

PITCHIT FINTECH STARTUPS PODCAST NO. 71-BRUNO CHAN

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Content Officer, Fintech Nexus.

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Todd Anderson: Thanks again for tuning into this week's episode of PitchIt. I sat down with Klavi's Co-Founder & CEO, Bruno Chan.

First, a little bit about Klavi. They are a SaaS platform that provides Open Banking or Open Finance solutions. The company's located in Brazil and they have a mission of hopefully becoming one of the leaders in providing Open Finance or Open Banking solutions. Open Finance or Open Banking really has the potential to help reshape how we interact with and how data is ultimately accessed towards, shared across the financial services market, except today, the impact has been somewhat limited due to either the location that you're in, the regulatory structures that you might be in. And so, while it has a huge potential associated with it, today, the impact has not been seen outside of say certain countries or certain regions.

Bruno and I talk about his unique background, he spent about 9 years in China which happened to coincide with their fintech boom. We also talk about the biggest potential impact of Open Banking, hint, hint, it would be financial inclusion, whether or not consumers really want to control their own data, misplaced anger by the banks about Open Banking or Open Finance, why Klavi is the key, raising capital and much, much more.

Before we begin the episode, please take a moment and rate the show or provide some feedback. I always take listener comments seriously and can make changes based on your feedback. And don't forget to join us in Miami, December 13th and 14th for Fintech Nexus LatAm, this is LatAm's premier fintech event. For 15% off our ticket prices, just input the code "podcast."

Without further ado, I present Klavi's Co-Founder & CEO, Bruno Chan. I hope you enjoy our conversation.

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Welcome to the podcast, Bruno, how are you?

Bruno Chan: Hey, Todd, thanks for having me here. I'm doing great.

Todd: Alright. So, if you could, you know, I like to kick off the episodes with a little background on the guest so tell us a little bit about yourself, both professionally and a little bit about yourself personally as well.

Bruno: So, I'm from Brazil, originally, I am in Brazil right up, I grew up here, but I did my university in Tampa, Florida, I did Business Management there and when I graduated in 2010, I decided to move to China. So, I spent nine years in China from 2010 to 2019, those were, you know, I learned a lot

through those years in China, a lot about, you know, financial technology, all of these like mobile app growth, Alipay, Alibaba, WeChat, etc. and through those nine years for the first five or six years I was an entrepreneur.

So, I opened a trading company, we were exporting products from China to Latin America and then I also did an MBA for two years, it was a dual program from the University of Beijing together with MIT in Boston so I spent some time in Boston. I also worked at venture capital looking at early-stage investments from a Chinese perspective, but tried to explore emerging markets like Brazil, India, Russia and Indonesia. Eventually, you know, after spending some time in venture capital, understanding more about business models, investments and startups, I decided to come back to Brazil and start Klavi which is what we've been doing for the last couple of years now.

Todd: That's a pretty fascinating journey. Oddly enough, we used to do fintech events in China in 2016, 2017, 2018 so all the companies you mentioned. Alipay, WeChat, all of them, you know, we went to their offices, we hosted big events like we do, you know, in Miami for LatAm and in New York for the US. And so, that's a pretty good learning experience.....

Bruno: Very cool.

Todd:considering how much, you know, happened in that period of time with fintech in China.

Bruno: Yeah. So, I remember when I arrived in China late 2010, I did not have a smart phone, most people in China didn't have smart phones and a couple of years later, around 2012/2013, most or a lot of people in urban cities started getting smart phones, including myself, and that's when we really saw the boom in fintech happen because, you know, you have a small computer in your hands and, you know, China has always had very traditional financial systems, very traditional companies and fintech came to disrupt all of these. You know, Chinese adoption rate is super-fast from a consumer technology perspective and so within a time span of maybe three to five years we saw hundreds of unicorns coming to life in China.

So, I got to learn a lot and got to see a lot, in fact, like an interesting thing here, you mentioned Alibaba or Ant Headquarters, etc. that's in a city called Hangzhou and our technology from Klavi is based in Hangzhou, My Co-Founder is Chinese, our development team is based in Hangzhou which is a technology hub now because of Alibaba and we try to leverage that kind of advantage from, you know, the maturity of the Chinese market, the developers we have access to there to apply that kind of technology here in Brazil.

Todd: You mentioned your time as an entrepreneur in China and obviously you are now and your time on the venture side, did you always see yourself as an entrepreneur in terms of, you know, where you were eventually going? Or did you kind of just find this path through these different experiences and, you know, you kind of fell into it or was it hey, I'm going to be an entrepreneur anyway, but I just want to kind of get these different learnings along the way?

Bruno: It wasn't so planned out in advance. I think that I am the kind of person who has always been challenging or asking questions about why things are the way they are and why it's now different. And so, when I moved to China, I saw an opportunity of optimizing some system which was the export, you

know, industry and so that's what I kind of got into and the easiest way for me to make a difference is to do it myself.

So, I ended up becoming an entrepreneur by chance, I would say, got a taste for it and for, you know, all of my working career I've been an entrepreneur except for one year where I worked at venture capital. We were very autonomous, independent in the VC fund and so it was kind of like an entrepreneur, but always had this kind of feeling for it. So, I wouldn't call myself a serial entrepreneur yet, I've only had two ventures, this is the second one, but I definitely am the kind of person who wants to make a difference, change or challenge the status quo and being an entrepreneur is one of the best ways you can do that.

Todd: So, tell us more about Klavi, you know, what are you guys currently building and where does the name Klavi come from when telling us a little bit about what you guys are doing.

Bruno: Sure. Actually, when I came back to Brazil in 2019, we wanted to build a product that was different from what Klavi is today. We were looking at building a personal finance management tool in Brazil to help average Brazilians manage their finances and one of the things that happened to me when I came back is I wanted to, I tried getting a credit card in several different banks, but because I hadn't been in Brazil for a long time, my credit score was pretty low. I didn't even know what a credit score was back then, but it was pretty low and in Brazil most people don't really know what a credit score is, very different from the US and because of that I was rejected by all of the digital banks that you hear about in Brazil today, they would never give me a credit card.

And so, what I wanted to do back then was show them how I spend my money, how much money I make from a different bank account and just here, take a look, what I make in my other bank account and just give me the credit I deserve, but that wasn't part of the system in Brazil. You know, I couldn't make that data transfer and the companies that were trying to give me credit, it wasn't part of their policy, their risk management policy to use data from other banks. So, that kind of brought us to the situation where we are in Klavi today which is the problem we're fixing which is how can we help, you know, tens of millions of Brazilians move data from one major bank account they own to other companies so they can get better offers, better financial services, you know, whether it's a credit card, a faster account verification, loans, etc.

So, Klavi, today, is helping consumers move financial data from one bank account to another company within a click so very fast and we also help the receiver of the data read that information and instantly verify a person's income, person's credit worthiness, risk score, etc. So, we have a lot of financial data analytics that we apply on top of the transactions that we see to help our clients provide better financial services.

The name Klavi actually came from the word "key" in Latin, the word "key" in Latin is also pronounced Klavi, it's spelled differently, but we believe that, you know, the space that we're operating in is called Open Finance and we believe that Open Finance through Klavi is a key to new doors, new opportunities and if you come together with us we can show you the way of innovation and, you know, optimizing your resources through Open Finance.

Todd: Where would you say Open Finance is today in Brazil and for that matter, you know, broaden that out to the region of LatAm, are we still very much in the early stages of seeing these benefits and understanding what, you know, consumers kind of want from this type of product and this type of service?

Bruno: So, Open Banking in Brazil is quite unique. Worldwide, we are very regulatory-driven versus most markets that are, you know, private or market-driven. So, in Brazil we have a very strong Central Bank that pushed the initiative of Open Banking where they forced most of the big banks to open up APIs and make data sharing easy. So, as Klavi, we've been enjoying that regulatory wave and the opportunities that come with it, but today, we're still in a very early stage of the use cases of Open Banking/Open Finance in Brazil so most of the players have been worried about complying with regulation and starting to send data out and receive data in.

Through Klavi, we've been helping a lot of these clients with processing better data, understanding the data, but the real benefit of Open Finance has only been applied to a couple of people. We've seen gig workers, for example, who have been able to get better credit by sharing financial data they have in their gig economy apps like Uber or 99, we've also seen, you know, in Brazil we have a lot of informal work, you know, I think maybe 60 million of Brazilians work informally so they're not a registered employee. So, we've been able to see some of these people get access to credit by sharing bank data with a lender, but in the general overview of Open Finance I think we're still in the early stages, baby steps of use cases and hopefully, next year we'll see a lot of innovation in terms of product offering and use cases with this new data that we have access to.

Todd: You know, one of the things that we always hear, you know, obviously here in the US we don't have Open Banking standardized, at least from a regulatory standpoint. The UK does, but we always hear that banks are worried about this, is there a bit of a misunderstanding or banks a little bit over the top in their worry about Open Banking because ultimately, isn't Open Banking about choice. It's not necessarily that if you open it up everyone's going to flee the bank, consumers ultimately want the option of hey, this might be a better product over here, I'd like to have that product, but maybe keep my bank account at the bank. It's about choice and options versus closed systems of, you know, controlling data.

Bruno: Yeah, you're right. So, I would say that from a Brazilian perspective the worry from the major banks is not correct and I've also seen that the biggest drivers of Open Finance use cases have been some of the big banks in Brazil. So, they are very optimistic in terms of how they can leverage this new regulation and this new technology to, you know, to build a bigger user base or get better ROIs because at the end of the day, if you're a large bank you already have a user base, you already have a lot of data, you have a strong team. So, it makes a lot of sense that you want to strengthen your position because now you have access to all of these data from other banks and other consumers that are not within your sphere.

And so, I can say, again, from our perspective here, from Klavi some of our best clients are the large banks and they invest a lot of resources, both capital and human, to build the solutions that will strengthen their position through Open Finance. So, I would predict that within the next two/three years the biggest winners of Open Banking naturally will be the consumer, of course, because you're right,

it's about choice, but the positions of the middle and large banks in Brazil will be even stronger, I would say. If they apply the technology in the correct ways, they are the ones who have the most win.

Todd: How critical is it for, you mentioned a strong Central Bank and the backing of the government, the regulatory bodies for Open Banking, how critical is it for that in terms of not only adoption, but wide scale adoption and if you didn't have that would Klavi, would others be in the same position they are today because, you know, getting that done individually with each bank, with each organization is a pretty high bar versus the mandate coming down from the government.

Bruno: Yeah. So, we were very fortunate to be building the solutions we are in the right moment because the Central Bank kind of, you know, last year we saw a big drive in demand for our solutions from the players that are affected by Central Bank. So, I would say that without the Central Bank's push we would be in a much weaker position as Klavi today. So, what's good about the Central Bank forcing Open Finance locally is two major things.

One is the demand for solutions like ours because the banks are...they must apply this kind of technology on their environment, but also more importantly, is the consumer information that goes to the consumer is about what is Open Banking, how safe it is, you know, when you can use it, how you can use it because it's not normal, it's not common for people to freely share financial data like that. you have some sort of privacy issues regarding that. When the Central Bank forces the large banks to comply, the large banks are naturally going to communicate to their consumers in the market hey, this is safe, participate, you have an advantage of being an early adopter as a consumer and so that kind of information spread, or education is probably the most important factor for our growth.

Todd: Do you think, going more to the general benefits of Open Banking and what it could do for the consumer and the market overall, do you think the biggest long term benefit is really the financial inclusion aspect of getting...you mentioned the 60 million people that have informal work or the X million of people that probably wouldn't qualify or be approved for a bank account or a credit card normally, now they might through a fintech or a neobank-like type company. Is that ultimately the longest and the biggest benefit of Open Banking in say 10, 15, 20 years?

Bruno: Yeah. I always think of higher needs when I think of, you know, biggest impact, most important problems to solve, etc. I would say that if you think of it as a pyramid, right, at the very top you have the wealthier population that is looking at optimizing their investments through Open Banking and at the very bottom of the pyramid you have people who want to have financial inclusion such as getting better credit or you can have an access to credit. So, that bottom layer, solving that problem first is the most important overall, in my opinion, getting that financial inclusion, getting people with, you know, better cash flow for the gig work they've been doing their whole lives.

After that, I think one of the big problems we can solve is financial education. So, financial literacy, financial education, optimizing the small savings that you have or optimizing the spending that you have, you know, for 100 million of Brazilians that really don't have any financial education. I think just those two layers, if we can solve that problem for the next five years, that would be, you know, everything would change in Brazil. So, I think I would focus there, that's where we've been focusing mostly as Klavi and of course, at the top of the pyramid people will always be looking for how can I optimize my savings, my investments, etc., but the critical mass is where we focus.

Todd: Another, you know, worry that is heard with Open Banking, especially with the transmission of this type of data, is data security and I know when we researched for this episode you guys mentioned it, you know, pretty frequently and you know, fairly obvious on your website about data security. Is Open Banking more risky in terms of data security and how important is data security when thinking through the services and products because ultimately, the banks and fintechs don't want to suffer these breaches. I mean, we see breaches and hacks and stuff all the time, but, you know, what are your thoughts on data security overall?

Bruno: For us, it's been one of the most important factors since the very beginning. Today, we are about a 60-people startup, but not too long ago, we've had five people, ten people and since the very beginning we've focused a lot on how safe is the data we're storing, how transparent are we being with the consumers in the market, how is our data security technology going to influence the decision making from our clients which, again, are the large banks who really focus on that. And so, data security is crucial in our space, especially the early-stage and Open Finance because if you have a serious breach in the very early stages of Open Finance that easily kills consumer confidence, right.

So, you can imagine as a consumer, if you're sharing data across several different players and different banks and all of a sudden, your data is lost or breached, you're going to stop doing that data sharing, right. So, not only Klavi, but every competitor of Klavi, every client of Klavi, every participant in Open Finance has really taken data security seriously. We all understand the risks and from our perspective we've been investing, you know, more and more on better protocols, better mechanisms, better software, better cloud services and better professionals to keep data safe.

Todd: Shifting a little bit on our conversation, you know, what's the biggest lesson that you've learned about Klavi since you launched the company?

Bruno: Yeah, that's a good question. So, you know, the other day we were reviewing some of the brand assets we built for Klavi and one of the exercises we did last year was get a independent consultant to ask our clients what Klavi is to them. It's a very useful exercise that I recommend every company or startup to do because who's better to tell you who you are than your client. I think one of the biggest lessons that we learned is that every client of Klavi loves us for one small thing that as an entrepreneur you don't really, you talk about it, but you don't really focus on it so much, but it's about how fast we are at solving their problem even if it's a tiny little problem.

So, I think that's part of our DNA and that's part of something that I learned that really makes a sticky product somehow. So, as an entrepreneur and through Klavi I learned that it doesn't matter how big or how small the problem is for your client, if you can be quick to act and fix it, they will love you. It's much more important than having the perfect version of a product or the perfect marketing campaign or whatever you want to call it. I think that's one of the biggest lessons I learned over the last couple of years.

Todd: What about regret, do you have a biggest or a regret since launching?

Bruno: Yeah. I think in terms of regret, as a startup we always aim and miss, right, we take risks, right, we launch products, we launch initiatives, we have ideas and we miss and we have to adapt. That's

how every startup becomes successful, right, how quickly you can adapt. We definitely made a lot of mistakes in the past, but none of them were in vain so we learned a lot from every single mistake we made. I don't think there is a major regret that I can point to, but, you know, I would say this, Todd, we are in a very good momentum in terms of how we've been growing, we've had successes in closing rounds and so as of today, I'm pretty happy with the overall performance of everybody in everything we've done so no major regrets. Maybe if we have some crazy downturn then maybe I'll have a better answer for that.

Todd: What about the best piece of advice you received since launching?

Bruno: Yeah. I think hire good people and few people, I think that's the key for any startup. One strong employee is worth ten medium employees, that's something we've been bringing along with us since the beginning. With a handful of people we've been able to build so much, we will continue going forward that way so I think hire tiptop talent and hire few of them, I think that's the most important lesson that I was told and that we apply here.

Todd: Speaking of team and talent, tell us a little bit more about that, I think you mentioned you guys are about 60 people now, what does the team look like, you know, engineers, sales, you know, what is the overall makeup of the team and those around you?

Bruno: We have two offices, one in Sao Paulo, Brazil which is where I'm sitting in right now and one in Hangzhou, China which is where most of the developers are. So, the split is about 30/30 per side and so you can consider about 25 developers in China, another five product managers and then here in Brazil we have all of the operational team, product, sales, marketing, etc. We are a B2B SaaS company so most of our human capital is on development and product, we only have a very small 3-person sales team, 2-people marketing team and everybody else is in product or operation. So, kind of lean for our ambition, but it works pretty well having this dual office, we've always been very inclusive so we actually have people from China, people from Korea, people from Brazil all working together in one big melting pot here so it's very unique for another state startup in Brazil.

Todd: You also mentioned before about raising some capital, how was the investment process and what'd you learn from start of a round to finish of a round or first round and second round about yourself, about the company when going through in talking with investors?

Bruno: We recently closed a Series A of \$15 Million, you say, a couple of months ago, we've had some local investors, some Chinese investors and some US investors so we're happy how we finalized the round and the whole composition. I think one of the key success factors for us was, myself and Stone, which is my Co-Founder, we were fully invested, all of our time in brain power invested in getting the round done, talking to investors, preparing materials, etc. Because of that, we did not have any time to do the operations of the company so Klavi people you can rely on, strong people and we definitely had that, both in Brazil and China, to handle everyday business and be the entrepreneurs that we want everybody here to be really kept us going, kept our heads above water. If we didn't have that, you know, I don't know how to be able to close a round and still continue closing deals and getting the product out so very, very important.

I think just in terms of the general fundraising, we were lucky, I would say, to have closed mid this year, you know, the market has kind of gone sour, VC capital is, you know, the way to fund a startup and to ask a startup to grow infinitely without any care has definitely changed. So, we are in a transition moment of like how to grow because we're in-between Series and Series B, you know, so how to grow, grow responsibly, right. So, I really like, I love doing investor relations, I love doing fundraising, I love storytelling so I'm always excited to do that, but it's always a challenge, you know. So, you definitely need people that will back you up in the other parts of the business, otherwise, you're going to be spread too thin in different things to do.

Todd: Any bad fundraising stories, you know, you don't have to name names, but any bad experiences when going through, you know, some of that fundraising?

Bruno: Yes. Now that you mentioned it, like one thing always pops to my head, no names, nothing like that, but, you know, it happened to us and it happens to other startups where we go really deep with one fund, a fund we really want to invest and everything's positive, talked to clients, looked at the materials, etc. And we, it was funny, like closer to Christmas last year they called us and said hey, we love you guys, we talked to your clients, it's all good, let's move forward, we'll send you a term sheet tomorrow and we want you to make a decision rather quickly because we want to get this done, awesome, great, let's go.

The next day comes, no term sheet, two days later, no term sheet and actually they just kind of disappeared and so we started kind of having to chase them, trying to understand like what's going on, but they were trying to buy time somehow saying, oh yeah, we're going to do it, we just need the approvals, blah, blah, blah and a month later, it just kind of naturally died out. So, very strange situation. very bad for the relationship and definitely stands out as probably the worst experience we had with a fund and through the whole fundraising process.

Todd: Never get comfortable unless all those papers are signed.

Bruno: Yeah. Don't celebrate too early (both laugh) at any moment, at any moment.

Todd: We have, you know, just a couple of minutes left, I'd like to end a little bit lighter with some fun questions. Do you have a favorite book or the last book that you read.

Bruno: Yeah. So, the last book I read is the one from Phil Knight, the one that tells the story about Nike, I forget what it's called.

Todd: "Shoe Dog," I think.

Bruno: Yeah, right, yeah, I read it in Portuguese actually so the names are all off, especially in literal translation, but really it's some book, very passionate guy about what he built. Actually, the story is similar to my story somehow, he went to Japan early on and tried to like do busines there. I went to China early on and tried to do business there and then I came back and, you know, somehow connected the dots and figured out a way to do my own thing so I really love that book, highly recommended.

But my favorite book is science fiction, historical fiction on Genghis Khan. it's by Conn Iggulden, it's a series of books. I'm a big fan of historical fictions, read Julius Caesar books as well so it's always good to, you know, not just read about, you know, companies, startups, etc., but I like reading something outside of my fantasy, always good to clear your mind.

Todd: Speaking of clearing your mind, obviously founders need to, you know, have a sharp mind and not burn themselves out, what do you do to unwind, step away and kind of take a few minutes to yourself to stay sharp?

Bruno: My meditation practice is sports. I play a lot of sports, I go to the gym, I started playing some beach soccer/volleyball, I don't know what you call that, you play volleyball with your feet on the beach. I've always played tennis, always played soccer, I like climbing. So, I think sports in general keeps my mind clear, I'm entirely focused on that game, on that moment, for that one hour or two hours. So, that's what I love doing in my off hours, any kind of sports, also spending time with my some friends and family, that's always good too.

Todd: It sounds like my next question you kind of answered which is, you know, soccer if probably your favorite sport. Do you have a favorite team that you follow and root for?

Bruno: Yeah. So, Brazil, World Cup's coming up actually and I will be at the event for the semi-finals when Brazil goes on to the finals. That's going to be awesome celebrating that in Miami, everybody in Brazil's super excited. Fun fact, during the World Cup, when it's a Brazil game it's usually a day off for companies.

Todd: Interesting.

Bruno: So, for example, if a game starts in the afternoon at 3:00 pm, people will go to work until lunch time and then they go home, it's a big party here basically which is awesome so I'm very excited for that. For the teams I cheer for, actually, I used to be a big fan of Sao Paolo which is the local team here in Sao Paolo, but nowadays, I just like watching a good game and cheer for Brazil in the World Cup, that's my soccer, as a soccer fan that's what I root for.

Todd: Do you have a favorite vacation spot?

Bruno: Ah, good question. So, I'm a summer guy, I love going to the beach, I love spending time outside and, you know, like playing all kinds of sports and being active. I also like skiing, etc., but the sun is much better than the cold (Todd laughs) and so I don't have a favorite location, but love going to different places that are warm. I think my last trip was to Malaysia, I was in Kuala Lumpur a few weeks ago, that was awesome, I love Asia, I love Southeast Asia, but always up to going somewhere new where it's nice and warm.

Todd: Final question, biggest inspiration in life, what inspires you?

Bruno: Yeah. So, I don't want to put any names to this question, but I think what inspires me, the attitudes of people that inspire me are..... I think around me in Klavi I've seen a lot of really passionate people about what they do. They work around the clock because they love doing what they do. So,

they found that niche that they want to operate and that kind of ambition that they have. So, I'm really inspired by those kinds of people who know what they want, know what they like, they find it and they fully invest in that direction.

So, that's super inspiring to me and as a general overall person, I'm inspired by people who help others, basically, I've always had this kind of way of thinking that if you spend some part of your day and some part of your resources helping other people through education, through, you know, shelter, whatever it is, I am very inspired by that so I'm trying to be a better person in that way as well. So, those are the two things that really inspire me.

Todd: Well, Bruno, thank you for spending some time with me, it was a fascinating conversation. Before we go, if someone wanted to reach out, they wanted to find you or find Klavi, how can do so, how can they find you guys?

Bruno: I think the easiest way for Klavi is just our website, it's klavi.ai which k l a v i dot a i and for myself, you just find me on LinkedIn, just search for Klavi or my name, Bruno Chan, you'll find it, always willing to talk to people, always trying to reach out and learn from different people who want to chat so feel free to reach out and let's have a conversation.

Todd: Alright. Well, thank you again, really enjoyed having you on the show, hopefully, we'll get you back sometime in the future and continued success to you and the Klavi team.

Bruno: Thank you, thank you, Todd, it was a great ...thanks for the time.

Todd: Of course.