

## Modulr Finance - £10M Award

### CIF Key Achievements to Date

Key achievements to date as part of the CIF Programme at Modulr are the following:

- £10M Modulr matched funds successfully secured as part of Modulr's growth funding in March 2020. Full press release [here](#)
- A team of 59 recruited since Q3 2019 (47 brand new highly skilled jobs in Edinburgh, 10 across other UK regions and 2 graduates from Scottish Universities)
- Product delivery for Payment Innovation has seen the successful launch of Payment Initiation Services (PISP) in June 2020, followed by PISP Standing Orders in April 2021. Confirmation of Payee outbound was launched in September 2020 and inbound followed in June 2021.
- Modulr's Physical Cards product: launched in September 2020, having secured Visa principal membership secured in March 2020 as part of our journey to implement physical cards. Full press release [here](#)
- Accountants Payments Control Centre: first version of the product launched in Q1 2021, with 234 accountancy practices and accountants onboarded so far
- Customer Onboarding initiatives delivered include address lookup functionality launched in Q1 2021 and integration with PassFort, a market-leading compliance third-party provider, went live in Q2 2021 to support straight through processing. Launch of client manager for accountants invite and track their SMEs through the onboarding journey.
- Partner Engagement: 6 partners now onboarded, enabling their SMEs to access Modulr's Payment as a Service solutions, including BrightPay and Intuit (Q2 2021).
- SME reach targets for the Payment as a Service and Payment Innovation areas have been achieved for 2021 and we are in a good position to meet our reach targets for APCC.
- Marketing strategy:
  - o Accountancy Roadshows launched in Q1 2020 (press release [here](#)), aimed at bringing together forward-thinking accountants and accountancy practices, with 5 virtual events held in 2021 in collaboration with BrightPay, generating a high number of registrations and social media impressions.
  - o Launch of the Pathfinders digital campaign, aimed at recruiting accountants to test our APCC product (over 238 Pathfinder members recruited to date) and delivery of SME client referral content programme to support onboarding of SMEs to product propositions.
  - o [SME Channel Website](#) successfully launched in Q1 2021, generating a good number of inbound enquires.

### Assessment Period 8 (July 1<sup>st</sup>, 2021 – September 30<sup>th</sup>, 2021)

These Public Commitments are based on Modulr Finance's Updated Business Case which was approved in June 2020. The former Public Commitments, including rationale for the changes can be viewed [here](#).

As of the end of Q3 2021 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. Key highlights for this quarter include the successful launch of our client manager tool for our accountants to be able to invite and track the onboarding of their SMEs to the Accounts Payments Control Centre (APCC) and the rollout of a fully automated SME sales and onboarding journey through our SME Channel website. We have also launched our "Make More Time" marketing campaign aimed at accountants.

## 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).

- 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 remain on track to meet this commitment. Following the launch of the Accountants Payments Control Centre (APCC) in Q1 2021, 234 accountants are now live, providing feedback to allow us to continue to enhance it with additional functionalities in coming months, focusing primarily on the onboarding journey and overall customer experience. These accountants have an SME reach of 17,272, bringing us closer to our overall target for the year. Our ongoing marketing strategy and highly successful webinar in Q3 have led to significant volumes of leads, helping us to further build out our customer base. We have launched a client manager tool, allowing accountants to invite their SMEs to the APCC and track their progress through the onboarding journey.

## 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.

- 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 are 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 have met our target for 2021 with an SME reach of over 680,000 SMEs through our Payment as a Service partner offering and progressing well with our partner target with 6 new partners live on our platform.

The Physical Cards product, which went live in 2020 is now proven and operational and in the coming months will allow more partners to provide their SMEs with a more holistic payment experience. We have now also commenced the development of the Current Account Switch Service to support

competition outside the existing banking system. The team are also making good progress to deliver the Modular Services Packages to further enhance our cards offering.

### **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.**
- **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 have achieved some key milestones against this commitment and remain on track for the final deliverables.

Following the successful delivery of our first payment innovation launches in 2020 and subsequent enhancements to the service in Q2 2021, we continue to focus on delivering our mission to bring the latest payment methods to SMEs. Customers continue to adopt the Confirmation of Payee Outbound and Inbound functionality, helping SMEs to combat payment fraud. Further enhancements have been made to further improve matching rates.

In parallel, the volumes of transactions through the Payment Initiation Services (PIS), which went live in June 2020, continue to grow. We now also have an early adopter of the subsequent enhancement to enable Standing Orders through the Payment Initiation Service. The team now turn their attention to building our Innovation Collections initiative, Request to Pay. Our SME reach for our payment innovation products is now over 978,000, successfully achieving our target for the year.

### **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 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 be on track to co-invest in bringing to market our CIF product initiatives in line with our Business Case, having now spent £4.6m of Modulr's own funds.

Our Marketing team have now held 5 events throughout the year, working in partnership with BrightPay – supported by social media and email marketing campaigns, which have helped to generate a high level of interest for the Accountants Payments Control Centre. Programme spend to date on events has now reached £225,197. The traffic to the SME Channel Website has reached 260,000 and continues to grow, with a dedicated content programme providing tailored educational content for SMEs, further helping to drive our new business pipeline campaigns. In Q3 we launched a new marketing initiative, our "Make More Time" campaign, including a new demand event series and digital demand generation campaign building on the success of our event series with BrightPay.

**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.**

We remain on track against our recruitment targets having created 47 new jobs in Edinburgh out of our total target of 53, creating a dedicated and passionate programme team to implement our CIF Business Case. We have achieved our graduate target with 2 developers from Scottish Universities. We have also created 10 out of the 11 new roles across the UK to drive the distribution of our products to partners, accountants, and the SME community. Hiring activity will continue throughout the year to reach our full commitment.