# **The emergence of a monobank in Ukraine**

**Freelancer test work for portfolio**

**Freelancer – Julia**

Ukraine currently has a lot of different banks. For now, we will talk about monobank. Today, monobank is one of the most famous brands that has become a trendsetter in the retail market, managed to gain millions of loyal customers and made many competitors worry.

**CREATION OF A FINTECH BAND**

The prerequisite for the emergence of the monobank was the nationalization of the largest Ukrainian bank, Privat, which was announced in December 2016. Its former top managers decided to create an IT company that would develop ready-made technical solutions for bankers. This is how Fintech Band was born.

Its founders realized that today a fintech project can cost much more than a regular bank. They were inspired by such neobanks as Monzo, Revolut, and the Russian Tinkoff Bank, which, after its IPO in London in 2013, was valued at 7 times capital, an unattainable multiple for traditional banks.

**The founders of Fintech Band are:**

- Oleksandr Dubilet, former Chairman of the Board of Privat;

- Oleg Gorokhovsky, former First Deputy Chairman of the Board of Privat, developed the retail business;

- Volodymyr Yatsenko, former First Deputy Chairman of the Board of Privat, was in charge of VIP clients and corporate business;

- Liudmyla Shmalchenko, former Deputy Chairman of the Board of Privat, was in charge of the treasury and interbank business;

- Vadym Kovalev, former Head of Risk Management at Privat;

- Mykhailo Rogalsky, former head of payments and transfers at Privat;

- Dmytro Dubilet - former IT director of Privat.

According to Oleg Gorokhovsky, they were looking for a partner bank that would take over the back-office functions, while Fintech Band wanted to keep the product development, support, and sales.

Initially, they planned to partner with several banks at once. But in the end, they agreed on exclusive cooperation with Universal Bank. Shortly before that, it was bought by Sergey Tigipko, one of the founders and former co-owners of the same PrivatBank.

Fintech Band invested about $5 million in the Monobank project, with another $4 million invested by Tigipko.

**ENTRY OF A MONOBANK INTO THE MARKET**

In October 2017, Fintech Band started beta testing its app. About 18,000 users participated in the process. The monobank officially entered the market on November 22.

What was it? In fact, it is a package of services within Universal Bank and under its license, but under a separate brand. Monobank has its own app and support service.

Immediately after its launch, the project made a lot of noise because it introduced several know-how.

The first thing that caught the eye of users was remote service. There was no need to go to the bank to get a card. In a market where all banks worked with customers the old-fashioned way - through branches and managers - this was a novelty

Registration was carried out in an application that was downloaded from the App Store or Google Play. In it, you had to take a photo of the documents and then activate the card, which was either brought by a courier or could be picked up at one of the points of issue.

Second, the bank was ready to pay cashback in real money, not bonuses. No one did this before mono. That is, the bank card became a tool not only for payment but also for earning money.

The third is the app itself, which has also been the subject of discussion. While all mobile banking apps before were just scaled-down versions of desktop Internet banks (including Privat24, which, although better than its counterparts, also failed to impress), the monobank launched a full-fledged banking service with all the necessary functions. At the same time, the application turned out to be extremely convenient and thoughtful.

The monobank's symbol, the cat, was not ignored. In addition to the Mono logo, which always had a cat by its side, the card came with stickers with the cat and funny slogans: "Everything is fine, there is money," "Easy, Easy! real estate tok! sink ebout it!" and so on. It was the first time a financial institution was associated with a pet.

At the time of the monobank's launch, Fintech Band employed about 150 people (not including the mono support team) and had its office in Dnipro. The cards were delivered to customers by bank employees or they could pick them up at one of the 30 points of issue.

The launch was more than successful. The first card outside the test group was issued in October 2017, and on February 13, 2018, the service registered 100,000 customers, and in July - 300,000.

**THE EMERGENCE OF SHAKE TO PAY**

Active work on the project continued after the launch. The monobank app quickly began to acquire its own unique functionality.

The first interesting novelty was the Shake to pay technology. It was activated in an unusual way. If you shake your smartphone with the app open, it will start searching for nearby devices.

If someone nearby does the same, the apps will find each other and activate the P2P transfer function between the two cards.

This is convenient when you need to transfer money to a card to a person who is not in your contact list. One person does not have to dictate the card number, and the other has to enter it manually.

**THE EMERGENCE OF A FREE INSTALLMENT PLAN "PURCHASE BY INSTALLMENTS"**

A year after its launch, Monobank launched its free installment plan called "Purchase by installments".

Prior to its launch, mono had only a paid installment plan, essentially a consumer loan at 1.9% per month. The new service, in contrast, worked like a classic installment plan without any interest rates or overpayments.

However, while the paid service can be used in any retail outlet in the world where there is a payment terminal, the free service is available only in monobank partner stores.

However, now there are more than enough of them - about 500. Therefore, if you want, you can buy anything you want.

**THE EMERGENCE OF A FREE INSTALLMENT PLAN "PURCHASE BY INSTALLMENTS"**

A year after its launch, Monobank launched its free installment plan called "Purchase by installments".

Prior to its launch, Mono had only a paid installment plan, essentially a consumer loan at 1.9% per month. The new service, in contrast, worked like a classic installment plan without any interest rates or overpayments.

However, while the paid service can be used in any retail outlet in the world where there is a payment terminal, the free service is available only in monobank partner stores.

However, now there are more than enough of them - about 500. So if you want, you can buy anything you want.

"Purchase by installments" is issued for a period of 3 to 25 months on a credit card with a set credit limit. And, unlike the main competitor - a similar service from Privatbank called "Payment by installments" - all payments can be made with credit money without additional fees.

"Privat allows you to write off only the first payment without a commission. It is better to pay off all the rest with your own money, otherwise you will have to pay an extra 4%. Mono saved customers from such hassles.

By the time the "Installment Purchase" was launched, monobank already had more than half a million active users.

**IRON BANK CARD LAUNCHED**

In February 2019, monobank launched its first product for VIPs - the Iron Bank card. Every bank has elite cards, but mono managed to distinguish itself here as well.

The first thing that caught the eye of wealthy customers was its design and presentation. This is a dark card with the color of wet asphalt, made of a piece of metal. No one in Ukraine has ever used such a material for bank cards before.

The card was presented in the style of the Game of Thrones TV series, which was at its peak of popularity at the time. A cat sitting on a throne of swords. The name of the card, which translates as "Iron Bank". Like the one on the island of Braavos - in the saga, it is a powerful financial organization.

In addition to this, Iron Bank holders received free access to business lounges at more than 820 airports around the world, and could use the Fast Line service, which allows them to quickly go through all flight formalities both on departure and arrival.

In general, everything at Iron Bank is done to emphasize the difficult status of its owner.

More than 3000 Iron cards were issued in the first year and their number is growing rapidly.

UPDATE SECURITY SETTINGS

"What kind of security settings can a bank card have?" you might ask, "Restrictions on online payments and cash withdrawals. That's basically it." Banks believed that this was enough. That was until the beginning of April 2019, when monobank developers updated the security center in their app. It added 5 functions at once.

1. Requesting a card PIN. Depending on the settings, it was either always requested, or you could specify the amount up to which it was not required when paying with a card.

2. Reject payments if the country does not match. When this option is activated, the app compares the country where the payment is made with the GPS location of the smartphone. If they are different, the payment is blocked.

3. Payment with a magnetic stripe. Fraudsters can create a clone of a bank card that has a magnetic stripe and then withdraw money from it (if, of course, they managed to get hold of its number and pin code beforehand). To avoid this, Mono has provided an option to disable the magnetic stripe.

4. Contactless payment. For especially distrustful customers - those who are afraid of fraudsters with pocket portable POS terminals - the developers have also provided the ability to disable contactless payment.

5. Cash withdrawal via ATM. This is an option that has been used by other banks. It prohibits cash withdrawals from ATMs.

These 5 features have made life very difficult for fraudsters who hunt for customers' money. But 2 months later, in June, Mono developers upset them even more. A sixth option appeared, unique not only for the Ukrainian but for the banking market in general.

6. CVC2 settings. The card security code on the back of the card - CVV or CVC2 code - is one of its main vulnerabilities. If this code is entered along with the card number and expiration date, it will be impossible to challenge the online payment. Therefore, fraudsters are particularly interested in it. Monobank offered two ways to protect these cherished 3 digits. The first is to enable the dynamic CVC2 code, which will change once an hour, and the second is to set your own code, which you can change yourself at any time.

By the way, there is also a limit on online payments in mono, but it is displayed separately - in the most prominent place in the card settings under its image.

**THE FIRST MILLION USERS**

1 000 000

MAY 2019

SECTION WITH AWARDS

Awards is another know-how from mono. This is a section with various animated icons of the monobank branded cat. The user receives them for certain achievements. For example, for N purchases online or abroad, for several months of continuous card use, etc. By introducing it in September 2019, the developers added an entertaining element to the seemingly boring task of using a bank card.

There were two seasons of competitions for collecting the points. The 5 people who were the first to collect all the awards of the first season received an iron card, and the winner of the second season received a Skoda car.

**ISSUE OF PLATINUM "CARDS WITHOUT A NUMBER"**

Platinum "cards without a number" is the second product from monobank for wealthy clients. Unlike the first VIP card, Iron Bank, they are made of ordinary plastic, but they also look unusual. At least because there is no number on the front of the card.

In general, these cards are similar to the Iron cards in many ways. Both allow you to earn cashback in cash or miles, and have airport benefits (access to business lounges, Fast Line service, free baggage packing, etc.).

Their appearance is a desire of Mono to make its privileged product more popular. Platinum cards are much cheaper than iron cards. If you had to pay 2000 hryvnias for the Iron Bank card and another 500 hryvnias for its monthly maintenance, then the "card without a number" has these figures of 500 and 250 hryvnias, respectively.

**THE EMERGENCE OF A "WHITE" CARD**

Until the beginning of 2020, a monobank customer could have only one card at their disposal, and it was a credit card. At first, it was a regular black one. Then, if you wanted, you could get a platinum or iron card.

In this case, the black card was deactivated and the client continued to use the new, but still only one card. Many people lacked a second debit card. So that they could use both the credit limit and their own money on another account at the same time.

In January 2020, the creators of Monobank heard numerous requests and finally issued a debit card. It is white in color, as opposed to a black credit card.

In fact, it is a familiar black card, but without a credit limit. It is replenished without a fee from mono, accrues interest on the balance of its own funds, and can be used to transfer money to other cards, top up your mobile phone for free, pay for utilities, and conduct other transactions. Like the black card, it earns cashback in selected categories.

**THE SECOND MILLION USERS, A "CHILDREN'S" CARD AND THE FIRST MOBILE GAME IN THE INTERNET BANK**

March 2020 turned out to be a month full of milestones for the monobank.

First of all, this month the number of its customers surpassed 2,000,000. It took only 2.5 years to reach such an impressive figure.

In March, another new product was presented - a card for children under 16 years old or "kids" card, as it is often called by customers. Children are a rather active category of users. Parents constantly give them pocket money, and Mono offered a convenient solution for this in the form of a special card. It will allow children to feel independent, and parents to be calmer, controlling their child's expenses and setting limits on certain transactions.

And the third innovation is the first mobile game in a banking app in Ukraine, and perhaps in the world. Monobank thought that rewards alone were not enough to entertain users and built the Space Invader game into their app. It is hidden behind the balance update. To launch it, you need to pull the statement down, after which a rocket flies out, and if you manage to press it before it leaves the screen, the game starts. Then you have to catch cats, dodge asteroids and the coronavirus. The goal is to score 100 points (one for each falling cat).

**OPENING ACCOUNTS FOR ENTREPRENEURS**

In the summer of 2020, what thousands of customers have been waiting for happened - monobank started opening sole proprietorship accounts en masse. After all, private entrepreneurs remained the only category of users deprived of the attention of its developers.

The pre-order for these accounts was opened in April, but they became available to the general public in July. It was possible to open a current account at any other bank. However, by the time they were launched, there was a queue of 100,000 people lined up at the monobank to transfer their sole proprietorships to the Fintech Band project. Why? Because the monobank would not be itself if it could not stand out from the competition once again. Entrepreneurs were offered several benefits at once. Among them:

1. Free account opening and maintenance. For comparison, opening a sole proprietorship account at Privatbank cost UAH 100, and at Oschadbank - UAH 50. And its maintenance in these banks cost UAH 100 and 129 per month, respectively.

2. Free cash withdrawals. A sole proprietor client could transfer money from his account to a black or white card of an individual for free, and then withdraw up to UAH 50,000 per month from any ATM without any fees. For comparison, in the same Privat, withdrawing cash from a sole proprietorship card or transferring money to a "payment card" cost 0.5-0.8% of the amount.

3. A single application for private clients and entrepreneurs. Mono was the first to combine the functionality for private entrepreneurs and individuals in one application. Customers do not need additional programs, logins/passwords to new personal accounts, or new bank cards. For comparison, Privat-24 had a separate entrance for individuals and a separate entrance for businesses.

4. A separate login for an invited accountant. And again, the know-how from Mono. The developers have provided a web office for an invited accountant who can keep an entrepreneur's account: create extracts, receive tax payments, and pay them (if the client wants to give such access).

**"2 HRYVNIA FLASH MOB"**

In September, an unusual dialog took place between a Monobank client and a customer service employee. The former jokingly wrote to the latter: "Hi! Give me 2 hryvnias." The operator agreed and transferred the money. The video was posted on TikTok, and it quickly went viral. After that, thousands of people turned to monobank operators with the same request and also received the same 2 hryvnias.

The result of this flash mob was unexpected for everyone. According to Oleg Gorokhovsky, co-founder of monobank, mono employees paid out more than 30,000 hryvnias to users from their cards. But, most surprisingly, users then returned almost twice the amount.

By the way, the employee who launched this flash mob was rewarded with UAH 10,000.

**THIRD MILLION USERS**

3 000 000

NOVEMBER 2020

OUR DAYS AND PLANS FOR THE FUTURE

What is Monobank today? It is a powerful financial project with more than 4 million customers. The Fintech Band, which created it, currently employs about 200 people, and the "care service" (as the support service is now called) - 1500. Card issuance points cover the whole of Ukraine.

But its creators definitely do not intend to rest on their laurels. The developers have ambitious plans. They are currently working on integrating the app with a crypto exchange and issuing cards in bitcoin, deeper interaction with mobile operators and the introduction of eSIMs, as well as their own acquiring. The integration of the monobank with one of the leading American securities trading platforms should be the "cherry on top".