axway

Is your bank "open" for business?

5 ways to speed innovation and engage
your customer in the age of open banking

The future of banking is digital, and in the customer's hands

Every minute of every day, people have new customer experiences — good and bad, physical and virtual, immersive and shallow, memorable and fleeting. Each time they encounter a great experience anywhere, their expectations immediately rise for customer experiences everywhere — including their banks.

While rising customer expectations are impacting every industry, the future of banks and other financial services companies is literally in the customer's hands. Whether it's retail customers interacting with your website, mobile app, ATM, call center, or local branch, or corporate customers interacting with your back-end systems, they expect instant, relevant, and personalized services that flow seamlessly across virtual and physical touch points. Untethered by tangible products, their loyalty must be earned with superior customer experiences, or they'll point, click, tap, swipe, and dial their way somewhere else.

It is much easier to switch to a new bank account or get a more favorable mortgage than to get rid of your suddenly unlovable diesel car. In this environment, banks must continue on the path to digital transformation. If they fail to keep improving their customer experience, they risk losing customers to banks and financial technology (fintech) firms that do.[1]

[1] Digital Banking Application Trends for 2018, Forrester Research, Inc., September 7, 2017

The future of digital banking is wide open, and powered by APIs

Traditionally, banks owned the customer relationship, from start to finish. Every service — from payments and loans to cash management and payroll — was handled entirely by the bank's internal systems. The threat for disintermediation was low to nil, as access to customer accounts and data was safely locked away in the back office.

Today, there is a seismic shift underway as the industry moves from a closed banking environment to one that is open, shared, and ecosystem-driven — leveling the playing field for new entrants and opening the door to rapid innovation and heightened competition.

APIs that connect internal systems and data with new digital experiences are at the heart of this transformation.

Closed access, limited data sharing

Open banking, common APIs, co-creation
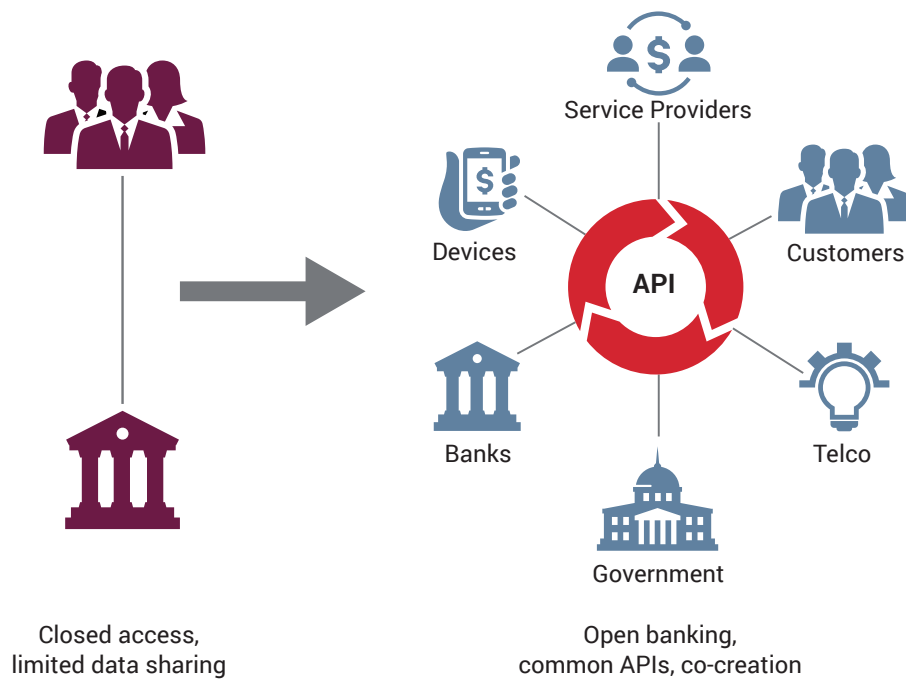
Behind the scenes, a combination of unstoppable and disruptive forces — evolving regulations, advancing technology, and growing competition — are in motion, all underpinned by the push to improve the customer experience.

Regulation is expanding

Around the world, new regulations are in various stages of development, each with its own nuances and implementation timeline.

Across the Single Euro Payments Area (SEPA), PSD2 regulates entities that make digital payments on a customer's behalf, and makes these payments safer with security and liability rules that improve consumer protections.

A major component of PSD2 is Open Access to Customer Accounts (XS2A), which requires banks and other institutions to share payment account information with third parties via open APIs.

The Competition and Markets Authority (CMA) monitors, investigates, and enforces compliance with legislation governing competition and consumer protection across the UK's nine major banks.

In 2017, Australian Prudential Regulation Authority (APRA) put in motion plans for an open banking standard that gives customers greater access and control over their banking data.

The EU General Data Protection Regulation (GDPR) requires businesses to protect the personal data and privacy of EU citizens for transactions that occur within EU member states. GDPR went into effect in May 2018.

Even where there are currently no formal mandates, both local banks and multi-national institutions should take note. Open banking regulations are changing the rules for the globally connected financial services industry.

We believe that as banks reshape their business model and legal entity structure, they will also need to ensure that they are establishing the infrastructure, culture and network necessary to participate in a rapidly evolving ecosystem of innovative competitors and partners that will allow them to develop and adopt potentially revolutionary advances in technology.[2]

2 EY Global Banking Outlook 2017: Uncertainty is no excuse for inaction

Technology is ubiquitous and "always on"

The shift to open banking is far more than a compliance exercise. With 900 billion hours spent inside mobile apps in 2016 and 80 percent mobile coverage in the developed world, it's easy to see why your customers expect frictionless and personalized journeys available 24x7 across all virtual and physical interactions with your bank.

On top of being consistent, available, and engaging everywhere, all the time, you also need to introduce innovative new apps, products, and services faster and more often if you want to measure up to the digital experiences they are having in other aspects of their daily lives.

For example, you might have a developer build a mobile app that presents customized real-time mortgage offers with just a tap. When a customer is shopping for a home and wants loan information, the app gathers contextual information from external sources, including GPS location from a smartphone and up-to-the-minute real-estate listings from Zillow. Then, using APIs, it combines this third-party information with your bank's internal back-end data about the customer's accounts, income, and spending habits to provide customized loan offers on the fly.

900 **billion** hours spent inside mobile apps in 2016	**80** **percent** mobile coverage in the developed world

New competitors are ratcheting up the pressure

Technology is erasing barriers to entry, enabling nimble new players to appear out of nowhere and win market share with aggressive pricing strategies and lean cost structures. Recognizing the immense opportunity created by a new open banking value chain, Fintechs, retailers, and non-banking newcomers are reshaping the market with untraditional digital services like payment initiation and aggregated accounts information services.

These third parties, formerly on the outside of the closed banking system, are generating wave after wave of innovation that give consumers direct access to cheaper, more convenient digital banking options. For example, Intuit's online personal money manager Mint.com is a popular service, as are several telecom mobile money technologies including Apple Pay, Google Wallet, and Samsung Pay. Mobile peer-to-peer (P2P) payments like Facebook Payments interact directly with the bank's customers.

Five key trends will define banking AD&D teams' priorities for 2018[3]

Trends in 2018	Implication for AD&D teams
Accept the new operational model of open banking with APIs	Use APIs to become more flexible and drive revenue
Revitalize touchpoints to focus on relationships	Design for intelligent channels, not just perfect user interfaces
Embrace analytics as part of true digital banking	Drive true digital banking with rapid, informed, and intelligent interactions
Make products more efficient, despite marketplace complexity	Plan for product configurators and cost calculators

Refresh all your banking apps — even newer ones — to avoid becoming obsolete.[3]

[3] Digital Banking Application Trends for 2018, Forrester Research, Inc., September 7, 2017

To stay relevant and win, get your head in the game and keep moving forward

In essence, open banking is a team sport that will be played on a new field, with new rules and new teammates who might have been arch-rivals a month ago. If you're in it to win it, here are five steps to get you started:

01 Lay a strong digital foundation by pairing strong governance with a flexible architecture

Soon, the majority of banking data won't be coming from the traditional employee, partner, and customer sources. It will be coming from mobile apps, the web, and billions of connected things like cars, appliances, wearables and sensors. And it will all need to be integrated with traditional systems of record in real time, on demand to create the compelling, high-performance experiences customers expect.

This data deluge will challenge every traditional bank, where the biggest chunk of the IT budget goes toward maintaining legacy architecture that has been in place for decades. It's understandable if you're reluctant to rock the boat due to time, cost, and security concerns. But you must do it anyway.

Open banking requires a modern integration foundation that securely connects core systems to the outside world via APIs. By taking an API-first approach to rebuilding and reorienting existing systems, you can pair strong governance with a flexible architecture to:

- Improve operational efficiency by offering DevOps-ready shared services to your internal teams and external partners and developers
- Accelerate time to value with secure file transfers and transactions that reduce costs and the burden on internal resources
- Speed time to market for new products and respond rapidly to new business opportunities with on-demand/real-time integration for mobile apps, cloud services, and devices that need access to your back-end systems

…banks must answer a series of critically important questions related to purpose, target customers, core products and services, distribution model and innovation strategies. The answers to these questions and the steps taken to implement them will determine whether individual banks emerge as industry leaders, recede into irrelevance or fail altogether.[4]

4 EY Global Banking Outlook 2017: Uncertainty is no excuse for inaction

Read how financial institutions win with modern systems

02 Expand your business ecosystem to enable new digital experiences and external innovation

It might seem like Fintechs and other upstarts that were "born" digital have the upper hand over banks that are burdened with legacy systems and processes. They don't. In fact, you have an enviable advantage. Why? Because you and your existing and potential partners already have the account, loan financing, policy proposal, cash management, payment, and other services required for excellent customer experiences – you just need to work together to combine, monetize, and deliver them in efficient and secure new ways that your customers will love.

Rather than endeavoring to create the ultimate product or service on your own, focus on leveraging your business ecosystem and using secure APIs to aggregate existing services, create more distribution channels, and share data with partners who might have otherwise been competitors. This will help you keep costs down and free up resources for new product innovation.

Take a page from the Fintech playbook

Instead of seeing the new digital experiences offered by Fintechs as a threat to your relationships with consumers, merchants, and corporations, use them to improve the customer experience leveraging your deep knowledge of their preferences and behaviors.

To accelerate innovation, enhance traditional services with previously untapped data and digital services to anticipate what the customer needs in the moment, and dynamically propose tailored, context-aware services at the right time, through the right physical and/or virtual channels.

This way, the customer doesn't have to invest time or effort investigating your offerings because you already know what they want and need. You can redefine the quality and the value of the customer experience by making it connected and personalized everywhere — ultimately making it easier for your customers to do business with you.

"If banks can embrace third-party capabilities from Fintechs and others and formulate these into customer solutions, then this provides an opportunity to more deeply embed themselves in customer business processes and to make those processes more efficient and less costly to execute."

Robert Langley, Enterprise Architect, Payments, National Australia Bank

Watch how APIs rejuvenated legacy infrastructure to allow growth at National Australia Bank

03 Open the door to innovation with an API-first digital banking platform

A nimble API-first approach must be the cornerstone of your bank's digital transformation strategy because it enables integration between internal information and the broader customer and partner ecosystem. By building a digital banking platform with a cohesive approach to API creation, control, and consumption, you can enable API developers, security architects, integration teams and lines of business to work together to:

- Expand reach, revenue, and competitive strength through experimentation and open innovation
- Be more productive with a modernized infrastructure
- Let the business move faster with secure access to legacy systems
- Protect data by controlling access and bridging identities across on-premise, cloud, mobile, and IoT
- Integrate devices and systems in consumption- and outcome-based solutions
- Measure everything that matters about API usage across different products, services and business models
- Make money by packaging and promoting APIs in creative, secure, efficient and helpful ways

04 Be proactive, not reactive, with real-time data and operational intelligence

To transform operations from manual and reactive to systematic and proactive, you need to tap into data to gain real-time situational awareness and predictive insights. This kind of information arms your operations staff, risk and compliance officers, product and customer relationship managers, and executives with the actionable intelligence they need to focus on what's most important for overcoming obstacles and achieving their respective objectives — things like processing payments by cut-off, meeting regulatory compliance obligations and improving the customer experience.

Real-time API usage data and operational intelligence will help you identify and resolve unexpected situations, increase efficiencies, and monetize services to create new revenue streams.

Read How Fannie Mae's amplified intelligence transforms operations from reactive to proactive and predictive

Those who move early to establish an attractive platform will obtain a customer base that is increasingly unwilling to switch to competitors as more and more third-party developers offer services as part of the platform. And in turn, their growing customer base will attract even more developers, turning this virtuous cycle of growth further.[5]

[5] The API Economy and Digital Transformation in Financial Services: The Case of Open Banking, SWIFT Institute, 2017

05 Put the customer at the center of everything you do

To deliver the experiences and interactions customers now expect, banks need to create fast and innovate often. Disruptive leaders are building customer experience (CX) networks — integrated and engaged business ecoystems fueled by common APIs — to drive digital initiatives and experimentation in the big, wide world of open banking.

CX networks integrate internal computing infrastructures, employees, and business processes with external exchanges, processors, partners, and developer communities to create personalized "digital value chain" services.

By bringing the entire digital banking ecosystem together in a powerful CX network with a shared purpose, you can connect data from anywhere to co-create services and experiences that generate new revenue streams and increase customer loyalty.

A corporate banking client's customer experience might involve interactions with payroll companies, multiple domestic and international payment processors, and more.

With a well-managed CX network, you can:

- Simplify customer onboarding processes via automated workflows and self-service portals
- Grow capacity for innovation by recruiting and empowering independent developer networks
- Compose a modern digital workplace that restores enterprise-level security while providing employees with full and seamless access to information
- Coordinate information, resources, and services in real-time with trusted partners
- Understand the real-time performance, quality and demand trends across different customers, partners, and developers

Here is an example of what a banking CX network might look like from a mortgage customer's point of view

1. Save for down payment
2. Get pre-approval for financing
3. Research neighborhoods
4. Find realtor
5. Check our comps on house
6. Negotiate with seller
7. Earnest money in escrow
8. Home inspection
9. Check rates
10. Check credit
11. Shop for mortgage
12. Realize that VA loan is possible
13. Underwriting on loan application
14. Shop for movers
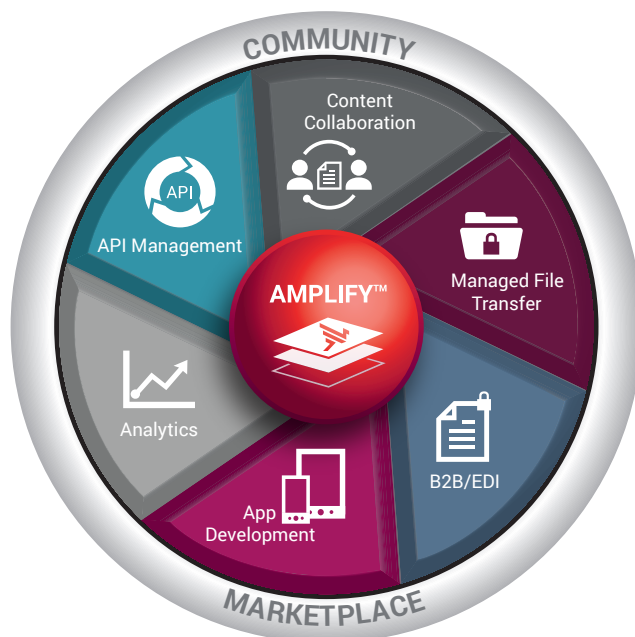15. Find the title company
16. Homeowner's Insurance

Start building your banking CX network with Axway AMPLIFY™

CX networks form, shape, and evolve engaging and immersive customer journeys. You can start building yours with AMPLIFY, a groundbreaking hybrid integration and engagement platform that accelerates innovation and paves the way to open banking.

AMPLIFY includes the API Management, Content Collaboration/EFSS, and Managed File Transfer solutions and B2B Integration capabilities you need to incrementally transform your architecture with security, speed, and agility. It unlocks data and insights from anywhere to make interactions connected and personalized everywhere — and deliver the next-generation digital experiences your customers expect.

- Accelerate open access to customer account information to meet PSD2, XS2A and other open banking requriements
- Integrate legacy systems and combine existing services — your own and your partners' — into innovative, higher-value offerings
- Create an engaging, secure, and seamless customer experience across all virtual and physical touch points
- Measure and analyze API service usage, including specific combinations of services, to improve performance and enable monetization
- Secure your position in the new open banking value chain

When companies think creatively about how to develop compelling experiences for their customers, the brainstorm often leads beyond their own internal capabilities. They begin to see how to create greater value for their target relationships by partnering with other firms to co-create exceptional value.[6]

6 The API Economy and Digital Transformation in Financial Services: The Case of Open Banking, SWIFT Institute, 2017

By embracing new regulations, technologies, business models, and competitors, you can confidently enter the world of open banking with an expanding ecosystem of partners, developers, Fintechs, and non-banking newcomers at your side.

Speed innovation in the new world of open banking

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