

## Indusval and US funds launch SmartBank

Platform to be offered to those seeking to “become a bank”

By Flávia Furlan – São Paulo

The bank number “630” in the Central Bank register does not intend to open branch networks or grow necessarily exposing its own brand, different from traditional institutions in the country. The digital SmartBank developed a banking products platform for companies which want to offer these to clients, individuals or corporates, in a model defined by the founders as “bank in a box”.

The digital bank started to be developed at the end of 2017, when Indusval partnered with the American fund The Hive to create a platform based on the commercial banking and foreign exchange licence Intericap, until then a subsidiary of Indusval. In August, the SmartBank launched the first public integration with Omie, an online management system company – the company elected 5 thousand from over 50 thousand clients in the first phase of distribution of banking services. Until the end of the year, the SmartBank should announce five more partnerships.

The agreement anticipates that Indusval maintains control of the SmartBank. The expectation is that by December 2020, 49.9% of shares are held by statutory directors and two American funds: The Hive, based in Palo Alto, a bet by executives from the world of technology – among them, the president of Microsoft, Satya Nadella – on companies that should transform markets in the next five years; and Valor Capital Group, from New York, created in 2011 by the former US ambassador in Brazil, Clifford Sobel, which has in its portfolio Stone and the startup Gympass, and reached out to Indusval a few weeks ago.

“We supply complete basic banking infrastructure to those seeking to become a bank, in the “white label” model and under the structure of open banking”, said to Valor Everson Lopes, the SmartBank president. Pércio de Souza, partner of Estáter Gestão & Finanças, who runs a project for renovation of Indusval, said that the SmartBank will have autonomy and a separate life from operations. “We are supporting the launch of new products, in risk management and regulation.”

On the platform there are services such as opening of accounts for individuals and corporates, transfers, withdrawals in the Plus network of ATMs, bank slip issuance, card machines by InfinitePay – acquirer of the group -, credit concession for advancing receivables or working capital and card issuance. With capital of R\$110 million, the bank can concede up to R\$6 billion per year in credit. Soon the financial institution should issue its own debt for funding.

In the first phase of the business, the platform is being offered to integrated corporate management system companies, digital wallets and marketplaces. The SmartBank does not discard selling directly banking products to the end-user, under its own brand, but believes that the “white label” (using client brands) platform brings more scale.

“Our view is to automate the financial routine of companies, which today is manual and difficult”, explained Lopes. In this sense, an example is the issuance of pay slips: currently, companies have to create standardized files to forward information – who to charge, how much and when – to the banking systems, requiring work from one or two people, which is slow and susceptible to errors. The SmartBank developed an application programming interface (API) that allows, for the moment in the issuance of invoices, the generation of the pay slip, sending charges and showing the payment status in real time.

According to Lopes, the banking business will be more and more based on technology, with the necessary regulatory support so that this occurs. “There is a revolution that should happen in a three-year window, but which will radically change how a bank will be in the next 30 years.”

While digital banks have acted as payment institutions or tied to other financial institutions, the SmartBank decided to have a banking licence to be connected directly to the national financial infrastructure and not remunerate intermediaries, which allows for faster innovation and with lower costs, according to Lopes. “In general, our services are 60% cheaper than the traditional model.” The issuance of a pay slip costs R\$1.50, while in traditional banks it can cost up to R\$10. Transfers cost R\$5, compared to R\$11 among competitors.

The executive explains that the costs for services depend on the partnerships closed. The remuneration model is based on the division of results between the bank and partner, the same way financial institutions did in the past with retailers for the distribution of cards.

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Free translation from the original article as posted on the Portuguese section of our website.

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