Financial Services Briefing: February 2021

This monthly report rounds up key developments from across the global financial services industry, with expert insight provided by our team of analysts.

March 2, 2021

Copyright @ GlobalData PLC. All rights reserved.
Reproduction of part or all of this contents without permission is prohibited.

Contents

Cards and Payments	3
Insurance	9
Retail Banking	15
Wealth Management	27
Appendix	36

Cards and Payments

GlobalData.

Cards and Payments Contents

New legislation protects South Koreans transferring money by mistake	5
UnionPay launches virtual card in Vietnam	5
MoneyGram partners with Visa to offer P2P payments to Vietnam	6
Singapore's Hawkers Go Digital hopes to reach 18,000 stallholders by June 2021	6
The EU remains committed to breaking up Visa-Mastercard dominance	7
Ripple trading on MoneyGram suspended due to SEC lawsuit	7
US fintech PrimaHealth Credit plans to offer BNPL to cover medical bills	8
The BNPL sector is growing too quickly for regulators to handle	8

New legislation protects South Koreans transferring money by mistake

The Korea Deposit Insurance Corporation – the market's national deposit insurer – will help consumers get their money back when they have made transactions by mistake according to legislation to be added to the Depositor Protection Act. It will take effect towards the end of 2021 and affect transactions over mobile wallets such as Kakao Pay and Toss. Transactions made via these mobile wallets will have full protection, but those made via social media or mobile phone numbers will not.

Analyst view: As mobile wallet adoption increases, issues arise for many different reasons. It is not surprising that transaction mistakes happen. Users of mobile wallets only have a mobile phone screen the size of around six square inches to operate their transaction activities. Mistakes such as pressing the wrong amount or picking the wrong payee from a list of saved recipients are bound to occur. Disputes arise as a result, meaning eventually there needs to be some sort of regulatory framework to help arbitrate such issues.

This new regulation is good for consumers as it helps them retrieve money that was transferred by mistake. A more important aspect of this protective measure is that it assures the market that using mobile wallets is safe and that mistakes can be backtracked. It allows consumers who are skeptical about digital wallets to gain some confidence and inch closer to trying out mobile payments. As mobile payments become more common in other markets (particularly mobile payments not directly linked to the national banking system), more frameworks like this will be created to deal with disputes.

UnionPay launches virtual card in Vietnam

In 2020, around 3 million UnionPay virtual cards were issued in Southeast Asia – half the number of cards issued outside of China. The cards have now been launched in all ASEAN member countries and work with 18 different QR code-based mobile wallets across the region. Vietnam is the latest market to receive access to these virtual cards, via a partnership with the Vietnamese Military Bank and Sacombank. In Vietnam, UnionPay's virtual card works with two of the market's major mobile wallets and will be accepted by over 40,000 merchants.

Analyst view: As the Chinese market for payment cards saturates (we estimate there were over six payment cards per person in China in 2020), UnionPay has had to find other markets to expand its business. China's neighbors in the ASEAN region are the natural choice. Besides being close in terms of proximity, the digital payment environment in the ASEAN region is still developing and has a lot of room for growth. Consumers are quickly adopting all non-cash payment tools available, including payment cards and mobile wallets. By contrast, Western markets are mature and saturated and would be very difficult to penetrate, as well as doing less business with China (and thus UnionPay).

With this deal, UnionPay is continuing to develop its regional presence and position itself as a major global card payment scheme – albeit one restricted mostly to Asia Pacific. It remains to be seen whether the predominant payment infrastructure in the region will ultimately be card-based. The launch of the Digital Yuan, as well as the various non-card mobile payment schemes in the region, imply that the future of payment transactions in the region will likely be decoupled from card systems.

MoneyGram partners with Visa to offer P2P payments to Vietnam

MoneyGram has partnered with Visa as well as several banks in Vietnam to launch a cross-border P2P payment service. The service is available to consumers in the US, the UK, and 18 other European countries to send money to Vietnam. The transfer of funds will be conducted via the Visa Direct network, which will allow almost instant settlement to any Visa card holder in Vietnam. According to MoneyGram, Vietnam is among the top 10 destinations for cross-border remittances as Vietnamese individuals living overseas often send money back home.

Analyst view: Cross-border remittances used to be a very tedious process for consumers. But since the development of internet infrastructure in the developing world – and with the continued development of mobile banking and payments – it has become much easier for consumers to make cross-border P2P payments. Entities such as MoneyGram, which used to have unquestioned dominance in the area of cross-border remittance, now need to improve their services and target customer pain points to maintain relevance in an increasingly crowded field of would-be disruptors.

For payment providers looking to carve out a niche in the cross-border remittance space, there are many good opportunities across Asia Pacific in countries such as the Philippines, Vietnam, and India, with significant demand for sending money back to those markets. Western Union and MoneyGram will need to look to partners such as Visa – as well as smaller fintech players – in order to capture a share of this market.

Singapore's Hawkers Go Digital hopes to reach 18,000 stallholders by June 2021

The Singaporean government has been offering food stall operators S$300 ($227) per month for five months if they accept at least 20 digital transactions per month. The program is designed to encourage low-value food operators to engage in the digital economy and accept mobile payments, as part of a wider push towards cashless payments. This small-scale "hawker" merchant segment is still very cash-dependent, and is one of the last major segments of the Singapore market that stands in the way of the government's cashless ambitions. So far around 10,000 stalls have signed on, with the program aiming for 18,000 stalls by the middle of 2021.

Analyst view: Small business owners are the last batch of merchants that are still not accepting digital payments in Singapore. These merchants are usually very low-margin businesses and cannot afford the extra fees associated with cards and digital payment processing being added to their operational costs. Therefore, it is important to offer incentives (especially financial incentives) to encourage them to accept digital payments in the short term. In the longer term, there will need to be a realignment of revenue models among these businesses (likely in the form of price rises) to afford the additional processing fees.

However, in Singapore there are a large number of mobile wallet providers, which are generally cheaper for businesses to accept than card-based payments. These smaller merchants will likely gravitate towards mobile-based options in order to keep their costs low.

The EU remains committed to breaking up Visa-Mastercard dominance

The European Payments Initiative (EPI) – a bank-backed joint venture in the EU that aims to break the dominance of Visa and Mastercard in the region – has put out a request for information for partners to help build its infrastructure. The EPI intends to create a pan-European payment system comprising a digital wallet, a card-based payment system, and a P2P payment system in order to rival the international schemes in the region. The system is intended to enter the operational phase in 2022, although at present no detailed roadmap has been revealed.

Analyst view: Card payments have been dominated by Visa and Mastercard for as long as cards have existed. Their dominance has become an increasingly contentious topic as electronic payments have come to dominate over cash-based payments, leading to numerous regulations and legal cases – mostly focused on the issue of card fees. In the EU specifically, the dominance of Visa and Mastercard is seen as an antitrust issue, and there have been numerous attempts to break up their duopoly. EPI is simply the latest.

By developing a card-based system, EPI is tailoring its offering to the current habits of consumers – which as still heavily rooted in card-based payments despite the wide availability of alternative options in the EU. However, the initiative will need to address the issue of a simultaneous rollout of cards to consumers and acceptance infrastructure to merchants in order to achieve success. This has been done before by national governments, but the EU is more complex (and bureaucratic) than a single nation.

Ripple trading on MoneyGram suspended due to SEC lawsuit

MoneyGram announced it is suspending any transactions using Ripple's digital currency XRP due to the lawsuit filed by the US Securities and Exchange Commission (SEC) against Ripple. Meanwhile, cryptocurrency platforms such as Coinbase and Kraken have delisted XRP or restricted its use to non-US customers. The SEC alleges that Ripple raised $1.3bn through the sale and distribution of digital assets of its currency XRP while evading SEC registration. The main argument of the lawsuit is that the XRP currency is a security, and that Ripple distributed it without following the registration process imposed on securities. Ripple rejects this accusation, claiming that securities regulation does not apply to XRP. To support its stance the company filed a freedom of information request with the SEC to obtain documents that would prove the SEC does not recognize similar cryptocurrencies such as Bitcoin and Ethereum as securities.

Analyst view: The SEC lawsuit against Ripple highlights that regulators do not agree on the identification of cryptocurrencies. Despite the fact that the SEC already identified Bitcoin and Ethereum as currencies it still wants to identify Ripple's XRP as a security. While countries like the US are failing to properly regulate cryptocurrencies, other nations like Japan are more willing to do so. Japan passed the Payment Services Act to regulate them, classifying them not as securities but crypto assets. In contrast, China recognized them as a virtual currency but made initial coin offerings illegal and forced cryptocurrency exchange platforms to close. While restricting private and public cryptocurrencies, China also officially launched its own virtual currency. Overall, this market is highly uncertain from a regulatory standpoint. This makes it almost impossible to build a business in this area, particularly one that aims to do business internationally.

US fintech PrimaHealth Credit plans to offer BNPL to cover medical bills

PrimaHealth Credit enables consumers to pay for medical bills via a buy now pay later (BNPL) payment scheme. The aim is to help people who have difficulty getting approved for a medical loan due to their low credit score. The company relies on an internal credit model to determine which patients are eligible for loans, rather than using external credit scoring. It mainly assesses the patient's ability to repay the loan and whether they are a fraud or bankruptcy risk. Average loans are expected to be around $1,800, with interest rates between 19.99% and 24.99% APR depending on the applicant. Initially available in Arizona, California, Florida, Oklahoma, and Texas, the service will expand to the rest of the US by the end of 2021.

Analyst view: The payment scheme offered by PrimaHealth Credit is different from other forms of BNPL. Usually BNPL providers do not charge interest rates for their loans, instead charging a premium to retailers for taking on the borrower's credit risk, while charging only late payment fees to consumers.

PrimaHealth is aware that patients who contact the company are using it as a last resort to pay for they medical bills. This allows PrimaHealth to charge substantial rates on its loans. While some patients may be able to pay 24.99% on a $3,000 loan, it is thus far unclear what the consequences of non-payment will be. There is a risk this payment scheme takes advantage of people who are financially vulnerable, who will find themselves stuck with loans and interest payments they cannot cope with – already an endemic issue in the target market of underinsured and uninsured consumers in the US. To actually address customer pain points, adopting a model based more on other BNPL providers would be more effective.

The BNPL sector is growing too quickly for regulators to handle

According to Worldpay's Global Payments Report, BNPL was the fastest-growing online payment method in the UK two years in a row. This trend is projected to continue at least for the next four years as BNPL spending is expected to increase from $13.4bn in 2020 to $36.8bn in 2024. While the BNPL sector grows it is important for regulators to put in place regulations that will protect consumers and merchants. With this in mind, the Financial Conduct Authority (FCA) has stated that BNPL should be put under its supervision in order to limit the amount of unregulated loans that are issued.

Analyst view: BNPL growth in 2020 can be attributed to two factors. Firstly, the COVID-19 pandemic forced people to rely more on online shopping to complete traditional transactions – and thus, they were more exposed to BNPL services, which have a strong presence in the online payments space. The second factor is the adoption of BNPL schemes by more merchants because they realized some of their customers were looking for alternatives to credit cards to make purchases and/or did not have the funds available to make their purchase. We can expect to see more consumers using BNPL in the future, based on its high-profile nature and growth, as well as due to the continuing economic difficulties facing consumers. For example, in Australia major e-commerce player Stripe has partnered with Afterpay to provide BNPL payment acceptance to its merchants.

The current lack of regulation on BNPL shows how new technologies are evolving faster than regulators can adapt. The FCA's announcement is welcome, but an actual regulatory framework is still likely years away.

Insurance

GlobalData.

Insurance Contents

Allianz Group improves its position in the Chinese market 11

South Korean regulators push for digital distribution channels 11

Motor insurers look to computer vision to speed up claims 12

Lemonade expands into life insurance 12

Betterfly raises $17.5m in funding 13

Security deposit insurtechs gain traction 13

Laka picks good time to expand, despite COVID-19 14

Allianz pairs with insurtech Blink to offer wary travelers instant claims 14

Allianz Group improves its position in the Chinese market

After signing an equity transfer agreement in early February 2021, Allianz (China) Insurance Holding Co. (AZCH) has become a wholly owned subsidiary of Allianz Group. AZCH chief executive Solmaz Altin has emphasized that the acquisition is part of a committed market strategy that projects China to be the largest global insurance market.

Analyst view: Allianz had been pursing 100% ownership of AZCH since December 2019, when the China Banking and Insurance Regulatory Commission lifted a 51% cap on foreign insurer ownership in China-operating insurers. While this move leveled the regulatory playing field for foreign entities, it is important to note that lifting capped ownership is aimed at benefiting Chinese firms rather than foreign ones.

China's strategy in opening up its market to foreign players is part of the country's wider economic efforts to bridge the gap between more developed insurance markets and China. The Chinese government believes foreign insurers will push domestic insurers to learn from global best practices and foster better corporate governance, risk pricing, and investment management.

Currently the top 10 Chinese insurers are all domestic players, led by China Life Insurance Company, Ping An Life Insurance Company of China, and People's Insurance Company Group of China. As China continues to grow – aiming to become the largest global insurance market – foreign insurers that wish to follow in Allianz's footsteps should focus on challenging Chinese insurers on company practices rather than targeting market shares and gross written premiums as a benchmark for growth.

South Korean regulators push for digital distribution channels

South Korea's Financial Services Commission has created a policy framework that eases regulation and that will allow internet platforms to sell insurance directly through their digital platforms. The policy aims to foster innovation in the country by facilitating the distribution of insurance products through digital channels while encouraging traditional insurers to seek business partnerships with digital platforms.

Analyst view: Along with other East Asian countries, South Korea is notable for preferring face-to-face purchasing methods over laptops and mobile phones. Our 2020 Banking and Payments Survey found that 31.9% of South Koreans purchase personal insurance products face to face, in comparison to just 11.1% of UK consumers.

The entry of digital players into the local insurance market will drive greater consumer choice and innovation. Kakao Pay – a major mobile payment services provider in the country – has already applied for a digital non-life insurance licence and is expected to lead the digital distribution of insurance services via its platform. It is also expected that digital players will utilize open banking and API technologies to aggregate consumer information in order to rapidly price and sell insurance products.

South Korea is among the world's most internet-connected nations. Via state- and market-led efforts, we expect the country to start embracing digital purchasing methods similar to trends seen in the West.

Motor insurers look to computer vision to speed up claims

Two leading insurers have announced AI-driven initiatives to automate their vehicle inspection processes. The Hartford and Liberty General, in collaboration with their respective partners Tractable and Inspektlabs, will use computer vision technology to assess photos of car damage and offer repair estimates within minutes. Users upload an image which is then analyzed by the AI model, eliminating the need for manual inspection and resulting in a much quicker claims process.

Analyst view: These insurers are not the only companies to venture into similar partnerships. As one of the leading vendors in this space, Tractable has collaborated with various global insurers (including Ageas and Tokio Marine) to introduce automated claims processing. Increasing adoption of this technology has the potential to transform the motor insurance market and the way claims are resolved.

Car inspections represent an additional cost in the claims process. They are time consuming, which has knock-on implications for the customer service insurers are able to offer. This AI tech presents a solution to both issues, allowing a greater number of cases to be resolved in any given amount of time at a lower cost to the insurer. These models, which are trained on millions of past claims data, are likely to be far more accurate than a human claims handler, meaning insurers only pay out what they need to.

Computer vision also helps detect fraudulent claims – a persistent issue for motor insurance companies. As per the Association of British Insurers (ABI), motor insurance fraud remains the most common scam in the UK. The ABI estimated that 107,000 fraudulent claims were made in 2019, worth around £1.2bn. The ability to quickly identify suspicious claims will help lessen the impact of such fraud on insurance profits.

Lemonade expands into life insurance

Popular insurtech Lemonade has announced a partnership with life insurance provider Bestow, with plans to integrate Bestow's Protect API into its own platform. The software will allow new and existing Lemonade customers to apply for instant life insurance coverage, guided by Lemonade's Maya chatbot.

Analyst view: With traditional term life insurance often expensive and application processes complex, Bestow's AI-powered underwriting process reduces the cost of coverage and provides a purely digital service. Through its API, customers are underwritten in real-time with factors such as application information, prescription history, and financial data all contributing to eligibility and pricing decisions. With customers increasingly looking to purchase insurance online and current stay at home orders restricting in-person medical assessments, an online sales channel for life insurance coverage will certainly be popular among consumers.

Lemonade – which offers homeowners, renters, and pet insurance in the US and Europe – will undoubtedly benefit from the cross-selling opportunities this partnership offers. As per our 2020 Banking and Payments Survey, 68.1% of US respondents who hold a home insurance policy are also life insurance policyholders and 92.6% are motor insurance policyholders. The opportunity to cross-sell life insurance coverage to existing customers is clearly high, further strengthening Lemonade's position against its more established competitors.

Lemonade has previously focused on in-house expansion, but if this partnership proves successful it could see the company adopt a similar approach for other insurance lines, with motor insurance likely to be next. Indeed, the company's strategy here could serve as a blueprint for other insurance providers looking to expand into new lines of business at a relatively low cost.

Betterfly raises $17.5m in funding

Betterfly is a Chilean insurtech startup that offers a wellness platform enabling users to build life insurance cover for free and donate to charitable causes as they embark on healthy habits. Betterfly was founded in 2018 and raised $17.5m in Series A funding in 2020.

Analyst view: The concept of health promotion is not new to insurers, and is gaining traction as consumers are becoming more health-conscious. The interest in health promotion among life insurers goes beyond keeping customers engaged, healthy, and happy. Healthier customers also mean fewer claims of reduced severity.

Betterfly's funding coincided with the COVID-19 pandemic, which has heightened awareness about the importance of health and wellbeing. Betterfly's platform is unique in its approach to employee wellbeing. It motivates individuals to make healthy lifestyle choices, including taking part in virtual fitness classes and mindfulness exercises. As individuals adopt healthy lifestyle choices they build life insurance cover for free while also being rewarded with BetterCoins (points). Users can exchange their BetterCoins to benefit charitable causes, such as donating money to feed the hungry, providing clean water to those in need, or planting trees. In this way, Betterfly customers can make a tangible social impact.

However, there are similarities with other providers' solutions, albeit not locally. Vitality is well-known for driving behavioral change among its life and health insurance policyholders, encouraging users to become more active, reduce alcohol and cigarette intake, and eat healthier food. Meanwhile, YuLife's proposition is closer to Betterfly. YuLife is a life insurer that also operates its own wellbeing currency, YuCoin. Users earn YuCoin as they complete wellness tasks at their own speed; these points can later be cashed in for gift cards from retailers. Like Betterfly, YuLife is also a benefits platform for the workplace.

Security deposit insurtechs gain traction

Two security deposit insurtechs, Rhino and LeaseLock, have raised $95m and $52m respectively. Rhino allows tenants to purchase security deposit insurance that covers damages to a landlord's property. On the other hand, LeaseLock allows real estate companies and landlords to purchase security deposit insurance across their portfolio, helping reduce upfront costs for renters.

Analyst view: In most countries, people who rent are much less likely to hold home insurance compared to homeowners. On average, renters have less disposable income and will avoid any costs they deem unnecessary. However, a reduction in the cost of renting would help free up funds for this group and could improve uptake of contents insurance among renters.

As per our 2020 Financial Services Consumer Survey, 18.1% of renters in the US have home insurance, compared to 62.6% of those who owned their home outright and 60.8% of those buying their home on a mortgage. Since landlords are typically required to cover the building itself, renters only need contents insurance, while homeowners are more likely to have a combination of buildings and contents insurance. A similar gap exists in other developed insurance markets like the UK and Japan, leaving renters vulnerable to their contents being damaged.

Security insurance deposit schemes such as Rhino and LeaseLock will help reduce costs for renters. Landlords that utilize security deposit insurance schemes should highlight the benefits of purchasing contents insurance in lieu of having to pay a security deposit.

Laka picks good time to expand, despite COVID-19

In a tough environment for startups, bicycle insurer Laka has managed to seek new investment and expand into Europe. This may be because its proposition has been strengthened by COVID-19. The pandemic has hit insurers hard, but one line that may prosper in the long term is bike insurance. The UK's Bicycle Association found that retailers saw sales of bikes grow by 60% between March and December 2020.

Analyst view: Our 2020 UK Insurance Consumer Survey found that 16.7% of respondents had purchased insurance for a one-off high-value item (such as a bike or an engagement ring) in the last 12 months. The survey also found that while Aviva (with 13.1% of the market) and Admiral (12.1%) are the leading players for high-value item insurance, no single insurer is dominant. No other player has a share of over 10% and there are a wide range of insurers with a small share. Therefore, it looks to be an approachable market for Laka to make headway in.

Laka was already a growing insurtech, as it looked to offer a P2P service and create a community as opposed to a traditional insurance product. Its expansion to Amsterdam in 2021 shows that it is one of few insurtechs receiving funding and looking to expand during these difficult times.

It is fortunate that it operates in a line ripe for growth, with interest in cycling taking off. Its community-based insurance should prove popular with new cyclists, who are likely to look for new groups or individuals to ride with once pandemic-related restrictions are eased. Overall, it seems like Laka is making positive moves at the perfect time.

Allianz pairs with insurtech Blink to offer wary travelers instant claims

Allianz is partnering with an insurtech startup in a bid to modernize its travel insurance offering and win consumers over once the heavily disrupted travel industry is up and running again. It has partnered with Blink, which offers quick and automatic payouts and re-bookings through its digital app.

Our 2020 UK Insurance Consumer Survey found that Allianz was the 18th largest insurer in the UK with a share of just 2.1% in 2020. Blink was formed in 2016 and featured in the July 2017 edition of our *FinTrack* series, where it scored four out of five. It was considered to be original, long lasting, and operationally impactful with a strong user experience.

Analyst view: Targeting claims and immediate payouts seems to be a good strategy for Allianz. Blink's platform automatically rebooks consumers whose flights have been canceled on to new ones, while it also offers lounge access for delays. Consumers are likely to be wary of potential disruption when they are allowed to travel again. Therefore, anything insurers can do to alleviate these concerns will provide a competitive advantage. Flights have been canceled (often at short notice) throughout 2020 and into 2021 as COVID-19 continues to cause severe disruption.

The travel industry looks set to be boosted in 2021 by news that vaccine passports will be introduced, allowing those who have been vaccinated to travel to certain countries. This means the travel insurance industry should start to pick up again. But while the pandemic is ongoing consumers will be worried about disruption, so this partnership should be successful and help Allianz increase its presence in the market.

Retail Banking

GlobalData.

Retail Banking Contents

PayPal reveals intention to become “super app” amid 2021 new product announcement	18
Barclays rolls out digital receipts	19
MUFG Bank to introduce fees for dormant accounts	19
Revolut expands children’s banking tool Revolut Junior	20
Barclays enters partnership with Smart Pension	20
Monetary Authority of Singapore reviewing its regulatory approach to BNPL	21
UK government announces research hubs to help businesses with green investment	21
Klarna challenges German incumbents with bank account launch	22
MYbank’s non-performing loan ratio is below 2% despite COVID-19	23
DBS introduces Singapore's first green car loan	23
NFCU expands branch network as banks scale back	24
Zeta launches fintech platform for couples	24

Retail Banking Contents

Chase Bank introduces 10% cashback at black-owned business 25

Nationwide launches startup challenge to tackle poverty premiums 25

Revolut’s expansion into India shows others how to grow geographically 26

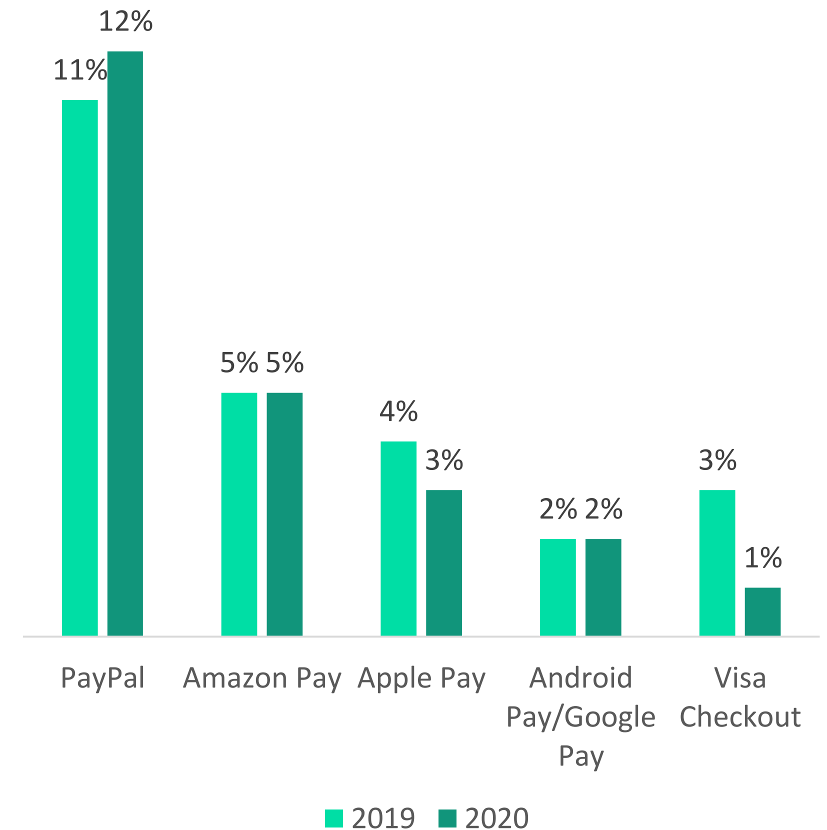
The transformation of stock exchanges will be a boon for fintech 26

PayPal reveals intention to become "super app" amid 2021 new product announcement

PayPal has been one of the winners from ecommerce growth due to the COVID-19 pandemic, gaining more than 72 million new users and seeing transaction volume increase substantially. In 2020, PayPal launched more new products than in any previous year, including cryptocurrency investing, QR code payments, and BNPL financing. In February 2021, CEO Dan Schulman made it clear that PayPal aims to become a so-called "super app" – a platform that offers users a range of diverse but linked services that will lead to consumers only using a select few apps for all their primary needs.

Analyst view: PayPal will expand the range of products it offers as well as integrating ecosystems such as shopping platforms to capture value at the checkout. In 2021 we expect to see an expansion of the investing services PayPal offered in October 2020 that enabled crypto trading in its core markets, covering new international markets and increasing the number of crypto products available to customers. Stock trading is also likely to join PayPal's product suite, given the success low-cost trading platforms such as Robinhood have had with retail investors. In the first half of 2021, PayPal is set to make strides in enabling cryptocurrency to be accepted as a form of payment via its app. Currently customers can buy cryptocurrencies but are not able to use them as a source of funding for payments and transactions. This will have significant implications for cryptocurrencies, as the number of merchants that currently accept them is extremely limited.

PayPal is also expected to release an enhanced bill payment feature it has been working on in partnership with Paymentus since 2019, as well as personal financial management tools that will encourage customers to store greater amounts of money in their accounts. In addition, PayPal will leverage its acquisition of deal-finding browser add-on and app Honey, integrating it into the PayPal ecosystem to boost usage of PayPal at checkout by making itself the pre-eminent form of payment when customers use Honey. As PayPal attempts to become a super app like WeChat in Asia, the company intends to partner with other financial service providers, potentially covering products and features such as high-yield savings accounts, direct deposits, and cheque cashing. While no other company has announced its intention to become a super app it is clear PayPal will face competition from Amazon, Facebook, and Google, as well as much newer BNPL firms such as Klarna and Affirm.



Source: GlobalData's *E-Commerce Analytics*

Barclays rolls out digital receipts

Barclays mobile banking users will be able to receive digital receipts from in-store purchases made via Barclays debit cards at outlets such as H&M, Schuh, and Just Eat. The new service will be introduced in partnership with London-based fintech Flux, which successfully graduated from Barclays' accelerator program in 2017.

Analyst view: When customers pay in-store using their Barclays debit card, receipts will be automatically sent to their mobile banking app. Barclays revealed its rationale for the decision was consumers wanting minimal-touch experiences in a bid to limit transmission of COVID-19. Linking receipts to mobile apps is becoming more common. Despite Barclays acquiring a minority stake in its business, Flux has already partnered with challenger banks Starling and Monzo.

However, digital receipts are of limited use to retail consumers due to the increase in ecommerce that has taken place over the last year – a trend likely to continue going forward. When shopping online, customers already receive itemized breakdowns of purchases to their email accounts, meaning Flux's services are only relevant to in-store purchases. And given the service-based nature of many in-store purchases, such as food and drink, the use value of receipt tracking is limited as such items cannot be returned and thus do not need to be tracked accurately.

Barclays and Flux ought to focus on offering such services to business clients. These individuals are often internationally mobile and need to hold on to receipts for expenses or tax purposes. Digital receipts would be a significant improvement over collecting and organizing hundreds of worn and faded paper receipts.

MUFG Bank to introduce fees for dormant accounts

The banking arm of Japan's Mitsubishi UFJ Financial Group (MUFG) has announced it will be introducing maintenance fees for dormant accounts from July 2021, as part of a bid to slow the declining profit margins it has faced due to the low interest rate environment of the last two decades, as well as the impact of lower transaction volumes and interchange income due to the COVID-19 pandemic.

Analyst view: Despite being Japan's largest lender, MUFG Bank has not been immune to turbulent economic conditions in the region. The shrinking spreads on which banks generate revenue has left many struggling to remain profitable, with most financial ratios and metrics for domestic banks trailing their G7 counterparts. In addition to these monetary challenges, the shrinking population in Japan means growth in the form of more economic activity is also unavailable to domestic banks. Immigration policies are unlikely to be loosened to the extent needed to boost growth in the sector. Compounding these long-term challenges is the impact of COVID-19, which has dampened consumer sentiment and increased the level of uncertainty in the economy. These factors mean MUFG Bank must explore new avenues of revenue generation. From July 2021, this will include an annual fee of ¥1,320 ($12.74) for new accounts if no transactions are made within two years.

MUFG is not alone in moving away from a free banking model. Back in 2019 Japanese incumbents began charging for elements of service. Examples include Mizuho Bank, which raised its fees for over-the-counter money transfers and increased fees for ATM use. Further attempts to monetize what was once free can be traced back to changes made by the likes of Resona Bank, Juroku Bank, and Okazaki Shinkin Bank, all of which introduced new charges or premium features customers had to pay to access. Yet despite these attempts only a minority of customers accept this as the new norm, with mainstream opinion believing banking should be free.

Revolut expands children's banking tool Revolut Junior

The free feature now covers over 30 countries, most recently Singapore. The app is a child-friendly copy of the standard Revolut interface, allowing children aged seven to 17 to access banking services via mobile phone as well as withdraw money with their own debit card. Revolut's USP has been to focus on convenience and spending controls. Parents are able to send and receive money instantly as well as keep track of their child's spending, while children may not send or receive transfers using the Junior app. The parent also remains the legal owner of the account and card and the account must be in the base currency of the adult account. However, children do get access to Revolut's competitive currency exchange rates when purchasing a product priced in another currency.

Analyst view: As with other digital banks, Revolut's foray into children's banking shows the challenger is serious about becoming a permanent player in the global banking market. In Revolut's case, this is likely a way of appealing to young families as the bank hopes the feature will pay off in the form of retention of current customers and their children once they become adults. Revolut initially intended this feature to be part of its Premium and Metal subscription. However, like its wealth services the bank quickly succumbed to customer pressure and made the feature standard.

While this is a cost-effective way of delivering children's banking, Revolut's strategy does come with some drawbacks. Firstly, there is no tool promoting financial education, which our 2020 Banking and Payments Survey found was universally important to parents when considering banking for their child. Additionally, by offering a universal app for all age ranges, Revolut risks parents of young children seeing a mobile app as inappropriate, while teenagers view the app as for pre-teens. Revolut's proposition is likely to be limited without the ability to customize the app interface, and is vulnerable on both sides to more age-targeted players.

Barclays enters partnership with Smart Pension

Barclays is partnering with Smart Pension, one of the UK's leading online pension providers. This will see the UK bank promote Smart Pension to its business banking clients. Barclays has a network of approximately 1,100 business relationship managers who will now be able to introduce their clients to Smart Pension via the Barclays website, where they can sign up in a matter of minutes.

Analyst view: The partnership will enable firms that sign up via the Barclays website to offer their employees access to invest their savings in the bank's proprietary Global Markets funds, which are managed by investment management experts who also cater to the bank's wealth management clients. Smart Pension has an online platform that allows both employees and employers to view participation in the scheme, but specifically makes it easier for individuals to manage their pensions more actively.

The platform can be integrated with other features such as payroll, admin, and reporting and compliance capabilities. For SMEs across the country this type of partnership is likely to be welcomed due to the hardship many face when having to organize pension schemes for their employees. This often requires significant planning and communication between various departments or outsourced elements of their business, such as HR and accounting. The platform offered by Smart Pension alleviates many of these concerns and enables SMEs to streamline putting a pension in place, allowing them to focus on more pressing business priorities while also offering their employees access to the services of one of the most reputable names in investment and wealth management.

At a time when businesses of all size are struggling amid the impact of COVID-19 – while also needing to offer employees support with their finances, especially retirement planning – the partnership between Barclays and Smart Pension seems likely to be well received.

Monetary Authority of Singapore reviewing its regulatory approach to BNPL

Following growing calls for consumer protection around the world, BNPL firms in Singapore may face new regulation as the Money Authority of Singapore has signaled its interest in the fledgling sector.

Analyst view: The threat to consumer finances and concerns a BNPL bubble could undermine the stability of financial sectors is leading regulators around the world to consider greater checks and due diligence for firms offering such services, given that low-cost payment flexibility has been shown to increase the value of purchases when consumers shops online. And despite Singapore being categorized as a fledgling BNPL market – behind the likes of the US, the UK, and Australia in terms of BNPL volume – the number of firms offering BNPL in the region has led to concerns as to the effects widespread unregulated usage could have.

Specifically, the likes of Grab, Atome, and hoolah have experienced huge levels of growth in the region due to the COVID-19 pandemic causing a boom in ecommerce. This has seen BNPL services capture increased transaction volumes due to their primary channel being online as opposed to in-store. With more and more BNPL operators entering the market, incumbent banks launching their own BNPL services in conjunction with their credit card offerings, and even the likes of Visa and Mastercard set to launch their own BNPL offerings, the need to regulate the sector has become necessary before usage becomes truly mainstream.

BNPL firms in the UK have found themselves on the Financial Conduct Authority's radar as politicians have compared their business practices to predatory payday lenders. Similarly, the launch of Klarna bank accounts in Germany will cause regulators to re-evaluate the role of BNPL operators and their potential spread across multiple parts of retail finance.

UK government announces research hubs to help businesses with green investment

The UK government has announced a £10m investment to make Leeds and London the home of global green finance and investment. Research hubs will be set up in both cities, which in partnership with the University of Oxford, the University of Leeds, and Imperial College London will provide data and analytics to support investment decisions made by financial institutions in terms of environmental impact.

Analyst view: 2020 saw increased importance placed on the need to align business operations with environmental, social, and governance (ESG) principles. As per The Investment Association, investment in ESG-oriented funds quadrupled in 2020. The UK government's announcement that it will invest £10m to develop research hubs in partnership with leading universities – designed to aid businesses in making more ethically conscious decisions – will likely accelerate this trend further.

The research hubs will develop products that help better understand, adapt, and reverse the effects of climate change. This will include the development of technologies that measure severe storms and risks for property investors and insurance companies, as well as tools that can improve data linking pollution to portfolio structures for investment managers. The investment is designed to help the UK reduce its greenhouse gas emissions to net zero by 2050. However, the investment is also hoped to unlock opportunities across the country, particularly in the North of England. And in a post-Brexit world it is hoped that the new green finance hubs will attract and develop talent from around the world to the UK's major cities.

For the research hubs to be successful, data on the environmental impact of business decisions must be more accurate than consumer tools developed by the likes of CoGo and Tred, which use account data via open banking to assess the carbon footprint of customers' transactions. While such analytics may be a useful marketing tool this data is not a micro-analysis of purchases and can only categorize spending by retailer, meaning it is not necessarily an accurate reflection of someone's carbon footprint.

Klarna challenges German incumbents with bank account launch

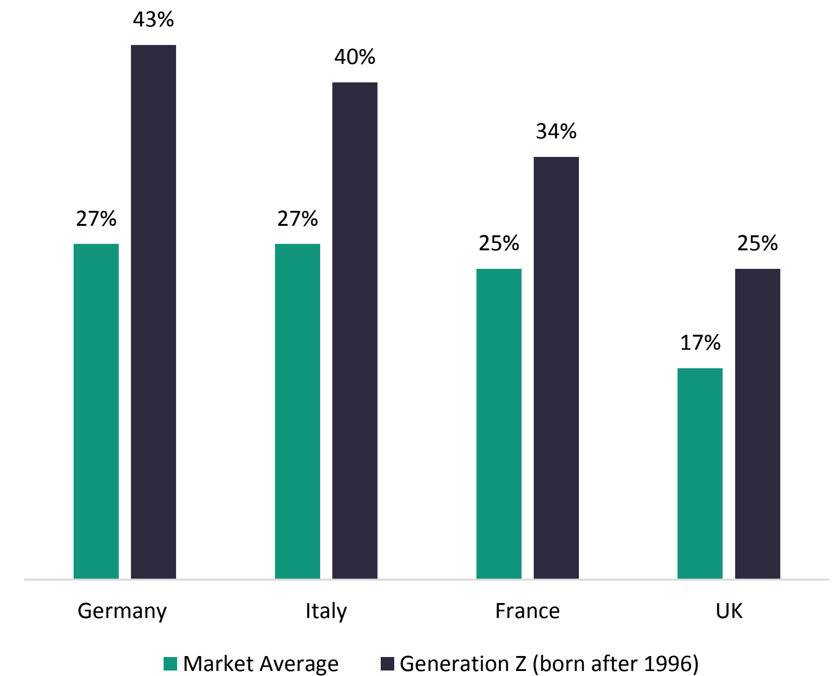
Klarna has announced the launch of a retail bank account in Germany. The account will offer customers access to a Google Pay- and Apple Pay-enabled debit card, and will be linked to a mobile app allowing customers to use budgeting tools to analyze their finances.

Analyst view: Non-financial services companies have approached the market from a far more monopolistic angle than traditional banks. They have attempted to capture value from the entire commerce and financial services experience – as in the case of Klarna. Despite initially offering escrow services, the launch of the Klarna app in 2017 allowed customers to shop online via its platform and apply BNPL to any retailer. This significantly shifted its focus from simply being a credit guarantor.

Klarna's approach is not unique and is emulative of the likes of ING, PayPal, and other large technology companies. In Germany, ING launched a smart shopping platform called DealWise, which similarly captures more of the spending relationship that customers have with online retailers. Likewise, PayPal's acquisition of Honey revealed its intent to cash in on more elements of the ecommerce experience. Viewed in this light, Klarna's move into banking is simply an extension of a business model that attempts to edge its way into every possible point where a revenue-generating relationship exists or can be leveraged.

While no details of what services will be launched have been revealed, Klarna Bank will likely complement customers' shopping experiences, offering rewards and cashback to customers who have deep relationships with the company, as well as offering complementary tools such as BNPL receipt tracking and personal financial management. Unlike ING, which has approached embedded finance as a bank attempting to offer a wider ecosystem to its customers, Klarna first established an ecosystem and is now adding banking services to it.

This is a strategy that may be more conducive to growth, as our 2020 Financial Services Consumer Survey found that younger consumers – Klarna's key demographic – are significantly more open to using financial services from non-bank digital providers than the average individual. For example, 43% of Generation Z Germans favor new digital platforms for financial services. This suggests that financial services from non-traditional providers are likely to be an area of tremendous growth.



Source: GlobalData's 2020 Financial Services Consumer Survey
Number of respondents: 839

MYbank’s non-performing loan ratio is below 2% despite COVID-19

Alibaba’s digital bank MYBank is renowned for having kept its non-performing loan ratio to 1% while lending $290bn to 16 million risky SMEs – reportedly looking at over 3,000 different variables. Less well known is that since the onset of COVID-19, MYbank’s average non-performing loan ratio has remained low at below 2%. Contrast this with loan loss provisions made by big incumbent banks and we get a clear idea of the performance differentials machine learning and alternative data can drive. These core tech capabilities are already available to white label for Chinese banks through the Alibaba Cloud Digital Credit Lending Solution. The tech giant has also operated a private credit scoring system, Credit Sesame, since 2015.

Analyst view: The volume, variety, and velocity of data within big tech companies’ systems confers unique advantages in a credit risk context, especially amid market shocks, which will likely make this an important attack vector in the US and Europe. Facebook already has various patents pending for credit scoring, including an approach that determines credit score based on the scores of friends a given user is connected to on Facebook. The IMF has written about the predictive power of search history in credit risk assessment – something Google Marketplace may well leverage. Meanwhile, Amazon – already deeply involved in SME lending using alternative data – has sought banking-as-service partnerships with Goldman Sachs but has not yet white labeled its credit risk methodologies within Amazon Web Services.

DBS introduces Singapore's first green car loan

To accelerate Singapore’s shift away from carbon-fueled vehicles in favor of electric and hybrid vehicles, DBS has launched the DBS Green Car Loan for customers purchasing new and used electric and hybrid vehicles. The loan offers a 1.68% rate per annum – the lowest rate in the industry – and DBS will have trees planted around the world in partnership with the OneMillionTress movement for every loan taken up. DBS has also been announced as the preferred financing partnering for Tesla customers in Singapore.

Analyst view: Currently Norway leads the world for electric vehicle adoption, with approximately 54% of all cars in the country electric. In contrast, only 6.8% of all vehicles in Singapore are electric or hybrid. There is clearly significant growth potential for electric vehicles in Singapore, and it is hoped that the introduction of cheap debt will help temper affordability concerns.

Due to the COVID-19 pandemic, global sales of automobiles hit all-time lows in 2020, and policymakers around the world will be hoping the sector can rebound while aligning itself with the climate goals countries are pursuing in accordance with the Paris Agreement. The DBS Green Car Loan is strongly in line with the Singapore government’s initiatives, including its 2020 policy to replace all internal combustion engine vehicles by 2040. The government aims to expand electric vehicle charging infrastructure to 28,000 stations by 2030 and is enacting an early adoption incentive scheme for electric vehicle buyers from 2021 to 2023, which will offer rebates to customers capped at S$20,000 ($15,132) per vehicle.

The decision to launch green loans comes following a study conducted by DBS and the Impact Institute, which found that lending for electric vehicles has 40% lower environmental costs and 16% lower social costs than non-electric models. The offering is the latest in a series of initiatives by DBS to be more sustainable. Previously it partnered with BlueSG, Singapore’s first 24/7 electric car sharing service, to encourage customers to be more environmentally friendly.

NFCU expands branch network as banks scale back

Navy Federal Credit Union (NFCU) has announced plans to expand its branch network in 2021 – in stark contrast to competitors that have been closing branches at record rates. NFCU has stated it intends to pursue a "multi-pronged approach" as it works to remain the country's largest credit union serving the military community.

Analyst view: As a bank that specifically caters to the military community, NFCU has stressed the need for branch services due to the rate at which its target demographic move around the country. While digital channels would seemingly be best suited to the needs of such a mobile demographic, NFCU executives have stressed the need for customers to be able to walk into a branch and get financial advice.

NFCU is planning to add eight more branches to its network, with three opening in Texas, two in Georgia, one in Washington, one in South Carolina, and one in Hawaii. The pandemic has actually slowed NFCU's rate of expansion considerably, with only three branches opened in 2020 compared to an average of 15–20 in previous years.

While NFCU's approach may seem unorthodox, for credit unions that operate within Field of Membership requirements branch expansion is critical to their growth. Other credit unions are also eyeing expansion as their target demographics remain slow to wholly adopt digital services. And given that NFCU also serves veterans who often suffer from physical and mental disabilities, the need to service such customers via traditional channels that are commonly understood and accessible is all the more important.

Zeta launches fintech platform for couples

Zeta is a free online and mobile service designed to allow couples to improve financial communication and planning. Zeta requires couples to sign up together and link their banks accounts to the platform so that joint finances can be analyzed. The service allows couples to share their finances, track overall net worth, review monthly spending, and receive targeted advice.

Analyst view: Zeta is trying to redefine the concept of joint accounts and integrate new elements of flexibility for more modern relationships. Zeta allows couples to join their individual accounts so that an overview of their joint finances can be analyzed, enabling better planning and understanding of their collective positive. However, individuals have 100% control over how much they share with their partner. For instance, if a business account is connected to a personal account, an individual can choose to only share personal banking information as well as vary the exposure of that information.

The key features available through Zeta include the ability to create shared and individual budgets as well as tag your partner for specific transactions or split a purchase. Zeta also allows customers to set and track financial goals, both individually and as a couple, and has a breakup feature if the worst should happen.

Currently users appear to use their accounts in two ways: to manage bills such as rent or mortgage payments, or as a savings account for mutual goals such as holidays and big shared purchases like a car or home. Zeta plans to develop new features and tools to support families in broader ways, covering taxes, estate planning, and prenuptial agreements.

Zeta seems likely to succeed due to the struggles many couples have organizing their finances, with those who argue about money weekly almost 30% more likely to divorce. However, one hurdle for Zeta is getting people – even couples – to trust one another enough to share such sensitive information, given how traditional preferences and norms are to keep such information private.

Chase Bank introduces 10% cashback at black-owned business

Following the killing of George Floyd in May 2020 and subsequent Black Lives Matter protests, corporate America has been lining up to be on the right side of history and address the racial injustices that have long persisted in the US. JPMorgan Chase is one such company; in Q4 2020 it outlined a $30bn plan to advance racial equity, and most recently announced a $350m pledge to minority-owned businesses. It has also rolled out a series of cashback rewards for customers, including 10% cashback of up to $50 at select black-owned franchise stores.

Analyst view: While statements of intent and action plans by large corporates to help make society more just and inclusive are usually announced via megaphone, the cashback program offered by Chase Bank has received little to no media attention. One reason may be that while other banks have enacted similar programs for minority-run businesses, customer support for such initiatives is beginning to fade as they face a barrage of companies emphasizing social justice issues.

While new digital banks such as Greenwood – a bank specifically catering to the black and Latinx market in the US – have launched similar reward schemes, mainstream banks adopting similar initiatives have received backlash from certain segments of society for supposedly "divisive" policies that don't cater fairly to other demographics. This was seen in the UK, when Barclays received backlash on social media for its inclusivity efforts, integrating the colors of the gay pride flag into its logo.

Going forward, it will be interesting to see how banks and other organizations navigate the culture wars we are seeing in the political arena, but also how more effective solutions to racial inequities are implemented. Many have argued that supporting large franchises does little to help the black-owned SMEs that would benefit the intended market segment more.

Nationwide launches startup challenge to tackle poverty premiums

Nationwide has announced the launch of a startup challenge, asking entrepreneurs to offer ideas to help tackle the so-called "poverty premium" – a phenomenon that sees poor people pay more for essential services. It is also investing £2.5m in the Fair By Design Fund, which injects capital into businesses that work to make markets fairer.

Analyst view: In recent years, growing emphasis has been placed on the cost of poverty, i.e. the costs those classified as low-income face simply due to their financial position. This often takes the form of higher credit, insurance, and energy costs. Such premiums compound individuals' already poor positions and amplify structural problems. The impact of COVID-19 has worsened the finances of those already living on the edge, with approximately 700,000 additional people facing poverty at the end of 2020.

More generally, we are seeing greater levels of public engagement to fill the gaps left by the government across social security. The launch of this incubator program is a sign that social ailments are no longer being ignored by large corporations. The Nationwide challenge will focus on six key themes: affordable credit, access to credit, housing, access to essential goods and services, income smoothing, and improving poor credit scores.

Depending on the nature of ideas submitted, successful applicants will join the incubator in two phases: Explore and Build. The Explore stage will see organizations receive £30,000 of investment from Nationwide to support three months of investigation, alongside support from experts through testing and development. Depending on the success and potential of these ideas, some organizations will move to the Build phase, which will involve an additional six months in the incubator (as well as additional funding) to build and scale their ideas.

Revolut's expansion into India shows others how to grow geographically

Initially halted by COVID-19, Revolut has once again signaled its intention to enter the Indian banking market. By tailoring its proposition towards the needs of the market, Revolut is showing how to enter a new geography.

Analyst view: Revolut plans to offer its flagship currency exchange product as a remittance service for Indian users working abroad. The service – which will initially be offered at no cost – will enable Indian consumers working abroad to instantly send money from the US, Australia, the UK, and Europe and vice versa, as well as bank with Revolut in those countries via a borderless account.

The bank's strategy is likely to be successful for a number of reasons. Firstly, Revolut has identified core products (in this case currency exchange) that can be tailored to fulfil unmet consumer demand. Revolut's flagship product adds significant value to Indian workers abroad, making it much easier to solve problems when setting up in a foreign country. This includes renting or buying a house, buying a mobile phone contract, or simply getting a bank account – all of which typically require a bank account and/or a permanent address. Revolut's borderless banking product will also help Indian workers by bringing their Revolut-based credit history with them when they move abroad.

In addition, Revolut operates a local headquarters, which allows it to talk to both partners and regulators, thus ensuring seamless entry into the market. Regarding revenue, Revolut is likely to move towards a freemium plan similar to its wealth services, with a basic account allowing some free remittances while heavy users receive this benefit as part of Revolut Premium and Metal packages.

This strategy is in stark contrast to other challenger banks, particularly N26, whose history of using an undifferentiated approach to each market has led to lower growth in all but its German market – and outright failure in the case of the UK.

The transformation of stock exchanges will be a boon for fintech

The rise of private securities marketplaces is likely to mark the beginning of the end for national stock exchange monopolies and herald a chance for challenger banks and fintechs to take advantage of lower funding costs from individual accredited investors.

Analyst view: Stock exchanges are facing disruption in the form of private securities marketplaces – digital platform that allows accredited investors to buy and sell shares of private companies that either cannot or do not wish to be publicly listed.

This innovation aims to solve the problem of mid-sized companies that are too small for the stock exchange, too big for seed capital, and too risky for a bank loan. This leaves a large proportion of companies (including many fintech firms) choosing between private equity and venture capital. This typically gives fintech firms poor leverage in discussions and may even incentivize working on superficial rather than sustainable measures of growth – something challenger banks have a habit of doing.

In contrast, private securities marketplaces enable fintechs to raise equity capital at a crucial growth stage from a broad stock of investors. There is evidence that fintech firms are already taking advantage of this. Digital platform SharesPost offers accredited investors the chance to trade shares in 213 private fintech firms, including challenger banks Monzo, Chime, SoFi, Revolut, Nubank, and Klarna. This will allow private fintechs to access lower overall funding costs, enabling them to compete on a more even footing with incumbents listed on national stock exchanges.

From an investor standpoint, the emergence of marketplaces for shares of private, fast-growing firms that were previously unavailable – combined with new technologies such as distributed ledgers – will allow for the realization of higher gains at lower cost. This fact alone will give private securities marketplaces a good chance of disrupting the professional investment market.

Wealth Management

GlobalData.

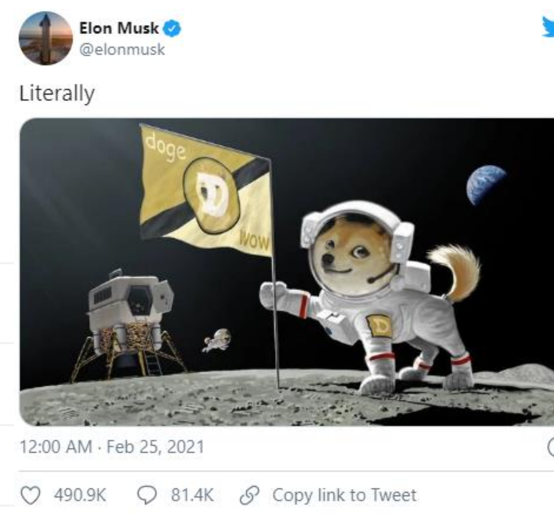
Wealth Management Contents

$1.5bn Tesla investment sees Bitcoin jump to new record highs	29
Cooler Future introduces climate change-aware investment app	30
Scotiabank debuts AI-driven platform	30
Goldman Sachs launches Marcus Invest	31
LGT launches direct impact investing activities under Lightrock brand	31
Investment platform Freetrade set to launch in Australia	32
HSBC launches new private banking business in Thailand	33
Kristal.AI launches digital family office	33
DBS plans to hire over 650 financial planning advisors by the end of 2021	34
Citibank officially introduces digital proposition Citi Plus in Hong Kong	35

$1.5bn Tesla investment sees Bitcoin jump to new record highs

Bitcoin jumped 15% after Tesla invested $1.5bn in Bitcoin. The electric car manufacturer also announced it would begin accepting the digital token as a form of payment for its electric cars.

Analyst view: Bitcoin's 2018 peak was predominately a result of retail demand. While this demand remains strong, we are also seeing growing institutional interest, which in turn coveys an image of stability, further driving up price growth. Providers such as Square and PayPal now facilitate payments in Bitcoin, while Fidelity announced it is providing Bitcoin custody services. Going forward, we expect to see more companies allowing payments in Bitcoin. While this will support demand it also poses a risk. As cryptocurrencies grow on companies' balance sheets, correlation to stock prices rises. Should financial markets turn sour, Bitcoin is likely to feel the pinch. Moreover, the Bitcoin surge along with Dogecoin's 23.11% jump after Elon Musk's one-word tweet on February 25, 2021 highlights the high degree of volatility cryptocurrencies have.



Source: Yahoo Finance, Twitter

Cooler Future introduces climate change-aware investment app

Berlin-based fintech startup Cooler Future has introduced a climate change-aware investment app that helps investors make green investments to fight climate change. The app filters and lists the companies around the world that are actively addressing climate change. It also provides an eco-friendly portfolio of assets and helps investors decide which companies to invest in.

Analyst view: There is a clear case for providers to add socially responsible investments to their portfolios. Our data shows that 52% of wealth managers rate HNW demand for socially responsible investments as either very strong or quite strong.

However, greenwashing remains a problem. There are no global reporting standards, and definitions of socially responsible investment decisions can be vague. For example, some providers include Afterpay on the basis that it offers an alternative to credit cards, while others exclude the company as it promotes consumerism. In addition, “green” companies are often selected on the sole basis that they do no harm, i.e. fossil fuel companies are excluded.

Cooler Future overcomes this challenge, helping users select companies that make a positive contribution instead of merely eliminating those that do harm. This puts it in a strong position to capitalize on growing demand in this space.

Scotiabank debuts AI-driven platform

Scotiabank has launched a new customer-facing platform that leverages big data and AI. It is designed to predict customers’ needs and will be used to offer timely and personalized financial advice.

Analyst view: The proliferation of remote investment services coupled with the COVID-19 pandemic have led to an avalanche of new investors. When relying only or predominantly on digital channels, building loyalty among these individuals will be a major challenge. However, the more personalized a service wealth managers can provide the more likely they will hang on to their clients’ wealth – especially when reaching out to the desirable millennial and Generation Z segments. As per our 2020 Banking and Payments Survey, 83% of millennials and 84% of Generation Z believe that personalized financial advice is important.

Emerging technologies such as AI are critical in this context. Yet according to our 2019 Global Wealth Managers Survey, only 20% of wealth managers globally have invested in behavioral analysis software for better and more personalized risk profiling and only 26% are using AI to facilitate portfolio management. It is our view that Scotiabank’s investment in AI will pay off, resulting in reduced customer churn.

Goldman Sachs launches Marcus Invest

Goldman Sachs has launched a fully digital investment management service called Marcus Invest. The low-cost platform is integrated into the Marcus consumer banking app, and is available with individual, joint, and IRA accounts. The minimum investment is $1,000 and the annual advisory fee is 0.35%.

Analyst view: The launch of Marcus Invest was the natural next step for Goldman Sachs as it continues to diversify its business and increases its focus on the retail and emerging affluent segments. The service is competing directly with robo-advisors and other digital platforms, but Goldman Sachs will be able to leverage its strong brand image and capitalize on its existing Marcus customer base. Under the brand name, Goldman Sachs already offers high-yielding savings accounts, unsecured personal loans, and budgeting software, as well as an Apple credit card. Adding investments to its proposition moves Goldman Sachs closer to becoming a one-stop shop for the lower affluent segment while enabling it to capitalize on record trading volumes.

LGT launches direct impact investing activities under Lightrock brand

LGT integrated its direct impact investing activities into a newly formed entity called Lightrock, a global private equity partnership that seeks to achieve financial as well as societal and environmental returns. Lightrock will retain a close relationship with LGT Private Banking, inviting its private clients as well as other investors to co-invest in private equity impact investment opportunities.

Analyst view: The impact investment sector has been gaining momentum for years. HNW investors are showing strong and rising demand for investments that make a difference as public concern and advocacy for environmental and social issues are on the rise.

Interest in LGT's newly launched proposition will further be supported by an increased need for diversification following COVID-19-induced market turbulence, helping drive uptake of direct long-term investments. HNW individuals are looking for uncorrelated returns and investments that are less exposed to short-term sentiment and forced selling. For example, the proportion of private equity investments in the average global HNW portfolio rose from 2.2% in 2019 to 3.4% in 2020.

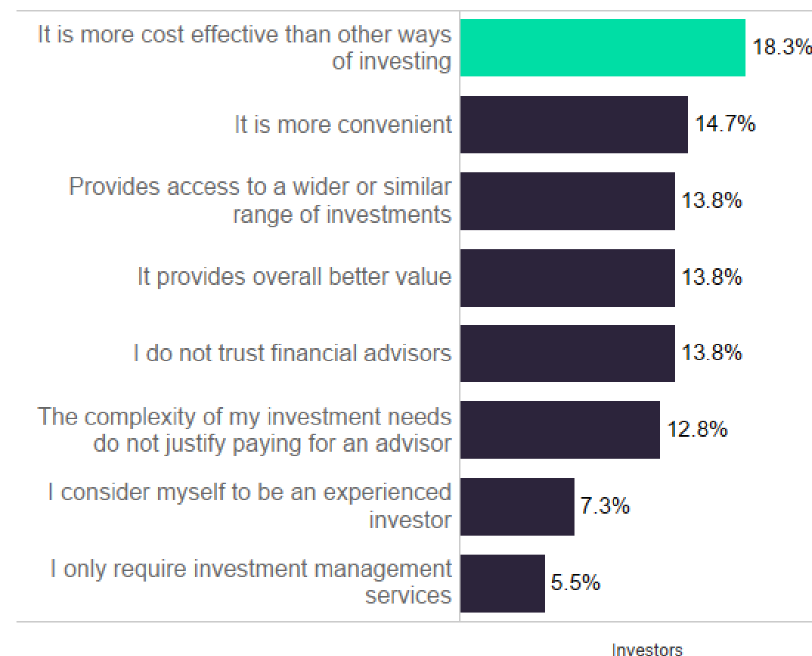
It is this rise in demand for direct equity investments as well as growing concerns around environmental and social issues that will help Lightrock succeed.

Source: GlobalData's 2020 Banking and Payments Survey, GlobalData's *Investor Insights: Channel Selection Analytics*, GlobalData's *Retail Investments Analytics*

Investment platform Freetrade set to launch in Australia

London-headquartered Freetrade has announced plans to launch in Australia. The online broker will provide access to ASX-listed stocks and funds as well as US and European investments. Using a subscription fee business model, the fintech will not charge any commissions.

Analyst view: Freetrade's launch will come at an opportune time as trading volumes have reached new heights during COVID-19. The provider is well positioned to capitalize on rising demand and take on the trading platforms of Australia's big four banks. The vast majority of new investors fall into the millennial and Generation Z segments, and thus are accustomed to subscription-based models via the likes of Netflix and Spotify. And as per our *Investor Insights: Channel Selection Analytics*, the single most important reason why investors choose a non-bank platform is a belief it is more cost effective than other ways of investing. As a result, Freetrade's offering is likely to prove attractive to retail investors.



Source: GlobalData's *Investor Insights: Channel Selection Analytics*

HSBC launches new private banking business in Thailand

HSBC has set up a new private banking business in Thailand to boost its presence in the Southeast Asian wealth management space. The new unit is HSBC's second onshore business in the region, complementing its presence in Singapore.

Analyst view: HSBC's focus on Thailand is a re-engagement of sorts. The Anglo-Hong Kong giant sold its retail banking arm in the country in 2012, but has maintained a presence in the market as a corporate bank. The Asia Pacific region offers significant opportunities and is a major focus for most of the wealth management giants. Yet it is also highly competitive, with most providers servicing Southeast Asia out of Singapore.

An onshore presence in Thailand is the natural next step. The market is less competitive than Singapore, and also offers significant room for growth – especially compared to HSBC's home turf in the UK. As per our *Wealth Market Analytics*, we forecast the number of HNW investors in Thailand to record an average annual growth rate of 8.8% between 2021 and 2024, compared to 5.3% in the UK.

Kristal.AI launches digital family office

Singapore-based digital private wealth management platform Kristal.AI launched a digital family office to cater to the growing wealth and legacy needs of its clients. Concurrently, the firm also launched a Singapore Variable Capital Company (VCC) to streamline its offering to its client base, which consists of wealth managers, individual investors, and single family offices.

Analyst view: The Singaporean family office market is highly competitive. According to the Monetary Authority of Singapore, the number of single family offices increased fivefold between 2017 and 2019. As of October 2020 there were nearly 200 single family offices in Singapore, managing assets under management worth more than $100m each.

However, as a digital service Kristal.AI's offering is well positioned to compete on price. In addition, the simultaneous launch of a VCC in Singapore will prove an attractive draw for onshore and offshore clients. The top reason why HNW investors choose one wealth manager over another is access to exclusive and sophisticated investments. A VCC – which facilitates domiciliation of investment funds in Singapore across traditional and alternative fund vehicles for both open- and closed-ended options – will allow HNW individuals to tap into Singapore's attractive investment market.

Source: GlobalData's 2020 Banking and Payments Survey, GlobalData's *Investor Insights: Channel Selection Analytics*, GlobalData's *Retail Investments Analytics*, GlobalData's *Wealth Markets Analytics*

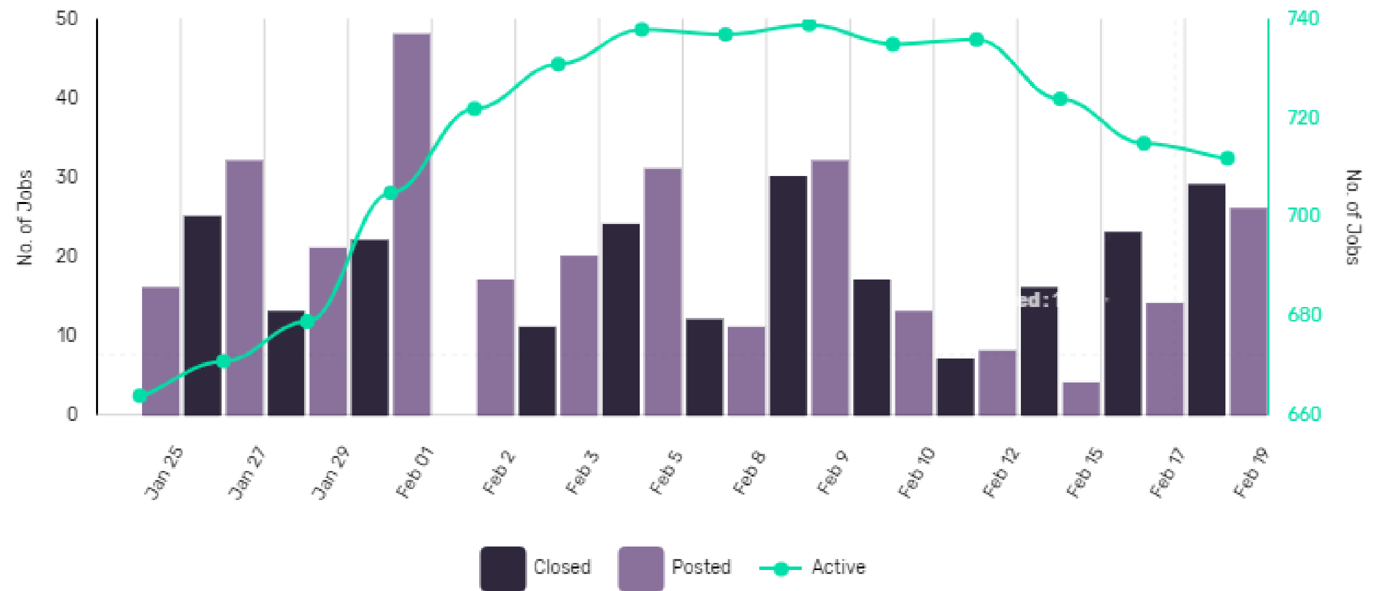
DBS plans to hire over 650 financial planning advisors by the end of 2021

DBS is planning to double the number of financial planning advisors it recruits in 2021 compared to the previous year. This means more than 650 wealth planning managers and insurance consultants will be hired by the end of the year.

Analyst view: Leveraging strong wealth growth in Asia, DBS's aggressive recruitment strategy will allow it to further cement its position in the wealth market both in the Asia Pacific region and globally.

DBS already features in the top 25 in terms of assets under management in our *Wealth Management Competitor Analytics*, having overtaken J. Safra Sarasin, CIC, EFG International, and Société Générale in recent years. Strong investments in its financial planning operations could see DBS enter the top 20, overtaking the likes of ABN AMRO and Crédit Agricole in the near future.

At its 2021 peak DBS Group total had 740 active positions, making its advisor plans a considerable commitment for the bank



Source: GlobalData's *Job Analytics*

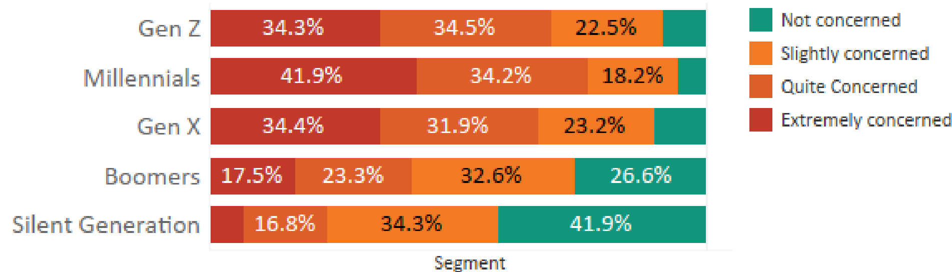
Citibank officially introduces digital proposition Citi Plus in Hong Kong

After a pilot launch in December 2020, Citibank launched its digital wealth offering Citi Plus in Hong Kong in February 2021. It offers a range of investment products to clients – including stocks, money market funds, and mutual funds – primarily from Aberdeen Standard Investments, Allianz Global Investors, and Franklin Templeton. The service also provides a series of financial wellness modules to educate clients about money management decisions, build wealth, and meet financial goals.

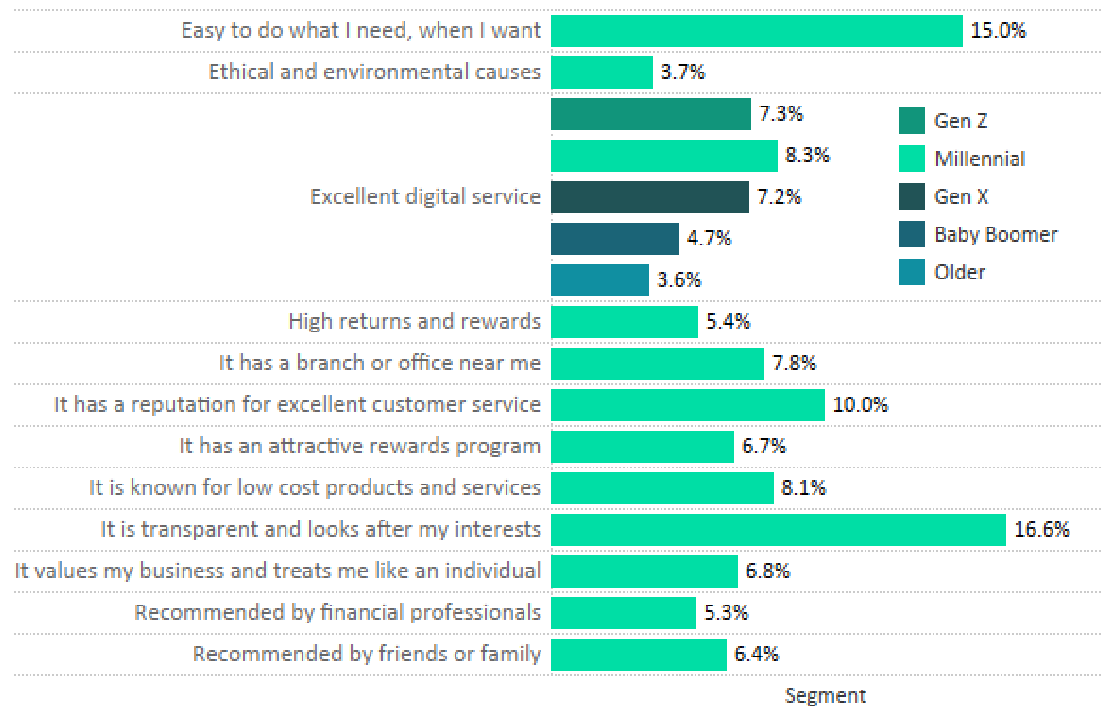
Analyst view: Designed to target younger investors via the mobile banking channel, Citi Plus is set to resonate with the millennial segment. As per data from our *Investor Insights: Investment Drivers Analytics*, global millennials regard an excellent digital proposition as a key attribute they look for in financial services companies – notably more so than other segments.

By leveraging the financial wellness theme the launch of Citi Plus comes at an opportune time, as this aspect is also likely to resonate with millennials. Financial wellness has emerged as an increasingly important topic over the past few years – further pushed into the foreground thanks to the impact of COVID-19 on people's financial situations. Data from our *COVID-19 Tracker Consumer Survey* shows that as of December, 76.1% of millennials are "quite concerned" or "extremely concerned" about their financial situation. The proportion drops to 40.8% among baby boomers.

How concerned are you about your personal finances?



What is the most important attribute you look for in financial services companies?



Source: GlobalData's *Investor Insights: Investment Drivers Analytics*, GlobalData's *COVID-19 Tracker Consumer Survey*

Appendix

GlobalData.

Secondary sources

Cards and Payments

- Cointelegraph (2021) *MoneyGram suspends trading on Ripple, citing SEC lawsuit* [accessed February 2021]
- Cryptocurrency News (2021) *MoneyGram Says it Still Supports Ripple Despite Partnership Pause* [accessed February 2021]
- Finextra (2021) *European banks seek technical partners to help build rival to Visa and Mastercard* [accessed February 2021]
- Forbes (2021) *SEC V. Ripple: Mining For Clarity In Regulatory Chaos* [accessed February 2021]
- Forbes (2020) *SEC V. Ripple: The Cryptocurrency Trial Of The Century* [accessed February 2021]
- Fortune (2021) *Ripple demands Bitcoin and Ethereum docs from SEC amid legal fight* [accessed February 2021]
- IBS Intelligence (2021) *MoneyGram launches P2P payment solution in Vietnam using Visa Direct* [accessed February 2021]
- The Korea Herald (2021) *New law to allow reversal of fat-finger transactions via Kakao Pay, Toss* [accessed February 2021]
- Ledger Insights (2021) *After SEC lawsuit, Moneygram suspends Ripple use despite prior wait-and-see approach* [accessed February 2021]
- Payments NEXT (2021) *Buy now pay later for billion-dollar elective healthcare market* [accessed February 2021]
- TODAYonline (2021) *More than half of Singapore’s hawker stalls now offer e-payments* [accessed February 2021]

Insurance

- Association of British Insurers (2020) *Detected Insurance Fraud - new data shows that every five minutes a fraudulent claim is discovered* [accessed February 2021]
- Bicycle Association (2020) *Official industry stats reveal record extent of COVID cycling sales growth* [accessed February 2021]
- Business Wire (2021) *LeaseLock Raises $52M as Insurtech Platform for Real Estate Drives Security Deposits Extinct* [accessed February 2021]
- Crowdfund Insider (2020) *LatAM Insurtech Betterfly Extends Series A, Raises $17.5 Million* [accessed February 2021]
- Insurance Business Asia (2021) *Allianz buys out China joint venture* [accessed February 2021]
- Insurance Business Asia (2021) *Korea’s FSC to allow internet platforms to sell insurance* [accessed February 2021]
- TechCrunch (2021) *Rhino raises $95M to scale its rental deposit replacing insurance product* [accessed February 2021]

Secondary sources

Retail Banking

- Asian Banking & Finance (2021) *DBS floats Singapore's first green car loan* [accessed February 2021]
- Banking Dive (2021) *Navy Federal Credit Union continues branch expansion as banks scale back* [accessed February 2021]
- Barclays (2021) *Barclays partners with Smart Pension providing SMEs and their employees with access to quick and easy pensions platform* [accessed February 2021]
- Energy Live News (2021) *UK to set up green finance research hubs in London and Leeds* [accessed February 2021]
- Finextra (2021) *Nationwide launches startup challenge to tackle poverty premium* [accessed February 2021]
- Fintech Futures (2021) *San Fran fintech Zeta lands $1.5m for couples banking* [accessed February 2021]
- Fintech Futures (2021) *Singapore's central bank reviews BNPL regulation over debt fears* [accessed February 2021]
- Fintech Singapore (2021) *Revolut Singapore Launches Financial App for Children* [accessed February 2021]
- Protocol (2021) *PayPal wants to be an all-in-one super app. It has its work cut out* [accessed February 2021]
- Retail Banker International (2021) *Klarna challenges German incumbents with bank account launch* [accessed February 2021]
- Retail Banker International (2021) *Revolut's expansion into India shows other challengers how to grow geographically* [accessed February 2021]
- Reuters (2021) *Japan's MUFG Bank to introduce fees on dormant accounts from July* [accessed February 2021]
- Reuters (2021) *JPMorgan pledges $350 million to minority owned businesses* [accessed February 2021]
- TechCrunch (2021) *Barclays adds itemised digital receipts to its banking app in partnership with fintech Flux* [accessed February 2021]
- TechCrunch (2021) *Transformation of stock exchanges will be a boon for fintech* [accessed February 2021]

Wealth Management

- Australian Financial Review (2021) *UK fintech Freetrade enters Aussie market* [accessed February 2021]
- Straits Times (2021) *DBS to double its hiring of financial planning advisers in 2021* [accessed February 2021]

About GlobalData

GlobalData is a leading provider of data, analytics, and insights on the world's largest industries.

In an increasingly fast-moving, complex, and uncertain world, it has never been harder for organizations and decision makers to predict and navigate the future. This is why GlobalData's mission is to help our clients to decode the future and profit from faster, more informed decisions. As a leading information services company, thousands of clients rely on GlobalData for trusted, timely, and actionable intelligence. Our solutions are designed to provide a daily edge to professionals within corporations, financial institutions, professional services, and government agencies.

Unique Data
We continuously update and enrich 50+ terabytes of unique data to provide an unbiased, authoritative view of the sectors, markets, and companies offering growth opportunities across the world's largest industries.

Expert Analysis
We leverage the collective expertise of over 2,000 in-house industry analysts, data scientists, and journalists, as well as a global community of industry professionals, to provide decision-makers with timely, actionable insight.

Innovative Solutions
We help you work smarter and faster by giving you access to powerful analytics and customizable workflow tools tailored to your role, alongside direct access to our expert community of analysts.

One Platform
We have a single taxonomy across all of our data assets and integrate our capabilities into a single platform – giving you easy access to a complete, dynamic, and comparable view of the world's largest industries.

For any questions or further enquiries please contact us at:

customersuccess.fs@globaldata.com

customersuccess.insurance@globaldata.com

Disclaimer

All Rights Reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, GlobalData. The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that GlobalData delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such, GlobalData can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.