

# BANKING APIS STATE OF THE MARKET 2016

HOW BANKS ARE LOOKING TO APIS  
TO DRIVE INNOVATION, CUSTOMER  
RELATIONSHIPS, AND NEW BUSINESS  
MODELS. ADAPT OR ADOPT?

# THE STATE OF BANKING APIS IN 2016

*Banking APIs: State of the Market 2016* is a followup study to two research initiatives conducted by Open Bank Project, Bank Innovation and APIdays in 2015. One year ago, there was recognition of the potential of APIs to drive innovation, and as the mechanism to share authorised data with third parties (with the customer's consent). Banks keen to embrace the digital sphere, in particular, were interested in implementing an API strategy in order to prepare for a new era of customer-centricity.

In the twelve months since then, awareness and understanding around the potential use of APIs within banking has grown. The past year has seen a growing number of conversations about APIs, to the point where they are now accepted as the best way to move information between systems and to expose data in line with regulatory requirements.

In our 2016 study, 30% of all survey respondents worked in institutions that had launched an open API initiative, up from 24% in 2015. Amongst banks responding, 39% had already launched an API initiative and 39% planned to do so in the next 12 months.

One of the key drivers for this growth in cross-enterprise awareness of APIs has been the introduction of the Payment Services Directive 2 in Europe. This has led to the UK Competition and Markets Authority creating a parallel timeline for the introduction of open banking API standards across Great Britain. Other markets around the world are watching carefully.

Meeting these sorts of compliance requirements is now seen as one of the key benefits of introducing APIs within banks. 63% of bank respondents now see this as very or extremely important. Just last year, meeting compliance requirements was rated as the least important benefit of introducing APIs.

But given that new regulations across Europe and the UK will be introduced in January 2018, the pace still appears too slow for such a major milestone in how banks will do business. As more managers and business units across a bank become aware of what APIs are,

more realise how much the current organisational culture is an impediment. In 2016, 69% of bank survey respondents see corporate culture and internal bank bureaucracy as the biggest impediment to developing and implementing an API initiative, up from 62% last year.

In other industries, the introduction of APIs and microservices architecture has created a new mindset where companies become open to the wider benefits of APIs for creating products, fostering partnerships, and introducing revenue streams. It may well be that this will occur within banks, but to get there, banks will need even stronger C-level support and a willingness to recompose teams as well so that business and technology can work more closely together.

The timeline is approaching as to whether banks are simply going to adapt to new payments regulations requirements, or whether they will see this as a jumping off point for adopting an API strategy and move towards an open banking platform model.

## KEY FINDINGS

- ✓ Banks are growing in API awareness and maturity with 39% of banks having introduced an open API initiatives and 39% planning to do so in the next 12 months.
- ✓ 63% of bank respondents believe that APIs are very or extremely important in helping them to meet compliance requirements.
- ✓ Banks still primarily think of APIs in terms of improving their own relationships with customers. 76% of banks think it is very or extremely important for customers to access them on any device, but only 50% think it very or extremely important for customers to be able to connect their banking data to other services.
- ✓ The biggest obstacle facing banks remains their internal culture, with 69% of respondents believing that corporate culture and internal bank bureaucracy is holding them back from developing and implementing an API initiative.





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## CREDITS

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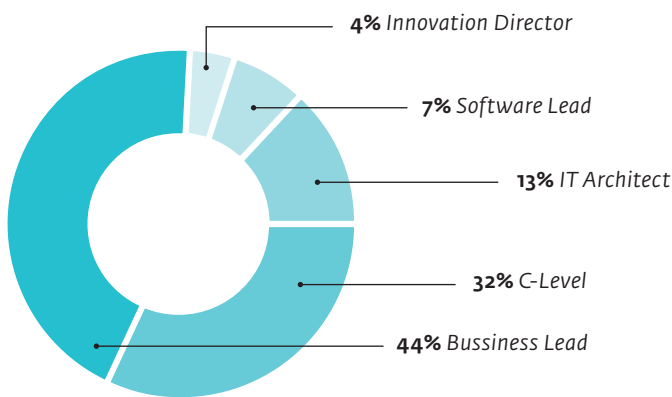
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**OPENBANKPROJECT**

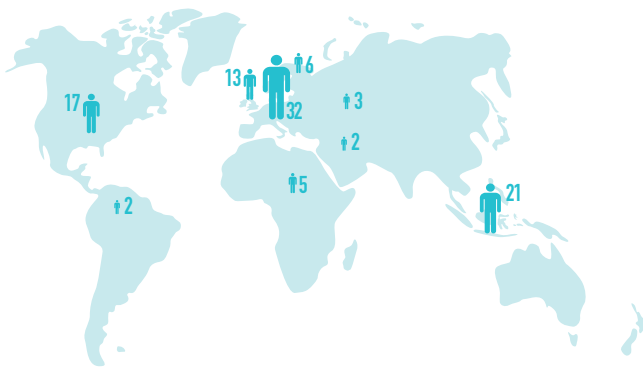
# THE 2016 BANKING APIS SURVEY

*Banking APIs: State of the Market 2016* was conducted in May and June 2016 by Open Bank Project & Bank Innovation, with 174 respondents from across banks, fintech, consultancy agencies and payment providers



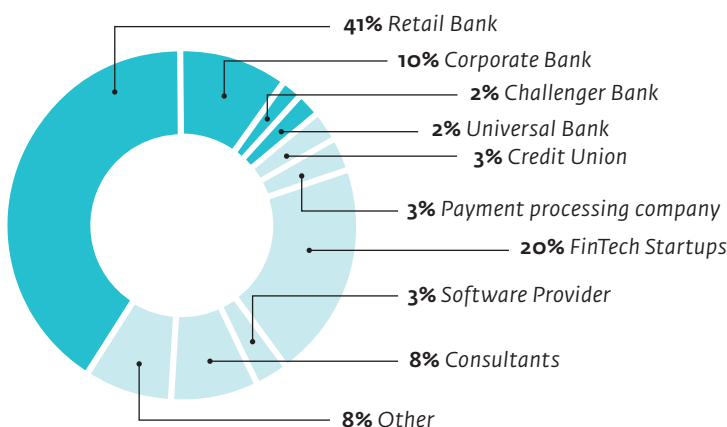
## WHO

The majority of those responding to this survey worked in business strategy (44%). A third (32%) of respondents held C-level positions within a bank or fintech institution, and included Founders, CEOs, Chief Information Officers, and Chief Technology Officers. IT leads made up one-fifth (20%) of survey respondents.



## WHERE

As in last year's survey, the majority of respondents came from Europe (32%), UK (13%), and North America (17%), with a growth in Asia Pacific respondents contributing to this year's survey (21% of respondents, up from 9% of respondents in 2015).



## ENTERPRISE CATEGORIES

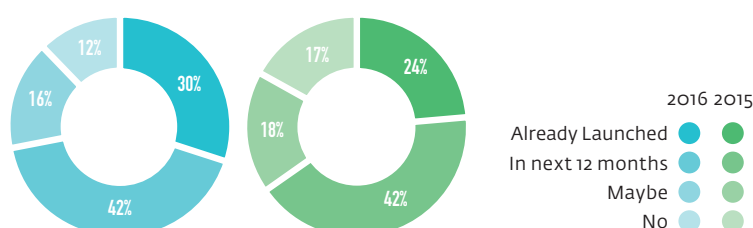
This year saw similar representation from across the banking and financial sector as in last year's survey, with a slightly greater amount of 'other' respondents including fintech, consultants, and software providers. Banks — whether they be retail, corporate, universal or with newly emerging challenger status — make up 55% of survey respondents in 2016, the same representation as in 2015.

# API READINESS

Are you considering the launch of an Open API Initiative in the next 12 months?

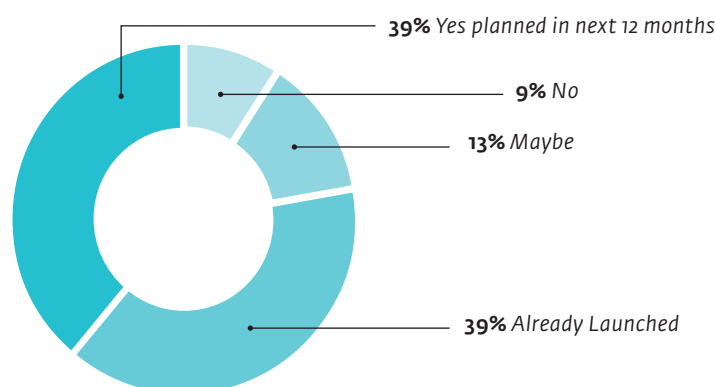
## ALL SURVEY RESPONDENTS

2016 has seen an increase in the number of financial institutions reporting having launched an open API initiative (30% of respondents up from 24%), and overall a 5% drop in the number of respondents who do not plan to launch an API.



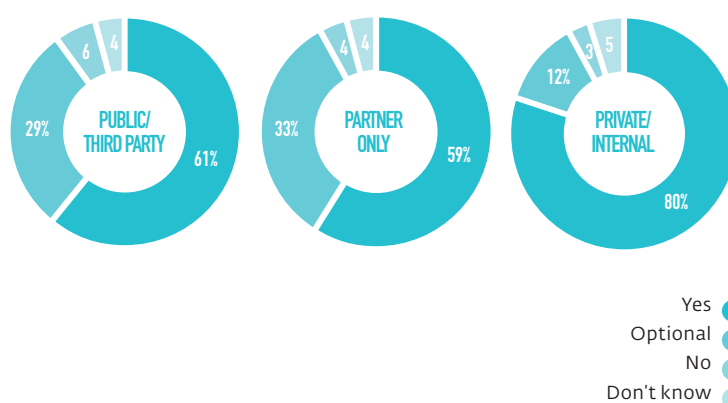
## BANKS ONLY

Amongst banks responding to the State of the Market survey, respondents were evenly split between those who have already launched an open API initiative and those who plan to do so in the next 12 months (each answer totalling 39% of the survey respondents from banks). Amongst those who are still considering an API (the 13% who responded 'maybe'), the majority reported the need to continue building a business case internally, in particular citing the need to overcome cultural constraints and ensure resource allocation before being able to develop a strategy. Interestingly, 4% of the bank respondents who said they do not plan to launch an open API initiative are based in Europe.



## PUBLIC/PARTNER/PRIVATE APIS

Amongst bank respondents, there is growing consensus that bank APIs should be open to external developers and third party providers (61% of bank respondents agreed that bank APIs should be open/public, up from 55% last year). However, there were still around 10% of banking respondents who were unclear of whether any type of API is required: 3% thought APIs were not required at all, while around 5% were unsure what type of APIs banks should offer.



# A BANKING API ANATOMY

## Mapping the API Infrastructure Needs

Overall, bank respondents were keen to build APIs on open standards and specifications (73% said this was required, while 20% thought it optional). This is a significant increase over last year, when 60% of respondents thought open standards were essential, demonstrating a maturing in the market's understanding of the importance of using interoperable APIs across the industry.

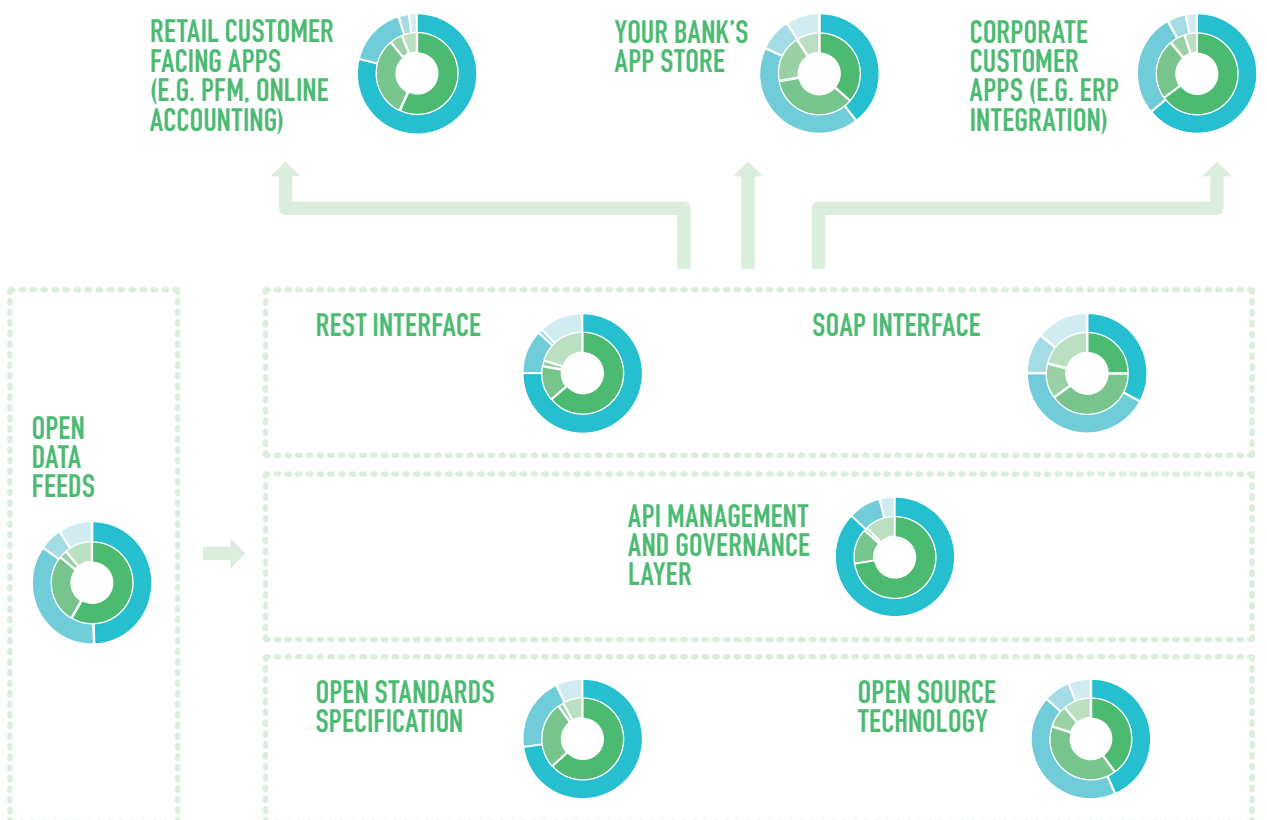
The majority of banks (87%) believe API management and governance is an essential part of the banking API infrastructure, up from 77% who thought it was a key requirement in 2015.

The confusion demonstrated amongst bank respondents that were unsure of whether they would require a public, partner or internal API is again reflected in bank respondents' understanding of SOAP and REST interfaces. 13% were unsure or did not think a

REST interface was required, for example. But overall, understanding is increasing across the sector: in 2016, 76% of bank respondents to the survey said a REST interface was required, up from 60% in 2015.

Reflecting the 39% of survey respondent's current reticence towards open APIs, only 40% said their bank requires an app store as part of their API infrastructure.

## ESSENTIAL COMPONENTS OF A BANKING API INFRASTRUCTURE



2016 2015

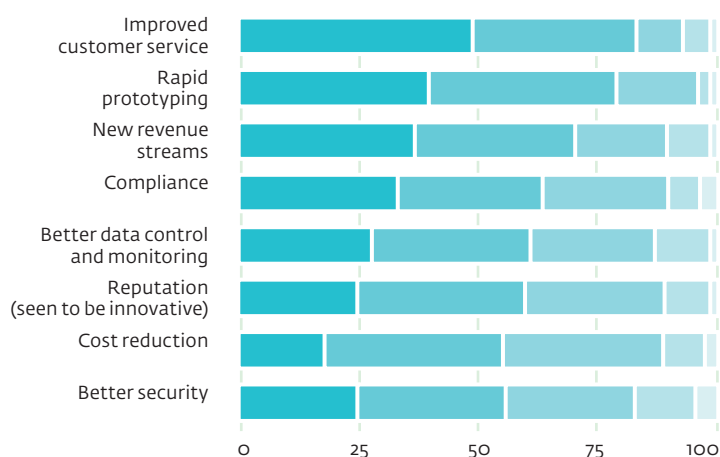
Yes  
Optional  
No  
Don't know

# LEVERAGING APIS

## Identifying Benefits and Opportunities

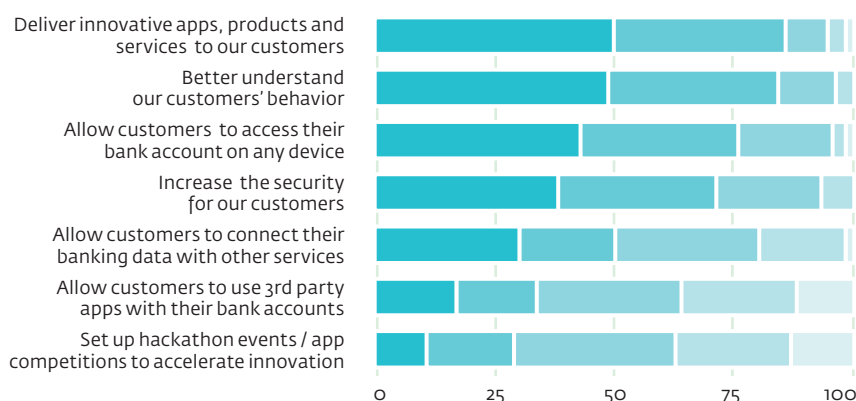
### WHAT API BENEFITS ARE MOST IMPORTANT TO YOU?

The most important API benefits driving bank interest in API adoption changed significantly over last year's survey. Compliance rose to the fourth most important benefit of APIs (with 63% of banks now seeing this as very or extremely important), whereas last year it was seen as the least important benefit of APIs. Amongst bank respondents, improved customer service (82% up from 72% of banks seeing this as very or extremely important) and new revenue streams also rose in importance over last year's perceived benefits.



### WHAT ISSUES ARE IMPORTANT TO BANKS THAT APIS COULD HELP WITH?

All survey respondents see APIs as important in their 2016 roadmap because of improved capacity to connect with a bank's customers through new products, improved understanding of customer behaviour, and a key enabler for allowing customers to access existing accounts from any device. The potential for APIs to help extend a bank's platform and ecosystem (for example, by connecting to other services or to third party apps) was seen as a secondary benefit. All respondents and banks prioritized the following characteristics of APIs as being the most important in their future roadmap (listed in order of importance):



Extremely important ●  
 Very important ●  
 Important ●  
 Slightly important ●  
 Not at all important ●

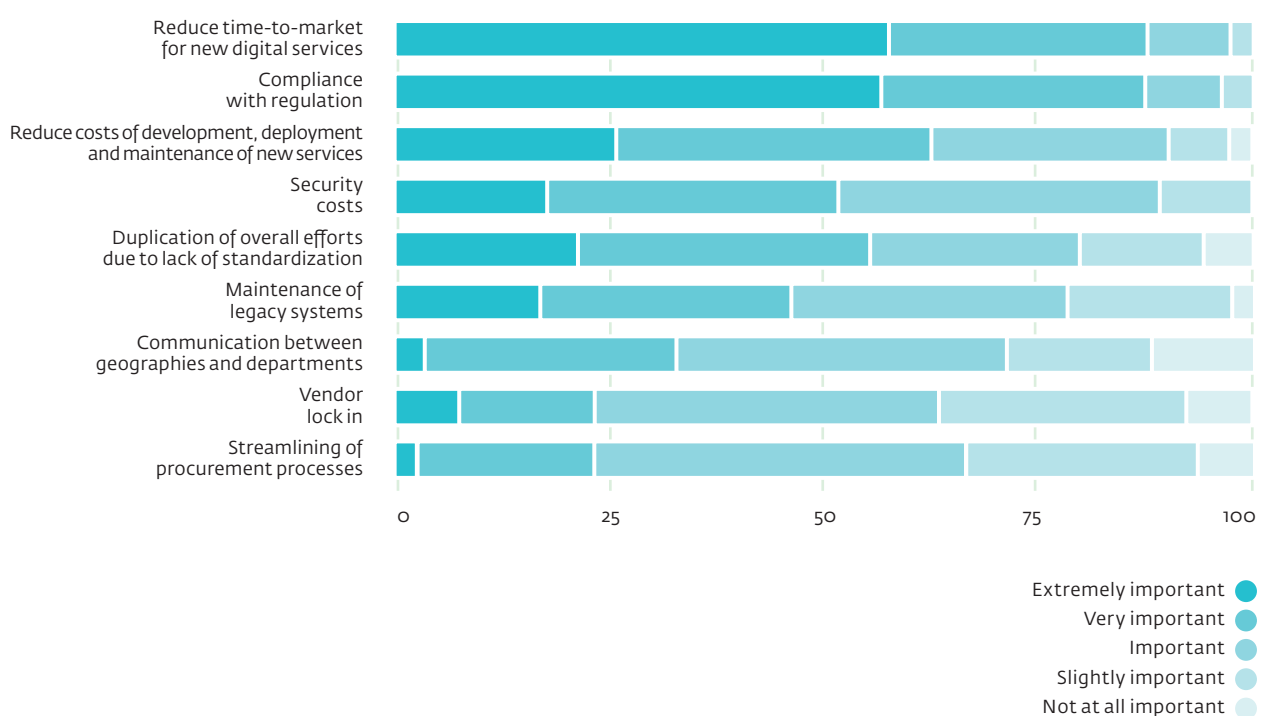
# CHALLENGES IN IMPLEMENTING APIS

Costs, Internal Challenges, External Pressures and Leadership Needs

## WHAT ARE THE MAIN COST CHALLENGES FOR YOUR BANKING IT?

Banks see the biggest cost challenges for their IT infrastructure coming from their ability to create new digital products quickly (87% saw this as a very or extremely important cost challenge) and to meet compliance requirements (85% considered this a very or extremely important cost challenge).

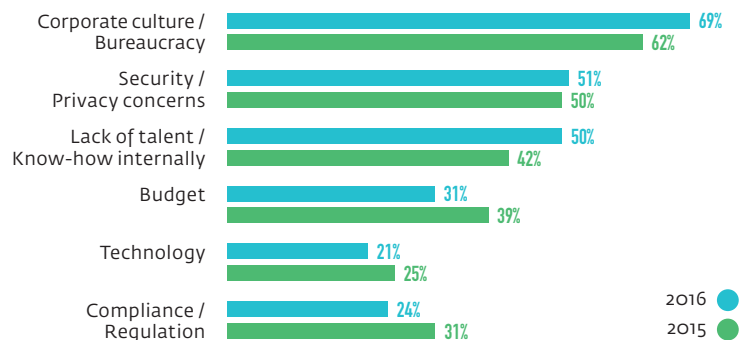
Overall, banks were less concerned about costs related to vendor lock-in, communicating across geographic offices, or streamlining procurement processes (less than a third of respondents saw any of these issues as significant cost challenges).





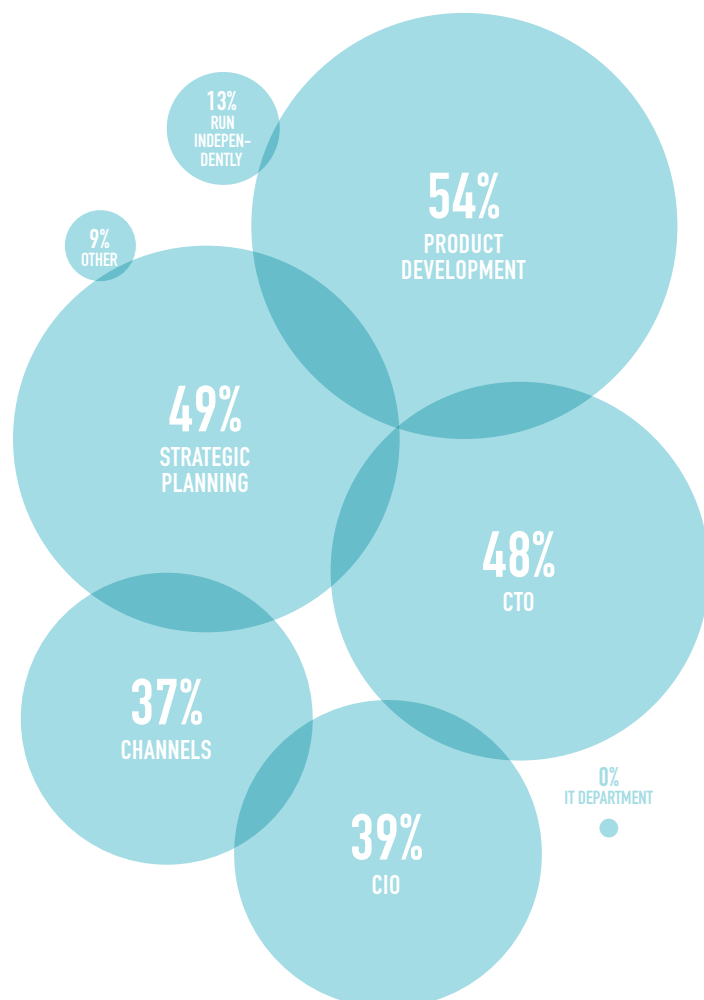
## WHAT HINDERS THE EMERGENCE OF AN OPEN API INITIATIVE IN YOUR BANK?

Corporate culture and internal bank bureaucracy remain the biggest impediments to developing and implementing an API initiative within banks (69% of bank survey respondents say this is a barrier, up from 62% last year). It also appears that as banks become more aware of what is involved with setting up an API initiative, more are realizing they lack internal knowledge or have a limited talent pool of expertise (50% of banks say this is a barrier in 2016, up from 42% last year). Compliance is increasingly becoming an enabler for banks to move towards an API strategy: only a quarter (24%) of banks responding to the survey said compliance and regulation was a barrier, down from almost one-third (31%) last year.



## WHO COULD LEAD API STRATEGIC EFFORTS AT YOUR BANK?

While there was no uniform agreement on who should lead an API strategy within a bank, the majority of bank respondents pointed to roles that had cross-agency responsibilities. 48% felt that the CTO could be the organizational leader, but more thought Strategic Planning (49%) or Product Development (54%) should lead. As was the case last year, no one surveyed thought the IT department should lead API strategy efforts.



## ACCELERATORS FOR A BANKING API STRATEGY

Respondents pointed to C-level and upper management buy-in as one of the biggest factors that could accelerate the uptake of APIs internally and overcome the inertia created by corporate culture. External pressures, including regulatory requirements and market dynamics — in particular seeing the success of competitors who have moved early to leverage APIs — were also seen as potential accelerators that could step up a bank's willingness to commit to an API strategy.

# HOW BANKS ARE LOOKING TO APIS TO DRIVE INNOVATION, CUSTOMER RELATIONSHIPS, AND NEW BUSINESS MODELS

## ABOUT THE STUDY

*Banking APIs: State of the Market 2016* is a followup study to two research initiatives conducted by Open Bank Project and APIdays in 2015. The findings in this report replicate a study by Open Bank Project and Bank Innovation in 2015 that surveyed 133 stakeholders across banking, fintech, credit unions, payment processors and consultants. This year's survey — conducted in May and June 2016 — received 174 responses from banks, fintech, consultants, and payment providers around the globe. In addition, we have analysed the findings with global banking leaders including industry analysts, API management providers with financial services expertise, and banking executives at the forefront of API strategy implementation. This analysis follows up a study with 22 international banking executives by APIdays and Open Bank Project in 2015 looking at the strategic implementation and policy drivers affecting API uptake within banks.

## ADAPT OR ADOPT?

Over the past twelve months, banks having increasingly been preparing to develop and implement an API strategy. 30% of all survey respondents worked in institutions that had launched an open API initiative, up from 24% in 2015. Amongst banks responding, 39% had already launched an API initiative and 39% planned to do so in the next 12 months.

However, corporate banking culture and internal bureaucracy is still the greatest impediment to taking action, as was the case in 2015. This year, 69% of survey respondents saw the internal banking culture as a major hurdle for gaining internal support for an API strategy.

Former APIdays Global keynote speaker, futurist, and manager at OCTO Technology, Christian Fauré has talked for years about the way that technology often moves faster than society. Governments play a role in helping steer how these new technologies are adopted to ensure that they are not harmful, promote equality of opportunity, and foster new economic development. Fauré cautions that in business, this can result in a move to *adapt* to the changing policy environment that is created around the technology, rather than *adopting* the potential that the new technology offers, within the confines of the policy context. This is what is happening today with APIs.

Citizens are demanding access to technology in new ways: via mobiles, wearables, and from within other websites; they want to be able to connect the variety of services they use in ways that are meaningful and create value for themselves. The European Commission is now introducing regulations to ensure that citizens have the right to access those technologies in flexible ways.



The *Payment Services Directive 2* (PSD2) stipulates that bank customers should have the right to access their financial information and connect it in any way they want. The PSD2 also gives bank customers the right to be able to authorise payments directly from their accounts.

This regulatory environment is being created to ensure that citizens are able to leverage new technologies and to remain in control over their financial assets directly, but it is also in order to foster a new commercial ecosystem of retailers, and financial institutions who can help provide the new services that citizens are demanding.

Banks have a new opportunity in this emerging regulatory environment. They can *adapt* to the new regulation and do the minimum possible to conform with the new requirements. Or they can *adopt* the technology and work with the potential it affords by developing new relationships and partnerships and building new business models that don't just meet the regulatory standards but take advantage of the opportunities API technology can give them.

PSD2 regulation in Europe has moved the needle and influenced the global financial stage: banks are more receptive to discussing APIs and the advantage they create. But there is still very much a sense across the industry that the majority of banks are choosing to do the minimum necessary to comply with new regulation, they are adapting their processes, rather than seeing the potential that APIs could enable for a new way of operating.

With PSD2 regulation (and similar regulations in the UK, South Korea and Singapore) set to be enforced in 2018, it is still too early to make any definitive statements about how the industry is evolving to the new technological and policy environment. It may well be that the action of adaptation to the new requirements will lead many to continue on that path and seize the opportunities of open API adoption. In regions outside PSD2 — such as in the United States, Canada and Africa — there are signs that some leading banks are taking up an adoption strategy, even without the regulatory push that banks in Europe see driving some of their decision-making.

VS

## ADAPTATION

**Adhering to regulatory requirements to provide a mechanism for customers to make payments directly from their bank accounts and to share their financial information with third party providers**

### *Characteristics:*

- Waiting for clear agreement on the standards to use for creation of an open API
- Creating APIs that can be used to create the bank's mobile app
- Improving data collection systems to better understand customer behaviour
- Allocation of internal resources to meet regulatory requirements
- Some work on adding a REST interface on top of existing architecture to enable APIs in future
- APIs delegated to systems architects teams or given pilot status within a siloed innovation lab

## ADOPTION

**APIs seen as an opportunity to better meet customer needs, to create an open banking platform and to foster the growth of new business models**

### *Characteristics:*

- Moving forward with an API strategy
- Creating APIs in areas with limited risk (e.g.. bank locators, product recommendation engines, rates calculators, faster credit scoring, etc)
- Improving data collection systems to better measure how customers engage with API-enabled services
- Allocation of internal resources to build a cross-agency API strategy
- Reorienting internal systems towards an API and microservices architecture and recreating work teams with business and technology leads
- APIs managed by cross-agency innovation programs, as a channel or out of the CEO's office

# INTERNATIONAL BANKING ACTION ON APIS



## EUROPE AND THE UK

51% of survey respondents came from Europe, the UK and Scandinavia

The European Commission has passed the Payment Services Directive 2, which will come into force on 13 January 2018. By that time, all banks operating in Europe must make it possible for customers to be able to authorise third party providers to make payments and to access their financial information directly from their accounts. In Europe, this regulation does not stipulate that banks must use APIs, but there is a fairly general consensus that APIs are the best way to enable this to happen. Each nation within Europe must then pass its own laws on how this is managed within their European jurisdiction. In the UK, the Competition and Market Authority (CMA) has been more prescriptive. With a similar timeline for enforcement, the CMA has stated that all banks must use an API as the digital standard to enable authorised payments and shared account information. They have also set up a governing body to work with industry on defining the open API standard.

Bruno Cambounet, VP Banking and Financial Services Solutions at Axway, says that across Europe, banks have agreed that APIs are the best way to meet the new PSD2 standards. However, he acknowledges that the lack of a clear governing environment as has emerged in the UK will make it difficult for banks to take an adoption path. Bruno describes the European situation: "The question of an API being the best way to access, share and connect information together: that work is already done. Agreeing on the standards of access is now the question. Banks are getting help from middleware companies to help them accelerate and help every bank be part of the game. But now the devil is in the detail: which data standards and which authentication and authorisation schemes need to be put in place to really open the door so it is a win-win-win for players?"



## NORTH AMERICA

17% of survey respondents came from the US and Canada

Banks based in the United States are keenly aware of the PSD2 regulations and with a growing global marketplace, are also thinking about how they must be able to align their international offices with these new regulatory requirements. But more so than this impact, leading banks are each working on their own API strategies, with the majority of the largest financial institutions investing in some form of API strategy. Recent announcements by Visa, MasterCard, Wells Fargo and Amex demonstrate a definite move towards open banking platform models.

In Canada, a digital transformation agenda is driving much of the preparedness towards APIs. Banks are resolving their technical debt by moving to a microservices, API-enabled architecture. This is requiring banks to restructure not just their IT but their organizational teams as well. While still often acting as a side project outside the core business of banks at the moment, the microservices and API reorientation is impacting on how business teams and engineering departments are working together, and this could lead to creating the sort of innovative environment needed to take an adoption approach to API strategy.



## ASIA PACIFIC

21% of survey respondents came from Asia and Australia

Across the Asia Pacific region, APIs are being discussed much more than in previous years. In Australia and New Zealand, three of the four major banks are currently working on API strategies. In Singapore, there is a big push from the regulator to introduce APIs, with the government industry body releasing a number of problem statements for industry to solve, several having a clear API focus. Banks across Thailand are indicating that they have API strategies in place, but are finding execution a current challenge. In South Korea, the Financial Services Commission operates an open API program and is currently inviting banks and financial institutions to use a sandbox environment provided to test if their customer solutions could function using the open API standard.



## AFRICA

5% of survey respondents came from Africa

In Africa, APIs are already an accepted approach amongst a banking industry that recognises the mobile-first nature of many citizens. Banks are looking to provide open market platforms with APIs so that partners who have better connections with local businesses and rural communities can take new products to market quickly and create a value chain that moves through fintech partners to connect back to the bank, who had previously had limited access to these customer markets.





# PLATFORM OR INFRASTRUCTURE?

Behind the adapt or adopt dichotomy is a much tougher question: are banks prepared to become a platform or do they want to be relegated to being the infrastructure on which customers can connect to the services they need?

Last year, our study showed that banks were unwilling to make a decision in either direction. It is a difficult question for many banks to even wrap their heads around. The whole banking business model has been in place for over a hundred years and the API environment disrupts many of the fundamentals of that model.

Matt McLarty, Vice President of the API Academy at CA Technologies, says that banks' reluctance to take an adoption approach is partly based on the historic problems they have had with large brittle technical systems. Built over many years, banking software systems are unable to introduce new changes without increasing the likelihood of breaking current operations. This is why many banks are first focusing on updating their technology to an API-enabled, microservices architecture. McLarty believes this process — in tandem with meeting new regulatory requirements — could nudge savvy bank leaders to then begin exploring adoption strategies, which in turn may lead them to seizing the platform opportunity.

*"Generally, I would say you may need to adapt first before you can adopt," says McLarty. "If you define your services and capabilities in API terms, you create a bridge between the business and technical teams. In a complex software system, APIs provide a layer of abstraction that gives the system a business context and illustrates how its components interact."* McLarty

## INFRASTRUCTURE

Definition: Creating APIs that enable third party providers to connect to customers and provide new services.

Characteristics:

- Open APIs meet regulatory requirements
- Internal APIs used to create branded mobile/IoT applications
- Releasing limited other open APIs, e.g. branch locators and product catalogs

VS

## PLATFORM

Definition: A catalog of APIs provided that encourage third party providers to create new innovative services and connect current customers to new tools, and that bring new customers to a bank's core products and services

Characteristics:

- Investing in fintech partnerships
- Creating a developer portal and engaging with developers at developer sites and events
- Releasing a series of open APIs that expose some banking functionalities

is hopeful that this reorientation will bring business and technology teams together to enable a bottom-up organic model that overcomes the obstacles of current banking culture. *"Thinking ahead, the fundamental issue is that banks are so centralised in their organization and governance models, whereas APIs and microservices emerged from the decentralised nature of the web. Companies most successful with microservices and APIs are those with empowered, independent teams. In general, this is the complete opposite to banking culture."*

Antonio Queiroz, Head of Distribution at BNP PARIBAS says that PSD2 is an additional factor for many banks in Europe. As the technology is put in place to build APIs, a new business mindset emerges. Queiroz says BNP PARIBAS is working to deploy more and more APIs, looking for the right balance between customer and business value vs maturity and complexity of the different solutions. He also points to the bank's strong customer-driven culture as being a key asset as they move to a digital environment.

*"For us, it was a maturation process. We accelerated a few years ago when we launched the online bank. Now, regulatory reasons like PSD2 help to also push the business vision. We start to use APIS to expose our business and make it available on other channels and services, and we start to think about the other way around as well. We are starting to think of banking-as-a-service business models. The PSD2 is not one single bullet that is happening, it is a range of things. There is attention and maturity across management. We have a broader view of this."*

Like Queiroz, at ABN AMRO in The Netherlands, Maarten Spit, Head of API-Banking, believes that the move towards PSD2 is making discussions of programmable business models more possible. His bank sees APIs as a new delivery channel and are organising their API strategy resources as a channel. This year, 37% of those surveyed said Channels should own the API strategy.

## WE CONSIDER APIS A NEW DIGITAL CHANNEL. OF COURSE, WE'RE IN THE MIDDLE OF UNDERSTANDING THE REGULATORY PSD2 REQUIREMENTS, BUT FOR THE BUSINESS MODELS OF TOMORROW, WE NEED TO THINK BEYOND COMPLIANCE APIS HERE.

MAARTEN SPIT

*"Technology and architecture is not our biggest challenge on the API topic," Spit explains. "The challenge lays in the fact that our processes are designed for developing loan or payment products. Developing an API-product is a totally different ballgame and requires a different mindset. For instance, embracing the developer ecosystem is relatively new for banks."*

Dave Goldberg, Director - API Products at Capital One in the United States says that by creating an open banking API platform, they are encouraging new discussions amongst management around a platform-based model.

*"It's more about the speed we engage with leadership. So, for example, our Credit Offers API speaks to the core of the business and it shows them there is a different model they can use to work with partners and affiliates, so even with a couple of integrations that becomes clearer. These things take some time to percolate, but it is already making a huge difference in how they are applying resources. In the grand scheme of things, it is a small slice of functionality that we have exposed, but the implied impact of that is changing how they are thinking about resourcing future projects. It takes awhile. It is a long lead time but that starts to shift the company and you see an increase in speed as well."*

Rana Peries, Experienced Digital & Innovation Executive at Barclays, believes banks will need to rethink their strategies and be willing to open up some of their services in order to become a “Banking as a Service” platform with strong external partnerships.

## “IN SOME MARKETS, WE HAVE GIVEN SERVICES TO PARTNERS SO THEY CAN BUILD MORE ENGAGING PRODUCTS FOR THEIR CUSTOMERS”

RANA PERIES

He points to an example where the bank created an API so that app creators could build an aggregator service for small businesses to manage their businesses in one place.

This year’s survey showed that for many banks interviewed, this approach is a low priority for their own API strategies. In the main, 76% of banks see APIs as very or extremely important in enabling their customers to connect to them on any device. 50% feel the same way about allowing their customers to connect their data to external services, and only 34% think it is very or extremely important for customers to connect their banking data to third party apps in the way Peries has facilitated.

But the win from this platform play is that small businesses get to manage all their finances in one place, *“plus do their banking and that gets more businesses using our platform than we could if we tried to get the business to come to our bank in the first place.”* Similarly, he points to opportunities to open up Point of Sale (PoS) systems via API: *“Every customer who uses the PoS potentially ends up being a customer of the bank,”* he argues.

Peries believes that a significant mindset change is necessary for banks to successfully execute on this strategy: *“If you look at mobile banking usage today, you don’t see anyone clicking on the banking app twice in a week. But they are all on WhatsApp, and Facebook Messenger. The minute you put banking in those messaging apps directly, that’s when banks become mainstream.”* In emerging markets, this sort of thinking will be crucial. If banks can offer the banking services through messaging apps that have a very high usage, banks will be able to reach a massive customer base.

Peries says it is a measured path to get the platform model in the mindset of banking leadership. It can take six months for an education program to facilitate understanding APIs, discussing new business models and engaging partners to develop their business cases. *“In a bank platform model, the partnerships can enhance the distribution of the product and reach new markets and that is where the real scale will come from. Banks haven’t caught onto that yet.”*

There still appears to be a disconnect in many banks. 71% of those surveyed say they see APIs as very or extremely important for new revenue streams. But the majority may still be thinking of that in terms of getting their own products to customers rather than working in an ecosystem of partnerships. 80% see APIs as very and extremely important for their own product prototyping, 85% plan to use APIs to deliver new apps and products, and 83% see APIs as essential for understanding their own customer behavior better. Banks still want to go it alone and own the entire customer relationship.





## THE WAY FORWARD

As 2017 approaches, APIs in banking are becoming an increasing necessity. But there is a good chance that challenger banks and fintech providers may yet still seize a large piece of the customer pie and relegate banks to becoming an infrastructure layer that manages security and enables connections between customers wherever they want to manage and transact their finances. In Europe, a clearer co-opetition environment is needed, where banks work together across national borders to define a common open API banking standard.

Banks that have invested in reorienting their architecture towards an API and microservices model now need to dip their toes in the platform waters and experiment with exposing functionality to new partners via APIs so that they can begin the long road ahead towards understanding programmable business models in a new digital environment.

Earlier this year, the Open Bank Project released the report *PDSD2: Focusing on Action with Open APIs*. That report proposed a roadmap (reprinted on the next page) that leads banks through commencing business discussions on an open banking platform to investing and testing their technical readiness.

This year's survey shows that for many banks, this work is only just beginning. Banks are rapidly developing the technical capabilities to expose their business functionalities via API, initially for their own internal use. But as this technical capability matures, so too must the discussions on how to truly meet customer needs. This can only come alive as banks invest in an open banking platform and begin to experiment with fostering partnerships with app developers and other fintech stakeholders. That is the challenge for banks. The digital environment is a new way of engagement with customers, and one that sits outside a bank's comfort zone. Technology is not the barrier here. Regulatory requirements are not the barrier. Banks themselves remain the biggest obstacle to their own future success, and to the real support they can offer to their customers.



## KEY PSD2 MILESTONES



## FOCAL POINT 1: PLATFORM STRATEGY



## FOCAL POINT 2: TECHNICAL READINESS





## ARE YOU READY FOR PSD2?

- ☐ Have you reviewed the impact of PSD2 on your business models? What changes do you foresee?
- ☐ Have you identified a key use case and the related assets and services that you would open up first?
- ☐ Have you started experimenting with API sandboxes and hackathons?
- ☐ Have you started engaging with the wider fintech community in your geographic market?
- ☐ Have you developed a route to production for your sandbox APIs including a payments pathway?
- ☐ How do you secure senior management commitment for an open banking initiative?
- ☐ How would you measure the success of open banking initiatives?

## FURTHER READING

**Paul Rohan**

[www.linkedin.com/today/posts/paulrohan](https://www.linkedin.com/today/posts/paulrohan)

**Jack Gavigan**

[www.jackgavigan.com](http://www.jackgavigan.com)

**Kristin Moyer**

[www.blogs.gartner.com/kristin\\_moyer](http://www.blogs.gartner.com/kristin_moyer)

**European Banking Authority**

[www.eba.europa.eu/subscription-page](http://www.eba.europa.eu/subscription-page)

**APIdays monthly banking APIs series**

[www.medium.com/@APIdays](http://www.medium.com/@APIdays)

**Open Bank Project**

[www.openbankproject.com](http://www.openbankproject.com)

**Open Bank Project's PSD2 Overview**

[www.psd2.it](http://www.psd2.it)

**Open Bank Project's API Sandbox**

[www.psd2-api.openbankproject.com](http://www.psd2-api.openbankproject.com)

If you would like to be involved in our 2017 study, please email: [contact@tesobe.com](mailto:contact@tesobe.com)

Report designed by: [www.bernatfont.cat/en](http://www.bernatfont.cat/en)

## ABOUT API DAYS

APIdays is a series of open international events about APIs and the programmable web. We bring together innovators, decision makers and technicians from both traditional industries and API businesses. For more information, please email [contact@apidays.io](mailto:contact@apidays.io) or visit [apidays.io](http://apidays.io)

## ABOUT OPEN BANK PROJECT

Led by Berlin based TESOBE, the Open Bank Project is an open source API and App store for banks that empowers financial institutions to securely and rapidly enhance their digital offerings using an ecosystem of 3rd party applications and services. We assist banks in executing effective API strategies by providing a proven API platform supported by an active community of developers and partners. Open Bank Project leads the field in open banking APIs.

[contact@openbankproject.com](mailto:contact@openbankproject.com)



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