

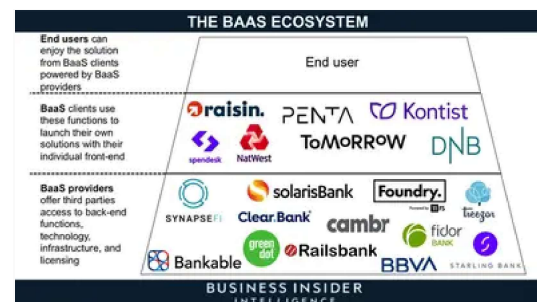
INSIDER INTELLIGENCE

Westpac is partnering with UK-based 10x Future Technologies to launch a BaaS offering

Mekebe Tesfaye Nov 5, 2019, 9:47 PM GMT+8

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Westpac, Australia's second-largest bank by market capitalization, announced it will build a standalone digital Banking-as-a-Service (BaaS) platform, per a press release.



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The bank is partnering with 10x Future Technologies, a UK-based cloud-native banking technology provider, to build the platform, which is expected to be live before the end of 2020. The BaaS platform will enable third parties, which are expected to be the bank's institutional clients and fintech partners, to distribute banking products to their customers.

Westpac is likely turning to BaaS to offset the challenges it's facing in its core business. The bank, which reported its full-year results alongside its BaaS project, had its worst results in a decade: It's raising A\$2.5 billion (\$1.7 billion) as it seeks to plug a hole in its balance sheet, per the Financial Times. If successful, Westpac's BaaS foray can likely help it bolster its balance sheet in the long run.

BaaS is increasingly becoming an attractive revenue stream for banks, creating new opportunities for fintechs in the process:

- Amid growing digitization in financial services, BaaS offers banks a new revenue stream. At its core, the BaaS model enables companies, both within and outside the financial services industry, to offer banking services by leveraging the infrastructure of a licensed bank. Although this is a decades-old idea, BaaS has been catapulted to the fore by regulations like open banking that require banks to open their APIs to peers and other third parties. Using these same API capabilities, banks can act as infrastructure providers to firms that want to offer banking services without engaging in the arduous and costly efforts required when building a bank from scratch. For banks, operating a BaaS platform allows them to monetize their core banking infrastructure, like account opening functions, and commercialize their banking licenses.
- As a result of this shift, startups like 10x are setting themselves up for long-term success. The narrative around fintechs is that of industry insurgents looking to cannibalize established financial institutions' (FIs') business. By and large, this is true, with these startups typically offering consumer-facing products that aim to digitally improve upon incumbents' offerings, undercut them, or both. Yet, players like 10x are also increasingly carving out a strong position for themselves, not by disrupting incumbents, but by helping them transform for the digital age. 10x's success is evidence of this: UK-based Nationwide is using the startup's technology to build a new banking platform for small business customers, for instance.

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