

Modulr Finance - £10M Award

CIF Key Achievements to Date

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

- A team of 65 recruited (51 brand new highly skilled jobs in Edinburgh, 12 across other UK regions and 2 graduates from Scottish Universities).
- Product delivery for Payment Innovation has seen the successful launch of Payment Initiation Services Standing Orders in April 2021. Confirmation of Payee Inbound was launched in June 2021.
- Accountants Payments Control Centre: first version of the product launched in Q1 2021, with 295 accountancy practices and accountants onboarded so far, in Q3 2021 a Client Manager tool was launched for accountants to be able to invite and track the onboarding of their SMEs.
- 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. In Q3 2021 rolled out a fully automated SME sales and onboarding journey through our SME Channel website.
- Partner Engagement: 10 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 all areas, across the Payment as a Service, Payment Innovation and APCC have been achieved for 2021.
- Marketing strategy:
 - o Accountancy Roadshows launched in Q1 2020, aimed at bringing together forward-thinking accountants and accountancy practices, with 10 virtual events held in 2021, 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 249 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.
- In 2020, Modulr secured Visa principal membership in March and launched physical cards in September (full press release [here](#)). Modulr successfully secured £10m in matched funds in March, full press release [here](#). Payment Initiation Services (PISP) was successfully launched in June and Confirmation of Payee outbound in September.

Assessment Period 9 (October 1st, 2021 – December 31st, 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 Q4 2021 we are reporting green against our commitments to deliver innovative payments solutions to SMEs and accountants.

Our Capability and Innovation Fund (CIF) Programme is working at pace with the majority of the committed CIF resources now in place, and with delivery teams building the technical solutions as per our commitment. Key highlights for this quarter include 5 webinar events held, all SME Reach targets have now been met for the year, enhancements made to the customer portal and a sixth

squad now in place. Two new initiatives have also been kicked off to build an enhanced mobile experience and AISP Treasury Management.

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, 295 accountants are now live, providing feedback to allow us to continue to enhance it with additional functionalities, focusing primarily on the onboarding journey and overall customer experience. These accountants have an SME reach of 32,269, allowing us to exceed our overall target for 2021. Our ongoing marketing strategy and highly successful webinars in Q4 2021 have led to significant volumes of leads, helping us to further build out our customer base. We launched our client manager tool in Q3 2021, allowing accountants to invite their SMEs to the APCC and track their progress through the onboarding journey, which continues to be refined through customer feedback.

Original commitment:

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.**

Rationale for change:

Modulr will no longer be delivering cash deposits but instead international payments. This is due to a significant reduction in customer demand, accelerated by COVID-19 and it is no longer deemed a viable product in driving competition across the SME payments landscape. Processing international payments is one of the key barriers for UK SMES to conduct business abroad, Modulr therefore are

aiming give SMEs a one-stop shop solution, incorporating local and international payment capabilities into our Accounting & Payroll proposition.

New Commitment:

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 international payments, 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 for 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 and have met our target for 2021 with an SME reach of over 692,000 SMEs through our Payment as a Service partner offering.

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. The development of the Current Account Switch Service, to support competition outside the existing banking system, continues at pace, focusing on a fully automated and scalable solution. The team are also making good progress to deliver the Modular Services Packages to further enhance our cards offering and have kick started the work to enhance the mobile experience.

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 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.**

Rationale for change:

The change is to the ultimate delivery date of the payment innovation initiatives to Q2 2023 which accommodates the change of approach to the delivery of the Current Account Switch Service (CASS), now focusing on a fully automated and scalable solution to meet customer demand, thus extending timelines to accommodate a new testing window and ultimate launch. The new approach and

reprioritisation of CASS has had a direct impact to the delivery of Request to Pay thus pushing out the ultimate delivery date from Q2 2022 to Q2 2023. This will better align Modulr with wider industry readiness.

New 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 2023, 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 continue to build our Innovation Collections initiative, Request to Pay. Our SME reach for our payment innovation products is now over 989,000, successfully exceeding our overall target ahead of schedule.

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.

Our Marketing team have now held 10 events throughout 2021, supported by social media and email marketing campaigns, which have helped to generate a high level of interest for the Accountants Payments Control Centre. The traffic to the SME Channel Website continues to grow, with a dedicated content programme providing tailored educational content for SMEs, further helping to drive our new business pipeline campaigns. The “Make More Time” campaign, launched in Q3 2021, has provided a number of learnings which will see us heavily focused on both organic and paid social media in 2022. Partner integrations continue at pace and during Q4 2021 we ran a successful trial with a large partner to provide account and payment services for their lending and interest-bearing services to SMEs across the UK.

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. Modlur 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 have progressed well with our recruitment targets having created 51 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 12 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 in 2022 to reach our full commitment.