



Holland Views: Wise (£8.82)

A word to the Wise

Wise is one of our top holdings. Its shares fell c.10% yesterday on fears it is being investigated for failing to comply with money laundering regulation. Whilst we don't give a running commentary on our holdings, yesterday's market fears we thought were interesting and revealing.

Is a financial/payment institution vulnerable to misuse by bad actors/money laundering? Absolutely. The best managers that oversee such businesses know this and realise the crucial role that 'trust' plays in the business of money. As such compliance must be strict and oversight well-enforced, not just lip service. Any suggestion to the contrary can result in investors becoming nervous, so share price falls are understandable when new stories surface. Notable we thought in the Wise RNS statement yesterday was the following text:

“Around one third of Wise’s global team is dedicated to protecting our customers from financial crime.”

We knew this fact before today and think the company right to again bring it to investors' attention. Compliance, money laundering and fraud are the under-reported moat around the best financial service businesses. In that context we think not only is Wise extremely well placed, but its ongoing adherence with so many global regulatory licences (80 and counting) in fact widens its moat.

[Wise vs Facebook of old](#)

Below is an extract from a 2021 research piece of ours on Facebook (now Meta). We hope readers will see the parallel:

This issue raised further the important debate about safety online and the use of a huge amount company resources and systems like AI to manage the various Facebook social networks to make them safer. Across 150 languages the cost of such compliance is now enormous with Facebook claiming it was employing 20,000 people and spending c.\$5bn on the process in 2021 alone. Whether from politicians or activists the question constantly being asked is, “yes, but is that still enough?” In truth it is for regulators to answer this question, not for us as investors.

What we think investors should be doing however is seeing the other side of this coin. They need to be considering that all this investment is creating a far stronger and hopefully in time a far more trusted and safer network. It will also be a far more compliant network, in many many more languages. If Facebook was a hard business to replicate three years ago in terms of scale and reach, the new compliance requirements just made its moat 10 feet wider.

This we think is an important point. Many in US politics and the media are rushing to complain about the state of social networks today, but they are not considering what they might look like tomorrow. If regulators one day required greater compliance by social networks, which companies will best be able to comply? [Source: Holland Advisors: Facebook/Meta – Owner Manager Inc., Nov21](#)

[Wise words from a Wise man](#)

Some of the powerful financial networks of the future will be online businesses who today are far smaller than incumbent banks. Those that win will have great entrepreneurs leading them and powerful low-cost digital empowered business models. However, such companies will not get a second chance if they lose the trust of consumers or regulators. We have heard Wise talk about this fact time and again and know (and can see) how seriously they take this responsibility. See links below.

The analogy with Facebook we think can be taken further. When we were writing about Facebook in 2021, other investors saw two threats to the business. One was new competitor networks emerging and the second was the huge regulatory compliance burden. We saw the second (if handled correctly) as a reason why competitors would find entering this space far harder than say c.10 years before.

With much investor discussion lately on how easily stablecoins can make money transfers quicker and easier, far too little attention has been paid to the importance role of policing fraud and money laundering. Regulation and compliance is very very hard to do, real time, every day in 40 currencies. This moat might be unsexy, but its huge. Thankfully, some in the industry see clearly that the future will require a balance between low friction, low cost, instant money transfers and ‘being regulatory compliant and legitimate from a financial crime perspective’. In case you wonder who said that and when, see below!

*“Stablecoins are becoming a more visible part of the payments ecosystem and could be an exciting development in how money moves globally. At Wise, we have spent more than a decade building the infrastructure that delivers what many see as the promise of stablecoins: instant, low-cost and reliable cross-border payments. New technology will not only need to improve upon the speed and cost of our cross-border transfers, but it will also need to do so in a safe way – **being regulatory compliant and legitimate from a financial crime perspective.**”* Kristo Kaarmann, Wise Plc, interim results, September 2025

Today Wise is in Mr Market’s cross hairs, but we think it will be a long-term beneficiary of the rightly required high level of compliance of global money networks.

[Preventing and combating financial crime at Wise - Wise](#)

[Link to Wise RNS](#)

With best wishes to all

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