



The Banker's Ultimate Handbook:

Tapping into the Full Potential of Embedded Payments

"Embedded Payments" - A substantial avenue for banks' growth and engagement

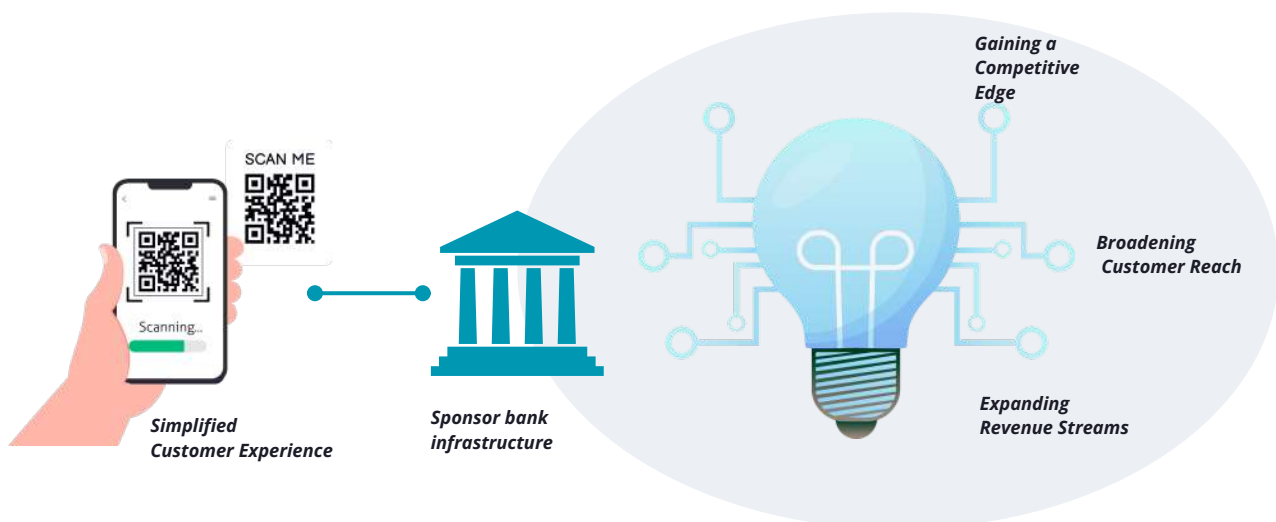
"Embedded payments" has emerged as the established buzzword within the banking industry. Banks are now presented with a remarkable opportunity through this concept, which involves seamlessly integrating their payment processing services into external applications, platforms, or websites via APIs. This innovative approach, known as embedded banking, enables customers to conduct transactions securely and effortlessly without leaving the environment of the partnered application.

The escalating presence of online platforms, marketplaces, and software-as-

a-service (SaaS) applications has propelled the rapid adoption of embedded payments, offering banks a substantial avenue for growth and engagement.

"Contextual banking" - A growing trend

The paradigm of Banking as a Service has given rise to what is known as "**contextual banking**." In this dynamic, traditional banks operate incognito as challengers, orchestrating their activities behind the curtains of platforms and fintech firms. Several banks give life to contextual banking by offering their payment infrastructure to power the financial transactions of these industry partners, harnessing APIs as the vehicle for providing specialized Payment as a Service.

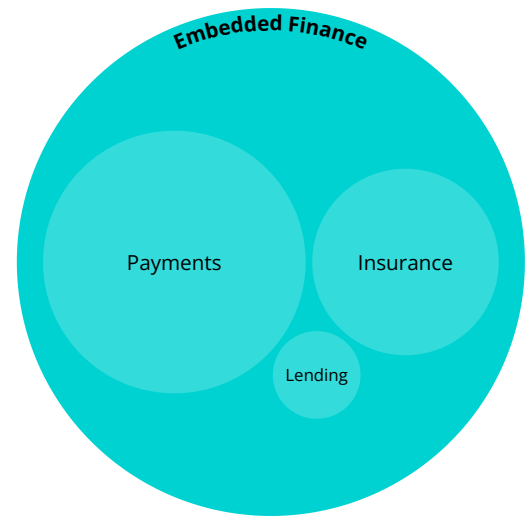


Embedded payments: Win-win situation for banks, platforms and customers

How is contextual banking related to embedded payments?

In the concept of contextual banking, the focus is on creating business value by seamlessly integrating payments into various experiences within an open ecosystem. What takes priority is the specific context in which the payment experience is delivered, rather than the financial institution that is responsible for the underlying monetary transactions.

This trend is exemplified by the significant growth projections of the embedded finance market, where embedded payments play a pivotal role. As a result, many banks are increasingly offering their payment infrastructure to different platforms and partners through the use of APIs, in order to seize the opportunities within the payments sector.



Relative size of embedded finance market in 2025 (Source: KPMG)



The coming next steps are about opening the banking organizations, and mindset, to shift business models from products centricity to client-centricity. This means that engagement (in Contextual Banking) and relationships (in Conscious Banking) are the new “products” that clients are willing to pay for - transparently - to access the financial services platform.

Paolo Sironi, Author of Bank and Fintech on Platform Economies



Industry specific

Platforms for SMEs, and verticals like restaurants, retailers and others.
Example Toast



Integrated offerings

Procure to pay platforms that centralize purchasing and vendor payments.
Example Coupa



Travel platforms

Platforms that simplify payments for travel, split transportation costs etc. Example Uber

Examples of Embedded Payments

Most banks are delving into the realm of payment APIs

Insights from Bain Capital highlight a substantial growth forecast in the embedded finance sector, with transaction values projected to escalate from \$2.6 trillion to \$7 trillion by 2026. As part of their transformative strategies, most banks are delving into the realm of payment APIs with a distinct objective that primarily revolves around the following:

1

Broadening Customer Reach

By seamlessly integrating their payment services into diverse platforms and applications, banks can tap into a wider demographic, enticing new customers. This integration simultaneously enhances the payment experience for existing clients, fostering heightened satisfaction and bolstered loyalty.

2

Expanding Revenue Avenues

Through embedded solutions, banks stand to gain revenue via transaction fees and related charges, as customers utilize their payment services. By offering a comprehensive array of APIs, banks can attract fintechs and developers, opening doors to additional revenue streams.

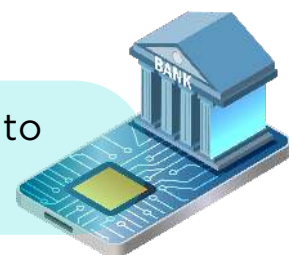
3

Maintaining Competitive Edge

Embracing embedded payments equips banks to remain relevant in today's financial landscape, marked by a demand for streamlined and unified payment encounters.

Banks view APIs as means to create business value, serving both traditional enterprises (referred to as conscious banking) and emerging disintermediation-focused business models (contextual banking) such as banking as a service and embedded finance. According to McKinsey, large banks are rolling out API programs, especially for payments, and, on average, allocating around 14 percent of their IT budget to support APIs. Currently, about 75% of APIs are tailored for internal use, focusing on efficiency and speed (geared towards developers or customers within the organization, known as conscious banking). In contrast, only 25% of APIs are open to external partners or the general public (targeted at the ecosystem for contextual banking).

50% of banks are planning to provide their APIs to public and partners over the next 3 years



Success in disintermediated banking requires more than APIs

Several banks engaged in the BaaS arena are primarily operating within a commoditized realm, providing standard deposit and interchange services, which makes differentiation challenging. Despite the vast potential presented by embedded payments, industry players who want to embed payments in their experience expect a unified API integration from banks. Unfortunately, several banks' shaky payment infrastructure is masked by middleware. This approach frequently falls short in terms of scalability and meeting the real-time requirements of their downstream partners.



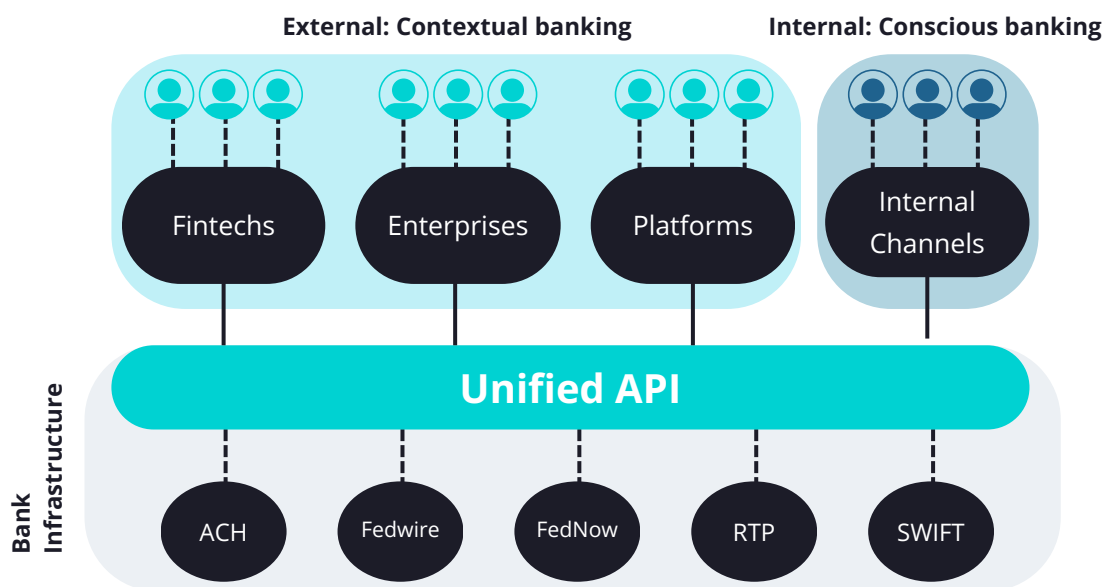
A growing number of fintech firms and platforms are seeking a singular API that can seamlessly link to various transaction channels. To them, the key factors are the ease of integration and the sophistication of the foundational payment framework,

**Head of Fintech Partnerships at a bank
pioneering in fintech partnerships**



The surge of the unified API

The growing demand for hassle-free financial experiences in different verticals such as healthcare, retail, logistics, financial services etc. is quickly pushing aside the era of isolated payment systems. The driving force behind the rise of embedded finance is the emphasis on ease and simplicity. This trend is giving rise to the need for a unified API that can cover all payment channels, often facilitated by modern payment hubs. Many banks are now embracing this strategic shift to improve efficiency in both their internal processes and external payment services.



API for the platform economy

In many cases, successful banks that support embedded payments effectively combine a real-time ledger with the payment hub on the same platform. This integration allows banks to meticulously track all financial transactions between them and their partners. By furnishing partners with a transparent and comprehensive transaction record, banks can showcase their commitment to transparency and accountability. This, in turn, nurtures trust with partners and facilitates seamless management of their payment channels.

Leading the way in embedded payments with Finzly

Enabling banks to seize the opportunities presented by embedded payments, Finzly's Fintech Hub acts as a bridge between banks and other ecosystem players. Through our open APIs on *Finzly Connect*, these entities can collaborate and innovate. Functioning as a universal conduit, Finzly Connect's comprehensive API serves as the link connecting ecosystem participants and banks.



- Unified API for all payment rails (ACH, Fedwire, FedNow, RTP and SWIFT)
- Instant payment APIs for FedNow and RTP
- Ability to manage accounts of fintech partners
- Easy onboarding of fintechs/ platforms
- Scalability to process B2B embedded payments
- Ready access to sandbox environment for testing
- Instant posting into fintech accounts
- Dashboard to manage fintech reporting
- Real-time platform for money movement
- Direct connections to the Fed, TCH allowing accelerated implementation
- Exclusive fintech core to manage industry partners and other payment channels
- Open APIs for easy integration

How do banks utilize Finzly for Embedded Payments?

Numerous banks are transitioning to the adoption of core-agnostic operating systems capable of managing payments across various channels, encompassing both their internal operations and external linkages with industry partners. This approach undeniably offers substantial benefits, allowing for quicker market entry while also providing a robust and scalable infrastructure to industry partners, thus ensuring the delivery of exceptional customer experiences.

1

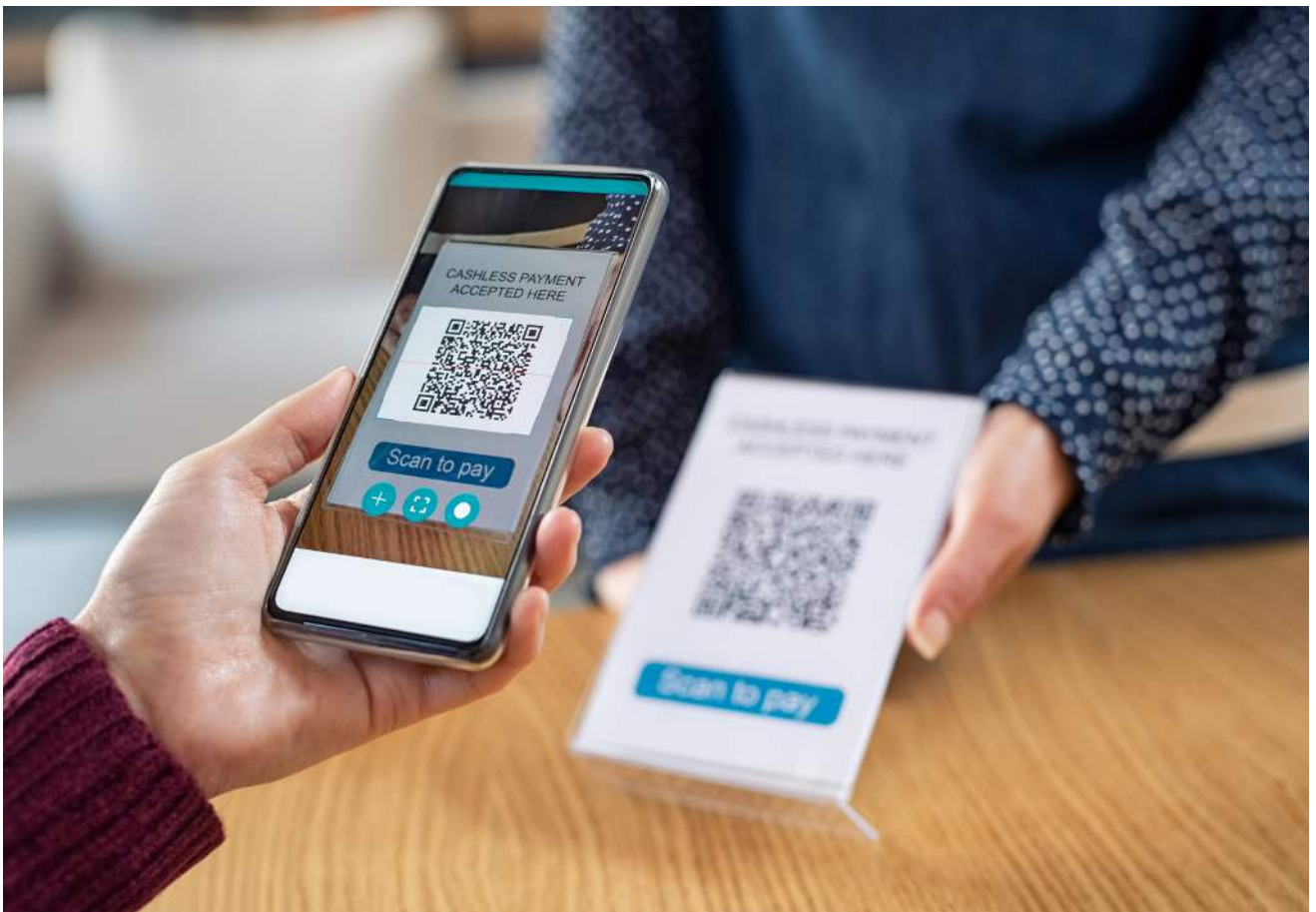
They implement all our payment rails and leverage our unified APIs to facilitate embedded payments

2

While they implement our payment rails in a modular manner, they use our unified API for embedded payments.

3

They continue to use their existing payment network connections, while offering our unified API for embedded payments.



Finzly provides the financial infrastructure for banks, fintechs, and businesses to offer and access financial services in an open ecosystem that is connected, real-time, and embedded in everyone's lifestyle. Finzly offers an operating system for banks that is modern, cloud-based, real-time, and API-enabled. The digital core readily integrates to a bank's existing core, saving the bank time and money replacing the core and allowing it to focus on innovation. With an array of readymade solutions including an award-winning multi-rail payment hub (ACH, wires, RTP, FedNow, and SWIFT), foreign exchange, multi-asset deposit core, account opening, KYC, risk, compliance, and a suite of customer experience components, banks can offer cutting-edge solutions to the connected economy.

Finzly's open APIs for payments provide banks with the confidence and capability to compete effectively. They enable seamless integration of instant payments into banks' products and offerings. Finzly also empowers banks to offer their customers a rail-agnostic payment experience across digital banking and other channels, allowing for instant activation of sending capabilities. This centralized payment processing hub represents the optimal solution for banks. The centralized payment processing hub offered by Finzly presents the ideal solution for banks looking to make the most of instant payments.



Join leading banks using Finzly. [Learn more at www.finzly.com](https://www.finzly.com)

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