

Modulr Finance - £10M Award

CIF Key Achievements to Date

- £10M Modulr matched funds successfully secured as part of Modulr's latest round of growth funding. Full press release [here](#)
- 2 additional team members recruited in Q2 2020, further contributing to a total of 44 brand new highly skilled jobs created in Edinburgh and 5 across other UK regions as part of the CIF Programme
- Payment Initiation Service Provider: this functionality went successfully live in June 2020 and launch to market will carry on until the end of 2020 as we keep adding more banks to the solution as part of our incremental go-live approach. This is a significant achievement for the CIF Programme, as it enables lower fraud, faster settlements, and lower costs of payments for SMEs and direct customers
- Confirmation of Payee Outbound: the detailed design for this functionality was completed in Q2 2020 and the technical team is on track to launch this initiative with direct clients in Q3 2020, ahead of the schedule outlined in our original Business Case. Modulr is proud to be the first non-bank Payment Service Provider to offer this functionality once it has gone live
- Payment as a Service: two payroll technology partners recently onboarded, enabling their SMEs to access Modulr's Payment as a Service solution
- Accountant Payment Control Centre:
 - feedback on product ahead of launch in 2021
 - Launch of Accountancy Roadshows with 4 virtual events taking place in Q2 2020, aimed at bringing together forward-thinking accountants and accountancy practices, with engagement of 200+ Accountants/SMEs and generating a reach of 70K+ social media impressions
- Modulr's participation in an Innovate Finance and BBC StoryWorks documentary series entitled: how Fintech is transforming the UK economy. We chose to focus our story on an SME customer using our services through our partnership with Sage. The story highlights how Simply Lunch, a family-run SME, is able to scale more effectively through a reduced payroll burden on its finance team.
[\(https://www.innovatefinance.com/innovationinfinance/video/modulr/\)](https://www.innovatefinance.com/innovationinfinance/video/modulr/)
- Programme governance: review and re-baselining of our CIF delivery plans following the escalation of the pandemic situation, with minimal impact on original Business Case timelines

Assessment Period 3 (April 1st, 2020 – June 30th, 2020)

As of the end of Q2 2020 we are on track to fully meet our commitments to deliver innovative payments solutions to SMEs and accountants.

Our Capability and Innovation Fund (CIF) Programme is working at pace with a large majority of the committed CIF resources hired as per our plan, and with delivery teams in place to build the technical solutions as per our commitment. However, as mentioned in our previous update to our Public Commitment dated 29th May 2020, the escalation of the COVID-19 situation has caused us to postpone the recruitment of the remaining CIF resources and therefore the pace of delivery has levelled off in some areas of the programme. Since then our plans have been reviewed and re-baselined taking these impacts into account, and our Public Commitment has been slightly amended to reflect these changes in timeline.

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).

Original 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.**

Rationale for the change:

As stated in the update to our Public Commitment (dated 29/05/2020), we remained on track with this commitment through Q1 2020, however we updated our delivery plans in response to slowing the rate of investment in the programme during 2020.

This means that our launch window for the first version of APCC has moved from Q3 2020 to Q1 2021, and the end date for this initiative has moved from Q2 2021 to Q1 2022.

Updated Commitment:

- **We will bring this capability to market in Q1 2021 and continually enhance it in phases through to Q1 2022**
- **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 an early version of the Accountants Payments Control Centre (APCC) by the end of the year in view of formal launch to market by the end of Q1 2021.

We have developed a new marketing campaign strategy to better support our customer-centric product development approach, which will provide us with a larger, more diverse set of businesses to support testing. Our Accountancy Pathfinders Programme is designed to bring together a network of forward-thinking accountants and accountancy practices to proactively engage in our accountancy product development roadmap.

To support this, we have hosted a series of digital panel events to showcase the high-level features of our product, as well as capture insight from accountants and SMEs. We are also on track to carry out a beta programme for the APCC in Q4 2020 and we are conducting a series of interviews with accountants to provide insight on industry challenges that will inform our product designs and ensure we are continuing to support innovation within the industry. As per our revised Pathfinders Programme, our APCC microsite has been used as a hub to provide insight and updates on the APCC product development, promote relevant events and content, generate sign-ups to the beta test programme and showcase the events and activities we are running in the accountancy space (<https://www.modulrfinance.com/accountancy>).

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.

Original 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.

Rationale for the change:

As stated in the update to our Public Commitment (dated 29/05/2020), we remained on track with this commitment through Q1 2020, however we updated our delivery plans in response to slowing the rate of investment in the programme during 2020.

This means that the final milestone for our Payment as a Service Infrastructure has moved from Q3 2022 to Q1 2023.

Updated Commitment:

- 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 Q1 2023.
- 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 on track with this commitment.

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.

We are on track to launch the first version of our Physical card products by the end of Q3 2020 as per our baselined plan, with functionality testing under way and with integration with 3rd parties being kicked-off. To support the launch of this new service, we have identified a list of early adopters of the Physical Cards functionality, and we are working closely with these partners (along with third parties) on delivering their card designs and finalising the target service support model.

We have also made good progress on Current Account Switching functionality (CASS), with the definition of the onboarding model completed and currently awaiting approval from Pay.UK. This means that we are on track for launch of the CASS functionality in 2022.

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.

Original 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.**

Rationale for the change:

As stated in the update to our Public Commitment (dated 29/05/2020), we remained on track with this commitment through Q1 2020, however we updated our delivery plans in response to slowing rate of investment in the programme during 2020. This means that the final milestone for our Payment Innovation Initiative has moved from Q4 2021 to Q2 2022.

Updated Commitment:

- **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 Q2 2022, 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 reduce authorised push-payment (APP) fraud. The technical build of the Confirmation of Payee Outbound functionality is close to complete and we are on track to launch the first version of this product during Q3 2020. Modulr is delighted to be the first non-bank financial institution to support this important feature. Likewise, we have also made great progress on the Payment Initiation Service product, which can transform how businesses get paid, and Modulr is pleased to announce that this functionality went live as per plan in June 2020, and we will be carrying on incrementing this solution until the end of 2020. This is a significant achievement for the CIF Programme, as it enables lower fraud, faster settlements and lower costs of payments for SMEs and direct customers. In parallel to PISP Phase 1 go-live the delivery team has also kicked off the scoping for PISP Phase 2, which will include a suite of enhancements to the PISP core functionalities already implemented

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.

Original Commitment

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.

Rationale for the change:

Due to the social distancing measures implemented by UK national governments in response to COVID-19, we had to pivot the approach for our educational events planned from March 2020 onwards onto virtual events, in the form of digital panels and round table discussion, in view of reaching out to specific regional attendees as part of the move to our digital strategy. These virtual events have proved equally as successful as physical events, with positive feedback received from

participants and generating strong online and social media impact and therefore, we are confident of reaching the target audiences we had originally intended.

Updated Commitment:

Further, we commit to allocate £500,000 to spend running at least 6 regional and digital 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.

Following the announcement of successfully securing our committed matched funding of £10M in Q1 2020, we are pleased to say that we are also on track to utilise Modulr's matched funding to hold 6 regional educational roadshows in 2020 (now run digitally due to social distancing measures) that will guide SMEs and accountants on the benefits of new payment services we are bringing to market.

Due to the COVID-19 pandemic we reviewed our approach on how to deliver market education events and we pivoted our approach from hosting traditional face to face events to digital events as a result of the physical distancing measures put in place by the UK Government.

As part of this reporting period Modulr has hosted 3 digital panels with 40+ registrations for each event. We have pro-actively targeted audience from the relevant UK regions, but with attendance not being constrained by location due to the digital nature of the events, we were able to reach out to a larger number of participants than originally planned. The events' outcomes were successful and have led to receiving positive feedback from participants and generating regional media publications and articles, as well as substantial social media coverage.

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 have continued to expand our team. As of the end of Q2 2020 we are on track against our recruitment targets and have now created 44 new jobs in Edinburgh out of our target of 53, creating a dedicated and passionate programme team to implement our CIF Business Case. We have also created 5 out of the 11 new roles across the UK to drive the distribution of our products to partners, accountants and the SME community.

As stated in our last public commitment update, recruitment has been paused for the coming months due to the current pandemic situation, with a view of resuming hiring activities in Q1 2021.