

Here's How Citigroup Is Embracing the 'Fintech' Revolution

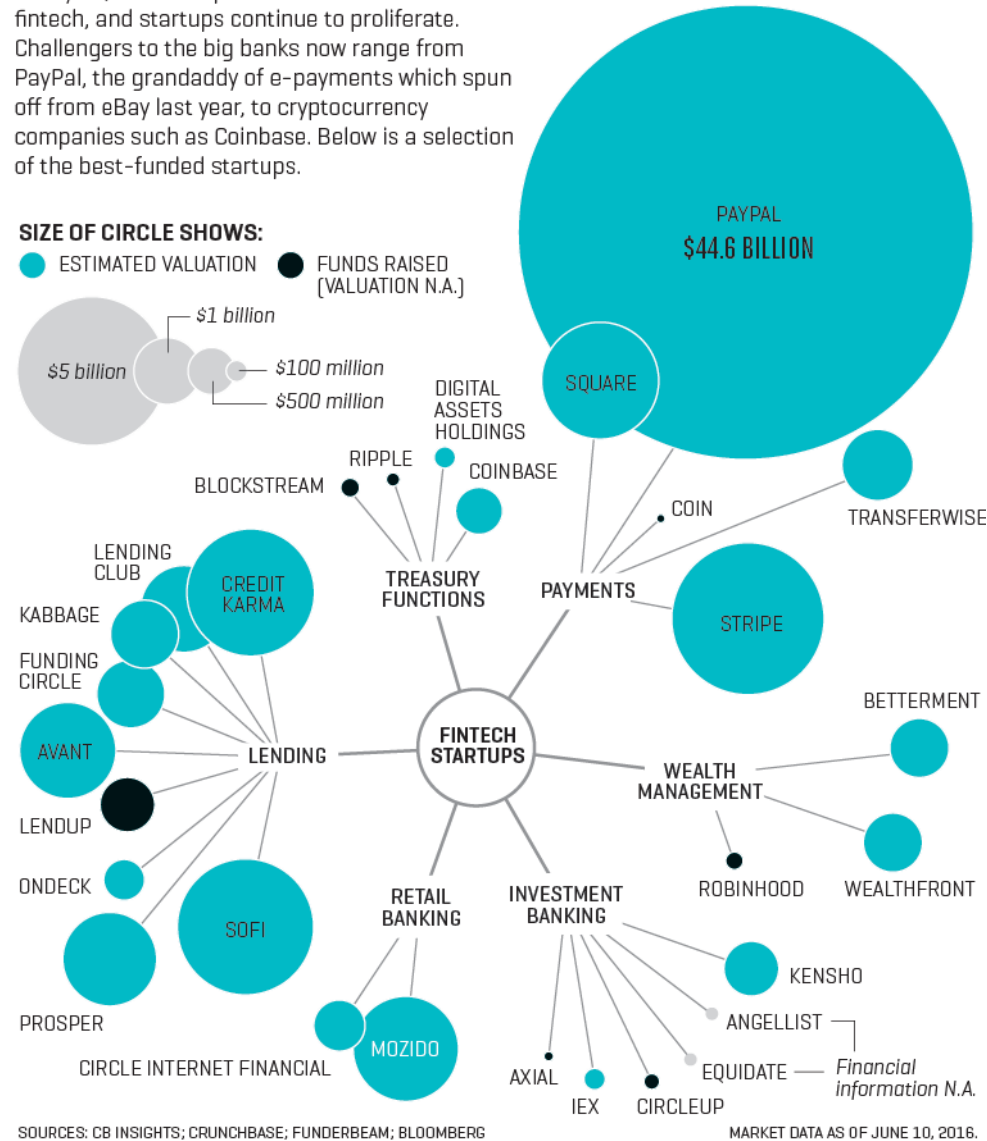
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The mega-bank needs to counter a new wave of financial technology startups.

DISRUPTION FROM EVERY DIRECTION

Last year, investors poured \$19 billion into fintech, and startups continue to proliferate. Challengers to the big banks now range from PayPal, the granddaddy of e-payments which spun off from eBay last year, to cryptocurrency companies such as Coinbase. Below is a selection of the best-funded startups.



Despite the common threat, each of the big banks are attacking fintech differently. [Bank of America](#), for instance, has consolidated its efforts under the leadership of one executive, Cathy Bessant, who serves as the head of technology and fintech for the entire bank. She has an “innovation budget” of \$3 billion to spend on fintech and other new technology projects this

year. If anyone in consumer banking at BofA wants to upgrade the bank's mobile app or partner with a fintech company, for instance, he must go to Bessant for approval.

JPMorgan Chase appears to be looking more to partner with fintech companies rather than to build its own technology. In December, Chase signed a deal with business fintech lender OnDeck Capital, one of the most significant partnerships yet between a big bank and a finance startup. Chase also has a partnership with blockchain startup Digital Asset Holdings. (For more on promising fintech startups, see box.)

Citi, meanwhile, is tackling fintech with a decentralized approach—and Bird's team in retail is just one piece. Unlike BofA, Citi has no single fintech czar for the whole company. Each division of Citi is allowed to make its own strategic decisions on how to counter the challenge from fintech and how much to spend to do so. Bird and Cox say that the plan in the retail division is to do a mix of partnering and developing technologies themselves.

Things are very different in the Citi institutional payments business. There is no dedicated fintech unit inside the group. The two men who run the business, Naveed Sultan and Hubert J.P. Jolly, do so from Citi's worldwide headquarters in lower Manhattan rather than from Queens. They dress in dark suits and wear cuff links. And they host visitors in Citi's private dining room, which serves a delicious cream of asparagus soup with morel mushrooms. They don't have a foosball table.

More than one arm of Citigroup is investing in financial startups directly. Citi's head of fintech for the investment bank, which is based in New York, runs a fund that invests in startups, including fintech companies. Then there is Citi Ventures, a venture capital operation based in Silicon Valley that is very much focused on fintech opportunities. The investments that these units make in startups don't necessarily lead to partnerships with Citi. It's the responsibility of the individual business units to negotiate those deals.

For now, Citi's try-everything approach seems to be working. The bank has consistently been in the vanguard in terms of tech innovation among its peers. It was one of the first to offer check depositing from a phone, though nearly all banks offer that now. And it continues to rapidly get more digital.

According to Citi's latest numbers, which were put together by a third-party consultant and are now nearly a year old, just over 46% of its customers use some sort of online banking, either on desktop or mobile. That was ever-so-slightly better than 45% for peers. But an impressive 36% of Citi's consumer-banking-product sales volume came from one of Citi's digital platforms. That compares with around 15% at the other big banks. Over the past year Citi's number of mobile users rose nearly 26%.

Several fintech entrepreneurs say that Citi does tend to move faster than many of the other big banks. But it's not always clear who is the decision-maker at the bank—a possible downside of the decentralized approach.

Cox says she thinks there are more benefits to Citi's plan of fintech attack than drawbacks. She says the benefit of Citi's structure is that it is running faster and harder than its competitors and that in the long run the bank benefits from having multiple teams working on the same problem at once. Citi will get better outcomes, she argues, when the people in the businesses—"the people on the ground"—are deciding what their customers will want. She acknowledges that it's a challenge if outside partners don't feel they have a "single point of entry" into the bank. "We've heard the feedback, and we are working on it," says Cox. In fact, she says, her team is working on a number of partnerships with fintech firms that it hopes to announce later this year.