

OPEN BANKING EXPO

The future
of Banking-
as-a-Service

**SURVEY
RESULTS
2020**

In association with



EQUINIX

About Open Banking Expo

Open Banking Expo is a global community of Open Finance executives responsible for digital transformation across the financial services sector. The brand organises face to face and virtual events in the UK, North America and Europe, and live debates and webcasts throughout the year. Open Banking Expo hosts an online news resource dedicated to Open Banking and Open Finance. It also publishes Open Banking Expo Magazine, which offers industry analysis, interviews with thought leaders and investigative features on the latest hot topics.

For more information visit www.openbankingexpo.com or follow on twitter/Linkedin - OpenBankingExpo.

**OPEN
BANKING
EXPO**

About Equinix

Transform Digital Banking with Interconnection Deliver cloud-based financial services accessible to users anytime, anywhere. Prepare for open banking transformation with Equinix Fabric™ to reach your customers, interconnect to cloud and payment partners, and integrate payment networks and regulations. Equinix is the world's digital infrastructure company, enabling digital leaders to harness a trusted platform to bring together and interconnect the foundational infrastructure that powers their success. Equinix enables today's businesses to access all the right places, partners and possibilities they need to accelerate advantage. With Equinix, they can scale with agility, speed the launch of digital services, deliver world-class experiences and multiply their value.



EQUINIX

2020: A transformational year for “Banking as a Service”

THE COVID-19 PANDEMIC has accelerated the digital transformation journey, with increasing numbers of non-finance digital brands embracing Banking as a Service (BaaS).

At the same time, there remains a huge opportunity for banks to gain customers and offer a greater range of services to existing clients. BaaS is increasingly seen as a way to complement banks' core businesses.

It offers an easier, cost-effective way to get new products to customers and access new geographies. With the embedded finance industry set to be worth \$7.2trn by 2030, early adopters will be the ones positioned to steal a march on their rivals by exploiting new revenue streams.

Business leaders have been talking about disruptive technology for years now. But few could have imagined the catalyst for disruption that 2020 had in store for them when the Covid-19 pandemic hit.

The coronavirus forced companies to adapt and adopt new ways of operating. Many were forced to move online when their operations locked-down and socially distanced customers turned to digital channels to execute transactions and maintain relationships.

While vaccines will help people get back to pre-Covid modes of behaviour, the long-term digital shift has become a permanent feature of everyday life, particularly as e-commerce has become more widely accepted by consumers.

For banks this has been a particularly challenging time. Lockdown conditions have reduced footfall into branches in favour of online banking. However, this has also happened at a time of great change for the industry where new technology is disrupting established business models.

Indeed, while it would have been very difficult for non-finance brands to provide many of the services offered by banks in the past, the emergence of Banking as a Service (BaaS) has made it easier for new players to begin offering a range of products.

Until recently it would have been necessary for brands to partner with banks to build an application for their customers – often a frustrating and laborious process. But BaaS – through the use of APIs and licensed banks' secure and regulated infrastructure – has now removed much of the time and cost previously associated with the process and made it much easier for brands to embed services into their own offerings.

Other beneficiaries

Digital non-finance brands that have benefited from the shift to online and e-commerce during the lockdown conditions of the Covid-19 pandemic are increasingly looking to add financial services to their offering to meet customers' needs.

As such, there are now a greater number of competitors to banks in the form of challenger banks and digital-only players. And the number is likely to increase in the years ahead. ➤



2020: A transformational year for “Banking as a Service”

Continued

➤ That said, traditional banks are becoming increasingly aware of the opportunities that BaaS can provide to get new products into the market and access new geographies.

Some three-quarters of respondents to the Equinix BaaS Survey said they were now more likely to use BaaS as a route to market for new products, with the overwhelming majority (88.9 per cent) viewing it as a productive way to bring products to market rather than building them in-house. And, they are more likely to partner with third-party providers to facilitate new products and services since the Covid-19 pandemic began, with many allocating more to their IT investment budgets.

Increasingly, banks see BaaS as a way to complement their core offering, although there are some signs that it is becoming just as important.

As well as reaching new customers and geographies, banks that partner with BaaS providers are able to focus on their strengths. This means not being forced to absorb the costs of doing business. Huge sums are being invested into the BaaS space. These investments will ensure that service providers can build offerings to meet the needs of the embedded finance industry. This market segment is estimated by Bain Capital Ventures and Simon Torrance to be worth \$7.2trn by 2030.

Recent capital raising has demonstrated the size of the opportunity for investors, with London-based BaaS provider Railsbank raising \$37m in November and European BaaS platform SolarisBank securing 60m euros in June.

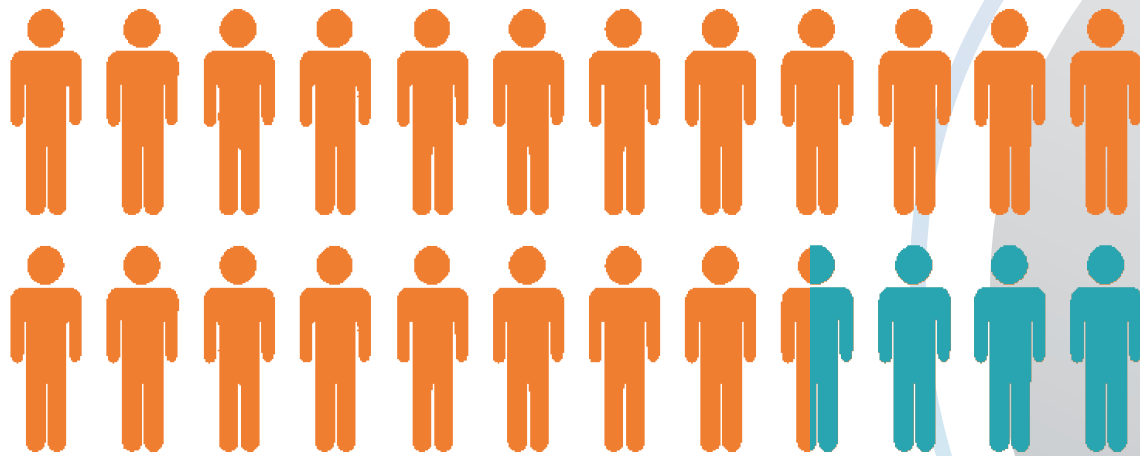
With so much money being invested into the lucrative space it's not surprising to see traditional banks increasingly offering BaaS services with their existing banking licences, allowing them to provide a more holistic offering that other providers cannot.

Large banks are finding revenues under pressure. As a result, they too are looking to the BaaS opportunity to help plug the emerging gap in their balance sheets.

There are several players that have entered the market, such as BBVA – which has become a key player in the market – and, more recently, Goldman Sachs – which is looking to BaaS to diversify away from its traditional trading and investment banking business.

With the Covid-19 pandemic having accelerated the digital transition, it's likely that BaaS will play an even greater role in the lives of clients and consumers, particularly as new services and products are offered online. As such, banks and brands that embrace BaaS quickly will likely steal a march on their competitors who are arriving late to the party. ■

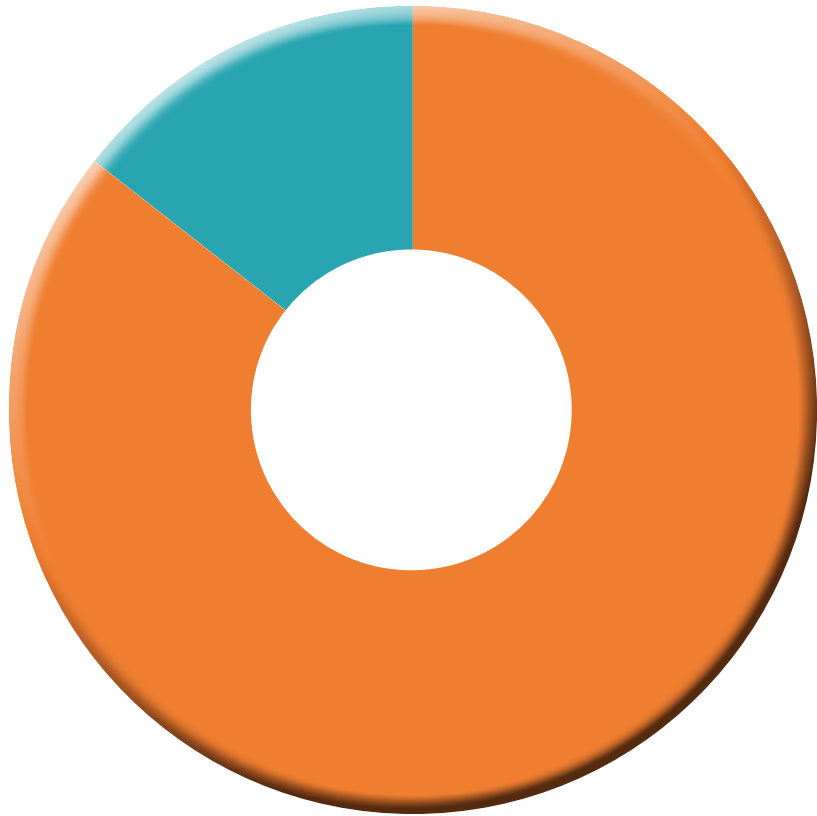
Since the pandemic are you now more likely to use Banking as Service (BaaS) as a route to market for new products?



YES: 76.39%

NO: 23.61%

Do you view BaaS as a productive way to bring products to market versus building it yourself?

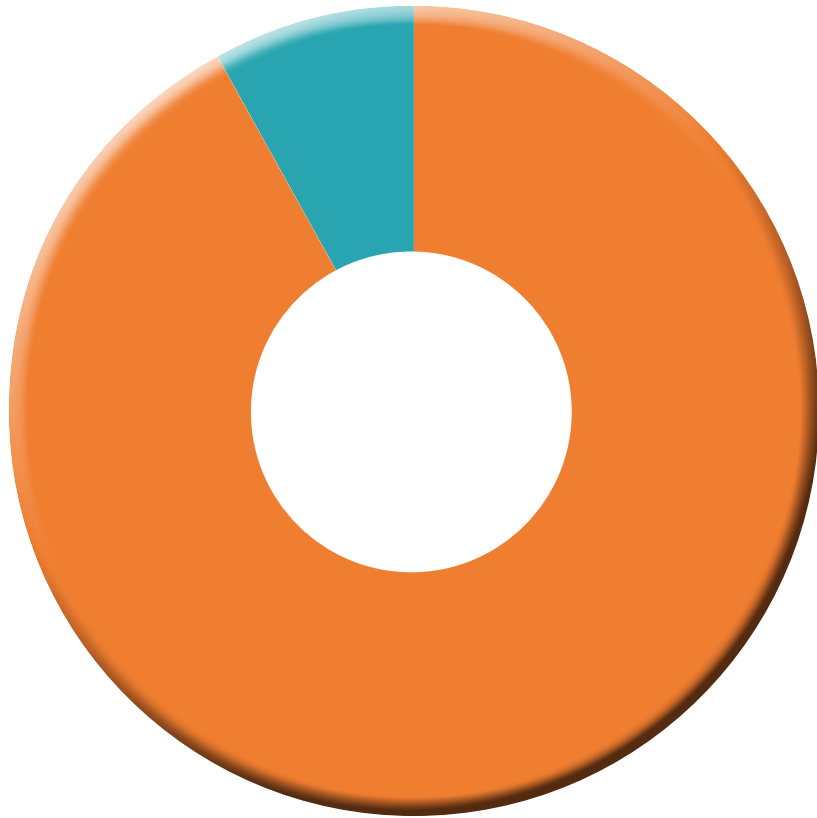


YES: 88.89%

NO: 11.11%



Do you view BaaS as a faster way to bring products to market versus building it yourself?



YES: 91.67%

NO: 8.33%





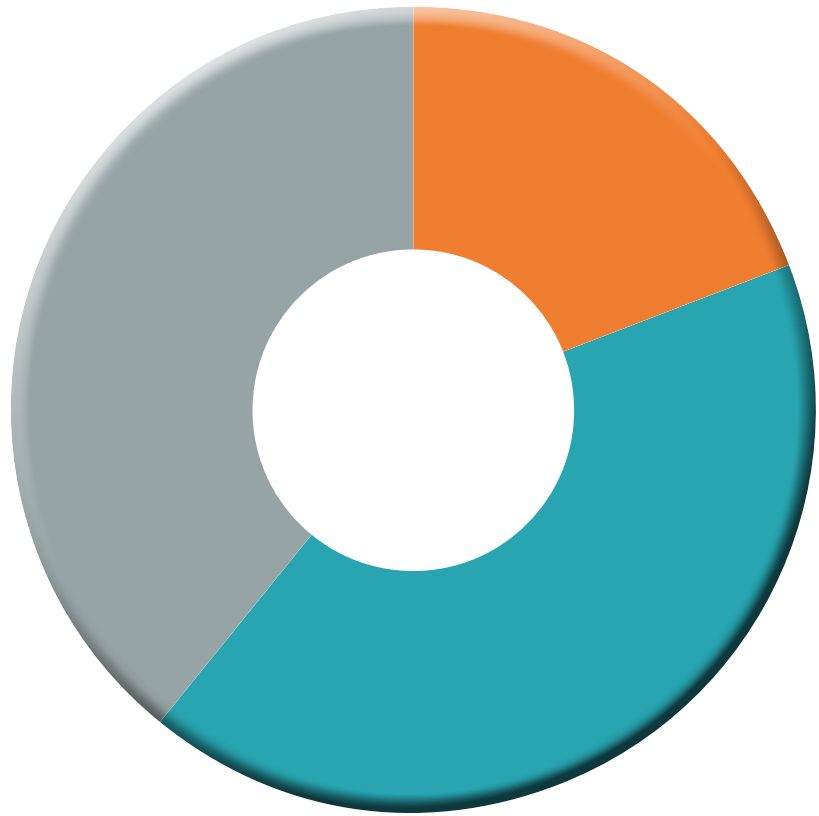
Banking as a Service (BaaS) has the opportunity to rewrite the banking playbook. Embedded finance is no longer the future, it's the here and now and the global pandemic highlighted the need to deliver new products within financial services quicker than ever before. BaaS platforms can be deployed quickly and efficiently to execute new business models in order to tailor financial services products to the end consumer that appeals to the industry at large. The ecosystem continues to grow in this space as competition heats up, so the need to nurture fintech partnerships and innovation has never been more important as the survey results suggest. With this I'm really excited to see how the industry will evolve over the next 24 months.



Adam Cox

Co-founder, Open Banking Expo

Do you view BaaS as a model for core services you wish to offer or a way to compliment your core offering or both?



**A MODEL FOR
CORE SERVICES**

19.44%

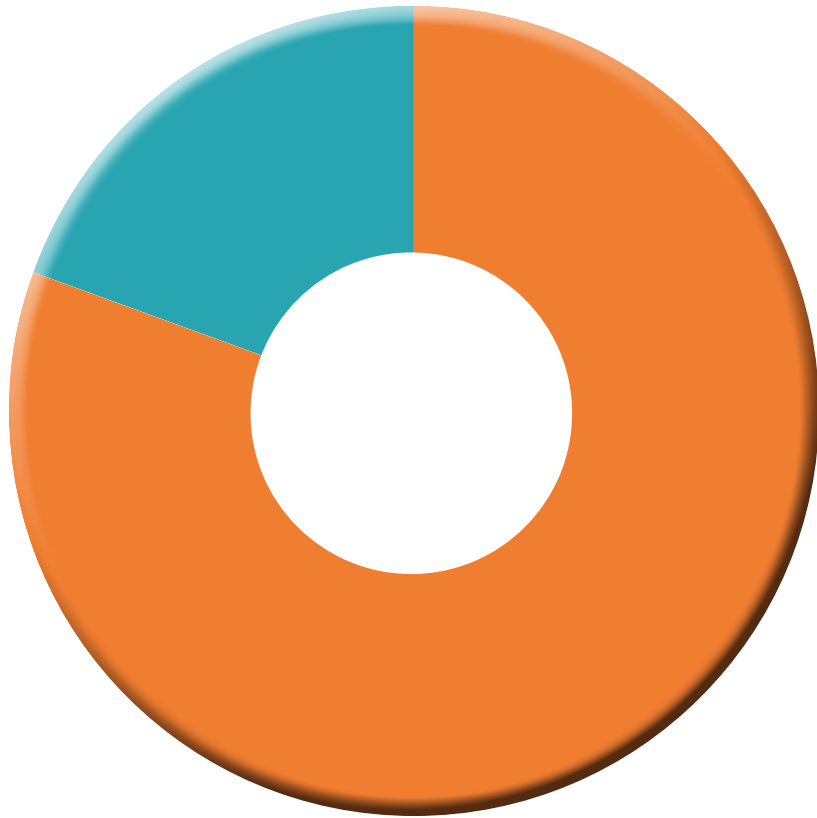
**A WAY TO
COMPLIMENT MY
CORE OFFERING**

41.67%

BOTH

38.89%

Do you view BaaS as a way to extend your reach into new geographic markets versus building it yourself?



YES: 80.56%

NO: 19.44%





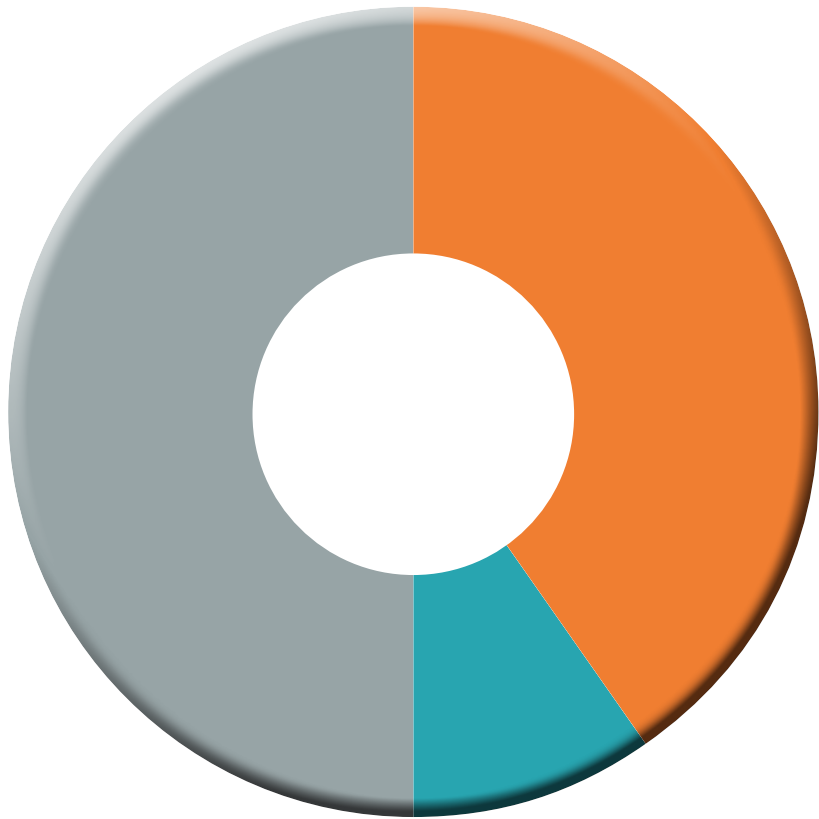
It's clear the global pandemic has brought into focus what businesses really need to do to go digital. As BaaS promises a very fast and effective route to market for financial services products embedded in digital channels, we expect to see adoption increase through 2021. However there are significant macro economic headwinds across the globe – making conditions challenging for everyone. So the future of BaaS remains unclear.



Adrian Mountstephens

Subject Matter Expert, Banking & Payments, Equinix

Has the COVID-19 pandemic changed your IT investment approach?

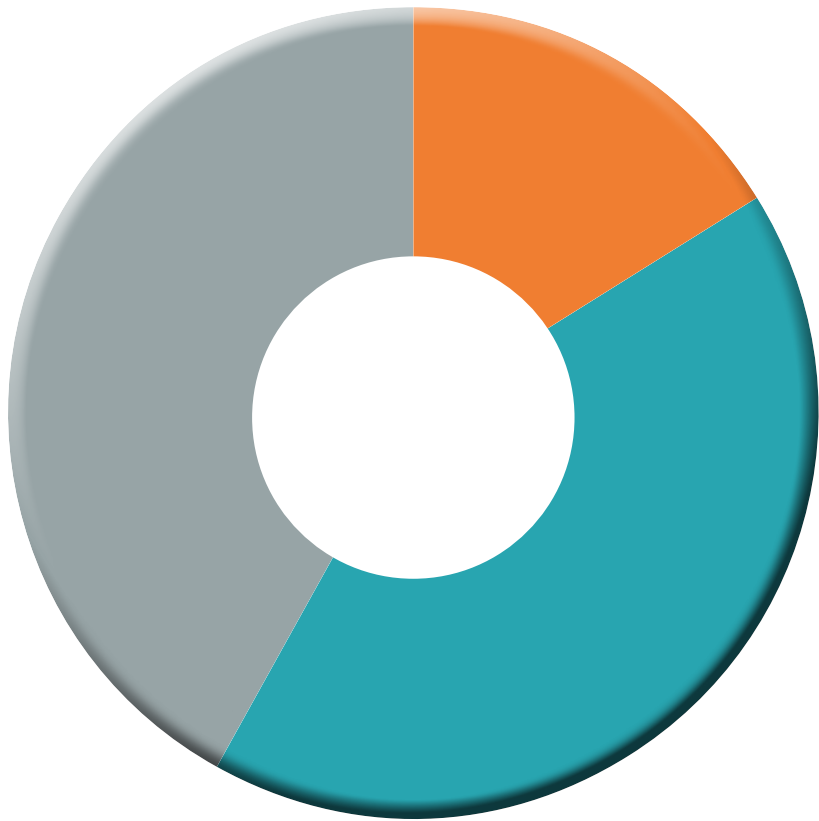


YES: 40.28%

NO: 9.72%

**TOO EARLY
TO SAY 38.89%**

Has the COVID-19 pandemic reduced your IT investment budget?



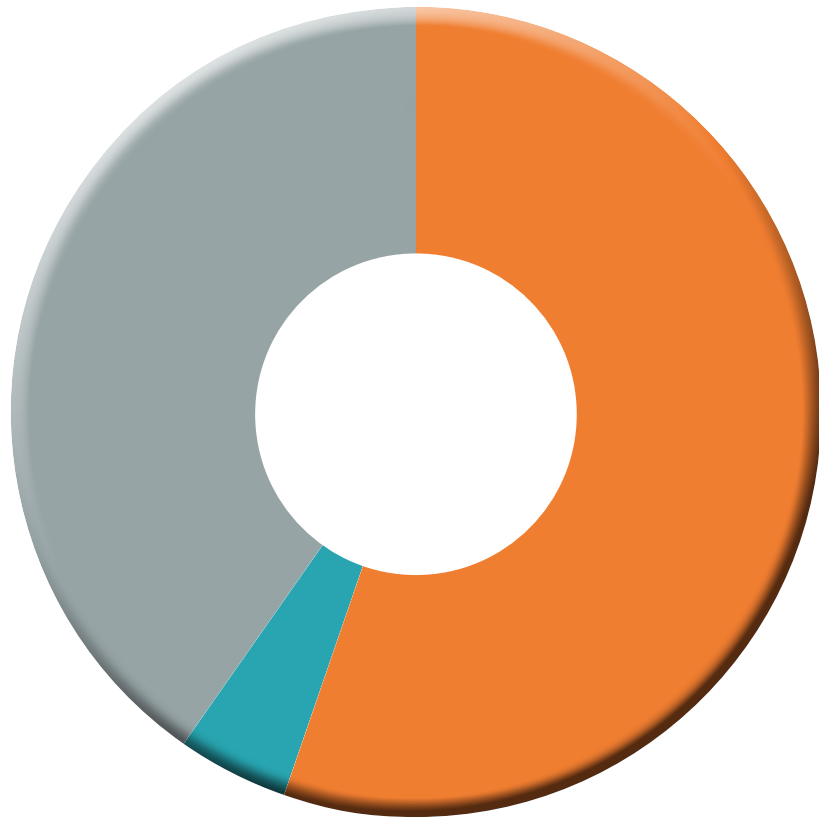
YES: 16.67%

NO: 40.28%

**TOO EARLY
TO SAY 43.06%**



Are you more likely or less likely to partner to facilitate new products and services since the COVID-19 pandemic began?



**MORE
LIKELY**

55.56%

**LESS
LIKELY**

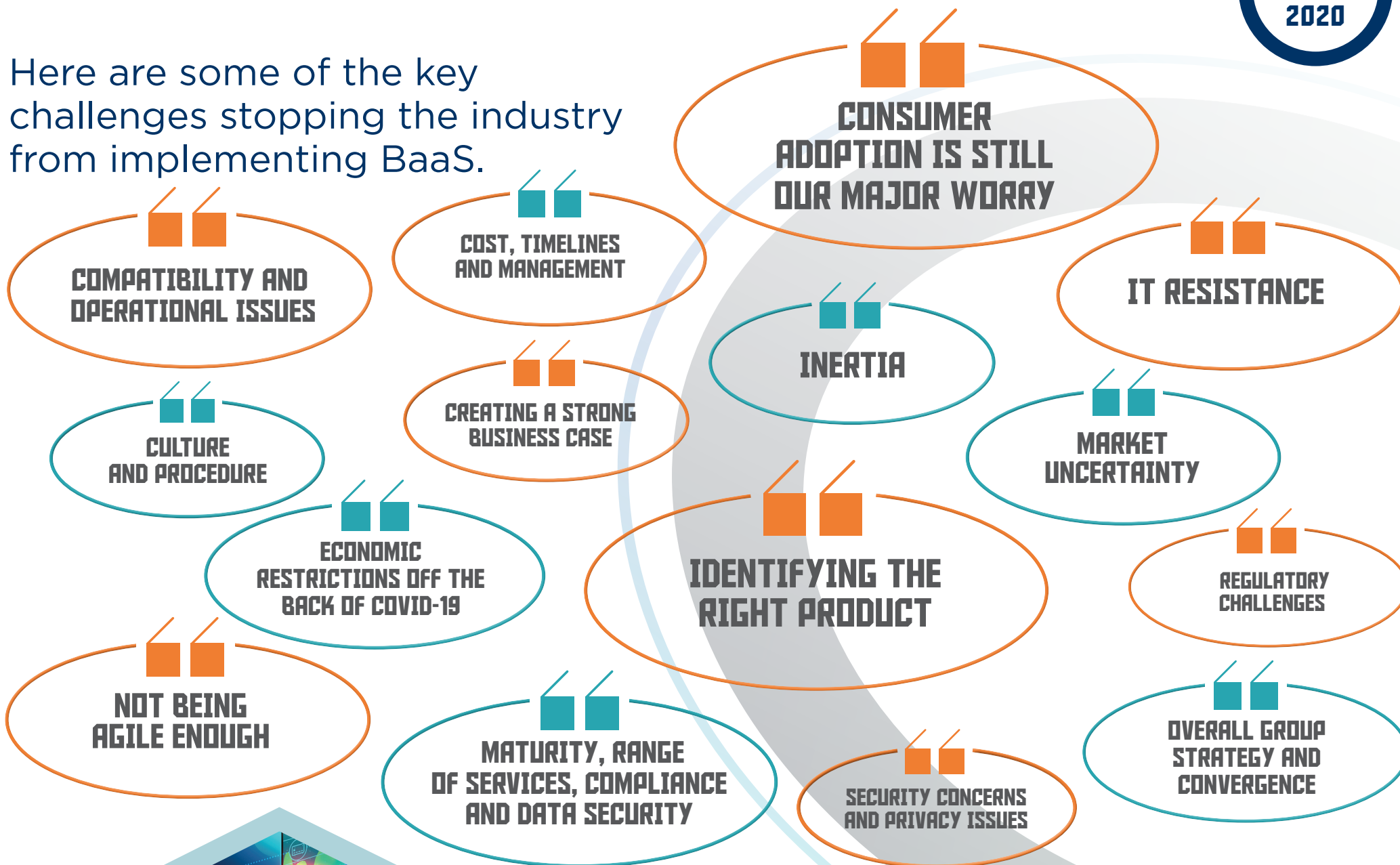
4.17%

NOT SURE

40.28%



Here are some of the key challenges stopping the industry from implementing BaaS.



The background is a vibrant blue with a complex network of glowing red and yellow lines and circles. A central smartphone displays a blue interface with a large 'X' and various financial icons. Surrounding the phone are numerous circular icons representing different financial concepts: a bar chart, a line graph, a pie chart, a gear, a person, a dollar sign, a yen sign, a euro sign, a shield with a checkmark, a key, a speech bubble, a mail icon, a building, a calendar, a smartphone, a magnifying glass, and a bar chart. The overall theme is digital finance and connectivity.

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