

Modulr Finance - £10M Award

CIF Key Achievements to Date

Key achievements to date as part of the CIF Programme are as follows:

- In Q3 2022, Modulr completed the core development and in the process of finalising certification of our Current Account Switching Service (CaSS) with Pay.UK.
- In Q2 2022, Modulr completed the core development of our 'Modular Service Package' solution which we intend to build upon in the coming months to support uptake of the service across the SME ecosystem.
- Accountants Payments Control Centre has 572 accountancy practices and accountants onboarded as of Q3 2022.
- Modulr's Physical Cards product: reached 2.21m processed transactions as of Q3 2022 demonstrating continued growth of our physical card product through Visa. 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:
 - We continue our engagement across the accountancy industry – delivering 11 virtual events to date in 2022.
 - Our wider marketing activity has generated extensive reach – including partnerships with key industry publications, digital campaigns and events – which has resulted in a 97% increase in accountants using our APCC product in 2022.
- 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, which has seen our transactions initiated grow to 570k as of the end of Q3 2022.
- 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.
- Accounting Partner Engagement: 11 partners now onboarded, enabling their SMEs to access Modulr's Payment as a Service solutions (Q2 2021).

Assessment Period 12 (July 1st, 2022 – September 30th, 2022)

These Public Commitments are based on Modulr Finance's Updated Business Case which was approved in October 2022. The former Public Commitments, including rationale for the changes can be viewed [here](#).

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 are on track with our commitment to transform how accountants can manage payments for SMEs.

Key highlights in Q3 2022 include, launching our new media partnership with Accountancy Age (which gives Modulr a brand reach of 1.4 million) and launch of our in-person events which has generated 211 registrations. The activity has directly contributed to onboarding 572 accountants to our Accountants Payments Control Centre (APCC) already achieving our 2023 target ahead of time. These accountants have an SME reach of 58,389 demonstrating continued growth.

We intend on building on our highly successful webinars by hosting regional events in half two of 2022.

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 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.**

Rational for change:

This commitment has been updated to provide an additional quarter for Modulr to build upon our capabilities across Business Payment Account & Payment Services. The scope of solutions within this commitment remains the same.

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 Q2 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 achieved an SME reach of 670,246 customers through our Payment as a Service partner offering.

The Physical Cards product, which went live in 2020 is now proven and seeing steady increase in card transactions demonstrating the benefit and growing need for this solution within the market.

The team has completed the technical delivery of our Modular Services Package which we intend to build upon in the coming months to further enhance our card offering with clients in the pipeline for readiness.

The core development and certification of the Current Account Switch Service is now complete, meaning this service is now ready to onboard with customers to complete the final parallel Pay.UK certification with prospective customers to go live.

Original Commitment

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.**

Rational for change:

This commitment has been updated to replace Request to Pay (RTP) due to its poor adoption within the market, with a new verification and collection solution called Account Verification with Open Banking, as well as provide an additional two quarters to deliver this updated capability.

New Commitment

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- **Account Verification with Open Banking**

- **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 Q4 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 are on track with this commitment.

Our volume of transactions through Payment Initiation Services (PIS), which went live in June 2020, continue to grow as reflected by our transaction initiations increasing by circa 80k to 570k from Q2 to Q3 2022.

SME reach for our payment innovation products now stands at 938,319.

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.

We are on track to achieve our total co-investment of £10m as per our business case commitment.

In Q3 2022, Modulr Marketing delivered a further three webinars. In total, this activity generated 452 registrations with 164 live attendees.

We are planning on recommencing our in-person regional events in H2 2022. 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.

We have delivered this commitment.