

Testimony of Henrietta Thomas
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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. I appreciate the opportunity to discuss innovation and how platforms like Xero are partnering with banks and fintechs to enhance the financial infrastructure small businesses rely on.

My name is Henrietta Thomas. I serve as Executive General Manager of Advocacy, Risk and Compliance at Xero Limited. Xero is a global small business platform and a trusted financial operating system for small businesses. Our purpose is to make life better for people in small business, their advisors, and communities around the world. We do this by providing a trusted, reliable AI-powered platform that allows our customers to focus their energy on growing their business. From an electrician chasing job invoices to a bakery transitioning from keeping an annual shoebox of receipts to an AI-powered platform that offers modern cloud-based accounting, cashflow analysis and payments capability — Xero can support it all. Small business owners also have the ability to customize Xero for their specific needs with a robust ecosystem of connected apps.

We understand that the small business owners who are critical to our communities and the economy don't go into business because they enjoy administrative work. They do it because they're passionate about being creative florists, brilliant consultants and skilled plumbers. Xero allows people to focus on their passion, not their administration.

Xero serves almost 5 million customers across more than 180 countries, with its core markets in the United States, Australia, the United Kingdom, New Zealand, and Canada. In the United States, we support 424,000 customers.¹

This testimony draws on two decades of experience operating a small business financial platform across multiple, global regulatory environments and payment systems. The themes this Subcommittee is exploring — how banks, fintechs and platforms collaborate on innovation, and what that collaboration should look like when it supports American small businesses — are questions Xero thinks about every day. I sincerely appreciate the opportunity to provide Xero's perspective and contribute to this important dialogue.

¹ Xero Limited, Annual Report 2026, available at www.xero.com/investors

II. WHAT IS XERO & HOW DOES IT WORK?

Xero's vision is to be the most trusted and insightful small business platform — giving owners powerful insights, helping them drive meaningful conversations with their accountant or bookkeeper, and make better decisions about their business.

We serve two groups: small businesses themselves, primarily micro and small businesses with one to twenty employees; and the accountants and bookkeepers who advise them. Some customers come to Xero directly. Others come through their advisor. Our platform is built so both can work in the same place, on the same real-time data.

Running a small business involves many jobs to be done. Xero has focused on the three core jobs to be done that matter most to financial health — accounting, payments, and payroll — and built its products around them.

Accounting

A small business that signs up to Xero gets a general ledger anchored to real-time bank feeds; invoicing to send and track what customers owe; bills management to capture and approve what is owed to suppliers; bank reconciliation that matches transactions against the books automatically; financial reporting; and the tax tools needed to categorise transactions, track sales tax, and prepare to file. Everything else Xero offers sits on top of that accurate, reconciled financial data.

Those bank feeds — transaction data flowing automatically and securely from a small business's bank account into the Xero ledger — are key to what makes the platform work in real time. In the United States, Xero delivers bank feeds through two paths that work together:

1. **Through financial data networks**, including our partnership with Plaid announced in July 2025, Xero connects to over 1,500 financial institutions across the country² — including smaller banks and credit unions that cannot realistically build and maintain direct API integrations with every platform that serves their customers.
2. Xero also maintains **direct bilateral partnerships** with major US financial institutions, providing secure, reliable transaction data flows that replace credential-sharing and screen-scraping.

These are not competing models. They are complementary, and the United States has thousands of banks and credit unions, which means small businesses need both to be fully served.

Payments

Cash flow is the most immediate financial concern for most small businesses — and payments are where that plays out in practice. Xero addresses both sides of the equation.

To get paid, every invoice a Xero customer sends can carry a digital "Pay Now" button, enabled through payment partners including Stripe.³ Our customers can get paid through a variety of payment

² Xero Limited, Annual Report 2026, available at xero.com/investors. See also Xero, "Xero to triple high-quality bank feed connections in the US through Plaid partnership," July 15, 2025, available at xero.com/us/media-releases/xero-plaid-partnership/

³ Xero, "Accept Payments Using Stripe and Xero," available at xero.com/us/partnerships/stripe/. See also Stripe, "Xero customer story," available at stripe.com/customers/xero

methods and the payments are automatically reconciled on the Xero platform. Our data shows that Xero customers who use Xero Payments end more months cash-positive than those who don't.

To make payments, Xero has integrated Melio, a US small business bill payment platform acquired in October 2025.⁴ Melio holds Money Transmitter Licenses across multiple US states and is now embedded directly inside Xero. From one screen, a small business can capture bills, route them for approval, and pay one or many at once — funded from a bank account or card, sent to the supplier by ACH or check, and reconciled automatically in the ledger. Xero expects customers to save up to 15 hours a month on bill pay tasks as a result.⁵

Payroll

Payroll is among the most complex financial obligations a small business faces — and getting it right matters enormously to the employees who depend on it and the businesses responsible for it. In the United States, Xero is currently piloting an embedded payroll solution in partnership with Gusto, a leading US payroll and HR platform, with the goal of bringing payroll, accounting, and payments together in a single workflow for US customers.⁶

AI, built-in

JAX — Just Ask Xero — is Xero's AI financial superagent. Rather than layering AI on top of existing workflows, JAX runs across them: reconciling transactions, drafting and chasing invoices, surfacing cash flow insights, and turning manual multi-step processes into automated workflows with human oversight.

In the twelve months to March 2026, more than 2.6 million Xero customers used AI features within the platform. During that same timeframe, JAX automatically reconciled 40 million bank transaction lines, with a reported accuracy of 97 percent.⁷ Customer adoption of new GenAI-specific features reached 500,000 users, and customer messages sent to JAX grew approximately 115 percent per user over the same period.⁸ We are constantly exploring ways to leverage the advancements in AI for our customers and believe that helping our customers adopt these technologies in a safe and reliable manner will benefit small businesses across the United States.

Built on 20 years of trusted infrastructure, compliance capability, and proprietary data, Xero's AI-powered innovation is used by millions of businesses and their advisors globally. We are focused on delivering a system of action and decision-making built on Accountable Intelligence™ — the belief that true intelligence is accountable and auditable for those who use it. Our commitment to trust is foundational, and it's a meaningful competitive advantage as AI becomes central to small business operations.

⁴ Xero, "Xero to acquire Melio: A payments game-changer for small businesses across the US," June 25, 2025, available at blog.xero.com/news-events/xero-to-acquire-melio. Acquisition completed October 15, 2025

⁵ Matan Bar, "Fintech Explained Q&A: Matan Bar, US CEO, Xero," Financial Technology Association, May 5, 2026, available at fassociation.org/fintech-explained-qa-matan-bar-us-ceo-melio-xero/

⁶ Gusto, "Xero To Launch All-in-One Simple Payroll for U.S. Small Business Customers, Powered by Gusto," available at gusto.com/company-news/Xero-To-Launch-All-in-One-Simple-Payroll-for-US-Small-Business-Customers-Powered-by-Gusto

⁷ Xero Limited, FY26 Investor Presentation, slide 29, available at xero.com/investors

⁸ Xero Limited, FY26 Investor Presentation, slide 29, available at xero.com/investors

More than 1,000 Connected Apps

Beyond the three core jobs, Xero's App Store connects small businesses to more than 1,000 certified third-party applications — inventory, expense tracking, analytics, industry-specific tools, and more — so customers can extend Xero to fit how their business actually runs.⁹

Our strategic partnerships — including with Gusto, Stripe, and Plaid — allow us to offer capabilities beyond what we build ourselves. We embed these services directly into the Xero platform to create a seamless experience. That multilateral collaboration — between banks, fintechs, and platforms, each serving a function the others do not — is core to how Xero operates.

This is Xero's proposition: a single platform through which a small business can run its books, pay its people, get paid by its customers, pay its suppliers, and access the broader ecosystem of tools and services it needs — all connected, all reconciled, and increasingly, all automated. The collaboration between banks, fintechs, and Xero is not a feature of our business model. It is the foundation.

III. WHAT SMALL BUSINESSES ARE EXPERIENCING TODAY

The previous section describes what Xero does. Before turning to how bank-fintech collaboration works in practice, it is worth grounding this discussion in what small businesses are actually experiencing — because the infrastructure question and the small business economic question are ultimately the same question.

Xero publishes quarterly Xero Small Business Insights (XSBI) drawn from aggregated, anonymised transaction data from small businesses on our platform. Unlike surveys, this reflects actual financial behaviour — invoices raised, payments received, cash flows — from real businesses. In the United States, the XSBI sample covers approximately 32,000 small businesses, as part of a global sample of more than 1.1 million businesses across five countries.¹⁰

Our Q1 2026 data (January to March 2026) shows US small businesses waited an average of 28.8 days to receive payment on their invoices, with invoices running an average of 9.0 days overdue — a figure that worsened compared to the prior quarter, reversing an improving trend seen through 2025. A small business that has completed work and issued an invoice is already carrying the cost of that work — staff wages, materials, overheads. For a business operating on thin margins, waiting nearly a month to be paid, and then a further nine days beyond the agreed date, constrains investment, hiring, and growth. It is the difference between taking on a new client and turning them away.

This is where financial infrastructure becomes a small business issue. Better tools help: our data shows that Xero customers who use Xero Payments end more months cash-positive than those who don't.¹² Bank connections, payment rails, data flows, and the platform that brings them together are the practical determinants of whether a small business has the visibility and control it needs to not just survive but thrive.

IV. BANK-FINTECH COLLABORATION: XERO'S EXPERIENCE IN PRACTICE

The data in the previous section illustrates what is at stake for small businesses. Xero operates across markets with dramatically different financial infrastructure and regulatory frameworks. In our

⁹ Xero Limited, "Xero App Store," available at apps.xero.com/

¹⁰ Xero, United States Small Business Insights, April 2026, available at xero.com/us/small-business-insights

experience, certain provisions and policies make it easier for us to support small businesses — and where banks, fintechs, and platforms can collaborate within clear, proportionate regulatory frameworks, small businesses benefit directly. The United States is unique in its position as a global technology innovator, and has every ingredient to build on what other markets have piloted.

How the Parts Fit Together

A small business using Xero is the customer of multiple regulated institutions at once. Their bank holds their money. A financial data network like Plaid or a direct bank API carries their transaction data into the platform. Xero's subsidiary Melio holds the Money Transmitter Licenses through which bills paid in Xero reach suppliers. Each party performs a function the others cannot, and each operates inside a regulatory perimeter calibrated to that function. What Xero contributes is the layer where these parts meet — the workflow, the visibility, and the reconciliation that turn discrete financial services into a coherent experience for the customer.

To make that concrete: a restaurant owner using Xero connects their bank account, which feeds transaction data automatically into their ledger. When a supplier invoice arrives, they approve it in Xero and pay it through Melio — funded from their bank account, delivered by ACH, and reconciled automatically in their books. Their accountant sees the same real-time picture they do. At no point does the restaurant owner have to log into a separate banking portal, re-enter data, or wait for end-of-month reconciliation. The bank, the data network, the payments platform, and the accounting software are working together invisibly, in service of a business owner who just wants to focus on running a restaurant.

The structural reason this division of labour matters is scale. The United States has thousands of banks and credit unions — including the community banks and credit unions that serve the majority of America's small businesses. The vast majority of those institutions cannot realistically build and maintain direct bilateral API integrations with every platform that serves their customers. Fintech data networks are how those institutions — and the small businesses that bank with them — participate in the modern financial ecosystem. Far from displacing community banks, these partnerships extend their reach: a small business banking with a community bank in rural Wisconsin can connect that account to Xero through Plaid just as seamlessly as one banking with a major national institution. The bank channel and the data-network channel are not competing routes. They are two parts of one system.

The Regulatory Framework

Xero operates within a substantial regulatory framework:

- **Through Melio, Xero complies with the Bank Secrecy Act** — including its anti-money-laundering program, transaction monitoring, suspicious activity reporting, and recordkeeping obligations — the USA PATRIOT Act, OFAC sanctions screening, and FinCEN registration as a Money Services Business. These federal obligations sit alongside state Money Transmitter Licenses, each carrying ongoing examinations, capital and surety bond requirements, and officer fitness reviews.
- **Through our bank partnerships** — both direct and those intermediated by financial data networks — **Xero operates inside the Gramm-Leach-Bliley Act framework**, including the Safeguards Rule that governs how nonpublic personal information shared with us by financial institution partners is handled and protected. We are also subject to the federal banking

agencies' interagency guidance on third-party relationships through the oversight programs our bank partners operate under, and, where applicable, to the Bank Service Company Act.

- **Through our payment partnerships**, including Stripe, **Xero is subject to Payment Card Industry Data Security Standard (PCI DSS) obligations** for the handling of cardholder data and to the card-network rules that govern card acceptance, alongside the federal electronic-payments framework — including the Electronic Fund Transfer Act and its implementing Regulation E — that governs the rails on which those payments move.

This regulatory framework is not incidental to how Xero operates. It is the foundation on which our bank partners are willing to work with us, the basis on which small businesses trust us with their financial data, and the reason we can make the claims we make about security, accuracy, and accountability.

Modern Payment Infrastructure and Fintech Access

The United States is making significant investments in modern payment infrastructure. For example the Federal Reserve's FedNow Service, launched in July 2023, provides banks and credit unions with the ability to send and receive instant payments around the clock. By the end of 2025, approximately 1,500 financial institutions had joined FedNow, covering roughly 40 percent of US demand deposit accounts, with the Federal Reserve working toward its goal of connecting the vast majority of the country's approximately 9,000 banks and credit unions.¹¹ Transaction limits have been raised to \$10 million, use cases are expanding, and adoption continues to grow.

Xero's experience in the United Kingdom illustrates what becomes possible when modern payment infrastructure and regulated data access work together at scale. The UK has operated Faster Payments as the default real-time payment rail since 2008. In November 2023, Xero became the first major small business accounting platform in the UK to offer on-platform bill payments, with payments processed through Faster Payments and automatically reconciled in the ledger.¹² The result is faster, more reliable integration for small businesses.

Equipping Regulators for What They Now Supervize

The most productive supervisory environments we have encountered are those where examiners are equipped — with training, with tools, and with continuous technical engagement — to evaluate modern products and services before they walk in the door. We welcome this Subcommittee's interest in supervisory technology and examiner upskilling. Risk-based supervision works best when it is informed by current understanding of how the products under examination actually function, and the gains from that investment compound: better-equipped regulators make for safer markets, and safer markets make it easier for banks, fintechs, and platforms to each do what they do best on behalf of small businesses.

V. PRINCIPLES THAT GUIDE OUR APPROACH

Twenty years of operating a global small business platform across markets with very different financial systems has informed how Xero thinks about what good frameworks look like. The principles below

¹¹ Federal Reserve Financial Services, FedNow Service, available at frbervices.org/financial-services/fednow

¹² Xero, "Xero unveils new payments features to help UK small businesses better manage cash flow," November 13, 2023, available at xero.com/uk/media-releases/xero-unveils-new-bill-payments-feature-and-launches-invoicing-uk/

are not aspirational — they are the operating assumptions that guide how we build, how we partner, and how we show up for the small businesses we serve. They reflect what we have observed works — and what creates unnecessary friction — across every market in which we operate.

Businesses own their financial data. When a small business connects their bank account to Xero, they are authorising Xero to act as their agent and access their financial data on their behalf. That data is theirs. They control who sees it, what it is used for, and when access is revoked. In 2020, Xero made a company-wide pledge to responsible data use, introducing a set of commitments that guide every decision involving data — from product development and technology investments to partnerships and acquisitions. Updated in 2024, those commitments reflect our view that as custodians of the data on our platform, we have an obligation to use it responsibly and in service of our customers.¹³ That principle — customer-directed, consent-based access to financial data, governed by publicly stated commitments — is what well-designed data frameworks protect. It is the basis on which Xero has built relationships with millions of small businesses and their advisors.

Oversight calibrated to actual risk, not organizational form. The most effective regulatory frameworks we have seen are those designed around the actual function and risk profile of the entities they govern — not those that apply rules designed for one type of institution to another that serves a different function in the ecosystem. Oversight that reflects what a company actually does, the compliance infrastructure it has built, and the risk it actually presents, enables innovation without sacrificing accountability. Oversight that does not make those distinctions creates friction without safety.

Collaboration as a design assumption. The frameworks that produce the best outcomes for small businesses are those that treat collaboration between banks, fintechs, platforms, and intermediaries as the expected model — and that reduce friction at the interfaces between them — rather than those that treat fintech involvement as an exception to be managed. In every market where Xero operates, banks remain central. What changes when collaboration works well is the experience for the small business.

Small businesses are our priority. Whether the question is data access, payment rails, AI governance, or examination frameworks, the design principle that consistently produces the best outcomes is asking what is in the best interest of small businesses. The United States has over 36 million small businesses, accounting for nearly half of private sector employment.²⁴ They bank with community banks and credit unions and they are the unifying thread of our communities nationwide. They use platforms like Xero. They depend on infrastructure that works for businesses of their size, not just the largest institutions.

We appreciate the opportunity to discuss how bank-fintech collaboration is delivering real benefits for American small businesses. The United States has long been at the forefront of technological innovation — and small businesses around the world, including the customers we serve, benefit from that leadership every day. Xero is proud to be part of America's continued evolution in financial services technology, and we remain committed to supporting the florists, electricians, restaurateurs, and consultants who form the backbone of local economies across the country.

¹³ Xero, Responsible Data Use Commitments, available at xero.com/us/responsible-data-use-at-xero/responsible-data-use-commitments/

Thank you very much for your time and the privilege of testifying. We welcome the opportunity to provide additional data, research, or analysis that would be useful to the Subcommittee, and we look forward to today's discussion.

Respectfully Submitted,

A handwritten signature in black ink that reads "Henrietta Thomas". The signature is written in a cursive style and is underlined.

Henrietta Thomas

EGM Advocacy, Risk and Compliance

Xero