

LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 374. This is your host, Peter Renton, Chairman and Co-Founder of Fintech Nexus.

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Peter Renton: Today on the show, I'm delighted to welcome Matt Oppenheimer, he is the CEO & Co-Founder of Remitly. Now, Remitly, as the name suggests, is in the remittance business, they're all about sending money overseas and we talk about exactly how they do that, the challenges that that involves, we talk about that in some depth. We talk about the typical customer who is the typical person who is sending money back often to their home country, we talk about the role of cash, we talk about the role of crypto and Matt also provides his vision for the future of the remittance space. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Matt!

Matt Oppenheimer: Thanks, Peter, great to be here.

Peter: Okay, great to have you. So, let's kick it off by giving the listeners a little bit of background about yourself, like I know you've been doing Remitly now for quite some time, but can you take us back, give us some of the highlights of your career to date before Remitly.

Matt: Fifth generation Idahoans so I'm from Boise, Idaho, went to Dartmouth undergrad then did investment consulting for a couple of years so was working primarily on venture capital, private equity although I was on the client side, a great exposure with LPs, limited partners, did investment consulting there for a couple of years. Went to Harvard for business school then joined Barclays Bank in a general management program so not investment banking, but retail and commercial banking originally in London, UK Corporate Bank, a bank that's been around longer than the United States, fascinating experience, right and then I was in Coverage Group so Sales Group, was kind of Chief of Staff for the Head of UK Corporate Banking Sales and then moved to Nairobi, Kenya.

I was Head of Mobile Internet Banking initiative for Barclays Bank Kenya, consumer banking, launched Internet banking, helped improve their mobile phone banking platform and it was in Kenya we talked a lot about Remitly, but I've traveled close to a hundred countries throughout

LendIt Fintech



my life even though I grew up in Boise. And it was most poignantly though in Kenya I saw the pain for me to send money internationally, was getting paid in pounds, living in Kenya shillings, eventually had to get money back in US dollars, but I saw how much more important it was and how much even more difficult it was for a lot of my Kenyan friends to receive remittances from their loved ones abroad and that combined with M-Pesa, a mobile wallet that was transforming domestic financial services at that time, felt like the right opportunity to start Remitly so that brings us ten years later, having founded the business we're at today.

Peter: Alright. What led you to move to Kenya, you thought it was going to be a fun opportunity, something different. It's a bit of a change to go from London to Kenya.

Matt: Yeah, it's a great question. So, at Harvard Business School, one of my professors who then became Dean, his name is Nitin Nohria, he gave me phenomenal advice. I've traveled close to a hundred countries and so I knew I wanted an international experience coming out of HBS and I knew I wanted general management experience. By the way, it's not the most typical path for somebody who graduated from HBS so I was seeking that out and Nitin was my professor in this formative class called Authentic Leadership and Development and so went to him for advices because I was debating on opportunities and I said oh, this is amazing, I'm going to go to Barclays, I'm going to go to London and while London is a very international city, I love it, he told me, a year or two in actually making this decision it's like you're getting it in London.

I also said, you know, they had a presence at that time in ten African countries and he said, now, you're going to get to London, you're going to be working at One Churchill Place which is the headquarters of Barclay, everyone is going to tell you, stay there. And when they tell you that if you're drawn to have an international experience, follow your gut of what you're telling me now and move to, you know, East Africa where I specifically wanted to focus. And that didn't happen, right, like you get the London, the headquarters, everybody was like what are you thinking, like you're trying to build your career here at Barclays, you're at the headquarters, why are you moving so far away and shifting from commercial to retail banking. But it was the best decision I could have ever made, the road less traveled, it led me to the idea to start Remitly and I'm super, super grateful for Nitin's advice and how it's kind of brought me to here today.

Peter: Right. I'd like to dig in a little bit, if we could, into that founding story that you just touched on with Remitly. I mean, you saw the challenges that people in Kenya were having, it's one thing to see the challenges, it's another thing to start a company to help solve them, tell us a little bit about your thought process and some of the sort of the formative stages of the company.

Matt: One of the pieces of advice that I got, we went to the Techstars which is like a accelerator program six months after I started the company. There was a mentor in Techtars which leads to the answers of your questions, he said, find something that pisses you off, find a problem that

LendIt Fintech



pisses you off and kind of refine it a bit to be like find something that you want to solve or it's not a problem you want to solve.

But his advice was astute in the sense that I think a lot of entrepreneurs fall in love with a solution not a problem. So, for me, I knew I wanted to start a company, like I interned at a venture capital firm in college, I've always been drawn to that, I come from a family of entrepreneurs going back to like the Gold Rush in Boise where they started a local mercantile store, but I didn't know the problem I want to solve. I knew I wanted to leverage technology, because it has a bigger global impact, but I was really patient in trying to find that problem I wanted to solve and I found it as I mentioned in Kenya with remittances and how difficult they were.

I did not know the solution when I started it, I thought it would be for mobile phones to mobile wallets, mobile wallets are a great way to disburse funds in certain countries like Kenya, turns out at that time in the Philippines nobody really wanted to get money into mobile wallets. So, there were a bunch of pivots in the early days that I won't bore you with, but there were significant pivots that being one of them, broad disbursement network as opposed to just sending funds to a mobile wallet, but lots of other pivots. And so, I think that was one is falling in love with the problem not the solution, in terms of the founding story.

The other component of the founding story is I think it takes a leap of faith, I think there's so much complexity, so much more complexity than meets the eye and I think had I sat and tried to outline everything that you need to do just to start a money transmission company I would have been like, yeah, good luck, buddy (Peter laughs) that's going to be very difficult. I think there is a tenacity that's required that if you talk to any entrepreneur I think tenacity and perseverance and just taking one step forward every day is an often underappreciated value in successful entrepreneurs, less about the idea, it's more about finding the problem and then having the tenacity and the audacity to just keep chipping away at it to get through the barriers and the complexities that come with starting a new business.

Peter: This is not a new idea, right, I mean, there's been some companies in the remittance space that's been around I think, not as old as Barclays, but certainly quite well established companies, what was going to be different with Remitly, was it going to be a cost-saving piece? You, obviously, must have looked at these companies deeply, I imagine, before you started, right?

Matt: The first answer to the question is I think that timing also matters for starting a business and the timing, the benefit that we had was I started in 2011, easy to forget, ten years to go, like the first iPhone was launched in 2007 launched so I already had a iPhone in 2011 or an underwriter's smart phone device, especially in emerging markets and that's exploded obviously. I think that that has also made the world much more connected where you can provide a better customer experience so, believe it or not, like 15/20 years ago and to your

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point, there are remittance companies out there that has been around for 150 years. It used to be that you'd like fax the details and the back-in the remittance company that like fax the details to their like center office so like then they would fax the details to like one of the 7,000 islands in the Philippines and it was fraught with delays, with costs, with complexity.

And so, not only is there a better way with smart phones to connect directly with consumers, but also there is a way to speed up and make transactions much faster and much more affordable and that's the macro trend that I saw with M-Pesa on the remittance side in Kenya, but it's something that is much broader than just picking up funds ending up in wallets. Smart phones have obviously transformed the way the world works to connectivity and we've been able to therefore provide a much better customer experience, it's much faster and more affordable. So, that was the main insight, but a lot of it does come down to timing and kind of understanding, you know, where those trends are happening and starting businesses at the right time.

Peter: Right, right, got you, okay. So then, how do you describe Remitly today?

Matt: Our vision is to transform the lives of immigrants and their families so senders and receivers by providing the most trusted financial services on the planet and most of what we do is remittances. You know, we send billions of dollars now and yet we're 2-ish% of the total addressable market and so a lot of room to continue to grow and you can think of us like most of what we do is a mobile phone alternative to an offline cash-based way of, you know, going and giving physical money to send to places like Mexico and beyond the Philippines.

Peter: Is this from the US to these countries, what are the main points that you're talking about?

Matt: Yeah. We send money between 135 countries now, that means that money is generally originated from North America so US and Canada, Europe and then a few APAC countries like Australia and Singapore. So, customers link their bank account, their debit card, whatever local payment system is available in the country and then they can send money to over a hundred restive markets in Asia, Africa and Latin America.

The way that funds are picked up are either instant bank deposit to billions of bank accounts, hundreds of millions of mobile wallets around the globe, hundreds of thousands of cash pick-up locations, door-to-door delivery is popular in a handful of markets where a courier comes and delivers funds to your door and regardless, the recipient is getting an update every step of the way on, you know, where the funds are at and getting reference numbers if they need that to pick-up the funds when the funds have been deposited into the account, etc. so that's sort of our broader course.

Peter: I'd like to kind of dig into what you just said there and you've got someone who's working, let's say they're working in America, they're sending money to the Philippines, for example, like they have an app, a Remitly app on their phone that's connected to their bank account, I

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imagine, so they put an amount and who they want to send it to and then what happens after that exactly? How do they, like you said there's all sorts of different delivery mechanisms, is that dependent upon where that person is exactly or what is the process?

Matt: The vast majority of our transactions are existing to customers, you know, repeat transactions to send money back for basic living expenses, tuition, emergency medical expenses, etc. so just for context it's usually just a couple of clicks in that way, but I'll explain the first time of customer experience so you get a sense. The customer will download the app in any digital device, they'll link their bank account or their debit card, they'll give us information they need to so we can verify their identity for compliance reasons and security reasons, things like name, address, last work, social security number in the US context or date of birth or tax ID and then they'll enter in the recipient's name and the recipient's phone number so we can give them real-time updates and then they'll pick on how they want to send money to that recipient.

That could be via a bank account, the recipient's bank account, they can also enter in the recipient's debit card number via a partnership we have with Visa then send the fund into the bank account linked to that debit card. They can send money to cash pick-up locations at which they select the cash pick-up location and we'll send a text message saying Matt sent you 10,000 pesos take this reference number and your ID to the nearest cash pick-up location to pick-up the funds, door-to-door delivery I mentioned where a courier comes to your door, mobile wallets, etc. and after the sender has selected all those actions they click send. And then usually within minutes the recipient then gets a text message saying the funds have been deposited into that bank account, here's that reference number and the sender will also get updates every step of the way so that's how the product works.

It looks very simple, but when you add-in a lot of the compliance, a lot of the fraud prevention, a lot of, you know, we've done integration with over a hundred disbursement partners in emerging markets to be able to deliver funds instantly across the billions of options that I mentioned. There's a lot of complexity, much more than meets the eye, to enable an instant transfer of funds, you know, halfway across the world oftentimes.

Peter: Right. I can imagine, particularly the ones with physical kind of, like it's one thing to get a debit card or a bank account, but when you say you've got to go pick it up at that location which I imagine that in this emerging markets....are the recipients often using phones that aren't smart phones, is that pretty typical so you said you can send a text message and you communicate via text, is that more prevalent than smart phones in these emerging markets?

Matt: It has evolved. Over the last ten years of building the company, I'd say more and more individuals not only have smart phones, but they have relied on that to access and it's kind of very significantly based on the market. Mexico's going to be a very different market than in the Philippines than India, than in El Salvador than Kenya than South Africa, but more and more, as

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you can imagine, smart phones, it's reliable data access. So, when I say text, it's being able to communicate to that recipient in the way they can get that information and go pick-up the funds.

Peter: Is it becoming more of an edge case where they use cash or is it more like they've got a smart phone, but they don't have a bank account, right, so. I don't know if you can give us any broad numbers, but what I'd like...what's the prevalence of cash versus some sort of electronic kind of wallet-type receiving.

Matt: We don't break it out specifically personally because it varies significantly, depending on the market and so we look at the global average that's skewed by which markets, you know, we have a larger share in versus not. What is the important principal component to that question that's important to understand is that there are varying ways that people like to receive funds including like there are some markets that are predominantly door-to-door delivery where a courier would go and deliver funds to your door, that is unheard of and not even an option in most other markets.

And so, what we have done, well, something we talked about in our S-1 when we went public is we said remittances are global, customers or local and doing localization at scale is incredibly important in our business and it's another part of the complexity, whether that's, you know, how customers want to receive funds, whether it is how localized from a language perspective, our app is, depending on the country we serve, a bunch of examples, but the takeaway is remittances are very much global, but customers are very, very much local.

Peter: Are you still expanding into new geographies? You said you had like 135 countries, there's still a few countries left in the world beyond that, but, I imagine, it's quite a labor-intensive process for you guys, right, to expand into a new geography.

Matt: Yeah. Although it's faster each time so we're expanding into new geographies. You can imagine like the second either you send or receive geography, it was everything from language to payment acceptance to doing the compliance, you know, identification. We're now in more than 20 origination markets, when you go into your 21st origination market there are only so many ways, there are only so many ways to do identity verification and so we've got no because there are patterns and then that's even faster on the receive side because of the fact that on the receive side we've done over a hundred integrations. And so, it's just about adding a new disbursement partner, we have standard contracts and, you know, APIs integrations that we do with our disbursement partners now. That's one of the advantages not unlike a lot of other payments companies that we have with scale is things get a lot faster and easier to add new markets.

What we're equally doing in addition to adding markets is going deeper into those markets. So, if there's a disbursement option in India, let's call it, and we maybe access local payment rails via one of the large banks there, but we see another large bank has a lot of blowing going

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directly to it then why leverage a lot of the payment rails as opposed to go do another direct integration with that Indian banking partner. What that does is, first and foremost, creates much less friction for the customer because there are fewer intermediaries and then secondarily, it brings our costs down so that is how we think about it. It's not only going broader, but going deeper into those markets to improve the customer experience.

Peter: Sure. So then, can you give us a sense of the profile of the customer, particularly like who's the sender, who's the receiver. I know it's obviously broad, but I'd love to kind of get more information about the people using your service.

Matt: I think the first and probably most important point is that our customers make a really positive impact. They move away from their loved ones, often very close family, kids, parents, siblings, cousins, you name it to build a better life for themselves and their families back home and in the process of doing that they make a hugely positive impact on the countries that they move to, whether that's via new perspective innovation. I don't have the stats in front of me, but you look at the number of technology companies owned/founded by immigrants, you know, back, that's how it's normalized, it's unbelievable.

And then they also provide like a set of central skills to the workforce more broadly and that really varies by country, right, you've got immigrants, that use our products that come from Mexico, India, Philippines, Kenya, Guatemala, El Salvador, Peru, you name it and it's a wide range of jobs because of that, but all of them have a real positive impact on the economies that they moved to. And then in the face of countless really obstacles and challenges that they have, they explained to us that they deal with a sense of duty or best use that word frequently, a sense of obligation.

Quite frankly, when I started the business I thought it was going to be much more than the motive, I guess it was the words duty and obligation, that's what we hear from our customers and that makes sense, they sending money back to their close family and part of why they moved abroad is to be able to send money back. And so, that is what really brings a lot of purpose and heart to our business is our customers, I think, have been underserved broadly, including with financial services and remittances specifically. To be able to hold them up to honor them to make such a credible part of why they moved abroad easier and then to see the impact that those funds make on the recipients that they send money to.

I mentioned basic needs, but also things like emergency medical expenses during things like, you know, global pandemic or natural disasters or like Ukraine is country that we serve, it's not material, but it's an important one and the notes I've gotten from the humanitarian standpoint saying that our products have been able to help our customers and their families through some really tough times that's why we do what we do. So, the customers are diverse, they're amazing, they make sacrifices, they deserve better solutions for their financial services needs and that's where we really have the privilege of being able to serve them.

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Peter: Right, right. And so, this population is, as you say, they're underserved, they're underserved particularly by the banks in their adopted country. I'm an immigrant as well, I moved from Australia, but I was underserved when I first arrived here. So, there's a few fintechs, obviously you're taking on the remittance space, other fintechs taking on other pieces of financial services, but banks still, for the most part, ignore this population, what do you think they're missing, I'd love to get your thoughts on that.

Matt: And by the way, we probably have stories like when you move to the US and what it was like to even get a bank account. When I moved to the UK and I worked for a retail bank, (Peter laughs) the process of getting a bank account without having all the local documentation, so hard. Is that what you were referring to when you moved to the US and how hard it was?

Peter: It was and the bank account actually ended up...once I got a social security number it was relatively easy, but you had to wait. In the meantime, you've got to live and you have...I had my American Express card when I moved from Australia so I was able to use that every where, but for like a two-month period, it's just living (inaudible).

Matt: It's crazy. And so, honestly, they're missing a very resilient and large customer base. I think that there are 250 million migrants that live and work outside the country they were born now, there are like 7 billion people on the planet now so the industry is like financial services and banking, they are so large that there are also.....the general assumption is to go after kind of the mass market, so to speak.

But it means that there are customers, large customer segments not niches, but large customer segments like our customer base that I think to be fair to banks do have a very unique set of pain points and needs so you have to have a lot of expertise and focus in that area. It might hold them back in doing it, but I think they're missing a, you know, very resilient, very large customer base, it's only growing even with some short-term nationalism, etc. If you're looking around the global bases, the world is just becoming more globalized, it has and it will continue to and I think this is a customer base that's really important to serve and serve well.

Peter: Yeah, yeah, completely agree, okay. So, I want to switch gears and talk about crypto, if I may, because there has been remittances, there has been a lot of talk, you talk about Ukraine, there has been a lot of talk about crypto as a way for people to sending money back and forth there into the remittance space, right. There are some companies that are doing it so what is your view on crypto and do you explore it for remittances for you guys.

Matt: We certainly watch crypto very closely and have for the last ten plus years since I started the business and Bitcoin was starting to emerge and there's a lot of exciting things happening in the crypto space, from my perspective. It's obviously from a value perspective over the last several months thinking ahead, but when I look at it, unless from a speculative standpoint, I'm

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saying where's the technology actually solving customer pain points or pain points that exist. Personally, I've been intrigued with things like NFT, I think the idea of digital ownership is really interesting.

When it comes to remittances that often has been, I feel like, something that folks talk about hey, apply crypto or blockchain to remittances and make it free I think has been a narrative that's been out there and that is something that we thought about deeply in terms of how could that reality be the case and what's inherent in that statement or assumption. First, you have to understand where the costs are in remittances and two largest variable costs are onboarding and offboarding funds so collecting those funds from customers via bank account or a debit card quickly and without fraud, etc. and then disbursing funds which is all the range of options that we mentioned.

Then there's a bunch of fixed costs, whether that's the compliance infrastructure or fraud prevention, security, just building a great mobile app, etc. so let's take out those from the variable cost. If there was one single crypto currency that everybody used globally then that would dis-intermediate not only us, but it would dis-intermediate banks, financial services institutions. A lot of governments I think would have some concerns around it because of how they collect taxes, how they, you know, control their currencies, central banks, etc. but that is something that I think we look back ten years ago what folks were thinking Bitcoin would become. We pretty early said it seemed more volatile, it seems like it might be a store value like gold and that's what it's become.

I think what is most applicable today is things like Stablecoins, thinks like....to some extent central bank digital currencies. There have been some important lessons that have been learned around how one global currency is not necessarily a technology problem, it's more of a regulatory challenge, We've partnered with some of the most innovative companies out there to make sure that we're staying ahead of things, partnered with Meta, partnered with Coinbase is another example and I think one, there's a lot more complexity than meets the eye in remittances which is why they partnered with us to be able to do funds disbursement in emerging markets, those hundred plus integrations that we've done over the last ten years.

But I think the second thing is crypto might be popular in certain countries, like where there's hyper inflation and for us that's a big plus because if it costs more to send money from the US to a Stablecoin or Bitcoin or you name it in an emerging market, as long as the compliance is being done then that's great with us and we are very good at fundamentally translating currencies, whether that's crypto to crypto, fiat to fiat, fiat to crypto, you name it.

And so, I think that there may be and I say may be because the future's hard to predict, some countries that adopt crypto, maybe not as their primary financial services vehicle, but as an ancillary one and if that's the case we can send money into those accounts. But I don't think it's a silver bullet for making remittances free unless there was one global currency and the US

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dollar, the Euro, you name every other currency out there ceases to exist (Peter laughs) that's an increasingly an unlikely scenario and I think they're also seeing that. So, that's how we think about it.

Peter: Right. So, just to be clear then, if someone wants to receive money in USDC or Bitcoin or ETH, are you doing that today?

Matt: We're not doing that today, we could do that, we're not seeing customer demand for it. If you think about our customer base, think about like an El Salvadorian that makes \$30,000 a year, work in a restaurant, let's say sending a high percent of their hard-earned money home, the volatility, the lack of trust, the lack of security, it's just not something that we're seeing demand from our customers. I mention that saying to the extent we do, we can offer that, but we're going to be customer-led in terms of what we think about what options, you know, we offer from funds disbursement.

Peter: Yeah, that makes sense. It might be a relatively trivial technological challenge to do, but you've got to have the customer demand, right.

Matt: Exactly.

Peter: We're getting towards the end of the interview, I want to get into some of the things that you're working on like maybe a two-part question. What are some of the interesting things that you're working on today at Remitly and then what do you think are some of the most interesting things that the broader industry, the payments industry, banking industry is working on?

Matt: I think for us it goes back to some of the things that we talked about that we've already started to work on from a product standpoint and that is the fact that it's not only remittances that I would argue are broken for immigrants, but there's a wide range of financial services that are not optimized for our customer base. That could be anything from getting a bank account, we have Passbook which is a bank account specifically designed for immigrants or it could be a wide array of financial services that we're working on to accomplish that vision that I mentioned and I think we're uniquely suited to do that.

It's a large customer base that we can serve of which we've already built a trust and brand and have a relationship with, you know, millions of customers already so that's the main thing we're working on outside of remittances.

In terms of what excites me the most around, you know, banking or the payments industry more broadly and what I'm seeing, it's important to delineate between crypto and blockchain and technology just broadly, they're relative. Obviously, crypto and blockchain is a sub-segment of technology broadly that is expanding, but I think that there's certainly a rapid change for how financial services are delivered to customers across the globe, including payments.

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That's being driven by technology, by smart phones, by reliable data access, by blockchain, by crypto and you see everyone from central banks now trying to innovate in the space, to fintech companies, to, thank goodness, banks are trying and some of the broadly defined money transmitters that we're trying to disrupt innovating in that space. I think, at the end of the day, it's going to be a real positive for customers because you take note of the system, you build more peace of mind and more trust there's less friction and we're really excited about helping meet that, but we're excited about it more broadly both for immigrants and just for the world overall because I think it'll be a better spot once we're on the other side of it.

Peter: Right. Maybe we could end with that, where are we going to get to by the end of the decade, shall we say, what's your vision?

Matt: I think what's amazing is that still 75+%, it's hard to get perfect data on this, and I get various.....I sound like a broken record, but at a simplistic level, 75+% of remittances are still sent not received, sent via physical patch locations and so that's amazing. That's because of trust of smart phones and not that local person in the community where you have that relationship, but that is shifting. It was accelerated by COVID, that I think is a bit of an inflection point around customers and the communities they live in, having a critical mass of other friends that they know that trust and use digital providers to send money back home.

And so, I think that where you will see the industry go and where we'll be a big part of that is continue transformation to originate funds via digital devices. It's hard to imagine that not being the case, it's just a matter of what's the timeline for that, but the great think about the position we're in is the majority of remittances are still sent offline and that's what we're excited about changing.

Peter: Okay. We'll have to leave it there, Matt, thank you very much for coming on the show, It's a great service you're providing and I think there's obviously millions of people around the world who are being impacted so thanks again.

Matt: Thanks, Peter, great to see you.

Peter: As an immigrant myself, I have a soft spot for services that help immigrant populations. While I'm not probably the typical customer that Remitly is focused on, I know what it's like to move to a country and not be able to access services as I said. I think there's something about, when you move to a new country, the lifeline back home and I moved over here really before the Internet was established and it was, you know, obviously very challenging to maintain that connection.

Today, it's a lot easier and I think what Remitly is doing is really helping those people in very real ways, helping them with, you know, getting money back to their families quickly, cheaply and easily, I think that's such an important piece. You know, we do live in a world where a lot of

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people move around and I feel like anything that can sort of help take the cost out, increase the speed is just really helpful for global economic growth.

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

(music)