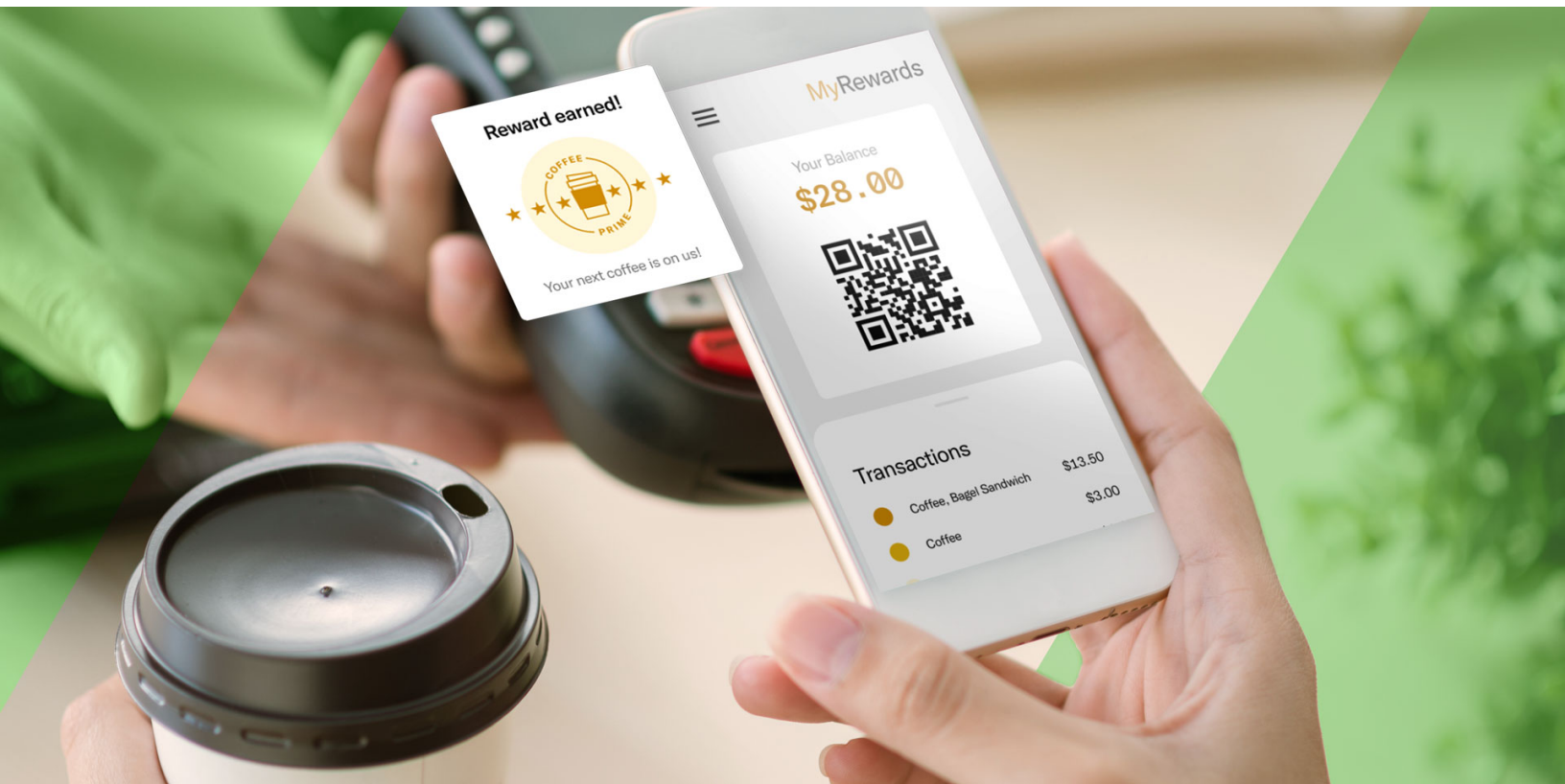


Harnessing the power of embedded banking to build new revenue streams

New technology is accelerating the trend of businesses adding financial products to serve customer needs. Here's how you can use these tools on your platform.



A technological revolution is gaining momentum in the payments space and more non-financial companies are starting to realize the potential benefits it can bring to their businesses. We're talking about embedded banking.

What is embedded banking, you ask?

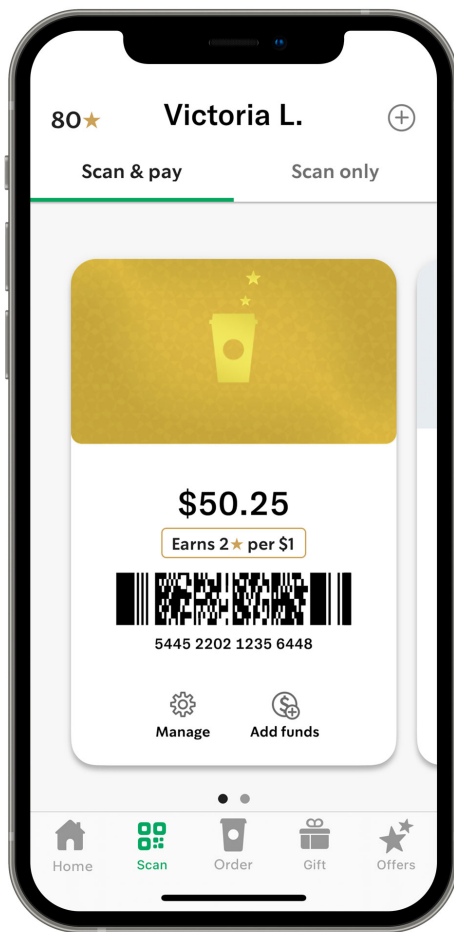
Embedded banking is the practice of embedding banking tools in non-financial platforms. It's becoming big business: Analysts at Juniper Research project the embedded finance market will grow three-fold by 2026 to \$138 billion.



Juniper Research

Consider the recent changes in the financial services landscape. Mobile banking is now the most popular way to access a bank account. This transition happened fast: In just four years — from 2015 to 2019 — the percentage of banked households in the U.S. who relied primarily on mobile banking more than tripled to 34 percent. The pandemic has sped up the shift by forcing consumers to rely more heavily on their smartphones for banking. Neobanks also pulled ahead by processing stimulus payments faster than more traditional banking options.

So why does that matter if you run a non-financial business? Because it tells you where consumer expectations for your product are heading. People now default to accessing their bank accounts on the web. Soon, they will expect to access financial products in non-bank mobile apps and online platforms as well. This is becoming easier to achieve; the advent of banking as a service (BaaS) technology is making these capabilities widely available to companies of various industries.



The Starbucks app is one prominent example of embedded banking, with its deposit and credit products provided by JPMorgan Chase. Launched in 2011, the app allows customers to store cash and earn rewards for purchases at Starbucks. A quarter of all US store transactions now occur via the app, and the retailer holds as much cash in its app and on its cards as some banks hold in deposits. That's right: A coffee chain has one of the most popular financial apps out there.

Starbucks is not alone. Other leading brands like Walgreens, Walmart are also growing by offering closed-loop payments within sleekly designed loyalty apps, and offering their customers targeted financial services.

Here's how you can determine whether embedded banking is the next step for your business, what that might look like, and how banking as a service (BaaS) companies like Treasury Prime can help set up embedded banking services on your platform.

“When executed the right way, embedded banking can create immense value for brands and their customers. The key is to understand how it fits into your customer’s journey and meets their needs.”

— Treasury Prime CEO Chris Dean

Can your company benefit from embedded banking?

When businesses implement embedded banking, they create a more convenient and stickier experience for customers, increasing retention. It can also provide your business with new and increased streams of revenue.

Embedded banking systems can be the right move for your business for additional reasons, including:

- ✓ Filling unmet customer needs
- ✓ Accelerating user growth
- ✓ Reduce costs by decreasing interchange fees
- ✓ Owning more customer experience data
- ✓ Responding to customer expectations
- ✓ Offer new, customized rewards to customers
- ✓ Enhance brand image through innovation
- ✓ Increasing customer loyalty

It's important to be clear about why your company is pursuing embedded banking. **Where does it fit within your product roadmap? How does it serve customers? How does it attract more users?**

As with any trend or advance in technology, don't do it because it's popular — do it if it actually meets the needs of your business.

Breakout Session

How Tuvoli used embedded banking to innovate in a legacy industry

Innovation was where embedded banking came in for Treasury Prime partner Tuvoli. The company's platform allows private aircraft brokers to source itineraries and arrange ancillary services for their high-net-worth clients. Flight operators can also invoice brokers for the trips and receive funds from them. Tuvoli facilitates speedy payment between all parties by having them set up bank accounts on the platform.

The payment process used to take up to 30 days to finalize, but can now be initiated instantly and completed within hours after the conclusion of a flight.

“When eBay acquired PayPal, sales on the eBay platform skyrocketed. At the end of the day, your marketplace platform is not complete until you have integrated a payment solution.” Tuvoli co-founder Sandeep Dalmia says.



What are embedded finance and embedded banking?

Embedded finance is sometimes referenced interchangeably as embedded banking, but it's also possible to make a clearer distinction between the two.

Embedded finance is an expansive category that encompasses a variety of financial services that can be integrated with a non-financial service, including banking, payment processing, insurance, and lending.

Embedded banking can refer specifically to the integration of traditional banking services — such as checking accounts and debit cards — with a non-financial company such as a retailer or marketplace. Embedded banking services can be set up through a banking as a service (BaaS) provider.

Benefits of Embedded Banking For You



What type of embedded banking integration is right for you?

Let's take a closer look at some examples of embedded banking and how companies utilize it.



Ridesharing app Lyft is not just a prime example of an app with an embedded payments feature for riders, but also an example of embedded banking for its drivers. The company offers a debit card so drivers can get paid instantly after every ride, and an automated savings account so they can stash a portion of their earnings away for later.



Walgreens can now serve not just as your pharmacy, but as your bank. The chain now offers a bank account and debit card to users of the myWalgreens reward app. The setup has drawn comparisons to the Starbucks app, which allows users to load a Starbucks card with cash to buy products and earn rewards through a closed-loop embedded payment system.



Provided through an employer, Wagestream's embedded banking platform gives employees a set of features for budgeting, saving, and financial education—all built around a fairer, more flexible pay cycle known as Earned Wage Access (EWA). The platform is already a leading provider in Europe and is now launching with select U.S. employers.



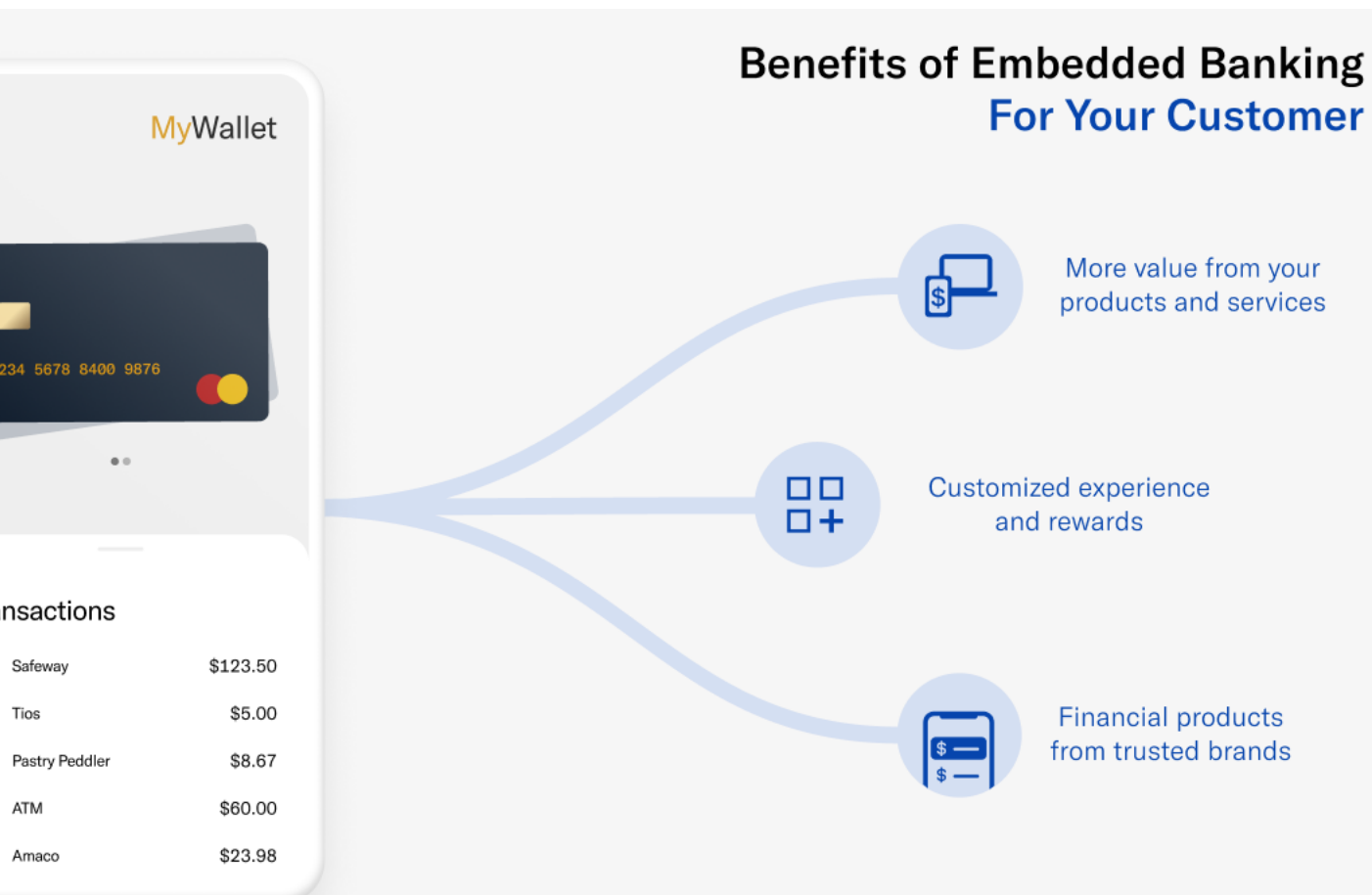
Guided business formation and growth platform ZenBusiness offers customers embedded access to bank accounts with LendingClub Bank. This partner of Treasury Prime checks a few different boxes when it comes to embedded finance, which we'll get to.

How to offer embedded banking?

To offer embedded banking, your business needs to partner with a bank. But how?

You have a few different options, with different depths of integration and levels of commitment:

- Referral
- White-labeling
- Affiliate



Referral: This is the most lightweight way for a business to integrate with a bank. You develop a relationship where you refer customers to a bank, in exchange for a referral fee or some other benefit. Customers may also get discounts or other perks for opening an account following a referral.

White-labeling: This is the most involved way to integrate with a bank, and arguably takes the relationship beyond embedded banking and into full fintech or even neobank territory. When you partner with a bank and white label the accounts, you put your branding on them and assume some of the risks associated with account administration. This can be worth it if banking features are going to be central to your business going forward. Tuvoli, for example, white labels its banking services so that it is the main point of contact for all financial transactions on its platform.

Affiliate: This emerging integration option is a little more involved than a referral, but still avoids the additional resource requirements of white labeling. Like a referral, customers' accounts retain the bank's branding. Unlike a referral, these accounts can be embedded in your app, and you may be allowed special access to user account information. You may also be able to use customer information to help users open bank accounts faster. Unlike white labeling, an affiliate relationship leaves all compliance and risk responsibilities in the hands of the bank.

Depending on the needs of your business, a BaaS provider can set up the proper structure that works best for your platform, and match you up with a bank that can work with the level of integration that you are looking for.

“Embedded finance allows banks to reach customers where they are by helping customers to interact, buy, sell, and trade using a bank’s platform, but within their favorite non-financial apps. This allows banks to provide their core services to a customer that is primarily online and often mobile. Partnerships make these benefits more accessible than ever.”

— John Marinelli, Relationship Manager,
Banking-as-a-Service, LendingClub Bank

How do you find the right bank partner?

Whether you are a non-financial business looking to embed bank accounts, or you are a fintech startup, the considerations for partnering with a bank are basically the same and fall into two categories.

The first category is **table stakes**: Does the bank have a charter? Has the bank recently received bad press, especially that involved shutting down a prior fintech relationship? Is the bank transparent with you?

The second category is **your unique needs**: What do you need, that only certain banks will have the ability to handle?



Piermont Bank CEO Wendy Cai-Lee recommends businesses ask banks the following questions before signing a contract with them:

Is the bank the right size to work with your company? Cai-Lee is a proponent of what she calls “right-sizing.” If the bank is a commercial bank, do they work with companies of your size?

What is the bank good at? For example, are they a commercial bank? Or do they do personal banking?

What is the bank’s target audience? How does that audience relate to yours? Having a bank that knows “the industry-specific pain points that you are targeting,” says Cai-Lee, “is going to solve a lot of issues.” This becomes especially important when customers run into issues.

How available will the bank be? Do they close at 5 p.m., or will someone be around to answer when you call or a customer calls, later in the day or evening?

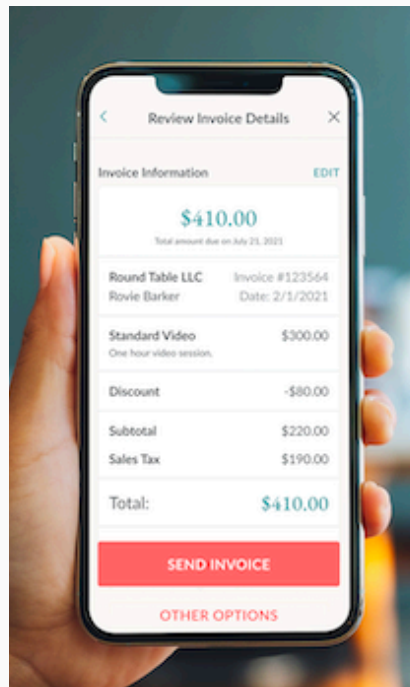
Breakout Session

ZenBusiness serves customers better by affiliating with LendingClub Bank

ZenBusiness launched in 2017 with a guided business formation and growth platform that makes starting and running a small business accessible to a diverse range of entrepreneurs.

The company started offering embedded bank accounts through LendingClub Bank in 2018 because customers started asking for that capability.

“As customers mature, they do want a real bank account with FDIC insurance and all the flexibility bank accounts entail,” ZenBusiness senior vice president of product Lamine Zarrad tells Treasury Prime, whose banking API connects ZenBusiness with LendingClub.



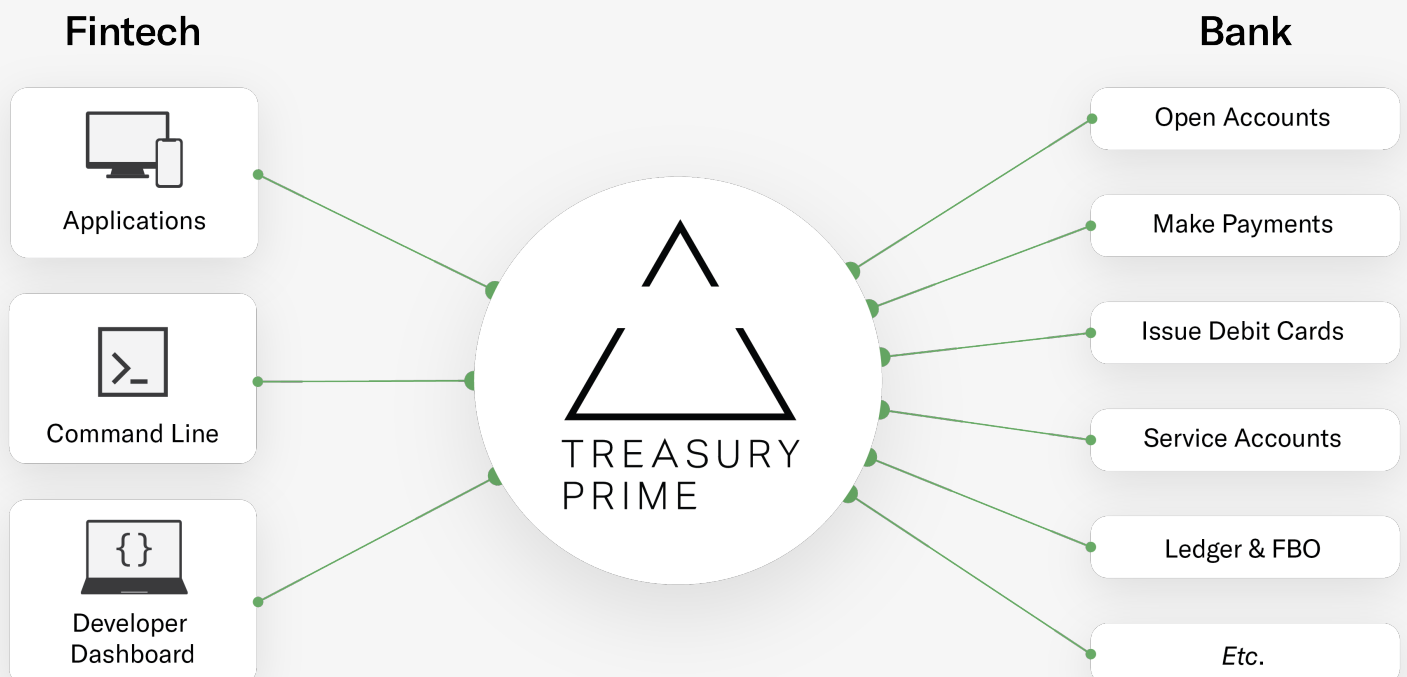
Treasury Prime gave ZenBusiness a novel option for offering accounts: An affiliate relationship with LendingClub Bank. This gives ZenBusiness more benefits than a pure referral relationship, without the expense and challenges of white labeling. LendingClub Bank holds the accounts and manages regulatory and compliance requirements, but ZenBusiness can quickly open bank accounts on behalf of customers and view activity within accounts.

BaaS: the technology that drives embedded banking

Your bank is your most important partner when it comes to adding embedded banking features to your app.

But the relationship depends on technology. Specifically, connecting your app to your bank's system requires a banking API. In case you're not a tech company: An API, or application programming interface, is software that acts as an intermediary between other pieces of software.

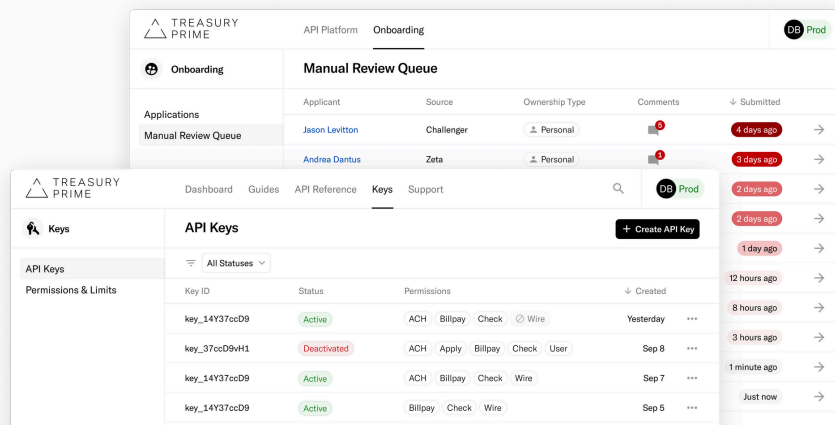
This is where a BaaS provider comes in. The right BaaS platform will provide your company with a continuously updated, modern API that integrates deeply with your partner bank's system. All of this is critical. An API that is not deeply integrated or that is not well-maintained can falter, breaking the embedded experience for your end-users. You also want to make sure your BaaS partner is responsive to your needs and highly communicative, as well as knowledgeable about the worlds of both fintech and banking.



Breakout Session

Why choose Treasury Prime?

- **Reliable partner:** We're a trusted partner to 50+ fintechs and work with some of the most active and engaged banks in the BaaS market. Our team has deep experience with startups so we know what it takes to build and scale a fintech business.
- **The most comprehensive banking API:** Our deep bank integrations give you API access to the full breadth of banking capabilities. We have the most best-documented API and most comprehensive development tools on the market.
- **Fastest time to market:** The best documentation, integrations, partners, and support so you can get your offering to market as quickly as possible.
- **Top-tier customer support:** Our experienced technical customer success managers have helped dozens of fintechs go live with new products. We're here to help through implementation and project management.
- **Direct relationship with the bank that's right for you:** When banking services are the foundation of your business, your bank is your most important relationship. Our network of banks gives you a direct relationship with the right banking partner, not just any bank.



How can you identify a solid BaaS provider? Start by asking them these five questions:

What's your approach to banking as a service?

- A partner that enables your customers to open FDIC-insured bank accounts will set you up for future growth. As a prerequisite, your provider should partner directly with fintechs as well as banks. Finally, make sure they're well-versed in your niche or industry.

Do you facilitate a direct relationship between fintechs and banks?

- Many BaaS providers will not let you call your bank directly. Instead, you will have to contact the BaaS provider, who will then relay your questions. This game of telephone slows down your time to market.

How fast can my fintech get to market with your BaaS services?

- Time is everything, and vague answers are the enemy. Get specifics. What is the full list of steps for your company to get to market with them? How long does each step take? What does that schedule look like on a calendar?

What can I expect in terms of implementation support?

- A well-organized BaaS provider will schedule regular calls to walk you through the implementation process and will assign someone to respond to you quickly when you need answers in between meetings.
- These are just some of the questions you should ask potential providers. You can find more questions and information by going to treasuryprime.com/blog/10-questions.

The future of financial services— embedded banking—and you

Embedded finance is the next wave of innovation. Within new embedded finance apps, we can glimpse the future of banking.

Whether in their laptop browser, on their phone, through their smart speaker, or via smart glasses, King predicts people will have access to the right financial tools when and where they need them.

"If you're not connected into this ecosystem, people are just going to find it harder and harder to work with you compared with other options that are available in real-time."

This future of convenience and financial wellness through technology is here on our doorstep, said Treasury Prime CEO Chris Dean, with forward-looking companies already integrating embedded banking features into their lineup.

"When you look at companies like Wagestream that automate savings for employees and help them avoid taking out predatory loans, or gaming companies like Mythia that connect first-time cardholders to perks they will actually use, we're already seeing the potential of embedded banking," he said.

Let's discuss how embedded banking can help your business.

Your business strategy and priorities are unique, and so is your journey with embedded banking. Treasury Prime is here to support you — whether you're just exploring, or you're ready to dive in.

Developers can experiment with Treasury Prime's API in our [Sandbox](#), and our sales team is always available for your questions. [Contact us](#).

