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# EBSL Fintech Seminar

PHONEME 

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## 1. Executive Summary

PhoneMe is a European fintech providing access to banking services to the unbanked via their phone number. Users will be able to transfer and receive money via an account linked to their phone number only. Our key partners are telecom companies (i.e. Vodafone; Orange) where users will be able to deposit cash in local stores and this cash will be redirected to their account.

We mainly target rural populations in Romania as the latter country is Europe's most unbanked. Thus, the market size is potentially the biggest one within the European Union. Our ease of use should not be a challenge for users who are not familiar with such technology as we will invest on making an easy-to-use application.

Our revenues will mainly be based on transaction fees (fixed and variable) between users. A detailed transaction fees figure will be detailed below.

We aim on promoting our App via different online and offline channels in order to ensure that our product receives maximum visibility. Thus, our marketing budget will be high, but we expect a return on investment.

The team is composed of three Bocconi University Master's students who acquired experience in diverse and international environments. Thus, their global mindset highly contributed to the creation of this cutting-edge app.

Our legal strategy has been crafted in a tailored way ensuring that all EU regulations are duly respected and we ensured that we do not infringe any Intellectual Property laws set within the European Union.

## 2. Business Description

Over the past decade, mobile banking has witnessed an exponential growth across all continents. Europe has been an early adopter of this new technology given its ease and accessibility. Even though the banking industry in Europe is well-developed, some countries still have an important part of its population unbanked. The latter are mainly in Eastern European countries such as Romania and Bulgaria.

PhoneMe bridges the gap between the unbanked Romanian (primary market) population (42% of the population is unbanked) and the accessibility to financial services. Our idea is already spread in countries such as Kenya with M-Pesa and in Egypt with Vodafone Cash. We aim on not putting a barrier to mobile banking by associating a bank account with a phone number.

The user would not have to go through the (oftentimes) bureaucratic process to open an account as they would just need to deposit cash into their local telecom provider shop or kiosk.

The cash deposited will then be added to their phone number (which will act as a “bank account number”).

PhoneMe will support and partner up with telecom companies in order to ensure that they are equipped with the technology to do so.

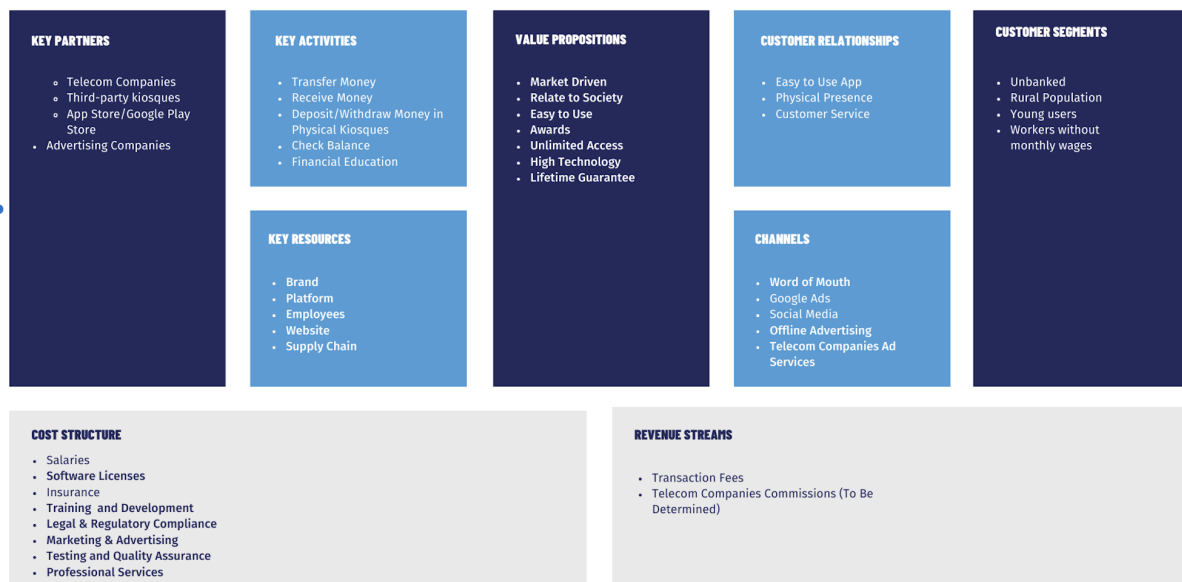
PhoneMe will be implemented as an app downloadable by potential customers. They will need to add basic information and their phone number (only phone numbers associated with partner telecom companies will be eligible).

As users do not require a formal bank account to start sending money on a P2P model, the accessibility is our main competitive advantage. As most of the Romanian population has a smartphone being able to access basic apps, PhoneMe should not be a problem to be used.

However, an important caveat to mention is that it will be hard for us to run independently from telecom providers. We would have to partner up with the main actors such as Vodafone & Orange in order to PhoneMe to launch efficiently. Moreover, even though we are an app and run completely digitally, we would need to have a physical presence in all Vodafone & Orange selling points.

This selling point is crucial as it will act as a “deposit point”, where users will deposit their cash into their phone numbers.

# PHONE ME Business Model



### 3. Market Analysis

Fintech in Europe has grown exponentially despite some economic uncertainties that hit the region. According to a McKinsey report, in Europe's seven biggest economies, at least one 'fintech' is ranked among the top performing companies. Customers are keen on using fintechs thanks to their pricing, easy access, speed of service, quality of service and lastly quality of products. However, the European market is highly divided. Scandinavian countries witness a highly advanced fintech ecosystem followed by Western Europe. However, Eastern Europe are behind due and lack such technology. To give a figure, Sweden has 23 fintechs per million capita whereas Romania only has 2. There are several reasons why such gaps exist. Firstly, cultural differences can be an important factor. Secondly, Eastern European countries may have less access to capital which hinder their fintech ecosystem to grow as important capital is needed in order to launch such ventures. Lastly, some jurisdictions have eased their regulations in order for fintechs to prosper. For a good ecosystem to flourish, jurisdictions need to make important changes.

It is important to focus now on Romania. As mentioned earlier, there are only 2 fintechs per a million capita which is considered as very low or in other words "bottom third-tier". However, the number of fintech's founded and deals made are way higher in "bottom third-tier countries" such as Romania. To give a figure, there has been 27 deals made per million capita in Romania in 2021 compared to 8 in Sweden which shows the willingness of entrepreneurs to develop the Romanian fintech scene.

PhoneMe cannot only be an advantage for customers but also for the workforce. As the Romanian population has a high unemployment rate compared to other European countries, ensuring an efficient and groundbreaking employment program such as training programs, internships, full-time positions could, on the long-term create employment. Moreover, with the ease of transactions, more people would have access to capital in order for them to succeed in their professional endeavors.

It is now of utmost importance to analyze our competitors. In Romania, there are several keyplayers such as the European leading neobank Revolut, Wise, Bunq and Curve. However, all these neobanks require users to open a bank account which is not our case. We aim on offering Revolut's service without having the need of a bank account as we do not operate with the same business model.

We could not find any fintech having our exact same business model which could position us as a market leader. On the other hand, it could also pose a potential risk as we do not sufficient data, thus, it could increase our risks.

### 3.1 Product or Service Offering

PhoneMe is an app downloadable and is supported by IOS and Android devices. Users can create an account as every mobile banking app, but it will involve less steps than the latter. Only a name, surname and phone number suffices. The telecom company who emits the phone number should have all the other relevant information about the user. We plan on making a user-friendly interface showing the user's list of contact registered on PhoneMe as well as a cash balance.

For customers who do not possess a smartphone capable of downloading an app, we would need to use a telecom's company database in order to let customers send money directly via SMS or by dialing a specific number.

### 3.2 Target Market and Customer Segmentation

According to Findex, the unbanked population is vastly living in rural areas where incomes are lower than big cities such as Bucharest. Even though the capital city has 40% of its population unbanked. Another important factor to consider is that people who do not have an education or do not have a wage job are also more likely to be unbanked. To give detailed data, we quoted a World Bank report. "About half of Romanians make or receive digital payments, 31 percentage points lower than their regional counterparts. Only 14 percent of adults in Romania saved at a financial institution, and 1 in 5 adults borrowed formally. Mobile money and internet banking are in their infancy. Even though mobile broadband coverage across the country is high (98 percent) only 3 percent of adults have a mobile money account and 12 percent of adults use a mobile or the internet to access their account, significantly less than peer average (31 percent in upper middle-income countries). This is striking as among the unbanked nearly 80 percent (5.5 million adults) have access to and use a mobile phone."

**TABLE 1. Account ownership by demographics (%)**

	Bulgaria	Croatia	Hungary	Poland	Romania	Upper middle income	Euro area
<b>Account</b> (% age 15+)	72%	86%	75%	87%	58%	73%	95%
<b>Account, male</b> (% age 15+)	71%	90%	78%	85%	62%	77%	97%
<b>Account, female</b> (% age 15+)	74%	83%	72%	88%	54%	69%	94%
<b>Account, young adults</b> (% ages 15-24)	43%	47%	60%	63%	51%	66%	79%
<b>Account, older adults</b> (% ages 25+)	75%	93%	77%	91%	59%	75%	98%
<b>Account, in labor force</b> (% age 15+)	88%	95%	89%	97%	65%	78%	98%
<b>Account, out of labor force</b> (% age 15+)	51%	77%	57%	67%	48%	62%	91%
<b>Account, primary education or less</b> (% ages 15+)	42%	62%	56%	66%	32%	66%	89%
<b>Account, secondary education or more</b> (% ages 15+)	85%	96%	83%	90%	70%	80%	97%
<b>Account, income, poorest 40%</b> (% ages 15+)	55%	81%	68%	84%	38%	62%	94%
<b>Account, income, richest 60%</b> (% ages 15+)	84%	90%	80%	88%	71%	80%	96%
<b>Account, rural</b> (% age 15+)	66%	88%	69%	87%	54%	73%	96%

Source: Global Findex database, 2017

This table gives us a striking figure: Even the richest 60% aged 15+ in Romania are only 71% banked, which means that 29% of them are still unbanked.

### 3.3 Marketing and Sales Strategy

As we target the unbanked and rural areas, we would need to use traditional marketing strategies. We will promote our product via billboards, television ads, and newspapers and will require further collaboration from telecom providers in marketing our offering via their sales channels. We will also ensure that our product is visible online and use Google Ads algorithm to target potential users.

In addition to our comprehensive marketing strategy, we will implement community outreach programs to directly engage with the unbanked and rural populations. Hosting informational workshops and events in collaboration with local community centers or village gatherings will allow us to interact directly with potential users. This approach not only fosters a personal connection but also provides an opportunity to address any questions or concerns they may have. Furthermore, we will explore mobile

marketing initiatives, utilizing SMS campaigns to reach individuals who may not have regular internet access but are using mobile phones. By combining these personalized approaches with our traditional and online marketing efforts, we aim to establish a robust presence and ensure that our products resonate with the diverse needs of the communities we are targeting.

## 4. Financial Plan

The financial plan for our fintech startup, dedicated to enabling individuals in Europe without a traditional bank account to make seamless mobile payments, is a comprehensive framework designed to guide our financial strategy over the next five years. Rooted in an optimistic growth model, this plan incorporates key revenue and expense projections, providing a roadmap for financial sustainability and strategic decision-making.

### 4.1 Sales Forecast

#### **Adoption rate**

We assume a gradual adoption rate over the forecast period as awareness of the payment solution grows and becomes more and more popular in the indicated market. The adoption rate is the percentage of the target market that becomes active users each month or year. We presume a quite slow growth in this model. This data is linked to the expenses in publicity and commercial advertising.

#### **Transaction Volume**

In this model, we estimate the average transaction volume per user per month, considering factors such as the frequency of transactions and average transaction amount.

#### 4.1.1 Monthly Sales Forecast

With a potential transaction fee per user per transaction, €0.25 per transaction, the revenue is calculated by multiplying the transaction fee by the total number of transactions.

It's crucial for our business to continuously monitor market trends, gather user feedback, and adapt the sales forecast accordingly to reflect the evolving nature of the fintech industry and user behavior regarding this new technology. As we can see from the model, after 5 years we expect revenues based on the transaction fees of about €4.800.000,00. This would be a highly satisfactory outcome, as it is normal for start-ups to not make high revenues in the first years.



### Monthly Sales Forecast (Conservative):

Month	Users (Thousands)	Adoption Rate (%)	Active Users (Thousands)	Avg. Transactions per User	Total Transactions (Thousands)
1	10	2%	0.2	2	0.4
2	20	2%	0.4	2	0.8
3	30	3%	0.9	2	1.8
4	40	3%	1.2	3	3.6
5	50	4%	2	3	6

### Yearly Sales Forecast (Conservative):

Year	Total Active Users (Thousands)	Avg. Transactions per User	Total Transactions (Millions)	Revenue (Estimated Transaction Fee)
1	5	2	2.6	€650,000
2	10	2	5.2	€1,300,000
3	15	3	8.8	€2,200,000
4	20	3	13.2	€3,300,000
5	25	4	19.2	€4,800,000

## 4.2 Expense Budget

### 4.2.1 Fixed Costs

For our business we are not having big positions within fixed costs. Initially we will need IT infrastructure for the creation of the software. Once the software is created, we will need IT infrastructure to run the software which is then considered a variable cost as the demand will increase with an increasing number of users. Fixed costs for a company developing a software solution vary depending on the size and nature of the project, as well as the company's specific requirements and circumstances.

That is why fixed costs are not easily calculable for several years.

In our case, fixed costs might be:

**Salaries:** Employee salaries, including developers, project managers, quality assurance professionals, and other team members, along with associated benefits.

**Office and Storage Rent and Utilities:** The cost of renting office space and spaces for the IT infrastructure and utilities such as electricity, water, and internet.

**Equipment and Software Licenses:** The cost of computers, servers, development tools, and software licenses required for the development process.

**Insurance:** Various types of insurance, including liability insurance and property insurance, to protect the company against potential risks.

**Legal and Regulatory Compliance:** Costs associated with legal advice, compliance with intellectual property laws, and other regulatory requirements.

**Training and Development:** Expenses related to training and skill development for the team to keep up with the latest technologies and methodologies.

**Marketing and Advertising:** Costs associated with promoting the software solution, including website development, advertising, and other marketing activities.

**Depreciation:** The depreciation of assets such as computers and equipment used in the software development process.

**Professional Services:** Fees paid to external consultants, accountants, or legal professionals for specialized services.

**Software Development Tools:** Costs of specialized software development tools, libraries, and frameworks used in the development process.

**Testing and Quality Assurance:** Expenses associated with testing tools, equipment, and resources to ensure the quality of the software product.

We expect fixed costs to increase over the years as the business grows.

Estimated fixed costs per year:

Expense Category	Monthly Cost (€)	Yearly Cost (€)
Salaries and Benefits	€10,000	€120,000
Marketing and Advertising	€5,000	€60,000
Technology and Hosting	€7,000	€84,000
Regulatory Compliance	€3,000	€36,000
Customer Support	€4,000	€48,000
Office Rent and Utilities	€6,000	€72,000
Miscellaneous Expenses	€2,000	€24,000
Variable Costs (€0.05 per transaction)	Variable based on transactions	

#### 4.2.2 Variable Costs

Transaction Processing Fee: €0.05 per transaction.

The variable costs are directly tied to the number of transactions. Assuming €0.05 variable cost per transaction due to the increased demand of serves as the application is used more, consumption of

energy on servers and other increasing costs like storage and also IT and software capacities. It should be possible to lower the variable costs after 5-10 years to €0.03. Assuming variable costs of €0.05 in the first years, the following is calculated:

Year 1: €0.05 \* 2.6 million transactions = €130,000

Year 2: €0.05 \* 5.2 million transactions = €260,000

Year 3: €0.05 \* 8.8 million transactions = €440,000

Year 4: €0.05 \* 13.2 million transactions = €660,000

Year 5: €0.05 \* 19.2 million transactions = €960,000

Year	Total Fixed Costs (€)	Total Variable Costs (€)	Total Expenses (€)
1	€311,000	€130,000	€441,000
2	€331,000	€260,000	€591,000
3	€355,000	€440,000	€795,000
4	€379,000	€660,000	€1,039,000
5	€403,000	€960,000	€1,363,000

### 4.3 Cash Flow Statement:

Our cash flow management strategy focuses on maintaining a healthy balance between cash inflows and outflows. The primary source of cash inflows is the revenue generated from transaction fees, while cash outflows cover various operational expenses, ensuring the sustainability of our business. The net positive cash flow in each year allows us to build a financial buffer, providing flexibility for future investments, unforeseen challenges, and business growth opportunities.

Year	Cash Inflows (€)	Cash Outflows (€)	Net Cash Flow (€)	Cash Balance (€) at Year End
1	€650,000 (Transaction Fees)	€441,000 (Expenses)	€209,000	€209,000
2	€1,300,000 (Transaction Fees)	€591,000 (Expenses)	€709,000	€918,000
3	€2,200,000 (Transaction Fees)	€795,000 (Expenses)	€1,405,000	€2,323,000
4	€3,300,000 (Transaction Fees)	€1,039,000 (Expenses)	€2,261,000	€4,584,000
5	€4,800,000 (Transaction Fees)	€1,363,000 (Expenses)	€3,437,000	€8,021,000

## 4.4 Income Statement

The income statement, also known as the profit and loss statement, provides an overview of the company's financial performance over a set period of time (1 year). This is a potential income statement and of course it can't be calculated with absolute certainty as many key factors are unknown.

Here's a simplified income statement for our fintech business:

Year	Revenue (€)	Expenses (€)	Net Profit (€)
1	€650,000	€441,000	€209,000
2	€1,300,000	€591,000	€709,000
3	€2,200,000	€795,000	€1,405,000
4	€3,300,000	€1,039,000	€2,261,000
5	€4,800,000	€1,363,000	€3,437,000

## 4.5 Balance Sheet

The balance sheet provides a snapshot of the company's financial position at a specific point in time (31.12.XXXX). It includes assets, liabilities, and shareholders' equity. Here's a simplified balance sheet. As in the income statement, we can't guarantee the balance sheet to be totally complete either, as also here we are missing important operative data.

Year	Assets (€)	Liabilities (€)	Equity (€)
1	€209,000	€1.000.000	€209,000
2	€918,000	€1.500.000	€918,000
3	€2,323,000	€2.000.000	€2,323,000
4	€4,584,000	€3.000.000	€4,584,000
5	€8,021,000	€2.700.000	€8,021,000

### Break-Even Analysis:

The break-even analysis determines the point at which total revenue equals total expenses, resulting in a net profit of zero. It helps identify the level of sales needed to cover costs. Assuming fixed costs of €311,000:

Break-Even Point (Transactions) = Total Fixed Costs / (Revenue per Transaction - Variable Cost per Transaction)

### Financial Assumptions:

- **Transaction Fee:** €0.25 per transaction.
- **Variable Cost:** €0.05 per transaction.
- **Fixed Costs:** €311,000 per year (as detailed in the expense budget).

This means that in each year, the **business needs to reach approximately 1.555.000 transactions** to

**Year 1:**

$$\text{Break-Even Point} = \frac{€311,000}{(€0.25 - €0.05)} = \frac{€311,000}{€0.20} = 1,555,000 \text{ transactions}$$

cover its fixed and variable costs and break even. If the transaction volume exceeds this point, the business will start generating a profit.

**Year 2:**

$$\text{Break-Even Point} = \frac{€311,000}{(€0.25 - €0.05)} = \frac{€311,000}{€0.20} = 1,555,000 \text{ transactions}$$

**Year 3:**

$$\text{Break-Even Point} = \frac{€311,000}{(€0.25 - €0.05)} = \frac{€311,000}{€0.20} = 1,555,000 \text{ transactions}$$

**Year 4:**

$$\text{Break-Even Point} = \frac{€311,000}{(€0.25 - €0.05)} = \frac{€311,000}{€0.20} = 1,555,000 \text{ transactions}$$

**Year 5:**

$$\text{Break-Even Point} = \frac{€311,000}{(€0.25 - €0.05)} = \frac{€311,000}{€0.20} = 1,555,000 \text{ transactions}$$

## 4.6 Financial Risk Analysis

Potential financial risks for our fintech business might be the following:

1. **Regulatory Compliance:** Changes in financial regulations may impact operations. Regularly monitor and adapt to comply with evolving regulatory requirements.
2. **Market Competition:** Intensifying competition may affect user acquisition and pricing. Implement agile marketing strategies and stay innovative to maintain a competitive edge.
3. **Technology Risks:** Dependence on technology exposes the business to cybersecurity threats and system failures. Invest in robust security measures and contingency plans.
4. **Economic Downturn:** Economic instability can impact user spending and investment. Maintain a diverse user base and implement cost-cutting measures when necessary.
5. **User Adoption:** Slower-than-expected user adoption may affect revenue projections. Continuously evaluate marketing strategies and user feedback to enhance user engagement.

This financial risk analysis outlines potential challenges and suggests proactive measures to mitigate these risks. It will be highly important to regularly reassess the risk landscape and adapt strategies accordingly.

## 4.7 Funding

Our fintech business, dedicated to providing convenient and accessible mobile payment solutions for individuals in Europe without traditional bank accounts, plans to secure funding to support its growth and development. The funding structure outlined below demonstrates our strategic approach to capital acquisition over the first five years:

**1. Year 1:**

- We seek a financial injection of €1,000,000 from a lending institution to fuel our initial development and market entry. This capital will be instrumental in covering startup costs, technology investments, marketing initiatives, and operational expenses.

**2. Year 2:**

- Building on the success and traction gained in the first year, we anticipate additional support from the lending institution. We plan to secure €500,000 to sustain our growth, further enhance our platform, and expand our user base.

**3. Year 3:**

- As we consolidate our position in the market and demonstrate continued viability, we aim to secure an additional €500,000 in funding. This capital infusion will support scaling efforts, technological advancements, and regional market penetration.

**4. Year 4:**

- With a proven track record and an increasing user base, we plan to secure €1,000,000 in private equity funding to drive significant expansion, explore new markets, and fortify our position as a leading fintech solution in Europe.

**5. Year 5:**

- In the fifth year, our financial stability and positive cash flow enable us to start repaying the borrowed capital. We plan to repay €300,000 to the lending institution, demonstrating our commitment to financial responsibility and sustainability.

This funding strategy aligns with our business plan and growth trajectory, ensuring that our capital needs are met at critical stages of development. We are confident that this strategic funding approach will contribute to the long-term success and impact of our fintech business.

These financial statements and analyses provide a comprehensive view of the business's financial performance, position, and potential risks. Regularly updating these documents based on actual performance and changes in the business environment is essential for informed decision-making and sustained success.

## 5. Team and Management

Our management is primarily Introduce your management team and key personnel.

Highlight their relevant experience and skills.

At the helm of our dynamic fintech venture, we are proud to present a leadership team comprising individuals with diverse expertise and a shared passion for revolutionizing financial accessibility. Our board, consisting of seasoned professionals, plays a pivotal role in steering the company toward innovation, compliance, and sustainable growth.

### **Board Members and Founders:**

#### **1. Alex Fischer (CFO and Antitrust):**

- As our Chief Financial Officer, Alex Fischer brings a wealth of experience in financial strategy, risk management, and compliance. With a background in navigating complex financial landscapes, Alex ensures that our financial decisions align with both regulatory requirements and the strategic goals of the company. His proficiency in antitrust matters adds an extra layer of strategic insight, contributing to our commitment to fair market practices.

#### **2. Natalia Chojnowska (CLO – Chief Legal Officer - IP and Data Law):**

- Serving as our expert in intellectual property and data law, Natalia Chojnowska is instrumental in safeguarding our technological assets and ensuring compliance with data protection regulations. Natalia's extensive knowledge in legal matters related to intellectual property and data is crucial in shaping our approach to innovation while prioritizing user privacy and data security.

#### **3. Olivier Thiry (CTO/CDO - Chief Technology/Digital Officer):**

- As the Chief Technology Officer, Olivier Thiry is at the forefront of our technological evolution. Olivier's role involves spearheading digital strategies, overseeing technology implementation, and ensuring a seamless user experience. With a keen understanding of the ever-evolving digital landscape, Olivier drives the development of our fintech solutions, positioning us as leaders in the industry.

### **The Team:**

Beyond our board, our dedicated team is composed of talented professionals with a shared commitment to excellence and customer-centricity. From software engineers and data analysts to customer support specialists, our team collectively works toward our vision of empowering individuals with innovative financial solutions. Together, our leadership team and dedicated staff form a cohesive unit, driven by a shared vision of financial inclusion, innovation, and ethical business practices. We believe that through

collaboration, expertise, and a commitment to our mission, our fintech business will not only thrive but also make a lasting impact on the financial landscape of Europe.

## 6. Regulatory/Compliance and IP strategy

### **IP Strategy**

We believe that our IP strategy will assist our organization to plan, capture, track and protect the outcomes of its investment in innovation. To support our PhoneMe business, we have decided to pursue with the offensive IP strategy. It mainly focuses on acquiring and protecting IP that will give our organization an advantage over the competitors.

Since our target market will cover EU member states, we focused on European regulations when creating our IP protection strategy. Here are the primary forms of IP protection that we have considered to use to shield our fintech business from the potential competition in the EU:

### **Trademark**

We plan to apply for the trademark protection for:

- the word trademark for the name of our fintech business (PhoneMe) and,
- the figurative trademark for our fintech business logotype presented below:





in European Union Intellectual Property Office (EUIPO).

European Union trademarks grant protection in all EU member states, providing uniform coverage across the EU. Since our business plan involves developing our business in European Union countries, with a special focus on Romanian market, we will proceed with registration of the trademarks outlined above in an appropriate register for safeguarding our logotype usage within the EU.

During our analysis, we have verified that there are no trademarks for PhoneMe name or graphic logotypes that are actively registered within the EUIPO.

Application of the trademark to EUIPO consists of pointing out the goods or services, which the trademark will refer to according to the Nice Classification. We would like to apply for the protection under class 36 (*Financial, monetary and banking services; insurance services; real estate services*) of the Nice Classification.

We have analyzed European trademark regulations (European Trade Mark Regulation – (EU) 2017 / 1001 – regarding the unitary title of an EU trademark, Directive approximating the laws of the Member States relating to trademarks - (EU) 2015/2436 – national trademarks exist in parallel to the EU

trademark system) and we have decided to take into account the following elements of our logo and word mark, which will increase the chance of successful registration and comply with the requirements of:

- a. **Distinctiveness in relation to goods and services** – as it is pointed out above, we would like to register the trademarks in relation to *financial, monetary and banking services*. Our idea is based on mobile money transfer, which means that the name PhoneMe, which is a mix of the expression “pay me” and a word “phone” and was meant to describe in two simple words how our fintech app works, creates an association to the mobile transfer and should be considered distinctive to the type of service it will apply to.
- b. **Novelty** – during our market and business analysis we have not discovered any similar trademarks relating to the type of services of our fintech app.
- c. **Not misleading** – As in point a., we believe that the word trademark as well as logotype design can be easily associated with the appropriate business form and does not create misleading links.
- d. **Not contrary to moral and public policy** – It should be agreed that nothing in the name for our business nor the design for our graphic logotype should be considered as contrary to moral or public policy.

**Besides the above, we believe that our trademark involves positive connotations, associates with innovation, security and will create a link with a safe way of money transfer.**

## **Copyrights**

Copyright protection applies automatically after creating original works, such as software, user interfaces, and written materials. While registration is not required for copyright protection, it can provide additional legal benefits without the need of us applying for the copyright protection. However, we will ensure that any copyrights concerning rights to the software of our app will be duly transferred in contracts concluded with our IT specialists for the embedded operating system and other used software, such as source codes.

## **Trade Secrets**

It is essential for us that PhoneMe introduces internal policies and take external steps that will allow us to protect proprietary information, algorithms, and other crucial information as trade secrets.

Legal frameworks for trade secret protection are provided in EU by Trade Secrets Directive, which creates the obligation to take reasonable steps under the circumstances by the person lawfully in control of the information to keep it secret. To allow us to shield our trade secrets according to the Directive, we are going to take the following measures:

- physical protection through the surveillance of the business premises, through locking the information in a safe or storing it in secured archives;
- digital protection by securing the system using passwords, encryption, or another security system;
- storage of trade secrets in a digital safe;
- conclusion of agreements with employees and trade partners with non-disclosure and non-competition clauses.

## **Data Protection and Privacy**

As a fintech business we want to be aware of the obligations included in data protection regulations, particularly **General Data Protection Regulation (GDPR)**. Because we will process and handle personal data of our users, we would like to hire a GDPR officer to ensure that our fintech business follows GDPR requirements and safeguards customer data.

## **Contracts and Licensing**

Details of all our collaborations and partnership will be duly defined in agreements. We want to ensure that we will safeguard our IP rights by licensing agreements. We want to ensure that:

- 1) Technology and IP rights that will be developed by IT specialists that worked for us to create our app will be fully transferred to PhoneMe within the contracts.
- 2) Agreements with telecom providers – as pointed out in our business plan, telecom providers will share with us their technology, **agreements with them are strategic**, as well as agreements concerning access to company's database to let customers send money via SMS or a specific number. It is crucial for us to ensure our security in exercising of the above rights through well-formed contract provisions.

## **Domain Names**

Our strategy includes securing relevant domain names for our brand within the EU, as this can be essential for online presence and brand protection.

We consider acquiring rights to domain consisting of our fintech business name “PhoneMe” at EU level (phoneme.eu, phoneme.com) and each European country (phoneme.ie, phoneme.ro, phoneme.it etc.). As we plan to develop our business in many countries, we want to safeguard our rights to the domain in any possible European market.

## **Open-Source Compliance**

PhoneMe and any of its software will not breach the terms and conditions of the open-source licenses. That is why our plan assumes IT audit of PhoneMe software to check whether it complies with open-source licenses and maintain transparency regarding code usage and modifications.

## **Patents**

In the EU, the technological innovation can be protected by application through the European Patent Office (EPO). European patents provide protection in multiple EU member states.

However, because patent protection under EU law involves protections of new technical inventions, i.e. new products or services which involve an inventive step and have industrial application and our fintech business idea is not based on the new technical invention, we decided not to patent our app.

# 7. Risk Analysis

## **Potential risks and challenges and strategies to mitigate them:**

- Regulatory Compliance:
  - Risk: Fintech companies often operate in heavily regulated industries, and navigating complex financial regulations can be a significant challenge.
  - Mitigation: Our strategy involves hiring experienced legal and compliance professionals, stay up-to-date with regulatory changes, and maintain strict compliance from the outset.

- Data Security and Privacy:
  - Risk: Handling sensitive financial data makes fintech companies a prime target for cyberattacks and data breaches.
  - Mitigation: We plan to invest in robust cybersecurity measures, encryption, regular security audits, and educate employees about data security best practices. Our strategy outlines compliance with GDPR.
- Similar business ideas already on the market:
  - Risk: The fintech market is highly competitive, with established players and new startups constantly entering the space. Similar fintech apps already existing in other markets - Kenya with M-Pesa and in Egypt with Vodafone Cash
  - Mitigation: Our focus will be a niche market, continuously innovative, and building strong customer relationships to retain and attract users.
- Technology Risks:
  - Risk: Technical issues, system failures, or disruptions can harm your reputation and customer trust.
  - Mitigation: We are going to implement redundancy, disaster recovery plans, and perform thorough testing. Stay updated with the latest technology trends and invest in scalable infrastructure.