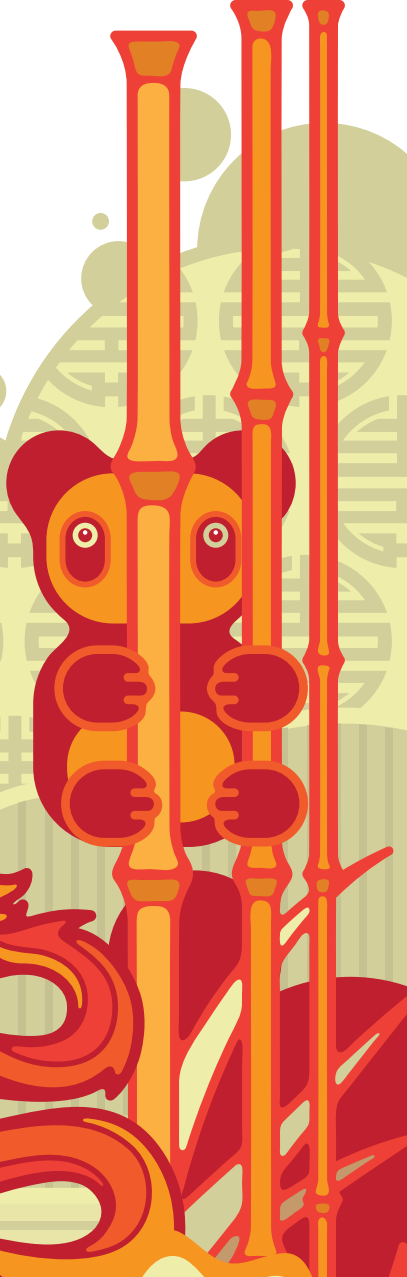


# Money of The Future

results of 2014/trends for 2015



**New!**  
Fintech  
in Asia

p. 51

**mPOS:**  
from card  
readers  
to ecosystems



Russia

South Korea

China

Taiwan

Hong Kong

Thailand

Vietnam

Phillippines

Malaysia

Indonesia



# LifePay



## mPos

Accept bank cards from your clients



## Credits

Give your clients POS-loans from LifePay and increase your turnover



## Mobile cash register

Change your old-school cash-register to fashionable tablet-based POS-stand



## SME-loans

Increase your turnover accepting cards and take cheaper SME-loan to develop your business faster



## Dashboard

Analyze your clients, sales, employees and goods



## myWishBoard

Know about clients' short-term goals and wishes for the nearest celebrations - and give them best proposal



## Pre-order

Create your own mobile-app for your clients for remote pre-order



## m-Wallet

For your customers to pay without cash or cards!

[www.lifepaympos.com](http://www.lifepaympos.com)





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 Media materials from the following websites have been used in this study: bloom.com, patchofland.com, hedgecovest.com, tplp.com, iquantifi.com, hedgecovest.com, bizequity.com, maxmyinterest.com, mca.sh, localregister.amazon.com, ibillionaire.me, sumup.co.uk, payitsimple.com, diebold.com, squareup.com, merchantmaverick.com, cassby.com, leaf.me, apple.com, seamless.se, paypal.com, amazon.com, snapchat.com, paym.co.uk, rakuten.com, hellosettle.com, barclaycard.com, rocket-internet.com, opentable.com, stripe.com, netero.com, moneycorp.com, avantcredit.com, ratesetter.com, fundingcircle.com, jimubox.com, creditkarma.com, karrot.com, scorista.ru, trustingsocial.com, foundationcapital.com, koinify.com, axial.net, homeunion.com, fundrise.com, indiegogo.com, healbe.com, getscribblepen.com, tilt.com, syndicatoroom.com, dragoninnovation.com, kown.co, chain.com, korbit.co.kr, kncminer.com, sldx.com, bitpay.com, ethereum.org, maidsafe.net, zenpayroll.com, paysuite.co.uk, zooz.com, taullia.com, centage.com, classwallet.com, traxpay.com, radius.com, invoice2go.com, yingyinglicai.com, hedgeable.com, tinkapp.com, wealthsimple.com, tongbanjie.com, imoney-group.com, moneymeets.com, pariti.co.uk, upsideadvisor.com, lucenaresearch.com, ayondo.com, iextrading.com, robinhood.com, sumday.com, clonealgo.us, etoro.com, kakao.com, signaltrader.com, parfx.com, bigoption.com, scutify.com, trendrating.net, tipranks.com, marketfy.com, osper.com, moven.com, instabank.ru, rocketbank.ru, millennialdisruptionindex.com, cardspring.com, spoqa.com, fivestars.com, cardcash.com, sonavation.com, pingidentity.com, fujitsu.com, nuance.com, lunews.com, eyelock.com, nymi.com and others.

# 1. 10 MAJOR TRENDS OF THE 2014 YEAR



**Vladislav Solodkiy,**  
Managing Partner of Life.SREDA VC

1

## FINTECH INVESTMENTS TRIPLED

Two years ago we predicted that fintech would become the fastest growing venture capital industry and the volume of investments in the industry would double every year! Well, a year ago they really doubled and amounted to \$2.2B, but in 2014 they tripled and amounted to \$6,8 B of new funds in the industry. Our first forecast was that the industry investments would double each year for the next 5 years. We hope that our forecast wouldn't come true for the better.

2

## THE FIRST (AND SECOND) IPO IN FINTECH

Industry isn't considered as a fully established one until the first IPO takes place. Everyone expected Square to be the first fintech company to undertake IPO. However, it postponed its listing, while p2p-lending platform Lending Club hold a successful IPO. It was followed by Ondeck, online lending service for SMEs, which undertook a successful but not such a high-profile IPO. Forecast for 2015: at least another three successful IPOs.

3

## 10 COMPANIES JOINED «FINTECH BILLIONAIRES CLUB»

A year ago the «billionaires club» (online startups valued over \$1B) consisted of only three companies - Square, Lending Club and Stripe. Seven more companies joined the club in 2014: Transferwise, Kreditech, CreditKarma, Wonga, Powa, SoFi and Raise. Ten more companies are also approaching this limit.

4

## APPLE (AND SAMSUNG) PLACE A STAKE ON FINTECH

Apple has finally launched its mobile wallet Apple Pay — the decision itself is not technologically innovative, but Apple wins hearts with its brand and customer base. Two years ago we predicted that the future of financial services belongs to online companies, mobile operators and major retailers, but not to banks. Giants such as Apple can bring financial innovations from advanced users to general public and this is their major merit! Samsung is not lagging behind and actively cooperates with PayPal, getting ready to acquisition of Loop – in my opinion, a far more advanced solution than Apple Pay. The major question in 2015: what will do XIAOMI in its turn? (And Apple also confirmed that it had offered Jack Dorsey to acquire Square - but the parties did not agree on the price. However, negotiations are ongoing).

5

## THE FUTURE OF PAYMENTS AND TRANSFERS BELONGS TO MESSENGERS

Mark Zuckerberg surprised everyone with his fast and expensive acquisition of WhatsApp, and then astonished again at the f8 conference stating that monetization of messengers lies in the sphere of payments and transfers via messengers. And p2p transfers will become as simple as messaging in WhatsApp. He was the first to announce it, but the first to implement were messengers Line, WeChat and Kakao. This year we expect a release from David Marcus (ex-CEO PayPal, currently heading Messengers&Payments at Facebook).

6

## ROCKETINTERNET'S IPO AND FINTECH — IS THERE ANY RELATIONSHIP?

RocketInternet's IPO deserves attention on a number of parameters: firstly, it is a startup incubator, but not a startup that held IPO, secondly, it is German, not American, thirdly, it promotes two principles: «An idea is nothing. Execution is everything» and «There are many interesting markets outside the United States». Samwer Brothers are prominent in fintech as far as they have raised their last round before the IPO (\$ 0,4B) «only for fintech startups» and they have confirmed<sup>1</sup> that «fintech is next big thing!».

7

## PAYPAL AND EBAY SEPARATION

Investor Carl Icahn has been a long-term advocate of eBay and PayPal separation justifying it by the fact that the companies cost more separately and e-commerce era is ending (eBay), while fintech (PayPal) is moving forward. He succeeded in this and the companies cost more after their separation and PayPal growth rate is higher than eBay's.

8

## CHINA IS MOVING FORWARD!

E-commerce giant Alibaba undertook the most expensive IPO ever, while fintech industry, with a sinking heart, is following its daughter company – the payment system AliPay overtops Apple Pay at every point 100 times. The only question left on the agenda is when its IPO will take place. Prominent investors like Yuri Milner and DST fund are actively funding both Chinese online startups in general and fintech in particular. This year China is launching \$6,5 B venture capital firm<sup>2</sup> for fintech and biotech startups.

9

## MOBILE BANKS FOUND THEIR BUYERS

The most famous mobile bank in the world - American Simple – was acquired by the Spanish BBVA group for \$117M (Life.SREDA VC was one of its investors). This had a positive effect on two issues. First - everyone understood that they are quickly gaining a customer base, but getting low revenues. The answer was simple: mobile banks are interesting to those who have a customer base (banks, mobile operators, retailers) and high margins, but are lacking new products, and that are able to quickly and cheaply attract customers. Second – Simple acquisition spurred interest to its global competitors: Moven, Instabank, Rocketbank etc.

10

## MPOS IS THE FASTEST-GROWING FINTECH SECTOR

Last year we stated that 7 out of 23 fintech sectors are developing faster than others. But this year we see an undisputed leader in all countries, and it is mPOS-acquiring (Square, SumUp, iBox, LifePay, etc.). The major growth drivers: this service is the easiest to explain to the potential consumer and to use it; it attracts both SME customers and private individuals; it easily connects new online opportunities with conventional offline infrastructure; it has a very low CoCA and is growing very fast. Future developments: to increase the margin on mPOS-customers by selling additional fintech services and active scaling in Asia and Africa.

## 2. A KEY NEWS OF FINTECH-INDUSTRY IN 2014 YEAR

Perhaps, the most important event of the year in FinTech industry took place in December: **Lending Club** held IPO, in which the company raised \$870 M, while valued at \$5.42 B. This is not only the largest FinTech IPO of the year and the first IPO of p2p-lending platform, but also a milestone which will determine the parameters of other deals in loans and increase investor interest in FinTech projects as a whole. In addition, share price growth that followed the IPO fueled the expectations of investment banks and private investors about other tech IPOs. After Lending Club, **OnDeck**, working in a related field of SME lending, followed with its IPO, in which it raised \$200 M at \$1.3 B valuation.

In 2014, Asia for the first time entered the list of regions, which attracted most investments in FinTech, due to the big inflow of funds into Chinese projects. At the beginning of 2015 it was announced by China's government that it is going to launch a new

government is also planning to invest \$470M in IoT by 2020, which makes it global leader in this sector according to Aliza Gao, a representative of Shanghai hardware accelerator Tech50.

In the meantime what paved the road for China to FinTech-related publication's headlines was **Alibaba**, which held last year the record-breaking IPO: company raised \$25 B during the placement on the NYSE, having sold shares at a price of \$68 per share. Investors valued the entire company at \$170 B. Now the company's shares are traded on the NYSE for about \$100 per share — thus, IPO was successful for investors too. According to statistics of payments provider **Alipay**, an affiliate of Alibaba Group, by the end of 2013 service has helped to transfer \$150 B of mobile payments. That is about three times more than turnover of PayPal and Square taken together. 300 M people are registered in the service, 54% of the total volume of Alipay's transactions are mobile payments.



so much groundwork we need to do so people are communicating [better] ... We have a lot of work to do and we could do the cheap and easy approach and put ads in and payments, but we're not going to ... We're going to do it over multiple years.» Zuckerberg also said that analysts should «get that [payments revenue for subsequent years] out of their models». Earlier that year Facebook hired David Marcus, former president of PayPal, to run Messenger. It was interpreted as an attempt of Facebook to strengthen its knowledge and vision of payments market and analysts assumed that Facebook was diving in the competition. Later it became clear that FB Payments starts with PayPal and debit card functionality, status of Bitcoin being still unclear despite Marcus' great support in favor of this technology. In October some rough drafts of what is going to be FB Payments in Future leaked. It currently supports debit card payments and

«Lending Club's \$5.4 B initial public offering on the New York Stock Exchange is more than just the largest IPO for a U.S.-based tech company this year, it's also planting the flag for an entire ecosystem of startup companies engaged in overturning the ways in which the world deals with money»

TECHCRUNCH

40B RMB (around \$6,5B) venture firm to invest in seed-stage tech startups and promote technology and market integration. «We must improve the high-tech, high-value-added services», said statement, released by the government. China is also fostering Internet of Things (IoT), in November China's Shanghai-Nanxiang government and IDG Capital Partners announced a partnership with Melbourne-based online crowdfunding platform Pozible, dedicated to IoT projects. Chinese

This year, instant messengers have started an active expansion towards the industry of p2p-transactions. In just one year 4 of the 10 largest messengers added the feature (or released a stand-alone application within their ecosystem), another 3 messengers are going to launch it in 2015. On his Q2 earnings call held 23rd of July Facebook CEO Mark Zuckerberg stated that «There will be some overlap between Messenger and payments and it will be part of what will help drive overall success ... there's



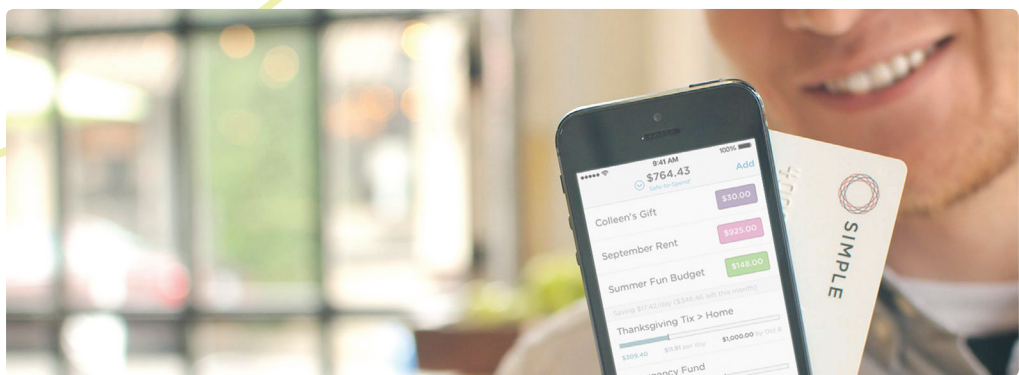
allows users to send money in a message similar to how they send photos. However, this option is currently hidden and no FB user can actually make use of it. Ways ahead its European counterpart are the Asian projects: **Line**, **WeChat** and **Kakao** have already implemented p2p-transaction function into their messengers, and **Snapchat** already has an implementation in partnership with Square Cash. We will probably see these functions unveiled by Canadian Kik, Facebook and WhatsApp next year.

**Rocket Internet**, the world's largest venture fund accelerator that has actively invested into FinTech startups, also underwent IPO this year. The fund attracted €1.6 B on the Frankfurt stock exchange with assessment of €6.7 B. Oversubscription reached 900%, stock was placed on top of the price range — at a price of 42.5 euros per share. Since then, company shares have increased in price — on January 14, shares were traded at a price of 48.6 euros per share. Samwer brothers meanwhile strongly believe that FinTech is the next big thing in the world of venture investments and they are going to focus their attention on fostering ground-breaking FinTech innovations across the globe. In July Rocket secured \$445M investment from Philip Long Distance Telephone Company for a 10% stake. Deal allowed the company to establish

number of registrations for the service reached 1 M. Same year Samsung entered into an agreement with PayPal on the implementation of payment solutions, and is currently negotiating with Loop in regards to the integration of the revolutionary device from Loop to new models of their phones.

mPOS services have started to actively expand their ecosystems. **Square** is still a leader — in a short time Square has expanded its product line with Square Capital (online factoring), Square Cash (p2p-transfers), Square Market (b2b2c delivery service), Square Order (pre-order in cafes and restaurants) and a few others. Square also raised \$250 M in two rounds of investments and released its EMV-enabled mPOS solution (changing their distribution to prepayment model — previously dongles were distributed free of charge).

other 45 thousand loans. All this is done under the pressure from British FCA, which is closely supervising the business of Wonga. But this is not the only case — in July Dollar wrote off credits in the amount of £700 thousand. Additionally, in spring of 2014 FCA set upper limit for effective credit rate (0,8% per day), which, according to some estimates, should have decreased British payday loans market by £420M. Russian central bank also restricted lending market this year — starting from 1st January of 2015 it is forbidden to lend payday loans at an annualized rate exceeding 686% (about 0,56% per day). US Consumer Financial Protection Bureau is going to launch nation-wide payday loans regulation program. Until now, payday lenders have been regulated by states rather than by the federal government, which led to the average payday rate ranging from 129% in Colorado, which



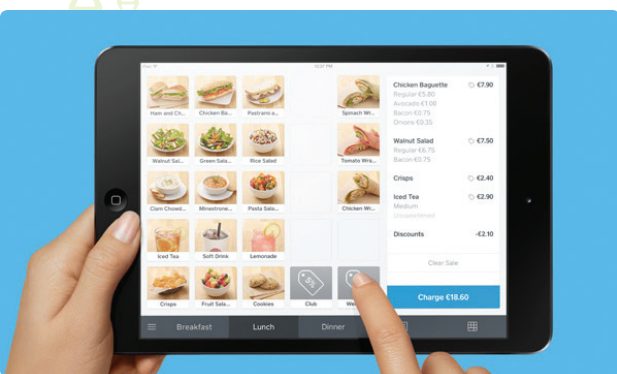
Another significant event of the year was acquisition of mobile-first banking startup **Simple** by Spanish BBVA in February for \$17 M. One of the beneficiaries of the deal was Life. SREDA VC, which became an investor of Simple in June 2013. Meanwhile, another well-known mobile-first banking startup, **Moven**, increased the number of clients from 10 to 250 thousand in less than six months since launch.

Given the sometimes conflicting interests of companies, the board of eBay directors eventually decided to divide the business for maximum flexibility and efficient development — **PayPal** has been split from **eBay** in October 2014. PayPal's revenue amounted to 45% of all eBay proceeds in Q3.

In the past year, regulators have started to pay more attention to FinTech industry. British payday loans project **Wonga** has written off 330 000 loans totaling £220 M and removed the requirement of interest payments for an-

has some of the strictest payday loan restriction in the country, to 582% in Idaho, which has no restrictions at all. The CFPB also ordered payday lender ACE Cash Express in July to pay \$10 million to settle accusations that it had used unfair debt collection practices such as threatening to sue borrowers to pressure them into taking out new loans. As we can see, regulators worldwide started to pay close attention to the wild payday loan market.

Perhaps the most shocking news of the past year was the collapse of **Mt. GOX**, world's largest Bitcoin exchange as of 2013, in February 2014. This greatly affected Bitcoin expansion, putting the whole Bitcoin infrastructure development under question. 70% of Bitcoin transactions were processed by Mt.GOX. The company admitted that it had lost more than 850 thousand Bitcoins (750 of them belonging to users and 100 — to company itself), when it filed for bankruptcy. ○



a strategic partnership with one of new leaders in a field of South-East Asia online payments solutions. Samwer brothers hope that this partnership will pave the way for Rocket Internet expansion into financial technologies.

Another important event of the year was FinTech expansion of consumer electronics companies. In September 2014, Apple introduced its new solution in mobile payments, which works on the iPhone 6 and iPhone5 with SmartWatch. Within three days the







# Fintech investment deals statistics

2015 • \$



# \$6 800 000 000

TOTAL AMOUNT OF INVESTMENT INTO FINTECH

1 822 066 948	P2P/ONLINE LENDING, SCORING
1 699 777 351	ONLINE ACQUIRING AND M-WALLETS
959 530 174	PFM/PFP
783 389 400	SME-SERVICES
491 920 000	MPOS
407 357 407	«MOBILE FIRST» BANKING
318 758 935	BITCOIN
244 859 309	CROWDFUNDING/CROWDINVESTING
71 978 700	OTHER

## Investment volume by region:

**NORTH AMERICA** 4 043 298 429



**OTHER REGIONS** 1 263 981 005



**EASTERN ASIA** 797 094 000



**EUROPEAN COUNTRIES** 695 264 790



## Investment volume by countries:

**USA** 3 973 798 429

**UK** 908 493 305

**China** 710 170 000

**Netherlands** 250 000 000

**Sweden** 209 880 000

**Canada** 69 500 000

# Largest deals of 2014

	SPECIALIZATION	VOLUME OF INVESTMENTS		INVESTORS OF THE ROUND
<b>Adyen</b>	Online Payments	\$250 000 000	NETHERLANDS	Temasek Holdings, Felicis Ventures, General Atlantic
<b>Mozida</b>	mPayments	\$185 000 000	USA	Tiger Management Corporation, H.R.H. Sheikh Nahyan, Wellington Management, MasterCard
<b>Square</b>	mPoS	\$150 000 000	USA	Government of Singapore Investment Corporation, others
<b>Renrendai</b>	P2P Lending	\$130 000 000	CHINA	TrustBridge Partners
<b>Klarna</b>	Online Payments	\$122 440 000	SWEDEN	Sequoia Capital, General Atlantic, Atomico
<b>Borro</b>	Personal online lending	\$112 000 000	ENGLAND	Victory Park Capital
<b>Freedom Financial Network</b>	Personal online lending	\$110 000 000	USA	Aequitas Capital
<b>Strategic Funding Source</b>	SME Lending	\$110 000 000	USA	Pine Brook Partners
<b>Revel</b>	T-Commerce	\$100 000 000	USA	Welsh, Carson, Anderson & Stowe
<b>Fenqile</b>	Personal online lending	\$100 000 000	CHINA	DST, Bertlesmann, Matrix Partners China, China Renaissance, K2 Ventures
<b>Qufenqi</b>	Personal online lending	\$100 000 000	CHINA	BlueRun Ventures
<b>Credit Karma</b>	Scoring	\$85 000 000	USA	Google Capital, Tiger Global Management, Susquehanna Growth Equity, Ribbit Capital
<b>Powa</b>	mPoS	\$80 000 000	ENGLAND	Wellington Management
<b>SoFi</b>	P2P Lending	\$80 000 000	USA	Thomvest Ventures, SG VC, Discovery Capital, Wicklow Capital, Peter Thiel, DCM, Renren Inc., Baseline Ventures
<b>Stripe</b>	Online Payments	\$80 000 000	USA	Khosla Ventures, Founders Fund, Allen & Company, Sequoia Capital
<b>Qiandaibao</b>	mPoS	\$80 000 000	CHINA	IDG Capital, Banyan Fund, Haitong Securities, Jiangxi Copper
<b>Monitise</b>	Banking	\$77 000 000	ENGLAND	MasterCard, Telefonica, Santander UK
<b>OnDeck</b>	SME Lending	\$77 000 000	USA	Tiger Global Management, Institutional Venture Partners, Industry Ventures, Peter Thiel, Google Ventures, First Round Capital, RRE Ventures, SAP Ventures
<b>AvantCredit</b>	Personal online lending	\$75 000 000	USA	Tiger Global Management
<b>IEX</b>	Direct investment	\$75 000 000	USA	Cleveland Capital Management, TDF Ventures, MassMutual Ventures, Steve Wynn, James H. Clark, Franklin Templeton Investments, Bain Capital Ventures, Spark Capital
<b>Tradeshift</b>	Expense, invoice mgnt	\$75 000 000	USA/DENMARK	Scentan Ventures
<b>Credit Karma</b>	Scoring	\$75 000 000	USA	Google Capital, Susquehanna Growth Equity, Tiger Global Management, Ribbit Capital

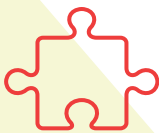
# 10

## 3. WHAT AWAITS FINTECH IN 2015?



### BLURRING OF BOUNDARIES

Changes in transaction processing and customer service will make the categorical distinction of services less significant. Services will have the same functionality for large and small companies, businesses and individuals. Current distinguishing of transactions for businesses and individuals will disappear, the differences between internal and cross-border transfers will begin to blur in developed countries. Small business accounting services will create integrated financial management products for businesses and their management.



### THE TRANSITION FROM INDIVIDUAL SERVICES TO ECOSYSTEMS

Square, Groupon, SumUp and LifePay have already started the development of their ecosystems in 2014, this year they will further the integration of mPOS services, offline payments, credit, loyalty programs, analytical platforms and websites and applications constructors. It is important that the trend towards ecosystems will come not only from mPOS and payment projects, but also from loyalty programs and other services. We expect the integration of PFM and PFP-systems, rating tools, the introduction of the possibility of direct account management and investment tools placement on platforms. In addition, existing and new platforms will actively sell financial products to their customers, as Asian PFM projects already do.



### THE GROWTH OF THE ASIAN MARKETS

This year we expect even more investments from European and American VCs in Asian FinTech-startups and the emergence of new projects in China.

### ANALYTICS

A boom of startups dedicated to customer analytics and internal analytics of companies. We will see increase of investments in solutions for SMEs such as online accounting, payroll and other systems of back-office automation. While segment of solutions for SMEs remained largely uncompetitive in 2014, we saw a big increase of interest to cloud accounting and e-Invoicing services, accompanied with growth in investment volume.





## P2P-TRANSFER

Implementation of p2p-transfer services in instant messengers, social networks and other platforms that have a critical mass of users. At the same time new players, who has come to the market from outside, implemented independent solutions and worked with several leading networks and payment systems, will attract more and more attention.



## MOBILE PAYMENTS

Commercialization of products in the field of offline mobile payments. The popularity of NFC, which had an important driver of popularity in the form of Apple Pay entering the market this year, will grow. However, we expect the launch of medium-agnostic projects, that will work with NFC and QR-codes, and — from business point of view — with NFC, QR, BLE and payment cards.



## E-WALLET

Further development of wallets and payment applications which automatically identify the user at various venues. The war will go on the level of marketing ideas and budgets in this area, we are not likely to see new solutions this year.



## GROWING IMPORTANCE OF THE ROLE OF MAJOR RETAILERS

Retailers, both offline and online, are finally aware of their strength as companies with a large number of customers, they will continue to actively move towards credit and money transfer markets. They will become a powerful driver in the market of POS and mPOS solutions and will blur the boundaries between offline and online sales.



## GROWING IMPORTANCE OF TELECOMMUNICATION COMPANIES IN FINTECH INDUSTRY

Some companies (T-mobile, for example) have already launched basic banking services last year, while providing unprecedented mobile-first experience for their customers. Others are expected to enter the market this year, most possibly partnering with payment and banking service providers to leverage huge customer base and day-to-day customer involvement they naturally have.



## CRYPTOCURRENCIES

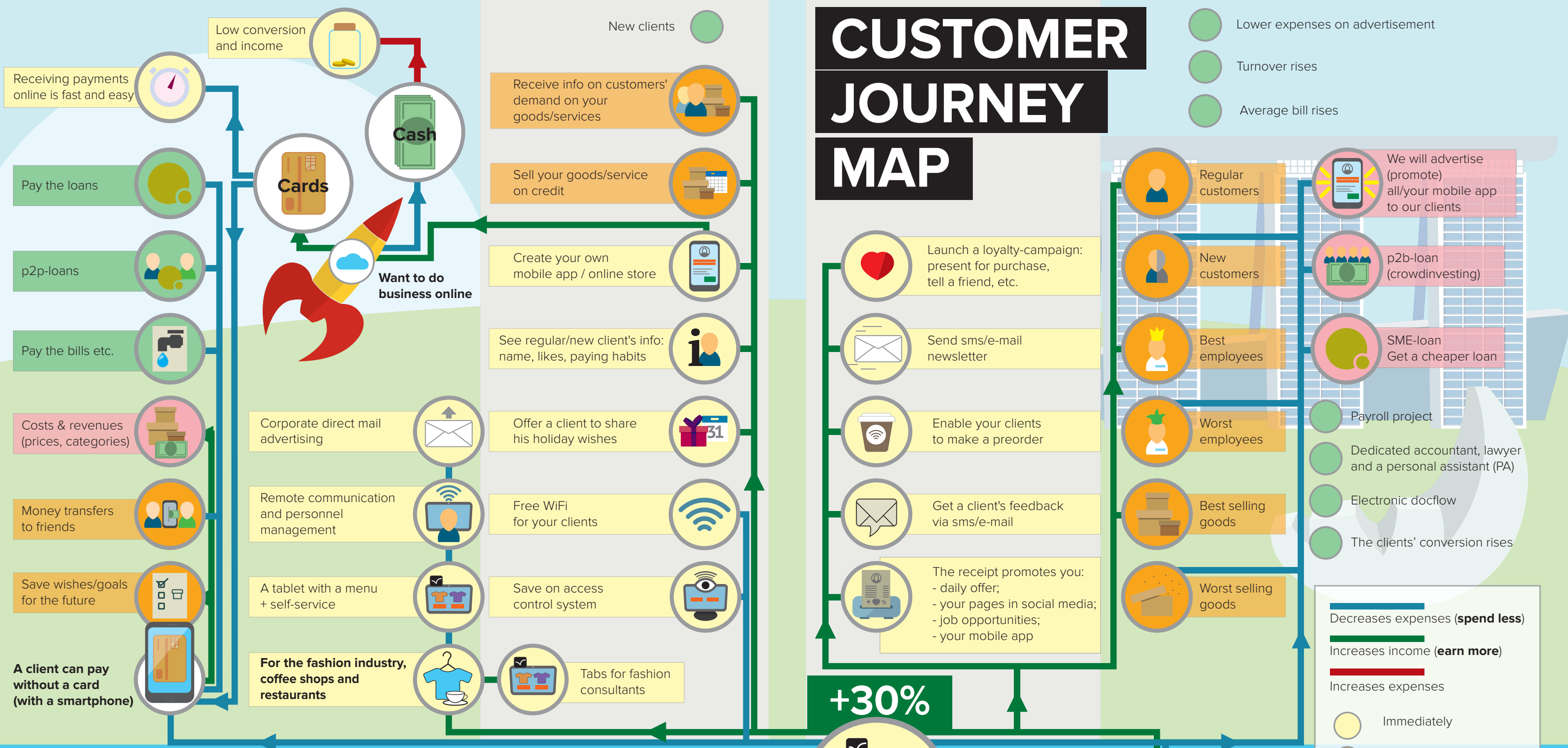
Changing attitudes towards Bitcoin and other cryptocurrencies. We expect the decline of the share of speculative operations and continuation of positive changes in the perception of Bitcoin, as these projects bring together great teams that will revolutionize the world of finance in many aspects. These teams will create new projects, which, regardless of the final means of payment, will radically change financial instruments that are used today.





# CUSTOMER JOURNEY MAP

- Lower expenses on advertisement
- Turnover rises
- Average bill rises



- Regular customers: We will advertise (promote) all/your mobile app to our clients
- New customers: p2b-loan (crowdfunding)
- Best employees: SME-loan Get a cheaper loan
- Worst employees: Payroll project
- Best selling goods: Dedicated accountant, lawyer and a personal assistant (PA)
- Worst selling goods: Electronic docflow

- Decreases expenses (spend less)
- Increases income (earn more)
- Increases expenses

- Immediately
- Within a month
- Within 3 months
- Within 5 months

My children should live in a normal country

Bring on charge for tax purposes once a year - \$50-200 - 1 day

Make it impossible to get a bank loan - 10-40%

No retirement benefits - 40%

+5-30% Save on taxes

Buy a regular cash register - \$300 - 1500 - 3-7 days

Via a mobile cash register (cash or card) - 2.7% - \$1000 - 1hour-1 day

Via a mPos-terminal - 2,7% + 0-\$100 - 1hour-1 day

Via a bank's pos-terminal - 3,5% + 0-\$1000 - 2-14 days

Want to do business offline

The receipt promotes bank

# ONE DAY OF OUR CUSTOMER'S LIFE IN THE FINTECH FUTURE



IT'S A FUTURISTIC ESSAY OF VLADISLAV SOLODKIY, MANAGING PARTNER AT LIFE.SREDA VC, ABOUT THE MAIN TRENDS IN FINANCIAL INNOVATIONS IN 2014/2015, AND THE FUTURE CUSTOMER JOURNEY.

Fintech is currently undergoing a natural evolution stage. Previous three years were a «toothbrush» era: when you perform just one function, but better than anyone, and when you are irreplaceable and used every day. The long-awaited turning point came in 2014 when all services started merging with each other in some way. And it's understandable — if the first advanced customers were ready to bake a cake with disparate ingredients themselves, the mass customer wants to get a comfortable ● **ecosystem of services** with seamless integration allowing the customer to easily use data from one service inside the other and enjoy the benefits from their joint use.

It has long been suggested that the core of the future ecosystem will be mobile-first banks for individuals, which is reasonable and anticipated, but now it is clear that the future ecosystem will be built on small and medium business and (this is my hypothesis) mPOS-projects (Square, SumUp, LifePay, etc).

The statement that ● **entrepreneurs will become the target audience of the future ecosystem** is supported by the following prerequisites. Traditional banks have historically spent much effort and offered the widest range of products to two segments: retail and corporate business. Small and medium has always been «something in between» between them. Therefore, the «pain» of entrepreneurs is stronger than the pain of all other groups. Secondly, such customers consume products both for private individuals and for legal entities. They don't differentiate in the way like — now I use some products, as an employee of a large corporation, and then I go out or come home

and use different products. They don't have this «customer journey gap» — they use all products simultaneously as far as they have just a few employees, and they are so much involved in all processes of the business that their personal and corporate «wallets» are a kind of «communicating vessels».

The reasons why I believe that among all fintech sectors ● **mPOS-acquiring is to become the core of the future ecosystem** are the following: this service is the easiest to explain to the potential consumer and to use it; it attracts both SME customers and private individuals; it easily connects new online opportunities with conventional offline infrastructure (which is critical!); it has a very low CoCA and is growing very fast. mPOS sector has the highest number of people consuming fintech products among both entrepreneurs and individuals. mPOS is equally successfully developing in most countries. The challenges that mPOS is facing, trigger its development towards other products. mPOS is growing very rapidly, but has a very low margin: it is necessary to increase the margin on mPOS-customers by selling additional fintech services either developed in-house or as a result of integration with partners.

When an entrepreneur chooses whether to accept card payments or not (which is the basic functionality of every mPOS-project), he usually disregards the cost of this service (base price in most countries is 2,7%), but takes into account the advantages of having cash instead of non-cash in the bank account. He notes that accepting cash payments is cheaper than card payments and in some countries it's a way to avoid taxes. But then what? Then the entrepreneur

is not able to provide the required business documentation to a bank and doesn't get a business development loan at all or it costs him by times more than acceptance of card payments. As a result of tax savings, the best employees are not satisfied with their job (since they are not able to obtain a loan without officially declared salary and their retirement pension is also going to be small), they quit and the business declines with the worst employees. I believe that in a long-term perspective this approach assumes that the entrepreneur is going to raise his children abroad, as over time the level of crime and unemployment due to unpaid taxes will be high. mPOS-projects urge their customers ● **not to spend less but to earn more**, they don't show what will happen to you tomorrow, but they show where you want to be the day after tomorrow. It's simple but fundamental difference. If you want to save 2.7% on mPOS-service, accepting cash only or bargaining for a lower acquiring rate — it's ok, but we are not going your way, because we don't believe in your business success the day after tomorrow, and we don't want to waste our time and effort on bankrupts. If you wonder how to earn 30% more — it's ok, and 2.7% is a fair price for this.

Once you become a customer of mPOS-service, you access mPOS opportunities (which are not available with traditional banks). The most important is that you begin to know your customers. In your personal account you accumulate ● **your customer base** — bank cards, e-mails, mobile phones, the service recommends you to learn their names and put in your base — and «know and understand your customer» rule is the key to successful business development. Most successful companies in the world are successful not because they have some goods or services, or have a better price, but because they are able to attract, serve and retain customers. Know your customer is your first step. In your personal business account you can ● **customize your receipt** (why does it have your bank's logo instead of yours? Why you don't offer your customers to join your group in social networks? Print the information about your special offers on the receipt!). You can ● **automate e-mail and sms notifications of your customers**. Now you can ● **automatically ask each client for a feedback** on a product or service — and your customers do not have to look for your «book of complaints», call the call center, or write in the feedback section on your website — they simply reply to your «receipt» sent by e-mail or sms. You can immediately respond to it and save

communication history in your database. You can immediately ● **set up a loyalty programme** (Advice Wallet, etc) — «gifts for purchases», «if you buy goods at the amount X, you get a discount», «tell a friend» etc.

When you purchase not a simple mPOS-acquiring terminal for a smartphone or tablet, but a full-fledged ● **replacement for your cash register** (tablet on a stand, mobile reader, printer for printing receipts and cash-box — *Poynt, LifePay Stand, Square Stand, SumUp POS*, etc), you are getting access to a wider range of opportunities. This solution is much more compact, aesthetically attractive and less expensive than a conventional angular plastic box. You can ● **accept and record in your system cash payments**. You can **provide your customers with free WiFi** (*Purple, Starbucks WiFi, Shopster, Navision*, etc) — dividing the signal into 2 channels (the secure one for yourself, and second channel without a password for customers), you use Internet any way and free WiFi is an attribute of a good modern service nowadays. You ● **will be able to «meet» your customer** (if he has visited either you or your SME customers before) — when he approaches your cash register, pop-up window will appear on the screen with his name, photo, shopping habits, information whether he is your regular customer or not, and you will be able to accept his payment even without a card present. Any customer would like to be recognized from the first sight and offered exactly what he wants to buy, and it doesn't matter that mobile register is helping you with this. You can save all the products in the form of catalog (or to load it from an Excel file or any other program or database). You can take a picture of your goods or upload a picture from the Internet so that your register ● **looks as attractive as iPhone screen**, rather than a dull list of names and prices just like a monochrome screen of a calculator (is there a difference?). ● **Directly from the catalogue store goods in the services like Pinterest and MyWishBoard** — now millions of users of these services will be able to save them as a «wish» and you'll receive the information about the deferred demand on your goods and get free advertising. You can also save the catalog as a ● **mobile app for AppStore, Google Play and Windows Phone** (*Shopify, MyApps*, etc) — just imagine that your app can be downloaded in one click on any smartphone or tablet! The app is fully customized, branded and includes all your products in stock, so that your customers ● **can make distant purchases or place pre-orders** (*Settle*) from home or office: book a table at the restaurant, make an appoint-

ment for a haircut in the weekend, arrange a delivery of a new bike. In fact, you just have opened your own store but online! When your customer returns, he doesn't need cash or bank cards, only a smartphone with your app installed — now he can pay with it. From your personal account you can also synchronize your catalogue form the register with your communities on social networks (*Ecwid*), and ● **sell products and services on Facebook and other social networks!**

Do not forget to place the information about your mobile app and social network store on your receipt, so that your new customer finds out from the receipt sent by email or sms where and how to download your app, and your brand will remain in his smartphone or on a personal page in social networks for a long time. Not to mention the fact that the mobile cash register allows you to ● **save on security systems** associated with the opening \ closing of the trading day, verification and access control, data backup, — the tablet is equipped with cameras to «verify» those who work with the cashier, a touch screen to take a user's online signature if required and cloud storage backup of all data. In some countries (such as Russia) registers have to be registered with tax authorities, in this case such solutions ● **save your time on tax registration** as far as they are already connected to the online fiscalization.

● **If you own a cafe, restaurant or fashion store** — besides registers, equip your sales assistants or waiters and tables in the cafe with a tablet and installed app built in your personal account of your mPOS-service (*Burberry* use case, *Wallmob*). This will allow your sales assistants to see not only the clothes hanging in a showroom, but also what you have in stock or in another point of sale, thus, you will serve the customer even if you don't have a particular product at the moment (and arrange a home delivery). If you own a café, clients will be able to place pre-orders rather than wait for a server, and you save on printing the updated menu if you change it often. It also will increase the effectiveness of advertising — if you want to immediately inform all staff members about the new promotion, special or daily offer, it appears on the screen of their tablets (including, for example, a video from a show or how your chef cooks). Not to mention the fact that you do not need to hire experts to design your club cards or pay for loyalty programmes because any customer's order, purchase, payment or comment will be saved. You will always have handy data on each client and his purchases!

After ● **one month** of using mobile

reader or register you will appreciate it. In your personal account you always ● **see new/regular customers** (motivate your regular customers and ask for a feedback from the new ones), best/worst employees (in terms of sales volume, average check, customer feedback), well/bad selling products. You will be able to ● **sell goods and services on credit** (*Financelit*) — your point of sale used to be too small for a bank to have a credit consultant there and a promotional stand, but now you'll be able to fill in all the required customer information on your register screen in 5 minutes and obtain loan approval, so that you receive money and your customer gets a product. You will ● **receive information about people who want the same goods and services that you offer** but use other stores or live in another district / city (*Pinterest, MyWishBoard*) — now you can make them a special offer. Those who prefer to make payments from smartphones using e-Wallets (*Google Wallet, Apple Pay, Fidor bank, Moven, Simple, QIWI, Rocketbank, Instabank, PayPal*, etc) can ● **shop without cash or plastic cards**. If a customer doesn't use e-Wallets, mPOS-project will propose to download one (*Square Cash*). They will be able to save there your products and services as future «wishes» and you will have a chance to remind about yourself. Not to mention simple transfers from a mobile application to your friends and family with one swipe of a finger. Also you will be able to ● **easily, quickly and cheaply issue prepaid gift cards** (for example, you own a beauty salon and one your regular clients wants to make a gift for a friend) — firstly, it is deferred demand for which the customer is ready to pay now (*Square Gift*), and secondly, it is the promotion of your brand outside your point of sale.

In 2 months you will collect some personal business statistics and mPOS-service will start ● **comparing you with similar businesses** and giving recommendation on business improvements. Also after you have reached a certain turnover and showed how you appreciate and care about your customers, you will be able to ● **obtain a business loan on more favorable terms than in a bank** (*Square Capital, Kabbage*, etc), because a bank sees only your revenues, costs and business plan, while mPOS-service trusts you more and sees the number of your regular customers, employees' motivation programmes, inventory management, increased demand on pre-order service and your products saved as future «wishes» in wish lists. Or even better — you can ● **borrow directly from your loyal customers** (*LendingClub*), or **make them your co-in-**



**vestors** (*AngelList*). For example, global corporations use services similar to Kick-Starter not because of the lack of money but because it's top class to engage your loyal customers in your business development! Do you remember that two months ago you recommended your customers to install a mobile app for payments in order to get rid of cash and cards? Now in addition to simplified payments and the fact that this customer is now «familiar» to other entrepreneurs, the customer receives ● **spending analytics** inside the mobile app (not by the check amount as a number of banks do, but broken down into specific products, e.g., the customer can filter how much fish he consumes and the app shows how many fish dishes he has bought in your café, in a grocery store, at the airport in a foreign country, etc), and ● **can receive interest on his «wish» as if it is a deposit** in case he is saving on it (*SmartyPig*). It will also be more convenient to forward the templates for utilities payments from your online bank — there is more life here. Since your business is constantly growing and you need new employees, involve your customers in the process and publish your vacancies on the receipts.

● **In another 2 months** you'll notice how that your advertising expenses and customer service costs have fallen, your loyal customers often recommend you to their friends and you have more regular customers than new ones. Visitors are less likely to leave without purchases and are happy that you always «recognize» them, give useful recommendations and spend a minimum of time for bureaucracy and product search. Your brand went online — far beyond the area where you have opened your first store. Now regular customers place pre-orders from home and a few days before the visit. It's high time to get rid of paper meaning both paper money and interactions with suppliers in paper — and ● **electronic document flow management system** (*Tradeshift*) will significantly reduce the costs and increase the speed of interactions with suppliers and partners for your fast growing business. At the same time the number of your staff is also growing. Your personal account will help to optimize your ● **payroll project** (*ZenPayroll*) — arrange staff schedule, vacations, sick leaves, issue payroll cards with your logo instead of a bank logo in order to promote your brand.

When you can't cope with accounting and spend more time on management issues, you need professional accountant, lawyer and personal assistant. But if you can't afford the whole administrative staff since you are still a small business — in your personal account you can get additional features:

● **a professional accountant, a lawyer and a personal assistant just working remotely and part-time** (*Knopka*) — just like Uber, when the mobile app provides you with a professional and personal driver, but you only pay for the time when you need this service. Your customers automatically receive ● **more favorable credit offers from banks** in their eWallets after they have accumulated payment history (*CreditKarma*), or even lend and borrow from one another (*LendingClub*).

If you would like to start your business online, then fintech services can help you to ● **set up your Internet** (*Shopify*) or ● **mobile** (*MyApps*) ● **shops**, ● **or accept electronic payments** in case you have your own website (*Stripe, Klarna, CloudPayments*, etc). Your clients won't have to enter their payment info all over again at every new shop, they'd rather ● **login and pay with one click** (*Amazon\Facebook Register&Pay via Profile*). You can even ● **sell your goods on social networks** (*Ecwid*). If you offer home delivery, equip your delivery guys with mobile readers to accept bank cards or, better yet, give them tablets with your app installed (in case the client wants to buy something else on the spot or asks for recommendations). On the customer consent, such services may even share the client's history of online and offline purchases — it will help the customer to analyze his revenues and expenditures (gives a better overview) and to get a loan (lower interest rates) etc.

On a larger scale one can notice another common trend. New financial online services promote entrepreneurship, they encourage you to launch and develop your own business and not in the buy-sell format, but rather creating added value for the customer. It is much more important, in my opinion, than the 2.7% commission for acquiring.



## 4. RESULTS OF MONEY2020, FINOVATE AND «MONEY OF THE FUTURE» CONFERENCES



contactless payment terminals.

During the Money2020 conference special attention was paid to Bitcoin: the program **(Bit)coinWorld** was one of the busiest at the conference — more than 400 speakers with the support of sponsors such as bitpay, Coinbase, Bitnet and others held public speeches on the development of the Bitcoin world and its infrastructure. Among the speakers were brothers Cameron and Tyler Winklevoss, who hold amount of Bitcoins



### MONEY2020 EXPO

From 2 to 5 November one of the most important conferences in the world of financial innovation **Money2020** was traditionally held in Las Vegas. One important topic of Money2020 was the launch of mobile wallet and mobile payment solutions from Apple, **Apple Pay**. According to the participants of the round table dedicated to the release of the new product, Apple once again managed to take a look at already mature and advanced technology from a better angle.

The experts also came to the conclusion that MCX, which is now developing with the support of the largest retailers in the United States an alternative mobile payment solution **CurrentC**, most likely, will have nothing to oppose Apple Pay with. Firstly because CurrentC will only be released in 2015, and also because CurrentC was largely compromised by scandals involving hacking of test accounts.



Jim McCarthy<sup>3</sup>, Global Head of Innovation and Strategic Partnerships of **Visa**, said: «We have all had experience here; now five of

the largest issuers and an added six are coming on board to deliver this digital experience we haven't been able to get to», he said. «I've been working in payments for 15 years, and the challenge of getting the industry to move — it was 15 years for debit or ATMs, and in a year Apple got banks and payment networks to create this. It's something I haven't experienced».

Analysts said that Apple needs to release version of Apple Pay for Android and Windows soon, as well as to persuade retailers to replace their existing terminals with

worth Ms of dollars and launch mutual fund **Winklevoss Bitcoin Fund**, creator of new cryptoplatform **Ethereum** Vitalik Buterin, **Ripple Labs** founder Chris Larsen, CEO of **American Express** Kenneth Chenault, as well as the CEOs of the largest Bitcoin infrastructure projects.

Philip Bruno and Kausik Rajgopal, representatives of **McKinsey & Company**, also gave speech on the conference. They talked about the changes in the field of financial transactions and transborder trade, which may result from building the Bitcoin infrastructure itself. Ryan McInerney from **Visa** told





about the explosive spread of mobile wallets and payment solutions and how these decisions affect e-commerce platforms and loyalty programs.

**Citi** representatives spoke about the development of smart banking, the emergence of two popular formats of bank branches — mini-kiosks and the flagship boutiques, as well as what kind of revolution Banking is undergoing due to transition to digital technologies (dismissal of paper documents and the reduction of physical presence).



Hill Ferguson of **PayPal** said that 85% of transactions in the United States continue to be committed in cash, and only 2% of POS-terminals support NFC technology.

New technologies in the field of personal identification, big data analysis and payment solutions allow to achieve a significant increase in the level of service provided — and, in particular, the ecosystem created by PayPal can help companies with that.

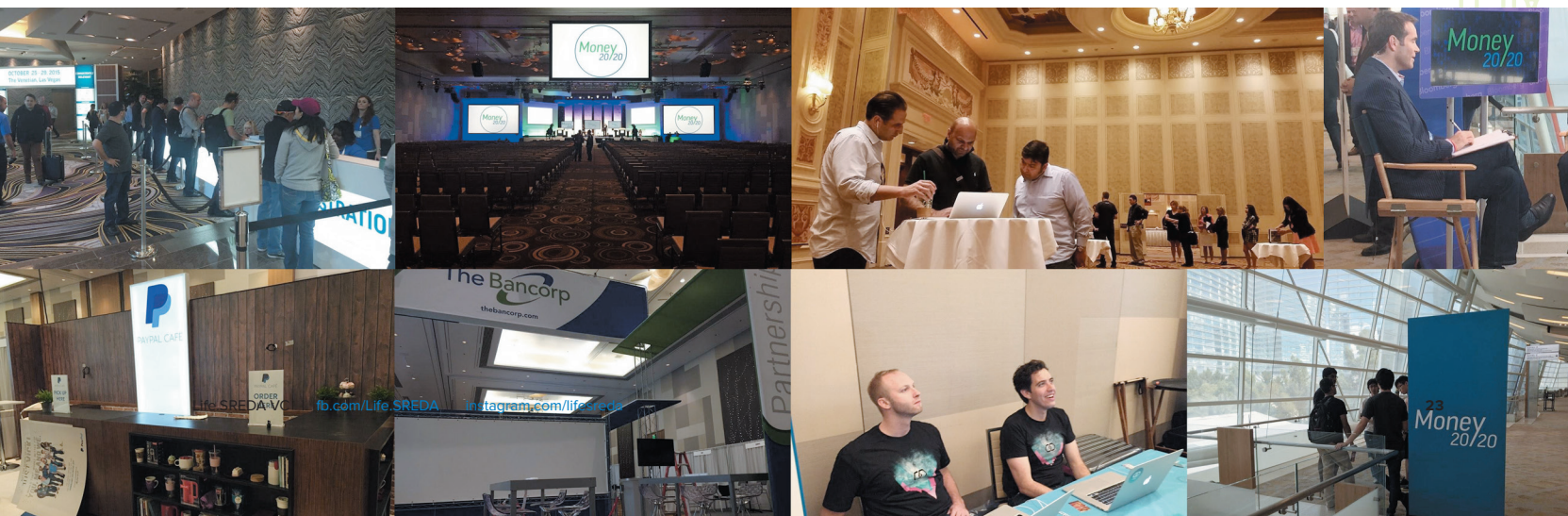
**Amazon** told about how the development of Amazon Payments and the whole financial ecosystem of Amazon allowed them to significantly increase the attractiveness of the core business and achieve better sales performance.

**Facebook** spokesman told about the opportunities offered by social network for business promotion, new tools for advertising campaigns (in particular, «Look alike») and advertising targeting options.



Paul Galant from **Verifone** has published statistical data on the company: more than half of POS-terminals in the world are now deployed

by Verifone (26 M terminals), 300 M transactions per month in the amount of \$7 B pass through Verifone terminals. Verifone still remains the leader of sales in the POS-market. ○





# FINOVATE



This year in the February, for the first time in the history of «financial innovation Oscar» Russian company, **Luxoft**, was the winner of the Finovate Europe. It introduced its mobile app for trading and accounting of assets in the form of shares for tablets. To show that the application is very easy to use, the company made the speaker a 9-year-old boy who told in his child language how the application works. Everyone's surprise, and then a flurry of supporting applause immediately identified the eventual winner of Finovate.

Also, another Russian project, **LifePay**, rocked the socks off the audience. At Finovate projects are always presented by the founders themselves, but CEO of LifePay came on stage and said that only bad projects are represented by their founders, but excellent — by their customers. Speaking client was a young woman Elena Spirina (ex-Miss Ukraine and Miss Universe participant, owner of event-agency **Merry-Go-Round**). She told how using the box solution from **Life-Pay.ru**, **My-Apps.com** and **Life-PAD.ru** she launched her new business — the production of women's fashion t-shirts Try Merry T-Shirts. During the first hour she has sold more than 3000 t-shirts, more than 80% of all purchases came from mobile devices, each new collection

sells out with the speed of 67 shirts per minute. Men in the room constantly filmed on smartphones everything that was happening on stage, and social networks wrote that «Russia brought the spirit of Eurovision at Finovate».

Finovate Spring for the first time moved from San Francisco to San Jose this year, and this time it was even more obvious that FinTech is not just any budding investment idea or passing trend in startups, but the prevailing direction of the business. If someone wants to go to the conference to find a breakthrough innovations or miracle — it's too late (you had to do this year and a half or two years ago). Now it is already sharpening old products and ideas, rolling out new versions and updates, networking FinTech industry. In the end, the winners of Finovate Spring in this year were Loop, Motif-Investing, SaveUp, Stockpile, Privat, EyeVerify and Ondot Systems. ○





## Money Of the Future 2014

November 12, 2014 the largest conference in Eastern Europe on financial technological innovation «**Money of the Future**» was held in Moscow for the third time, organized by venture capital firm **Life.SREDA**. The conference brought together over 1,000 participants and 31 speakers from seven countries.



According to participants the most striking performance of the agenda was the speech of the head of New York-based LearnVest Alexa Von Tobel (on photo), who spoke about her concept of personal financial planning and online advisory services. PFM / PFP services are considered to be one of the few most striking trends of FinTech industry in the world. Alexa is convinced that the future of financial services will be determined by young people with gadgets. LearnVest online service allows you to manage finances, analyze and plan expenses, make savings through financial advisers and technology.

In her book «Financially Fearless: The LearnVest Program for Taking Control of Your Money» Alexa describes her famous «50-20-30» idea of savings. When you become a member of LearnVest, they connect you with your personal planner. And they are all real people working full-time in a call-center in Arizona, professionals in financial consulting. You get unlimited access to communication with your manager by phone, email, Skype and so on. The planner's task is not to sell you something, but to give adequate advice.

Public talk between Oleg Tinkoff (TCS) and Sergei Leontiev (financial group «Life») attracted great interest of the audience: the two bankers discussed revolution in the banking sector, bank's strategy for a new

generation of brilliant staff and the search for different ways to innovate.

A panel discussion about traditional banks and new business models was held with the participation of **Rocketbank** founder Victor Lysenko, Head of Directorate of venture financing of **Sberbank** Igor Karpovich, Head of payment business Development of **Yandex** Alexander Magomedov, founder of **Instabank** Roman Potemkin, director of the British **Anthemis Group** Andrew Veitch, head of the Estonian **LVH Group** Rain Lohmus and chief editor of the **Rebanking** portal Anton Arnautov.

The impact of FinTech on small and medium-sized business, financial literacy and entrepreneurial culture, problems of growth and customer loyalty were discussed in the section «Mobile and online payments». Technologies for mobile and online payments are not only and not so much a technical solution for cashless payment cards but a source of intelligence and sales increase. The discussion was attended by Vladimir Akimov (**LifePay**, Russia), Mark Henkel (**PayMill**, Germany), Stas Matvienko (**Settle**, Ukraine) and Alexander Riesenkampff (**SumUp**, Germany).

Clinton Lindsey, director of the US Agency **SustainAbility**, delivered a lecture «Inspiring Responsible Economies» on the social responsibility of business and corporate culture, the relationship between business success and values that create a stable environment for innovation.



Online banks and mobile banking applications are a large segment of FinTech industry, but FinTech is much wider. «Now FinTech has 23 areas, 6 of which are developing very rapidly: bank-as-service, mobile-first, personal financial planning (PFP), online loans






without credit institutions such as p2p lending, bitcoin and t-commerce» — says managing partner of venture firm **Life.SREDA** Vladislav Solodkiy in the «Industry of financial innovation» section. According to the fund data, for the first nine months of this year global FinTech received \$4.2 B investment, and in 2018 will gather at least \$8 B.

Participants looked at FinTech from another point of view at section «FinTech and LifeStyle»: how fashion, art, film and literature affect the technology. Catherine Bazilevskaya (**Look At Media**) hold a speech about Generation Y in Russia and cultural trends, Nikolai Kononov (**Look At Media**) — about storytelling and communications, Maria Veyhman (**Scorista**) — about social networks and reputa-

tion of the borrower, Dmitry Amroyan (**MyWishBoard**) about the wish lists and financial planning and Alberto Pasquini, head of **Crea** (Italy), the author of «branches of the future» of CheBanca — about empathic design of bank branches.

In addition to the official agenda, the conference organizers have arranged a thematic lounge area **LifePay.Market: Food & Art**, where visitors could listen to lectures about art, fashion, literature, gadgets improving the quality of life, as well as buy fancy things and try street food from the most fashionable cafés. All outlets were equipped with **LifePay + LifePAD** devices to accept credit cards instead of cash. 





## 5. mPOS

THE LARGEST VENTURE ROUNDS, USD M:	
Square, USA	150
Qiandaobao, China	80
iZettle, Sweden	61,8
Swipely, USA	20
QFPay, China	16,5
SumUp, Germany	N/A
Top 5	328
<b>Total</b>	<b>352.7</b>

What tendencies would we highlight in mPOS market development in 2014? First of all a switch from monosystems (pure mPOS) to multicomponent ecosystems occurred, most outstanding example is Square. Secondly, analysts and investors, dissatisfied with current margins, generated by mPOS players, requested companies to justify investments in them — thus, in 2015 we expect main players addressing this problem one way or another. Thirdly, 2014 showed that successful mPOS companies can quickly get new customers in rather low-cost way, which can justify the existence of mPOS solution within a given ecosystem even in case mPOS division itself doesn't turn profitable.

### SQUARE: FROM MPOS-SOLUTION TO ECOSYSTEM

Square, world leader of mPOS solutions, launched a number of new initiatives in 2014. One of them is **Square Capital**, an online factoring platform, which provides cash advances to small and medium-sized businesses. As Square possesses information about the turnover of business and all card payments, it can afford to give up the long process of reviewing applications and instantly make decisions on loans. The funds arrive to the accounts of entrepreneurs on the next day after funds request. There are no hard-set dates for their return: Square will charge

the customer a certain percentage of daily sales until the loan is fully repaid.

Another company service, **Square Cash**, now lets the user to ask for a loan directly from several friends through e-mail. To use this service, the borrower and his friend must attach one of their credit cards to the system or to the mobile app. In addition, Square Cash can make transfers by the phone number, to import address books, profiles of social networks and to generate a single list of phones and email. Transactions in Square Cash are free. According to an analysis by Brian Romele, senior manager of Microsoft, Square Cash processes about 800 transactions on a normal day, a year after the launch of the service, which leads to the idea that Square Cash is currently being used by few people. Currently, when **Apple iTunes** has nearly 900 M cards attached, **Amazon** and **PayPal** — over 250 and 150 M, respectively, and nearly 100 M transactions have passed through **Braintree** — Square Cash looks nothing more than an experiment.

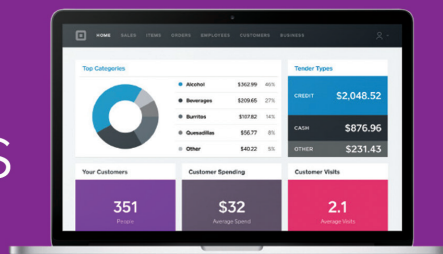
In 2014 a new feature **Square Pickup** was launched, which allows SME clients of the company to take orders for their products remotely and then drop them to one of the selected sales points or restaurants. To make an order, the buyer has to go to the page of the seller on Square Market, or use the Square Order application. The application allows you to find a restaurant, cafe or shop, make an

order and pay for it using Square. Then it notifies the user with a special warning that he can pick up an order. Application, in fact, is the client interface for the Square Pickup service.

Square Company has long been trying to make its platform more attractive for its clients: representatives of corporate, small and medium-sized businesses and ordinary customers. That's why Square has updated its platform and now gives its clients the ability to accept payments by cards when Internet connection is interrupted. Card data is recorded to the log files during swiping and is saved until your Internet connection is restored. Also the company launched a new service — Square



### Square Analytics



In late August, Square introduced a new tool, **Square Analytics**, that allows you to monitor sales, get information about time and product distribution of sales, as well as the distribution of the check average between groups of buyers. It can also display all transactions in the personal accounts (including third-party services — QuickBooks from Intuit, Xero and StitchLabs)<sup>4</sup>.

Feedback: for \$10 a month SME clients can receive feedback from customers about their products and quality of service by SMS and email-notification<sup>4</sup>.

Another new feature is the ability to track the number of remaining stock on sale (both at online and offline points). Sellers have the ability to view product information through personalized dashboards, and can also set up special reminders that help to avoid a situation with an unexpected lack of a product in stock<sup>5</sup>.

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This summer Square also introduced their own EMV solution to accept microchipped card payments. Recall that on the October 1, 2015 there will be a so-called «transfer of liabilities» on the Visa, Mastercard, American Express and Discover cards for retailers. A retailer, who couldn't



will be sent to customers in 2015<sup>7</sup>.

According to unconfirmed reports, Apple shortly before shown interest in buying Square, but the parties were unable to reach an agreement. According to rumors, the main reason for this were differences in the valuation of the company, which Apple assessed at an amount not exceeding \$3 B.

In November Square Register app became available worldwide, although payment processing and delivery of the Square equipment in these countries has yet to be started. And in December, the company began offering gift cards to their customers — an important step for the company's business, given the turnover of gift card industry in the United States.

Removal of the **Square Wallet** from the AppStore and Google Play in 2014 has generated a lot of conflicting conversations and discussions. Many industry representatives have repeatedly expressed their opinion that mobile wallets in its current form do not present a special value for customers and cannot fundamentally change their attitude to the process of payment for goods.

## SQUARE COMPETITORS GAINING MOMENTUM

Meanwhile, Square competitors in Europe continue to expand and attract more investments. Swedish mPOS-startup **iZettle** attracted two rounds of financing at once in 2014. In May, round B has been declared, with major investors

such as Zouk Capital, Dawn Capital, Intel Capital, and Hasso Partner Ventures. The volume of investment amounted to 40 M euros (\$55.5 M). And in July iZettle raised \$6.8 M from investors in the round C. Thus, a total of \$108.9 M were invested in iZettle development to date, and the service is already functioning in nine countries: Mexico, Brazil, UK, Germany, Sweden, Denmark, Norway, Spain and Finland. Also this year, iZettle declared a release of their SDK. SDK will allow embedded solutions for mobile payment in third-party applications<sup>9</sup>.

Another major player in the European market, **SumUp**, developed and launched its own Chip & Pin reader. As a rule, the majority of companies in the market use white-label solutions and are not developing their own hardware solutions. PayPal, iZettle, Payleven and Worldpay use devices from the manufacturer Miura Systems. SumUp decided to go the other way and became the first European provider to create a



## \$150 000 000

Finally, in early October Square closed another round of investment of \$150 M. In the course of the transaction Square was valued at \$6 B<sup>8</sup>. The main investor was the Government of Singapore Investment Corporation (GIC). Square is estimated at 1/5 of the volume of payments passing through the system during a year, with 7.5 P/E multiplier and about 22 price to operating profit multiplier.

accept credit cards with a microchip will be responsible for any fraudulent machinations tied to their sales outlet (the default full responsibility lies with the bank that issued the card). In november Square started to distribute new EMV-readers, dongles are \$29, board decisions — \$39. The first batch





reader, explaining the move by claiming that existing solutions do not meet their «strict requirements». Developing of the device took 18 months, and now the device will be sold in almost all markets where the company is present for \$135<sup>10</sup>. In August SumUp attracted investments worth more than \$13 M during round C. Venture capital fund Life.SREDA became the lead investor in the round, as it continues to expand its presence in the mPOS segment. Currently SumUp raised \$33M total investment<sup>11</sup>.

On August 13, 2014 Amazon has

and 2.7% per magnetic stripe card transaction and 2.75% vs 3.5% + \$0.15 per microchipped card transaction. However, compared to solution from Groupon, which has no less opportunities as a seller of payment solutions to small and medium-sized businesses, Amazon Local Register does not look so cheap — 1.8% + \$0.15 per transaction for MasterCard and VISA. The terminal itself costs \$10, but the money are transferred to the account of the seller and serve as payment for processing of first payments.

**LifePay** — Russia's largest mPOS

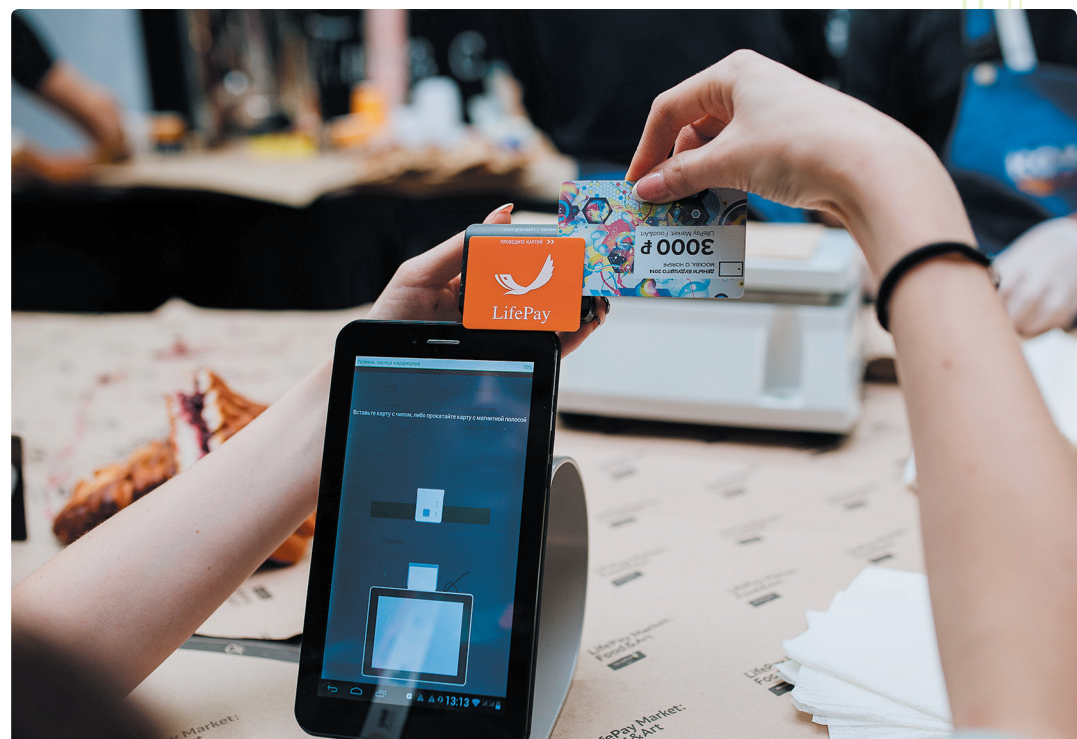
service — enters the Asian market. LifePay acquired iBoxPro, one of Asia's leading mPOS services, and it will use iBoxPro as a base to build the top mPOS company in Southeast Asia. iBoxPro works with the Vietnamese (population — 92M), Indonesian (252M) and Thai (67M) markets. LifePay and iBoxPro are merging to create a new company, **LifePay Global**, with its headquarters in Singapore. LifePay Global services will be available in four countries: Vietnam, Indonesia, Thailand and Russia. With an excess of 20,000 customers and 50,000 active mPOS readers in use, LifePay Global is set to process \$4 million of transactions per month. The company partners with TechComBank (one of the largest banks in Vietnam) and national payment system BankNet. In Indonesia, the company collaborates with Mayapada — a member of Indonesia's largest financial and trade group. In Russia, LifePay Global works with top-tier banks — Probiznesbank, Binbank and VTB24. By the end of 2015, LifePay Global plans to increase the amount of processed transactions to \$40 million per month and enter Chinese and Philippine markets. The expected growth will make LifePay Global the strongest player in the Southeast Asian mPOS market by 2017. With the area's absence of major network mPOS players and only a small number of mPOS projects, LifePay's expansion into Southeast Asia and China



made a presentation of full-scale mPOS solution «Amazon Local Register», which includes mPOS device itself and an application that allows customers to monitor the dynamics of Amazon sales and payments to make a simple analysis of transactions committed, take tips, track customer preferences and more. First users report a higher quality of the reader compared to nearest competitor, although the connection process, creation of a new account and verification of the customer still present some problem, and the application itself still leaves much to be desired. Amazon Local Register allows the seller to accept most of the existing cards.

The main advantage of Amazon over Square and the other companies present in mPOS market at the moment (except for Groupon) is its possession of giant base of SME customers as well as the ability of direct generation of demand for products of its clients through existing products and solutions. Thus, Amazon from the very beginning has a stronger position than the main competitors, due to the synergy effect of the portal owned by Amazon and services offered by them, the possibility of cross-sales where the buyer may start his way to purchase on Amazon site and then finish it in a store and vice versa.

Amazon emphasizes the availability of its decision, which, indeed, is cheaper than those of Square and PayPal Here — 2,5% against 2.75%



# adyen

Another fast-growing mPOS- and online acquiring startup **Adyen** raised \$250M on B round with capitalization of \$1.5 B. The main investor was General, other participants being Index Ventures, Felicis Ventures and Asian fund Temasek Holdings. Facebook, Airbnb, Spotify, Evernote and Groupon have become Adyen customers. The money is dedicated to finance further development of mPOS solution Adyen Shuttle, actively distributed in the UK and across Europe<sup>16</sup>.

is a logical move. These locations have a large number of small and medium businesses (mPOS's target customers) and a large number of issued credit cards with a rather weak card acquiring infrastructure. Currently, LifePay Global's product and technology line includes, Chip&PIN and Chip&Sign readers along with an ecosystem of software and hardware business solutions and services, including: CRM and business analytics, mPOS installation equipment for points of sale and small businesses including cash register with built-in MDM system. In Q2 2015, Life-

opment but also by the experience of people working in that company. iBoxPro has a strong multinational and international team, with team members living and working for a long time in region's various countries» says, Vladislav Solodkiy, CEO **LifePay Global**.

Finnish startup **IroFit** launches another mPOS terminal. A key advantage of the new mPOS-solution is the ability to process payments through the basic GSM-channels, making it possible to make payments without access to the Internet. The new product is expected to be distributed in



collect the bank, gift and loyalty card's data to your smartphone. The data is stored in the smart phone and can be used with a handheld gadget. The price is \$39 for a compact device with a plug-in for the phone and \$99 for the special smartphone case. The device gives a sufficiently strong magnetic signal for the classic bank cards receiving terminals so they can perceive it as a swipe with a regular card<sup>13 14</sup>. In the IV quarter of 2014 Samsung started negotiations with Loop about adapting the most technologically successful solution in the field of mobile payments in the market for its new line of phones. Whether Huawei, Xiaomi and Lenovo will support this new trend in the mobile market, we will know in 2015<sup>15</sup>.

Successful platform for creating online stores, **Etsy**, decided to enter the crowded market of mPOS since 90% of sales of merchants listed on the site come from offline. Etsy will start to distribute free readers that are compatible with devices based on iOS and Android. Despite the growing popularity of chip & pin solutions, readers will only accept cards with a magnetic strip. Commission on Etsy offline operation is also reduced from 3.5% set for online sales, to 2.75%<sup>17</sup>. ○



Pay Global plans to launch a number of new services including pre-order service for HoReCa, online loans, online acquiring, and digital wallet.

«The reason for our attention to mPOS projects is the fact that today they are the fastest-growing. That is quite understandable: they have one of the lowest CPAs and the highest customer base growth rate. From big data and new products upsell / cross sell point of view they get simultaneous growth on both small/medium business and customer sides. No other financial technology demonstrates such growth speed, low customer acquisition cost and upsell capabilities. Our choice of partners for entering Southeastern Asia market was dictated not only by their area of operation, growth rate, quality of customer base and product devel-

Nigeria, where the stage of preliminary testing showed stable operation for more than 95% of locations (compared to <50% for devices operating only in a zone with a stable internet connection). IroFit just received \$600 thousand to finance its development<sup>12</sup>.

Despite the growing popularity of mPOS among sellers, the transition to the new system still requires some efforts. **Loop** encourages further simplification of the process of accepting payments by removing the need to install any new equipment in retail outlets. Loop works with normal readers for credit cards that are installed in the majority of sales outlets in developed countries. The basis of the interaction between the gadget and POS-device is dongle, similar to the already present in the market of mPOS. It allows you to

# Etsy

Major financial innovations in 2014 and the 2015 trends





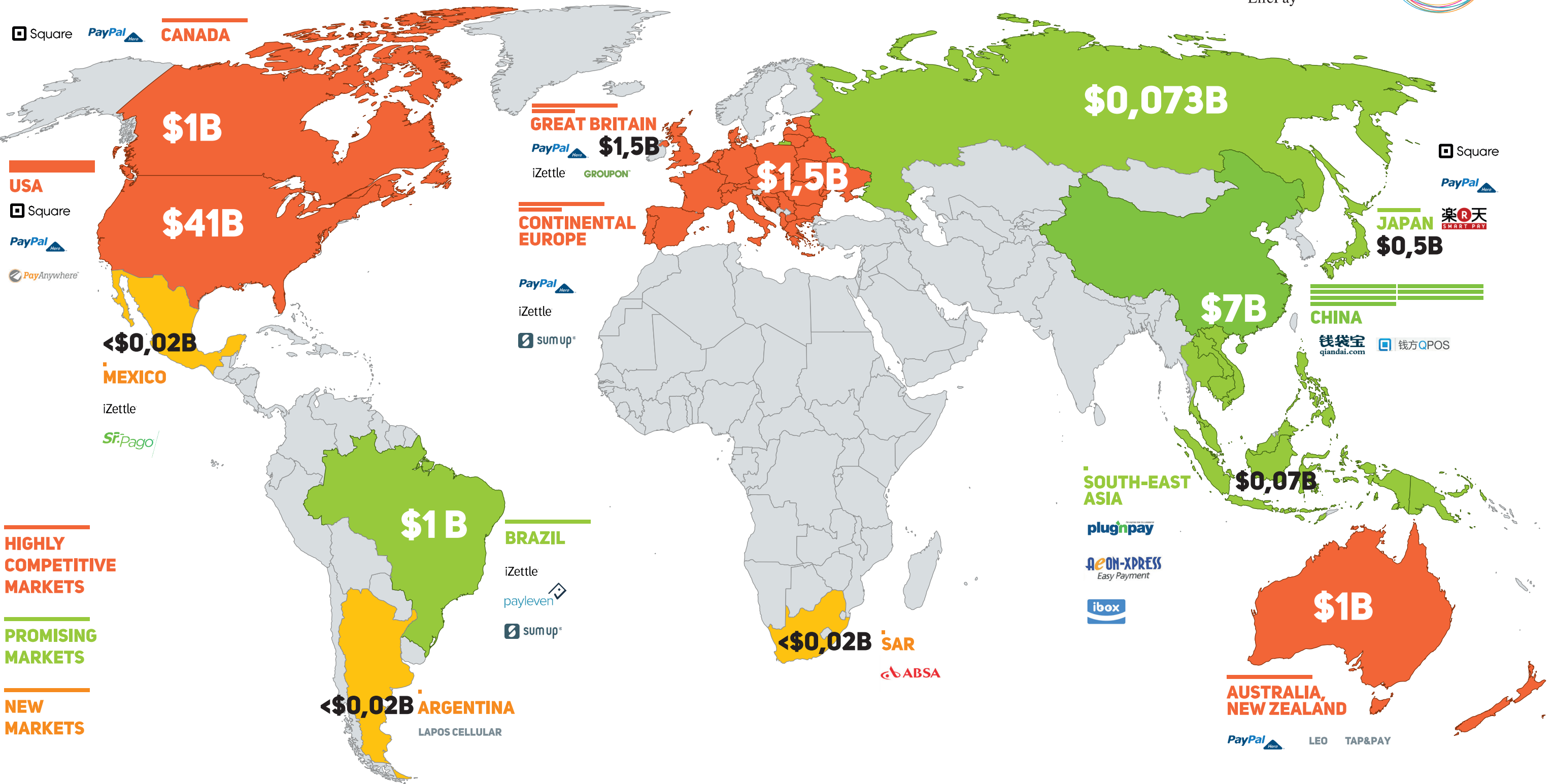




# MPPOS WORLD MAP

# \$555B

+70%  
TRANSACTION  
GROWTH IN 2014



**HIGHLY COMPETITIVE MARKETS**

**PROMISING MARKETS**

**NEW MARKETS**

## 6. T-COMMERCE

### THE LARGEST VENTURE ROUNDS, USD M:

Revel, USA	101,2
Shopkeep, USA	25
Orderbird, Germany	10
TouchBistro, USA	1,5
AirVend, USA	1,2
<b>Total</b>	<b>139,2</b>

**Which are the main trends in T-Commerce segment development? Firstly, as concerns monetization and competitive advantage, in 2014 companies in the segment proceed to rely more and more on developed ERP and CRM systems, than on transactional part of their business, switching from commoditized service to highly-customizable and feature-rich services. Secondly, we still don't see much of qualitative and simple solutions of SMEs cash units. Thirdly, we saw a big overlap between offline and online services, provided by T-Commerce companies, a leap of online2offline and offline2online internal solutions, creation of online marketplaces by companies, which mostly evolved in offline beforehand, and vice versa.**

### SQUARE, AMAZON, Groupon, REVEL: FIRST STEPS ON POS MARKET

Advances of Square Stand and steps taken by **Square** in the direction of the offline business this year were marked with a number of events. In particular, the company began working with one of the largest US retailers — **Whole Foods** — whose stores will now be equipped with Square Stands.



«Square was our top most requested integration that we didn't have»

BRANDON LEVEY, CEO STITCH LABS

Square reoriented the development of this product to medium and large retailers some time ago, therefore the conclusion of a partnership agreement with Whole Foods was an important step for Square. However, Square terminals do not replace existing terminals of Whole Foods — Square Stands and Square Registers will be supplemental means of payment processing for small sales points placed in Whole Foods stores.

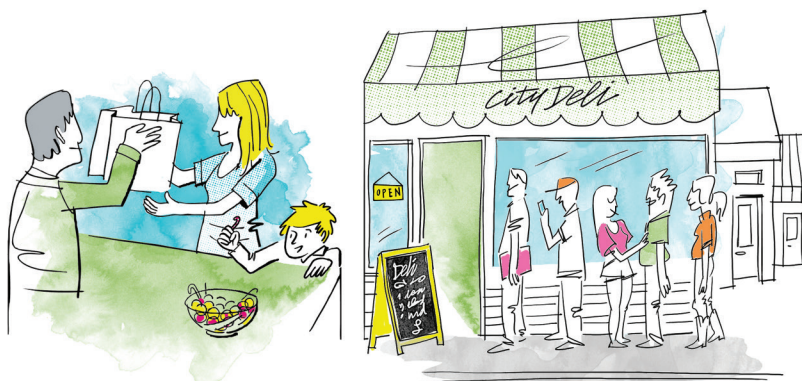
Square has also entered into a partnership agreement with the stock tracking service **Stitch Labs**, which was an important milestone in the development of offline Square services. With Stitch Labs already cooperating with Amazon, Etsy, Shopify, Stripe, it is gradually becoming the standard for the industry (like OpenBooks for accounting) — so, all the more important it is to come into agreement with Stitch Labs.

Square has also taken steps towards the development of business in the direction of restaurant reservations by buying BookFresh startup and food delivery by buy-

of tPOS system by Amazon, and the Internet giant is going to target small business in the first place, in contrast to Square approach. Amazon, among other things, has the credit card information of 230 M users — more than any other company in the US. It is likely to give it an advantage in the early stages of the system's promotion, as Amazon will be able to provide its customers, SMEs, invaluable information about transactions and customer preferences.

One of the competitive advantages of the Amazon will be an ability to create and provide a variety of promotions and discounts through Amazon.com to customers. The company also has begun testing of a new sales channel for Kindle — vending machines.

Groupon launched its tPOS solution — **Groupon Merchant Tablet**. Service will allow to have a dialogue with customers and respond to their feedback on the store and the individual products, develop a loyal community of the product, analyze sales, remember preferences of individual



ing delivery service **Caviar**.

Amazon has launched **Kindle Checkout System**, thus beginning to compete with Square and PayPal. Kindle tablets with integrated bank card readers have become the basis

customers, and, of course, to accept payments. Like most other tPOS-systems in the US market, Groupon Merchant Tablet is based on the iPad. In addition, the device can read Groupon coupons. Users who have



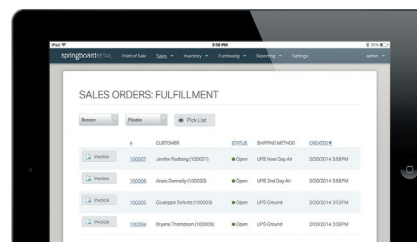
installed the discount service app may activate their vouchers via Bluetooth on their smartphones. The system has integration with some bookkeeping programs for small businesses, and is able to maintain a database of buyers, memorizing their names and contact details. With this new system Groupon is trying to solve its main problem: customers who buy coupons visit just once and then never return. Gnome comes with a preloaded CRM-system, which should help outlets to better track their customers and create targeted marketing campaigns using purchase history and customer preferences.

**Revel Systems**, as we have already mentioned, has received \$100M in investments from investment fund Welsh, Carson, Anderson & Stowe and several other investors. And the next step, according to the company's management, will be an IPO. These investments will be used for further development of the company within and outside of the United States. Revel has already installed more than 10 thousand terminals, most of them in the United States. The company also has three European offices — in London, Vilnius and Belfast the latter is not yet open, but it is provided by a subsidy of \$1.2 M from the regional business development agency in Northern Ireland. At this point Revel Systems employs 200 people and startup has already achieved a point of self-sufficiency. In addition, this year Revel Systems made available the reception of payment in Bitcoins for their clients.

## SHOPIFY: FUTURE IPO, ANALYSIS OF SOCIAL NETWORKS AND MEDIA PLATFORMS AS A SALES ACCELERATOR

One of the most important news

on the e-commerce market is the forthcoming IPO of Canadian Shopify. The company plans to place the offering early next year and raise about \$100M with valuation exceeding \$1B. IPO may take place in the spring but it will depend on market conditions, according to Shopify. At the moment 120 thousand commercial enterprises use Shopify service. Goods worth more than \$5B were sold since the launch of the platform. Morgan Stanley, Royal Bank of Canada and Credit Suisse Group AG



were chosen as IPO underwriters.

**Springboard Retail**, cloud POS solution and platform for sales management in the retail sector, has entered into an agreement to integrate with Shopify. Integration of services will allow Springboard clients to get a simple and effective tool for online sales management, sales and trends analysis, and achieve synergies through online-to-offline and offline-to-online sales schemes.

Shopify has also conducted a study of the effectiveness of various media and social platforms as sales accelerator and posted the research results on the web. 37 million of visits to Shopify clients' stores redirected to the site through social networks resulted in 529 thousand sales. At the time of publication of the study Shopify had 90 thousand clients, thus it makes less than 6 sales per visitor of social networks for the store in a year. From this we can conclude that

# SOCIAL COMMERCE

Which social media platforms drive the most sales?

A look at 20M sales via social media that converted into brick-commerce orders

The networks we looked at for collecting this data are:

### MARKET SHARE BY VISITORS COUNT

Facebook drives nearly two-thirds of all social media visits to Shopify stores.

Platform	Market Share
Facebook	65% - 23.9M visits
Pinterest	18%
Twitter	10.5%
YouTube	6%
LinkedIn	4.5%

### MAJORITY OF ORDERS FROM SOCIAL MEDIA COME FROM FACEBOOK

An average of 87% of all orders from social media belong to Facebook. They dominate some industries such as Photography, Sports & Rec, and Pet Supplies by nearly 90%.

Industry	Facebook %
Photography	87%
Sports & Rec	87%
Pet Supplies	87%
Dressmaking	87%
Jewelry & Watches	87%
Clothing & Apparel	87%
Food & Beverage	87%
Home & Garden	87%
Wine & Beer	87%
Health & Beauty	87%
Music & Movies	87%

Percentage of social orders originating from Facebook by industry | Long-term orders growth (quarters)

### AVERAGE ORDER VALUE

Polysure surprised us by sitting in the top spot with an impressive \$66.75 average over 436 orders (Q3 2013).

Platform	Average Order Value
Pinterest	\$66.75
Instagram	\$55.00
Pinterest	\$48.75
LinkedIn	\$35.00
Facebook	\$32.24
YouTube	\$26.75
Vimeo	\$46.25
Twitter	\$44.24
LinkedIn	\$40.00
Google+	\$37.50
YouTube	\$37.50

### CONVERSION RATE

The ratio of which a visitor went on to purchase on their offer visiting. Values cannot consistently convert at 1.00%.

Platform	Conversion Rate
Facebook	1.88%
Vimeo	1.96%
YouTube	1.96%
LinkedIn	1.96%
Google+	0.94%
Twitter	0.73%
Pinterest	0.58%
LinkedIn	0.44%
YouTube	0.41%

### INDUSTRIES NOT DOMINATED BY FACEBOOK

Many industries generate a significant amount of orders from secondary platforms. Here are some, with market share percentages. If your industry is listed, consider that particular platform in conjunction with your Facebook page.

Industry	Platform	% of Orders
Antiques and Collectibles	Facebook	74%
Antiques and Collectibles	Amazon	24%
Digital Products	Facebook	47%
Digital Products	IT/Computing	23%
Services	Facebook	34%
Services	Twitter	26%
Electronics / Appliances	Facebook	51%
Electronics / Appliances	Home & Office Furnishings	18%
Home & Garden	Facebook	29%
Home & Garden	Home & Office Furnishings	15%
Books & Magazines	Facebook	29%
Books & Magazines	Gifts & Specialty	15%

### TOP PRODUCTS

A look at the kinds of products that are doing well on Twitter, Pinterest, Facebook and YouTube.

Product	Platform
Socks for Men Program Ability Bridge	Twitter
Black/White T-Shirt (Black/White)	Pinterest
Black/Pink & Black/Coffee T-Shirt	Facebook
Heavy Weight Hoodie (Black/White)	YouTube
Winged in Time Leather Cuff Watch (Three Hand Set)	Pinterest
Little Turkey Baby Hat (Mint/White)	Facebook
4 Pink Women's Beanie (Pink/White)	YouTube
Crochet Lace Top (Black/White)	Twitter
Washed Branded Ability Bridge	Facebook
ChopSaw (Black)	YouTube
Seamless CLIP-On 3-Pack (Black/White)	Twitter
Stainless Candy Cane (Red/White)	Facebook
Melange - Clean Tea (Black/White)	YouTube
Complex Cookbook (Michael Ery Fitness)	Twitter
Socks of Course! Wash (Multi-Color)	Facebook
MCM Magazine - Issue 6 (Mighty Cup-Made)	YouTube

<http://www.shopify.com/blog/12731545-which-social-media-platforms-drive-the-most-sales-infographic#axzz2vQUZQy2>



the majority of Shopify clients do not consider social networks as a serious sales channel at the moment and do not make large investments in the development of these channels. 63% of those redirected to Shopify from social networks and media channels were Facebook users, they have also made 85% of all purchases, thus, conversion of redirections into purchases was 1.85%. Reddit became the fastest growing source of buyers in 2013 (152% increase in the volume of orders), Facebook ranks second (129% increase).

However, in some segments other services dominate or occupy a large share. Pinterest — sales of antiques and collectibles (74% of purchases), services (26% of purchases), books and



magazines (29%), computer hardware and software (22% of purchases). YouTube — digital products (47%), services (36%), cars and spare parts (26% of purchases). Reddit — 31% of sales in the «Electronics and Accessories» segment, Twitter — 18% of sales in the segments of furniture and catalogs, 13% of sales in the segment of products for home and garden and gift sector.

If you analyze how much revenue an average click from a social network generates for a merchant, you will get the following results:

- Facebook** — 102 cents;
- Instagram** — 70 cents;
- Vimeo** — 59 cents;
- Youtube** — 44 cents;
- Google+** — 39 cents;
- Polyvore** — 39 cents;
- Twitter** — 36 cents;
- Pinterest** — 32 cents;
- LinkedIn** — 21 cents.

As we can see, among the most valuable (in terms of statistics gathered on the Shopify platform) clicks are those from Facebook, Instagram and Vimeo. The least significant in terms of increased sales are referrals from Twitter, Pinterest and LinkedIn, although these results may not be very representative because of different nature of goods purchased

by users of different networks.

Last year Shopify also launched **Shopify Plus** — white-label solution for e-commerce projects aimed at the segment of medium and large businesses. As noted by Shopify, many companies outgrow the platform that was not originally designed for large companies, and Shopify has decided to offer a solution for those clients who are at the moment not satisfied with the current opportunities for online sales on Shopify.

We should also mention **Ecwid** here, e-commerce platform that lets merchants create online stores on social networks like Facebook, their own websites and mobile apps. This year platform raised \$5M from iTech Capital and Runa Capital. Today platform can boast 600000 merchants (2x growth in one year) in 175 countries, only at Facebook it has 40000 stores, being number one e-commerce app there. Platform supports 40+ payment gateways and more than 45 languages.

### VERIFONE AND IPAYMENT AGREEMENT WILL RAISE VERIFONE TPOS-BUSINESS TO A NEW LEVEL

American manufacturer of equipment for receiving payments **VeriFone Systems** together with the processing company **iPayment** presented tablet-based POS-terminal for small businesses. iPayment POS has been developed for more than 150 000 small commercial enterprises, which iPayment currently serves through independent trade organizations and numerous other direct distribution channels in the United States. Platform includes features such as inventory management, planning, business intelligence, CRM, loyalty management and marketing. The terminal also accepts payments through NFC, EMV-cards and magnetic stripe cards. iPayment processing allows you to receive VISA, MasterCard, American Express, Discover and Diners Club cards, as well as certificates, gift cards and loyalty programs.

### NEW PROJECTS AND IBEACON TECHNOLOGY PROGRESS

The former head of Google Wallet Osama Bedier launches **Poynt**, tPOS-terminal that combines support

IN THE 1ST QUARTER OF 2014, US LARGEST RETAILERS, ACCORDING TO THE SURVEY, USED THE FOLLOWING MEANS OF IMPROVING THE SHOPPING EXPERIENCE IN STORES:

60%

Tablets

48%

Electronic checks

47%

POS-terminals

46%

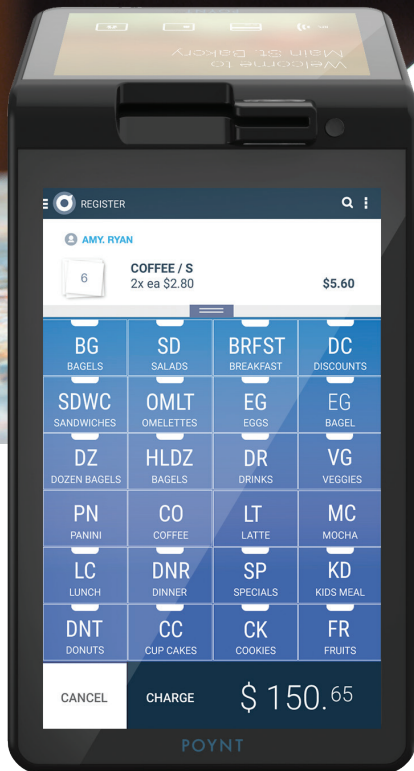
Mobile applications from vendors in the hall as a tool to increase sales

42%

Non-standard payment options (PayPal, Google Wallet)

20%  
NFC

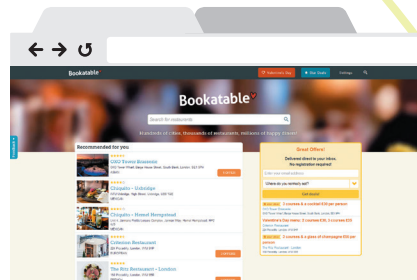
14%  
iBeacon



for all existing technologies — chip cards and magnetic stripe cards, QR-codes, NFC, QR-codes and BLE. The system is based on Android and priced at \$299. Poynt has received funding from Webb Investment Network, Nyca Partner and other investors. According to Bedier, he saw new opportunities in the market of POS-terminals, after it became known that before October of 2015, the US must move to EMV-technology. Given that at the moment most terminals in the country are still based on the mag stripe technology, 2015 and 2016 should be a period of boom of new POS solutions, while the industry is provided with a rare opportunity to make several steps forward on the technological level. The terminals are distributed through partner banks (Poynt, according to Bedier, is already working with two of the largest US banks), while Poynt sells equipment to banks at cost price, making profits as an intermediary for the sale of business applications. Poynt gave their device an operating system of its own design (Poynt OS), which can be updated remotely. The company is already working with developers of business applications such as Vend, Kabbage, Swarm, Boomtown, Bigcommerce and Intuit, and Poynt will develop SDK

for other stakeholders soon. Poynt receives a 20% commission for all applications installed on the tablet for distributing software through its platform.

According to **inMarket**, 31.5 M people or 18% of Americans involved in mobile commerce interact with their network built on iBeacons, in one month. ComScore guarantees



the truthfulness of these words.

Meanwhile **Bookatable** and **Shopkick** begin to deploy iBeacon solutions in restaurants and stores, respectively, and on the TechCrunch-supported Hackathon one of the teams showed an application that combines the capabilities of the POS from Clover and iBeacon, which allows to timely respond to the arrival of a new client and their specific table sitting.

Several major players of FinTech industry proceeded to experiment with Beacon solutions and develop solutions of their own. Apple deployed its solution — **iBeacon** — which it developed and tested in 2013. Macy's, Lord & Taylor, Starwood Hotels & Resorts have already signed for a program, mostly to test it in their stores. Besides it, Major League Baseball put beacons in 28 of its 30 ballparks. This year Apple promoted a new iBeacon feature that allows Starbucks app to

pop up at user screen, when he is nearby participating Starbucks store. Pebble added iBeacon support in its Pebble smartwatch and Virgin Atlantic installed it in the «Upper Class» section of its terminal in London Heathrow (iBeacon automatically triggers Virgin app to display a boarding pass when passengers approach the gate). Meanwhile other prominent tech industry players enhanced abilities of their software, apps and devices to communicate with iBeacon — Google has built more iBeacon functionality in Android while GE Lighting went so far as to form a partnership with ByteLight in order to develop lightbulb with built-in iBeacon tracking functionality.

PayPal piloted its **PayPal Beacon** solution in 2013. It allows merchants and customers interact with each other via PayPal and eBay apps, in particular, cashier can send them a push notification to finalize the transaction via PayPal app. Concerning that there are more than 17 million active users of PayPal app, PayPal solution can easily gain momentum. ○





## 7. MWALLETS/EWALLETS

### THE LARGEST VENTURE ROUNDS, USD M:

Mozida, USA	185
Powa, UK	101
MobiKwik, India	30
Firstmonie, Nigeria	12
Flint, USA	9
<b>Top 5</b>	<b>337</b>
<b>Total</b>	<b>402</b>

### APPLE PAY: NEW STEP BY APPLE IN THE ELECTRONIC WALLETS MARKET

Of course, the most important event of 2014 in mobile and electron-

ic wallets market is the long-awaited release of **Apple Pay**. On September 9, 2014 Apple introduced a new solution as part of its presentation, which is currently working on a basis of new iPhone 6 and recently developed Apple Watch.

Apple decided not to work with BLE-technology and did not include QR-code payment functionality into its wallet and payment solution. Over 220,000 American businesses (of 12-15 M capable of accepting credit card) can receive such payments which do not require any changes to the POS solutions of stores.

**ITG Investment Research** conducted a study of the Apple Pay first results in November. According to the study, 60% of new users of Apple Pay wallet used it more than once in November. At the same time, only 20% of new users of PayPal wallet used the service more than 1 time in November.

Average Apple Pay mobile payment client uses it 1.4 times per week, and the probability of re-use of the wallet in the same place is 66%. The average user makes 5.3% of its card transactions in Apple Pay, while spending 2.3% of all card transactions (thus, the average size of transactions through the application should be more than two times smaller than the average



HERE ARE A FEW FACTS TESTIFYING TO THE PENETRATION OF APPLE PAY SOLUTION:

#### Whole Foods

During the first three weeks after the introduction Whole Foods reported 150 thousand Apple Pay transactions.

#### McDonald's

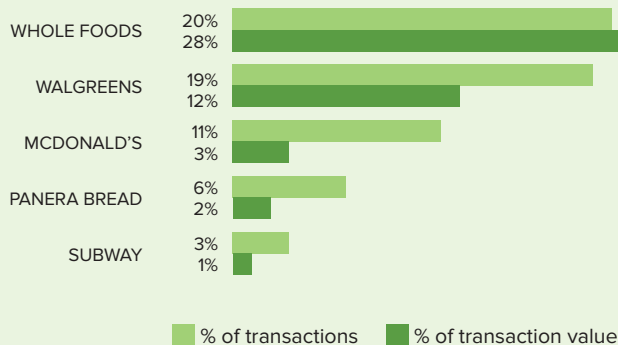
more than half of mobile payment goes through Apple Pay (first three weeks).

#### Walgreens

mobile payments doubled after the launch of Apple Pay.



STATISTICS OF KEY NETWORKS IN TERMS OF APPLE PAY TRANSACTIONS



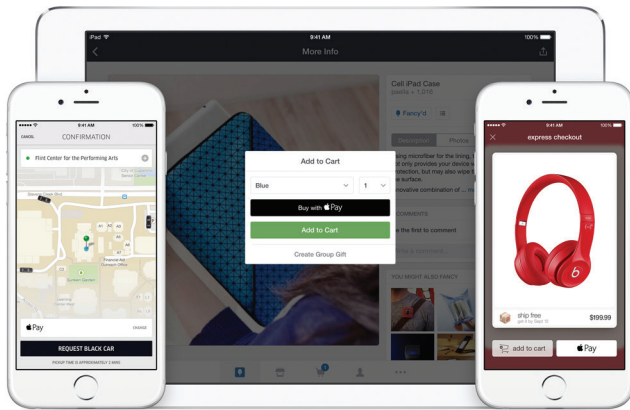
size of a card transaction; the reason for that, of course, are doubts about the security of mobile payments).

Thus, an important factor for the development of Apple Pay should be the collaboration with big retailers, whose convenience stores and drugstores make 40% of transactions. It will be interesting to look at the future competition of CurrentC and Apple Pay — **CurrentC**, promising to enable more ways to pay from your phone (will likely support payments via QR-code, while being platform agnostic), would probably get bigger support from a number of leading retailers that can provide even faster start for the project.

ACCORDING TO THE ITG, MARKET SHARES OF "DIGITAL PAYMENTS" MARKET IN US (FOR ALL PRODUCTS) ARE DISTRIBUTED AS FOLLOWS



It's really impressive — over two months Apple Pay has reached a level comparable to Google Wallet, which has been operating in the market since 2011. In addition, if Square's 18% market share is calculated on basis of its **\$2.5 B** monthly transactions, we can assume that Apple Pay had more than **\$200 M** transactions in November. Recall that Apple Pay takes 0.15% of each transaction of share that goes to the card issuer.



✓ **9,1%**

According to a study by InfoScout, 9,1% of users who have the ability to use Apple Pay (have an iPhone 6 or SmartWatch), took advantage of this opportunity in 5 weeks after the launch of the product, which, in our opinion, is an impressive figure. The majority of users said that the use of Apple Pay is more convenient than paying by card.



**People who hadn't used the feature mentioned these main reasons:**

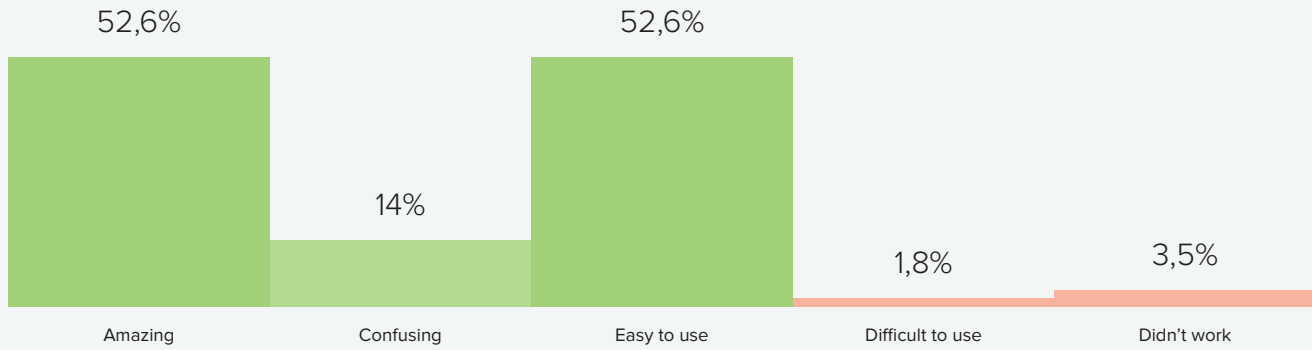
- I am not familiar with how Apple Pay works — **32%**
- I am satisfied with my current payment methods — **30%**
- I am concerned about its security — **19%**

Only about **10%** of people who bought iPhone6 were not aware of this feature and indicated this as a reason for not using the device.

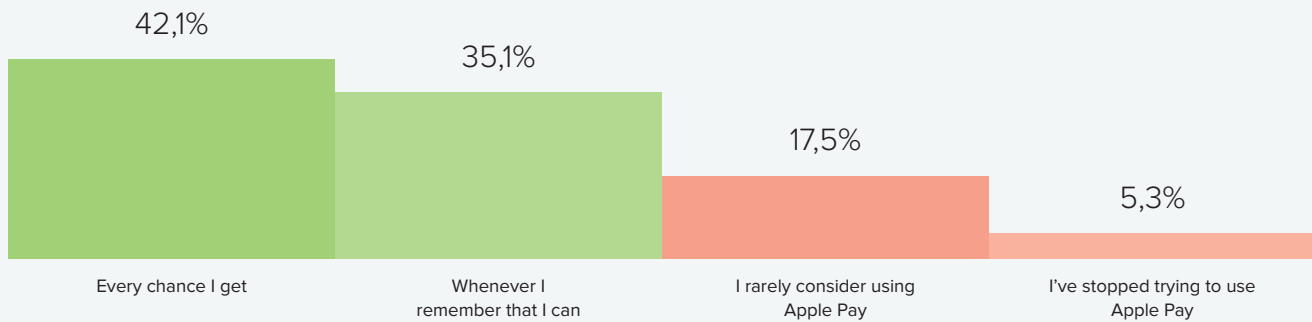
<http://blog.infoscout.co/apple-pays-black-friday-by-the-numbers/>

InfoScout also asked users of the new service on their experience with Apple Pay.

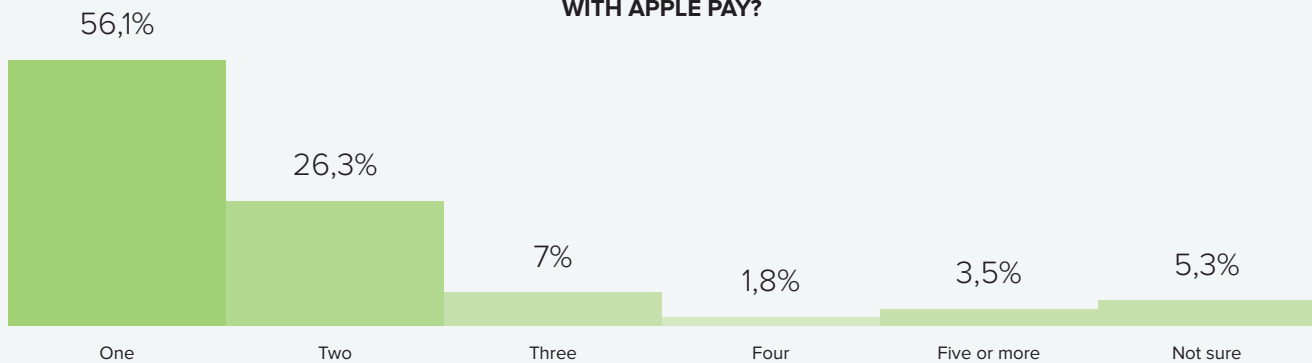
**THINKING BACK TO THE VERY FIRST TIME YOU USED APPLE PAY, WHICH OF THE FOLLOWING BEST DESCRIBE YOUR EXPERIENCE**



**HOW OFTEN DO YOU USE APPLE PAY?**



**HOW MANY CARDS DO YOU HAVE REGISTERED WITH APPLE PAY?**



[http://www.pymnts.com/news/2014/apple-pay-a-bust-on-black-friday-new-data-shows/#.VJv0Bv\\_AXA](http://www.pymnts.com/news/2014/apple-pay-a-bust-on-black-friday-new-data-shows/#.VJv0Bv_AXA)



## TOUCH ID FROM APPLE: API RELEASED

This year **Apple** released Touch ID API for third-party developers. This will significantly increase the number of products and services that use new technology. As a result, a number of applications already has built-in authentication through fingerprint — in particular, the largest PFM project Mint, eCom-merce-applications Amazon and

billboards, through email-newsletters and online advertising Chase, Citibank, Wells Fargo, Mastercard and Bank of America are actively promoting new payment solution from Apple.

## APPLE PAY AND ALIPAY: COMPETITION AND PARTNERSHIP

Speaking of the news directly related to Apple Pay, we can mention that back in October Amazon and Square announced the future integration of Apple Pay with their products. At the same time rumors began to circulate about a possible partnership of Apple Pay and AliPay, followed by an Apple Pay entry

will closely follow the development of the service in the coming year.



## PAYPAL: DEVELOPMENT OF ONETOUCH AND SAMSUNG PARTNERSHIP

**PayPal** continues to develop its mobile payments services. In May 2014, PayPal entered into an agreement with Israeli **MyCheck** on integration of a number of MyCheck service functions into PayPal. With this agreement PayPal users will be able to conveniently pay bills in restaurants and cafes, split bills with their friends and leave tips, all the while not engaging waiters and thus saving time. MyCheck is being used by more than 3 thousand outlets around the world, most of which are located in the United States.

PayPal also announced the release of its own payment solution and e-wallet **One Touch PayPal**, which, apparently, will hit the market



The sizes of the business of the two companies, Apple Pay and AliPay, are currently not comparable: AliPay has more than **300 M** people registered, **190 M** of them have downloaded the app. 54% of AliPay transactions are mobile payments, it constitutes 80% of the Chinese market. Apple Pay has only several M people registered, and the turnover of service for November is, as we have already mentioned, more than **\$200 M**. Thus, sizes of the two services on every possible metric differ by about 100 times.

ETrade, banking application Simple, application for p2p-transfer Square Cash, Alipay Wallet and Google Wallet.

It is very likely that after its reconciliation with Apple PayPal (which can now be officially used for payments in the Apple Store) will launch an application with support of Touch ID in the near future (fingerprint identification is already working with a number of Android devices — but it's of PayPal's own development).

At the moment, Touch ID is an optional tool for identification, however it is likely that in the case of dissemination of technology and the emergence of trust in the Touch ID it will be the main tool for the identification, replacing passwords.

Meanwhile, banks continue their active marketing campaign to support Apple Pay — in a series of television commercials, newspaper articles,



to the Chinese market. On November 16, Apple announced support of UnionPay cards, one of the largest card companies in the world and card business monopoly in China. And in December, several banks and retail chains announced partnership with Apple Pay.

It is too early to judge the start and growth of Apple Pay. **Life.SREDA**

in 2015. This solution, according to representatives of PayPal, promises to be the most cutting-edge of all the online wallets and, among other things, will support Bitcoin as the payment option from the start.

PayPal has entered into partnership agreement with Samsung — all new Samsung phones and tablets with



support of fingerprint identification will have built-in payment solution by PayPal — in particular, PayPal is already installed on the Samsung Galaxy S5, Tab S, Note 4 and Alpha.

In the 3rd quarter of 2014 the volume of payments via PayPal reached \$56.58 B against \$43.84 B a year earlier (29% growth), the number of active users increased from 137.4 M to 156.9 M (14.2% increase), net revenues increased from \$1.63 B to \$1.95 B (up by 20%), the number of payments reached a value of 894.6 M.



## POWA — ONE MORE B-PLUS VALUED COMPANY

Another company with evaluation of \$1+ B appeared this year in FinTech: British **Powa**, which specializes in solutions in the field of mobile payments, mobile and e-commerce, was valued at \$2.7 B in the course of investment round led by Wellington in November. Powa has received \$80 M, having secured another \$20.7 M in February 2014. Thus, the company received more than \$100 M of investment this year.

However, the estimate that Powa gained during the round is close to the one already voiced by company CEO Dan Wagner, immediately after the June acquisition of the Hong Kong company **MpayMe** and its **ZNAP** technology (a payment solution based on QR-code, loyalty program, e-wallet and even the possibility of instantaneous transfer of funds from a wallet to a purse when you do not have enough money to buy something) for \$75 M (2.5 times the revenue of MPayMe). He estimated the company to have a value of \$2.7 B, giving less than 3% of the company for the Hong Kong startup.

Powa also managed to make some noise in the past year — the largest round A in history of venture capital investments (\$75 M), one of the highest round A valuations (\$500 M) and accompanying hype in the press caught the attention of not just anybody, but David Cameron, who accompanied his speech with following words: «I am delighted that Powa is further contributing [to the recovery of the economy] with the creation of 250 jobs to expand their growing business. E-commerce is vital to our economic success».

This year, after the November round, rumors began to spread about the company's IPO — and Wagner responds to this: «There doesn't need to be an exit,» he said. «When you have a business that is potentially a global leader, then it's right that it goes public because that is the right environment for a business to continue to grow. That's the reason [to take it public], not because I want to sell out.»

The leading product of Powa is **Powa Tag** technology, integrated with **Powa Web** and **Powa POS**. It works as follows: the buyer scans the tag with QR-code and puts it in his electronic basket — now he is able to compare it with other products, to buy it at any time online or search for similar products on the web. He may also proceed to checkout where cashier will be able to process his purchase immediately without the need of scanning each item individually. In addition to the QR tags, merchants can set up beacons in stores that will broadcast advertising and special promotions of the store right to smartphones of buyers passing by.

At the same time Powa provides a launch of loyalty program for individual merchant, an option to receive

mobile payments, user app that stores user data which allows, in particular, to make one-click purchases — in short, a complete system that equips trading point with 21st century marketing and payment solutions. In addition to helping you to travel from offline to online, Powa can help a customer to do just the opposite — for example, it can help you to locate the thing you liked on the web page in physical store (or check its availability). For each transaction Powa charges 0.1% (but not less than 25 pence). To date, the project has involved hundreds of companies around the world: Universal Music, Carrefour, Argos, JD Sport, Laura Ashley and many others. It is expected that the introduction of PowaTag will significantly increase the conversion of shoppers into buyers and increase the amount of spontaneous purchases.

According to Dan Wagner, acquisition of MPayMe, whose team consists of 120 employees, will give the company access to tens of Ms of new customers on several continents. Powa has already entered into an agreement on the implementation of PowaTag in rental and utility billing services, in the nearest future we can expect to see Powa technology working in retail stores, ticket bureaus and so on.

## LOOPPAY IS NEGOTIATING WITH SAMSUNG

If negotiations between the provider of mobile payment solutions Loop and Samsung will be successful, the new line of Samsung phones will be hardwired with devices from Loop. We mentioned repeatedly the advantages of Loop technology: it does not require any installation of new equipment at merchant level (one can use any card-accepting terminal), it does not depend on the operators and does not require additional agreements, and already a user can upload any number of banking and discount cards to his phone. The only obstacle to the rapid spread of technology was the cost of the device — as Loop does not take a percentage of the transaction, and profits only by selling their devices, free distribution is out of the question. However, the stumbling block can be removed by this partnership with Samsung. If pre-installed into Samsung phones (and



hence technically 'free'). readers will be able to, in our opinion, gain popularity much faster than competing solutions — precisely because they will use existing infrastructure and user habits, thus removing the need for the user to carry a wallet with all his cards and greatly increasing the security of payments (due to the tokenization).

## STARBUCKS CONSIDERS TO TURN TO WHITE LABEL FOR ITS APP

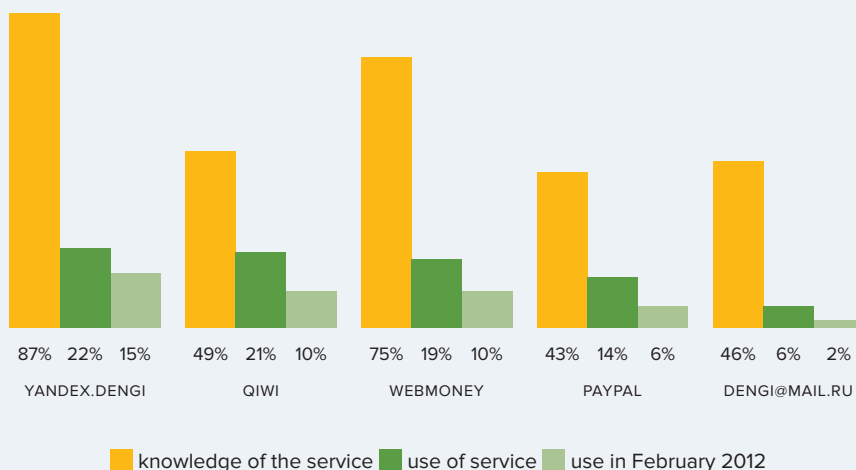
In a third quarter of 2014 **Starbucks** has reached 7 M of payments a week through its application — 75% more than a year before. In 2014, \$1.5 B in payments were made using the application — an order of magnitude smaller than PayPal, and probably less than a Google Wallet, but the result is shocking still — because now it is an application for mobile payment that is used in only one American coffee chain!

## QIWI: A BET ON EWALLETS, E-COMMERCE AND MONEY TRANSFERS

In the third quarter of 2014 the number of active VISA Qiwi Wallets reached 16.5 M. In the third quarter of 2013 the numbers was 15 M (in the third quarter of 2012 — 9.8 M), 650 thousand transactions pass through the system daily. Average amount for the transaction is 800 rubles. As we have already mentioned, in the fourth quarter of 2013, eWallet revenue of VQW first time exceeded the income from terminal services, as follows from the statements of the company. Of more than 1.700 M rubles of Qiwi net revenue for October — December 2013, 859 M rubles were brought by VQW (it is 12% more than in III quarter) and 807 M rubles by terminal direction (3.4% less than in the previous quarter).

According to Sergei Solonin, CEO of QIWI, key areas of business for QIWI are currently E-commerce and money transfers — the most marginal for the company. QIWI is also actively developing on loan payments processing market (mostly concerning consumer loans) — this sector generates more revenue than any other, and the increase in commission to 1.6% of the payment amount (but no less than 50 rubles) will significantly raise the profitability.

In May TNS conducted a survey among residents of Russia aged between 12 and 55 years who use the Internet at least once a week, of the use of services, e-wallets and other non-cash means of payment. Results for the services of electronic purses.



The law limiting anonymous electronic payments played a significant role in the QIWI business this year — since 15 May of 2014 transfers between individuals in excess of 15 thousand roubles a day were prohibited if their wallets are not personalized. In the previous year QIWI acquired payment system «Money Mail.Ru» for \$10 M and entered into a partnership agreement with PayPal, eBay and Aliexpress, allowing QIWI wallet to significantly increase the transactions turnover.

## MOBILE WALLETS ADOPTION STATISTICS

According to the study by Nielsen, published in July 2014, 40% of users of mobile wallets consider them as their main method of payment.

However, the most interesting in Nielsen survey is the collected statistics on use of mobile payments by smartphones and tablets — in the second quarter of 2014 the leading way to pay bills with smartphones and tablets was by means of QR-codes and NFC; mPOS devices or P2P transactions were used significantly less.

According to the study by Thrive Analytics in June 2014 among Internet shoppers, PayPal, Google Wallet, Apple Passbook and MasterCard PayPass Wallet were the most used US electronic wallets. Of those who have ever used e-wallets, 79% of people used PayPal, 40% — Google Wallet, 17% — Apple Passbook (and now Apple Pay) and 5% — PayPass Wallet by Master-



### QIWI REVENUE BY SEGMENTS IN THE FIRST 9 MONTHS OF 2014:

Financial Services  
**\$1 444,2 M**

E-Commerce  
**\$1 357,6 M**

Mobile and Internet  
**\$905 M**

Remittances  
**\$664,3 M**

Other  
**\$305,9 M**

### MARGINALITY OF THE REVENUE TO PROFITS:

Financial Services — **0,98%**

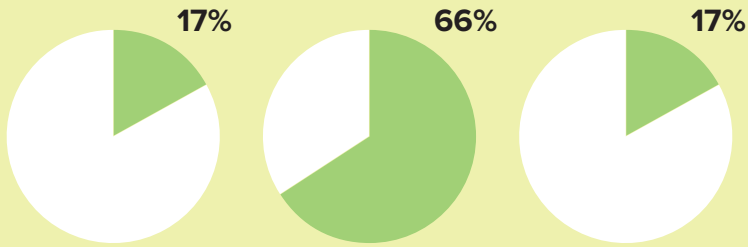
E-Commerce — **2,51%**

Remittances — **1,47%**

Mobile and Internet — **0,49%**

Other — **0,79%**

US FEDERAL RESERVE RELEASED ITS STUDY OF MOBILE FINANCIAL SERVICES FOR 2013



- 17% of mobile phone owners in the US (which is 87% of US adults) or 24% of smartphone users made a payment with a mobile phone during the last year;
- 66% of them have paid using the Internet (ie, made online payment) — it's the most common medium for the mobile payment;
- 17% of smartphone users paid with their mobile phone at POS-terminal in the past 12 months (9% of the US population), 39% of them scanned the barcode or QR-code at the checkout.

THE MAIN REASONS FOR **NOT USING** MOBILE WALLETS TO PAY FOR PURCHASES ACCORDING TO THE SURVEY WERE

- 46% Concerns about the security of mobile payments
- 37% Confidence that the existing methods of payment — cash and bank cards — better satisfy user's needs
- 32% I never thought about it
- 18% Uncertainty that mobile payments will give something to the user
- 8% Old model of the phone
- 7% Too lazy to learn

Card. In this case, the leader among wallets as concerns major transactions is Google Wallet, which processes 35% of transactions of \$30 or more.

TRENDS AND PERSPECTIVES

Table preorder and related products

A number of services that allow to book tables, make pre-orders or pay for the order without the help of a waiter have appeared this year. Let's look at some of them.

In March, **PayPal** announced the new features of their eWallet service in the UK and Australia: Order Ahead and Pay at Table, which allows to pre-order food in cafes and restaurants and pay for order without assistance by entering a four-digit code, respectively. At the moment, the services are already represented throughout Europe.

British startup **FlyPay** gets £1M, its work-scheme is simple: the customer is provided with the ability to pay his bill by himself using QR or NFC elements of the interaction built in table.

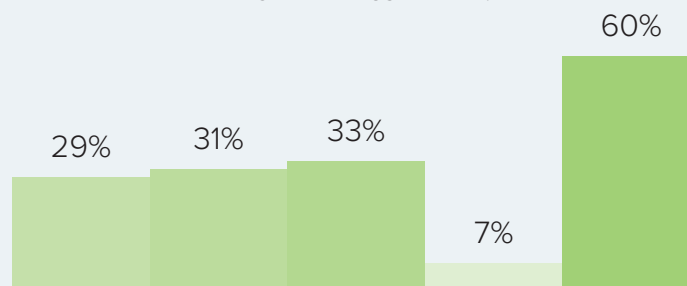
In June, **Dash** startup held the third round of financing — it received a total of \$6.7 M in 2014. Dash integrates with existing POS-system of restaurants and allows the user to pay the bill without a waiter. Also, application

[https://d28wbuch0jlv7v.cloudfront.net/images/infografik/normal/chartoftheday\\_2534\\_Mobile\\_payment\\_usage\\_in\\_the\\_US\\_n.jpg](https://d28wbuch0jlv7v.cloudfront.net/images/infografik/normal/chartoftheday_2534_Mobile_payment_usage_in_the_US_n.jpg)  
<http://www.statista.com/chart/2534/mobile-payment-usage-in-the-us/>

uses BLE technology to inform café staff on the arrival of a new visitor and constantly provides information on the number of visitors. Also, the application has a 'split the bill' function, utilized capacity tracking and Uber integration.

In July, pre-orders and fast payments service **Settle** received funding from the Life.SREDA fund in amount of \$1.5 M. During the year, the service launched in 20 locations in Moscow and Kiev, at the moment already having

ALTHOUGH 78% OF RESPONDENTS KNEW ABOUT THE EXISTENCE OF ELECTRONIC WALLETS, ONLY 32% OF PEOPLE EVER USED THEM:



- 29% used e-wallet once or several times in their lives
- 31% use e-wallet about once a month
- 33% use e-wallet about once a week
- 7% use electronic wallets daily (such users have three wallets in average, unlike infrequent users who usually have only one wallet)
- 60% e-wallets transactions are initiated from mobile devices in the USA

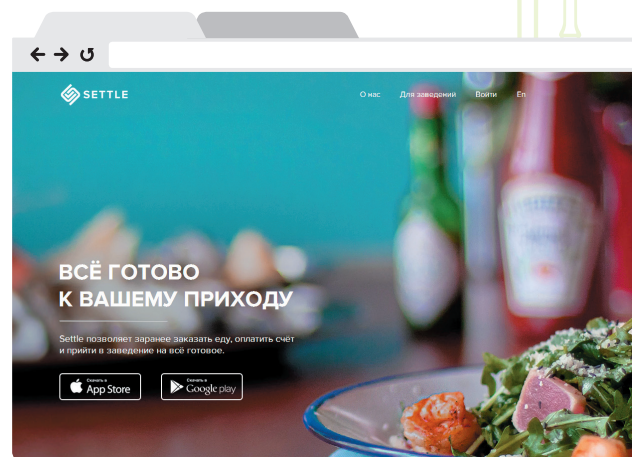


about 3,500 transactions processed. Settle should begin its work in San Francisco in the coming days.

In October **Square** launched Square Order, an application that allows you to make pre-orders in cafe and pick them up on arrival. Pay with OpenTable began its expansion in the cities of America — after the test phase in San Francisco, which started in February, the project started connecting restaurants in New York, Seattle, Chicago, Los Angeles, New York, Washington, Portland and Salt Lake city, planning to add

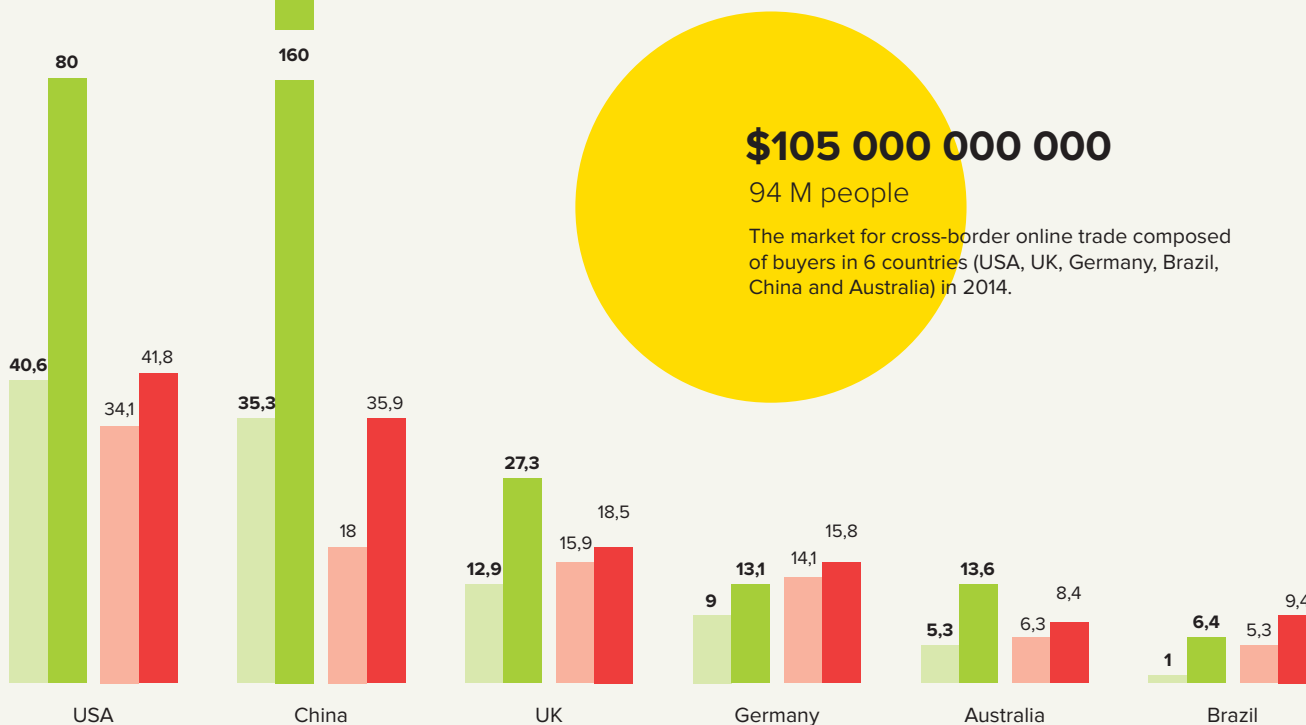
more than a dozen cities in the nearest future. Pay with OpenTable also includes the ability to pay with Apple Pay.

In November, **PayPal** launches Pay After Delivery service, which allows the user to order food via the application and pay for the order within two weeks after receiving it. In this case, the business gets their money at once — thus, PayPal will actually give out a two week loan every time this service is used. ○



## WORLD TRENDS, USA AND CHINA STATISTICS

PayPal has published its new research, «Modern Spice Routes. The Cultural Impact and Economic Opportunity of Cross-Border Shipping»<sup>18</sup>



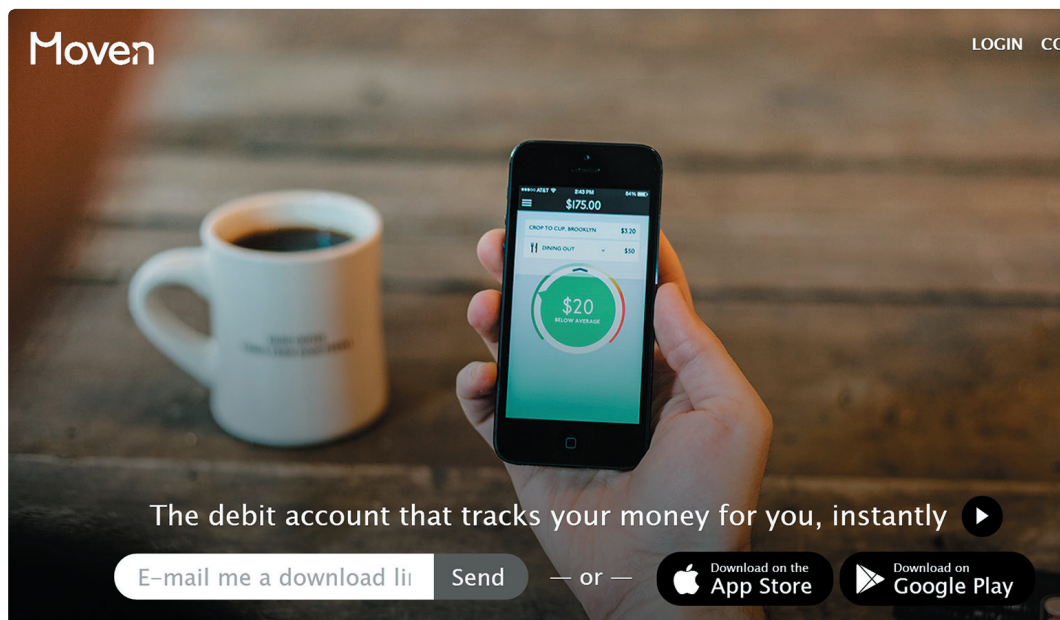
■ volume of the market, \$ B ■ volume of the market in 2018, \$ B ■ buyers, M people ■ buyers in 2018, M people

More than a third of cross-border purchases in 2013 were made from smartphones and tablets — up to **\$36.4 B**. Most of people who make purchases online have an average or high income.



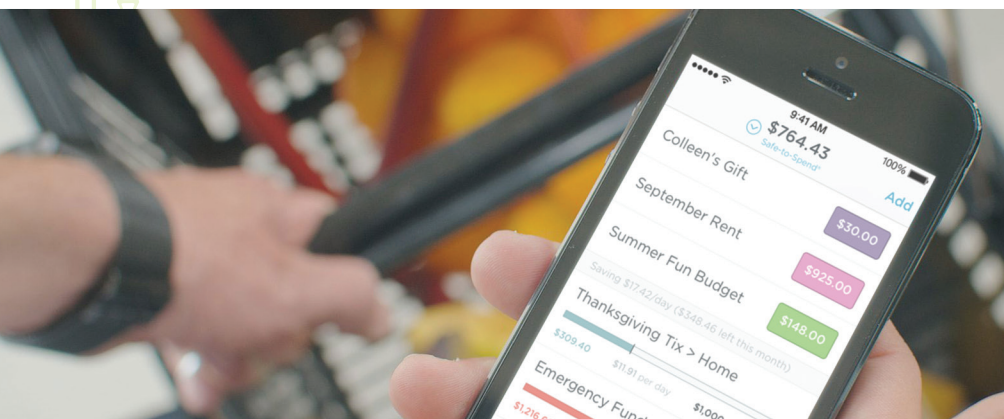
## 8. MOBILE-FIRST BANKS

THE LARGEST VENTURE ROUNDS, USD M:	
Monitise, UK	242,2
Atom Bank, UK	31
Alkami Technology, UK	23,7
Ondot Systems, USA	18
Nubank, Latin America	14,3
Technisys, USA	13
Osper, UK	10
Top 7	357
<b>Total</b>	<b>407</b>



several experimental ATMs that can be used without leaving your car — they are equipped with video conferencing

investors led by Russian SBT Venture Capital. The funds raised will be spent on the project expansion to the markets of Canada and New Zealand. Startup signed a partnership agreement with the Westpac bank in New Zealand and **Toronto Dominion Bank** in Canada. Now customers of these banks will be able to use the mobile application of Moven to work with their bank accounts. From July to December the number of users of the application has increased significantly — in December there were 250 000 users (US residents), according to Alex Sion, while in the July it was used by 10000 customers. In the near future we can expect a rapid increase in the number of users of the platform, the total user base of the two banks is 5 million people. Moven has recently revised its banking application for Moto 360 of Motorola and smart watch Gear from Samsung.



### BBVA ACQUIRED SIMPLE MOBILE BANK FOR \$117M

Large Spanish bank BBVA Group acquired an American startup, mobile bank **Simple**, for \$117M. Simple (created in summer 2012) helps to control costs and to save up for the target purchases. The app uses the infrastructure of the US bank Bancorp, which provides financial startups its banking license, as well as back-end, processing, etc. Last year, the volume of payments exceeded \$1.5B. The strategy of the Spanish BBVA Group is related to the search of innovative banking products. For example, the department of BBVA Compass has recently installed in Texas

technology. BBVA plans to scale acquired Simple to other markets beyond its presence in the United States. Profits of VCs from the acquisition were not disclosed, but it is noted that the deal brought to Life.SREDA VC, for example, 180% annual return on capital. This is the first exit of the firm, which was established in September 2012.

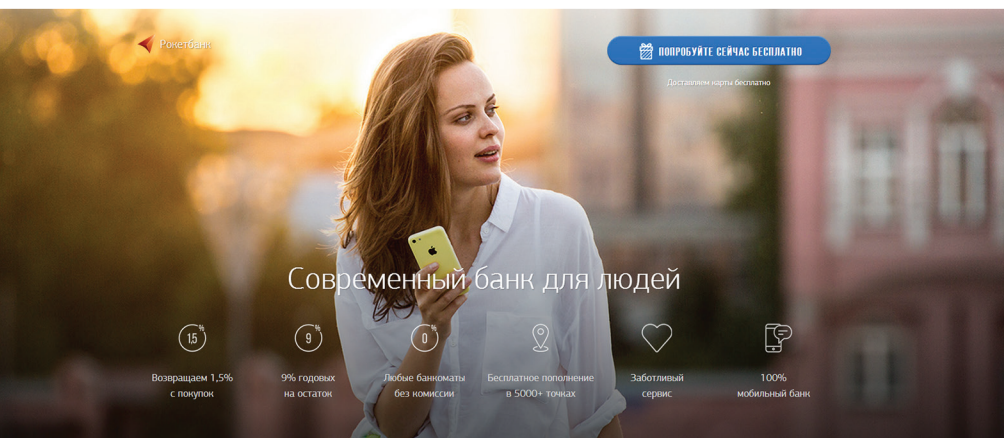
### MOVEN: PARTNERSHIP WITH WESTPAC AND TD BANK AND RAPID GROWTH OF THE CUSTOMER BASE

In 2014 a New York banking startup **Moven**, funded by **Life.SREDA** a year ago, raised \$8M from a group of

### ROCKETBANK: FUNDRAISING FROM LIFE.SREDA, GROWTH OF CLIENT BASE AND VOLUME OF TRANSACTIONS

Breakthrough Russian project in the field of mobile-first banking received investment from **Life.SREDA** VC. From July 2013 to July 2014 1 billion of Rubles in transactions were processed by the bank, and the number of customers





exceeded 10 thousand. By December 2014 the bank processed \$2B in transactions. Monthly volume of transactions exceeded 300M Rubles, and the number of customers increased several-fold.

**Rocketbank** repeatedly attracted user attention by unconventional marketing moves, for example, the bank entered into a humorous conversation with an employee of Starbucks, who was unhappy that the advertising on the Rocketbank website claimed that the cost of a monthly service at the bank is less than a cup of coffee at Starbucks, and then published it on the popular Russian website «Zuckerberg calls». It reminded of a similar innovative advertising moves from a giant of Russian «Tinkoff Credit Systems» bank and received a public assessment of their project from the head of TCS Bank Oleg Tinkoff in just a few months after the product launch. In October Rocketbank began offering deposits from other banks, in particular, the first to participate was VPB Bank, which is currently a partner of competing mobile banking service **Instabank**. According to Victor Lysenko, CEO of Rocketbank, the number of banks cooperating with the Rocketbank should increase.

## INTEGRATION OF RIPLE AND BUILDING OF THE FIRST CRYPTOCURRENCY BANK FROM FIDOR BANK

In May of this year **Fidor Bank** became the first bank in the world, which integrated payments protocol **Ripple** into its infrastructure, and since August Ripple transfers became available to the bank customers in their personal account. To quote Matthias Kröner: «Ripple enables us to securely and

instantly send money anywhere in the world at no additional cost and through the same customer facing products and relationships we offer today».

In Autumn Fidor signed an agreement with Bitcoin-exchange Kraken, the aim of the partnership is to create

of the leading mobile-first Fidor Bank and cryptocurrency Exchange Kraken.

## NEWS FROM OTHER MARKET PLAYERS

**D3 Banking**, one of the global leaders in the sphere of digital «mobile first» approach to the banking business, announced in December that it has reached an agreement with ProfitStars on the distribution of ProfitStars iPay Consumer Bill Pay solution through the platform of the bank to another banks and other financial institutions. At this point the solution is used by more than 250 financial institutions because it can carry out simple and recurrent payments, p2p-transfers, as well as issue and receive electronic invoices.

Payments provider **Monitise** has become a partner of **Virgin Money**, a part of Virgin Empire of Richard

«We want to build a regulated and specialized banking home for entrepreneurs and retail customers who are intrigued by the idea and vision of a virtual currency system. But this, we cannot and we will not do on our own»

MATTHIAS KRÖNER, CEO FIDOR BANK  
COINDESC.COM

a full-fledged cryptocurrency bank. As you know, one of the stumbling blocks to the development of Bitcoin is its underdeveloped accompanying financial structure, not associated just with transactional operations. In particular, it's the lack of deposit and loan Bitcoin products. The answer to the questions posed to the Bitcoin community will be, the establishment of a joint bank — a project

Branson. Monitise integrates its mobile-first solutions into the infrastructure of a bank with £24M of assets and two million customer base. ○





## 9. P2P-PAYMENTS AND REMITTANCES

### THE LARGEST VENTURE ROUNDS, USD M:

WorldRemit, UK	40
Ebury, UK	30.6
TransferWise, UK	25
Azimo, UK	10
Currency Cloud, UK	10
Azimo, UK	10
<b>Top 6</b>	<b>125</b>
<b>Total</b>	<b>163</b>

### SOCIAL NETWORKS AND INSTANT MESSAGING APPLICATIONS — FORMIDABLE CONTENDERS AT THE P2P MARKET

The main newsmakers of 2014 on P2P transfers market, as expected, were social networks and instant messengers — the natural competitors to banks and payment systems in this field, already possessing all the necessary information in order to make payments easier, more convenient and intuitive.



we can see that Zuckerberg was not going to put this on the back burner.

**SnapChat** entered into a partnership with SquareCash and made it possible to make transfers from wallet to wallet using the «Snapcash» option. The user can send money to any of his friends, after which a friend will be able to respond to the request and withdraw money within 24 hours. If not, the money will return to the account of the user who sent them within 1-2 business days.



Ted Livingston, CEO of Canadian **Kik**, a social network with more than 185 M users, said that p2p-transfers and payments

remain a part of the development strategy of Kik — according to analysts' expectations Kik may launch these services in the next year.

Given that mobile payments will be offered soon for **WhatsApp** and Facebook users, 7 out of 10 of the most popular instant messengers in the world will have p2p-transfer function in the near future (ie before the end of 2015). We are waiting for news from Tango, Viber and Skype. And from Telegram, of course!

### VENMO, DWOLLA, PAYM: NEWS FROM PLAYERS OF THE SECOND WAVE

According to a study among 250 online users published on the site SurveyMonkey, for most Americans P2P-transfers and payments continue to be steadily associated with one brand: PayPal.

Here are the results of P2P-payments brand awareness survey:

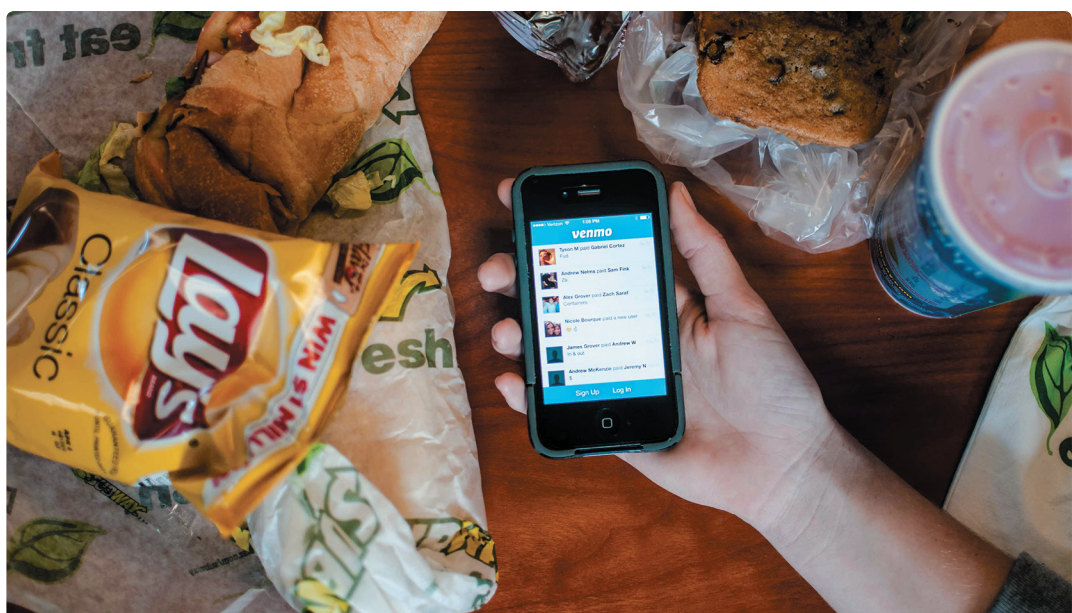
PayPal — **92%**  
 Google Wallet — **32%**  
 Square Cash — **14%**  
 Venmo — **1,5%**

85% of respondents reported that they use P2P-payment to pay individual sellers on sites like eBay and to make gifts. 16% use it to return debts and only 12% to pay for rent or utilities. 55% of users believe that the main obstacle to the development of the market is the safety of payments.

Raddon's National Consumer Research found that 65% of Americans have a PayPal account. Of those who have an account, 76% use it to



**Facebook** will probably announce the launch of p2p-payments in the near future — as the leaked info revealed feature of built-in p2p-transfers and payments is already being tested in Facebook Messenger. In his message CEO Mark Zuckerberg told the audience: «Over time, we will probably add a functionality of P2P-transactions to our messenger. Built-in payments will increase the success of our messenger and ease the financial interaction between users and with the businesses». Now



pay for goods and services online (in fact, it is not a pure P2P, but rather a P2SME), 16% send money to friends and parents, 12% pay for goods and services in stores and 4% pay rent and utilities. 79% of Internet users use PayPal, 4% — Venmo and 4% — Dwolla.

In the third quarter of 2014 the volume of payments through **Venmo** reached \$700 M. It's 50% increase compared to the previous quarter, and last year the volume of transfers through Venmo increased 5-fold. As we mentioned already, at the beginning of 2014 Venmo announced a new service. With the new functionality Venmo people can now make a transfer to another person who is near them, at the same time they do not need to be friends in

phone number. Almost 100% of Britons can use the service now — because almost all British banks are participating in the program, including such market leaders as Barclays, Bank of Scotland, Clydesdale Bank, First Direct, RBS Bank and others. During the first 100 days of service, 1M people had registered. By August they have made more than £6.5 M in transactions. Marketing support for service launch was so strong that it significantly increased the awareness of people about mobile payments services — about 45% of the British knew about such a possibility before, after the first 100 days of the Paym launch — about 75%. However, this is not the first such service in the UK — NatWest and RBS have also

**zon** tried to implement own system of P2P-payments, in the hope of a fight with PayPal, Square Cash, Google Wallet, Venmo and Dwolla. However, in October 2014 Amazon has decided to shut down its P2P-transfer system Webpay. The reason was that they «... did not provide the clients with something that they do not have to do other services. We learned a lot in how and why customers are sending their money — and will look for opportunities to use this knowledge in the future».

Amazon could not figure out how to get people to use its platform. Square Cash, being one of the

## amazon payments

most modern and simple means for p2p-transfers in the United States, also encountered some difficulties in this area. Only time will show which players will be able to capitalize on their audience and the quality of service.

### TRANSFERWISE — £1 B GOAL REACHED!

International P2P transfers service **TransferWise**, which offers the ability to send money with commission up to 10 times lower than the cost of banking services, received \$25 M in the second quarter of 2014. Round was headed by Sir Richard Branson and, among others, Peter Thiel's Valar Ventures, IA Ventures, Index Ventures, TAG and Kima Ventures. Since its launch in early 2011, the total investment in the project amounted to \$33 M. Peter Thiel was also a key investor in round of May 2013. Several months ago amount of transactions processed by TransferWise reached £ 1 B (125 M pounds in May 2013). TransferWise team intends to spend new investments on aggressive marketing promotion, expansion of the team and the launch of a new advertising campaign, which aims to push the big banks from the market of electronic payment processing.

At the end of November 2014 TransferWise launched an online petition program against hidden fees and payments as part of its advertising campaign.

Startup founders **Taavet Hinrikus**



a social network or Venmo platform.

**Dwolla**, which in 2014 had more than \$1 B in payments, also has not left us without news: in September, the company raised \$9.7 M from Andreessen Horowitz, Union Square Ventures and Village Ventures, and in December it has released a major update for their applications. It now can find all businesses within 5 miles which accept Dwolla, view transaction history, transfer money from and to your bank account in real time and support Touch ID.

By the way, **Square Cash** also supported the theme of proximity payments this year — it's possible to make transfers to nearby people with Square Cash from October 2014.

In April, **Paym** has launched in UK. It's a new service developed by UK Payments Council that allows people to make transfers to each other by

established a joint program Pay Your Contacts, at which only in the first week of March users made 57 thousand payments totaling around £3 M.

### WALMART AND AMAZON: RETAILERS COME TO P2P MARKET... AND GO

**Walmart** began to provide p2p-payments service in 2014. Chain of discount department stores, which is regularly visited by 80% of Americans, offered them a walmart-2-walmart service, allowing customers to send money to other clients in one of the 4,000 stores nationwide. Customers can send up to \$50 for a fee of \$4.5 and up to \$900 for \$9.5. Thus, Walmart will be able to reach an unbanked or under-banked audience in the near future.

Meanwhile, online retailer **Ama-**



and Kristo Kaarmann launched the project several years ago because of the practical need to quickly convert different currencies. Hinrikus received his salary in euros while living in London, where British pounds are in circulation. Kaarmann received a salary in pounds, but had to pay the mortgage in euros and spent much time in Belgium. Friends had to constantly look for different tricks for not paying the commission to the bank for currency exchange, and not to lose money due to rate of exchange fluctuations. So the idea was to simplify the transactions through their own processing startup. Project TransferWise enables quick exchange of currencies with cash deposits in euros or pounds, depending on the recipient country. The deal is made at a favorable exchange rate and no hidden charges.

## NEW ROUNDS OF AZIMO, WORLDREMIT AND KANTOX

In the first quarter of 2014 British startup **Azimo** raised \$10M in Round A from Greycroft Partners and a group



of other investors. The company plans to spend money on strengthening its presence in the European market, as well as on the expansion to the markets of North America and Asia. Launched in August 2012, Azimo aims to change the current balance of power in the market of international money transfers. The system allows you to transfer money to friends and relatives abroad via mobile wallet, website of the company or Facebook network and charges just 1% to 2% per transaction, that is much cheaper than traditional international transfers.

**WorldRemit** from London has attracted \$40 M in Round A from Accel Partners. This is one of the biggest investments at an early stage in the history of European venture capital

market. The purpose of the service is a global solution to a fairly common problem of people who live abroad or have immigrated in order to help their families financially. Cheap, simple and reliable — these are the basic criteria of the service. It takes some time and effort to get to the office of Western Union, not mentioning commissions that cash-to-cash transfer systems take. WorldRemit allows you to transfer money from any phone or computer and send the money directly to a bank account or mobile wallet.

**Kantox** company, which is also trying to solve the problem of the high cost of international payments, has attracted \$6.5 M in Round A. The company provides access to individuals and entrepreneurs to currency trade on the international level. Kantox created a platform where there are people willing to buy a certain currency and wishing to sell the currency from different countries (for example,



from Europe or the United States). Exchange rates of the platform are based on actual exchange rates set by central bank and funds received arrive directly to the accounts of participants of the transaction.

Another British B2B-project **The Currency Cloud (TCC)**, which allows other companies to integrate its API that are interested in cheap international money transfers, closed a round B of \$10M from Atlas Venture, Anthemis Group, Notion Capital, XAnge Private Equity and Silicon Valley Bank in the second quarter of 2014. CEO Mike Laven said that he plans to use the proceeds for international expansion. The platform handles more than 400 M payments per month. It is noteworthy that the TCC services are used by such projects as the aforementioned TransferWise, Moni Technologies, Azimo, Payoneer, Kantox and Fidor Bank. At the moment, more than \$5M of payments have already passed

through this cloud service company, and volume of funds attracted amounted to \$17M since its inception in 2012.

**PeerTransfer** was founded to address the problem of international transfers for growing base of international students in the United States. The platform allows to pay any fees associated with the education of students in their native currency. The company allows students to save on the high cost of international transfers and offers preferential exchange rate. The platform supports more than 95 currencies with the possibility of depositing funds in more than 225 countries worldwide. One can put money into account using bank card, eWallet, online account or bank transfer.

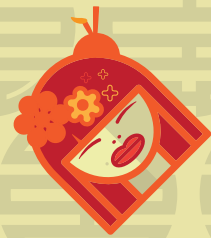
PeerTransfer service goes far beyond the simple payment processing. The company helps the university campus in student counseling and services in all aspects related to the financing of education in particular college. Today the company operates in the US, Europe, Canada and Australia.

In the third quarter of 2014 startup **Netero** received seed stage funding in the amount of \$150K. This free service of international transfers allows customers to send «store credit» or «provider credit» to their relatives and friends all over the world as part of a planned network of Netero partners. Thus, Netero, as well as many other projects in business of cross-border transfers, plans to implement a classical system of hawala, but at the same time it's going to rely primarily on off-line point of presence like traditional industry players — Western Union and MoneyGram.

Soon after TransferWise raised \$25 million, a British startup **WeSwap**, offering travelers a more favorable currency exchange rates, raised \$7.5 M in Round A. The main investor was IW Capital with EC1 Capital also participated in round. The funds will be used to enter new markets and increase the number of currencies supported by service. ○







# Ezetap

Indian startup Ezetap announced in February a new round of financing in the amount of \$8M from **Helion Advisors, Social + Capital and Berggruen Holdings**, and at the end of March the company announced an additional round of funding from **American Express Ventures** (in total \$11.5M were raised). The Ezetap basic business model is the same as the one of Square. The company sells mobile dongles for \$50 each. It is also worth noting that Ezetap was selected by **Bank of India**, the largest Indian bank, as the partner for the launch of a five-year program aimed at transforming payments in India and distributing more than 500,000 mobile terminals<sup>36</sup>.



# SoftSpace

White-label mPOS-solution manufacturer from Southeast Asia SoftSpace has acquired payment provider **Fasspay**. SoftSpace company entered into a partnership with 14 banks in Southeast Asia, has distributed over 35,000 dongles and expects to process \$1B transactions during next year. According to a study by Nielsen<sup>37</sup>, the number of smartphones per capita in Southeast Asia in the coming years will exceed those in the US and Europe. “Our focus in the next two years will be on building our base of operations there, as mPOS penetration in Indonesia stands at only 25 percent while an estimated \$328.8 billion in card transactions have been projected by 2017, making it a very promising market,” said Fasspay CEO Joel Tay<sup>38</sup>.

# AliPay

In February Alipay announced on its Weibo account that it processed \$150B mobile transactions in 2013, this is three times more than PayPal (\$27B) and Square (\$20B) combined. As of the end of 2013 Alipay occupied 78.4% of the Chinese mobile payment market and had 300 million registered users (for reference, Amazon, according to various estimates, has from 230 to 270 million users) and 100 million mobile users, overtaking PayPal in terms of users. 54% of payments processed with Alipay are mobile payments. One year earlier only 22% of payments were initiated on mobile devices. The company processes 18 million transactions daily, and in 2013 it wired 2,780,000,000

transactions. 92% of mobile transactions in China were initiated by Taobao, Tmall and JD.com users. In 2014 the number of mobile Internet users in China exceeded for the first time the number of those who have access to the Internet on a laptop or PC. Mobile payments are not as widespread in Beijing, Shanghai and Guangzhou (29%, 24% and 27%, respectively), as in Tibet, Shaanxi and Ningxia (remote regions of China), where the volume of mobile payments is higher than the national average. Most of transactions, however, were originated in developed regions. Also 42% of Chinese use phones for shopping. In the chapter “Trends and Prospects” we examine the Chinese e-commerce market, including mobile. At the same time, despite it has almost monopolized the Chinese market, Alipay is constantly under pressure

from competitors including Tencent, the main rival of Alibaba Group, which has added payment function to its popular instant messenger WeChat, installed on more than 90% of phones in China. A fearsome rival indeed. As we have already mentioned in the chapter «mWallets / eWallets», this year Alipay representatives have repeatedly expressed their thoughts about the possible cooperation with Apple Pay. In particular, Alibaba Executive Vice Chairman Joseph Tsai said that a possible scenario is for Alipay to provide back-end services for Apple’s Apple Pay payment system, allowing iPhone users in China to pay for goods with Apple Pay using money from their Alipay accounts. Ant Financial, which owns all of Alibaba financial assets, together with IPV Capital has funded V-Key, inventor of mobile application intrusion protection

# Qiandaibao

Chinese Quindaibao has raised “hundreds of millions of yuan” from **DG Capital, Banyan Fund, Haitong Securities and Jiangxi Copper** (from \$16.3M to \$163M). As of Q2 2014, Qiandaibao occupies a 0.3% market share of mobile payments in China, the amount of transactions processed by the service in Q2 2014 amounted to about \$700M (4.2B Yuan), and as of the end of 2014 the service processed \$80M in transactions per day.



and intelligence researches. This is a strategic investment: Ant Financial has a whole portfolio of financial services, just one of which, Alipay, processes millions of mobile payments daily. Alipay representatives have repeatedly stated that besides the lack of user awareness, the concern about the security of mobile payments is the main obstacle to business development. In its official blog Alipay representatives also announced the launch of ePass platform - an integrated payment system, using which

Chinese consumers will be able to view and buy products from any store in the world within a single application. In 2014 Alipay also opened an office in Australia in order to strengthen economic ties and sell Australian products in China more effectively. China is the largest economic partner of Australia. Alipay is also implementing joint projects with Australia Post. Within the framework of these projects post offices distribute pre-paid cards to credit Alipay accounts.



# Fenqile

Chinese micro-loan startup Fenqile closed \$100M in its Series B round from a number of VCs led by **DST** headed by Yuri Milner. The target audience of Fenqile is college students who lack access to loans through other channels. The service provides consumer loans for a period of 3 to 18 months. In August, the platform has raised \$10M in Series A round with the seed funds raised in April.

# WeLand

According to siliconrus.com, **DST Global** was the lead investor in Series A round of a Hong Kong p2p-lending service WeLand (WeLab company) raising \$20M. WeLab is going to spend money, raised in the first round, on expansion in China, on the launch of new products (at least two in China and one in Hong Kong) and on improvement of technologies for credit risk calculation. The latter, according to WeLab, is particularly important as far as credit ratings are not available to private companies in China. WeLab is also developing Wolaida – mobile service of mutual lending for students of Chinese universities providing loans from \$50 to \$500.



## Qufenqi

Qufenqi, another Chinese project related to lending, also received investment. It raised \$100M round led by **BlueRun Ventures**. Qufenqi is a platform for the sale of electronics on credit, targeted at college students and young professionals. Any product purchased on Qufenqi is paid by a series of payments that can be extended for a maximum period of two years. The funds were raised for the development of the current platform and the launch of a new micro-loan service Laifenqi, which will distribute loans for electronics purchase, travel and lease payments.

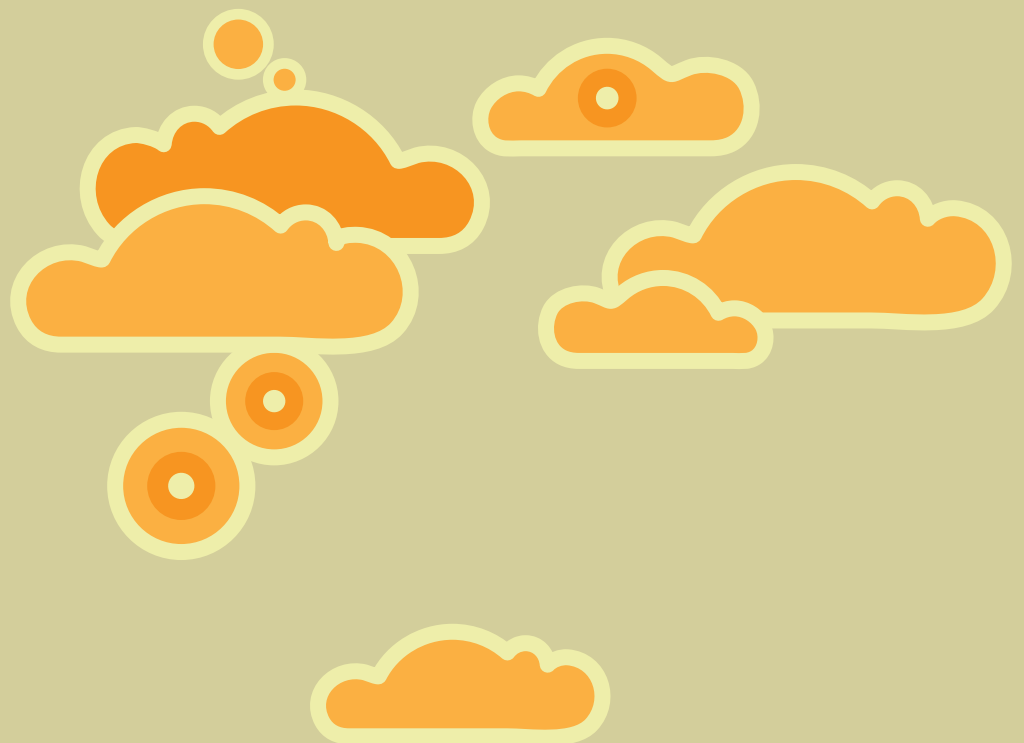
## Ayannah

On July 21, 2014 Filipino startup Ayannah raised \$1M from Japanese venture capital firms **IMJ Investment Partners and Beenos**, directly related to Teruhide Sato, president of netprice.com. At the moment about 10 million Filipinos are working overseas, transferring their earnings home, and 8 million of them are not banks' clients or are not aware of the full extent of banking services. Cross-border transfers to Philippines reached the level of \$10.4B, according to the report of the Central Bank of the Philippines. Ayannah CEO estimates international remittance slightly higher (a \$25B). At the same time domestic remittances within the Philippines, according to various estimates, are ranging from \$36 to \$60B.

## UnionPay

Speaking about the news directly related to Apple Pay we can mention that back in October, Amazon and Square announced the future integration of Apple Pay to their products, at the same time there were rumors about a possible partnership between Apple Pay and AliPay, followed by Apple Pay expansion to the Chinese market. On November, 16 Apple announced its support of cards by UnionPay, one of the largest card companies in the world and the card business monopolist of China. China UnionPay, the payment system ranked second after VISA in terms of payment volumes and first in the number of issued cards, is now

preparing an asymmetric response to Apple: Android Pay, named in best Chinese traditions. The product is rumored to be released in Q3 next year, when UnionPay is said to incorporate and support Apple Pay for Chinese users (agreement on this issue has already been achieved). We should mention that at the moment Chinese users are not able to pay with NFC, as services like Google Wallet still do not function in China, but payments with QR-codes have developed here quite successfully. China payment system will simultaneously launch NFC payments in two basic versions as UnionPay hopes for the rapid spread of NFC payments. It is expected that the company will sponsor NFC chips installation into smartphones that will provide almost 100% rate of NFC-enabled devices among new models.



## Asian messengers introduce p2p payments and transfers

This year instant messengers have showed active interest in the industry of p2p payments and 4 out of 10 largest messengers added p2p payments (or released a standalone application within their ecosystems). Another 3 messengers plan to launch p2p payments in 2015. Ways ahead are the Asian projects Line, WeChat and Kakao that have already implemented p2p payments in their messengers.

## Unocoin

On August 11, 2014 Barry Zilbert, a long time Bitcoin enthusiast, invested \$250K in Indian startup Unocoin, which is basically an ordinary platform for Bitcoin purchase / sell with integrated eWallets. It was designed to solve the problem of money transfers in India, a country with its population of 1.2 bln, more than 40% of which are cut off from banking services, and with the biggest amounts of abroad payments in the world (\$70B). Now the service allows to make payments with the commission of 1% + spread (3.8% at the moment), and the service with total cost of 4,8% per payment can successfully compete with existing services in India — current average cost of international payment in India is 7%. Average cost of international payments in Russia is still 1,83% — the lowest in the world.

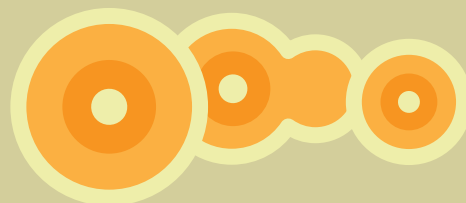


## Wacai

Several Chinese platforms have raised large rounds in the second half of 2014. In particular, Wacai has raised \$50M from **CBC Capital**, and its total investment for the year amounted to \$65M (the company raised a previous round from **QiMing Venture Partners**). Li Zhiguo, founder and a business angel of Ameba Capital with extensive experience in the launch of Internet services, including FinTech, became CEO of the company shortly after the round raised from QiMing. Wacai is a personal accounting service, which at the time of the deal had more than 60 million users, added in 2014 the functions of securities, fund shares and bonds trading, as well as offers on credit cards and increased its user base to 100 million people. In February 2014 the volume of daily sales of various products through the platform amounted to 100M Yuan (\$16.27M).

## Tongbanjie

On September 23, 2014 Tongbanjie, Chinese platform-application for managing personal finances, raised \$50M from **IDG Capital Partners**, **China Growth Capital** and **Legend Capital** for product development and marketing promotion. At the moment, the daily sales of financial products on the site are \$32.6M, the total turnover of the site in June 2013 was more than \$1B, the number of registered users is 5 million. He Jun, founder of the company, positions Tongbanjie as a service for underbanked users. The service's target audience is comprised of young professionals who usually do not have funds to invest in traditional financial products with high input threshold. App is ranked 25th in the "Finance" section in Chinese AppStore.



# Alibaba's IPO

Of the most prominent market events was Alibaba's IPO, which became the largest in history. The company raised \$25B being listed on the NYSE and by selling shares at \$68 per share. Investors valued the company at about \$170B. Now the company shares are listed on the NYSE at about \$100 per share. Thus, Alibaba's IPO was successful for investors as well.

# China and cross-border trade

PayPal has published its new research «Modern Spice Routes. The Cultural Impact and Economic Opportunity of Cross-Border Shipping» In 2014 the market for cross-border ecommerce across 6 key markets (USA, UK, Germany, Brazil, China and Australia) has been estimated at \$105B, while purchases were made by 94 million shoppers. Almost 75% of the market accounts for the US shoppers (34.1 million shoppers) and China (18 million shoppers) with \$40.6B and \$35.3B respectively. China is expected to be ranked first by the end of 2015. The numbers of online cross-border shoppers in the US and China is expected to reach 41.8 million and 35.9 million spending \$80B and \$160B respectively by 2018. UK is ranked third (with \$12.9B and 15.9 million shoppers and expected \$27.3B and 18.5 million shoppers by 2018), the fourth is Germany (with \$9B and 14.1 million shoppers and expected \$13.1B and 15.8 million shoppers by 2018), the fifth is Australia (with \$5.3B and 6.3 million shoppers and expected \$13.6B and 8.4 million shoppers by 2018), the sixth is Brazil (with \$1B and 5.3 million shoppers and \$6.4B and 9.4 million shoppers by 2018). More than a third of cross-border purchases in 2013 were made via smartphones and tablet devices amounting up to \$36.4B. Most of online shoppers are mid-to-high income earners. In China 14 million cross-border mobile shoppers currently make up nearly 78% of the total online cross-border shopping population. In monetary terms, they have spent \$16.7B out of total of \$36.4B. The volume of e-commerce market in China in 2013 is estimated at between \$179 and \$219B and makes 6% of the total retail market. 6% of online sales with only 43% of the population having access to the Internet! However, about 1% of the total retail market is comprised of cross-border shopping, of which about half accounts are for purchases via smartphones and tablet devices.

# Yingying Licai

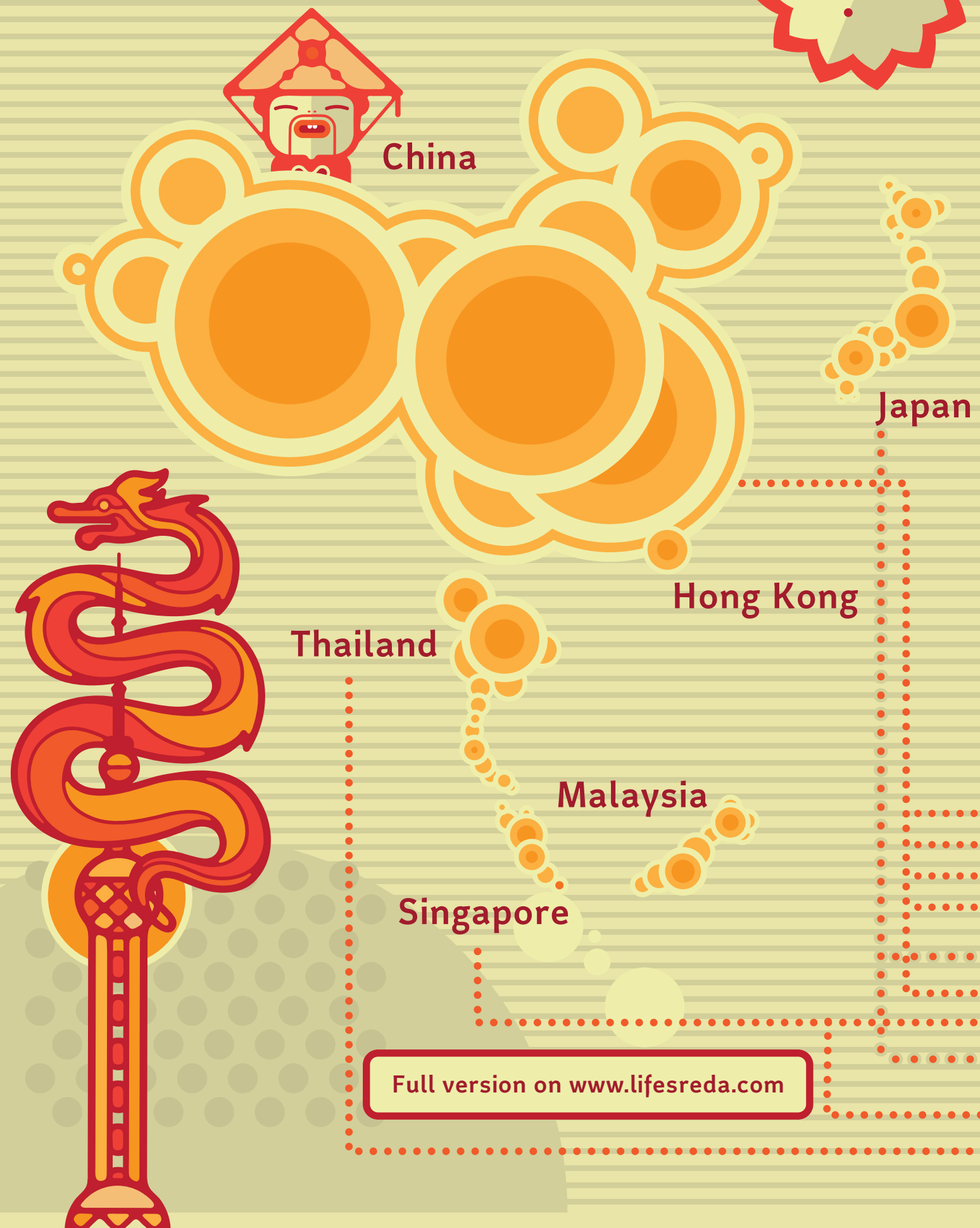
Yingying Licai, competitor of Tongbanjie and Wacai, also raised \$30M from GGV Capital in August this year. In 2014, the application had 5 million downloads and 1 million active users, sales of financial products on the platform exceeded 3B Yuan, generating 60M Yuan (nearly \$10M) of income for the app investors.





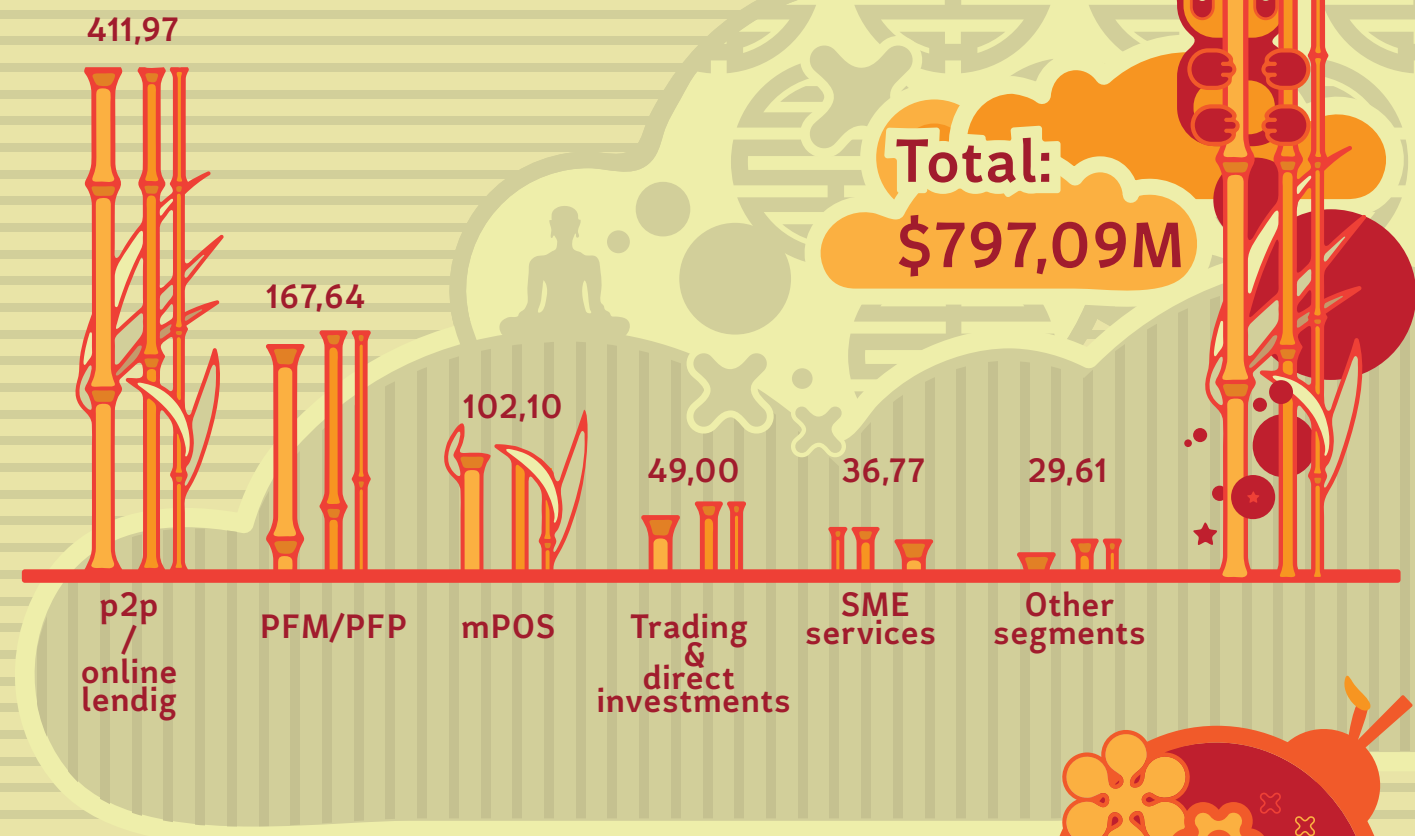


## Top Asia countries in fintech investments



Full version on [www.lifesreda.com](http://www.lifesreda.com)

## Top fintech sectors for investment in Asia



## Biggest deals of Asian region by segment:

Company	Segment	Amount, \$M	Country
Renrendai	Loans and scoring	130	China
Qiandaibao	mPOS	80	China
Rong360	PFM/PFP	60	China
Snowball Finance	Trading and direct investments	40	China
Money Forward	B2B-services	12,6	Japan
OKCoin	Bitcoin	10	China
Fastacash	P2P-payments	4	Singapore
Misoca	Account and costs management	0,65	Japan
Dr Wealth	Consulting	0,64	Singapore
Omise Co.	Online payments	0,3	Thailand

## 10. LOANS, SCORING AND RELATED SERVICES

### THE LARGEST VENTURE ROUNDS, USD M:

Credit Karma, USA	160
Renrendai, China	130
Borro, UK	112
Freedom Financial Network, USA	110
Strategic Funding Source, USA	110
Fenqile, China	100
Qufenqi, China	100
SoFi, USA	80
OnDeck, USA	77
AvantCredit, USA	75
<b>Top 10</b>	<b>1 054</b>
<b>Total</b>	<b>1 822</b>

Of all tendencies we should highlight continuing blurring of boundaries — services, which lend to private persons only, begin to issue loans to businesses and vice versa, services, which credited only one segment of lenders, extend to broader markets. Next, we should point out rapid growth of p2p services, which were given additional impetus because of banking system regulation strengthening in several major countries. We also witness growing interest to SME lending. While this area remains relatively unattractive for banks, online lending platforms willingly enter the market.

### IPO OF LENDING CLUB AND ONDECK

The long-awaited IPO of **Lending Club**, about which journalists have been asking Renaud Laplanche since LinkedIn's successful IPO in May 2011<sup>19</sup>, was finally conducted in 2014 — on 27 of August the company filed a S-1 form to the SEC<sup>20</sup> and on December 11 of



2014 it underwent IPO with a market capitalization of \$5.42 B (now post-IPO market capitalization of Lending Club exceeds \$10 B). This IPO is the largest of all US tech IPO in 2014 (the company raised \$870 M during the IPO) and it is going to define the parameters of a number of future offerings (some of which have already taken place; see below about IPO of OnDeck). The company placed its shares at a price of \$15 per share, while initially planning to stay in the range of \$10 to \$12 — but just before the IPO Lending Club was forced to raise a range to \$12- \$14 because of overwhelming level of subscription. Underwriting was performed by Morgan Stanley, Goldman Sachs, Credit Suisse and Citigroup. Now the stock is being traded at a price of \$27 per share<sup>21</sup>.

Lending Club was founded by Renaud Laplanche in 2007 and during its history it received \$392.2 M (IPO money not included) of investment from companies such as Norwest Venture Partners, Canaan Partners, Morgenthaler Ventures and Union Square Ventures. In 2013 its revenue was \$98 M, EBITDA — \$15.2 M, the figures for 2014 are expected to be several times higher. The main compet-

itor of the company for a long time was (and remains) another lending platform, Prosper. Lending Club survived the crisis of 2008 and the related suspension of operations by the requirements of SEC, which for a long time could not decide for and approve the new regulatory rules for this segment of the market. And if not for timely investment from strategic investors, such as Salil Deshpande from Bay Partners (now Bain Capital), Lending Club was likely to have a much rockier road to its IPO. By September 30, 2014 Lending Club was used to grant loans in amount of \$6.2 B. In the last quarter alone Lending Club issued \$1.16 B of credits, while Prosper has \$1.8 B of loans issued in total. The main purpose of loan site is to refinance earlier loans or provide payments on credit cards — this goal has been specified by borrowers, whose loans composed 83.17% of all the volume. Weighted average return on investment for investors exceeds 10% per annum (defaults taken in consideration), the rates for most borrowers range from 10% to 25% per annum. The small difference between deposit and credit rates is possible due to low operating costs of





Lending Club — they are less than 2% now. Currently Lending Club charges the borrower from 1.11% to 5% for the placement of the loan application (if the application is approved), at the same time taking 1% from investor revenue.

In the footsteps of Lending Club public offering another player of the credit market underwent IPO. On December 17th **OnDeck** raised \$200 M with valuation of \$1.3 B. OnDeck gives loans to small and medium-sized businesses for a period ranging from three months to two years and in the

with bad credit history (or none).

AvantCredit gives loans to borrowers with a rating lower than average, which actually can get a bank loan, but with great difficulty (and higher rates, of course). Before such borrowers faced the alternative in the form of MFIs (including online MFI), whose interest rates exceeded 100% per annum sometimes. On the AvantCredit platform borrowers can get from \$1,000 to \$20,000 at an effective rate varying from 34% to 95% annualized, for the period from 1

loans at the platform ranging from £50 to £400 for up to 47 days at daily rate of 0.68% to 0.8%, experienced a lot of problems over the past year. In October, the platform wrote off 330,000 loans worth £220 M and removed a requirement to pay interest accrued for 45,000 more loans. This move was triggered by British Financial Conduct Authority agency's (FCA) pressure, which concluded that Wonga lending terms were not rigid and therefore provoked lending to individuals who were highly unlikely to pay the loan back. This is not the first such case: in July Dollar, another British microcredit platform, wrote off £700 thousand of loans and in June Wonga itself returned £2.6 M pounds to its customers. However, the October write-off became an unprecedented case in British online lending market history — to understand the scale of the event, one must call to memory that in 2013 Wonga issued £1.3 B of loans in total.

In spring FCA set an upper threshold of 0.8% for daily loan rate, thus reducing payday loans market in the UK for £420M as estimated by regulator itself (this has significantly reduced the profits of Wonga, whose maximum rate before was as high as 1% per day; in addition, Wonga was forced to reduce the adapt fees and fines in accordance with the requirements of the regulator — and not for the first time. In particular, the penalty for a missed payment was reduced from £20 to £15). Wonga has already suffered in 2013 due to pressure from the regulator — in 2013 profit decreased to £39.7 M from £84.5 in the previous year, partly because of the £18.8 M which Wonga paid on demand of FCA to 45 thousands of customers who have received



amount of \$5,000 to \$250,000. The volume of OnDeck market, according to various estimates, is between \$80 B and \$178 B (these are lower and upper bounds of volume of loans issued to small and medium enterprises). At the moment, OnDeck issued 48 thousand of loans to 25 thousand businesses totaling \$1.7 B. The company's revenue for the first 9 months of 2014 was \$107.6 M, with net loss of \$14.4 M.

year to 3 years, the entire procedure takes place online and takes only a few minutes. So far the platform has processed more than \$400M in loans originated to more than 100 thousand people. Major competitors are Spring-Leaf, Onemain Financial, NetCredit.

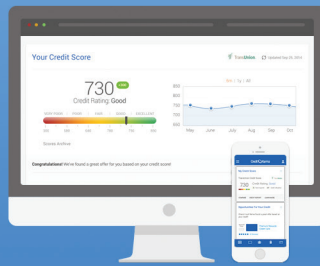
### WONGA AND ITS PROBLEMS

Online MFI **Wonga**, which is a payday loans business, with amount of

### AVANTCREDIT — \$1 B OF INVESTMENT IN A YEAR

An online lending startup, working with subprime (FICO rating in a range from 620 to 720) segment of borrowers, that was little-known just a year ago, **AvantCredit** raised \$950 M in investment in 2014 — more than any other project in the field of lending, excluding Lending Club with his sensational IPO (\$985 M in investment in 2014). At the time of launch (2012) AvantCredit, according to its creators, was the only platform for this target audience — the rest lending either prime-borrowers (FICO rating of 750) or borrowers





Your Credit Score Should Be Free—and Now It Is.

- Get Your Absolutely Free Credit Score
- Stay on Top of All of Your Accounts in One Place
- No Trials. No Credit Cards. Truly Free

[GET STARTED NOW](#)

Checking your own score does not hurt your credit. [Learn More](#)

letters demanding payment of a debt on behalf of non-existent collection agencies, which Wonga itself sent.

Well-known political figures and representatives of the church have conducted campaigns against Wonga — in particular, Justin Welby, Archbishop of Canterbury, called Wonga rates «shocking» and «usurious», in November 2013 Labour Party leader Ed Miliband criticized microfinance organizations for creating «wonganomics» and «imperceptible tightening the loop of defaults on the necks of thousands of British households,» a number of representatives of political parties and parliament have repeatedly requested FCA to reduce the maximum rate for payday lenders and regulate the market.

## CREDITCARMA JOINS THE «BILLIONAIRES» CLUB

**CreditKarma** raised \$75 M in Investment from Google Capital, Tiger Global Management and Susquehanna Growth Equity with estimation of \$1 B. We wrote a lot about CreditKarma in previous issues, this is a platform for financial and banking products and services comparison, where one can also get his credit rating. The platform was founded in 2008, currently 32 M people are using it. In December CreditKarma began to provide users with credit history for free unlike most other companies offering similar services. CreditKarma previously provided only a squeeze of the credit report, and if you needed more information, you could get your free report from Equifax, Experian or TransUnion by yourself or by paying an intermediary. This free report, according to The Fair Credit Reporting Act (FCRA), could be obtained only once a year.

## OTHER NEWS

At Finovate 2014 **Kabbage** announced the launch of **Karrot**, a platform for online lending to individuals. While the average interest rate on

credit cards in the US is 21%, according to the creators of service, using the Karrot service will significantly save up on interest rate — up to 36%. At its their platform Karrot offers loans up to \$35 thousand for 3-5 years at a rate of 6.44% per annum, and the decision concerning lending is made almost instantly. Although Karrot is a project from the creators of Kabbage, investment in the development of this project went from a new pool of investors, and the volume of investment and the number of persons who participated in the round were not disclosed.

Kabbage did well in 2014. Founded in 2011, the service has handed out more than \$400 M of loans to more than 100 thousand businesses.

The loan may range from \$500 to \$100 thousand. 80% of service clients have more than one loan at the same time. During the 2014 platform has received \$320 M in investments, of which \$270 M were provided to Kabbage for new loan originating.

**PayPal** continues its expansion to lending market, its Bill Me Later program is renamed to PayPal Credit, adding features and functionality to the product, which is soon expected to begin actively moving from online to offline. In addition, in the near future PayPal Credit will launch in UK and Germany, and project of lending to small and medium businesses PayPal Working Capital will soon be launched in UK and Australia. ○



# 11. CROWDFUNDING/CROWDINVESTING

THE LARGEST VENTURE ROUNDS, USD M:	
IndieGoGo, USA	40
Fundrise, USA	38
OurCrowd, Israel	25
CrowdRise, USA	24,6
SyndicateRoom, UK	16,3
<b>Total</b>	<b>245</b>

experienced «problems» with other projects that did harm to its reputation:

**Anonabox** (hardware and software that can be used to deploy truly anonymous access point using Tor technologies in your house). However, the creator of the project has repeatedly expressed false statements and was exposed, besides others, by Runa Sandvik, the leading developer of Tor. The project has collected four times more money than requested, the round is closed.

**Portal** (a project of flexible smartphone that can withstand immersion to a depth of up to 10 meters). The project and the actions of its creators

experienced the possibility of compensation from the portal, in December good news appeared that Indie had started to test optional insurance on the page of **Olive** project. For just \$15 you can buy a guarantee that in the event of not getting the bracelet in three months from the day of the announced project delivery date, IndieGoGo will return \$129 you have invested in the project. Slightly more than 10% is an inexpensive insurance against losses by the standards of the venture capital industry and a great evidence of IndieGoGo's confidence in the viability of the selected model.

And in December IndieGoGo



## INDIEGOGO: FAILED PROJECTS, INSURANCE AND CHARITY

This year the project has attracted at least \$40 M in two rounds — more precisely, \$40 M in the January round from Insight Venture Partners, MHS Capital, Institutional Venture Partners, Kleiner Perkins Caufield & Buyers, Metamorphic Ventures and ff Venture Capital and an undisclosed amount from Webb Investment Network, Tom Jones, Maynard Webb, Max Levchin and Richard Branson.

At the moment, platform is among the five largest in the world and has gathered hundreds of millions of dollars for hosted projects. 2014 was the year that called into question the current funding mechanisms of the project. Besides scandalous projects such as **Healbe GoBe** (multipurpose bracelet for fitness and medical monitoring measuring amount of calories consumed and burned) and **Tellspec** (portable chemical analyzer for food), mentioned in the previous study, the platform

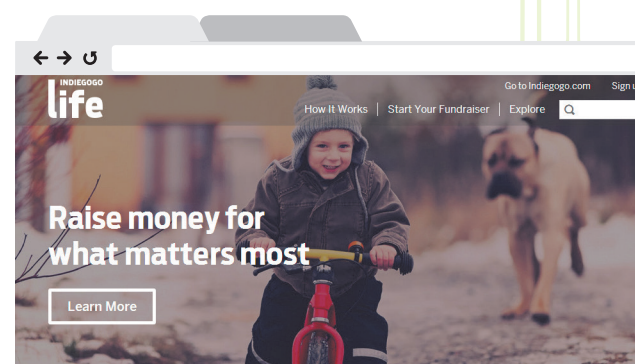
during the campaign caused a lot of questions from the audience, as a result the project has not collected a required amount of \$50 thousand.

**Keyos** (a smart watch project). After receiving the samples final users have found that the watch does nothing, it is even unable to show time.

All these campaigns have repeatedly given rise to questions about how the current policy of IndieGoGo, which doesn't pre-screen published projects, is appropriate for Crowdfunding. However, these cases do not seem to have hurt the reputation of IndieGoGo seriously. Besides, crowdfunding is crowdfunding: it's too optimistic to hope that 100% of presented projects will be at least potentially realizable and team members of these projects will have the relevant experience. Even venture capital funds are not protected from such embarrassment, as 2014 showed us.

IndieGoGo did not ignore the reaction of its fans. For those who would like to get some sort of guar-

anteed **IndieGoGo Life** — a platform created to raise money for personal needs of people — medical, educational and other. Moreover it can be used to collect money both for needs of particular individuals and for general charity. Project's publication is completely free, no deductions from the amount contributed is made by IndieGoGo. A remarkable step for the



Personal fundraising made fast and easy. And it's free.

My fundraiser title  \$ Amount to raise



wonderful project that will help many people to find so much needed money.

## KICKSTARTER: \$1B RAISED FOR PROJECTS, RULES SIMPLIFICATION, SWITCH TO STRIPE PAYMENTS

On March 3, 2014 **Kickstarter** crossed the mark of \$1B of funds raised for projects published on the portal. Now, in January 2015, Kickstarter has already collected nearly \$1.5 B, while successfully funded projects gathered \$1.27 B, and another \$183 M returned to the participants of the platform. During the existence of the platform more than 77,000 projects were successfully funded by 8 million backers, 2,3 million of them backing more than one project. Almost 20 million of donations here made this year.

were successfully funded. Therefore, platform achieved 10% growth in 2014<sup>23</sup>.

In June Kickstarter announced the simplification of rules and the launch of Launch Now function in its blog. Specific algorithm aimed at filtering projects allows you to run a crowdfunding campaign without undergoing a review. Earlier projects were tested by employees of Kickstarter. As for simplification of the rules, the list of categories allowed at Kickstarter has been greatly expanded, stage of pre-approval of the project by community can now be avoided with the use of Launch Now option, required length of project description has been reduced from 1000 to 300 words.

Just a few days ago in the first week of January 2015 Kickstarter announced the change of its payment provider from Amazon Payments to

of collecting funds for projects. From now on they don't have to set up an Amazon Business account anymore, which could take a few days, and only bank account details are required. This may greatly increase the popularity of the platform among investors (in particular, due to the fact that the entire payment process will now take place directly on kickstarter.com).



## OTHER PLAYERS ASPIRED TO OVERTAKE THE LEADERS

In July crowdfunding platform **Crowdfundtilt** changed its name to **Tilt**, because the word «Crowdfunding» and model itself have become commonplace now. Unlike IndieGoGo and Kickstarter, Tilt is not going to go easy on its projects in the near future and intends to be responsible, at least in the part which concerns the truthful presentation of the draft to future investors.



In particular, the platform has stopped the campaign of **Scribble Pen** after it became clear that the creators of the project did not have a working prototype available, though they have repeatedly claimed otherwise.

In the past year Tilt also launched a pre-order tool to increase the amount of funding that project can get — now each participant, that has

## KICKSTARTER

MOST POPULAR IN TERMS OF FUNDING CATEGORIES FOR KICKSTARTER:



games



movies and videos



technology



design



music

39.7% of projects published successfully raised money at Kickstarter<sup>22</sup>

Just in 2014 \$529M were invested at platform (main categories: technology — \$125M, design — \$96.7M, games — \$89.1M, films and videos — \$66,4M, music — \$34.1M) of which \$444M went to successful campaigns of 22252 projects. 3.3M people have taken part in campaigns this year, of which 2.2M were residents of the United States (other active countries are United Kingdom, Canada, Australia, Germany), while 8754 Russian citizens have invested more than \$1.5 M. By the way, about same number of people, 2.2M, invested in projects on Kickstarter for the first time. 773,000 people invested in more than one project, and 1,125 funded more than 100 projects. In 2013 3M people invested \$480M using the platform, 19,911 projects

**Stripe.** The reason mentioned was Amazon Flexible Payment Service discontinuation, which crowdfunding platform previously used, but Kickstarter announced in its blog that new solution will simplify the procedure



placed his project on the platform, can add a pre-order tool to his web page with just a few lines of code. In August, the platform has also entered into a partnership agreement with ESPN, and fans can now collect the money for their fantasy football leagues on Tilt platform. Tilt has also released an API for crowdfunding campaigns called Crowdtilt Open—essentially an off-the-shelf template for crowdfunding platform that is flexible enough to be used both by private individuals and companies.

**500 Startups**, having invested in more than 600 start-ups in its history, is launching two more open programs: 500 Startups Syndicate and 500 Women Syndicate, allocating \$1M to each program. It is expected that in the following year 10 companies will receive investment through each, while money allocated by 500 Startups will cover only part of the sum, bulk of investment will be made by Angellist, entering into the partnership with 500 Startups. In the past year the project also raised its third \$100 M fund in partnership with SeedInvest and launched two geography-based public programs: 500 Durians, \$10M fund focused on investments in Southeast Asia, and 500 Luchadores, \$2M fund to invest in start-ups in the Mexico.

## CROWDINVESTING NEWS

While this area remains largely undeveloped because of the lack of regulatory attention, there was some news, concerning crowdinvesting activities, which we find to be interesting.

**Angellist** published its 2014 results. Last year \$104M was raised



online for 243 startups, capital was invested by 2673 investors. Among big online rounds are Beepi (\$2,8M),M-



DInsider (\$1,5M), Life360 (\$1,2M). Angellist, also positioning itself as recruiting platform, also released data concerning its HR division: 116T of candidates attached their CVs and 8T companies placed open positions. Seedrs, by the way, bought Junction Investments in October, planning to expand to US market.

**Rapidly** growing segment of crowdinvesting is real estate crowdinvesting. Realty Mogul, which raised \$9M in 2014 from Canaan Partners, has attracted more than \$50M worth of investments for 184 properties. So far \$6,7M of revenue were returned to investors. 64% of investments are made via equity while 36%

of capital was attracted via loans issued. Around half of real estate properties are situated in California (32%), Florida (9%) and Texas (8%). Residential (34%) and retail (16%) are the most funded at the platform. In September Realty Mogul reached an agreement with Direct Lending Investments — the latter committed to invest \$73M in Realty Mogul projects.

**FundedByMe** crowdinvested €315T via its platform for itself. It was going to spend money on further development of the platform. More than 40 thousand investors registered at the platform; to date they have invested almost €6,6M. ○





## 12. BITCOIN AND OTHER CRYPTOCURRENCIES

THE LARGEST VENTURE ROUNDS, USD M:	
Xapo, USA	40
BitPay, USA	30
Blockchain, UK	30
Blockstream, Canada	21
Bitfury Group, Europe/USA	20
<b>Top 5</b>	<b>141</b>
<b>Total</b>	<b>318</b>

It also announced a partnership with **Square Market**, which allows customers to use Bitcoins to buy goods on the platform. A customer scans QR-code and the price is instantly converted to dollars and transferred from Bitcoin wallet to the merchant account.

In October Coinbase launched a multi-factor user authentication for its wallet, in November — a tool for micropayments from Coinbase wallet (e.g., tip), and in December Coinbase application was released in AppStore.

At this point Coinbase has 2.1 million users, more than 40,000 merchants and 6,000 developers. Last year Coinbase for the first time expanded beyond United States to 13 European countries (Italy, Spain,

capital firms at valuation of \$160M.

In 2014 BitPay began to process \$1M of transactions in Bitcoins every day, while in the whole 2013 the company processed transaction valued at \$100M. The company has made its basic service of accepting payments in Bitcoin completely free of charge to its customers. The package includes unlimited number of transactions, conversion of the USD / BTC pair, daily replenishment of the bank account, POS-terminals, integration with e-commerce platform and access to a range of other BitPay services. At the moment Bitpay has 50000 clients, but for 2016 the company has set itself an ambitious goal to increase the number of customers to 1 million, hoping to uphold the growth rate of its customer base, that has increased by 5 times over the last year. And in November BitPay launched a new service Bitcoin Checkout, which allows offline stores to accept payments in Bitcoin.



# xapo

### COINBASE: NEW PARTNERS AND EXPANSION BEYOND USA

Some of the reasons why one of the most high-profile Bitcoin projects were not able to raise funds in 2014 were the collapse of **Mt.Gox**, cold attitude toward Bitcoin of regulators around the world and price volatility of the currency. In November, there were rumors that **Coinbase** was raising another round and initially was going to raise \$150M at valuation of \$400M, but later lowered its expectations up to \$50M. However, Coinbase hasn't yet raised this amount being affected by the negative background of the Bitcoin currency.

This year Coinbase attracted more partners to Bitcoin infrastructure. In 2014 Coinbase became the payment provider for Expedia, Dell and Time Inc.

(France, Belgium, Netherlands, Austria, Cyprus, Finland, Greece, Latvia, Malta, Portugal and Slovakia).

### BITPAY: FAST GROWTH OF BUSINESS AND LAUNCH OF BITCOIN CHECKOUT

In May 2014 **BitPay** raised \$30M from TTV Capital, Felicis Ventures, Founders Fund and other venture



### DEBIT CARD AND MOBILE APP FROM XAPO

In 2014 **Xapo** raised two rounds of \$20M and during the latest one held in July the company was valued at \$100M. Yuri Milner became one of the co-investors of the Xapo project as a private investor this time. In addition to Milner, Yahoo! co-founder Jerry Yang and co-founder of PayPal Max Levchin believe in the prospects of this idea. Xapo owes much of its success, oddly enough, to the collapse of **Mt.Gox** — after numerous scandals related to security, the idea of storing passwords to access Bitcoin accounts in physical form in an underground facility became particularly attractive to users.

In April Xapo offered one of its products — a debit card tied to Bitcoin account. When the card is used, Xapo system checks whether there is enough money on the card, then converts the required amount of Bitcoins



to fiat currency using Bitstamp and processes the transaction. According to Wences Casares, most of the Xapo customers keep 90% of their Bitcoins in storage and 10% in the wallet<sup>24</sup>.

In November Xapo has released apps for iOS and Android. It can help you to transfer money from your storage to the wallet, make transfers to other addresses, check Bitcoin rate in real time, send tips via Twitter and make debit card transactions.

## BITCOIN INFRASTRUCTURE GROWTH WITH PAYPAL PARTICIPATING IS IN THE RACE

**Reddit** announced in October that it will create its own cryptocurrency and distribute 10 percent of its \$50M round to users. However, Reddit cryptocurrency engineer Ryan X Charles recently explained in a series of posts that Reddit is using one of the existing technologies, such as Bitcoin, Counterparty, Ethereum and others.

This year we witnessed the launch of a number of Bitcoin crowdfunding services collecting money from Bitcoin



gration into products of its subsidiary, a provider of solutions for online and mobile payments Braintree, which PayPal acquired for \$800M in September 2013, and which processes payments of Uber, AirBnB and Dropbox through partnership with Coinbase service.

As it turned out, **MasterCard** obtained a patent for the technology of virtual Bitcoin wallet back in 2013. MasterCard is quite keen in the area of virtual currencies. The company has recently hired 5 lobbyists in

lets, 82 thousand merchants accepting Bitcoin with the annual turnover of \$180B. At the same time there were 341 Bitcoin ATMs in the world and 157377 unique Bitcoin addresses. The total volume of investments in Bitcoin technology in its entire history is \$432.7M by 83 companies (of which \$335M were made in 2014, \$96M — in 2013), and in 2014 projects from Sweden, Denmark, Germany, Argentina, Mexico, India and Japan joined the global community. Most of the

**bitpay**

**coinbase**

**GO COIN**

wallets. Swarm, Koinify and Lighthouse: the first two raised \$1M from investors each, while the last one — \$40 thousand. BTXDeals, a UK e-commerce platform for payment exclusively in Bitcoin, also launched in 2014. Bitreserve offered conversion between Bitcoin and actual physical gold in a partnership with Gold Bullion International. Despite significant changes of the currency rate, Bitcoin infrastructure continues to evolve and embrace new formats.

**PayPal** has entered into agreements with leading Bitcoin payment processors BitPay, Coinbase and GoCoin. These agreements let PayPal digital goods merchants accept Bitcoin. However, PayPal is not going to add the cryptocurrency to its online wallet and Bitcoin payments won't be processed on their secure payments platform<sup>25</sup>. Earlier this year PayPal announced the imminent launch of Bitcoin inte-

Washington to get better understanding of the bitcoin industry and lobby MasterCard interests concerning Washington decisions on cryptocurrencies. Western Union and eBay also obtained similar patents and shall take all measures in order to keep abreast of Bitcoin and promptly respond to any changes in the currency status.

### BITCOIN MARKET STATISTICS

As of January 13, 2015 Bitcoin capitalization amounted to \$3.4B, while the total capitalization of all cryptocurrencies listed on the [coinmarketcap.com](http://coinmarketcap.com) site, comprised \$4.2B. Still the only currency with high capitalization of the money supply is Ripple (brokerage unit of sharing network Ripple).

According to the **Coindesk** report, as of December 2014 there were about 8 million registered Bitcoin wal-

investments in 2014, namely \$88.1M, were made in Bitcoin wallets with another \$75.4M invested in related financial services. Mining infrastructure raised \$69.5M. The total volume of Bitcoins trade in 2014 was \$23B. ○



**During the year the Bitcoin price has fallen from over \$900 to about \$250.**

These changes had little effect on Bitcoin promotion, as the price of intermediary currency in the current situation does not influence the development of the infrastructure itself. Bitcoin in this case was just a convenient excuse to accumulate a sufficient amount of talent in order to significantly change the technology of payments, transfers and storage of user assets.

# 13. SERVICES FOR SMES: E-INVOICING, ACCOUNTING, PAYROLL PROJECTS AND ONLINE-FACTORING

THE LARGEST VENTURE ROUNDS, USD M:	
Tradeshift, Denmark/USA	105
Inacct, USA	45
Coupa Software, USA	40
Taulia, USA	40
Invoice2go, USA	35
FreshBooks, Canada	30
Pollen, USA	27
Avalara, USA	26,3
Host Analytics, USA	25
Transverse, USA	25
<b>Total</b>	<b>783</b>

## WILL ZENPAYROLL JOIN THE BIG 4 OF PAYROLL SERVICES?

In February **ZenPayroll** raised \$20M from Kleiner Perkins Caufield & Byers and General Catalyst Partners at a \$100M valuation. At the moment the company processes about \$130M of salary payments per month for thousands of companies and firms, while in February it used to process just \$33M per month. As we have already mentioned, the platform fully automates payroll scheme, costs less than competitors' offers and takes into account the legislation of each state, offering in addition a personalized approach to each case, as well as individual bonus schemes and hospital payments, taking into account tax deductions, and even allows charitable co-donation of employees. It's not surprising that ZenPayroll has grown by 4 times in less than a year. ZenPayroll also aims at establishment of a full-fledged back office, thus, signing part-

nership agreements with other services (Intuit, Xero, Freshbooks, TSheets, When I Work, Deputy, NimbleSchedule, BambooHR, Kin HR, and many others). In 2014 payroll market was estimated at \$16B in US (in 2010 at \$13.9B), outsourcing market and compensation market were estimated at \$11B, workforce management market — at \$6B.

It should be noted that **ADP**, the market leader of payroll, focuses primarily on large companies, while ZenPayroll works with small and medium-sized businesses, which have completely different requirements, needs and budgets. The market share of the

PAYROLL MARKET PLAYERS, ACCORDING TO THE RESEARCH BY WILLIAM BLAIR & COMPANY (in brackets the expected revenue growth at the end of 2014; operating margin at the end of 2013)

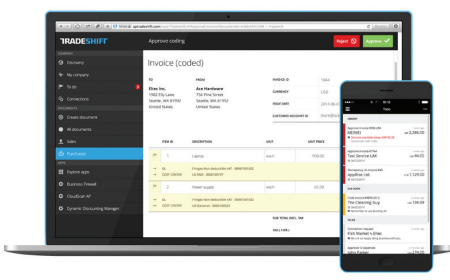
<b>ADP</b>	33% (8%; 18%), 350 thousand customers in Q3 2014 (launched in the third quarter of 2010)
<b>Paychex</b>	10% (28%; 40%)
<b>Ceridian</b>	4%
<b>Intuit</b>	3% (61%)
<b>Ultimate Software</b>	3% (23%; 11%)
<b>Paylocity</b>	<1% (24%; 0%)
<b>Paycom</b>	<1% (28%; 9%)
<b>ZenPayroll</b>	<1%
<b>Others</b>	=45%

largest four players has not changed in recent years and is about 50%.

As already mentioned, ZenPayroll costs less than their competitors and is focused solely on the salary project. For example, a salary project for a company of 10 people will cost the employer \$780 a year — very little in comparison to \$3823 for ADP solution, \$1428 for Paychex and \$1188 for Intuit (for a full automation package).

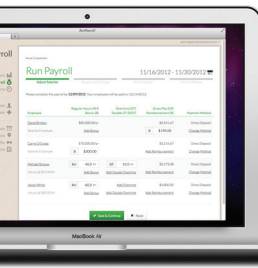
According to IDC, industry of payroll projects will grow by 3% -4%

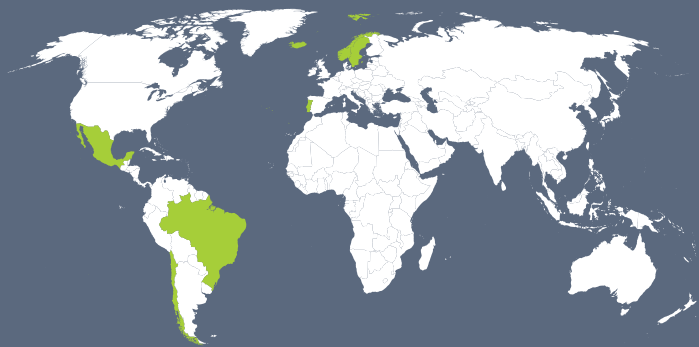
annually, and external HR- services market as a whole by 7% -8%. The main factors of the market growth are the need and the ability to replace human labor by machines for routine operations, as well as increased interaction of individual IT-products used in a company, the complexity of the regulation of labor law and increased penalties for non-compliance (now the penalties for non-compliance of labor laws for SMEs make up the volume of \$5-\$6B per year). The main requirements from customers are ability to solve all the problems of HR-department within one platform and expansion of features with systems of compensation control, vacation accrual, education management, knowledge bases and other options.



## E-INVOICING MARKET STATISTICS, TRADESHIFT EXPANSION, NEW ROUND OF INVOICE2GO

Danish **Tradeshift**, which we wrote so much about in our quarterly researches, in 2014 was valued at \$300M and raised \$75M from Scantian Ventures, a Singapore-based fund with strong Japanese roots. Shortly thereafter the company opened an office in China, and in September announced the opening of offices in France, Germany and Japan. Tradeshift, launched in 2010, unites 500,000 companies in 190 countries. 95% of Danish companies are working with Tradeshift. In late spring the company announced that they have connected the UK Department of Health and its suppliers and contractors to the system. The Department will use the platform as a substitute for traditional paper-based document circulation (on average it processes up to 30,000 bills per day). Tradeshift competitors on the global





## E-INVOICING PENETRATION LEADERS: SCANDINAVIAN COUNTRIES, PORTUGAL, BRAZIL, CHILI, MEXICO

market are Taulia, Ariba, Basware, Coupa Software, OB10 and Senddr.

According to a study by **Billentis**, more than 170 billion bills are filed through the business-to-business and business-to-government channels in the world, more than 8% of them are in electronic form. E-Invoicing market grew by 20% in 2014.

The development of such systems in Latin America is primarily due to

tion of services and decrease in prices for e-Invoicing / e-Billing and related services. Also the adoption of new legislation in some European countries allows companies to exchange PDF-bills directly bypassing the service operators. According to the 2012 data, 74% of European companies engaged in e-Invoicing closed the year with profit but as a rule very small one; on average for the industry profit margins

and medium businesses **Invoice2go** raised in September 2014 \$15M from Ribbit Capital for international expansion. As of today the company boasts more than 100 thousand of customers in English-speaking countries, primarily in the United States and Australia. The service meets the basic needs of account and expenditure management and its target audience at the moment is comprised of small businesses and freelancers. «Our main competitor — says the company’s CEO Greg Waldorf — are those who use notebooks and basic Microsoft Office for billing».



## Q4 NEWS: ADYEN MASSIVE ROUND, RISE OF ANALYTICS PLATFORMS, CROWD-ECONOMICS FROM ORDERWITHME

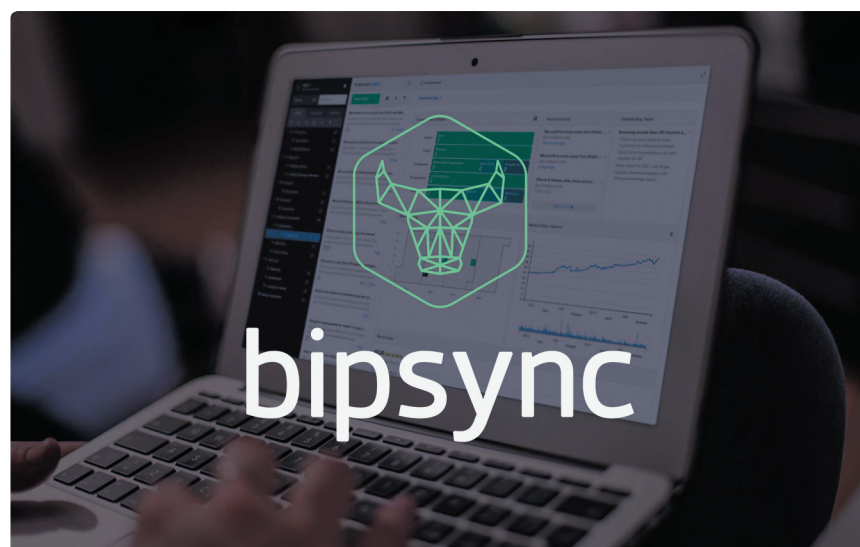
**Bipsync**, a tool for research and documentation process management for hedge funds, has launched. Product price vary from \$3,000 to \$10,000, depending on the number of people on the same license. At this point Bipsync is a partner of five major hedge funds, the amount of funding for the project at the present moment — \$1.5M.

the government struggle against the tax evasion, in particular, it is expected that for this reason by the end of 2015 Uruguay will become one of the leaders of e-Invoicing penetration, exceeding 70% of businesses. In North America in 2013 the e-Invoicing market was estimated at \$280M, and in 2014, as expected, it grew up to \$317M. In the Asia-Pacific region many countries are moving towards the Latin American model, focused on the fight against tax evasion, instead of the liberal Scandinavian model. In Russian e-Invoicing is growing at a record pace, although penetration still remains rather low. Kazakhstan, leading the CIS market of e-Invoicing penetration, Nepal and Singapore have adopted laws that require businesses to switch to electronic invoicing system, Turkey also pays special attention to this issue.

The European e-Invoicing market is estimated at €1.8B and is expected to grow at an average rate of 8% -12% per year in 2015-2018. The major current market trends are: commoditiza-

of such companies are slightly above zero. Even those companies that might in other circumstances make profit allocate «free» funds to increase their market share and for marketing development. In the next few years we can see a significant redistribution of the market and consolidation of operators.

Invoicing application for small





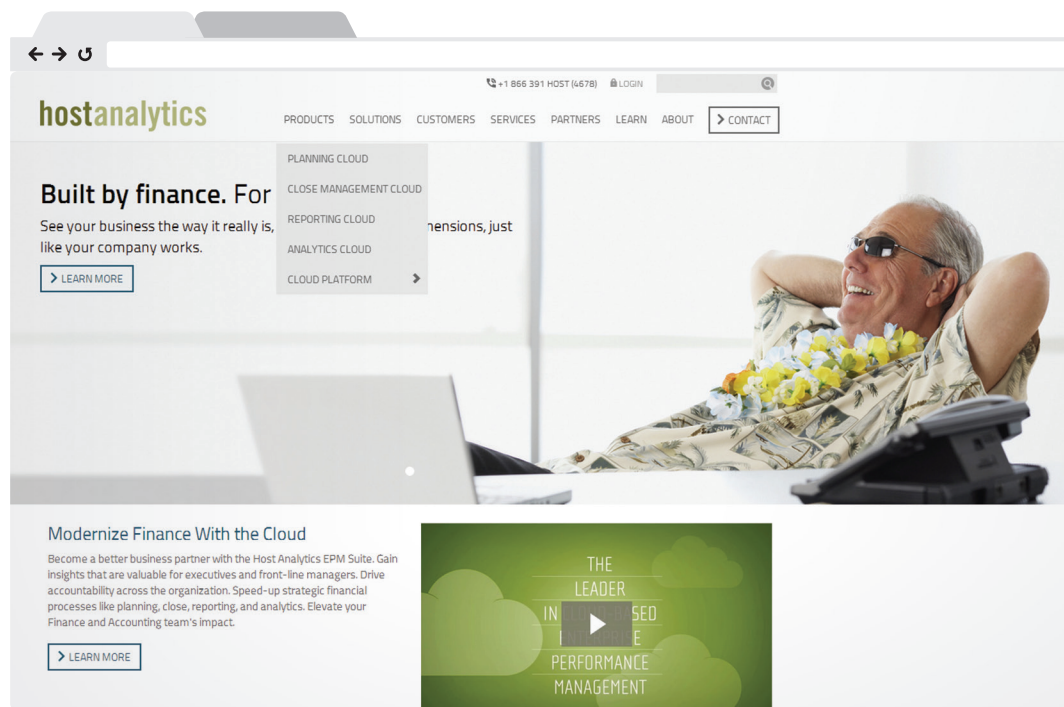
**Ayasdi** presented its technology of «topological» analysis of trends in financial data, aimed at solving the problem of fraud, risk management, analysis of market conditions and customer base. Its customer base includes three of the five largest energy companies in the world, seven of the ten largest pharmaceutical companies and some of the largest financial and medical in-

# AYASDI

stitutions. According to the reports from Ayasdi, the introduction of their fraud detection technology has helped one of their clients to improve the fraud detection from 30% to 99% on the same volume of data. Their solution can also be used to measure the impact that various changes in the macroeconomics might have on the bank's activities. Another function of the platform is automatic segmentation of customers, making it possible to target products to a specific audience more precisely.



**Radius**, a company that provides a database of American business and sells company analytics, raised \$54.7M on September 23, 2014. Radius is a market analytics platform that gives the providers of B2B-services the ability to quickly find their target audience and make precise tweaks for the sales of its services. The company monitors the performance of more than 40 million small and medium businesses. The company's clients are American Express, Revel Systems, ZenPayroll, PayPal, BBVA Compass, Adobe, MOGL and others. Among the data provided by the company, there are



not only financial statements, number of employees, and information about key people of the company, but also the contacts, the company's presence on the web and social networks, the cost of its products and services and assessment of their quality by clients.

**Host Analytics**, a web platform for internal financial analysis, raised an \$25M Series E round, and its representatives have claimed that the next step will be the IPO. The closest competitors of the company are Tidemark and Anaplan. Tidemark, meanwhile, has announced a new feature of its financial planning platform, which allows direct use of the analytics to predict possible changes in the environment that could affect the business in the future.

**OrderWithMe** raised \$28M in the next round of investment. OrderWithMe is a platform for joint orders and procurement management for small and medium businesses. Small companies have the opportunity to combine their investments, make joint orders, and wire large volumes of payments at a discount and even order research and development for several interested parties. ○



# 14. PFM/PFP

THE LARGEST VENTURE ROUNDS, USD M:	
Wealthfront, USA	99
Rong360, China	60
Personal Capital, USA	50
Tongbanjie, China	50
Wacai, China	50
Betterment, USA	32
Yingying Licai, China	30
LearnVest, USA	28
FutureAdvisor, USA	15.5
BankBazaar, India	13



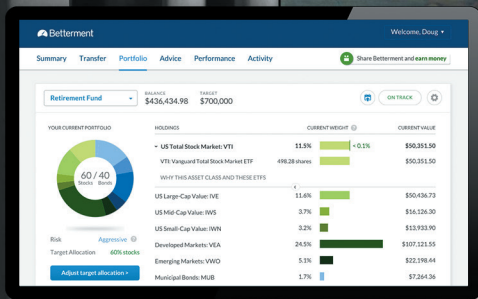
«Of course, the US economy is specific, but the approaches that I suggest are suitable for any country in the world. Currently Learnvest is designed for the US, but we are constantly being asked to expand to different markets: Canada, UK, other European countries, including Russia. We thought about how this can be done. Everyone has its own rules and laws, but the idea of providing accessible and impartial financial advice on the internet, just work in any country»

ALEXA VON TOBEL, CEO LEARNVEST  
«MONEY OF THE FUTURE» CONFERENCE, MOSCOW

almost 64 thousand customers, raised \$32M venture round from Citi Ventures, Globespan Capital Partners and Northwestern Mutual. The funds

round for 6571 customers. While Wealthfront is mainly designed for the millionaires of Silicon Valley, Personal Capital's target audience is an individual with personal wealth from \$100 thousand to up to \$2M.

In Q4 2014 Jemstep signed an agreement with TD Ameritrade, one of the largest brokers of America, and its product appeared as an option on the Ameritrade Veo platform created for trade and investment management. According to the vice-president of Jemstep Mark Richards, more than 10,000 customers with \$3B assets under management have linked their accounts to Jemstep.



## ROBO-ADVISORS: BIG THREE STATISTICS, AGREEMENTS OF JEMSTEP AND TD AMERITRADE

**Wealthfront**, which reached \$1.7B of assets under management at the end of the year and increased the number of clients to 21450, has raised \$99M in investments this year of which \$64M on October 27, 2014. Among the investors: Index Ventures, The Social + Capital Partnership, Ribbit Capital, Greylock Partners, Timothy Ferris, Benchmark and SK Ventures. Compared to the previous quarter Wealthfront assets under management grew by almost 10% or by \$150M.

**Betterment**, ranked second with \$1.1B under management with

raised were used to expand the range of investment products offered by the company, including the instruments of retirement savings, as 20% of customers are people over the age of 50.

**Personal Capital**, which manages \$861M according to the results of Q3, has raised \$50M in the next

## LEARNVEST AND PARITI — DEVELOPMENT OF FINANCIAL EDUCATION AND CONTROL SERVICES

**LearnVest**, the service repeatedly mentioned in our quarterly reports, has raised this year \$28M round from





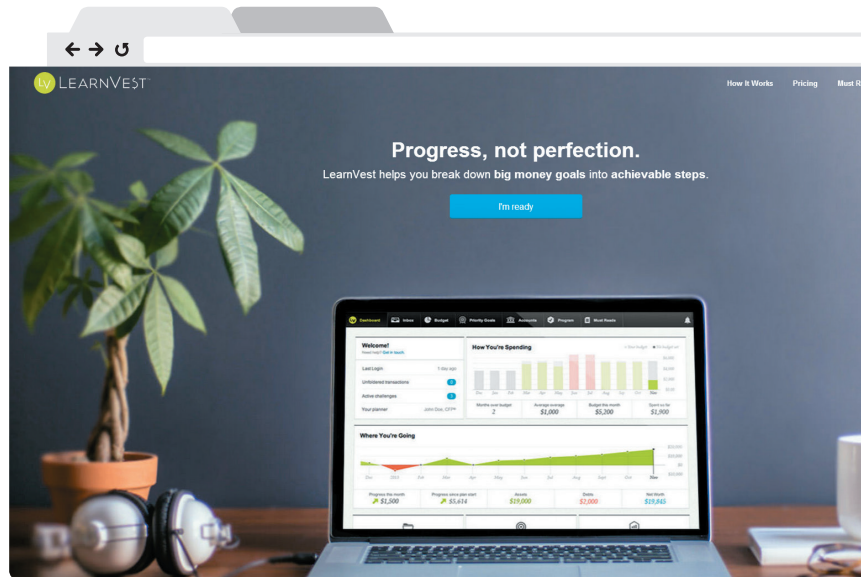
Northwestern Mutual Capital and Accel Partners (with the total amount of investments of \$69M). A platform, which was originally an online guide to financial literacy for women, has evolved in the development process and become a full-fledged financial advisor and a portal to financial education for everyone. All users work with certified financial planning advisors that give them specialized advice based on their financial needs and goals. Personalization and customization are the main competitive advantages of the company.

their accounts, while Check is one of the few applications in which the user can pay all his bills from his phone. Thus, both projects will be able to achieve synergies due to the mutual integration and turn into expenses management tool that can achieve undisputed dominance. As for synergies, many commentators note that for small businesses personal and business accounting largely overlap, so buying Check can raise the profile of another product of the company — **Quickbooks** by Intuit, a popular accounting service

probably hoping to achieve greater and faster access to new markets, including e-wallets and mobile payments. Total investment in Check at the time of the deal amounted to \$49M. In November 2014 **Xero**, Intuit rival, discontinued its personal financial planning product Xero Personal. The next year will show who has made the right bet and distributed the forces adequately.

**Morningstar** has acquired another vendor of PFM solutions, **HelloWallet**, for \$52.5M. HelloWallet uses client's banking information, information about credit card transactions, the pension plan and the level of wages in order to construct a suitable financial plan in accordance with user objectives. The wallet also helps the user to save money, finds the most profitable financial and banking products and determines how much the user can afford to save for retirement and where to find the money. About 65% of users were able to save on the costs of banking services by using HelloWallet. Product is monetized by selling corporate subscriptions for companies, in particular, wallet's customers are Salesforce.com, United Technologies, Vanguard, Sports Authority. As of the date of acquisition HelloWallet raised the total investments of \$16.2M.

In Q4 2014 Jemstep announced the decision to support platform for financial advisors **Advisor Pro**. Thus, Jemstep extended its algorithmic solution, providing market professionals a tool for interaction with their clients. ○

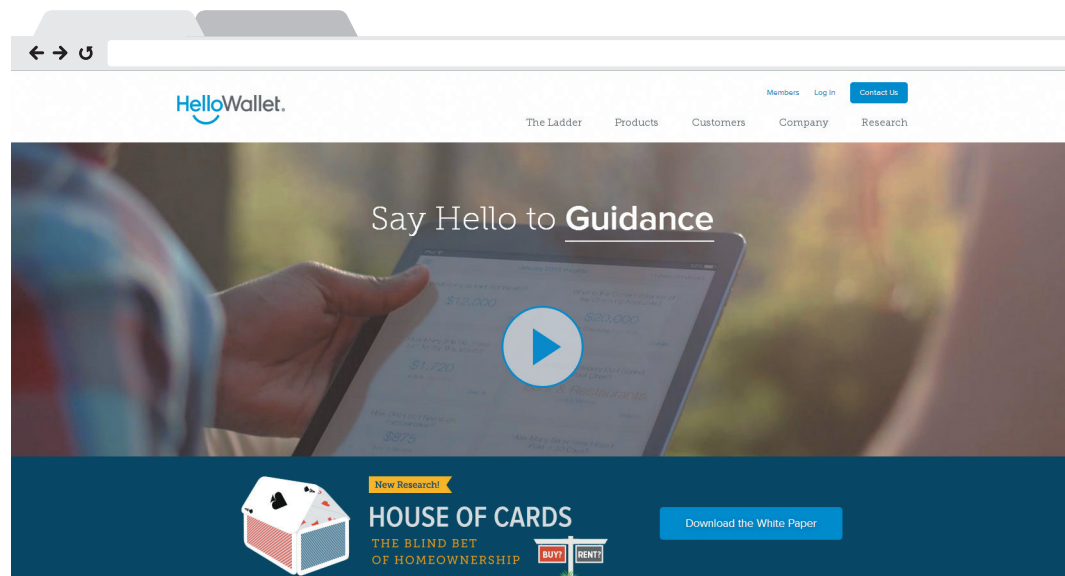


Former Deloitte consultant **Matthew Ford** has launched **Pariti** — an innovative project that helps users to pay the debt on the loan, while improving their financial literacy. Pariti provides various tools of loan repayment, free access to educational resources and the opportunity of re-lending in the simplest possible way to achieve financial freedom and independence for their clients.

for small and medium businesses. In addition, CEO of Check Guy Goldstein said in an interview: «The phone is going to be your wallet, and we want to be one of the big companies to emerge out of it, we have a big ambition to be the wallet of the future». Thus, by buying Check Intuit is

## INTUIT AND MORNINGSTAR ACQUISITIONS, DEVELOPMENT OF CHINESE SERVICES

In 2014 there were several major acquisition deals in the PFM / PFP sector. In particular, **Intuit** acquired **Check**, a company that has designed a mobile application for managing personal finances, for \$360M, with a coefficient of 18X to the expected \$20M revenue in 2014. At the time of the deal Check had 10 million users. **Mint** from Intuit allows customers to track payments on





# 15. TRADING AND PRIVATE EQUITY

## THE LARGEST VENTURE ROUNDS, USD M:

<b>IEX, USA</b>	75
<b>Addepar, USA</b>	50
<b>Loyal3, USA</b>	47,3
<b>Snowball Finance, China</b>	40
<b>Motifinvesting, USA</b>	35
<b>eToro, Israel</b>	27
<b>Dough, USA</b>	25
<b>iMatchative, USA</b>	20
<b>Kensho, UK</b>	15
<b>Kapital, USA</b>	13

### WAR OF PLATFORMS

As we have mentioned in the quarterly survey, three different groups of companies have started the redistribution of social trading market this year:

**1** Companies focused on the social trading itself working with different brokers and often not providing brokerage services. This type of players are **eToro, ZuluTrade, Currensee** and others. Their advantage is specialization in copy trading and promoted brands. So, OANDA has ceased the development of FxUnity platform and acquired Currensee instead, IBFX has entered into partnership agreements with ZuluTrade and Currensee.

**2** Brokers, such as **FinFX, FX Pro, Tradingfloor.com** and **Connect**. Many brokers develop their own social trading systems, while breaking partnership agreements with the platforms, and in some cases completely denying their customers the opportunity to trade through such platforms. Developed customer base and direct contact with the Forex market players are advantages of such companies. FinFx with its system Signal Trade has ceased its cooperation with Currensee, FXPro develops its SuperTrader, Tradingfloor.com from Saxobank is gaining

momentum, and City Index is about to release the alpha version of Connect.

**3** **MetaQuotes**, which created the world's most popular solution for individual brokers' trade on Forex, develops platform-integrated capabilities for copy trading. Metaquotes threatened with breaking up the partnership with the companies that work with their customers through this platform, if they develop their own systems or cooperate with the largest providers of copy-trading in the world. On the side of MetaQuotes is the user base of their flagship product for Forex-traders MetaTrader. Because of the pressure of MetaTrade, HotForex, Alpari and XeMarkets stopped developing their own systems of joint trading, a number of other traders refused to cooperate with ZuluTrade also due to the pressure from MetaQuotes. On the other hand, two joint trading platforms took away their customers from MetaTrader — in addition to the already mentioned ZuluTrade, Tradency moved to the third-party software to ease its dependence on MetaQuotes.

### ETORO ENABLES BITCOIN, REACHES VOLUME OF 100 MILLION DEALS AND RAISES NEW ROUND

In January eToro launched Bitcoin trade for its users. According to the information from the Communications Manager of eToro Nadav Avidan, 5% of eToro users (about 200

thousand people) promptly opened a position in Bitcoins on the platform. Most of the clients who open such positions live in South America, UK and Germany. Platform charges 1% of the transaction amount for the purchase and sale of Bitcoin.

In November eToro raised \$27M round from SBT Venture Capital and

THIS YEAR ETORO PLATFORM REACHED THE MARK OF 100 MILLION TRANSACTIONS AND PUBLISHED INFOGRAPHICS ILLUSTRATING THE STATISTICS OF THE PLATFORM USERS

**48%** — Europe (mainly UK and Germany);

**23%** — Asia;

**10%** — North America;

**7%** — South America;

**7%** — Africa;

**5%** — Australia and Oceania

**82%** of copied transactions were profitable compared to **58%** profitable independently implemented trades;

The use of mobile applications has increased by **38%**.

Chinese financial corporation Ping An. Note that initially eToro planned to attract \$15M in this round.

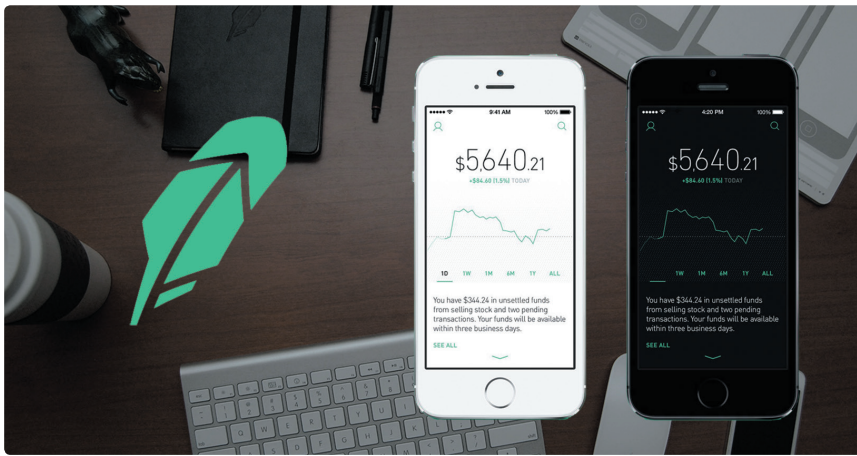
### ROBINHOOD OF THE TRADING FOREST

Team **Robinhood** launches mobile application for trading on the stock exchange for millennials which is characterized by the functional minimalism and usability. There are no commissions for the purchase and sale of securities; the service earns commission on trading securities of



foreign issuers, as well as commissions on the debit / credit to the account, in addition, the service earns an interest on credit when margin trading. The startup launched by two Stanford graduates Bajju Bhatt and Vlad Tenev was funded by Index Ventures, which also invested in Wealthfront.





popular among both private individuals and institutional investors. Back in March 2014 the application had more than 20,000 active users, generating more than \$5M of revenue every month. Intensive marketing campaigns aimed at institutional investors and bold marketing strategy, according to the company's management, will provide the application with 5 million of active clients in the next nineteen months. ○

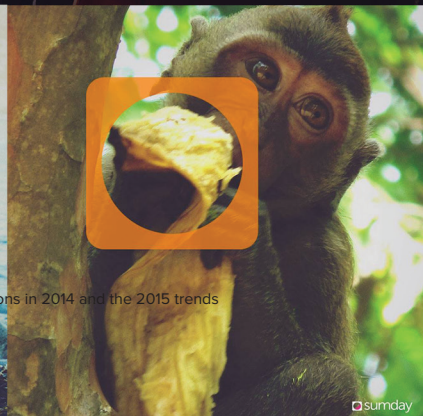
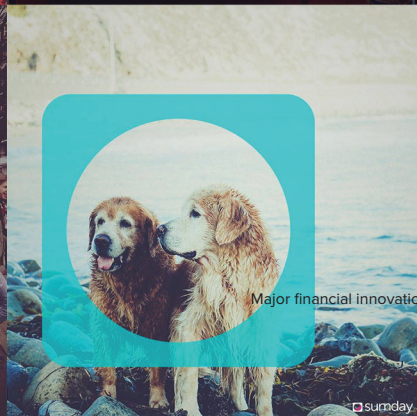
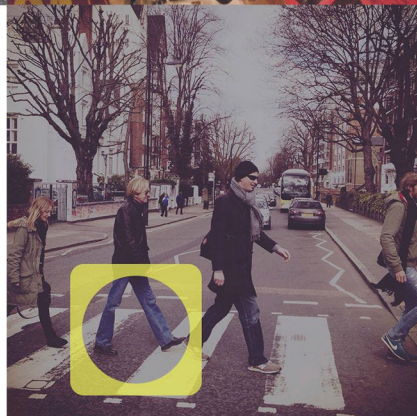
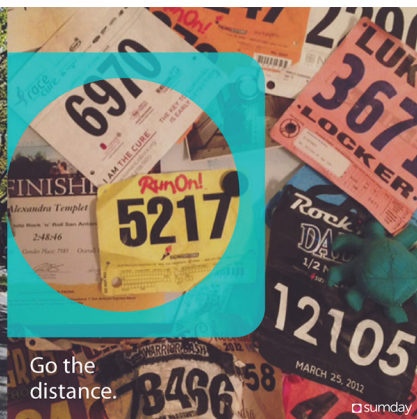
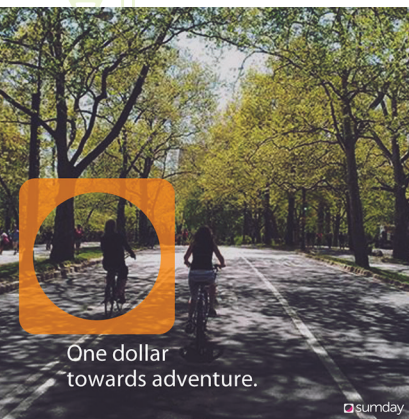
## NEWS FROM OTHER PLAYERS

**IEX**, a platform for low-frequency trading, has raised \$75M. According to one of the founders of the platform, on the market organized by the classical stock exchange platforms high-frequency traders who use expensive equipment and dedicated communication channels get a huge advantage over ordinary users literally using information about their decisions against them. IEX idea was to organize a platform where the frequency of transactions is intentionally limited, giving equal rights to conventional and «privileged» high-frequency traders.

Service for savings **Sumday** provides users with the opportunity to invest in the shares of the largest companies from \$1, just by talking about their dreams in a tweet and adding to them #sumday hashtag. Most of people do not want to spend time and effort on the registration of a trade account and

think that investment is a long, difficult and expensive process. BNYMellon, the company behind the SumDay project, hopes to change the user's point of view on the problem of investment.

**Clone Algo**, a company that in May was valued at more than \$1B by private investors who bought 5 million of shares issued at a price of \$8 per share, continues to prepare for an IPO on NASDAQ. Clone Algo released a blockbuster app — trading platform





## 16. LOYALTY PROJECTS

### THE LARGEST VENTURE ROUNDS, USD M:

<b>Cardlytics, USA</b>	70
<b>Linkable Networks, USA</b>	8
<b>Thanx, USA</b>	4,7
<b>CheckoutSmart, UK</b>	2,4

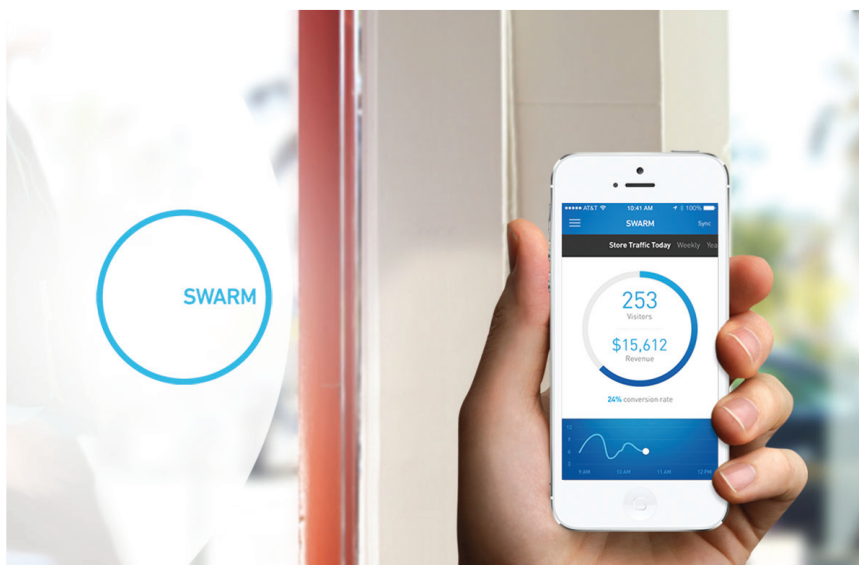
### MYWISHBOARD — NEW AUDIENCE INTERACTION AND LOYALTY PLATFORM

The use of social networks to communicate with the audience and increase its loyalty has become a common trend (see chapter «Solutions for e-commerce» of «B2B-services» section), but many existing social networks, originally created in order

**myWishBoard**, which has collected more than 3 million «wishes» of users, is developing in this niche. At the moment the project has already more than 300 thousand of fulfilled wishes, the average cost of one wish is 7500 rubles, so the total turnover of the platform during its existence amounted to 2.25B Rubles. In December 2013 Life.SREDA VC became project investor investing \$730 thousand on seed-stage.

### DEVELOPMENT OF TRADITIONAL LOYALTY PROGRAMS IDEAS FOR SMALL BUSINESS

This year brought us a lot of loyalty programs for small businesses and individual retail outlets, cafes and restaurants that can't afford the development of their own loyalty programs or subscription to existing programs for corporate clients. Among others, we would like to mention the American **Huzzah** and Russian **Starcard** (\$1M from InVenture Partners). Both systems operate in a similar way: after the subscription of business to the loyalty program (in Huzzah first six months worth \$1, then — from \$69 to \$139 per month), it receives an iPad-terminal and a box of loyalty cards that will operate throughout the network coverage. In addition, visitors can download the loyalty program application on a smartphone. In the future, the user will only need to either scan the QR-code on a check or swipe the card through the iPad-terminal to gain loyalty program points. Huzzah also proposes to build a mobile application for your business by subscription, which will cost from \$20 to \$65 a month. Just like the leading



### GROUPON: LAUNCH OF GROUPON POS, GROUPON PAGES AND ACQUISITION OF CUSTOMER ANALYTICS SERVICE SWARM MOBILE

**Groupon** has acquired the customer analytics and loyalty program service **Swarm Mobile**, which was launched in 2012 and raised \$4.5M from investors. While a user is in a shop, Swarm using WiFi, Bluetooth technology and infrared rays monitors the user's behavior and sends him targeted offers. This deal reflects the interest of Groupon in closer interaction with business, that uses channels such as POS-terminals at the point of sale (Groupon POS), individual business pages (Groupon Pages) and now in-store analytics and interaction with the client (Swarm Mobile) in addition to coupon loyalty programs from Groupon.

to reach the widest possible audience, still do not have the right tools to manage loyalty and increase sales through existing platform. Now we can evidence the launch of specialized social networks based on the user's desire to buy something or receive as a gift, as well as sites for «spontaneous» shopping. Obvious examples are the foreign services such as **Fancy** and **Wanelo**, which have more than 20 million users. In Russia the project





Russian service **MyApps**, which offers to construct a business application and a range of related customer loyalty and analytics services with monthly subscription price from \$6 to \$42.

## OTHER MARKET NEWS

In March **Epsilon Partners** entered into an agreement with **Adobe** for the inclusion of software solutions of Adobe Marketing Cloud into Agility Loyalty Program from Adobe and the creation of a global partnership between the two companies, aimed at building a strong loyalty program of the next generation. Adobe Marketing Cloud includes tools such as Adobe Analytics, Adobe Campaign, Adobe Media Optimizer, Adobe Social, and Adobe Target<sup>26</sup>.

In July 2014 Twitter acquired **CardSpring**, an application platform, which allows developers to develop loyalty projects with plug-ins for processing payments in virtual currency, to process credit cards and other types of payments. This year Twitter carries out more and more new initiatives to address the problem of monetization, with CardSpring Twitter hopes to offer soon to corporate clients and Twitter

At the moment Comdata employs about 1,300 people and the company processes \$54B of payments annually.

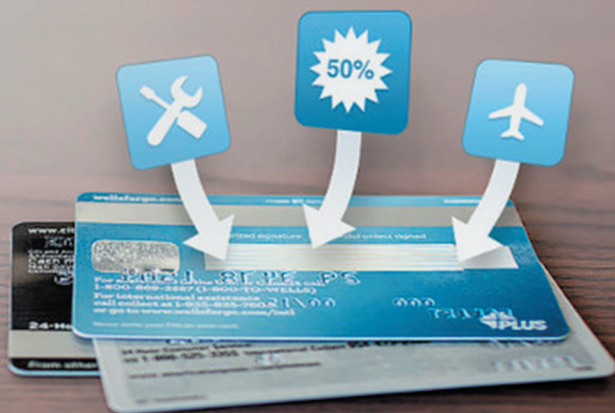
On September 25, 2014 loyal-

based not on the fact that users earn a certain number of «points», but on certain «moments» tracked by the platform when the customer is strongly involved



ty platform **FiveStars** raised \$26M from Menlo Ventures, Rogers Communications, DCM and Lightspeed Venture Partners. The platform helps small businesses to analyze sales and interact with the buyer at a level, which previously was affordable only to large companies and networks.

in the interaction with the product of the company / news spread about it. Unlike conventional loyalty programs this program promises to offer bonuses to users when and where they are needed. In the example from Kiiip airline customers waiting for the flight get a pass to the business class lounge area if the airline flight is delayed. After posting a message on Twitter about the check-in, the user can get a coupon for a free drink. Moreover, the airline in the example may use affiliate network of Kiiip, consisting of more than 3 thousand applications to distribute their programs and proposals to potential customers. Over the past four years Kiiip transferred 30 million of awards from brands to users on the platform with 35 million registered mobile devices. According to the company's CEO Brian Wong, companies participating in the program have achieved a significant growth of loyalty metrics by 30-50%: the number of sessions per client, the average time of the session, as well as a proportional reduction of attrition (churn rate). ○



users a new solution in the sphere of loyalty programs, when gift cards and discount codes from different stores distributed via Twitter will be automatically fixed for a particular user by registering the discount to the Twitter account linked to a particular card.

**FleetCor**, a global leader in fuel cards and payroll projects, has spent \$3.45B to acquire **Comdata Inc.**, a leading provider of innovative payment solutions, servicing more than 20 thousand corporate clients with fuel, gift and corporate bank cards programs.

In October it was announced that the network of sports bars **Green Turtle** has entered into a partnership agreement with **Paytronix** and **Gamescape** to develop a loyalty mobile application with gamification elements that enhance brand awareness and customer loyalty. While the user is waiting for his order at the bar, he can launch an application, play a game and get a bonus of \$10 if the game is won.

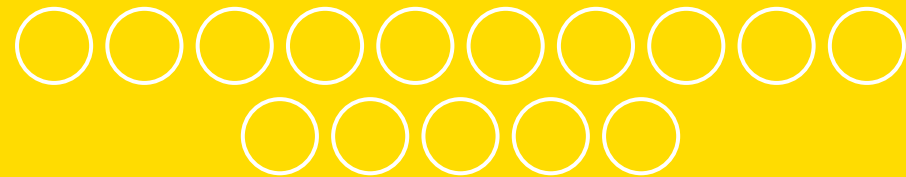
In November 2014 **Kiiip** announced a new mobile loyalty platform<sup>27</sup>, which unlike traditional loyalty programs is



# Results of Life.SREDA VC Performance in 2014

**\$11 000 000**

Volume of investments in 2014



Altogether from September 2012

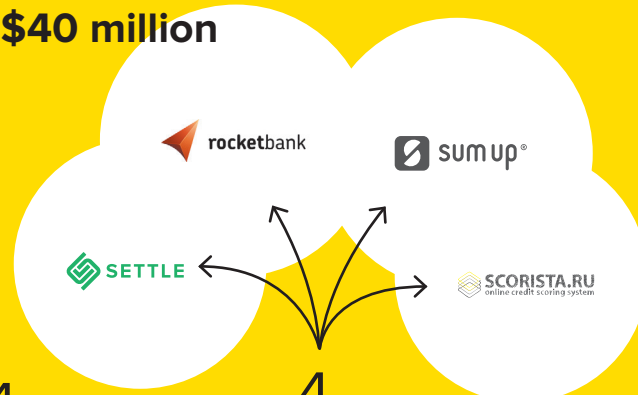
**15 projects** funded,  
Total volume of investments — **\$40 million**

1118  
applications  
reviewed

321  
applications  
thoroughly analyzed

34  
projects went through  
due diligence

4  
projects funded  
investment



## STRATEGIC PARTNERS



Financial group

**Life**

**anthemis | group**

**FINOVATE**



**BBVA**



JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

**LifePay**: the first in the world to offer EMV-readers to its clients.

- LifePAD: strategic partnership with INTEL;
- LifePAD: presentation of II generation device in Barcelona on World Mobile Congress;
- presentation of the second annual research of fintech-market in London on Finovate;
- **LifePay**: pitch at FinovateEurope 2014;
- first exit: Simple acquired by BBVA Group for \$117 million, fund received 180% year return on capital.

— LifePAD: presentation of LifePAD II generation in Russia.

- Investment in Settle (deal parameters not disclosed);
- Investment in SumUp (with other investors);
- **LifePay**: pilot project of stationary mPOS solution for merchants .

- Investment in Settle (deal parameters not disclosed);
- **LifePay**: participation in government online-fiscalization project;
- MyWishBoard: 200 thousand clients.

- closing of Life.SREDA I fund;
- fundraising of Life.SREDA II fund in volume of \$100 million — focus on growth stage American and European startups and Southeastern Asia;
- strategic partnership with Money2020;
- **LifePay**: cashier solution.

- third self-organized conference about FinTech startups «Money of the Future» — largest in Eastern Europe;
- **LifePay**: showroom of payments of the future LifePay Market Food&Art on the «Money of the Future» conference;
- **LifePay**: All-Russia social advertising campaign with Ministry Of Finance on improving financial literacy of SME;
- **LifePay**: startup team was included into rating of best teams in Russia (version of «Sekret Firmy» magazine, Kommersant).

- Investment in Rocketbank (deal parameters not disclosed);
- **LifePay**: turnover of 1 billion Rubles; 16 000 clients; 250 000 individuals made purchases with LifePay;
- MyWishBoard: 250 thousand clients; turnover of 2,25 billion Rubles; 3 million of wishes;
- Moven: 250 thousand users;
- Rocketbank: 2 billion Rubles of transactions .





Life.SREDA is an international venture capital firm focusing on investments in FinTech mobile and Internet projects.

Life.SREDA currently operates in the U.S., Western and Eastern European markets and is planning to expand to Southeast Asia. Life.SREDA has strategic partnerships with Anthemis Group, Finovate, Rocket Internet, BBVA, and The Bancorp, which provides access to global markets and the world's best expertise in the sphere of financial services.

The Hottest FinTech News at: [facebook.com/Life.SREDA](https://www.facebook.com/Life.SREDA)

The Anthemis Group logo, featuring the word "anthemis" in a dark grey, lowercase, sans-serif font, followed by a vertical bar and the word "group" in a green, lowercase, sans-serif font.

anthemis | group

Anthemis Group is a dynamic growth company focused on re-inventing financial services through technology for the 21st century.

Anthemis' distinguishing feature is that the fund doesn't simply invest in companies but like Life.SREDA connects and nurtures its global ecosystem of fintech startups under the slogan #Hacking Finance. Investments and partnership with Anthemis increase our efforts in the establishment of the ecosystem and provide opportunities for creation of a mutual platform for projects in US, Western and Eastern Europe.

Current Anthemis portfolio includes: Afb, Automatic, Azimo, Bento, Betterment, Blueleaf, Eris, Industries, EToro, Fidor, FinanceAcar, Indix, Metamarkets, MoPowered, Moven, Payoff, PayPerks, PeerIndex, Premise, QuanTemplate, Seedcamp, Simple, Suprmasv, The Climate Corporation, The Currency Cloud, Trov, Visual.ly, Xenapto, Zyfin.



## LifePay

LifePay — number one mPOS-service in Russia, which has evolved from a multifunctional mobile application for devices operating on iOS, Android, or Windows Phone and a card reader to the cash register and the entire ecosystem of products and services for small and medium businesses. LifePay is currently preparing to enter the promising and fast-growing market of Southeast Asia.



## SumUp

SumUp is the leading mobile point-of-sale (mPOS) company in Europe, set to revolutionize the global payments market. With SumUp's solution, merchants accept credit and debit cards, using their smartphones or tablets, in a simple, secure and cost-effective way.



## Scorista

Scorista is the first supplier of the cloud service for scoring purposes in Russia. The service is aimed at assessing the borrowers in PDL and POS lending, it suits for small loans up to 100K RUR issued for the period of up to one year.



## Settle

Settle is mobile payment & loyalty app. It allows user to make a preorder, pay for a check and get loyalty rewards at restaurants and bars, using only phone, just after registering at Settle and linking bank card to user's account.



## Moven

Moven — the world's first financial instrument that works in real time, which allows you to pay with a card or a mobile phone (through contactless sticker) and responds immediately to transactions and consumer habits of the owner.

## Fidor

Fidor is a joint venture of the most innovative German Fidor Bank, built around community of interested users, and Life.SREDA. Goal of Fidor Bank is to build «banking with a human face», every function and service are added, transformed or erased in accordance with community users' wishes and in close contact with them, meanwhile Fidor emphasizes web and mobile interaction.



## myWishBoard

myWishBoard — crowdfunding platform that allows members to create, publish and discuss their wish lists, as well as co-finance their fulfillment. Online retailers are provided with many options for partnership: deferred purchase button "I want!", Ad blocks in the user feed, creation of the brand page, tighter integration with e-Shop catalogues.



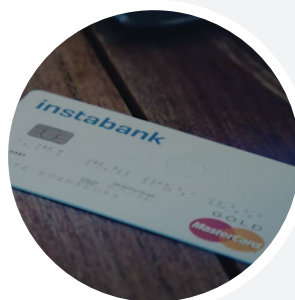
## My-Apps

My-Apps is an online mobile apps constructor, which allows users to create their own applications without any special skills and knowledge in 15 minutes: just select the required modules, customize design, change the menus and content. The completed application will be automatically published in Apple AppStore, Google.Play and on other mobile platforms.



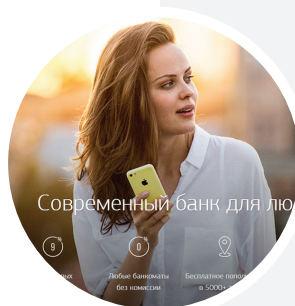
## Instabank

Instabank is a mobile bank application for those who are used to the convenience and beauty of iPhone, iPad, Facebook, Instagram. For those who love to visit trendy cafes, travel to unusual countries, listen to cool music and just enjoy life. It allows you to create an account on Facebook, set goals for savings and transfer money by friends' nicknames in social networks.



## Rocketbank

Rocketbank is first Russian mobile-only bank. Services Rocketbank offers include free card loading and cash withdrawal at any ATM worldwide, money transfers, expenditure analysis, a discount guide, application support, and an air miles program (users making card purchases with Rocketbank's card get 1.5% of the value of purchases in air miles). Its iOS app includes the ability to pay a person without having to know their bank details — instead, users can pick who they want to pay from their phone address book or enter an email address or e-wallet number.





## FOOTNOTES

1. <http://rusbase.vc/school/rocket-vnutri/>
2. <http://www.ft.com/intl/cms/s/0/73f216c8-9c97-11e4-a730-00144feabdc0.html#axzz3OxGkQHLJ>
3. <http://www.forbes.com/sites/tomgroenfeldt/2014/11/05/apple-pays-future-money2020-panel-weighs-in/>
4. <http://techcrunch.com/2014/05/13/square-launches-a-10-per-month-customer-feedback-tool-for-sellers/>
5. <http://techcrunch.com/2014/04/29/square-now-lets-merchants-collect-payments-offline-and-in-advance-for-orderpickup/>
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16. <http://techcrunch.com/2014/12/16/adyen-250m-general-atlantic/>
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26. <http://www.adobe.com/news-room/pressreleases/201403/032514AdobeEpsilonPartnership.html>
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