

BankDirector.

Breakout 6: Embedded Payments – The Cost of the Neglected Opportunity

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#A0BA24

Embedded Payments

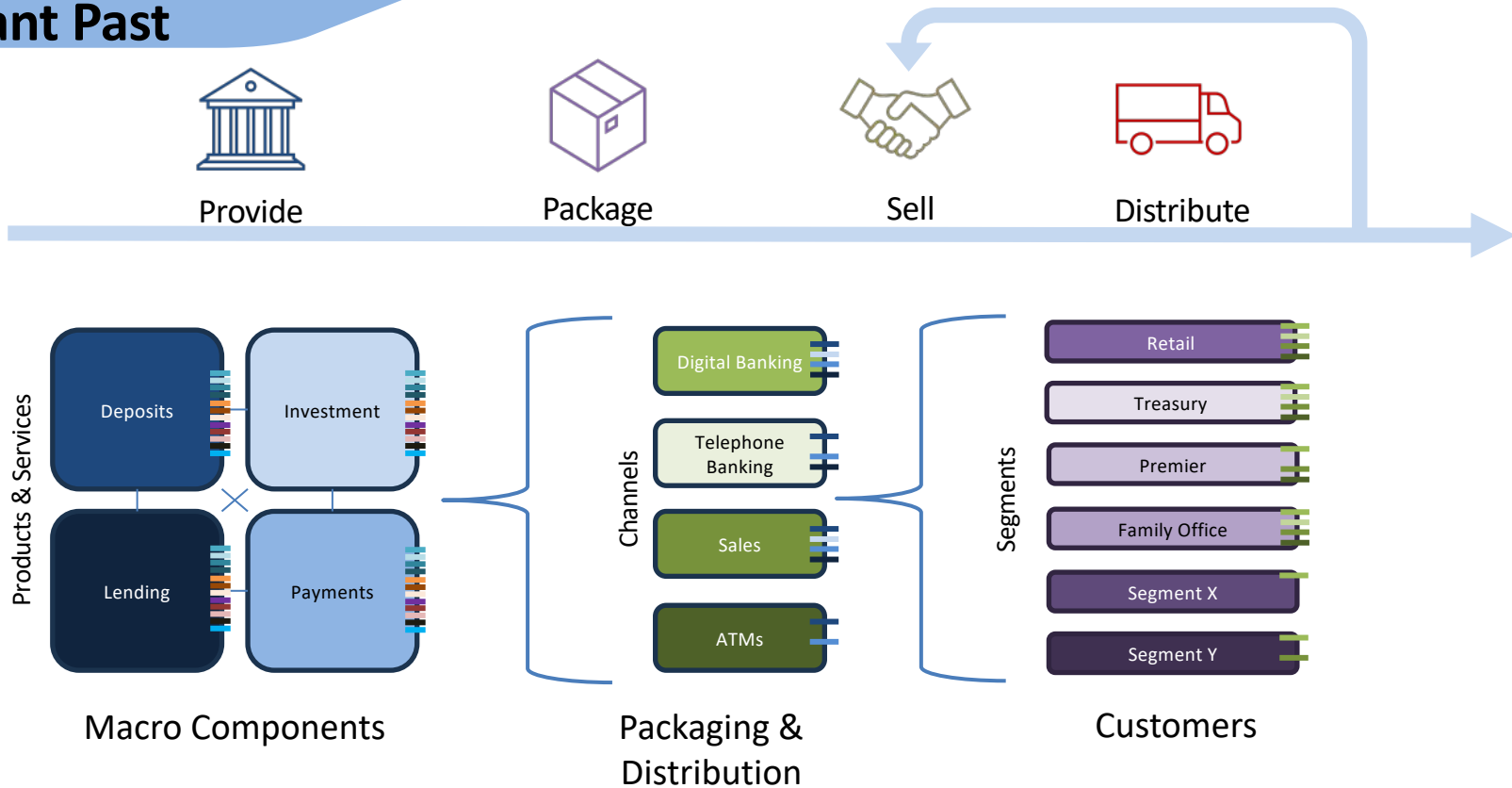
The Cost of the Neglected Opportunity

BOOSHAN RENGACHARI, FOUNDER & CEO, FINZLY

SHAWN MAIN, EVP, VANTAGE BANK

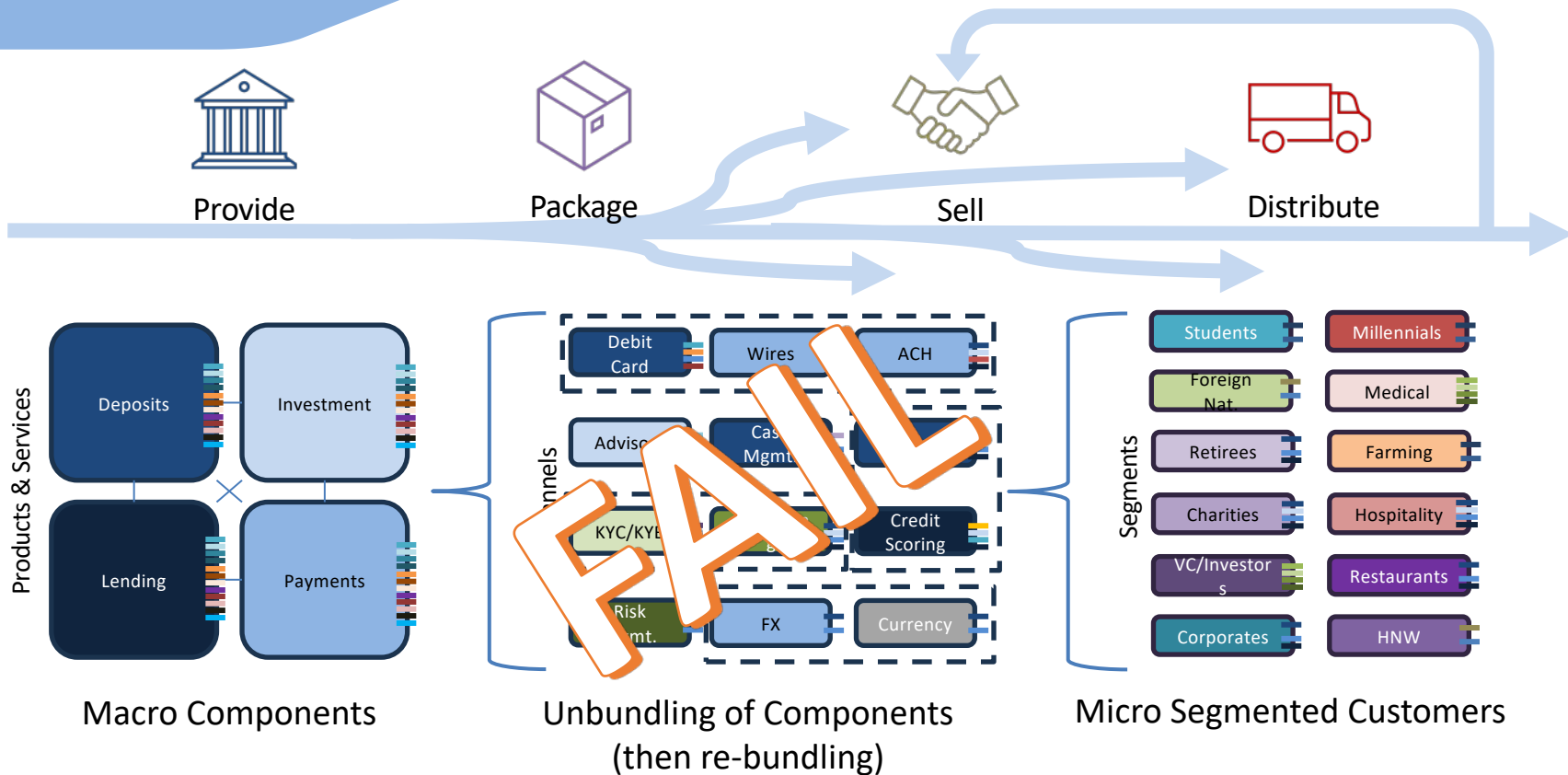


Distant Past



The Banking industry has historically been a tightly coupled, vertically integrated, linear industry

Past

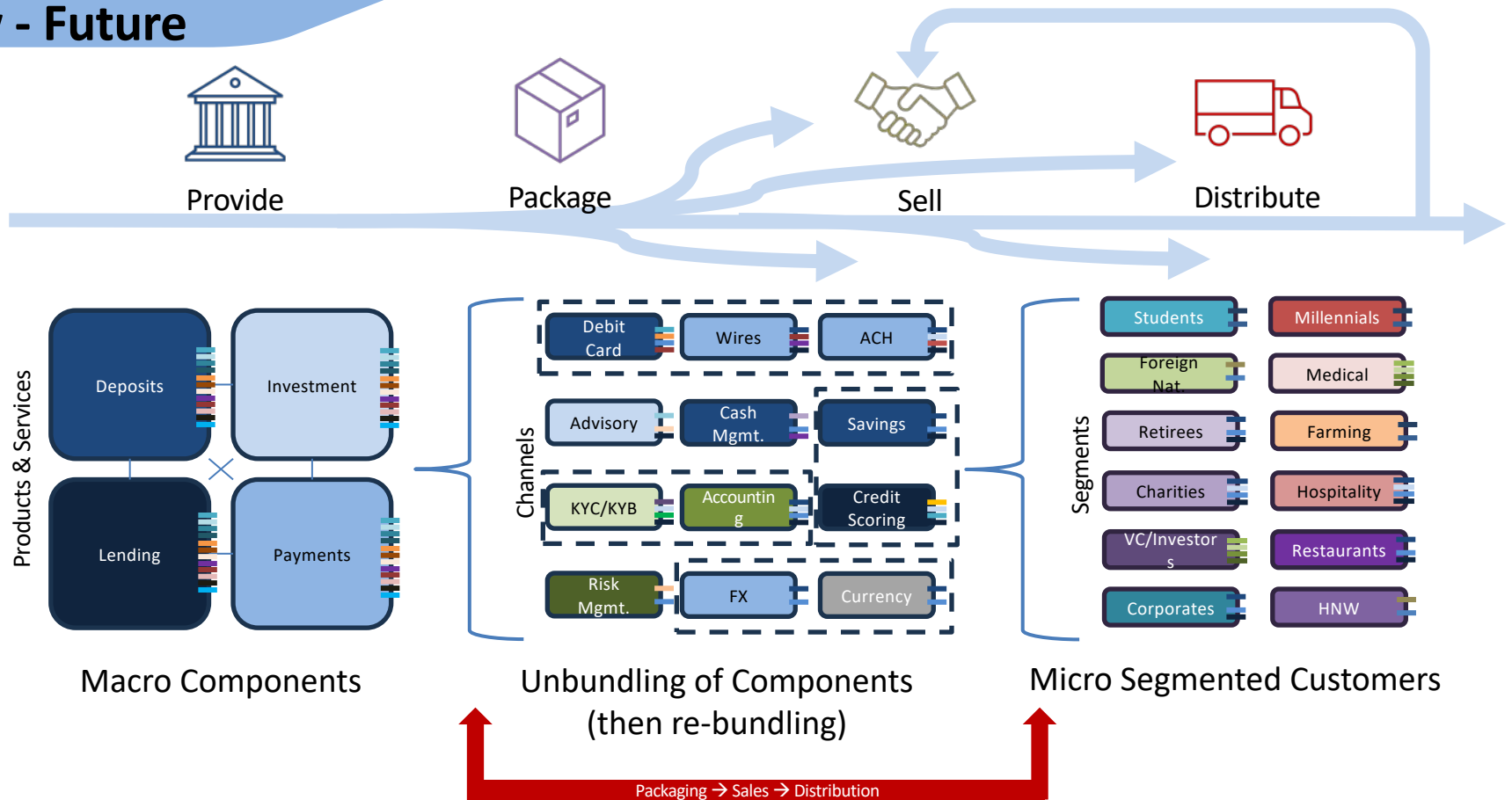


FinTechs Outside-In Attack Strategy

The value chain is unbundling into smaller components and packages designed to serve niche segments.

Fintechs have unbundled traditional capabilities and focused on niche customer segments.

Now - Future



Fintechs are now partnering with Banks and are injecting themselves directly into the value chain

This is where Embedding Banking or BaaS fits in.....

Financial Levers

What are the primary sources of revenue for the Bank?



Deposits

Earning a margin on the net difference of invested deposits. ~50-100 bps

01



Interchange – Debit/Credit

Earning NOI via interchange volume and a set margin of interchange fees. ~5-15 bps

02



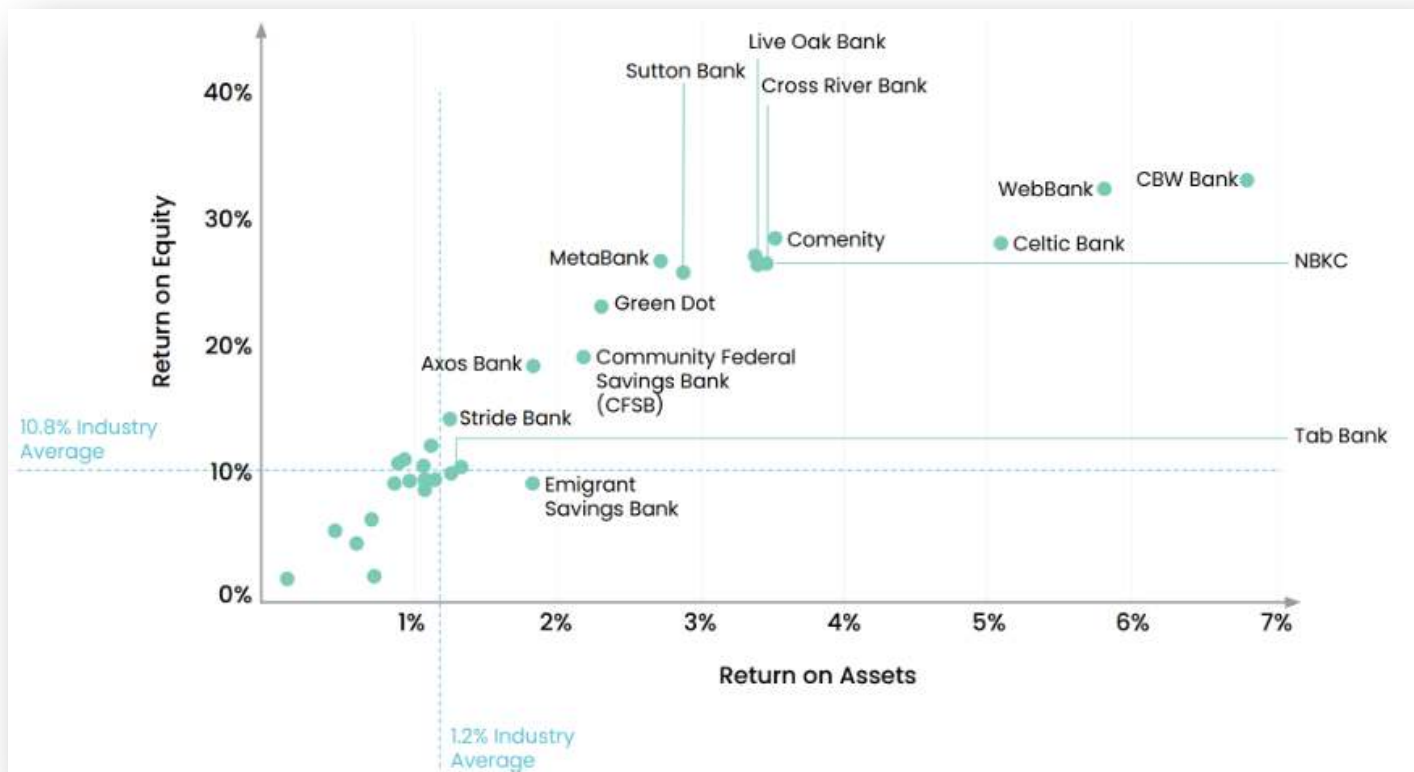
Transactional Revenue

Earning NOI via payment volumes with set flat rates per item. ~\$.04-\$.25 ACH, ~\$.25-\$1 RTP/FedNow, \$1-\$5 wire

03

Optional: Interest revenue and fees for taking balance sheet risk for warehouse/revolving credit lines (i.e. Charge Card)

2 – 4 X RETURN FOR BaaS BANKS



BaaS Provider/Embedded Banking = Client Acquisition

1

APIs

Standardized APIs and a technology platform

2

Marketing & Sales

Niche customer bases and verticals

3

1st Line of Defense

Risk management, onboarding, KYC/KYB, AML and OFAC processes



FINANCE IN THE FUTURE IS



Embedded



Connected

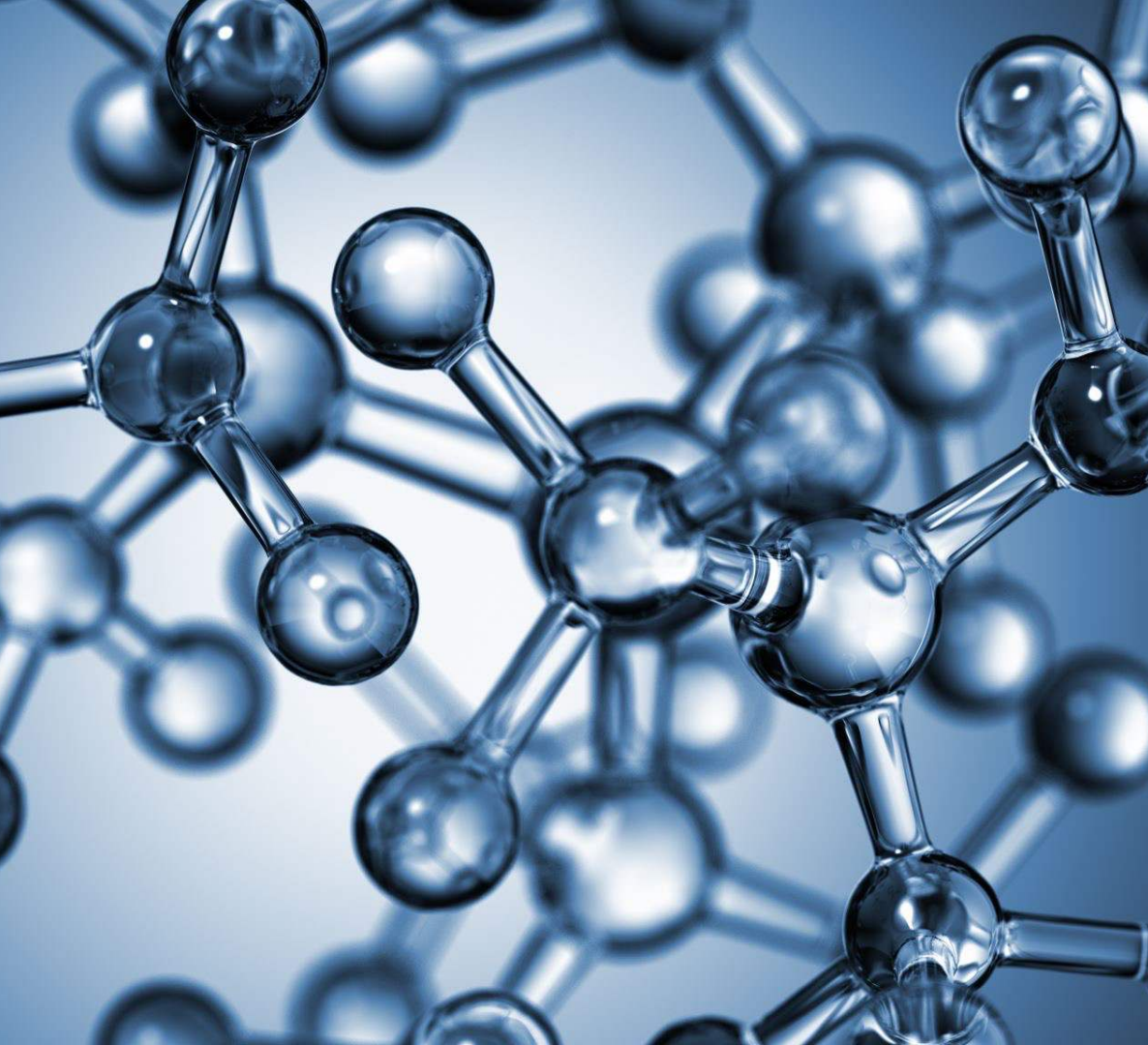


Real-time



Real-time Wages
Real-time Loans
Real-time Billing
Real-time Bill Pay
Real-time Social Security
Real-time Disaster Relief
Real-time Tax Payments
Real-time Tax Refunds

Real-time Finance



Connected Insurance
Connected Vehicles
Connected Businesses
Connected Schools
Connected Government
Connected Hospitals
Connected Communities
Connected Families

Connected Finance



Open Banks
Open Businesses
Open Taxes
Open Govt Benefits
Open Pension
Open Investments
Open Travel
Open Insurance
Open Hospitals
Open Schools

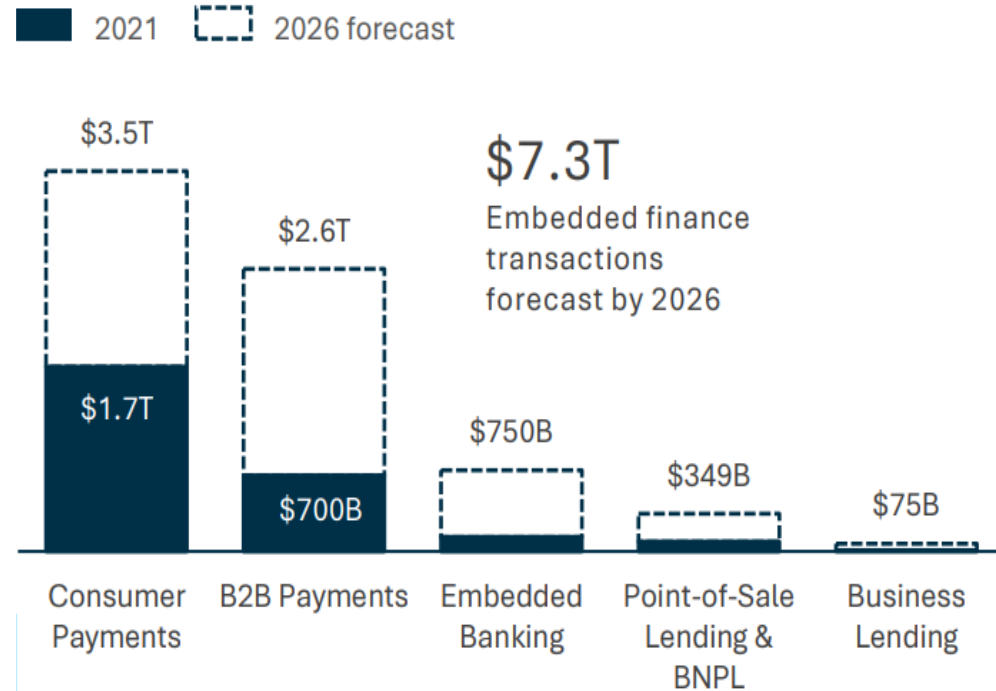
Open Finance



Embedded in lifestyle
Invisible Payments
Invisible Banking
Invisible Taxes
Invisible Benefits
Invisible Shopping
Invisible Invoices
Invisible Investment Decisions
Invisible Financing

Embedded Finance

Embedded Payments is huge!



stripe

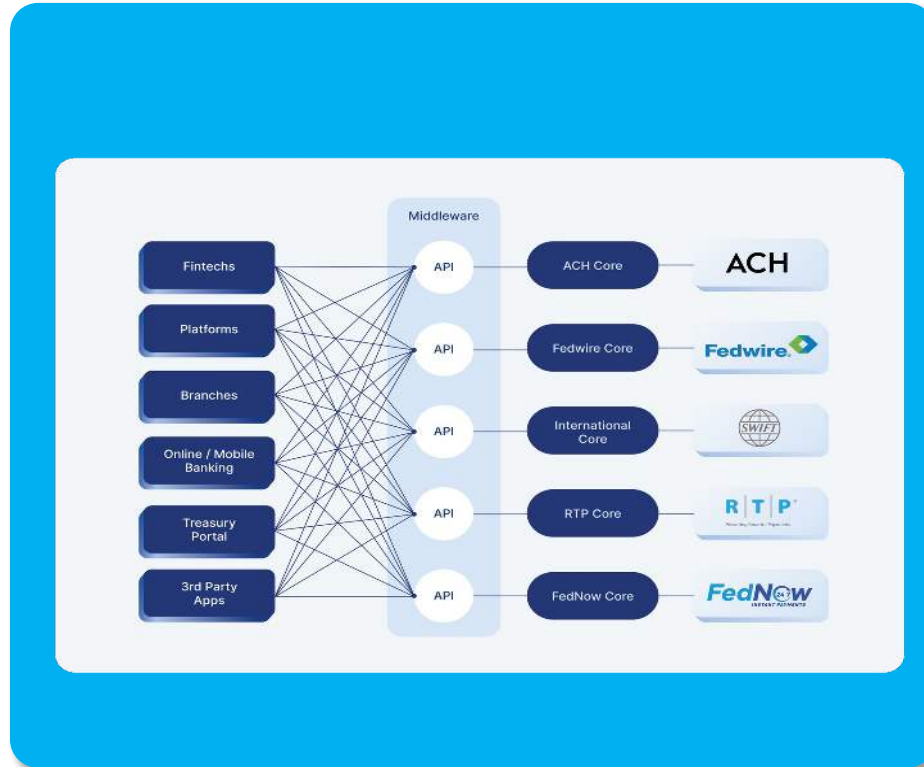
55% of ALL

Community bank payments put together

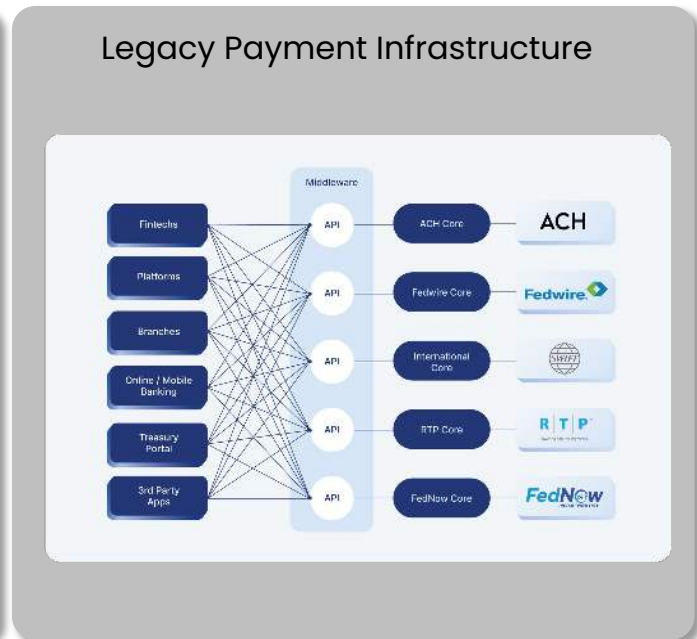
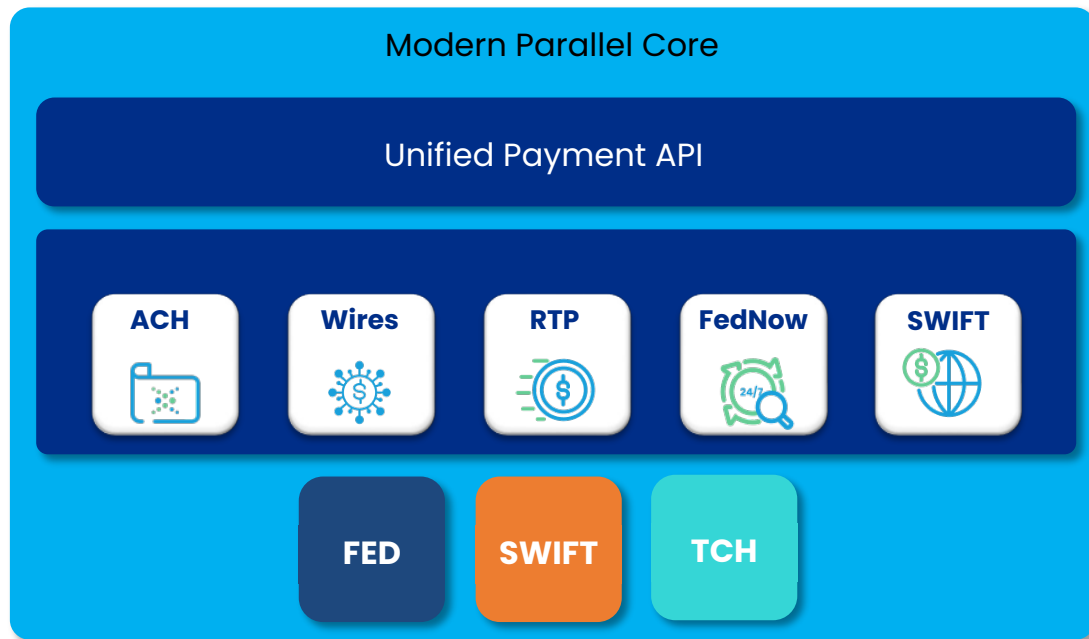
BANKING INFRASTRUCTURE TODAY AT MOST BANKS



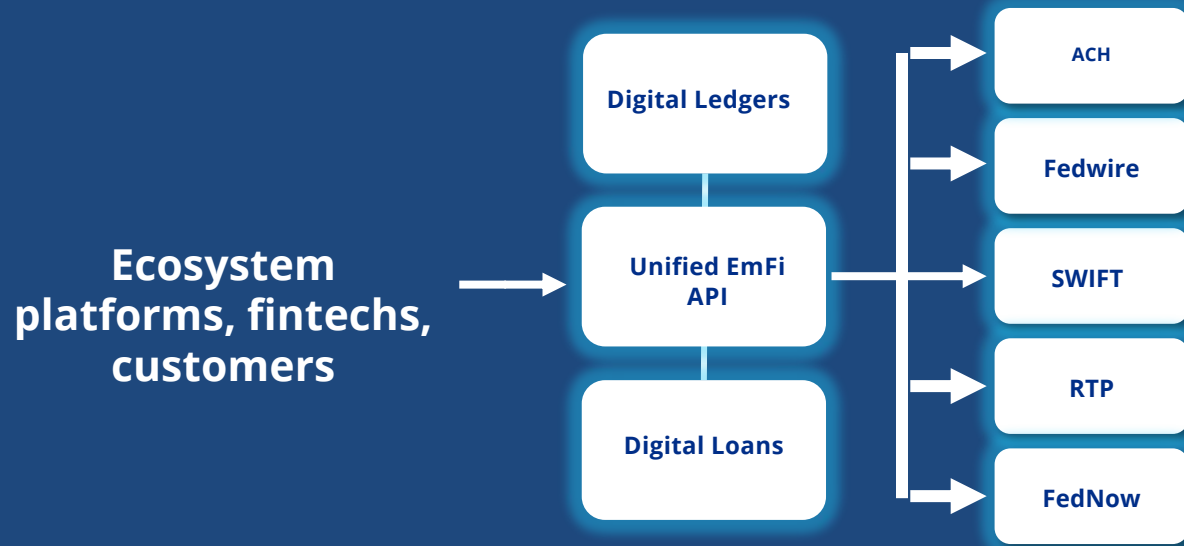
Legacy Payment Infrastructure



Modern Parallel Core for the connected economy



Embracing the ecosystem through a Unified API



Questions?

BankDirector.

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Scan here to fill out
the evaluation for
this session.



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