

**Assessment Period 1 (October 1<sup>st</sup>, 2019 – December 31<sup>st</sup>, 2019)**

## **Modulr Finance Limited - £10M Grant**

We are on track to fully deliver on our commitments to supercharge payments for SMEs and accountants.

Our Capability and Innovation Fund (CIF) Programme and governance structures are up and running at Modulr with a team dedicated to managing our delivery plan now in place. On the technical front, efforts are underway to expand our engineering teams, enabling us to hit our job creation and initiative delivery commitments in 2020.

Below are Modulr's updates on each public commitment:

### **1 | We will transform accountants' ability to manage payments for SMEs**

**An estimated 2 million SMEs (Ernst & Young, The Future of SME Banking, 2018 & ONS, UK business activity, size and location statistical bulletin, 2018) rely on the services of one of the 25,000 Accountancy Practices (practices with 1+ employees; UK BEIS, Business Population Estimates, 2018) across the UK to help run their businesses, including the accountants managing payments on their behalf. This is currently extremely challenging due to existing business banking services not providing for the specific needs of accountants when operating these services.**

**Modulr has already created a basic dashboard that is in the market and receiving good feedback, the CIF Grant will enable us to significantly expand the functionality of this Accountant Dashboard into a full Accounts Payments Control Centre (APCC).**

#### **Our commitments:**

- **We will bring this capability to market in Q3 2020 and continually enhance it in phases through to Q2 2021.**
- **Modulr will aim to implement its services with 163, 354, 564 and 680 accountancy practices by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 110,000 SMEs.**

We are on track for this commitment including the delivery of our first major milestone; the launch of the first version of the Accountants Payment Control Centre (APCC) by the end of Q3 2020.

At Modulr we use our customer-led product development approach to deliver new products to market such as the APCC. We are using this proven implementation approach to help us understand the pain points of accountants and design innovative solutions that address their challenges and those of their SME customers.

That's why our regional roadshow events will showcase early version of our products to capture insight from accountants and SMEs. We are also preparing a beta programme for the APCC and we are conducting a programme of interviews with accountants to provide input into industry challenges to inform our product designs.

### **2 | Switching isn't working for SMEs; we will create competition outside the existing banking system**

**Our digitally native Business Payment Account & Payment Services API is readily available via an online Developer Centre and Sandbox. This enables our direct business clients and partners to integrate payments into their products and business platforms quickly and easily. We aim to expand our existing successful product offering to allow our partners to provide additional**

capabilities. The CIF Grant will enable us to extend the functionality of this service to include SME specific needs such as physical card issuance and cash deposits, to support universal adoption by SMEs.

**Our commitments:**

- **The extension on Modulr's capability allowing partners to meet all the payment needs of SMEs with our Business Payment Account & Payment Services API will begin in Q1 2020 and the final phase will complete in Q3 2022.**
- **Implementing these services with 12, 26, 41 and 48 partners by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 860,000 SMEs.**

We are on track with this commitment including the delivery on our first major milestones; the launch of Current Account Switch Service and Physical card products by the end of Q3 2020.

We're big believers in disruption and we're constantly challenging ourselves to expand our core capability to meet the payment needs of SMEs. As such, we will stimulate competition by empowering our partners with a suite of products to provide better solutions to their SME customers.

This initial suite of products includes extending our account functionality to physical cards and enabling our customers to switch current accounts through the Current Account Switch Service (CASS).

### **3 | We will fight in the UK SMEs' corner in making sure new, innovative payment methods solve SME pain points**

**SMEs have typically been last to access new industry wide payments initiatives and innovation.**

**We will use the CIF Grant to make available the latest industry innovations to SMEs including:**

- **Fraud Prevention+ with our Confirmation of Payee Solution**
- **Payment collection capability using Request to Pay**
- **Open Banking (Accountant Information & Payment Initiation Services) to deliver cash management and treasury management services.**

**Our commitments:**

- **Modulr will continue to deliver proof of concept through to full product launch for the three key innovative payment services, starting in Q4 2019 and completing in Q4 2021, with continual delivery and enhancement of functionality through that period.**
- **Through our partners, Modulr will aim for our payment innovation services to be made available to at least 340,000 SMEs by Q2 2024.**

We are on track for this commitment including the delivery of our first payment innovation launches planned for 2020.

We are focused on delivering on our mission to bring the latest payment methods to SMEs by working on launching Confirmation of Payee which has huge potential to combat push-payment fraud. Likewise, we are also working on Request to Pay and Payment Initiation Service products that can transform how businesses get paid.

### **4 | We will raise matched funds of £10m to supercharge our impact on competition**

**We commit to raising matched funds of £10m and deploy it to deliver on our commitments and expand the benefit of the CIF. These matched funds will be used to cover our scaling costs, marketing costs, external integrations and additional scheme access.**

**Further, we commit to allocate £500,000 to spend running at least 6 regional payments education events per year for 5 years across Glasgow, Edinburgh, Bristol, London, Nottingham, Manchester,**

**Cardiff & Belfast for SMEs on how to use new and innovative payment mechanisms, and to gain their direct feedback on how the new services should be developed.**

Modulr continues to co-invest in bringing to market our CIF product initiatives in line with our Business Case and we remain on track with raising our committed matched funding.

We are also on track to utilise Modulr's match funding to hold 6 regional educational roadshows in 2020 that will guide SMEs and accountants on the benefits of new payment services we are bringing to market. Our first event is scheduled to take place in Edinburgh on 20th February.

## **5 | We will create a minimum of 64 high quality regional UK jobs**

**In Edinburgh, Modulr will create 53 new jobs relating to implementation of the business case across a range of competencies. As part of this commitment we will invest in recruiting and training two graduates per year from Scottish universities. We will also create a further 11 jobs across the UK to bring our products to market.**

**We are already a strong proponent of supporting diversity in our workforce. We have partnerships with Women in STEM initiatives and initiatives providing opportunities to disadvantaged young people. We will continue to drive diversity in our workforce as we expand.**

**Finally, we commit to being transparent on our progress, both to BCR Ltd. and to the public. Modulr understands BCR Ltd.'s mission and we understand SMEs needs; we see the CIF grant as a launchpad as we continue on our mission to build future of payments for UK SMEs.**

To deliver on our vision of transformed payment services for SMEs and accountants we are expanding our team. We are on track to create 53 brand new jobs in Edinburgh creating a dedicated and passionate programme team that will implement our CIF Business Case. We are also on track with our investment in 11 new roles across the UK to drive the distribution of our products to partners, accountants and the SME community.

As of the end of 2019, Modulr had recruited eighteen new team members in Edinburgh and two in other UK regions, all dedicated to the delivery of the BCR CIF Programme.