

# Embedded Finance and Banking-as-a-Service Report 2023

Unlocking New Business Models for the Future of Financial Services



Endorsement partners:



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# Worldline

Hamish Johnston and Thibault Pele from Worldline discuss the categorisation of Embedded Finance, how it merges with Web3, and its impact on DeFi.



**Hamish Johnston** is a Web3 & Crypto Lead within Worldline Digital Commerce, leading our Crypto and Web 3.0 expansion.

Hamish Johnston ▪ *Web3 & Crypto Lead* ▪ Worldline Digital Commerce



Thibault Pele is a Product Manager at Worldline Financial Services, exploring the potential of Digital Currency to shape the future of finance.

Thibault Pele ▪ *Product Manager* ▪ Worldline Financial Services

How would you define Embedded Finance and its role in the development of traditional finance systems? How can it be integrated into non-financial systems?

Embedded Finance can be defined as the integration of financial services into non-financial products, enabling customers to take advantage of value-added offerings in their existing customer journey.

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Putting it simply, it's an interface for customers to access financial services in their app. The rapid development of Embedded Finance is attributed to increased digitisation. Embedded Finance facilitated the emergence of new players and the adoption of traditional finance services by breaking down the barrier for customers.

Are there multiple types of Embedded Finance? Could you provide examples of each and explain how they contribute to financial inclusion?

Yes, there are multiple types of Embedded Finance. Embedded Finance connects financial services within non-financial platforms. Therefore, we can have as many types of Embedded Finance as there are types of financial services. However, we usually categorise them into 3 different buckets:

- Embedded Payments: this refers to the integration of payment capabilities into various digital platforms or applications. It enables seamless and efficient transactions directly within the customer journey.
- Embedded Lending: it enables the provision of lending services, such as Buy Now, Pay Later and instalment payments, at the point-of-sale or in an app.
- Embedded Insurance: this allows users to subscribe to insurance for a specific service. For example, when ordering a plane ticket, you can directly subscribe to insurance for bad weather conditions in your user journey, just by ticking a box. →

With the increased adoption of custodial and non-custodial wallets, these forms of digital wallet transactions are playing a crucial role in promoting financial inclusion by addressing various barriers to entry that traditionally hinder access to financial services. We are currently witnessing a significant expansion in the realm of user payment options, surpassing anything we have previously encountered in the payment industry.

### Can Embedded Finance provide a user-friendly experience for the adoption of Web3? How do you envision this integration taking place, and what are the potential benefits for financial institutions, retailers, technology providers, and payment service providers (PSPs)?

Web3 projects are always looking for a bridge to the mass market, typically through user-friendly on-ramps. Traditional institutions have the opportunity to harness DeFi technology to enhance their back-end systems while providing a trusted and user-friendly experience to facilitate the widespread adoption of Web3 technologies.

### In the context of Embedded Finance and Web3, what are the potential risks associated with cybersecurity and data privacy? How can these risks be mitigated to ensure a secure and trustworthy environment for users?

Embedded Finance brings risk as it involves third parties to provide integration with financial services, exposing user data to breaches in case of cyber-attack on the third party.

Another risk associated with the Web3 industry relies on smart contracts. Smart contracts are pieces of code used in Web3 to trigger actions. If smart contracts are vulnerable, they can be exploited by hackers to manipulate transactions.

However, these risks can be easily mitigated through different actions. All systems should be audited. The third-party provider should be chosen carefully and provide the necessary guarantees. It is also the responsibility of the Embedded Finance services to include privacy-by-design, such as employing cryptography to encrypt all the data shared by users.

Finally, as Embedded Finance grows, the main risk always comes from misuse by users. That's why transparent communication from the provider, and user education to identify and prevent risks are essential.

### What is the impact of Embedded Finance on various areas such as decentralised finance (DeFi), insurance, payment systems, credit scoring, and user experience? Could you provide specific examples or use cases where Embedded Finance and Web3 integration have shown promising results or have the potential to revolutionise these areas?

In a **recent study**, it was reported that in the US alone, financial services embedded accounted for USD 2.6 trillion, or almost 5% of total financial transactions in 2021. This shows the growing impact it has on businesses. Embedded Finance is the interface between customers and financial services, leading to increasing adoption by customers.


Regarding DeFi more specifically, it opens up financial services to a global audience, including the unbanked and underbanked populations. With DeFi protocols, anyone with an internet connection can participate in the decentralised payment ecosystem, bypassing traditional barriers to entry and improving financial inclusion.

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**WORLDLINE** 

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**Worldline** helps businesses of all shapes and sizes to accelerate their growth journey – quickly, simply, and securely. With advanced payments technology, local expertise, and solutions customised for hundreds of markets and industries, Worldline powers the growth of over one million businesses around the world. Worldline generated EUR 4.4 billion in revenue in 2022.

Company name	Worldline
	<p>Our company's purpose is to design and operate leading digital payment and transactional solutions that enable sustainable economic growth and reinforce trust and security in our societies. Our solutions are environmentally friendly, widely accessible, and support social transformation.</p>
<p>Website</p> <p>Active since</p> <p>Head office</p> <p>Country offices in</p> <p>Geographical coverage (operational area)</p> <p>Funding rounds and investors</p> <p>Number of employees</p> <p>Member of industry association and/or initiatives</p> <p>Awards</p> <p>Contact (phone number/email address)</p>	<p><a href="http://www.worldline.com">www.worldline.com</a></p> <p>1973</p> <p>Tour Voltaire 1 place des degrés CS 81162 92059 Paris la Défense Cedex</p> <ul style="list-style-type: none"> <li>• <b>Europe</b> Austria, Baltics, Belgium, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, the Netherlands, Turkey, UK</li> <li>• <b>North America</b> Canada, US</li> <li>• <b>LATAM</b> Argentina, Brazil, Chile</li> <li>• <b>Asia-Pacific</b> Australia, China, India, New Zealand, Singapore, Japan, Hong Kong, Malaysia, Taiwan, Indonesia</li> </ul> <p>Commercial activities in more than 170 countries.</p> <p>Please refer to <a href="https://investors.worldline.com/en/home.html">https://investors.worldline.com/en/home.html</a></p> <p>c. 18, 000 worldliners</p> <p>EMVCO, W3C, FIDO Alliance, EDPIA, EPI, MAG (ECB)</p> <p>PayTech Awards 2022 winner in the category 'Best Ecommerce Initiative' with Worldline Live Shopping solution Corporate Content Awards Europe 2022, Worldline won Silver for Best Corporate Blog Top Employer 2023 in Europe and Asia</p> <p><a href="mailto:infoWL@worldline.com">infoWL@worldline.com</a></p>
<p><b>Core solution</b></p>	
<p>The company's core solutions</p> <p>Major use cases &amp; Products</p> <p>Specialisation/Verticals</p> <p>Competitive advantage</p>	<p>Our suite of solutions helps businesses accelerate their growth journey. From instore and online commercial acquiring, to digital services and highly secure payment transaction processing. Wherever you are or want to go, our solutions help you get there.</p> <p>Worldline addresses the whole value chain of payment providing all kind of services from acquiring to issuing.</p> <p>The product we are focusing today is Worldline Digital Currency. It's a platform powered by a private blockchain to create your own digital currency.</p> <p>A secure and flexible platform leveraging private blockchain technology that helps our clients create their own digital payment ecosystem.</p>
<p><b>Target market</b></p>	
<p>Target customers</p> <p>Current customers</p>	<p>Retail segment : Mobility, Vouchers, Events, Hospitality &amp; Travel, Energy.</p> <p><a href="#">Gold Global Currency Corp: tokenization of Gold Asset.</a> <a href="#">Payfoot: creation of an ecosystem for football fans across the world.</a></p>
<p><b>Technology</b></p>	
<p>Technologies/tech stack/capabilities</p>	<p>APIs Layer to harness power from private blockchain. Private cloud-based.</p>

Partners	
Go-to-market strategy	We help them by enabling a new core system to create their digital asset and make their ecosystem more efficient. We encourage Proof of Value approach, on a restricted scope to our clients, to demonstrate the capabilities and benefits of tokenization.
Operating model	
Category The key layers that the provider is active in	Core Technology Provider We provide the technology (hosted in premises) to our clients that create the service.
Risk mitigation strategies and responsibilities	
Actions taken to reduce or prevent the negative impacts of potential risks	7/7 24/24 monitoring of the platform
Business model	
Pricing model	Fees per transactions
Case studies	
Examples	As one of our clients, you want to create your own digital payment ecosystem. You will leverage our platform to create your digital currency, and onboard merchants/users. The transaction will occur within the platform, reducing the costs for our clients. <a href="https://worldline.com/en/home/main-navigation/solutions/financial-institutions/featured-services/digital-currency.html">https://worldline.com/en/home/main-navigation/solutions/financial-institutions/featured-services/digital-currency.html</a>
Product roadmap	
Existing features  Planned features and releases/ future plans (product, geographic, etc.)	<ul style="list-style-type: none"> <li>• Asset Management: Creation, Issuing, Distribution, Redeem</li> <li>• Organisation and User Onboarding</li> <li>• Full transaction history</li> <li>• Mobile whitewallet</li> </ul> <p>Extend the platform capabilities with new innovative use cases.</p>
	<a href="#">View company profile in online database*</a>
	*The data present at the time of publication may be subject to changes and updates. For the latest stats and information, we invite you to check the profile in our <a href="#">online company database</a> .

# Embedded finance for the digital economy.

Enhance customer experiences by  
embedding digital assets services.



In our hyperconnected digital world, imagine the possibilities of seamlessly integrating digital assets solutions into your existing financial platform.

With Worldline Digital Currency, we empower you to create your very own digital assets ecosystem. Customise and manage all your assets according to your needs, all with a single click from our platform.

