

# Three FinTech Success Stories and the Technology That Drives Them



Over the last several years, dozens of fintech startups have caused massive disruption in the financial services industry, offering new ways for users to borrow, pay, and invest money – and consumers are starting to take notice.

In a recent survey by Blumberg Capital, three out of five Americans said banks are failing to keep up with their needs and 57% believe traditional financial institutions will cease to exist in their current state within their lifetime.



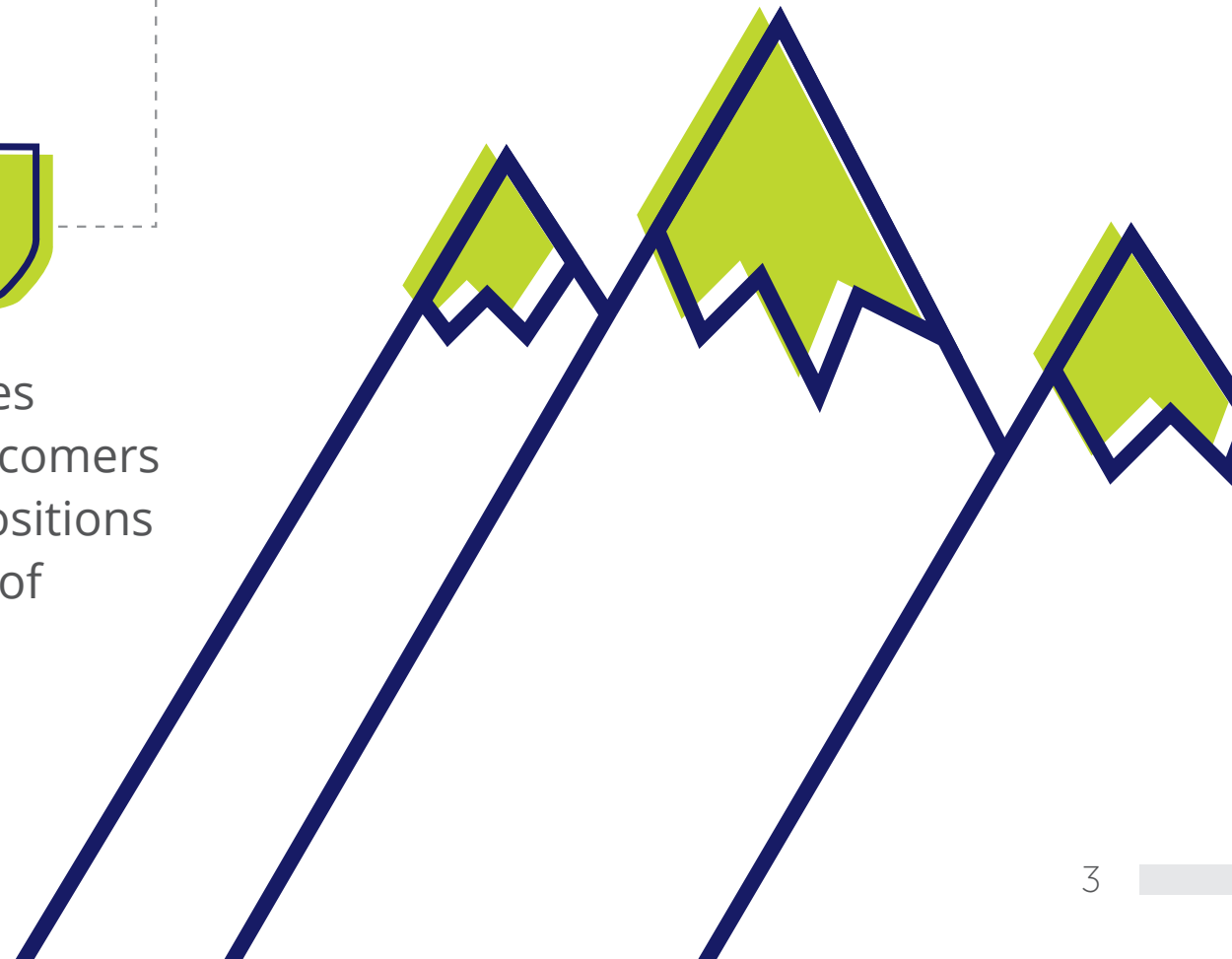


In the same survey, Bloomberg said fintech companies, “should feel buoyed because consumers want innovation. They trust that fintech companies are on the side of the little guy.”



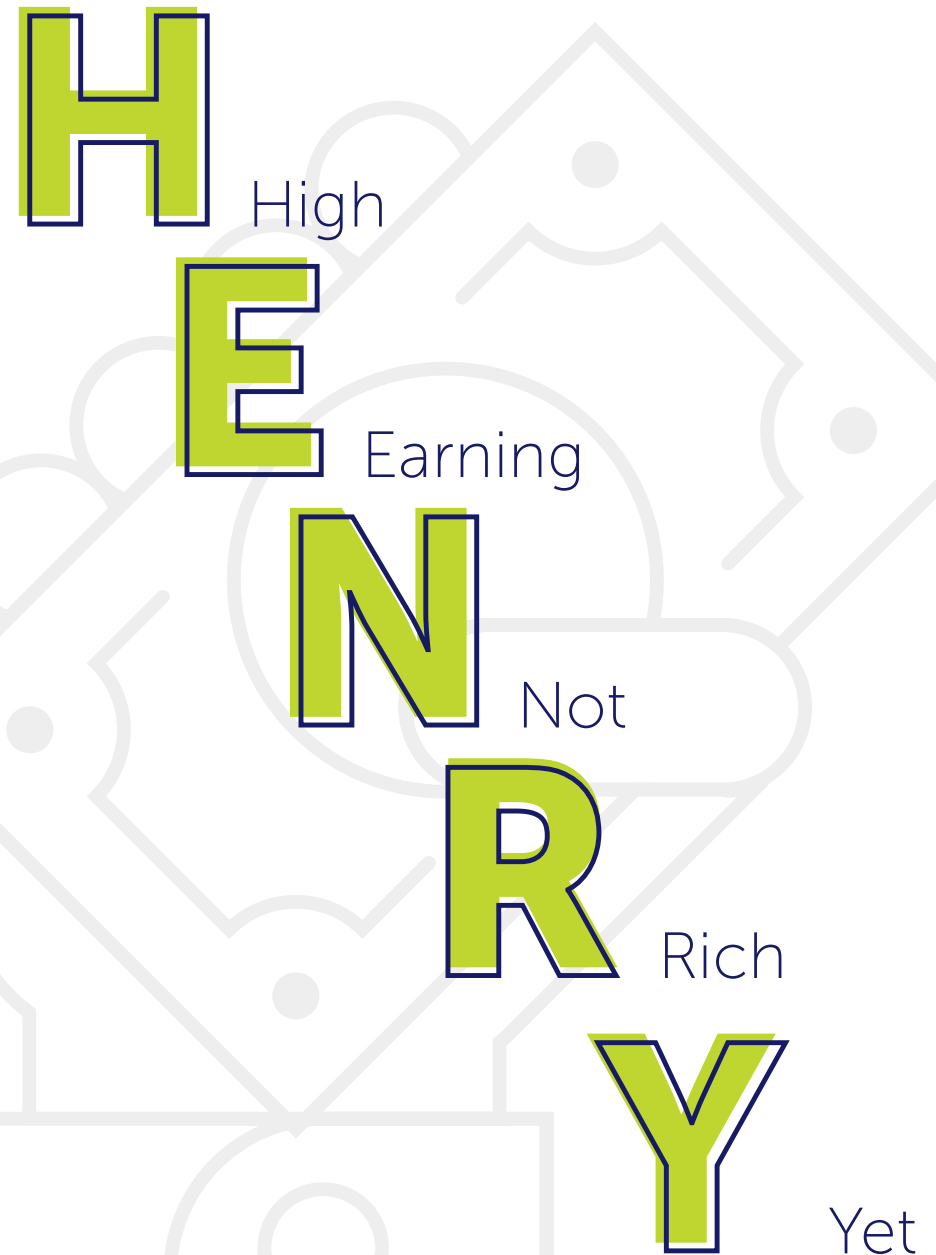
So how can traditional enterprises compete against more agile newcomers to the space and cement their positions as industry leaders in the minds of their customers?

The first step is to understand the technology trends currently driving digital innovation in financial services. In the following eBook, we discuss three well-known fintech startups and key takeaways from each of their stories.



# Wealthfront Enhances Robo-Investing with Artificial Intelligence

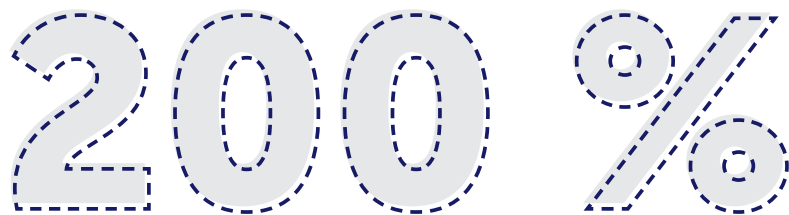
Wealthfront positions itself as a cheaper, more tech-reliant wealth-management firm. Using a proprietary platform featuring an intuitive user experience and responsive, modern design, Wealthfront customers can manage their money with the help of technology, instead of paying for investment advice that may or may not outperform the market. The company and its competitors are most known for catering to digitally-savvy “HENRYs,” or “High Earning, Not Rich Yet” affluent millennials.

The graphic features the acronym 'HENRY' in large, bold, lime-green letters with a dark blue outline. Each letter is accompanied by a word: 'H' for 'High', 'E' for 'Earning', 'N' for 'Not', 'R' for 'Rich', and 'Y' for 'Yet'. The words are in a dark blue, sans-serif font. The background is a light gray with a faint, stylized illustration of a person's head and shoulders, composed of geometric shapes like circles and triangles, suggesting a digital or tech theme.

**H** High  
**E** Earning  
**N** Not  
**R** Rich  
**Y** Yet

Today, Wealthfront manages about \$4 billion for 90,000 investors, while its closest competitor Betterment has nearly \$6 billion in AUM (assets under management) and 188,000 clients. Both pale in comparison to Vanguard Group's robo-solution with \$40 billion AUM and Schwab's at \$10 billion. The industry as a whole grew more than 200% in 2015, according to a study by Aite Group.

So what sets Wealthfront apart from other players in this space? In March 2016, former Wealthfront CEO Adam Nash unveiled what he calls "Wealthfront 3.0," the latest version of the platform that leverages more sophisticated artificial intelligence (or AI) as well as the integration of modern APIs.



200 %

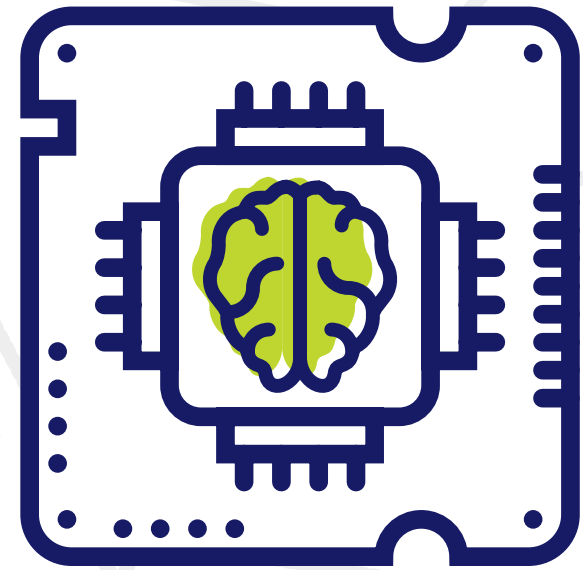
robo-advisor industry growth in 2015



AITE GROUP

Wealthfront is betting AI will have an even bigger impact on the financial services industry than automated advice based off user-generated data. In simple terms, AI is when a machine mimics cognitive human function like reasoning and problem solving. It calls on a wide variety of domains and tools, including data science, machine learning, and search optimization.

In addition to looking for fees, tax loss harvesting, and cash drag, Wealthfront's AI will track actual account activity and automatically apply that behavior to the advice Wealthfront delivers – without asking customers to field additional questionnaires.



At the time of the announcement, Nash told [WealthManagement.com](http://WealthManagement.com),



Observed behavior can't be fudged on the phone or lied about in person.  
More importantly, observed behavior may reveal insights about ourselves that we aren't even consciously aware of.



For example, Wealthfront's new algorithm will inform users if they do not have enough cash in their emergency fund by tracking every transaction a user makes. It will also help determine whether they are too heavily allocated in a specific stock by looking at outside brokerages.



We are building our platform for the future. We have a huge opportunity to deliver financial advice that's deeply personalized and relevant while getting a platform in place for AI's increasing role.

ADAM NASH,  
CEO (2013-2016),  
WEALTHFRONT





# KEY TAKEAWAY

Experts say traditional wealth-management professionals should not feel threatened by consumer interest in robo-investing, because many consumers still lack the confidence or motivation to manage money on their own. Instead, these platforms will allow wealth-management professionals to help serve clients and uncover additional insights.

Wealthfront competitor Betterment recently launched “Betterment for Advisors” for this purpose.

As artificial intelligence becomes more sophisticated, the most successful financial institutions will embrace digital transformation as a way to enhance rather than replace decision-making and improve the customer experience.

# WePay Streamlines Payment Processing with Open API

WePay offers a payment processing solution designed for platforms that facilitate transactions between multiple parties, such as marketplaces like Care.com and crowdfunding sites like GoFundMe or CrowdRise.





Today WePay is a popular example of digital disruption in fintech, but that wasn't always the case. As a two-year old startup in 2010, WePay founders earned a ton of publicity – and the industry's attention – by dropping a 600-pound block of ice at the entrance of a conference for PayPal developers.

Dollar bills were encased inside the ice with a message referencing a PayPal snafu that involved freezing customer accounts. The marketing stunt was covered by TechCrunch, and according to WePay, signups increased by 225%.

WePay's offering is deployed using an open API, which allows developers to integrate its payment platform with almost any service or product on many other platforms. APIs are standards that enable disparate software components to communicate and exchange information.

Although APIs were originally used to link software components within an organization, the internet has brought rise to the popularity of external or public APIs, which permit third parties to access their data or services in a controlled environment.



WePay was one of the first few fintech startups to use a public API, but more traditional financial institutions have been wary of open APIs, believing an open system would challenge established business models.

Retail bank customers, for example, are “hooked” with checking and savings accounts and go on to use other financial services such as loans, mortgages, savings, foreign exchange and even online access from their core account providers. Conservative financial institutions worry that by pulling back the curtain on their digital investments, they will invite other organizations to benefit from their data.

While that’s technically true, organizations like WePay, Google, Apple, and Facebook all use open APIs to allow third parties to add functionality to their core offerings, essentially becoming a platform for third party innovation. This offers many benefits to the original organization. Besides driving revenue, it also allows the organization to better serve the needs of its customers.



In another example, Fidor was founded as an online-only bank in Germany, and recently launched in the United Kingdom. Fidor's strategy is to open up its APIs to developers to create improved interfaces and apps for its customers. The company's business model relies on openness and collaboration.

Fidor developers are currently building an interface that will allow every account holder to tailor their banking experience and multi-account APIs that will ultimately lead to a "trusted partner" app store. The company has gone a step further by starting an API developer community, including developer days to promote the programmability of their banking data.





# KEY TAKEAWAY

Tech giants like Facebook and Google and fintech disruptors like WePay and Fidor believe that the key to success in the digital era is a widely accepted and easily integrated platform.

They recognize that traditional business models are unsustainable in today's marketplace, and they have chosen

to prioritize the customer experience by supporting collaborative and third-party innovation.

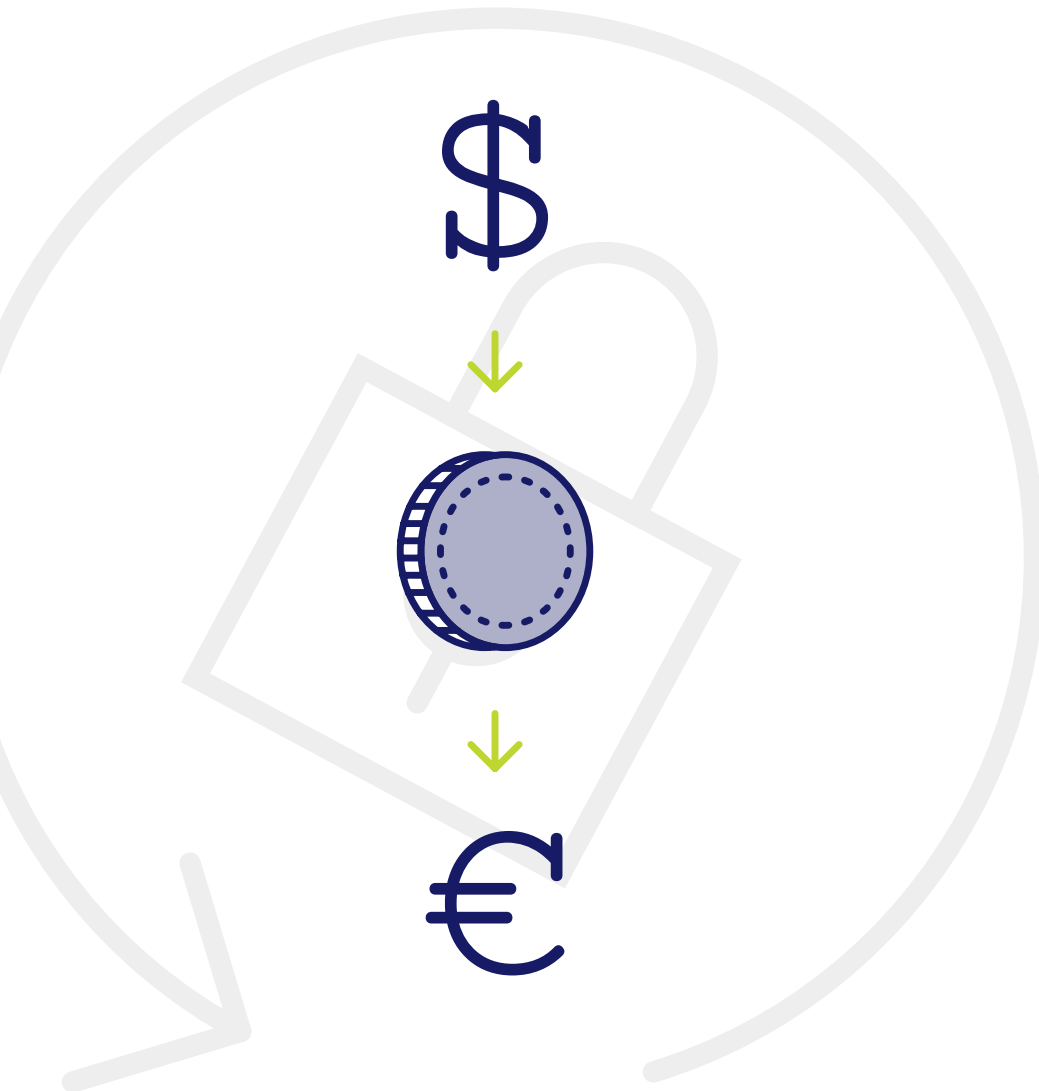
For the fintech industry as a whole, access to a rich pool of shared data from financial institutions will enable industry innovators to develop a whole new range of digital products for their customers.

# Circle Champions the Development of Public Blockchains

A peer-to-peer (P2P) payment platform, Circle enables users to bypass traditional intermediaries and instantly send and receive money at the best exchange rate available to consumers, with zero fees.

Unlike competitors that operate with limited currencies, Circle positions itself as a global solution with features like “cross-border payments.”

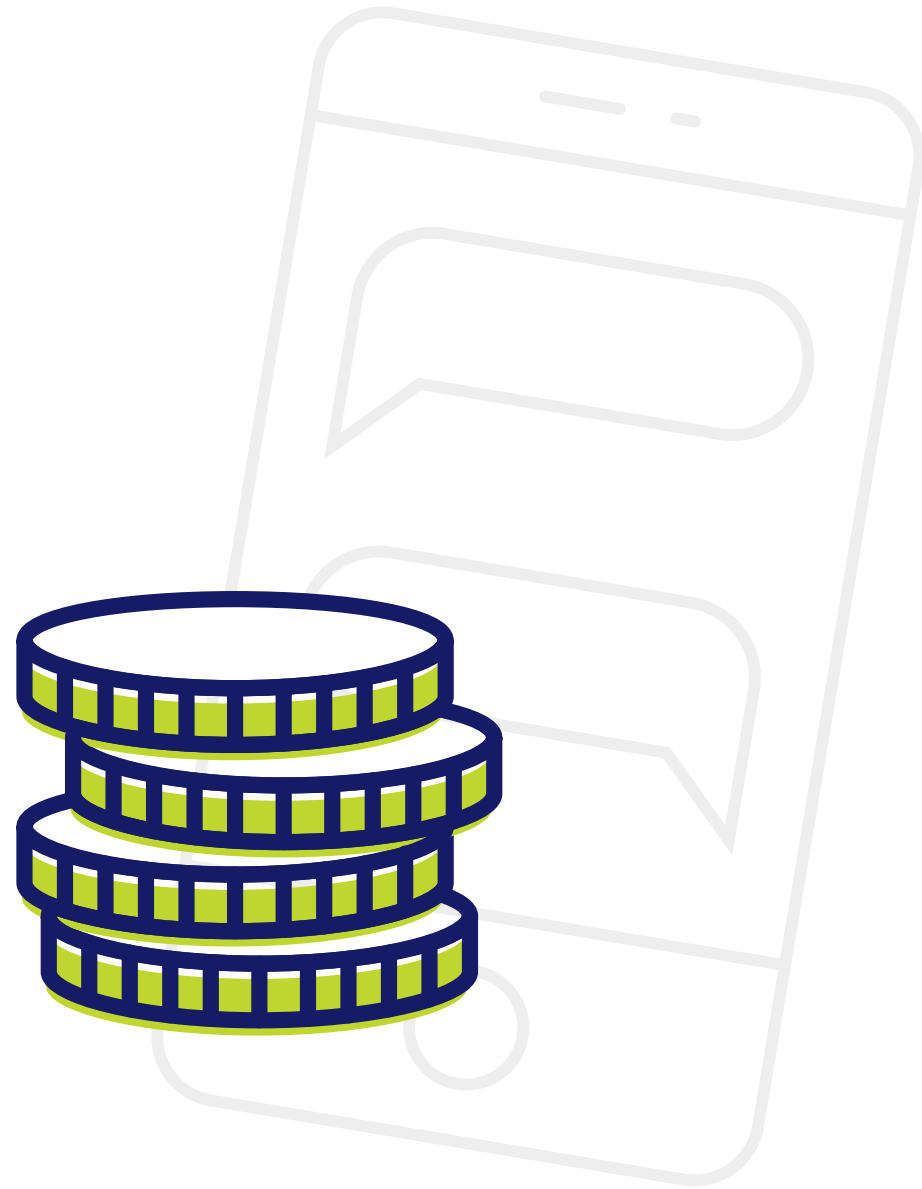
Circle’s technology relies on a blockchain, or a distributed digital ledger that allows companies to track the ownership of assets. Circle converts currency into bitcoins for transfer and then converts the amount back to fiat currency once the transfer is complete.

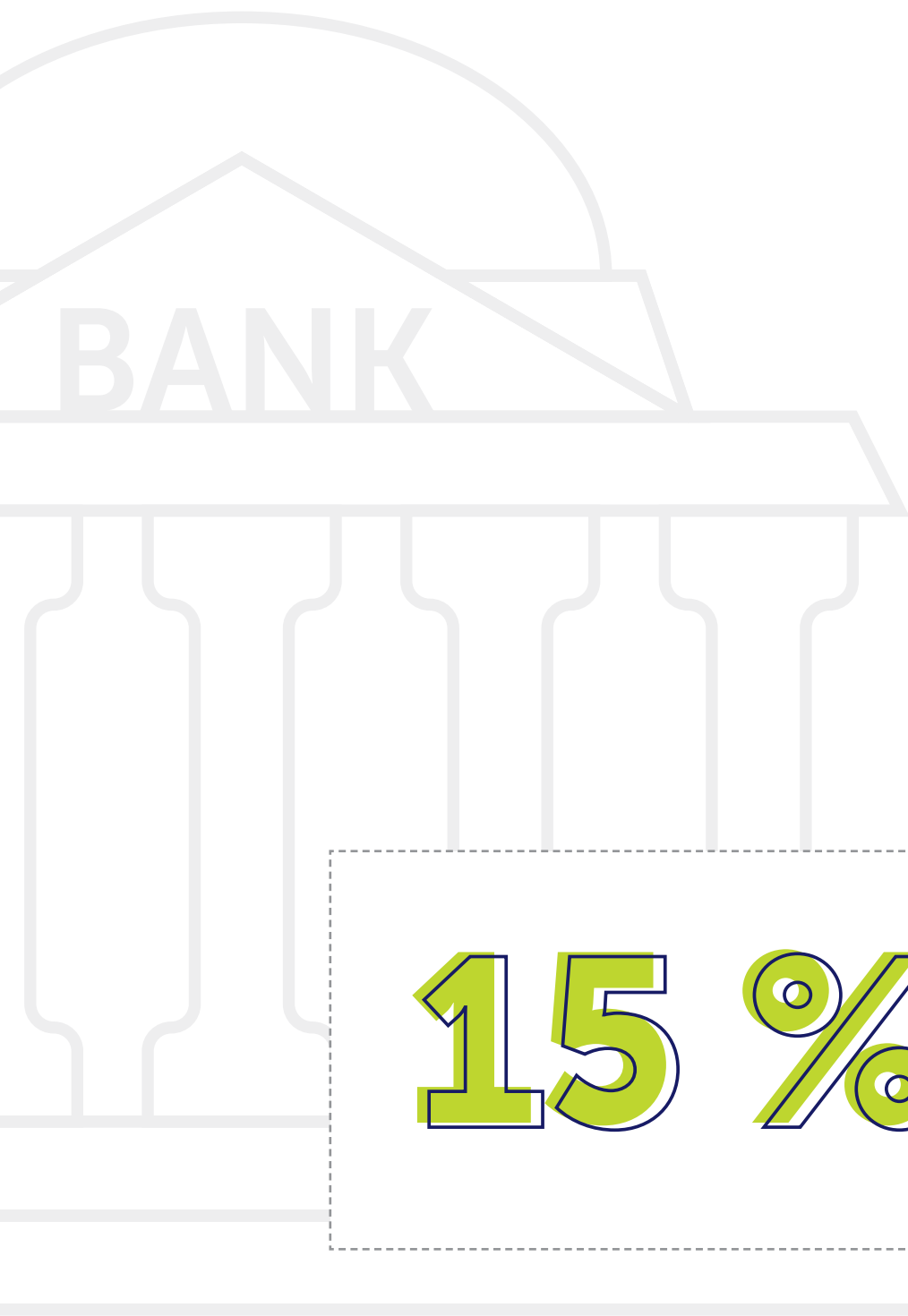




As one of the earliest and highest-funded bitcoin startups, Circle was the first company to receive the state of New York's first-ever BitLicense in November 2015. In September 2016, Circle became the first bitcoin platform to integrate with Apple's iMessage, a move that allows users to send bitcoin (as well as dollars and euros) through the popular texting platform.

Today, Circle has moved beyond its earlier contributions to bitcoin and is now a leading advocate for the development of public blockchains.





IBM recently announced banks and other financial institutions are adopting blockchain technology “dramatically faster” than expected, with 15% of top global banks intending to roll out full-scale commercial blockchain products in 2017. But traditionally conservative financial services companies are hesitant to pursue public blockchains over private blockchain solutions.

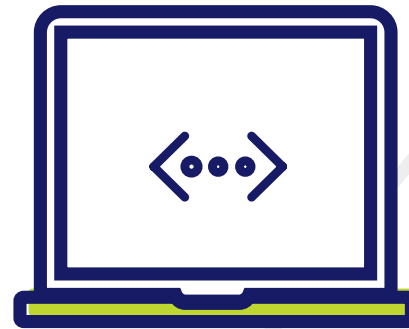
Why is this distinction important?

**15 %**

of top global banks intend to roll out full-scale commercial blockchain products in 2017

IBM

Public blockchains are accessible by anyone. They operate under the principle that because all participants can see all account balances and the movement of all transactions, corruption and hacking can't go undetected. This method of security is relatively new, but since the inception of bitcoin, which relies on a public blockchain, no one has found a way to break the system in a practical way.



Private blockchains, on the other hand, are secured by more traditional methods, like user permissions. Though these methods may feel more secure simply because they're more familiar, there have been countless examples of security breaches on systems that use this approach.

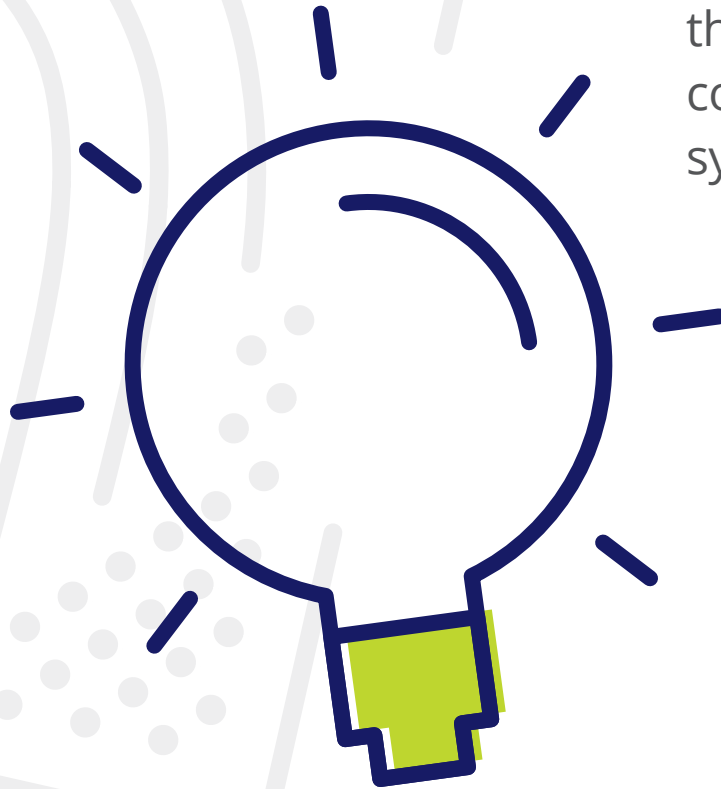
In an interview with Yahoo Finance, Circle co-founder Sean Neville said,



We got excited about the idea of bitcoin and blockchain simply because it enabled money to work the way the rest of the Internet does. We can share photos, share opinions, but we can't share money very easily. So bitcoin allows us to do that, without having to think too hard about bitcoin or blockchain, just like the way we don't think about HTTP when we look at the Web.



Like all technology that relies on traditional security, private blockchain developers will always have to innovate to stay one step ahead of hackers. More significantly, private blockchain solutions are closed off from the rest of the world, which puts their owners at a disadvantage to companies like Circle that rely on a system that supports open innovation.





# KEY TAKEAWAY

Like innovation enabled by open APIs, public blockchains are necessary for supporting increased collaboration in the financial services industry. Public blockchains are also better equipped to carry out global transactions. With industry pioneers like Circle pushing for wide-spread adoption of public blockchains , they will one day be the norm among fintech leaders.

## About SoftServe

With over 20 years of experience in digital software development and consulting, SoftServe is a global leader in solving complex business problems, creating industry disrupting technology and accelerating growth and innovation while optimizing operational efficiency. From leading ISV to Fortune 1000 digital enterprises, SoftServe has transformed the way thousands of clients do business with the most innovative technologies and processes in Big Data, Internet of Things (IoT), DevOps, digital commerce, security, and experience design. Visit [www.softserveinc.com](http://www.softserveinc.com) to learn more.

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