# Banking-as-a-Service: Insights from The Fintech Show on market evolution and future prospects



In a recent episode of The Fintech Show, key figures from the banking and fintech sectors engaged in a comprehensive discussion concerning the evolution and prospects of Banking-as-a-Service (BaaS). Participants included Rivo Uibo, co-founder of Tuum, Gabriel Viera, Chief Compliance Officer of Zenus Bank, and Daniel Rowlands from LHV Bank. The discussion highlighted the maturing BaaS market, which is projected to grow from a valuation of $15.9 billion in 2023 to an anticipated $64.7 billion by 2032.

Uibo remarked on the increasing pressure on banks to remain relevant amidst growing competition, necessitating the exploration of new revenue streams and the optimisation of existing infrastructures. Initially, many BaaS providers aimed their services at fintechs offering uncomplicated solutions; however, as the market evolves, compliance and economic viability have emerged as essential considerations. Leading players like LHV and Zenus are now concentrating on solving tangible issues and creating valuable integrations tailored to specific customer segments.

In discussing operational strategies, Rowlands elaborated on the significance of seamless onboarding for scaling operations. The implementation of efficient Know Your Customer (KYC) and Know Your Business (KYB) processes is crucial for fintechs looking to expand swiftly across various jurisdictions without encountering administrative hurdles. LHV, which reported considerable growth in both 2023 and 2024, is noted for its open approach, with publicly available APIs designed to facilitate straightforward integration and enhance industry transparency.

Viera shared insights into Zenus Bank's approach, emphasising how their services foster customer engagement and extend market reach. For example, super apps in Latin America can now directly offer U.S. banking services to their users, thereby enhancing customer experience with minimal friction. Zenus provides deep customisation via APIs, enabling personalised and branded user interactions.

The discussion also addressed the technological requirements necessary for scaling modern banking services. Uibo advocated for cloud-native, API-first architectures, which utilise microservices and asynchronous processing. Such technologies help financial institutions handle high transaction volumes while ensuring around-the-clock service availability.

Zena’s transformation from a digital bank to a multifaceted platform offering embedded banking solutions was underscored by Viera, illustrating how this strategic pivot allows Zenus to tap into diverse business models and reach new demographics, particularly within international markets.

Rowlands highlighted LHV’s historical success in Estonia, where it has established itself as a key player in providing payment infrastructure for both physical and digital channels. The bank is now set to extend its services to the UK market with the launch of a retail bank, offering payment initiation services to fintech clients seeking revenue generation opportunities. However, he acknowledged challenges in commercially leveraging open banking due to intense competition and pressure on margins. To navigate these hurdles, he contended that service providers must evolve beyond basic transactional offerings and tackle more sophisticated challenges like fraud prevention and payment orchestration.

Tuum, as described by Uibo, is uniquely positioned within the banking infrastructure sphere, drawing on extensive experience and innovation in developing scalable and secure banking solutions. The company has transitioned from building real-time core banking systems in the early 2000s to embracing microservices, thereby maintaining a competitive edge.

Additionally, Rowlands highlighted the vital role of data in payment processing, noting that fintechs require improved insights to optimise transaction flows across various payment schemes and banking institutions. LHV assists clients in just this realm, providing guidance on selecting the optimal payment routes and avoiding potential complications such as IBAN discrimination.

The episode encapsulates the transformative journey of modern banking, revealing the emergence of new revenue avenues facilitated by dynamic, technology-driven ecosystems. As the banking sector adapts to these currents, the emphasis on compliance, customer-centric solutions, and innovative collaboration remains paramount within this evolving landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

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