

## PITCHIT FINTECH STARTUPS PODCAST NO. 29-PETR KOZYAKOV

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

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**Todd Anderson:** On Episode 29, I talk with Petr Kozyakov of Mercuryo. Mercuryo is a cryptocurrency infrastructure company helping to provide a range of payment solutions. You know, with crypto being one of the hottest, if not the hottest, topic in all of fintech today, I think it was a really interesting interview to talk about how someone is building a company that's looking to help meld the worlds of crypto and Fiat together.

You know, we dig into not only what they mean when they describe themselves as a crypto infrastructure company, but we also talk about kind of where crypto is today, the ease at what some transactions in crypto can be done such as buying Bitcoin or buying old coins, the complicated nature of other transactions which make, you know, the space I would say, generally, not very consumer-friendly today. There are works being done to fix that partly by companies like Mercuryo, we also talk about is regulation a barrier to innovation in the crypto space and what are some of the things that Mercuryo is doing to ultimately help connect the various worlds together. I think it's a really fascinating interview so without further ado, Petr Kozyakov of Mercuryo. I hope you all enjoy the show.

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Welcome to the podcast, Petr, how are you?

**Petr Kozyakov:** Fine, fine and you? Thanks for inviting.

**Todd:** Of course. So, I'd like to start these things off if you can just tell our audience a little bit about your professional background, where were you prior to starting your current firm, Mercuryo, and kind of what brought you to the moment of starting your own company?

**Petr:** I was in the line payments for more than 12 years, I built several IPs from scratch, one of them was PayU in the Russian CIS market then we had our own payment processor for cross border payments and the company was quite successful, you know, it is still working. In the best month, the volume was more than 100 Million Euro per month and we had offices in several countries, London, Riga, Moscow. Three years ago, I fell in love with crypto and that time it was a boom, the first boom in crypto.

**Todd:** Was there anything specific about crypto that made you fall in love with it?

**Petr:** There was one thing that opened me to the magic of crypto. I had to make a payment from Southeast Asia to the US, pay for some services in legal and I was trying all the methods like bank transfer, PayPal or other wallets, there was no success. I've spent quite a lot of time for it until some of my peers said, well, why don't you try paying in crypto. What, crypto (both laugh), you know, crypto is not for paying, everyone is investing in crypto, I don't know, you know the system so I purchased crypto and this was the magic moment when I sent the transaction to the counter party and it just took several seconds, it was successful and he wrote me, okay, got it, thanks. A week before that, I was trying to execute to do this after the solution in just several seconds, that was really fantastic.

So, that was one of the moments for personal falling in love, on the other side, it was boom, everyone was trying to do something crypto because it was growing really fast, it was a boom. We were in payments, we know how to deal with cross border payments so we had at that time several crypto companies already so everyone was coming to us saying, guys, can you help us with a certain bank (inaudible) of crypto or making payouts in crypto. We could because we knew how to do it well and at that moment, we understood that we can do a company that will help the different partners, the different crypto companies to deal with Fiat.

**Todd:** Did you always want to become an entrepreneur yourself, is it just something that you kind of accidentally fell into when you fell in love with crypto or was it always, hey, I'm going to be a founder, I've always wanted to be a founder. Is entrepreneurship kind of something that you've always been striving for?

**Petr:** I would not say that this was the idea, (inaudible) or something like this. I worked in several companies, Mercuryo is not my first company that I founded, prior to that there was the cross border payments provider and we just understood the amount of the market and decided with other co-founders to do it, it was quite clear accidentally so we saw the opportunity and we decided that we should take it and we should build it by our own so that's how it started.

**Todd:** Before we jump into exactly what your company offers, where'd you come up with the name?

**Petr:** We discussed several ideas, one of the ideas was Mercury is the god of trading, we usually know Hermes which is the god of trading in Greece, but in Asian retailer there was a Mercury, the god of trade so that was one of the ideas why we started with Mercuryo.

**Todd:** So, if you give the audience an overview, what do you guys offer in terms of your products and ultimately, your target customers.

**Petr:** Before I start this, I want to just share two ideas. You know, Mercuryo, we don't believe in crypto being about the price of Bitcoin. It is good when it grows, when we hit an all-time high, when a lot of people trade, we have a lot of volume from it, but strategically, we think that crypto was something else especially for cross border payments or maybe settlement between the parties or some interest on your sale, this is the real mission of crypto.

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On the other side, we are not fanatics who believe that there would be only one crypto, people will just stop using Fiat. We think that there would be two worlds, the crypto and Fiat worlds and we should merge those worlds so we are building infrastructure tools, embedded tools to link the other crypto worlds. We provide solution for crypto companies who deal with Fiat and we have some kind of holistic approach where we provide not only one third, but on-ramp, off-ramp solutions, payout solutions.

We just launched (inaudible) bank accounts, but we are moving further and will allow our partners to open bank accounts and pay cards for their customers and not only for centralized cryptocurrencies, but also for decentralized cryptocurrencies. On the other side, we want to provide fintechs and human banks with a partner to deal with crypto and this is the solution where we provide crypto infrastructure for fintechs, this is our goal for 2022. So, the idea is to provide deeper crypto services for fintech services with the (inaudible) to deal vice-versa so crypto services with Fiat and for fintech services with crypto.

**Todd:** That makes sense. I mean, ultimately, the worlds are coming together, maybe not as fast or the way in which we all would like, but the old financial world is not just going to, all of a sudden, adopt crypto en masse. It's going to take years, even decades, for this transition to take place. Is your view that ultimately or hope that ultimately the current infrastructure is slowly replaced by a new infrastructure that's either crypto-based or at least more efficient than what we currently have because I know the old banking system is built on technology 20, 30, 40 years old.

And then you have this new tech that companies like yours are building, you have DeFi, you have the blockchain, those two worlds don't easily match, but they're slowly starting to intermingle with one another. So, in your view, is it slowly going to take the crypto place to get into financial services in terms of replacing what currently exists or do you think it's kind of this just mix and match over time.

**Petr:** As I mentioned, crypto won't replace Fiat.

**Todd:** Yeah.

**Petr:** And I think that crypto will be used together with Fiat, but in those aspects where crypto is better, when it is faster, when it has more opportunities to make cross border payments or some yield products, those types where crypto is better it would be used because when crypto is not better than Fiat and some things why won't we use Fiat. I think that they will exist together and leverage the best things from both sides, from Fiat side and from crypto side.

In terms of merging them, you mentioned it can take decades, you're right, if you want to buy crypto, you have several tools. Sometimes, they can be really accessible for us to our advantage, but still this additional step and I believe that crypto and Fiat should be in one place. It can be a crypto service with regular financial (inaudible) inside this or in fintech where you have your bank account and you would have crypto account in that place.

This is the future and I believe that it can happen even faster not after decades, I think that three to five years everyone would be able to use crypto. The question, if they would really need this crypto to use. In today's understanding, crypto is used for investing, I'm not sure, but to use crypto for making cross border transfers, well, they would definitely use it.

**Todd:** What do you think is holding back some these further adoption from where we are today? is it regulatory, not to go into the fine details of regulation, but is it regulatory or are banks slow to adopt these things because banks are slow and they take things by a risk metric and think alright, if this is something new we need to fully understand it, we need to , you know, measure out the risk and we can't just automatically go to something. Is there another reason why, maybe mass consumer adoption hasn't reached it yet. In your view, is it a combination of those things, one thing that's kind of holding back this type of adoption?

**Petr:** I wouldn't say that regulation is something that is not working today. We have regulations in several dozen countries. Regulation is here and the question about adoption, I would say it's more the other thing because today, Fiat and crypto worlds, they are different parts of the world because in crypto there are a lot of interesting things, a lot of new technical solutions, new blockchains, the multi-shares, bridges between blockchains, a lot of interest. But, when it comes to dealing with Fiat, the founders, it is really hard to understand why they should spend several years to build Fiat infrastructure, to obtain the licenses, to open bank accounts, to find this big infrastructure to engage with Visa and Mastercard because several years, crypto, it is like 10 or 15 years.

On the other side, in banking, before there are not a lot of professionals in this market who can come to the bank and say yes, I know what to do. Well, we should start with it and in half a year we will launch our crypto solution because well, I would say there are less than ten professionals in the market who launched this solution for a human fintech it takes to deal with crypto. And, in banking, the idea of thinking is completely another they have in crypto and it is hard to understand how crypto works, what should the deal with crypto be, how to manage the notes, how to work with transactions, how to monitor them.

This is a completely other thing because, for example, in banking your monetary position you can see where the transaction goes from your account, but you cannot see where it has gone after that, the next transaction. In blockchain you can see all the transactions and well, (inaudible) for a lot of compliance is a completely another story. That's why it is going not really fast and I think there should be some players who can provide this experience to both, to crypto companies and Fiat companies.

**Todd:** In terms of the crypto user experience, it's not as consumer-friendly. Buying Bitcoin is pretty simple, buying other old coins is pretty simple, you can use a lot of different apps for it, but even like when going through your website and kind of timeline an example that you guys show on the website, especially for the person not immersed in the crypto world, seems to be a lot to absorb.

How can crypto, not only companies like yours, but the community itself. begin to make things a bit more simpler for the everyday person because eventually you'd want crypto in the hands of almost anyone versus the enthusiasts of today.

**Petr:** You are right. Initially, crypto was made by really sophisticated developers and still new blockchains have been launched by enthusiasts who are really deep in this sphere to have this mass adoption so that everyone could easily access crypto. It should be really understandable, it should be in those places where those people are used to communicate with their banking app and other apps that they are using today.

For example, if you could buy something using crypto or you can send crypto from your account to your peers even in other countries using crypto easily, but not installing the new app, providing new KYC, doing a lot of stuff with buying or something like this. If it can be done easily, people will really start using because when you first try this magic so the transaction goes really fast, you can send wherever you want, don't be limited, it's really great so the question is to provide this crypto to those instruments that people are using right now.

On the other side, in crypto resources there are a lot of new companies who are making crypto really simpler. When you should not care about your restoring phrase for crypto wallet so you can just hold this crypto in one place and it is easily connected with sort of to buy crypto, for example, make recurring purchases of crypto. So, when this service will allow financial services like banks accounts and banks cards it's because it becomes easier for people, for newcomers and crypto users so I think the main answer here is infrastructure. Infrastructure will have crypto and Fiat and the same products in one place, people will really start using it.

**Todd:** You've worked at other companies, you know, you started another company, the crypto company that you're with now and that you're growing now, how different is building companies in these two worlds, I guess. Is there a big difference in terms of how you're building the company, is there a lot more in the crypto space of kind of explanation of what to do versus your previous company, how's that parallel between the two?

**Petr:** I will say the main thing is that crypto is very interesting, crypto is really used in emerging markets, it's really fantastic. On the other side, because of what it is a new market which is emerging, it is really fast and you should have this shift in your mind that you can spend half a year for doing some product. Well, usually, in fintech half a year is quite a long time, but in crypto, half a year, it doesn't work at all so that was really new when we started.

On the other side, you know, the great thing was that we were in payments and a lot of our experience in payments, in crypto so, for example, in understanding how it should operate, in some questions it applies so to share experience from e-money regulations, crypto, these types. It's really cool that you can use your previous experience to build this new thing, this is really great.

**Todd:** When I was doing some research on your company, you know, I came across a quote from one of your investors, Mike Lobanov of Target Global, you know, Mercury came first within six minutes including everything from KYC and funding to getting the cryptocurrency, he is talking about buying Bitcoin. How important is, you know, kind of a quote like that from someone like Mike at Target Global, for a company that's kind of emerging to kind of have that as something you can point to and you can kind of show hey, look at this.

**Petr:** Mike has (inaudible) because they did due diligence before they invested in us and that is actually why they invested in us because we were faster in executing transactions. In a lot of other things, we were better. We are really happy to have bankers like Target providing great backing as we are launching our new product, as we are growing, etc.

I think that the question is that we are doing the product that is really demanded in the market, we have great feedback from our customers and we build ....well, actually, we do not have a lot of, for example, sales person because our product is being sold by itself because it is really needed in the market, this is the main thing. After that when new customers come to us we have volume, we are growing so we can make it even better and then it is really appreciated in the market, not only feedbacks from our bankers, but we have feedbacks from our customers when they are really happy with us.

**Todd:** Before we shift a little bit in the conversation, what's the best piece of advice you received, so far, building your current company?

**Petr:** Do not be afraid to merge Fiat and crypto and to go ahead and move straightforward with our ideas because we have a lot of ideas inside our mind. We never have some deficit for what to do next, we always have deficit for capability to build new products or something like this. Well, one of the best advice was that do not think in the small box that you should do this and this, think about strategy, what can be done in the future and build and make it true.

**Todd:** So, I wanted to shift a little bit in the conversation. So, how big is the overall team today, is everyone based in, I know that you're in London, are they London-based, distributed team, in an office, kind of how is the make-up and where is the team these days?

**Petr:** We have several offices in London, in Riga, in Moscow and from the beginning we were really distributed so when the pandemic came to us, I would say that we were ready in terms of working remotely. One of the interesting things is our offices are free to come, but people love joining the office, love to come in and it's always overcrowded because people love to be there having a great time chatting, communicating. We invested a lot in it, I mean, building this place where people would like to come.

**Todd:** You mentioned it a couple of times through our conversation how fast the market is moving today so as a Founder and a CEO, how do you keep up to ensure that the lightning speed that the market's moving at, all of a sudden, that you guys are not behind?

**Petr:** I'm a perfectionist. For sure, sometimes we are not satisfied with the speed that we are doing, but at the end of the day, we are doing a lot of the things faster than others so we are really moving fast. It was a change for this year to build inside us, develop a team that can deliver different products in parallel. We plan to have up to ten squads (?) inside us till the end of the year so that we can deliver different products and not wait just one by one. We've done great work here and that helps us a lot to be really fast.

**Todd:** So, I saw that you guys raised some outside capital, you know, how was that fundraising process? Any advice that you would give to other founders if they are looking or about to raise some outside money, something that maybe work for you guys or some piece of advice that, you know, they'd say alright, this might be something that I need to think about before taking on investor money.

**Petr:** Our fundraising process was not usual because we had a great product and we were not searching for money. Target, just by the word-of-mouth, knew about us and when they saw our progress they were really excited and they invested in us so that was not our idea to go for fundraising.

On the other side, I would say that what I will recommend for those who are going to go fundraise...because I know several friends who are fundraising and this process is not easy for a lot of companies. Don't stop when they say no or something like that, you should always go further, try something else, do something else, but never stop. That is what we are doing now, work inside though that was not our case with fundraising, but if it would be, we would make a move in such a way. So, don't be afraid of no, for us no was always the new motivator to do something better.

**Todd:** So, we have just a couple of minutes here. Do you have a favorite sport or sport teams that you root for, soccer maybe?

**Petr:** I really love soccer, but I do not have a team that I am a fan of. I'm not really deep inside it. I like bay surf, some kind of surfing, but you're going after the boat, I really like it. There are not a lot of events or tournaments inside this, I can't say this is an Olympic sport, but as a whole, I really like it.

**Todd:** And then, final question, the biggest inspiration that you have?

**Petr:** What drives us here is that we are at the edge of really something new, it might seem that crypto market is already established, there are large players. When we look at companies like FTX, we want a happier goal, nobody outside, sophisticated crypto investors knew about them no one and today, they are the second hottest. I know several more companies which will become unicorns in the coming months, it's real magic when you can build something new, grow something new to the market that really drives us. This is really fantastic that's why a lot of people are now for crypto.

**Todd:** Well, Petr, I really appreciate your coming on the show, giving me a few minutes of your time today. I wish you and the company continued success and hopefully, we can get you back sometime in the future.

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**Petr:** Thanks, thanks, and one more thanks for inviting, I was really happy to be here today.

**Todd:** Of course, thank you very much.

**Petr:** Bye.

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