



## PITCHIT FINTECH STARTUPS PODCAST NO. 81-PATRICK SELLS

Thanks for coming back for another episode of PitchIt, a fintech conversation amongst founders, investors and friends. I'm your host, Todd Anderson, Chief Content Officer of Fintech Nexus.

What we do is we take a peek behind the curtain, what motivates someone to start a company, how do investors make the right bet, what do accelerators do during and help enabling the process of growing your company, how do banks think of founders. Not to mention, we try to have some fun and what you'll see is we'll also do some special episodes, we have some new features coming so stick with us and you'll get all you need to know about the fintech startup landscape.

PitchIt is really a part of a larger podcast network here at Fintech Nexus, you've got my colleague, Peter, our Co-Founder & Chairman for Fintech One-on-One, you can subscribe to his feed or we have our newest podcast by one of our writers, Isabelle Castro, the Fintech Coffee Break. For everything produced by Fintech Nexus, you can check out Fintech Nexus Podcast which is really our content fire hose, all shows, webinar replays, even in-person event content, not to mention, our weekly new show.

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Now, let's get on with the show.

(music)

**Todd Anderson:** On the latest episode of the pod I am joined by Patrick Sells, Co-Founder of True Digital. True Digital's mission is to help financial institutions embrace digital innovation through investments and culture, capabilities and capital and it really is the mission for Patrick and the team at True Digital. Over the last few years, he's had the chance to speak with 1,100 financial institutions across the US and these are FIs of all sizes, all shapes and so you can say he has the pulse of what's going on in the banking community.

Patrick and I talked about what were some of the common themes that came out of those conversations, what are the biggest barriers that banks still face today when it comes to moving the needle on digital innovation and innovation overall, the education gap amongst banks and fintechs and kind of how those two come together and pair together, Mindshift and what that product is, blockchain and crypto as Patrick spent a lot of time talking with banks, you know, during his time as a member of the NYDIG Team, raising capital and much, much more.

A couple of quick PSAs before we get to the episode. First, we have our May event coming up, Fintech Nexus USA. As a startup community, we do have special pricing for startups so just check out [fintechnexus.com](http://fintechnexus.com), also check out Pitchit, obviously the same name as our podcast here. The PitchIt Competition is for early stage companies that have raised up to or less than \$30 Million in equity, it's free to apply and finalists get free tickets to the event so please make sure you apply and look at our

website for startup pricing. Also, if you want to sponsor an episode, come on as a guest or sponsor one of our many digital or in-person offerings and go ahead and reach out to me anytime, it's todd t-o-d-d@fintechnexus.com

Now, without further ado, I present Patrick Sell, Co-Founder of True Digital. I hope you enjoy the show.

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Hey Patrick, how are you, welcome to the podcast.

**Patrick Sells:** Good morning, Todd, I'm excited to be on with you, thank you for having me.

**Todd:** Of course. So, just give everyone just a little bit of background about yourself and, you know, kind of what brought you ultimately to the point of starting your new venture.

**Patrick:** Sure. So, I, in college, started a digital marketing agency and really focused on helping companies adopt new technology where that was e-commerce and social media as they wanted to grow and worked in just about every industry but banking and then I met a community bank in New York, Quontic, that had .....their CEO, Steve and I became friends and had a vision for hey, what if we could take this one branch community bank and turn it into a digital bank. And so, I said yes and went to New York and it was my first time working at a bank. I didn't really know anything about banking and very quickly realized that turning it into a digital bank was going to be very (garbled), you know, run into many of the issues about the notion of cores, legacy, infrastructure, not having developers on staff, more, you know, vendor management and networking was a shock to me at that time but spent a couple of years there exactly doing that with Quontic and learned a lot, I think.

While it was very difficult, a lot of the struggles we dealt with, we probably at that time thought it was because we were small and starting from zero. In that process, one of the products that we....the first bank to launch was a Bitcoin Rewards Debit Card and our partner for that was NYDIG. And so, went over to NYDIG and said okay, can we do that for the whole industry. NYDIG was an awesome journey and got to work with all of the major, you know, legacy providers, the cores, the online banking providers, payment companies and talked to just under 1100 financial institutions in two years (Todd laughs).

And I think what I realized after all of that was those struggles we dealt with at Quontic weren't unique to us, many of those things/themes existed for the entire industry and so kind of having that perspective said, okay, well, what could I do about it. Instead of, you know, trying to build a company with a new feature or new widget, if you will, for an FI, let's build something that tried to reduce the friction that exists between financial institutions and technology vendors and so that was the basis for now, today's company which is called True Digital.

**Todd:** And so it sounds, you know, you mentioned you started a company in college, you obviously have your own venture now, being a founder and entrepreneur was kind of something that's always been a part of you even though you went through these other journeys it felt like you'd eventually get to the point of starting your own venture again, anyway.

**Patrick:** You know, since day one, I grew up poor and so the idea of like I've got to go make money, sometimes you were doing something as an entrepreneur and part of my DNA, now looking back, and actually have started several different things, a predictive data business, started a charity with True Breeze, we raised and gave away about \$30 Million and then at Quontic and NYDIG still very much felt entrepreneurial. It was how do you, in that case, take something that was existing and build it into something new from a product and vertical standpoint, but inside of, you know, an infrastructure, yes, very much entrepreneurial and excited to be back to kind of the pure, new stage startup world again.

**Todd:** So, tell us exactly what you guys are doing at True Digital and how'd you eventually get to the name which seems obvious in the sound of it, but was that always obvious to you guys in terms of, you know, coming up with a company name?

**Patrick:** So, the name True Digital actually was first conceived about three or four years ago when I was working at Quontic and was beginning to talk to a lot of different community banks and realized that there was, I thought, some tension around..... the total conversation around fintech and digital was this belief that maybe banks should get rid of branches and go fully digital and that caused tension, rightfully so. But the idea was look, technology is emerging all around us in every aspect of our lives and I think the thing any business needs to do, including this industry, is how can we harness that technology for the betterment of our employees and of our communities and our customers and so kind of the origin of the name was discovering what your true digital identity is or should be as a bank and how can you incorporate technology accordingly.

From the business of what we're doing, as I mentioned, it's about trying to reduce that friction that exists and I think, you know, use an analogy of a flywheel trap, if you can remember those as kids with the little boosters that sped the cars up (Todd laughs). We're really just trying to be a booster, we're not trying to be consultants, we're not trying to tell you what you should do and where you should go. One, there's a lot of great consulting companies out there that can help you do that and I think, you know, the exposure of talking to all of those FIs generally feel like many financial institutions probably know at least part of where they need to go to innovate, it's just, again, so dang hard.

And so, in particular, what we built is a technology platform that will go live in a couple of months that helps bankers more natively understand the world of tech vendors, not just the consumer phasing tech, but could be back-office tech, compliance tech, you know, really any part of the vendors' tech in a way that's native to them. And so, what we try to do from a data standpoint is present, you know, information with what bankers know, who to ask, what to ask and when to ask when it comes to the vendors that they work with.

**Todd:** You mentioned in your opening talking to 11,000 FIs....

**Patrick:** 1,100.

**Todd:** 1,100, sorry, 11,000 would be even more impressive. (Todd laughs) Through those conversations, was there, I mean, is there a number of teams that hang up banks when it comes to digital transformation? Is it part of it that there is not enough buy-in within the executive that funnels down through the team, has there been, you know, some progress on that that most banks know now that digital and a version of digital or what their version of true digital might be needs to happen, it's just a matter of when. What are some of the impediments that banks still face?

**Patrick:** It's multi-faceted, depending on where they are in the journey, but I think, for example, a pain point heard from many is, and we were asked this at NYDIG, but I know it's true outside of us is okay, I've just met this fintech at a conference or they pitched me or I've heard about them, but who also is like them. And today, the only way I can really discover that is likely to go to Google and to figure out okay, I know you do this one thing and so this other company, is it also like you and so how do I even know who I should be talking to, maybe it was the first one you met, maybe it's more than that.

There's another kind of pain point where, you know, banks need to speak to references from a third party diligence standpoint, but there's also a ton of value there because of the inherent nature of the complicated legacy stacks that FIs have okay, how did you make this work or how did that aspect work. And, oftentimes, you're asked a fintech for references, but those references they give you, honing aside with that they're probably the most vocal champions, I don't think that's a negative thing necessarily, it's that oftentimes those references look nothing like you. And so, I dealt with this at Quontic looking to talk to a vendor okay, great, if someone was on a different core, they weren't really all that helpful to my office staff.

And so, how do I more easily find the bank or the credit union that is most like me that my apps team can speak to, my compliance team can speak to. I think that's one of the things, for example, that can really slow down, you know, this relationship, says I may be the chief innovation officer of a bank or digital banking person, have a greater awareness of other banks that are doing innovative things and just know more people so I can tap into that community, but my bank app staff or my compliance staff does not have that same network. And so, for them to get to know you're uncomfortable, it's a lot easier if they can talk to a peer, right, and today, they're kind of left in the dark, more or less, trying to figure out who is this and what are the risks and how would it work and so trying to open that way.

I think kind of the third one I'd give you as an example, we can talk about more of this, is oftentimes when you're talking to a fintech don't understand what the real implications from the risk profile is of that vendor and so you do online (garbled), awesome. But does the vendor know to say, well, we used the non-documentation method of CIP in our process, or we use the documentation method of CIP. And those fractions often are not surfaced early on and so you get three/four months down the road, you really like this one vendor then you realize oh, we're never going to be okay from a risk and compliance standpoint here and the effort is stopped, you know, killed.

At that point, there's not another horse in the race and no one wants to start to process all over again after having just spent four months and so it just kind of died and you get this feeling of inertia inside of the FI. Those are examples of some of the pain points we're hoping to solve.

**Todd:** What about on the fintech side, is there knowledge of different size of bank, difference between a bank and a credit union and how they might approach those types of, you know, FIs, like is there an education gap also on the fintech side that may be placed into some of this mismatching or inertia and, you know, is part of what you guys looking to do, does it also play with the fintech education side?

**Patrick:** So, definitely, I think that's true on the fintech side and there's help there that is needed and, you know, oftentimes the fintech sells people, they know a digital banking person and, again, or could

be a lending person or whatever, they have a primary contact. But oftentimes their relationships are any one of their FI customers doesn't extend to that many different people and that many different functions. And so, they can't really help you get connected to the right people necessarily and I think the education for the fintechs, you know, definitely needs to happen.

From our perspective, we are exclusively looking to serve banks and credit unions and so we're not as focused on the fintech piece of it. There's other players out there like the ICBA runs a great incubator, for example, that helps fintechs learn more about banking. So, different players, you know, do different things, we're really trying to be like the translator for the FI. Here's another example, something I heard often, I did about 200 board presentations over the last two years around Bitcoin and crypto and what is it and in many of those conversations what I discovered was the board members were very interested in wanting to learn more and be supportive.

But they just didn't understand how to think about fintech even someone like us and light up with the bank strategic plan was, they know the bank is trying to grow non-interest income or they're trying to improve their non-interest margin, but how do I translate that to a fintech. And so, you can now say look, you can take this banker concepts and metrics and strategies and use that as a way to then search and understand things out there, you solve a massive gap and now it's okay, great, let's go talk to these vendors right, and so that's another. One of the things we're doing is kind of giving that translation layer for bankers.

**Todd:** When doing a little bit of research for the episode, I see that you have something that you've launched called Mindshift, what is kind of the thinking behind that and tell us a little bit more about that.

**Patrick:** So pulling on that example again of the board presentations, a lot of times when they would start there was a sense of why are we talking about crypto, we're a bank (both laugh), definitely some negative sentiments at times. What I found though was it wasn't that those bleeps about crypto or Bitcoin or about Bitcoin or crypto itself, it was really rooted from I don't understand it and we all resist typically things we don't understand because that is scary. And so, when you explained it though in a way that they could understand then, all of a sudden, the ability to participate and engage was radically different.

And so, one of the things we're trying to do with Mindshift is help make emerging technology, technology more understandable at a tech level, I mean, as well as the compliance level so that the ability to move forward is there. You know, banks don't have a lot of education around Tech 101 whereas if you live in the tech world you understand it much better, like how the technology works and how it could work and how it could be used. I think the other example is that one of the benefits of this industry is most people have spent the majority of their careers working in this industry, again, that's a lot of positives around it.

The downside through, I think, from an innovation standpoint is that means too often we're all working from the same set of assumptions, and we don't have the spirit mindset when the most powerful innovation comes by windows, fundamental assumptions or challenges are really thought of differently because it rearranges everything. And so, how do we help kind of challenge and illuminate some assumptions and how do we help give the education and the understanding about some of the new technology to ultimately shift the mindset.

**Todd:** You know, the journey of banks and fintechs working together has come pretty far, you know, the last five or six years, initially fintechs burst on the scene, we're going to take over banks, we're going to take their lunch and what not. They quickly realized or at least somewhat quickly realized that that wasn't the case, but, you know, we have a looming recession that we're constantly hearing about. Do you see any risk in kind of the recession potentially hurting the progress made and does innovation in all these conversations that you've had over the years, does innovation end up taking a backseat when we changed different environments and go into a recession versus maybe a time of robust growth over the last few years and how do you help kind of the FIs in that journey when you enter this type of period.

**Patrick:** Two different answers to that question. The first about how I'm thinking, at least, about what's going on vis-a-vis innovation and the industry, I think whenever there are major external environmental changes that is oftentimes a spark or catalyst for innovation. We went through, you know, the pandemic and, all of a sudden, we all learned very quickly how to use things like Zoom and work in a different way, I look at as positives.

I think here, you know, in the challenging environment that we're facing and likely ahead of us, it again says okay, I need to do things differently. And so, that then makes me more likely to I think look at technology and be more open to okay, can this help me save money, can this help me grow faster, can this make me more efficient when the fundamentals of the business is in a really strong period is actually a dis-incentive because I just want to maximize everything that I've been doing that's making me money today. And so, I tend to think actually there's naturally a tailwind for the industry in the next couple of years.

From our standpoint, you know, our product at the time from we built is designed to be very cheap to begin with because we really wanted to solve a problem for as many FIs as we could and the other side of it is what I'm working on something I call the hidden cost of innovation. And so, I'd obtain for credit unions because you don't have the information about who, what and when to ask. You spend a lot of time in demos, in diligence, in researching and talking to fintechs and that cost doesn't show up as clearly on your P&L as, you know, the vendor extends. But it's many, many, many hundreds of man hours out of a successful technology partnership and if you can now present that information where that is more easily acted on, you also can recoup a tremendous amount of the human resources which is oftentimes the biggest expense line item for any business.

**Todd:** With all the time that you've spent talking to FIs about Bitcoin in the last couple of years, has your mind or has anything shifted in how you view the crypto markets and ultimately how FIs can integrate either blockchain-based or crypto related products, what's going on the last six months or so?

**Patrick:** Todd, I still everyday get at least a couple of calls from banks asking about crypto, you know, questions on what's going on, an area I really do enjoy talking about. I think the technology of blockchain is powerful and it is going to disrupt in a positive way many different industries, especially the financial services world. I think it's in a positive way and I think more and more banks and credit unions are spending time and energy here. I think what we saw is oftentimes, with any new tech, you then have people experimenting with it and other ways just trying to wrap their heads around it. Some



of that experimentation was I think in good purposes, some of it was really a joke, I mean, we all knew of the example Dogecoin as an example, it was just meant to be a joke.

And then you have people who have, you know, bad intentions or negative intentions trying to figure out hey, could I use this to make a quick buck, but that's where I go back to like, we remember when we first got our iPhones there were apps for 99 cents that would give me a flashlight (both laugh). Was that worth 99 cents, no, isn't it a fee worth what it is today, probably not, but it was the beginnings of how we were coming to understand the technology in that uber, super awesome and powerful my phone, right. And I think NFTs point to have smart contracts can be radically powerful, it's just the initial use case, oftentimes it's probably sillier than not, kind of like the flashlight app on our phones.

**Todd:** You know, you've had various ventures over your career, thus far, is there a common lesson for other founders that might pick up the episode that you found is beneficial, whether it's when you started your marketing agency or some of the data stuff you've done or even to your current venture that you might be able to talk a little bit about for maybe the founder that might just be starting their company today?

**Patrick:** Sure. I grew up in a conservative Mid-West, generally in a Christian environment and one of the things that I still remember this day hearing as a teenager was about a story of some missionaries who had gone to Africa. They would show up there and say look, meet Jesus and no cared because they were starving and when, all of a sudden, he said, here is your food, now let me tell you about Jesus. People sat down and had a conversation, that does not talk about religion, but it was a powerful illustration of I think I have an answer for you and if I just try to tell you that, oftentimes you don't give a shit.

If I take the time to care about what do you need and you understand that I know that and I care about that then you're really interested in what I think I have that'll also help you. Similarly, you see how that plays out doing what we're doing with like True Digital, hey, fintechs, yes, you have this great technology to offer, but you're kind of like jumping past the point of the I need food, how do I understand you, how do I make sure I should be talking to you or who and if you can help through that part, actually understand the banks then I think you'd have a much more productive conversation. But that idea is I think true for all entrepreneurs which is the slow down on the what I can do for you, let me understand you so you feel that and then move forward.

**Todd:** Best piece of advice or a piece of advice that you've received on your journey that maybe you can share.

**Patrick:** Good question. I think one of the things is that business is a learning competition and what we want to do is be able to learn faster and better than our competitors, that's how you win. And so, I think with that advice even one, oftentimes I've sought as much as I thought possible, but that piece of advice that someone gave me is pretty powerful in terms of how to think about whether you're a startup or you're a bank or you're any company understand that that's around how your team and you can continue to learn more efficiently and learn more than your competitors. That is ultimately the advantage.

**Todd:** How big is the team today, who are some of the people that you are working with, you know, at True Digital?

**Patrick:** Today, we have about ten people on the team, I partnered with someone named Ryan Alfred, we've gotten to work together at NYDIG, he also is a serial entrepreneur and started three or four other businesses. What's been fun for us in this stage in the journey is of those ten people, everyone has worked with us at least once before and on average at almost 2.7 different companies. And so, being able to pool a team together of hey, we all know each other, I know you, you get the speed of which you can execute and operate is very different than when we think about those first companies and how hard that part of it is. And so, ten people, all people who know each other and work together across engineering, design, marketing product partnerships, legal and finance so really all kind of the main functions of the business.

**Todd:** I'm not sure if you've raised investor capital yet, but if talking to investors kind of how's that been and ultimately, what you learned about your company when you go through the fundraising process if someone's going on that journey right now and talking to investors.

**Patrick:** I have never raised money before and NYDIG was part of helping raise, you know, over a billion dollars of equity and so got a lot of experience raising money very quickly (Todd laughs). At True Digital we haven't raised any money at this point besides Ryan and I. I think when you go to that process of raising money, you learn a couple of key things, a couple of things that really stood out to me which is ultimately how I set up the risk reward between myself and an investor is very important and do not try to skew that one way or the other. It doesn't work, you really do need sober, honest, I'm taking this risk, I'm getting this reward that needs to be shared, needs to be transparent then allows for the alignment of interest.

I think the other part of it is thinking about okay, what do I need to accomplish with this money that I'm going to raise and how will that allow me to create more value after or will I be able to pay all the value I've created, but thinking about it in terms of the value creation in the hope that you'll understand the valuations you should be at and the right metrics. You'll learn sometimes in good ways that other people don't think you understand the risk and reward in the right way (Todd laughs) and let the value think you can create, is it what they think and that's an awesome signal.

Again, going back to like the learning analogy or piece of advice, you want to learn all that and as much as that feedback is possible because it could help you then realize some of your assumptions or run, like maybe not, but that's not a bad thing at all to find somebody who has a different viewpoint on what you're doing.

**Todd:** So, we just have a couple of minutes left, I usually like to end a little bit lighter than we've started. So, do you have a favorite book or the last book that you read.

**Patrick:** The best book I've read as an entrepreneur is called "The E-Myth" by Michael Gerber, really helped me understand kind of fundamentals of how I think about the role I need to play as an entrepreneur and my team and recommend that to people.

Another book that I really enjoyed, it's called "When Breath Becomes Air," it's about a world-class neurosurgeon/trauma surgeon so oftentimes when people have been in accidents, what to do with



okay, this person may never move again or may never be conscious again and how do you deal with that in his role as a surgeon, it's an autobiography. He also ends up..... he gets married and is pregnant and then he gets stage four cancer.

**Todd:** Wow.

**Patrick:** So, you hear this beautiful insight into life in a really deep way as he's resting through it all. So, those two books, personally and professionally are the ones I typically like to recommend to people.

**Todd:** You know, founders always need something to kind of get their mind off things so they don't burn themselves out, what do you do to unwind, how do you stay focused, stay fresh?

**Patrick:** Definitely that's something that everyone struggles with, founder or not, the feeling of burnout. I really enjoy doing jigsaw puzzles most mornings if I'm at home and most evenings I work on puzzles and I like to, you know, go running and shopping. Those are kind of my three hobbies I keep in my life to stay balanced.

**Todd:** Do you watch sports; do you have a favorite team or teams that you root for?

**Patrick:** You know, as I mentioned, I got the opportunity to work for True Breeze for several years and so kind of became a New Orleans Saints fan, even though he's no longer there, you know, that would probably my default team today. Don't watch a lot of sports, I like to follow it in the news, but tend to stay pretty (cross talking)...

**Todd:** How'd you get together with TruBreeze?

**Patrick:** That's a story for a whole podcast, but, you know, worked in a charity together, call it super service challenge and just had a lot of fun with it for about four/five years.

**Todd:** That's great. Do you have a favorite vacation spot?

**Patrick:** I love the beach, getting somewhere and sitting and not doing anything, especially if I can sit at a pool looking at the beach, having a cocktail (both laugh) and so anything within those parameters makes me pretty happy. I also love going to Paris.

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

**Patrick:** I think the belief that whatever, start that over.

**Todd:** Yeah.

**Patrick:** You know, Todd, I think I've always, rightly or wrongly, had the belief or view that you could do anything and that's not to say like I could go and be an NBA basketball player, but that part of growing up kind of begins to teach you that there are ceilings or limitations around you about how you need to

think about yourself or understand yourself and there's reasons for that because you can't jump off a bed and fly, as a kid, even if you believe so.

But it's too easy I think to make that a default assumption about more and more things and it's a lot of fun to think about what I could do if I challenge that or I tried or someone else or if a business did that. And so, in some ways can't believe that almost maybe boyish view of if you jump off a bed maybe this time you will fly. Just keep trying that, you know, don't jump off a bed again, but try something else and I love doing that, I love helping other people do that and being a part of that process.

**Todd:** Patrick, I greatly appreciate you giving me a few minutes today. If someone wanted to reach out to you or reach out to True Digital, how would they do that?

**Patrick:** Best way would be LinkedIn, very active on it, [truedigitalgroup.com](http://truedigitalgroup.com) is our website, [patrick@truedigitalgroup.com](mailto:patrick@truedigitalgroup.com) is my email address, would love to talk. And again, Todd, thank you for having me on today in this conversation.

**Todd:** Thank you, good luck and hopefully, we'll get you back sometime in the future.

**Patrick:** Awesome, thanks, Todd.