

Open Banking: Something to Fear... or Embrace Fearlessly?

If you hear the words “Open Banking” and envision a free-for-all where retail banking is commoditized and consumer data is up for grabs, the reality is quite a different story. Two digital-banking experts share their perspectives on the nuances of an emerging banking landscape hallmarked by open APIs and third-party integration.



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DOES THE SIZE OF THE FINANCIAL INSTITUTION (FI) MATTER?

No. FIs of any size that embrace the concept, and do it right, will be positioned to strengthen consumer relationships and retention by better helping consumers to manage their finances proactively and in the moment, instead of simply facilitating transactions.

No. What matters is the level of involvement from key groups to drive strategic initiatives that better prepare the organization to embrace open banking. It's better to disrupt yourself.

WHAT ABOUT SECURITY CONCERNS?

By relying on networks instead of our legacy of centralization, Open Banking helps financial-services consumers securely share their financial data with other FIs. The consumer also has control to opt in across multiple FI relationships, thereby driving their own levels of inclusion.

Security is crucial to the success of Open Banking. On a technical scale, real-time fraud decisions needs to be in place to monitor and act on potential risks to our customers. We need to educate and give tools to our customers to better leverage Open Banking as it becomes more available. Open Banking opens a wider range of fraud targets and methods, which means a multi-layered approach is a requirement for success.

WHAT ARE THE BARRIERS TO ADOPTION?

Protectionism, education and trust. Looking at Open Banking as an opportunity might be a competitive tactic for early adopters. However, for the consumer, getting proper, informed financial advice can only be done when you have the big picture—yet consumers also want to control when/how/where the “big picture” is shared. After all, consumers want trusted financial advice from people, not algorithms.

I definitely see the current fragmentation regarding standards in protocols as a possible technical barrier. Customer privacy concerns may slow adoption at the end user level. On the other hand, regulations will play a bigger role across continents to promote the collaboration between industries.

WHERE DO YOU SEE FIs FACING THE BIGGEST CHALLENGES?

Knowing how and where to start—and how to plan for it. For countries where Open Banking is being mandated, the job is somewhat predefined... but not easy. For countries where it is still a novel idea, getting any critical mass of adoption will take time. Building the ROI model will be key for FIs, coupled with a deep understanding of how consumers think about this (to position it properly).

Cross-industry coordination and strategic investments to advance standards that protect both consumers and FIs. Identifying the right business models—and fears of being disrupted—will play against collaboration; especially when banks provide data, while fintechs may use the opportunity as an advantage to compete against them. Banks need to be wise and look for possibilities to leverage Open Banking themselves.

WILL IT HELP OR HINDER EXISTING BANKING RELATIONSHIPS?

In my opinion, Open Banking is a savior—at least in the sense of finally bringing together the vast amounts of financial data, information, accounts and ultimately insights that a consumer can use to navigate their financial lives on a daily basis.

I believe it helps existing banking relationships. It is imperative that we as retail banks become the safest place for our customers' data. We must start adopting Open Banking practices to deliver seamless digital experiences, as we interact with our customers throughout their daily life routines. And then, take it a step further by embracing collaborations across industries to enrich our data sets and broaden our customers' profiles.

THE TAKEAWAY:

Embrace Open Banking strategically, look for opportunities to innovate within your organization and leverage the benefits of integrating with third parties. Open Banking will become the new normal—make sure your organization positions itself correctly with consumers to help them understand the benefits: namely, proactive, holistic management of their entire financial lives.

For more on this topic check out:

- [Podcast: It's not a Technology Issue It's a Human One](#), featuring Moisés Pena Reyes
- [Blog: How Bankers Benefit from Open Banking](#), featuring Scott Anderson