PITCHIT FINTECH STARTUPS PODCAST NO. 46-ADITYA RATHOD

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 46, I talk with Aditya Rathod of The Canny Company. The Canny Company ecosystem makes it easy for businesses and customers to save time and money, their modular platform enables fintechs to easily embed one or more of Canny's products. You know Canny won at PitchIt at LendIt Fintech Europe 2021, it was our virtual event and so I wanted to bring on Aditya to talk about how embedded finance has quickly become one of the hottest areas in fintech helping provide seamless and simple products, connecting banks, fintechs and non-financial brands.

Aditya and I talk about how Canny works with different clients and partners, where they fit within the technology stack, some of the biggest pain points in cross border payments, whether or not payments are becoming cheaper and fairer, the potential impact of Web3 and much, much more.

So, without further ado, I present Aditya Rathod of The Canny Company. Hope you all enjoy the show.

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Welcome to the podcast, Aditya, how are you?

Aditya Rathod: I am good, Todd, how are you doing?

Todd: I'm doing well, it's great to have you here and great to see you again. We last saw you in Europe when you won PitchIt Europe at our digital or virtual Europe event so it's great to have you back. If you can tell the audience a little bit about yourself, professional background and what brought you to the point to start your current venture which is The Canny Co.

Aditya: Thanks, Todd, and thanks for having me here. I've been into the banking world for almost 15 years, moved to the UK in 2007 with one of India's largest banks, working with them, building the cross border proposition especially from both on ground and the digital proposition, but, again, always was working towards in terms of how it can be more digitized so that's where in my next assignment with another Indian bank where I was Head of Retail, launching business from scratch to build all the proposition, including savings, remittances completely on the digital platform.

So, I have always been into retail banking and the payments industry, last assignment which I did was on a Payments-as-a-Service business which I launched successfully a couple of years back and which was more around building relationship with many fintechs and the banks just to have or bring efficiency as far as cross border payments network is concerned. So, that's where I am. I started Canny in 2018 with the idea perspective along with my other Co-Founder, Sridhar, and formally we launched our

company in 2020 and today, we are where our product is live, we good a good traction as far as on the clients, partners as well as from the industry experts so there we are.

Todd: You know, I always like to ask this question, were you always on the path to becoming an entrepreneur? I heard you say you started a company a few years ago so, clearly, this is your second venture, but even through your early professional career was the goal eventually I'm going to be an entrepreneur or was it the problem that moved you into the space?

Aditya: So, I would say it's more from a problem perspective because, yes, as I said, I had spent almost 15 years into my corporate work, especially into the banking, but, yes, during my corporate work also I was working on businesses where I've built products from scratch, I have actually built a complete retail banking framework from scratch as far as the bank is concerned. So, always there was a kick in terms of building something unique, offering the best proposition to the end consumer and that kick has actually brought me here where I am today, in terms of launching Canny and solving the problem which we see as far as cross border payments are concerned.

Todd: Give us an overview exactly, what do you guys do, who's the target customer and while answering that question, how did you come to the name Canny?

Aditya: So, we founders know each other for over a decade and as it happens when you move to another country from your home country you make your friends through kids and that's how we met. So, while Sridhar was working on his previous startup and consulting for banks, I was working on building businesses from scratch, especially on the retail banking side, we found still there is a gap to address as far as in the global payments market. The financial world typically locks users into ineffective options and we stand against this outdated model.

Our platform provides all businesses with insightful analysis and transparent options, we are positioning ourselves to be the go-to financial platform for international payments and we make it easy for banks and fintechs to embark on this and make it friendly for them and consumers. Through a modular ecosystem that requires external service, we ensure flexibility using flexibility, usability and security, but at the end of the day, we offer a service that saves financial institutions which is banks and fintechs time and money whether that's by helping our partners increase revenue or helping business make most cost-effective choices.

Now, your question was how we have come actually on the name Canny. So, as you see, we increase revenue through empowering partnerships and astute choices and Canny means a smart way to do things, smart and self-serving. So, we believe everyone should be able to make Canny choices, our five core values which are choice, diversity, equality, partnership and convenience, these reflect our goals to do more than increase revenue for business. We aim to foster a very competitive yet harmonious organization and that's what Canny stands for, we are about profit through choice and partnership.

Todd: And so, if I'm a bank, you know, and I come to you guys, is there one....here's the end of the box, here's the solution, the end end solution, can I buy different pieces, how is the customization and

what am I paying for as the bank and how do you guys make money? Are you charging fees to me and ultimately the end customers, the one that benefits, tell us a little bit more about that.

Aditya: So, maybe it would be good in terms of giving a little bit more overview as far as our products and the target customers are concerned. So, with our products we have interesting pain points of three involved parties as far as cross border payments which are like payers, receivers and the banks and fintechs who are servicing them. So, Canny with it's embedded finance marketplace, we empower banks, fintechs and other global businesses to offer cross border payment services, Canny believes that only marketplaces can lower prices and deliver better consumer outcome to address the stated problem.

Canny's remittance marketplace brings market leaders on a single platform, offers multiple choice to enjoy lower prices and a one-stop-shop to find and buy the best, simple, but the complimentary request to pay and the invoice to pay, what we have created which is revolutionary and yet easy to use product enabling individuals and businesses to request money from anywhere in the world. So, based on the World Bank's Remittance Data, if you see the remittance marketplace drive the cost down of global payments by almost 45%, it is a big advantage to end consumers and a huge differentiator for any international payment service provider.

So, all our products are embeddable, we give option of either a white label or API so any business, as I said, which is fintech or banks or any global business can launch marketplace or request to pay proposition with just a few lines of codes thus, at the end of the day, reducing the cost and complexities of integrating with multiple partners. But, most importantly, by way of making Canny's API, they become a revenue center instead of a call center because at Canny we share percentage of revenue on every transaction with our clients, especially in terms of how Canny is making money.

As I said, we are on a mission to build a company payments ecosystem in a sharing economy so we have built a platform which is on a "win win" basis for all parties involved so our payment partners share a fixed margin with us and in turn, part of that FX margin we pass on to our clients so we become a revenue center not a call center and everybody involved wins. Consumers get the best, partners get the transactions from the consumers whereas the clients offer a new service as far as their end consumers are concerned, but still make some money on it.

Todd: I mean, you mentioned a few lines of code, how long does a typical implementation take? I mean, I assume with banks there's a little bit of a process there, you know, there has to be a lot of checks and boxes to do in working with a bank partner, but is there kind of an average of how long it takes?

Aditya: Yeah. So, ours is a B2B2C platform so our technical innovation is actually a structure layer that enables easy integration with multiple remittance partners, but simultaneously, we offer a complete coherent and single interface to enable a very standardized end-to-end fully digital flow. So, as I mentioned, our platform is available as white label and API so any partner who wants to just take it as a white label, they can just re-scan it without much customization, it can go live in a few weeks, but if it needs customization then definitely it requires some time and it can be completed in two to four

months timeframe. But, ultimately at the end of the day, it all depends on the respective stakeholders everywhere, customer journey customization, partner selections, testing time.

Todd: Yeah.

Aditya: But, all in all, our API saw how we have built out completely on a self-serve basis, it is already published on our website, just open gig partners, the client has to pay and they can implement it, but our product and how we have designed it, they are better if FIs are in the same market. They can take only as a marketplace for payers to initiate the payment and if the FIs are in the receive market they can take only a request to pay for their beneficiaries where they can request money from abroad. So, when I talk about send markets like the US, UK, Australia whereas in the receive market which are like India, Philippines, Vietnam so we make it very simple, time-saving proposition and also for FIs to go and to have a quick to-market solution.

Todd: What are the biggest pain points in cross border payments? So, if I live in the Philippines, I'm trying to send money to a family say in the US or in the UK, where are the biggest impediments to that payment being smooth, easy to my family member in as short a time as possible?

Aditya: I see, personally, there are four factors which are still a main or biggest pain points which is like price, transparency, speed and access. So, we see consumers are still searching and spending a lot of time to get the best from the market, complexity increases when they have a requirement of different currency payers. As the World Bank data also states and shows, there is no single cross border service forwarders, have always been on the top of the chart for any two consecutive quarters and it makes it very difficult for the end consumer to find who is the best at that particular time.

Todd: That's fascinating. Back-to-back quarters, that's always been different.

Aditya: More than two quarters. So, two quarters, yes, we have seen one single player is on the top, but consecutively, more than two quarters, not even a single player is always on the top.

Todd: That's fascinating.

Aditya: And at the same time, as I mentioned about the cost, the cost of sending $200 which is, again, a World Bank data is too high, it is averaging almost 6.4% of amount transferred as per 3rd quarter in 2021 and which is actually quite far from the sustainable development goal which was set by the World Bank and which is 3% by 2030. Data reveals that this cost tends to be higher when remittances are sent through banks as compared to the digital channels. So, on speed and execution, the challenge of speed involves the processing time of payment from end-to-end including factors such as time required for dispute resolution, reconciliation searches, possible slow processes for funding, de-funding, daily cut-off times, closing times, AML security checks which I mean Anti-Money Laundering and combating the finance of terrorism.

So, all these daily happenings and at the same time, there are many manual errors that happens like payers sometimes enter account details or wrong bank details so all these challenges actually makes

the process very cumbersome. So, you mentioned the point about the Philippines, how it would be easier for any customer sitting let's say in the US to transfer funds from the US to the Philippines, it all depends whether he is able to get the best partner who is very strong in that corridor. So, maybe one partner is good as far as strong from the US to UK is concerned, but the same player will not be good as far as sending money from the UK to the Philippines because they don't have or they might not be having access as far to the correspondent banking network further drawing arrangement in that base country and that's where we solve the problem.

We bring the best in terms of the partners which is good let us say for the UK or Australia, another partner may be good for UK to India, another partner may be good for the UK to the US, that's the problem that we solve. So, at the end of the day, the consumer gets the best for the different currency payer to use what they have.

Todd: What are your thoughts on this huge explosion in recent years of crypto and blockchain and Web3, is this the future? I mean, there is obviously a lot of talk about how cheaper it can be, how instantaneous it is, but there's still a lot of complexity to it. What are your thoughts on kind of this recent explosion of the space?

Aditya: So, no doubt, definitely the complexity is there, but all these are quite promising as far as cross border payments are concerned. They're not only helping in bringing the problems I mentioned about the transparency, it is bringing the cost down, it is increasing the speed and also, it is delivering a very strong ecosystem including facilitating hassle-free, secured (inaudible). So, Web 3 is nothing but a new iteration based on the blockchain so all three are inter-linked. In cross border payments, blockchain cuts off intermediaries which helps to increase the speed and reduce transaction cost.

At Canny, as far as the fintech revolution is concerned, we are already in Fintech 2.0 with that embedded global payments marketplace and also, we are working and moving towards the SaaS revolution. Also in the background, the team is already working towards the Fintech3.0 making the perfect use case for multi-currency central bank digital currency. Why not strictly a decentralized finance, but a multi-lateral corridor that serves as a shared exchange place for participants in multiple jurisdictions and this is all about how to conduct cross border payments.

So, as you mentioned, about whether it is about crypto, blockchain or Web3, the underlying technology is about blockchain and that is actually bringing in the complete transparency and also a view, end-to-end view to our consumer where their payments are, what stage their payment is so that makes it completely visible and, you know, give a complete timeframe, yes, our payment is going to be issued, going to (inaudible) by so and so bank so it's quite fascinating, I would say

Todd: You know, as someone who has extensive banking and corporate and big institution experience, I mean, how much different is the life that you're currently living in the startup world from the traditional FI universe and does that shape and change how you think about some of the products and how you guys iterate on these and curious to hear your thinking on big versus small and nimble.

Aditya: Both are completely different, completely two different engines. So, when you are in startup, it's not a job, it's a mission, you are working towards solving some problem and it becomes your life. At the same time, being in the startup and being a founder you always work in a quite, I would say, in a pressure cooker environment. Whereas in the corporate life, definitely, there is, you can say, access to resources, but still you have something to deliver as far as your shareholders are concerned. So, when you are on a journey of a startup at the initial stage, you are all alone, but with the corporate experience you get many well wishers onboard and your network helps. Being a startup on a startup journey, it's full of hassle, we try, we lose, but we win, but, all in all, it's all about the limited resources we work on.

And, as you mentioned about the corporate life experience, the scale is very different there, but that scale also comes with the immediate availability of the resources. I may talk about in terms of the startup world, okay, it is about solving a problem and it is about bringing a difference, but in the corporate life it was about managing resources and delivering numbers with caution. I would read these two as very different engines but having a corporate experience and then coming on to be a startup brings a lot of responsibility, but also brings a lot of experience in terms of execution and that's where we are able to deliver what we are doing right now in a short span of time.

Todd: You mentioned earlier when you were talking about your, kind of explaining your company, a bit about what you guys do, you know, some terms and it seems as if today you have Banking-as-a-Service, Payments-as-a-Service, you know, obstruction layers, APIs, embedded finance, I mean, there's all these different terms flying around, some kind of mean, if not the same thing, at least similar things. Ultimately, I guess the question is does it really matter what we call it, if it's called embedded finance or not, are these terms that different or is it kind of in the same universe?

Aditya: I would say, all these terms are a result of fintech evolution. It's all about partnership and the collaboration and that's how Banking-as-a-Service, Payments-as-a-Service or embedded finance may be worked. So, we see embedded finance and Payments-as-a-Service as part of Banking-as-a-Service and what is Banking-as-a-Service?

It is just a bundled financial services offering which is all fun, of course, there's a white label or co-branded so quite a few neobanks, whichever actually launched best proposition after having the success in direct to consume segment. So, some of the banks the likes of Starling Money, they have been very successful and we place ourselves into Payments-as-a-Service and embedded finance company and Payments-as-a-Service is about end-to-end payment service offering which can enable any institution to offer payments service without investing much time and money, riding on an existing platform which includes such services such as card issuing, payment clearing, cross border payments, disbursements, e-commerce gateways.

Embedded finance is about integrating financial services with other environments and ecosystems, be it a financial or a non-financial institution, it is also offering a service or a product where consumer is life offering, buy now, pay later at the point of sale itself. So, embedded finance is making every company a fintech, whether that company is a financial institution or a non-financial institution. Our APIs also enable any company to launch cross border payments and that is with just a few lines of

code, as I said, but, riding on well established payment rails so we believe the future is about embedded finance and to be more precise, it is about the embedded financial marketplace, giving control to consumer to select the best and consume services wherever they are. So, all these terms are quite linked with each other, some are part of the broader term and this is going to evolve further.

Todd: What's the biggest lesson you've learned about your own company since you launched in 2018?

Aditya: Be cautious in defining priorities, as during the startup journey everything comes as a priority, but one has to be very judicious because in startup journey you have only 24 hours and not much resources. From a fintech perspective, we see fintech as evolving really fast and we have to be ready to match the pace. At the same time, partnership and collaboration is the key to success and that is our learning. Whenever you are in the market, the competition is emerging, but you can see the competition as an opportunity to partner with and that's how the whole ecosystem will work and as a business you'll thrive.

Todd: Best piece of advice you received since launching?

Aditya: What we see in our journey is selecting a partner is very crucial. So, select a partner, a right partner on journey from day one because partners are always the biggest asset for the company and that's why whenever we look for a partnership, we look for the synergy, we look for the thought process, we look for what problem they are also looking forward to solve and that's where we bring in the synergy onboard and move together.

Todd: I want to shift our conversation a little bit. You know, as a founder, as someone who's worked in banking and big institutions, you mentioned it earlier, how fast things are moving, how do you stay ahead of the curve and ensure that Canny is working with the best technology, the right focus. Obviously, we talked about blockchain so staying up on kind of what's going on there so how do you prioritize things?

Aditya: So far, definitely, as I said, as fintech is evolving so fast, we ourselves keep abreast with the new trends, the new technology and that's where we try to be in the market always, we try to interact with the people more and more, we try to interact with the partners, with the clients, with the resources on the ground and we try to learn from the other institutions. Some of the institutions are working very, very strongly as far as integrating different APIs, some institutions are working very strongly as far bringing more use cases out on blockchain.

So, that's why when I mentioned about Fintech 3.0, our approach or our product strategy have driven from that angle, how the future will look like in five years, how we see ourselves for the product that we are building to be delivered in that five years to ten years. Are we spending a good amount of time and money in terms of definitely technology, in terms of resources, in terms of you know, bringing the right resources on board and also bringing market expertise.

So, it's not only about having permanent resources, but also in terms of how you can get expertise from the market by way of advisors, by way of industry experts who can guide you. So, we are always striving in terms of finding out the new technology which is coming up, how we can use and make our journey more seamless, more useful for the consumers so that the mission where we are in terms of bringing the best to the end-user we can fulfill and accomplish and which we make it relevant as far as the future is also concerned.

Todd: What does the team look like, how big is the team, who are some of the people around you helping to build Canny?

Aditya: We two are the founders, as I mentioned, we both are based in London, we both come, I would say, from a decent background as far as from the corporate world is concerned, working in senior management, also working with large institutions. At the same time, we have our tech partners based out of India as well as in Canada who comes with an expertise as far as cross border payments verticals are concerned, whether it's about liquidity management, whether it is about risk management, onboarding solutions or having APIs to integrate as far as where the larger players are concerned.

So, we have the right resources in place, but at the same time, we are backed up by the industry experts as our advisors. A couple of advisors have launched large institutions and worked with them, both in the marketplace as well as on digital transformation side and one of the advisors we have, they are experts as far as on the IT security is concerned so they guide us on the IT security side of the business. So, we cover all the aspects, not only from the marketing, sales or the product side, but also in terms of the IT security. So, we have quite a mix of people who are helping us to move forward and deliver where we are.

Todd: Fintech has clearly become arguably the hottest investment opportunity for VCs and others around the world, have you guys raised outside capital, how was the process, investor conversations, kind of how have those gone and how has investor appetite been for what you guys are building?

Aditya: As I said, we started from an idea perspective in 2018 and from idea to building a prototype that was all done by the two of us, not taking any money from outside. During the COVID which was in 2020, we managed to do a bootstrap round through family and friends. At the initial stage when you are looking forward to build a product, okay just normal idea perspective, it is very, very important where someone had to believe as far as in you and your idea. We are very thankful that okay, at that point in time, our existing investors believed in us, they are definitely from the financial world, they are in the senior level in terms of with the other banks are concerned so they understand this space.

So, initially, I see investment is always on people and the team, product comes later and now, we are at an interesting stage where we have product, right resources, traction from the client, accolade from where the industry experts are concerned. So, now, we are at this stage where we are going for our seed funding so, yes, we do have a good traction, whether we call it from angel investors or from VCs and we are looking forward in terms of closing our round soon.

But yes, you are right, it's quite a hard market, it also depends on which market you are so definitely whether it's east, west or where we are sitting in the middle. We are quite open in terms of speaking to the VCs, some of the VCs, you know, who are talking to us, they are from the east side of the world, one of the VCs from the UK, they are angel investors who are very, very interested in terms of investing as far as the initial stage is concerned because they definitely see or are looking for multiple returns at a later stage. So, yes, we have a traction, we see opportunity here in this hard market, we can have more resources coming soon.

Todd: What piece of advice would you offer a fellow founder that might be listening to the episode when we release it?

Aditya: I would say it's a very short answer, if you embark on a startup journey, get fully involved, don't ever ride on two boats as you won't be able to do justice with any.

Todd: That is good advice. So, we just have a couple of minutes left, I'd like to end a little bit lighter with some fun. Do you have a favorite book and the last book that you read.

Aditya: So, my favorite book is "The Chimp Paradox" by Prof. Steve Peters which talks about how you can calm down your chimp which is sitting in your mind. The last book that I finished was about "The Power of Habit" by Charles Duhigg and currently, I'm reading "The 5 AM Club" by Robin Sharma.

Todd: Do you have or do you root for a favorite sport or sport team?

Aditya: Absolutely. Being of Indian origin, I am following the trend and I am very passionate about cricket, I watch and play as well and looking forward to watch some more as the season is about to start. From a national team perspective, I support India.

Todd: And then final question, biggest inspiration in life?

Aditya: The sunrise to kick off the day. So, I want to make the most of my life, I want to push myself and work on streams which bring me joy, be it running, playing, reading or working, I listen to podcasts, I read inspirational books, but the biggest inspiration quote for me is, "I have a dream."

Todd: Well, Aditya, I greatly appreciate your coming on the show and give me a few minutes today. How can the audience or if there's investors that might listen, how can they find you, how can they find Canny?

Aditya: Our website is thecanny.co, anybody can reach me on ar@thecanny,co and also on our website we have a page where you can leave a message for us, we will be very happy to take it on an immediate basis and reach them out. I'm on LinkedIn as well so, yes, we can get connected.

Todd: Alright, sounds good. Thank you again, I wish you and the team continued success, hopefully, we can get you back sometime in the future. Thank you very much, enjoy the rest of your day.

Aditya: Thanks a lot, Todd, thanks a lot.

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Thank you for listening to the latest episode of PitchIt, the fintech startups podcast. I encourage you to take a few minutes to write a review or rate the episode. Ratings and reviews both help us to improve the show for future episodes. If you're interested in learning more or would like to be considered for a future episode, please reach out anytime to Todd, T O D D @lendit.com and until next time.

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