The BaaS Revolution: Leveraging Embedded Finance as a Catalyst for Growth

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It's nice to meet you



Father, builder, investor, mentor

Nearly <u>30 years of experience</u> creating financial products for banks, FinTechs, and large tech companies.



Current regulatory environment

- Regulators want transparency and accountability
- Turns out, banking is hard...



- You can't "move fast and break things" in this space
- There will be more consent orders



The state of play

- BaaS isn't "dead"
- Finance is going where the consumers already are
- Europe is going through a "transformational phase"
- Finance & money movement at the heart of going "super"



What's a "super app"?



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What you've probably heard...

OBSERVER Elon Musk Vows to Make X a Super App By 2024 Despite Valuation Plunge

Oct 31 • Nhari Djan

MIRED

Super Apps Are Terrible for People—and Great for Companies

Sep 10 - Edward Ongweso



THE WALL STREET JOERNAL Tech CEOs Want to Make a 'Super App.' Here's Why It's So Hard.



Why super apps have yet to take off in the U.S.



Nov 29 + Gabriela Barkho

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...vs. the reality

Outside of United States







ChatGPT

A super app is a mobile application that offers a wide range of services within a single platform, combining various functionalities such as messaging, shopping, payments, and more. It aims to provide users with a comprehensive and seamless digital experience, eliminating the need to switch between multiple apps for different tasks.

United States







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Uber Money

An Operating System for Everyday Life

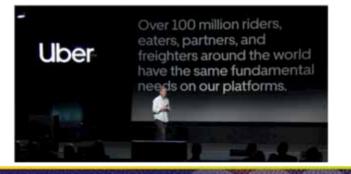
For Drivers

- Real-Time Earnings
- Uber Debit Account & Uber Debit Card

For Consumers

- Uber Wallet
- Relaunched Uber Credit Card





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How do banks benefit?

- New source of deposits
- Measured and strategic growth



- Expand without technology investment
- Learn about new consumer behavior
- Chart a course for the future

But only if done right...





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1.Banks and customers must have a strong relationship

- Fully understand the customer's business model
- Have open and honest conversations
- Stay in sync
- Communicate and share data
- Record, record, record





2. Banks must own compliance accountability



- Treat the program like it's your own
- Understand the potential moral hazard
- Accountability shows regulators you are able mitigate risk and maintain a safe ecosystem



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3. Banks and customers need to keep track of every penny

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- Le Martin
- Accurately track money movement
- Regulators want to know that you know...
- Single ledger and ongoing reconciliation



4. All parties of a BaaS relationship must have operational resilience



- Banking is hard
- Plan for everything
- Minimize as much risk as possible





5. Compliance responsibilities must be defined in the contract





- Bake in compliance provisions
- Know the regulatory expectations for contracts
- It's essential to audit customers



6. Banks and customers must be aligned on success criteria

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- Align on key goals and incentives
- Do your due diligence
- Strive for mutual profitability



• Create incentives aligned with compliance



Now what?

(three things to do right away)



Develop a strategic plan

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Create a risk and compliance staffing model

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Establish a review and approval framework

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Questions?

#fbforum





Thank you!

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