



**BLOCKCHAIN-FRIENDLY
BRITISH BANK**

A photograph of a hand holding a small green plant with soil, set against a teal background. The plant has several large, oval-shaped leaves and a thin stem. The hand is positioned at the bottom, cupping the soil. The entire image is overlaid with a semi-transparent teal filter.

Prospectus Whitepaper

25 September 2017



Notes for Disclosure

Fiinu Ltd. (hereafter referred to as the “Bank”, “Fiinu” or “Fiinu Bank”) is a privately held limited company based in Greater London, United Kingdom (No: 10544700)¹.

The law in the UK restricts² the use of words like “*bank*” or “*banking*”, to avoid misleading consumers. Once authorised, Fiinu will be able to call itself a bank. Fiinu is currently not authorised as a bank, and it is not trading.

The Bank of England, Prudential Regulatory Authority (PRA), Financial Conduct Authority (FCA) are not endorsing Fiinu or this document.

Please also read the separate risk disclosure document.

THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE DO NOT PROTECT INVESTORS IN THIS PROSPECTUS, AND IT DOES NOT NECESSARILY INCLUDE COMPLIANT REGULATORY PROSPECTUS DIRECTIVE RISK DISCLOSURES.

PRIVATE PLACEMENTS CAN BE VERY RISKY, AND ANY INVESTMENT MAY BE DIFFICULT, IF NOT VIRTUALLY IMPOSSIBLE TO SELL.

¹ <https://beta.companieshouse.gov.uk/company/10544700>

² <https://www.fca.org.uk/firms/standing-data/sensitive-business-names>

EXECUTIVE SUMMARY

Fiinu is a UK-based business, currently undergoing the Bank of England's authorisation process to become a fully licensed bank by Q3 2018. Once authorised, Fiinu will become a blockchain-friendly challenger bank that bridges the gap between the centralised and decentralised financial worlds. Fiinu's vision is to utilise new technologies such as PSD2 Open Banking and Blockchain to provide better banking services for consumers and SMEs who are currently underserved by the financial services industry. Fiinu's innovative products will increase financial inclusion and strengthen the financial resilience of its customers. Whenever the bank sees a service failure in the financial services market, it will try to solve it through the use of technology.

Initial revenues will be generated from traditional financial services, with Fiinu able to offer market-beating savings products in the UK, secured by the Financial Services Compensation Scheme (FSCS)³ that guarantees deposits up to £85,000.

There are many problems in global banking markets. This paper examines two fundamental problems with the sector and how these problems are detrimental to customers, and explains Fiinu Bank's solutions to the identified problems.

In a market dominated by a few large players with little incentive to change, finding a regulated bank that makes it easy to buy and sell digital assets continues to be a challenge in the UK.

Starting with UK residents, Fiinu Bank will allow users to engage with businesses, traditional financial services, and blockchain systems, without constant fear of account closure. Fiinu will not only provide traditional access to banking, but also offer innovative smart credit products to consumers and small businesses that are currently under-served by the incumbent banks.

Fiinu will capitalise on these problems to unlock the value of blockchain-based solutions and assist in the widespread adoption of digital currencies. We will work closely with customers, advisors and investors to improve services and proactively identify market needs, eliminating the unnecessary hurdles and technical barriers that are currently associated with owning and transacting with digital assets.

In the future, Fiinu will aim to passport its license to multiple EEA-countries⁴ and across North America, although the financials and profit share projections (see Financials document) are based on UK operations only.

³ <https://www.fscs.org.uk/what-we-cover/compensation-limits/>

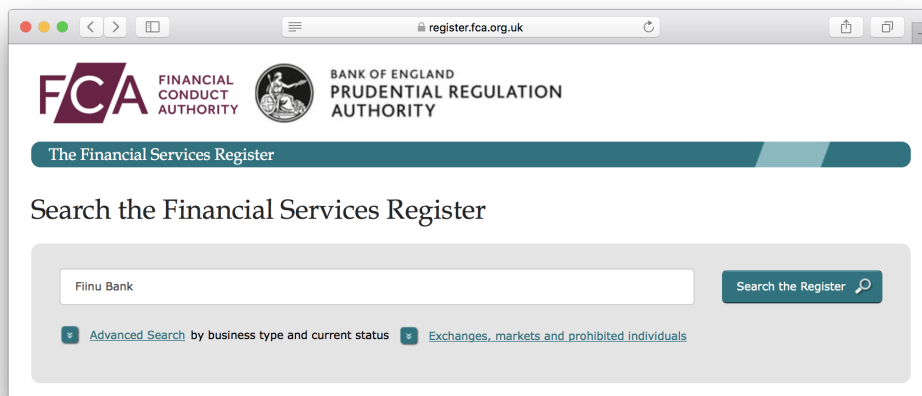
⁴ <https://www.gov.uk/eu-eea>

1. THE ICO OFFER

The Fiinu ICO will offer Fiinu Tokens (FNU), which can be purchased using the cryptocurrency Ether (ETH).

This ICO is an opportunity for sophisticated investors to invest in an early-stage, fast growth UK-based, potential digital bank. Fiinu intends to use no more than 10% of the funds raised as working capital, with a minimum of ninety percent (90%) of the ICO proceeds locked in a multi-signature escrow arrangement, as ETH, until Fiinu receives its bank licence.

The banking license milestone is achieved when Fiinu appears in the public [UK Financial Services Register](#) as an authorised bank. This is projected to occur in Q3 2018 and all investors will be informed accordingly.



Source: <https://register.fca.org.uk>

After regulatory authorisation is achieved the remaining capital proceeds will be released from escrow and used to launch Fiinu’s full suite of banking products.

Third of the bank’s profit will be distributed to FNU holders pro-rata annually according to each token holder’s percentage of the total FNU’s. Pay-out can be claimed via Fiinu’s Investor Portal by verifying the FNU holder’s details and digital wallet address. FNU has to be stored on an ERC-20 compatible wallet.

Investors will also receive a unique benefit when they become customers of Fiinu, with customers able to borrow against their FNU-holdings, in the countries where Fiinu has a right to lend money. Initially this facility will be made available to UK-residents and the bank intends to passport its license to various EEA-countries and North America. FNU’s should therefore hold value post ICO, as they will be indirectly secured by the fiat-value.

In the current market, Fiinu would grant fiat-credit, denominated and repaid in the national currency, for up to 75% loan-to-value (LTV) against FNU and up to 33% LTV against other popular digital assets (e.g. BTC and ETH).

If the banking license is not achieved, minimum of 90% of the funds will be returned to the purchaser as ETH. Investors would therefore risk of losing 10% of their investment without any return.

Investor Note

UK-investors must report their income and pay any necessary tax on an annual basis via Self-Assessment.

Tokens shall be offered or made available only to a very small number of non-qualified investors, fewer than 150 persons per EEA country. Each such person shall go through the same KYC, AML checks as the qualified investors and they will be warned with same risk disclosures than the qualified investors.

ABOUT FIINU BLOCKCHAIN-FRIENDLY BRITISH BANK

Today, there are no retail banks in the UK that allow their customers to buy and sell digital currency. Despite the growing demand, the points of entry are complex and inaccessible for many, locking them out of this hugely promising sector of the digital economy.

Fiinu's ambition is to establish the first blockchain-friendly British bank, using a new approach to banking to offer market-beating borrowing and saving rates. By delivering innovative financial products and services, we will bridge the gap between the opportunities presented by cryptocurrencies and the day-to-day accessibility of retail banking services.

The future of retail banking

Fiinu's Initial Coin Offering offers investors the opportunity to play a role in changing the way the UK banking sector fundamentally serves its customers. The current banking system is unfair to too many, with credit providers using the same broken credit rating system that leaves many people 'out of the room' for the best value-for-money deals. In the worst cases, people are locked out of credit, unfairly forcing them to run up debt-related costs and damaging their credit score.

Fiinu will provide affordable credit to the millions of customers frozen out of this archaic credit rating system by developing financial products which will save customers potentially hundreds of pounds every year. This includes the Bank Independent Overdraft, which, through the Open Banking Initiative, will be able to provide an arranged overdraft on any existing third-party bank account. For further information, please see the BIO-prototype video on <https://fiinu.com>.

Additionally, as a depositor, your money, protected by a Government guarantee, will be used to provide affordable credit for people currently being over-charged to borrow. In return, Fiinu current accounts will offer 4-6% interest rates.

THE TEAM

With the global expansion plan in mind, Fiinu's core team is a combination of experienced financial services executives, developers and blockchain experts with a successful track record of working together and independently for FinTech companies across the globe. Our wealth of experience enables Fiinu to accelerate the adaptation of new technologies and development of innovative services whilst also having fun while tackling the challenges.

Management & Board

Fiinu's diverse senior management and board is made up of people with strong banking, treating customers fairly and corporate leadership experience and its members are jointly accountable for the management of the company. The Board skills matrix includes a Chair of the UK's Money Advice Service, Bank of England and Santander veteran, former Global Head of Anti-Bribery and Corruption for HSBC's Global Banking and Markets, former Chair of the Third Party Distributor Committee at Bank of America and London Club Banker to Russia as well as former UK regulatory supervisor and former Head of Finance at Vitality Life in charge of Solvency II and Pillar III reporting.

Fiinu's leadership team has extensive experience in financial services, having gone through the full UK-bank licence authorisation process already once before for a well-established family office with offices in 18-countries and a workforce of about 1000. They have well-developed regulatory know-how in developing and designing risk management frameworks and strategies, whilst managing regulated financial services companies. They also have practical experience in carrying out the stress tests and implementing Basel III, ICAAP, ILAAP, RRP and related risk governance, risk appetite and capital management policies. For further details, please visit <https://fiinu.com> and view the Core team.

2. THE PROBLEM

Traditional banks do not service the market

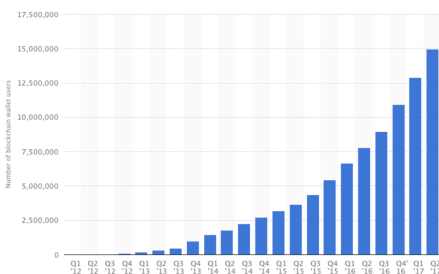
Innovative financial technologies such as Blockchain technology and cryptocurrencies are rapidly growing globally in popularity, with the number of blockchain wallets growing by 92% in 2017 alone from about 7,8 million users in Q2 of 2016 to nearly 15 million in Q2 of 2017.

However, the incumbent banks are unable, and often unwilling, to keep up with the pace. Current dated anti-money laundering (AML) and counter terrorism financing (CFT) technologies and measures mean the banks are often forced to take drastic action when a customer is suspected of buying or selling digital assets⁵.

Accounts are often closed without notice, leaving customers unable to access their money⁶ for extended periods of time.

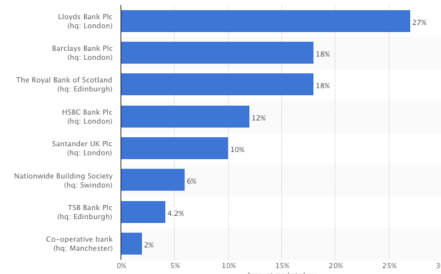
As a result, the market has developed alternative solutions⁷ which are costly, unsecure and time consuming, leaving a gap in the market for a legitimate, trustworthy and secure bank.

Figure 1. Blockchain wallets globally



Source: (2017) Blockchain

Figure 2. UK banks market share



Source: (2017) CMA

The banking sector is dominated by a small number of players.

In the UK, the five largest banks hold an 85% share of the current account market, creating an environment with little impetus for change. Such environments do not serve customers optimally, resulting in unfair fees and charges, such as unarranged overdraft fees. According to the Competition and Markets Authority (CMA)⁸, consumers in the UK pay circa £1.5 billion annually in unarranged overdraft and failed item fees alone.

Figure 3. Highlights unarranged overdraft and unpaid item fees in the UK, and how Fiinu’s provisionally proposed pricing would undercut the current market on average by 85%.

Days beyond limit	5	10	15	20	25
Number of unpaid items	1	2	4	5	6
Amount overdrawn	£20	£50	£100	£200	£300
RBS/NatWest charge	£42	£78	£114	£132	£144
Santander charge	£41	£81	£95	£95	£95
HSBC charge	£25	£50	£75	£80	£80
Barclays charge	£33	£51	£67	£83	£99
Fiinu charge	£1	£5	£15	£40	£75

⁵ <http://www.nasdaq.com/article/bitcoin-traders-report-some-bank-accounts-still-being-terminated-cm762430>

⁶ <https://www.cryptocoinsnews.com/banks-still-closing-accounts-bitcoin-activity/>

⁷ <https://www.coindesk.com/information/buy-bitcoin-uk/>

⁸ <https://assets.publishing.service.gov.uk/media/57ac9667e5274a0f6c00007a/retail-banking-market-investigation-full-final-report.pdf>

3. EXISTING OPTIONS

As Fiinu’s go-to-market strategy starts from the UK, this chapter concentrates on the existing options in the UK market only.

Currently, customers must rely on peer-to-peer (P2P) currency exchanges to address the problem that traditional banks are failing to service the market. These exchanges are the most popular method of trading cryptocurrency in the UK and were created in the wake of several digital currency exchanges being forced out of business as a result of traditional banks denying or withdrawing their banking facilities.

P2P platforms function by pairing a buyer and seller, with both parties silently agreeing not to disclose the true purpose of the transaction to avoid suspicion and account closure, from their respective banks. These exchanges can be costly and unsecure, preventing mass-market adoption of cryptocurrencies and justifying the high transaction costs.

To buy one Bitcoin in the UK via a P2P-platform, the buyer pays between 9.6% and 17.5% premium on the purchase against market rate. The average UK premium is 12.5%, equivalent to an approximately £445 loss per single Bitcoin purchase (market price £3,558).

Figure 4: Peer-to-Peer Buy prices for 1BTC

Purchase method	Purchase price	Premium %	Loss to customer
Bank Transfer	£3,690	9,6%	£132
Credit/debit card	£4,106	15,4%	£548
Paym	£4,035	13,4%	£477
Barclays Pingit	£4,182	17,5%	£626
Average	£4,003	12,5%	£445

Source: Bittylicious (7 September, 2017)

With the UK’s banking sector dominated by such a small number of incumbents using the same credit rating process, many consumers are forced into unarranged overdrafts or alternative credit products, such as payday loans.

A 2016 CMA report concluded that annually circa 22% of all personal bank accounts, 16 million in 2017, are overdrawn to unarranged overdrafts. Consumers are incurring £1.2 billion in small fees and an additional £300 million is paid in failed item fees every year.

The average amount and length of unarranged overdraft is just £75 for 9-days, with added charges between £45–£54. For those who choose an alternative lender, such as a payday loan, a £75 payday loan for 9 days would cost up to £5.40, however, consumers can be adversely affected in other ways.

Throughout the years, there have been several researches and undercover revelations on the negative consequential impacts on taking out a payday loan. For instance, according to BBC⁹ Panorama (2013) nearly two-thirds of mortgage applications are instantly declined and consumer’s credit scores were adversely affected after people took out payday loans even if they did not have a problem paying it back in time, yet similarly The Guardian¹⁰ (2014) reported that payday loans are being one of the pitfalls in consumer’s credit score making them suffer on any financial or non-financial deal which require credit score checking and finally The Telegraph¹¹ (2017) explaining five mistakes that ruin younger generations credit scores, including taking out a payday loan.

⁹ <http://www.bbc.co.uk/news/uk-25098810>

¹⁰ <https://www.theguardian.com/money/2014/mar/17/checklist-accepted-mortgage-pitfalls>

¹¹ <http://www.telegraph.co.uk/money/student-money/students-avoid-mistakes-ruin-credit-score/>

4. THE SOLUTION

A better solution to traditional banks not servicing the market is to build a new regulated blockchain-friendly bank. Fiinu is doing just that, bridging the gap between traditional banking and the new blockchain-based industries.

Once the banking license is granted, Fiinu will provide traditional banking services to UK-residents first. Fiinu will allow users to transfer, purchase and liquidate proceeds from both the fiat and cryptocurrency markets, without the fear of bank account closure. Fiinu will also allow customers to secure loans against their cryptocurrency assets, without the customer having to liquidate them.

Fiinu will mitigate its digital asset backed risk by introducing more traditional smart credit products, and will generate revenue from monthly account fees, exchange and transfer fees, at a lower price than the current market.

A better solution to the problem of the banking sector being dominated by a small number of players is the Bank Independent Overdraft™ (BIO).

The trademarked Bank Independent Overdraft™ will immediately increase competition in the overdraft market with its innovative functionality, offering better value for the millions of UK customers who are overdrawn annually. Fiinu will provide access to arranged overdrafts to many who have never had access to one before through its innovative FiinuScore process of credit checks. **For further details, please read the Sections 5 and 6 Case Studies.**

Through the CMA's Open Banking Initiative, Fiinu is able to offer its own overdraft as a safety net on any existing third-party bank account, including for customers who hold accounts with incumbent banks including HSBC, Lloyds and NatWest. For example, if a customer's Personal Current Account (PCA) at NatWest is drawn into unarranged overdraft, Fiinu's BIO will automatically top it up to a pre-set balance before NatWest can charge their £8 daily unarranged overdraft usage fee. **For further information, please see the short prototype demo-video.**

BIO allows customers to continue banking with their current financial service provider and sign up with Fiinu to provide their overdraft facility at a better rate than their existing bank. Customers will also have access to a Fiinu current account and Fiinu app, which will automatically monitor, with the customer's consent, all of their other bank account balances.

BIO will address the unarranged overdraft bias, whereby the poorest of society are charged the highest fees for their small and short-term credit needs, by providing an accessible solution for otherwise financially vulnerable customers. Customers who sign up to BIO will improve their credit scores, with an approved overdraft seen positively by all credit institutions. Over time, this will also improve the customer's ability to access a wider range of products and services which might require a credit reference check, such as mobile phone contracts, as well as lower interest rates on other credit products and utility contracts.

5. CASE STUDIES: FIINUSCORE BACKGROUND

The Fiinu credit rating algorithm is a game-changer. It will remove people’s fear that accidental mistakes from the past will unfairly haunt them in the future, and help them escape the cycle of expensive debt.

Fiinu will provide overdraft credit to consumers who are locked out of credit by their current bank. Today, incumbent banks base their lending decisions on the out-dated methodologies of Credit Rating Agencies (CRAs), which only uses a narrow range of criteria for judging customers’ creditworthiness:

- Payments and history in relation to customer’s housing arrangements, including mortgage or registered rent payments.
- The regularity of other types of consumption credit payments such utilities and mobile bills, but also appearance on public registers such as the Electoral Roll.
- All other types of credit, typically unsecured and consumer credit such as credit cards, overdrafts or consolidation loans.

The algorithm that uses these three main inputs to calculate creditworthiness, largely based on Fair Isaac Corporation (FICO) algorithms, were designed over sixty-years ago for longer and larger debts with the aim of predicting how likely it is that the borrower will default on the debt.

At Fiinu, we believe this process is gravely flawed due to the fact that without access to one or more of the pillars, e.g. credits or overdrafts, the consumer’s maximum credit score will be limited to the most expensive type of credit.

As a result, according to the CMA (June, 2016)¹² and Fiinu’s internal quantitative research, half of the population do not have access to arranged overdrafts and credit cards, and are therefore limited to the most expensive products in the market, such as unarranged overdrafts. In brief, the UK banking market is not optimally working for all consumers.

To solve this problem, Fiinu is building a bespoke credit score and methodology that only partially relies on the existing underlying credit scoring system.

FiinuScore consumer risk assessment procedures will incorporate the dynamical aspects of consumer behaviour.

The bank can think of application scoring as a way of connecting two snapshots of the consumer—the first of “his characteristics on applying for a loan” and the second of “his delinquency and default status”.

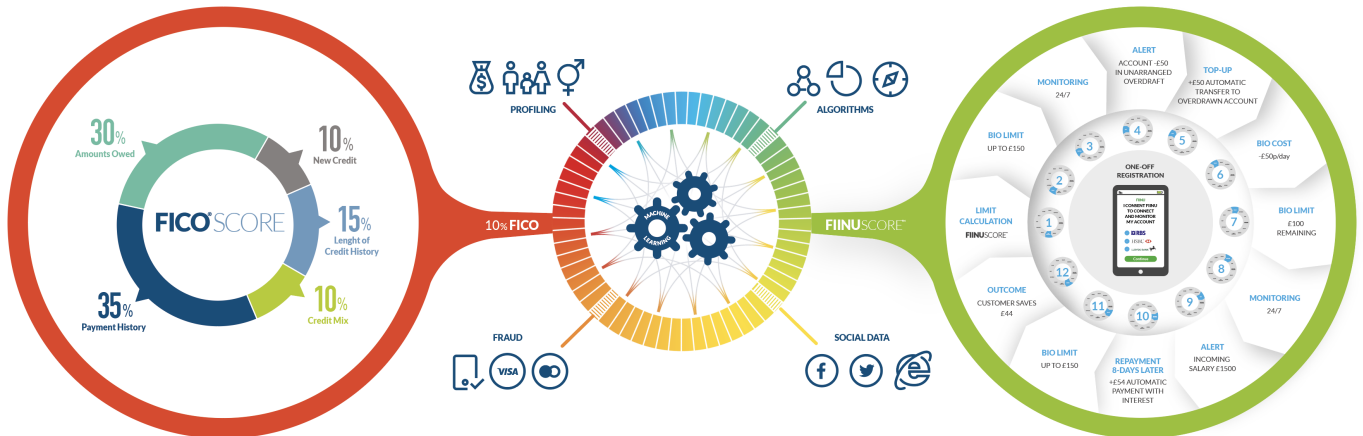
Fiinu’s view is that a fundamental difference is the source of data, which determines someone’s creditworthiness, because it can significantly impact the customer profile for the lender, i.e. the methodologies calculating someone’s credit score may be very similar, but the source of data produces a completely different outcome.

Because the FICO score is so widely used, it negatively affects the short-term lending markets because the methodologies were designed for different purposes.

Fiinu, on the other hand, can form an alternative score, using its FiinuScore process methodology. This score is based on hundreds of rules and interlinkages between financial and non-financial pieces of data, for example, total net monthly income, social data connections, education, marital status and number of dependents.

¹² <https://assets.publishing.service.gov.uk/media/57a8c0fb40f0b608a7000002/summary-of-final-report-retail-banking-investigation.pdf>

Figure 5: FICO-score versus FiinuScore



The FiinuScore process is more than a simple score. It collects granular data, which credit referencing systems either under-value or ignore. Such data is typically non-financially driven, which is what the CRA data is fundamentally based on. FiinuScore-process has a potential to work in many countries where the credit reference agency data is not available or the population is still largely unbanked.

The FiinuScore process can be broken down to thousands of different scenarios from compounding every single variable to ranges or smaller components. For the avoidance of doubt, Fiinu does not use regulatory, so-called “protected variables” to discriminate against any individuals.

The leadership team has previously proven that their alternative algorithms work better for the shorter and smaller credits than the CRA methodologies. They have also tested FICO-algorithms, which resulted in a default rate of over 50% in the UK payday loan sector; hence, this is one of the reasons why the incumbent banks are unable to lend small amounts to half of the population.

Fiinu’s creditworthiness and affordability assessments are based more on the principle that if customers can afford a modest credit payment in their monthly budget, they will be approved for such credit.

The typical average Fiinu BIO credit limit in the first year will be £115, which is well below the current industry standard of £500. Bank’s first year’s financials are based on an average BIO usage amount of £75, which is based on CMA data (2016) concluding it is the average amount people overdraw. Fiinu intends to start a low credit limit, because as a responsible and ethical lender, it seeks to provide its customers with a credit limit that reflects their ability to manage their account responsibly. The Fiinu leadership team believes that everyone deserves the chance to rebuild his or her credit.

6. CASE STUDIES: CUT OFF vs. DYNAMIC BEHAVIOURAL SCORING

At the point of initial application, using the usual scorecard approach means that there is a cut-off point, a clear number that decides the outcome of the initial application, be it for an overdraft, mobile phone, mortgage or any product or service that requires a credit score.

The cut-off point number is always determined by the probability of default (PD).

The PD relates to a number of internal variables, varying from operational costs, Basel III requirements to organisation's risk appetite, risk policies, etc. The cut-off point varies from product to product and from lender to lender. However, for unsecured relatively low amount and short-period credit products such as overdrafts, the incumbent banks share many similarities. Those banks that use Experian as their primary CRA (which applies to most of the largest banks in the UK) the cut-off point is typically in the region of 750, for approving or declining someone for arranged overdraft.

The average UK national Experian credit score is 757.

The outcome of the usual scorecard approach is therefore very black and white. If the customer's Experian credit score is 0–749, he is not approved for the arranged overdraft. If the score is 750–999 he is approved, typically, for a minimum of £500 arranged overdraft.

In some instances, there are also ranges, for example, 720–750, where the bank approves the applicant for a bespoke credit amount typically below the default level. Whatever the case, the probability of default, therefore, drives the outcome.

Now, if the customer's credit score improves above the cut-off point after the initial application phase, the bank may start to offer select credit products. However, this is not often the case for the financially under-served.

In many instances, the lack of modest arranged overdraft worsens people's financial situation and proportionally high charges deepen their financial stress. Since such breaches are also recorded in the CRA files, it is even harder for them to build their scores above the generally accepted cut-off points.

On the contrary, the FiinuScore process is designed to suit the nature of the product better. It is a dynamic score with no cut-off point relating to Experian's credit score (or any other CRA).

The process is driven by continuously finding the equilibrium between the customer's creditworthiness and affordability, rather than the probability of default.

The dynamic score means that Fiinu recalculates the customer's overdraft limits on a regular basis based on user behaviour, to more accurately reflect individual circumstances, enabling us to quickly detect when consumers may be experiencing difficulties.

If the incumbent banks decline 100% of applicants with credit scores deemed too low by traditional algorithm, Fiinu may approve the majority of them for a different type of product.

Fiinu's overdraft limits are lower than the incumbent banks overdrafts, and the bank is committed to preventing irresponsible lending by not only looking at someone's past credit behaviour, but also helping its customers by providing money saving tools and tips.

The presence of an overdraft limit can improve the Experian credit score e.g. by 100 points, so the key is to be approved for one in the first place. This will be one of the major improvements in customer outcomes, which Fiinu will be able to achieve as a bank through its overdraft offering.

Low operational costs and a high level of automation will allow Fiinu to run a profitable business based on high volumes and low margins. The individually focussed and dynamic model works best in a non-standard credit environment, where the credit needs are often very small and needed just for a few days.

The incumbent banks' most common offer to those declined credit is to allow them to fall into unarranged overdrafts. This is rarely reasonably priced as their high operational costs and low level of automation mean their charges are out of proportion to the amount needed by consumers, and there may be an inappropriate concentration of charges on a very small group of vulnerable customers.

6.6.1. CASE STUDIES: FOCUS GROUP RESULTS

Our focus group consisted of three males and three females, between the ages of 20–42, with gross monthly incomes between £1500 and £3,500. Their Experian credit scores ranged from 0 to 918. All of them applied for a personal current account with overdraft facilities with all incumbent banks. Fiinu’s overdraft limits are representative of what the banks would have approved the applicants for.

The results in the Figure 6 highlight how the FiinuScore process would result in a different lending decision to that of the incumbent banks. The Experian and incumbent banks overdraft decisions represented in the table are actual, real life overdraft limits that were offered by the incumbent banks in August 2017.

Figure 6: Comparison Table

Experian Credit Score	 Fiinu	 HSBC	 LLOYDS	 RBS	 BARCLAYS	 Santander
0	£75	£0	£0	£0	£0	£0
469	£125	£0	£0	£0	£0	£0
701	£150	£0	£0	£0	£0	£0
752	£100	£500	£500	£250	£0	£0
777	£75	£1000	£500	£500	£500	£500
918	£50	£2500	+£500	+£500	+£500	+£500

6.6.2. CASE STUDIES: BETTER CUSTOMER OUTCOME

Fiinu’s better customer outcome is due to its creditworthiness and affordability assessments, which do not solely rely on static credit referencing score. Instead, the FiinuScore process is based on a principle that if customers can afford a modest credit payment in their monthly budget, they will be approved for such credit.

The Fiinu model is more appropriate for the lower-end of the market because it fills the void of their modest credit needs, which are most commonly between £50 and £100 and needed for less than two weeks. Fiinu’s model aims to find the equilibrium between customer’s creditworthiness and affordability, rather than make the decision based on a cut-off score linked to the probability of default.

All focus group subjects had a disposable income above Fiinu’s credit limit. This Fiinu model is also more appropriate when compared to the cut off model because its underlying data (CRA) is never up to date and often lags between 3 to 6 months. Fiinu’s affordability model is based on live source and customer’s current account balance and past transactions.

7. CONCLUSION

This White Paper has focused on addressing the fundamental problems of the UK's banking market. Further opportunities that Fiinu have identified will be presented through the Variation of Permission (VoP) documents to the Bank of England in due course.

As outlined, the current retail banking and credit services and products are not fit for purpose, often resulting in poor customer outcomes, with a substantial amount of room for improvement. These existing solutions have created a gap in the market that Fiinu will fill.

Fiinu's proposed solutions are not easy to achieve. Firstly, getting a UK-banking license is a process where the regulators need to evaluate Fiinu's business proposition and carry out thorough screenings to determine people in executive positions are fit and proper to establish a bank in the UK.

The process includes, but is not limited to, individual vetting, scrutiny of the bank's proposed regulatory business plan, the source of funds, governance and management structures as well as the assessment of the board and the executive management team. However Fiinu's core team has successfully undergone the bank authorisation process once before, and are well equipped to do it again.

According to Bank of England¹³ (Jun, 2017) 79% of applicants who have reached the same milestones as Fiinu have been authorised, with just 5% being declined. The remaining 16% are still undergoing the process.

In the unlikely event that Fiinu should not receive its licence, at least 90% of ETH raised during the ICO event will be returned to the investors.

To get more information about the ICO terms and conditions, the team, risk disclosure, market research or the 90% money back guarantee, please refer to separately published documents.

Fiinu will care passionately about its customers and exists to help people to achieve their aspirations by making the most of their money. It will **Lead through Innovation** and use new technologies to fill gaps in current banking services and so help transform the way banking is done. Fiinu will **always be open and honest**, with ourselves, our customers and our regulators.

¹³ <http://www.bankofengland.co.uk/pr/Documents/authorisations/newfirmauths/nbsuslides090617.pdf> - slide 28.

8. RISK DISCLOSURE STATEMENT

- Investing, trading and holding digital assets such as FNU entails certain risks. This risk disclosure statement cannot and does not disclose all the possible risks and other aspects involved in holding, trading, or engaging in financing or financed transactions in FNU. Your risks include, but are not limited to, the following:
 - Market Risk: The market for FNU and any other digital asset is new and uncertain.
 - No one should have funds invested in FNU or speculate in FNU that s/he is not prepared to lose entirely.
 - Whether the market for one or more FNU will move up or down, or whether a particular digital asset it is linked to, e.g. ETH will lose all or substantially all of its value, is unknown. This applies equally to traders that are going long and to traders that are shorting the market.
 - Participants should be cautious about holding FNU.
 - Liquidity Risk: Markets for FNU have varying degrees of liquidity.
 - Some are quite liquid while others may be thinner.
 - Thin markets can amplify volatility.
 - There is never a guarantee that there will be an active market for one to sell, buy, or trade FNU or products derived from or ancillary to them.
 - Legal Risk: The legal status of certain FNU may be uncertain. This can mean that the legality of holding or trading them is not always clear.
 - Whether and how one or more FNU constitute property, or assets, or rights of any kind may also seem unclear.
 - Participants are responsible for knowing and understanding how FNU will be addressed, regulated, and taxed under applicable law.
 - Exchange Risk (Counterparty Risk): Having FNU on deposit or with any third party in a custodial relationship has attendant risks.
 - These risks include security breaches, risk of contractual breach, and risk of loss.
 - Participants should be wary of allowing third parties to hold their property for any reason.
 - Trading Risk: In addition to liquidity risks, values in any digital token marketplace are volatile and can shift quickly.
 - Participants in any FNU are warned that they should pay close attention to their position and holdings, and how they may be impacted by sudden and adverse shifts in trading and other market activities.
 - Risks Associated with Financing Activities: If you finance a purchase or sale of FNU on a peer-to-peer basis, you run the risk of losing your provided financing. Similarly, when you accept financing to enter a trading agreement, you accept the risk of not being able to repay that financing (e.g. if the market price of the Digital Token you purchased with the financing falls). Participants should know all of the terms of any contracts they enter and how their trading strategies and other market and risk factors can affect their financing obligations.

APPENDIX

HIGH-LEVEL ICO TERMS AND CONDITIONS

When it comes to investing in this ICO, we want to make sure you do not feel overwhelmed or uncertain about your risk or our terms and conditions. Fiinu thrives on transparency and fairness and hence the bank also wants to apply that same openness with its investors. Below are the most frequently asked questions relating to our ICO. If something is unclear or you need more information, please do not hesitate to contact us, email: investors@fiinu.com

INVESTOR QUESTIONS:

1. What are you selling?
2. When is the Pre-ICO event?
3. When is the ICO event?
4. When can I register?
5. What currencies do you accept?
6. What is the 'Money Back Guarantee'?
7. What else can I do with FNU?
8. How much will you lend against 1FNU?
9. Can I trade or transfer FNU?
10. Will FNU be listed on exchange?
11. How much are you looking to raise?
12. Will Fiinu buy back FNU?
13. What is the minimum you sell the profits for?
14. Have you capped the ICO event?
15. How much is the price of 1 FNU?
16. Can you explain the price of FNU again?
17. What if you raise more than 100,000ETH?
18. What is the logic behind the price formula?
19. How many FNU's will be issued?
20. When will I received my FNU?
21. What % of profits-on-sale is allocated to investors?
22. What % of profits-on-sale is allocated to Fiinu staff?
23. What will you do with the rest of the profits?
24. What are your Pre-ICO conditions?
25. What is your Pre-ICO incentive?
26. How many FNU do I get for 100ETH in Pre-ICO?
27. Do you have an Escrow Arrangement?
28. How are the profits paid out?
29. Why do FNU holders have to verify their details?
30. What do you do with possible excess funds?
31. Where will Fiinu open after the UK?
32. When will Fiinu intend to launch in US?
33. Will the 3% staff allocation have a vesting period?
34. What does Fiinu mean?

FIINU ANSWERS:

33% of profits (inc. 3% staff allocation)
 From 9th of Oct to 9th of Nov 2017
 From 10th of Nov to 10th of Dec 2017
 Now
 Ether (ETH)
 No bank licence, min 90% ETH raised returned¹⁴
 You can trade FNU or borrow cash from us¹⁵
 £195 at current market prices¹⁶
 Yes, after the lock-up period
 Yes, once we get the bank licence
 100,000 ETH
 Yes, ideally all of it
 20,000 ETH
 Yes, at 400,000 ETH
 $FNU = \max(1, \text{AmountRaised}/100,000)$
 $1FNU = 1ETH$ up-to 100,000ETH raised
 FNU price will start increasing
 It favours early investors
 It depends on the amount raised
 Once your payment is confirmed
 90,9% (30% of the 33% profit share)
 9.1% (3% of the 33% profit share)
 The Board of Directors will decide
 KYC and minimum of 100ETH
 33% discount, i.e. $1FNU = 0.75 ETH$
 133,333333 FNU
 Yes, against bank licence
 Annually, to verified FNU holders
 UK-law dictates (KYC, AML/CTF & PEP)
 Grow P/L, organic & inorganic growth
 Across EEA: e.g. ESP, GER, ITA...
 2020
 Yes, until lock-up expires
 It's a Finnish girl name, meaning 'fair'

¹⁴ You may loose up-to 10% (capped) of your investment if we fail to get the UK-bank license

¹⁵ At first, UK-residents only, other countries pending until licensed as a bank in the country

¹⁶ Risk Committee to will determine the precise LTV%, e.g. 75%, FNU's are placed as a security on Fiinu wallet

8.1. ALLOCATION OF PROCEEDS

We have self-imposed strict conditions for ourselves to make sure that the investment community gains confidence on this ICO. Please be aware that:

- 1.** Fiinu may access up-to 10% of the proceeds prior it is being authorised as a bank. These funds will be used to grow the Team ahead of the authorisation, develop the bank's prototypes, consultancy, legal and ancillary fees.
- 2. Make of Break Threshold condition:** If the Bank of England regulators; Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) do not award Fiinu with the bank license; you will receive minimum of 90% of the investment back¹⁸.
- 3. Allocation of Proceeds:** Depending on the success of the ICO, Fiinu is looking to accelerate its profitability with organic and inorganic growth. The escrow arrangement will release proceeds against two clearly defined milestones:

Phase 1. Up-to 10% released: The close of ICO, subject to minimum raise.

Phase 2. Rest released: The bank appears in the UK-register¹⁹ as a licensed bank

8.2. FIINU TOKEN ("FNU") TIMING, PRICING AND DISTRIBUTION

Fiinu will issue limited number of tokens capped by this coin offering. The ICO is split in two equally long periods, pre-sale and ICO. In principle, there are three pricing levels for each token: pre-sale price (1FNU = 0,75ETH), ICO open up-to 100,000ETH (1FNU = 1ETH) and ICO open over 100,000ETH (the price changes for each purchase). After the ICO ends, there will not be new FNU tokens minted.

The Crowdsale of Fiinu and the corresponding coin creation process will be organised around the Smart Contracts running on ERC20 Ethereum Standard. Crowdsale ends when the end date is reached.

Ethereum Smart Contracts enable a very transparent and secure way of profit sharing among the token holders. FIINU coin will be an Ethereum-based coin of value. The coins are a digital asset, bearing value by themselves based on their underlying assets and associated rights. Ethereum-based coins rely on a well-established Ethereum infrastructure, benefiting from several advantages:

- Security and predictability (as opposed to, for example, having to run an independent blockchain network).
- Use of robust and well-supported clients (Ethereum-based coins can be managed with official Ethereum clients).
- High liquidity (interchangeable with other Ethereum-based coins or ETH); easier listing on exchanges with infrastructure already in place.

Our Ethereum-based token contract complies with the ERC20 standard,. More detailed info about the ERC20 standard: <https://github.com/ethereum/EIPs/issues/20>

8.3. BUY-BACKS, RETURN ON INVESTMENT, ENGAGEMENT AND VISION

Fiinu will allocate a portion of its non-sharable profits to buying back FNU coins. The Board of Directors will decide each year what percentage of the total shall be used for buy-back scheme. We believe that this approach makes Fiinu's ICO quite different from most of the other ICO's. The investors can gain their return on investment in FNU's through four main means:

- 1.** Profit share
- 2.** Selling FNU's
- 3.** Trading FNU's
- 4.** Borrowing Fiat-money against FNU's (limited to UK-residents at first)

¹⁸ Fiinu may access up-to 10% of the proceeds prior the 1st trigger event. Proceeds are managed under escrow.

¹⁹ <https://register.fca.org.uk>

Fiinu will list the FNU after the lock-up period, i.e. when the Bank of England regulators authorise it as a bank. Until then, the token are not tradable because the ICO proceeds are also still locked under the escrow arrangement.

FNU holders are welcomed to engage with Fiinu directly. The bank intends to hold annual investor meetings where all FNU holders will be welcomed to participate in person or over the video-link. The video-link will be recorded. The community can also pilot test and participate on Fiinu's new product designs and competitions.

REGISTRATION

To invest in FNU you need to successfully complete our investment application. We will notify you via SMS once the application has been approved. Please note it might take us up to 24 hours to verify your details.

Tokens shall be offered or made available only to a very small number of non-qualified investors, fewer than 150 persons per EEA country. Each such person shall go through the same KYC, AML checks as the qualified investors and they will be warned with same risk disclosures than the qualified investors.

CONTACT

For additional information, please contact Fiinu investor relations team via email: investors@fiinu.com, or via telephone: +441932 548681.

Alternatively, if your enquiry is not urgent, please feel free to contact Founder CEO, Marko Sjoblom via email: marko@fiinu.com, phone: +44 1932 548681 or LinkedIn: <https://www.linkedin.com/in/marko-sjoblom-262b2393> or Twitter: @markosjoblom