


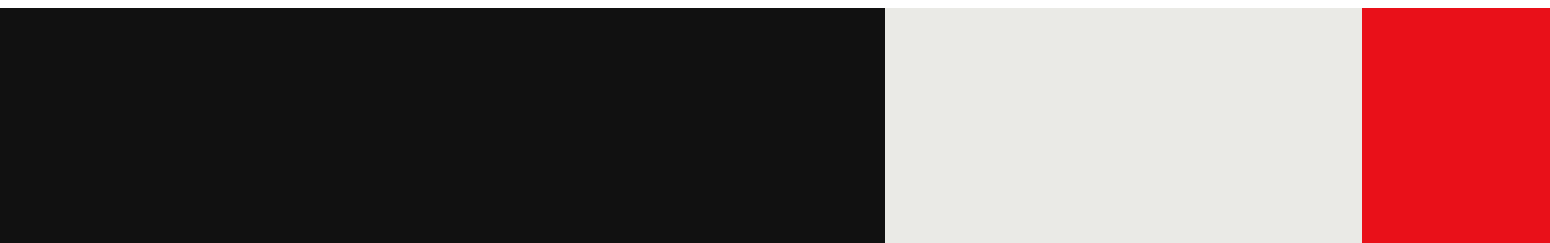
Stripe's widening product suite draws attention from rivals

Article



The news: Stripe launched **Financial Connections**, an open banking product that lets businesses set up direct connections with customers' bank accounts to complete a range of financial processes, per a press release.

Here's how it works: Stripe says Financial Connections will let firms verify accounts for payments and payouts, check balances to minimize payment failures, and confirm bank



account ownership to cut fraud.

- Businesses specify what information they need, and customers link their preferred account. The bank account information is then encrypted, improving security.
- This account verification can be used to underwrite risk for loans or automatically pay bills. Stripe claims Financial Connections, when used with its Connect product, lets the company **offer users 55% larger loans**.
- Linked bank accounts can also streamline direct debit payments for businesses, which boosts conversions. Platforms using Financial Connections and Connect **reduce payout failures by 75%**, Stripe claims.
- Bank account verifications and account information will cost companies **\$1.50** per API call, and account balance retrieval is **\$0.10** per API call.

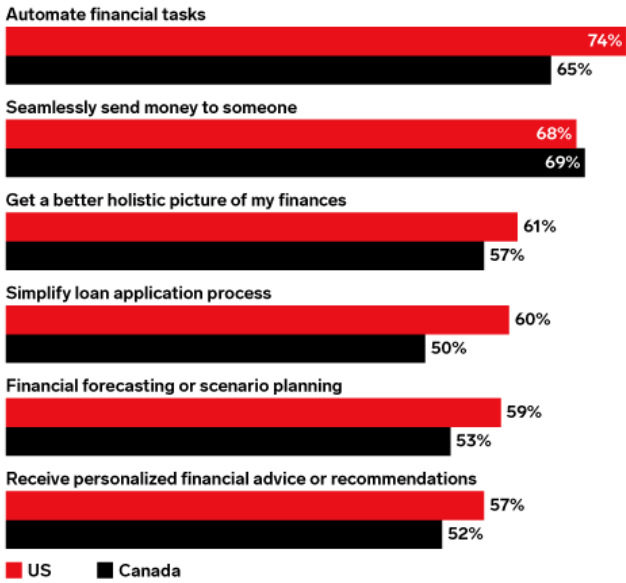
Plaid feels betrayed: Financial Connections puts Stripe into direct competition with former **partner Plaid**. Plaid **CEO Zachery Perret** took a job at Stripe on Twitter, **questioning** the firm's "methods" and accusing it of using his company's data to develop the new product.

What this means: Launching Financial Connections gives Stripe another string to its bow of products. As its product suite expands, it's becoming less dependent on partners and competing with more businesses, as evidenced by its tussle with Plaid.

With the growth of account-to-account (A2A) payments, this is a well-timed move for Stripe. A2A payments have lower fees than card payments, which can improve Stripe's profit margins. The industry megaplayer will likely embed other financial services as it builds a one-stop shop for customers looking for a seamless service for all their payment needs.

Reasons for Using Open Banking According to Internet Users in North America, June 2021

% of respondents



Source: Mastercard, "The Rise of Open Banking," Dec 14, 2021

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