

Helsinki Fintech

2021

Guide

Three women are standing outdoors in front of a body of water and a city skyline. The woman on the left has long blonde hair and is wearing a white t-shirt with a blue logo. The woman in the middle has short blonde hair, wears glasses, and a black and white patterned top. The woman on the right has dark hair, wears glasses, and a bright green sleeveless dress. They are all smiling and looking towards the camera.

**FINNISH FINTECH
ATTRACTING**
CHINESE TECH GIANTS

**START-UP FUNDING
SKYROCKETING
IN FINLAND**

**TAKING OVER THE
US WITH FINNISH
ENGINEERING**



FINTECH FARM.

Fintech Farm is a financial technology hub and a digital finance service company connecting banks and fintech companies. Fintech Farm provides innovation, consulting, acceleration, matchmaking, and training services for the financial industry. Fintech Farm Ltd. is privately held and has built a vibrant community of over 200 financial industry organizations since 2016.

Scaling innovation and growth in
financial services



Fintechs

Network & Matchmaking

Tools & Technology

Acceleration & Funding



Banks

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Investors

Market Intelligence

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Visibility & Leads

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Ecosystem Development

Our partners:



DITTMAR & INDRENIUS



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FINTECHLAND OF OPPORTUNITIES

Text: Katariina Palvas

This is the third annual Helsinki Fintech Guide published, providing the most recent news and statistics of the Finnish fintech industry from the previous year. The publication offers insights to paint a picture of where the industry is heading.

So, where do the future opportunities lie in Finnish fintech based on this year's events?

Talks about the fintech boom being just a temporary hype have circulated around the finance sector occasionally, as the banks did not blow up as some of the buzzing headlines predicted a few years ago.

However, we at Fintech Farm believe that the most remarkable breakthroughs are yet to come, and we have only seen some appetizers.

Fintech has become an ongoing topic on the bankers' minds, and finding new ways to collaborate with different types of types of companies, including fintechs, is nowadays rather a rule than an exception. One indicator of the shift in focus is that fintech has become a cross-cutting part of banks' different business units instead of being only one fintech nerd's responsibility.

Sure, there is still a long way to go, but the co-innovation and bridge-building between public and private, and finance and technology industries have become the new normal. The value of collaboration is widely

acknowledged and has a strong history in the industry in Finland. This serves as an excellent foundation for building more digitized, trusted and meaningful services.

In the recent months, we have witnessed new initiatives such as Findy being founded, Klarna becoming the most valuable bank in the Nordics, new Finnish neobank SweepBank being born, and Finnish fintechs acquiring their foreign competitors.

We believe the most game-changing times still lie ahead, which is why Fintech Farm will continue to actively follow and support fintech start-ups together with our commercial partners, global network, the Finnish authorities and of course the Nordic Fintech Alliance.

In this guide, you will find the latest landscape information and statistics. Even though statistics are insightful, the bigger wisdom lies in the stories behind them. We have gathered the most interesting stories, from start-up funding to global success stories, with a strong focus on impact and diversity.

Leading in the start-up investments, digital economy and world happiness are just a few reasons to explore the Finnish fintech market. For more always up to date information and news, and our services, visit our website www.helsinkifintech.fi.



MARKET ENTRY SERVICES FOR FOREIGN COMPANIES

ARE YOU LOOKING TO ACCESS THE FINNISH DIGITAL FINANCE MARKET?

**INTERESTED
IN GAINING
TRACTION IN
NEW MARKETS?**

**LOOKING FOR
CO-INNOVATION
PARTNERS AND
ECOSYSTEM
INSIGHTS?**

**SCOUTING
POTENTIAL
CUSTOMERS OR
COMPETITORS?**

Fintech Farm can support your market entry with following services:

We can provide you market intelligence expertise with extensive market mapping & short lists based on your set of criteria. Fintech Farm connects you with the right stakeholders, and promotes your solutions in our extensive network and events.

Read more: helsinkifintech.fi/market-entry-services/

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FINTECH FARM.



THE FINNISH FINTECH LANDSCAPE

Statistics: Fintech Farm ©



Always up-to-date statistics available at
www.helsinkifintech.fi/fintech-landscape/

We have divided the landscape into 12 categories where:

- 1. APIs & Platforms** category consists of 17 companies. Three of them have licenses. In total their revenue was 166M€, marking the second most revenue per company on average. Funding they had raised in total 21,4M€.
- 2. Blockchain** category has with the insurtech category the least number of companies, 4 companies with revenue in total 1,5M€.
- 3. Cryptocurrencies** group is represented by 7 companies, from which more than half have licenses, 4 to be precise. Their businesses have generated revenue in total of 27,8M€ and funding they have raised 23,8M€.
- 4. Customer Service & Acquisition** category consists of 14 companies. The amount of funding raised in total is 3,2M€, and their revenue was 27M€ which marks 29% increase from the previous year's. Three of the companies had a licence.
- 5. Data & Analytics** companies have raised the second largest amount of funding among other categories, in total of 109,3M€. Those 16 companies' revenue in total was 9M€.
- 6. Financial Software** is strongest represented in terms of the amount of fintechs; 43 companies. They came second in revenue comparison, generating 333M€ and has raised the amount of 82M€.
- 7. Financing** category succeeded in every aspect. It had the largest revenue in total 423M€, generated by 28 fintech companies. The category's companies generated the most revenue per company on average. This category was also successful raising funding in total, 117,5M€.
- 8. Insurtech** category consists of 4 fintechs with revenue of 5,1M€ in total.
- 9. Investing** fintechs raised 3,6M€ funding in total with 6,1M€ revenue. Among 13 companies, 2 of them had a licence.
- 10. Payments** category had the second biggest number of companies represented, 39 fintechs. Their revenue in total was 249M€, being third in terms of revenue compared to other categories. Payment companies raised 127M€ in total, meaning that this category raised the most funding to the date.
- 11. Security & Compliance** category has 15 companies who created revenue of 3,4M and raised 3M in total.
- 12. Wealth Management** category generated 17,8M€ revenue by 10 fintechs. They raised 4,2M€ funding in total.

Key Figures

210+
fintech

1,3 B€
in revenue (2019)

+7 500
employed

500 M€
in funding

Please note all revenue figures are from 2019, license status checked in May 2021.

Top 20

Finnish fintechs in 2021

Statistics: Fintech Farm ©

The top 20 lists are presented by dividing fintechs into 3 categories: startups, scaleups and established companies.

Fastest growth: 149,6% LVS Brokers (Compound annual growth rate between 2016-2019).

Top funded: AlphaSense has raised 72M€, but is not on the list, as majority of their revenue is reported under their US subsidiary.

The revenue data is from fiscal year 2019, so the impact of Covid-19 is not visible yet.

Top 20 scaleups (Founded between 2010 and 2014)

Company	Founded	Revenue (K€)	Profit (K€)	Funding (K€)
UKKO.fi	2012	10 4267	138	
Saldo Finance	2010	53 856	21 101	
Blue Finance	2011	28 736	4 705	40 000
LocalBitcoins	2012	26 197	19 980	
FellowFinance	2013	14 194	-69	10 000
LVS Brokers	2013	12 471	973	
ALM Partners	2010	8 866	456	
United Finance	2010	8 106	-656	5 100
Vauraus Suomi	2011	4 297	-1 344	
Poplatek	2010	3 877	303	
giosg	2011	3 586	-124	
Bonusway	2011	3 461	-750	9 300
Draivi Media	2012	3 350	49	
Holvi	2011	3 246	-16 645	5 400
Springvest	2012	2 775	280	
Zervant	2010	2 361	-3 167	13 700
Apix Messaging	2010	2 291	324	
Midaxo	2011	2 224	-2 985	21 600
Kaito	2013	2 194	95	
GF Money	2012	2 184	1 549	

Scaleups revenue growth was 18%.

Top 20 start-ups (Founded since 2015)

Company	Founded	Revenue (K€)	Profit (K€)	Funding (K€)
Voima Gold	2017	6 668	-1 068	3 200
Enfuze	2016	5 096	-1 958	12 000
Silo.AI	2017	2 390	-48	10 000
Arctic Security	2017	1 622	-750	
Puro Finance	2016	1 322	148	
Tomorrow Tech	2016	1 267	27	
Siltaraha	2016	1 182	-98	
GetJenny	2016	1 029	-245	2 000
VertaaEnsin.fi	2015	957	-625	
UB Rahoitus	2015	813	-395	
Finazilla	2018	595	1	
Renance	2015	580	10	
Rahamyily	2017	491	-308	
Lumoa	2016	400	-152	
Avalo	2015	379	46	
Upright Project	2017	348	2	
Yonoton	2015	314	-30	2 500
Empirica	2015	279	-7	
Ticker	2015	258	-1	
Zapflow	2015	235	-298	1 700

Start-ups revenue growth was an impressive 74%.

Top 20 established companies (Founded since 2015)

Company	Founded	Revenue (K€)	Profit (K€)	Funding (K€)
Ferratum	2005	293 104	45 532	48 000
Basware	1985	148 302	-23 440	8 200
Samlink	1994	10 7351	1 823	
ePassi	2007	84 600	3 900	41 500
Finago	1990	4 7212	-1 168	
OpusCapita	1984	35 089	-2.4	
Crosskey	2004	34 069	2 474	
Profit Software	1992	24 700	2 791	
Odeal	2009	15 179	509	
Eone	2001	14 025	4 172	
Administer	1985	11 626	156	5 000
Lemonsoft	2006	10 639	2 484	
Paytrail	2007	9 163	3 408	800
Nomentia	1981	9 003	-1 525	
Cloudia	1997	8 755	478	
Heeros	2000	8 605	-294	13 700
Smartum	2006	8 019	2 700	
FA Solutions	1999	6 569	26	
OPR Finance	2005	5 516	-38 942	
Inderes	2009	4 046	549	

Established companies growth was 15 %.

FINNISH START-UP FUNDING SKYROCKETS

AS YEARS OF NETWORKING BEAR FRUIT

Text: Pontus Byring

According to Pia Santavirta, Managing Director of the Finnish Venture Capital Association, start-ups in Finland are on a roll. While fintechs have so far not matured to the level of landing bigger funding rounds, she sees many great opportunities for them, particularly by helping existing financial institutions reinvent themselves.

Finnish start-ups collected 951 million euros of equity funding in 2020, doubling records set during the two previous years. This number becomes even more impressive when compared to Gross Domestic Production: According to recent Invest Europe statistics, venture capital investments as a share of GDP in Finland is 77% higher than in the UK, which holds the second position.

2020 was not a one-off spurt, already in 2021 we have seen several huge funding rounds. Food delivery and payment startup Wolt alone collected 440 million euros, so it looks like 2021 will be another record year.

TECH-SAVVY DEALMAKERS PUNCH THROUGH LOCKDOWN BLUES

The great result we got in start-up funding is remarkable when compared to the last big crisis, the financial crisis in 2009, when foreign investors pulled out of the market and foreign investment in start-ups fell by half. It then took five years for investments to recover to their previous level.

In anticipation of a similar outcome, the Finnish government initiated the “venture bridge” program meant to replace this expected shortfall. The government agency Tesi would match any investment made by domestic investors euro for euro, effectively doubling the funding power of domestic investors. This program saw some use during the crisis, but by now we can clearly conclude that foreign investors have not scaled back but rather

increased their investments in Finland. Out of the close to 1 billion euros invested in Finnish start-ups, about half came from foreign investors.

One big concern was whether it would be possible to conclude deals purely on a remote basis. The answer, fortunately, turned out to be yes. Most deals were of course supported by existing connections and networks, but some were concluded purely online. It is fantastic that both investors and start-ups could adapt so quickly to the challenges posed by social distancing and travel restrictions. Perhaps it really should not be such a surprise, considering the progressive nature of both groups.

It turned out that at least in Finland, the pandemic didn't cause as much of a hiccup for start-up financing.

LOCAL INVESTOR MUSCLE IS THE GATEWAY TO INTERNATIONAL SUCCESS

It all began ten years ago when Slush was founded. Until that time, start-ups had faced a lonely road. Now everyone understands the value of networking, and everyone involved is heavily invested in building and maintaining their contact network. Expanding this network into an international one is a key step for late-stage start-ups. It increases the size of potential funding rounds by several multiples and also opens the doors for international business expansion.



One important factor to note is the key role played by domestic investors in facilitating network expansion and especially the involvement of foreign investors. According to Pia Santavirta; “In 85 percent of cases foreign investments are realized jointly with local investors. Without a strong local investor scene it is very difficult for foreign investors to discover local opportunities”

Fortunately, the number of Finnish venture capital investors has virtually doubled in the last five years, as sixteen new fund teams have raised their first VC fund. This means that the domestic investor pool is now strong enough to support a high level of growth in foreign investments as well.



The number of start-ups that are ready to enter international markets has grown markedly. We are doing incredibly well, and Finnish start-ups have a unique opportunity to grow right now.

So now that funding is in good supply, and start-ups are booming, the next bottleneck to solve is going to be talent. How do we attract talented individuals to Finland? How do we ensure a sufficient supply of skilled workers? We hope that once people realise we have the fastest growing start-up field in Europe, we will see more interest not only from investors, but talented workers as well.

THE FINNISH SANDBOX

Another thing that makes Finland a good place to start a business lies in the nature of the local market; The manageable size of the market, the ease of approaching institutions and corporations, the tech-savvy Finnish consumer.

Business circles being small in a country with a 5 million population makes it easier to get in touch with many top managers. Partly because you are more likely to find someone to help introduce you, partly because they simply aren't as deluged with meeting requests as they are in bigger places. This gives start-ups a better chance of getting to pitch their ideas.

On the other side, Finnish consumers are among the first adopters of new technology. As we saw during the lockdowns, even small children very quickly adapted to distance learning over remote connections. In Germany, at the same time, homework was being transported between homes in buckets, an option so backwards that no one here even thought of it. Even



We hope that once people realise we have the fastest growing start-up field in Europe, we will see more interest not only from investors, but talented workers as well.

grandparents over 80 years old have learned to use modern communications technology and online banking. Finland is a great place to test consumer-oriented innovations because such a large part of the population, toddlers and elders alike, is ready to try new tech-based services.

FINTECH, A REALM OF UNTAPPED POTENTIAL

Fintech entrants still play a fairly small role in the Finnish start-up field, which has been a big surprise for me. While there are many promising fintech companies, we have witnessed only few ones to raise very large amounts of equity.

I believe there is enormous potential still to be realized in the fintech sector; Banks and insurance companies, for example, have a

slew of issues that could be better dealt with by specialised outside fintech companies. In-house solutions are costly, and due to the closed environment in which they are developed, less likely to be cutting-edge. Anyone who can offer improved systems for managing regulatory compliance, for one, would surely catch their attention.

One promising area where fintech start-ups have plenty of know-how to share is in ESG, the next big regulatory challenge for the financial industry. Sustainability is already an integral part of the business model of most start-ups. Exporting that knowledge and providing tools for other companies to manage their ESG issues is an obvious business opportunity.

Another interesting case close to home is Rundit Oy. It provides software tools for portfolio management, monitoring and start-up investor reporting. They started by working with Finnish venture capitalists, and once they had proven successful on the local market that opened doors to expansion on the wider international arena.

In fact, there is a growing number of very successful new fintechs blazing the trail for others to follow.

CREATE YOUR NEXT BIG THING WITH FINLAND

Finnish digital know-how is enabled by active collaboration between companies, universities and research institutions, combined with a famously innovative start-up scene, international mindset, testbeds and effective public funding. Finland is the place to be when you need digitalization expertise to support your business.

Finnish fintech companies create compelling solutions for the ongoing transformation of banking and financial services, and the growing need for

sustainable innovations. Finland's strengths include cybersecurity, 5G and 6G, artificial intelligence, blockchain, open-source software, service design and a fast growing quantum computing ecosystem.

Finland welcomes foreign companies to contribute and benefit from a business environment with high digital trust and vibrant fintech networks.

WHY INVEST IN FINLAND?

1st

IN DIGITAL SKILLS

1st

AVAILABILITY OF
LATEST TECHNOLOGIES

1st

BEST BUSINESS
ENVIRONMENT IN THE
WORLD

2nd

QUALITY OF
MATH AND
SCIENCE
EDUCATION

1st

IN EU WITH AN AI STRATEGY AND GOVERNMENT'S
COMMITMENT TO MAKE FINLAND INTO THE LEADING
COUNTRY IN APPLYING AI

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Read more about the privacy respecting transparent society.
www.businessfinland.fi/en/do-business-with-finland/explore-finland/ict-digitalization/digital-trust/

Interested in developing or using Digital Trust solutions in business operations?
Check out the funding and internationalization services of the Digital Trust Finland program.
www.businessfinland.fi/en/for-finnish-customers/services/programs/digital-trust-finland/

**BUSINESS
FINLAND**

Sources:
WEF 2017-2018
WEF 2020
Global Innovation Index 2019



FROM FINLAND TO WALL STREET - SISU AND EXCEPTIONAL PRODUCT-MARKET FIT AS BACKBONE OF ALPHASENSE'S GLOBAL SUCCESS

AlphaSense is a revolutionary AI-powered search engine for market intelligence used by financial firms and corporations across industries and geographies. With more than 1,000 enterprise clients, their mission is to enable knowledge professionals to acquire critical business insights and data to make decisions with speed and conviction. AlphaSense's search technology leverages AI and natural language processing to parse topics, concepts and ideas semantically and uncover the most relevant insights from previously fragmented data sets. Founded in 2011 by Jaakko (Jack) Kokko and Raj Neervannan, today the fintech company has raised funding in total of 90M\$.

In the Picture: Jaakko Kokko

WHAT DOES ALPHASENSE DO?

AlphaSense is a search engine for market intelligence that transforms how decisions are made by the world's leading corporations and financial institutions. Leveraging AI and NLP technology, much of which is built by our Helsinki team, AlphaSense enables financial professionals and other knowledge workers to extract insights in seconds from thousands of previously disparate business data sources, including company filings, event transcripts, news and trade journals, and equity research.

WHO ARE THE FOUNDERS AND HOW WAS THE IDEA BORN TO FOUND ALPHASENSE?

"I grew up in Oulu, and spent my final year of high school in the United States. I then earned a degree in electrical engineering from the University of Oulu, then a degree in finance from Helsinki School of Economics. After college, I became a financial analyst for Morgan Stanley, first in London, then in California, which is where I experienced the pain AlphaSense solves today", tells Jaakko Kokko, the co-founder and CEO of AlphaSense.

"As an analyst for Morgan Stanley's tech group, I spent countless hours, nights, and weekends reading and CTRL-F searching through company documents and market

“

AlphaSense enables financial professionals and other knowledge workers to extract insights in seconds from thousands of previously disparate business data sources

research only to still feel like I was missing critical information that could put a billion-dollar deal at risk.

A few years later, after founding and leading another company in Silicon Valley, I embarked on my MBA at Wharton, which is where I met AlphaSense's co-founder and CTO, Raj Neervannan. It was during our time at Wharton (2006–2008) that I was shocked to realize it was still incredibly difficult and manual to find information, which is when Raj and I began to conceptualize the idea for AlphaSense."

WHERE DOES ALPHASENSE CURRENTLY HAVE OFFICES? WHAT IS THE REASON FOR THE LOCATION CHOICES?

HELSINKI, which is the technology headquarters and functions as an engineering and product development office. This location was chosen because of the incredible software development talent available in Finland and the nearby region.

NEW YORK, which is the global business headquarters, and is where the majority of the executive leadership team, and sales, marketing, and finance teams are based.

MUMBAI AND PUNE, which are also primarily engineering and product development.

LONDON, which is a sales office for the EMEA market.

HOW DID THE GROWTH AND CUSTOMER ACQUISITION OF ALPHASENSE BEGIN? WHAT KIND OF CHALLENGES DID YOU FACE AND HOW DID YOU OVERCOME THEM?

"AlphaSense initially began as a solution for investment firms and hedge funds, which is in part because of my background and expertise. A natural progression from there was to corporate investor relations teams because they conduct similar research and need similar access to content like earnings call transcripts and company

filings. Our expansion to IR was our initial entryway into the corporate market. From there, with the addition of more content sets including news, trade journals, regulatory content, and Wall Street Insights, which provides unprecedented access to premium equity research for the corporate market, we've expanded rapidly in corporates, and are now widely used by additional functions such as competitive intelligence, corporate strategy, M&A, and many more.

Of course, one of the most challenging aspects of building AlphaSense was developing ML and NLP that's sophisticated enough to recognize the nuance and variation of the financial and business information our users seek from diverse and dense content sets. That's what the first several years were focused on.

However, as sophisticated as our AI is, it's only valuable to our users when it surfaces insights from content that's mission-critical to them. Developing partnerships with countless premium content providers has also been a constant focus, and though it was challenging in the early days, we've been fortunate to build a well-known brand and impressive client roster that's enabled some major breakthroughs in this area in recent years, particularly with our Wall Street Insights offering, which now provides unprecedented access to equity research from the majority of the world's leading investment banks".

WHAT HAS BEEN YOUR SECRET INGREDIENT IN ATTRACTING S&P 100 AND 70% OF THE TOP 50 HEDGE FUNDS AS CUSTOMERS?

“The secret is really the quality of our product, which has exceptional product-market fit, and a wide, horizontal market. Additionally, it’s the strength of the team, who have been on the front lines of taking the product to market”, Jaakko Kokko states.

WHAT KIND OF ROLE DOES THE FINLAND OFFICE PLAY IN ALPHASENSE’S BUSINESS?

“Since day one, our Finnish office has been our technology headquarters for AlphaSense – acting as the center of gravity for our core architecture and platform development.

Over the years we’ve not only been able to build an incredible team through local talent, but have benefited from how attractive Finland is to expats, enabling us to draw great talent from all over the world.

As the footprint of our Product Development Organization has grown – now spanning the US and India, Finland plays a critical role in binding our global operations and establishing the key strategies for Engineering & Program Management for all offices”.

WHAT ARE THE STRENGTHS OF THE FINNISH ENGINEERING?

“We strive to hire the best, and we value integrity, excellence, respect, inclusion, and collaboration – encouraging independent decision-making to accelerate problem-solving and speed to which we can deliver great user experiences.

Our Finnish office has an abundance of incredibly talented team members across all disciplines – Engineering, Program Management & Quality Assurance – all of whom exhibit these values and are the bedrock of our engineering culture today”.

HOW BEING FINNISH-ORIGIN START-UP CAN BE SEEN IN YOUR COMPANY CULTURE – IS SISU CULTIVATED IN YOUR COMPANY’S DNA?

“Sisu is a huge part of our DNA. It’s one of our core values, and it’s what gave Raj and I the determination and persistence to build AlphaSense, and it’s our entire global team’s Northstar. We hire for sisu and we coach on the importance and value of it regularly with our team”.

HOW HAVE YOU WOWED YOUR VC INVESTORS AND WHAT KIND OF ADDED VALUE HAVE THEY BROUGHT TO ALPHASENSE IN ADDITION TO FUNDING?

“Our investors have been impressed with the product, its wide market appeal, and

our vision for it since the very beginning. Being investors themselves, they’ve seen first-hand the value and deeply understand the pain it solves for, and many are active users of the product themselves. Additionally, they’ve been ‘wowed’ by our strong business performance, especially in spite of all the market uncertainty last year with COVID.”

HOW MUCH HAVE YOU RAISED AND IN HOW MANY ROUNDS?

To date, we’ve raised \$90M through seed, Series A, and Series B rounds.

WHAT KIND OF EXPANSION PLANS OR NEW PRODUCT LAUNCHES YOU HAVE COMING UP ARE YOU EXCITED TO SHARE WITH US?

“The features and functionality of our product fall into four categories, which we are continually investing heavily in:

1. **SEARCH**, which enables users to uncover insights rapidly and confidently through the power of AI
2. **SUMMARIZATION**, which leverages the sophistication of our AI to surface and summarize thematic and company insights
3. **MONITOR**, which delivers relevant content and insights to users on the companies and topics they cover in real-time

4. **WORKFLOW**, which streamlines the research process for our users and their organizations

Additionally, we’re continuing to invest in providing the most comprehensive content set for our users”.

AND LASTLY, WHEN WILL YOU BECOME A LISTED COMPANY AND IS THAT MOST PROBABLE IN NYSE?

“We have an ambitious product vision and aggressive growth plans for AlphaSense, and for now we are focused on those as our key objectives’. When you do that and execute well, the right things follow, including a path to the public markets”, Jaakko concludes.

TO LEARN MORE, PLEASE VISIT WWW.ALPHA-SENSE.COM.

BUILD I.T. AND THEY WILL COME WHAT'S DRIVING FINLAND'S FINTECH SUCCESS?

BIRTH OF AN INDUSTRY

In 2000, Nokia, at one point the largest worldwide vendor of mobile phones – and certainly the largest Finnish company and brand – accounted for 4% of Finland's GDP and 21% of total exports. It employed over 55,000 people and had a 30% market share of the mobile phone market.

Nokia's decline from its pre-eminent position – due in part to the rise of iOS and Android (but compounded by unfortunate strategic decisions) was just as dramatic, with the sale of its mobile devices division to Microsoft in 2013 and subsequent painful withdrawal from that market sector. But this article is not focusing on the past, but is rather a story of extraordinary reinvention; since one thing had never been in doubt at Nokia – the innovation, quality, and imagination of its engineers. So when Microsoft cut roles from their Finnish operations (7,800 in 2015 alone) – where did they all go and what did they do?

A TECHNOLOGICAL HAND GRENADE

When Microsoft effectively admitted defeat in the handset market, the effect to Finnish tech industry could have been catastrophic. It could have imploded, with a terminal blow to morale. Instead, the effect was explosive (in a good way) with tech start-ups springing up in every area imaginable.

Think of it as a forest fire – initially devastating to the landscape, but clearing the way for spectacular new growth. These new start-ups have taken the cream of Nokia's mobile technology know-how and leveraged it in surprising new ways. Take, for example, Helsinki-based mobile games company Supercell, founded by ex-Nokia software engineer Niko Derome. Chinese conglomerate Tencent acquired an 81.4% stake in the

company in 2016, valuing the company at a healthy €8,4bn, but the company is still headquartered in Helsinki, with Ilkka Paananen as CEO.

FINTECH – THE NEW FRONTIER

The Finnish gaming boom is well documented, with a disproportionate number of blockbuster titles originating in Finland (Finns may be generally calm, but their Birds are exceptionally Angry), but it's with fintech that some of the most intriguing possibilities occur. With a geopolitically stable environment, exceptionally skilled labour force, and the rise of new payment protocols such as P27 on the horizon, Finland stands poised to perfectly leverage these qualities in the rapidly evolving technologically disruptive finance landscape.



Just one glance at the homepage of Fintech Finland, for example, gives you an idea of the sheer breadth, diversity, and quality of the players. But diversity and speed of innovation can bring both opportunity and challenge. As we accelerate the development of tools to share, store, and analyse financial information, there is a constant need to balance ease of communication with rock solid security, governance, and transparent oversight.

GOOD ENGINEERING IS ALL ABOUT WHAT YOU DON'T SEE

It all comes down to integrations. In a world with myriad rich data sources and the expectation of instantaneous transfer and rapid speed to insight, good integrations (both internal and external) are critical to any business wishing to remain competitive. Whether established global bank or niche fintech operator, businesses need a specialist partner – one that balances established banking credibility with next generation technological innovation.

WELCOME TO CROSSKEY

Crosskey is a specialist IT services provider

that truly understands the challenges facing fintech and banking. Born of Ålandsbanken, Crosskey has a focus and specialisation which more generalist IT providers lack – we have a first hand knowledge of the business-critical nature of regulatory compliance, for example, and can help companies navigate this (potentially expensive) minefield.

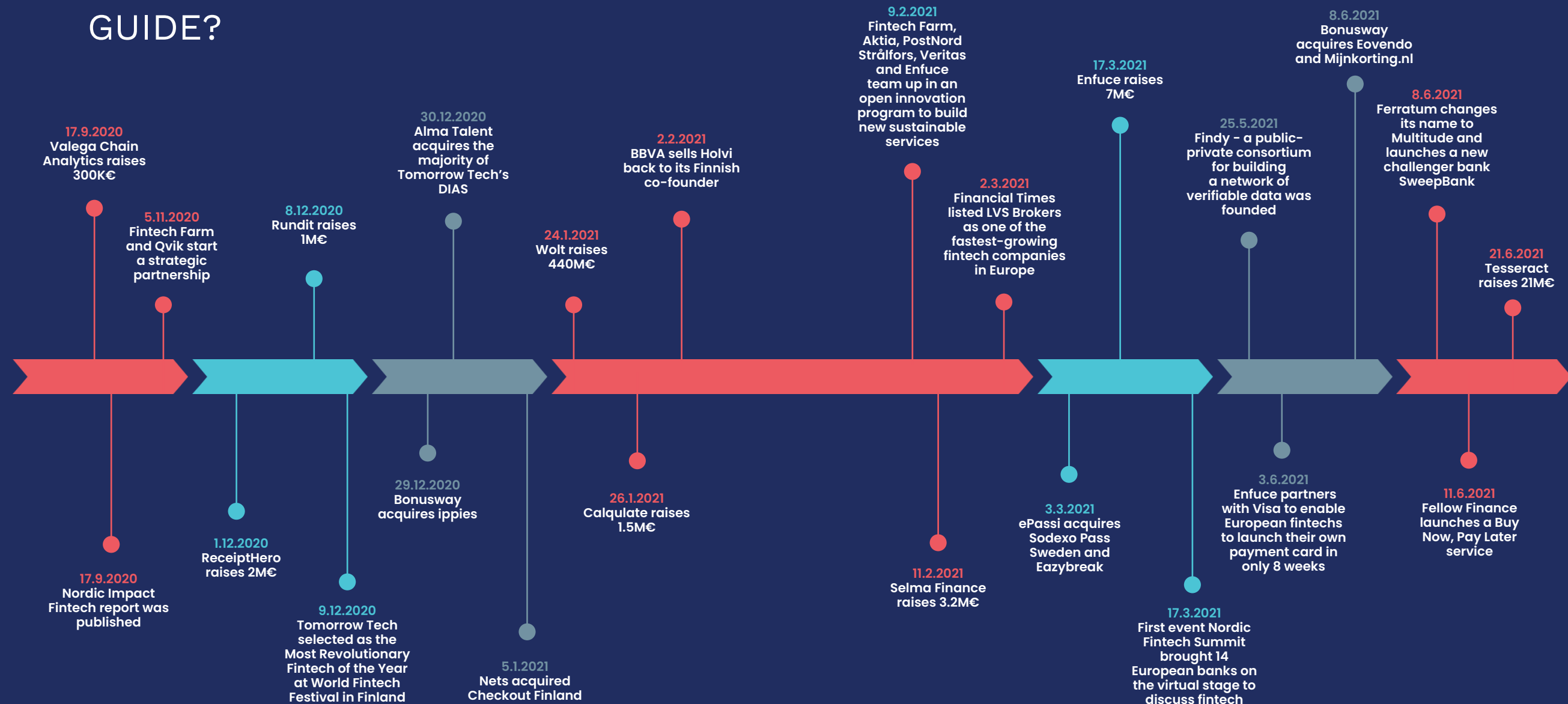
We understand that true technological innovation – such as that occurring in Finland's fintech industry – can only happen when companies are free to move at speed. We provide the peace of mind that, however ambitious and frontier-pushing a company's goals, they are built on rock solid foundations.

We're proud to have helped so many fintech companies grow and thrive – and are excited to do the same with tomorrow's start-ups. If you're interested in being part of the next step in Finnish fintech's journey, then get in touch with us today. We're always on the lookout for great talent that shares our excitement about creating something truly special and we'd love to hear from you.

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WHAT HAPPENED IN FINNISH FINTECH SINCE THE LAST GUIDE?



FINTECH FARM



FINNISH FINTECH ATTRACTING CHINESE TECH GIANTS

China has undoubtedly been the most exciting fintech market in the previous years. With the most advanced finance and commerce ecosystems and apps, provided by leading technology companies, such as Alibaba and Tencent, China has become both a technological forerunner, while also being the world's largest fintech market.

Finland has been leveraging China's rapid economic growth within many industries, and has become the hub between the east and west, both physically and virtually. Today, these two worlds are more connected than ever, also in fintech industry. Finland was the entry point for Alipay in Europe, like the Helsinki-Vantaa airport is for the Chinese travellers.

These Chinese tech giants; Alipay and Tencent, have grown their foothold in the Finnish tech scene in a very short period of time. Tencent is already a fairly seasoned investor in the Finnish startup ecosystem; they are shareholders in Supercell and IQM, one of the most prominent startups from Finland, and now also in Enfuce.

"There's some great innovation going on in fintech in Finland, it's a very dynamic and interesting market," Tencent said.

TENCENT BETS ON FINNISH FINTECH ENFUCE

In March 2021 Tencent, the Chinese tech giant, invested five million euros in the Finnish fintech Enfuce, an innovator in payments technology. Maki.vc, already an investor, added another two million euros bringing the total amount raised to seven million euros.

ENFUCE – A LEADER IN CLOUD-BASED PAYMENT SERVICES

Established in 2016, Enfuce currently employs over 70 people and has close to 10 million end users on its platform. The firm last received 5 million euros of equity funding in November 2019 upon the release of its carbon tracking app.

Enfuce's primary business is "Card as a Service," a turnkey package to launch branded payment solutions including card issuance and mobile wallets. Cards are issued by Enfuce and Enfuce handles all back office support functions. The customer can then concentrate all their energies on their own business and end-user experience. It is aimed primarily at fintech start-ups currently but the service naturally suits the needs of many businesses, loyalty programs, and financial institutions.

Enfuce was first-to-market offering cloud-based payment services running on Amazon Web Services, greatly simplifying the process of scaling up customer volume and shortening time to market. At the beginning of June 2021, Enfuce launched a partnership with VISA to enable launching a card offering in just eight weeks.

Monika Liikamaa, co-founder & CEO at Enfuce stresses that data processing is actually more important to their business than payment processing in itself; "Our core business is to store and process sensitive data." The best example of this is "My Carbon Action" a CO2 calculator that helps card users understand and control their own carbon footprint based on their card use.

COMPLIANCE AS A SERVICE

Last year, the European market was shaken by the collapse of German payments processor Wirecard AG, the largest fintech on the continent. Accounting irregularities led to its insolvency in June 2020.

This left its customers scrambling to find new processors, such as Enfuce. However, according to Monika, the greater impact was different; "The regulators have become stricter" and since "Enfuce was born out of compliance, of course it is good for us and I think it's good also for the customers because in the end of the day when we talk about payments we talk about people's money so of course we want them to be safe and secure and processed by entities that behave in a compliant and legal manner."

Indeed, Enfuce could well be called a regtech company; "Card as a Service" in itself already includes full coverage of all payment-related regulatory issues, such as know-your-customer, anti money laundering and licensing. Enfuce also offers separate compliance services to banks and financial institutions, particularly in the fast-evolving open banking environment.

DIVERSITY & INCLUSION – KEY TO BETTER SERVICES

Enfuce is led by two women, Monika Liikamaa and Denise Johansson, its COO and co-founder. Both had long careers in



In the Picture: Monika Liikamaa, Co-Founder & Group CEO at Enfuce

finance and banking before they decided to strike out on their own. Indeed, they had been colleagues at several jobs.

This can be seen as a meaningful advance in diversity for a sector where male engineers far outnumber their female counterparts. "Of course I'm happy about it because I believe in role models," says Monika. She stresses that diversity and inclusion are not only core values but also the key to better services; "If we were all the same type of homogeneous company with the same type of engineers, we would only see things in one way."

DOCTOR LING GE JOINS BOARD AS INVESTORS CONVERGE

Enfuce met with over a hundred investors during its last funding round, then narrowed it down to nine. "We really wanted to have people with the same mindset so it is not just about money but about bringing value to the table," says Monika.

After both Monika and Denise met with doctor Ling Ge, Tencent's Chief European Representative, "we chose to partner up with them because we really saw what their mindset and their ambitions are and that they put their money where their mouth is ... They are as big as you can be but still the sustainability aspect is really important for them."

Ling Ge, a Doctor in Quantum Computing from Oxford University is now a board member of Enfuce. According to Tencent, she joined the Board of Enfuce "because she believes the company can make a positive impact on the global payment industry in the coming years."

After Tencent's investment was announced, Monika was surprised by the response from the investor community; "The amount of other big investors contacting us was a bit overwhelming ... I hadn't had time to reflect on this form of fear - of missing out."

TENCENT'S BACKING OPENS DOORS TO FURTHER GROWTH

Tencent is best known for its WeChat app, an all-in-one "lifestyle supermarket" that is extremely popular in China. WeChat is also Tencent's mobile payments platform there.

Tencent has previously invested in several Finnish tech companies; It has been a shareholder in Supercell, the game company, since 2016 and held the

majority since 2019. Last year Tencent bought a minority stake in Finnish IQM, a quantum computing enterprise. "There's some great innovation going on in fintech in Finland, it's a very dynamic and interesting market," Tencent said.

They invested in Enfuce because they were seeing "a fast-growing company with a global customer base spanning 16 countries ... a unique combination of card issuing and value-adding, as well as Enfuce's potential to bring more speed to payment technologies and the positive impact it can make on the environment through its carbon footprint calculator,"

From Monika' perspective; "We enable payments both through open banking but especially through the Visa and Mastercard networks, and we can also do UnionPay, JCB, Discover et cetera, so we are complementary. And of course we have a lot of other services that could be of interest if we think from a WeChat group perspective"

Monika is very satisfied with how Tencent's involvement is playing out; "When a giant investor who is known for doing awesome investments invests in a company still in the scale-up phase as we are, it gives us good visibility." And "of course when you have Tencent as an investor it opens up a lot of doors ... the contact networks to the people that decide are on a totally different level than I ever could imagine ... I'm grateful for it in so many ways."

TAP INTO FINTECH DEAL FLOW

For fintech companies, Fintech Farm Deal Flow Program connects you with potential investors and industrial customers through Fintech Farm's global network.

Join our Deal Flow Program to accelerate your fundraising and growth beyond your home market!

For international investors, we provide up-to-date deal flow and intros of +200 Finnish fintechs based on your requirements.

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FINTECH FARM.



FINNISH FINTECH BRINGING CHINESE ALIPAY & WECHAT TO EUROPE

Text: Pontus Byring

Nowhere else have mobile payments had such a sky-rocketing growth as in China. Alipay, the market leader, serves over one billion users and 80 million merchants. In China, as in many other developing countries, the path towards a cashless society has been led by mobile payment platforms rather than card payments, still dominant in western countries.

In Finland the market leader in mobile payments, ePassi, is focused on the large, but niche, market for subsidised employee benefits. By enabling an easy mobile payment solution and a wide merchant network ePassi offer the users the most convenient and smooth way of purchasing products and services by just using your mobile phone.

The Chinese use their little pocket friends for everyday payments, and they cannot bear to part with them even when they travel abroad. But there those friends grow strangely silent. In most places they can't even pay for a coffee. An exotic experience perhaps? The charms of travel? But sometimes you just want to pay and go without any fuss. Vacation time is ticking, after all.

This is why the Chinese payment services are eager to serve their customers wherever they go, and are always looking for opportunities to expand their presence outside China. In Finland they found one such opportunity, joining forces with ePassi.

STORY BEHIND EPASSI

ePassi got started in 2007 when employees of Eficode, a Finnish software company, began to wonder why fitness benefits granted by employers to employees had to be issued in the form of flimsy paper vouchers. They are easy to lose and the

voucher value never seems to match your bill. Is there no better way? As an answer to that question, ePassi was founded. At first the service was based on SMS and phone call based payments. Employees received a SMS in reply that worked as a payment verification and was showed to the merchant.

Nowadays ePassi is the market leader in subsidised employee benefits in the Nordics and has its own mobile application where employees can look for registered merchants and pay using the benefit value the employer has granted (defined as sum in euros.) ePassi also has its own online payment solutions and is integrated in several popular services such as Wolt. In 2018 ePassi was granted a payment institution authorisation by the Finnish Financial Supervisory Authority, making



ePassi a regulated financial institution.

ePassi now supports all available employee benefits including lunch benefits, fitness benefits, wellness benefits and commuting benefits. A new option is flex benefit that enables the employee to choose more freely where he will use his granted benefits. Another new addition inspired by people working from home during the Covid-19 pandemic is ePassi's new service called Ergosafe, a benefit the employee can use to buy equipment and furniture for a home office or work clothes or shoes. Also due to the pandemic the use of food delivery services has increased dramatically because employees have

worked more from home and this might continue even post Covid.

The most recent addition to the app, in April 2021, was the ability to use Finnair frequent flyer points as an alternative payment method. This is the first time that a mobile payment service has integrated the ability to spend airline miles at a merchant counter with nothing more than a swipe.

In 2019 ePassi secured a 41.5 million euro strategic growth investment from Bregal Milestone and Risto Siilasmaa's First Fellow Partners. Using its newfound financial strength, ePassi went on to acquire Sodexo Benefits & Rewards Services and Actiway in Sweden as well as Finnish Eazybreak Oy, thereby cementing its position as the Nordic champion for employee benefits.

According to Niklas Löfgren, Director of Payment Services, ePassi has seen strong continuous growth, both organic and facilitated through acquisitions. During the last three years GMV (Gross Merchant Value) has increased sixfold to 200 million euros. The user base has seen a sevenfold increase to 1.5 million users and the merchant network includes 40 000 merchants in Sweden and Finland. ePassi seeks a manyfold increase in turnover by the end of next year.

FROM AIRPORT ENCOUNTER TO FAST-TRACK LAUNCH

In 2016 ePassi began processing payments for Alipay, the world's largest mobile

payment platform. The companies met in spring of 2016 and conversations led to the understanding that both payment platforms were based on the same principles. It took ePassi only three months after that meeting to develop an Alipay-compatible payment solution, which enabled Chinese tourists to pay with Alipay in Finland.

The first ePassi-facilitated Alipay transaction took place the same year on a Finnair flight at an altitude of 10 kilometres. From there the service was expanded to airports and other merchant locations popular with Chinese tourists.

By 2018 Finland became the first country outside China where Alipay users could

enjoy a cashless journey, covering flights, shopping, restaurants and taxi services, as well as an instant tax refund at the airport. In processing Alipay transactions ePassi retains control of the merchant relationship. Upon completion of a transaction Alipay transfers the funds to ePassi for further credit to the merchant. ePassi earns revenue on transaction costs.

CHINESE TOURISTS ATTRACT WECHAT TO JOIN THE FINNISH MARKET

While at first ePassi offered transaction processing only in Finland, the license acquired in 2018 allowed ePassi to expand its merchant network anywhere in Europe. ePassi targeted the merchants most popular with Chinese travellers, currently



“

By 2018 Finland became **the first country** outside China where Alipay users could enjoy a cashless journey, covering flights, shopping, restaurants and taxi services, as well as an instant tax refund at the airport.

in the Nordic countries, Baltic countries, Poland and Spain.

In 2019 another Chinese giant Tencent contacted ePassi to discuss cooperation with their WeChat Pay service. WeChat Pay functions the same way Alipay does, where transactions are initiated by scanning a QR code. WeChat Pay was quickly introduced to ePassi merchants.

Due to the current Covid-19 pandemic the number of Chinese tourists in Europe has nosedived, and the expansion has been put on a temporary hold. Work-related travel still brings a regular transaction flow, particularly at Helsinki-Vantaa airport. Once the pandemic subsides, the



Niklas Löfgren
Director of Payment Services, ePassi

expansion is expected to continue.

CHINESE SUPERAPPS LEADING THE WAY

Chinese superapps, such as WeChat and Alipay combine social media, messaging, online shopping and payments into one application. They are considered highly advanced even by the standards of progressive Western countries.

ePassi offers merchants assistance in gaining visibility and marketing themselves through these channels. Alipay, for example, has dedicated city pages that tourists can browse for information on places they are visiting. Merchants can place ads and special offers on these pages and ePassi is there to help them with their marketing campaigns, including the necessary translation services.

Mr Löfgren does not believe in the adoption of Chinese superapps in Europe any time soon. Europeans can of course use the apps when visiting China and may in fact need to when visiting certain cities. That is how strongly the apps have integrated themselves into the service ecosystem there.

In conclusion, Mr Löfgren notes that "China is home to many strong players in the payments field. They have good financial resources and may well take an interest in Finnish innovations, for example. Many of them have set their sights on the European market and are looking for partners to help them enter it."

Applications are now open for fall 2021

apply at mclighthouse.com

Numbers from past programs

5:4 Partnership rate

€188M Raised by startups during or after Lighthouse

9.1 Program Quality Score

106 Lighthouse alumni companies

2M+ Lighthouse media impressions

Lighthouse FINITIV is Mastercard's platform for building partnerships with leading fintech companies. The program brings together fintechs, investors, advisors and Nordic & Baltic banks to scale innovative solutions. This is the right opportunity to grow your business through collaborations with Mastercard and major banks.

"We greatly appreciate the opportunity to meet program's partners and network. The resources provided by the program helped us find new partnerships, scale up faster and prepare for the great future ahead."

Pavel Sokolovas
Founder & COO at Kevin

kevin.

In every edition of the Lighthouse Program, we can see that the Nordics & Baltics are genuinely leading in payments innovation. This proves the importance of strengthening the ecosystem through open innovation platforms such as Lighthouse. It is always tough to select 15 companies among all the applicants, but we are excited to start working together with a new class of highly promising fintechs of the region this fall

Mats Toraldsson,
Head of Digital Development and Fintech Engagement,
Mastercard Nordics and Baltics.

"The value of this program is beyond the amazing advisors and great partners. It can help scale the impact through access to valuable resources and building partnerships. It's a pleasure that Mastercard, banks and other great partners share PlasticFri's vision and we are looking forward to our partnerships and working together"

Max Mohammadi
Co-Founder PlasticFri

PlasticFri

Lighthouse MASSIV is a partnership-focused program that uses public commitments, accountability & competition to make and scale solutions to the UN Sustainable Development Goals. With support from advisors and corporates, startups pursue partnerships that can touch upon the lives of one billion people by 2025. This is a perfect program for impact tech startups interested in scaling their solution globally for social impact.



Fintech Unicorns Vs Total Unicorns Worldwide

According to research from Invenio Growth (CB Insights Data, 2021), for the last five years, fintech has been the biggest and most reliable source of unicorn startups. Worldwide, the number of privately-held fintech unicorns has risen six fold since 2017. More importantly, fintechs have grown their share of the total unicorn market in recent years. Today, fintech is the biggest unicorn category, comfortably ahead of other categories like e-commerce (12% of unicorns) and artificial intelligence (8%).

“HOW CAN I TAP INTO THIS OPPORTUNITY?”

- Danske Bank's Hub Invest program bridging new angel investors and early-stage start-ups

Text: Pontus Byring

Teppo Havo, Nordic Head of Danske Bank Growth, tells us about Danske Bank's role in the fintech ecosystem and about Danske Bank's ambitious program to recruit and educate new angel investors.

DANSKE BANK IN THE FINTECH ARENA

One major area of development for banks is of course open banking. While the open interfaces were published some time ago, there is still much left to improve and develop. As a bank, we must be able to offer basic-level open banking and interfaces reliably and without disruptions, that is our absolute priority. One of the other priorities are premium APIs, or customised application programming



Teppo Havo
Nordic Head of Danske Bank Growth

“ This is a great opportunity for fintech start-ups. The market is still largely untapped and sustainability is an integral part of future business-to-consumer solutions.

interfaces. We want to make sure that the companies that are using our interface solutions can manage their business as seamlessly as possible.

The current epidemiological situation has affected our fintech partnerships' prioritisation and management. We have focused primarily on existing partnerships and a more restricted integration of ongoing projects. We have seen much fewer new partnerships than before the pandemic. Right now, we are working on a new fintech strategy and we hope to get back up to speed as soon as possible. Some examples of our existing fintech partnerships are: Aiiia (Nordic API Gateway), Minna Technologies, Aseptia and Zenegy.

All four of these are Nordic-level partnerships and we have an equity stake in each of them. Digital Home Sale DIAS Oy is a digital home trading platform for the residential real estate market connecting buyers, sellers, real estate agents and banks. DIAS is based on distributed ledger technology (DLT).

Danske and other banks participate in the project through a joint venture with founder Tomorrow Tech Oy. Tomorrow Tech recently sold its share to Alma Talent, but

this is a good example of collaboration in the Finnish fintech sector.

Danske's growth business segment generally is all about making it possible for growth companies to succeed by offering working capital and creating optimal financing solutions in support of equity funding rounds.

On the other hand, we need fintech companies to support us in ecosystem building. Faster development of new products and services is a part of it, as are complementary business models.

THE FINNISH FINTECH SECTOR

There is plenty of financing available on the international markets regardless of the vertical. Mostly landing a large funding round is a question of maturity; Finnish fintech companies are mainly still comparatively young and generally haven't yet reached the milestones that big funding rounds require. But I think it is just a matter of time until we see more of them in the Finnish fintech sector!

The Finnish fintech sector is full of unrealised potential and the field is relatively very young. Some other sectors

have witnessed founders doing exits with their start-ups and then going on to successfully found new start-ups in the same field. That is exactly what the Finnish fintech sector needs: Experienced entrepreneurs developing new businesses, making big breakthroughs with the help of big funding rounds.

ESG AND SUSTAINABILITY

Sustainability is a major driver for the banking sector today, and something that fintech companies need to be aware of. The Sustainable Finance Action Plan (SFAP) is a major policy objective by the European Union which aims to promote sustainable investment across the 27-nation bloc. The project will introduce a broad set of new and enhanced regulations that will define the reporting requirements of banks and big businesses regarding ESG. Taken as a whole, it will be a major influence on the finance sector. The project will have repercussions for the whole corporate sphere and corporate finance at least on a mid-term perspective.

When banks are faced with ESG compliance requirements, they will respond by making similar requirements for their customers. ESG compliance will become an inseparable part of corporate banking relationships in the long run.

This is a great opportunity for fintech start-ups. The market is still largely

untapped and sustainability is an integral part of future business-to-consumer solutions. Fintech and other start-ups need to pay close attention to this also because the theme is so dominant in the finance sector. They need to assess whether their current business fits in the coming ESG environment, whether their current products have new applications in it, and whether they need to pivot from what they are currently doing in order to fit into ESG requirements.

DANSKE BANK'S HUB INVEST PROGRAM – AN ANGEL BOOTCAMP

WHY HUB INVEST?

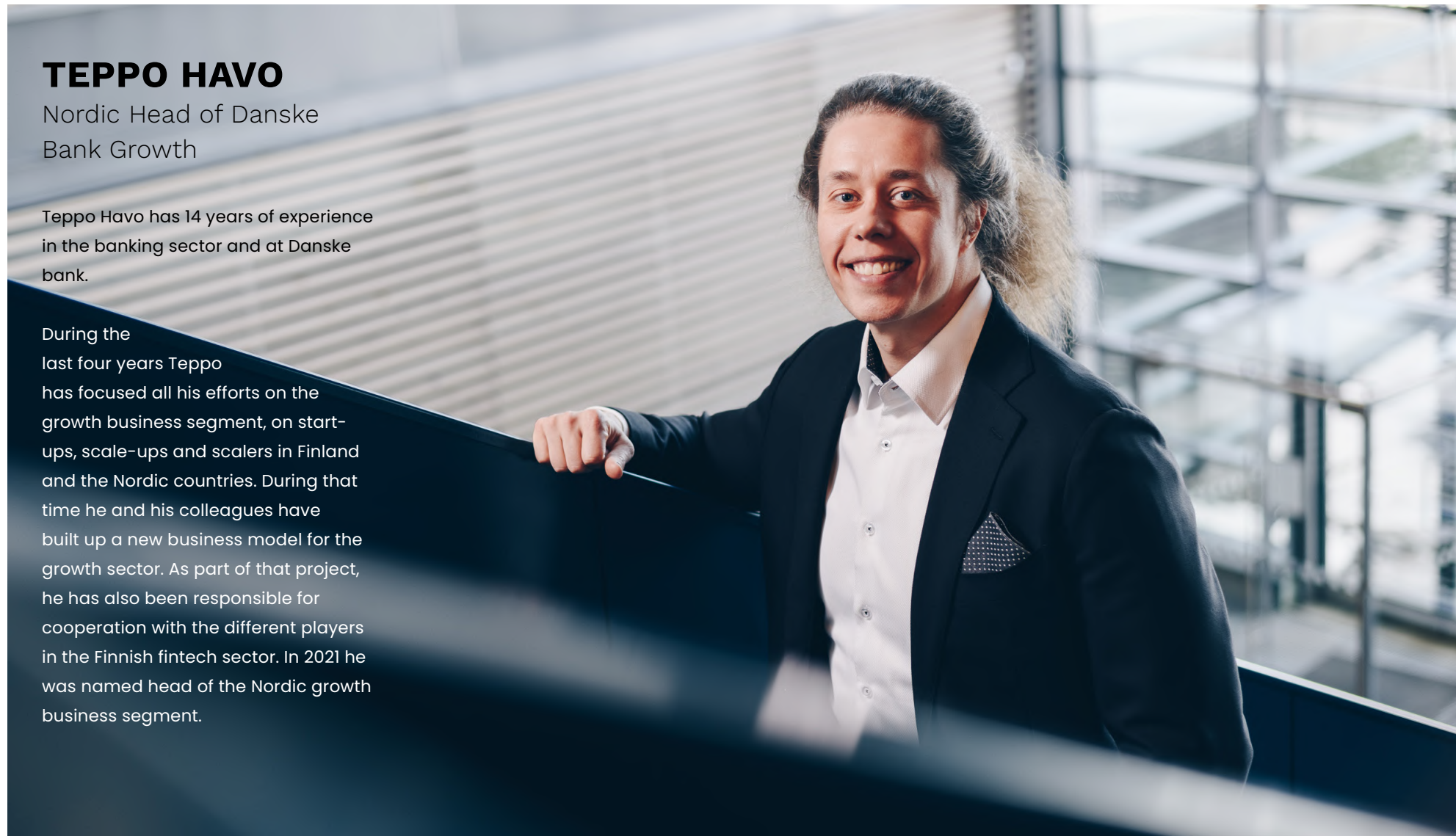
Hub Invest is an incentive of Danske Bank in the Nordics, meant primarily to support early stage, pre-seed start-ups. For banks, financing very early-stage growth companies is challenging because of high risk levels. We wanted to complement our service offering to this segment and find ways to serve them better. We already had the The Hub <https://thehub.io/> service, a free-of-charge community platform where start-ups can get assistance with their recruitment of talent as well as connection with investors. In addition to this, we wanted an even more concrete way of helping early-stage start-ups connect with investors within a centralised framework. That was our starting point when we started working on Hub Invest in 2018.

TEPPO HAVO

Nordic Head of Danske Bank Growth

Teppo Havo has 14 years of experience in the banking sector and at Danske bank.

During the last four years Teppo has focused all his efforts on the growth business segment, on start-ups, scale-ups and scalars in Finland and the Nordic countries. During that time he and his colleagues have built up a new business model for the growth sector. As part of that project, he has also been responsible for cooperation with the different players in the Finnish fintech sector. In 2021 he was named head of the Nordic growth business segment.



TARGET GROUPS

The program is industry-agnostic. We welcome pre-seed stage companies that have at least early traction on the market and a clear growth strategy. On the investor side, Hub Invest is primarily oriented towards Danske's private banking customers in Finland, Sweden, Norway and Denmark. We seek to offer them a training program that gives them basic knowledge of investing in this segment, of the risks and opportunities associated with it. This is how we bring new angel investors into the field.

The program started in Finland but it has been expanded now to all Scandinavian countries. There is one round per year per country, making a total of four program executions yearly. Investors from all Nordic countries can participate in all events, while start-ups take part only in the event organised in their home country. Our primary partners in this program are FiBAN (Finnish Business Angels Network) and various Finnish VC firms.

Finland has a strong and tight community of angel investors, much like Denmark has. On the other hand, already in Stockholm there are several active angel communities. We do not wish to splinter the field but rather work closely together with existing networks. Hub Invest can be seen as a natural way for some new investors to join FiBAN's network, as we are looking to broaden the field and hopefully support the ecosystem as a whole.

ATTRACTING NEW INVESTORS TO JOIN START-UP INVESTING

During each round, we have seen a substantial portion of first timers. Of course, having run the program for several years now, we can identify a group of people that have participated from the start and are now actively investing. Altogether almost 200 potential angel investors have been part of the Hub Invest program.

PROGRAM'S RECEPTION

There is a great deal of interest among investors. Start-ups are now seen as much more than just the hype, because investors understand their great potential and want to participate in their success stories. Investors' mindsets are very much like "how can I tap into this opportunity?"

During the training sessions offered by our program, the different investing philosophy when investing in start-ups and so-called traditional investment products comes up quite often. If we can bring new people on board, people who would not otherwise have considered investing in start-ups and acting as angel investors, then we have already succeeded. Broadening the base of business financing in Finland is in everyone's interest.

CHALLENGES FOR NEW ENTRANTS

Investors entering the program typically have a background in corporate management or entrepreneurship. In many cases, they have earned their capital by selling their previous business. It is natural that the first investments these investors make tend to be related to their own backgrounds; they invest in industries or business models they are already familiar with.

Fintech is a very specific type of business and relatively challenging for the investors. Some very clear-cut consumer-oriented fintech business models might have an easier time explaining their concept to investors.

This is the biggest challenge fintech companies face when dealing with angel investors: How well steeped are those investors in the world of finance in general and fintech specifically? What do they have to give the start-up in terms of experience and connections?

Dumb money is rarely the best choice for a start-up. They also prefer to deal with investors who bring their know-how to the table and contribute more than just financing. The group of investors we have in Hub Invest possesses a wide range of expertise and in order to get the maximum benefits out of it, we encourage them to define what they can do to help the start-ups involved.

It could be industry connections, strategic understanding or knowledge of the banking sphere.

INVESTOR SUPPORT

We offer our investors deep dives into different business models; e-commerce, SaaS (software-as-a-service) and impact-investing, to mention some. We are also considering a crash course in fintech and want to involve an angel investor who has already invested in fintech to explain how fintech companies differ from other start-ups as investments.

BASIC FACTS – HUB INVEST

Typically, 80-100 companies apply for the program, out of which 10-15 are selected to pitch. On average four companies have received funding in the rounds.

The seed rounds start from 200 000 € and up. Arranged now for the third time, Hub Invest is a unique angel investment programme by Danske Bank, connecting angel investors from Danske Bank Private Banking with early-stage start-ups looking for funding. Start-ups apply online on the website, after which the most promising ones are selected to meet with a wide range of angel investors. During the programme, investors receive comprehensive training and preparation for angel investment – to help facilitate fruitful negotiations at Hub Invest Final Day.

THE BENEFIT OF ADDING CLOUD-BASED AUTHENTICATION TO YOUR MOBILE EXPERIENCE

The banking landscape has fundamentally changed in the past years. New entrants in the market, such as challenger banks, have shown the value of delivering services digitally in a secure and frictionless way. OneSpan's technologies help banks and other financial institutions protect their customers from heightened threats while meeting regulatory compliance and delivering an optimal customer experience at scale.

An example is Orange Money Romania. For this mobile-only bank, an innovative, secure service delivery and a frictionless experience are key. The bank selected OneSpan's Intelligent Adaptive Authentication solution to secure its mobile banking application and authenticate mobile transactions while detecting and preventing against mobile malware.

Intelligent Adaptive Authentication is an API-based, PSD2 SCA-compliant solution powered by OneSpan's Trusted Identity Platform, which enables real-time fraud prevention through a combination of orchestrated MFA and machine learning-based risk analytics.

In summary, it is comprised of:

- **ONESPAN RISK ANALYTICS:** This is the risk engine, which is the backbone of the IAA solution. For transaction risk management, it evaluates all the contextual data associated with a transaction to determine a real-time fraud score. This score drives the authentication workflow.
- **ONESPAN CLOUD AUTHENTICATION:** This enables strong authentication functionality such as behavioral biometrics and software tokens for one-time passcodes to be harnessed by the mobile app. Mobile device data collectors gather and feed mobile data to the risk engine. This gives organizations access to contextual data and visibility they could not achieve elsewhere. It also enables authentication orchestration on the client's phone.
- **MOBILE APP SECURITY:** This empowers mobile applications to operate safely in untrusted environments without interrupting the user experience. App shielding strengthens an app's resistance to intrusion, tampering, reverse-engineering, and malware.

Cloud-based authentication and mobile app security are a great starting point for streamlining security, while improving the customer experience, lowering operational costs, and meeting strict regulatory requirements. Switching to the cloud also future-proofs businesses, by providing them with a seamless upgrade path to additional security solutions as and when they're needed.



FINNISH FINTECH

MAKING INVESTING MORE APPROACHABLE

Text: Pontus Byrning

Finland based ROI Financial Technologies was one of the selected start-ups participating in Danske Bank's Hub Invest program. ROI managed to secure funding in the spring of 2021 from several angel investors, in which Danske's Hub Invest-program played a part. With its help, the company found several new investors that might otherwise not have heard about ROI. One of them is Oskari Pétas, who previously co-founded the Finnish food delivery sensation Wolt.

"We were tipped off in February by a Finnish venture capitalist who told us about the program. The round started in March 2020, At the time, we already had a syndicate through FiBAN, which was joined by several investors from Danske's Hub.

The program gives start-ups visibility among potential investors who otherwise might not even have heard of them. The Finnish angel network does a great job helping Finnish startups get early stage investments and they've also supported us along our journey", says Ida Mänty, the founder of ROI.

WHERE DID THE BUSINESS IDEA FOR ROI COME FROM?

"I have always liked so-called traditional business sectors and wanted to create

solutions that support their renewal. When it comes to the banking sector, we have seen great progress during the last five years. Still, the financial sector has traditionally been dominated by a narrow homogenous group of people. It's perfectly human that people like to make products for themselves. That has probably had a big influence on the investment culture and steered the products that currently exist in the market towards a very narrow audience. ROI seeks to remedy this – to make investment accessible to everyone.

Existing investment services are often targeted at advanced traders who are already familiar with the world of finance, or outsource the investment decision-making to an external adviser (bank, robo-adviser, etc.). But a lot of people fall outside of these two approaches. They

want to understand investing and be in control of their portfolio, but also make good decisions. With ROI, we offer ETFs (Exchange Traded Funds) which are well-known to be some of the best investment products around. And, we offer them in fractions, which means they can be bought with mere pocket change."

WHAT IS ROI'S BUSINESS MODEL?

While the app is free to use, the revenue model is based on charging a management fee and an optional subscription. To get access to all learning programs beyond the free ones, users need a reasonably-priced subscription. While investing is completely commission-free, we will charge a small and highly-competitive management fee.



The Finnish angel network does a great job helping Finnish start-ups get early stage investments and they've also supported us along our journey.

The combination of fractional ETF investing, a low barrier to entry, and educational content makes ROI's approach unique in the industry. Starting in the fall of 2021, ROI users will be able to invest commission-free in selected ETFs. We aim to reduce inequality in the investment space by empowering our customers to start investing with as little as 5 euros. Our users get to pick-and-choose from a list of curated ETFs and create a diverse portfolio of their own liking.

While ROI is the platform provider, the investment services are provided by ETFmatic, which is part of European digital bank, Aion Bank. Aion Bank has submitted a notification to Finland's registry, ensuring smooth operation in the country.

"We think this model, where a strong player provides the backbone for the product, while the customer interface is managed by a smaller company, will become more prevalent in the coming years. This allows highly customised products to be offered to different customer segments, something a large and established player cannot do by itself. It also shortens the time to market for fintech companies like ROI.

There is a clear need and solid demand for these kinds of tailored products especially in the wealth sector. Offering them successfully requires the ability to identify, understand and serve a specific customer segment really well. Of course, this kind of cooperation with a start-up places certain demands on the banks. We identified such



In the Picture: Ida Mänty, the founder & CEO of ROI

potential banking partners especially in the Netherlands, Belgium, and Germany.”

ROI INVESTS IN FINANCIAL LITERACY

While Finns appear to have a fairly good understanding of their own finances, there's still work to be done. Research shows that there are gaps in knowledge and financial behavior. Recently, the Bank of Finland and the Ministry of Justice kicked off a new, ambitious initiative to tackle this challenge: “The mission of Finland’s financial literacy strategy is to make people understand the importance of finances in their own lives and to act in their own finances in an ethical and sustainable way. The vision of the strategy is for Finns’ financial literacy to be the best in the world by 2030.”

ROI wants to do its part in advancing the nation’s financial understanding. It offers free coaching and a wide range of bite-sized learning programs for both

beginners and more advanced users. While teaching financial necessities, ROI cuts the cryptic jargon often related to the world of investing.

“At ROI, we believe that citizens’ better financial literacy produces wellbeing not only for themselves, but also for the entire national economy. Hence, creating inspirational content and providing access to a free financial wellbeing app for everyone to use is socially significant.”

This mission is further advanced by bringing ROI to upper secondary education. The company has already struck a deal with the city of Helsinki to bring ROI’s full suite of educational content to over 6000 students in the region’s high schools. Businesses such as Ruohonjuuri, a pioneer in ecotrading,



The vision of the strategy is for Finns’ financial literacy to be the best in the world by 2030.



are already purchasing ROI’s services to provide their employees with newfound financial wellbeing. Next, ROI aims to bring even more novel partnerships to promote financial proficiency across different age groups.

FUTURE & EXPANSION PLANS

ROI will begin piloting in Estonia this autumn, and hopes to launch there next year. Estonia has been chosen for expansion because of its manageable size and because the government has decided to allow citizens to withdraw their pension savings from the national pension fund and manage their pension planning on their own. This will give rise to a whole new class of investors, many lacking previous experience in investing.

ROI may be just the thing for them.

The fractional investing tool is set to launch in the Finnish market in the fall of 2021. Anyone can join the waiting list through the company’s website at www.roi-app.com.

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REGULATOR: AMBITIONS ON EUROPEAN DIGITAL FINANCE STRATEGY

Text: Samu Kurri

The Finnish Financial Supervisory Authority ('FIN-FSA') was founded in 2009 in a merger of the former Financial Supervision Authority and the Insurance Supervisory Authority. The primary objectives of the FIN-FSA are to ensure financial stability and confidence in the financial markets and to enhance the protection of customers and investors and insured benefits.

In order to address enquiries concerning technologically enabled innovation in the financial sector in a more consistent manner and in line with European development in the organisation of supervisory activities, Innovation HelpDesk, the innovation hub at the FIN-FSA, was established in 2016 and has therefore been operational for five years now. It is a good time for taking stock.



Samu Kurri
Head of Department
Digitalisation and Analysis

Innovation HelpDesk is run on the basis of a dedicated email address which serves as a single point of contact for preliminary enquiries on whether a planned product or service would require authorisation from the FIN-FSA. This task may sound easy but often proves to be the opposite. We are frequently required to assess very fundamental features of financial products and services in order to determine whether any of the frameworks supervised by the FIN-FSA are applicable. The enquiries we receive also often follow sudden trends in the market.

Such trends often emerge from regulatory uncertainty and regimes which have not been adopted with all possible scenarios

and technologies in mind. It could therefore be summarised that even though trends change, often quickly, the fundamentals remain. While virtual currencies (and some other types of crypto-assets) have emerged as a completely new asset class in the 2010's, our assessments most commonly cover questions such as what constitutes payment intermediation or a security or an insurance contract.

While the typical parties contacting Innovation HelpDesk are new businesses, the hub is open for incumbents alike. We have on an overall level witnessed over the years that both new businesses and incumbents have a positive attitude towards engaging with the supervisory authority. It appears frequently that even more engagement with the supervisor, especially in the form of guidance, is desired by the private sector.

While we welcome active and early engagement with us, we are often faced with the challenge of managing expectations – the scope of our mandate does not include consultancy, only guidance. We are often also approached by meeting requests from providers of unregulated ancillary services. In such cases we are also forced to remind the contacting parties of the restrictions in the FIN-FSA's mandate – our priority is to ensure that provision of regulated financial products and services is compliant with applicable regulation.

In order to address these needs for

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Our priority is to ensure that provision of regulated financial products and services is compliant with applicable regulation.

more consultative supervision, it has occasionally been asked from the FIN-FSA whether we have any plans to set up a regulatory sandbox. These questions are justified since financial supervisory authorities across European countries have increasingly set up such schemes, albeit with varying structures, over the past few years. Regulatory sandboxes can on a general level be described as *schemes to enable firms to test, pursuant to a specific testing plan, agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models*.

Some regulatory sandboxes are open for, in addition to regulated services, unregulated ancillary services as well. Such services include for example solutions used for compliance with anti-

money laundering regulation or regulatory reporting obligations.

In the Nordic countries, a regulatory sandbox has been established in Norway and Denmark whereas Sweden and Iceland, similarly to Finland, have not introduced one. The establishment of a regulatory sandbox in Finland is not a matter of simple re-organisation of activities at the FIN-FSA but would require an active policy choice and dedicated resources. Such a policy choice should, moreover, be based on a thorough analysis of the costs and benefits of possible implementation.

In September 2020, the European Commission published its ambitious Digital Finance Strategy which includes a policy objective of strengthening the operation of the European Forum for Innovation Facilitators (EFIF). Members of the EFIF consist of European Union Member

States which host an innovation hub and/or a regulatory sandbox. In the Strategy the EFIF is for example mandated to create a procedural framework for cross-border testing in cooperation with several innovation facilitators simultaneously.

It is also envisioned in the Strategy that the EFIF will host a 'Digital Finance Platform' in order to enhance information exchange on fintech. The Commission itself plans to continue its series of webinars with the title 'Digital Finance Outreach' targeted to the private sector. It is likely that the FIN-FSA will also organise webinars and/or seminars on selected topics under the Digital Finance Strategy such as the Regulation on Markets in Crypto-Assets ('MiCA'), once the Regulation has been approved.

We recognise from past experience in this field that a smooth transition in compliance requirements is more likely to be achieved through cooperation



and transparency. Seminars are also an important opportunity for us to learn from the private sector.

It is especially interesting to see whether the framework on 'Open Finance', which according to the Digital Finance Strategy is expected to be proposed by mid-2022, will result in an increase in the amount of enquiries we receive at Innovation HelpDesk in the field of financial services other than payment services.

Payment services have been the most frequent theme in the questions we receive for several years already. The idea of Open Finance is derived from the narrower concept of 'Open Banking' which, in the context of PSD2, refers to third-party access to payment accounts.

We are also eager to see whether the Commission's efforts in the field of green

finance and the more general level objectives of a green transition in the Next Generation EU programme will result in more enquiries in this field of fintech. Exciting times lie ahead!

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Regulatory sandboxes can on a general level be described as schemes to enable firms to test, pursuant to a specific testing plan, agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models.



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Juha Mäntylä, CEO Visma Public Oy

SUSTAINABILITY PUSH IN COMPETITION LAW NEEDED TO ENSURE EFFECTIVE SUSTAINABILITY COOPERATION

Text: Dittmar & Indrenius

The relationship between sustainability and competition law has sparked much debate recently. The global challenge of climate change requires collective action and there have arisen concerns about current competition legislation becoming a hindrance to necessary sustainability-related cooperation between businesses. Especially, in competition analysis of cooperation between competitors the distinctly strict economic approach focusing only on direct consumer welfare has been criticized. Thinking on which environmental and broader societal benefits could be taken into account in this evaluation, and to what extent, has become an important issue of consideration. It is increasingly recognized that also competition law has a role in combating climate change and addressing sustainability issues.

The topic remains relevant in 2021 with more and more competition authorities starting to address this theme and introducing guidance providing more clarity for businesses wishing to take collective action to achieve various sustainability objectives. The Netherlands Competition Authority (“ACM”) has taken the lead as the first authority in Europe to take a formal stance on sustainability agreements and competition analysis with its draft guidelines on sustainability agreements in 2020.

The guidelines provide that the benefits for society as a whole could be taken into account in the evaluation of agreements that aim at reducing environmental damage and the efficiencies they bring. In

the early 2021, the ACM came out with its revised draft guidelines, further lighting the way for opportunities for businesses to collaborate in sustainability initiatives. Of particular interest is the technical report commissioned by the ACM and the Greek Competition Authority in which the methods for substantiating the benefits of the sustainability agreements are explained. Following in the footsteps of the ACM, the Greek Competition Authority and the UK’s Competition & Markets Authority have similarly introduced guidance on sustainability and competition law in 2020 and early 2021, respectively.

As mentioned earlier, the strict economic, consumer welfare centred approach has caused criticism, and it is wonderful to



see that environmental considerations are starting to weigh more also in competition analysis.

In Finland, the Finnish Competition & Consumer Authority (“FCCA”) has not decided to introduce a similar guidance thus far, but instead it has actively supported that the European Commission provided guidance on the topic. This is desirable because a European-wide guidance would provide more legal certainty to businesses in a situation where sustainability-related multinational cooperation and initiatives will surely increase in the future.

The lacking guidance on sustainability agreements also stood out in the feedback concerning the EU horizontal rules currently under evaluation. If the EU-level guidance concerning sustainability agreements would be limited to the horizontal rules, other intersections of competition law and

sustainability might still require national attention. A good example is the Finnish peculiarity concerning dominance in grocery trade – in addition to collaboration between businesses, competition law may also affect the sustainability initiatives of dominant companies.

According to the Finnish Competition Act, one or more enterprises holding at least a 30% market share of the Finnish retail trade of groceries is deemed to hold a dominant position. This brings certain obligations to the company in its operations – dominant companies must be careful not to abuse their market power by using exclusionary or exploitative terms. For example, if a dominant retail company decides to switch to accepting only suppliers’ products whose CO2 emissions are below a certain limit, would this be considered illegal abuse of a dominant position or acceptable on sustainability grounds?

Policymakers, businesses and consumers alike are increasingly waking up to the challenges and opportunities that combating climate change brings. Sustainability is becoming more and more important individual competitive advantage for businesses.

The authorities' support in this regard is desirable as cooperation between businesses can be a quicker and more efficient way to achieve different sustainability goals compared to legislative processes or unilateral action. The ongoing reform of the EU competition rules and guidelines in the Commission is an opportunity to bring more clarity and support for businesses.

Until now, the risk of severe fines and follow-up damages claims may have become a deterrent for businesses in their green cooperation, and even perfectly lawful sustainability cooperation might have been discarded in fear of possible consequences in the unclear waters of competition law. While we are waiting for the European-wide guidance, the already published guidelines can be used as an aid to assess cooperation and its compliance with the current competition rules.

In uncertain situations, businesses are encouraged to approach competition law professionals to seek advice. There is no reason to let competition law thwart ambitious sustainability initiatives.



Katrin Puolakainen

Katrin Puolakainen is known for advising clients in competition law and public procurement matters. She focuses especially on merger control, cartel investigations and the related antitrust damages cases, horizontal and vertical agreements and public procurement disputes. She has experience of both domestic and EU merger control filings especially in the retail sector.



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