

Insights from
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Edition Focus: BaaS


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During the last month, I've been working on a high-profile search for one of the most promising pan-European BaaS companies. Here's what I found after talking to more than 30 executives.


 BaaS is still an uncharted territory. Some companies will come out as winners, and some as losers. A strategy with a clear focus (like clearing and settlement or working capital solutions for merchants) tends to be more successful than trying to offer everything to everyone.


 The industry is evolving with major changes, such as Clear.Bank acquiring a European banking license in the Netherlands and Unicredit looking to acquire Vodeno and Aion.


 Clients (usually merchants and Fintechs) prefer providers with two main features: full API connectivity and a banking license.


 The main area to explore for revenue is embedded lending. Payments were expected to be the big thing, but they got commoditized in Europe pretty fast.


 On the liabilities side, AI-driven investments and deposits have taken off well, but this could change if interest rates go down.


 Relationships with regulators and strong, business-oriented compliance/AML teams are crucial. Several players, including market leader Solarisbank, have faced AML and fraud issues, hampering both business development and access to funding.


 To offer full BaaS services, including lending, working capital solutions, and BNPL, a significant balance sheet is required, especially if the goal is to onboard larger marketplaces, retailers, franchises, and corporates as clients.

 BaaS providers working directly with merchants sometimes underestimate the challenge of clients' lack of digital savviness, which can impede scaling despite having impeccable technology.

 While tailor-made technology solutions might seem best to attract clients, standardized tech solutions are a better choice for high growth and scalability.

 Financial investors are still cautious, holding back due to the US elections and high demands from regulators.

 Some consumer neobanks have decided to enter the BaaS sector by offering their technology to other fintechs (acquirers, processors, A2A providers). Examples include XYB (Monese), Vodeno (Aion), and Lunar.

 Leading players to watch: Clear.Bank, Banking Circle, Solarisbank, Vodeno, LHV, Magnetiq.