

Embedded Finance – A Universal Business Theme: Focus on Europe, Latin America, and Asia Pacific

September 2022: Complimentary Abstract / Table of Contents



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Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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Background and context

- Embedded finance has made it easier for new market entrants and third-party providers (TPP) to gain access to this new market, improve their product offerings, and increase competition. It has also paved the way for many innovative financial solutions, and the future is destined to be filled with even more
- The banking and payments industry experienced a major transformation with Account Information Service Providers (AISP) and Payment Initiation Service Providers (PISP) emerging as the top FinTech categories. Several platform providers also emerged with products to support infrastructure and monetization needs for banks and financial services firms
- The embedded finance wave has hit different markets at different times and the evolution has created various maturity levels across the world. We see several regional nuances emerging from this trend. However, it has emerged as a universal trend driving hyper personalization across the world, which started with the open banking/finance revolution
- In Europe, open banking regulations have been driving a revolution in retail and commercial banking, payments, and lending. Regulators were seeking to drive increased competition and innovation by opening customer banking data to third parties. Regulatory bodies in UK&I such as Digital Finance Strategy (DFS) are looking at legislations on a broader open finance framework with the aim of allowing customer data beyond the scope of Payment Services Directive 2 (PSD2) to be shared and reused by financial service providers for creating new and improved services
- Asia Pacific has experienced an acceleration on the mass adoption of lifestyle super app platforms across markets, such as Singapore, Hong Kong, and Malaysia, leading to increase in spend on ecosystem orchestration through open data strategic initiatives
- Banks in Latin America leveraged the nearly-ubiquitous smartphone as a channel for the proliferation of open banking. The primary objective initially was financial inclusion and access. Gradually the banks are showing a growing interest in expanding the use of online financial platforms and tools for personal finance and payments use cases
- In this report, we explore the evolving dynamics around compliance, market initiatives, and technology investments across Europe (including UK&I), Latin America, and Asia Pacific

Scope of this report



Geography
Global



Industry
Banking, financial services



Report coverage
Technology and
IT services

This study offers three distinct chapters providing a deep dive into key aspects of the embedded finance revolution with specific focus on Europe, Latin America, and Asia Pacific; below are four charts to illustrate the depth of the report

Evolution of the services provided by banking and financial services firms

Past
Banking-as-a-product

- Viewed as a seller of products such as loans, current account saving account, credit cards, and money market accounts
- Focus is on building a single view of customers across different business units or product functions
- Manage customer experience over their own channels and not integrate with Third-party Providers (TPPs)

Current
Banking-as-a-service (Open banking 1.0)

- Adoption of APIs and move to open banking are rendering banking as a plug-and-play service
- Provides an as-a-service platform to help TPPs integrate seamlessly with back offices of banks
- Focus is on externalizing single view of customers for TPPs
- Manage customer experience over their own channels; however, have limited influence on services provided over TPP's channels

Future
Banking-as-a-lifestyle (Embedded finance or Open Banking 2.0)

- Banking will be cash free, ubiquitous, and part of our day-to-day lifestyle
- Banks will move upstream and coordinate the entire ecosystem. They will integrate with allied businesses and extend access through edge devices
- They will be able to influence customer experience across all channels (self- as well as TPP-owned)
- Technology landscape will be defined through a customer-centric IT strategy and enabled by APIs, analytics, cloud, and microservices

Banks are adopting banking-as-a-lifestyle at scale

Solarisbank
Solaris Bank with its German banking license offers API accessible services that enable companies to offer their own financial solution for digital banking and cards, lending, payments, and KYC.

BBVA
BBVA's banking-as-a-service solution allows companies to connect to a core digital banking platform, through which they can access APIs including the move money, identity verification, account origination, and card issuance services and more.

RBL BANK
RBL is collaborating with Bajaj Finance to give vehicle loans across India, utilizing RBL's secure and compliant digital infrastructure, and Bajaj Finance's pan-India reach to help customers with finance and purchases all in one place.

An insight into FinTech innovation around embedded finance



Challengers

- Challenge traditional banks by providing personalized, cost-effective services largely through a digital model
- Operate with a banking license, targeting niche banking services and young tech-savvy users

AFFINIPAY **PayPal** **ripple**



Collaborators

- Partner with traditional banks and operate without a banking license
- They provide niche services/products, such as real-time spending analysis tools, in addition to providing basic banking services

FINASTRA **fiserv.** **FIS**

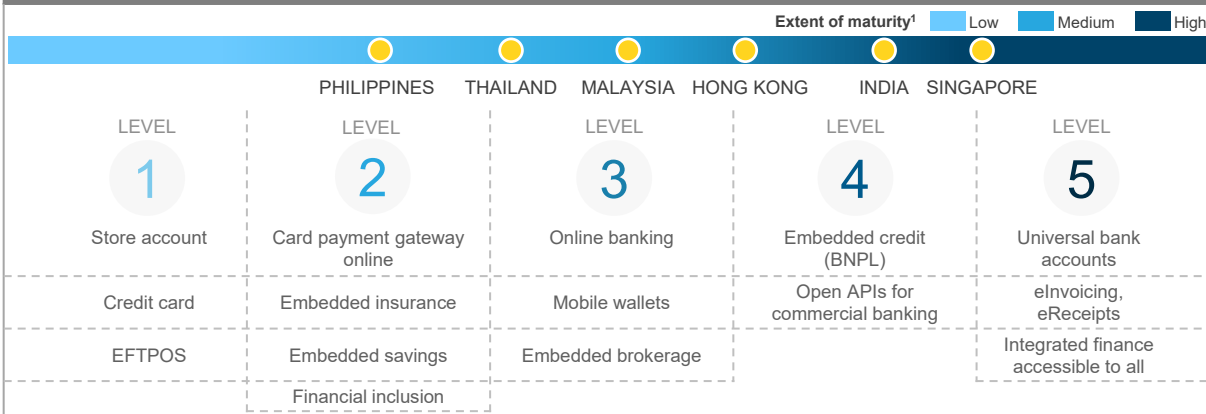


Enablers

- Provide infrastructure/platform to existing banks, FinTechs, and digital companies through APIs
- They provide modules in areas of payment, transaction services, deposit & credit services, and compliance & KYC/AML

FRACTAL LABS **TRUCLAYER** **YAPILY**

Asia Pacific's maturity level in the embedded finance space



¹ Source: Based on over 50 use cases in Asia Pacific markets such as Malaysia, Thailand, Singapore, India, Hong Kong, and the Philippines Everest Group (2022)

Drivers of open banking in Latin America



Research calendar

Banking and Financial Services Information Technology

Published Planned Current release

Reports title	Release date
Consumer Loan Origination Systems – Products PEAK Matrix® Assessment 2022	January 2022
Consumer Loan Origination Systems – Service Provider Profile Compendium 2022	January 2022
Platforms IT Services in BFS – PEAK Matrix® Assessment 2022	January 2022
Temenos IT Services PEAK Matrix® Assessment 2022	January 2022
Finastra IT Services PEAK Matrix® Assessment 2022	January 2022
Temenos IT Services – Service Provider Compendium 2022	February 2022
Finastra IT Services – Service Provider Compendium 2022	February 2022
Platform IT Services in BFS – Service Provider Compendium 2022	February 2022
Introducing the Rubik’s Cube Supplier Segmentation Approach: Navigating the Talent Crisis by Engaging Specialist IT Service Providers	June 2022
Embedded Finance – A Universal Business Theme: Focus on Europe, Latin America, and Asia Pacific	September 2022
Wealth Management Products PEAK Matrix® Assessment 2022	Q4 2022
Wealth Management Products Technology Provider Compendium	Q4 2022
Capital Markets Technology and IT Services – State of The Market Report	Q4 2022
FinTech-Led Innovation in BFS – Financial Crimes & Compliance (FCC)	Q4 2022
Future of Treasury: Modernization Through Platform, APIs, and Cloud Market Report	Q4 2022

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