

Welcome to the Fintech One-on-One Podcast, Episode No. 352. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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Before we get started, I want to talk about the 10th Annual LendIt Fintech USA event. We are so excited to be back in the financial capital of the world, New York City, in person, on May 25th and 26th. It feels like fintech is on fire right now with so much change happening and we'll be distilling all that for you at New York's biggest fintech event of the year. We have our best line-up of keynote speakers ever with leaders from many of the most successful fintechs and incumbent banks. This is shaping up to be our biggest event ever as sponsorship support is off the charts. You know, you need to be there so find out more and register at [lendit.com](https://lendit.com)

**Peter Renton:** Today on the show, I'm delighted to welcome Pavel Matveev and Harold Montgomery of Wirex. Now, Pavel is the Co-Founder and Co-CEO based in London, Harold is based here in the US because Wirex have just recently launched here. I wanted to get them on the show because Wirex are actually a real pioneer in the crypto space, they really have one of the first debit cards available, they've just recently launched a non-custodial wallet and it's got some really interesting features which we obviously discuss in some depth.

We talk about DeFi and how they're approaching it, we obviously talk about the use of crypto as a payment method and why it is really taking off now, we talk about the regulatory framework that crypto companies have to operate in and they both provide their vision for the future of banking. It was a fascinating episode, hope you enjoy the show,

Welcome to the podcast, Pavel and Harold.

**Harold Montgomery:** Thank you, it's great to be here.

**Pavel Matveev:** Thank you for having us.

**Peter:** Okay. So, let's just get started by giving the listeners a little bit of introduction and some background. Pavel, I'll start with you, tell us what you did before Wirex.

**Pavel:** Thanks a lot for having us today. My name is Pavel Matveev and I'm Co-CEO of Wirex Holdings, it's the parent company of the Wirex Group. Prior to Wirex, I spent ten plus years developing different trading platforms or trading strategies for top investment banks like Morgan Stanley, Barclays, Credit Suisse and a couple of French banks as well.

**Peter:** Okay. And Harold?

**Harold:** So, I've been 25 years in the payments space, international payments as well as domestic here in the US, Before that, I was at Stanford Business School back in 1980's, I don't to date myself too much, but I've been CEO of six different payment companies and I joined them at a point where they had a good product market fit and then I scaled them up from there. So, my skills are around scaling up fintech enterprises and so it's exciting to be part of Wirex and part of the growing period in crypto and the increasing number of people who are fascinated by crypto, it is really an exciting place to be.

**Peter:** Right, right, for sure. Pavel, I want to start with, tell us about the founding story of Wirex, I mean, what was the problem you were trying to solve?

**Pavel:** So, we founded the company in 2015 so a long time ago and it was me and my Co-Founder, his name is Dmitry. So, back in the days, it was just one crypto currency, Bitcoin, now, there are just thousands of different crypto currencies with different use cases, but back in the days, it was just one, Bitcoin. Well, thinking about Bitcoin and it was created for storing value, for transferring of value and I do remember, I was pitching Bitcoin as a great way to send money to people in Africa where people don't have bank accounts because all they need, they just need a mobile phone.

One of the challenges and it's kind of still an issue is that you can really transfer value, but what's next, can you buy things, can you go to Starbucks and buy coffee or pay for goods and services using crypto currency and using Bitcoin as a payment option was a main problem. Our thinking was like instead of convincing all the merchants in the world to accept Bitcoin, because it's just not feasible, it will probably take ages, we thought what if we use the existing network of merchants, Visa/ Mastercard and it's quite a big network 60+ million merchants in more than 200 countries, that was the solution to the problem of spending Bitcoin. I do remember the first slogan was "spend Bitcoin anywhere " and Wirex was the first company with this product because it was very simple, but it became very popular very fast and it was called Bitcoin Debit Card..

**Peter:** Okay. And where did you launch that?

**Pavel:** In February 2015,

**Peter:** What geographies did you launch in?

**Pavel:** We launched it in the UK plus Europe.

**Peter:** Okay, okay, great. We'll dig into that more in a little bit, but Harold, I want to turn to you. I mean, you've got obviously, you said, a long history in the payments space, what was it that attracted you to the Wirex opportunity?

**Harold:** It's a very interesting technology and a really great fit for where the market is and the evolution of the market is coming. There's so many consumers who are non-technical in nature, but want to be in crypto and they need an easy user interface on-ramp that allows them to get into crypto and stick their toe in the water, effectively, and a real world connection with the spending part is really important because it gives the consumer, a tangible manifestation of their crypto balance. So, you know, if somebody's in the grocery store and they don't have cash or they just want to use their Wirex Card, they can actually "spend" Bitcoin or at least it looks like they're spending Bitcoin.

It's the backroom mechanics of that are far more complex, but to the consumer they're spending Bitcoin and that's really one of the main hurdles for people that are getting into crypto that you hear a lot. The objection is what do I do with it when I've got it, you know, I like the idea of having it, but I want some practical utility behind it. So, I was really attracted to Wirex because they had made that link from crypto to the real world and I thought that was really exciting and it is proving to be very exciting.

**Peter:** Interesting. So, let's dig into the product itself. I mean, right now, you said you got the debit card, but you need to obtain Bitcoin, right. I see on your website you have a Wirex wallet, tell us a little bit about, you know, the core product set today.

**Pavel:** So, there are two main products. One we call Wirex App and the card and another one is Wirex wallet, I'll start with the Wirex wallet because it's a new one, we actually launched it in December last year so very fresh. Wirex wallet is a non-custodial wallet which is unique in a way that it uses your biometric to encrypt and secure private keys.

As you probably know, all non-custodial wallets, they have a private key and most of the non-custodial wallets ask you to remember seed phrase and keep it secure. In our case, don't use a seed phrase, we use your biometrics and, you know, nobody else can have access to your funds. It's one of the main value proposition of this product and Wirex wallets will also allow you to access DeFi applications to send, receive, exchange crypto currency, access NFT, trade NFT or an Open Sea...showing support. Wirex wallet is available everywhere.

**Peter:** Is it an app, is it a browser, a plug-in or...I use MetaMask and I know that it is part of my Chrome browser, how does it work for you guys?

**Pavel:** Yeah, it's a mobile application.

**Peter:** Okay.

**Pavel:** It's a mobile only, it's a mobile application.

**Peter:** Got you,

**Pavel:** Wirex wallet is one product consumer-facing product. Another one is Wirex App and the card it's how most of the people actually know Wirex or think about Wirex. Wirex App, I think that probably the easiest way to explain the product is think about challenger banks, but with crypto currency, fully featured crypto currency wallets so wallets where you can receive, you can send, you can exchange, you can store different digital assets.

On top of that, you have all these, the challenger bank functionality where you have dedicated bank accounts. In the UK, it's just a payment accounts, in Europe, it's SEP account, in the United States, it's ACH accounts with unique routing and account numbers so you can use it as your bank replacement, but you also have this crypto currency wallet functionality and it's fully featured. It means that you can send and receive so if you have a MetaMask wallet, for example, you can just send crypto currency to Wirex App and then you can send it, spend it, do whatever you want.

**Peter:** When you're spending money on the debit card then it's coming directly out of your holdings that are in the wallet, can you explain the mechanics there a little bit?

**Pavel:** You can think of it the way you want so if you want to spend Bitcoin, you can say I want to spend from Bitcoin account or if you prefer to spend from USD you can do it as well or if you prefer to spend from USD and you don't have money on USD account then you can use Bitcoin or Ethereum or any other account, it's a fallback option. So, it's up to you how you want to do it because to be completely honest people don't really spend Bitcoin, they spend gains from, you

know, the rising price of crypto currency, but spending Bitcoin is not the most popular use case, but it's possible with our application.

So, you choose the account you want to spend and at the time of transaction and you swipe your card so when you draw money from an ATM, you receive a request from Visa network and based on your balance basically, I reject this request or we accept it. As we accept it, we deduct a certain amount from your balance.

**Peter:** Okay, got it. Then Harold the core products set here identical in the US than what Wirex's had in Europe and the UK?

**Harold:** Yeah. The only difference is that we're limited to using US dollars alone. One really attractive element of the European and Asian product set is that Wirex is compatible with a wide variety of fiat currencies as well so one use case is to move seamlessly between fiat currencies and into another crypto as well. Obviously, we don't have that in the United States for regulatory reasons, we're dollars only. Other than that, we have a full suite of functionality here.

**Peter:** But people can still spend Bitcoin, obviously, that's a functionality here, right?

**Harold:** Right, correct. Bitcoin, Ethereum, etc. I believe we're compatible with about 30 different cryptos here in the US.

**Peter:** Right, got that, okay. When did you actually launch in the US?

**Harold:** February 7th was our first launch day where we made it available to the general public after a period of testing. It's kicked up pretty well with limited marketing approach to the market, we had a very good response and we're starting to see now transaction traffic pick up as people become habituated to the product and get their card in their hand and begin to develop the habit of pulling that card out of the wallet and using it.

**Peter:** Right, okay. Then you're a global company, it sounds like now, tell us about the way you are live today.

**Pavel:** So, again, it depends on the product. So, Wirex Wallet is a product available in all countries because it's non-custodial wallet so basically customers hold their keys so outside of regulatory scope, at least for now. Wirex App is available in the UK plus Europe, 6 countries in Asia Pacific and as Harold mentioned, we just launched in the United States. Again, these markets have different life cycles, right now, obviously Europe was the first and more mature market, Asia Pacific we launched around two years ago, it's growing pretty well and the United States is very near, but it is growing exponentially right now.

**Peter:** Right, right, okay. So, Harold, I would like to sort of direct this one at you and talk about...you've been in the payments space for a long time, crypto was talked about as being a payment mechanism for the longest time and it never really took off, but it seems like now, there's more appetite for these kinds of products. What do you think has changed from where we were like, you know, five to seven years ago than today?

**Harold:** There's a couple of layers to the answer, in my experience. I think Bitcoin is technologically not suited to being a real-world payment mechanism for sort of everyday consumer countertop purchases. You know, it fluctuates in value quite a bit obviously, it's slow

to clear. There's also another layer to that which is just a familiarity with it at the consumer level, it's only just now I think getting to the point where people would feel comfortable using it now. There are cryptos coming that are much more adoptable and well suited, well designed to be everyday payment mechanisms.

Let's talk about some of them, but there are many and down the road, I think what you're going to see is the enablement of nano commerce and micro commerce as well, micro being transactions under say US\$1 and nano being below a penny and that is really all about machine-to-machine commerce. And so, you'll see people loading their wallets several years from now with different flavors of crypto, depending on what they're doing at the time so you might be surfing through the web and you might buy an article off a newspaper for say ten US cents, that is not going to happen, in my opinion, with Bitcoin, but it will happen with some of the newer ones that are coming out like Cardano or Solana or others that are better suited technologically for that purpose.

**Peter:** Okay. Like it feels like there's been a few cards over the last year that have come out and they're all touting rewards of different kinds. I don't know if it's different in different geographies, but what are the rewards that you're offering here with the Wirex card?

**Pavel:** My first comment is that it's hard to say that there are a lot of companies offering crypto cards, debit cards or Bitcoin debit cards and Bitcoin debit card is something we launched in 2015 so our product is much more sophisticated now and it's closer to a challenger bank in terms of functionality and in options available and number of currencies supported than the exchange rate and so on, so forth. So, yes, there are a lot of crypto debit cards so Bitcoin debit cards, but not really close to functionality very often. When it comes to rewards, you're right, the value proposition and the rewards are slightly different in different regions, it's how Visa/MasterCard works, different programs and different folks available in different regions.

Right now, we offer after the 8% Cryptoback, Cryptoback is our trademark, right, it's basically cash back in crypto currency so every time you spend you can get up to 8% so the percentage depends on your membership tier. So, we have three memberships, the standard and the premium called NNM Elite and the higher membership has a higher Cryptoback, but we also are planning to add additional perks like launch access, we also offer merchant offers in Europe and in Asia Pacific, I'm pretty sure it will be available in the United States as well. Yeah, we just keep adding new stuff to the list of perks.

**Peter:** And this is a debit card, right, is there plans for a credit card as well?

**Pavel:** Right now, it's a debit card in all three regions. I know that credit cards are more popular in the United States, but right now, we think that debit cards can give us a broader reach when it comes to the audience. So, while credit card is an option available to us, I think, for now, we're focusing on the debit product.

**Peter:** Right, okay. I want to go back to the non-custodial wallet. This, as you say, like Harold was just saying about micro payments and nano payments, you know, I feel like you've explained sort of how it works, but what is the potential for having a non-custodial wallet? What's the vision for...how are we going to incorporate that in our lives in the future? Maybe you could both answer that.

**Pavel:** Just wanted maybe to explain the reason why we launched new products and it might answer part of your question. So, DeFi and NFT, these things are very, very new, they probably haven't heard about it DeFi a year and a half ago, but right now, the dealings of money in different protocols. NFT is quite recent as well, I think it became a thing around summer last year, but it's a multi-billion industry and it's growing exponentially. We actually believed in Wirex, but we were quite skeptical about NFT and I think we were proved wrong about this industry.

There is also video gaming industry and going into blockchain which potentially will result in a huge audience for non-custodial wallets. So, the growing industry and fast-growing industry was the main reason why we decided to launch non-custodial wallet and our own custodial wallet, as I explained before, is different from MetaMask or from your Ledger wallet. We don't require seed phrase, we don't ask you to keep your private key somewhere secure so the way we designed our wallet is we designed it for mass market. The reason why we took this step is that while we still believe it's a bit too early for mass adoption for DeFi and NFTs and video gaming industry on blockchain, the industry is growing so fast, but right now, it's too early, but in a year's time and given the size of the addressable audience will be much, much bigger. Our non-custodial wallet is our big bet on this market growing.

**Peter:** Harold?

**Harold:** Yeah, I think Pavel's dead on there, the way we look at non-custodial wallet is, in effect, a second step in the evolution of the user. So, the way you get into crypto is you sign up for Wirex or other service and you put some money in it, you buy a little bit of crypto and you watch and wait and see what happens and then that would be a custodial wallet, basically. And then if you want a little more control or a little more responsibility, you get a non-custodial wallet and this is the place that I think most users will wind up going because it gives you more independence, more control. It does take more responsibility, but the great innovation that Wirex has is that biometric authentication that means you don't have to fumble around some giant seed phrase which is really an obstacle to adoption. Many people will find that very confusing and problematic, but, again, in keeping with this idea the evolution of different cryptos for different types of uses, I think you're going to want a wallet.

Winding the story forward a couple of years, you're going to have a variety of different cryptos usable in different places just identical to the way you have many keys on your keychain because you have a lock to your house, you have a lock to your garage, you have a lock to your car, you have a lock to your office so all these different things, cryptos will evolve in the same way. So, you won't be using Bitcoin for the same way you're using Cardano or Solana or others, you might have a dozen different cryptos in there depending on what you're doing at a given moment and a non-custodial wallet is the perfect application for that.

**Peter:** Right, right, okay. I want to go back and talk about DeFi because, as you said, it's growing rapidly. One of the challenges I see is it's not like opening up a bank account and trying to move money between accounts, there's challenges, high costs involved, I'd love to get your perspective on DeFi and maybe you could explain why banks or even fintechs really should care about DeFi.

**Pavel:** You're right. There are certain challenges with DeFi industry, DeFi application on protocols right now is the gas cost that we're talking about, if we are talking about the Ethereum network, some other blockchains are like Avalanche or Solana, they are trying to address this issue, but also if you think about non-custodial wallets, private keys, seed phrases are

responsibilities, not everyone is ready to take this responsibility in terms of keeping your private keys. To be honest, user interface, the protocols don't really care about user interface so if you check some of the protocols the user interface is not truly that great.

DeFi, as an industry, and protocols are very, very young, like one and a half years old, but you think about DeFi, it's developing, it's growing very fast, every maybe three months there's something new, there is a new protocol with a new idea. I think a lot of people, right now, are thinking about a blockchain-based social network, right, it's a replacement for Facebook or Twitter so there are a lot of things going on in the DeFi space and it's growing very fast. Again, as I mentioned, it might be a bit too early for mass market given that the pace of growth, in a year's time, we might start seeing early signs of mass adoption.

Why fintechs and banks might be interested in DeFi application? Well, first of all, I believe this is kind of the next step in the payment evolution and the fintech evolution. The second thing is that fintechs and banks, right now, experimenting with blockchains, there are different experiments, bonds, high yield products like Aave has an institutional products and some support. Right now, you can generate, for example, 10+ or 12% yield on your SG balances if you're a fintech and this is a great value proposition for your audience. So, right now, fintechs can get a lot of value even from existing DeFi protocols, but even in half a year, in a year's time I think the industry will change to something much more mature with more options and more use cases.

**Peter:** And Harold, you've been in the payments space for a long time, how do you feel like DeFi is going to impact the payments space?

**Harold:** It's going to disrupt significant portions of both the payments space and the banking space. You're going to have people, as they move into crypto more and more, see their asset balance as they become material and they're going to want to earn returns on those, exactly as Pavel said, in excess of what banks are currently able to offer in fiat balances. I mean, in Europe you're seeing yields on savings accounts at 1% or less typically and we've been trapped in a low yield environment for more than a decade now and it's really painful for a lot of people, but you put your head in the DeFi world you find that yields are quite a bit higher.

And so, a lot of those require lock-ups of your crypto for a period of time, not unlike CD arrangements, you know, where you lock it up for six months or a year you get a higher rate of return, that kind of thing so you're going to see that evolution. I think it's really an exciting evolution of the space, but I think it's a direct threat to banks and their business model if it scales that big enough and I do get calls from banks asking, you know, what do we do about crypto, how do we get on the right side of that evolution rather than be a victim of the emerging technology. So, I think it's quite disruptive and I think banks are figuring that out now.

**Peter:** Is the Wirex wallet...are you thinking about that as sort of like the on-ramp to DeFi, your customers or how are you incorporating DeFi into your business?

**Pavel:** Two elements to that. So, yes, we see Wirex wallet as an easy way for mass market to DeFi applications. So, DeFi, NFT and these sort of things, why it's easy because you don't need seed phrases, you don't need private keys, you just don't need to worry about that so it's one way how we provide an access to DeFi. But now, we have a feature or we have a product called X-Accounts which is a high yield product, it's not available in the United States, but it's available in Europe and Asia Pacific. So, basically, it's a very easy way for you to generate high yield on your savings.

It's very similar to, you know, your experience of the bank account, for example, where you just put money aside in different accounts and then it starts generating money. What happens on the backend, we deposit this money in different DeFi protocols that generate higher yield and then we distribute it to our customers, that's kind of another way. Again, it's for custodial product, we do it on the backend and customers don't really care, you know, interact directly with DeFi protocols, but Wirex wallet will allow you to direct interaction with the DeFi ecosystem.

**Peter:** Right, okay. I'm running out of time, but I really want to get to a couple of more questions here. Firstly, regulation, I feel like this is always an important topic. We, obviously, had the President's executive order that came out last week as we're recording this, seems to be fairly positive for the crypto community, but how do you guys think about regulation? Obviously, it's different in different countries, but maybe you can talk about... firstly, maybe, Pavel, you can talk about how you're approaching regulation and then Harold will talk about specifically about the US.

**Pavel:** On a global level and on a top level in a company, you will actually see licensing is a part of our strategy, part of our business strategy. So, Wirex is a company with multiple licenses in different countries so you will need one in Europe and the UK, we have a facility in Singapore, we go down as being... we keep growing our licensing portfolio and the main reason for that is that the industry will be regulated sooner or later. Regulators in different countries move at different paces, but there is a chance for regulation so the industry, at least partially, will be regulated very soon, probably spot trading and lending will be regulated soon, DeFi will be regulated a bit later, but, again, sooner or later, everything will be regulated.

Right now, there are two types of companies, companies who just avoid licensing and not talking to regulators and they prefer to have their headquarter offshore somewhere and another type of company which took a bit more difficult route and they're trying to engage with regulators, trying to obtain licenses and so on, so forth. The key here is the second group of companies is the group which will survive once regulation is in place and the first group will disappear.

**Peter:** Right, right. Obviously, the US is probably the most complicated place to do business in any kind of financial context. So, what's your approach here?

**Harold:** You're quite right, Peter, it is a complicated market, I mean, you have to look at the US in this context as 50 different countries really because each state regulates money transfer, it gets down to even the definition of what's money in some cases, is crypto money or not so it gets complicated in a hurry. The Wirex strategy has been to use vendors for Compliance-as-a-Service so it's their responsibility to be licensed in different states. They review the product offerings that we are marketing and running, but licensing is their responsibility and they've done a very good job with that and it got us in the market much more quickly and with less capital investment and less headache and less infrastructure than any other strategy you could imagine.

Now, we still have regulatory exposure at the federal level like the OFAC, The Office of Foreign Assets Control, Consumer Financial Protection Bureau, the Treasury Department, the SEC. The federal government, as you know, I think is currently trying to sort out who is going to be the responsible party with respect to regulating crypto and crypto transactions at the federal level so



we watch that carefully, but, so far, we've been able to navigate all of that successfully and have a working product in to field.

**Peter:** Okay. So, I'd like to end with sort of, I'd like to hear from each of you about a vision sort of for the future of banking, of really the financial system and how...obviously, Wirex is rolling it. Pavel, why don't you start, what is your vision?

**Pavel:** I think we're living in very interesting times in terms of the transition in the payments industry. We see DeFi, crypto industry as the next step in the evolution of payments and I'm talking about merchant payments, cross border international payments, machine-to-machine payments, I think we now have the technology which can make all these use cases possible for a much broader audience than before. I'm talking about the unbanked population and again there are just so many use cases are now possible with this new technology.

**Peter:** Harold, what about you?

**Harold:** I think you can see the future in the behavior pattern of a group under 30 years old who are natively much more comfortable with technology, they are much more facile with the computer than their parents were and they are adopting new financial technologies quite rapidly and using them with great facility and ease and confidence. So, as that audience grows and becomes more financially robust, as they move into the middle of their life they are going to absolutely use all these tools and I think you could see a world emerging where people don't have a traditional bank account because the utility of it will have been whittled away by various different DeFi apps, different cryptocurrency alternatives and underneath that a shifting of the kinds of transactions that people do.

You've already seen a wholesale move away from the retail physical countertop for the online transactions, that's going to do nothing but continue and as people transact more and more on the web for various different purposes, crypto and these other utilities that are out there become much more useful and important. And so, it's really a giant generational shift toward new financial alternatives that I think it's fascinating to watch and be part of.

**Peter:** Yeah, it certainly is. We'll have to leave it there, gentlemen, it was a fascinating conversation. Thank you very much, wish you all the best as you roll out in the US and beyond so thanks Pavel, thanks Harold.

**Harold:** Thank you, Peter.

**Pavel:** Thank you.

**Peter:** You know, I think for crypto to go mainstream, it really needs to be lots of easy on-ramps and that's what Wirex really provides. It's an easy on-ramp, you can go and buy crypto, many of the major currencies you can go buy and you can store them in your non-custodial wallet, you can go use it as a payment mechanism. I feel like that's what we need. We need crypto to be easy and right now, it's not, you can go and use a centralized exchange where obviously they control your crypto, it's like putting your money in any kind of investment product where the money is custodied at a central entity whereas what Pavel and Harold's talking about here is a non-custodial wallet really where you have control of your money and it's not stored actually in a centralized institution. So, you know, it's a lot of momentum behind that type of product today and I think we're going to see it continue to take-off.

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

(music)