



## **PODCAST TRANSCRIPTION SESSION NO. 254-CLAY WILKES**

Welcome to the Lend Academy Podcast, Episode No. 254. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Today's episode is sponsored by LendIt Fintech USA, the world's largest fintech event dedicated to lending and digital banking is going virtual. It's happening online September 29th through October 1st. This year, with everything that's been going on, there'll be so much to talk about. It will likely be our most important show ever. So, join the fintech community online this year where you will meet the people who matter, learn from the experts and get business done. LendIt Fintech, lending and banking connected. Sign up today at [lendit.com/usa](https://lendit.com/usa)

**Peter Renton:** Today on the show, I'm delighted to welcome Clay Wilkes, he is the CEO and Founder of Galileo Financial Technologies. Now, Galileo is a fascinating company, they've been around since the early 2000's, they've kind of aged in the last few years and they are powering some of the biggest names in fintech, you know, companies like Chime, SoFi, BlueVine, Current Aspiration and many more.

According to Clay, they do like..... 95% of fintech companies are using Galileo in some way and what they've created is a very simple API-driven system where any company can add a payments functionality very quickly and easily, you don't even have to be a fintech company or a bank. They've worked out a way to do this in a really streamlined fashion, we talk about that in some depth and how they were able to do that.

We also talk about, of course, the acquisition by SoFi, that has been in the news a few weeks back and we go into some depth about the thinking behind that and what this might mean for SoFi and for Galileo going forward. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Clay!

**Clay Wilkes:** Thanks so much, Peter, nice to be here, thanks for having me.

**Peter:** Of course, my pleasure. So, I know you've been working at Galileo for many, many years, but I'd like to, at least, give the listeners some background about yourself, sort of what you did before that time and maybe even leading into why you decided to start Galileo.

**Clay:** Yeah. My background is in operating systems and technology, communications. I had taken a prior company public, been retired for about six years before starting Galileo and that was 20 years ago so, that's my background as in technology. Galileo really started to solve a problem that I saw in financial systems and transformation that I felt like was badly needed to match the Internet age. In the last, you know, call it five to seven years, we've really seen a boom in fintech and Galileo has been in an integrated position to benefit from that.



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**Peter:** Okay, okay. So then, when you started it....because, obviously, 18 years is an eternity in fintech, I mean, fintech didn't really exist as a term. Obviously, it was companies like PayPal and a handful of others that were trying to do some things in financial technology, but why don't you just take us back to that time, what was the problem you were trying to solve when you started?

**Clay:** What we saw was systems that were, you know, large, rigid, monolithic, difficult to work with, not that really API-based at all, not created in a way that would be flexible, scalable, architected in a way that can solve many diverse problems, just not well suited to solving that problems that we felt like needed to be solved in payments. Many of the card platforms were architected to handle the inputs and outputs of a card transaction, we don't do that. We organize information very similar to the way it might occur, for example, on the file system on your computer, or something such as that just happens to be financial information.

**Peter:** Okay, So, maybe you could just sort of fast forward us through the last 18 years really quickly in just a minute or so, and talk about how the company has evolved really up until this year.

**Clay:** You know, if you go back in payments and banking, what you find is credit initially starting in the general store, then into gas stations and department stores, eventually banks, Visa, Bank of America had an idea that they could invite other banks to extend the brand, get merchants on board. That really was all focused on credit, consumer credit, in particular, and revolving credit, bank-issued. Sometime after that, debit came along, again, it was a bank product, access to your DDA funds so you had traditional credit, traditional debit and anything that wasn't that was sort of thrown into this other bucket and that bucket was about the same time that Galileo started and came about.

So, that was the problem that we were trying to solve....was many different business applications and diverse types of situations. So, it's our ability to be able to solve that has lent itself to being able to be kind of in the right place at the right time for fintech. Now, we see companies like TransferWise, Chime, Aspiration, Greenlight, Robinhood, Monzo, SoFi, Revolut, Remitly, Paysafe, just to name a few.

You know, Galileo clients by one count, recent count, Galileo was powering 95% of all digital banking in North America. We have five out of the top five UK firms as clients....the top application in Canada is on our platform, the number one in the US, number one in Mexico, we've just been in Latin America for two months, but of the top 20 down there, we've already signed five. I think we must sign all 20 as clients so, you know, Galileo has done extremely well in API-based payments and banking.

**Peter:** Yeah. So, that is a pretty impressive track record. You know, it's interesting because a lot of the companies that you mentioned there and the ones you're powering, they didn't exist certainly ten years ago and some of them didn't exist five years ago. I'm curious about the....you've had this front row seat to this explosion in fintech where you've been able to see, basically, a banking industry or a .... there's been new products that have come out in financial



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services consistently over the last, I guess, 50 years, but really we have this kind of explosion in the last five years where things are really changing.

I'd love to kind of get your take on how you sort of ..... you had your business for about 18 years or so, but in the last five years things have really taken off, give us your take on how that's happened and how you've been able to take advantage of that.

**Clay:** Yeah. Somebody mentioned to me that we were an overnight success 18 years in the making so it's been a ride, it's been interesting to watch. My own personal belief about this is that we're still in the early days of fintech. So, a lot of people are thinking, wow, you've seen a lot of progress in the last five years and that's true, we really have, but my own personal belief is that we're going to see a lot of change in the next five years.

And so, we saw this with the Internet, you know, the Internet exploded, took off, it's a big deal and Internet 2.0 kind of came along and we saw a bunch of new leaders emerge. In my personal belief, we're going to see that again in the world of fintech over the next five to ten years, there's still a lot of stories to be told. I think they have companies like Jio in India and, you know, this global phenomenon that are.....TikTok, just a lot of the world that are still yet to be defined so, I believe, we're still very early.

We are going to see a response focused largely on consumer by the incumbents, I believe that way it's coming. Galileo has already seen it, many of them are reaching out to Galileo to trans-solve these types of problems. We're also going to see and have seen that we're going to see much more of the emergence of Big Tech in the world of payments. So, we're by no means done, in fact, we're just, just, just barely beginning.

**Peter:** Right. On that, we feel like we've only just begun, but there are certainly some digital banks that have reached really impressive scale, several million customers here in the US, same internationally... I mean, you look at Latin America, you've got Neobank with more than ten million, I don't know what the latest is, it's way more than ten million, I think, as far as customers there.

So, as we grow, I mean, there's going to be.....and as these companies mature, we have the need for really bank-like reliability, bank-like dependability where you go to the ATM or you load up your mobile app and it always is working, it's 100% of the time. So, what are you doing at Galileo to really ensure that you can provide that kind of .....the level of uptime, that dependability that some of the largest banks have really made us all accustomed to.

**Clay:** Well, that's a great question. There's a lot that we're doing there. I want to take this slight exception with your point which is the big banks have made us accustomed to. Actually, you know, if you look back over 2019, Wells Fargo had an outage that lasted ten days, Bank of America had an outage that affected 60 million customers, Capital One had an outage that affected 106 million customers. So, the big banks aren't immune from this, you know, Amazon, the king of data centers, had an outage that have affected 2.3 million businesses, I've personally, been stranded by Delta Airlines three times and not for flight shortages, but for IT



outages and Apple who spends trillions or billions, at least, on IT infrastructure has outages almost continually.

So, outages are a phenomenon and the same that goes along with technology despite some of their biggest and best and most diligent efforts on the part of the big banks and other technology firms and Galileo is a part of that. Despite that, I agree with the thesis which is Galileo has done and is doing a lot and we've had a very, very good track record related to uptime, fortunately. One of the things that Galileo play was the incident in October and one of the things we've done since then, just to give you a sense, we had a project after that called 10X and what 10X enabled us to do was to scale to ten times our largest client.

So, in short, what this was essentially 140 million active accounts representing somewhere in the order of 10 billion transactions and rating scale of about 5,000 transactions per second. So, we're doing all that we can to ensure there that we've got massive scale and capability. The good news is that the architecture is fully horizontally scalable, you know, very much like any well architected cloud-based solution today.

**Peter:** Right, right. And so, given the changing environment here over the last three months where there's been certainly lots of pockets of activity that has scaled dramatically, we're seeing digital banks adding new customers, banks adding new deposits at record rates, how has this changing consumer behavior really impacted Galileo? Have you been ramping up along with this increase in demand?

**Clay:** Galileo is seeing a massive growth since the beginning of the pandemic, just as an example. I think about the infrastructure we're using right now, Zoom, and the growth that they have gone through and the growth at Amazon. Quite honestly, we always hear that Amazon was built for the pandemic, and fortunately, for many of us it was in place, but I would say that's true, digital banking as well. Our clients have seen just incredible growth over the last three months.

Just to give you a sense of that, for existing business, Galileo is up month over year.....last month, 165% which is just absolutely incredible growth. So, we're doing all that we can and fortunately things are working extremely well right now and the growth has been incredible. We've got clients that are adding, in some cases, 50,000 new accounts a day, many of them have got a waiting list of over a million/a million and a half accounts that are waiting to get on. It's really a function of card production not a function of scalability press so there's a lot that is going on. Many of these companies like a Chime, a Robinhood, we just saw recent numbers coming out on Current, you know, these companies, Dave.com, they've all scaled incredibly well. Galileo's powering all of that.

**Peter:** Right, okay. So, one of things that..... I presume you might have seen the column by Matt Harris last year about embedded finance because as you're talking and as I look at Galileo, I feel like, you know, you're really part of this movement toward embedded finance where....you know, maybe we'll step back and talk about Galileo Instant which from my understanding of it is



sort of a way....it's like a plug and play for different kinds of financial services and it seems like this is a trend that's really going to get...it's getting going and it's got legs, as far as I see. We'd love to sort of get your....firstly, explain what Galileo Instant is and then talk maybe more broadly about the trends toward embedded finance.

**Clay:** Galileo has got an incredible platform for it's digital banks that we've been talking about here this morning. If you look at those digital banks and new digital banks coming along that wants to go, like great consumer experience, they've got some ideas around what they feel that data will like, Galileo tries to provide the services that would enable all of that, but the process to do it is expensive and it takes time.

So, you know, for example, you would have needed to raise several million dollars, you need to know something about banking, and about fraud and about disputes, compliance & regulation, all of the rest of it. It's expensive and it's not easy, it's difficult to get into, but there are many businesses that just simply want to make a payment, they don't want to be a payments company, they just want to make a payment. So, that's that thing that we're trying to do with Galileo Instant. It's a product that we announced late last year, we've been in beta over the last several months, the product is going live this month and we've had 450 companies with inbound interest to sign up for and gain access to the API's that power Galileo Instant.

To answer your question, the problem that Galileo Instant is trying to solve here is .....you know, I have a client, excuse me, a neighbor that is a ....he owns a steel manufacturing company that uses welders to assemble the steel, 10,000 welders and he asked me, do you have a product that will allow me to pay my welders by the weld. I said, wait, you give me about two months, the answer to that is, yes, and so that's one application. Google has 23 million YouTube influencers that need to be paid every month so if you think about that and that particular portion of Google, I could imagine, doesn't necessarily want to be a payments company although Google itself might be, they just simply want to make a payment.

So, whether you're talking about a welding company or Google, we see thousands of these applications and we've done some engineering and recent testing around what does it take to get into this type of business and we've reduced it from many, many months, you know, the sales process could be months, the integration could be months, the marketing ramp behind all of that on the part of our client can be many months. So, you can see one of these digital banks take anywhere from 12 to 24 months to really get started and begin to market their product.

Whereas, on Galileo Instant we've reduced that to a number of minutes. So, somebody can come to the Galileo Instant product and gain access to it's all API-driven and within a matter of minutes we've eliminated all of the friction that goes into needing to make a payment and you can begin to do it. You can do it in a co-branded way so Google could do it, co-brand with YouTube, etc. and it's pretty powerful. We've seen this on the acquiring side, but not really much innovation here at all on the issuing side so I'm pretty excited about it. These are the types of products that I was talking about, I mentioned it earlier, around Fintech 2.0. We still have got a lot of headroom, another 20 years work, at least.



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**Peter:** Right. So, you think then that we're going to.....the companies you just mentioned there, the welder, Google, these are not financial firms, but, obviously every single company on the planet has a financial function because, otherwise, they're just there by definition....

**Clay:** Right.

**Peter:** ....so you think what you're going to see is, you know, a range of companies, it sounds like from what you're saying, even down to the reasonably small companies that can offer their sort of co-branded financial services, is that what where we're moving?

**Clay:** Yeah. We've seen....in a law firm that needs to pay folks that are running satchels around town, bicycles....we've seen a restaurant firm that is paying millions of restaurant workers and they want to do it on an inter-roll that doesn't necessarily match to what is available and traditional applications. Again, it's not easy to find these types of applications or enabling technologies, and to my knowledge they're not out there today at all so I can see this range in from big to small.

**Peter:** So, I want to talk about SoFi. Obviously, we know the company really well, we had Anthony Noto on the show last year and you have a partnership with them for quite some time. If you could give some sense of the history of your partnership with SoFi and when you sort of started to think that it could be more than just a commercial relationship.

**Clay:** You know, my first meeting with Anthony Noto, I was impressed with him, he's a great leader, he's got incredible skills, he's an analyst, but as a CEO, he is driven, he's great, he's smart, he's quick on his feet, he's great in front of a group of analysts. So, if you've had him on the show you've seen probably some of those skills come through. You know, he and I hit it off, we share a vision. SoFi is in my view, has been fairly quiet although they raised an incredible amount of money. They, at one point, have raised more money than all of the fintechs combined, you know, \$2.5 Billion so, very, very impressive.

On the lending side, they have products available through consumer packaged type of approach and the idea was, could we take those products, wrap Galileo's enterprise grade API's around them and make them available out to our clients where we've done really well with the clients on that debit and banking side and provide these lending products in such a way that it's easy to integrate, easy to gain access. That's an exciting opportunity. I think this gives Galileo, you know, several years, a three-year or a five-year head start over anybody that's even thinking about doing anything similar. It takes a long time to build what SoFi has built, it's a really incredible business and very capital intensive.

**Peter:** Yeah, I know and I think.....I mean, it's been running for years and, obviously, Anthony hasn't been there since the beginning, but SoFi had built up a machine, particularly when it comes to consumer lending, student loans, student loans re-financing.

**Clay:** Home mortgages.





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**Peter:** They invented student loan re-financing, basically, and they're a very impressive company. What you just said there sound like....what you're saying is that a company like Chime, a company like Dave, a company like Revolut may offer lending and it could be powered by SoFi, is that kind of what you're saying?

**Clay:** Right. So, the lending products....the way that I think about SoFi is really as a,,,,yes, they've got a great consumer frontend and a great consumer experience. Galileo powers SoFi Money side of that, but they really have....on the backend they have this...I refer to it as a digital securitization pipeline and it's an incredible business. Anybody that wants to try and rebuild or compete, as you say, has got a lot of work to do to put all of that in place. What we want to do is make that available through our API's.

**Peter:** Right, right. That could be super interesting because, as you say, SoFi....I mean, when you look at sort of the securitization volume in the consumer loan space, in the student loan space, they really have dominated that and it's been really interesting, it will be interesting to see how that really expands. So, I take it then from what you're saying, you didn't run like a full-like acquisition process where you wanted to hear from a bunch of different potential acquirors, is this something that you really just...you started talking with Anthony and the team at SoFi and wow, we really should do something more together.

**Clay:** Right. It was more that latter. There was, definitely, not a process that we ran, timing of the deal was interesting, it all happened from mid-March on, think back to mid-March we were accelerating in the deepest financial trough we've been in, even deeper than the changes immediately preceding the Great Depression. You know, 35% correction in whatever it was, 28 days, beat the Great Depression by two days, in terms of that acceleration, that deceleration, I should say. So, that was kind of the backdrop to all of these.

It takes tremendous fortitude on the part really of Anthony and that board to finish the deal. Forbes wrote it up as the first all-virtual deal in history, all of the diligence was done virtually because of the pandemic so there's a lot of notoriety to it in that regard, but, yeah, we were just feeling like we had a shared mission and a shared opportunity here and I'm a big believer in that.

There's a role model for this in the industry, you know, you look at Amazon, they've got this great consumer business, right, and AWS is just a tremendous infrastructure business, but one of AWS' biggest clients is actually Netflix which is a big competitor to Amazon on the video on demand side. So, that interesting dynamic is there and we believe will play out and play out well and the receptivity to the combination of SoFi and Galileo has been tremendous. Our clients all greeted this with eagerness because it really provides them opportunity.

**Peter:** So even though, you know SoFi has a number of different products which are directly competitive with many of your clients....obviously, you talked about the Amazon, Netflix example which are obviously directly competitive, so just like that....there hasn't been anyone who's sort of getting nervous about what's this going to mean for us when you're owned by SoFi....it



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sounds like what you're saying is there's no one that's expressed some hesitation with continuing to do business with you guys?

**Clay:** Yeah, largely what we're seeing is meeting the deal with, you know, open arms, embracing the opportunity. Galileo is committed to be in an independent business, we're ring-fencing the data and data sharing, you know, we're doing that not only from a policy perspective, it's actually....we're putting in place the things that are needed to make sure that our clients.....protecting our clients' information, our client information roadmap, strategies, etc. is key to what we do.

We already power...I mentioned a few of our clients, but we power competitors today, if you will. So, we're not in the business of sharing that information between one client and other clients, that doesn't serve our or their purpose. SoFi is really no different, we'll, as I've said earlier, make available these products and that's the overall strategy, but having Galileo remain independent, serving the broader financial services industry, serving fintech specifically is absolutely the directive and the mission.

**Peter:** Right, right. So, because obviously SoFi has a range of different products, but is this.....what your clients are most interested in, is it the lending access to sort of the lending machine that SoFi has done, or is there something more?

**Clay:** Well, we've got a number of products that are on the roadmap if you think about the SoFi Invest product which is a fee-free fractional share kind of capability of market. You know, Galileo....we intend to make that product available also through our API's. Our expansion, we haven't talked much our expansion into Latin America, we're also expanding into Asia Pacific.

We recently purchased a broker dealer there and we will drive, we will power the cash management solution for that, but, in the meanwhile, we'll also go into Hong Kong and provide capabilities to the other 160 fintechs that are there. We're moving into Singapore and into Japan as well and we've had a lot of inbound interest from that region over the last several months and really since the announcement of the SoFi acquisition, so there's a lot that we're doing there and it isn't limited to US lending. We're seeing opportunity that's more global and more expansive than that.

**Peter:** Right. For sure. And so, it sounds like from what you're saying, in a lot of these regions there really isn't a Galileo equivalent, is that what you're finding when you go around the world?

**Clay:** Yeah, very true. We've seen this in Latin America and our move into Latin America. You mentioned Neobank earlier, they had to solve the problem themselves, but as they look to expand outside of Brazil they're looking beyond that. Same thing with Uala as they've looked to expand in Mexico and Colombia, beyond Argentina. If you look at Asia Pacific, there's really no capability there. That's true, let's be honest, despite the success in the UK, I mean look at the infrastructure providers there, they're somewhat limited as well. So, there really is a global opportunity to take these services international.





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**Peter:** Okay. So, last question as we wrap up, you talked about international, you talked about Galileo Instant, what's sort of the focus for the next 12 months? Maybe just answer that question open-ended.

**Clay:** Yeah. I think it's two of three things. So, it's focusing on the integration of the lending products, API-based, (garbled) lending products, it's continuing the expansion into Latin America, we've identified beyond Mexico, we've identified six countries, we're moving very quickly right now into Brazil and Colombia, but, right behind that, we'll be in four of these top countries in Latin America.

We're also expanding into Asia Pacific now, as I mentioned earlier, Hong Kong, Japan and Singapore. So, that's a big part of what we're doing over the next 12 months. In the meanwhile, Galileo Instant will have launched and we've had a lot of interest and excitement around that. Lots of clients have actually already integrated to it and a big launch will come here in the next, call it 30 days, and it's going to be exciting to watch that product begin to emerge as a kind of new way of doing business in fintech.

**Peter:** Well, that'll be interesting to see, we'll be following along. Clay, I very much appreciate your coming on the show today.

**Clay:** Peter, thanks for having me. I really appreciate it.

**Peter:** Okay, see you.

**Clay:** Thank you.

**Peter:** One of the trends that I think is probably the most fascinating right now, and that is this movement towards embedded finance which is.... I mentioned that Matt Harris, Bain Capital had those two articles about it late last year and I find it fascinating because really what it comes down to is that Galileo Instant is going to help facilitate this. Any company can offer financial services and any company can offer really pretty customized, exactly to their needs like whether it's 10,000 welders that want to be paid by the weld or whether it's some sort of a bank that has a very specific need.

A lot of these things can now happen and so we're going to see fintech continue to expand out into non-finance companies. I think that's going to be the most interesting thing of all where finance will become invisible and I think that's really where we're going, it's going to be all happening this decade. I think it's going to be very exciting and Galileo is certainly going to be a company that is going to help facilitate all that.

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

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