1055. Insights: What happens when embedded finance grows up? With Pleo and Mastercard

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SUMMARY

Formance offers a unified ledger solution that simplifies financial processes by integrating various systems, payment processors, and banks into a single source of truth. This approach eliminates manual reconciliation and enhances tracking and auditing of funds across the payment lifecycle. The discussion also highlights the evolution of embedded finance from an optional feature to a crucial infrastructure for businesses, emphasizing the importance of partnerships and data in optimizing financial operations.

- *Formance's core ledger unifies financial systems, providing a single source of truth for tracking funds.*
- *The manual reconciliation process is eliminated, reducing errors and improving audit trails.*
- *Embedded finance is transitioning from an add-on to essential infrastructure for businesses.*
- *Companies increasingly expect seamless financial services integrated into their workflows, influenced by consumer experiences.*
- *Customers often underestimate the ease of adopting embedded finance solutions, leading to broader usage across organizations.*
- *The complexity of payments, especially in cross-border transactions, necessitates robust partnerships and trust in the ecosystem.*
- *AI is seen as a transformative force in enhancing financial processes, though it introduces new complexities.*
- *Successful partnerships in embedded finance require alignment on value and understanding each partner's goals.*

Your financial product moves money across multiple systems, payment processors, banks, digital assets, custodians. Each holds its own records, its own version of the truth. But you don't. Without a single source of truth, tracking funds, reconciling mismatched timelines, or producing a clean audit trail becomes a manual, error-prone process stitched together with spreadsheets and logs. Formance is a programmable core ledger that unifies every system money touches.

Build a complete chart of accounts, connect your financial infrastructure, and instantly trace funds across the payment life cycle with a full audit trail and no manual reconciliation. Formance, the unified ledger for the hybrid economy. Find out more at formance.com. As a chef, I know flavor doesn't begin in the kitchen. It begins on the land. And Westholme's nature-led Australian Wagyu is a story written in the landscape of northern Australia.

Cooking is storytelling, and Westholme Wagyu carries a story of northern Australia itself. Raw, powerful, and deeply authentic. It's a testament to the passion and care raised in the rhythm of northern Australia. I'm Chef

Melin from 88 Club in Los Angeles, and I invite you to visit westholme.com/melin to learn more and taste the story only Westholme nature-led Australian Wagyu can tell. That's w e s t h o l m e dot com slash m e i l i n.

>> [music] [music] [music] >> Hello welcome to Fintech Insider [music] Insights. I'm Benjamin Ensor, director of research and strategy at 11FS. Back in December, we explored how embedded [music] finance helps small businesses gain control and visibility over their finances. If you heard that episode, great, because we'll be building on a few of the themes we covered there. But if you didn't, don't worry. You don't need it to follow along. If you enjoy this one, we do recommend going back afterwards.

It's episode 1022. So in this episode, in partnership with Pleo, we're taking the next step and asking, "What happens when embedded finance stops being an add-on and starts becoming core infrastructure?" To help me unpack this, I'm joined by two great guests. First of all, we have Jeppe Rindom, co-founder and chief executive at Pleo. Great to welcome you back onto the broadcast, Jeppe. For those listening who might not know, can you tell us a little bit about Pleo and why you started the business?

Absolutely, and and great to be back in in the show. Uh yeah, so with Pleo, we've actually been around now for 10 11 years. Um before Pleo, I used to be a CFO of a growing business. And I was just incredibly frustrated about enabling the business to buy all the things they needed to work, no matter if that was subscriptions or travel or or hardware. It caused an enormous complexity in the business on how to buy it, which [snorts] cards to use, what to do with the receipts. And for me in the finance team, I just completely lost track of what was going on in the business and spend way too much time on manual processes.

Um so that's essentially what we decided to solve with Pleo. Uh so Pleo is the product you need as a small or mid-size business to have good controls around who's buying what, have full visibility in real time in what's being purchased, and having incredible processes where most of things collecting the receipts, categorizing it, applying a cost center and so on happens absolutely automatically and connects directly with your accounting system. So with Pleo we serve more than 40,000 businesses in Europe now. Smaller businesses and up to a few thousand employees is where we have our focus.

Fabulous. Thank you. I'm also delighted to welcome Tulsi Naidu Naren, Executive Vice President of Commercial and New Payment Flows, Europe at Mastercard. I'm going to hazard a guess that all of our listeners have actually heard of Mastercard. But Tulsi, perhaps you can tell us a little bit more about your role there. Super. I'm very excited to join you at Pleo on this very critical topic and key movement that we see. So taking a step back in Mastercard about two years ago, we brought together our commercial card proposition, whether it's a physical card, the virtual card program, our tools that we use around the account payable, account receivable side, our cross-border business, both the remittance, disbursement capabilities into one business unit. And I lead that business unit for Europe.

And really the focus is on delivering seamless payments into the supply chain, making business transactions more digital. And what my team really does is deliver host of innovative solutions into the market and working with a number of partners to drive up adoption and usage. >> [snorts] >> And at the core of this is one simple idea. You know, payment tools, you know, they can't sit in isolation. They need to be embedded into the point of need. And to to that uh seamless business process because payments are an enabler to a business process. It's not an end in itself. So, um really the core purpose is to work with ecosystem partners, like we have done in the past, to bring some of these innovative solutions into the B2B space uh and and drive up usage and adoption.

Fantastic. Thank you. Well, welcome to both. So, let's get started. And where we'd like to start is let's explore a little bit about what happens when embedded finance stops being a sort of optional nice-to-have, um when it moves from something that improves the experience to something that businesses depend on, something that becomes sort of crucial part of of their processes. Um So, Yapey, I'd love to start with you. I mean, to what point did you start feeling that the embedded services that you were delivering to small businesses were shifting um from something that customers were sort of trying out to something that was becoming sort of fundamental to how they were running their their businesses, something they were relying on every day. Did that happen sort of for the customers as a whole, or does it sort of is it something that happens with each customer as you bring them on? They hit a point where you're like, "Aha, now now they're now they get it." Yeah, it's a good question. I I think um these types of changes are very led uh from how we act in our consumer lives.

Um and I think as consumers for a while we've been used to having you could say financial services available uh wherever we go. Um so, it you know, it used to be so that we needed to go into a bank physically, or you know, or we needed to go into a bank virtually to do any financial service. But, over the past, let's say 10 15 years, we've been used to financial services being on our mobile phones. We can wire money to our friends uh on the go. We can buy stuff, tap our phones, and so on.

And when we start getting used to that, you tend to also want similar experiences in a business context. And I think that's why we've seen a lot of change in the demand for for embedded finance because our customers, they also expect that they can they can do financial stuff in in their current workflows, in their business lives. And that's sometimes, you know, dealing with stuff on the go from a phone or it could be, you know, issuing a card or approving a purchase or paying an invoice within an accounting system.

I think it's very led by how easy things are as as consumers, we now expect the same in in in a business context. And that's no matter the country really, no matter the size of business, this is really what people want. Thank you. What um What what sort of takes your customers by surprise? Do you do you ever find that they they have sort of expectations when they first become a client and then actually gradually as they start making more and more use of of Pleo, more and more use of sort of embedded finance, that that [snorts] they're sort of taken by surprise, there are things they've sort of underestimated or didn't expect?

Um >> [snorts] >> Do you do you do you find your customers are surprised ever? I I think the first thing that comes to mind here is they're often surprised how easy it is. Um particularly you know, that have been around for a while, they are sometimes used to installing software and changing processes as being something you need to plan for and and something you need to hand carry. >> [snorts] >> Um with Pleo, you really can get started in in in principle just a few hours.

Uh we issue cards on the go on your phone, you don't need to wait for them to arrive by email. Setting up your governance and your accounting integrations is just incredibly easy. And you don't really need any support in doing that. And if you do, you know, we have people around to to to help you. It is super easy to do it. And then I think the second piece that comes to mind is that yes, you know, we help you save time, we help you be compliant, we help you collect your documentation and do all of that. But there are also advantages in being a part of a product with 40,000 other businesses.

So we would, for example, help you benchmark your spending against the norm. We have AI-generated spend guidelines and we check each purchase whether they seem reasonable or whether they seem too expensive or whether they are in breach with your policies. And we [snorts] can only do that because you're you're with a group of other customers and we know exactly what's reasonable in any situation. Chelsea, there's a sort of paradox here in the sense that as finance gets embedded, it becomes sort of easier and easier for the customer.

And you can get to the point, you know, where as a consumer, actually particularly with embedded payments, where you almost take it for granted. It just just works. It just happens in the background. And yet the paradox is it's actually quite incredibly complex and there's a huge amount of work going into making those payments flow, particularly when they're cross-border payments, particularly when, you know, they're complex payments and so on. How much of a challenge is that that you've got you know, on the one hand there's this sort of delightful simplicity that's being delivered to customers, but on the other hand there's actually quite substantial complexity in the background, you know, making sure that the payments are in fact secure, that there's no fraud and you know, all of the complex processes that actually happen in the background.

So firstly, if I think about embedded payments, you know, where they started and where they're going. Often, you know, they get platforms go into embedded payments thinking, "I'm solving for a single use case. I'm going to just embed it and, you know, it's like a technical integration." Which fundamentally, there is a technical integration, yes, but there is a lot around payments and that's where I'd just like to dig a little on that complexity piece because payments is an end-to-end service, right? So, there are operational things and Yapey, you alluded to some of them. You know, there is a service element to it. There's a compliance element to it. There's a fraud element to it. All of those things need to be thought about when you think about embedding payments. That's one. Or even And when you think about B2B, they're often very complex, like you said, because there are multiple parties. They're often cross-border.

You know, there's There There are FX issue FX aspects related to it. And there are multi-jurisdiction regulations attached to it as well. That's why when, you know, the the the successful embedded payments cases are where they've thought about scale. They've thought about what needs to be, you know, they're prepared for scale and resilience at the start rather than just a technical integration. So, when a player gets into it, that's, you know, you need to think about it more holistically, I would say.

>> [snorts] >> And to your point around the consumerization, that's what we want to drive. You know, if you think about consumer payments, you know, the trust element, the payment element is there. It's not that it disappears. It's just in the background. You know, you expect the payment to get you to the end outcome. You

don't want to worry about the payment. It You just have the trust that the setup with the partner, the platform, will make sure that money goes from A to B to serve the purpose, right?

Whether it's cross-border or domestic. You know, that that just happens. And that is where we want to get embedded payments to because that drives up usage and ease of you know the the easier it is to use you know that drives up better usage more use cases come up and that drives up better adoption. Right now you know we are coming from a world of fragmentation legacy systems. I think embedded payments and I've been in payments for 20 odd years mostly in commercial payments. This is a big step change in terms of how that experience is going through a big shift.

Having the right partners embedding payments into into the business flow so that trust is there but it's seamless you know and and you don't worry about the payment that happens it gets you from A to B. So that's that's where we want the ecosystem to be. I really like that point you make about um firms or sort of businesses starting often with a single use case and then maybe gradually discovering you know there's a far more benefits than they perhaps initially imagined.

Yeah Fay have you have you have you seen that? Have you seen a sort of shift in the things that are driving customers to to sort of talk to you to look to try and get um more things embedded into their other platforms and and systems? Has that changed over time or is it still the kind of same motivations? I I think certain things that have have changed over time. I think the the one thing that often comes as a surprise to customers is they they see the benefits of our product but they almost predict that they're going to use it in the same way as um they did prior to this product. So as an example you know they would have most purchasing done by the management team or maybe someone in in in the responsibility of procurement.

And then they adopt our product and they see both on one side how easy it is to enable more people to to buy, but also how safe it is and how transparent it is. And then suddenly fast forward 1 year after, there are five times as many in the company that actually are equipped with a way to buy stuff, no matter if it's owning a subscription or buying tools online or going to a company event and then they do that on a company card instead of paying out of pocket.

Um so and and and the benefit of that is is of course the process, but the benefit is really also that uh employees feel really appreciated by not having to pay out of pocket, not having to go through these manual processes, but being trusted with company money and relieved from from the pain of expensing that that I think we all know, right? Because we all business people and it's it's a standing joke that no one wants to do the expense reports.

Um but it is it comes across as a real benefit for the employees. I see. Really interesting, isn't it? Cuz in essence that's about sort of delegating decision-making, you know, down in the organization and not controlling everything centrally. Do you see any differences between the sort of younger businesses that become your customers, you know, the sort of born digital businesses and maybe you know, some more traditional firms, maybe family, you know, family firms, maybe they've been around for 40 years or Yeah. Um Yeah, we certainly do and I think that the benefit of our product is you you can go in the direction of a more enabling mindset and a more let's say trusted mindset where some of the younger companies, technology companies and and let's say fast-moving industries are probably in that camp.

But the beauty of our product is you can actually also go in the other direction, which is you want to enforce more control. And you want to enforce more rigor and be in the loop of what's going on instantly. >> [snorts] >> Um so, you know, companies that has a slightly more conservative mindset or sometimes it's also north versus southern Europe. Um, you know, they use the product more to drive rigor, cost control, um, and these types of things.

They They being the northerners or the southerners? Uh, typically the southerners and then the northerners being slightly more, um, on on the trustful side. And the southerners being a bit more on the controlling side. Interesting. Um, Tilsy, I want to come back to some of what you were talking about earlier. Go go ahead. No, I was just going to give a quick, uh, data point to support that because we often see, you know, in SMEs, um, also some of the biggest withdrawal items are cash and that's because, you know, they tend to give cash to their employees because there's no other way to control the spend per employee. So, they've got to delegate the action, but they can't delegate the, uh, spend tool. And I think that's where, you know, um, Pleo, for example, comes in with, you know, those sort of solutions that are fine-tuned to an to an SMB's mindset.

So, I think that's where, you know, we are Payments by itself is getting innovated through all of these platforms, uh, that are uh, that are answering these questions, which means that again, you know, you different tools get used more, uh, because it's it's enabled in these platforms, you know, with the right levels of control, data, reconciliation, all of that. And totally agree with you Pay on that. Thank you. Tilsy, I wanted to come back to you on the on the thing you were talking about earlier about sort of, uh, sort of cross-border payments and some of the sort of larger enterprises and so on.

So, some of what we've been talking about, um, is mostly in the context of smaller businesses, but of course, you know, the bulk of global transactions by value is actually sort of big but you know, big corporations, governments, and so on. Are you at Mastercard starting to see the same kind of benefits coming from larger corporations embracing embedded finance? It It always feels to me that that's been slower for for some some good reasons and maybe some not so good reasons. But that that that actually small businesses have been much faster to adopt embedded finance than larger corporations. Is that what you're seeing, Tilsey? Very much so because, you know, the larger corporations have have a lot of systems already in place that are legacy systems. Now, legacy systems optimize their workflow, right?

But they don't necessarily do interconnectivity or enable that end-to-end. So, you have monolithic systems that do one same thing really well and they have business processes around it. But the moment you need to take things across and I When Yeppie introduced why he got into the space, it really struck a chord because, you know, when you have to shift things between one system to another. So, for example, Europe is a really interesting case in that because our problem is not digitization. We are digitized, but it's fragmentation. So, you have a lot of fragmentation in the process because there are a number of legacy systems optimizing one part of the flow. And where embedded payments What happens now is there's a lot of manual workarounds, you know, there's you you generate invoice in one, you reconcile somewhere else, you know, somebody's using payments. Often that falls within the CFO's team and they're out doing that rather than really thinking, "Am I optimizing working capital for every single transaction that I'm taking out?" You know, they do it for the big spend, but are they doing it everywhere?

So, you know, that's what happens when data is siloed, processes are siloed. And whilst the big organizations are working towards how do I harmonize across and have that end-to-end uh, piece. And that's where, um, you know, payments getting embedded into the place where business processes happen, so that there is a seamless flow of data, the reconciliation, the controls, the the insights that come out of these things can be used. So, you're not just optimizing your biggest transactions, you're optimizing everything that goes out of your, you know, that's going that's in the account payable, to the extent that you can. So, the CFO the account payable office becomes uh more empowered to take the right decisions.

So, legacy systems have those problems, but I we see embedded payments making an even bigger impact in those organizations, because actually there are a number of people who are chasing this, you know, the fact that this is so fragmented and picking up the pieces as, um, manual workarounds that are there, etc. So, we see a bigger impact with the bigger organizations, I would I would say, because they're shifting away from something to something new. So, there's a bigger potential impact, uh, and bigger gains being gains to be had.

Um, >> [clears throat] >> Yappie, one of the things that always sort of strikes me here is that there's there's sort of two changes going on here, because on the one hand there's this shift from the sort of manual processes to the more automated processes, you know, which can be as simple as shifting from cash to cards, but there's all sorts of shifts from manual to automated. But then there's this other shift of, um, sort of fragmented to integrated.

You know, by embedding, um, payments and other services into platforms like accounting platforms, and invoicing platforms, as Tulsi was just saying, you know, you get all of these other benefits. I Can you even Can you even separate the benefits that you get from sort of moving from manual to automated and standalone to embedded, or are they just too too tightly integrated and actually the benefit comes from all of it together? Yeah, I think that's right. I I think it is about the experience, and you want this to be convenient, you want this to be smooth, and and a part of that is, you know, that things are automated within Pleo or Pleo Mastercard, but the other part is you're not working in dual systems and and and and need to shift once to the other and import and export and so on.

Um so I think that that really goes to the experience. And then I think there is there's been a little bit of a pull in the market as well because when when Jeppe and I at Mastercard and Pleo we go to market and and we we have conversations with some of these bigger players that want to embed Pleo and Mastercard into their interfaces. Of course, that's because they want to bring better experiences to their customers, but it's really also because they see um that this makes their product more sticky. Um suddenly they may come from a one-to-few delivery model to one-to-many.

So you it it could be that their accounting system applies to three, four people in an accounting function, but then you embed Pleo and Mastercard into it and then suddenly it becomes a one-to- 30, 40, 50 people in the organization. So more reliability on their service, more dependability on their service. And then of course also an opportunity to grow revenues with us. Um so there's been a real pull in the market recently for embedding services like ours. Um and also I think in the world of AI everyone is thinking about how can we how can we build mode around our products? And um delivering connected services, it just becomes more difficult to find alternatives if you are relying on a on a on multiple services within one world.

Yeah, that makes complete sense. >> [gasps] >> Okay, this has been great. So we'll take a quick pause here. In the second half we will zoom out and look at what makes this work at an ecosystem level And why trust, standards, and partnerships are crucial. So, stay tuned. Over 40,000 businesses across Europe trust Pleo to manage their spending. >> [snorts] >> Now, platforms like yours can offer Pleo's capabilities, cards, spend controls, and real-time visibility directly to your SMB customers under your brand and integrated with your product. Pleo embedded allows platforms to unlock a new revenue stream quickly without building from scratch. Solve your customers' biggest admin headaches, become indispensable, and earn every time they spend. Visit embedded.pleo.io to find out more.

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Terms and conditions apply. Welcome back to Fintech Insider. In the first half of this recording, we looked at how embedded finance has moved from a feature to more of a foundation for many businesses. So, now we're going to explore a little bit more about what makes it viable at at scale. Um So, so Toshi we talked about sort of embedded finance sort of gradually becoming sort of infrastructure. Um Does does trust start to shift at that point?

Cuz, you know, maybe initially it's around, you know, it's around the brand, it's around sort of relationships with people. Does that shift towards, you know, APIs, systems, standards? Um Does anything change as as companies become more dependent on sort of embedded finance. It's a It's a great point and in terms of you know, let me start with the trust question, right? So, our what what we are trying to do as a scheme as a network is to get the payment as seamlessly embedded into the flow as possible with our trusted partners, right? Because as I as I mentioned, you know, payments is is quite complex when you think about it end-to-end. So, there's no one player who can who can deliver it.

And from a trust perspective, as we've seen in the consumer space as well, the trust doesn't disappeared. It just or not that it shifts, you know, it just goes into the background. So, you know, once it's payments are executed correctly, you know, that trust becomes implicit. You just expect that the payments go and for that it's critical that you have the right partners in place to make sure that every aspect of it is is is taken care of and that payments are embedded embedded at the right point with the right controls. You get the right data, all of those things. So, once that happens, you know, when you have that implicit trust in the payments, it just becomes an enabler to you getting your businesses ours and that's where you need it because payments are not an end in itself, you know, it it enables a business outcome.

And that's where we want to get payments into with that implicit trust so that people can focus on the business aspect of it, not the payment execution aspect. That should happen in the background in a seamless fashion in the way that your business needs it. And that's why again emphasize you know, having partners like Player who understand what are the controls, what do we need to have around the payment mechanism to enable usage at the right time at the right point. So, I think that's where the shift is and we actively encourage that payment embedding into into the ecosystem at the point of need. Yeah, tell me on that point around sort of what you need around the payments and what you your customers need around the payment. How important are things like standards and data? Because, you know, you were talking about AI earlier.

Some of the things that people want to do with AI hinge on having data connected to the payments and being able to understand what each payment is and so on. How important are elements like that to making embedded payments really work effectively for your customers? It's It's a really good question, and I think the answer is it's incredibly important, and you could say when when you partner with Pleo with Mastercard one thing is it's our obligation to enable you with your own data in the best possible way.

And there are use cases where we can do that incredibly well. We can through the data we get from from Mastercard and and the payment, we have really good context around what's being purchased, and we can help you categorize it and put in project IDs and cost accounts and so on. So, that's important, but the the other part is you also with Pleo and with Mastercard, you become a part of a much much bigger data pool.

So, for example, with with with Mastercard, you know, you they would they would use the context around payments in general to prevent fraud and monitoring and and these types of things. And and with Pleo, when we try to help you out on is this reasonable spending or or has a person over been overspending or can you buy this piece of software cheaper elsewhere? We not only rely on your own data, we rely on a broader pool of data.

Um and I think that's sometimes a little underestimated what also means to choose a partner where you not only you know, you not only get a mirror of your own data, but you actually benefit from a much much bigger data group. That's really interesting. So, you're you're bringing in intelligence. So, you're not just helping firms with their payments and making those payments more efficient and smoother, but you're also starting to nudge towards just sort of helping them make potentially better payment decisions or better business decisions by just giving them insights, nudges, tips, recommendations that just help them. Absolutely. That's what we're here for. We're both here to allow the CFOs can be much more forward-looking and really use that craft and be we call it we want to bring the CFO back into the cockpit, helps steer the business and not really waste time on the past and on processing and so on. That's the one side. The other thing is we want to instill really healthy spending in businesses, ensuring that they don't overspend, that they get the best prices out there. Um that's also why we're here.

We on one of our other podcasts a couple of weeks ago we were talking about the morning CFO versus the afternoon CFO, which is a concept one of our guests had. And the morning CFO is the person who's chasing down all the payments, checking where the cash flow is and so on. And the afternoon CFO is the person who's actually thinking about the the strategy of the business and you know, how to grow and and so on and so forth. And we want the afternoon to start 9:00 a.m.

Exactly. Exactly. Um let's talk about partnerships um a little bit here. So, so your your two organizations um partner, but actually, you know, throughout the ecosystem there are dozens of partnerships, you know, and you you know, both both of your businesses are built in some ways on partnerships. Yep, what does a what does a sort of good partnership look like? How do you um you know, how how how How you grow business with partners successfully? Is there a Is there a trick to that? Are there certain crucial elements to to making partnerships work?

Yeah, I I think it is It really starts with understanding the value on both sides. So, for example, when we talk about embedded partnerships for in the context of Pleo, we we want to enable other companies and their customers because our vision is really to bring our product in front of as many end customers as possible. That's really our play. >> [snorts] >> Um and when we evaluate these types of partnerships, we're like, "Okay, how convinced are we that that can accelerate our vision and bring our product in front of more customers?"

But then on the other hand, we also understand that we need to make a meaningful difference for the partner as well. So, we need to understand their strategy. Uh typically, our partners are very serious about the experiences they want to bring to SMEs and mid-market. Um and they they see an opportunity to bring broader experiences by bringing us into the mix. Um they may see an opportunity to earn more revenue. They may see an opportunity to use our data.

>> [snorts] >> Um but it's really about assessing, you know, is there a strong business case for them as well? Because otherwise, it just it's just a waste of time, right? Um and I think you need to be really up front with that and and really commit what what does a successful partnership look like and and then you need to lean in and make it happen. Do you agree with that, Tulsi? I mean, obviously, Mastercard has a vast number of of of of partners. Um but do you agree with the FA that it's it's about sort of aligning around value and really understanding what each partner is trying to get through the partnership? Absolutely. You know, Mastercard has been built on a basis of partnerships. You think of what we do, we bring the ecosystem together, uh whether there are issuers on one side or acquirers on the other. So, we are built on the foundation of partnerships, and it's absolutely aligning on value and equitable share of value as well, because that's how, you know, the consumer ecosystem has taken off. It's the same in the commercial ecosystem. So, it's I completely agree, you know, it's it's understanding where the corporate or the end customer wants to take it, you know, what are what are their sort of end end needs, and finding the right solution for them. And that can only be achieved by having the right partners.

As I was saying, you know, that you need ecosystem partners, you need solution partners, and that's how Mastercard brings, you know, payments successfully into into the market. The value piece is really critical amongst partners, you know, we need to align on what it is that what are the values or what are the transformation things we're trying to bring. And that's how we partner effectively. Because you this is a very fragmented space, but finding the right partners, aligning, and going with the right proposition is how we can drive adoption and achieve this this change in behavior, change in processes for the right reasons, right?

So, that's how we look at it. But Mastercard has been doing this for 60 years, finding the right partners to scale the ecosystem. So, So, we've got we've got partnerships, we've got more and more trust in the ecosystem, we've got standards that are helping businesses reconcile data faster, move money faster. We're creating more more time for CFOs to spend, you know, focusing on the big things rather than just chasing up, you know, where money is or where their cash flow is.

As we move into a world of more and more AI and agentic AI and so on. What sort of what do we think comes next with embedded finance? I mean, Jeppe, you know, you're obviously talking to lots of companies that are talking about sort of agentic AI and sort of trying to create vertical agentic processes where maybe the payment is integrated into some sort of wider process. Um are you looking at that with excitement or are you looking at them and thinking, "Oh my goodness, this is a liability minefield for for merchants?"

What's what's your What's your view on adding AI to this already complex pattern? Is this Is this hugely exciting? Um and or >> [laughter] >> something that's going to keep everyone up late at night? I mean, I'm an optimist. I'm I'm an entrepreneur, right? I need to see these things as as exciting and when it comes to the world of AI, I think at one side there are some incredibly uh valuable things that we are creating for the customers right now that wouldn't have been possible just a few years back.

Um [snorts] that's one thing and then I'm also just incredibly optimistic about how we're doing it. Uh where suddenly we are seeing our product teams are moving so much faster. Um they they understand problem spaces. They understand our customers in hours now without even speaking to them because they get so much insights. They build prototypes. They um We release products faster. Um so as an entrepreneur who who's built a company on innovation, you know, the fact that innovation is now on steroids, it it just makes it more exciting.

Um [snorts] and then of course you could ask, you know, are there also threats and and how do we think about them and could some of our partners essentially build some of the things that we are offering? Could some of our customers what we are offering faster. And and the answer to that is yes in principle, um, but I also think that the market currently is is underestimating a little bit the complexity of some of this. Like in essence when you operate both as a software company and a financial services company, you know, if you are an AP system that wants to partner with us, do you want to do you really want to turn your company into a financial services company? And and most they they don't.

Or, you know, if if one of our customers through Cloud AI could you could build parts of our service themselves, would would they really want to do that? Do they want to maintain it? Do they want to ensure that it's secure, that it scales, and so on? I mean, maybe they do, but then I don't think, you know, the investors or the owners could like that. I don't >> [laughter] >> I don't think that's the best use of their time, right? So, um, I mean, we're optimistic about um the opportunities here. We are optimistic about what this can bring for for our player and our partnerships.

Dilcies, do you do you do you agree? Does AI sort of supercharge embedded finance? Does it make it even more of an imperative? Um, because if you're going to try and do, you know, clever agentic things, you've got to be embedding payments. So, I think let me take a step back and answer the uh AI question and then the agentic aspect of it. Um, you know, MasterCard has been using AI in the fraud detection space that is generative or um you know, sort of generation one AI in terms of fraud detection and that still continues. And, you know, we need to keep up with uh with what the new type of fraud is going to be. So, we are using technology there in any case and that continues to be the case. Um, in terms of um you know, when we think about the agentic question, you raised a number of uh pieces, right? So, MasterCard is going into how do we develop that trust and intent layer in agentic because that becomes very critical because you're dealing with agents. What is the intent of the agent? So we are coming back to our role as the trust and you know, the network. We are actively doing that to enable agentic AI in the ecosystem. So yes, you know, that's going to again to the point of how will it take away some of the pain points in the process. I think that absolutely has a role to play and every corporate will decide what ecosystem will decide, you know, what what goes into the agentic world versus remains and that will let you know, the ecosystem will play that out but we are putting the enabling blocks in place from a trust perspective from a network perspective to enable that because I share Yape's optimism that you know, they'll find the right if there will be the right use cases where this is going to be transformational. It won't be all applied everywhere and even within Mastercard, you know, we see a step change in in leveraging AI in terms of our own internal you know, development process or customer engagement process all of that.

So there's a lot of use cases that we can look at that could be transformational but where we are focused on is enabling the ecosystem to adopt it in the most trustworthy way possible because payments works on trust and once that's broken that just you know, adds so much of friction into the process. So we need to keep that and that's where we are introducing new standards etc. Absolutely. Fantastic. Well, to wrap up, what advice would you give to leaders are listening to this embedding finance today? Is there any any any advice you'd give to businesses that are now starting on their journey to embed finance. EFA any any quick nuggets of advice?

Yeah, I I I I think the one thing that stands out for me is I'm I mean we've we've we've gone into this in part the partnered way of embedding finance with Mastercards and others. Let's say 6-7 years into our journey, which also means that for the first 6-7 years we've been only directly to the customers >> [snorts] >> and we therefore understand the customers fully. I think the risk that you sometimes run when you are distributing your your product through partners and by embedding it is you you can lose a little bit of closeness to your to the customers.

And I think that that cannot happen. You still need to be very close to the customers and get the feedback and understand the difference you're making and understand the opportunities you have so you're still relevant in the world of AI and beyond. So that would probably be my one piece of advice is yes, you can go indirect. You can go embed it, but you need to stay close to the customer. Great. And Chelsea, any advice? I would I would approach it from the perspective of scale and say that you know, rather than it's not a it's not a single sort of problem solver. So think about embedded finance holistically across your payment flows.

So it's a design for scale at the start or plan for it so that you are you are solving a bigger problem than just the one thing that might be you might start small, but design for scale. Because you know, that ability to embed it, reduce the manual fees, increase data insights will make your whole operation a lot more efficient, you know, so I would just design for scale. That would be my one piece. Fantastic.

That's great advice from from both of you. Well, that wraps up today's discussion. So, a huge thank you to both of you, Yap Pay and and and Tulsi for for for joining me today to break down this topic. Um where can people um find out a little bit more about you and uh and your businesses? Uh Yap Pay, where can people find out uh more about you and more about Pleo? Yeah, thank you for having us back uh in the show. You can find more about Pleo on pleo.io.

And if you are a potential partner that is excited about hearing more about Pleo embedded, you can go into embedded.pleo.io. And Tulsi, where can people find out more about you and and the work that your team at Mastercard does? Obviously, Mastercard's a big organization, but So, um our Mastercard uh Europe landing page has a whole commercial and new business flow um aspect to it and there we put all our thought leadership. Uh we put uh a lot of the um insights from our partners, etc. all there. Uh and then our LinkedIn page is also going live, so that would be the other source. Fantastic.

And you can find me, Benjamin Ensor, on LinkedIn. So, thank you all very much for listening. If you like what you've heard, please do follow the podcast. Please do recommend it uh to your friends. If you want to join the conversation, uh just look for us on social media. Search for 11FS or Fintech Insider, or you can email us at podcasts@11fs.com. So, thank you so much again to my two panelists. Thank you to the listeners, and goodbye. [music]