



## BEYOND OPEN BANKING

### Abstract

'Beyond Open Banking' is about leveraging and monetizing the API infrastructure and data openness to innovate and create pioneering customer-centric solutions riding on disruptive technologies (Blockchain, AI, Automation, IOT etc.), data, design, lean UX, agile and scaling up the products and services. Infosys 'Navigate Your Next' framework is in sync with the 'Beyond Open Banking' strategy and can help banks in their digital transformation journey from design, strategy to scaled execution with AI-powered core, agile digital at scale and always-on-learning solutions through integration (APIs / data openness) and capability to sell the right product at the right time to the right customer.



## Beyond Open Banking

The financial services business in general is going through a paradigm shift in these times of digital transformation powered by the rapid technological advancements and the onset of new and nimble competitors. At the same time, regulatory interventions are also prying open the industry to fresh new competition. This paper looks at 'Beyond Open Banking' and we present our view that these regulatory interventions and technological advancements offer an ideal opportunity to innovate banking offerings, create new revenue streams and shape the future of the financial services industry. The first wave of Open Banking is in place and banks are making significant investments in creating the Open Banking infrastructure and APIs for regulatory

compliance. A simple compliance with the regulatory requirements will leave the banks vulnerable to competition, besides eroding their own customer base. Hence, banks must look beyond compliance to see how they can take advantage of these regulatory initiatives and emerge winners in the new world.

The next wave, or 'Beyond Open Banking', is going to be about innovation and how banks leverage these APIs and infrastructure to come up with pioneering offerings. 'Beyond Open Banking' is about design, experience, digital and actionable insights, using disruptive technologies such as AI, Automation, IOT, Blockchain etc., and the associated inter-connectedness enabled by the APIs, to create unique, innovative products and

services and add value to their customers.

Infosys has been working with several big banks, helping them to successfully develop the APIs required to comply with the CMA regulatory framework. Infosys has also been actively working with banks in pitching new ideas to leverage the emerging API economy; some of the key ideas being explored are: how to create a unified communication hub leveraging open APIs from different channels; how to create a one-stop shop unified payments platform; how to use location-based services and open APIs for customer identity verification; how to mash up Blockchain and APIs in the lending space; how to extend banking into corporate ERP by creating ERP connectors and create bespoke integration and interfaces, etc.

## Infosys Strategy & Framework

Infosys' core strategy of 'Navigate Your Next', with its framework and approach to digital transformation, is well suited to help our clients in 'Beyond Open Banking' initiatives. The five-fold navigation framework acts as an accelerator of value-creation and realization in delivering superior products and experiences for their clients. Infosys' framework enables an end-to-end scalable solution in terms of design, experience, and strategy, to scaled execution riding on an AI-powered core, scaled agile digital and always-on-learning. The AI-powered core brings the power of AI to build a deeply automated foundation for the enterprise that serves up vital insights to prioritize execution of change. Agile Digital at Scale creates new enterprise-wide digital capability to deliver unprecedented levels of business

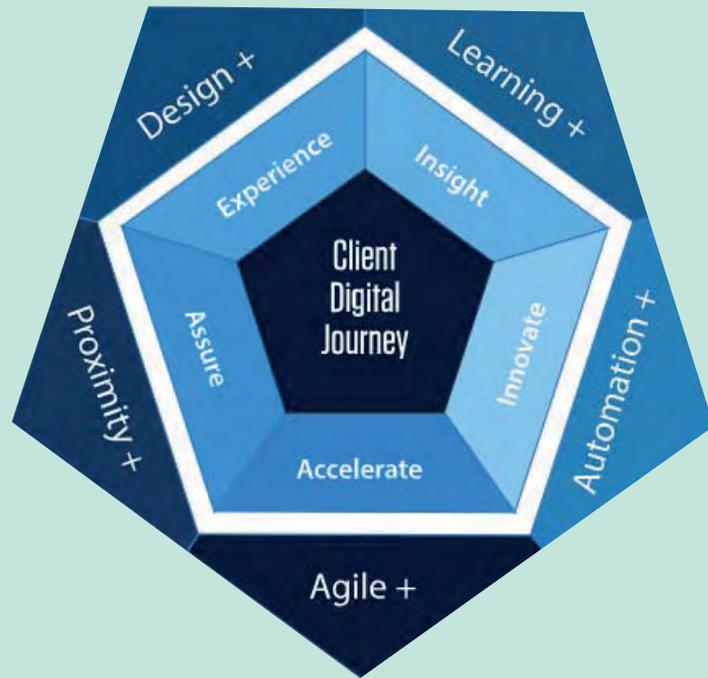


Figure 1: Infosys Navigate Your Next Framework

performance and customer delight. Always-on-Learning drives continuous improvement by transferring digital skills

along with ideas from a cross-section of industries and innovation ecosystems (Source: Infosys)

## How can Banks win the Open Banking Race?

1. Moving to an API-first mindset – Bank of APIs
2. Moving from a pipeline model to a platform model
3. Right customer, right product, right time

### Moving to the API-first mindset – Bank of APIs

APIs are the key to the future of banking as they play a critical role by enabling a more connected application architecture, delivering platform solutions as a service and products that are cloud-enabled. APIs can be developed and evolved in a rapid manner as per customer or system needs and changing market requirements connecting banking business data and functionalities to third parties. Types of Open APIs can range from Partner to Public, having various degrees of openness;

consequently, banks can decide how these Open APIs will be accessed, used and be charged for, depending on their particular business need and overall strategy. Banks can monetize APIs via direct and indirect monetization models, as banks can dictate how to open their APIs to other partners

#### Direct monetization opportunities

- API Access Fee / fee for usage – direct revenues based on volume or subscription fee, or provide third-parties with premium tools / data through exclusive APIs
- Shared Value – e.g. consumer paying a percentage of the transaction that utilizes partners' services

#### Indirect monetization opportunities

- Referred business / sales leads – e.g. a bank could offer open API, facilitating a free credit application to third parties, such as travel agents or electronic

stores. When sales are made through the dedicated credit application powered by the API platform, it would assist in driving additional revenues for a bank.

- Brand uplift / product promotion – improve an incumbent's brand, strengthen marketing messages through the usage of third-party channels, boosting customer gain and selling more financial products
- Free Access to APIs – providing free access to APIs and systems in exchange for gathering actionable insights from data that can later boost revenue with better understanding of customer profiles.
- Agility / Reuse – the usage and utilization of third-party innovations would lower the bank's internal development costs – both capex and opex.
- Lead generation – by opening up the APIs to certain partners, such as travel agents, banks have the opportunity to increase cross-selling opportunities

## Moving from a pipeline model to a collaborative platform model

Open Banking is driving banks to move away from working in silos (complete ownership of channels, products and services) to a collaborative open model that allows them to be integrated in the provision of customized services such as, credit services, money management services, investment services, and lifestyle services such as holiday

planning, retail experience etc., to name a few. The future of banking is moving away from competition to collaboration, to a customer-centric ecosystem of platforms. Banks will benefit enormously by expanding their partnerships with a wide variety of partners providing related services, keeping their customer needs at the epicenter of digital services and product design, monetizing APIs and generating new revenue streams, and above all, creating better customer experience and innovative offerings

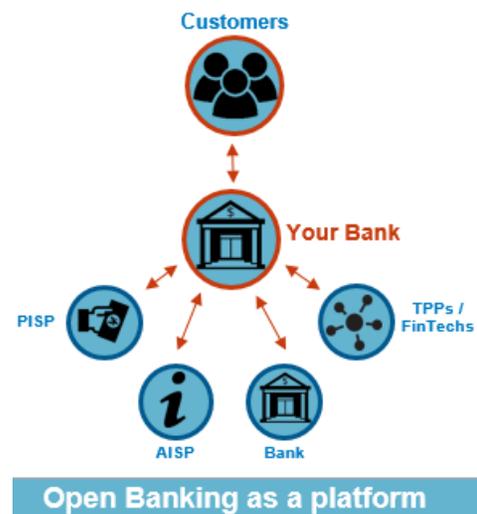


Figure 2: Banking as a Platform



The future of banking is seen as an open platform (programmable banking) and we highlight here a few key approaches that big banks can focus on to be better prepared for the

platform-based future model.

Figure 3: Key approaches for big banks to prepare themselves for the collaborative platform model

Approach	Description
<b>Alpha-bank approach</b>	Big banks acquiring neo-banks and keeping them as a separate brand in new markets
<b>Modernization approach</b>	Major transformation initiatives around Customer journey, Omni-channel, Biometrics, Data lake & real-time analytics, AI / machine learning, API initiatives, Automation (RPA, Cognitive)
<b>Fintech collaboration &amp; innovation</b>	Innovation space / Collaboration with Fintechs to explore disruptive technologies
<b>Venture funds, Accelerators</b>	Investment in Neo-banks, disruptor players (Blockchain), design firms  incubators & accelerators, adoption of such innovation into one's own banks
<b>Transform to technology companies</b>	Transforming into technology companies. – Cloud first, Mobile first, Design-driven, Open source approach and fully on Agile / DevOps

Customers now have their services scattered around different platforms and providers. This ecosystem model will collect all these different services under one umbrella and create a one-stop shop to deliver better and more comprehensive customer propositions. In such a context, the customers would also be less likely to change from one bank to another, as the diverse offering gathered under

one umbrella will strengthen customer relationships and increase switching costs for a bank's customers, making them less likely to switch to another banking provider. More importantly, utilization of third-party applications in this ecosystem will not only strengthen the bank's revenue from core banking services, but will also open new revenue channels that banks will be able to monetize in this interconnected ecosystem.

## Right customer, right product, right time

As per Open Banking regulations, information is open to all banks, hence legacy and incumbent advantage is gone; the key to success will be to build the right intelligence and actionable insights from these open data, shape a 360-degree view of the customers, sell the right product at the right time to the right customer maximising the cross-selling and upselling opportunities. Key imperatives will be Segmentation, Targetting and Positioning (STP), whether the bank knows accurately the profile of their customers, their spending patterns, customer lifecycle stage and appropriate needs - borrowing, investing or advisory or a combination of a few or all, and accordingly deliver the right financial products and services at the right time through the right channels. The framework that follows shows how banks can win the open banking battle by incorporating cognition (insights /data-mining /ML) and action (crossselling/upselling / tie-ups) through integration (API-integrability/data openness).

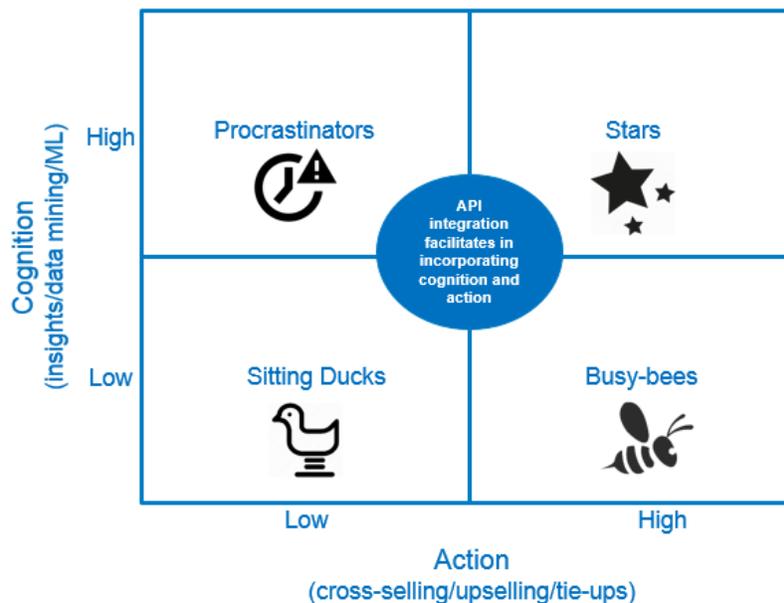


Figure 4: Cognition-Action Framework to sell the right product at the right time to the right customer

## Conclusion

The three key strategies that will determine the winners in the Open Banking battle are:

1. Moving to API-first mindset –Bank of APIs
2. Moving from a pipeline model to a platform model
3. Right customer, right product, right time

With the initial opening up of the banks via APIs well beyond the nascent stage, the second wave to go 'Beyond Open Banking' is the need to leverage and monetize the opportunity for inter-connectedness to innovate and deliver customer-centric solutions. Infosys' 'Navigate Your Next' framework can help guide the banks in their digital transformation journey from design and strategy to scaled execution with AI-powered core, agile digital at scale and always-on-learning solutions through integration (API integrability / data openness) and capability to sell the right product at the right time to the right customer.



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