

Virtual Banking: Solutions to Credit Risk Problems

Joe 00:00

Hello, and welcome to credit for the career cast brought to you by Highako. Today, Bob and Dave are joined by two members of the Medici bank, Lorenzo de' Medici, and Edward Boyle, their CEO, they'll be covering Medici bank's role and simplifying a credit manager's life. How does open banking benefit the credit manager, how export sales work for trade creditors, as well as much more! So let's get to their conversation.

Dave 00:29

Thank you for joining us today. I'm David Schmidt, a contributing editor with credit today, and I'm here with veteran credit executive consultant and trainer Bob Schultz, who was chairman of the Advisory Council for our sister organization Highko Academy. We're looking forward to discussing international trade receivables and banking innovations past, present and future with Lorenzo de' Medici, the co-founder and chairman of Medici bank, as well as in addition, he is a descendant of the Renaissance era Italian banking family. And Edward Boyle, the CEO of Medici bank. It's a pleasure to have you both gentlemen with us today. to get started. Lorenzo by way of introduction. Please give us a little background on the current monetary bank International and its Renaissance roots.

Lorenzo 01:32

Yes, my family was mandatory in the banking industry to solve problems for the community. Since the 12 hands that we started as a little bank, there was almost like a trading table in Florence. It was called Bank for Medici where we were competing with other small little banks to make exchanges for the customers in Florence and mostly for the big trading industry that would start becoming very successful in Florence. My family man was an Ask wise to start thinking ahead in the banking industry right at that time. So they started understanding what was the problem and what was the problem to solve, and they came up with an innovative solution.

Just imagine that in the 1400, before the de Medici family, there were no checks. So that image invented the use of the check was called promise of payment, that the manager had kind of created a cross border trade payment already at the time. They were the first kind of bank to commercialize double -entry accounting. They invented what we will call today almost

franchising in banking or distributed banking, having different bank branches around the whole world to make a customer feel comfortable, and be able to speed the process of receiving and payment already in the 1400 using trade credit, so it was really the most innovative bank.

So following what my family have done for this incredible, amazing time. We decided together with adding some other partner to create what will be the bank of the future as a banker, that it's for easy to easy use for the user, but at the same time as FinTech bank, that will be forward following the mega trend and the fast trend of the future. Our bank, maybe she is 100% Digital. We are licensed in Puerto Rico, USA, we have just started. Only 2019. And we have worked very hard to build our own platform. Our own software technology was one of the most advanced in the industry today. And we own the intellectual property. We are focusing on cross border and cross currency payments and credit. That means that we are able to do fast processing and cheaper processing for our clients and that's in this world, where fast and cheap are the two key words to be a successful bank.

We may be one of the biggest players in the industry. We are trying to modernize the double entry accounting by having the triple entry accounting via distributed ledger to reduce the risk and increase the transparency. Transparency and banking is an issue that has been for many, many years. I heard from a lot of people that somehow our technology allowed us to be very transparent. We are planning in the future to support payments by stable coin and even creating our own stable coin. Maybe it will be called Medici stable management And coin, we plan to expand.

Internationally, we're having partners internationally to bring banking and credit, closer to businesses, who are interestingly more international themselves than ever before. What does it mean?

This means that the same way my family in the 1400 was able to bring a letter of credit from Florence to Istanbul and to Madrid, we want today to be the fastest bank where you can quickly receive your credit or money between Singapore and Los Angeles, or even between Arkansas and and and and Dubai. So we are kind of trying to make you aware that the world is a smaller world in finance, in the finance of being a safe, traditional bank with an innovative heart and innovative vision.

Technology is something very important. And I can go after what we have done, but we have built a real time cloud native banking system. And we own the intellectual property of this interface. Like almost no other banks in the USA, normally, they always use the word like private label of the same software, all the other banks.

So we built our own Ada, which allows customers to integrate their accounting system directly with our bank, and they can make payments for their accounting software without even logging into our portal into our bank.

Dave 06:39

Okay, thank you, you have actually answered some of my second questions. So let me just change it slightly. So we talked about trade finance. And as you know, our readers are mostly corporate credit executives. So in the past, they're, you know, there's, you know, correspondent banks, you know, which you talked about the Medici helping to establish that idea going back to the Renaissance. But, you know, today with correspondence banks and everything, the whole settlement about export transactions can take days, and it costs a lot. So how have you shortened that process? Either you or your ad can answer that?

Edward 07:23

Yeah. So I'll speak to that. So you know, what the difference that we're looking to solve is in expediting the payment, cross border cross currency, and the challenge that you have a normal correspondent bank, and you have all that they're looking to these multiple hops between multiple bets. Really, the problem is, is because banking has always been a local tradition for 5000 years, right. And in trade, trade credit has always been a little right. In order to manage the risk, the lender needed to know who they're lending to. Right. And they knew that first because they were local to them.

And they knew their business because the business was local to them. And if they're factoring receivables, or if they were financing inventory, you know, they could look at the inventory, they could take the inventory, if they needed to problems, when you go cross border, is you're going to have to have multiple financial institutions involved, because each of them is financial institution to each of the intermediary.

So traditionally, as you went from just local commerce, to regional commerce to international commerce, you just added more merchants, more intermediary merchants, and you added more intermediary banks. So the banking paradigm reflects the merchant paradigm. What's happened over the course of the past, I'd say 20 or 30 years, is when the invention of personal phones and faxes, but then when the Internet software platforms, right is the merchants have figured out how to in essence disintermediate each other and move up the supply chain.

Banks haven't done that. They might have figured out how to do it, but they've decided not to do it right, perhaps around risk management. It's always good to know, you know, the devil that you're doing business. And so really where we were building for is a tokenized future, we believe that all assets will be tokenized. And distributed, Ledger's. And once you put assets on a distributed ledger, and it's an immutable ledger that can't be changed, you can lock that down and cannot re-hypothecate that collateral and borrow and have somebody else lend against it, right?

You know, there's only one lender against that. Once you've done that, then you can put the liability, the credit on the same sort of blockchain distributed ledger and lock those two to each other with a smart contract. So this is what we're building. Now. We haven't deployed it yet. But

it's enabling that tokenization or rather tying into the tokenization of the asset with enablement of tokenization of liability to match them to each other.

And then when you layer in the stable coin on it, that's what allows for a real time grossa element of the payment. And so it's all that ties into smart contracts. So as goods move through the supply chain, and they in essence unlock for a payment, those payments can be unlocked automatically when the 473 65. And the payment can settle automatically 24/7.

Dave 10:21

Right, and a lot of the fees and costs associated with it have been removed as well.

Edward 10:26

Yeah, well, you reduce the costs, you reduce a lot of the risk, right? When you take out the cost of manual processing, take out the cost of the risk, right. That lowers the overall costs, which allows us to lower the price.

Dave 10:41

Okay, thank you very much for that explanation.

Lorenzo 10:44

And of course, when he talks about that, that's important tokenized, that's for sure, is something that it's not only the trend of the future, but it's a better way to track all the credit or all the payment.

Edward 10:58

And to track the goods, right, this is a supply chain, right? The goods themselves, the containers, and the pallets, and even the boxes are being tagged and tokenized. Right, in order for the people in the commerce chain to see where the goods are. And, you know, have they cleared customs? And so everybody knows, you know, not everybody, yes, but this is where the industry, physical import export industry is moving, where are the goods? Right?

Right. And then there's always been this, you know, that's a historical question where the goods right now, right, and a lot of phone calls, going back and forth, and faxes, whatnot, emails, going back and forth, where am I goods? When are they gonna get here or the next place? And there's, but it continues to be the case where where's the money? Right, and where you end up with goods that are sitting on docks, and somebody saying, you know, release the goods?

I haven't been paid yet. So well, I don't know what the problem is because I paid you know, yesterday or the day before? And well, where's the money? Well, I don't know, you check with

your bank, I'll check with my bank. And when both ends of that equation, check with the bank, typically, the bank will say we don't know where your funds are either, right?

Because there's some bank or two or three that's in the middle, where the money is right now. And because 99% of banks work on a batch system, right. And that batch system tends to run at night, like two or three in the morning, right? When no banking has been done, the systems run, right, and they reconcile all the debits and credits for the day, in the middle of the night, so they start the next day with a clean balance sheet so to speak.

And so in the morning is when they will see the updates to the system and say, Okay, now the money is moved from bank B, Bank C. But Bank A and bank D still don't know where it is. Right. And it's not until it gets from Bank C to bank D does the bank gain awareness. And even then Bank A has no idea that it's arrived. Bank.

So what we're working on is building the communication that allows for the sender and the receiver to know where the goods are, who is tracking and tracing those funds when we're moving it through the traditional system. And then as it was really like a stable coin, and crypto based blockchain system, that everything becomes public, right, and you just see it with a browser explorer. Excellent.

Bob 13:14

I think I've got a question for you. Has it been a very interesting conversation so far? I mean, just to kind of capsulize it a little bit. Lorenzo spoke about your API's, which provide new forms of access, a lot of transparency, a lot of distribution of the information, and potentially the risk. We really are looking to create value for trade credit managers.

And a lot of this definitely relates to them. There's a lot of buzzwords that are being bandied about a lot of new dynamic banking initiatives, such as open banking, Challenger banks, we all have heard of blockchain, real time payments, which is somewhat prevalent outside of the US, but the US is coming up to it in the next year or two.

Is there any other, you know, bits of wisdom that you could pass on to trade credit executives on how to explore these opportunities and leverage these different concepts which maybe they've never even heard of before?

Edward 14:30

Yeah. You know, open banks are very prevalent, for example, in Europe it is required by law, as required by law, because it's good for consumers, and is required by law because banks would not do it voluntarily. In the United States, it is not required by law. In Latin America, it's pretty much unheard of. There's no microphone experience in Latin America, maybe one or two financial institutions that might have an API. So a year or two ago, I was traveling and meeting

with bankers in Chile in the air. Every bank there had, at least at that time, had a policy against API's.

And that's driven by transaction, right? Banks are afraid of becoming what they call dumb pipes, right? Where you just have an API, right is it's a, it's a computer to computer connectivity. So, a company can connect your ERP system directly into the bank, right? And instead of doing, you know, accounting work or inventory management work on an ERP, and then and then, in essence, having that window open, and then going to the banking portal and saying, Okay, I need to pay this vendor, you know

, okay, now I'm gonna go into the bank, I'm gonna pay the vendor. Rather, you can just, you know, in your accounting software, say pay vendor, and through the API's in the background, that talks to the bank. So generally speaking, banks would prefer that you would come into their branch, or at least go to the website, so they could cross they get some details coming in through an API, they don't have the opportunity to cross sell.

So don't expect to see banks pushing customers toward open banks. So I think your readers, your viewers, should be considering whether open banking is better for them than it is for banks, and they should be asking their bank about it or looking for banks that have that. As it relates to blockchain, aka distributed. Ledger's. Again, you know, this is just a database software system. But what that database software does is it allows multiple counterparties to share the exact same database, right?

So think of it like Google Docs, except there's no Google, right? So you've got the document being shared amongst counterparties. But if any one of those counterparties makes an update to it, everybody else sees it. But no, but no one's really allowed to make an update without permission of the others. Right. And so this is very helpful in cross border commerce, as bills of lading are moving around, and people are signing off things, adding that to other taxes to it, and whatnot in cities, that these get appended to that document, and everybody can see it at the same time. And you don't have to be concerned about, you know, who made that change? Why didn't they make that change? Do they have permission? This relates to payment. So if it makes sense to do that, for the physical movement of goods, it makes sense to do it around the payments.

And the credits. I just said yet real time payments are much more common in Europe, Asia, parts of Asia, less common in Latin America, North America, North America for I think, you know, real time payment is perhaps not as important as understanding that it is getting better management around the risk of credits. You know, it's not so much that anybody wants to pay their supplier faster. But they do want to pay them on a known schedule, right.

So if you know it takes two days, and if it takes two days, you can kick off that payment two days sooner. However, real time payments will make a lot of sense in cases where goods might show up and sit with customs and then clear, but won't be released until payment comes through. And

you want to have that ability. If you only use it half the time to make a real time payment in the exact amount of money.

Bob 18:13

If you look at it through the eyes of a trade credit manager, or exec if you're holding shipments waiting for payment, you're getting a lot of pressure from the customer, you're getting a lot of internal pressure, and it affects your company's cash flow. So knowing that sooner is definitely a benefit.

Lorenzo 18:34

Yeah, and this is something that has happened in Europe for the last two years. And that the Eastern payment, it's a way for people who in general, a lot of people don't don't trust each other, and don't want to release the goods immediately.

So now the banking is trying to cover that big problem of the speed and the time to try to do the Eastern where that point, the Eastern cannot be in that case cannot be recharge it so it's faster. At the same time, once they use the Eastern payment, they cannot drag it back.

Instead the traditional leather is ways that could be still the king of the goods is not going well. So it's a way for speed at the same time to be sure that the goods will go faster than that. That's the reason why they're starting to use much more in Europe.

Edward 19:30

One of the other great benefits is when you reduce the cycle time of a payment process, then you really reduce the amount of occurrences when either the sender or the receiver might question where the money is. And that questioning is a distraction from the normal course of their procedures or should be rather right. It's probably fairly difficult that people are inquiring about their bank and where's the money right now and or the requirements of the buyer?

Did you pay me yet or the requirements of the show? For your ship again. So if you can reduce the cycle time of that payment from two or three days down to two or three minutes, then you just eradicate all those questions which are a distraction to work. And there are costs to doing business, that when someone picks up the phone and calls somebody else, it costs both sides at least \$5 Just to make the phone call, even if their answer is I don't know, I'll let you know what I do know. Right. And so you were able to strip out costs of the process by stripping out time and distraction for the process.

Bob 20:33

Yeah, another benefit of that is, there are very few credit departments that are overstaffed. So anything that brings efficiency, people can focus on issues that need to be addressed by a human being. The more time they have to do that, versus busy work, the better.

Lorenzo 20:56

And one of the reason why Medici bank from the beginning, when we kind of use the new technology, the FinTech and blockchain, it was for this reason, we were trying to figure it out for our client, in the old time you send money from Europe, to America, from Asia, to America, and you have that four or five days windows where nobody knows where your money and so so we were specific, working hard, with all our team to be able to kind of being the solution for this big problem as a major bank.

Edward 21:30

But I'll admit, you know, it's not an easy thing to solve for, because basically, all banks on the planet operate in a correspondence swift type of paradigm. And it's extremely difficult for any bank to try to establish relationships with another bank, right, because these are financial institutions that partner with other financial institutions. And by nature, very risk averse, very concerned about what a financial institution on the other side of the planet would do.

By exploiting that relationship, so so to speak. So to the extent that, you know, credit managers might find it somewhat bureaucratic and time consuming to get new relationships open with banks, I can tell you, it's 5x or 10-10x, more difficult and time consuming, for banks to establish relationships with other banks. So, in order to break that paradigm, and especially when you start talking about things like blockchain and stable coins, again, 99% of banks don't understand those terms, or are afraid of those mountains, or feel threatened by those terms. So it takes time to solve this. But we do believe that the solution is largely predicated on banks and non bank lenders implementing technology that allows them to communicate on a real time basis. So that you can you can bypass going through traditional batch, non real time process,

Bob 22:59

Lorenzo, you encapsulated the entire need for credit management in the first place. When you say trading partners inherently, don't trust one another. Unfortunately, that's true. So what you're describing eliminates the need for mistrust because of the transparency. And the swiftness of it sounds

Lorenzo 23:19

great. And what is one of the things we want to do in the future with a banker is that what my ancestor have done in the old time and we want to do, right, it means franchising, the technology we want to give to other other old other places where there is trade done on Mexico, and America has a lot of training, you know, we want to be able that they have the same software and the same technology as us.

So we are able to send the money in 20 seconds with 20 cents. So we want to get to that point where if they don't have the technology that we have, we can eventually franchise the technology so that the processing can go faster in some country that may have a relationship with us.

Bob 24:00

Graphic. Okay. I think you've answered that question, David.

Dave 24:06

Yeah, just to move it along. So let's try a target, for example. So, you know, what you're proposing here? How would that work for the credit manager with an export sale? So say we have an export sale from the US?

And, you know, let's put it somewhere, somewhere in Europe, rather than Latin America where the technology hasn't gotten there, but how would this work? You know, through military banks.

Edward 24:41

So, if you take the let's first go, just make sure we understand the current paradigm, right. So if you've got a European buyer and American seller, right, the American seller rules send an invoice to say you owe us \$100,000. Europeans will say well, we don't have any dollars, we have Europe and so Let me figure out how am I going to get this guy dollars?

So they might go to the bank and say, Well, look, I need to pay this guy \$100,000. And the bank will say, Fine, that's gonna cost you 9000 Euro. And I was like, Well, okay, well, I'm not quite sure what exchange rate I'm getting, but it's 90,000 euros, so then they'll, they'll ask your bank to send them 90,000 euros. So that was typical, you know, they're also their local bank into a money center bank, and that money center bank will have a relationship with a US Bank, the US Bank will convert the Euro into dollars, typically, the average by 2.7% markup, and then they'll then they'll put that on the domestic US rails, and they'll send that money into the the American export.

In the in the future, what we're building for is a world where we know that invoice itself and say that invoice is moved on a blockchain or distributed ledger, it's it's sent to the to the buyer that says here, here's the invoice, you can pay in either euro or dollars, or whatever you'd like to pay. That would be when they say I want to pay in the consumer, we have a partner in Europe. And if not a partner in Europe, they may send a stable coin that has liquidity, like \$1 base table, then,

so it's dynamic instant pricing, Spot pricing of what the buyer needs to be paid, the seller can pay whatever currency they want to pay, then that, then there's real time gross settlement of the which is tokenized payment, right, so you have a tokenized payment, and that payment is moved through distributed ledger, that and this takes seconds, maybe minutes, depending on

which which blockchain is being used to validate the movement of the funds. And then and then it is sold, if the if the buyer wants to hold it or use it for trading, I mean, she's going to sell it, if they want to do this for other for other trading purposes, they can hold on what if they want the liquidity into, you know, standard dollars, and they could sell it.

So you're introducing a sort of securities market into the payment process. And but you're also introducing a while, it's almost like a trade token, right, and you go back to, you know, Mesopotamia, and people trading rocks and shells, and you're gonna end up with a token that's issued for trading purposes. And as it moves around, from buyer to seller and seller to buyer, it does not necessarily need to be liquidated into fiat money, but it can stay as a tokenized representation of that value. And be used as a trading token, right? If you have \$100,000 worth of trading tokens, you want to buy \$80,000. Thank you for just sending \$1,000 worth of trading tokens without liquidating them into the underlying Fiat asset, and then that and that, again, saves time and money.

Dave 27:38

So you can also understand that triggers are contracts with us. So the payment is executed on the delivery of goods to the port and their acceptance there by the end, then

Edward 27:54

you think about letters of credit. And just like in lines of credit, you say you said well, you're gonna move, you know, 10 containers, but it may be over five different shipments. And so as those containers show up, the the payments can be released,

Lorenzo 28:07

right? There's a smart contract, it's called smart contract, and you can put anything you want in that contract.

Edward 28:18

It's a digital representation of a copy of a legal contract, and it has algorithms, you know, if this, then that sort of statements like if, you know, container gets released, then pay, you know, x per container.

Dave 28:32

Right, perfect. We've talked a lot about the use of the crypto or the stable coins, you know, for business to business activities. You know, other What do you see any challenges for trade creditors in terms of getting into those, you know, with, you know, the corporation that they're working for, obviously has to accept it. Yeah. But, you know, going beyond that, is there anything that they need to know?

Edward 29:00

Regulations matter, right? It so depends where you're based, and how the regulatory environment is therefore for utilizing cryptocurrency and stable coins, or, you know, some cryptocurrencies are regulated in different ways. Stable coins have lighter regulation, because they just tend to be token representations of underlying money. It's important to know who the counterparties are. Some counterparties are more transparent about one of the reserves behind their stable coin. But I think a lot of the headwinds are because your organization is your boss understanding that your company is there, they're supportive of it. And your counterparts there as well. But I can tell you, there's no reason anybody can start to do this today.

You know, moving money between their own affiliates and some of their more known or trusted customers or suppliers. They have, you know, when there were some stable coins, US dollar back stable coins that have 10s of billions of dollars in market capitalization and hundreds of millions of dollars in daily liquidity. So this can be your reality today. I think the real trick is, you know, when you execute it today, typically, though, it is pretty much a manual process, right?

You're, you're logging into different websites, and you're and you're moving things around, you're looking, you're logging into an exchange in order to buy and sell the, you know, that stable coin, whatnot. Really, what we're building as the is the ability to then utilize API's where you can have your own dashboard, in the company's own ERP system, where they're just saying, you know, pay this and the way I like to pay is swift payments on this bank, or stablecoin payments and that bank or whatever they'd like.

Dave 30:51

Right. Now, the Fed, too, is, you know, has initiatives to have its own cryptocurrency or stable coin, and also got some real time payment initiatives going on, which I think we'll see in the next year or two. So that should facilitate things going to do you see accelerating that acceptance? Then Europe is, I think, ahead of us on both those counts.

Edward 31:18

Yep. And a good number of Latin American countries as well, where, you know, I think the United States, we've got the dollar, right, international commerce is denominated in our currency. But if you're outside the United States, and international commerce isn't denominated in some foreign currency, and it's a slow and expensive process, I mean, I know of one very large shipping company,

which I won't mention, which is building their own bank, in order to avoid all the time lags and the fees associated with using banks to process things, the traditional way, they'll say \$50 million a year in fees. So it makes sense. And this is why central banks are getting into the game as well, also, because they don't want it to spin out of control.

And so private enterprises, in or outside of their own country, in essence, reduce their ability to manage monetary policy. But it intrinsically and inherently makes sense, to leverage the best technology in order to have a faster, more efficient process.

Dave 32:28

How soon do you think we'll see this in the US next two or three years should be fairly common?

Edward 32:34

I think you'll see next two or three years fairly common for use of stable coins, or private stable coins, stable coins that come from from banks and non banks, I think it will be probably four or five years before we see commercially at scale, Central Bank, digital currency. And just simply because the central banks will be more conservative, and, for lack of a better term, more bureaucratic in their execution, right, like the Federal Reserve Bank.

In the United States, we've got 12 Different Federal Reserve Banks at all, we'll need to agree to the standard. And, and set up systems. And it's simply just like, I'm sure they will do it. And I'm sure it'll be extremely secure and extremely robust. But I'm also pretty confident they won't go at the speed of a startup.

Lorenzo 33:22

Right, one of the big ones of the big interest on the stable coin and this in this moment around the world. And there's a lot of movement in USA as well I follow quite a lot is because somehow the stable coin is in this moment, weigh between the traditional fiat money between the traditional payments money and the cryptocurrency industry like both block Bitcoin and other currencies, to find an instrument where payment can be somehow accepted between dollars and Bitcoin in a platform that will be kind of having a stable price.

And so people will feel much more comfortable in case they have to do cross border payments or international payments. In the future where you have people that want to pay in Bitcoin, people want to pay in Europe, people want to buy indoor, so the stablecoin, it can be an instrument. That's why there's a lot of interest by the Fed and by others because it can be an instrument to interact between a digital currency and the old traditional currency.

Dave 34:27

Right. So this is something that credit managers need to be paying attention to now, because it's going to happen relatively soon. You mentioned security. And I know Medici bank does a lot in terms of Know Your Customer and anti-fraud.

And you've got some pretty strict standards there. Are there specific resources or measures you'd recommend for international companies to avoid compliance risks related to any terrorism, money laundering embargoes, things like a

Edward 35:01

well regulated financial institutions, we can't give advice or manage their compliance obligations, simply say, of course, compliance obligations are increasing, not decreasing the ability to point to the other guy in the chain and say, well, that guy did it.

So I assume it's valid, really doesn't apply anymore. You know, I think the travel rules and example, international payments, every institution along that supply chain of the payment, has to capture and provide certain datasets. And historically, it might have been the end that would capture the data. And it would get lost in the middle.

And that was okay. And it's no longer okay for him to lose. And I think this holds true for movement of goods and services as well. Does it make sense where the data exists, and the data just needs to be organized and shared in a secure way?

I think that that leads to the next question about security. Think about systems security, technology security. One of the great things about the proliferation of data, as you know, the more information is free, the lower the cost of money, because the cost of money correlates to the asymmetry of information. So the more symmetrical and worse sharing information is across all parties, the less of an opportunity there is for a lender to hedge their risk by adding some more margin buffer to it. But with the more sharing of data than the more risk around that data ended up in the wrong hands.

And so the risk of hacking has increased, I mean, Department of the fence T Mobile just in the last week or two, we're talking about 10s of millions of people having their very private information exposed. So I think there is an increased liability and responsibility for credit managers, all managers that are dealing with any data to improve how they secure that, because they need to be sharing it, and they are sharing it more and more.

Dave 37:08

Right. Good point. Bob wants to get back to you at this time.

Bob 37:14

Yeah, you know, you've covered this and in pretty good detail about what is being offered and what will be offered in the future. Credit today in the Hayato Academy is really focused on trade credit executives. A lot of our constituents are with large companies, where there's a, you know, a formalized chain of executives in the finance area, CFOs, Treasurers and so on.

But we also have a very large number of mid market companies that do global business, and they don't have the advantage of a treasurer, for example. So what would you recommend, I mean, a lot of these things that you're talking about could be kind of mysterious and new to people in those companies. One of the things that every credit manager should be doing in their companies is to try to add value, and advise and be aware of these types of new initiatives and so on and, and help their senior management, understand how that affects trade receivable. What would you recommend?

I mean, are there any words of wisdom that you could give to that mid market credit executive that needs to understand these concepts more thoroughly, and translate that to their senior management? Any, any words of wisdom of how they can do that and really bring some value to their company as this moves forward?

Edward 38:47

Yeah, well, I think, words of wisdom, but you know, you can't stop this future from happening. We believe wholeheartedly, we'll just call it a tokenized future, where all assets and liabilities and equity is tokenized. Because it makes sense for that to happen. Right? Whereas historically, it was on paper with law firms or certain departments of certain corporations, and hidden from everybody else. That's just not going to happen. If you go back, whatever 20 years and ask your local bookstore that heard about the sinkhole and Amazon, what do you think about that?

Of course, your local bookstore is gonna say, yeah, that's not going to happen. It's not worth doing that. Same thing, I think that if you're sitting inside your, your corporate bubble, and you're asking your lenders what do you think about stable coins?

What do you think about blockchain? You know, supply chain, cross border payments, you know, on the internet, blah, blah, API's? Your typical bet your bank or non bank lender is going to say, Yeah, I don't think so. Right. It's just you can't stop this time from happening where information wants to be free. It's going to be across the border. It'll be multiple singles, it's going to be cross currency.

And it's going to go from being a very slow batch to very fast, real time. And if you try to follow that trend, I mean, you know, you'd probably survive, you'll be playing a lot of catch up. But we believe it's the lead on that trend, you will, you'll, you'll be a superstar, right? Because you'll be finding and leveraging fantastic innovations before the competition does.

Bob 40:29

Terrific. I think this podcast is just an example of how far we've gone in terms of international communication, Lorenzo's in the south of Italy. And we're in three different parts of the United States. And here we are talking so fluidly about these concepts. So I think that really illustrates what you're talking about in the banking context.

Dave 40:57

Is there anything else either of you would like to share about the future of banking and trade credit?

Lorenzo 41:04

I think that anyone should be challenged to be more open in their knowledge in their decision independently of what's their position, and what's the company level. So as Ed says, Whoever studied a little bit more to be able to be in the time of today, prepare for the future. So I just think that anyone should, independent of the level of the company, try to follow a little bit more destroyed more kind of partner with whoever is in a good position in this future world.

Edward 41:47

Yeah, and I would add, don't expect the incumbents that are very comfortable doing what they do to change that paradigm, there are others that are changing the paradigm, the paradigm is changing paradigm will be totally changed in just a number of years.

And if and I believe if you rely on the incumbents to to get you there, you're gonna be playing catch up. There's a lot of disruption coming to the supply chain spaces, even more disruption coming to the payments and credit space.

Bob 42:18

I can guarantee anybody listening to this podcast that there's going to be a lot more information on credit today, and articles and future presentations, and a lot of tutorials focusing on these things on the Hayato Academy, definitely in the future, in the near future.

Dave 42:37

Great. Thank you very much. I couldn't agree more. With your last assessment there I've been trying to preach, you know, the ways payments are going to change how we do credit and collections. Because we get into all sorts of other things like buy now, pay later, and everything else coming down the payment stripe, and how much money is just looking at how much money has been invested in the payment Rails is just huge.

Edward 43:05

So if you look where we are, you know who the names are on those? These are not. These are not the traditional banking names. Right?

So there's just a massive disruption and dislocation of billions of dollars of credit happening at point of sale online. And it's coming from names you've never heard of before. Right? And so if you were to go to your traditional large lender bank and say, Hey, could you do a pain out, you

know, buy now and pay later on my website, they'd look at you like, oh, that's you don't need that.

Really what you need is to tell people to get our credit card. And they'd be wrong. They are wrong. They've been proven wrong. Right. And it's and it's so it is these challengers that are the ones that are bringing the innovation because they've got nothing to lose, and the big incumbents have somebody making a ton of money doing things the old way. That's how they want it done.

Dave 43:59

Right? Well, we wish you the best with a mentorship bank, all the success. And I think that wraps it up for today. I want to thank Lorenzo Domenici and Ed Boyle for joining Bob and me for this enlightening discussion of our best wishes for your endeavor. And until next time, this is Dave Schmid for credit today in the hierarchical Academy, signing off.

Bob 44:22

Okay, thanks. Thanks

Lorenzo 44:23

very much for both of you from Italy and from Medici bank. I hope to talk to you soon.

Bob 44:29

Okay. Thanks

Edward 44:29

very much from San Juan, Puerto Rico. Hope to talk to you soon. Bye bye.