THE WALL STREET JOURNAL.

Scooter Company Gets $60 Million

By Paul Berger
747 words
22 December 2020
The Wall Street Journal
J
A10B
English

An electric scooter company vying for a place in New York City's ride-share pilot program has secured $60 million in funding from investors, including the sponsor of the city's popular bike-share program.

Citigroup Inc. joined venture-capital firm OurCrowd, private-equity firm Winthrop Square Capital, and others to invest in Superpedestrian, a firm that has been awarded contracts in 12 cities since launching at the beginning of this year.

Ed Skyler, executive vice president of global public affairs at Citi, declined to disclose the size of the bank's investment in Superpedestrian. But he said Citi believes the firm has a good leadership team and a well-designed product.

The funding was made through Citi's $200 million impact fund, which is designed to generate returns while tackling societal problems.

Citi is synonymous in New York City with its sponsorship of Citi Bike, the docked-bike share system that is run by Lyft Inc.

Mr. Skyler said he doesn't fear that Superpedestrian, if it is successful, will compete with Citi Bike bicycles in New York. "People should have options and we believe that there's more than enough room for both," he said.

Electric scooters still have a long way to go in New York City where, until recently, they were illegal. The city's department of transportation is proceeding cautiously after other cities had issues with the vehicles being ridden recklessly or strewn across sidewalks.

Superpedestrian is among more than 25 companies that expressed interest in the pilot program that the city expects to launch in March. It will operate only in the outer boroughs because scooter share remains illegal in Manhattan.

Superpedestrian was founded eight years ago by Chief Executive Assaf Biderman, a faculty member at Massachusetts Institute of **Technology** who specializes in artificial intelligence and **machine learning**.

Mr. Biderman and a team that included 40 robotics engineers spent more than four years designing a vehicle intelligence system that can diagnose and maintain itself. Before the latest investment, the company raised $75 million in prior rounds of funding.

The company's first product, a smart electric wheel that turned an ordinary bicycle into a hybrid-electric bike, wasn't a commercial success and is no longer for sale.

The company believes its diagnostic and other technologies will be invaluable in the scooter market, where firms struggle to turn a profit because of equipment, maintenance and repair costs. "Everybody is losing their pants in this business," said Mr. Biderman, who is 43 years old.

Superpedestrian says it can keep costs lower than competitors because its scooters, which operate under the brand LINK, monitor and in some cases repair themselves.

As a result, they last longer and don't need to be maintained or repaired as regularly as other scooters.

LINK scooters run a self-diagnosis every 30 minutes, as well as before and d each ride. If the scooter senses that components such as battery cells or brakes aren't performing correctly, it modifies its performance or stops.

The firm says such diagnostics make its scooters safer than competitors, too.

Scooters have created myriad issues for cities since they were first introduced a few years ago. Some companies that compete with Superpedestrian have been sued after people were seriously injured or killed on scooters that allegedly malfunctioned or were driven recklessly.

Cities have also had to deal with complaints of scooters being ridden on sidewalks and in parks and other places where they were prohibited.

Mr. Biderman said Superpedestrian has solutions for some of the challenges and is working on fixes for others.

Its scooters use a geofencing **technology** that can tell in under a second if the rider is in a prohibited area and stop the ride.

They can tell if a person is riding the wrong way or is regularly braking hard and will send the user a notification that the company doesn't tolerate unsafe behavior.

The company has also developed sensors that can tell if two people are attempting to ride the same scooter. It hopes to introduce a feature in the spring that will prevent such a scooter from moving.

The company launched its LINK scooter in Fort Pierce, Fla., in January. Since then it has expanded to 11 other cities, including Seattle, Madrid and Rome.

Mr. Biderman said this latest round of funding would allow Superpedestrian to expand to dozens of other cities in the next year.

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THE WALL STREET JOURNAL.

Banking & Finance: Stripe to Team With Goldman, Citigroup --- Online payment processor sets deal to offer banking services for merchants, vendors

By Peter Rudegeair
419 words
4 December 2020
The Wall Street Journal
J
B9
English

Stripe Inc. is teaming up with banks including Goldman Sachs Group Inc. and Citigroup Inc. to offer checking accounts and other business-banking services, the startup's latest attempt to become the internet's financial supermarket.

Stripe, which processes payments for millions of online businesses and e-commerce platforms, will soon give its customers the option of offering insured, interest-bearing bank accounts, debit cards and other cash-management services.

These products aren't meant for consumers. Rather, they are designed for the merchants and vendors that do business with Stripe's customers.

Among the early adopters of Stripe's new banking services is Shopify Inc., which, starting early next year, will offer Shopify Balance accounts to many of the hundreds of thousands of merchants that use its software. Shopify Balance accounts will be held at Memphis, Tenn.-based Evolve Bancorp Inc., but Stripe is also teaming up with Goldman in the U.S. and with Citigroup and Barclays PLC internationally to store and move customer funds.

Digital banks like Square Inc.'s Cash App and startup Chime Financial Inc. have recently earned big followings -- and multibillion-dollar valuations -- by providing consumers with alternatives to checking accounts.

Stripe, on the other hand, is focused on automating business banking, specifically for platforms that themselves have existing ties to scores of other businesses.

A number of financial-**technology** companies offer banking and lending services alongside their signature products. Square, for example, offers commercial loans to users based in part on signals about creditworthiness gleaned from processing payments, a business that Stripe also entered last year.

For their part, banks have also looked to partnerships with **technology** companies as a more efficient way to gather deposits than mailed-out offers or branch traffic. Starting next year, Alphabet Inc.'s Google will allow users to open checking and savings accounts at Citigroup and other banks through the Google Pay app.

Coronavirus stay-at-home orders and shutdowns have boosted Stripe this year. More than 500,000 new businesses have signed up for Stripe services since March, and existing Stripe customers like Shopify and DoorDash Inc. experienced a surge of demand.

"For the partner banks we're working with, our intent for it is to be a shockingly effective customer-acquisition channel for them where they end up with many, many more customers," said John Collison, Stripe's co-founder and president.

Document J000000020201204egc40000w

THE WALL STREET JOURNAL.

Lapses at Citi Draw $400 Million Fine

By David Benoit
666 words
8 October 2020
The Wall Street Journal
J
A1
English

Federal regulators fined Citigroup Inc. $400 million and ordered the nation's third-largest bank to fix its risk-management systems, citing "significant ongoing deficiencies."

In a consent order agreed to by the New York bank's board, the Federal Reserve faulted Citigroup for falling short in "various areas of risk management and internal controls" including data management, regulatory reporting and capital planning. The Office of the Comptroller of the Currency, in a separate consent order, also issued Wednesday, said the fine was punishment for the bank's "long-standing failure" to remedy problems in its risk and data-management systems.

The Wall Street Journal earlier reported that the Fed and the OCC were planning to reprimand Citigroup for failing to improve its risk-management systems -- an expansive set of **technology** and procedures designed to detect problematic transactions, risky trades and anything else that could harm the bank.

"We are disappointed that we have fallen short of our regulators' expectations, and we are fully committed to thoroughly addressing the issues identified in the Consent Orders," the bank said. "Citi has significant remediation projects underway to strengthen our controls, infrastructure and governance."

The public rebuke marks a major escalation of regulators' efforts to get Citigroup to fix its risk systems.

For years, the Fed and the OCC have privately pushed Citigroup Chief Executive Michael Corbat to give priority to an overhaul of the systems. Their decision to issue consent orders requiring the changes indicates that the pressure they were exerting behind the scenes wasn't enough.

The reprimand -- in the works for several months -- accelerated planning for Mr. Corbat's retirement. Mr. Corbat, who said last month that he would step down in February, felt the expensive, multiyear overhaul was best left in the hands of his successor, Jane Fraser, the Journal previously reported. Ms. Fraser is currently Citigroup's president and the head of its consumer bank.

The punishment, while substantial, is gentler than the rebuke Wells Fargo & Co. got for weaknesses in its risk-management systems brought to light by its 2016 fake-account scandal. The OCC fined the bank in early 2018 more than $1 billion, and the Fed imposed an unprecedented growth cap on the bank.

At issue at Citigroup is the infrastructure underpinning the bank's systems meant to identify risk and protect customer data.

Many of Citigroup's various businesses, for example, run on their own independent systems that have their own methods for tracking customers and transactions. There are hundreds of identification systems inside the bank. A customer doing business with multiple parts of the bank could have different identification codes for each one.

Regulators have long fretted that the hodgepodge of systems, a legacy of a string of deals in the 1990s that turned Citigroup into a financial powerhouse, could make the bank vulnerable to costly and potentially damaging missteps. A recent high-profile error -- Citigroup's accidental $900 million payment to creditors of cosmetics company Revlon Inc. -- gave credence to their concerns.

The consent orders from the OCC and Fed leave Citigroup with a lengthy to-do list. The regulators ordered the bank to form a new board committee to oversee the risk overhaul and to develop plans for holding management accountable.

The OCC order requires Citigroup to seek approval for any acquisition and gives the regulator power to order the bank to replace managers or directors. The Fed and the OCC already broadly exercise veto power over big purchases.

In its order, the OCC called out Citigroup's procedures for reporting problems within the bank to the board of directors and its leaders' lack of "clearly defined roles and responsibilities." It said the bank failed to comply with "multiple laws and regulations," including the Fair Housing Act.

The risk-management overhaul is expected to be an expensive undertaking. Chief Financial Officer Mark Mason had said the bank would spend $1 billion on the work this year alone.

Document J000000020201008ega80001u

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