

Podcast with David Reiling of Sunrise Banks

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Automated Voice:	00:00	This call is being recorded.
Jo Ann:	00:03	I am delighted today to say that my guest is David Reiling, the chairman and CEO of Sunrise Banks. Welcome, David, to the show.
David Reiling:	00:13	Jo Ann, thank you very much. It's great to be with you and happy New Year.
Jo Ann:	00:16	Same to you. I have been really looking forward to having this conversation with you because you have been such a thoughtful leader in both banking and fintech. I know our listeners are going to be fascinated to hear your ideas. And you are also the author of the wonderful booklet, Fintech4Good, which we will link to in the show notes, and which I hope everyone will read. And we'll talk about that as well. But you've been a leading advocate for how fintech can make the world better. And so that is a great topic for our show.
David Reiling:	00:51	Sounds wonderful. [crosstalk 00:00:52]
Jo Ann:	00:55	I'd like to start by asking about your own background, you have a very interesting journey that brought you to doing what you're doing. So tell our listeners about that.
David Reiling:	01:03	Sure. Well, my journey into banking really began in the Twin Cities, Minneapolis–Saint Paul, where I live today. And I was a teller one summer and I loved being a teller. The bank that I was in got robbed twice that summer. And while I find that terrifying I kind of thought was exciting.
David Reiling:	01:24	Fast forward beyond college, I started at a bank because I really wanted to be a banker with the experience of being a teller. I went to work for bank called First Interstate Bank in Los Angeles. And wouldn't you know it, but the first two weeks on the job, the bank that I was in got robbed three times. So I thought this was just kind of normal, because obviously banks are where the money is and so therefore, they get robbed. And I didn't think much about it. And also happened to be the district manager's office First Interstate and she thought that if I could handle those types of situations, I would be better served in South Central Los Angeles than Mid-Wilshire district.
David Reiling:	02:03	I spent about four years with First Interstate in the hood in South Central Los Angeles, so the bank robbery capital of the

world at the time. And while I learned a lot about banking and was given a lot of experience, I certainly learned a lot about navigating the urban core and gangs and riots and fires and Rodney King and all sorts of fun stuff. So it was exciting.

Jo Ann: [02:27](#)

You were there during the Rodney King event?

David Reiling: [02:30](#)

Yeah, it was about four blocks away from the intersection where the truck driver got pulled from the truck and the riot started. And so things started to be lit on fire from there, so 54th and Crenshaw.

Jo Ann: [02:47](#)

What lessons did you take from the experience that are relevant to what you do now?

David Reiling: [02:51](#)

I think one of the big ones is, there's a ton of really good and genuine people in the urban core. And due to the circumstances around them, they are underserved. And that can be from a business standpoint, or that could be just location or color or misunderstanding of how financial system works. And so to me, I feel most comfortable in the urban core, and there's a lot of business.

David Reiling: [03:19](#)

As matter of fact, there's less competition, from a banking standpoint, in the urban core than there is in the suburbs, in my opinion. And therefore, I think it's a great place to do business. It is one though, that you really have to be willing to engage. And so if you're not willing to roll up your sleeves and understand why people do things or how the system or the community works, then you're really not likely to be successful. But if you're willing to dig in and be authentic with the people, things usually work out pretty well.

David Reiling: [03:53](#)

That kind of led me back into actually buying a bank in the urban core of St. Paul, Minnesota, where I grew up. Quite frankly, I knew the neighborhood. It's right near the State Capitol, and the neighborhood's called Frogtown. And my immigrant Italian grandmother lived not six blocks from the bank that I bought that was failing. And the immigrants at the time were Hmong. And so we really... truth be told, the only way this bank was going to succeed is if the community succeeded. And so we really grew and we're connected with the Hmong community and kind of became a Hmong bank, if you will, between employees and customers.

Jo Ann:	04:34	Hmm, that's so interesting. And then bring us up to date. Tell us about-
David Reiling:	04:41	Yeah, so from there, my father had actually owned two other small community banks in Minneapolis and St. Paul. And while it wasn't his intent, I don't think that I was going to run the other two banks. He saw the engagement with the community and the growth and the innovation of what we were doing, and I ended up running his bank holding company. Then eventually, we merged two holding companies and three bank charters together to create what is now Sunrise, throw in another acquisition of a bank and a branch acquisition. And you start to get the flavor of Sunrise in the urban core.
David Reiling:	05:21	Quite honestly, our foray into the technology space, particularly the fintech space, really kind of grew out of... I was walking across the parking lot and I saw three... I call them grandmothers that were Hmong and they were trying to get their EBT card, their food stamps, if you will, to work out of our ATM machine. I went up and I helped them, and they didn't speak English and my Hmong isn't very good. And so there was a lot of smiling, but we figured out through smiling and sign language, if you will, how to teach them how to use the ATM.
David Reiling:	05:59	From there, we held classes that are ATM on how to use your EBT card. We really serviced an entire community by doing that. And so it was really the notion that a little financial technology with a little education can help a whole lot of people. That's how we got into, what was known at the time as the stored value card business, ultimately prepaid, and now, fast forward into that, banking as a service.
Jo Ann:	06:26	Wow. The basic thing that you're saying about the potential to reach markets that have been underserved by traditional banks and financial companies is at the heart of so much of the excitement about fintech. What you're describing here so far as banking. But the figuring out as you just said, how to bring some technology into serving populations that are not getting the regular, crowded, traditional banking services, it's got so much potential in the United States and obviously all over the world as a market, in addition to doing good for people.
David Reiling:	07:14	Definitely. I think it really boils down to just meeting people where they are, and understanding what their needs or their problems are. I say this kind of over and over to my staff when we're having conversations around innovation, and that is,

“Look for the beauty in the problem. That's where the real innovation lies.” If you can really understand the problem and spend time in that uncomfortable zone of really digging into it, the solutions and the strategies to solve it become easy. When you throw in a little financial technology into that space, it really allows you to do a lot, as well.

Jo Ann: [07:51](#)

Okay. Wow. I keep saying wow, this is great. Tell us of the profile today of Sunrise Banks; the size and footprint.

David Reiling: [08:05](#)

Sunrise Banks is a little over a billion in total assets. So we're billion one. Truth be told, we're actually a little larger than that. Because of our payments business, we generate more deposits than we have capital at the moment. So we sell about three now we're up to probably \$400 million worth of deposits every day off our balance sheet to maintain our capital ratios. So we're a little larger in size, if you put it that way.

David Reiling: [08:34](#)

Essentially, we have a very unique, I would say, mission as well as maybe business model. The mission is really one of doing well by doing good. And we have some certifications that kind of back that up or speak to that. We are a certified Community Development Financial Institution or CDFI through the US Treasury. So there's about 130 certified CDFI banks in the country. We are the first and only in Minnesota and quite frankly the only in the ninth Federal Reserve district. A little bit on our own out here in terms of that.

David Reiling: [09:06](#)

We also have a certification as a B Corp. If you think of a B Corp certification as somewhat of a triple bottom line, so people, planet, profit or prosperity, whatever word you'd like to use there. And there are about 3000 certified B Corps across the world, not just... that's doesn't matter what industry.

David Reiling: [09:28](#)

Maybe two other quick things; one is, we are also at our holding company, a legal benefit corporation. And so that allows our board to take into account more things than maximizing shareholder value and gives them some latitude there legally, which is pretty cool. Then lastly, we're a member of the Global Alliance for Banking on Values. So while only a billion one in size, while we do have a very much a local footprint, it's called even micro, we have a national footprint in our payments, in banking as a service or fintech division, and we touch on the global side as some of our payment providers. I think we're into 8 to 10 different countries around the world. As well as we see more opportunities coming from the UK and the EU, that we're

looking to get a hold in the United States as neobanks and so forth, in terms of banking as a service opportunities.

- Jo Ann: [10:24](#) I want to turn to that in a moment, but before we leave the B Corporation and the CDFI, how do those impact you on the business side? Do you feel that they... I know that you're motivated to run the business that way because you feel it's a good thing to do and that it's a win-win, but are there sacrifices that you have to make that would be hard for other banks to do, you think?
- David Reiling: [10:58](#) Yeah, I would say one of... Maybe the hardest thing for other banks, when I say that to get their head around, is they think it is... they come at it from a scarcity mindset. And so they think, "Oh, you're doing this mission thing, which is going to subtract from the margin of the business and the profitability." The fact is, is we look at it very differently. We take a very much an entrepreneurial mindset to this. We come at it in an abundant. Our mission multiplies our business model. It is the niche that we play in and we own to a certain extent, in terms of looking to do good. And you'd be amazed on how well that resonates.
- David Reiling: [11:39](#) I'll give you an example of some of the fintechs, particularly on the West Coast that are looking for and value environmental sustainability or social equity or justice. That is definitely a feather in our cap and a differentiator when it comes to getting new business. And so these are the things that make us different than other banks. Some people may not take them into account and just say, "We don't care. Let's evaluate you on the other factors." And other people are like, "This is the difference between you and the other bank and why we chose to go with you."
- David Reiling: [12:15](#) Quite frankly, we're looking to do business with people who want to do well by the consumer or the business that they're serving, and do things well and right. So that at the end of the day, I think, really does speak... and I'm sure we'll talk about regulation. But that construct around values and doing things right really finds its way back in to doing things very compliant and well. And therefore, you have a really sustainable product or system in which to sell an approach to the market.
- Jo Ann: [12:47](#) And I'm sure you find that differentiation also helps you on the recruiting side, doesn't it, to get people who have that motivation?

David Reiling:	<u>12:56</u>	<p>I have to share with you a recent experience because it still blows my mind away. We were having a transition in our CIO position. And I can't tell you how many horror stories people were telling me, "Oh, you're never going to be able to find one, particularly with all the tech you guys do and this and that." After two weeks of posting the CIO, the chief information officer position at Sunrise, we had to take down the posting. I had 70 resumes. I had 12 super qualified people. We barely got it down to three, and we agonized over who the final person would be. I'm happy to say that we have a new CIO starting next Monday. And I can't be more excited. Again, the mission side of it shows through us to one of the differentiators as to why people were attracted to come to work at Sunrise. It was amazing.</p>
Jo Ann:	<u>13:55</u>	<p>That's a great story. Do you find that to be true, as we hear so much of anecdotally, and in some of the data that millennials are particularly motivated by this as customers and employees, as well?</p>
David Reiling:	<u>14:13</u>	<p>Yes. I see it kind of across the board. And it's not just the millennials that I think... and they are very focused in on finding a place where they can do well and do good at the same time. That is very much a focus of theirs. But I can also tell you that I have interviews with people and I'll call them more informational or soft interviews. Sometimes they're just called coffees. But folks who have worked for maybe major banks, or larger financial institutions, and they've hit the point where their kids are out of college, and yet they still have to work from a retirement standpoint, but they're really looking for, I don't know, the soul or the ethics. They need to do something other than financial.</p>
David Reiling:	<u>15:05</u>	<p>There's a tremendous amount of talent in that space because they have so much work history. I believe it's not just the millennials. I think there's a true desire for people who want to come to work with their values and tack and use them and feel good about where they work. Put it in a place where they get both a financial paycheck and an emotional paycheck. That piece, I think, is what's missing in some careers.</p>
Jo Ann:	<u>15:33</u>	<p>Yeah. Great, thank you. I want to talk about Fintech4Good, but first, talk to us more about the payments business.</p>
David Reiling:	<u>15:44</u>	<p>Sure. I gave you the origin story of watching three Hmong women at an ATM. Fast forward to today, we are now, by number of cards issued, we're the third largest prepaid card</p>

issuer in the country. So that helps us in a couple of ways. One, it has grown the business in a very large sense or in the past five to seven years.

David Reiling: [16:15](#) In addition to that, it's allowed us to do two things quite frankly, strategically. One is; so when you serve low and moderate income communities from a traditional bank standpoint, these are communities that have more loan demand than they have deposits to support them. And so our payments business really generates that liquidity in which then we import that capital, if you want to call it that, and then make loans into low and moderate income communities. And so it is a way for us to import those deposits and then get them out into underserved communities and neighborhoods.

David Reiling: [16:50](#) In addition to that, it allows us to partner with different program managers and programs in which to reach people, where we started this conversation, where they're at. So for example, if you take... let's use blood and plasma, because we have quite a vertical in the blood and plasma space. If you give blood, let's say, at a CSL blood center anywhere around the country, it's likely and very highly likely that you're going to get a Sunrise card. Now, it's not going to say Sunrise on the front. We're never on the front of the card, we're always on the back of the card.

David Reiling: [17:24](#) The thing that we know about people who give blood regularly, they're generally... they're 18 to 27 years old. They live in an urban center or urban core, and they give blood to supplement their low wages or their low income. And so based on that, we know that the probability of a good majority of them being under-banked people is very high. And so this is a way that we can build in a financial product or tool.

David Reiling: [17:51](#) Now, let's just take this from the user standpoint or the customer experience. And that is the person who's giving blood regularly and they get this branded prepaid card. For you and me, it may not make much of a difference, but this person just got access to the point of sale network. So they don't have to pay with cash for everything. They can shop online, they can get discounts. Also, they can use an ATM if they need to. But they have a financial tool that they didn't have before. And now what's coming out is they would have the capability in which to convert that prepaid card into an actual bank account.

- David Reiling: [18:35](#) We're helping migrate people into that banking system, but do so that's embedded into a product or service that they use already. The introduction to it and the trust that's built up is through the brand of CSL in this particular case, but it's also their usage of it. And so the trust factor goes up. They probably don't care who the bank is behind it, but the fact is, is that they're getting access in a way that they didn't before. And that's really what we're looking for.
- David Reiling: [19:03](#) Now, we haven't solved all the world's problems in that. But we've met a certain group of an underbanked people and low income people that we're looking to serve on a very large distribution type of a network it's a place that we could have never done in a traditional model. And so, from that standpoint, it's really fun and there's no limit to the different ideas that are out there in which to meet people where they are.
- Jo Ann: [19:29](#) Oh, that's great. Talk to us about Fintech4Good. I should tell the people who are just listening, it's Fintech4Good. And you have branded this and again, put out a wonderful little book on it. Talk to us about that.
- David Reiling: [19:46](#) First of all, I consider myself maybe more an entrepreneur than a banker. So the book is more entrepreneurial than it is maybe banker like. So if you're looking for the book, it's not war and peace. It's going to be a quick read, that's for sure. All I do is I give... I had talked to so many different bankers and people and they're so fearful of what technology is doing in the community banking space, and so forth. And yet, from our vantage point, we see so many opportunities to do good with this technology.
- David Reiling: [20:21](#) As a result, I had to just come out and step out and give some examples of where there are fintechs that are really helping people either navigate their student loans in the case of Peanut Butter. From an immigrant standpoint, as you might gather, I have an affinity for immigrants. Nova helps people, immigrants from other countries try to move their credit history and keep their credit history. Self Lender is a chapter cash-secured credit builder loan. True Connect is a great example of, in the employer space and how employers can help people with their volunteer employee benefits. And then EarnUp is just a great management budget tool that people can use to look at their finances and try to understand them better.
- David Reiling: [21:12](#) Just five quick examples that I wanted to give, that there are fintechs that are doing some good out there, in addition to

doing well sustainably from a financial standpoint themselves. And so these are some of the brands that I think you'll see in the future that could be very large and be very impactful. For those primarily at the bottom of the pyramid, but in a lot of cases, the middle as well.

- Jo Ann: [21:35](#) I will mention that we did a show with EarnUp, and I will link to that in the show notes. [crosstalk 00:21:40]. When you think about where we are with fintech, we've come a long way in the last few years. I mean, it's amazing how much traction there is, how much fintech ways of doing things are permeating banking more than they used to, lots of shake out in the area.
- Jo Ann: [22:04](#) I'm going to ask you both the pro and the con. When you look at the fintech landscape and the financial innovation landscape, what are you most excited about from the standpoint of potential benefits, especially to customers? But you can also talk about benefits to banks, as well.
- David Reiling: [22:21](#) I see the biggest benefits really, for banks themselves as to serve all... the huge piece at the bottom of the pyramid, quite frankly, those that are underserved, there are any multitude of ways in which to partner with a financial technology company to meet those needs, to meet those problems. And so, I just think there's a great opportunity there to do well by doing good. Obviously, that's a space that we play in a lot, and it's a ton of fun.
- David Reiling: [22:56](#) The other aspect of this for banks that I think is good is, there are going to be tremendous opportunities, I think. And maybe more specific, opportunities for them to engage with fintechs and to try different products and services, and see what works and see what doesn't. And so, I really think from a community bank who is progressive enough in which to engage and learn, and I think the real mindset there is to collaborate and partner. If you're in that mindset, I think there's limitless possibilities in which to grow your institution and to do well.
- David Reiling: [23:34](#) It is going to be different, though. If I had to switch to the cons for a moment, maybe what worries me from an industry standpoint, particularly in the community bank side is, I can't see more community banks, but I can see fewer community banks. Most likely they're going to be a little larger in size in which to handle the costs and the infrastructure around engaging with financial technology companies. They'll likely have to be a little leaner, do things at scale, and find their niche,

their strategic differentiation. What is your brand? What are you known for?

David Reiling: [24:14](#) If you think you're just going to slap a, "Hey," apply for an account online and think you're something different, that's a standard product today in most cases. I do think there's some great opportunities, but there's also some threats, I think, to the community bank model that are very real.

Jo Ann: [24:31](#) What do you think will be the differentiating factor between the community banks that make the transition and those that struggle with it?

David Reiling: [24:40](#) The biggest difference that I see today really is... seems more parochial than not, but it's really the governance side. It's the board and management and their mindset around change and their mindset around innovation, and either their entrepreneurial spirit or lack thereof. It's going to take courage in which to jump in and try and partner and get out of a comfort zone. So if you have a mindset of, "This is how my grandfather did it, my grandfather's grandfather did it." Good luck. I don't think that is going to work.

David Reiling: [25:19](#) I think what's going to have to happen is you're going to have to be willing to engage with folks who have different capabilities. You bring a certain set or a community bank brings a set... even if it's a balance sheet capacity to a conversation and a willingness to partner, in a lot of cases that and a little hustle to get out there and to find out who's in the business and who will collaborate and partner, that is just the way to start. Show up at some conferences, talk to some people. Chat with regulators, go to the office hours. There seems to be the... the new sexy thing with regulators is to have innovation office hours, which is a great way to at least learn and understand what's going on from the regulator side. Get out there and engage them.

Jo Ann: [26:06](#) That's really helpful. One of the things that worries me about this is that, if you plot the curve of the technology change experience we're going through on a graph, it's got that hockey stick shape that comes from the exponential change, or exponential rate of change in technology. And that's deceptive. It looks pretty gradual for a long time.

Jo Ann: [26:35](#) Everyone can see technology changing our lives, but I worry that because it's so unclear exactly what to do, if you've been a traditional bank, that a lot of the industry is sort of in a 'wait

and see mode' hoping it's going to become more clear. And that can leave people caught off guard and unable to catch back up. My advice is always, just start, just do something that will help you figure out what to do next. You can't figure it out just by watching everybody. Does that make sense to you?

David Reiling: [27:12](#)

Oh, it sure does. As a matter of fact, you hit a chord with me when it comes to speed. I agree with you 100% in terms of the exponential curve. I used to beat myself up with the phrase of 'I can't believe fintech is moving so fast'. And last year after Money20/20, I just gave up saying like, "Banking is never going to be this slow again. So stop complaining and hustle. Just start going." [crosstalk 00:27:43] Because there's no other way it's going to happen. And so you're right, you have to do something. I think it's actually more risky to stay the same than it is to try something new in today's environment. From a risk perspective, it's, "Hey, take a leap in and go for it."

Jo Ann: [28:00](#)

I couldn't agree with you more. I say that all the time. That's a good segue into talking a little bit about the regulatory environment. I work a lot with the regulators, they are all moving towards more embrace of innovation and fintech. They've all got different ways of going about it. And I say all of them, but certainly all the federal regulators are and many other states also.

Jo Ann: [28:24](#)

But still, the industry worries that maybe the regulator won't approve of something. As you just said take a risk, people worry about taking risks with federally highly regulated banks. So do you have perspectives about the regulatory environment or advice for either the industry or the regulators on how to accelerate the embrace of technology while still being careful?

David Reiling: [28:56](#)

Yeah, I do. I have some thoughts on that, and I've had a recent experience where I was asked to give a presentation on fintech to the OCC Central District. So think of it as their all-staff meeting. And had a wonderful conversation with that group. That is one way, is to have this conversation between what's going on in the industry and regulators on all levels. And that's the one thing I get a bit concerned about.

David Reiling: [29:30](#)

Well, there's offices of innovation and people at the top of the regulatory agencies who are engaged. There's a handful of people there that doesn't translate very quickly down to the local examiner, or everybody in between. And so, I do think, from a regulatory standpoint, if there was an investment to be

made in the future of both regulating and regulations, it would be to get people from all different levels, and diverse minds of thought to places like Money20/20 or Finovate or LendIt, or any type of conference where they can see what's going on and hear what's happening in the industry itself, not just from bankers, but from fintechs themselves, and just see the scale in which fintech is transforming or disrupting, whatever term you'd like to use, every facet of financial services and not just banking. I think that awareness to start with is a place to light a fuse.

David Reiling: [30:39](#)

Then going back to our previous comments around speed is, how quickly can they get up to speed? When you think of just the construct of regulatory exam cycles being every 12 or 18 months, and they're done on site in a lot of cases, things are still divided geographically with regulators, all of that construct in one way, shape, or form is breaking down super fast. So, while we're located in the central district, a good majority of our businesses nationwide. It's with companies that are moving on a timetable of every 90 days, not on a year or two timeframe.

David Reiling: [31:25](#)

The fact is, there almost needs to be some thought of, how do you collaborate? And in that, I know when we put banks and regulators, collaboration isn't a great word to use. But I think there is something to be said for collaborating and working cooperatively with your regulator, such that you're sharing data and information more, real time or faster, whatever that may mean, in which for both to be safe and sound.

David Reiling: [32:03](#)

I just don't think the constructs of time and geography are going to last. I happened to run across a regulator who was from Australia. I happened to be in London at the time. I asked him what they were doing there. He said that in some of their fintechs, they have service level agreements; they have SLAs, as opposed to coming out every 6 to 9 or 12 months to examine. The fact is, is that they kind of move forward in a very progressive way in which to look at regulation. Now, I don't know if we're ready for SLAs in terms of that. But that's the type of, I think, connection.

David Reiling: [32:46](#)

The other thing I can probably give an example or two when I think of terms of like Honda. So we recently went through a Honda exam. Someone comes on site and they go through our numbers. The fact is all that data can just be shifted over or it can be processed or viewed and automated on almost a real time basis. It also eliminates the exam entirely. I just think that

there's better ways to do things when we start to think of some of the constructs that we have.

Jo Ann: [33:21](#) You have opened the door to me taking the opportunity to tap something that I'm working on. You and I are talking today right after the New Year's holiday, and I spent a good chunk of the holiday writing what we are calling a RegTech Manifesto, which I realize is a provocative term, but we're hoping it'll get people's attention.

Jo Ann: [33:45](#) Laying out the argument for what you just were describing, the need to get the regulatory system we really moved into the digital age. So the regulators have great information promptly, timely, inexpensively. We're just going to have to make that happen even though it'll take some work to navigate the pathway to it.

Jo Ann: [34:10](#) The other thing is I've been putting up a series of papers from my time as a senior fellow at Harvard, and I am finishing up the series imminently, as well. I'm going to put those out. So those will be on my website at regulation innovation.org. If you have a chance to look them, I would love your thoughts on them, because we're hoping to get people, as you just said, really collaborating between the public and private sector on how can we use new technology to do things better? And how can we also use it to keep up with the incredible change ahead in financial services? Regulators can't fall behind that curve, or bad things will happen?

David Reiling: [34:54](#) Exactly. Boy, there's a couple of things that comes to mind when you talk about that change in regulation and that is; as much as we see the growth on an exponential curve up the cost, or the revenue, if you will, from bankers is exponentially going the other way. So the efficiency aspect of using financial technology in which to meet regulation is going to become very much necessary.

David Reiling: [35:24](#) We have a project going on here now, in terms of our AML and BSA alerts. And we have over 30 million cards floating around, and so there's a lot of alerts. The false positives for us are like 94%. In my mind, it's crazy. Then I'm told by the regulators that, "Well, that's actually really good because 97 is the industry average." I'm like, "Okay, it's ludicrous. Ninety seven percent of the time, we're doing work that isn't necessary."

David Reiling:	35:56	So you have to layer... We're in the process of working with a company from the Valley in terms of layering on some AI over our system in which to learn and to be better in terms of positives. But also, can we have a better system of detecting what is really suspicious and what is not? So can we be more cost effective for one, but can we be more effective in terms of finding the bad guys and keeping up with them, quite frankly. Just due to the fact that they're getting smarter, as well.
Jo Ann:	36:32	Absolutely. I will link to some of the shows we've done on AML specifically, which have been maybe the leading use case for RegTech globally because the system is so broken.
Jo Ann:	36:46	Today, so many resources go into it, and I think I say this every other episode, but the UN says we're catching less than 1% of global financial crime of all this effort. We know we can do better with better technology if we can bring the RegTech into that.
David Reiling:	37:07	Yeah. Can I ask you one question? How do you feel...Going back to both technology and things that worry me a little bit here, and regulation, and that is around data. We now have the California Consumer Protection Act coming into play, there's GDPR on a global sense. I just see this tension between, I guess, the consumer of having access to things, wanting to control their data, and yet having everything secure, that those three things between access and control and security are at odds with one another in a certain way.
David Reiling:	37:50	And the systems we have are not that great as far as I can tell in terms of trying to blend those together. I just think it's a perfect place to get, I don't know, consumers or data advocates together and regulators and banks and try to figure out what does this look like? I don't know if you can put that cat back in the box in terms of data control, but we're kind of heading that way.
Jo Ann:	38:17	It's a great question. In fact, I was going to ask you what you think about it, but you just answered it. I definitely think this is going to be the issue of the decade maybe. Certainly, over the next few years we're going to be grappling with those. And as you just said, the question is: How can we have the benefits of massive amounts of data and the ability to analyze it and use it in sophisticated ways, while still protecting people?

- Jo Ann: [38:46](#) I will say that I think there will be partial solutions coming from technology itself. Technology is causing this problem, but it also is offering some potential solutions. We did a show that I'll link to in the in the show notes looking at the work of the Financial Conduct Authority in the UK, examining privacy enhancing technologies with PETs. Not to digress in depth into that, but there are new measures of encryption, and also new ways of sharing data partially instead of fully.
- Jo Ann: [39:30](#) There's a concept called zero knowledge proof in which if you need to know something about a customer, today we give access to a full set of data. The simple example is if the clerk at the liquor store needs to know whether you're old enough to buy alcohol, they don't need to know your birthday, they just need to know that you're old enough.
- Jo Ann: [39:55](#) There's a lot of work going on how to create verification and information sharing systems that aren't just opening up or centralizing data in ways that make big honey pots that are attacked by the hackers. I'm hopeful about that. Then I do think on the policy side, there's tremendous work ahead. I've been involved in a few projects. One is being backed by the people who sponsor what we're doing at AIR, the Flourish Ventures, and Omidyar Network, on trying to look at privacy, policy solutions, customer rights, and other people are working in the same space as well.
- Jo Ann: [40:43](#) The goal would be to give people power over how their information is used, but make it meaningful. I'm optimistic actually, that one thing I'm hearing more and more from both Capitol Hill and regulatory and federal agencies is recognizing that it doesn't do any good to disclose to people; to use disclosure to try to create informed consent on how data thing is.
- Jo Ann: [41:13](#) We know everyone just hits 'I agree' when they get the disclosure. We're going to have to do better than that. I think it's the hardest issue, and maybe the most important. Because if we're going to get all those benefits that you're describing from fintech and tech, generally, we have to be able to use the data, but at the same time, we have to protect people.
- David Reiling: [41:36](#) Yeah, I agree. What comes down to into a lot of different innovations that we looked at, in some cases, particularly in the underserved space is, if I can identify who somebody is, and I know they have collected funds, my chemistry is, or the periodic

table is helium and hydrogen are the two key elements that start everything. I mean, if I know who you are all the time in real time, and I know you have collected funds, I can innovate to no end in terms of those few elements. And I can make things definitely more accessible and convenient, easy to use and likely at a better price. [crosstalk 00:42:17] use of data.

Jo Ann: [42:20](#)

Yeah, absolutely. This is exciting, David. I could talk to you all day. What haven't I asked you that you'd like to talk about?

David Reiling: [42:31](#)

Let's see. We talked about regulators. We talked about fintech, community banking. The one other thing that I think... I'll throw it out there because we see some interesting models, and we see a lot of difference between people in the fintechs that are really brand companies and those are just product companies, and those that are platforms. I think the one other thing that we're doing a lot of exploration and I think there's a really a lot of opportunity to serve a lot of people well, is in the employer space.

David Reiling: [43:09](#)

Again, maybe I add one more component into the collaboration, but if you take a bank and a fintech and employers, there's a lot that be can be done for financial wellness and financial health. And so those are just some places that we've been playing in and having some good success and looking for different partners to join in.

Jo Ann: [43:31](#)

Can you give examples what you're doing?

David Reiling: [43:34](#)

Sure. So we have a product. We partnered with a company out of San Diego called the Employee Loan Solutions. The product is called TrueConnect. It's just a simple small dollar loan that is a volunteer employee benefit. We sell it to generally larger employees, so those that have 300 or more employees, and it's just a payroll deducted installment loan. There's no credit bureau that is required. As a result, it gives people access to credit for one, but it gives them access to credit without having their parents guarantee or cash collateral. It's really because of the way it's constructed simply and easily and through the payroll deduction side that allows it to help people build their credit history.

David Reiling: [44:17](#)

Now, I know there's regulatory issues that I have to be careful. I'm going to help people improve their credit score. There's a lot of factors that go into that. But the fact is, it's a very easy way for people to get started and start to build a credit history if

they have none, or if they have poor credit history start to build. I think it's working with those employers.

David Reiling: [44:36](#)

Now, while a small dollar loan is a good start, why couldn't we offer checking your savings account as a companion and why can't we do auto loans and mortgages and all sorts of things in which we tie this together nicely? I think it also brings some... it's not pressure, but I think it's a good momentum into that volunteer benefits space for those people who are not middle or high income.

David Reiling: [45:04](#)

Folks who are just not going to be able to take advantage of our long term retirement, like a 401k, these are products or services that they can use to help build their financial assets, whether it's a credit bureau or whether it's just real financial savings or access to credit when there's emergency. So I think there's big opportunities in those spaces.

David Reiling: [45:27](#)

Again, it's another collaboration with companies and understanding with those at the C-suite to really what are their employees feeling? What kind of financial stresses is there? And what that's really preventing them from showing up or having them leave early to go pay a payday lender? Or something of that nature. So we just see that there's big opportunities in there, and it's really moving that mindset along.

Jo Ann: [45:53](#)

Yeah, there's great innovations in that market. I'll mention that I until recently shared the board of the Financial Health Network, which was previously called the Center for Financial Services Innovation. Fin Health Network is really adopting a focus on looking at a larger ecosystem than financial services companies to think about these kinds of issues and including an employee in that.

Jo Ann: [46:22](#)

I'll link to them in the show notes and also to a couple of really good papers that we've done it in my Harvard program by my friend Todd Baker. He really looked hard at this issue as well. Well, this is great. Anything else you want to give us final words of wisdom?

David Reiling: [46:41](#)

Boy, if there's one thing that I take away from our conversation today, which hit me square in the head is, the need for collaboration and partnership just seems to be no end in terms of working with different folks and growing and scaling from there.

Jo Ann:	46:59	That's what our nonprofit is about, the Alliance for Innovative Regulation, AIR, which we launched last year. I think that's right. I think the single most important strategy or lever for accelerating change is just really heightened collaboration, and especially getting the tech people into the room.
Jo Ann:	47:22	It's just amazing how many conversations are going on. There's some in San Francisco, there's Washington, there's some New York, they're not cross-pollinating. You need to make that up and much more. Then there's some in, obviously, Minnesota and all throughout the community banking network as well. Where can people get information about Sunrise Banks?
David Reiling:	47:43	So from Sunrise Banks, you can go to our website, so Sunrisebanks.com. And that's usually our center of our universe, or you can follow us on Twitter or Facebook or Instagram.
Jo Ann:	47:59	Fantastic. David Reiling, thank you so much for being my guest today. This has been fantastic.
David Reiling:	48:01	Well, thank you, Jo Ann. It's a delight to be with you. It's always an interesting conversation with you. So thanks so much.