



Why Your Fin-Tech startup idea sucks?

Startup Week Tallinn 2018

Speakers

slido.com
#creditinfo

- **Karl Märka** is the Head of Data Science & Analytics at Creditinfo Estonia and also a co-founder in an early-stage proptech startup Securebadger
- **Jüri Laur** is the Head of Fintech Services at LHV Bank, taking care of LHV's FinTech customers. Previously looked after payments in Skype, Microsoft and Full Tilt Poker
- **Martin Kõiv** is a Product and Sales Manager at Creditinfo Estonia. Before this he travelled the world for 5 years and experienced the world

You won't believe these 6 quick tricks to fail a FinTech startup!

**You'll Never Believe
What Happens Next!**

Jüri Laur

Head of FinTech Services, LHV Bank

**The Secret the
Government Doesn't
Want You To Know**

LHV

Let's start a payments app! Hey -
everybody buys stuff, right?

Flop #1



Google Wallet

+

~~android~~pay

=



2011

2015

2018

Flop #2

RIP

Amazon's payments misses



CHECKOUT BY AMAZON
2008 - 2017



AMAZON WEBPAY
2011 - 2014



AMAZON PAYPHRASE
2009 - 2012



AMAZON LOCAL REGISTER
2013 - 2015

CBINSIGHTS

LHV

Floppy McFloppface #3



2.27 billion AMU !

Flop #4 & #5



..but..but people want to pay with their mobile devices!

NOPE!

People don't want to pay at all. And if they REALLY have to, they want to deal with it as little as possible.

LHV

Key problems for payment apps

- Funding friction – it's tedious for the customer and costly for the operator.
- Changing consumer behaviour is difficult.
 - SPEED!!!! The experience has to be at least as fast as paying with an NFC card.
- Mass adoption or failure!

To overcome the first 2 problems you need strong motivation (both from customers and merchants) and for 3 - a catalyst.

The Great Adoption Catalysts

Contactless card payments in the UK

NFC payments available in the UK since **September 2007**

Mass adoption came with TFL enabling NFC payments in London underground / replacing Oyster cards in **2014**.

Even here speed is an issue! Compared to Mifare Oyster cards, NFC payment is slower. (1/3 second vs 1/2 second)



The Great Adoption Catalysts

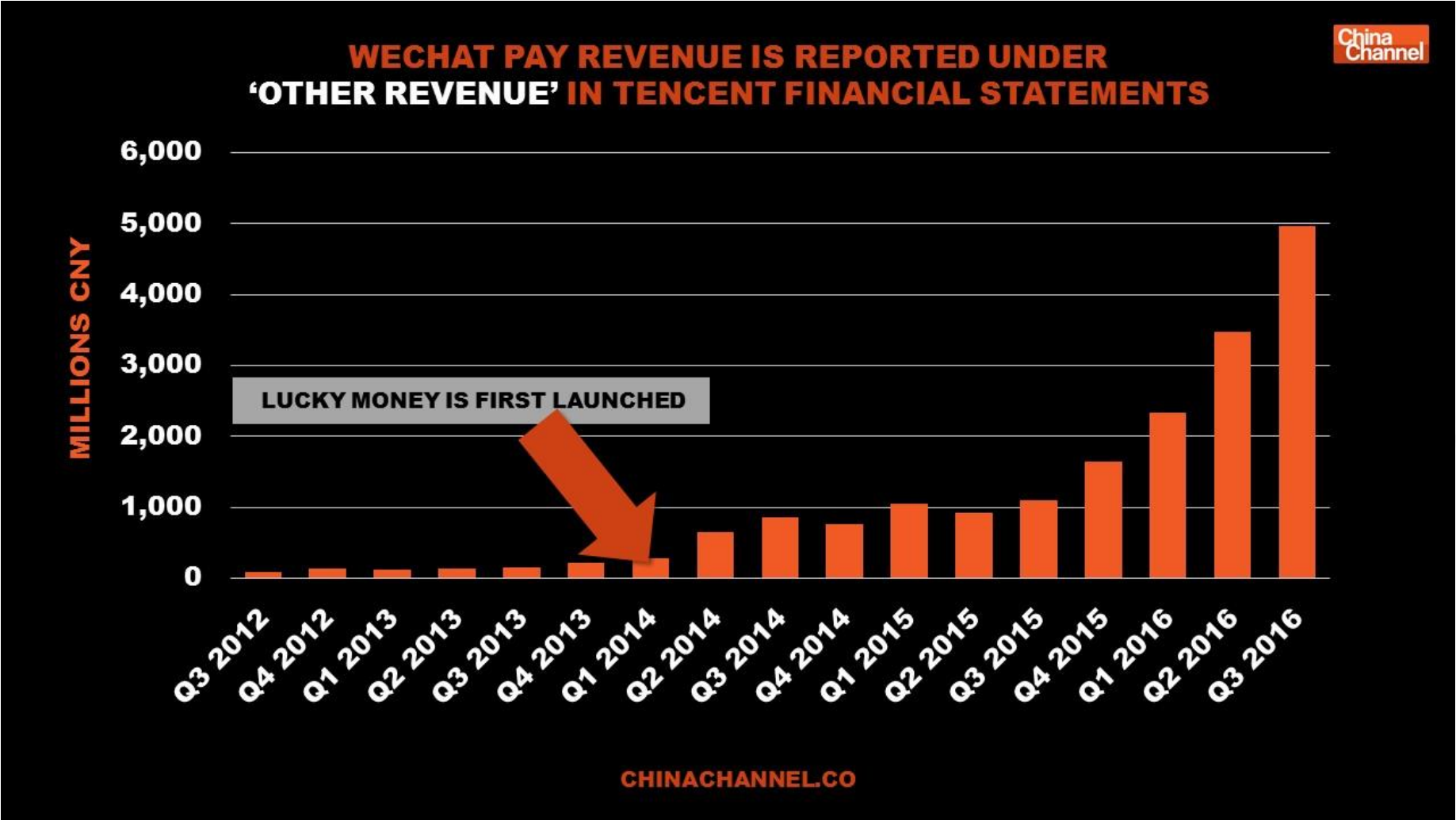


WeChat Pay

- 1 **billion** active monthly users using WeChat
- 80% of them have used payments

Launched digital Red Envelopes for Chinese New Year 2014. Handed out ca €75m worth in „lucky money“.

The Great Adoption Catalysts



The sweet spot is finding a niche and crushing it.

LHV



Silicon Valley Bank

Caters to :

- Silicon Valley filthy-rich tech companies
- Californian wine producers
- Science and healthcare
- Private equity & VC
- Energy sector

Online/Mobile Banking

Lending/
Financing

Investments
Management



Payments/Bill Pay/
Money Transfer

Advising



PFM

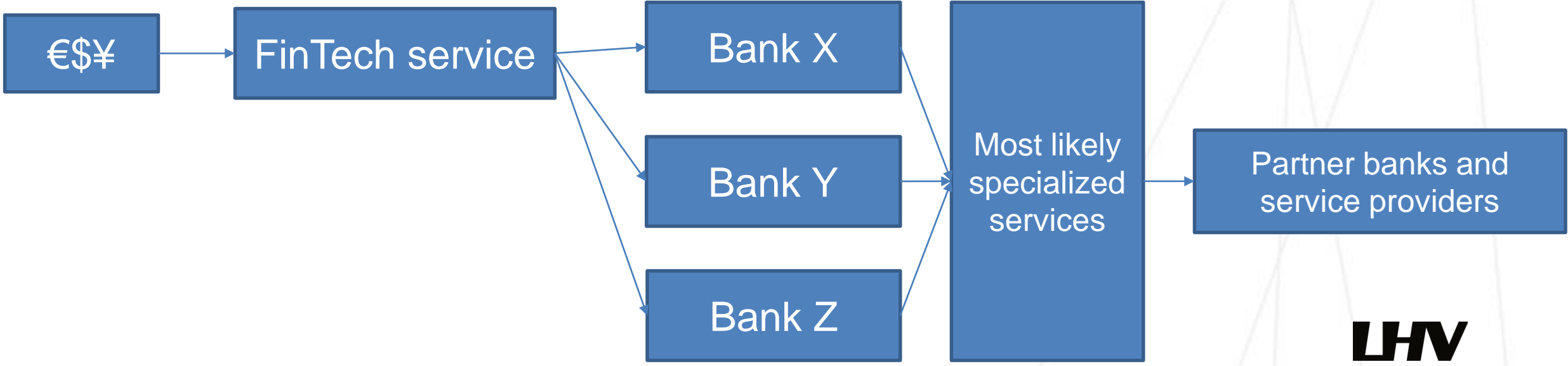
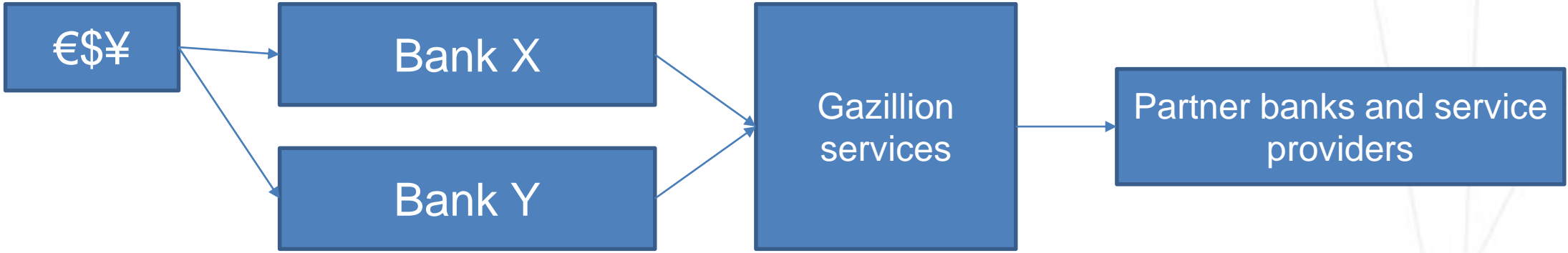
Cutting vs layering

In tech – cutting out middlemen has been the winning strategy.

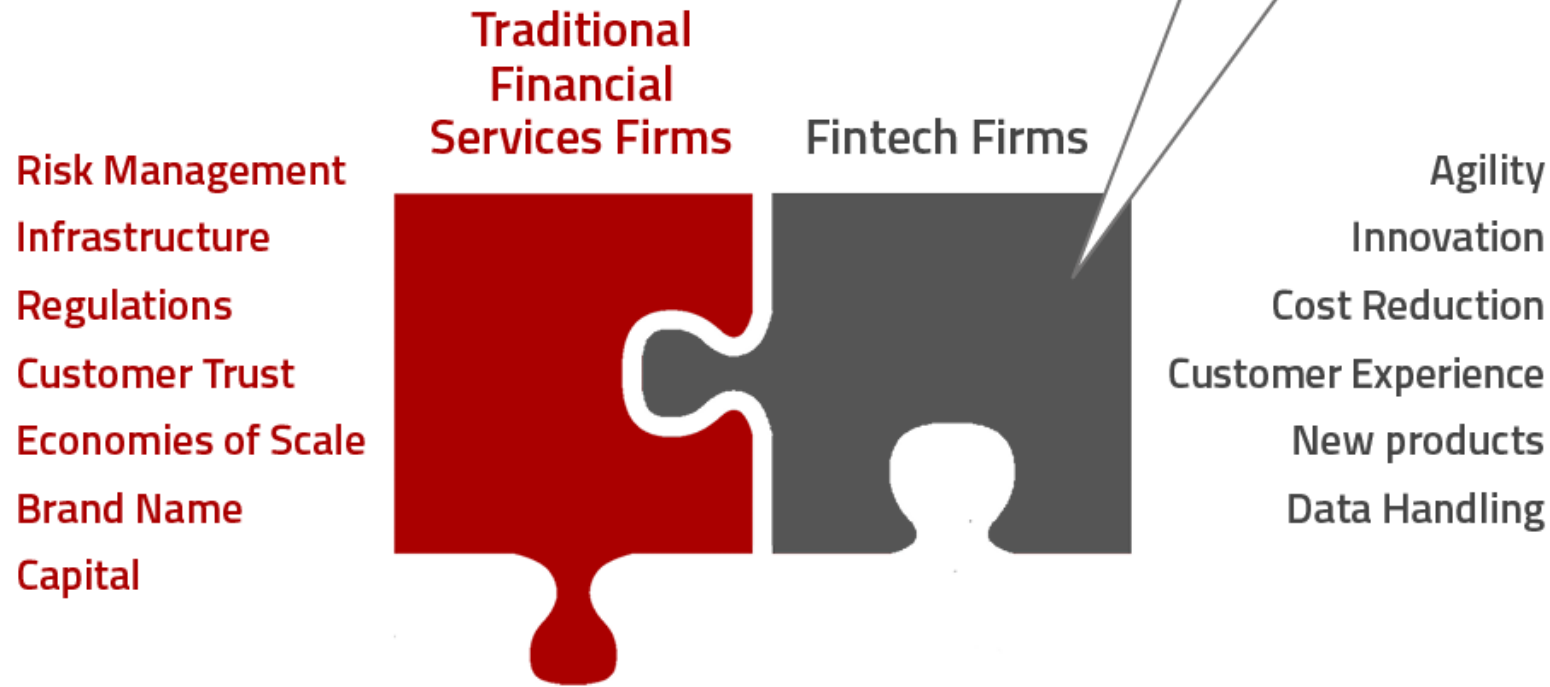
In FinTech it's mostly about becoming a specialist middleman instead.

What do **you** know! Banks are dead anyway!

LHV



Collaboration: a win-win situation



SOURCE: Capgemini © February 2018 The Financial Brand

Thank you!

Q&A

Jüri Laur
Head of Fintech Services



Mortgage Brokers & Politically Exposed Persons Database - Examples of Failed Business Plans

Karl Märka

Head of Data Science & Analytics

Creditinfo Estonia AS



What's wrong with the world
and how to fix it?

LHV

Overregulation

Why don't large FinTechs want to become banks?

Regulatory burden can consume 30%+ of total resources.

PSD2

Has the potential to eliminate „funding friction“ for new financial services.

Unfortunately is essentially a non-standardized standard.



Payment Services Directive
(PSD2)



Underregulation

Cryptocurrency sector is the Wild West

- ICO-s which could be illegal IPO-s
- Scam-coins and ICO investment fraud
- Unlicensed and potentially fraudulent investment services

Yet blockchain and cryptocurrencies have incredible potential and need legal frameworks to support them.

Tips

- Seek out „regulatory sandboxes“ – meant for Fintech startups.
- Find the community and become a part of it.
- Get a basic understanding of the relevant legislature.
- Think niche, but global.

Immediate opportunities

- Cryptocurrencies & DLT
- PSD2 combined with SEPA Instant in EEA and Faster Payments in the UK

Thank you!
Q&A



Second Payment Services Directive (PSD2) - Problems & Opportunities

Karl Märka

Head of Data Science & Analytics

Creditinfo Estonia AS



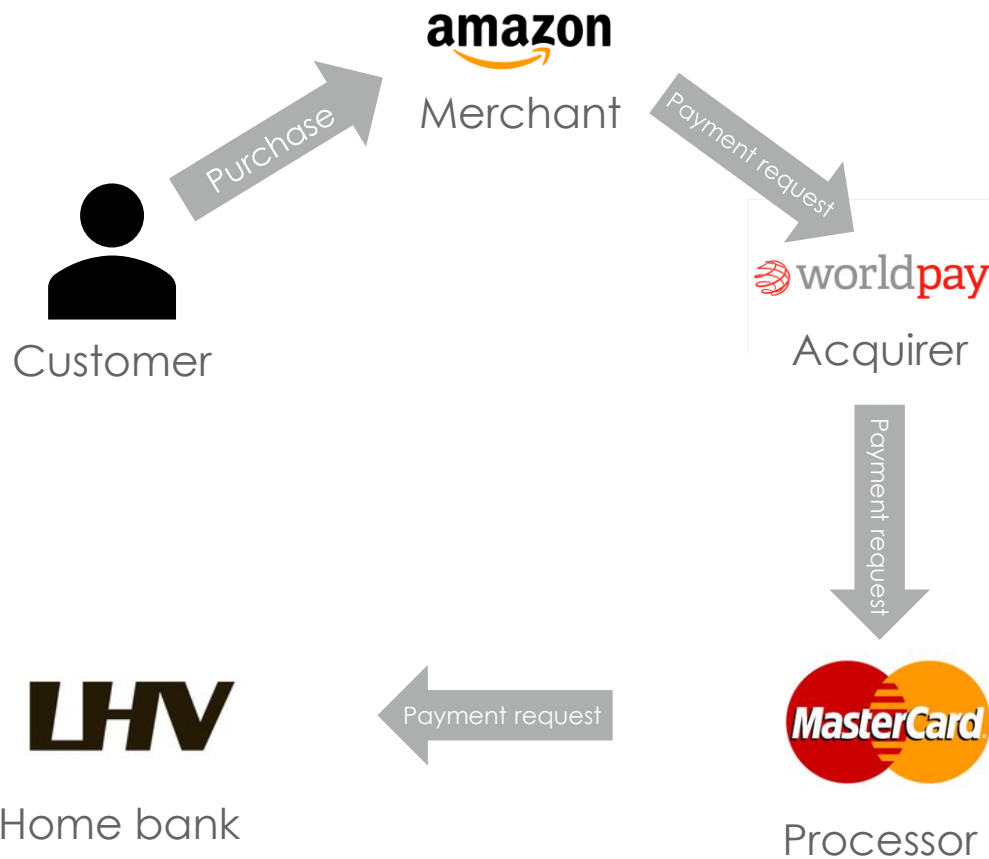
SAY PSD2

ONE MORE TIME

memegenerator.net

Online Payments

Without PSD2

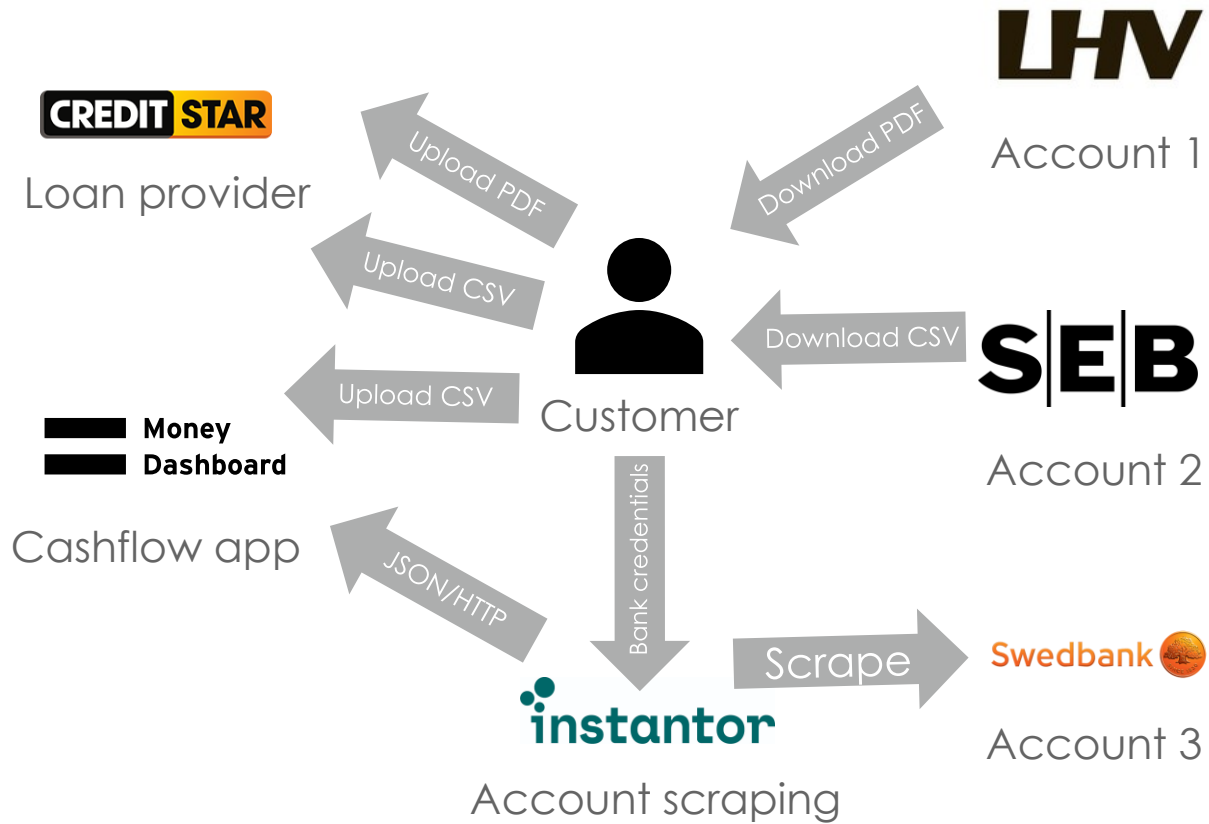


With PSD2

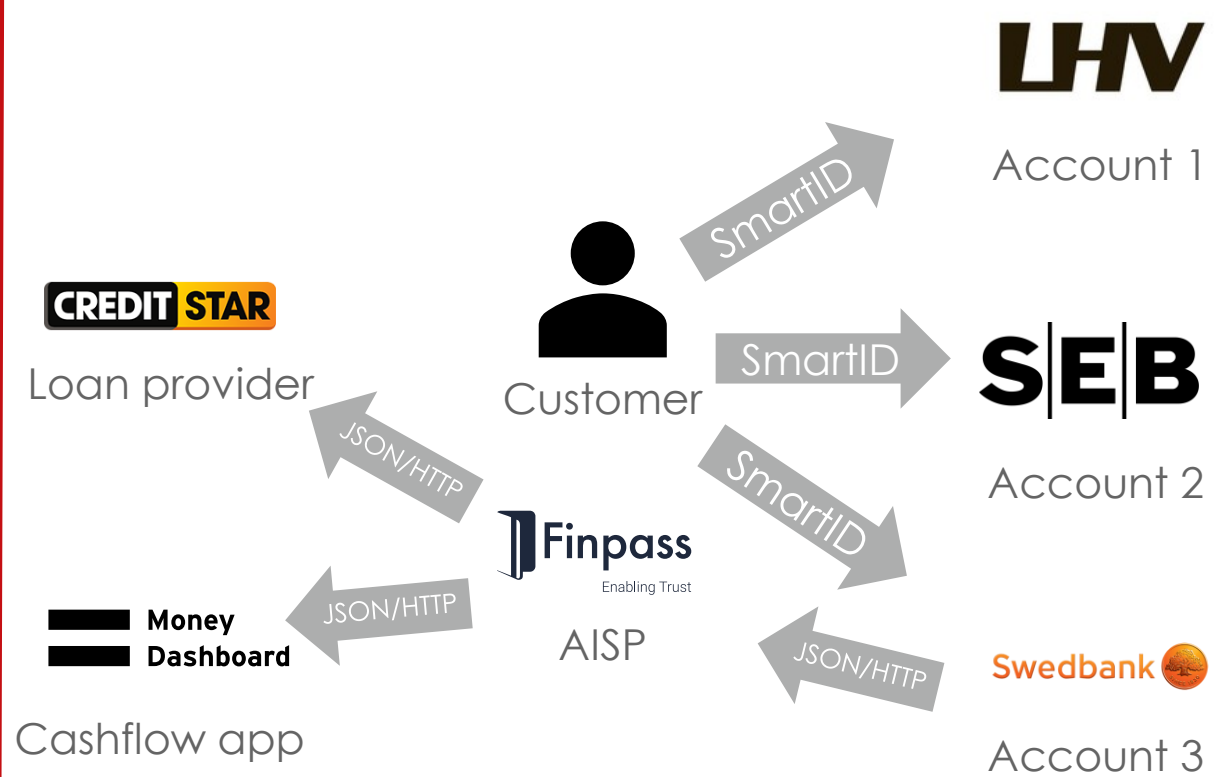


Account Information

Without PSD2

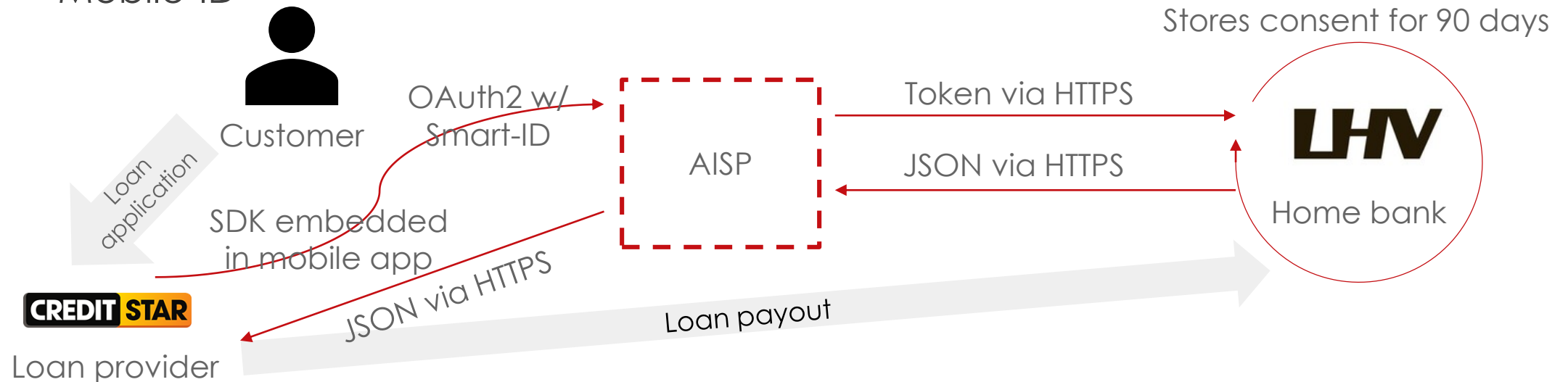


With PSD2



Authentication & Consent Management

- Only SCA allowed in European Union
- Redirect-based authentication:
 - Estonian or Finnish ID-card
- Decoupled authentication:
 - Smart-ID
 - Mobile-ID



Important Dates

- API sandbox functionality by 14. March 2019
 - Production functionality by 14. September 2019
-

Applying for an AIS or PIS License

- Issued by FSA-s in respective countries
 - 3-6 months review period
 - 1000€ + annual fee
 - 50 000€ capital + buffer required for PIS license
 - IT audit performed by FI
 - Competence of the management board
 - Review of the business plan
 - Liability Insurance
-

Dos and Don'ts of a Business Plan

Don't:

- Make your business plan conditional on PSD2
- Start building PSD2-related services if your runway is < 12 months
- Try to streamline the customer flow with PSD2 direct payments
- Try to reinvent the wheel

Do:

- Supplement your business plan with PSD2 applications
 - Use partners with already existing products
-

„Moreover, technological developments have given rise to the emergence of a range of complementary services in recent years, such as account information services.

Those services provide the payment service user with aggregated online information on one or more payment accounts held with one or more other payment service providers and accessed via online interfaces of the account servicing payment service provider.

The payment service user is thus able to have an overall view of its financial situation immediately at any given moment.“

- DIRECTIVE (EU) 2015/2366



How Can Creditinfo Help with Your Data Needs

Karl Märka

Head of Data Science & Analytics

Creditinfo Estonia AS



BETA
SECUREBADGER
HOME WHAT WE DO VALUES ABOUT US CONTACT US

Building trust between landlords & tenants through seamless yet secure renting process

REQUEST CREDIBILITY CHECK



WHY DO WE CARE?

We understand the struggle. Having rented abroad and rented out our own properties, we want to make the experience easier and better for everyone.



WHAT PROBLEM ARE WE SOLVING

Renting process is complicated, time consuming & inconvenient. 76M people in EU countries are renting every year. Yet the process is not seamless. Tenant background checks are difficult to perform, due to lack of real time aggregated data, time-consuming or costly and establishing a contract is not convenient.



WHAT WE DO

Building trust & giving peace of mind. Our background checks analyse behavioural and financial data, which enables to calculate various risk categories and give a comprehensive overview of a tenant. Our smart digital contracts make the rental process seamless. We are a one-stop online platform for rental contracts.





Take Advantage of (available) Data

Martin Kõiv

ABOUT CREDITINFO



IS FINTECH WORTH THE FUSS?

AVAILABLE DATA AND SOLUTIONS

EXPERTS IN CREDIT RISK MANAGEMENT AND DATA ANALYTICS

Credit Bureaus



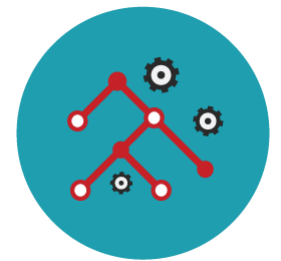
**Decision Analytics
& Consultancy**



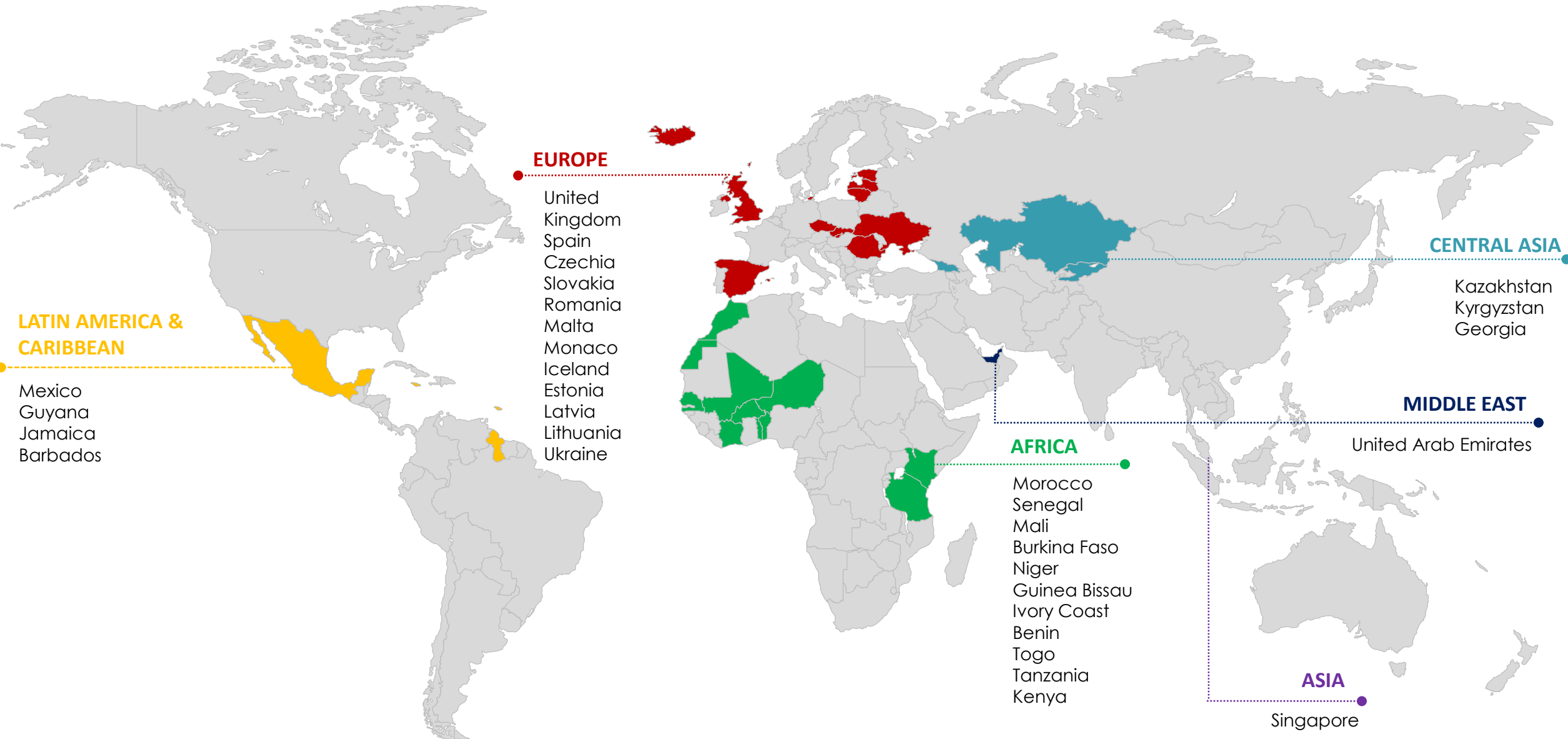
**Business Information
& Information solutions**



FinTech Innovation



CREDITINFO OFFICES



LATIN AMERICA & CARIBBEAN

- Mexico
- Guyana
- Jamaica
- Barbados

EUROPE

- United Kingdom
- Spain
- Czechia
- Slovakia
- Romania
- Malta
- Monaco
- Iceland
- Estonia
- Latvia
- Lithuania
- Ukraine

AFRICA

- Morocco
- Senegal
- Mali
- Burkina Faso
- Niger
- Guinea Bissau
- Ivory Coast
- Benin
- Togo
- Tanzania
- Kenya

CENTRAL ASIA

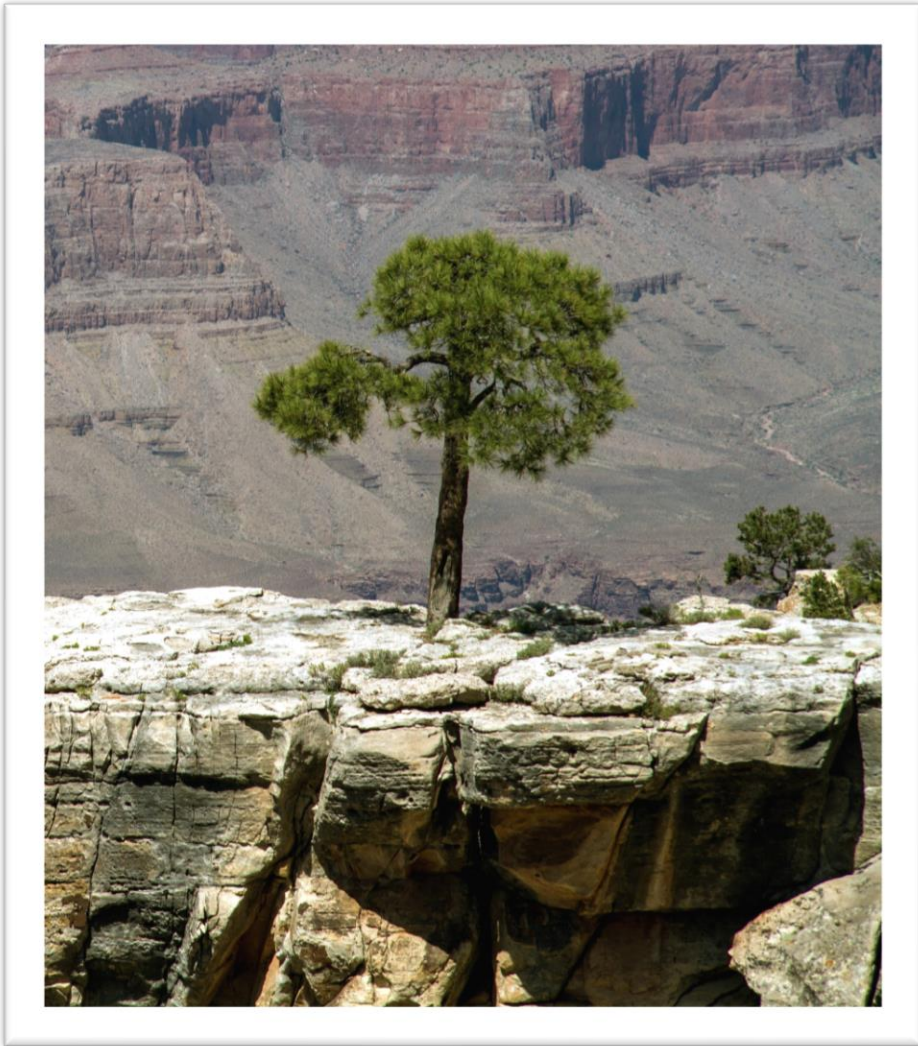
- Kazakhstan
- Kyrgyzstan
- Georgia

MIDDLE EAST

- United Arab Emirates

ASIA

- Singapore

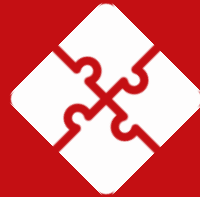


Our role

“In a world where 2 billion adults are still unbanked, Creditinfo is at the forefront of removing borders to finance.”

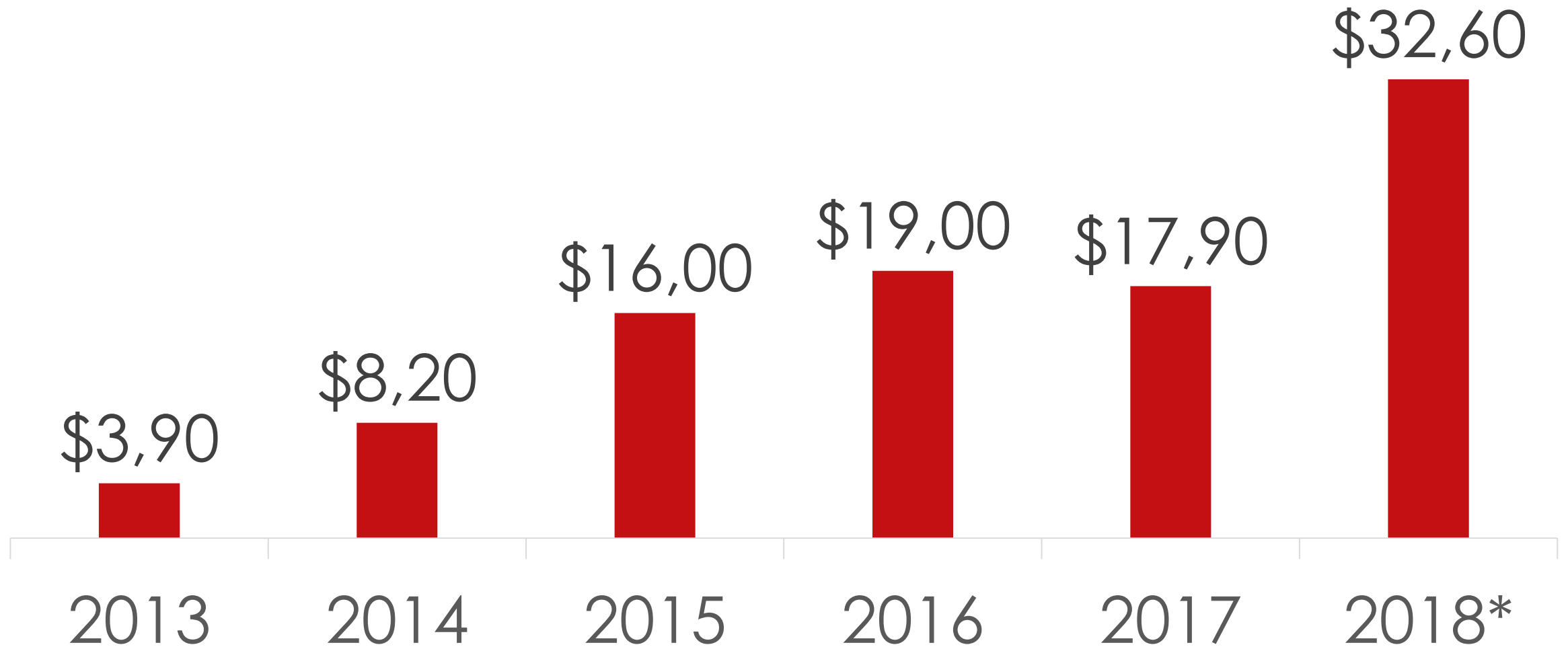
**ABOUT
CREDITINFO**

**IS FINTECH
WORTH THE
FUSS?**



**AVAILABLE
DATA AND
SOLUTIONS**

Annual VC-backed global fintech financing(\$B)



Source: CB Insights

* YTD

Today there are 33 fintech unicorns with a combined valuation of \$115.49 B!

- North America – 21
- Asia - 8
- Europe – 3
- South America – 1




TransferWise

Klarna.®



stripe



ny bank



Revolut



陆金所LU.com

ABOUT CREDITINFO

IS FINTECH WORTH THE FUSS?

AVAILABLE DATA AND SOLUTIONS



AVAILABLE DATA AND SOLUTIONS



Companies



Private person



AVAILABLE RAW DATA ABOUT ESTONIAN COMPANIES

- General info and related persons
 - Creditinfo ultimate beneficial owner
 - AML info
 - Accurate Contacts
 - Payment defaults
 - Tax debt
- Paid taxes
 - Immovables
 - Financials
 - Media coverage
 - Official announcements
 - Public grants

BUT RAW DATA IS BORING!

INFORMATION AND ANALYTICS IS WHERE THE FUN IS AT

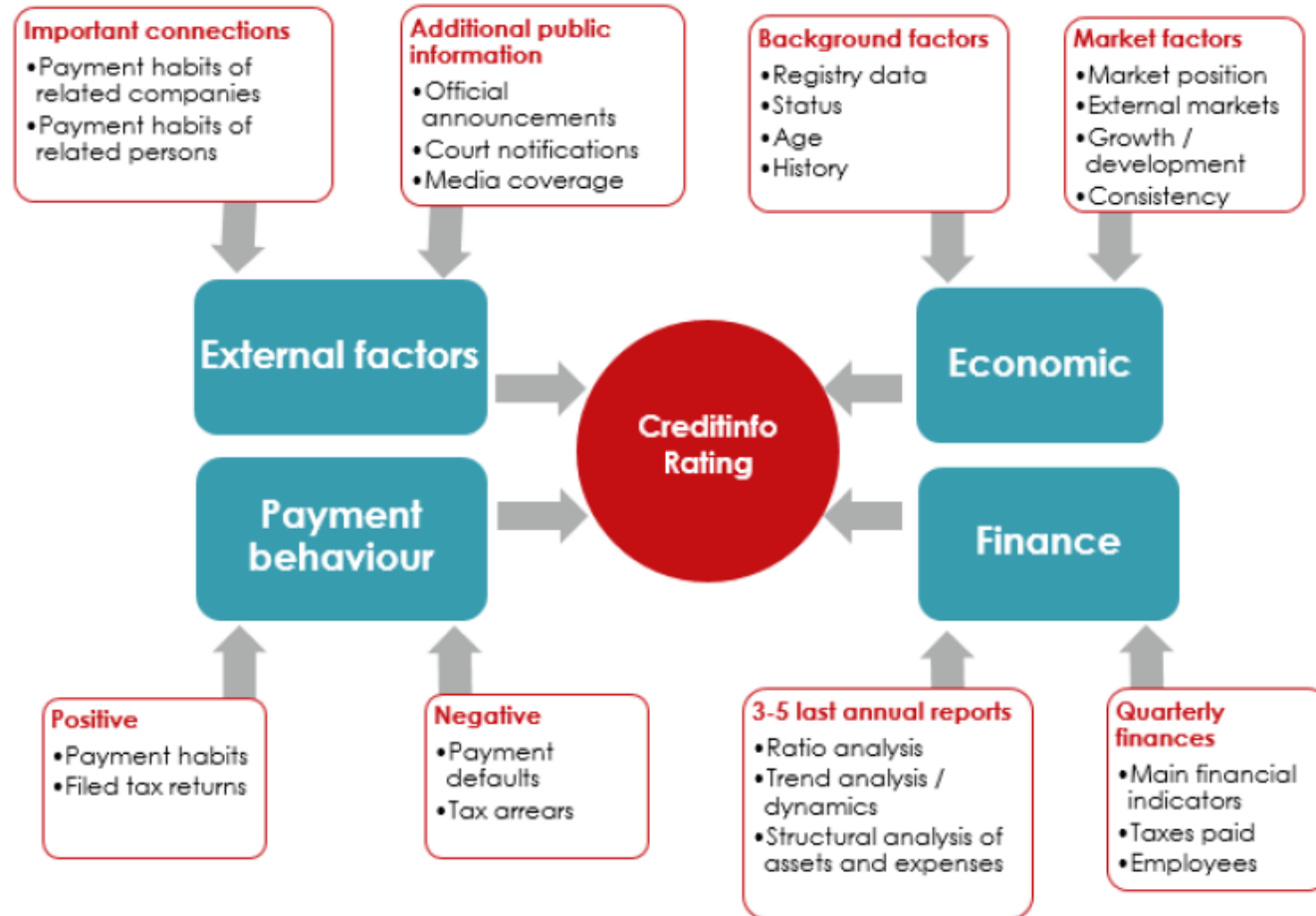


INFORMATION SOLUTIONS

Maybe you want a pre-made decision about the quality of the company?



INFORMATION SOLUTIONS





INFORMATION SOLUTIONS

Perhaps knowing the people currently or previously connected to the company is important to you?



INFORMATION SOLUTIONS

Do you need to comply with AML rules and regulations?



INFORMATION SOLUTIONS

AUDENTES AS (10306970)

The sum of shareholder capital is less than total share capital

32.97% AS AMALFI (10411419)

The sum of shareholder capital is less than total share capital

92.43% **HELDUR MEERITS** (35902270404). The rate of interest 30.47%

32.97% AS Lõhmus Holdings (10396826)

100% **RAIN LÕHMUS** (36612300228). The rate of interest 32.97%

32.96% U.S. INVEST AS (10560792)

100% **URMAS SÕÕRUMAA** (36111290232). The rate of interest 32.96%

INFORMATION SOLUTIONS



Private person



AVAILABLE RAW DATA ABOUT PRIVATE PERSONS

- Citizenship
- Permit type and date
- Immovables
- Official announcements
- Payment defaults
- Tax debt
- Companies related to the person
- Current business bans

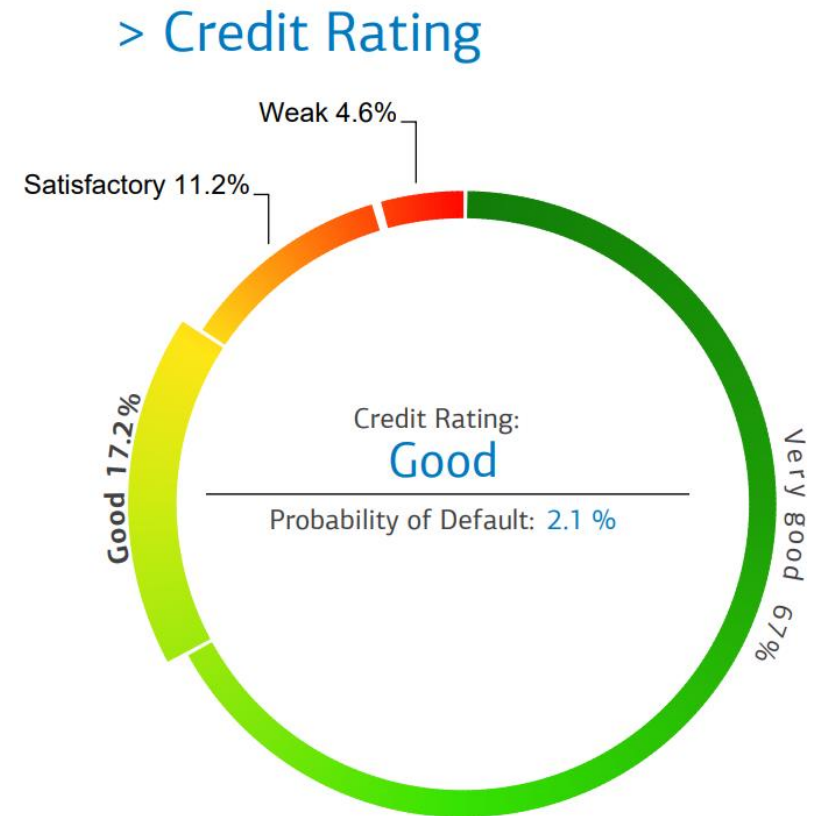
IS THIS ALL YOU´VE GOT?



INFORMATION SOLUTIONS

Widely used by:

- Banks
- Telcos
- Insurance
- MFI-s
- Alt. Finance
- Etc.





INFORMATION SOLUTIONS

What about alternative scoring?



COREMETRIX

Not everyone can access credit for reasons of history or geography.

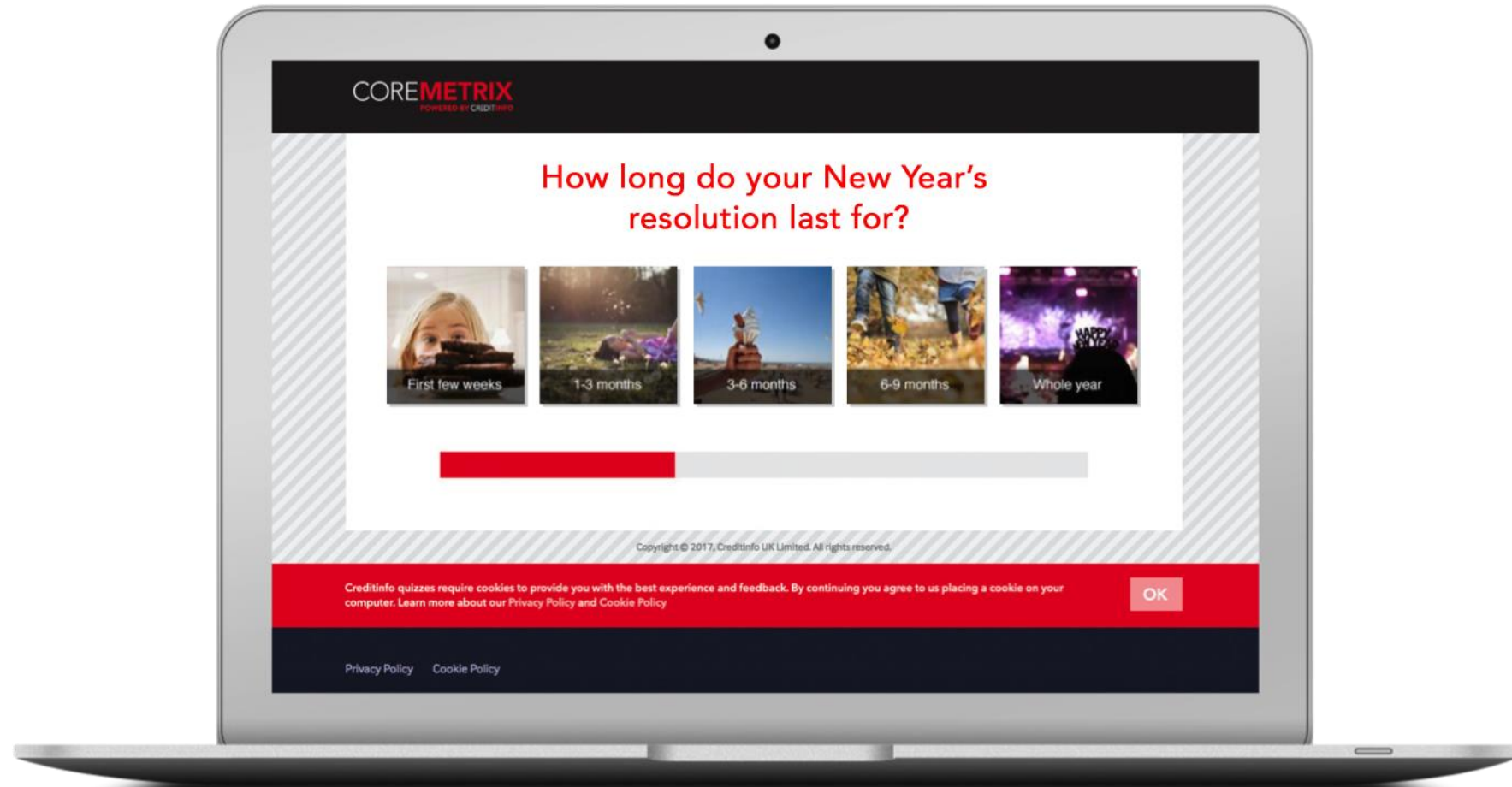
Some people don't even have a credit history, but everyone has a personality!



COREMETRIX

Use of imagery in risk assessment

Measurement of emotional
stability –
how does the applicant react
in adverse situations?





INFORMATION SOLUTIONS

Coremetrix has proven that a link exists between psychology and credit and risk behaviour.

We have developed a series of quizzes which, in real time, assess consumer risk, unlock credit and helps to provide appropriately priced products for all.

INFORMATION SOLUTIONS

What can you do ?

SCORING AND DECISIONS BASED ON NEW AND ALTERNATIVE DATA



Smartphone data



Clickstream data



Bank transactions

Social networks

Gig economy

etc....



WHERE IS THE WORLD HEADING?

Cross border identification – The ability to transfer my Credit history from one country to another

Personalized product offerings – We are all unique and special!

Data players becoming lending players – Whoever is producing data, is also an participant in the lending marketplace

WHERE IS THE WORLD HEADING?

There is still a huge gap between what is and what could be!

