Buyer's Guide

Key considerations in selecting an embedded finance provider

Alviere

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Introduction

Embedded finance empowers enterprises to offer financial products and services to their customers, partners, and employees. Organizations can confidently deliver a full suite of financial products worldwide.

Embedded finance streamlines and centralizes access to digital banking across customers, partners, and employees. Through the introduction of tailored financial services and products, businesses create additional touchpoints for expanded engagement with their target markets. By enabling buying, saving, investing, P2P payments, and international money transfers, businesses create opportunities to meet new demands for financial accessibility and inclusion, and power global funds transactions.

By offering financial services, enterprises become more central in their customers' daily lives. Embedded finance is the future of customer engagement, partner interactions, and employee retention, all fueling organizational longevity and growth.

Alviere helps large enterprises navigate the world of embedded finance to drive new revenue, improve operational efficiency, and create more meaningful relationships with customers, partners and employees. Our shared success revenue model ensures a long-term partnership towards sustainable success.

We want our clients to understand as much about embedded finance as we do. Through our experience working with large enterprises seeking to expand engagement through financial services, we've learned what works, what doesn't, and what questions companies need to ask to make the right choice — before you get on the phone with a sales rep.

This guide is designed to help you think through the key capabilities for embedded finance technology, including critical questions for vendors on getting started, understanding risk and compliance, and launching an effective program. Throughout this guide, you may encounter unfamiliar terms describing various aspects of embedded finance. We'll link these terms to our glossary.

How they differ: Traditional Banks, BaaS, and Embedded Finance

Traditional Financial Institutions

Enterprises that offer financial products to their customers, typically a credit card, are often done through a bank sponsorship model. Through these sponsorships, businesses leverage the banking licenses of traditional financial institutions, enabling and offering their customers co-branded credit cards or bank accounts. In this model, the participating enterprise is subject to the bank's regulatory framework, with supervising authority over all business operations, including risk management, customer account prerequisites, and customer data. Although the bank is responsible for licensing and regulatory oversight, risk to the program is borne by the enterprise.

The financial institution controls access over all financial products and processes an enterprise can offer, and also retains ownership of customer data related to financial services. There's little to no insight (or access) to crucial first-party data on customer behaviors and spending patterns when operating under this model.

The traditional financial institution model also limits access for unbanked and underbanked populations by instituting credit prerequisites, deposit minimums, high-interest rates and overdraft fees — much as they would for any bank customer. Consumers with low or no credit scores, poor financial history, or no access to a physical bank are often ineligible to participate in traditional banking services — even if offered through an enterprise — leaving millions of consumers underserved.

Traditional financial institutions are not built to quickly adapt and deliver emerging digital solutions, nor are they adept at prioritizing financial accessibility. This often means that money movement is limited to certain days of the week or times of the day. Additional innovation, scaling, and even international expansion could be limited by the institution's infrastructure, mandates, and regulations.

Pros of a Traditional Financial Institution Model
Fast path for co-branded credit cards, singular vendor, regulated entity.

Cons of a Traditional Financial Institution Model
Risk is passed to enterprise, costly, no access to customer data, large fees, lack of control, limited options for expansion.

BaaS providers

A model in which licensed banks integrate their digital banking services directly into the products of other non-bank businesses. Also known as white-label banking. In this model, the participating enterprise is subject to the bank's regulatory framework, as it retains supervisory authority over all business operations, including risk management, customer account prerequisites, and customer spending data.

Although BaaS providers provide the rails for banking functions, they do not actually control these interactions, relying instead upon the regulated bank entity. This relationship can be obscured from the end-user, as interactions between the BaaS provider and sponsor bank happen without consumer knowledge or awareness. Any risk associated with the sponsorship model is borne by the BaaS provider, and ultimately, the consumer directly.

Pros of BaaS
Access to banking functionality without DIY, however, integration work is often handled internally.

Cons of BaaS
Requires multiple system integrations to provide certain functionality, unable to customize, integration and support issues are the enterprise's responsibility, enterprise assumes risk. Banks can choose to terminate relationships with the BaaS providers, putting company programs at risk.

Embedded Finance providers

Embedded Finance providers offer full-stack technology platforms that can provide a host of customized financial tools and services to enterprises. These platforms are typically integrated into existing systems via application programming interfaces (API). Instead of being detached, financial service products are embedded directly into a company's existing app, website, or platform, becoming an extension of the enterprise's core offerings. Customers take advantage of the same financial services in a seamless environment, greatly enhancing their overall experience.

Embedded finance platforms typically offer these capabilities:

- **Deposits** - transaction and deposit accounts
- **Payments** - money movement from within non-bank applications
- **Issuing** - prepaid, debit, and credit cards

Embedded finance provides meaningful access to financial services to a range of consumers, including those who may be unable to access traditional financial institutions.

Enterprises that have invested in establishing trust with their customers can now leverage embedded finance offerings to deepen those relationships and strengthen customer ties. Likewise, customers prefer enterprises they already know and trust. With embedded finance offerings, both enterprises and their customers have a mutually beneficial relationship. Enterprises offer more to their existing customers, and customers have access to financial services through companies they know, like, and trust.

Pros of Embedded Finance
Single provider for all required integrations, enterprise control over brand and customer experience (CX), first-party data for all interactions, accommodates modular, phased approach to offerings.

Cons of Embedded Finance
Requires a complete program, can be over-engineered for single solutions.

Embedded finance offers a new path for existing customers, delivers new revenue streams and operational efficiency.

Must-have attributes of Embedded Finance providers

Before digging into the individual features of each solution, understand how each vendor differentiates itself, has regulatory oversight, treats its customers, and approaches key capabilities.

Here's what to look for to find the right fit for your organization:

- **Single integration technology**
  - A complete tech stack with end-to-end services and support
  - Architected to scale
  - A full suite of financial products that are comprehensive, flexible, and adaptable
- **Full regulatory compliance and protection**
  - Fully licensed and regulated within targeted countries of operation
  - Management of all security, legal, regulatory, compliance and mitigation, including PCI & SOC I & II certifications
- **First-party data ownership**
  - Capture, own, control and analyze raw first-party customer spending data
  - Adheres to all applicable data privacy and security protocols
- **Enterprise expertise**
  - Experience with large-scale rollouts
  - Expert guidance across all facets of launch and implementation

Challenges of building your own program

Some businesses consider building their own program from start to finish to power financial products and services. While it may seem straightforward at the outset, the reality is that DIY requires deep expertise in financial services as well as myriad complex integrations across banking, security and compliance providers, all in addition to the software development itself.

Building an embedded finance platform requires a robust internal IT function, as well as partnerships across a host of banks, card network issuers and providers, card manufacturers, processing partners, and multi-level security and compliance vendors. In addition, complex and dynamic API integrations are required with each of the above, often including a variety of proprietary bank-owned platforms. In addition to being difficult, error-prone, expensive, and time-consuming, the complexity of building such a program from scratch, as well as managing it within an increasingly complex business environment, can be a distraction from an organization's core business mission and initiatives.

Here are the functions needed to build your own embedded finance platform:

- Remittance services
- Foreign exchange
- Credit education
- Global payouts and payments

- Identity verification
- Know your customer (KYC)
- Address verification
- Know Your Business (KYB)
- Know your customer’s customer (KYCC)
- Fraud prevention engine
- Business client underwriting
- Enhanced due diligence

- Bank account verification
- Mobile deposit validation
- Direct deposit linking
- Cash deposits

- Card issuing processor
- Card manufacturing
- Payments processor

Each of these integrations has recurring license and maintenance fees, with increasing overhead expenses each year. And each integration and partner will require its own MSA and service terms. Custom software projects built internally carry a significant labor cost, often competing with existing priorities and timelines. Working with both external and internally-developed software introduces potential risks in security and data privacy. Aside from development and integration, the implementation, execution, and launch of an embedded finance program would also have to be designed and managed. Aside from the technical and compliance requirements, the amount of effort to develop and maintain the program requires significant investment in additional teams.

Selecting the right partner: Considerations for selecting an Embedded Finance provider

Ownership and control

What to ask	Why it matters	Considerations
Who owns and manages the platform and your customer data?	Some embedded finance providers deliver customer data to a third-party bank rather than to your business, limiting visibility into your customers' spending habits. This means a loss of control over first-party data and an additional layer of complexity for managing data governance and security.	With the right provider, your business maintains ownership and control of your own customer data. Access to this data becomes a vital part of your embedded finance program.
How does my enterprise access and view relevant program data?	Your organization should have real-time access to data about your customer programs 24/7/365. A full view of all activity, including customer onboarding, customer service, and customer data, allows for advanced decision-making to operate and grow the business.	Ensure that your embedded finance provider can create a unified view of your business through a web portal. If you use your own business intelligence (BI) tools, be sure you understand how data from your embedded finance provider can be incorporated into your existing dashboards. This will save your organization's resources from having to build tools from scratch.
Are your customers leaving your platform to access financial products via a third-party site?	Using BaaS or fintech platforms to provide financial services to customers often requires customers to enroll and interact via the third-party provider site. Going from your business' website to an unexpected third-party site introduces friction and may significantly reduce conversion rates. Customers should expect a seamless and consistent experience with a robust embedded finance platform.	Consider a white-label option where you control the entire customer experience (CX), managed via a single integration instead of having to manage the integrations across countless partners.

What to ask	Why it matters	Considerations
Can we control how our business is represented?	Protecting your enterprise's reputation and ability to deliver trustworthy services extends to every customer interaction. Some fintech vendors are simply a gateway to additional partners and the back-end sponsoring bank or software. At any point during the engagement process, a customer can be presented with a different — and sometimes unpredictable — experience.	Look for providers that ensure a consistent experience for your customers and partners. Implement and manage all aspects of your program with complete transparency, accountability to reduce the risk of business disruption.

Product offering

What to ask	Why it matters	Considerations
Does the vendor offer a modular platform with a comprehensive set of embedded finance services?	Your business may only be interested in launching one or two financial services to start, offering branded cards for example. However, customers may want additional complementary products and services. Introducing new services will be limited if a provider is a single point solution. Innovation and growth can be hindered when the functionality or features of the financial services don't allow for expansion.	With the right provider, you can continue to evolve and support the increasing customer demand for financial services in a phased approach. A platform that offers a comprehensive suite of financial products and services allows for phased expansion without incurring additional implementation or integrations.
Does the provider manage all backend software integrations?	The backend complexity is managed through APIs to card networks and payment processing, to bank accounts, and global payments functionality. Without these integrations via the provider, this responsibility is left to your business. The effort and complexity of building and managing each integration individually will not only extend implementation timelines, but also require significant cost, development, management and oversight over time.	A comprehensive embedded finance platform has out-of-the-box integrations across all required services and functionality. Implementation should be clear, straightforward and well documented, without excessive complexity.
Are the platform tech integrations DIY via APIs, or are they native to the platform?	Native APIs allow you to immediately access critical integration functionality. If these APIs require implementation, development teams will need to manage the work to integrate, which can add time, significant effort and require expertise. The development team will also have to manage ongoing updates and patches for each separate integration.	With the right provider, all integrations for frontend and backend vendors and support are part of the platform, versus only having access to a small subset of required technology.
Does the provider have a proprietary ledger to orchestrate all activities?	The ledger orchestrating the financial transactions in your program should provide full reporting and visibility for accounting and reconciliation. Accuracy and speed are critical to ensure all money movement by your organization and your customers flows as expected on the ledger.	Ask potential vendors about the number of transactions and business cases supported by their ledger. Understanding the scale of how it's been tested and designed will give insight into how the ledger will handle your enterprise's financial program.

Security, compliance & licensing

What to ask	Why it matters	Considerations
Is the embedded finance partner fully licensed and compliant with current regulations?	Regulatory licenses provide a crucial safety system that helps ensure the embedded finance provider has a safe and reliable operation as approved by regulators. Unregulated embedded finance providers don't carry full regulatory protection for the enterprise delivering financial tools and services, or offer protection for consumers. This leaves customer and business assets, as well as brand reputation, at risk.	A fully licensed and regulated vendor provides comprehensive compliance, risk management and security. This means full compliance and support for FDIC-insured bank accounts and strict Know Your Business (KYB) and Anti-Money Laundering (AML) standards and processes. Additionally, robust fraud and identity management protocols and PCI & SOC I & II certifications should be in place to safeguard your business, allowing your customers to operate with confidence and peace of mind.
Can the provider support program expansion across geographies?	If your enterprise operates in multiple countries or plans to serve international stakeholders soon, it's imperative to identify an embedded finance partner that can operationalize your business goals. You may seek to move money across borders to pay vendors, manage assets across international subsidiaries, or enable international remittances for customers or employees.	Make sure your embedded finance provider's regulatory framework is aligned with the geographies where you do business. This will save your organization from launching with one provider now and then having to initiate a RFP country by country for each new initiative.
Is the embedded finance provider, or their partners, under scrutiny or regulatory enforcement?	If you partner with a provider who is under investigation for regulatory and compliance issues - or is unlicensed - your entire business is at risk of receiving hefty fines, being suspended, or even shut down.	As part of your vendor due diligence, check with applicable regulators or other financial entities to determine if there are pending actions.

What to ask	Why it matters	Considerations
Does the provider have Money Transmitter Licenses (MTLs)?	MTLs govern the safety and integrity of payments. These are required to maintain regulatory approval and compliance for money transmission. To protect and grow assets, prevent money laundering, and maintain control of your business's financial operations, it's critical to partner with an embedded financial provider with all money transmitter licenses.	A licensed provider has undergone the rigorous process to secure MTLs, and is required to maintain these licenses to operate and remain in good standing. Licensed providers will have more flexibility with program elements as they rely on their own licenses instead of through a third-party.
Does the vendor maintain Surety Bonds?	Surety Bonds provide additional protection for licensed money transmitters to maintain MTLs in good standing across all states.	Only licensed, bonded money transmitters in good standing will have additional protection through Surety Bonds at the state level.
Does the vendor have a diversification and risk mitigation strategy?	Holding assets with a large deposit base should leverage an active risk mitigation strategy to ensure 100 percent of deposits held are FDIC-insured and held across a portfolio of banks.	Providers without ongoing risk strategies and the ability to diversify funds can carry additional, unforeseen risks to your program.
Does the vendor have an active compliance and risk management program?	Licensed entities are required to have robust compliance and risk management, but non-licensed providers have to rely on third-party vendors to fulfill security prerequisites on their behalf. Since different levels of compliance must be met and maintained to operate, this scenario poses a higher risk to your business as the provider may not have a direct relationship with the vendor that they are relying on for compliance.	Your embedded finance provider should have complete compliance and risk management systems to protect business assets and prevent theft and fraud. Full featured, regulated, and licensed providers identify third-party risks and take the necessary steps to remain safe and in compliance with applicable regulations.

Program launch, rollout, and success

What to ask	Why it matters	Considerations
What is the implementation and program development plan?	How an embedded finance provider implements and launches your program will determine its launch and activation effectiveness. Your provider should detail and oversee the implementation, launch and rollout plan. Industry-leading expertise and guidance is required at every step, enabling your program to deliver maximum return on investment.	**With the right provider, from program kickoff to implementation, go-to-market, and post-launch support, there should be a project roadmap that outlines the program lifecycle, projected timelines, and mutually agreed-upon revenue models.**
What resources and expertise will the vendor include with the program?	A provider should have the expertise required for integration, implementation, and execution for your enterprise. If these processes are your responsibility, and if your business has little experience in launching financial products or services, there may be many challenges and mistakes you can avoid by selecting the right vendor.	**All resources for implementation, execution, go-to-market strategy, and customer adoption should be included as part of the full service. Post-launch, the provider should move into the testing and optimization phase of your program, ensuring optimal performance.**
What is the fee structure for the complete program?	Platform fees may only be one component of the larger program. Hidden costs like implementation, configuration and customization may add to the cost. Some providers may only provide the software and APIs, leaving you responsible for processes like integration, implementation, and post-launch planning. If your enterprise doesn't have the internal teams or resources to accommodate program integration, higher implementation costs can follow due to the need for additional vendors or employees.	**With the right embedded finance partner, there are no hidden costs. Providers should have an investment in your organization's success with ongoing guidance, support, and resources.**
Does your embedded finance provider offer support throughout the entirety of your program?	Implementing an embedded finance program without continued post-activation support risks the success of your program. Determine whether your provider can offer Tier 1 customer care support, go-to-market planning, and continuous executive engagement.	**With the right partner, your program will be fully supported throughout its lifecycle, optimizing and enhancing the program.**

Embedded Finance: Your next steps

Partnering with the best embedded finance provider for your enterprise is a decision that merits close analysis and full due diligence. To ensure the successful implementation and ongoing operation of any embedded finance initiative, it is imperative that you include the right people, ask the right questions, and prioritize the needs that matter most to your organization.

Ready to keep moving forward?

We know that no two enterprises are alike. At Alviere, we'll work closely with your team to define goals and plan the best path towards success. As true partners, the Alviere team will work across your organization to develop a seamless implementation and launch plan, as well as post-launch engagement to ensure a successful program over the long-term. Take the next step to discuss how embedded finance can build new revenue streams, improve customer retention, and streamline your money flows.

About Alviere

With Alviere, organizations can offer financial products to drive customer engagement, generate new revenue streams, and improve existing financial flows. The Alviere HIVE platform offers an extensive range of configurable, branded financial products, including accounts & wallets, card issuance, streamlined payments, and global money transfers. Alviere brings together technology and program support with the trust of a licensed financial institution to assure the safety, flexibility, and long-term viability of client programs.