



## FINTECH ONE-ON-ONE PODCAST – ARIK SHTILMAN

Welcome to the Fintech One-on-One Podcast. This is Peter Renton, Chairman & Co-Founder of Fintech Nexus.

I've been doing this show since 2013 which makes this the longest-running one-on-one interview show in all of fintech, thank you for joining me on this journey. If you like this podcast, you should check out our sister shows, PitchIt, the Fintech Startups Podcast with Todd Anderson and Fintech Coffee Break with Isabelle Castro or you can listen to everything we produce by subscribing to the Fintech Nexus podcast channel.

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Before we get started, I want to talk about our flagship event, Fintech Nexus USA, happening in New York City on May 10th and 11th. The world of finance continues to change at a rapid pace, but we will be separating the wheat from the chaff covering only the most important topics for you over two action-packed days. More than 10,000 one-on-one meetings will take place and the biggest names in fintech will be on our keynote stage. You know, you need to be there so go ahead and register at [fintechnexus.com](http://fintechnexus.com) and use the discount code "podcast" for 15% off.

**Peter Renton:** Today on the show we are talking global fintech infrastructure. I am delighted to welcome the CEO and Co-Founder of Rapyd, Arik Shtilman. Now, he describes his company as Fintech-as-a-Service, we obviously delve into exactly what that means. They operate globally, 106 countries, where their clients can move money, seamlessly, transparently, quickly and we talk a lot about what that actually means, we also talk about regulatory compliance because that's actually not a trivial challenge as I'm sure you can appreciate.

We talk about what they're focused on with the US market, we talk about the biggest opportunities in fintech today, we talk about payments rails where he has some interesting things to say about that and about blockchain as well, we talk about cross border payments. They just released a report about the state of B2B cross border payments, we delve into that, you know, we talk about the global makeup of his workforce and much more. It was a fascinating discussion; hope you enjoy the show.

Welcome to the podcast, Arik!

**Arik Shtilman:** Thank you very much, thank you for having me.

**Peter:** My pleasure. So, let's get started by giving the listeners a little bit of background about yourself. This is not your first rodeo here with Rapyd, why don't you give us some of the highlights of your career to date.

**Artik:** When I was dismissed from the Israeli military in 2001, I basically started my first company which was in the unified communications space, ended up as a cloud computing company for unified



communication in 2013. After 11 years of basically building a company in a bootstrapped model with three other co-founders, we sold it to Avaya, a company out of Santa Clara that used to be a giant in the unified communications space. Then I worked for them for a couple of years and then at the end of 2015, myself and my co-founders, we left in order to start a new venture that ended up Rapyd.

**Peter:** Okay, great. So then, what was the founding story there, tell us what did you see that really prompted you to start Rapyd?

**Arik:** So, actually, the founding story was different. The company was not Rapyd at the beginning, Rapyd is actually a pivot of the original idea. So, at the end of 2015, myself and my co-founders decided to make, you know, a very stupid mistake in going to consumer payments. We thought that even though we had no clue in payments, finance, fintech, whatever it is and we also don't understand consumer business, it was back in the days the height of Uber, when everybody wanted to be the Uber of something, so we wanted to be the Uber of money.

So we decided to build a type of PayPal competitor, it was a digital wallet which was called CashDash, that is built on alternative payment rails, everything that is not Visa and Mastercard. The goal was to provide consumers an ability to manage digital money, convert currencies without paying fees and basically make payments without any fees. And after a year and a half of building this consumer wallet and actually launching it successfully we understand we spent a year and a half building this massive infrastructure that almost any organization on planet Earth needs and it didn't make to us any sense that in cloud computing you don't build your own data center.

You just got to Amazon or to Google Compute Cloud, but in fintech everybody was building this infrastructure from scratch. So, at the end of 2017, we said, listen, it doesn't make sense, let's pivot this into an enterprise play, B2B, API and we will expose this infrastructure to others and we decided to pivot the consumer idea into what Rapyd is today. We renamed the company from CashDash to Rapyd and basically launched what we call Fintech-as-a-Service offering.

**Peter:** Right, right. So then, tell us a little bit about what you guys offers, Fintech-as-a-Service. Fintech is a pretty broad space and you have a broad range of offerings I can see but tell us a little bit about some of the things you offer and actually maybe when you're explaining the company today, how do you describe it, maybe start there.

**Arik:** First of all, the company today is described as a Fintech-as-a-Service offering, it provides collect, disburse, wallet and issuing capabilities. So, if you're a potential client, you basically need to look at what are your needs, if you ever have a need to build an e-commerce website and to collect payments in five different countries across the globe you can use us. If you're a payroll company that has to do payouts and pay people their salaries in 100 countries across the globe, you can use us or if you just want to issue cards for consumers because you're a neobank, you can use us, right.

So, at the end of the day, it's a very broad API offering with four main products, collect, disburse, wallet and issuing. And if you take these four capabilities then you add to this FX which is another capability

that we have that is baked into the platform, you can create any type of business out of these five things. If you want to build a bank, you need custodian accounts which are the wallets, you need to be able to deposit money which is collect, you need the ability to move money out which is disburse and you need to be able to spend your money which is issuing a card and spending the money. If you want to build an e-commerce website, you need checkout capabilities, that's collection; if you want to build payroll companies, you need wallets and disbursements. So, these capabilities are building blocks and companies are using these building blocks in order to create a lot of different use cases today.

**Peter:** Right, right. I get that, but you're a global company, right, you operate in multiple geographies so maybe talk about where you operate and I want to dive a little bit into how, like it's going to be different. Obviously, the infrastructure you built has to be somewhat different, depending on the geography, right?

**Arik:** So, it's a massive infrastructure that is exposed to the clients themselves as the unified infrastructure for worldwide capabilities. So, when you, as the client, you want to do business in Indonesia, or in the US or In Brazil, from your perspective everything looks the same. The behind-the-scenes inside the Rapyd platform is completely different, every single country has its own connectivity to the local banks, local payment methods, it has its own local compliance regulation requirements. So, the behind-the-scenes or under the hood, whatever you want to call it, is super complex per country, but the beauty of the platform at the end of the day, the competitive advantage that we provide is this abstraction layer that exposes to the client one API with one connectivity.

**Peter:** Are you mainly focused on companies that operate in multiple geographies or will you also work with those companies that just happen to be like say in the UK, for example.

**Arik:** We work also with companies that are only in the UK or only in the European Union or only in Singapore, right, we have a lot of them. But the big competitive differentiator that we have is easier when a client needs to walk in several jurisdictions or when a client needs multiple capabilities. So, if you have only a need to collect payments in Visa/Mastercard rails, there are a lot of companies that can compete for this business, including us, but if you have a need to do collection and disbursement of funds, it narrows dramatically the scope of the competition and basically you will end up with Rapyd and two or three more companies. And then the question is, which jurisdictions you need to do it and from there, you know, our competitive advantage kicks in.

**Peter:** Right, right. So then, how many geographies have you kind of worked into your API, how many countries around the world are you operating?

**Arik:** 106.

**Peter:** 106, that's a pretty big number then. What about like, because I imagine it's not just connecting to the banking system, right, there's regulatory and compliance issues that are different in every single one of these different 106 countries, I mean, how do you approach that?

**Arik:** So, first of all, we have our own home-grown compliance product that is called Rapyd Verify and the goal of this product is basically to understand how the compliance requirements are different in every country. And it's not only inside every country, it's also for specific use case because some use cases can look different inside the different countries. Basically, this product is tuned on a monthly basis and sometimes even on a daily basis by our compliance and compliance operations team and they're basically teaching the machine how to do a lot of the manual work.

This is one of the secret sauces that we have inside the platform, it's not a customer exposed product because the customer doesn't use the product. The product operates behind-the-scenes, but it's definitely a huge advantage that we have because it doesn't require us to hire a lot of humans to do the work behind-the-scenes because the engine does it.

**Peter:** Interesting. You obviously have to have...you have to feed the engine information, right, about the local laws in Indonesia versus Malaysia versus Singapore, you have to feed that all in, but what you're saying is you don't have humans, the engine itself, you know, creates the rules.

**Arik:** Yeah, exactly.

**Peter:** Okay, got you, got you, okay, What about the US, what are you focused on in this country?

**Arik:** So, in the US, we're basically focused on US-based companies that have a cross border business. We do not participate in US domestic deals that exist even though we have capabilities that are domestic in the US, but there isn't really a competitive advantage from our perspective to compete with banks for ACH-based payments and stuff like this. But when US-based companies have a need to do cross border collection or disbursement, this is where our focus is.

**Peter:** Right, right. What types of companies are you, like do you work with traditional banks, do you work with primarily fintech companies, do you work with non-fintechs that want to have some sort of payments capability?

**Arik:** We don't work with banks at all, banks are not our clients, banks are our partners. So, we partner with banks in order to provide capabilities, but we don't sell to banks. We have clients that can be tech companies like a Google, an Uber and stuff like this and we have companies, for example, Airbnb, you know, a beer manufacturer that using our platform or a payroll company, or Ikea that is using us for payments. So, all different actual companies exist from the smallest startup with one/two people all the way to a giant.

**Peter:** Okay, interesting, interesting. So, I noticed on your LinkedIn page, on your website, you talked about this, you have two words here, "Build Bold," what do you mean by that exactly?

**Arik:** So, we were looking to differentiate ourselves in this market from the competition and basically, we didn't want to look like any other payment company or fintech company that exist in the space. We went through this process, we thought about how do we want to differentiate ourselves, both for



recruiting employees and for gaining business with clients and we came up with this concept of "Build Bold" which is basically trying to build things in a different way which is what we've done over the last seven years in a different way than the industry.

This "Build Bold" concept exists both for clients. When they select us they typically want to build use cases that are not the traditional Visa/Mastercard collection in the UK of payments and also, when we recruit employees, employees want to come and join companies that build tech in a different way. So, this "Build Bold" tag line worked extremely well for us, both externally and internally, to explain to our clients and to ourselves that we are different and in case you want to build things that are a little bit more sophisticated and more challenging, we are here to assist you.

**Peter:** Right, right, okay. So, you're a global company and I know you mentioned before we went on the air that you live in Israel and you've got people all over the world. Tell us, like maybe you can talk about the size of your employee base and where people are.

**Arik:** So, we have around 850 employees globally, 350 of them are in Israel, around 220 are in Iceland from two acquisitions that we've done there. We have around 75 people, maybe a little bit more like 80 people in the UAE, in Dubai and then we have teams in Amsterdam, in London, in Miami, in San Francisco, in Singapore, in Mexico City, and in Sao Paulo in Brazil.

**Peter:** Right, right. I want to talk about Dubai, I was watching a video of you from DIFC and you recently opened a tech hub there, it's not an obvious place for an Israeli company to go. Dubai, obviously, has a pretty strong fintech scene, but why did you choose that place for a tech hub?

**Arik:** So, when we decided to go and open up this hub, it was a year and a half ago, a little bit more and you need to remember that back in that point of time, it was impossible to recruit employees and we were looking for a way to recruit engineering talent. And we basically saw in Dubai a huge opportunity to offer relocation to a lot of people that are great talent but distributed across the globe. We've built an amazing engineering site in Dubai with 31 different nationalities out of 75 people.

**Peter:** Wow, it's amazing!

**Arik:** It's amazing and we've built it like super-fast and it allowed us to scale very successfully.

**Peter:** Interesting.

**Arik:** The pick of Dubai was very simple, it is a country that basically is open for business, they want expats, their visa process is easy. It provides the lifestyle for people, the tax system is good for people and it was very easy to convince people to migrate there.

**Peter:** Interesting, interesting. So, I want to step back for a second and just look at the overall fintech landscape today. Obviously, there's been some challenges for the industry over the last year, but I



want to focus on that as much as the opportunities, you know, we've still got a long way to go in the fintech space but where do you see the biggest opportunities today?

**Arik:** The biggest opportunities are actually in consolidation. So, what you see happening now in fintech and in payments, basically, a lot of companies are struggling either to raise more money or to become profitable and in fintech you need money in order to be successful, one way or another, because of regulatory requirements and other requirements that exist. And I think that the biggest opportunity is basically the consolidation process, acquisitions, mergers, gaining more market share from companies that disappear from the market almost overnight. This is where the big opportunity exists.

**Peter:** So, what's your strategy there? It sounds like you've already done a couple of acquisitions, what are you looking for?

**Arik:** So, we've done three acquisitions and we're looking to do another one or two acquisitions in 2023, depending, you know, on the assets and we're just looking at different stages into game changing assets. right. We're not looking into a company of 15 people that's going bankrupt, we're mainly looking now at companies that have a significant business, with significant client base that we can scoop up, you know, for a good deal.

**Peter:** Okay, like where are you on the road to profitability, are you profitable yet? Obviously, you're well funded, I know that, but where are you on that?

**Arik:** So, we're in a good path to be profitable probably in Q1 2024 so we're not that far away, we're still investing in growth. If we wanted to cut the growth and, you know, move to profitability we could have probably done it in Q4 or Q3 this year, but, you know, together with our investors we decided that we still want to gain more market share. So, the profitability element would come during Q1 2024.

**Peter:** Okay, got you, got you. So then, I want to talk about payments rails because I think it's really interesting you've got obviously the Visa and Mastercard and American Express oligopoly that has really dominated the western world anyway in the last few decades. Do you think that is a sustainable system for these...obviously, they're massive companies with massive reach, but there are so many new types of payment methods that are emerging, you've got a great view on the payments landscape. Tell us, how do you feel about where, when it comes to payments rails, where we're heading.

**Arik:** I think that, you know, from a payments perspective, you need to split the world into several parts, you can see already emerging markets like in Latin America and Asia Pacific where the card rails are losing big time. You know, in Brazil you have real-time payment like Pix, in India you have UPI and you now have in Singapore PayNow and stuff like this, definitely in China where you have Alipay and WeChat. So, there are a lot of markets where cards are losing market share or not able to gain market share at all because the consumers skipped already to digital payment methods that are different especially because of lack of trust in the banking system and stuff like this. I think that if you



look at Europe and the US, the stories are a little bit different because everything is so much based on debit cards, credit cards and the banks and the cards are able to gain market share.

But with the move to online, to mobile payments, excuse me, like Apple Pay, Google Pay, etc. what happens is there is danger that in one day these wallets that exist on everybody's phones will decide to skip the cards. Today, you look at Apple and you look at Google, they tokenize the card, you need a card even though it's virtual, you still need it, but the day that these wallets will decide to skip the cards rails at all and move to some kind of real-time bank payment system is not that far away. And I think that you've seen some of the acquisitions that Visa and Mastercard has been doing around the space over real-time bank payments.....

**Peter:** Right.

**Arik:** .....it's because you're concerned, and I think that they need to be concerned.

**Peter:** Right. What are your thoughts on blockchain rails as a sort of a new payment system, do you think that still has any legs?

**Arik:** It will have legs only if it will be done by the central bank of countries. As a standalone, something that was created by the company or by some kind of a third party, if a central bank will adopt blockchain and will create a digital euro or digital dollar or whatever it is, definitely yes, because the technology is there in order to be able to do it, but without being managed by the central bank, no,

**Peter:** Okay, interesting. So then, what about cross border payments. Obviously, that's a big space that you guys play in, what are the biggest challenges there when it comes to kind of adoption and what are you seeing as far as growth for your company in cross border payments?

**Arik:** So, cross border payments, because of globalization and because of the fact that everybody wants to sell almost to every market that exist, is a huge opportunity. It's also, you know, 41% of global organizations believe that international expansion is crucial to ease their current business concerns. Making cross border payments is super complicated, like a lot of times people think that a cross border is when I'm in the UK and I'm buying from amazon.com in the US, I put my card number and that's it, but that's not cross border payments.

If you look at the B2B space which is basically mainly invoice-based payments and this is a space that is worth around \$170 Trillion, we do cross border payments, still use these old batch systems like Swift and you have these correspondent banks that sit in the middle. It's not clear where their money is and the cost of payment is very high and there is the very high FX rate and there is a lot of compliance requirements around it and the money gets stopped and lost. So, streamlining this opportunity is a key element in order to allow businesses to do business much smoother with their counterparts in different countries. I think that at the end of the day, the future of payments is seamless cross border payments both from a compliance perspective and also from the actual transaction itself. We, at Rapyd, see it as the biggest opportunity of B2B payments in general.

**Peter:** Right, right. I want to talk briefly about this report that you did which was launched just last month. The state of B2B cross border payments were, sounds like you interviewed a whole bunch of different people about payment preferences, what are some of the things you found out in that report?

**Arik:** So, first of all, like I said, 41% of global organizations believe that international expansion is critical for them at the current market situation. 76% of them are actually burdened by transaction fees of cross border and almost 40% they're basically experiencing delays of five days or more in any type of cross border base payment that they do, right.

These types of outputs are amazing, when you look at 2023, right, when have ChatGPT, AI, Google, whatever it is, still when you want to make a cross border payment people don't know where the money is. That is the number one support request that we get from clients is, where's my money for cross border payments, it's crazy how complicated it is and how expensive it is. We see it as a huge opportunity, especially when 61% of the financial decision makers have made payment system digitalization as the top priority, right, and we see it with the type of clients that we work with, we see it with the marketing collateral that we have, download it and we see it from our sales.

**Peter:** How are you simplifying that process and making it more transparent?

**Arik:** So, we created our own basically payment infrastructure for cross border-based payments that enables almost in every market that we're operating, same day, real-time base payments that is jumping, you know, on top of the hoops of Swift and all these intermediate banks that sit in the middle with our own banking network that exist where we allow our clients to basically move the money much faster.

We also, from a tech perspective, have the ability to provide this ability to our clients where the money is at almost every certain stage when it arrives and delivered and we also simplify the compliance piece. So, we allow our clients basically to send money in a compliant way and the number of times and transactions are getting stopped on our platform is probably five times less than what is the competition.

**Peter:** Right, right. So then, when it comes to your business model, are you, I mean, are you a SaaS company primarily, are you taking cuts of transactions, it is a combination? What are the ways you make money?

**Arik:** At the end of the day, we have four types of businesses, collect, disburse, wallet and issuing. On collect, we take a cut on every transaction, it's basically an interchange fee.

**Peter:** Right.

**Arik:** If there is an FX involved, we have an FX markup. On the disbursement side, we take a flat fee for every disbursement that is done, again, the fee depends on the country and on the disbursement





method. And, again, if there is FX, there is an FX markup. And on the card issuing fees, we make money from the positive interchange. So, we don't have subscription, we are not a SaaS company from that perspective, but we have pretty much a recurring business model with the clients that are transacting on top of our platform.

**Peter:** Right, got you, got you. Last question, what are you most excited about? You've got a lot of things that you're doing here, where are you focusing your energy personally and as a company that's most exciting for you?

**Arik:** So, we're focusing a lot of our energy basically in preparing the company for an IPO in 2025. We made a big change, you know, from an organizational structure perspective in January splitting the company into what we call business units. Every business unit is literally like a company on its own with its own engineering board, marketing and resources. We just wanted to go back to the times that we were fast, right, when you're running already an organization with almost 1,000 nothing can be fast unless you create the small capsules. So, we are very focused on basically going back to the basics, making sure that we are able to predict our business better, deliver and ship it faster and gain much bigger margins for whatever we do and be much more efficient in the stuff that we do.

**Peter:** Right. Well, best of luck, Arik, really appreciate you coming on the show today. Thanks a lot.

**Arik:** Thank you very much for having me.

**Peter:** I hope you enjoyed the show, thank you so much for listening. Please go ahead and give the show a review on the podcast platform of your choice and go tell your friends and colleagues about it.

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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