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Start-up support

As digital disruption transforms the financial services industry, the need for a hub to support and fast-track fintech-focused start-ups has become more important. Sydney-based Stone & Chalk is the solution.

IMAGES PAUL HENDERSON-KELLY

Fintech is one of the fastest-growing sectors in the financial services market around the world. In Australia, Sydney is the city seeing the biggest boom and is acting as a launch pad for the entire APAC region. Stone & Chalk was founded last year as an innovative way to foster and accelerate the development of start-ups in this ever-evolving space, acting as a physical 'centre of gravity' for the local fintech ecosystem.

From day one, Alex Scandurra has been overseeing Stone & Chalk's operations as CEO. A former army captain and the co-founder of Barclays Bank's accelerator program in the UK, Alex was well equipped to lead. "One of the things I loved about the military was the teamwork, camaraderie, and the shared purpose," he explains. "It was a no-nonsense environment where excellence was encouraged and rewarded. In many respects, my views of the start-up world are very similar. Start-ups have scarce resources; they don't have the time to play politics or sit around waiting for committees to make the call.

"It's a really positive environment, and I get a huge kick out of helping others succeed. The ultimate measure of Stone & Chalk's success isn't how many start-ups we have in our space or how many partners we have, but rather how well we help our start-ups to become successful in their own right and how well we help our partners become 'start-up ready' and collaborate. That's a huge buzz. Our ethos is reflected in the type of people we attract—people who live a culture of paying it forward and giving first. We're here to support shared success."

Stone & Chalk has recognised that if it is to have the biggest positive impact on fintech start-ups, it can't do everything on its own. Thus, Alex explains, the organisation has established strong corporate partnerships with some of the >>



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Company Stone & Chalk
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biggest brands in financial services and technology. These include Westpac, ANZ, Macquarie, IBM, Oracle, Thompson Reuters, Woolworths, and Optus.

“Fintech is a huge opportunity for Australia, and connecting our world-leading finance sector with start-up innovators is the key to unlocking this opportunity. Our partners play a key role, either in directly investing or, more importantly, providing access to some of their internal resources and core technology platforms, or ultimately becoming a customer. We are also about to launch our investor and mentor community to help

provide valuable expertise to start-ups as well as grow the pool of active angel and VC investors in fintech. What we’re doing is helping to facilitate these exchanges.

“Australia is a relatively small market, and what we see is that, rather than David taking on Goliath, it’s actually more important to see David working together with Goliath to create new technology and innovation in Australia, which can then be exported overseas. If we focus only on competing against ourselves, then we might win an irrelevant domestic battle but we’ll lose the global war.”

“Fintech is a huge opportunity for Australia, and connecting our world-leading finance sector with start-up innovators is the key to unlocking this opportunity.” – Alex Scandurra

Alex also believes that having the government on side and supportive of the start-up environment is important. The innovation statement Prime Minister Malcolm Turnbull released late last year has demonstrated that the government now recognises the value to the economy of a thriving innovation ecosystem. More importantly, the Prime Minister and his cabinet understand that we need a holistic approach. The announcement contained a comprehensive set of actions to support start-ups, from tax breaks for early-stage investors right through to changes to insolvency laws.

“I think 2016 is about putting words into action for the government,” Alex says. “While the innovation statement provides quite a nice mix of focus around different areas, I think there’s still more to do in certain aspects, especially fintech. However, it’s a very good first step. One thing we’re all eager to do is help the government successfully deliver on these important initiatives. One only has to look at the UK’s fintech sector, which was five years in the making, to see what it will be worth to our economy.”

Alex firmly believes fintech needs to be a priority here in Australia as it has in other countries, given we have a lot at stake. Financial services is the largest contributor to GDP at AU\$130 billion, or 9 per cent, the largest tax contributor at AU\$11.5 billion, comprising 18 per cent of corporate tax revenues and employs over 420,000 people.

“I think we’re still at the beginning of a booming global fintech sector,” Alex notes. “And hopefully that will continue to develop over the next four years, as we have seen happen in the UK. What I’m hoping is that with the right support from government and the right approach from corporates and regulators, within the next few years we’ll see Sydney and Australia go from ‘zero to hero’ in fintech and become a clear leader in the APAC region. Our opportunity is to complete the triangle of leading global fintech hubs alongside London and New York.”

In just the first five months of operation, Alex’s team has welcomed almost 200 entrepreneurs from over 50 fintech start-ups in a wide range of verticals such as alternative lending, crowd funding, wearables, connected devices, wealth management, data sharing, and super. The residents at Stone & Chalk have already raised over AU\$12 million in funding and employed an additional 35 people.

As Stone & Chalk has grown, Alex says, there has been an underrepresentation of female applicants, an issue he believes needs to be addressed. “Currently, 43 of our 178 residents are women, and we strongly believe we need more female representation, both at Stone & Chalk and within the wider fintech industry,” he notes. “Last year we soft-launched ‘Women in Fintech’ to help address this issue. We brought together female fintech founders and investors, leading women in industry, government, and academia to set the agenda in how we encourage more women in fintech and how we can better support the pioneering women that already are in. We also have plans to ramp up activity in 2016, with an open innovation challenge in the works.”

Stone & Chalk has formed a strategic alliance with the Australia Israel Chamber of Commerce (AICC), and Alex



is thankful for the support and networking opportunities that the group has opened up for him and the start-up sector. “Networking has been really important because businesses have limited resources, and therefore the ability to connect to the right people is crucial,” he says. “I’ve found that the AICC has a brilliant network of people, and, importantly, everyone I’ve met has got the right mindset: they’re happy to help, happy to make the introduction, happy to point you in the right direction and to do business. That’s really key. My experience is that it’s a trusted network which is invaluable, because the AICC cuts across many industries and government, which also include people from diverse backgrounds across the community. That’s priceless.”

Ultimately, Alex believes that it is an exciting time for innovators, entrepreneurs, and start-ups to be in Australia. “I’d like to encourage corporates in particular, and governments, to think about how they can become ‘start-up ready’. My belief is that the big winners will be those organisations that become the ‘go-to’ organisations for start-ups to engage and develop partnerships with. These organisations will be the ones that leading start-ups and innovators will go to first to do business and can, over time, become the difference that can lead to corporate revival and survival. It’s a dynamic that I’ve personally experienced in the UK and the Middle East, and it’s already starting to take shape here in Australia.” ■

The CEO Magazine: You have been working with the AICC around a cybersecurity event for the first half of this year. How did this event come about and what can we expect?

Alex: A big part of our focus at Stone & Chalk is on industry and capability development. One of the things we noticed was both the need and the opportunity for Australia to develop a world-class cybersecurity capability. Most people outside of this space relate cybersecurity to protecting government information or their own personal identity. But imagine what could go wrong if hackers played havoc with our vital infrastructure like water or power supply, banking, or communications networks.

Thankfully, this is another area in which many of us believe that Australia, with its world-class talent and universities, is well placed to play a vital role.

We’ve formed strategic partnerships with Data61, KPMG, the AICC and others to pull together a series of initiatives. Our ultimate aim is to help increase the awareness of cybersecurity among boards and executives across Australia and to use our collaboration model to help create and commercialise cybersecurity innovation that can also be exported.

We will be doing this in collaboration with key defence, government, research, and corporate organisations and start-ups. The first phase of our innovation program will be to deliver a cybersecurity summit in the first half of this year, and we are now taking expressions of interest from organisations that want to be involved in what we are doing.