

# Current pain points (compiled from interviews)

## From banks perspective

- a) Fintech come unprepared / without realistic expectation on what it takes to work with us – we have different standards for regulatory/data protection, onboarding / procurement process, legacy IT systems (vs cloud/API world). We are changing but we'll never have the same standards for many things.
- b) Some of us don't have an internal framework / process to pick the right Fintech for the right project, leading to missed opportunities, or disappointing experiences

## From fintechs perspective

- c) The long \*maybe\* : Banks taking too long to say no, startups need to be strong and know when to walk away from a bank that is taking too long to make up their mind. Or ask the right questions to quickly reach a decision maker (e.g. “do you have budget for this”, “who will have the final say”,...)
- d) Banks are expensive to deal with : long and complex legal/procurement processes, high standard requirements for compliance/regulatory/data protection/IP,..
- e) Some banks innovation departments are all about PR and innovation theatre – not connected to the business, so “proof of concepts projects” (POC) rarely end up in front of customers, nor turn into full scale deployments.

# From an opportunity point of view, we want to answer the following

## From Banks perspective

Opportunity qualification

Can a Fintech help solve one of my business problem, and if yes, how do I pick the right one and the right partnership model

Opportunity delivery

Once I've selected a Fintech partner, how can I speed up time to market without compromising on risk and customer experience

## From Fintechs perspective

Opportunity qualification

How can I speed up sales qualification with large banks?

Opportunity delivery

How can I minimise bank processes overhead to speed up my POC delivery and lower my cost of sales?

How can I maximise the chances of turning a POC into full scale deployment?

# Things we should recommend/support Banks to do (via FSTIB)

1. Creating their own “Fintech engagement framework” : To support this, our working group could deliver :
  1. A white paper for banks, showing the range of possibilities for Fintech collaboration(hackathon, corporate accelerators, venture builders, POC, corporate VC,..), pros/cons and common pitfalls, based on case studies (5 pages max)
  2. Santander case study on how to pick the right Fintech for the right project(ex blockchain development house for an internal POC, early or late stage fintech for POC or commercial scale deployment) – 3 pages max
2. Publishing their guidelines for Fintechs, for ex
  1. Points of contacts for Fintech (eg innovation team, corporate accelerator or corporate VC,..) and stating their particular area of need (eg RegTech, blockchain,..)
  2. Procurement guidelines / checklist of what’s typically expected from Fintech in terms of supplier onboarding / procurement process, data protection standards,.. (2 pages max – see appendix)
  3. List of API/IT integration guidelines, or having such documentation pre-packaged so it can be sent ti Fintech (eg SSO integration, branch locator, current account transaction)
3. Improving their internal process for dealing with Fintechs, for ex
  1. Creating a specific governance / 2 speed process for Fintech POC vs core banking systems sourcing
  2. Creating a set of standard contracts (We have 3 at SAN) , and possibly converging towards industry standards
  3. Participating in industry Sandbox (TBD)
4. Culture
  1. Exposing banks execs to Fintech (mentoring via accelerator programs, ...)
  2. Entrepreneurial support programs

# Things we should recommend/support Fintechs to do (via FDP)

## **Sales / distribution partnership engagement model**

1. Pre-sales stage : providing guidelines on how fintech should approach banks, eg what questions to ask to quickly identify a decision maker, detecting/avoiding “innovation theatre” situations, common pitfalls (1 page max)
2. POC stage :
  1. Issuing a check list of what’s typically required by banks for their supplier due diligence, so Fintech can prepare ahead of time (2 pages max based in your doc Matt for procurement guidelines eg data encryption, )
  2. Working with UK banks to help them converge towards standardization of such process, so once vetted by a bank, Fintechs can be vetted by another bank via a simpler process (similar initiative in the Defence industry)
    1. Lloyds and Santander and a number of smaller Banks are using [Helios](#), a supplier information and risk management company. Others banks may join
    2. Work stated with the BSI and RBS, Barclays, Lloyds, HSBC and Santander legal and procurement teams to assess the relevant of a Standard Guideline (would take 1 year)

## **Corporate VC + M&A engagement model !?**

1. Short papers on Banks as Strategic investor / smart money. Impact of making a CVC investment public (vs. other banks?). Becoming investable faster (Bilal?)

# Scope of deliverable and distribution channels

Document	Scope	FSTIB Interop. playbook	FDP Fintech Toolkit
Banks' "Fintech engagement framework"	A white paper for banks, showing the range of possibilities (hackathon, corporate accelerators, venture builders, POC, corporate VC,..), pros/cons and common pitfalls, based on case studies	X	
	Santander case study on how our innovation funnel works, how we pick the right Fintech for the right project, dedicated governance, standard contracts	X	
Fintechs' "Bank engagement guidelines"	Guidelines on how Fintech should approach banks at pre-sales, VC or M&A, an outlining what to expect, and most common pitfalls.		X
	Publication of Banks Legal/Procurement guidelines, up to standardisation across banks if relevant / possible		X
	Fintech/Banks collaboration masterclass delivered by Tech City (with above content)		X

# How we could measure success

1. EY has an annual survey measuring the % of “collaboration” vs “competition” between Fintech and Banks, across different local hubs(London, New York, Singapore,..) – We’d look at the progress on London’s index
2. Qualitative survey for Fintech about “ease of doing business with banks” – to be setup by FDP or Innovate Finance. Interestingly, individual banks could measure themselves on status and progress on that index
3. Qualitative survey with an index for Bank about their “open innovation maturity” – to be setup by FSTIB. Looking at the public initiatives (xxx,xxx) and their internal
4. Quantitative measures like : # of partnership agreements for POC and full scale deployment between banks and Fintechs, volume and YoY evolution of corporate VC funding, % of banks with a formal startup program (eg )

appendix

# Fintech checklist for POC engagement with banks (1/2)

## ***Legal and commercial:***

- Company financials – evidence of financial position, funding (round, amounts, investors), revenues and profitability.
- Commercial model – pricing model, license fees, revenue share etc.
- NDA – mutual NDA to cover confidential discussions
- PoC/Pilot agreement – legal agreement to develop proposition to PoC/Pilot
- IP – position on ownership of IP; handling of IP created as a result of collaboration; patents held
- Conflicts of Interest – other customers, arrangements and relationships that may result in a conflict of interest
- Due diligence around key individuals and beneficial owners
- Registered office and company/legal structure – holding companies, subsidiaries, other companies etc.
- Terms & Conditions

## ***Information Security / Data Protection***

- *Security, back-up and archiving including methods of data encryption and other security arrangements both for data in transit and at rest.*
- *Physical security*
- *Administrator access rights and controls*
- *Penetration tests undertaken*
- *Data residency*
- *Data protection/GDPR compliance – access to data, use of data (e.g. for marketing or analysis)*
- *Data ownership – data processor vs data owner*



# Fintech checklist for POC engagement with banks (2/2)

## ***Technology***

- Technology architecture / stack – technologies used / API etc.
- SaaS vs On-premise
- Cloud – Cloud services agreements, cloud providers, public / private
- Development roadmap
- Release approach, frequency and change control
- Testing
- Support arrangements
- Scalability - technologies
- Readiness – alpha, beta, market ready
- Demo / PoC

## ***Business / Team***

- Team size, org structure – how they'll scale
- Development model – own team vs outsources
- Key members, brief resumes
- Individuals with key skills – e.g. data scientists, AI specialists etc.
- Advisory board / mentors
- Competitors – USP vs competitors – market insight
- Branding – own, cobranding, white label
- Brochureware - business proposition / functionality specifications, use cases etc.