



PODCAST TRANSCRIPTION SESSION NO. 229 - SUSAN FRENCH

Welcome to the Lend Academy Podcast, Episode No. 229, this is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

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Peter Renton: Today on the show, I'm delighted to welcome Susan French, she is the SVP and Head of Product at BBVA Open Platform. Now, BBVA, obviously, is a well known, very large international bank, Open Platform is their new Banking-as-a-Service offering. BBVA is a real trailblazer here in offering.... they're the largest bank offering a Banking-as-a-Service type product.

I wanted to get Susan on just to talk about sort of the genesis of Open Platform, what it is exactly, who the clients are, the types of different clients they're targeting and how they differentiate themselves from others offering Banking-as-a-Service. And then we spend some time at the end discussing trends for 2020 and it was interesting.

It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Susan!

Susan French: Thank you.

Peter: Okay, I'd like to get this thing started by giving the listeners a little bit of background, you've had quite an interesting career at some of the major companies in finance. So, why don't you give the listeners just a little bit of background, particularly what you did before you came to BBVA.

Susan: Sure. Immediately, before I came to BBVA, I was at Visa, I was there for twelve years and had a variety of roles. Started out as a product manager in the Disputes Area, eventually became Head of Enterprise Architecture and had what Visa called Research and Central Technology which was their CTO office. The last thing I did at Visa was to create and launch the Visa Developer Center which was Visa's program to expose its services externally to the world through APIs and other services like it.



Before Visa, I ran my own independent consulting company for a number of years working with fintechs and web design firms. Before that, worked with a large IT consulting company and ran a division that created and delivered software for banks they can use for their credit operations, so application processing, credit bureau interfaces, behavioral scoring, collections recoveries. I've been working in the financial services business for a long time.

Peter: Right, right, okay. So then, what was it that made you decide to go join BBVA?

Susan: BBVA was doing some very interesting things, the genesis of Banking-as-a-Service. BBVA is the only bank of our size in the US that has opened APIs for Banking-as-a-Service. That was a nascent project at that time that I first started talking with BBVA and it was just such an interesting concept to be at the ground floor of buildings, be of service and seeing it grow, and evangelizing it. It was a great opportunity.

Peter: Yeah, okay. So then, you arrived at BBVA, it sounds like, before Open Platform existed, right. So, tell us about the genesis of BBVA Open Platform and why the bank wanted to do this.

Susan: The very beginning days of Open Platform was actually a development work that was needed to integrate Simple and BBVA bought Simple. At the time that BBVA acquired them, they were connected to a different bank so a set of integration APIs had to be built in order to enable Simple to integrate with BBVA core banking system. That kind of happened before my time.

But when I came along, BBVA had discovered, as a result of the experience with Simple, that there was a much bigger world of opportunity out there by generalizing and extending the services that were built to support Simple into a much broader Banking-as-a-Service platform.

When I joined, BBVA was just the beginning of that process where we started with the kernel of what was created for Simple and then expanded it and added new features and services built out of robust, scalable platform, both for technology and for compliance and regulatory monitoring and created an actual Banking-as-a-Service business. And that was the opportunity that I came to BBVA to do and what we've been working on since the two years that I joined.

Peter: Right. So, is Open Platform really just focused on the US? I mean, obviously, BBVA is a Spanish bank with operations in many, many countries. So, what's the geographic footprint for Open Platform?

Susan: For Open Platform, we're right now geographically just in the US. We are working to expand our ability to support cross border payments. That's something we're going to work on probably the first half of next year, but right now our focus is in the US for our specific platform.

As you probably know, BBVA and the other geographies in Mexico with a partnership announced between Bank Homer and Uber and the number of the activities in BBVA Spain. There are similar activities going on in most of BBVA's major geographies, but, for right now, our



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focus is in the US. We think there is a sea of opportunity to support this service in the US before we have to worry about internationalizing.

Peter: Sure, sure. So, let's dig into Open Platform for a minute. Why don't you tell us the different types of services, the different types of Banking-as-a-Service, I guess, offerings you have.

Susan: Sure. There are fundamentally five services we currently offer on the platform. The first is consumer KYC, so it's a set of APIs and tools that enable our clients to perform bank grade KYC and a deeper view on their consumer customers. We have a similar set of APIs for business customers so Business KYB. All of that is digital, so our clients who are using those services can perform KYC and onboard their customers to our platform digitally.

We have services related to the opening of BBVA accounts, so all of those can be done digitally and instantly; similarly, issuing debit cards associated with those accounts. Probably our biggest and most generative services is what we call Move Money which is our on-demand payment services. It has a single API that allows our clients to move money from one account to another via a variety of different payment methods, depending on what makes sense.

So, we support payments via ACH debits and credits, same day and regular, via card-based push and pull so CardPull and CardPush. We have an agreement with a bill payment provider that enables us to support electronic bills payments and what we call PayAnyone. It is a service that allows our clients to electronically generate a check, paper check, and mail it to anybody who needs to be paid for anything that is required.

We're looking at adding other payment options in the future, so both domestic and international wires, we're looking at other real time payments rails to see how those can be integrated. What's beautiful about the service is that a single integration to the Move Money API would enable a client to take advantage of any of those payment options as their option, depending on whether the source and the destination account is a bank account, a debit card, or a bill payment payee. They don't need to build a separate integration to use different forms of payment.

The last piece is our Real Time Notification Service. So, we provide a whole set of real time notifications around every major event that occurs on the platform that a client can subscribe to and receive in real time.

Peter: Right, okay. So, that's a pretty broad set of services. Maybe we can talk aboutI'd love to hear about some of the early clients. I think it was about a year ago you guys launched from memory, so tell us when you launched and maybe talk us through some of the different types of clients that you're working with and even a couple of examples, if you could.



Susan: Sure. We had an early data at the beginning of last year with a couple of select clients to kind of shake down the service, but we launched BBVA Open Platform publicly in October of last year, so we've been in production live for roughly about 14 months. We have a variety of clients on our platform, we have a couple of examples, oh, in fact, generally, about who would be interested in Banking-as-a-Service because that's often a question we get, great, but who needs the stuff. We're here to think of our market as being divided up into five broad categories.

The first and kind of most obvious is digital banks, so if you want to launch a digital bank in the US and you don't want to get your own banking charter then you need a bank partner to work with like us. We can provide you with the ability to onboard customers, open accounts, issue cards and make payments. So, there are a couple of digital banks who are existing clients, Simple being one of them; Azlo which is another BBVA found entity is a small business bank that sits on our platform, and we've recently launched a digital bank called Wise which is a small business bank as well on our platform

Second category is what I would call Service Economy, or Gig Economy businesses. So, anybody who needs to pay contractors, pay independent workers, you know, think, dog walkers, drivers, delivery people, you know, anyone who is in a sort of non-traditional payroll category may see ability to embed within their apps the ability to pay those people. So, there's a large economy associated with that.

We have a project going with Uber in Mexico that enables Uber drivers there to get paid through an integration between Bank Homer (?) and Uber. We don't do that in the US yet, but you can envision similar kinds of projects with clients in that industry. The second and third group is what we would call the Ecosystem Marketplaces where there's a need for affiliated parties to be able to collaborate together in an ecosystem that allows them to perform their business and at the same time pay and be paid.

One of our current clients is a company called Tuvoli and they operate a marketplace for private jet aircraft charters where they bring together brokers who book trips on behalf of their customers, so people, or businesses and an ecosystem of providers, pilot, aircraft, fuel, caterers, hotels that have to deliver a booked charter and through Tuvoli's marketplace environment, the broker and the providers collaborate with each other around booking trips, scheduling them and then reserving them and when the trip is completed they use our Banking-as-a-Service capabilities to pay and be paid.

Peter: Interesting.

Susan: Now, a couple of other prospects that are similar ecosystems, one is around an ecosystem for residential construction, put everything together a collection of builders alongside who are building residential homes and on the other side, the suppliers and contractors and materials providers that need to get paid as part of that process. So, I think there's a number of opportunities there.



The fourth category is kind of traditional disbursements. Enterprises of all kinds are realizing, especially in a B to C environment that more and more consumers want to receive payments electronically, or instantly and so there's that category of enterprise disbursement use cases fortake insurance companies, merchant rebates, suppliers settlement, purchase settlement where businesses want to operate from paper check disbursements to electronic payments, or from slower electronic payments to faster electronic payments.

They want to be able to integrate that directly into their claims system, or into their rebate system rather than having to, you know, go to some payables, or ERP system on the side in order to generate those reimbursements.

Peter: Right, right.

Susan: Now, last one is kind of financial wellness, there's a whole group of emerging fintechs around helping consumers mostly how to manage their financial lives, whether it's automated savings programs, Robo advising programs, financial budgeting. So, a couple of our clients fall in that category.

Digit is one of our largest clients and they have an automated savings program where they enable their consumers to connect their external bank accounts to their Digit account, set savings goals. Digit monitors their spending and income and finds opportunities when it's safe to tighten up small bits, save them toward a goal. One of those goals could be paying a bill, or paying their credit card debt which is a particular program that they're running with BBVA.

Another client is a company called Catch and they describe themselves as a portable benefits platform for self-employed people. So, self-employed people don't have an employer to give them benefits like health insurance, IRAs, investing advice, the ability to save for their "time off" and so Catch is building a platform based on our platform that enable self-employed people to create banks accounts and to use those to take advantage of these benefit services that Catch offers.

It's kind of a pretty broad swath to go through who our target markets are and who some of our current clients are.

Peter: Yes, interesting, So, you know, there's a mix there, but it seems to be mainly startups you're working with. I guess that's probably not unusual because they're the ones that have kind of a lot of the needs for these new services, but are you equally focused on more established companies, even large companies?

Susan: Oh, absolutely. I think your observation is spot on. In our initial days, our initial focus was building and testing with small and medium sized fintech companies who are obvious targets for these, but also adaptable and amenable and helped us, you know, to find the features of the platform and shake out its operations.



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But now, we are very much engaging with larger and enterprise clients who have the similar need. Some whether it is a large fintech that wants to build banking services into their environment, or wants to be a bank, or whether it's a large enterprise that wants to add electronic payments, or instant payments and disbursements to their environment. They're equally likely targets of opportunity for a service like ours.

Peter: And so, is the goal to sort of bring, or is the primary goal to bring new customers to the bank, or is this really a....like are you kind of a standalone division within BBVA that is really independent of that other goal?

Susan: We're actually both. We are an independent venture of the bank, we have a profit and loss goal revenue target just like other ventures as a bank do, but one of the reasons why the bank has been willing to create us and invest in us is that we do bring customers to the bank that the bank may not otherwise get.

If you think about how BBVA US could build its customer base, that's sort of traditional advertising, marketing, direct mail certainly generates a certain amount of new customer origination every year. But, if you think about it, the network effect of bringing customers to the bank through third party relationships..... if we have ten or 20 or 50 of these third party relationships that could be supported by our platform and each of them bring 50,000,100,000, 200,000 customers with them, it's an opportunity for BBVA to add customers, add deposits and add revenues that greatly eclipses what could be done through traditional customer acquisition channels for a bank.

Peter: Right, sure, sure. So, BBVA has been, pretty famously, one of the more innovative big banks globally and I know about the BBVA Innovation Centers around the world, of course there's BBVA Ventures, the venture capital arm, I mean, how does Open Platform interface with these innovation centers, particularly with BBVA Ventures?

Susan: What we are, as I mentioned earlier, we are an actual independent venture and we exist within a business line in BBVA called New Digital Businesses which has a couple of different functions. One is to incubate and create new digital businesses. There are several of them that share the same floor with us including Simple and Azlo the Open Platform which is the computer enabling platforms for that, as well as a business on its own right and then Total, propel and Visa Ventures for both investing at various levels of investment in other third party businesses.

Peter: Right.

Susan: So, we pay service at platforms for both incubating new businesses and for providing services as needed to the companies that BBVA Ventures invest in. We have less of a direct relationship with BBVA's innovation centers only because the US has been a little bit slower to build innovation center capabilities than Spain, for example.

Peter: Right.



Susan: So, out of the innovation center activities, hackathons and the other innovation programs that the global bank operates are more Spain-focused right now than they are in the US, but I would expect that as the US builds out its own innovation center, we will be very much connected to that as well.

Peter: Okay. So then, there are sort of other companies in this space that are offering this Banking-as-a-Service, particularly some of them might be offering one, or two of the capabilities that you guys offer, how do you differentiate what Open Platforms offer compared to other Banking-as-a-Service providers?

Susan: I think there's a couple of differentiators. If you look at most of the other Banking-as-a-Service providers who provide white label Banking-as-a-Service, you typically find that there is a partnership between a technology platform provider and a sponsor bank. And so, an enterprise that wants to integrate Banking-as-a-Service from one of them typically has to work with two parties.

Peter: Right.

Susan: They have to work with their technology provider and they have to work with whomever the sponsor bank is. Whereas, with BBVA they get all, both of those rolled into one. So, when they work with BBVA, we are both the sponsor bank and the technology platform which makes integration more straightforward, which gives them a closer relationship from a compliance and regulatory support point of view than they might otherwise get and a more seamless integration from their front end through our API platform to the bank's core.

Peter: Okay, that makes sense.

Susan: Now, there are other competitors who are similarly structured, who are both the bank and the technology platform and there are, obviously, all the big guys, you know, Chase, B of A, Wells Fargo, are building API platforms of their own. However, they've been primarily focused on those API platforms positioned as an alternative delivery channel of services to their existing clients rather than as a white-labeled service like we do. Will they wake up one day and discover the opportunity that we see? Probably. But, right now, both of them are focused on providing API-based integration as another way for their existing clients to access existing services.

Peter: Right. By the time they wake up, you'll have a large and very well-established offering, so they'll be playing catch up. (laughs)

Okay, so in the remaining time we have, I want to switch gears. Here we are at the end of the decade, we're recording this just a few days before Christmas and this will be published early in the new year, but as we look forward to the new year, you're in a very interesting position here at BBVA, you had your time at Visa and really interesting to hear your perspective on some of the fintech trends. What do you see, at least some of the main themes that you expect to be front of mind for the industry next year.



Susan: Obviously, I think Banking-as-a-Service (Peter laughs) will continue to grow and become more and more prominent in the affairs of companies in the US. I think we're just scratching the surface of the number of use cases that can be supported by Banking-as-a-Service and I think to the extent that enterprises of all sizes adopted consumers and businesses.

Customers will see future improvements in the level of servicing commitments they get from customers because now payments are becoming more invisible, or more automatic and banking opportunities exist for a wide variety of technology companies to offer, So, obviously, if we are counting on that from the point of view of BBVA's continuing investing in Open Platforms, but we also think that as a general trend that will see more and more of it coming in the new year.

Peter: Sure, sure. So, what are some the other trends then?

Susan: I think that we will see some continued growth in the US government's focus on faster payments. I think like most of my colleagues in the industry, I'd like to see it happen faster than I think it's actually going to. I mean, now is a great directional statement, but it's like more years away from being reality than I think we would like and so I think we, US financial institutions, are a little bit behind the curve compared to many other countries in the world that have been able to build truly ubiquitous real time payments. So, I hope to see an acceleration of that focus in the new year.

I think it's going to be interesting to see what happens with some of the Big Techs and their sort of banking and payment-related activity. We have seen Google announcement, we have seen what Apple Pay and Goldman are doing, we've seen Amazon sort of get in and then get out of offering checking accounts. It will be interesting to see sort of who advances farther in developing digital banking and payment services for consumers and businesses.

The small fintechs that seem to be driving most of the innovation today, or the bigger technology firms will finally sort of figure out how they're going to tackle this market and then be able to put their obviously massive investment and brand weight behind it.

I would love to see and hope to see continued growth and ubiquitous mobile payments and contactless. We've seen a lot of improvement in penetration in the US over the last year, I'd love to see it happen faster. I think mobile payments, not necessarily mobile banking, but mobile payments has a huge outside opportunity that I hope will accelerate significantly in the coming year.

Peter: Okay, we're almost out of time, but I would like to get your take on the digital banking space because it's been one of the things for 2019, is this incredibly rapid growth and big funding rounds that we've seen from these digital banks.

I mean, you've got Chime and Dave that now have many, many millions of customers and adding them in very rapid rates, in Brazil, you've got Nubank, in the UK, you've got Revolut and Monzo and Starling Bank, N26 in Europe as well. It seems to me that these digital banks are



adding customers faster than some of the biggest banks in the world can add them. So, what's your take looking at it from your perspective on what the prospects are of these digital banks.

Susan: It's a very interesting question and I agree with you, new digital banks are popping up everywhere and some of those, the big established digital banking names in Europe, particularly N26, Monzo and Revolut have announced their plans to move to the US and tackle the US market. And, as you noticed, some of the digital banks like Chime have entered the unicorn territory now in terms of their value.

I think a couple of things, most of them are announcing, as you noted, very rapid growth in the number of customers, what they don't talk about the number of active customers. Our own experience has been that there's a lot of experimentation by consumers. They find out for these accounts because they want to see what the experience is like, is this a more intuitive, more pleasant, more engaging experience than the last one I tried? but they don't necessarily deposit money and they don't necessarily transact.

I think we're going to see a lot of churn for a while until the ones that have the most compelling value proposition and ones that are able to build an engaging experience that keeps the same consumer coming back all the time will emerge, and some of the others will tend to fall by the wayside.

The challenge for these digital banks is, how do I build competitive differentiation? how many no-fee checking accounts can you offer (Peter laughs), or they have to find something else that creates that compelling value proposition, or an engaging enough experience that people stick with you rather than the others. The ease of establishing an account with a digital bank is a double-edged sword, it's really easy to apply and really easy and frictionless to become a customer, but then it's easy to do the same thing with the next bank that comes along.

Peter: Yup, yup, that makes sense. Last question then, I'm just curious aboutas you look ahead personally to 2020, what are you working on that you're most excited about for next year?

Susan: Two things, one is just scaling the platform and as we talked about earlier, sort of working with larger companies that have more complex needs and much larger scale for us to see double, triple, quadruple the scale of clients and transactions that we're processing.

The other thing that we're focusing on is just adding more options to the platform. Right now, we can digitally open checking accounts, but, you know, we'd love to be able to add the ability to digitally open other kinds of accounts and expand that service for our clients. We're always looking to adding more ways to pay.

Peter: Right.



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Susan: So, whether it's adding RCT integration, or adding Zelle, or adding other suppliers, or whatever the next option is, the more opportunities we can provide our clients to use whatever payment rails makes sense for their customer using the single integration we provide and that just adds that much more value to our platform.

Peter: Right, right, it sure does. Ok, we'll have to leave it there, Susan, I really appreciate your coming on the show today.

Susan: Oh, you're welcome, thank you for the opportunity to chat, I really appreciate it.

Peter: Okay, see you.

Susan: Bye.

Peter: You know, I think BBVA are in the right place at the right time with their Open Platform offering. Banking-as-a-Service is going to be a huge trend of the 2020s. We talked about Embedded Finance which is really what this is. I think the reality is every single company on the planet has a financial function and that is really underutilized.

What Banking-as-a-Service does, what Embedded Finance does is getting more and more granular as time goes on and companies are going to be able to offer small, medium, large companies a range of financial services that could have only been offered by banks in the past. I think it's super exciting and it really feels like to me as a complete rewiring of the financial system and it's going to happen in this decade.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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