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NEOBANKS IN THE FINANCIAL SERVICES MARKET IN UKRAINE AND AROUND THE WORLD

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Abstract. *The article reveals the essence and specifics of neobank activities in the digital transformation of the financial market. The authors singled out the types of neobanks, made a comparative description of neobanks and traditional banks. Researchers have classified the ways in which banks interact with financial technology companies. The activity of Ukrainian neo-banks is analysed and the prospects of building a favourable eco-system for the development of neobanks in Ukraine are disclosed.*

Key words: *neobank, digital transformation, fintech company, regulatory sandbox.*

Modern customer needs, mobile internet, cloud technologies, blockchain technology require banks to implement digital innovations and build updated business processes. Neobanks are a phenomenon of digital transformation of the financial sphere. their services are available to customers only through mobile applications and personal computer platforms.

The advantages of neo-banks over classic banks are: low cost of financial products; lack of hidden fees and excessive fines; innovative mobile applications; simplified lending procedure; focus on specific market segments.

Neobanks are divided into 3 types: neobanks, which have their own banking

license; neobanks using a partner bank license and Big Tech neobanks.

The activities of neo-banks in different countries have their own characteristics and largely depend on the specifics of financial legislation, the level of technological development of the country, the system of financial consumer's protection, the interaction of banks and technology companies. The five countries with the most developed neo-banking market include the United States, the United Kingdom, South Korea, Germany, France and Brazil.

Cooperation of traditional banks and fintech companies is realized by implementing acceleration and incubation programs by banks, investing in promising fintech startups, concluding bilateral partnership agreements, acquisition of fintech companies by banks, opening own fintech companies by banks.

Ukrainian banks according to the level of digitalization are divided into categories: Front -end only (41 banks); Active integration (34 banks); Own R&D (22 banks); Digital native (2 banks and 7 non-banks). Ukrainian neobanks are focused on providing services to

individuals, small and medium enterprises, and individuals - entrepreneurs. The most popular services of neo-banks are online payments, transfers, deposits, loans, cashback for some categories of payments. Ukrainian neobanks are looking for specific niches for the implementation of banking services, in particular Monobank starts brokerage, Sportbank works with the category of physically active people, Neobank positions itself as a bank for business and personal services, Bank Own Account works with Fozzy customers. This is in line with global trends in neo-banking, which focuses on specific niches, specific regions and some categories of consumers.

Further development of neo-banking in Ukraine is related with the introduction of international open banking standards of remote customers identification and verification, active use of artificial intelligence and machine learning in finance, development of fintech ecosystem, especially accelerators and incubators, the creation of regulatory sandbox in Ukraine for testing innovative financial products.

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