



Exploring Embedded Finance Solutions

Layers & Functionality Needed for a Complete Launch

Will Morales, Enterprise Sales

Executive summary

Launching an embedded finance product in today's financial services environment requires careful consideration of licensing, technology, operations, and user interface. This guide aims to educate business and product leaders about some of the different areas (and underlying capabilities) to consider when launching a successful embedded finance product.

We will review four essential layers in all embedded finance products, discuss criteria for evaluating options and approaches, and highlight Synapse's differentiated approach as a full-stack partner. By the end of this guide, you will have a firm foundation for navigating the exploration of embedded finance programs and types of providers.

Introduction

Whether it's payment processing, digital banking, wealth management, or another financial services niche, launching an embedded product can be a daunting challenge for any organization.

Embedded products should ensure the functionality, operational effectiveness, and regulatory compliance of these types of products because they are essential to address each individual layer that supports their overall operation.

In this guide, we will dive into four layers that are critical in completing an effective embedded finance program. These are the **Licensing Layer**, the **Technology Layer**, the **Operations Layer**, and the **User Interface (UI) Layer**.

By understanding each layer and evaluating potential providers based on criteria pertaining to these layers, you can make more-informed decisions that drive the long-term success of your product.

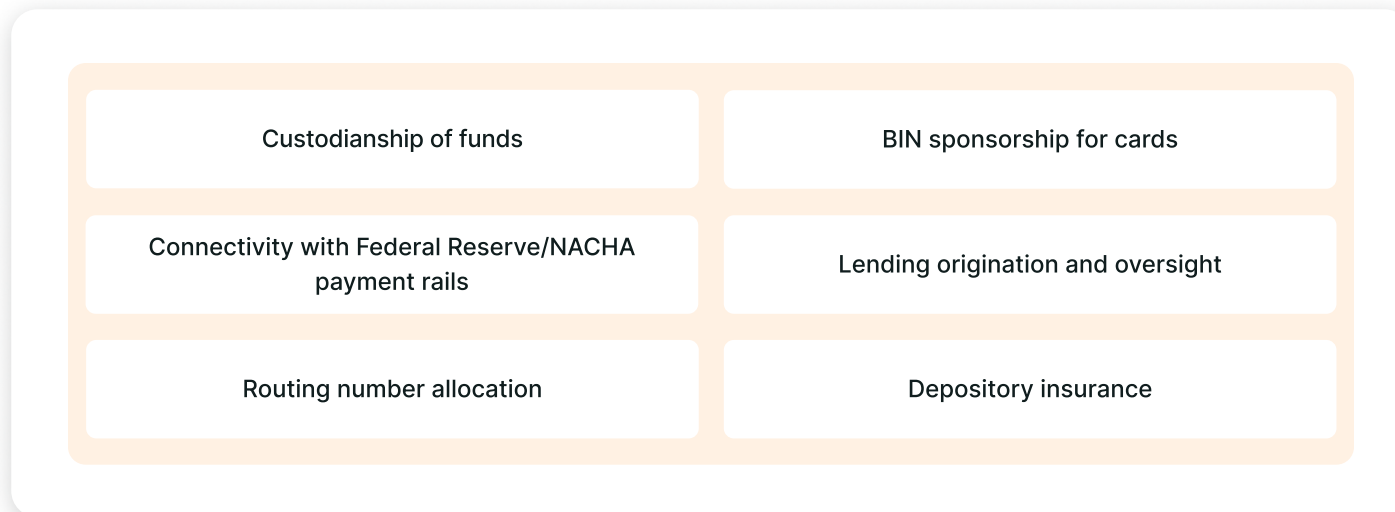
The 4 layers of an embedded finance product



● The Licensing Layer

When working in a regulated industry, many functions can only be performed by a licensed entity such as a bank or financial institution. This licensing enables access to central bank facilities, certain payment rails, and the ability to register with certain 3rd parties (e.g. card networks).

When evaluating potential providers, it's important to appraise what limitations are imposed on accounts and how they manage risk and day-to-day operations.



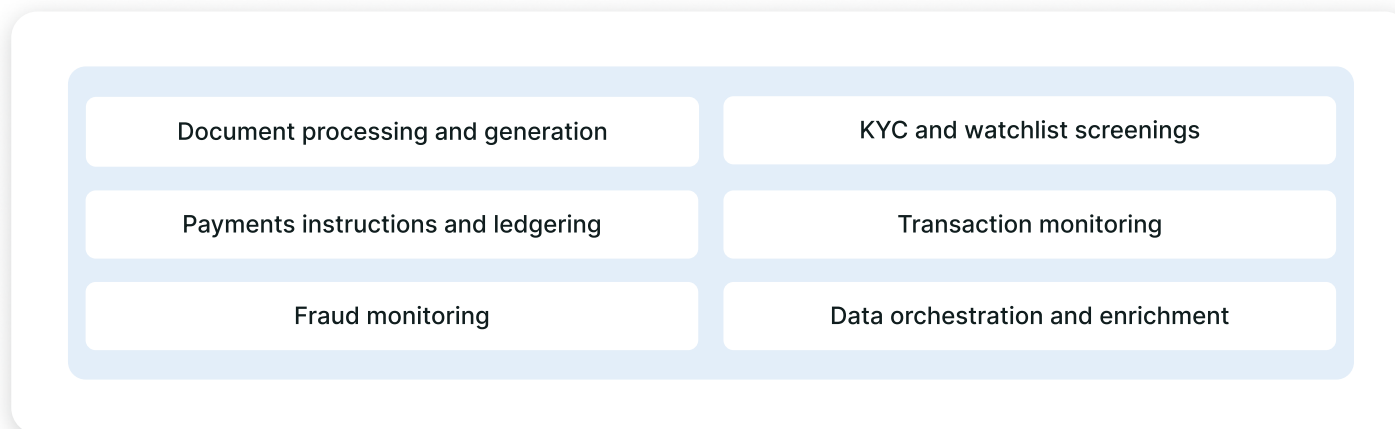
● The Technology Layer

The Technology Layer can be thought of as all automated functions required to support and distribute the services provided by the license holder(s), plus connectivity to data sources to be used at the UI layer. In most cases, orchestration between service providers or microservices within a vendor tends to be the most critical component to ensuring reliable, consistent service to end users via the UI layer and in supporting quick resolutions at the Operational Layer.

When exploring providers, you should look for a configurable technology stack that allows for flexible customization of products

and controls to suit your specific requirements and use cases. These custom specifications (varying by use case) need to be approved by the licensed holder(s) before program launch, which may be a lengthy process.

In addition, it's critical to target a technology platform provider that has all the components you require built into their platform. This technology platform provider will allow you to avoid the costs, complexity, and operational risks associated with initial and ongoing integrations from a fractionalized provider.



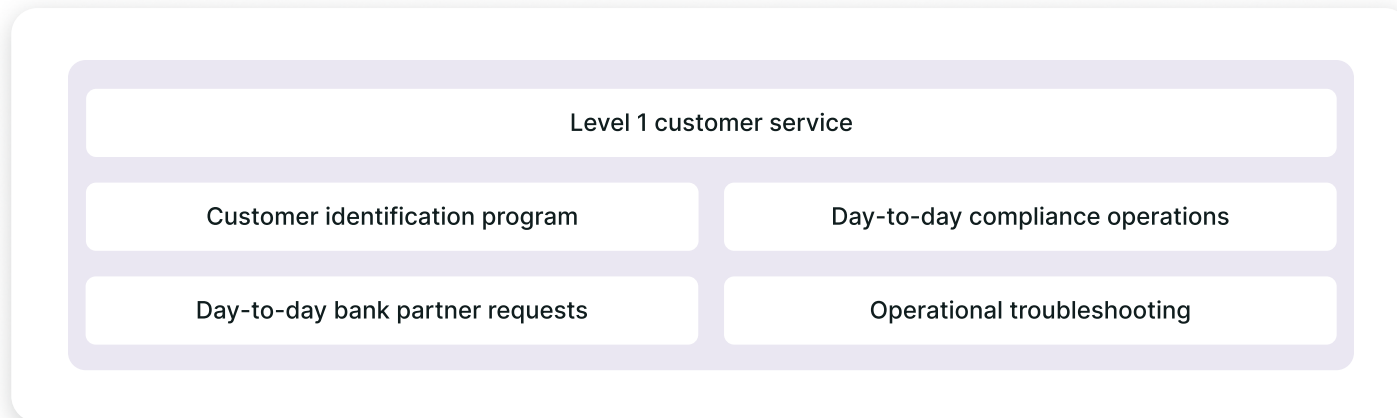
● The Operations Layer

The Operations Layer encompasses the business operations responsible for fraud prevention, compliance, risk management, reconciliations, audit support, and end-user support. Ensuring a robust and efficient operations layer is central to establishing and maintaining regulatory compliance, maintaining services continuity, and delivering exceptional user experiences.

As you consider various providers, evaluate the level of operational ownership and accountability each one provides.

Look for solutions that minimize manual intervention with process automation (built-in to their platform) while bearing key risks and responsibilities to manage fraud prevention, compliance, risk exposure, reconciliations, and audit support.

Seek to leverage your embedded finance platform to manage these key areas as part of an integrated platform solution; otherwise, you may be left to take them on yourself, along with their associated costs and complexities.

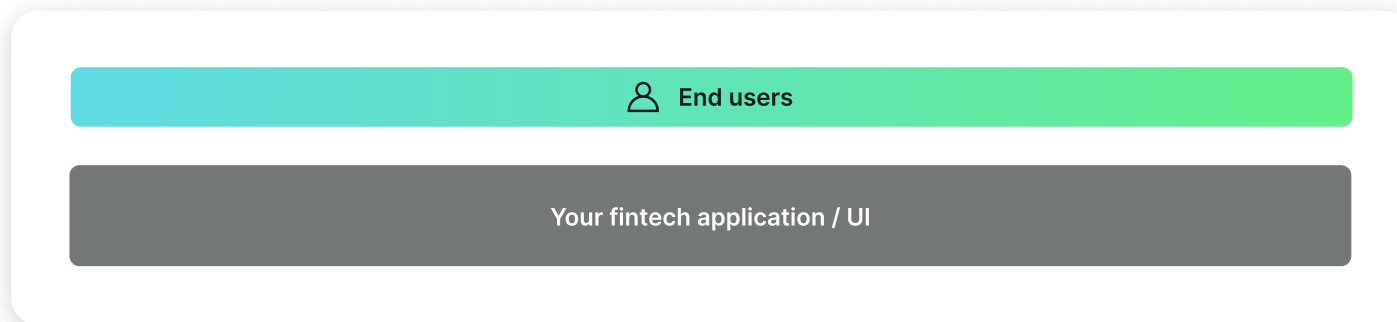


● The User Interface (UI) Layer

The User Interface (UI) Layer drives the full functionality and end-user experience of your embedded finance product. It's within this layer that the financial features and services are "embedded," providing a seamless and intuitive experience for your customers.

When assessing providers, consider their capabilities and track record of delivering exceptional support for design customization, the flexibility to support your user experiences and functionality today, and your roadmap into the future.

Additionally, many strategies to prevent fraud and regulatory violations happen at the front-end (UI) level. When evaluating vendors, choose one that helps provide guidance on how to avoid UDAAP violations (for example, by providing marketing reviews) and can provide best practices with user onboarding and customer support.



Evaluating different options and approaches within embedded finance

In addition to the above, when exploring various providers to help you launch an embedded finance product, you should have several criteria in mind to ensure a successful implementation. These criteria include:



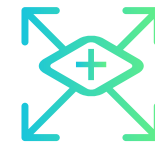
Access to a full suite of banking products and features

Ensure that potential providers offer a comprehensive range of banking products and features, such as virtual accounts, card controls, mobile wallets, and secured credit options. This ensures that your embedded finance product can meet the needs of a diverse range of customers.



Availability of bank partners and flexibility at the licensing layer

Evaluate the availability of bank partners who can support your specific use case and user type. Consider their expertise and experience in launching similar products, as well as their flexibility at the licensing layer to accommodate your unique requirements.



Experience in launching and scaling programs

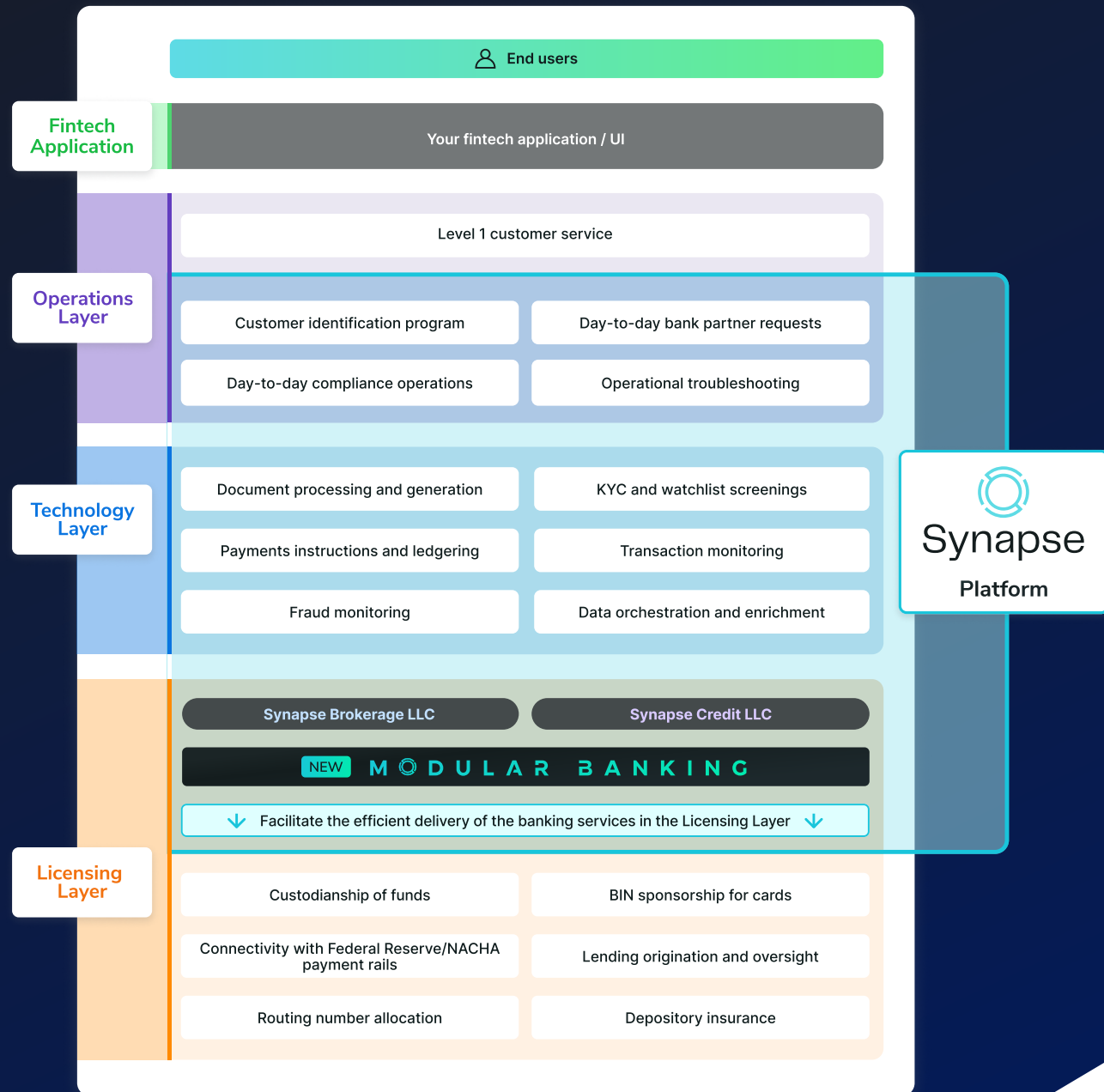
Partner with a provider that has a proven track record in launching and scaling programs across various products, use cases, and user types. Their experience will be invaluable in navigating the complexities of launching and growing your embedded finance product.

The value of partnering with Synapse

Synapse is the ideal partner for organizations exploring the launch of an embedded finance product.

Synapse uniquely delivers all the layers that a provider can possibly address — from the full Licensing Layer, the most complete and vertically integrated Technology Layer, and all the risk management, reconciliations, and compliance components of the Operations Layer.

This level of coverage enables your company to focus solely on user experience, support, adoption, and retention — not bank/vendor/program management.



✓ Program design for compliance and risk mitigation

At Synapse, we use modern, innovative methods to design and develop fully secure and compliant financial services. From the Operations Layer to the Technology Layer to the Licensing Layer, Synapse is licensed and vertically integrated to create your user accounts and be in the-flow-of-funds, thereby directly managing the operational, regulatory, and risk mitigation elements of your funds flow model.

And for sponsor bank services, our focus is on providing resilient and scalable solutions through our unique Modular Banking platform, enabling us to diversify your risks of over-reliance on a single bank sponsor.

✓ Mitigating the risk of business disruption

Synapse provides a layer of protection against the risk of business interruption due to a bank sponsor exceeding its risk appetite or facing regulatory actions. Our careful vendor selection process ensures that you partner with banks that have the necessary expertise, track record, and stability, minimizing the potential for disruptions.

✓ Avoiding burdens of bank sponsor sourcing and approvals

By partnering with Synapse, you can avoid the challenges of bank sponsor sourcing, program approvals, and the ongoing continuity of program approval as products and user types evolve. Our expertise and network of bank partners eliminate the complexities and potential conflicts of interest that can arise in these areas.

✓ Oversight and management for long-term success

With Synapse, you gain access to comprehensive oversight and management throughout the launch and long-term success of your program. We assist with bank approval processes, compliance obligations, and we provide ongoing support to ensure your embedded finance product operates smoothly and remains compliant.

In conclusion

Launching an embedded finance product requires addressing multiple layers, including licensing, technology, operations, and user interface. By evaluating potential providers based on criteria such as access to banking products, flexibility at the licensing layer, configurable technology stacks, operational efficiency, and experience in launching programs, you can make informed decisions.

Synapse offers unparalleled value as a partner, with modernized program design approaches, alleviation of burdensome bank sponsor tasks, risk mitigation, and comprehensive oversight and management. Partnering with Synapse ensures a successful launch and long-term success of your embedded finance product.

Interested in learning more?

To go deeper into how Synapse can assist you in launching your embedded finance product, we invite you to schedule an introductory call. Our team will be delighted to answer your questions and discuss how we can support your specific needs.

Schedule a meeting today with our enterprise team on our website at synapsefi.com.

You may also want to check out some of our

[Case studies](#)

The details on our specific product hubs

[Global Cash](#) [Credit](#) [Deposit](#)

A description of our

[Implementation and go-live process](#)

We look forward to helping you bring your product to market.