
A Bank's Guide to Embedded Finance

How community banks can innovate to
compete in the digital banking renaissance



Community banks are an industry paradox.

Despite comprising **90%** of the U.S. banking system, they account for just 11% of the sector's total assets. A handful of national banks control the remainder.

Yet these smaller institutions, defined as those with less than \$10 billion in total assets, have an outsized impact on niche markets. They hold **nearly a third** of all small business loans and 70% of agricultural loans, and **roughly half** are headquartered in rural communities with populations under 50,000.

Community banks have long relied on their local roots and deep knowledge about their communities' needs to attract customers. But as consumers demand more frictionless, real-time financial services, brick-and-mortar models alone are insufficient.

How can community banks meet the needs of modern consumers while still playing to their traditional strengths?

Embedded finance offers an answer. By partnering with technology companies, fintechs and brands to integrate financial services into non-financial platforms, your bank can expand its reach to meet customers where they are and drive growth.

Key to this transformation is strategic internal alignment and compliance-first technology. The right embedded finance software platform enables your financial institution to seamlessly serve a broader audience via your back office, just as you would any client who walks through your front door.



Why embedded finance?

Embedded finance delivers value on multiple fronts. It meets customer demand for frictionless, flexible access to financial services while enabling community banks to expand beyond geographic limitations and reach new customer segments.

Meanwhile, fintechs and technology brands want financial products built directly into their platforms to streamline transactions and improve the user experience.

What does embedded finance mean in context of banking products and services?

Embedded finance might look like a rideshare app integrating payment processing directly into their platforms or an e-commerce site offering instant financing at checkout. Similarly, a financial management app may let users instantly obtain debit cards that connect to its budgeting tool for real-time spending and saving tracking.

These integrated financial experiences are increasingly the norm, and none of them can exist without a bank's support upfront and behind the scenes. Whether a fintech wants to enable payment processing, account management or anything in between, a sponsor bank needs to provide the necessary regulatory framework and help ensure compliance.

There are a wide range of opportunities available for community banks that secure their place in this new financial paradigm. Sponsoring an embedded finance partnership gives your bank the chance to:



Reach new customers seeking services that align with your core offerings.



Promote financial inclusion through accessible, integrated financial solutions that meet the needs of underserved and underbanked communities.



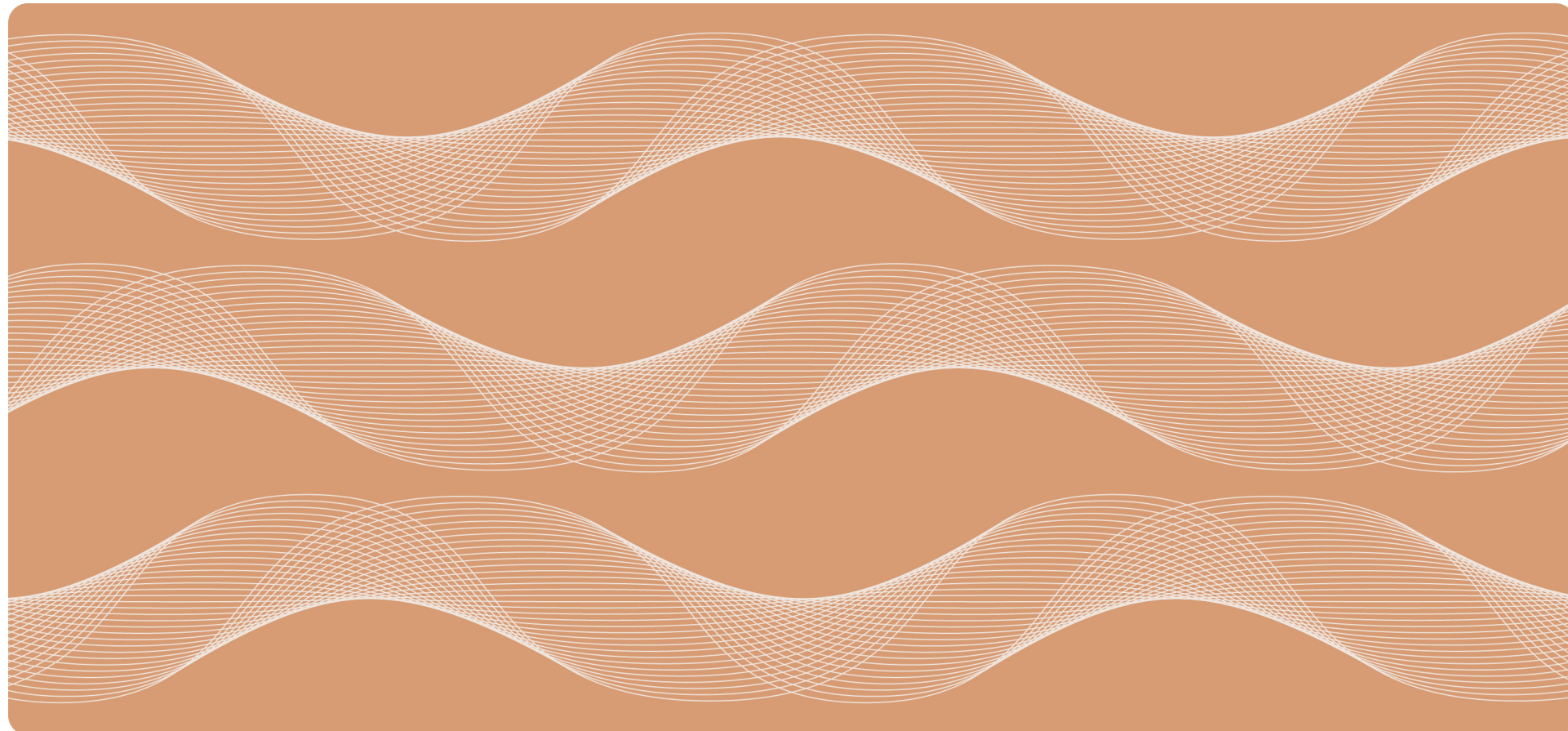
Diversify risk and revenue channels with financial offerings tailored to specific markets or industries.



Enhance operational efficiency by leveraging fintech partnerships to streamline service delivery and reduce costs.



Maintain a competitive edge by adopting technology that powers real-time, integrated banking experiences and strengthens relationships with fintech innovators.



3 fundamentals of successful embedded finance programs

Embedded finance offers transformative growth potential for community banks, but successfully scaling your program requires preparation.

Before you commit, assess whether your bank is positioned to sustain new operational, compliance and technological demands for the long term.

The following considerations offer a framework for building resilient, future-ready embedded finance initiatives:

INTERNAL BUY-IN

STRATEGIC ALIGNMENT

TRANSPARENT TECHNOLOGY



01

INTERNAL BUY-IN

Banks shouldn't enter into embedded finance partnerships lightly. The complexity of launching and managing embedded finance programs requires a continued commitment from internal stakeholders.

This includes bringing together executives, operations teams, compliance officers, and IT departments to review the program's objectives, potential risks and strategic value. Since these partnerships are long-term commitments, aligning early helps establish clear expectations and benchmarks to track as the program evolves.

Ultimately, success hinges on a unified vision and dedicated resources to support program development, implementation and ongoing management.



02

STRATEGIC ALIGNMENT

The strongest embedded finance programs complement a bank's core competencies and further its mission. This is particularly true for mid-size banks looking to broaden their addressable market while staying true to their community roots.

For example, if your bank specializes in small business lending, you might seek out fintech partners that cater to entrepreneurs. Beyond product fit, it's also necessary to assess the fintech's level of compliance knowledge.

As with most partnerships, not every fintech will be the right match for your bank's risk appetite or strategic goals, so it's important to thoroughly evaluate potential collaborators and use cases to ensure they suit your broader strategic vision.



03

TRANSPARENT TECHNOLOGY

Visibility and control are critical in bank-fintech partnerships. As regulated institutions, banks need to safeguard customer data and funds and ensure compliance at every stage of a program's lifecycle.

To proactively reduce risk, prioritize a transparent technology infrastructure. Tools that allow you to monitor transactions in real time and establish clear audit trails will ensure you have the necessary visibility to stay compliant.

By ensuring oversight across all touchpoints, you can scale confidently without placing yourself or your customers at risk.

Understanding embedded finance technology

Embedded banking software relies on APIs that power secure, real-time data exchanges between banks and their partners.

At the same time, these technical integrations must be paired with software tools and reporting dashboards that ensure transparency and make managing the program seamless for your back-office staff.



A robust end-to-end embedded finance technology platform should consist of several elements:

Bank operating system: A bank OS provides full bank operations and management controls for embedded finance programs. Because the OS connects directly to your bank's core, it provides complete visibility into account activity, regardless of the acquisition channel.

Real-time reconciliation: All transactions should be tracked and verified as they occur to ensure visibility into account activity. This allows you to quickly identify and resolve discrepancies to minimize fraud and boost financial transparency.

Direct-to-core integration: Unlike other software vendors, Treasury Prime's API connects directly to your core systems so you retain complete authority over key functions like account creation, approvals and transaction monitoring. It also enables faster data sharing, which improves service delivery while eliminating redundant operational processes.

Built-in compliance: Your technology partner should provide tools that seamlessly integrate Know Your Customer (KYC), Anti-Money Laundering (AML) and transaction monitoring processes into your embedded finance platform. Direct-to-core integrations also offer complete visibility of account activity, which is paramount for ongoing compliance.

Scalable and flexible infrastructure: As demand for embedded banking grows and new use cases emerge, you need systems that can adapt without significant overhauls. This includes adopting cloud-based platforms, modular APIs and infrastructure that supports multiple financial services within a single ecosystem.

Choose your own embedded finance adventure

Your bank, your strategy.

With Treasury Prime, you can tailor embedded finance offerings to match your bank's core competencies, risk tolerance and business priorities.

Our technology allows you to provide any of the following services and products to fintechs:

Retail and commercial checking accounts

ACH (same day and standard)

Wire transfers

Book transfers

Account creation

Know Your Customer (KYC) / Know Your Business (KYB) checks

Debit card issuing

Debit digital wallet tokens

Transaction monitoring

APIS : SHOULD YOU BUILD OR BUY?

It's a common question: Couldn't my bank just build our own API platform for embedded finance programs rather than relying on a third party?

You can, but it's probably impractical.

Community banks can spend millions and take over a year to build in-house solutions — before even factoring in the ongoing costs of maintenance and compliance.

Skip the heavy lift and start scaling faster. Treasury Prime's entire business is building and maintaining the connections that keep embedded finance programs running. We handle the tech so you can focus on what you do best: delivering innovative financial services.

Fuel your bank's future with embedded finance

Don't overlook the role embedded finance can play in expanding your bank's reach and driving revenue growth in the years ahead.

If offering embedded banking services aligns with your organization's strategic roadmap, now is the time to explore partnerships and technology solutions that will position your bank for lasting success.

With our scalable, flexible and compliance-first infrastructure, Treasury Prime has a proven track record of helping community banks launch sustainable embedded finance programs.

GET IN TOUCH TO LEARN MORE ABOUT HOW OUR CUSTOMIZABLE TECHNOLOGY PLATFORM EQUIPS YOU TO DELIVER MODERN BANKING SOLUTIONS FOR MORE CUSTOMERS.

