Banking as a Service (BAAS)

Key Takeaways

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Banking as a Service or "BAAS"

- Definition
- Benefits & Applications
- Typical Structure
- Compliance Considerations

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Definition

- BaaS is an end-to-end process that third party nonbanks, typically FinTechs, use to connect their own business infrastructure to a bank's system via APIs, which allows the nonbanks in partnership with banks to offer banking or other financial services directly through their own non-bank business offering.
- In this partnership, the bank either sells its software or provides a license or limited agency contractually.
- BaaS reconfigures the banking value chain by enabling new sources of growth.
- BaaS facilitates disruptive yet creative disintermediation

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Benefits & Applications

BaaS has several benefits and applications:

- Benefits
  - Increases revenue streams beyond traditional customer base
  - Reduces costs and time to market
  - Enhances product offering potential through innovation and customization (specific branding)
  - Non-banking third parties can offer banking services (deposits or loans) to their customers without having to go through licensing schemes such as banking charters or state money transmission)

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Benefits & Applications

BaaS has several benefits and applications:

- Applications
  - E-wallets
  - Debit, Credit and/or Prepaid
  - Cash Advances and Overdraft Protection
  - Investment Services
  - Customer Identity Verification and other Anti-Fraud Measures

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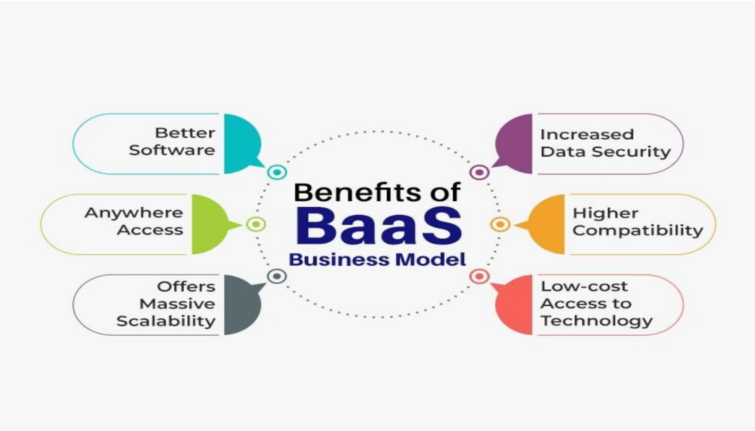
Benefits



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