

TIME TO OPEN UP

Kim Fournais' views on the Open Banking landscape

Technological innovation has marked a permanent and irreversible shift in consumer expectations in terms of the level of convenience and customisation which they expect from their service providers. This is perhaps most obviously manifested in the use of apps which individuals now use to manage parts of their daily lives, from tracking their fitness to online shopping, to name just a few.

The banking sector is no exception. A recent research project by the retail banking association, Efma, showed that more than 72% of consumers are now using personal financial management apps (almost all of them developed by fintechs). Even more interesting is that 40% of these consumers would prefer to use such an app from the institution they bank with if they had one to offer. The financial services user experience has become a competitive landscape, with banks looking at significant investment to avoid being disintermediated by their more aggressive and marketing-savvy fintech disruptors.

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But how can banks rise to this challenge when they face such a tough economic environment, including the rising cost of complying with regulation, balance sheet constraints, low interest rates and macro economic uncertainty?

At Saxo, we believe the answer lies in an Open Banking platform. Similar to other open platform businesses such as AirBnB and Uber, Saxo is developing an Open Banking solution on the premise that the creation of value will come less from owning and more from sharing, providing and leveraging core assets, making our internal banking services available to customers, employees, third-party developers, fintechs, vendors and partners. To do this banks need to adopt business models based on the wider use of APIs which will enable access



to solutions that can be integrated into an authentic user experience of their own. By investing in a highly personalised, rich customer experience, banks will strengthen relationships with consumers and create greater customer loyalty.

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Furthermore, this API-enabled approach has huge financial benefits which resonate well with a CEO's strategic priorities. It will allow banks to adopt new business development strategies and hence new sources of revenue with less capital spend. Rather than requiring a large investment up front, by collaborating with an API-enabled facilitator like Saxo, banks can add entire business verticals to their existing enterprise with minimum risks and costs whilst maximising their ability to innovate and future proofing their business against competition. Furthermore, in an age of digital transformation, the Open Banking model will make banks more attractive to new employees and improve talent acquisition.

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In order for banks to flourish and, in some cases, survive they will need to offer a broader set of services and capabilities that they are not currently able to provide. Furthermore, they will have to integrate them into a user experience that is distinctively and authentically their own. The banks which embrace this new model of Open Banking will be able to fulfil increasing customer demands for personalised delivery. Those banks which do not embrace this approach are at best at risk of disintermediation, and at worst face the threat of extinction. Technology advances have enabled this new era of Open Banking through collaboration and partnerships; all banks have to do now is embrace it.

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