

# LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 314. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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**Peter Renton:** Today on the show, I am delighted to welcome Kevin Olsen, he is the Senior Vice-President of Payments Solutions at VSoft, but he's more commonly known as The Payments Professor. He provides education to bankers and fintech companies and pretty much anyone on payments, particularly when it comes to digital payments, so this is what we're going to be talking about today.

It's sort of a Payments 101-type class in a way which I know that many of the listeners, myself I'm included with this, is we come from a lending background, we don't necessarily have as much knowledge on the payment side so I wanted to get Kevin on to really help us learn some of the basics, some of the things that we probably should all know, but don't, and how the payment system works. We cover ACH, FedNow, we talk about QR codes, we talk about access to the Fed Payment System, talk about digital wallets and much more. It was a fascinating episode, hope you enjoy the show.

Welcome to the podcast, Kevin!

**Kevin Olsen:** Thank you, glad to be here.

**Peter:** Great to have you. So, why don't we get started by giving the listeners a little bit of background about yourself. I know you're known as The Payments Professor, but let's go back before that and tell us a little bit about the arc of your career.

**Kevin:** The arc of my career, it's actually interesting because I recently got asked, how does one get into payments and I tell them, it's truly on accident. Not many people I know go, I want to go and get in electronic payments, in fact, a lot of people don't even know what it is.

I got into electronic payments because a couple of decades ago, I was teaching IT, I was teaching how to be like a Windows Systems Administrator, how to build computers, all that kind of good stuff and I had a student that was visually impaired, I mean, he could not see anything. But I worked with him at this technical college and taught him how to be able to work in computer networks, even taught him to how to hand-build computers and, you know, states do what states do and they decided, since you have so much success in the program, we're going to just cut your funding (Peter laughs).

Wait, I'm out of a job suddenly, right, and well, the local newspaper caught wind of this because, you know, the newspaper here is the government does something like that, it's front page-type news. Okay, it was really page six in a tiny little corner, but they put an article out about it and

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then the next day, this gentleman shows up at my door at the class and he goes, you're going to work for me. I'm like, who are you and what am I going to be doing because I do need a job.

It turns out that he owned a software company that created electronic payments or what we know as ACH or Remote Deposit Capture software and he said, if you've been able to work with these kids, you've been able to teach them how to build and do computers when they can't even see it then we've got some financial institutions that really need your help. Suddenly, I'm in the banking industry.

**Peter:** Right, interesting, interesting. So, yes, if you can teach blind people.... the metaphor is obviously there, but bankers are sometimes blind to the changes of fintech. Maybe before we dig in, I do want to make....we've got a lot of stuff I want to cover today, but let's just talk a little bit about VSoft, what your role is there and how it interfaces with The Payments Professor.

**Kevin:** Okay, let's start off. VSoft is actually a global payments company, we are based out of India and out of the US, but we have presences in multiple countries and we work in the electronics payments world. We provide a lot of check clearing services and it's interesting too because a lot of, if you have bankers and credit unions listening in, they're probably using our services and they don't know it. I compare it to like Intel Inside, you know, you buy a Dell computer, well, it has Intel inside and you may not know that unless you look at the sticker, right, and we do a lot of the backend things when it comes to check processing, but we also do a lot of things when it comes to the electronic processing.

The fact that we've moving now on VSoft is towards faster payments, towards core systems that are able to move in real-time and what I do at VSoft is I am the strategic visionary, is one way to be able to put it. I am the Company Spokesperson, I'm the one that goes out there and serves on the regulatory boards. You really want to know excitement, you have not lived until you serve on a Electronic Payments Regulatory Board and somebody's argued the word and versus but for two hours. (Peter laughs). It's amazing stuff.

But, I get to be out there serving on these boards, I get to be out there seeing what's happening as far as where is the industry going, where did the rules, the regulations, sometimes even the politics say the industry is going. And then I come back and I convey that information to our developers, to our software team and this is what we need to build for in the future, this is where we need to be able to make adjustments for, this is what the public is clamoring for. And it is my job to be able to be in that way a "payments whisperer" that I can go through the regulations, I can go to what's happening in the industry and then I can come and explain it to the software guys because I guess some of that goes back to where I started off in the IT world.

**Peter:** Right, right, got it, got it. So, how'd you become The Payments Professor?

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**Kevin:** Okay. Becoming The Payments Professor is a really great story. As I got into electronic banking, I ended up getting a job working for what's called a Payment Association. Their job is just to be able to influence the rules and regulations, it worked kind of like a congressman in electronic payments because they are territorial, they are regional and I worked for an organization that was mainly out of Virginia and Texas and Florida and North Carolina and I would, you know, do all the national stuff, learning the rules and regulations and then I come back at the state level and I would teach it to everybody.

I would also teach them how to be able to get prepared for a lot of the electronic payments certification programs we have like there's a program called the AAP, there's a program called the APRP and another one called the NCP. For people working in the banking industry who want to advance their careers, they need to have that, in fact, our auditors look for those things too and I was teaching those things and people are like, you're so good at teaching these. You know, I said, "payments whisperer" before, there are people who said, you are the "ACH whisperer," you're able to take this stuff and you make it make sense. You know, if you've seen any of the YouTube videos, you know, that's my gift because I can take the complicated stuff in and kick it out in ways that make sense.

Then I met Mr. Veeraghanta at VSoft and we're talking and he goes, you need to put this on YouTube and I went, what? He goes, you need to help people, you just help people in a way that makes them understand, I want you to be The Payments Professor and I went, what? (laughs) Again, I've already been wearing the bow tie so, you know, the bow tie was already there and he and I together, we had this vision and he said, let's do this, let's go ahead and let's make electronic payments easier to understand. That's one of the things I strive for, I call it "edutainment." Electronic banking can be so boring, to have to read the rules, I mean, it can bring you down, but why not bring some excitement into it, why not bring some entertainment into it, why not make it easier for people and I mean everybody, people who are processing payments and people who are receiving payments to understand what happens.

The questions I get a lot are simple things like, how do we endorse a check or the scary one is my money got stolen, what do I do now and I have just tried to really find ways to answer and provide solutions and understanding and information to the world is what it's become through the YouTube channel, to VSoft on what it means to work in electronic payments and how it works.

**Peter:** Right, right, okay. So, let's get right into today's lesson, shall we? This is for my interest as well as the interest of the listeners here. We are going to go through a whole bunch of just payments topics so we can become clear. So, we've already talked about ACH a couple of times, I want to understand from start to finish what happens during an ACH payment. I mean, you go in, you log into some website, you put in your bank details and you say you want to pay by ACH, yes, and away you go, what happens then?

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**Kevin:** Alright. Well, Peter, get your notepad out because there's a professor, I'm going to have to give a quiz, just so you know. So, let's start off, I've got a feeling you like to get money, right. Would you be okay with receiving some money?

**Peter:** Of course.

**Kevin:** In fact, that's what you do, you receive money, you receive funds and we're going to work in the world of credit. So, any of the experts out there listening go on, hey, wait, there's debits too. Yes, in ACH we have credits and debits and there is a little difference in how they flow, I'm going to stick with the credit for today and, Peter, I'm going to say, you want to be able to get your payroll and you want to get it through what we call direct deposit. You want to have your money on payday in your account when you wake up and you don't have to do anything, right, isn't that a nice thing to have.

How does that happen? The way that happens is you're going to be the Receiver, that's your technical term, we're going to call you the Receiver, you're going to receive the funds. For that to happen, you first have to go to your company that you work for and we're going to call them the Originator. There were the payment instructions or the payment itself is going to originate from and you're going to sign up for the direct deposit, you're going to provide them with your bank or credit union routing number and account information. Now, that could be easily done with a voided check or you can find that information off your website or off your app, you give them that information. Now, payment has not entered the banking world yet, this is between you as the employee, the Receiver and that business, the Originator.

Now, the Originator, they're going to have a relationship with a bank or credit union which we call the ODFI, the Originating Depository Financial Institution, they're going to take your payroll information along with all your co-workers and they're going to put it into a file and in that file will be all the payroll transactions for the company and that Originator sends it on to the ODFI. Now, at ODFI, they're going to do some risk controls, they're going to make sure the money is there so that you're going to get paid and the money can be collected and they're going to make sure that, you know, there's nothing funny going on, somebody's not trying to embezzle money even. Once they've done all their risk controls, they're going to take that file and they're going to forward it on to the Federal Reserve Bank, now we refer to the Federal Reserve Bank as the ACH Operator.

You know, when I think of the classic operator here, you know, how can I help you, you know, in directing the calls for where they need to go. Well, the ACH Operator, the Federal Reserve, they're going to direct the payment to where it needs to go. What the Federal Reserve Bank does, ACH Operator, they collect these files all day long, they collect them from every bank and credit union who's sending ACH throughout the day. As they collect them, they pull them apart and then it makes singular files for the individual banks and credit unions. So, let's say you're at Bank ABC, when that files comes from your company that you work for through the ODFI and

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the Federal Reserve Bank receives it, they pull Peter's Bank ABC payment as well as any other Bank ABC payment that's coming through because what is happening is we call that batch, store and forward processing system.

They're going to batch together all the payments that go to Bank ABC, they're going to store them until certain times, until certain windows throughout the day and then they're going to forward it on to the RDFI, that is the Receiving Depository Financial Institution. In the Receiving Depository Financial Institution, they are the bank or the credit union where the Receiver, you, has your account so that they can then post your money to your account and it's all magic, just happens over, well, hours to days, depending on the situation.

**Peter:** Let's talk about that. So, there are many countries in the world that have instant payments. I'm from Australia and we've had it in Australia I think for a couple of decades now and you talked about that VSoft working on instant payments, but the FedNow is .....obviously, the Federal Reserve now has been working on that now for a couple of years, they said it's coming, it's coming in 2023 or 2024, how will FedNow change that process you just mentioned?

**Kevin:** First, I want to say, I'm known for saying a lot of times, I've got my own little quotes that people know me by and one of them is "there's a place for every payment, every payment has its place." And if we even go back to that process to how that payment flowed, the process is actually the same for every payment channel. We may have different names for the people involved occasionally like sender versus receiver, stuff like that, but the process is still going to be the same, person, financial institution, middleman, which you know is going to be an operator of some sort, receiving financial institution receiver, that type of process is always there. What determines how long it takes is the channel we choose to go like checks, they can take a long time, ACH is a little bit faster.

Every payment system has its pluses and minuses for how we do that. When we look at FedNow and FedNow is going to be a gamechanger, there's no doubt about it, when it becomes available in 2023. It will be under the basis of doing only credits, there will not be any debits and will be a credit only push system. And because of how it will work to where only I can send money out of my account and I can only push credits, nobody can debit my account and we will have what we call Settlement.

Settlement is a process that gets confusing a lot of times for non-banking people. Settlement is where money actually moves, see we have happened a lot of times is we don't have money move, we have the appearance of money moving, we have payment instructions moving, but people don't realize that money hasn't really moved until what we have call Settlement. Even in ACH, that Settlement piece, it doesn't take place all the time, all throughout the day like what will happen at FedNow.

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So, FedNow won't batch and store things, FedNow is going to be....I want to send Peter money, I hit the button right now, bang, your phone is going to pop up, hey, Peter, the Payments Professor just sent you money. Settlement for that between your bank and my credit union or my bank takes place immediately, within 20 seconds, actually all of that will take place, but it will be a one-off payment instead of being batched toward and forward and that's going to be the big difference. Instead of batching and storing things together, we'll have one-off payments that will take place instantaneously, 24/7, 365 too. ACH doesn't work that way.

**Peter:** Right.

**Kevin:** ACH is only when a bank is open or a credit union is open, what we call a banking day.

**Peter:** I totally get that. That's what people say that, you know, we ought to send money on a Saturday and it'll actually be in your account on a Saturday, you don't have to wait till Monday which is great. So then, I want to go back to your payroll example. You've probably seen some of the fintech companies that have been advertising, you can get your pay two days early and I actually have my pay deposited into a fintech company and I do get my pay two days early. What happens there, how can they do it and others don't, what is the secret to getting it two days early?

**Kevin:** Well, it does depend on how they are doing it and I say it does depend on how they're doing it because there's a couple of different ways it can be done. First of all, there is some risk in what they're doing and they are willing to accept that risk and they're accepting the risk that that Settlement piece I talked about may never take place. That final Settlement, they never take place and they'll be the ones left holding the proverbial bag and not have the money because whoever account they put it into took off with it.

Well ACH, because it is such a reliable system, it's actually probably one of the most reliable payment channels we have out there, is reliable for how it works. When we send credit transactions through ACH, you have the ability to send them two days in advance. If that payroll takes place on Friday, it's typically sent on Wednesday, if not Thursday for it to arrive on Friday and this is great because it does give us security and safety. If something goes wrong, we can fix it, we can pull it back, we can make adjustments, okay, and because they do send it that early and you can't send it more than two days though, but because they do send it early, a lot of times the banks and credit unions, they are saying in their core systems, hey, the money is here, but it's not dated to be what we call effective. There's an actual field called Effective Date in an ACH. It's not dated to be effective until Friday, so here, it's Wednesday, I see your transaction, but it's not effective till Friday.

So, because I don't want to put myself in a risk situation, I'm not going to put it in your account and I don't have to, in fact by rule or regulation, I don't have to put it in your account and tell that effective date which is on Friday. Now, these fintechs and some of these other banks or credit



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unions that are doing this, they're saying, I see this or some of them are just going, I have a history of receiving this on your behalf and I believe because you got good credit, I believe you're going to continue to get it. So, I'm just going to go ahead and post it to your account, based off on what I believe the amount's going to be, hoping it will show up or in the case of this one I'm describing, they're seeing it and just say, I'm just going to go ahead and put it in your account. So, they are taking a risk by basically giving you a short term unsecured loan and making those funds available to you when they do that.

**Peter:** Got it, got it, okay. I want to switch gears a little bit and want to talk about mobile payments. You know, I've spent a lot of time in China over the last few years and, you know, they have Alipay, WeChat, everything is done on a mobile phone. You can go buy a banana from a vendor and you can pay by mobile phone, you can even give money to the homeless, they have a little QR code there. So, everything is done with QR codes and starting to see it a little bit in this country, would love to get your take on the future of QR codes as a payment method. Where do you think...if it's going to take off, where will that happen?

**Kevin:** Well, I believe it's about to happen. I'll give you two main reasons why I believe it's going to happen. The first one is my 11-year old, he can do it, okay, if he can do it we're golden. In fact, he taught me how to do it a little bit, I have to confess. I live in Tampa and during the pandemic, I took my 70-year old mother and my 11-year old son out to eat and we go to eat and one of the first things we come across is a QR code for the menu, not the payment yet, but the menu, right. And, I'm telling my Mom, Mom, we're going to have to get you a QR code reader so that you're able to get these menus and even eventually do the payments for these meals and stuff when I'm not with you.

And she's like, oh, I don't need that, I don't want to get that, it's going to be hard, it's going to be difficult. In fact, that's what we call a friction point right there, it's a friction point making it hard. Well, my 11-year old son goes, Dad, you don't need to download anything. I'm like, Son, I'm The Payments Professor, you need to download a QR code. He goes, no, Dad, your camera will do it and he pulls out his phone, yes, he has his own phone, he pulls out his phone and he is able to instantaneously pull up and read this QR code. He showed me one of the key factors, friction has been removed. I don't have to have a special app, I don't have to have a special reader and the story does progress where we did actually make the payment with the QR code. Not every restaurant is doing that, but some are doing it and it was a small merchant. Small merchants starting to get it is a huge indicator.

The second thing that tells me this is going to happen was just last week. I'm a creature of habit, I typically go to the same gas station because I work on a fuel rewards program, I like being able to save up and get, you know, \$20 to 30 cents off a gallon every, you know, 50th fill, it seems like and I went to one that was just more convenient because I was in a rush. I'm at this gas pump and I look up and there's all these QR codes right in the corner, right beside where it tells me how much money I'm spending and how much gas is going in and I look closer at these

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QR codes and they are payment QR codes. All I had to do was be able to...as soon as it was done pumping, hold out my phone with the app that my 11-year old...he knows it's out there, the adoption, the friction's been removed, I don't have to go in, I don't have to touch anything, I just pull out my phone and I can now scan that QR code at the pump.

Now, at the pump is what's key here too. At the pump has been a huge litmus test for the world of payments. I hate to say it, but it's really where most fraud gets tested, is at the pump. You've heard of skimmers, people skimming and taking your data from cards, that usually happens at the pump because you can hide, you're not going to be seen, you're able to get away real quick, but now, to be able to see that the QR codes are showing up there right where I am able to make my checkout, that means they're coming and I know that they're coming because more people are starting to expect them.

VSoft, we've had a product in India, like you experienced over in Asia, we've had our product in India that's been available for a few years that any merchant can just post a QR code, you just scan it and your payment goes through. The US has just been slow on that adoption, but I really believe because the friction is being removed and because of the ease of use at the pump or at every location is coming, we will definitely see a rise in the adoption of QR payments.

**Peter:** Okay. My next question is around access to the Federal Payment System because this is something that I read about quite a bit and, apparently, every bank has access, has a Federal Reserve account. Like you just said, they kind of have access to the payment system, but fintechs don't, some of them have been arguing that they should. What does it actually mean to have access to the Federal Payment System?

**Kevin:** That one's actually a pretty loaded question on how to go about it. I'm going to take it from the point of view of a Federal Reserve bank account, let's look at it that way.

**Peter:** Okay.

**Kevin:** You actually have a Federal Reserve bank account and there's having an account and having access to one, big difference between the two. To have a Federal Reserve bank account, you must be a financial institution, you must have a true real deal routing number and that's not just something you can buy off a shelf at Walmart. You've got to go through a secure process to be an established financial institution to be able to then set up and have an account at the Fed. So, no routing number, no account at the Fed, but access to that account is different. Access to that account can be because like VSoft, we have Fed line access, we have the ability for being able to have direct connections or things like FedNow, when it becomes available and ACH products, check products, that type of stuff.

Some, not all, but some of the fintechs have that type of access too and they have it because they have relationships. Like in our case, we work at corporate credit unions and what we call



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bankers' banks which are banks and credit unions for banks and credit unions, it's a whole another level and layer there, and they allow us to be able to make use of their accounts and allows us then to be able to have those connections. So, not every fintech is going to have that type of relationship and established connection, but there are some that are out there that definitely do.

**Peter:** I want to talk about digital wallets because this may be part of the QR code conversation or not, but we've seen obviously a big increase in the pandemic of digital wallets. You know, I use mine, Apple Pay, a lot more than I used to. They're gaining traction, but still haven't really broken out where everyone's using it. What needs to change, do you think, for digital wallets to really become mainstream?

**Kevin:** It's back to that friction. It's the mass adoption capability, it's when you can use anywhere, anytime and that's why we see a lot of success with debit cards. Debit cards are accepted pretty much everywhere you go and it can go credit or debit so it's got options that are there whereas you go back to your digital wallet, you mentioned even Apple Pay. Apple Pay is usable in a lot of places, but definitely not everywhere and it's because of that...what happens with the end-user experience and, I'm one of those that's done this, is I got used to using it or I've had funds on my Apple account that I've gotten as gift cards or stuff like that and I want to go use it and I need to find a place to be able to spend this money.

It's only, you know, used in special locations and it's not a mass adoption so when I hit those, again, it's a friction point in payments as we refer to it as. When I hit that friction point, suddenly that, yep, I've got a digital wallet, oh, I've got a digital wallet, how am I going to do this and where can I actually use it. So, I believe a QR code helps solve for this even though in my gas station example there were four different ones, you have to scan the one appropriate to your digital wallet app to be able to use it. But I do believe we are getting closer to that plus you got to be able to go set that up and in some cases, depending on the cards themselves, it can be a task or a challenge. You know, you need a millennial close by to be able to help get everything set up.

**Peter:** (laughs) Yes, indeed, or a GenZ, okay. So, I want to talk about crypto and DeFi, Decentralized Finance and I also want to talk about Central Bank digital currencies, but first, let's touch on crypto because a lot of....you read some of the evangelists here and they basically say that crypto is taking over banking, it's going to be like in the next decade or two, everything will be done on a decentralized platform. What are your thoughts on crypto and DeFi, particularly when it comes to payments?

**Kevin:** Oh, I definitely believe it's coming. Again, I'm one of those that stand on the side and I try to watch what's happening and a great personal example I can give you is my two sons, I have a 28-year old and I have an 11-year old. My 28-year old was a kid, he would get checks

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from Grandma and then he would go, Dad, what am I supposed to do with this, okay. So, he will come to the bank with Dad and Dad would turn it magically into cash for him and he was happy.

My 11-year old, he gets cash from Grandma and he's like, Dad, what am I supposed to do with this, I don't want this. (Peter laughs) It's like, Dad, I want Roblox, he wants a digital currency usage that is in a specific use case too. You know the Roblox video game that's out there, that's where he prefers to have his funds, his equity, I guess you can even call it, so he does not want to have the cash, he wants to be in a totally digital world, he doesn't understand why you even carry it around, he thinks it's weird, you know. And I even once gave him a \$50 bill just so he could it and he's like, what do you want, why, why, just put it in my account somewhere.

We are seeing more and more people realizing that the tangibility, the physical money, it's getting to be a dated concept. You know, certain generations, you have to be able to touch and feel it, our rules and regulations even still say, you've got to be able to touch and feel it, but we're starting to see that they don't really have to be able to touch and feel it. Maybe we can have currencies for specific use cases and they can meet those specific use cases quite well like in the case of Roblox. You can look how much money that company is making through the use of using their own internal-type currency, it's not actual true cryptocurrency, I want to stress that, but it's their own internal-type currency, it's quite effective for their uses.

I'm starting to see more and more in the world of cryptocurrency too, you've heard of Bitcoin. I was blessed I got into Bitcoin not early enough, but a little bit early and has been good to me. I can't tell you how many people along that journey are like, why would you do that, it's the tulips, you know, it's like the tulips in the Netherlands years ago, it's just going to disappear and it looked like it did. Don't get me wrong, it looked like it did a couple of times, but then it's one of those things that, well, wait a minute, it would slowly build momentum. There are definitely people who think it's never going to happen, but there are just enough of people that think it is, that are causing it to happen and personal opinion, it's the older outdated thinking that says it's not going to happen, it's the people who are afraid of the change, it's the people who are just holding on to the old ways that are saying it's not going to happen.

Whereas, the younger generation, they are more forward thinkers, they're seeing these use cases, they're implementing these use cases, they are the ones that are causing more of a rise in the crypto-type and electronic currencies, even the digital wallets, and they are forcing it to happen. So, I do believe it is the payments of the future and we are seeing like the OCC, they came out with an interpretive letter earlier this year, I think it was 1173/1174, not sure of the letter number, but they talked about this, what we call Stablecoins.

And they even said, hey, financial institutions, you can start working with these things, Stablecoin, that is, however, in doing so, you've got to start looking at the risk. That's a huge indicator for what's going to happen in the industry when they start getting recognized by a governing body, like in this case the Office of the Comptroller of the Currency, the OCC, who

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oversees the top tier financial institutions and they say, you can do it, but this is what we want you to look at when you're doing that. That is one of our earliest indicators of it's coming in the banking world, we just need things like the FDIC, the NCUA to get onboard as well.

**Peter:** Right. What about Central Bank digital currencies, I mean, the Federal Reserve is looking at it, we actually have a session. By the time this is published, it'll be in the past, but we have a session coming up with someone from the Fed talking about it, but I'm curious about how .....I mean, it's still not so clear how it's going to work yet, but we've talked about the Federal Reserve and its role in the payments system, what do you think would happen if we end up with the Central Bank digital currency?

**Kevin:** Well, again, a lot of it is going to come down to point of view. It is another one that I do believe it's going to happen. My number one indicator why it's going to happen is because everybody says it's not, it's not, you will never need it, you will never do it. You know, I've heard that with blockchain, I've heard that with cryptocurrency, I'm hearing it currently with CBDC, however, it's happening in other places around the world and it does have definite use cases, that's the other thing. You can have money dedicated for specific instances, you have such amazing trackability with it too.

The other thing is we have worries in the electronic banking world, one of our biggest risk is, it comes with what we call OFAC, Office of Foreign Asset Control. We don't want to be funding or processing, delivering money that is going to drag cartels, that's going to terrorism, that's going to weapons of mass destruction or human trafficking, anything of that nature so there is so much scrutiny over where payments and how payments are flowing in that realm that CBDC helps to eliminate.

Now, full disclosure, cryptocurrency is not as traceable in that case, that's one of its biggest concerns, is it's harder to have some of those risk monitoring apply whereas at CBDC, because it's internal within the system itself, is easier to be able to monitor, it's easier to be able to control and trace and it takes away a lot of the anonymity that you have like with cash, it's really hard to trace cash unless it goes to the banking system. Cryptocurrency has got some traceability issues too, but CBDC, no doubt, it can be traced and it can be monitored, it can be watched and it can be predicted even.

**Peter:** Okay. We're running out of time, but a couple of more things I want to get to. I want to hit you with some of the big names in payments and I'd love to kind of get your perspective on it. So, just quickly, let's start with Stripe, what's your perspective on Stripe?

**Kevin:** Stripe did the ability, they removed the friction. I have to say, full disclosure, I use Stripe so, you know, I'm going to be a fan of them. On The Payments Professor website, I got all these courses and all my payments are processed through Stripe. When I first started it, I was not

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happy, I'm going to tell it to you because I didn't really have many choices with the website I was using and how it was set up, they're like, hey, you have to use Stripe, okay.

Well, I still have some concerns because it can be a little pricey, in my opinion, and I would like to actually be able to go directly to a bank just because of my history and what I know, might be able to get a better deal, but at the same time, Stripe has given me incredible convenience. Stripe is also out there and anybody who's a small business owner probably knows about Stripe, your consumers out there, they may not, they may be clueless and that's fine, but it is out there and it is one of the biggest, easiest options that if you're in an online environment to be able to hook up and start using.

**Peter:** Right, right, okay. Square?

**Kevin:** Square is about the same way. Square, you know, came to popularity about 15 years ago when they created the card reading dongle that you could put on a smartphone. I remember getting one of those as soon as I could and it made it to where you now have the adoption of card scanning anywhere you want to be able to go to. That's one of their big things, is they went out and they took over, I felt like that sector of the industry so that you could be let's say at a flea market and you could be a merchant of one and you could have the ability for scanning those cards.

Again, though, a lot like Stripe, it does come with a price. You are typically paying a little higher price than what you would pay with a financial institution and, in fact, that's where...let's circle back around to your QR codes, if we circle back around to your QR codes, I believe Stripe's starting to do this and Square too are having QR-related products.

I know, VSoft, we have a product called Pigeon where we're going QR-based too to fill those same issues to where you have the payment, like for example, at a flea market. Imagine you're somebody there selling something, when you sell, let's say it's a guitar, a \$1000 nice guitar, you want to make sure you get that money as you watch that guitar leaving you, right, because you're never going to see it again if you don't.

And so, that's one of the things Square did, is with the dongle you can go ahead and get the card information and process the payment. With our product, Pigeon, we do the same thing, we'll give you a QR code that right there you can have it pop up and you can do the RTP or the FedNow push payment that takes place in seconds, definite settlement and know it's there and know that you got your money. And so, those are big things that they are offering and what's out there and made available.

**Peter:** So, just a follow up on that. Is that operational now, the Pigeon product, where you can use a QR code for instant settlement?

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**Kevin:** It is, but it is only usable, at this point in time, through RTP and only through a couple of our corporate credit unions that we're working with.

**Peter:** Okay.

**Kevin:** We are also working on getting it out for mass use and mass adoption and because of the pandemic some of that slowed some of that down and it's been slowly but surely being put out there for everybody.

**Peter:** Okay. Another company I want to get your feedback on, Marqeta?

**Kevin:** That's more of the B2B space is what they're doing. There's a great article I read on them today that, you know, they're using purchasing cards so they do have some physical cards out there, but what they have done is they recognize that the purchasing card is not going away yet or the physical card is not going away. So, they made a big announcement about using recycled cards and they are, you know, going to be more plastic-earth friendly in using their recycled cards.

But, the B2B aspect is an area that a lot of people don't realize that so many payments are going through. For example, look at a restaurant, when you look at a restaurant and you go through their menu, almost every single item on their menu came from another merchant. So, if they've got milk, that's coming from the dairy farm, they've got, you know, tomatoes, that's coming from a local farmer and the carrots could be coming from a different farmer. If they've got the plates that you're using, that's coming from another merchant, the tablecloth, that's coming from another merchant, the table you're actually sitting at, that's coming from another merchant, the cleaning supplies to clean the restaurant, another merchant, I can go on and on and on.

And so, the world of B2B payments, especially in the case of like a restaurant to be able to keep up with the supply of everything they need for that restaurant for your dining experience to take place, it's off the charts. People don't realize that it's not only them processing the payment for you to come in and eat, it's not only processing the payroll for the people that work there, but it's paying all these other businesses that they've got to be able to work with too and that's a huge area, the B2B payments.

**Peter:** Right, okay. So, last question before we wrap, when you're looking out into the future what are the payments trends that you're most focused on?

**Kevin:** Well, okay. One of the ones that...and I serve on a group called the Payments Innovation Alliance, we have a group called Conversational Payments. We get together and we talk about vocal payments, yes, it's great to be able to pull up and use my phone, but have you used your watch for anything, have you used like some of the smart rings that they have, what

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about it being just your voice, talking to...I can't say her name, it starts with an A and ends with an A and it's got a LEX in the middle, if I say it she's going to come on and ask me what I want at the moment (Peter laughs).

But, if I talk to her and have her do payments for me or the other one does SIR, I, and I said that wrong on purpose too, if you talk to her, you know, the phone devices, we're seeing that trend starting to move forward of vocal payments. Why stop and have to touch something, why stop and have to actually open up the app if I can just say, hey, so and so, can you pay so and so for this, can you send this money to this person or what's my bank account balance or oh no, I forgot to pay the insurance, send my insurance payment over to my insurance company right now.

I believe that's where we're going, that it's going to be even easier, it's going to be vocal because your vocal print is so unique to you and you can have passwords with it now the thing's in there. Now, the flip side of that is, you know, the privacy aspect, you don't want to be on downtown Times Square and be like, hey, so and so, send the money to so and so and here's the passcode out loud, but there are things that we have to work around it.

**Peter:** Okay, we'll have to leave it there, Kevin, really fascinating conversation today. Thank you so much for coming on the show.

**Kevin:** Absolutely, thank you, Peter.

**Peter:** Okay, see you.

In many ways, it was payments that really led the fintech revolution with PayPal, you know, 20 plus years ago and now, Square has been around, as Kevin said, for many years and you can see that for a mature vertical within fintech there's a lot of changes happening and there's going to be even more happening over the rest of this decade. So, it was good to get, I think, some fundamentals nailed down here. I learned a lot in this episode, I hope you did as well.

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

(music)