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BEFORE THE

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"Partnering for Innovation: How Bank-Fintech Collaborations Enhance Financial Infrastructure"

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I. Introduction

Chairman Steil, Ranking Member Lynch, and distinguished Members of the Subcommittee, thank you for the opportunity to testify today. My name is Sheetal Parikh. I serve as General Counsel and Chief Compliance Officer of Treasury Prime, a software technology company headquartered in San Francisco, California. I have spent my career at the intersection of banking law, regulations, and emerging financial technology. From working as an attorney at a bank to counseling banks and fintech companies on how the universe of traditional banking laws accommodate new and innovative banking channels, I have watched this ecosystem evolve through periods of rapid growth, regulatory reckoning, and genuine reform.

I appear before you today because this moment is precisely the right time for Congress to understand why bank-fintech partnerships are so critical to establishing an elevated standard of banking in the United States. Additionally, I have a request: a request to modernize the third-party risk management framework that the federal banking agencies, the OCC, the FDIC, and the Federal Reserve, apply to embedded finance. That framework was written for an earlier era of bank vendor relationships, not for the modern API partnerships that now move real dollars for hundreds of millions of Americans. Updating it will make our economy faster, safer, and more competitive. My testimony will address four themes: what Treasury Prime does and how it works; the substantial value that well-structured bank-fintech partnerships deliver to consumers, community banks, and the broader economy; the need for greater regulatory clarity; and a framework for Congressional action that would clarify the rules of the road, protect consumers, and enable responsible innovation to flourish.

II. About Treasury Prime: What We Do and How It Works

A. The Problem We Were Built to Solve

Before Treasury Prime launched in 2017, two essential parts of the American financial system were failing to connect - and both were paying a price for it. Community banks and credit unions are the backbone of American finance and local economic vitality, but for decades they have faced a structural disadvantage: their core technology infrastructure is aging, their customer reach is geographically constrained, and their revenue streams are under pressure from megabanks and money centers that can spend billions on technology in a single year. In a post-Covid era where most Americans bank digitally and not by visiting a brick-and-mortar bank branch, community banks face an existential threat. On the other side of that divide sat a generation of fintech companies: nimble, well-capitalized, and full of ideas for how banking services could work better. But a fintech company is not a bank. They need a federally regulated, FDIC-insured bank to hold customer deposits and facilitate payments. The two parties needed each other badly, but connecting them was expensive, slow, and technically complex.

Treasury Prime was built to solve that connection problem, and to solve it in a responsible way that keeps the bank firmly in control of every transaction, every product, and every relationship.

B. What an API Is, and Why It Matters Here

Before describing our platform, I want to offer a brief explanation of the underlying technology, because it is central to understanding both the opportunity and the risks this Subcommittee is examining.

An API — Application Programming Interface — is essentially a standardized set of instructions that allows two different computer systems to talk to communicate securely and in real time. You encounter APIs constantly, even if you don't realize it: when an airline's website shows you live seat availability, when your phone unlocks a rental car through an app, or when you check the weather on your phone. In each case, two separate technologies are exchanging information through a shared, standardized language, without either side needing to rebuild the other. The most intuitive analogy is an electrical outlet. The outlet in your home is a standardized interface: any device with the right plug can connect to it and draw power, without knowing anything about how your home's wiring works. The utility company provides the electricity. Your devices access it through the standardized outlet. The complexity of the entire electrical grid, the generators, transformers, and transmission lines is completely invisible to you.

A banking API works the same way. Treasury Prime's API is the standardized "outlet" through which a fintech company connects to a partner bank's core systems. The bank provides the regulated financial infrastructure including the deposit accounts, the payment rails, the FDIC insurance. A fintech accesses those capabilities through Treasury Prime's API, building products and experiences on top of them, without needing to replicate the bank's internal systems or the bank needing to rebuild its technology from the ground up. Critically, in our model, the bank's own systems remain the authoritative source of record. The API does not hold the money or own the data. It is a secure, real-time conduit between two parties who each retain their own roles and responsibilities.

C. The Treasury Prime Bank Operating System (BankOS)

Treasury Prime operates what we call a Bank Operating System, or BankOS. It is a modern, modular software platform that sits between a bank's core processing system and its fintech or enterprise partners. I want to be precise about what this means in practice, because "Banking-as-a-Service middleware" is a term that gets applied to very different kinds of companies, with very different architectures and very different implications for bank oversight.

Treasury Prime is not a middleware provider that stands between a bank and its customers. We are a software layer that sits alongside the bank's core systems – connecting to them, synchronizing with them in real time, and ensuring the bank always has an accurate, up-to-date view of every account and every transaction, regardless of which fintech partner's brand is in the foreground. The bank's oversight is never delegated. We provide the tools to make that oversight comprehensive, real-time, and actionable.

The BankOS platform includes four integrated modules that banks can deploy individually or together based on their strategy:

- Embedded Banking: the infrastructure that enables a bank to manage fintech and corporate partner programs at scale, including a fully-functional side-core, modern payment gateways for ACH, wire, card, and real-time payment (RTP) transactions, and a virtual sub-ledger for complex account structures;
- Digital Banking: a complete online and mobile banking solution that banks can brand as their own, enabling them to reach new consumers and commercial customers beyond their traditional branch footprint;
- Open Banking: standardized data feeds and APIs that allow the bank's systems to connect securely with approved third parties, with built-in access controls and consent management; and
- Tools and Analytics: a single control center that gives bank compliance, operations, and executive teams real-time oversight of all programs, Prime Analytics business intelligence reporting, automated regulatory reporting for KYC, AML/BSA, Reg CC, and reconciliation, and the ability to track and act on compliance concerns before they become examination findings.

D. What This Delivers in Practice

The results our bank partners have achieved are concrete. Within 12 to 18 months of deploying BankOS, financial institutions on our platform have generated more than $500 million in new deposits and more than $1 million in new fee revenue. We have completed integrations with 15 bank core systems and have put more than 100 fintech companies into production on US chartered banks insured by the FDIC. The accounts those fintechs offer are real bank accounts at real banks, governed by state and federal banking law.

Our bank network now represents over $1.1 trillion in assets. In 2025, the platform processed more than $100 billion in transaction volume supporting three million end-customer accounts. Partners range from community institutions and credit unions serving underbanked communities to top-twenty U.S. banks including KeyBank and U.S. Bank.

The BankOS platform is built around six operating principles that are directly relevant to this Subcommittee's oversight interests: it is comprehensive (a single control center for all programs); real-time (transactions reconciled 24 hours a day); dynamic (accounts managed on the bank's own core or a modern subledger); scalable (a network of peer institutions accessible through a single connection); flexible (modular, so banks choose the components and partners they want); and compliance-focused (real-time ownership of transaction data, automated reporting, and the flexibility to adapt with regulatory standards). As the regulated financial institution, the bank always remains in the driver's seat.

III. The Economic and Consumer Value of Bank-Fintech Collaboration

Bank-fintech partnerships are not a niche or experimental phenomenon. They are reshaping how tens of millions of Americans access financial services every day. When a small business owner opens a digital account through a vertical labor marketplace platform, when an underbanked consumer receives a paycheck two days early through a fintech payroll app, or when a corporate treasury team moves funds instantly across a payment network, a regulated bank is almost always present, even when the bank's name is not the one the customer first sees. The fintech delivers the experience. The bank provides the regulated foundation.

More than half of Americans now primarily manage their bank accounts through mobile apps. Customers expect to move money, connect accounts, and onboard to new financial products without friction. We have seen how in a post-pandemic world this expectation is not subsiding, and community banks that cannot meet it risk losing customers to institutions that can. Bank-fintech partnerships built on modern API infrastructure are empowering community banks to meet that expectation without abandoning the local relationships and mission that define them.

A. What This Means for Community Banks

Community banks face well-documented structural pressures: margin compression, geographic constraints, aging technology infrastructure, and competition from larger banks and money centers with enormously larger technology budgets. The top ten banks in the United States hold fifty percent of the country's deposits; the next fifty hold twenty percent, leaving community banks with less than thirty percent of the country's deposits. The three core challenges we hear most often from community bank leaders are legacy technology that is expensive to maintain and slow to adapt, a constrained client pool that limits deposit growth, and stagnant revenue from traditional product lines alone. Bank-fintech partnerships address all three directly.

A BankOS like Treasury Prime's allows a community bank to simplify, modernize, and scale its existing technology stack without a costly rip-and-replace of its core systems. It opens access to new customer segments and deposit sources through fintech and corporate partnerships. And it enables the bank to extend its brand into new geographies, markets, or customer verticals — all through a single build, managed from a single control center.

Critically, technology companies like Treasury Prime are not simply incremental improvements on the existing vendor landscape; they represent a fundamentally more cost-effective alternative to the legacy core processing systems that have long dominated community banking. The traditional core banking providers, a market historically concentrated among a handful of vendors, typically charge community banks significant upfront licensing fees, expensive annual

maintenance contracts, and steep charges for every incremental integration or upgrade. For a $500 million community bank already operating on thin margins, these costs can represent a material constraint on innovation and growth. The economic model is extractive: banks pay more as they grow, and they pay again every time they want to adapt. Technology platforms like Treasury Prime invert that model. Our modular, API-native architecture allows community banks to add capabilities incrementally, without wholesale replacement of their existing core, and at a fraction of the cost of comparable functionality from legacy providers. The result is that banks that may have believed that modern, embedded banking infrastructure was financially out of reach can now access it. This democratization of financial technology infrastructure is not incidental to the bank-fintech partnership story, it is central to it. Congress and regulators should understand that when community banks partner with fintech infrastructure providers, they are often making a considered, economically rational decision to modernize in a way that the incumbent technology market has made prohibitively expensive. These partnerships are often consummated after years of diligence and vetting, at the direction and buy-in from a bank's board and highest level of management.

Treasury Prime's 2025 Banking Innovation Index found that 99% of community bank leaders view embedded finance as essential to their long-term survival; more than half are already offering or exploring embedded finance programs; and nearly half of those constrained by regulatory uncertainty say that uncertainty is motivating them to invest more proactively in compliance — a dynamic that Congressional clarity would reinforce and accelerate.

B. What This Means for Consumers, Especially Underserved Communities

The consumers who benefit most from bank-fintech partnerships are often those least well served by traditional banking: people with thin credit files, those in rural communities with limited branch access, gig workers who need faster access to wages, small businesses that traditional underwriting models overlook. Embedded finance and data portability are not conveniences for these populations; rather, they are pathways to inclusion.

The embedded finance model enables fintechs to build products specifically designed for communities and use cases that no single community bank could economically serve alone: neobanks designed around specific demographic needs, investment platforms that lower minimum thresholds, vertical labor marketplaces that deliver instant payouts to gig workers. The bank provides the regulatory charter, the FDIC-insured deposit foundation, and the compliance backbone. The fintech provides product innovation and customer reach. Together, they serve customers the traditional model misses.

Atlas is a compelling example of this model in action. Atlas (Exto Inc.) is a fintech company leveraging the Treasury Prime platform that offers a 0% APR credit card, designed specifically for consumers with no or limited credit history, a population that mainstream financial institutions have not accommodated. For tens of millions of Americans, the traditional credit system presents a structural Catch-22: you cannot build a credit history without access to credit, and you cannot access credit without a history. Atlas was purpose-built to break that cycle. Banking services for Atlas are provided by Academy Bank, N.A. and Patriot Bank, N.A., both FDIC members. Through this bank-fintech partnership, Atlas has served over 100,000 active members, helps users build credit scores by an average of 50 points in the first year, and offers a suite of financial tools including early paycheck access and subscription management. This represents a material expansion of access for a segment of Americans the mainstream financial system has historically

treated as unbankable. The bank-fintech partnership structure is precisely what makes this possible: a regulated, FDIC-insured bank provides the trust infrastructure and compliance backbone, while the fintech's technology enables underwriting, product delivery, and customer engagement at a scale and cost structure that no single community bank could achieve operating alone. Atlas demonstrates that financial inclusion is not at odds with responsible banking; rather, it is what responsible banking looks like when the right tools and partnerships are in place.

The bank-fintech partnership model is delivering value not only to individual consumers but also to the small business community, which faces its own set of structural disadvantages in the traditional banking system. Another Treasury Prime fintech, a commercial neobank, illustrates this opportunity clearly. Designed specifically for small and mid-sized businesses, this fintech enables companies to optimize yield on idle cash — a capability that large corporations take for granted through their treasury departments, but that has historically been inaccessible to smaller firms without the infrastructure or expertise to manage it. Through this platform, a small business can put working capital to work in high-yield, FDIC-insured accounts while maintaining the liquidity it needs for operations. In an environment of elevated interest rates, the difference between cash sitting idle in a zero-yield checking account and cash actively managed for yield can represent a material financial advantage for a small business owner. Bank-fintech partnerships make that advantage readily available without a large treasury team. This is an example of embedded finance expanding access to sophisticated financial tools that were previously the exclusive province of larger enterprises, delivered through a compliant, bank-chartered structure that protects the end customer.

IV. Shifting Regulatory Landscape: How We can Enhance Supervisory and Exam Process in an Increasingly Digital Age

The bank-fintech partnership ecosystem has demonstrated extraordinary capacity for innovation and consumer benefit. But it has also operated, particularly over the past several years, under a regulatory environment that has increasingly treated bank-fintech collaboration as inherently suspicious rather than inherently valuable. The consequences of that posture are real, and they are being borne disproportionately by the community banks and underserved consumers this Subcommittee has the most interest in protecting.

The supervisory scrutiny directed at bank-fintech partnerships in recent years, including high-profile enforcement actions, consent orders, and supervisory letters from the OCC, FDIC, and Federal Reserve, has had a pronounced chilling effect on community bank participation in the embedded finance ecosystem. That scrutiny was not without cause. But the regulatory response has too often been overbroad, conflating the failures of a few poorly governed programs with the fundamentals of the bank-fintech model itself. The result is that many community banks, institutions that are genuinely interested in modernizing, that have the right partners and the right governance frameworks in place, have effectively paused their embedded finance strategies out of fear of examination risk rather than any substantive compliance concern.

Treasury Prime's 2025 Banking Innovation Index data reflects this dynamic directly: nearly half of community bank leaders who identified regulatory uncertainty as a constraint reported that uncertainty — not lack of interest, not lack of partners, not lack of technology — was the primary barrier to expanding their embedded finance programs. When institutions that want to modernize

are being held back not by operational limitations but by fear of regulatory consequence, that is a signal that the supervisory framework is not calibrated correctly. Regulation should deter reckless behavior. It should not deter prudent innovation.

The irony of an excessively restrictive posture toward bank-fintech partnerships is that it does not make banking safer; instead, it makes community banking less competitive and ultimately less relevant. When a community bank declines to partner with a fintech infrastructure provider because it fears examiner skepticism, it does not stop its customers from accessing fintech products. It simply loses those customers to larger institutions or non-bank providers that operate outside the community bank's supervisory framework or "regulatory perimeter." Regulatory caution that pushes activity to less regulated corners of the financial system is not consumer protection. It is risk displacement.

What the ecosystem needs — and what this Subcommittee has the opportunity to provide — is regulatory clarity that supports growth rather than suppresses it. That means moving away from supervision by enforcement, where banks and their technology partners must infer acceptable practice from consent orders and after-the-fact criticism, toward a principles-based framework that articulates clearly what good governance looks like and rewards institutions that meet that standard. It means distinguishing between technology infrastructure that enhances a bank's oversight and control and technology that diminishes it — and applying supervisory resources and risk ratings accordingly. And it means recognizing that a community bank choosing to partner with a modern technology platform is not taking a risk on behalf of its customers. It is making a considered, governance-oriented decision to compete more effectively in a market that is not waiting for it to catch up.

To be abundantly clear, the goal here is not to reduce oversight or to immunize bad actors from accountability. Strong compliance infrastructure, real-time transaction oversight, clear contractual accountability, and robust bank control of end-customer data are the foundation on which durable innovation is built. Treasury Prime's platform is designed around those principles because our bank partners require it and because it is simply the right way to operate. The ask is not for less supervision. It is for supervision that is calibrated to the actual risk profile of well-governed programs, that provides clear safe harbors for institutions that invest in compliance infrastructure, and that does not impose a binary choice between regulatory comfort and technological relevance. Treasury Prime experiences first-hand how the bank-fintech ecosystem can be both safe and dynamic. The regulatory framework should be designed to make both achievable at once.

V. A Framework for Congressional Action

The bank-fintech ecosystem would benefit significantly from Congressional action and specifically regulatory clarity. The OCC's recent guidance signaling more tailored, risk-based supervision is a step in the right direction. But regulatory guidance alone is not sufficient. The rules of the road need statutory clarity that endures through political transitions. H.R. 6552, the Bank-Fintech Partnership Enhancement Act, reflects exactly the right Congressional instinct: directing the Federal Reserve, OCC, FDIC, and NCUA to study the impact of bank-fintech partnerships on innovation, competition, and consumer protection, and to identify changes to federal banking law that would promote effective partnerships. That study, if conducted rigorously

and acted upon, could provide the foundation for the statutory clarity this ecosystem urgently needs.

A. Modernize Third-Party Risk Management Frameworks for Embedded Finance

Existing third-party risk management frameworks were designed for a world where banks contracted with vendors for specific, bounded services. Embedded finance is a fundamentally different model involving ongoing, dynamic relationships where a technology platform is woven into the bank's product delivery infrastructure. Congress should direct regulators to distinguish between technology infrastructure that enhances bank transparency and control, specifically platforms that give banks more visibility, better data, and stronger governance and those that reduce it. Treating them identically discourages exactly the kind of investment in transparency infrastructure and innovation that ultimately will revitalize community banking.

B. Provide GENIUS Act-Style Clarity for Embedded Finance Infrastructure

The GENIUS Act's approach to payment stablecoins — clear statutory categories, compliance requirements, and explicit supervisory frameworks — offers a model for how Congress can enable financial innovation while ensuring appropriate safeguards. Congress should consider whether similar clarity is needed for tokenized deposits, multi-bank resilience structures, and AI-driven compliance tools, all of which are already in active commercial use but lack explicit regulatory treatment. Institutions that want to invest in these capabilities need confidence that the rules will not shift beneath them mid-deployment.

VI. Conclusion

I have worked in and around financial services long enough to know that the phrase "compliance and innovation" is often treated as an inherent contradiction. I deeply believe that the opposite is true, and Treasury Prime's own experience confirms it. Banks that operate with strong governance and real data transparency are not slow to innovate. Indeed, these banks are better positioned to innovate because they build genuine trust with their compliance teams and examiners alike. That trust is not a constraint. It is the foundation from which the most durable change in American banking will come.

This Subcommittee can and should establish those expectations clearly. I appreciate the ability to contribute to that conversation, and I look forward to your questions.

Respectfully submitted,

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