



Powering the future of payments with Open Banking

Riding the wave of API innovation for
your journey to payment modernization



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Introduction

Banks have reached a critical window of opportunity to roll out Open Banking and drive API innovation.

Whatever the cause—whether it is the move by banks to a more agile platform based model, the increasing demand for personalized services from customers, or the rise of fintech service providers—it is clear that the momentum towards open APIs is now irreversible. Soon it will be the norm to obtain account information and manage payments using third-party applications that connect directly into bank systems via public domain APIs—a development which promises to fundamentally transform the payments experience for end-users ranging from individual consumers to global corporations.

Innovation in technology and the platforms driving their adoption are two sides of the same coin. Banks have the potential to be platforms connecting customers to the latest in financial technology by adopting Open Banking and connecting to the prevailing digital ecosystem.

Banking APIs are the life lines of an efficient Open Banking system enabling integration of third-party innovators, corporates, and banks. Robust APIs empower banks to effortlessly adopt and offer, Payments-as-a-Service.

For open banking to take hold, financial institutions need to see the value for their businesses, and not feel that they are taking on additional risk or compliance burdens. Incumbents and new entrants must collaborate. Customers must feel assured that their data is secure and is being shared appropriately for their benefit. To remain competitive, incumbent financial institutions will need to embrace the opportunity presented by open banking. And given the jumpstart that open banking has received from regulators, the time to do so is now.

But embarking on this endeavor alone is choosing the more difficult path for banks. Although some are creating their own 'developer portals' or have small teams of data specialists or AI experts, the advantage this can bring a bank could be considered small. Instead, embracing the fundamental 'open' nature of open banking and embracing an ecosystem business model through a platform approach using open APIs, banks can introduce solutions from Fintechs and their partners to extend their service offerings, as well as developing new and innovative solutions in timeframes measured in weeks not months.



Open banking is not optional

Like it or not the banks that get ahead proactively will be successful in the long run.



Sprint for innovation

Open banking is not simply about enabling customers to give their data to third parties. It is pushing banks harder than ever to innovate, compete and tie-up with Fintechs that can meet a genuine customer need.



Customers expect

Whether or not customers understand what open banking is, their financial lives and ease of managing money will benefit enormously from the current levels of innovation in financial services. Customers will come to expect it.

Open banking as a gateway to new kinds of payments

Systems are holding back change and stopping opportunity. Innovative banks that are tapping into open APIs to offer new products and services are extending their market lead.

534 million

successful 'API calls' made to the UK's largest banks in August 2020, up from just 1.9m in June 2019, according to Open Banking.

Open banking is a fast-evolving concept yet when considered is still in its infancy. Whilst it started with the Second Payments Directive (PSD2) and account aggregation, banks are looking to innovate beyond this and truly open up to the fintech ecosystem.

Initially banks may have limited themselves to fulfilling the regulatory requirements of PSD2. In other words, they only offered APIs within the mandatory scope, with account integration and payment initiation being the two main areas that gained initial traction. But more so out of the banks feeling the regulatory 'hand on their shoulder' to provide these technologies rather than seeing them as opportunities for innovation and growth.

But the open banking revolution in many ways is already upon us, accelerated even more so by the need for 'digitization' in the wake of the current pandemic.

It's clearer than ever that banks need to optimize the way they reach and serve customers through digital channels. This means increasingly fostering collaboration with fintech partners to enrich propositions.

Banks need to completely rethink how they deliver financial services and adopt an 'Externalizing by default' approach. Anytime they begin work on a new channel or solution they should consider how they can ensure that the same thing can be accomplished via an API. It's an approach the big techs have taken for the past decade but with banks prior focus being on keeping everything contained and controlled it is something that they will need to open up to if they are going to succeed. We believe the market would generally benefit from open banking being the new normal, rather than the exception from the rule.

What is open banking?

At its heart, open banking is about data. It is a process in which customers authorize their banks to share their financial data with third-party providers (TPPs), and also – for multi-banked customers – among banks. Ecosystems can be built on this data through application programming interfaces (APIs) – the bridges that connect banks with TPPs – and bring together financial and non-financial services on new platforms.


Introduction	Open banking	Moving beyond	Four ecosystem	Open API platform	Conclusion
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Moving beyond account aggregation

When looking at moving to open APIs, what is your corporate banking strategy focused on?

The possibilities for payments created by mixing up APIs, financial data and other tech are endless. Open Banking could benefit businesses with new insights that help manage their money, access products they may not have had before or were not previously available. Services could be more personalised or tailored to the individual's behaviours and lifestyle.

A range of 'tools' will make dealing with money more convenient, simpler and quicker. Open banking allows banks to bring banking to their customers in places that are more relevant. That might be on an accounting platform, an ERP platform, or treasury management platform.

 *Hover over to enlarge diagram*

Banks of all sizes must define their payments strategy to achieve their visions for innovation

As banks continue to navigate the uncertainties created by the pandemic, developing a plan for their payments business is becoming more of a priority. With margins narrowing, a payment is no longer to be thought of as just 'a payment' but it is a commodity for the bank, and one that they should be looking to exploit in terms of new revenue opportunities.

In a recent report the EBA outlined four strategic approaches banks could take in relation to their payments strategy:

Lead	Follow
by setting ambitious goals, taking advantage of strong capabilities, and investing in payments as a means of differentiation in specific customer segments or steps in the value chain.	if they are unwilling or unable to invest substantial resources but still intend to offer robust payments products and services.
Accelerate	Reduce
by making standalone investments; partnering with other institutions to gain scale, expand customer access, and reduce time to market; or forming industry coalitions to address customer pain points and build new propositions that no one bank would be able to deliver on its own.	their payments footprint by, for instance, keeping accounts in house but using partners to provide advanced cash-management, peer-to-peer, or merchant-acquiring applications.

When considering each of these approaches banks that look to be ahead of the pack will reap the benefits of tapping into the power of open banking.

Four ecosystem requirements for successful open banking

In unleashing the potential of open banking in payments there are a four key areas that form the building blocks of an ecosystem approach.



APIs

With open APIs banks can easily leverage and authorize third party developers to allow them access to bank systems and data. At Finastra we already provide access to over 154 APIs through our Fusionfabric.cloud platform. Enabling banks to adopt an API first strategy where they can think beyond mere compliance to regulations and enable monetization of business functionality across retail and corporate banking in the API economy.



Enabling assets

In opening access to data, it is critical that banks have full control over customer data. Our solution offers fine grain entitlement management. Based on the bank's policies, banks can manage third party access to their data as well as the extent of access. The solution provides a consent management interface for banking customers, allowing them to choose the level at which their banking data is shared to third parties.



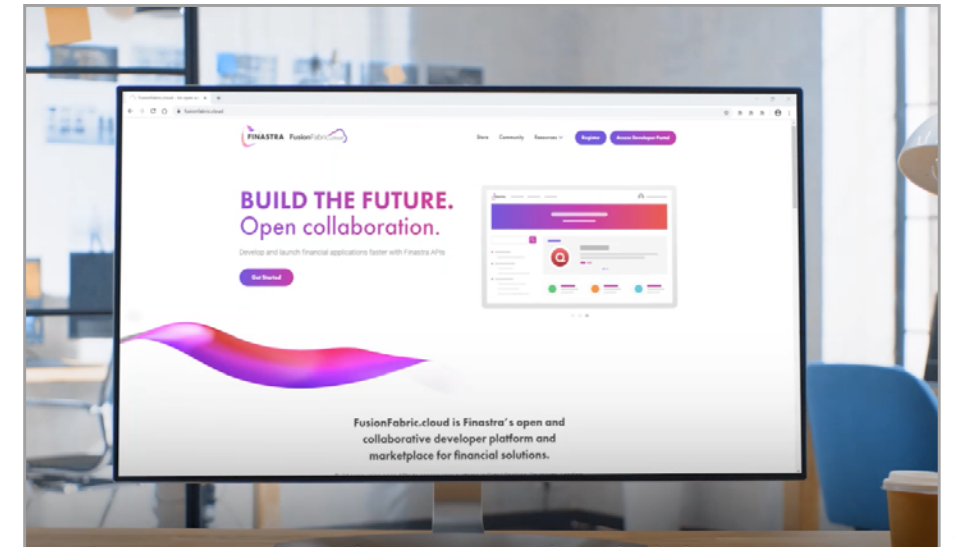
Use cases

Open banking is a driving force for payment innovation. Fifteen different fintechs already offer applications that piggyback on Finastra APIs through our FusionFabric.cloud app store. Banks can access solutions across compliance, fraud detection and cross border payments. Open APIs provide banks with the ability to reach customer segments that their existing capabilities may not be able to.



Partnerships

Financial institutions should look to build partnerships with fintechs to accelerate innovation and provide them with the technology, expertise and vision to drive open banking value creation – helping them realize their objectives.



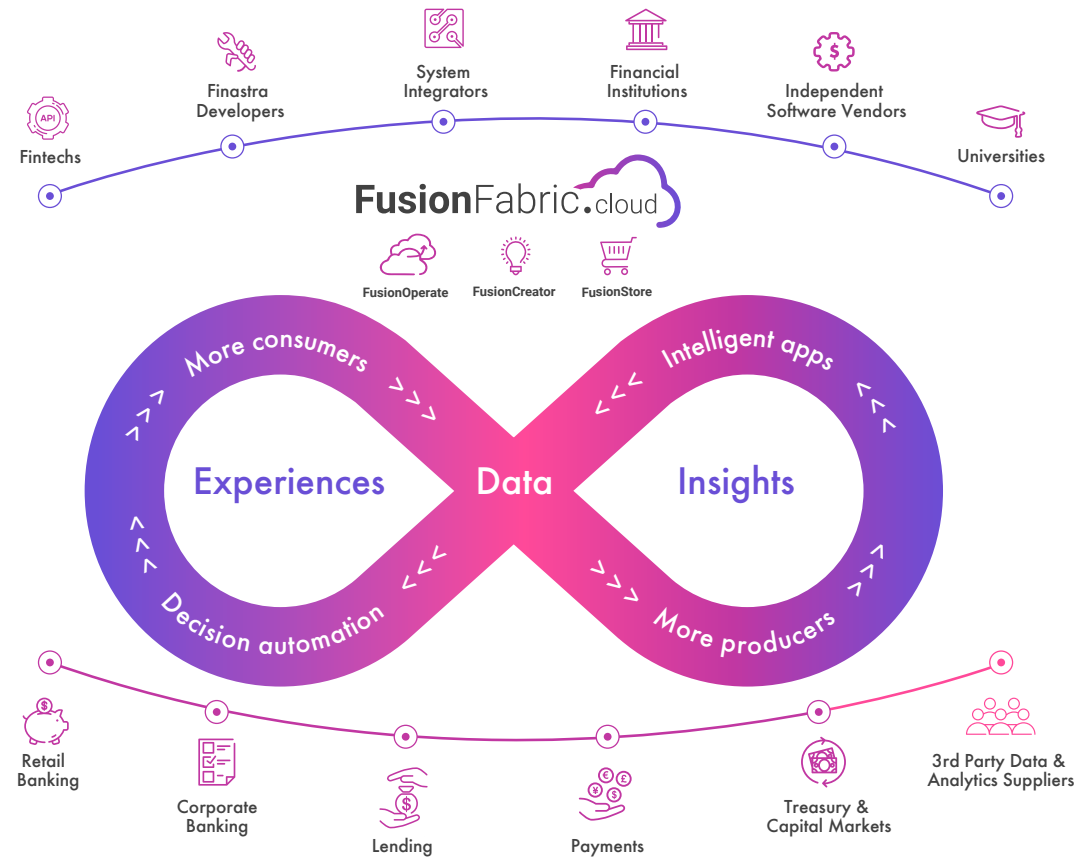
Successful platform models work when there is continued demand and supply from the entire ecosystem - creating a "network" effect. Watch the video to learn how it works!

FusionFabric.cloud – a cloud-based open API platform

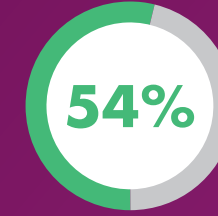
FusionFabric.cloud is Finastra’s open and collaborative developer platform and marketplace for financial solutions.

Banks can use it to build apps using open APIs that access core systems across the banking market: retail banking, payments, lending, corporate banking and treasury & capital markets.

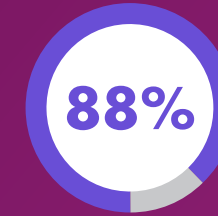
For fintechs, Finastra’s FusionStore marketplace opens up access to thousands of financial institutions.



50% of all B2B collaboration occurs via APIs



54% of respondents believe their use of APIs improves their competitive differentiation



88% of enterprises have adopted API usage



What is an API: [Watch the video](#)

The power of a payment's ecosystem

Innovation is rarely a one-person job. Connect to an ecosystem delivering the latest developments in payments.

Navigate the new world of payments

All applications are available as additional functionalities through your [Fusion Global PAYPlus platform](#).

Fusion Global PAYPlus accelerates adoption of new technologies from immediate/real-time payments, open APIs, blockchain and artificial intelligence.

[Visit our FusionStore >>>](#)



Payment Fraud Prevention

by NetGuardian

Detects fraudulent transactions in real-time, reduces the number of false positives by 83% and fraud management time by 93%.



IN-D PayGen

by IN-D.ai

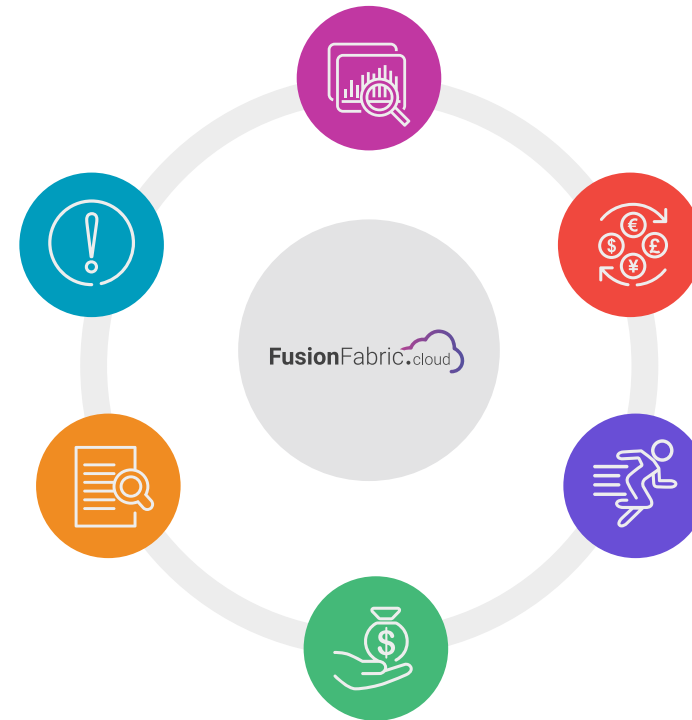
Leverage an AI engine that understands documents and images, extracts data and synthesizes it into actionable payment information.



Fusion Payment Insights

by Finastra

Gather, analyze and store massive quantities of data and then evaluate this information to derive business intelligence and insights.



Real Time Cross Border Payments

by Buckzy



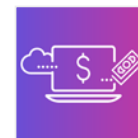
With Buckzy, your consumer and business customers can send and receive money real time, across borders, 24/7/365.

Toniqs

by Digital Retail Solutions



Modulated end-to-end solution for banks to have neo bank facilities, to deploy, convert and scale their digital services to B2B & B2C



Fusion Rapid Fin Pay

by Finastra

Easy and intuitive payment initiation screen for the small-medium-business in the USA to send USD Fedwire payments.

An Open API enablement roadmap

Given that some degree of back office reinvention is required in order to take full advantage of the front-office potential of open APIs, the logical next question is: How to get there?

Open APIs represent a distinct challenge to the traditional architectural approach, so banks need to consider the options carefully, or run the risk of further straining an already complex payment silo landscape. Can banks somehow adapt their current channel, middleware and back office systems to the demands of open API access, effectively shoehorning open APIs into their current architecture? Or do they need a completely new approach, with new execution systems sitting behind a new open API channel service layer?

As banks rethink their payments strategy, they may find it helpful to answer these questions to help them clarify their individual goals, advantages, and challenges.

What is the level of our ambition in payments?

- Do we aspire to be a leader in payments, creating innovative new products and services, differentiating ourselves in core customer segments, and competing with emerging specialists? Or do we see payments simply as a vital part of our broader service to customers, and need to follow fast rather than lead?
- Does our ambition for payments vary by segment? Should we aim to be a leader in corporate transactions, for instance, but a follower in consumer banking?
- Which elements of the value chain offer access to additional revenue streams or other potential benefits?
- Which internal activities contribute to cost but not value, and could be sourced externally or pooled with partners?
- What would it cost in investment, people, and management attention to achieve our ambition?
- What is our market position? Could we reinforce it by cooperating with other players?
- Where are our capability gaps, and what would it take to fill them?

Conclusion

Banks must decide how to position themselves for Open Banking in the face of what will surely be highly disruptive competition. There is no one-size-fits-all approach, and banks must decide where their strengths lie in the broader ecosystem, and how to make their offerings meaningful to their customers.

Should the established banks fail to embrace Open Banking, they risk harming their profitability as traditional revenue streams decline. Open Banking provides an array of alternative sources of revenue on both the retail and the SME side.

To succeed in this new environment, banks should work with partners to build offerings that previously they would have been unable to bring to market. In this way they can use Open Banking to cross-sell and up-sell, adding revenue streams to their operations and adding value to their customers' daily lives.

In the end, open banking presents an opportunity for banks to reinvent themselves and find valuable roles in the new ecosystem.

THE FUTURE OF FINANCE IS **OPEN**

Finastra is unlocking the power of finance for everyone by creating a platform for open innovation in the world of financial services.

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[Contact us](#)

About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators.

Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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