5 million	n.a.	2.3 million	5 million	3 million	460,000	4.5 million	4 million
Number of countries	2	24	1	22	33	1	1	2	1

Source: TechCrunch, Wired

UK challenger bank Monzo reached £2bn valuation after recent funding round led by Y Combinator

Challenger banks (or Neo banks) became venture capitals' darling in the past 12 months. These are digital only banks that tend to focus on a few simple but competitive products with ultimate user experience that caters to millennials. 7 of them have crossed the US\$ 1bn valuation hurdle. What makes VCs so excited about challenger banks is of course their exponential growth, but also their ability to convert customers into their fans. Monzo, founded in 2015, has more than 2 million users in the United Kingdom. It says it's adding 40,000 more each month. Brazil-based Nubank has reached a 9 million user base, doubling in one year. Brex, a US-based challenger bank that targets on startups, founded in 2017, reached a valuation of US\$ 2.6bn.

They have built a valuable brand with emotional connection with customers

Traditional financial institutions may have loyal customers, but never fans. But some challenger banks are able to convert customers into fans and even investors. Monzo sets a new standard for customer interaction by actively engaging customers through online forum as well as offline events for product iteration. It recently launched a

popular TV ad campaign named as #YouMakeMonzo. It provides 7/24 customer services. When its bank transfer service failed, customers did not complain, instead, they praised it for quick response and transparency.

Challenger banks are revolutionizing how you pay for financial services;

In addition to an appealing user interface, challenger banks would charge no fees for its current account, bank transfer, overseas spending, stock trading and provide exchange/transfer overseas at a cheaper rate. Many would require a monthly subscription fees for more advanced services. They also offer tools to help consumers to track their spending patterns, make micro investing and help them achieve their savings goal.

They are active in overseas expansion; European consumers are more heated up than those in the US

Unlike traditional financial institutions, challenger banks seem to be more active in overseas expansion at million user level. Many European challenger banks have already expanded outside of their own continent. The heated European market than the US is likely due to a more proactive regulation such as UK's revised Payment Services Directive and Open Banking, European Economic Area (EEA) passport for financial services.

Innovation also brought about more scrutiny

Some of the challenger banks do not hold a full banking license. Some of them rely on a bank partner for the license, or own a pre-paid card license, or a specialized bank license. Their innovation is not without challenge. For example, Monzo raised £20m in 90 seconds during a crowdfunding campaign in 2018, by allowing its customers using their overdrafts - this raised questioning. Revolut, another UK based bank also saw top management turnover during regulatory controversy.

In contrast, JP Morgan has closed its flanker brand Finn which targets millennials

The challenger banks have reached a scale not to be ignored by the incumbent banks. A few are trying to build internally their own version of Neo bank such as Goldman Sachs' Marcus, JP Morgan's Finn etc. JP Morgan's declared defeat of its Finn highlight the difficulty in innovation by relying on internal human capital, same corporate culture, resource allocating priority, and legacy system.

News of the week

Challenger Bank

Monzo Raises £113M Series F at a £2B Post-money Valuation

Monzo, the fast-growing U.K.-based challenger bank with more than two million account holders, has raised £113 million in additional funding. The Series F round is led by Y Combinator, and gives the company a new £2 billion post-money valuation.

Source: [TechCrunch](#)

Digital Bank

JP Morgan Working on a Secretive Digital Banking Project

JP Morgan is reportedly set to launch a new online retail banking project in the UK. The project could be a much more ambitious cloud-based banking platform on which numerous products can be launched. That would be more akin to a core banking software-as-a-service (SaaS) platform or "AWS for Banking." It could challenge Goldman Sachs' Marcus and the competitive UK challenger bank scene.

Source: [TechCrunch](#)

Cryptocurrency

Facebook

Facebook's Libra Faces Doubts from International Regulators and Partners

Facebook detailed plans for its virtual currency, called Libra, earlier this week, a move that almost instantly provoked a reaction from politicians and regulators alike. Central bank officials in the UK, France and Germany are claiming oversight over Facebook's planned virtual currency to ensure it will not jeopardize the financial system or be used to launder money.

Meanwhile, the U.S. Senate Banking Committee recently called on Facebook to join a hearing on its ambitions to create a virtual currency. Some of Facebook's partners are approaching Libra warily and the signed nonbinding agreements to join the effort partly to easily back out if they want.

Source: [CNBC](#)

Google Pay Expands Its Integration with PayPal to Online Merchants

Payment

PayPal

Google Pay and PayPal expanded their partnership so users can accept PayPal with Google Pay for apps and websites. For customers who already have their PayPal account connected to their Google Play services or other Google accounts, they will now be able to choose their PayPal account when paying with Google Pay for online purchases. Online merchants that accept Google Pay in 24 countries will now be able to accept payments from PayPal through the mobile wallet.

Source: [TechCrunch](#)

MetLife's LumenLab Using Blockchain to Automate Life Insurance Claims

InsurTech

Blockchain

Metlife subsidiary Lumenlab, together with Singapore Press Holdings (SPH) and NTUC Income, is utilizing blockchain technology to automate the verification process for life insurance claims. Known as "Lifechain," The technology works by submitting the deceased's National Registration Identity Card to Lifechain as hashed data once consent from the family has been obtained. This month, 1,000 Income policyholders will be randomly selected to take part in a pilot scheme.

Source: [cointelegraph](#)

JPMorgan Closes Digital-Only Bank Finn One Year After Launch

Challenger Bank

JPMorgan Chase & Co. is closing Finn, its digital-only bank, a year after rolling out the brand nationally to try to lure younger customers. Clients started getting notifications that their accounts will be closed and funds will be transferred to Chase checking and savings accounts.

Source: [Medium](#)

London-based InsurTech Zego Raises \$42M

InsurTech

Zego announced a \$42 million raise in a Series B investment led by pan-European investment firm Target Global. Zego caters to the new mobility services, such as ride-hailing, ridesharing and car rental, and offers a range of policies from minute-by-minute insurance to annual cover, providing more flexibility than traditional insurers, with pricing based on usage data from vehicles.

Source: [TechCrunch](#)

Razorpay Lands \$75M Funding Led by Ribbit Capital

Payment

Razorpay has raised \$75 million in its latest round of equity financing, led by financial technology-focused investment firm Ribbit Capital, which will see the business-to-business payment solutions company double down on its new business lines.

Source: [EconomicTimes](#)

Blockchain

IBM Unveils Upgraded 2.0 Version of Enterprise Blockchain

IBM has just launched an upgraded version of its enterprise blockchain platform. IBM fellow and CTO Jerry Cuomo described IBM's vision for the service as a "fully-flexible blockchain platform, built around a well-managed open source distributed ledger technology, that can truly run in virtually any computing infrastructure."

Source: [Coindesk](#)

Payment

Plaid Co-founder William Hockey Is Leaving

William Hockey, co-founder, chief technology officer and president of the fast-growing fintech business Plaid, will step down next week. Plaid builds infrastructure that allows consumers to interact with their bank account on the web, powering a number of third-party applications, like Venmo, Robinhood, Coinbase, Acorns and LendingClub.

Source: [TechCrunch](#)

Ant Financial

AI

Ant Financial Introduces Its First AI Financial Advisor

Ant Financial has launched its first AI financial advisor product recently. Users could assess their financial risk, learn about wealth management, and acquire customized asset allocation plan through Alipay. The test-phrase AI financial advisor has helped over 1 million users to optimize their asset allocation, increasing the average return of low-asset-risk users by 12.5% and lowering the average risk of high-asset-risk users by 36%.

Source: [JRJ](#)

Cryptocurrency

PwC Unveils New Tool for Auditing Crypto Transactions

Consulting firm PwC is offering a new cryptocurrency auditing feature as a part of its Halo data auditing suite. The new tool allow users to take a closer look at the cryptocurrency transactions they make, providing "independent, substantive evidence of the 'private key and public address pairing'" to establish ownership of cryptocurrency and gather information about blockchain transactions and balances.

Source: [Coindesk](#)

Personal Finance

Fintech Startup Tally Raises \$50 Million to Automate People's Finances

Tally, a San Francisco-based financial technology startup, has raised \$50 million in new venture capital funding. Founded in 2015, Tally aims to automate the financial services of consumers at low cost. The company's first product, released last year, offered an automatic credit card debt payment service. In March, the firm added an automatic savings account service.

Source: [Fortune](#)

Online Lending

MSXF Accumulated Loan Reached RMB217.8bn

Mashang Consumer Finance (MSXF) announced that its accumulated loan amount reached RMB217.8bn after four years' operation. MSXF has more than 65 million registered users, of which 60% had no access to credit card and 30% without a credit history. The company has helped over 5 million users to establish credit records. MSXF is the largest domestic consumer finance company licensed by CBRC in China, and its shareholders include Chongqing Department Store and Bank of Chongqing.

Source: [STCN](#)

XRF to Shut Down P2P Business

Online Lending

China Rapid Finance (XRF) has cooperated with Hong Kong Outjoy Education Technology to set up a new lending platform, which will be mainly supported by institutional funding. Due to recent regulatory changes and market uncertainty, XRF is in the process of shutting down its P2P lending business and transforming into a lending platform. XRF is China's second NYSE-listed Internet finance company.

Source: [JRJ](#)

Razer Goes Big on Payments with Visa Prepaid Card

Payment

Razer, the Singapore-based company best known for its gaming laptops and peripherals, announced a partnership with Visa to develop a Visa prepaid solution. The service, which allows unbanked users to top up and cash out easily, will be available as a mini program embedded in Razer Pay, the gaming company's mobile payments app. That means Razer's 60 million registered users will be able to pay at any of the 54 million merchant locations around the world that take Visa.

Source: [TechCrunch](#)

Lending Tech Firm Blend Raises \$130m

Online Lending

American digital lending technology player Blend has raised \$130 million in a Series E funding round led by Temasek and General Atlantic. The firm is best known for digitising the mortgage process but has also moved into consumer lending, recently expanding into deposit account opening, home equity, and homeowners insurance.

Source: [Finextra](#)

Wanxiang, PlatON Collaborate to Build Blockchain Smart City in China

Blockchain

China's automotive giant Wanxiang and PlatON, a blockchain-based tech firm, have partnered to develop a "smart city" in Hangzhou, which is slated to be completed by 2025. As per the report, the smart city, called Wanxiang Innova City, will utilize the blockchain-powered solution of PlatON for a number of purposes, including securing sensitive data like resident identification cards, monitoring driving behavior, checking electric vehicle life cycles, and managing ecological waste effectively.

Source: [TokenSpot](#)

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