22
Helsinki Fintech Guide

Finnish Fintech Landscape
New Banks on the Block
What is Request-to-Pay?

FINTECH FARM
Helsinki

Contents

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01

Your guidebook to Fintechland

Welcome to the annual Helsinki Fintech Guide – the industry publication containing data, insight, and stories from the financial technology industry in Finland.

Since the first publication in 2019, we are still battling with the same questions, namely, how can we use modern technologies and new operating models to make financial services more customer friendly and efficient?

Although many believed that the fintech revolution would materialise in a matter of years, it is clear that we are only at the beginning of the big transformation. Some significant milestones have been achieved in the past year giving strong indications of a speedier transformation pace ahead.

We have seen the annual investments in Finnish fintech increasing from tens of millions to hundreds of millions of euros. We have seen the first Finnish fintech unicorn born, new Finnish banks entering the market, domestic fintech companies being acquired by global companies, but also local fintech companies acquiring foreign competitors.

From the traditional banks' perspective, buzzing around with fintech startups has gone out of fashion. In recent years, banks have had to focus mainly on critical matters, such as replacing legacy systems, complying with the tightening regulations, and keeping up with the rollercoaster like macroeconomics and interest rates.

The great thing is that fintech companies have entered the phase where they are a viable option for traditional banks to tackle those challenges. New SaaS solutions, platform thinking, emerging RegTech companies, marketplaces, and ESG intelligence tools have been on the rise, and have shaken the old ways of working for good.

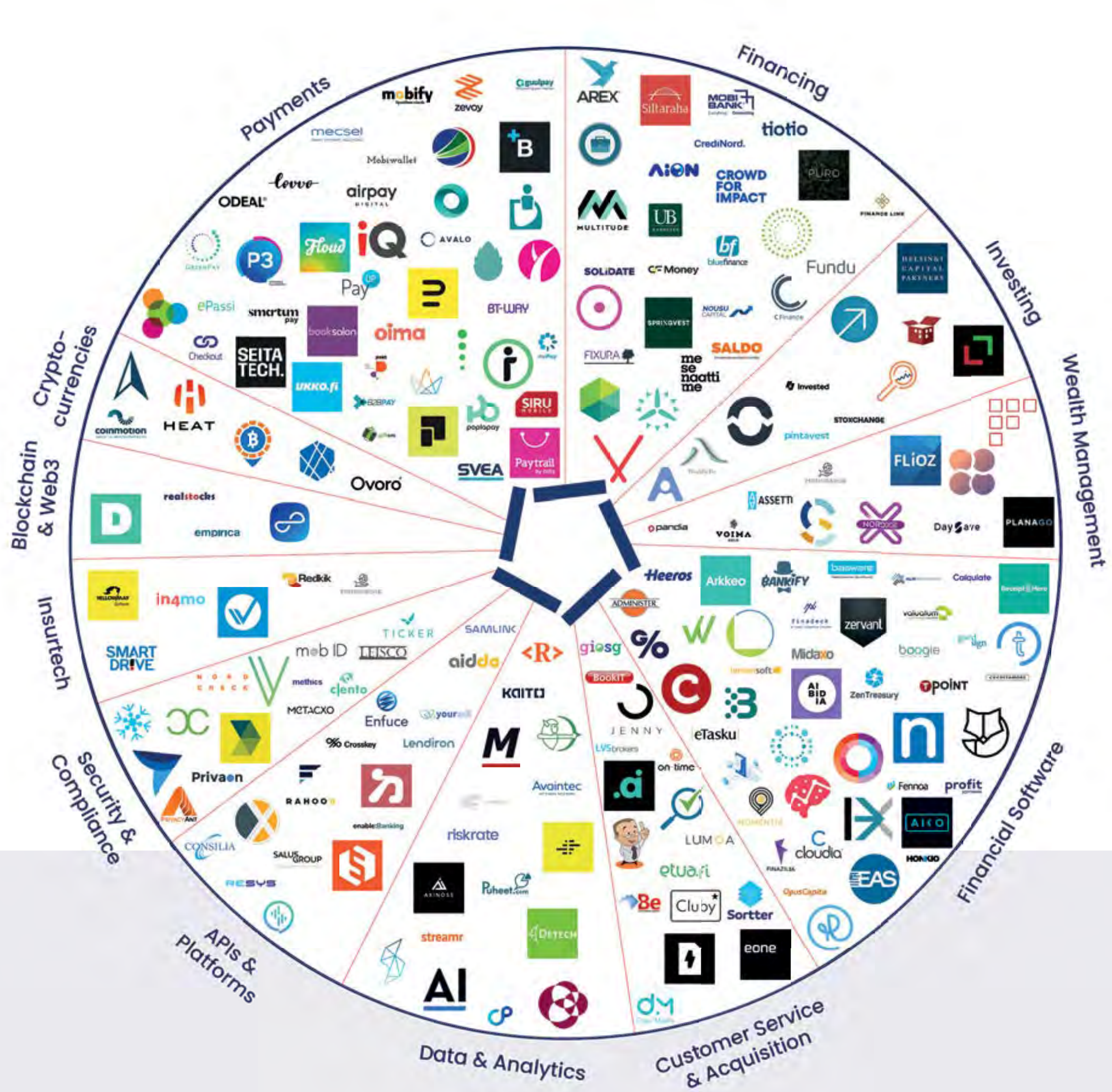
In this publication, we will guide you through the Finnish fintech landscape and show the rising stars and market leaders. Introduce new banks, technologies, and platforms, but also highlight the possibilities in Finland. Last but not least, we will introduce Fintech Farm's newest services and upcoming activities.

Helsinki Fintech Guide is only a glimpse of the industry and what we do. For more knowledge, get to know us at www.helsinkifintech.fi

Janne Salminen
Helsinki Fintech Farm

02

The Finnish fintech landscape



APIs & Platforms

Number of companies	16
Regulated by FSA	2
Total funding (M€)	65.8
Total revenue (M€)	153.8

Blockchain & Web3

Number of companies	4
Regulated by FSA	1
Total funding (M€)	0
Total revenue (M€)	8.9

Cryptocurrencies

Number of companies	6
Regulated by FSA	4
Total funding (M€)	24.7
Total revenue (M€)	46

Customer Service & Acquisition

Number of companies	14
Regulated by FSA	3
Total funding (M€)	5.8
Total revenue (M€)	43.6

Data & Analytics

Number of companies	16
Regulated by FSA	0
Total funding (M€)	479
Total revenue (M€)	22.4

Financial Software

Number of companies	43
Regulated by FSA	2
Total funding (M€)	85.8
Total revenue (M€)	428.9

Financing

Number of companies	26
Regulated by FSA	10
Total funding (M€)	129.8
Total revenue (M€)	314.4

Insurtech

Number of companies	5
Regulated by FSA	1
Total funding (M€)	3.6
Total revenue (M€)	7.4

Investing

Number of companies	11
Regulated by FSA	2
Total funding (M€)	3.2
Total revenue (M€)	1.6

Payments

Number of companies	42
Regulated by FSA	17
Total funding (M€)	90.3
Total revenue (M€)	397.8

Security & Compliance

Number of companies	14
Regulated by FSA	0
Total funding (M€)	1.4
Total revenue (M€)	6.4

Wealth Management

Number of companies	10
Regulated by FSA	2
Total funding (M€)	6.3
Total revenue (M€)	41.4

Summary

+200 companies	~9000 employed	~1.5B€ in revenue (2021)	~1B€ total funding raised

03

Top 20
Finnish fintechs

In 2021 the Finnish fintech companies generated €1.47 billion in revenue, which was a 20% increase from the previous year.

The biggest individual factor for the growth was Epassi's impressive revenue leap to €289 million. In general, a vast majority of the companies, from early-stage startups to established companies, have managed to grow steadily.

Some comedown was seen in the lending sphere, as companies such as Multitude, Saldo, and Blue Finance have had challenges due to the tightened regulation in consumer lending.

It is also worth noting that there has been a change in the reporting method for "Light Entrepreneurship" service providers. Therefore, UKKO.fi's reported revenue decreased from €95 million to €8.5 million even though the size of the business actually remained the same.

Finland's top-funded fintech company, AlphaSense has not officially announced their 2021 revenue, but according to the news around their last funding round in June, their annual recurring revenue has surpassed €100 million.

Top 21 startups

Companies that are founded since 2017

This is the category of impressive growth and fresh success. The gold investment solution Voima Gold was once again the biggest fintech startup, though it's worth noting that they count all their customers' investments as revenue, while their own margin is around 3%.

The artificial intelligence pioneer Silo AI has kept on good growth, and in third place was the biggest uprunner of the year, Tesseract with an amazing 1069% growth.

The top 20 startup list featured companies from various categories, such as Web3 builder Equilibrium, RegTech companies iconicchain and Clento, InsurTech company Smartdrive, ESG tool Upright Project and various accounting and lending-related startups.

	Name	Year founded	Revenue in 2021 (in thousands of euros)	Annual revenue change	Equity funding raised in total (in thousands of euros)
1	Voima Gold	2017	27 161	+41%	3 200
2	Silo.AI	2017	12 090	+106%	10 000
3	Tesseract	2017	7 039	+1069%	21 000
4	Aico	2018	4 741	+76%	
5	Equilibrium	2018	4 638	+73%	
6	DIAS	2018	3 728	+89%	
7	Arctic Security	2017	2 129	+12%	
8	Sortter	2018	2 118	+79%	
9	Smartdrive (Bassadone)	2018	1 613	+86%	
10	Front AI	2019	1 455	+63%	1 700
11	CrediNord	2019	1 386	+11%	1 429
12	Upright Project	2017	1 053	+50%	
13	NorthCrypto	2018	822	+683%	
14	Finazilla	2018	746	+24%	
15	iconicchain	2017	680	+50%	1 065
16	Snowfox.AI	2018	639	+236%	
17	Fabricai	2018	431	+116%	150
18	NordCheck	2017	350	+16%	
19	Robonomist	2019	251	+81%	
20	Clento	2018	243	+305%	
21	ResultElf	2020	243		

Top 20 scaleups

Companies that are founded between 2012 and 2016

The high valuations of cryptos in 2021 resulted in success for the crypto trading platforms in Finland. LocalBitcoins retained their impressive revenue, and Coinmotion was able to reach an outstanding 405% growth.

A 3-digit growth percentage was also reached by the accounting software firm Fennoa, and the financial product comparison service VertaaEnsin.fi.

GF Money and Fellow Finance were able to maintain their revenues even through regulatory changes, such as the temporary interest rate cap.

Notable events in 2021 in this category were the €45 million funding round of the 'Card as a Service provider Enfuce and the acquisition of LVS Brokers by Swedish Sambla.

	Name	Year founded	Revenue in 2021 (in thousands of euros)	Annual revenue change	Equity funding raised in total (in thousands of euros)
1	LocalBitcoins	2012	22 280	-5%	
2	GF Money	2012	17 362	-1%	
3	LVS Brokers	2013	16 199	+26%	
4	Coinmotion	2012	15 852	+405%	2 500
5	Fellow Finance	2013	10 688	-3%	10 000
6	UKKO.fi	2012	8 500	-91%	
7	Enfuce	2016	7 871	+14%	57 000
8	Fennoa	2014	6 287	+112%	
9	Kaito	2013	6 059	+31%	
10	Springvest	2012	4 005	+23%	
11	Poplapay	2015	3 401	-19%	
12	Puro Finance	2016	2 785	+40%	
13	VertaaEnsin.fi	2015	2 407	+113%	
14	eTasku	2012	2 261	+5%	
15	GetJenny	2016	1 719	+22%	2 100
16	Privaon	2014	1 474	+19%	
17	Lumoa	2016	1 343	+75%	650
18	Avalo	2015	1 305	+71%	
19	Pikasiirto	2013	1 184	-16%	
20	Siltaraha	2016	1 148	+1%	

Top 20 established companies

Founded before 2012

The title of Finland's biggest fintech company belongs to Epassi. Their employee benefit payment ecosystem has been on a growth trajectory, and they have acquired multiple companies from neighbouring countries. Once again, it is good to note that Epassi's revenue includes all the money charged to their customers' wallets, while some 96% of that is being paid to the merchants.

In the world of banking technology, the older firms Samlink and Crosskey were able to grow.

Significant growth was seen at Paytrail, which acquired Checkout Finland, and Nomentia, which has been through multiple M&A arrangements in recent years.

	Name	Year founded	Revenue in 2021 (in thousands of euros)	Annual revenue change	Equity funding raised in total (in thousands of euros)
1	Epassi	2007	289 000	+161%	41 500
2	Multitude	2005	213 671	-7%	48 000
3	Basware	1985	153 155	+1%	8 200
4	Samlink	1994	92 600	+5%	
5	Accountor Finago	1990	57 187	+12%	
6	Crosskey	2004	43 082	+16%	
7	Administer	1985	41 913	-4%	5 000
8	OpusCapita	1984	40 767	-20%	
9	Paytrail	2007	32 568	+81%	800
10	Profit Software	1992	31 448	+7%	
11	Saldo	2010	27 322	-20%	
12	Blue Finance	2011	23 805	-13%	40 000
13	Nomentia	1981	21 944	+113%	
14	Lemonsoft	2006	14 825	+27%	
15	Checkout	2008	11 759	+2%	
16	Eone	2001	10 892	+7%	
17	Cloudia	1997	9 536	-6%	
18	Heeros	2000	9 086	+5%	13 700
19	ALM Partners	2010	8 500	-3%	
20	FA Solutions	1999	8 301	-1%	

04

Introducing FinStack – **The Fintech Academy**

Mastering financial markets in the digital age

Managing and coping with financial market regulation, customer trends, and growth strategies in the digital age have grown from complicated to complex, something only experienced domain experts can master. The continuous need for knowledge, insight, and updates is growing and must also be solved with modern and agile means.
Say hello to FinStack, the Nordic Fintech Academy that provides a digital catalogue and curriculum of courses and expert insights accessible on-demand anytime anywhere.

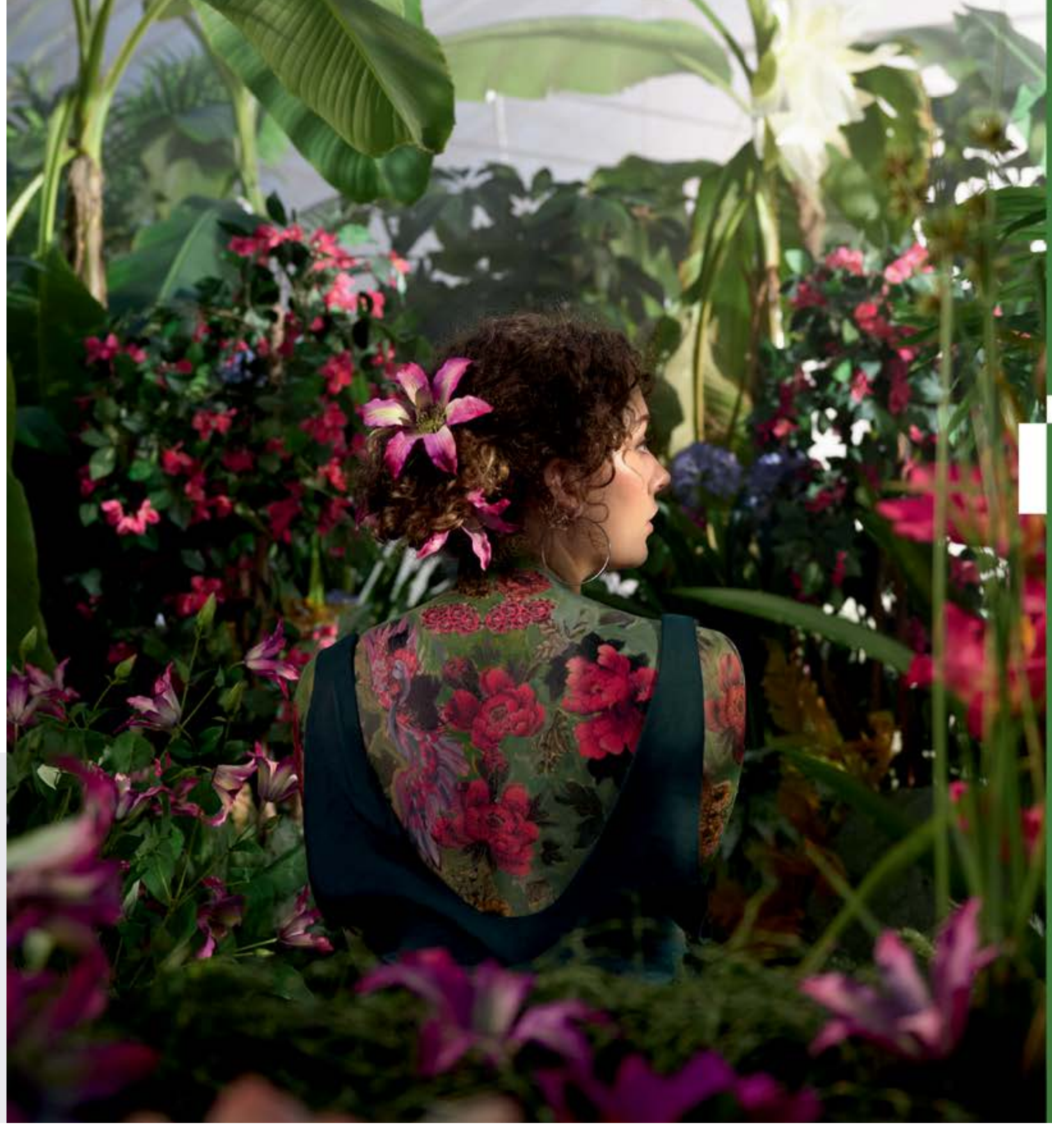
Knowledge is the most valuable asset to succeed in any business. Today one needs to keep up with business and leadership trends, contemporary and new technologies, ever-tightening regulation with various interpretations, fierce global competition, unprecedented market conditions, and changes in customer behaviour. And all of this while running the business you have today. Therefore, we at Helsinki Fintech Farm created FinStack.

FinStack was first launched in 2018, but now we have transformed it and moved to a new online platform, Brella. The idea has also developed to meet the growing needs of our community. FinStack is a platform for knowledge, collaboration and partnering all in one, trusted place. We strongly believe that sharing wisdom and experiences on FinStack will help all of us succeed as a community. Hence we call FinStack a Fintech Academy and it will be available for Fintech Farm members and can be subscribed to in January 2023.

Knowledge

FinStack is a unique way to share and gain knowledge. We are inspired by the idea of Open Finance and sharing data. We wanted to expand our thinking and create a platform for collaborative knowledge sharing. We have started by looking into the mirror and have put all of our latest Fintech Farm recorded presentations, panel discussions, and other fantastic events on FinStack. In case you missed the Nordic Fintech Summit 2022 or RegTech Day, you can join FinStack and see everything!

We have also reached out to some of the masterminds in this business who are happy to share their thoughts. Since the summer of 2022, we have created new, conversational videos about interesting and timely business topics like the current market turmoil and how to use data in sales. We have also made a few “Financial Services 101” videos as many of you have asked for clear, down-to-earth training on core elements of our business.



A warm-hearted thank you to the brave first line of speakers: Petri Syvänne, Jussi Mekkonen, Tom Miller, Mikko Karemo, Noora Monte, Katariina Helin, Antti Välijärvi, and Mikko Vahter! Next, we will release new content around regulation, compliance, and tech topics. And we will keep on adding new stuff frequently.

During 2023 we will continue to build FinStack to become an academy with more profound and also tailored learning experiences. In addition to our digital experience, we will also arrange live, tailored learning experiences.

Collaboration and networking

However, having all this cool content in one place is just half of it! We have planned FinStack to become an interactive platform, where you all can contribute. It is perfectly ok to just listen in and as we have a FinStack app. But if you start to share insights and knowledge yourself, the platform and your experience become even better.

So we warmly welcome everyone to ask questions, comment, start conversations, invite people to meet, and continue the conversation and we will naturally be there as well.

FinStack also has great networking features, which you may already be familiar with. You can search for people with similar interests and have a meeting on the platform. Just like in our live events. FinStack is a multisided platform. The more we all share and connect, the more we all learn.

Partners ready to help

Thirdly, Fintech Farm has several amazing partners like Amazon Web Services, Dittmar & Indrenius, Enfuce, Qvik, Tietoevry, Saari, and Visa, who are on FinStack as well. You can reach out to them, find an expert to support your business, set up a meeting, and get offers in FinStack.

05

Fintech investments in Finland

The startup ecosystem of Finland has been booming for the last ten years, and in the past years, Finland has been holding the top position of attracting startup investments per GDP in Europe.

Finnish growth companies like Wolt, Oura, Iceye, and Aiven have all succeeded in +100 million dollar rounds and paved the way for other startups.

But what about fintech?

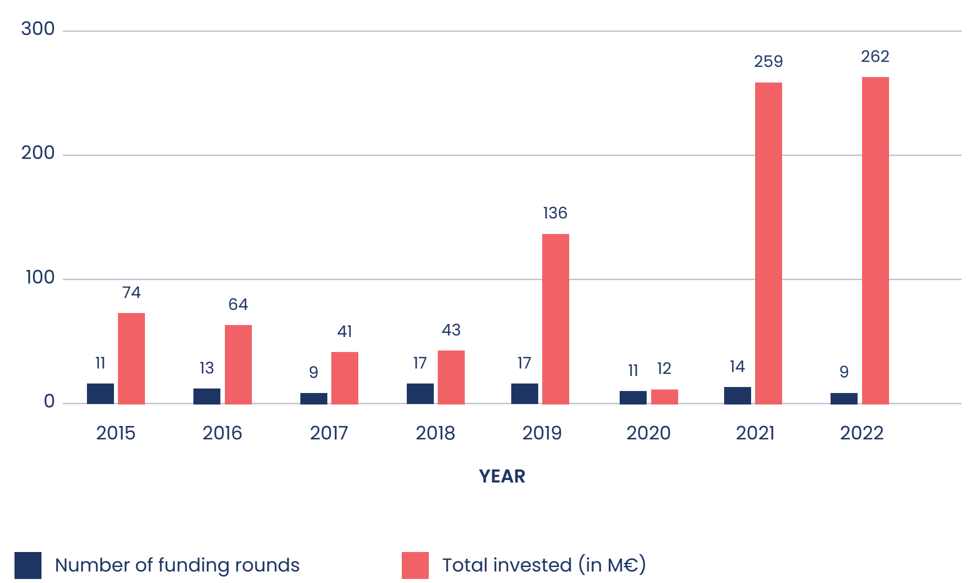
The number of annual investment rounds in the Finnish fintech industry has been laying somewhere between 9 and 17 in the past years. This, of course, covers only the publicly announced transactions, and for sure, several smaller rounds are going on under the hood.

Typical investments have been from a few hundred thousand euros up to a few million euros, with maybe one or two +10 million euro deals per year.

In recent years this has changed, and while the number of annual rounds has slightly decreased, the number of bigger, multi-ten-million euro investments has become more common, as Enfuce, Epassi, Tesseract, and Zevoy have shown.

On top of this, Finland's top-funded fintech company, AlphaSense has launched the numbers into new spheres in the last few years.

Number of funding rounds and total invested (in M€)



06

Finland's first Fintech Unicorn

On June 15, 2022, Finland -based fintech company AlphaSense announced their $225 million D series funding round with a valuation of $1.7 billion, making it the first Finnish fintech unicorn.

AlphaSense's Oulu-originated CEO & Co-founder Jaakko Kokko, got the idea for a financial information search engine while working at Morgan Stanley in London and California. Now their platform is used by thousands of companies, including over 70% of the S&P 100 companies. AlphaSense employs over 1,000 people across offices in the U.S., U.K., Finland, Germany, and India.

Finnish venture capital firm Vendep Capital's Co-founder Hannu Kytölä was their first investor in 2009. Since then, Vendep has invested in their seed (2013), A (2015), and B (2019) rounds.

Congratulations!

AlphaSense

07

Request to Pay – another new layer, what on earth for?

> 'Most payment professionals talk about frictionless user experiences or eagerly bet on which payment rails are winning in years to come. But many have not noticed that there is a new kid on the block, which might be a bigger game changer in payments than all the current buzz combined.'
>
> ***Sami Karhunen***

What is Request to Pay, and what does it solve?

The SEPA Request-to-Pay (R2P) is a new standardised, real-time messaging layer on top of the European financial infrastructure. R2P is both use case and payment method agnostic. This means that R2P will not replace card payments, credit transfers, or open banking, but it will solve some major challenges for all of them. And for all of us. R2P will help with the following issues:

The complexity of cross-border invoicing

We currently have an unstandardised and underserved market. This means high expenses and uncertainty arising from the complexity of operating in multiple environments, use cases, and markets, especially in B2B invoicing.

Process complications of Payment Initiation Service (PIS)

The PIS-payment process introduced by PSD2 is complicated and suspicious. There are more than 5000 API's, without monitoring or a managed process, poor SLAs, and no roadmap for new features. Banks are understandably unmotivated. As a result, the PSD2 credit transfer volumes have not taken off as expected.

Card payment expenses and user experience

Storing card details in various services and applications is complicated and risky. Furthermore, the Strong Customer Authentication (SCA) requirements have compromised user experience. Still, card fraud is globally over a $30 billion problem. There is a challenging mix of overregulation, overpricing, and integration difficulties into automated service processes.

How can Request-to-Pay help?

Request-to-Pay (R2P) enables a smooth payment experience for the paying customer with one-click redirection to the customer's own, familiar mobile banking app. Payment is executed as a real-time credit transfer immediately or on the due date.

R2P is a convenient, safe payment and invoicing method for the merchant receiving a payment (payee) as well. It has a very low fraud risk and zero credit risk. Customer authentication and payment approval take place always on the customers mobile banking app. Payers add their IBAN only once, the payment service provider stores it securely and processes payment requests on behalf of merchants, platforms, retailers, and invoicing companies.

The real transformation is that R2P is suitable for all use cases and can be used together with the latest tech innovations: the start of the payment process can be a double-click to earbuds, a blink of an eye to smart glasses, biometrical identification, voice command or on chat-bot interaction. Or something else.

What about Banks?

Banks have a lot to gain as well. Instead of offering multiple different payment methods, they can streamline their offerings with R2P.

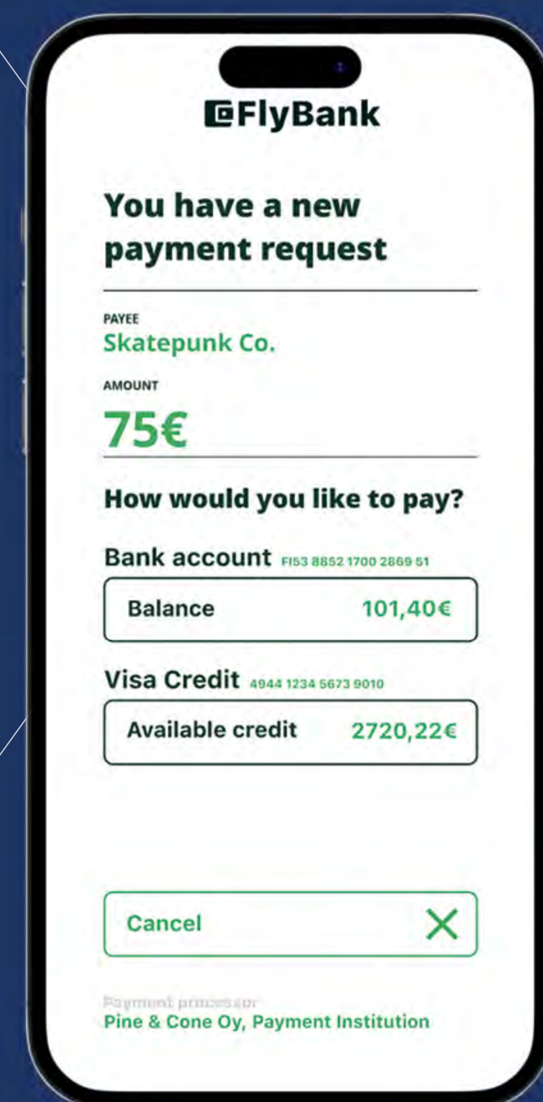
- **Improve customer satisfaction**
- **Create more use, relevance, and trust for their mobile banking apps**
- **Generate new revenue streams.**

Banks naturally decide which payment methods they offer for accepting and paying the received R2P message. The payment methods could be based on customer segment, payment amount, receiving merchant, etc. In addition to the credit transfer and card payment rails, banks can offer different BNPL payment solutions (invoice, consumer credit, installments, etc.) and options to pay with various cryptocurrencies.

Another relevant new business opportunity for banks is e-Invoicing with R2P and offering premium API's for corporates, financial system providers, and SMEs to send and receive R2P messages.

What would all this look like in practice?

The best time and place to choose a payment method is when a customer has the R2P message in front of their eyes on their mobile banking app. Pine&Cone is the first company to have built this experience and the rails. And the picture below illustrates how it will look for the payer.



Above: Illustration of received R2P message on customer's mobile banking app.

When will all this take place?

Sami Karhunen, CEO and Co-founder of Pine & Cone, predicts that by 2028 SEPA R2P has become a de facto European Rail for payments and e-Invoices. All banks operating in the SEPA area and hundreds of Payment Service Providers (PSPs) have joined the scheme and launched R2P services. R2P has also replaced several local, and domestic credit transfer and e-invoicing services.

Sami also believes that R2P has become the most popular everyday credit transfer payment method in e-commerce and in-app, and the most popular B2C and B2B e-invoicing method for both domestic and cross-border payments.

His vision includes that the standard has been updated annually to include several great new features such as support for variable recurring payments, BNPL options, web-link-included to payment requests, and currency conversions for all European currencies. SEPA R2P is integrated into the UK R2P scheme, Nordic countries' P27 platform, and local R2P schemes in US and Australia. In 2028 several in-store payment concepts in Europe combine the R2P with loyalty programs and will provide the best overall buying experience.

If even half of this becomes a reality, we finally have seen the layer that will conquer all payment rails. No more unnecessary battles, but the customer is in charge – with acceptable expenses, fraud, and development cost levels. This is why we need R2P.

Sami Karhunen,
CEO & Co-founder
Pine & Cone

Financial infrastructure fintechs can bank on

We enable fintechs to rapidly offer new digital banking products that are either too costly or technologically incompatible to integrate. Access pre-built financial integrations and services via a single, API-first Fintech infrastructure.

Integrated Finance handles the entire Fintech stack. From international transactions to customer onboarding, compliance, and everything in between.

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Access wholesale, real-time currency exchange rates with a unified ledger to optimise global operations. Easily manage and monetise your FX with low-cost rates to attract more customers.

Local payment networks

We'll help you localise your offerings so you can offer domestic and instant payments to attract more customers, reduce transaction costs, and settle funds faster.

Compliance

Remove manual intervention and scale your compliance programme with automated customer onboarding and monitoring, including real-time AML and KYC solutions.

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Saari Ltd.

Presenting a Vision for Digital Sales & Communications in Fintech

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We are a London-based digital strategy, marketing and business development consultancy, delivering increased market awareness and growth for our clients.

Fintech is everywhere and so are our clients.

Native to the Nordics, at Saari we understand the challenges that product-led, innovative tech organisations are faced with when scaling up to compete in the global marketplace. *A great product is never enough* and only those with a bold vision are able to communicate their value proposition and expand to acquire international clients and finance their journey ahead.

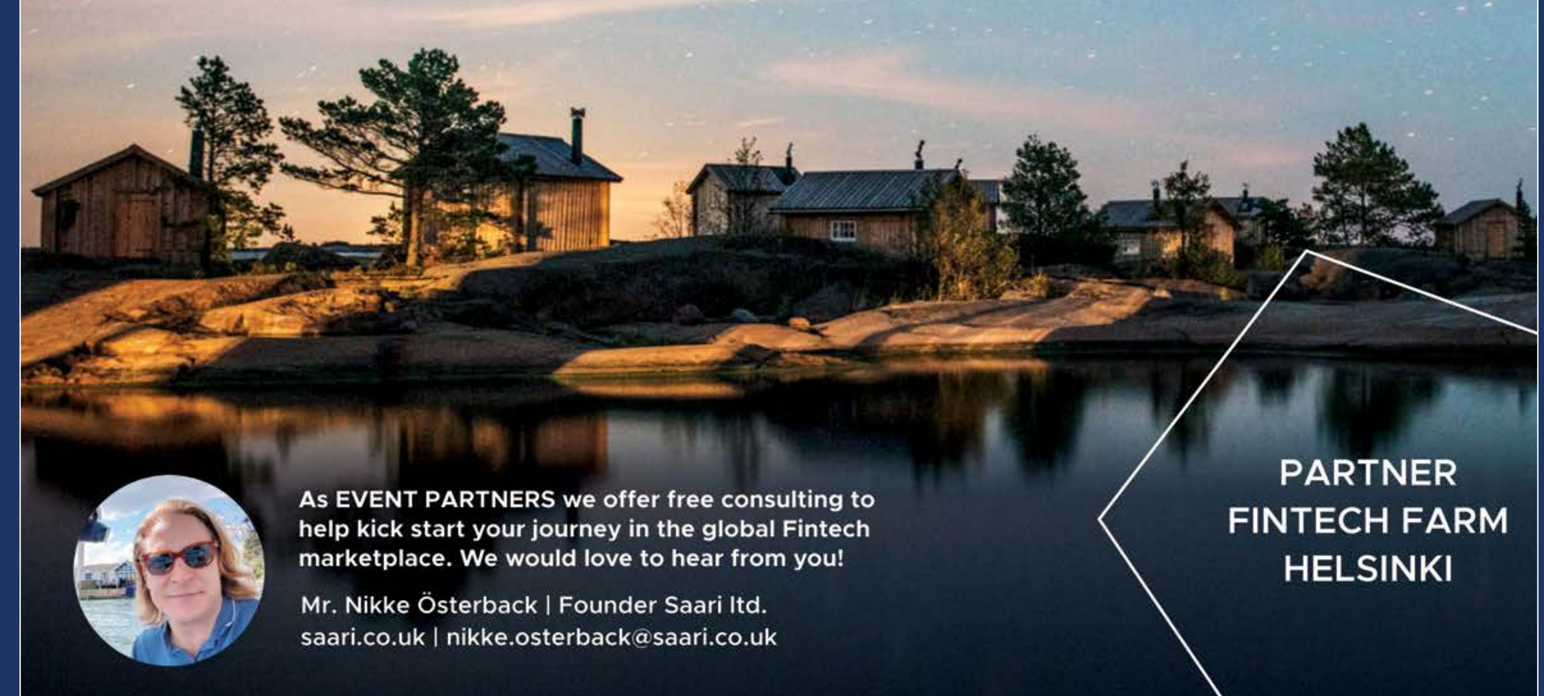
As proud partners of Fintech Farm Helsinki we are here to meet those companies who are looking to scale up internationally or simply at the beginning of their journey laying down the foundations for years to come. At Saari we can help *develop the 360 of your digital presence* from sales development to wider communications establishing your demand funnel approach.

Saari Consulting & Agency Services are designed to map out a *scalable vision* to meet your company tech needs, alongside the development of creative communications and in house / out of house team requirements. Our services are *lean by design* with a scalable and cost efficient approach.

OUR SERVICES

- Digitalisation
- Digital Sales Development
- Marketing & Communications
- Demand / Sales Funnel Development
- B2B PR Consulting

With our extensive knowledge across financial services and fintech, we are born Nordic but are experienced in the world.



As EVENT PARTNERS we offer free consulting to help kick start your journey in the global Fintech marketplace. We would love to hear from you!

Mr. Nikke Österback | Founder Saari ltd.
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PARTNER FINTECH FARM HELSINKI

What happened in Finnish **fintech since the last guide?**

08

Since July 2021

- **5.7.2021** AREX raises €8.8M
- **2.9.2021** Ageras Group acquires Zervant
- **5.9.2021** Zevoy raises €3.8M
- **28.9.2021** Huawei opens Digital Finance and Security Innovation Lab in Helsinki
- **30.9.2021** AlphaSense Raises $180M
- **1.10.2021** SaveLend acquires Fixura
- **5.10.2021** Paytrail acquires Checkout Finland
- **25.10.2021** AlphaSense acquires Stream by Mosaic
- **25.10.2021** Good Sign raises €10M
- **28.10.2021** Saldo received European Central Bank's specialised banking license
- **15.11.2021** Heeros acquires Taimer
- **17.11.2021** iconicchain raises €1M
- **6.12.2021** Enfuce raises €45M
- **26.1.2022** Comparables.ai raises $700K
- **9.2.2022** Redkik raises $3.3M
- **28.2.2022** Sambla Group acquires LVS Brokers and Salus Group
- **1.4.2022** Skenariolabs raises €3M
- **4.4.2022** Fellow Bank starts operating
- **5.4.2022** Book Salon raises €2.6M
- **5.4.2022** ZirooPay raises $11.4M
- **11.4.2022** Zevoy raises €15M
- **11.5.2022** AlphaSense acquires Sentieo
- **25.5.2022** Enfuce launches a white-label mobile app
- **15.6.2022** AlphaSense raises $225M
- **4.7.2022** Fellow Bank acquires Mobify
- **7.7.2022** Sponsoo acquires Sponssa
- **15.8.2022** Narvi Payments raises €550k
- **31.8.2022** Findynet Cooperative gets a €3M government grant to build a digital ID network
- **19.9.2022** Fellow Bank and Talenom start cooperation to offer integrated banking services
- **6.10.2022** Enable Banking raises €600K
- **11.10.2022** Visma acquires Clento
- **20.10.2022** CapMan invests in Fennoa
- **2.11.2022** Fundu raises €12M and announces plans to become a neobank
- **9.11.2022** Multitude invests in ESTO Group

09

New banks on the block

Not one but THREE new banks have started in Finland. Fellow Bank, Saldo Bank, and SweepBank by Multitude are the frontrunners of a new generation of financial services in the Nordics.

We spoke to senior figures at all three newcomers to get the lowdown on becoming a bank in Finland today. Teemu Nyholm, Jarkko Mäensivu, and Lasse Mäkelä discuss their unique selling propositions, banking licenses, and their plans for the near future.

Challenger banks offer a blast of fresh air to traditional retail banking. Frontrunners like Aprila Bank, Bank Norwegian, Klarna, Lunar, Komplett Bank, and Northmill have made important inroads into modernizing the forward-thinking Nordic financial services sector by offering digital-first banking services to customers directly on their mobile phones or via other digital platforms.

Swedish and Norwegian challenger banks have been a common sight in the Finnish consumer lending market for years, but on the domestic side, it was quiet.

When the consumer lending regulation tightened, for the first time in 2019, it cleaned the market of several non-banking licensed companies. This created a once in a lifetime opportunity, for new and innovative, but regulated challengers to shine.

Fellow Bank
Founded: 2013
Banking license: Finland

Pivoted from a P2P lending platform into a bank through a merger with Evli Bank in 2022.

Saldo Bank
Founded: 2010
Banking license: Lithuania

ECB's specialised banking license in 2021.

Multitude
Founded: 2005
Banking license: Malta

Known previously as Ferratum. Launched SweepBank in 2021.

Three questions **for Finland's three newest banks**

Q1: How do you compare to traditional banks in the Nordics?

Teemu Nyholm, Fellow Bank:

"Fellow Bank is first of all a digital bank. We serve our customers with a state-of-the-art mobile app and net bank.

We are combining the best digital user experience with easy to approach, efficient, and personal customer service through our customer contact centre easily reached from our digital channels. We have focused offering for focused customer segments: daily retail banking services with flexible credit for common retail customers and banking services with comprehensive lending facilities for SMEs.

These customer segments are underserved by traditional banks and offering the best user experience and flexible customer service for these customers makes us unique."

Jarkko Mäensivu, Saldo Bank:

"Fully automated and instant credit decisions in which our proprietary analytics and scoring engine, combined with our bank tech ecosystem, is our core differentiator and spearhead.

Analytics and data function has been our core investment over the years, and we have taken major advancements in system scalability, integrating via API's to all available data sources including PSD2 to enable fully automated, categorised, AI and ML driven responsible credit decisioning ensuring business sustainability."

Lasse Mäkelä, Multitude:

"Multitude SE has its headquarters in Helsinki, but we are uniquely international," says Lasse Mäkelä, Chief Strategy & IR Officer.

"We are listed on the Frankfurt Stock Exchange and have around 700 employees with over 40 nationalities in 19 countries, mostly in Europe. When compared to traditional banks in the Nordic region, we operate locally via a cross border model and without branches, we put all our investments in the digital infrastructure instead.

For example, we invest heavily in our digital processes and AI tools, making our loan approval process and the funds transfer fast compared to traditional banks."

Q2: Did you apply for a banking license in Finland? Why/why not?

Teemu Nyholm, Fellow Bank:

"Our merger with Evli Bank offered us a large existing customer and deposit funding base and years of experience in banking operations. This combined with Fellow Finance competences in credit scoring, digital service development, and existing retail and SME borrower base offered a jump start for banking operations. Another important factor was to onboard Evli as a committed anchor owner for the bank and this way strengthen our capital base."

Jarkko Mäensivu, Saldo Bank:

"We chose to apply for a license via Lithuania due to the following business rationale:

A) Lithuanian central bank has for years transformed itself as "Fintech fit for banking", i.e. fully digital bank with digital regulatory reporting was a big point for us,

B) the process of bank licensing was clear and transparent as Lithuania has already granted few fintech licenses over past years, e.g. Revolut Bank,

C) the talent pool a digital bank requires is strong in Lithuania, and we were able to establish a strong tech hub into Vilnius within few months which was essential for being able to build the systems and solutions required for a bank."

Lasse Mäkelä, Multitude:

"We have seen the difficulties of operating without a banking license and we as a Group decided to go for the license in the past. The license is necessary to be able to offer certain products in certain countries. Applying for the license and operating it is a costly process, and to me, it seems that this hurdle for entering the full scope of fintech operations has become more and more difficult for growth companies. Therefore, it looks like the license will be inevitably needed at some point, but there may be some room to operate without a license before you grow. We felt that Finland was not the right place for our international expansion."

Photography:
Left: **Teemu Nyholm,** CEO, Fellow Bank
Middle: **Jarkko Mäensivu,** CEO, Saldo Bank
Right: **Lasse Mäkelä,** Chief Strategy and IR Officer, Multitude

Q3: What are your plans for the future?

Teemu Nyholm, Fellow Bank:

"At the moment we are building up our service offering:
We will complete this by the end of this year by launching SEPA payment accounts and credit cards. This gives us a solid base to start building unique digital banking service offerings. Next year, we are launching new innovative banking services and aim to reach the position that Fellow Bank is Recognised as the number one digital bank in Finland.

We will also complete our comprehensive service offering for SMEs and launch the first BaaS integration with Talenom, which will lay out the foundation for our strategy to offer integrated banking services at the channels and moments where banking and lending services are consumed. Another good example of this is our buy now pay later (BNPL) solution, Fellow Lasku, which is offered in over 10,000 web stores in Finland both for consumers and companies.

During the coming years, we will roll out our digital banking concept to Germany and Denmark where we currently have consumer lending operations. We will reach a profitable run rate during H1/2023, which is a remarkable milestone for us after the first year of heavy investments and the race for a break-even level in lending."

Jarkko Mäensivu, Saldo Bank:

"Saldo Bank will boldly advance to scale existing products and grow newly launched products and markets. During 2023 we will introduce several new product launches according to our strategy.

We will also enter new geographies during 2023-2024 to grow our footprint by taking advantage of our business scalability. We will offer an effortless customer experience across our services to grow and retain our customer portfolio in current and new markets.

Our business model allows product scaling and geographical expansion with agility if we have a well evaluated proof of concept established."

Lasse Mäkelä, Multitude:

"Our vision is to create the most valued financial ecosystem and we are continuously investing in building and improving our fintech growth platform.

The interesting part is that instead of serving our internal business units as we have traditionally done; we have started to open our centralised function to external customers this year. For example, we have started with funding and wholesale banking for fintechs, but we are constantly and carefully analysing other services that we could commercialise and offer externally in the future."

10

Building a more equal and inclusive digital society **with the Findynet Cooperative**

Markus Hautala
CEO, Findynet Cooperative

In May 2021, nine Finnish organisations representing private and public sectors founded the non-profit Findynet Cooperative to develop a national digital identity network based on the self-sovereign identity (SSI) model. The cooperative, with its founding members Finance Finland, Finnish Post, Nixu, Nordea Bank, OP Financial Group, Social Insurance Institution of Finland (Kela), Technology Finland, Tietoevry, and Vastuu Group, is set to promote an ethically, economically, and socially sustainable data economy. In August 2022, the Finnish Ministry of Finance granted the Findynet Cooperative a three million euro government grant to build a pilot environment for the network. This article sheds light on the background and future of this visionary national initiative.

Solving the lack of trust in the internet brings enormous savings

Data verifiability and trust are some of the oldest and most difficult problems yet to be solved on the Internet. In the physical world, people and organisations use different types of paper documents that prove something about themselves and their rights, such as their name, representation rights, loyalty membership, credit information, and much more. Society's trust is based on the reliability of these documents and the organisations that issue them. Although our private and business lives have become increasingly digital, we still lack corresponding tools online. The market lacks a generic way to ensure the correctness of the data exchanged online. Information provided by individuals and organisations cannot be trusted, and it is very costly and time consuming to verify the correctness of the information provided. In fact, McKinsey Global Institute has estimated that in 2030 digital ID has the potential to create economic value equivalent to 6% of GDP in emerging economies on a per-country basis and 3% in mature economies.

To solve this, new types of solutions based on the self-sovereign identity (SSI) model have been developed since 2016. In this model identity holders are in full control of their own data and can decide which data to share and whom to share it with. This is accomplished with the help of digital wallets held by all parties involved in the exchange of digital facts – issuers, users, and verifiers. The exchange of digital facts works as follows: 1) known issuers issue proofs via their digital wallet to the user's digital identity wallet, and 2) users can share these proofs from their wallet to their counterparty's digital wallet. Counterparties can thus rely on the proofs shared by the user as the proofs have been issued by known and trusted issuers.

Interoperability of digital wallets is essential

As demonstrated above, digital wallets play an essential role in the exchange of digital facts. However, there is a major risk that the various wallets developed by different providers would not be interoperable. Consequently, each party would be forced to use multiple wallets and not just the one that best meets their needs.

Contractual and technical interoperability are key factors for the large-scale adoption of these types of networked solutions. A common contractual framework is needed to exchange digital facts across different wallets. To achieve technical interoperability, different wallets will also need to support common interoperability specifications. Furthermore, end-users must be able to trust that their chosen provider is committed to mutually agreed responsibilities and obligations relating to, for example data privacy and service availability. To this end, the Findynet Cooperative was founded to establish and govern a national trust network that addresses these core aspects of interoperability and trust. The cooperative will initially address interoperability issues at the national level. However, it intends to lay the foundations for a Finnish self-sovereign identity network compatible with the EU eIDAS Regulation (EU) No 910/2014, which regulates cross-border electronic identification and electronic trust services.

The Findynet Cooperative itself will not provide digital wallets to end users, instead, these will be provided by the members of the cooperative as part of their own business. The cooperative therefore acts as a cooperation body that ensures that digital wallets developed by different providers are interoperable, and work seamlessly for both organisations and individuals. The Findy network will be based on the open Trust over IP (ToIP) architecture developed within the Trust Over IP Foundation, under the auspices of the Linux Foundation. ToIP provides a robust, common standard, and complete architecture for internet-scale digital trust. The ToIP architecture is the most advanced SSI architecture available to date, already adopted internationally and currently being widely piloted.

Technology developments have paved the way for self-sovereign identity networks

Many members of Findynet Cooperative have been Nordic pioneers and contributors within the SSI space since the TrustNet research program 2017-2019. Since then, required technologies, trust architecture as well as standards, have been developed at a rapid pace. In addition to the Trust over IP architecture, these include a plethora of open source projects (e.g. OpenWallet, Hyperledger Indy, Hyperledger Aries), as well as various open standard initiatives (e.g. W3C DID, DIF DIDComm).

With the three-million-euro grant received in August 2022 from the Finnish Ministry of Finance, the Findynet Cooperative will now define and build a pilot environment for the national self-sovereign identity network. A test network is planned to be launched as early as Q1 2023 and the pilot network will follow later in 2024. The grant will also be used to support various ecosystem projects to increase the use of the network.

The Nordic model and technological maturity enable Finland to lead the charge

The members of the cooperative share the view that key trust infrastructures required by society should not be an area of competition. Instead, healthy competition should exist among market participants that use these infrastructures. This vision has also guided the governance of the Findy network, which will be jointly governed by the private and public sectors to ensure a balanced representation of all stakeholders' interests. Against this background, it is also important that membership of the cooperative is not limited to the current nine founding members. Therefore, the cooperative remains open to all wallet providers who commit to mutually agreed responsibilities and rules.

Finland is well-known for being a technologically advanced country and a leader in the EU's Digital Economy and Society Index rankings. This combined with the Nordic model and mindset, it is not that surprising that a non-profit public-private digital identity initiative of this nature emerged especially from Finland. The Finnish worldview has a deeply engrained understanding of the fair market economy, economic efficiency, social equality, and globalization. These are the very ideals that are guiding the Findynet cooperative as well. By establishing the national self-sovereign identity network, the cooperative is contributing to the creation of an ethically, economically, and socially sustainable data economy. The Findy network aims to give individuals and organisations control over their own data, improve security and trust for all participants as well as promote the competitiveness of Finnish and European data economies.

Tero Kurenmaa,
Director General of the Financial Supervisory Authority in Finland.

Photographer: Roni Rekomaa/STT-Lehtikuva

The Financial Supervisory Authority (FIN-FSA), is the authority for supervision of Finland's financial and insurance sectors. The entities supervised by the authority include banks, insurance, and pension companies as well as other companies operating in the insurance sector, investment firms, fund management companies, and the Helsinki Stock Exchange.

11

Regulator provides advice to firms **seeking to enter the Finnish market**

Finland is one of the EU frontrunners in digitalisation. Finland ranked again first among the EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI), which tracks the progress of EU countries in their digital competitiveness. Finnish citizens are also pioneers in the use of online banking services, making Finland a lucrative market for digital financial services.

The European Commission published its ambitious Digital Finance Package in 2020. The package contains multiple broad policy initiatives in the field of digital finance. In the year 2023, the focus of the Finnish Financial Supervisory Authority's (FIN-FSA) fintech-related work will be on building supervisory readiness for the new EU legislative proposals.

The Markets in Crypto Asset Regulation (MiCA) and Digital Operational Resilience Act (DORA) are estimated to enter into force in early 2023. New proposals on payment services are expected during the second half of 2023. We are also looking forward to the outcome of the proposal for a Regulation on a European approach to Artificial Intelligence (AI Act) – in particular, which financial sector AI application it will ultimately cover.

FIN-FSA's Innovation HelpDesk has been helping firms and individuals since 2016.

In 2023, FIN-FSA will organise events for financial sector firms on the upcoming EU legislation. You will likely meet FIN-FSA experts also in Helsinki Fintech Farm events.

FIN-FSA's Innovation HelpDesk has been helping firms and individuals since 2016. It advises service providers free of charge on authorisation, registration, and other license issues. The Innovation HelpDesk is available for all firms and individuals who are interested in providing services in Finland and it provides service also in English.

FIN-FSA encourages all fintech firms to join the new EU Digital Finance Platform that was launched this April. The Digital Finance Platform is a collaborative space bringing together industry and public authorities to support innovation in the EU's financial system.

12

Connecting customers and banks **one market at a time**

LVS Brokers is a leading company in the Finnish fintech sector. It was established in Finland in 2013 and has since been listed by the Financial Times as one of the fastest-growing companies in Europe, not once but three times. In April 2022, LVS was acquired by Sambla Group and became part of their mission to become the leading broker of financial services in the Nordic region. Noora Monte, Head of Banking, discussed some of the changes happening.

LVS uses a brokerage platform enriched with artificial intelligence to connect customers with private sector banks and financial organisations. The underpinning technology, called IRMELI, scans incoming applications from various channels and forwards the most relevant applicants to partner banks, based on the customer profile specifications set by the partners. Through the secure Money API, approximately 40 partners in the bank panel then seamlessly present their offers to the customers.

Online visitors to OmaLaina.fi, Saverium.pl, and Saverium.dk in Finland, Poland, and Denmark, respectively, use this technology to apply for consumer loans, business loans, credit cards, and mortgages.

"My role is to provide a link between our company and the traditional banks. I worked with mortgages, credit cards, and consumer lending before joining LVS and I enjoy cross-selling different kinds of products. Covering all customer's needs is close to my heart," says Noora.

A Major Step Forward

Sambla Group operates under the supervision of Sweden's Financial Supervisory Authority. The company was launched in 2014 and has set its sights on rapid international expansion from day one, with the ambition to improve everyday lives for Nordic consumers by democratizing lending. The company expanded to Norway in 2015, to Finland in 2017, and Denmark in 2020. By acquiring LVS, Sambla Group aims to assume a stronger position in the Nordics and drive development within the industry of loan intermediation.

"Despite being similar in many ways, there are large differences between the Finnish and Swedish loan intermediation markets. As Sambla Group entered Finland they noticed this and through acquiring both LVS, Salus Group, and Rahalaitos, we now have an opportunity as a group to combine all our knowledge about the Finnish market and consumer trends to be able to serve the Finnish market even better" she says.

Connecting Customers and Banks

Together with the companies that make up its growing portfolio, Sambla Group offers an open banking platform for customer acquisition in a digital world – where services like Booking.com play significant roles in how consumers find good deals.

Essentially an aggregation website for comparing hotel bookings, Booking.com serves a wide range of partners and customers using an agency revenue model. Business value is created by offering all parties transparency and trust throughout the purchase process. Rather than hotels or property owners, Sambla Group offers banks and lenders a platform to reach people looking for financial services. Customers return to get help with making better decisions regarding their personal finances when comparing loan offers.

"There has been a shift in how consumers do research to find the best offers, the financial sector included. Through our platform, we can gather all the information from the customers to submit applications to several banks at once, while also forwarding only relevant customers to each bank. There are benefits for both customers and bank partners by using loan brokers such as LVS or any of the Sambla Group brands since it makes the whole loan application and lending process less time consuming and more cost efficient" says Noora.

Being Bigger Means Safer, and Better-Quality Technology

LVS started as a project by founders Teemu Jokinen, Lauri Mäenpää, and Lauri Sommarberg when they were curious to find out how much time consumers spent on average comparing loans and terms on financial services. Once they identified the potential to make this process more efficient for the customers and help them get better visibility of their options, they started dedicating more time to the project. The company then grew quickly and expanded to Poland and Denmark a few years later. In the space of two years, LVS integrated more than 30 partners into its platform in three countries.

Being part of Sambla Group brings tremendous opportunities for LVS to continue driving "the development of the industry of loan intermediation in Finland and helping more customers make better decisions in regards to their private finances," wrote CEO and Co-founder Jarkko Forsberg in a press statement. "OmaLaina holds a strong position in the Finnish market as a well-known brand with both a business-to-consumer and a business-to-business offering. They will be a perfect complement to the other portfolio brands with their high brand awareness in the Finnish market as well as a wide product offering."

"As a small fintech and a small team, we used to be very flexible and quick and it was easy to make sure everyone worked towards the same goal. Being part of a bigger company increases the complexity but it also brings great opportunities and advantages. We now have stronger support from larger central functions, and new initiatives can be tried and evaluated in days, not months. The stronger data, product and tech teams also mean we can make large quality improvements to our tech and products, something which is more difficult to ensure as a smaller company where getting things done quickly is critical" says Noora.

13

MiCA – Markets in Crypto-Assets regulation **What and when?**

The European Commission adopted a legislative proposal on the regulation of crypto-assets as a part of the digital finance package in September 2020.

This legislative proposal, Markets in Crypto-Assets (the "MiCA") regulation, was approved by the European Council on 5 October 2022 and is currently pending the European Parliament's approval. MiCA will address crypto-assets that are not currently governed by existing regulations, including utility tokens, asset referenced tokens, and e-money tokens, and establish a legal framework for crypto-asset service providers as well as consumer protection.

In the 14 years since the pseudonym Satoshi Nakamoto published the white paper on Bitcoin, crypto has evolved into an approximately EUR 1 trillion financial system. Soon, the European Union will become the first regulator to publish arguably the most comprehensive all-in-one crypto regulation of any legal jurisdiction. MiCA will create a regulatory framework that lays down uniform requirements for the offering and placing on the market of crypto-assets and requirements for crypto-asset service providers.

Photography:
Top: **Hanna-Mari Manninen,** Partner Dittmar & Indrenius
Middle: **Kristian Karlsson,** Partner Dittmar & Indrenius
Bottom: **Michael Mathur,** Associate, Dittmar & Indrenius

Photographer. Julius Konttinen.

Scope and applicability

As a rule of thumb, MiCA will regulate crypto-assets that are not considered financial instruments as defined in Markets in Financial Instruments Directive 2 (Directive 2014/65/EU) (the "MiFID 2") and anyone offering crypto-asset services in the European Union.

MiCA will define a crypto-asset as "a digital representation of a value or a right which may be transferred and stored electronically, using distributed ledger technology or similar technology". MiCA will introduce three subcategories for crypto-assets including:

- **Utility tokens which are crypto-assets intended to provide access to a good or a service and two different types of stablecoins called**
- **Asset-referenced tokens or**
- **E-money tokens which are categorised based on whether the token references to the value of one or several official currencies.**

MiCA will not define the circumstances under which a crypto-asset is considered a financial instrument (i.e. security). Therefore, it will be up to the crypto issuer or service provider to identify whether MiCA is applicable to its operations. In addition to financial instruments, certain digital assets such as central bank digital currency and decentralised finance (due to their characteristic as a fully decentralised service without any intermediary) will be excluded from the scope of MiCA.

Issuing and offering crypto-assets to the public in the European Union will be regulated under MiCA. Issuers will be required to be legal entities that publish a white paper that describes the planned crypto-asset offering in detail. The white paper will need to be notified but not pre-approved by the supervisory authority of the relevant Member State. The European Commission will adopt regulatory technical standards to standardise the content and form of the crypto-asset white paper.

Required authorisations

A significant proportion of MiCA will focus on regulating stablecoin issuers (digital assets that attempt to stabilise volatility by pegging to a fiat currency). Stablecoin issuers will be required to obtain prior authorisation from the relevant Member State's supervisory authority which will be refused if the applicant does not demonstrate compliance in areas such as governance arrangements, disclosure requirements, conflict of interest, and obligation to hold reserves of assets. Significant stablecoins, as defined under MiCA, will be supervised directly under the European Banking Authority.

Any person whose business is the provision of one or more crypto-asset services to third parties on a professional basis will be considered a crypto-asset service provider under MiCA. Crypto-asset services will include i.e. exchange, trading, broker, and custodian services. Crypto-asset service providers will be required to seek authorisation from the supervisory authority of the Member State where they have their registered office. Authorised crypto-asset service providers may passport their authorisation and provide services in other Member States. Similar to investment services regulation, third-country firms will be able to provide crypto-asset services in the European Union based on reverse solicitation, i.e. if initiated by the client.

Entry into force

While MiCA is reaching the finish line, the European Parliament must still approve the regulation. This is expected to happen in early 2023. Assuming this happens, MiCA will enter into force during Q1 of 2023, and, as a result, MiCA will become applicable in 2024 (rules for stablecoins 12 months and all other rules 18 months after MiCA enters into force). As a regulation, MiCA will apply directly across the European Union without any national implementation and will require Finnish legislators to partly amend and revoke the Finnish Act on Virtual Currency Providers (572/2019).

Checklist for companies operating in the crypto space:

01 Recognise the categorization under MiCA between crypto-assets as rules differ between different crypto-assets.

02 Evaluate the need for authorisation under MiCA and seek for legal advice if needed.

03 Remember that MiCA is level 1 regulation that sets out regulatory principles that will be supplemented by detailed regulatory technical standards.

04 Follow legal developments. In addition to MiCA, more upcoming EU legislation regarding the crypto-asset space can be expected in particular relating to anti-money laundering.

[1] Finnish Government's Union communication to the Parliament on the MiCA proposal (TaVL 25/2020 vp U 56/2020 vp, page 13).
[2] The European Council and Parliament have reached a provisional agreement on updating transfer of funds rules (Anti-money laundering: Provisional agreement reached on transparency of crypto asset transfers – Consilium (europa.eu)) and the European Commission published a study on regulating decentralised finance (Decentralised finance – Publications Office of the EU (europa.eu)).

14

From Open Banking to **Open Data and Finance**

Sarah Häger

Throughout its history, there have been many major shifts in the banking industry. Perhaps two of the most significant of these changes have been the emergence of web and mobile banking.

These shifts have been enabled by new technology and innovative solutions by the bank and the bank alone. They also paved the way for new players to enter the market.

Pre-2000	2000's	2010's	2020's
Branch Banking	**Web Banking**	**Mobile Banking**	**Open API Banking**
Bank products developed in-house.	Bank products developed in-house.	Bank products developed in-house.	Products either developed in-house or sourced from other financial service providers via API's.
Physical distribution delivered by the bank.	Online distribution (browser) delivered by the bank.	Distribution via native apps delivered by the bank.	Distribution via open API's, creating an ecosystem of third-party developers.

When traditional banks wanted to establish a partnership to create new innovative services and products for their customers, the partners previously needed to go through a painful vetting process which was mainly set up for large corporations partnering with other large corporations.

In open API banking, the partnering process has been drastically shortened with an account and/or payment license (PSD2) permitting the establishment of a partnership within as little as a few days. API banking is the technical enablement of thousands of different fintechs building their services on the API's of the banks. The amount of new players on the market has grown exponentially since API banking was enabled for the first time.

Open Banking: It is only the beginning

Open Banking has been predicted to be the biggest change for banks and financial institutions during the last century. Banks are traditionally assigned with protecting and safekeeping both the money and transactions of the customers. Opening up and sharing this data was never an option or even seen as something positive. Trust and safety have been crucial to get and keep customers. With Open Banking, banks are going through a huge change, where they are no longer the main gatekeeper or even the decision maker of the customers' money and data.

The core of this mindset shift is in the various regulations that have manifested it into reality in many parts of the world. Mainly, the trailblazers here have been the European Union, the United Kingdom, Australia, Singapore, and South Korea. PSD2, or the Revised Payments Services Directive, is an EU regulation implemented in 2019 that promoted and enforced the development of Open Banking. This regulation enabled companies and individuals to share their payment account information with any Third-Party Provider (TPP) of their choosing and to initiate payments through any interface.

Also, from a purely technological perspective, Open Banking and Open API's have been groundbreaking in banking. Since the start of Open Banking, banks have been forced to build up new competencies around platformication, marketplaces, community, sandboxes, and all new business models enabled by the API platform and published API's on top of it.

Convenience and Flexibility for All

During the pandemic, the adoption of new digital habits and a rapid shift toward online channels appear to have accelerated the adoption of open financial data sharing. Both consumers and corporations became more receptive to using fintech platforms and non-traditional financial products and services to adapt to the changing market demands.

Additionally, they became used to more simplicity, variety, and flexibility in their financial relationships. Protected by regulations like GDPR, consumers and companies were more willing to trade their financial data away for highly valuable products that are improving the way they do business. Customer demand, fuelled by their financial data, led to innovative new products and business models. All creating an increased simplicity and a better financial understanding for the customers.

Open Banking introduced the idea that financial data belongs to the people and shouldn't be gatekept, but rather shared with the trusted parties that the customer sees fit. It's this sharing and specialisation that has generated a lot more innovative products.

Traditionally, financial products such as savings, investments, pensions, mortgages, and insurance were all core banking products. This means that other third-party players haven't been able to innovate them.

Many have argued that Open Banking is not a sufficient enough change to have an impact, pointing out how it is limited to payment account data. But what we've seen since last year (when Open Finance was first mentioned) is that PSD2 was solely the first step and a turning point for the new direction of financial regulations focusing on data sharing.

Open Finance: The Next Frontier

During the fall of 2021 Open Finance as a concept was introduced for the first time, creating a ripple effect felt throughout the financial industry. Open Banking was no longer the end goal, but just the beginning of a new direction.

As technology and customer expectations continue to evolve businesses are realizing that there are far greater stakes at play. That there is potential for bridging the gap between rapid technological development and volatile customer expectations through sharing more data than just around payments. Access to Accounts and Payments is expected to be extended with Open Finance in a few years, while access to insurance, pensions, savings, investments, credits, and mortgages will also be included as regulation adapts to innovation.

The rise of Open Finance provides a new challenge for companies in the Open Banking field, whether they are established contenders or pursuing a more reactive strategy. In this developing ecosystem, value is created by sharing, offering, and harnessing API access to banking data and products. Therefore, those that openly collaborate and offer access to their products will be better positioned to take full advantage of the burgeoning paradigm.

Open Finance is the very logical evolution of Open Banking – a world in which financial institutions share all their customers' financial data upon request, enabling an even larger ecosystem of TPPs and companies looking to act on this data. This larger ecosystem will further specialise in custom-made solutions that solve industry-specific problems using Open Data sharing practices.

Transforming the Concept of Finance

With the global economy facing unprecedented challenges in the wake of the COVID-19 pandemic, it has become clear that access to smart financial services is essential to enabling digitalisation, boosting growth, and increasing economic efficiency. A robust digital financial infrastructure is now seen as a key element to overcoming this challenge. At its core, this new ecosystem would consist of a shared data infrastructure that allows for a seamless exchange of information between multiple financial service providers.

Sarah Häger, Regional Manager of Enable Banking.

The Next Stage of Our Relationship with Money

As a result of this flourishing open finance environment, TPPs will be able to develop solutions that are specific to each industry. Businesses can leverage cutting-edge technologies found within this ecosystem, like automation, AI, and embedded finance, to streamline operations and improve productivity. Automation of processes will reduce costs by streamlining operations and minimizing inefficiencies. Embedded finance will make e-Commerce exceedingly easier for SMEs that may not have access to traditional banking mechanisms but still wish to sell online or expand into international markets. Finance management tools will optimise companies' cash flow – and that's only the beginning.

The lending industry, for example, has already seen the benefits of this free access to data upon customer request. To determine an applicant's creditworthiness, lenders generally require applicants to provide a substantial amount of financial information, including their income, debt levels, bill payment history, and other diverse financial data. Even after collecting and reviewing all this information, there is no guarantee that the borrower's overall financial situation has been properly represented or accurately assessed.

As Open Banking technology is becoming more widespread in the lending industry, lenders now have access to much more comprehensive and dynamic data about their applicants' finances. By quickly matching bank account activity with the applicant's income information and other traditional financial indicators, lenders can gain a much clearer and complete picture of borrowers' financial standing. And because this data can be readily accessed and analysed in almost real-time, loan decisions are taken much more efficiently and accurately than ever before.

According to research[1] from Tink, more than half of respondents in the lending industry said they were planning on using Open Banking solutions to help with loan origination. Processes such as income and account verification, assessing affordability, and calculating risk, can be done much more efficiently by leveraging Open Banking. The lending industry was ultimately transformed by harnessing Open Data to better serve its customers and expand its bottom line through a new, smarter way of doing business.

However, there is no denying that financial API's have enormous promise for financial institutions wanting to enhance their bottom line. These API's can help banks expand their reach to new segments and improve existing relationships by allowing companies and customers to simply and securely interact with banking services via new digital channels. Boosting the customer experience and meeting the customers where they want to interact is crucial to succeeding in the future of banking.

The Age of Open Data: The Destination

So far we've discussed how data ownership and democratization have been changing banking from within. But we've seen this as a process, a journey to get to some other place. That place is what some people call Open Data – the idea of an economy that is based on data ownership, where consumers and businesses can share all their data with third parties in exchange for financial products and services.

This means you could choose which data to grant businesses access to all the ways you interact with technology–not just financial technology. Imagine moving between countries and using your record of paying utilities, telecom and travel data, savings accounts, or even your holdings to give companies a clearer picture of you and fast-track your access to the new country's financial system. You could use this clearer picture to get faster access to better conditions and more innovative financial products and services. This would be an integrated, transparent economy built to the benefit of the users in Europe, a true Single European Payments Area.

By 2030, economies that embrace finance data sharing could see their GDP grow between

1% & 5%

A New Approach

Some have even gone as far as to describe Open Data as a new economic model built on adding value to data rather than resource scarcity. This concept highlights just how significant the impact of Open Finance could be, signaling a shift away from traditional methods of managing money and toward a state of constant technological innovation through data-informed readings of consumer demand. Best of all, this technological innovation would be in direct service of the changing needs and habits of consumers that are engaging with technology at a very fast pace.

Open Data Holds Boundless Promise

There is untold potential in the field of Open Data. An ecosystem where consumers enjoy financial inclusivity and a much broader range of innovative, integrated financial services and products in exchange for their consensual sharing of data. An ecosystem where SMEs leverage data to create better products, compete with larger technology firms, and further optimise their business. An ecosystem that helps make banking operations so smooth and instantly accessible that more people than ever are able to participate.

Extensive research from McKinsey[2] indicates that by 2030, economies that embrace finance data sharing could see their GDP grow between 1% and 5%. Interestingly enough, this research also concludes that the more data shared, the better for securing the potential value of Open Data: "Capturing the full potential value of open data for finance requires data standardization and breadth of data sharing".

They calculated the potential economic value of open data for finance, its allocation to various market participants, and the relationship between capturing the potential value and the structure of the data ecosystem–in terms of standardization and openness. Focusing on four regions: the EU, the UK, India, and the United States, the report found that the Open Finance model has incredible growth potential.

For companies, Open Data would boost operational efficiency, drastically reduce fraud, and make smarter resource allocation decisions. As if that wasn't good enough, it would be an explosion of opportunity for businesses looking to take advantage of the limitless potential in such an economy.

If PSD2 opened the floodgates to an ocean of technological innovation and healthy competition, Open Data would have infinitely more growth potential. It has the unbelievable potential to revolutionise business models all over Europe and lead to an unprecedented wave of innovation. Indeed, the future of this space looks very exciting for all of us who want to enable the next generation of financial services.

[1] The Key to Unlocking Fairer, More Responsible Lending. Tink. https://tink.com/blog/open-banking/report-lending-unlocked/
[2] White, et al. (2021). Financial data unbound: The value of open data for individuals and institutions. McKinsey Global Institute.