

Westpac pushes deeper into BaaS with ID service partnership

Article

The Australian “Big Four” incumbent has partnered with regtech startup FrankieOne to offer the latter’s identification service through its Banking as a Service (BaaS) platform, Australian Financial Review [reports](#). FrankieOne’s suite of know your customer (KYC), fraud, and identity services will enable Westpac to offer faster onboarding to clients of its BaaS platform, which is [built](#) on cloud-native technology from 10x Future Technologies.

Westpac's move to become more competitive at providing banking services for others contrasts its inward focus on the experience it provides for its own customers. A deeper focus on its BaaS offering could divert resources that may otherwise be dedicated to enhancing its own retail banking offering. If Westpac can rake in deposits from its BaaS clients' end customers and become an exclusive partner for other profit-generating offerings from those BaaS clients—such as mortgages—as well, then this strategy could pay off. But if it can't, then it runs the risk of slipping behind competitors that are more locked in on their own retail banking services—such as CommBank, which just [announced](#) it's launching a new buy now, pay later (BNPL) solution toward the middle of the year. Interestingly, Westpac isn't alone in its newfound focus on BaaS: Neobank Volt [announced](#) in September that it would roll out a BaaS platform in partnership with Microsoft and Lab3.

The Australian regulatory environment for banking licenses will be an important tailwind for Westpac, as it recently became significantly more hostile. The Australian Prudential Regulatory Authority (APRA) is [working on](#) stricter, updated [rules](#) for financial services companies seeking to become authorized deposit-taking institutions (ADIs). These include clarifying rules around capital requirements and demanding that new entrants achieve a limited launch of both an income-generating product and a deposit product before receiving an ADI license. The addition of these obstacles in a regulatory environment that was previously very friendly to aspiring licensed banks could drive an increasing number of fintechs into the arms of established BaaS providers like Westpac and Volt, which can provide a license and plug-and-play technology to get upstarts off the ground quickly.

THE BANKING SERVICES STACK

User Interface	The front-end interface that the end user interacts with
Fraud	The ability to detect and prevent all types of fraudulent activity
Regulatory	The handling of due diligence and compliance with the laws of the financial sector
Data	Relationships with agencies like credit bureaus that offer data on consumers
Payments	Integrations with systems that enable transactions like transfers, withdrawals, etc.
Core Systems	The basic banking hardware and software that enable banking offerings to store and move money on a basic level
License	Licensing to legally engage in banking activities like retail banking and cash management

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Source: Andreessen Horowitz, 2020