



## New Social Payment Solution allowing users to Make Payments Directly from their Bank Accounts while in any social network or messaging application



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**CEOCFO: Mr. Talmi, what is the idea behind PayKey?**

**Mr. Talmi:** The idea behind PayKey is really to enable banks and other financial services to bridge the gap between the traditional banking industry and the social networks. We are looking at specifically the younger generation and of course the millennials. We know that they spend most of their time on social networks. This is where conversations about money are also taking place. When banks are looking at providing financial services they are starting to see competition coming from other areas, which are not traditional financial services. They are competing on their core services, starting with the peer-to-peer payments and moving into lending and other financial services. The idea behind PayKey is to enable banks to provide their users with the expected customer experience – contextual, intuitive and quick. So, if the user wants to make a transaction he does not have to leave the actual place that he spends most of his time, which is the social network. With PayKey, the user does not have to onboard a specific payment solution or go to the bank's mobile application. He can make a transaction straight within any social network!

**CEOCFO: How does it work? What would a typical interaction be like?**

**Mr. Talmi:** In terms of the user experience the way it works is that the banks mobile application comes with our proprietary payment keyboard. This payment keyboard is installed on the mobile user's device, as part of the banking application. The Payment Keyboard has all the regular functionality plus some advanced features such as predictive text and auto correction. In addition to that, it also includes the payment key. Once he presses the key a whole range of financial services can be offered to him, starting with the most desired peer-to-peer payment. The payment keyboard role is to initiate the transaction, enable the user to select the recipient and enter the amount. The actual funds transfer is being managed by the mobile banking application.

**CEOCFO: Have similar concepts been tried in the past? Where is the challenge in creating the technology?**

**Mr. Talmi:** The peer-to-peer arena has been booming in many parts of the globe. Venmo in the USA and WeChat in China are just two examples. Now it's time for the banks to bring up their solutions to compete with the superior user experience the social based solutions offer. The concept of peer to peer within a social environment has already been proven. Now it's all about user experience and trust. The concept of a Payment keyboard is new. There is no other Fintech vendor that had developed anything similar, as far as we know. We do see a couple of banks, that have developed these technologies by themselves. There is a bank in India that has developed something similar and another bank in Spain that is moving in this direction. However, in terms of vendors that are actually developing the technology and selling it to banks, we are not familiar with anyone who can do that.

**CEOCFO: What was involved in putting the technology together? Where was the biggest challenge?**

**Mr. Talmi:** As I mentioned, the approach that we took at PayKey is to actually work together with banks, as oppose to other Fintechs that are trying to bring disruptive technologies and services that are competing with the traditional financial sector. We took the side of the banks and developed a technology that would work with them. Therefore, in that respect there are a few challenges, more on the technology side, but also on the business side. On the technology side we needed to develop a solution which would be in the grade of a banking service, both in terms of security and scale. The other challenge was in the core of the technology, which is actually based on a keyboard. We had to actually develop a keyboard which will be superior both in the fundamental functions in additions to the payment functions. We needed to make sure that users are happy with the user experience and other features that other keyboards support today.

**CEOCFO: Where are you in the development / commercialization process?**

**Mr. Talmi:** In terms of the product; the product is fully developed, fully commercial and now being rolled out into several countries. We have commercial agreements with 6 banks globally. Three of them are already live, meaning that users are already using them. The banks that are using our technology are one in Norway, Westpac Bank in Australia and Garanti in Turkey, which is part of the BBVA Group. We have three other commercial agreements in place, in the launch phase. We have not disclosed names, but it will be announced shortly. We have quite a lot of other banks in the process in between piloting and in commercial discussion. Therefore, we are pretty good in terms of our business achievement. We are spread quite globally, with activities in Europe, Asia and also in North & South America.

**“New Social Payment Solution by PayKey allowing users to Make Payments Directly from their Bank Accounts while in any social network or messaging application” - Guy Talmi**

**CEOCFO: What have you learned as people have started to use PayKey?**

**Mr. Talmi:** Initially, when we started, we were under the impression that the alternative solutions being brought by the biggest messengers, such as facebook messenger, Snapchat or WeChat and Line in Asia will make it hard for the banks to regain their position as the first payment of choice. All of these guys have already added payment capabilities built into their social networks and we thought that it will be hard to educate or convinced users to go away from these solutions and come back to the core banking services.

What we have learned, after doing some market research and working with banks around the globe is that even though there is a lot of hype around these solutions, in fact a lot of the peer-to-peer transactions are still purely cash. This is quite a big phenomenon. In addition, the trust of the users is still with solutions that are being brought by the banks themselves. Therefore, the biggest challenge that the banks see in front of them is to provide the right customer experience that will appeal to the young generation.

In terms of the adoption of PayKey, what we have learned is that once the user is aware of the functionality they really love it. Based on our research and knowledge, if you look at the millennials, the average number of peer to peer transaction that they conduct on a regular basis is anything between two to four or even six times a month. We see that once they have learned that there is a payment button at the tip of their keyboard, the adoption rate is nice. As other marketing challenges, the challenge is really to expose that feature and to bring it to their attention. Once you have done that the adoption rate is really promising.

**CEOCFO: Are you funded for the steps you are about to take or you would like to take? Are you seeking partnerships or investment?**

**Mr. Talmi:** We have concluded our Round A funding. We have raised six million dollars from a few strategic investors and VCs. Among our strategic investors is MasterCard, Commerz Ventures, Santander Innoventures, along with e.ventures, Wharton Asset Management and Magma. These are our key investors. That was in last October, so we are pretty well funded. As I mentioned, we are already in the commercial phase, so we do generate revenue without burning our investment day in and day out. Therefore, in that respect we are in a pretty good position. We are over twenty people at company at the moment and growing quite fast.

**CEOCFO: What is the business model?**

**Mr. Talmi:** PayKey is a white label solution and we sell our solutions to banks. Therefore, our business relationship is with the banks. We do not have any commercial relationships with the end user. In terms of our relationships with the banks, a typical commercial agreement is based on an annual software license per user, so we are looking at a number of subscribers that the bank has for its mobile applications and we charge a software license fee based on this scale.

**CEOCFO: *Would you address security? That should always be on the forefront of everyone's mind.***

**Mr. Talmi:** I have two things to say about security: First of all, starting with the end users' perspective, this is again something we have learned from the survey that we have done and from our close contact with customers, they view the banking applications as the most secure, so this is the first choice of payment or financial services by far and this is very significant.

This is one aspect of the equation. The other one is how secure the solution really is. This is obviously a key criteria for the banks that we talk to and is an important part of the evaluation process banks take us through. We have made sure that we minimize the exposure or the risk in our solution by designing our social payment solution based on a very close, tight connection within the mobile banking application. Therefore, the payment keyboard becomes an integral part of the mobile banking application. It is being installed on the device as one component. Based on this architecture, we do not do any networking outside this environment, so we are not exposed to literally any risk of breach or any other risk. We also do not touch the funds, so we do not actually transfer the money. The layer that is actually dealing with the payment transaction or transfer is the banking application. In that respect we do not change that. We do not expose the user or the environment to any other risk. Also, the user authentication method that is used to complete a transaction is the same one that had been implemented in the banking application.

**CEOCFO: *Why should people pay attention to PayKey? Why is the company and the concept important?***

**Mr. Talmi:** The scale of the peer to peer market is huge! If you are looking at some of the numbers that we see in the USA for example, Venmo has processed almost \$18 billion in payments in 2016. WeChat in China processed more than \$550 billion in payments in 2015. So, the scale of the market is huge. Peer-to-peer is just starting. It is growing very, very fast and is in the attention of all social networks and financial institutions, so this is a very hot area to be in. Now, in terms of PayKey, we have proven to be very successful very quickly. We are rapidly growing our customer base with additional banks launches coming up in the next quarters. In addition, we have been winning several industry competitions and awards. We just won the Benzinga Global Fintech Awards in New York. Before that we won the Temenos' Innovation Jam Final in Lisbon and the Bank Innovation Challenge. So, we get a lot of exposure and our solution is being ranked at the top of innovation in the market place. I think this will give you quite a few good reasons to keep following us.

