From Spain to Colombia: creating a pan-Atlantic digital bank

ID Finance operates a lending business with impressive year-on-year growth, but CEO and founder Boris Batine has set much bigger plans in motion. IBS Journal sat down with him to find out more

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arcelona-based ID Finance started out as an online lending business targeting people who have been shut out by traditional lenders. Founded in 2012, it lends across Russia, Spain, Kazakhstan, Georgia, Poland, Brazil and Mexico, and has lent more than \$300 million to date. With launches planned in Colombia and the US in late 2018 and 2019 respectively, the firm is aiming to continue its impact in the Americas.

The company operates three different businesses under the ID Finance umbrella: AmmoPay, an online shopping solution allowing buyers to pay in instalments via their mobile devices; Solva, which provides online long-term consumer loans for entrepreneurs, small and medium-size businesses in emerging markets; and MoneyMan, a short-term cash flow solution underpinned by an in-house IT stack, which provides automated lending 24/7 to customers.

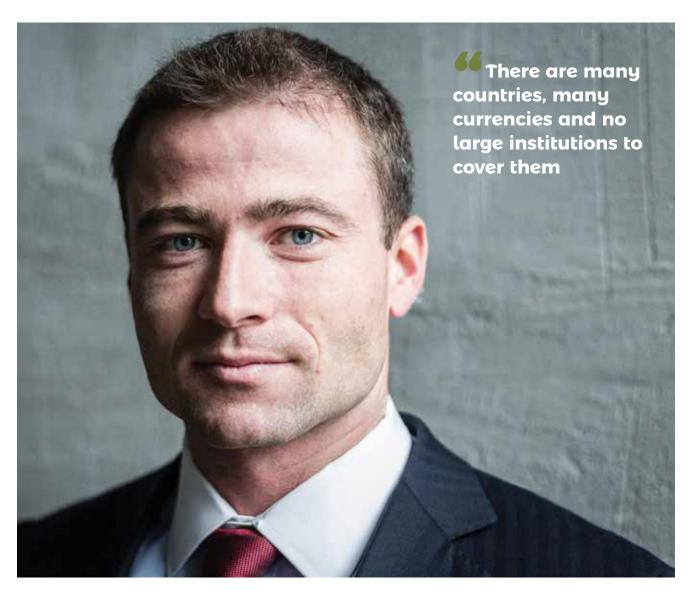


CEO and founder, Boris Batine, has extensive experience in the banking sector. He started his career at Deutsche Bank in 2003 following his graduation from Cambridge with an MA, before moving on to become vice-president for debt capital at Renaissance Capital from 2006-2010. A two-year stint in the Russian and CIS operations of Royal Bank of Scotland was followed by him founding MoneyMan and ID Finance in 2012 and 2013 alongside co-founder Alexander Dunaev (now COO).

"We were working in London in the mid-2000s when fintech really began to take off," he says. "It was exploding in the city at that time. Working at a big established bank we could see that fintech would be something that would take over, but it wasn't affecting emerging markets as much as it was the developed ones."

Batine and Dunaev saw the opportunity to become the first in a wave of fintechs aimed at the developing world. Initially they founded a data collection and analysis firm in Belarus, which built the groundwork for the establishment of a lending business. The pair started ID Finance with a few hundred thousand dollars of their own money made available for the first borrowers. "We were the first to create an online identification tool for emerging markets," says Batine

The firm had two major competitive advantages: its relative speed of movement and the fact it was willing to bodly go where no bank had gone before, and jumped headlong into markets most traditional players would consider too difficult to attempt. Rivals weren't far behind, however, and Batine describes the nine markets ID Finance operates in as increasingly competitive.



Which of the company's three flagship products is a favourite? Like every parent, you always love one of your children slightly more than the others, even if you won't admit it. "MoneyMan was the first child, so it might not be the favourite but it's certainly the one you've lived with most!" The best product from a client perspective, Batine adds, is AmmoPay.

"I would use it every day if I could," he says. "It allows you to turn any of your purchases into a payment plan without any additional charges." The example he likes to use is holidays, where you're having to make a lot of purchases in a short amount of time: "You can't always pay the lump sum, so with AmmoPay you can split it up, and pay for it throughout the year." It means that families won't have to miss out on trips abroad due to financial problems.

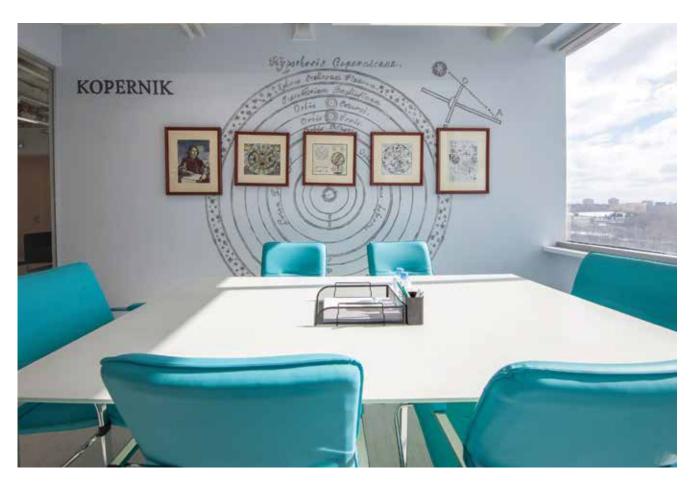
Solva, Batine adds with a smile, is more like the middle child in the family. "It's our most traditional offering," he says. "As a product it's not the most exciting or innovative but it's still crucial to the client who uses it, and can help businesses who cannot get crucial finance from banks who refuse to help them out."

Crossing the oceans

For Batine, it's time to take ID Finance to the next level: "Initially it was mainly about the data and analytics and the lending, but now we want to face up to the challenge of building a broader financial services company which includes payments, transfers and exchange." The question is where to place such an ambitious venture? ID Finance is already one of the main lending services in CIS and Russia, but it is across the Atlantic where Batine and Dunaev are setting their sights.

"The population of Latin America is just under 650 million, while there are 52 million people of Hispanic ethnicity in the US," says Batine. "In Spain, too, about four to five million people are attracted to the country via Latin America." Within that triangle of regions, he adds, there are 10 million people migrating in various directions every year: "There are many countries, many currencies and no large institutions to cover them."

When a man moves to Spain from Colombia, states Batine, he must start his finances all over again – no credit history, no bank account.



"Very often he will not get the financial service or products that a citizen of Spain would get because the banks there know nothing about him," he says. "It's the same in the US for Mexican migrants so they become the underbanked."

ID Finance is aiming to offer migrants within that Latin American, Mexican American and Spanish triangle a service and set of products that they can take with them and use "at any point" between countries and residences. As previously mentioned, the firm already operates in Spain, Brazil and Mexico, and plans a full-fledged launch in Colombia very soon. Batine says that the company is connecting the dots: "We want to be able to profile a Mexican in Mexico and then offer him money as soon as he steps foot in the US."

This expansion will be ID Finance's prime focus for the next three to four years, with the company aiming to accrue banking licences in many of the Latin American countries in which it already operates. The goal isn't just to provide lending services to migrants – though that is obviously a core tenant of it all. Batine wants to create a pan-Hispanic digital bank, with payments, FX and savings to boot.

Making the first steps

The first licence is expected to come from Brazil; ID Finance is expecting to receive it within the next six to nine months. At the moment the firm works jointly with prominent banks and their infrastructure. With the new licence, ID Finance will be able to start

issuing lending itself, as well as a similar time frame for card issuing. Deposits and money transfer are expected to arrive by the tail end of 2019.

Once the firm is established in Brazil, the plan is to move to Mexico. Mexican regulators, says Batine, are slightly more liberal than their counterparts in Brazil, so he expects to have gained a licence in the country by the end of next year. After Mexico comes the US, which ID Finance plans to enter in 2019 via partner banks before applying for a licence around 2020. Once a licence in the US is established, adds Batine, the company will "take it from there. These are the largest markets for us, so it's logical to start with them," he says. When it comes to Spain, ID Finance is set to partner with a payments provider, so no additional licence is on the horizon for the time being.

One crucial factor in this ambition is that the existing businesses at ID Finance – AmmoPay, MoneyMan and Solva – continue to

ID FINANCE STATS ATTACK

- Operates in eight countries
- 213% loan issuance growth 2017-18
- 5.3 million customers
- 90% retention rate
- 76% revenue growth 2017-2018

operate at full capacity. "Over the last few years we've managed to build a pretty self-sufficient and independent company," says Batine. "Each department has funding and scope for growth among the management team. It took us time to find the right company structure, budgeting and processes but now we feel that our Eastern European operations can continue to function and grow while we tackle new challenges in America."

Will ID Finance use the same data points for its new banking venture as it does for the lending side of the business? "What you tend to find is that the data points used in lending broadly transfer across to traditional banking services," says Batine. "Obviously as we move closer to the bank side of the equation we will find more requirements on the KYC and AML area."

IBS Journal spoke with Batine at Money2020 Europe in Amsterdam. The event, one of the continent's largest geared around fintech, payments and emerging technology, was described by the ID Finance CEO as a great opportunity to meet with potential payment partners, especially as it looks towards its ambitious future. Batine admitted at the time that he had been impressed by some of the success stories from Wirecard, and was planning to meet with the firm later that day. "This is the interesting thing," he adds. "When we were just in lending, these meetings would not have happened, but now that we are exploring new possibilities, new doors are opened for us and for the payment providers."

Cryptocurrency and the future

It's hard to think about alternative financing in Latin America without thinking about the Venezuelan government's issuing of a state-backed cryptocurrency. To some it's a novel way of supplementing the country's hard-pressed fiat countries; to others it's a method of circumnavigating US sanctions and accessing forbidden international financing. "I'm a bit sceptical of it," admits Batine. "I don't really see a future in cryptocurrency as it is now. The reason they became so popular is because the traditional banks in most countries started to become strict when it comes to payments. If you could send money from Bank A to Bank B without restriction, there would be no use case for cryptocurrency. It all started as a means of making payment without anyone knowing or checking who you are.

"It's a wild west of money transfers. We're moving as an industry towards a more transparent future, and it's something that cryptocurrencies aren't in line with. Banks might be working with it but there are issues, because you can't really monetise it and convert into fiat money with most of them. On top of that we see a lot of ICOs where investors are being scammed because information is being misrepresented or funds are being misused. I feel that – unfortunately – we will see a lot more of that in the future. The only next step for cryptocurrency is to become more regulated; you cannot just do whatever you want, and many in the crypto industry aren't comfortable with being unable to do whatever they want."

There are, of course, other large markets across the world where a proportion of the population are underbanked. Why did ID



CV: BORIS BATINE

- 2003 Graduates with an MA from Cambridge University
- 2003 Deputy director of capital markets at Deutsche Bank
- 2006 Vice-president for debt capital at RenCap
- 2010 Vice-president for debt capital at Royal Bank of Scotland
- 2012 Founds MoneyMan
- 2013 Founds ID Finance

Finance decided to opt for Latin America, rather than a region like Africa or Asia? "We actually are exploring something to do with those regions," he says with a smile. "But the strategy will be very similar to how we plan to operate in South America. First, we will start with lending and see what it is that might be missing from the marketplace and then take the next step. We are exploring opportunities in India, for sure, and Africa also looks very interesting. We're having talks with local teams. The problem with trying to get into India is that the country's regulation is quick stiff, so it might take us a little bit longer to break into things there, but we will be aiming to head there soon."

With so many irons in the fire, and many plans ready to go, where does Batine want to be by this time next year and beyond? "I want to be operating transfers," he says. "Transfers across LatAm at competitive prices to the client, as well as credit cards and payments." When it comes to five years' time, Batine is aiming to have the ID Finance pan-American digital bank up and running. "The plan is to have customers be able to move to any of the countries we operate in, upload their documents and not have to worry about anything else," he says. "The system does the payments, does the extra charges and you're offered four, five, six different products.