



PODCAST TRANSCRIPTION SESSION NO. 90: JASON JONES

Welcome to the Lend Academy Podcast episode No. 90. This is your host, Peter Renton, Founder of Lend Academy.

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Peter Renton: Today on the show, I am bringing on my good friend and partner, Jason Jones. He is one of the Co-Founders of LendIt and we do this every year where we give a little bit of a preview to LendIt USA, but this episode is far more than just an advertisement for LendIt. We spend the first half of the episode, more than half the episode, just going through some of the trends that are happening in the industry; what are some of the things that Jason is seeing. He speaks to more people than me, more people than just about anybody in the industry and he has got his finger on the pulse very much so. You will hear about the trends and of course, we will also talk about LendIt and some of the things that you will learn there and how you will be able to navigate the event. Hope you enjoy the show!

Welcome back to the podcast, Jason.

Jason Jones: Thanks for having me again, Peter.

Peter: Of course, of course. So let's get started, most people have heard of LendIt at this stage, but why don't you give the listeners a little bit of background about some of the previous events we've done.

Jason: Okay, no problem. So I'll start with kind of where I see us today and then talk about how we got there. When I think of LendIt...LendIt is one of the largest gatherings in the world of people focused on innovation and financial services and that has evolved over time. We started it back in...idea came up late in 2012 and we had our first event in 2013 really focused more narrowly on online lending. This is going to be our 5th event in the USA, I can't believe that we're on the 5th event.

Peter: It's amazing, time flies.

Jason: Definitely and it's evolved every year. We went from purely an online lending conference the first year; 2014 we added real estate; 2015 we added digital wealth; 2016 we blew digital wealth out into a full track and we added a panel on blockchain. This year, we're adding a lot more topics on...we're adding blockchain as track, we're adding insurtech, financial inclusion, going deeper on bank technology. It's become much more of a overall fintech conference focused on innovation in financial services...pretty complex agenda and lots of different trends that are taking place throughout the financial services industry.

Peter: Let's just dig into that a little bit because I'd like to get your perspective on the trends that you're seeing. There's lots of different things that are happening, why don't we just maybe start with the trends in tech when it comes to financial services. What are you seeing there?



Jason: Yeah, so I think one of the big themes that is going to come out of this year, more so than other years, is that tech is taking a much larger role in our event and in our industry. There has been a lot of experimentation with technology and it's now getting to the point where it feels like tech is almost getting ahead of...the advances in tech are kind of almost moving faster than the companies themselves. So we all need to learn about what's actually happening out there and how we can take advantage of the massive leaps we're seeing in technology. When I say that, things I'm thinking about are, number one, artificial intelligence...you know, mostly big data and machine learning, but other areas of artificial intelligence as well.

We'll have the keynote speech from IBM Watson. He's going to show us how artificial intelligence is going to be used not only in big data and machine learning, but also in cognitive computing, emotional intelligence, just a lot happening that's going to kind of transform how we do business.

Beyond that, we're looking at blockchain and blockchain is moving from kind of proof of concepts into actual business lines and within that there's transformational types of technology that's developing that's going to change the industry.

And then another thing is digital identity; biometrics is huge this year. We're seeing it, probably the most obvious one is the huge success of Amazon Alexa and the ability with your voice to interact with computers. We're seeing that in both digital identity as well as, again, just interaction with computers. We're seeing a shift from kind of the desktops to an Internet of Things and with that we're seeing a shift towards voice as a result.

There's a lot happening in technology that's changing our world and changing financial services as well.

Peter: You know, it's funny because we got for Christmas the Amazon Alexa and so now my kids, every single day now, they're asking Alexa questions. Sometimes it's just what will the weather be like tomorrow, but my son is a football fanatic these days, he likes to test Alexa and say...who was the MVP of Super Bowl '31 (laughs) and Alexa usually knows the answer. It's fascinating.

To me it's so amazing because voice technology it seems like in 6 to 12 months we have come so far where now, not just with Alexa, but with other...Siri and other things that are happening and it's amazing, the progress it feel like is being made where...you know, I have an Australian accent, my son speaks with an American accent and he's got a childlike voice because he's only ten and it picks up all of our voices, no problem at all and it's really quite impressive to me.

Jason: Yeah, and like I said, I feel like there's a lot of fast advances in technology over the past year and nobody is up to speed on all of the technology that's out there and how to use that appropriately. So I'm really looking forward to LendIt to kind of get a view of the different areas of technology and try to figure out how to piece it together, how to apply it to business, our businesses.



Peter: Sure, so then let's talk about startups for a little bit because we have PitchIt @ LendIt and I was looking and we've got over 250 entries this year which to me is just staggering that there's that many entries in our PitchIt contest. So what are you seeing in the startup world today?

Jason: We've seen no slowdown in new businesses getting started and we are seeing record interest levels in our startup competition, in PitchIt. We've partnered with 500 Startups this year and I feel like our presentation, our ability to provide a startup competition is growing stronger and stronger.

You and I, we're always looking at what's the next thing, what's the most interesting areas that are evolving. Some of the areas that I personally think are most exciting to name a few...on the digital wealth side, I think there's quite a bit of technology that's being developed. We're shifting from just the pure digital robo advisor to actually integrating technology with traditional wealth advisors and integrating technology into the wealth advisory stack so to say. I think there's so much innovation happening in that category right now that's going to help...it's kind of broadening the scope of digital wealth or advice to so many more people that didn't have such access beforehand.

I think another theme that's very exciting and very promising is anything around social impact investing. This is a category that continues to gain more and more prominence. People are looking at not only the profitability of companies, but also their impact on society. Given kind of the state of our political landscape, social impact and the ability to change people's lives, preferably for the better, is something that continues to gain prominence. With that is financial literacy as well. We're doing a lot on financial inclusion this year and we're going to see some overlap between social impact investing and financial inclusion.

Then I'd say probably the trend that I am most excited about is the idea of client engagement and I see two specific technologies coming together that are truly disruptive. One is personal financial management. This is, you know, the next iteration of Mint or any type of kind of financial planning software that has the consumer engaged on a daily or weekly basis on kind of managing their financial life and helping them, again, with financial literacy and properly planning their life. That tool, that engaged tool, combined with messaging I think is truly disruptive to the world.

I think that you add those two platforms together, one, a highly engaged technology and two, a massively distributed communications platform and you can layer on so many other financial services behind that, whether it is an app for deposits or an app for lending or an app for wealth management or an app for insurance. There's so many different things you can add on once you have both that engagement front-end and the distribution mechanism to go around the world basically. So I think you're going to see more companies popping up in those categories and that's a big transformative category.



On the blockchain side, I view the blockchain as the land of giants. Every major Fortune 500 company, every major multinational company is thinking about the blockchain and the categories that I focused most on are kind of supply chain or trade finance categories as well as large scale financial services, back offices, whether it's custody clearing, settlements, bank-to-bank payments. Those areas are...you know, we're moving from proof of concepts into actual products being rolled out by every major bank, all the major multinationals around the world, so exciting to see that happening there.

And, then last category I'd say in VC world is insurtech. I would probably put it in the category of too much money chasing too few deals. Don't get me wrong, there are some really interesting new insurance companies that are popping up, but it's a space that has been discovered before there's been enough time for entrepreneurs to develop business ideas. I think you're going to see that change over time, but right now, the pendulum feels like a little heavy on money and a little short on actual great ideas.

Peter: Yeah, that makes sense. So let's go back to the roots of the business here into the online lending category, what do you see that's interesting here?

Jason: So I've been spending a lot of time with the asset allocators, whether they're investment consultants, the pension funds, the endowments, the people who allocate capital and kind of build asset portfolios and one of the most promising things we're seeing is that in the alternative assets category private debt is probably the number one category for asset allocators this year. There's more money in favor of shifting to that category than any of the other categories, whether it's private equity or infrastructure or real estate. Private debt is a category that's in the process of being discovered and...

Peter: Can you define that for us, what you exactly mean by private debt?

Jason: Yeah, private debt could be...there's a number of categories within private debt, but I would say that peer to peer lending space became the marketplace lending space became the online lending space became the alternative finance space. There's so many different terms for what you would call it.

When you talk to a lot of the asset allocating companies, it's a new category for them and they don't know where to put it and it is often referred to as private debt by a lot of the asset allocators. That's what I'm talking about when I talk about private debt and I think the reason why it's popular is because number one, there is great yield in this space.

Number two, the duration is pretty short whereas the government bond market has been in a bull market for many years, but rates are now starting to rise again. As those rates rise, you want to shift to a shorter duration type of category so private debt kind of fits that well.

Third, there is less correlation to the markets, whether the public equity markets or the debt markets; the correlation is lower than in some other categories.



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So you have a trifecta of really great characteristics; high yield, short duration, low correlation that make the category pretty interesting. As a result, we're seeing big pockets of money coming into the space now.

So what I would say is, I've mentioned this in the past, but we've been seeing insurance companies, large banks come to LendIt the last couple of years, sent a lot of people to LendIt and now we're actually seeing the commitments by these banks in large scale.

Two good examples, one would be back in November, Lending Club announced that Credigy allocated \$1.3 billion to the platform. That was the largest single commitment of any investor to a single originator platform that I've seen. I think it's probably the largest one in history, that was huge deal.

The second one just topped that, just happened in Europe. Aegon, which is a holding company that owns multiple insurance companies including TransAmerica here in the US, they have already allocated in the hundreds of millions to a number of different European platforms including Auxmoney which they had already allocated 150 million euros. They announced two weeks ago that they're increasing their allocation to 1.3 billion euros so that tops the Credigy deal.

So in the last two months, we've seen two massive deals, two originator platforms. I tie that back to the fact that banks, insurance companies, pension funds are discovering private debt as a category.

Peter: So then let's talk a little bit about banks for a second. You wrote an article a couple of months ago called "This Was the Year of the Bank" or the bank partnership, so where do you see banks fitting into this picture?

Jason: I see originator platforms in our category as kind of like I said, high yield, short duration, low correlation. Those are really good, attractive places to park capital no matter who you are, whether you're a fund manager, whether you're a pension fund or whether you are a bank. It works for everybody. So I see more and more banks partnering with originators.

In one case there is an excess amount of capital at banks at a very low cost, deposit-based cost, and as a result they have the lowest cost of capital and can allocate to the category and make a nice spread. So we're seeing a lot of banks kind of do that. As the industry gets more mature, banks allocating to these originator platforms are going to get to be more and more prevalent. That's the easiest thing because it really doesn't take any technology integration or anything. They take capital, they allocate it to the platform.

But we're also seeing the flipside and the flipside is when the bank has a great network of borrowers, but for whatever reason, they don't have a product that matches what the borrowers are seeking and they partner with one of these platforms to offer a specific product to their borrowers such that they don't lose that customer. That's happening more and more, it's typically on a white label basis.



That requires integration so you're seeing more of those types of deals where the banks, they're the originator...you're seeing more of those type of deals with larger sized banks where they have technology staff that's capable of undertaking the integration issues of matching with a fintech company.

They also obviously have to get over the hump of compliance and working with a smaller emerging company, but these smaller emerging companies are now billion dollar companies and in some cases have a billion dollars of cash in the bank so they're not small anymore.

Peter: Okay, so we're recording this in early February, we're more than a month into 2017, so what are you seeing this year that's different to maybe 2016?

Jason: So one thing that I'm really kind of interested to see is last year at the...our real estate track had the least number of attendees and I've always loved real estate. I think it's a great category, but for whatever reason, it just didn't get much attention last year and I'm seeing investors start seeking the real estate category more aggressively. They like the yield, they like the fact that it's backed by an asset, it's a secured investment, and we're seeing fund managers publicly announce that they're shifting more capital into that space. So I'm kind of curious to see if we see a rush of investors into the real estate category this year so I'm going to be looking at crowd levels in real estate, I think it's kind of interesting.

The other one that kind of is short duration, high yield that's getting a lot of attention is invoice finance. It has always been a popular category, but it feels like the level of interest has picked up, even more so this year.

And then we're adding new categories that we've never covered before that look really interesting; equipment finance, autos. These are categories that are new for LendIt, new for me and I'm kind of...I'll probably be spending some time in those rooms, kind of getting to know some of the companies.

Peter: Okay, so can you just give everybody like a...let's step back and give the listeners a little bit of a 30,000 foot view or an overview of how the agenda is going to work just so they can see how they'll be able to spend their time.

Jason: Okay, so LendIt is always a little crazy because we have a lot going on at the same time.

Peter: We do (laughs).

Jason: Last year at it's peak, we had 18 simultaneous pieces of our content or sessions happening at the same time and we heard audience feedback. We understand it was too crazy, there was too much happening and it was overload for everybody. We're still a little crazy (Peter laughs), but we're less crazy this year.



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We have eight categories this year, down from 18 so, hopefully, it will be a little more manageable for everybody. The eight categories that we're focused on are number one, our bread and butter, is innovation in lending; number two, we're covering the fintech universe which includes blockchain, insurtech, wealth management; number three is the global perspective. So we view LendIt USA as the global kind of flagship conference and as a result...we get a lot of innovation happening in Australia, India, China, of course, Mexico and Canada, Latin America; a lot of different places so that's what's happening in the global track

New this year is financial inclusion, really excited about this track. We have quite a few new speakers and it's just a new category for us generally.

We're bringing training back. We believe that this category is more about workshops as opposed to just sitting up and listening to a panel. We want actual interactivity there. We're doing that in sales & marketing as well as in technology & operations.

We've got a category on bank technology, that's new for us. We've always had kind of bank partnerships, but this year we're going deeper into digital banking as well which is a category that's extremely hot in Europe and getting warmer here in America.

We're bringing back real estate again, like I mentioned.

Finally, we have the investors' perspective which includes both tracks, you know, what's happening in venture capital, what's happening with large fund managers, etc. as well as a place where fund managers can pitch to asset allocators, that pitch their funds to asset allocators.

So those are the big categories we have at LendIt this year.

Peter: And let's just talk about the keynote stage, which is obviously the other track that is very important. What are some of the sessions you are looking forward to on the keynote stage?

Jason: Yeah, so I view LendIt like a movie and you don't want to go watch the same movie every year. We need to keep it fresh, we've got to find innovative people and keep it interesting for everybody that continues to come back.

So the speakers we have on stage, most of them are new to our audience and new to us and we're really excited to have them starting with Ash Gupta, President & Head of Big Data at American Express. This guy's a legend, he's been at American Express for 40 years and he's been responsible for developing their credit and underwriting technology and infrastructure over that time so really excited to hear what Ash has to say about how American Express views innovation in financial services

We've got Thomas Curry, Head of OCC, obviously hot right now. Everybody wants to hear what the OCC is thinking with their new fintech charter, how that's going to impact our industry.



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We've got John Sculley, the former CEO of Apple and former CEO of Pepsi, who is now the Vice Chairman of a credit company called Lantern Credit that helps with financial wellness, helps again with what we've talked about before about helping people develop their financial literacy and wellness.

We've got Antony Jenkins, the former CEO of Barclays who is getting on stage and will be talking with Brett King about digital banking and trends in that space.

We've got...oh, this is a nice one, we've got Harit Talwar, the Head of Digital Finance and Head of Marcus by Goldman Sachs. This is Goldman's first public presentation of Marcus and, of course, we're really excited to hear what Harit has to say.

Another power player who we've met over the past year, Andrea Jung, who is formerly the CEO of Avon, where she helped thousands of women start their own businesses and took that same kind of focus on women-owned businesses and became CEO of Grameen America, a non-profit that's one of the leaders in funding women-owned businesses in the underserved category of our economy. We're going to hear what she has to say about financial inclusion. Andrea also happens to sit on the board of Apple and the board of General Electric, like I said, a power player.

We also have a couple of really interesting investment and digital wealth companies; we've got Motif Investing which is going to make a big announcement at our event and Jon Stein of Betterment. We had Jon in China with us and he did an amazing job and we're really excited to have him present here in the US. And, of course, of course, we have our title sponsor and the company that's always been very supportive of us. We have Scott Sanborn giving his inaugural address to LendIt as the CEO of Lending Club and, of course, we're excited at what Scott has to say.

Peter: Indeed, we are. So let's talk a little bit about networking. People obviously come to LendIt to learn, but also to meet new people. So what's LendIt doing to help facilitate networking this year?

Jason: We have given a lot of thought to networking and we are experimenting with some new ideas for the first time. As LendIt evolves, it becomes less of a conference where you go to sit in panels and more of a convention where you have thousands of people. We have a giant expo floor, thousands of people meeting, conducting business, networking, so we're spending a lot of time figuring out the right technology, the right construct to maximize networking at LendIt.

Just as in the past, we'll be rolling out the LendIt app which is where you can find the various people who are coming to our event and you can connect with them. In addition we're rolling out an addition to the app which is specifically for one-on-one meetings and with this new piece of software you can find people, schedule a one-on-one meeting at a specific location at the event and through this app you should be able to schedule many, many one-on-ones during your time at LendIt. We have special time scheduled during our conference dedicated specifically to one-on-ones; we'll have fund managers and banks host office hours where you'll be able to



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approach those banks or fund managers, sit down and have a 10 minute conversation with specific people.

And then, of course, my favorite is we have parties, the parties, we're going to have tons of parties Monday night, Tuesday night. Tuesday night is fun, we're having the first annual LendIt Awards Show which should be really interesting. We've got 18 categories of different leaders in the field, whether it's best small business platform, best consumer platform, best service provider, etc. so it'll be interesting to see...oh and we have a panel of 20 judges who will be picking those winners so it will be interesting to see who the judges pick. I think it's a great honor for those companies that win.

Peter: Indeed, so we're almost out of time, but I just want to touch base on what's coming next after LendIt USA, like can you tell a little bit about what's coming up later on in 2017?

Jason: Okay, so the spring is LendIt USA; we have our annual event every year in the spring. The summer is our China event and the fall is our European event so we have three events a year. The China event is held in Shanghai, it will be July 15th and 16th and then our European event will be held in December of 2017. So we look forward to both of those events and as soon as USA is over with, our attention immediately shifts to building the agenda for China, rolling that out as well.

Peter: Yeah, we take like two days off and then it's straight back into it.

Anyway on that note, we've run out of time, but it was great to chat with you today, Jason. Thanks for coming on.

Jason: Absolutely, thank you, Peter.

Peter: Okay, see you.

Jason: Okay, bye.

Peter: If you've listened this far then you're probably already coming to LendIt, but if not, if you haven't bought your ticket yet, go to LendIt.com. It only takes a couple of minutes and be sure to use the coupon code LendAcademyVIP, that will give you 15% off the retail price of the ticket. Everyone is going to be at this event, it's going to be the biggest event ever in the history of our industry. I'll be there, Jason will be there and I look forward to seeing you there too.

On that note, I'll sign off, I very much appreciate your listening and I'll catch you next time. Bye.

(closing music)