

# FinTech Is ~~Coming~~ Here

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# FinTech Is ~~Coming~~ Here

What does it mean for Bank CFOs?

## Some Things Are Going Away

- “ That kind of data is not available”
- “ It takes a lot of time to reconcile”
- “ The system won’t do that”

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## What does it mean for Bank CFOs?

### What Can We Expect?

- “The technology landscape will be modular, interoperable and ultimately simpler”
- “New capabilities will be required, and the composition of talent will need to change.... existing skillsets will need to be converted... presenting development opportunities”
- “33%: Average FinTech [customer] adoption globally (compared with 16% in 2015)”

Source: EY, Unleashing the potential of FinTech in banking, EY, FinTech Adoption survey

# FinTech Is ~~Coming~~ Here

What does it  
mean for Bank  
CFOs?

Do You Know Me?

- Jack Henry
- Finastra
- FiServ
- Temenos
- FIS
- Mambu

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## What does it mean for Bank CFOs?

The opportunity/requirement to manage and embrace change effecting:

- **People**
  - Flexibility
  - New training & education methods
  - New recruitment & selection methods
- **Processes**
  - Anything is possible!....  
how do we develop cost effective well controlled and scalable processes??
- **Systems**
  - Opportunities to customize
  - Opportunities to create confusion
  - Disciplined methodologies still required

# FinTech Solutions – Case Study - Background

## Start-Up Bank

- FinTech at Bank  
Cost of Capital

## Mission

- Building the bank for the underbanked and the companies that serve them

- 63MM unbanked and underbanked individuals
  - Unprofitable for banks
  - Non-bank products very expensive, especially international transfers
- 10,000 underserved businesses
  - E.g. money transmitters \$300K to \$1MM annual fees
  - Risky, unstable, expensive to operate
- Costly government assistance payments
  - Agencies spend \$20+ for benefits sent to ‘find’ clients
  - Clients spend \$14 to \$22 to receive payments from ‘money services’ willing to cash these checks

# FinTech Solutions – Case Study – Company Priorities

**Efficiently  
Managing  
Legitimacy Risk**

**Low cost  
Technology**

**Low cost  
Operations**

- Transaction banking platform
  - Consumer ID verification
  - Commercial client acceptance / audit (KYC, AML, CTF, Fraud) + transaction monitoring
- SaaS only, no infrastructure (other than Cloud), componentized + integration layer
- Purpose built from scratch, avoiding legacy technology, thinking, culture, perceptions

# FinTech Solutions – Case Study – Challenges

## Challenges:

1. No bankers, CX 1<sup>st</sup>, Reg/Audit 2<sup>nd</sup>
2. Implications of business plan
3. Corporate Finance
4. IT driven
5. Operating infrastructure
6. Pilot pre-full staffing

- E.g. IT head from gaming industry, product / marketing leaders from mission oriented / NFP orgs
- Customer experience 1<sup>st</sup>, Regulatory / Audit 2<sup>nd</sup>
- FDIC sequence of events not fully appreciated
  - basis for business plan
  - pre-charter exam
  - controls not important for initial audit, but important to FDIC

**Need for process + control within FinTech, designed to avoid being 'bank-ish'**



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- Revenue outcomes
  - Dated target market study → led team in substantiation
  - Hard coded values → Marketing / sales response model (basis for revenue)
- Legitimacy risk dynamics not evident in model
  - Core proposition: AML Ops cost driver assumptions
- Expense completeness
  - Customer service operations
  - Staffing model not designed for multiple roles per line
- Investor Communications
  - Not addressed → customer acquisition cost, margin, lifetime value
  - Presentation style → brevity, story, drivers needed improvement

**Need a solid model for fundraising and regulatory review**

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3. **Corporate Finance**
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5. Operating infrastructure
6. Pilot pre-full staffing

- Cash forecasting to the day – not unusual for a start-up
- Investment Bank, somewhat traditional – focused on price / book
  - (BOD referral)
- Initial valuation discussion implied sales of 100% of company
- Presentation upgrade, concise story w/ ‘hook’

**Need to look out for interests of company and management ownership**

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- SaaS / configure only, purposefully non-traditional
- Highly configurable core banking system
  - Freeform chart of accounts
  - Specify relationship between ‘events’ and chart of accounts
  - A la carte analytics, regulatory reporting ...
- Future expansion to servicing other banks
  - No limit on # entities

**Ensure Finance / Accounting requirements are met within non-traditional approach**

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5. **Operating infrastructure**
6. Pilot pre-full staffing

- Accounting firm took on QuickBooks from founder
  - Unrecorded liabilities, including founder debt, insurance...
  - Founder debt recorded as equity
  - Stock awards not accounted for
  - No cash forecasting, budgeting/outlook, BOD accrual financials
- Capitalization table - three sets of numbers
  - QB, Cap Table, Stock Ledger
- Banking / payments ad hoc
  - Online bill pay only, no ACH
  - Bills paid sporadically without approval
  - Single corporate card account, multiple cards, no review

**Process, controls, smooth operating infrastructure needed to produce reliable financials for fundraising**

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  4. IT driven
  5. Operating infrastructure
  6. Pilot pre-full staffing
- Pilot pricing proposal
  - Operations daily reconciliations
  - All start-up functional roles have scope creep...

**Flexible Interim CFO scope – roll with it**

# FinTech Solutions – Capabilities

What does it  
mean for Bank  
CFOs?

Flexible Custom  
Solutions

- More Complex Projects
- Technology and Change Management
- Talent & Skillset Implications

