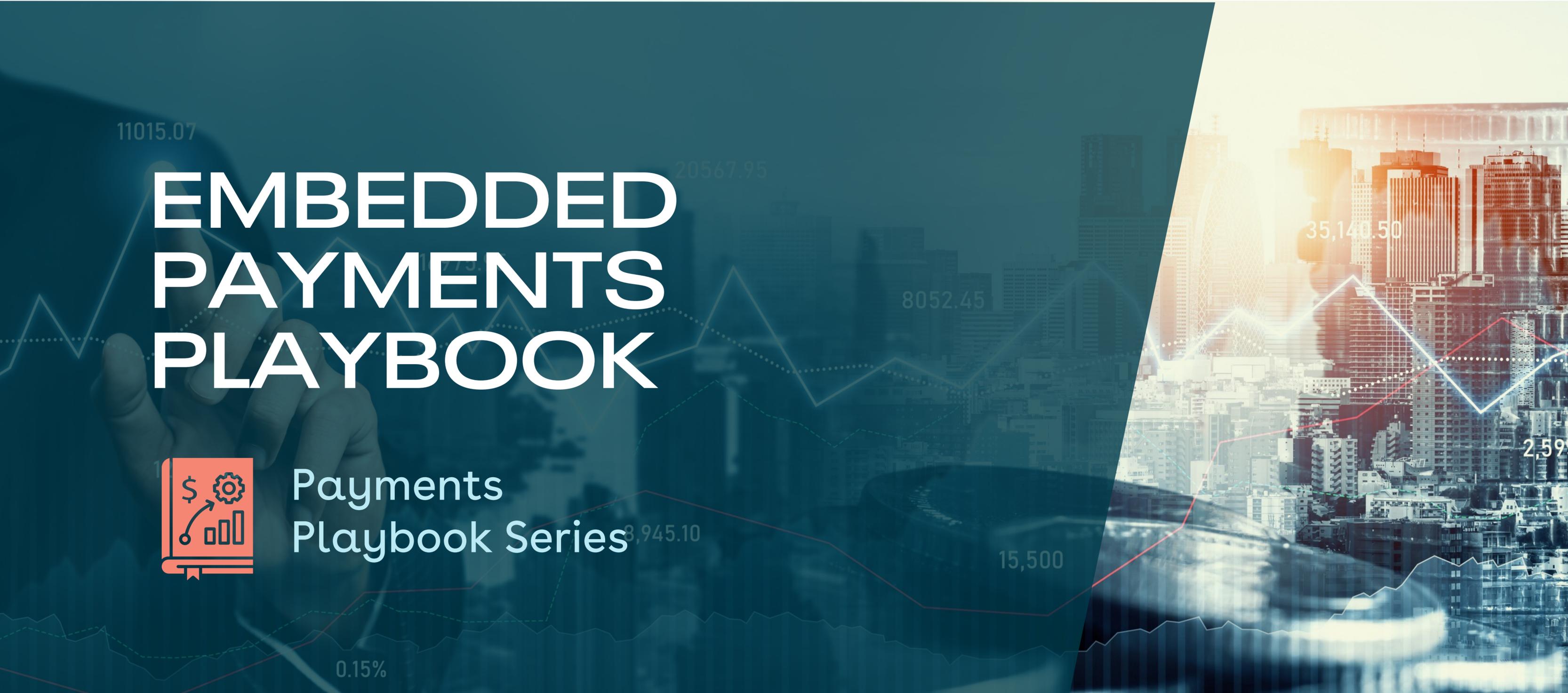


EMBEDDED PAYMENTS PLAYBOOK



Payments
Playbook Series

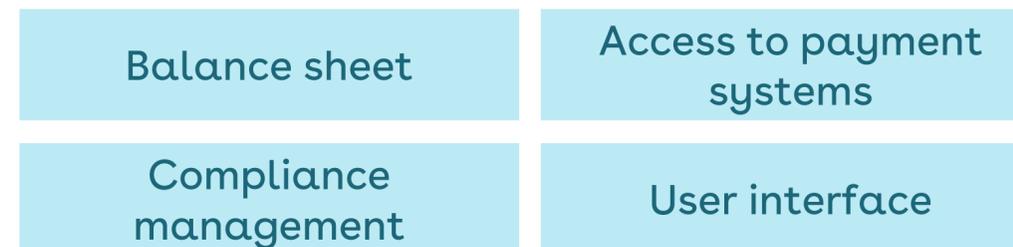


Embedded payment solutions address a growing demand for **efficient, transparent, and user-friendly** payment functionalities—built **native** to a website, marketplace, app, or platform.

With embedded payments, the entire payment experience is made a **seamless** part of the product, with the ability to **customize and innovate**.

With every movement of money, a lot can be happening behind the scenes.

The traditional payments ecosystem has been centered around regulated financial institutions, which deliver the **entire value chain** by providing the following:



Embedded payments modernize the **customer experience** portion of the value chain.

- Regulated financial institutions continue to provide the balance sheet and access to payment systems.
- Platform partners build and can rapidly scale solutions focused on the customer experience.



Embedded payment solutions can enhance your customer experience, increase engagement, and be a source of revenue growth. At the same time, they are a step into the realm of financial services—a heavily regulated and complex industry.

This **Embedded Payments Playbook** helps you navigate the legal complexities by laying out the key considerations to set you up for success.

Regulatory
strategy

Commercial
contracting
insights

Customer-
facing terms

Product design
best practices

REGULATORY STRATEGY

When integrating payments functionality to your website, marketplace, app, or platform, **regulatory considerations** are paramount. These include:

- Mapping out a clear regulatory strategy to mitigate risks associated with federal anti-money laundering and state money transmission laws
- Ensuring that all marketing, commercial agreements, customer-facing terms, and balance sheet treatment are aligned with this regulatory strategy



COMMERCIAL CONTRACTING INSIGHTS

When it comes to selecting a bank partner, it is important to take both **strategic considerations** and **risk mitigation factors** into account. This includes:

- Assessing the risk-management practices and compliance controls of potential bank partners (and any banking-as-a-service providers), especially amidst mounting supervisory scrutiny
- Negotiating contracts to tailor to your offering and risk management needs
- Ensuring your contractual responsibilities and liabilities, and any residual risks, are clear and acceptable
- Bearing in mind key contract terms that may become more relevant, and potentially impact future product features, as you scale up your business and grow



CUSTOMER-FACING TERMS

Robust and clear user-facing terms should also be top of mind when offering embedding payment solutions. This includes:

- Crafting legal terms tailored to your offering, particularly to set the right customer expectations (such as for payment authorization, processing times, and recourse for fraud or error), while being compliant with applicable laws
- Obtaining sufficient consents and protective representations from users and clearly specifying prohibited conduct
- Appropriately including any required disclosures (such as privacy notices) and provisions required by your bank partner
- Continuously assessing and enhancing these terms after you go to market and as you add new product features and scale your business



PRODUCT DESIGN BEST PRACTICES

It is also important to **proactively identify risks associated** with the design of payment products and assess any major changes on an **ongoing basis**. This includes:

- Monitoring new rules, enforcement actions, and guidances coming out of federal and state authorities for impact to your business and growth strategy
- Keeping a pulse on industry trends and emerging risks, as well as policy insights that can offer a competitive advantage to your offering



HOW WE CAN HELP

Wilson Sonsini's Fintech and Financial Services attorneys specialize in creatively and collaboratively partnering with clients at the forefront of payments innovation.

Contact

We are a **one-stop shop** for innovators in the payment space. We have deep experience crafting sophisticated legal frameworks, with a view to:

- minimizing regulatory risks
- incorporating industry best practices
- strategically protecting our clients' interests



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