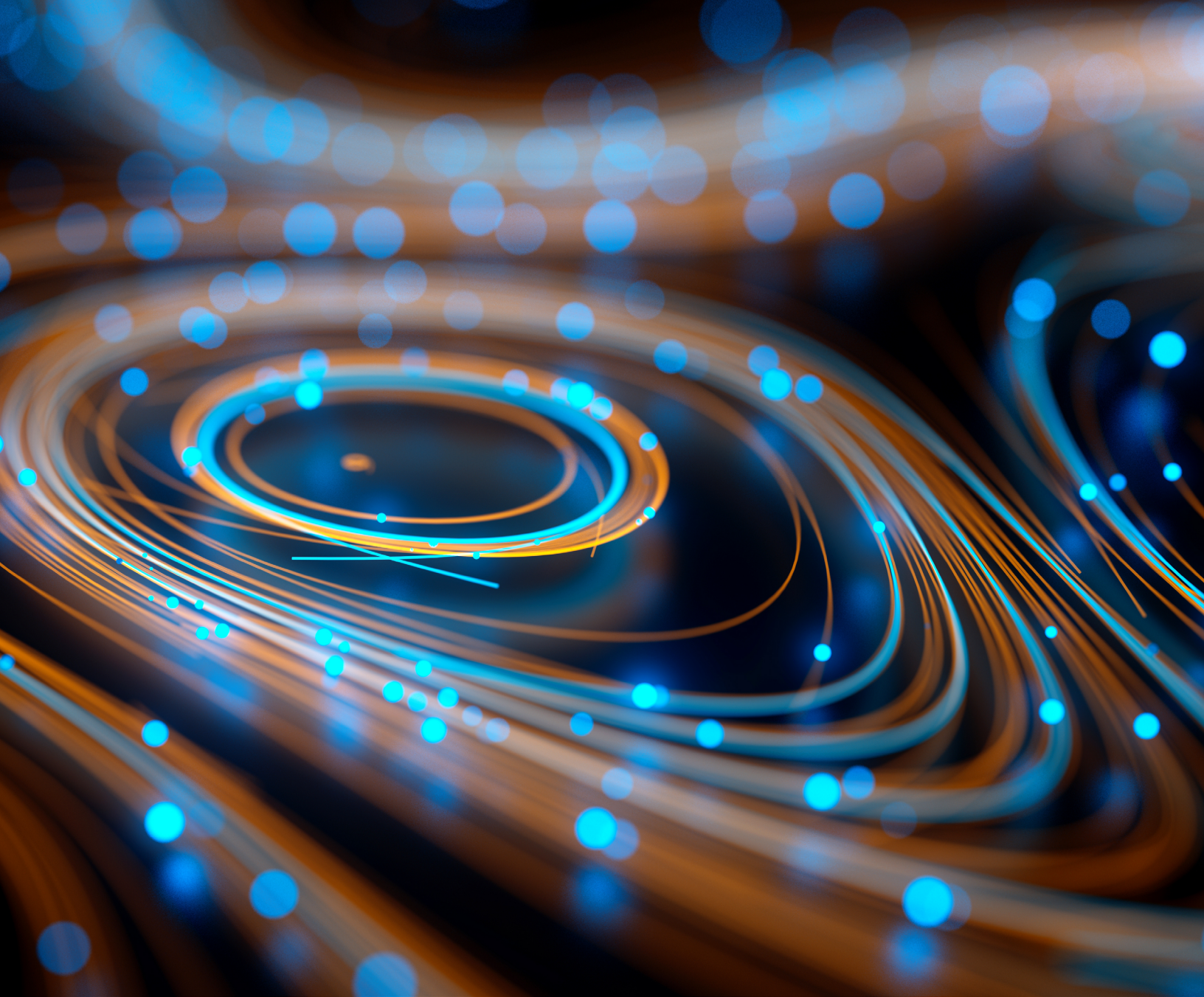




The **fintech** operating environment: A banking perspective

Strategies for scalable, sustainable operations

J.P.Morgan

Executive summary

The most successful fintechs understand what their competitors miss: Operational excellence isn't the enemy of innovation—it's what makes innovation scalable and sustainable.

Every fintech faces similar strategic tension. Build fast and worry about operations later or invest in infrastructure that might slow initial growth but enables long-term scaling. The financial technology companies that, successfully resolve this tension don't just survive through market shifts, they shift the market themselves.

The operational choices your company makes today determine the strategic opportunities you can pursue tomorrow. We've gathered frameworks for making those choices from a position of strength.



Key insight: The operational architecture of your company can accelerate your strategic initiatives or constrain them.



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The reconciliation reality

Why getting this right unlocks the rest

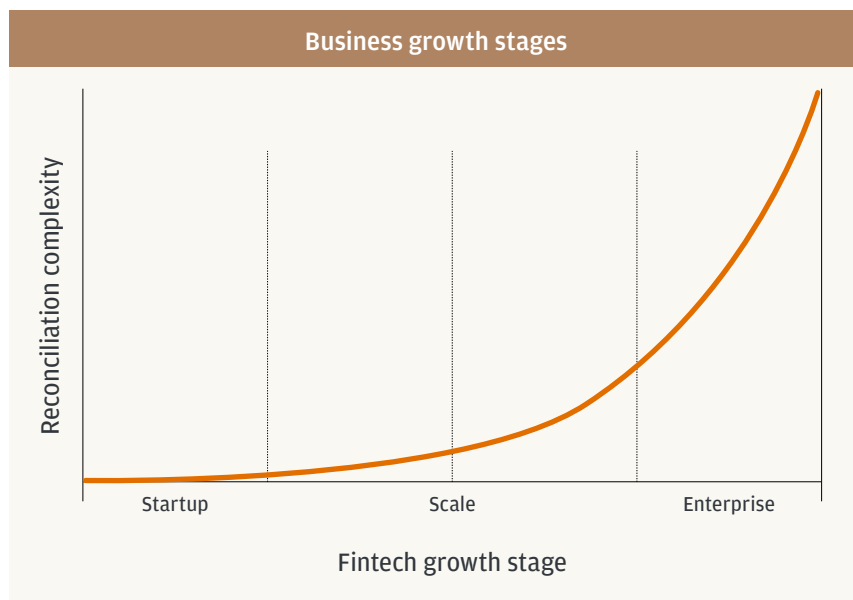
Many fintech founders treat reconciliation as a problem to solve later. That's a risky call. Reconciliation complexity doesn't grow gradually. It often explodes exponentially.

Why reconciliation breaks at scale

Early-stage fintechs can manually reconcile transactions. As volume grows, most add some basic automation. True operational complexity emerges when you introduce multiple products, payment methods and customer segments. Suddenly, a simple transaction can touch five different systems, each with its own timing and error handling.

The Federal Deposit Insurance Corp.'s proposed recordkeeping rule makes this complexity impossible to ignore. But the companies that get ahead of this transition—rather than respond to it—position themselves for sustainable growth. The FDIC's proposed rule stems from a real-world failure, demonstrating why reconciliation shouldn't be an afterthought.

- **Synapse's recordkeeping failure:** In April 2024, Synapse collapsed after commingling customer funds in FDIC-insured bank accounts while maintaining its own separate customer ledgers. When the middleware provider failed, its banks couldn't determine which deposits belonged to which Synapse customers.
- **The FDIC's response:** In October 2024, the FDIC formally proposed a rule that would require FDIC-member banks holding commingled fintech customer deposits to maintain standardized beneficial ownership records with daily reconciliation to prevent future Synapse-style snafus.
- **Prepare for both scenarios:** Whether the rule passes or not, fintechs should audit recordkeeping alignment with banks. Operational resilience protects your customers and your business.



The reconciliation reality

Why getting this right unlocks the rest

The infrastructure investment framework

Strategic fintech companies evaluate reconciliation through an infrastructure lens. Good architecture can be the difference between your growth milestones feeling like success or crisis.

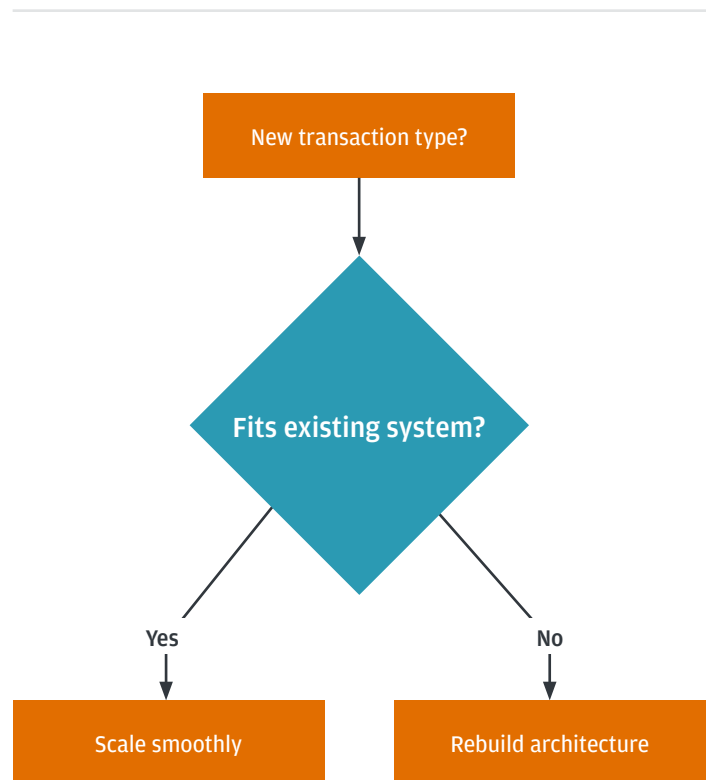
- **Operational scalability:** Can your current approach handle 10x transaction volume?
- **Product flexibility:** Can you launch new products or services without rebuilding back-office processes?
- **Regulatory readiness:** Are you building compliance capabilities or just meeting minimum requirements?
- **Partnership positioning:** Does your infrastructure enable institutional banking relationships?

How this plays out in practice

When we built J.P. Morgan Wallet, we designed API-driven reconciliation that treats each transaction as part of a larger ecosystem rather than an isolated event. This infrastructure-first approach means launching your subsequent capabilities on our platform won't require operational overhauls.



Key insight: Build reconciliation architecture not just for the fintech business you run today, but the one you want to become.



Cross-border complexity

The pathfinder challenge

Cross-border expansion puts fintechs in pathfinder territory—charting operational routes through unfamiliar regulatory and infrastructure landscapes. Each new market brings distinct challenges in managing multi-currency payouts, from FX risk management to local compliance requirements.

Why the pathfinder challenge is accelerating

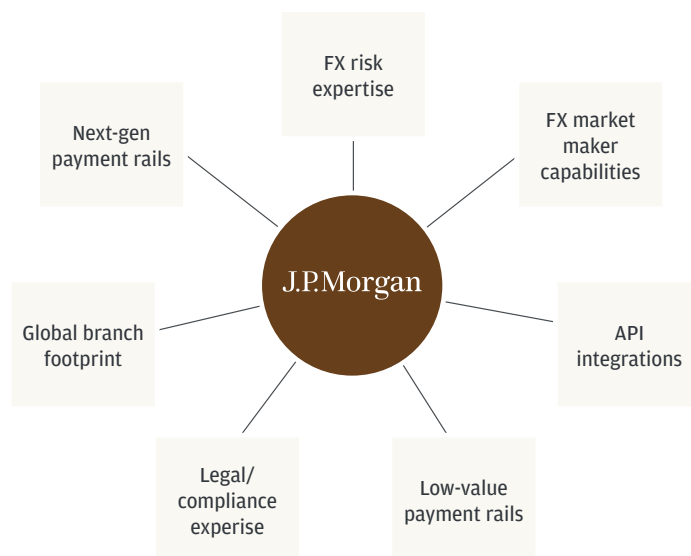
The growing number of global gig workers, freelancers, digital nomads and e-commerce entrepreneurs in the small-business sector underscores the need for efficient and timely cross-border payments. These individuals and businesses demand payouts in their preferred currencies without delays or excessive fees. Fintechs have already emerged as key players in addressing these needs, offering technology that streamlines the payment process and improves the experience for users.

The pathfinder challenge intensifies as businesses scale across multiple jurisdictions simultaneously. The infrastructure that worked for U.S.-Canada transfers could be very different for U.S.-Brazil payments.

Navigation requirements

To effectively chart this cross-border territory, fintechs can collaborate with global financial institutions like J.P. Morgan. The pairing brings together several critical components:

- **FX risk expertise:** Global FIs provide key insights to mitigate FX risk, enabling businesses to focus on core operations without worrying about rate fluctuations.
- **FX market maker:** Global FIs facilitate liquidity and provide competitive rates, allowing more efficient and cost-effective transactions.
- **API integrations:** Seamless connectivity between fintechs and banking systems allow real-time data exchange.
- **Low-value payment rails:** Each country has its own payment infrastructure. Global FIs give access to low-value rails that ensure transactions go smoothly and comply with local regulations.



- **Legal and compliance expertise:** Global FIs are well-versed in following international standards, which can minimize the risk of legal complications.
- **Global branch footprint:** Physical presence in different countries provide localized support and services.
- **Next-generation payment rails:** Blockchain-based infrastructure enables 24/7 cross-border transactions with real-time settlement and enhanced transparency.

How J.P. Morgan can guide your way

Rather than building separate routes into each new market, successful fintechs leverage established pathfinder infrastructure. The J.P. Morgan Global Payments API offers a single gateway to access our extensive network and expertise across jurisdictions.

This solution transforms the pathfinder challenge from an operational constraint into a competitive advantage. Instead of charting new territory independently, fintech partners can focus on customer experience while we handle the complex navigation of regulatory landscapes and payment infrastructure requirements.

Everything, everywhere, right away

Implementing alternative and local payment methods to meet real-time expectations

The demand for instant and diverse payment methods has intensified, particularly in regions like Asia-Pacific (APAC) and Latin America (LATAM). These markets show surging adoption of digital wallets and mobile payment platforms as users increasingly expect to receive funds through their preferred methods—and receive them instantly.

What makes Super apps super

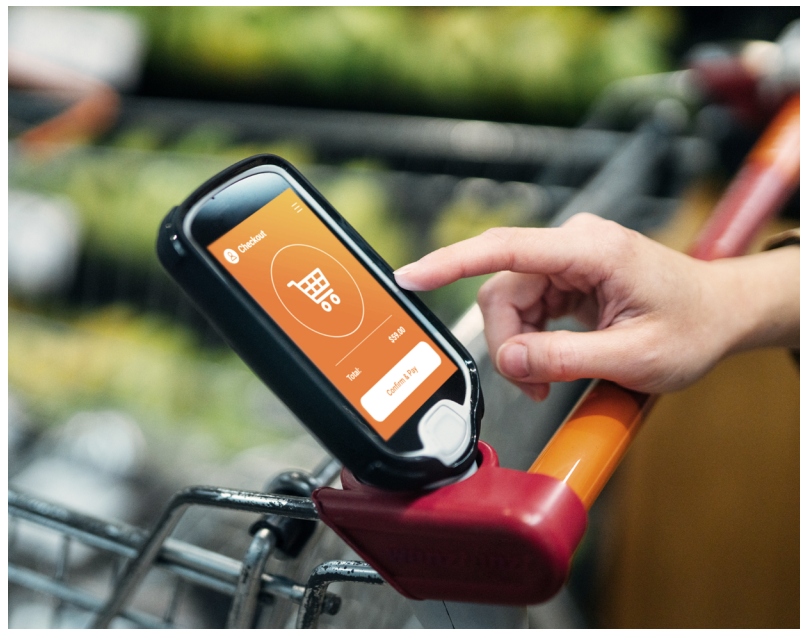
“Super-apps” integrate multiple financial services—anything from payments to lending, investing and insurance—within a single platform. WeChat Pay and Alipay don’t just process user payments. They also function as comprehensive financial ecosystems. This integration creates user stickiness and reduces friction, which explains their dominance in APAC markets.

For fintechs, this signals user expectations are headed toward seamless integration across financial services, rather than point solutions.

The banking rails reality

Alternative payment methods may appear to bypass the traditional banking system, but they actually extend banking rails. Digital wallets still need bank connectivity for funding sources and settlement. When a user loads money into PayPal or sends a payment via Venmo or a similar platform, the underlying movement typically relies on ACH, wire transfers line or card rails to access bank accounts.

The sophistication varies by market. In more developed markets, this often means direct bank integrations or card network connections. In emerging markets, it may involve cash-to-digital onramps that eventually settle through correspondent banking relationships.



The institutional infrastructure question

This is where institutional banking relationships become critical. Alternative payment providers need reliable settlement mechanisms, compliance infrastructure and global reach to operate across borders. They often can’t easily build these new capabilities independently—they work closely with institutions like J.P. Morgan that already have this infrastructure.

Everything, everywhere, right away

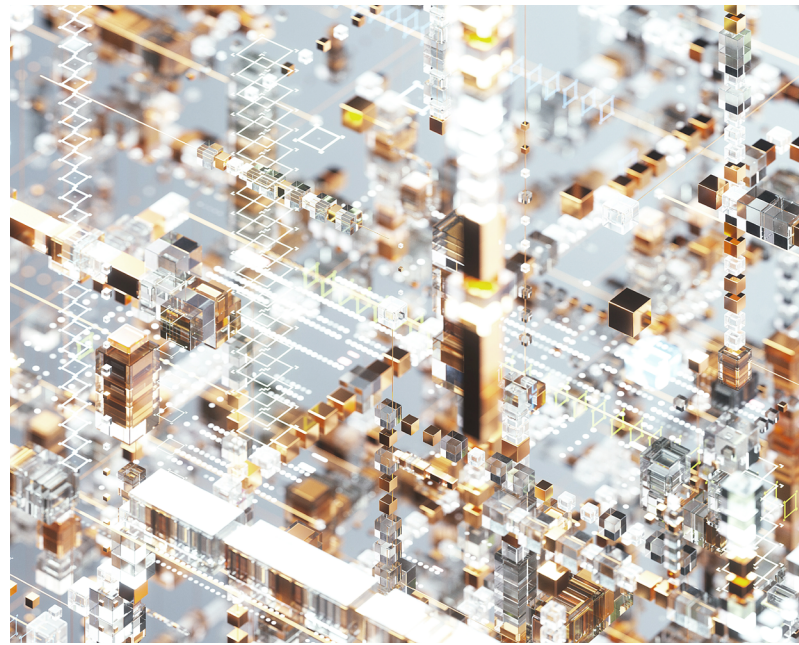
Implementing alternative and local payment methods to meet real-time expectations

Blockchain infrastructure and stablecoins: beyond experimentation

The rising popularity of stablecoins as an alternative payment method is gaining significant traction. Stablecoins offer several advantages, including 24/7 real-time speed, value stability and low transaction costs. These features make stablecoins an attractive option for businesses seeking reliable and efficient payment solutions.

Digital Payments from Kinexys by J.P. Morgan represents the maturation of this technology—a bank-led blockchain solution that demonstrates how stablecoins and blockchain infrastructure have moved from experimental novelty to operational reality. This commitment to blockchain-based settlement with stablecoin capabilities signals that the tech has evolved into scalable business infrastructure.

Why does this matter for fintechs? Because it validates stablecoins as legitimate settlement mechanisms rather than speculative instruments. Kinexys allows round-the-clock real-time transactions globally, addressing the operational gaps that traditional banking hours create for international payments. As stablecoins continue to gain acceptance, they are positioned to become a significant component in the alternative payments ecosystem.



The strategic implication: Fintechs should consider Kinexys as infrastructure to build upon, supported by institutional-grade compliance and operational frameworks from J.P. Morgan.

Commitment issues: Assessing the FI ecosystem for fintech

When your bank becomes your competitive advantage

Fintech companies constantly seek trusted financial institutions that understand their vision and commit to their long-term growth. The relationship between fintechs and FIs significantly impacts operational success and sustainability.

However, finding the right FI partner presents stability challenges.

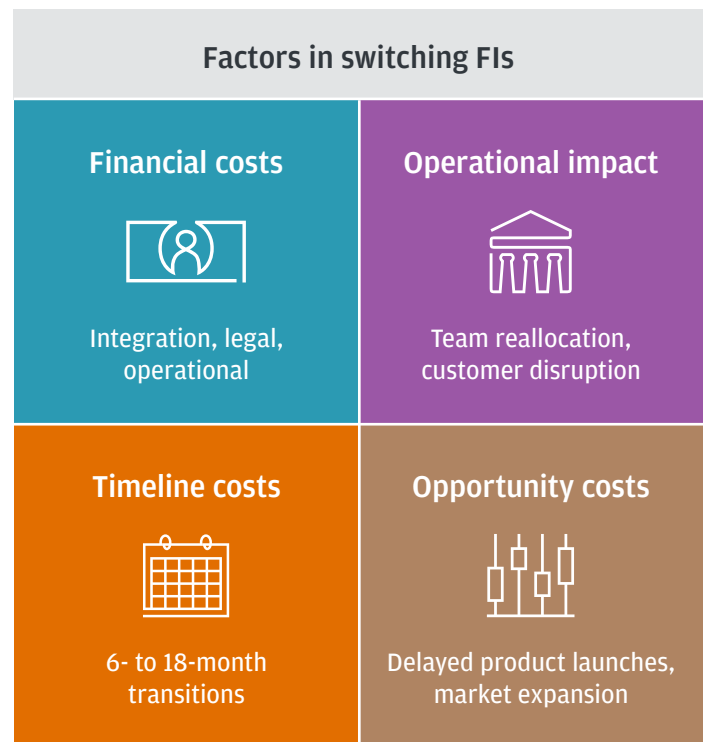
The FI partnership stability challenge

One primary concern is FI reliability. Federal consent orders issued to small, fintech-friendly banks have forced fintechs to switch partners in relatively short timeframes. This instability particularly disrupts fintechs relaying on Banking-as-a-Service (BaaS) providers. When the underlying bank supporting a BaaS provider must offboard payment activities, fintechs scramble to maintain operations.

The true cost of FI partner instability

Switching financial institutions or BaaS providers requires significant financial resources and reduces operational capacity. Transitioning requires substantial resources to amend bank connectivity, impacting internal teams across accounting and finance, product, engineering and operations.

These transitions can introduce disruptions in customer payment support, potentially affecting the ultimate customer experience. New know-your-customer (KYC) or know-your-business (KYB) document requirements and downtime during switches can frustrate customers and erode trust.



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The institutional advantage: Why Tier 1 matters

Historically, J.P. Morgan and other Tier 1 banks viewed as slower to complete compliance approvals, deterring some fintechs from partnering with them. However, many fintechs now recognize that the time spent on thorough approvals and adequate KYC and KYB processes represents investment in future growth and stability.

Working with J.P. Morgan or another Tier 1 bank can provide access to robust compliance frameworks that support scaling and regulatory compliance, contributing to long-term success.

How J.P. Morgan approaches fintech partnerships

J.P. Morgan addresses these ecosystem challenges through its fortress balance sheet stability, comprehensive compliance and regulatory knowledge, and extensive payment infrastructure. We are dedicated to fintech ecosystem growth by investing billions in payment infrastructure, resources and expertise. This dedication helps ensure that fintechs receive necessary attention to satisfy regulatory requirements and scale operations effectively.

Compliance priority drives our approach, ensuring companies maintain quality KYC and KYB processes. Working closely with fintechs, we provide complex regulatory navigation support and growth-focused guidance.

Partnership Considerations	Other models	J.P. Morgan
Speed to market	Quick setup, potential switching costs later	Comprehensive onboarding prevents operational disruptions
Regulatory expertise	Regional or industry focus, limited geographic reach	Global regulatory relationships across more jurisdictions
Technology integration	Standard APIs, scalability constraints	Enterprise-grade infrastructure built for institutional scale
Relationship stability	Variable operational capacity	Fortress balance sheet with institutional resilience
Growth support	Works until you outgrow their capabilities	Scales with your business from startup to global enterprise
Best for	Early-stage, limited complexity	Sustainable growth and global scaling

Your operational architecture determines your strategic possibilities

Reconciliation as infrastructure, pathfinder navigation strategies, alternative payment integration and institutional partnership evaluation work together to position fintechs for sustainable growth rather than reactive problem-solving.

The companies that master these operational foundations don't just survive market changes, they develop competitive advantages that compound over time.

Next steps

J.P. Morgan specializes in helping fintechs navigate these operational decisions from positions of strength. Our fortress balance sheet, global infrastructure and tech expertise enable your strategic initiatives while maintaining operational stability.

Ready to discuss how a banking partnership with us can accelerate your growth strategy?

[Contact a banker](#) today.



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