Cloud control

Feedzai has worked with Cloud-native Mox on fraud control as it prepares to launch as one of Hong Kong's first virtual banks. Here, Feedzai CEO **Nuno Sebastião** reflects on, among other things, which challengers are best placed to succeed, and how Clouds are changing the industry

Feedzai is a market leader in developing machine learning technology to combat fraud and counts major banks and financial institutions across the world among its strategic partners, including Standard Chartered's new Hong Kong-based digital bank Mox.

Completely Cloud-based, Mox will roll out its virtual accounts later this year as one of the first eight digital-only banks to be granted a licence by the Hong Kong Monetary Authority. Silicon Valley-based Feedzai chose Hong Kong as the base for its Asia-Pacific (APAC) operations a couple of years back and see the region as a focal point for its growth in coming years.

We asked Feedzai co-founder and CEO Nuno Sebastião to reflect on the APAC market and the Cloud-based approach that Mox and others there are taking.

THE FINTECH MAGAZINE: Why did Feedzai move to Hong Kong in 2018 and how does that market acompare with the West?
NUNO SEBASTIÃO: The way money moves around there – they've had contactless payments for more than a
decade now, whereas they're really just starting in Europe and the US – and the innovation around the way apps are used… we thought this is a market that's going to be ahead of the West. They're going to leapfrog, due to the regulatory environment and the innovation, but also the way people operate.

We wanted to be there to learn, but also to bring our technology to help build this experience that puts customers at the centre and makes sure that companies like us can do our job without ever being seen, without any friction in making sure the risk is managed. They don't want to have what we have in Europe or the US: second factor authentication with the messages and double passwords. That's a horrible experience for consumers. People

are ahead of that in Hong Kong. We want to be part of what these users expect and are comfortable with.

It's where, I believe, a lot of the innovation in fintech and banking is happening. That was why we went there. We have almost 30 people in the region now and we're going to grow.

TFM: What has it been like working with Mox on its virtual bank launch?
NS: When I first met some of the people at Mox, I thought 'these guys are going to build something really fast'. And in 20 months they did. They were able to create from scratch and take live in a major, sophisticated market, a product that is unlike anything we have seen yet. And they did it with a clean technology stack and a goal of onboarding customers fast and offering them a good experience, because that's what brings people in. »
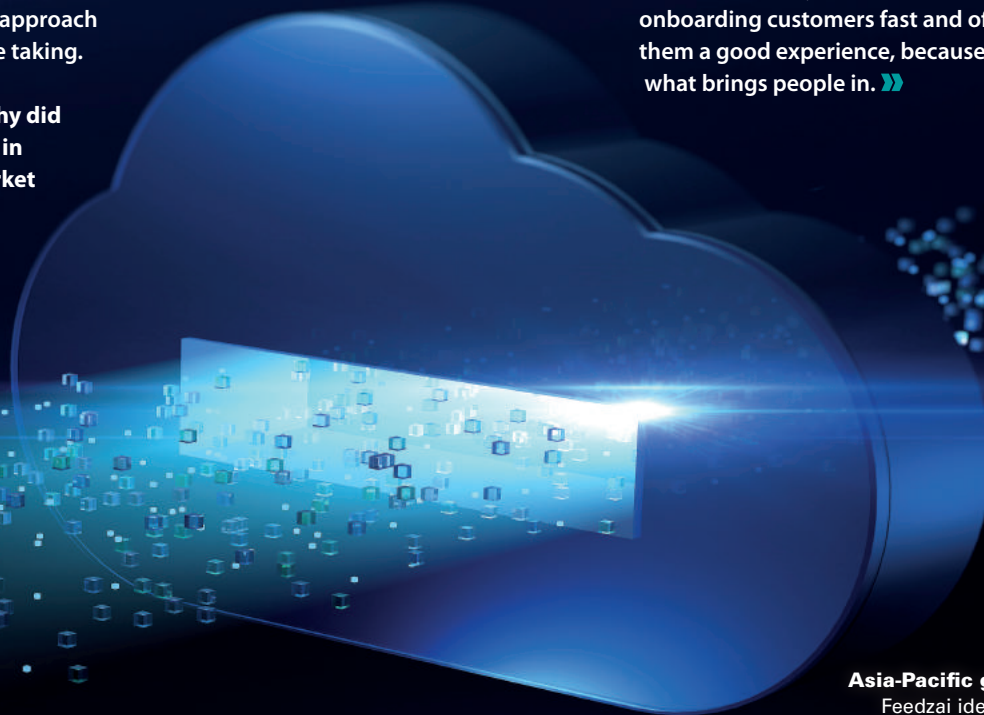
Asia-Pacific gateway: Feedzai identified an opportunity for Cloud-based services in Hong Kong

» To us, at Feedzai, that's the dream partnership. Other, let's just say established players that are trying to adapt, are oil tankers; it takes more time to negotiate a contract than it took Mox to go from idea to putting a product on the market.

With Mox there is a vision, there is a mission, there is a statement: 'let's get the product out there, and let's bring the right partners that will enable us in that journey'.

That, to us, is our favourite environment to operate in, because it allows us to give value, to work in tandem, to share responsibility. That's very important, because this is a joint journey. Collectively, we are a team. It doesn't matter if you're a vendor or if you're the initiative, it's the

Mission controlled:
This partnership is
making it happen, fast

team that needs to deliver something. It's everyone together.

That is so aligned with our core values that it's just natural to us. What is not natural is things taking forever, having to go through these long procurement cycles. I think the end consumer, the ultimate beneficiary of this, does not get any benefit from that. It shouldn't be done like that and the industry needs to change. I think Mox, in that region, is spearheading the change.

TFM: There has been a reluctance, especially among major banks, to adopt the kind of Cloud-based system that is at the heart of Mox. What are they missing?
NS: Historically, it's all about control. They want to control the machines; they want to control the connections; they want to control the physical cables.

Well, I can demonstrate, over and over,

that this doesn't work at the speed at which innovation needs to happen. Cloud is now a given; it works, it's safe. We're supporting all of our clients in a fully distributed way. Why? Because, mainly, it's Cloud based.

The banks – and I could give you examples in Europe, the US, and even in Latin America – that more recently were saying 'no, no, no, we need to control everything, it needs to be secure', well we and the rest of the community have compared the benefits of them having an on-prem, server-based mainframe – and there are some – to the benefits of being Cloud first and connecting application programming interfaces (APIs). And there's no one out there that can claim that the old

way outstrips the benefits of the new way. So, we're seeing a shift to Cloud, even in very hardcore countries that have historically been very conservative.

A lot of it is driven by the likes of Mox, which say 'I need to get my product out in this timeframe'. Just to procure the hardware for that would probably have taken you six months. To have the physical server it controls would take you another. And for what benefit?

The reality is that Cloud allows innovative banks like Mox to rip and replace if

tomorrow another vendor comes up with a better solution for any given product, because it's a connection of APIs.

I think that also makes vendors more honest because you have to earn it every day. If the APIs and system are Cloud-based, and easier to disconnect and connect, it makes everyone strive for a continuously better product. We're always up to that challenge at Feedzai and that's the way it should be. There is no turning back on that movement.

TFM: Of the challenger banks that you have dealt with – without naming names! – who do you think will be winners and who losers?
NS: The challenger initiatives that are sponsored by a main bank, or which are spun out, that have the domain knowledge – people who come from the industry so they know how these institutions have to operate – with a desire to innovate, but also have the engineering knowledge. Those, in my view, have the better teams from the get-go and those will be the ones that will succeed.

Other challenger banks often start from an engineering mindset, typically venture capital (VC)-backed, and they will probably go faster in the beginning, but they will make many mistakes. I think those that come from the banking domain and have that industry knowledge, will not make so many mistakes.

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The winners will be those that can get the mix in their teams and have the domain knowledge. They know how to operate in banking, to create that trust and, at the same time, build a tech stack, innovate and put products out there that are what the market wants, faster.

It's natural that, if you look at the number of challenger banks in different regions, not all of them will succeed. You know, it's kind of a Wild West out there. There will be consolidation, at some point.

That is just natural.