

Square reportedly prepping bank accounts

Article

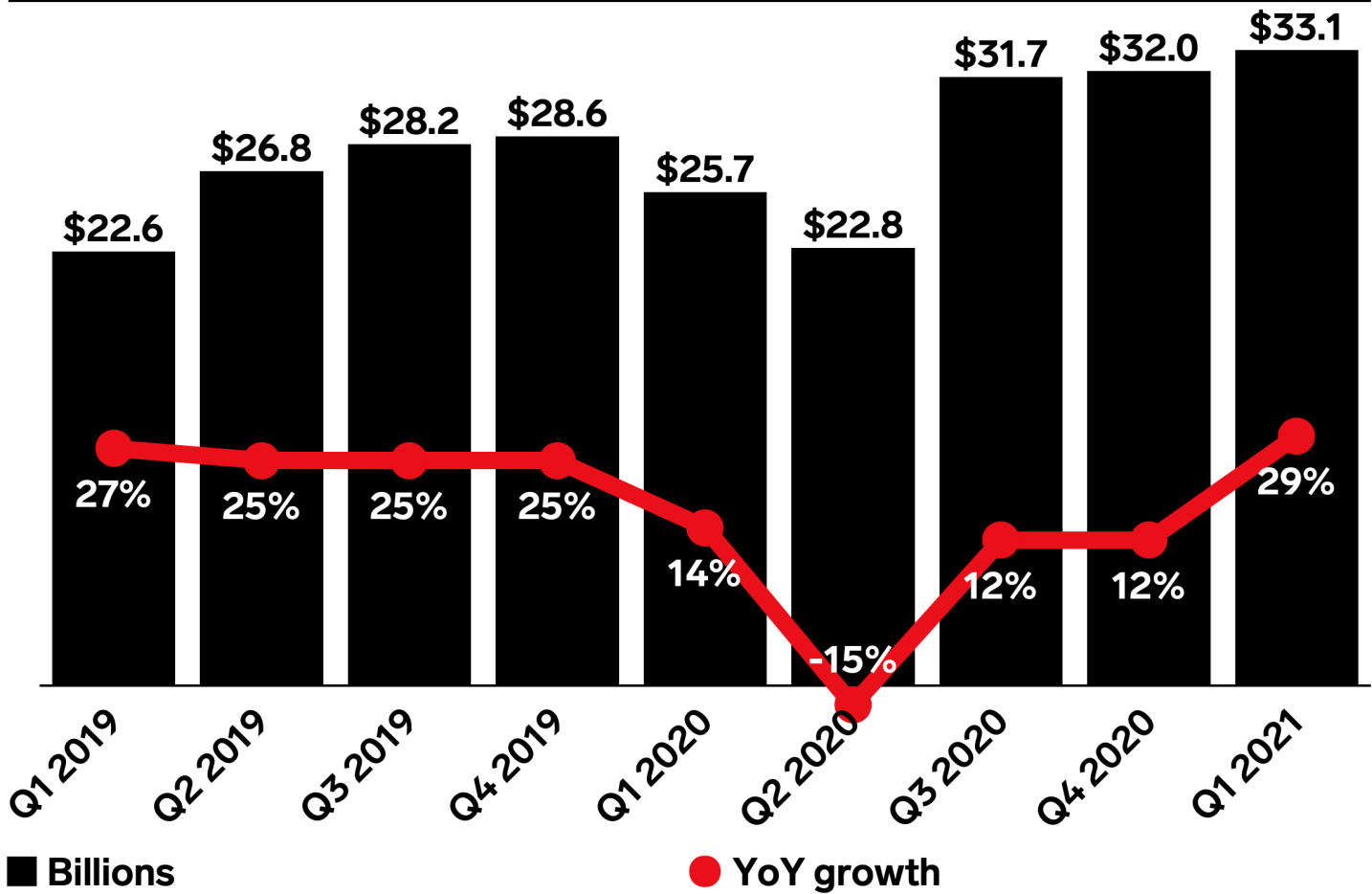
A recent update to Square's iOS app code reportedly reflected forthcoming business checking and savings accounts, [according to](#) Bloomberg. Square Checking and Square Savings, which have no planned launch date, would let customers bank with Square without monthly service charges or minimum balance and overdraft fees, enable funds received through Square-based sales to be accessible immediately, and offer a 0.5% interest rate through this year. Square did not confirm the reporting but noted that its bank, which [launched](#) in March after it was approved for a charter in 2020, always intended to support lending and deposit products.

Launching formal bank accounts would improve Square's competitive positioning as providers race to build one-stop shops:

- **Financial products from payment services providers (PSPs) are becoming more common.** Since smaller businesses tend to be **underbanked**, PSPs have an opportunity to **build** out services sellers need and offer them in concert with other products. At the same time, major banks are doubling down on services for small businesses—JPMorgan has built out **WePay** since acquiring it, and Amex recently purchased **Kabbage**, for example—to move in on the sector.
- **Square's push could broaden its ecosystem, helping it stand out.** Square has been rapidly launching new merchant services tools, including **enhanced** developer offerings and inventory management **tools**, to **tighten** seller relationships during the pandemic. But offering a bona fide bank account can complement tools like its debit card or lending arm, letting sellers access an increasing number of services through Square instead of cobbling together offerings from multiple players. It also puts Square at the forefront of the market: Few competitors offer these features, though firms like **Brex** are on its heels, and those that do are approaching them through partnerships rather than by building proprietary services, which might give Square more control over its product.

This could help the provider execute on its growth plans. In a 2020 investor **presentation**, Square estimated its seller ecosystem market opportunity was worth \$100 million—and noted it has penetrated less than 3% of that. With an estimated 20 million merchants in its purview, Square can use its ecosystem to reach its target audience, which includes sellers earning more than \$250,000 in annualized volume. Services like the rumored bank accounts could appeal to these sellers, which have taken to Square's **other** financial offerings, like lending, and tighten relationships with existing merchants—and bring in new customers. This could help the firm continue to **boost** both overall volume and revenues from profit-driving sectors, accelerating overall growth.

Square Gross Payment Volume



Note: year-over-year growth

Source: Square, 2021

Methodology: This data is from Square's shareholder letter published on May 6, 2021.

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