

Market commentary

Open APIs and the future of payments

Technology and customer expectations have come together to create an unstoppable momentum towards open APIs.

This seismic industry shift has given financial institutions (FIs) the ultimate opportunity – to ride the wave of API innovation and achieve payment modernization. As a result, FIs are now empowered to become platforms, single panes of glass connecting their customers to the latest and greatest tools in financial technology.

In the not so distant future, the majority of customers will utilize account information to make and manage payments through third-party applications that integrate with their banking experiences. This seamless and frictionless customer experience will be achieved solely through the use of public domain APIs.

As long as customers feel their bank and the channels their bank uses are secure, they will transact with regularity, creating a stickier relationship with the FI and its platform.

Open banking and API-driven payment tools are the key to this secure and exciting future.

To successfully transform previous digital payment solutions to open payments, FIs must plan for four distinct ecosystem requirements. First, FIs need 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.



Second, FIs must plan for and exert total control over customer data, as their parties and open APIs bring new levels of risk and exposure. Third, FIs need to define use cases and identify customer segments in order to ensure their solutions are impactful. Finally, FIs will need to choose the right partners to ensure their transformation strategies and tactics are successful.

If successful, FIs will find themselves in a new position, their payments personality and thus customer expectations forever changed. It's important to plan for this positioning and decide where your FI can comfortably sit. For example, will your FI be a market leader, defining innovations and shaping user experience for the industry? Will you be a follower, safely traveling behind the innovators as they carve out new norms? Will you focus on acceleration, sinking resources into speed and continual transformation? Or will you pivot to reduce your payment footprint, focusing on your new and simplified modes of transacting?

As FIs continue to navigate the uncertainties created by the pandemic, developing a plan for your payments business is becoming a strategic imperative. With margins narrowing, a payment is no longer to be thought of as just 'a payment' but it is a commodity that can be utilized to define and position the bank for peak customer engagement and positive voice of customer feedback.

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

Innovate your payment experiences and become a payments leader.

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