NEWSLETTER CAPITAL GAINS

# Mo' money for WeMoney

Investors drove WeMoney's new $3 million funding round and its founder says that reflects a view greater opportunities are emerging, amplified by better access to comparable data via the Consumer Data Right.

ANDREW CORNELL
6 minutes ago

WeMoney founder Dan Jovevski believes open banking is on track. Company supplied.

Financial management fintech **WeMoney** has raised $3 million in fresh capital from existing investors — and is actively seeking another $10 million if the development of “open banking” via the Consumer Data Right (CDR) can gather momentum.

WeMoney founder **Dan Jovevski** told *Capital Brief* the latest raising, on top of $7 million raised in 2022 and a $2 million seed raising in 2020, was driven by existing investor interest and he was confident the rollout of open banking would generate more opportunities.

It’s a welcome vote of confidence in the implementation of open banking, which for many has hit the doldrums.

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WeMoney said in a statement it has been approached in the last 12 months by “strategically interested parties” and is now “actively advancing a fresh fundraising round of more than $10 million to expand its offering as the Australian Open Banking ecosystem matures and improves its stability”.

“There’s a trifecta impact if you like,” Jovevski said. “We need sufficient consumer demand and to be able to create value which in turn leads to better outcomes for our investors allowing us to expand. With the CDR we can deliver better value for consumers because we’ll have better data.”
WeMoney analyses consumer financial data to identify where customers can reduce their cost of debt but at the moment most of that data comes from screen scraping, a process which has triggered privacy concerns and is under review by the government.

“I think this raising does tell you we think, our investors think, the CDR is on track,” Jovevski said.

As *Capital Brief* has reported, the industry is divided on whether the roll out of CDR has stalled for financial services. It has officially been put on hold for data outside energy and financial services and many think it is a low priority for the government.

The Australian Competition and Consumer Commission has named data quality and failure to meet compliance as priorities according to



**Rehan D’Almeida,** CEO of **FinTech Australia**, said “while existing funds are yet to run their course, there’s no new funding measures for the Consumer Data Right — a key piece of the government’s plans to help reduce cost of living pressures by raising competition. To see this policy realised, after years of work, we’re now banking on funding for the CDR during a potential election year budget.”

**Gadens** partner **Sinead Lynch**, a specialist in CDR, told *Capital Brief* “it's safe to say that for Treasury at least, CDR expansion is unlikely a priority this year. The ACCC has been marginally active on the enforcement side, but the focus has really been on education, maturing data-sharing and improving data quality issues to date. So, it’s hard to see this being a priority for them in the 2024/25 cycle either.”

Lynch is optimistic in the longer term, however, saying a lot of progress has been made and disruption takes time — and it isn't easy.

"From a legislative perspective, it's quite complex,” she said. “The laws are layered — the Act, rules, technical standards, privacy safeguards —

and [there is] constant change. In many cases, the requirements for accreditation have to be met. For a fintech, to do all that and understand their regulatory risk, needs external support, tech, consultants, lawyers, insurance – it costs and it takes time. I do think, over the last few years, the larger banks have realised competition is here and they are adapting — collaborating and working more with fintechs — which will help."

Analysis by Perth-based fintech **Regchain** of home loan Product Reference Data (PRD), which is provided by banks in accordance with their data holder obligations under the Consumer Data Right (CDR), has delivered a mixed scorecard for data quality — one of the ACCC's concerns. Open banking requires banks to make PRD publicly available via an open API call. This information includes interest rates, fees and charges, and the eligibility criteria for banking products like mortgages.

For its raising agenda, WeMoney engaged former **Credit Suisse** vice-chairman of Australia and head of banking and technology investment banker **James Disney** from **D23 Capital**, who is facilitating discussions with a range of investors. WeMoney has also retained **Herbert Smith Freehills** partners **Peter Dunne** and **Elizabeth Henderson,** co-heads of venture capital in Australia, who'll be offering strategic advice.

WeMoney has also recently signed a commercial arrangement to leverage **Mastercard's** Open Banking solution in Australia. "Mastercard's global and domestic reach is simply unparalleled; we're impressed with their roadmap for Open Banking and excited to have the opportunity to be partnering more closely in the years to come," Jovevski said.

## Reporter's notebook

- The Australian Securities and Investments Commission has just released a review of the support banks and lenders offer Australians facing financial hardship. Despite assurances from the banking industry, the report found obtaining support is still too difficult and a third of those seeking assistance drop out of the application process. ASIC also uncovered some good practices, but lenders didn't make it easy for customers and communication, particularly with vulnerable customers, wasn't effective. The report comes five years after the Royal Commission and also after the Covid years, following which the banks ramped up their hardship teams. But ASIC found "lenders were not doing enough to support customers experiencing financial hardship. In the worst cases, lenders ignored hardship notices, effectively abandoning customers who needed their support." Hardship has been increasing with higher interest rates and cost-of-living pressure, although new data from **National Australia Bank** finds mortgage arrears are "normalising" and are back at pre-pandemic levels, while credit card distress also remains low.

- Branch closures are politically fraught for banks even if the economic and consumer behaviour logic is clear. There are frequent calls to mandate coverage or improve branch access via services like Australia Post's Bank@Post (which participating banks fund). The UK has gone a step further, establishing a branch network in partnership with the post office involving banking hubs called Cash Access UK, staffed by post office and participating bank workers. It currently has around 50 banking hubs in areas where traditional banks have withdrawn and has committed to 100 by the end of 2024. The not-for-profit is funded by nine major banks including **Bank of Ireland, Barclays, Danske Bank, HSBC UK, Lloyds Banking Group** and **NatWest Group** and enjoys very high customer satisfaction. But with the pace of branch closures accelerating in the UK (as it would here without government strong-arming), there are calls for the network to expand even faster. The challenge for Australia is the remoteness of many towns most impacted, which means the UK model, relying on bank and post office staff, would be challenging.

- Along with signalling the start of the search for a new chief executive, news that we broke in this newsletter in March, fledgling **Westpac** chairman **Steven Gregg** also told investors and analysts he was looking for board renewal, including bringing in more tech and retail banking expertise. He's moved rapidly on that front with the appointment of ex-**Lloyds**, ex-**HSBC**, ex-**BCG** executive **Andy Maguire**. Maguire currently chairs UK banking software fintech **Thought Machine Group** and is an independent non-executive director of **AIB Group**. At BCG he ran the global retail banking practice. According to Gregg, "Andy is a highly respected global leader in digital transformation. His deep experience in technology infrastructure in the banking sector will further strengthen the Board and complement the skills of existing Directors. In particular, Andy's capabilities will be a valuable asset for Westpac as we execute our technology simplification through the UNITE program."

- On that front, Westpac's at least four-year, circa $3 billion UNITE tech simplification program is fundamental to its mid-term future. If successful, it will substantially lower the cost base, reduce errors and streamline product development. If it fails, it will be an expensive mire of complex, time-consuming value destruction. As **Jefferies' Matt Wilson** told clients, "With CORE [the regulator-driven Customer Outcomes and Risk Excellence program] largely complete ($1 billion APRA overlay to be released once 100% embedded) the self-help program now moves to UNITE with FY24 all about its planning. We believe a different management team will execute UNITE — this brings risk and uncertainty."

## Best from Capital Brief

The grounding of budget airline **Bonza** leaves ticket holders not just stranded on flights but in the dark about who is entitled to what kind of refund if Bonza (or its administrators) can't pay. For tickets paid for on credit and debit, the refund is clear if laborious. For those who paid directly using PayTo, the situation remains unclear.

- Potential changes to the sophisticated investor regime sent tremors through the startup community, threatening a key source of funding. Now Bronwen Clune explains why plans to tax unrealised gains on on super balances over $3 million have added a new layer of concern.

- The **ASX**'s issues in recent years have been manifold, particularly as it struggles to maintain relevance in a global market for new listings. But those issues also open opportunities domestically, and Jack Derwin reported on **FinClear** tackling clearing and settling.

- The golden era of buy now, pay later is passed because, fundamentally, the model never gained scale and the credit cycle was turning. But a massive blow was the threat of regulation and that has now been ramped up with a new review of credit reporting, which would potentially add a further burden of costs.

## On our radar

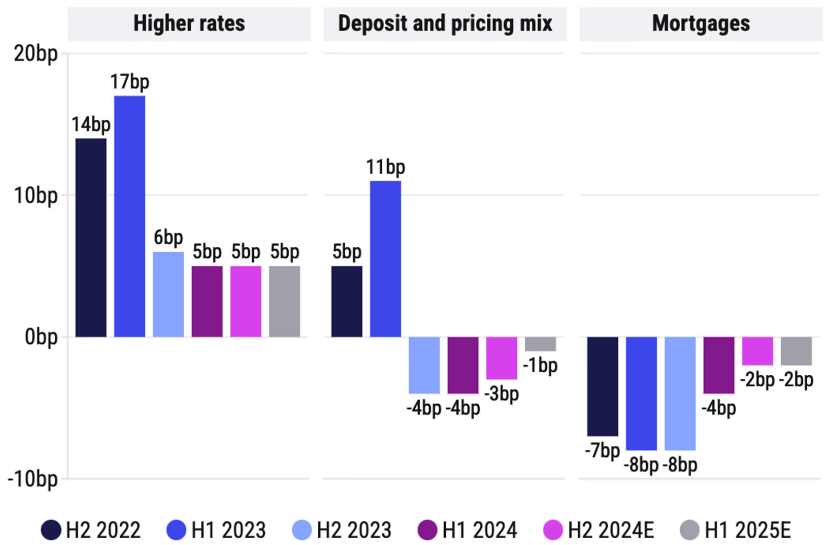
- **Bendigo and Adelaide Bank's** trading update was an outlier in the latest reporting season— not because earnings were down, as expected, but because the story on margins and bad debts was much better than forecast, sending the shares surging. Bendigo confirmed the trend — see our chart below — that margin pressure eased in the second half of FY24. In the banking system at least, bad debts remain remarkably low given interest rates and the cost-of-living pressure.

- In the US the picture is less benign, with the **Federal Reserve** reporting banks of all sizes have received declining supervisory ratings — particularly the most important ones. "Supervisors have found weaknesses in interest rate risk and liquidity risk management practices. Some large financial institutions also continued to show weaknesses in governance and controls related to operational resilience, cybersecurity, and BSA/AML compliance," the Fed said. Also concerning is the growing size and interconnectedness of private credit. Board governor **Lisa Cook** said in a speech banks are increasingly originating their own private credit deals. "I will be monitoring the contribution of private credit to the overall leverage of the business sector and the evolving interconnectedness between private credit and the rest of the financial system."

- Along with AI, quantum computing is likely to have a profound impact on the tech-centred global financial system. The nightmare scenario is encrypted data being cracked. A recent **Depository Trust and Clearing Corporation** (DTCC) white paper warned quantum computing could "create significant new risks for financial firms by making even the most highly protected computer systems vulnerable to hacking". A new working group has been established to investigate the adoption of quantum-safe cryptography in the payments industry. The group includes the Emerging Payments Association Asia, PayPal, IBM and Australian Payments Plus, which operates the NPP,  as founder members. A like-minded group exists in Europe because, as **Escolástico Sánchez**, leader of quantum discipline at **BBVA**, said, “Current quantum computers are experimental and, while they might not seem to pose much of a threat today, they may do so in the near future. With that in mind, we must protect the confidentiality of our data and communications until that future arrives."

## Off the charts

### Key drivers of major bank net interest margins




Source: Morgan Stanley; company data
Wholesale funding was -1bp through the period

The story of the last five years in Australian banking has been margins. After all margins, the difference between what banks pay for funding and earn on loans, are the central driver of earnings. When expectations of global interest rates started to rise in 2021 and the **Reserve Bank** began its rising cycle in May 2022, bank margins rose. That’s because banks raise rates on loans faster than they pass it on in deposits or pay higher prices for wholesale funding. But that effect washes through and, as this chart from **Morgan Stanley** shows, that impact began to dissipate in the second half of 2023, with deposit pricing and funding mix starting to hit overall margins. Meanwhile mortgages have been a drag on margins through the whole period, reflecting intense competition particularly in the earlier period. Now though, as the latest earnings season showed, margins seem to have stabilised, albeit off the highs. “Recent margin trends and outlook commentary are encouraging, primarily because the mortgage headwind has eased and deposit competition has remained benign,” MS says.

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