

## Modulr Finance - £10M Award

### CIF Key Achievements to Date

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

- Accountants Payments Control Centre: first version of the product launched in Q1 2021, with 375 accountancy practices and accountants onboarded as of Q1 2022, an increase of 80 compared to Q4 2021.
- Modulr's Physical Cards product: reached 2.06m processed transactions as of Q1 2022. The product was launched in September 2020, having secured Visa principal membership in March 2020 as part of our journey to implement physical cards. Full press release [here](#)
- Marketing strategy:
  - Accountancy Roadshows launched in Q1 2020, aimed at bringing together forward-thinking accountants and accountancy practices, with 5 virtual events held in Q1 2022 and 10 virtual events held in 2021, generating 2300+ event registrations and 2m+ ad impressions.
  - 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.
  - [SME Channel Website](#) successfully launched in Q1 2021, generating 26% of our inbound enquires.
- A team of 66 recruited since Q3 2019 (53 brand new highly skilled jobs in Edinburgh, 13 across other UK regions including 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, leading to SME reach targets for all areas, across the Payment as a Service and Payment Innovation for Q1 2022.
- Confirmation of Payee outbound was launched in September 2020 and inbound followed in June 2021.
- In Q3 2021, Modulr 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).

### Assessment Period 10 (Jan 1<sup>st</sup>, 2022 – March 31<sup>st</sup>, 2022)

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](#).

Key highlights for this quarter include 5 webinar events held, all SME Reach targets having been met for the quarter, onboarding+ and bulk onboarding commitments for Q1 2022 being met driving further adoption of the APCC (Payments Dashboard). Client Manager now enables accountants to easily invite and track SME customers to apply to use Modulr services.

#### 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 for our commitment to transform how accountants are able to manage payments for SMEs.

Key highlights for this quarter include 5 webinar events held, enhancements made to the customer portal and reaching 375 accountants.

With more accountants joining the Accountants Payments Control Centre (APCC) in Q1 2022, we are getting crucial 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 40,329 demonstrating continued growth. Our ongoing marketing strategy and highly successful webinars in Q1 2022 have led to significant volumes of leads, helping us to further build out our customer base.

## **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 are 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 exceeded our target for Q1 2022 with an SME reach of over 753,706 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 team is also making good progress to deliver the Modular Services Package to further enhance our cards offering with clients in the pipeline for readiness. The development of the Current Account Switch Service, to support competition outside the existing banking system, continues at pace, and we are also progressing build on our outbound international payments proposition.

## **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 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.**

This commitment is on track, with our CoP commitment already being achieved, allowing Modulr to continue onboarding customers to Confirmation of Payee Outbound and Inbound functionality, thus helping SMEs to combat payment fraud. Further enhancements have been made to make it easier for PSPs to join the scheme and increasing the number of accounts that be checked by adding support for secondary data, thus increasing the fraud prevention capabilities.

In parallel, the volumes of transactions through the Payment Initiation Services (PIS), which went live in June 2020, continue to grow. The team continue to build our Innovation Collections initiative. SME reach for our payment innovation products is now over 989,535.

#### **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.**

To date Modulr have achieved £6.13m co-investment which is on track for bringing our CIF product initiatives to market. We are also on track to achieve our total co-investment of £10m as per our business case commitment.

In Q1 2022 Modulr Marketing delivered a further 5 webinars. In total, this activity directly contributed to 80 delegates signing up to the Payments Dashboard (APCC) in Q1 2022. We also further invested in our “Make More Time” campaign in during the period, aimed at accountants, focusing on the time saving benefits of using Modulr. We are continuously evolving our campaigns based on our learnings and campaign performance.

#### **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.**

This commitment has been delivered. In Q1 2022, we created 2 jobs in Edinburgh and 1 in London and have met our recruitment targets having created 53 out of the target 53 new jobs in Edinburgh, creating a dedicated programme team to implement our CIF Business Case.