



aspire
SYSTEMS 
attention. always.



TEMENOS
THE BANKING SOFTWARE COMPANY

NEOBANKS

AROUND THE WORLD

TRUTH, TRIVIA AND TECHNOLOGY

”

**BANKING IS NECESSARY,
BANKS ARE NOT
BILL GATES |**



**Content*

INTRODUCTION

5

THE BOOM STORY

8

THE NEOBANK NICHES

9

NEO AROUND THE WORLD

13

THREE-ANGULAR DIMENSIONS TO NEO

18

THE NEOBANK BUILDING BLOCKS

27

TECHNICAL ARCHITECTURE

28

ASPIRE'S NEOBANK OFFERINGS

29

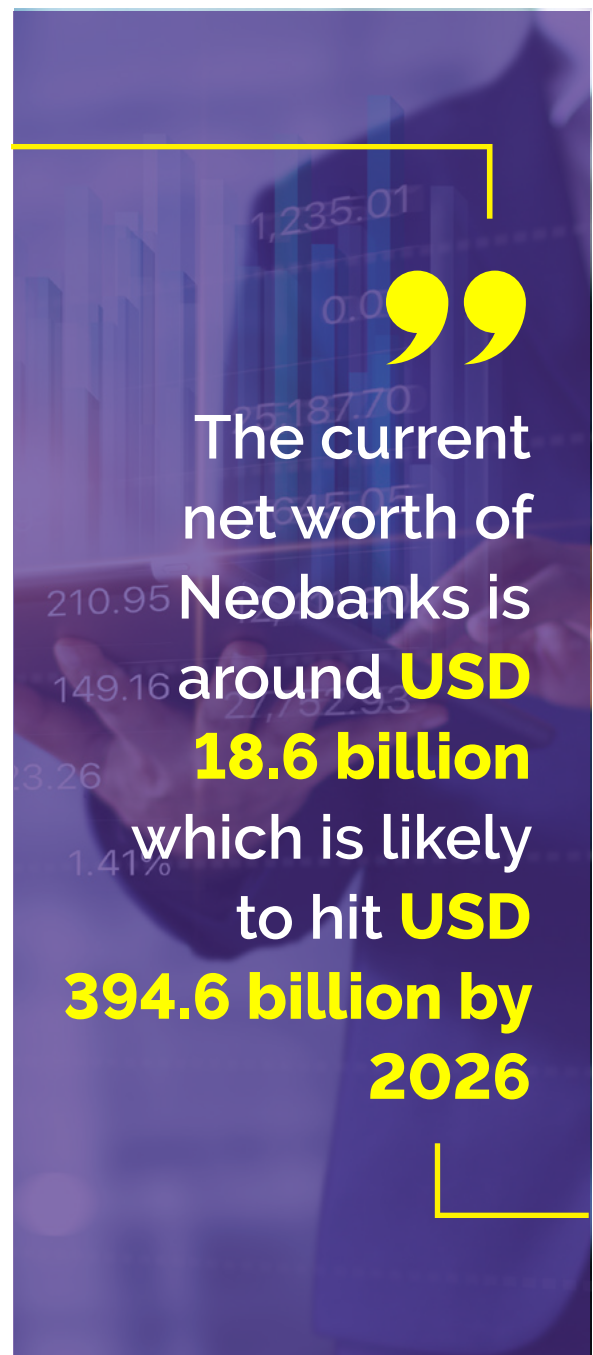
WHY THIS WHITEPAPER IS NOT A WASTE OF TIME

The modern banking system is pivoting to the idea of banking without a 'brick and mortar' building. With the rising need for more agile methods of banking along with a huge chunk of world population that's without an access to a banking channel, online banking is steadily rising in popularity not only with customers but investors and governments as well. Such a perception has led to the emergence of "Neobanks". Neobank as a concept came into existence in 2004 and has been steadily attracting market attention ever since. According to Zion Market Research's May 2019 report, the growth rate of Neobanks is estimated to rise by 46.5% from 2019 to 2026.

FinTech start-ups realized the vacuum banks were leaving in terms of customer experience and Neobanks were established to bridge the customer satisfaction gap that was becoming increasingly obvious with the traditional banking system. Traditional banks with their legacy-based infrastructure, limited availability, rigid inflexibility and lagging business operations had provided a wide chasm for Neobanks to build their base and thrive exponentially. Moreover, with the higher percentile of tech-savvy millennial customers, Neobanks have proven themselves as the next emerging concept to skyrocket the FinTech space.

In this whitepaper, we will talk about

- The Neobanking landscape across the world and how it is impacting the future of banking
- Four Neobank niches
- Partnerships, regulations and types
- The technical architecture of a Neobank



1.**INTRODUCTION**

Financial inclusion is still a dream to more than 1.7 billion people across the globe and while traditional banking has excluded them, technology seems to have embraced them and graced them with a more viable and cheaper financial service option. Neobank is the name of the digital miracle that can make banking accessible and available to millions and meet the increasing demands for a seamless banking experience.

Technically, Neobanks are defined as FinTechs that offer digital or mobile-only financial services, though the current environment is quite fluid. Neobanks work under the principle of open banking which includes a variety of services, innovative solutions to digitally engage with AI-ML and still secure sources for customers to make value out of their data. These are basically apps that have an easy-to-use dashboard and user-friendly navigations. Neobanks are more cost effective, transparent, user friendly and above all accessible to one and all with an internet access.

TRIVIA:

Dave, is an app created by a 34 year entrepreneur Jason Wilk to avoid overdraft fees. It charges users **\$1** a month and on any signs of overdraft instantly deposits **\$75** in advance. In **June 2019**, using Synapse, Dave is now a Neobank with its own checking accounts and debit cards and has **4.5 million users**.

“

Neobanks differ from traditional banks in a number of subtle and not so subtle ways.

Platform/ Services	Traditional Banks	Neobanks
		
◦ Platform	◦ Brick and mortar building	◦ Online apps
◦ Founded	◦ Since banking inception	◦ Recent past
◦ Engagement	◦ Long-term, in-person	◦ Virtual, flexible
◦ Support	◦ Online, in-person, telephone	◦ Chatbots, telephone, online, in-app
◦ Charges	◦ Heavy	◦ Cheap
◦ Rates of Interest	◦ Low	◦ High
◦ Hidden costs	◦ Complicated	◦ Transparent
◦ License	◦ Full	◦ Full, partial or none
◦ Branches	◦ Yes	◦ No
◦ Processing time	◦ Mostly manual, lengthy	◦ Automated, quick
◦ Products	◦ Entire gamut of offerings	◦ Single or limited
◦ Operational hours	◦ Limited	◦ 24/7

Neobanks are convenient and with modern digital technology and security standards they offer more than any traditional banks such as;

- User-friendly and engaging app experience
- 24/7 chatbot support
- High security features
- Personalized offers depending on your income and expense cycle
- No monthly fees and low services costs
- Higher FD and savings interest rates
- Innovative investment and tracking tools
- Free debit cards with no annual fee and accessible across a wide range of ATM network
- Seamless account opening, payments, deposits and other banking services
- International money payments and transfers at very low rates
- One app for multiple accounts
- Easily accessible anytime anywhere

The limitations with Neobanks as we know it are:

- Narrow products or offerings
- Not viable for large loans like home, car or mortgage loans

The pros far outweigh the cons and no with so much to offer Neobanks are definitely giving the traditional banks a run for their money.



2.**The BOOM STORY**

The past decade projected a tremendous rise in the number of Neobanks up and running in the market. The 2008 global crisis was an awakening call to the financial regulators where millions of jobs and dollars were lost. The banking industry was squarely blamed and it started the era of Neobanks as an easily accessible and transparent alternative to traditional banks. Some of the market reasons for the boom include:



Mobile service penetration to even the most remote localities of the world and the infrastructure needed to access your account with a Neobank is a mobile phone with connectivity.



The underserved and neglected segments of the traditional banks have become the niches for Neobanks that has eventually led to the flourishing of these digital-only banks tremendously



The Lack of transparency with the incumbents has led to a lot of mistrust and resentments. Moreover, the lengthy time consuming operations along with limited working hours has led to customers looking for more easier and simpler, customer-centric options.

3.

THE NEOBANK NICHES

The reasons Neobanks are thriving across the globe are the gaps the traditional banks have left unserved. Moreover, with the changing digital and technological landscape customers prefer seamless services and flawless experiences. In this segment, we will discuss the four segments grossly neglected by traditional that has provided a huge chasm for the substantial growth of Neobanks.

3.1 The *Gigs*



According to a recent Medici Research report, the economic growth of the '**Gig Economy**' is projected to skyrocket to **\$455 billion by the end of 2023**.

The gig economy is a segment of freelancers and contractors who have flexible work timings but without a standard and steady income source. Traditional banks with their conventional principles have largely failed to cater to this newly emerging group of customers leaving a wide gap for Neobanks to find the niche. Without a means to evaluate their creditworthiness, these customers have a tough time opening an account, getting loans or even insurance with incumbent banks.

Neobanks, understanding the growth trajectory of the niche is heavily catering to this segment by providing instant payment solutions, flexible financial support, alternative loan qualification assessment and monetary advice at relatively low operational and maintenance cost when compared to their traditional counterparts.

TRIVIA:

The Neobank, Oxygen is partial to freelancers with flat fee, no paperwork for loan underwriting, **immediate short-term loans** and **Zero-interest credit** rates exclusive for the category. The bank also leverages AI to provide unique payback plans based on the number of hours worked.



3.2 The *Unbanked*



A World Bank report states that, **1.7 billion** people across the world do not have a bank account.

More than half of the globe's unbanked population can be found in China, India, Bangladesh, Pakistan, Mexico, Nigeria and Indonesia. The lack of credit facilities, financial solutions, accessibility, documentation along with the economic status of an individual are considered the greatest barriers to banking. Moreover, the incumbent banks with their banking rigid standards and regulation have not made it easy for this section of people to go the financial service route.

Where the banks have greatly neglected these underserved people, Neobanks with their approach to digital technology has made financial inclusion easier for them. Of the 1.7 billion unbanked populace, two-third has access to a mobile device which is all you need to access financial services. Moreover, the digital inclusion has made financial services accessible even to remote locations where a brick and motor bank is not a possibility.

TRIVIA:

About 63% of the adult population of **Mexico does not have a bank account** and owing to the lack of transparency of the traditional banks, **90% of the transactions done are still though cash making it a hub of opportunities for Neobanks.**



TRIVIA:

Albo, launched in 2016 is currently the leading player in the Mexican market with over **150,000 customers** and is the **third leading credit card issuer**. They aim to exploit the new financial regulations rules of Mexico **to enhance financial inclusion across the country.**



3.3 The *Thin Files*



According to data, there are over **62 million thin file customers in the US alone.**

Thin files are individuals with limited credit history and include students or immigrants. These are individuals with no loans or credit cards making it difficult to get approvals for loans or credit due to the lack of a credit score. These thin-file customers have been largely ignored by the incumbent banks making it another prime niche for Neobanks.

These thin-file customers provide Neobanks with unlimited business opportunities and the customer base is also more attracted to Neobanks as there is mostly none or very limited paper work to start an account or acquire a credit card.

TRIVIA:

”

Monese, founded in 2013 by an Estonian, Norris Koppel who had the terrible experience of being denied banking services due to his lack of residency status and credit history is today a 2.5 billion profit making company with over **600,000 users across 20 European countries**. It is officially named the '**best challenger bank**' in Europe and was awarded 1.1 million euros by the European Commission for Research and Innovation.

With roots spread across Europe, Monese is aimed at catering to these thin-file customers especially to immigrants. Their partnership with the **FinTech** Raisin has helped them provide their customers with over 500 competitive savings products from **about 80 partner banks across the entire European economic area.**

3.4 The **SMEs**



SMEs contribute to **50% of a countries GDP**
and accounts for a total of **60-70% of the employment.**

Although SMEs are a major contributor to the economic growth of a country it is also among the underserved segments in the banking arena. The increased risk involved with an SME business has always been a strike against them where the traditional banks are concerned and this situation only intensified after the 2008 financial crisis.

SMEs have always needed assistance with efficiently managing cash flow, credit, compliance and documentation to maintain their financial growth. Having identified the niche, Neobanks are massively catering to the SME segment by centralizing cash flow and providing tailor-made solutions that are specifically designed for the credit circumstances of a small and medium business. Neobanks offer these SMEs with accounting, tax and payment service offerings and an API-driven marketplace allowing them to save heavily on cost and maintenance.

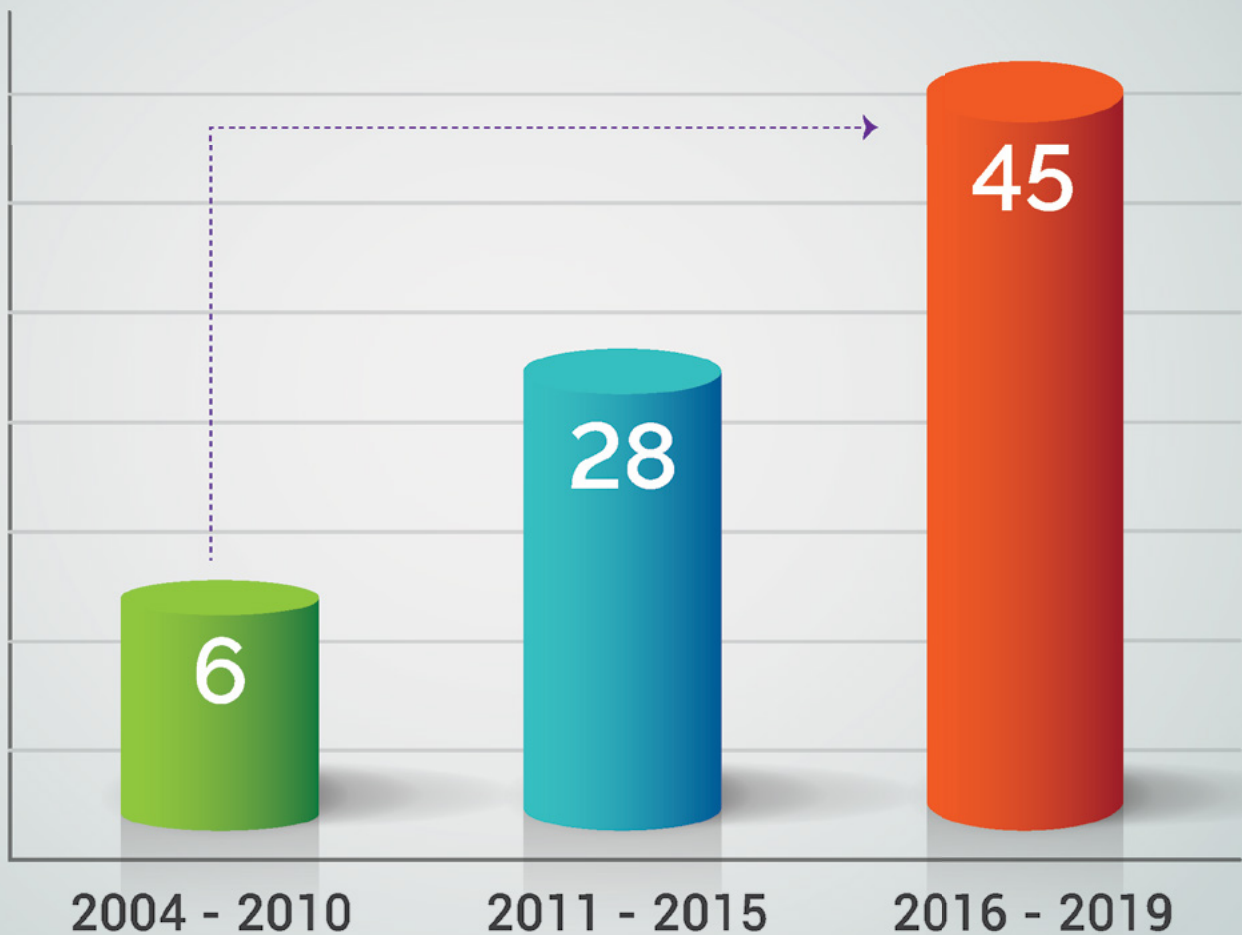
TRIVIA:

Fluidly, the London based FinTech helps SMEs plan, optimize and manage cash flow. Their brand message itself is '**intelligent cash flow**' and provide automated forecasting and an overview of the businesses present and future income statistics. Using **AI and financial modeling** they provide SMEs with fiscal planning.



4.
NEO AROUND THE WORLD

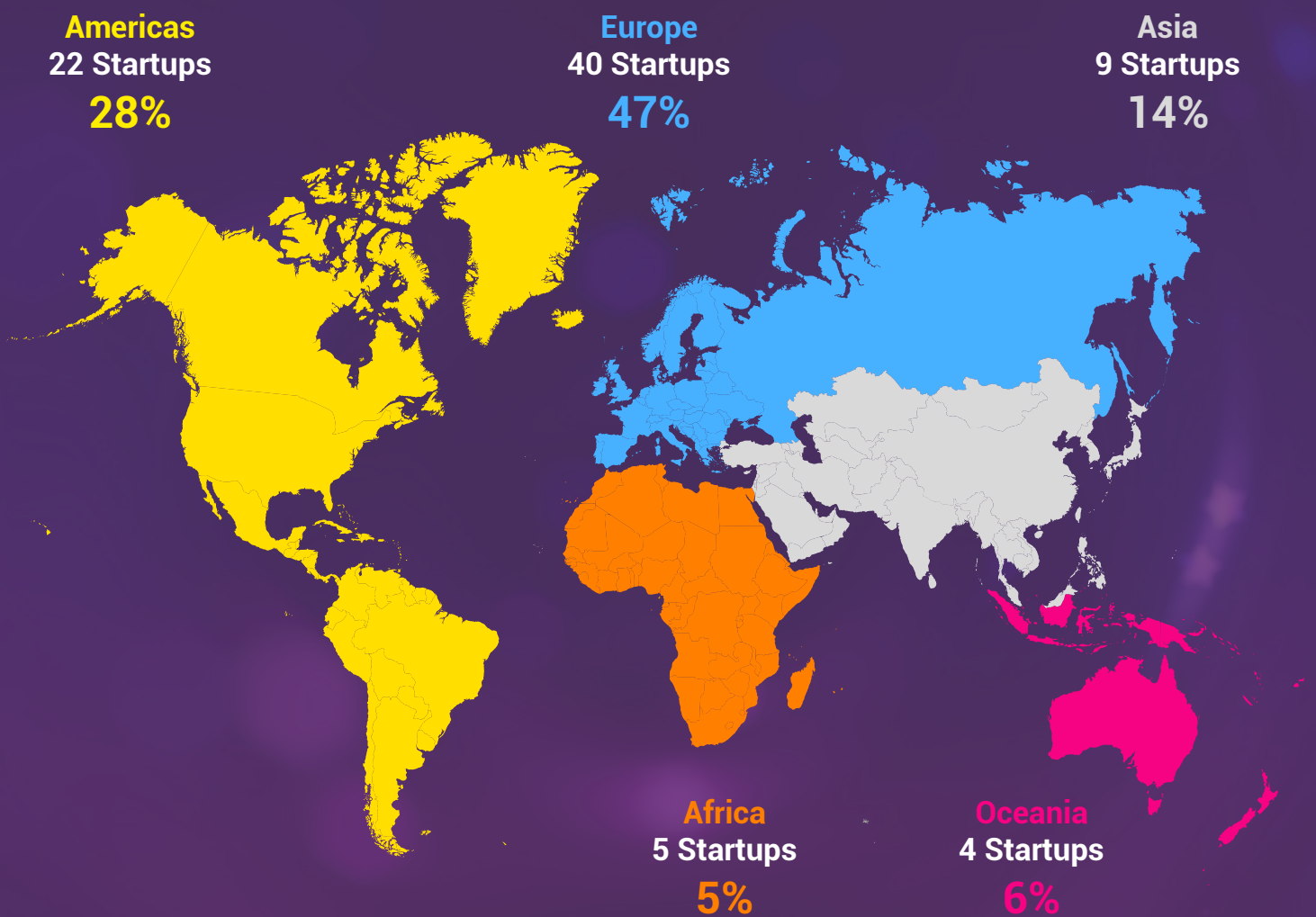
Neobanks started appearing around 2004 and picked up pace as a thriving business in 2011. There has been a steady growth in the number of Neobanks across the world since.

Independent Neo Banks By Founding Year


Source: Medici

Globally, Europe has the most number of Neobanks followed by America and Asia.

Neobanking: Region-wise Breakup



Source: Medici

Note: Includes only Licensed Digital Banks and Over the top startups.

4.1 North America

Although, the US is home to some of the oldest Neobanks in the world their growth rate and acceptance across the country has been pretty low when compared to their European counterparts.

This is majorly attributed to the onerous regulatory regime that makes obtaining a banking charter tedious and expensive in the US. However, the condition is poised to change due to shifting customer attitude, frustrating legacy banking services and the increasing demand for instant digital solutions. Moreover, a major shift in the regulations is on the horizon to facilitate the rise of the FinTech market.

TRIVIA:

Simple, founded in 2009 and headquartered in America is partnered with Compass bank and the **Bankcorp Bank for providing banking services**. It was acquired by BBVA in 2014 to accelerate their **digital offerings** and is part of the STAR network providing surcharge-free access to over **55,000 ATMs**.

“

4.2 Europe

In the past decade, Europe has become the hub for Neobanks and FinTechs have thrived across the continent. With enhanced security measures combined with contemporary regulations facilitating FinTech growth Europe has already become a stable market for Neobanks.

TRIVIA:

There are over **700 FinTech start-ups in Germany** alone with an average **33% YOY growth**.

“

Germany, Austria and Switzerland along with UK are bustling with FinTechs making it difficult for traditional banks to keep pace with these newbies.

TRIVIA:

Fidor bank, is a German digital-only bank started in 2009 with roots in Munich. In 2015 after acquiring a UK banking license they launched their first bank in the UK in September. It was one of the first banks to employ the **ripple-internet based payment protocol** and serves over 12,000 account holders in Germany alone. In 2016 the bank was acquired by the second largest banking and finance group of France, Groupe BPCE.

”

4.3 APAC

The Neobank scenario in Asia is largely different from their European counterparts. These Neobanks have not evolved from FinTechs but mostly backed by large Techs, telecoms or banks.

TRIVIA:

China is expected to be **the biggest market for Neobanks by 2025.**

”

With Neobanks being a mature business in Europe and America, it is Asia that the growth is focused on. Japan started its first Neobank, Japan Net Bank in 2000 and in 2015 the Chinese government issued their first banking license, closely followed by South Korea in 2016. Hong Kong, Taiwan and Singapore all have their virtual licenses in place Thailand and Malaysia is yet to roll out one. India is also a thriving market for Neobanks with a huge number of unbanked and credit gap customers.

4.4 *Middle East*



In the next decade, FinTechs are expected to attract **\$2billion** in private funding in the Middle East.

TRIVIA:

Timo, Vietnam's first Neobank is a much appreciated alternative to the country's traditional banking ecosystem and works out of their **hybrid-coffee shop banking centers**. It is partnered with Vietnam's VP bank for a **banking license** and **aims to provide exquisite customer experiences** to their customers.



With 1/3 of the entire population being millennials, the concept of digital only banking is definitely sky rocketing. Moreover, Saudi Arabia is emerging as one of the top markets for Neobanks in the MENA where more than ¾ of the banking customers use digital modes for transactions.

TRIVIA:

Xpence, a Dubai based challenger bank was founded in 2017 and caters to freelancers, **solo entrepreneurs and start-ups**. It offers business current accounts and also offers booking as part of its banking app.



4.5 LATAM



More than **70% of the population in LATAM** does not have a bank account because of the **complicated banking scenario** in the region.

The low rate of financial inclusion in the region has made it a thriving place for FinTechs and Neobanks to forge a niche in the market. Moreover, the high rates of mobile technology adoption and the limitations surrounding traditional banks have made digital only banks a popular concept in this geo. With the increasing demands for affordable credit cards without hidden charges the next decade is a massive business opportunity for Neobanks to connect the unbanked population with agile, affordable and accessible banking services.



Nubank, LATAM's first Neobank started in 2013 in Brazil was the first step against the tyranny of the traditional banking system in the region. It offers **digital savings account and free mobile credit cards** along with a credible loyalty program system. So far **13 million people have requested for the credit card and the number is only growing by the day.**

5. THREE-ANGULAR DIMENSIONS TO NEO

The upward growth trajectory of Neobanks is undeniable. Moreover, without the constraints of banking timelines which was the greatest limitation of traditional banks, Neobanks have opened new avenues to banking. Neobanks are revolutionizing the banking ecosystem by exploring newer markets, powerful partnerships and enhancing customer experiences.

5.1 Partnerships



Venture Capitalists have invested **\$2.9 billion** into Neobanks in the first half of 2019.

Worldwide, barrage of Neobanks are targeting alliances with various investors and SMEs to kick start the business. Moreover, owing to relaxed financial regulations and explosion of next-gen infrastructure it is cheaper and more profitable to start a Neobank than a real brick and mortar bank.

Alternatively, most Neobanks partner with financial firms to overcome the cumbersome process of acquiring a license. Traditional banks come with an enormous data repository, years of trust and higher security which makes Neobanks all the more attractive to its customers in addition to its cutting-edge technology. From the bank's perspective they are overcoming the problems of legacy infrastructure, cumbersome processes and time consuming regulatory checks and providing their customers with seamless customer experience. Hence, the partnership between traditional banks and Neobanks are more of a symbiotic relationship to bridge the gaps each one has.

TRIVIA:

Visa acquired Earthport this year for **\$321.4 million**. The acquisition is aimed at helping **visa expand** its network across the globe and provide **seamless and secure payment options**.



According to an article by Medici, there was a steep rise in the number of acquisitions of Neo banks by major banks and financial services.

Out of the **21 deals**

10 banks acquired
13 FinTechs

2 asset management companies acquired
2 FinTechs and

5 insurance providers acquired
5 FinTechs

There are two types of partnership that is rampant in the current Neobanking ecosystem. They are:

5.1.1 Bank Partnerships

The partnership between traditional and Neobanks are highly synergetic owing to the fact that both parties stand to gain from such a relationship. By forging a relationship with these digital-only banks the incumbent banks can enhance their customer experience, improve network speed and enhance their offerings to include Open Banking along with heightened information security whereas the Neobanks can enhance their product offerings which can include a credit card or insurance and have the trust base of the customers with an established bank backing their business.

Moreover, the Neobanks do not have to go through the hassle of acquiring a banking license which is readily provided by the incumbent bank.

5.1.2 FinTech Partnerships

Although, partnering with incumbents has umpteen benefits, Neobanks are seen to partner with FinTechs more than their traditional counterparts. An in-depth analysis shows that such a partnership has a more beneficial effect for Neobanks and can skyrocket their growth and establish a service marketplace with quicker and cheaper products backed by up-to-date APIs and seamless integrations. Moreover, the UK Open Banking Standards along with EUs PSD2 protocol and the intense need for growth and business across the globe along with advanced digital technologies has made it easier for FinTechs to thrive in the current banking ecosystem making them better partnership option for the growing Neobanks.

TRIVIA:

One such partnership was between Open, Asia's first Neobank platform valued at **\$150 million dollars** for SME and start-ups and ICICI bank. The partnership benefited ICICI bank, with quicker customer onboarding procedures which vastly improved their **customer satisfaction rate**, while Open benefited from the security, trust and customer data that ICICI had to offer.



TRIVIA:

An example of a Neobank taking advantage of the **changing banking regulatory ecosystem** is Starling. The bank has so far forged **partnership with 11 FinTechs** and has established an API Marketplace in 2019.

“

5.1.3 Tech Giant *Partnerships*

FinTech partnership with tech giants is by far the greatest threat to the traditional banking ecosystem. This is mainly because the tech giants have their own well-established customer base with whom they have built a substantial amount of trust. The years of trust and security is the only edge the traditional banks have over the Neobanks but, with the tech giants making an entry the banks may lose even that leverage over the new gen customers. Global survey reports that 31% of bank customers would consider switching if tech giants like Google, Amazon or Facebook would offer banking services. While this information is a positive beacon for tech giants, FinTech upstarts like Acorns and Robinhood are already ahead of the game and offering solutions like checking and savings accounts in addition to their personal finance management and investment accounts.

5.2 Regulations

The past decade has made it obvious that the success of Neobanks lie in the supportive regulatory norms embraced by a countries government and changing economic landscape of the citizens. For example, although America houses some of the oldest Neobanks like Moven and Simple the growth rate of Neobanks are much lower when compared to their European counterparts.

TRIVIA:

In mid-November 2019 there has been talk of **Google partnering** with Citibank and Stanford Federal Credit Union to offer co-branded **“Smart checking accounts” through Google Pay in 2020.**

“

5.2.1 Regulatory Sandbox

The US was the first country to set up a sandbox-like framework called the Consumer Financial Protection Bureau (CFPB) in 2012. This was soon followed by the UK in 2015 by the FCA who coined the term "regulatory sandbox", which is now prevalent across the globe to encourage financial innovations.

5.2.2 Region-wise Regulations

North America

Although, there are no FinTech specific regulatory frameworks offered by any federal or state regulatory board, the FinTech's may be subjected to a list of state licensing and regulatory requirements based on their activities or types of products and services they offer. This has become a great entry or growth inhibitor to FinTech's in the US. On a state level these FinTech's may require consumer lending, money transmission and virtual currency licenses, whereas on a Federal level they need to get licenses from the Consumer Financial Protection Bureau (CFPB), Commodity Futures Trading Commission (CFTC) and SEC. However, seven US states banking regulators have agreed to simplify the licensing process for financial institutions after understanding the need for improved investments and technology in the area.

The lack of a standard regulatory guidelines specific to FinTech is greatly impacting the development of open banking in Canada. Moreover, banking customers have a strong negative outlook in the stream of cybersecurity and data protection leading to the relative slow growth of Neobanks in the region.

According to Ivo Jenik and Kate Lauer "A regulatory sandbox is a framework set up by a financial sector regulator to allow small scale, live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited, time-bound exception) under the regulator's supervision."

Europe

The Payment Services Directive (PSD) Law has made it possible for Neobanks to access customer data on similar terms as traditional banks leading to the rapid rise of Neobanks in Europe. Moreover, the enforcement of PSD 2 in 2018 to cover the loopholes in the earlier version has made online banking safer and easier making it increasingly adaptable for customers to adopt the open banking system.

The recent years has seen drastic changes in the UK financial services industry due to collaborative efforts of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA). The FCA's Regulatory Sandbox has reduced the time taken for authorization by 40% which has helped FinTech's to get a foothold in the market sooner which has helped 18 new banks in UK to get a banking license. These successful ventures have acted as a magnet for FinTech's across the world to invest in the UK market and more than 20 live and proposed sandboxes are currently open for sanctions. There are no separate laws governing FinTechs in Germany. If the business falls under banking, insurance or investment sector they are liable to obtain a full-fledged banking license.

As Swiss financial regulations are neutral to technology and principle, there are no specific restrictions in place for FinTechs and Neobanks. Governed by FINMA (the Swiss Financial Market Supervisory Authority)

APAC

Asia is another large market for Neobanks. The swift growth of the open banking technology in China is attributed to the fact that vast amount of the population in the country still do not have access to proper banking facilities or channels. Taiwan and Hong Kong are among the first Asian regions to issue licenses to Neobanks. Moreover, better payment services, lower banking costs and the age of the consumer group (18 – 25) has made it easier for Neobanks to thrive in these regions. The banking landscape of Singapore has also seen a drastic change in recent times with OneConnect, a Neobank thriving with its 'digital-only' offerings and also with the government's initiative to bring accelerated changes in the banking arena.

As far as India is concerned, RBI has always been supportive of the API banking initiatives followed by banks but as yet there are no strict guidelines or rules specific to Neobanks or FinTechs, although, as per sources a regulatory sandbox is believed to appear in the near future. Hence, it is highly difficult for FinTechs to secure a functional banking license, thereby making partnerships with banking the ideal scenario for Neobanking approaches.

The Hong Kong Monetary Authority (HKMA) has already rolled out eight virtual licenses making it the leader in the space in the APAC region. Moreover, these licenses are backed by shareholders of financial institutions or tech giants with strong financial capabilities, thereby minimizing the risk levels of a new business venture with their strong fiscal presence.

the criteria remains that all financial systems should follow all the banking regulatory laws like anti-money laundering, data protection, insurance companies, security dealers, etc.,

The Monetary Authority of Singapore (MAS) is the sole banking regulatory and the central bank that controls all financial institutions in Singapore. Currently, they are on the verge of issuing 5 digital-only bank licenses 2 for retail and 3 for SME. The licenses are up for grabs for both banking and non-banking players providing equal opportunities for non-bank players with their traditional counterparts.

Thailand and Malaysia are also working on their own virtual banking framework and will be on papers very soon.

In Australia, the Neobanks are regulated by financial service bodies as per the services and products they offer. To fall under the Australian Neobank or Digital Bank category they should have an Australian Deposit-Taking Institution (ADI) license issued by the Australian Prudential Regulation Authority (APRA). The second type of financial license is the Australian Financial Services License (AFSL) issued by the Australian Securities and Investments Commission (ASIC). This type of license is given to entities based on their competency of providing advice or issuing a specific type of product. The ASIC's regulatory sandbox is another licensing initiative which allows certain FinTech's to test a product or service on a limited number of customers. Moreover, certain money apps and FinTech's also work in partnership with any of the above license holders to provide financial offerings to specific customer segments.

Middle East

Saudi Arabia is the fore-runner in the Neobanking arena in the Middle East and is considered the top market in the MENA. The DIFC (Dubai International Financial Center) has also taken decisive steps in creating major allowances to help the advancements in digital banking technology.

LATAM

Most of the LATAM countries have taken specific steps to introduce new regulations to facilitate the growth of open banks. Mexico's and Brazil's new financial framework specifically outlines the intricate workings of a digital financial platform. Moreover, Chile, Argentina, Columbia and Peru are extensively working in putting their financial regulatory framework in place while Uruguay has a regulation in place for P2P lending.

TRIVIA:

ABC Bank, a Bahrain based international bank has partnered with Jumio, the **leading AI-powered Identity** as a service provider to launch a Neobank that will be the first digital bank that provides **biometric-based digital KYC functionality.**

“



5.3 Categories

Neobanks are differentiated based on their licensing. Some of the different types of Neobanks available today are:

5.3.1 Licensed

These Neobanks have a fully equipped banking license allowing them to offer services and products to customers without having to rely on a licensed bank. This helps them to further reduce cost and increase their profit margins although; they may continue to offer services in partnership with banks and FinTechs.

TRIVIA:

An example of a licensed Neobank is WeBank. Launched in December 2014 is a financial services venture by the Tencent group. It is powered by **AI, Blockchain, cloud and data and has a platform architecture** that includes microservices, open technologies and analytics. Today, it serves over 100 million underserved customers and handles more than **300 million transactions**.

“

5.3.2 Non- Licensed

These Neobanks do not own a banking license and hence, may either offer a single product or a range of products in association with a bank or a FinTech. They often provide API services to connect customers with vendors or provide VAS to customers.

TRIVIA:

An example of non-licensed Neobank is T1P established in 2015 was the first Neobank for current accounts for SMEs in the UK. **The mobile app can literally read a person's ID and allows them to open a current account under 3 minutes**. Tide works in partnership with Barclays bank as it does not have a license of its own and hence all deposits made through the app are ring-fenced at Barclays under an FCA e-money license.

“

5.3.3 Alternative **Licensed**

Companies that partially meet the bank licensing criteria are offered the alternative licensing. Such FinTechs may offer services and products like a bank but with limitations when compared to a full-fledged bank.

TRIVIA:

PayPal considered one of the early Neobanks is an example of a FinTech with alternative license. PayPal helps you to **link bank accounts and cards** with the account and also store money but it cannot act as a fully functional bank as it is not FDIC insured.

“



5.3.4 Beta **Banks**

Beta banks are the digital only arm of traditional bank that wants to reinvent their product line and customer engagement strategy. These banks provide offerings based on the parent bank's license and their growth and services depends on their popularity with the customers.

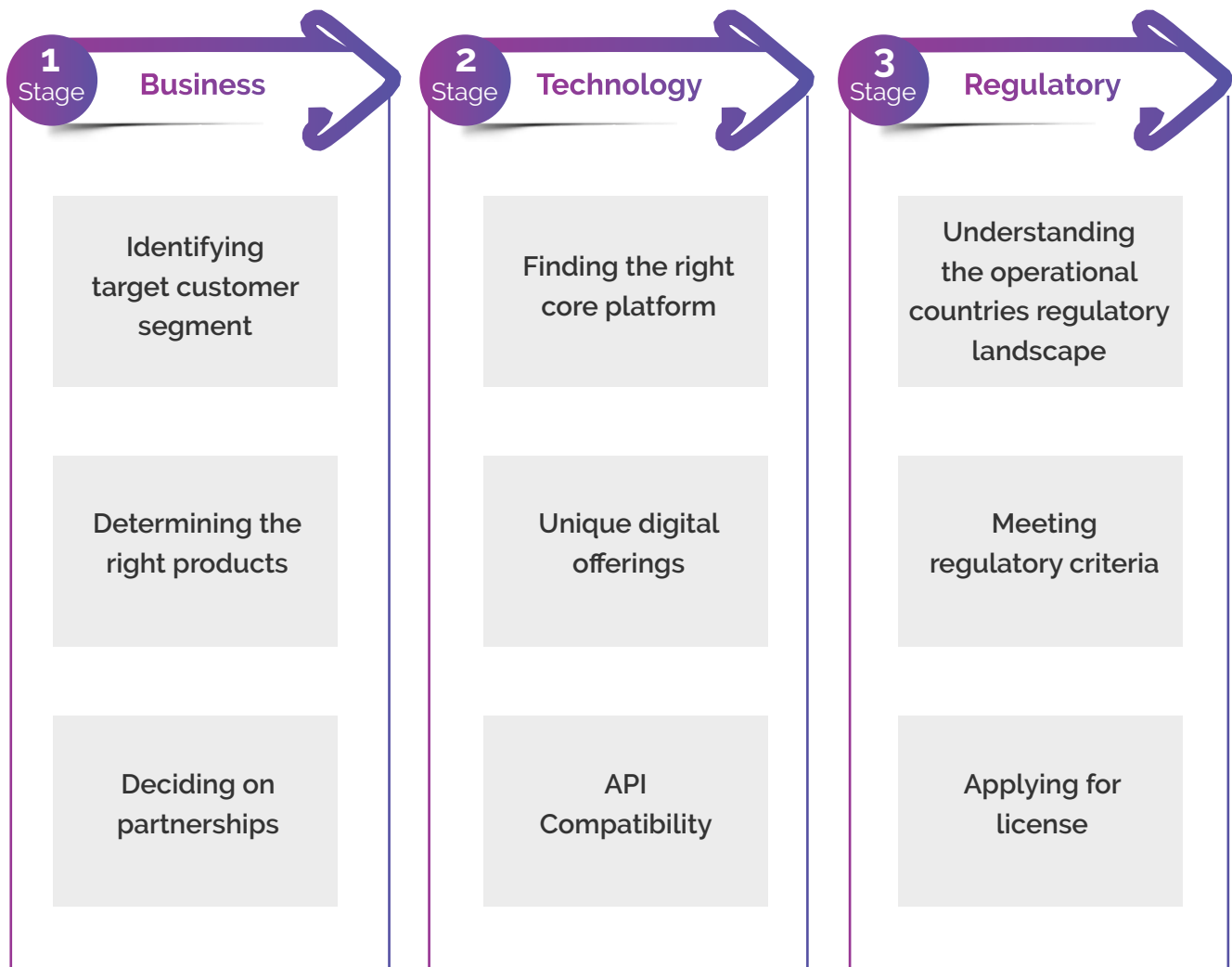
TRIVIA:

Mettle is a digital only banking service of RBS group and is aimed to cater SMEs and works under an e-license held by PrePay Solutions which is regulated by the FCA.

“

6. THE NEOBANK BUILDING BLOCKS

The 3 stages to build a Neobank from the scratch include:



7. TECHNICAL ARCHITECTURE

Unlike legacy systems, modern state-of-the-art digital architecture supports constant upgrades and changes while minimizing risk and cost. A flexible, open and secure architecture defines a future-proof digital core banking system and should essentially include:

7.1 A digital multi-layered architecture

A highly effective digital architecture is usually multi-layered as it addresses the three dimensions of a core banking platform. This three layer architecture ensures that the APIs are well connected and can be easily upgraded in the future making it resilient and highly customer centric. The first layer should comprise of an interactive dashboard to provide information to the customer, the second layer, the orchestration layer where operational processes and data orchestration occurs and the final third layer, focused on the product and the back-end progressions.

7.2 Customizable automation platform

A digital architecture provides a viable and flexible option for Embracing standardization and customization of the building blocks of the core banking platform makes the architecture viable and flexible. Moreover, adopting a digital core based on best practices minimizes custom development and can be easily customized based on the requirement of the banking product in offer thereby, ensuring operational excellence, enhanced customer experience and improved security and compliance.

7.3 Third-party integration solution

A digital core equipped with pre-built adapters allows a 'plug and play' approach making it future safe to integrate third-party products and services into your core banking system. This ensures improved customer experience, product versatility while strengthening compliance and efficiency.

7.4 Self-servicing platform

A digital core banking platform that allows self-servicing due to the standard building blocks and configuration editors enable adding and removing functionalities with ease making it completely easy to maneuver leading to shorter time-to-market and quicker turnaround time.

7.5 A secure cloud-based platform

A state-of-the-art SaaS solution ensures viability and when effectively adopted increases cost savings, security, storage, uptime and efficiency of the core banking platform.

8.**ASPIRE'S NEOBANK OFFERINGS**

**End-End
implementation of
Neo banks**



**Online Banking and
Mobile Banking**



**Customer
Onboarding**



Every Day Digi Bank



**Engagement and
Analytics**



**Integration &
API Management**



DevOps



Quality assurance



**IT infrastructure
Managed Services**



POWERED BY ASPIRE & TEMENOS

Author:
Vidya Ramakrishnan,
Head, Thought Leadership
Aspire Systems



Aspire Systems is a global technology services firm serving as a trusted technology partner for our customers. Our services include Product Engineering, Enterprise Solutions, Independent Testing Services and IT Infrastructure Support services.

Learn More: <https://www.aspiresys.com/>



Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace.

Learn more: <https://www.temenos.com/>

SINGAPORE
+65 3163 3050

NORTH AMERICA
+1 630 368 0970

EUROPE
+44 203 170 6115

INDIA
+65 3163 3050

MIDDLE EAST
+971 50 658 8831

For more info contact
info@aspresys.com