

PUBLIC HEARING FINTECH

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TECHNOLOGICAL INNOVATIONS IN THE FINANCIAL SECTOR

Opening (1 min 30s, note – the text below is longer than what I will present tomorrow)

- FinTech as a global industry has evolved rapidly and is gathering speed with an estimated £15bn+ invested over the past decade. The UK is recognised as one of the leading FinTech hub¹ and has been proven as a successful incubator, having two unicorns² TransferWise and FundingCircle. Around 61,000 people are employed in the sector, representing 5% of the total FS workforce. A recent [EY study](#) categorised the success of the ecosystem as built around four attributes: talent (technical, FS and entrepreneurial); capital (start-ups and scale-ups); supportive policy environment (regulation, tax and sector growth initiatives); and demand.
- The world has been changing quickly and increasingly people want access to digital products and services in all walks of life which includes how they manage their financial services. The FinTech market is responding to this demand, as are large organisations. Lloyds Banking Group is leading a significant digital transformation in Europe, investing £2bn to support the needs of our 28 million customers, including the 12 million who transact online and 8 million by mobile. Our customers logged on to our secure sites 2 billion times over the last 12 months. Our mobile application was named #1 in the UK by Forester.
 - We are delivering a step-change in customer experience along 10 customer journeys - such as 'I want to buy a house' or 'I want to set up my business' - to keep pace with the standards being set by FinTech, as well as delivering significant cost reduction.
 - We have strategic partnerships with technology leaders such as Google to work on digital services, marketing effectiveness, big data innovation, culture and digital inclusion. At the smaller end of the FinTech spectrum, we have a range of outreach programmes. We support new Fintech business to get off the ground with our *accelerators* such as StartupBootcamp providing seed capital. We collaborate, host, sponsor and attend at *FinTech community events*. We pledge to provide *100 FinTech mentors* across the UK from our the bank's subject matter experts.
 - However, we are alert to the need to provide an inclusive experience for all our customers. There are still over 5.9 million adults in the U.K. who have never used the internet and one in 5 adults don't have basic digital skills to take advantage of the web. Our vision is to help Britain prosper by giving everyone the chance to gain and improve their digital skills. Our digital index shows that on average people are £870 better off by being online.
- We could envision the impact of FinTech will be greatest where start-ups employ business models that are platform-based, data-intensive and capital-light. They will often use breakthrough technology which gives them substantially lower cost-structures. This is evident in platforms like Airbnb, Alibaba and Facebook. The 15 000+ fintechs start-ups have a broader scope across payments, lending, wealth advice, insurance and AI and they will not all be able to raise enough capital or attract customers. Through effective collaboration, it's our collective responsibility to find the right balance between innovation and protecting customers.

6 considerations for the EU Fintech taskforce (3 min)

1. Need for **global standards** to foster innovation, increase breath of competitive offering for the customers, harmonise regulation across countries and increase portability of the solution. My experience is that it's one of the barriers mentioned by Fintechs today to grow. I believe this will also help foster the development of the Digital Single Market in Europe.
2. Encourage a **culture of experimentation**, such as the UK [FCA Sandbox](#) and the [UK Industry Sandbox](#). Lloyds is participating and setting a level playing field to test and learn on new customer experience, business models and operational benefits in a safe way. As an example in Lloyds we deployed an appropriate risk framework, adapted our procurement and changed our group policy to enable pilots to happen for up to 5000 customers.
3. Bring the interest of **customers at the heart of the innovation** and FinTech sector. We urge consideration of early customer labs testing for future regulation such as data privacy or GDPR, with a mobile first lens. For example, the current rules on online privacy require users to click on accepting cookies; but on a mobile screen, this is not the best user experience that we can provide. Similarly, in the UK, requirement under Open Banking that users must re-authenticate with their banks on aggregation platforms every 30 days. No doubt these regulations are introduced with the best intention, but they have unintended consequences as the technology and customer behaviours online have evolved. [RegTech](#)³ efforts emerging around policy makers have for objectives to correct that.
4. Develop and promote **horizon scanning mechanisms** for on-going market disruption to deliver new customer experience and address systemic risks working with the key actors in the sector. Focus on the key areas that may deliver infrastructure changes for the financial services industry: **Cyber-security, Data & APIs, Mobile and Internet of Things, Ledgers, Cloud** (broadly aligned with the Bank of England accelerator)
5. Facilitate collaboration between actors by promoting **an outside-in innovation** environment. As digital transformation evolve, the focus will shift from for large organisations to an in-house innovation to the benefit of collaboration especially between Fintechs which can move at high speed in highly entrepreneurial environment and large organisations having the inverse advantages of size, customer base and scale.
6. **For Europe to remain competitive and attractive for FinTech against Asia and US, there is a need entrepreneurial talent and seed capital.** We should provide access to FinTech training, promote FinTech roles, incentives for seed investment and access to global talent pools to ensure we remain in a leading position in Europe.

Closing (30s)

I would like to leave you with few calls to actions I learnt in my journey:

- Our job is to leave no-one behind, hence we pledge **20 000 digital champions** who are helping communities across the country get more from being online. The Group committed to having 20,000 digital champions by 2017, meaning that around one in every four of our colleagues will be dedicated to helping people and organisations use the internet to improve digital skills and financial capability. This also goes with the importance of investment in digital infrastructure, i.e. fast, reliable fibre broadband connections and/or 4G+ wireless connections across Europe
- Open an **innovation challenge and hackathons** support to unleash industry and customer voices, such as the 100 problem statements from MAS (Monetary Authority of Singapore)

earlier this year - <http://fintechnews.sg/3410/fintech/mas-details-100-problem-statements-global-fintech-hackcelerator/>

- Support the growth of the sector by supporting collaboration with **'alternative funding'** in complement of capital through mentoring, open doors of large organisation to work together on customer and business problems locally, supporting talent exchange.
- **Promote women in digital**, 51% of our customers are female and it's important for us to have a leadership reflecting our customer base. This is why we have a public commitment of 40% of women in senior position by 2020. We formed several partnerships to promote our women internally but also CEO women founders, which are less than 10% in Tech in the UK.

We will welcome the opportunity to engage in the formulation of the EU's approach to FinTech, and encourage further dialogue with the industry as the European Parliament and the European Commission develops their thinking on the topic. This should involve all the actors ensuring **cross-collaboration** across FinTechs, Banks, Government, tech companies, Academia and VC to drive industry-led implementations and facilitate sharing of information across countries where we can collect ideas

END

Biography Claire Calmejane

Claire is charged with harnessing digital innovations and disruptions to best suit Lloyds' 22 million customers and 75,000 employees. The computer engineer joined the bank in October 2012 as head of digital delivery and became head of the digital centre of excellence, innovation and partnerships in 2014, helping to devise a strategy to digitise a large corporate bank. As director of innovation, she was instrumental in building the innovation function, LBG Innovation Labs, and the digital people strategy. French-born Calmejane is the only woman in the FinTech 40 Europe and a board member and mentor at startupbootcamp FinTech, having helped to drive Lloyds' backing of the accelerator programme. Before joining the bank, she worked in the London office of Capgemini Consulting and has served as a visiting scientist at the MIT Center for Digital Business in Boston.

Lloyds Banking Group

Lloyds Banking Group's business is focused on retail and commercial financial services. We have 30 million customers, a presence in nearly every community, and over one million businesses through our portfolio of brands.

In June 2011 the Group announced a strategy with the aim of becoming the best bank for customers and shareholders. Our success in transforming the Group since that time is the result of our relentless focus on the delivery of this clear and customer-centred strategy, putting customers truly at the heart of everything we do. We have succeeded in simplifying, reshaping and strengthening the Group to become a low cost, low risk, customer focused UK retail and commercial bank. Coupled with a focus on our core business, and investment in our iconic brands, this has put us in a stronger position to support the UK economic recovery, and that strategy has returned us to profitability.

This strategy has enabled us to create a stable, well-funded Group with a leading position in UK banking.

Over the next three years, our focus will be to adapt to the changes in financial services brought about by shifts in technology, changing customer behaviour as well as the evolving competitive and regulatory environment. Our strategy through to 2017 has three priorities; creating the best customer experience, becoming simpler and more efficient, and delivering sustainable growth.

Appendix

- 1 A Unicorn is a start-up company valued at over \$1 billion.
- 2 **EY study**
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502995/UK_FinTech_-_On_the_cutting_edge_-_Full_Report.pdf
- 3 RegTech is the use of new technology to understand and facilitate the delivery of regulatory requirements.