

Open Banking to Revolutionize Corporate Banking – Lessons from Deutsche Bank’s Journey

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Introduction

The concept of open banking was introduced through a series of regulatory interventions to provide customers better access to financial services, as well as enhance the industry's competitiveness. However, from being a regulation-driven theme, open banking has now become a strategic imperative for financial enterprises globally, as it re-imagines the banking operating model and offers innovative products and services as well as helps in formulating new channel strategies. Today, Application Programming Interfaces (APIs) allow banks to provide data and services to third-parties and allow banks to consume APIs from the ecosystem, in turn, to curate innovative experiences for customers. APIs have also enabled a platform-first approach to building products and experiences for customers. Given the current economic scenario, open banking has created a unique opportunity for banks to diversify their revenue mix and weather the storm of a sustained low interest-rate environment.

A detailed conversation with leading bankers at Deutsche Bank – Helena Forest, Head of Cash Products, EMEA; Benjamin Madjar, Head of Cash Management Structuring, EMEA/Germany; and Moritz Strobel, Global Product Head for Open Banking / API – helped reveal Deutsche Bank's successful open banking story and how a customer-centric and co-innovation-led approach enabled the bank to significantly enhance business value and provide a richer experience to its corporate banking customers.

This paper presents our learnings from this conversation. In addition, Everest Group has examined 100+ production-grade open banking case studies from 20+ IT service providers, as well as surveyed 45+ banking executives who lead open banking initiatives, as part of its open banking research over the last three years. Factoring that in, we analyze the key open banking priorities for Banking and Financial Services (BFS) firms, evaluate how open banking is shaping up in the corporate banking Line of Business (LOB), and outline the elements of a successful open banking journey.

Ambient banking – open and ecosystem-centric

Future of banking and financial services

Banking is experiencing a fundamental shift in its operating model, with a stark change in the consumption behavior toward financial services. The emergence of new consumption models compels banking institutions to become experience orchestrators, aggregating services/products from ecosystem players and offering contextualized customer experiences across their preferred channels.

Over the last five years, banks have embarked on a journey to make banking services open and accessible to a broader set of Third-party Providers (TPPs), thereby building the foundational infrastructure of a digital economy. This banking services infrastructure underpins the experiences of customers across both B2C and B2B contexts, where tools and applications such as digital payments, frictionless lending, and financial wellness allow businesses to partner with BFS firms to build innovative experiences and products for customers.

Banks are now extending this financial services infrastructure to build lifestyle orchestration platforms of the future, which will enable them to not only provide financial services and products, but also offer bundled lifestyle solutions to customers. The opportunity for banks to serve Small and Mid-sized Businesses (SMBs) is a prime example of how banks can bundle financial and other allied services to manage SMBs' business operations experience. Banks can curate the necessary platform components to orchestrate the ecosystem of FinTechs, payments processors, and other technology providers.

This platform would provide an SMB the option to not just get a single view of all its financial needs, such as spend tracking, working capital management, tax accounting, and auditing, but also provide access to technology solutions to help run business operations such as supply chain management, finance & accounting, CRM, and sales management, which are integrated to banks' financial services infrastructure of deposits, cards, payments, lending services, and advisory services.

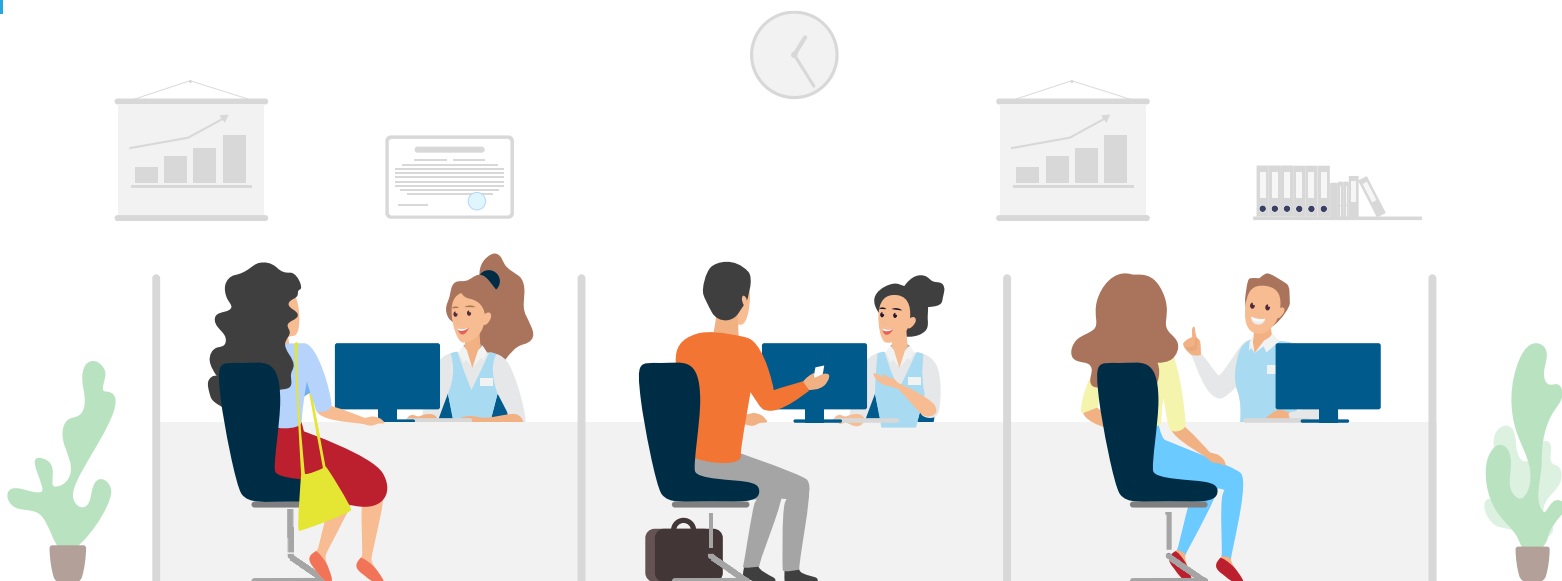


Exhibit 1 showcases the evolution of banking from a product to a lifestyle-enabling function.

EXHIBIT 1

Future of banking

Source: Everest Group (2020)



TRADITIONAL

Banking-as-a-product

- Banks are regarded as sellers of products such as loans, CASA, credit cards, and money market accounts
- The focus is on building a single view of customers across different business units or product functions
- Banks manage customer experience over their own channels and play in a typical closed bank-owned ecosystem that does not integrate with TPPs

CURRENT

Banking-as-a-service

- API adoption and open banking revolution have transformed banking into a plug-and-play service
- As-a-service platforms help TPPs integrate seamlessly with banks' back-offices
- The focus is on externalizing the single view of customers for TPPs
- Banks manage customer experience over their own channels but have limited influence on the services provided over TPP's channels

LONG TERM

Banking-as-a-lifestyle (“ambient banking”)

- Banks will move upstream and coordinate the entire ecosystem. They will integrate with allied businesses and extend access through edge devices
- They will be able to influence customer experience across all channels (self as well as TPP owned)
- Banking will be cash-free, ubiquitous, and part of our routine lifestyle

The role of open banking in enabling the future state of banking

Open banking is a practice by which banks allow authorized third parties access to their data and services in a secure and standardized form via APIs. Initially driven by regulations such as the Second Payments Services Directive (PSD2) in Europe and the Open Banking Standard in the UK, the open banking landscape is maturing today through a market-led push for commercializing data assets to add value across Lines of Businesses (LOBs) and explore new revenue opportunities.

A recent assessment of 100+ open banking projects that moved beyond the Proof of Concept (PoC) stage showed that the underlying business driver for adopting open banking had shifted from regulatory compliance in 2018 to business value and revenue growth in 2019. This trend is expected to further accelerate BFS firms' investments in opening banking data and services to curate lifestyle experiences for customers.

In Exhibit 2, we present the shift in BFS firms' business priorities from their open banking initiatives from 2018 to 2019.

EXHIBIT 2

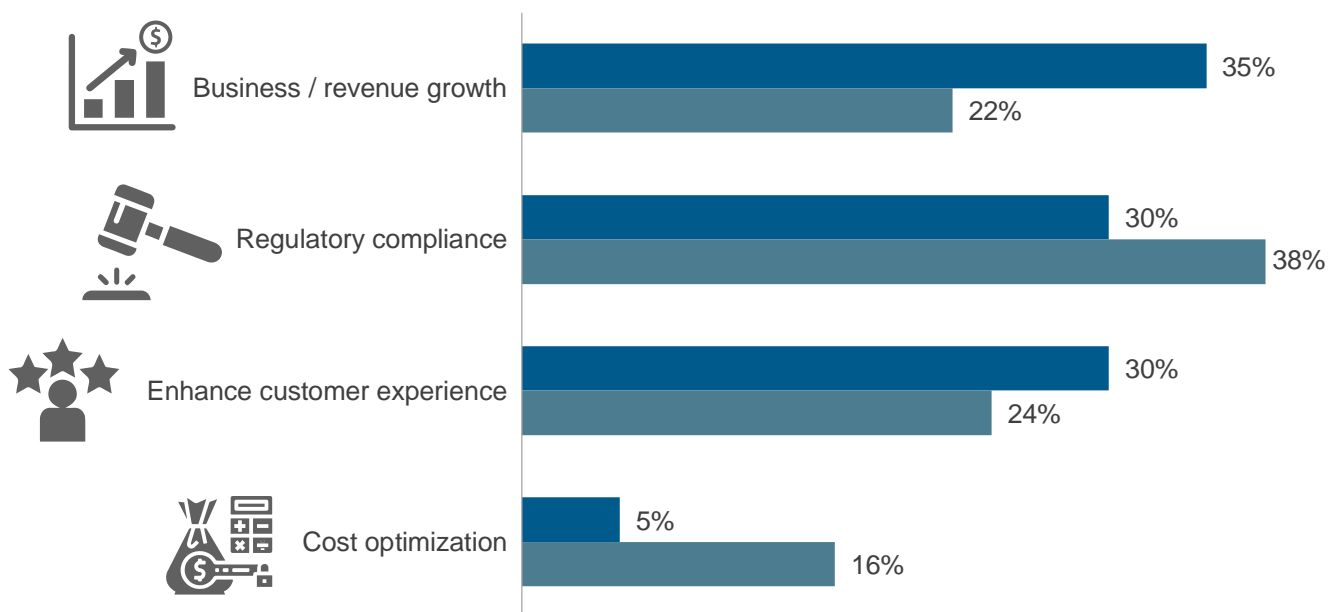
Shift in BFS firms' key business priorities from their open banking initiatives

Source: Everest Group (2020)

Shift in business priorities for BFS firms

2018-2019; percentage of production-grade open banking case studies

■ 2019 (100%) = 60
■ 2018 (100%) = 45



Following the open banking regulations in Europe, BFS firms across geographies launched similar open banking initiatives, which applied and contextualized the learning from Europe to their specific markets and policy objectives.

Markets such as India, Japan, Singapore, and the US do not have a mandated regime for open banking, and policy and market makers have collaborated to accelerate the adoption of data-sharing frameworks. Monetary Authority of Singapore (MAS) has partnered with local banks to launch a playbook with API standards to enhance data exchange between FinTechs and banks. Other markets such as Hong Kong and Australia are following the EU and the UK, taking a regulation-led approach to data sharing. In Hong Kong, banks are expected to implement open APIs and restrict access to selected TPPs, while Australia plans to take on a larger scale of data sharing across industries beyond financial services, such as telecommunications and utilities, based on guidelines established in the Consumer Data Rights (CDR) Act. These initiatives are helping the BFS ecosystem to orchestrate experiences across a host of industry use cases.

In Exhibit 3, we list some examples of firms realizing significant business value from their open banking initiatives across customer experiences, including home buying, travel, financial wellness, and global trade.

EXHIBIT 3

Examples of experience orchestration powered by open banking innovation

Source: Everest Group (2020)



Orchestrating the end-to-end home buying journey

The Commonwealth Bank of Australia has orchestrated a partner ecosystem across home-buying value chain to guide prospective customers through their home buying journeys – from the initial planning stage, to the property hunting stage, choosing the loan, and buying the home on a single platform. Its AI-enabled and augmented-reality powered app helps customer's search for properties. With the adoption of open data across industries, banks can leverage data from property brokers to assess a property's potential market price and offer customers a variety of tools to estimate the various costs involved. Once purchase decisions are made, customers are offered personalized loan products with add-on features such as insurance riders to contextualize the lending product to their financial and personal goals.



Managing end-to-end travel experiences

DBS has launched a travel marketplace, which integrates travel, accommodation, insurance, and banking services using API-led connectivity on a single platform. It has tied up with other travel ecosystem partners to provide a holistic and seamless customer experience. Its partnership with Singapore International Airlines (SIA) enables its customer to share their data and pre-fill personal and payment details in travel booking. For every booking made, customers receive travel insurance underwritten by Chubb Insurance Singapore. Also, DBS' partnership with Expedia Group allows customers to book hotel accommodation worldwide on the same platform, offering a one-stop travel solution for frequent travelers.



Orchestrating financial wellness and investment experiences

To make the core banking service a more customer-centric, enhanced experience, Ally Bank, the digital-only banking entity of Ally Financial, offers a savings tool for customers by integrating their savings accounts. Ally Bank differentiates itself by providing its customers a better savings experience rather than high yield. It helps customers create buckets to manage savings for multiple goals, with automated savings and intuitive features, such as a surprise savings feature by which the platform can analyze the customers' account balance and anticipated spend to earmark small savings on their behalf to boost their savings.



Ensuring a seamless trade finance experience

To promote collaboration between banks for facilitating trade finance across geographies, HSBC has launched bank guarantee APIs, which enables partner financial institutions to issue bank guarantees to suppliers in geographies they are not present. API-based connectivity allows partners and their clients to build applications on HSBC’s network and track the real-time status of their bank guarantees, enhancing the visibility and management of those guarantees from their own platforms..

As competition from non-financial institutions and nimbler FinTechs increases, BFS firms are trying to become aggregators of financial needs. They are leveraging API ecosystems to bring together third parties for providing lifestyle services beyond their core portfolios via digital channels instead of building those capabilities from scratch. This evolution from the current banking-as-a-product mindset to banking-as-a-lifestyle approach is critical to survive and thrive in the next normal.

Open banking opportunity in treasury and corporate banking

Business impact of open banking on treasury and corporate banking segments

In its early days, open banking was focused on payments and retail banking use cases. But soon enough, banks and FinTechs serving corporate banking customers applied the learning from these use cases to data-sharing and account aggregation and, then, cashflow management and value-added financial analytics. Today, BFS firms have started exploring open banking possibilities in treasury and corporate banking. According to our analysis of 105 production-grade open banking cases studies, the share of corporate and treasury banking case studies has increased while the share of case studies from payments Lines of Business (LoB) has decreased from 2018 to 2019.

Exhibit 4 showcases our analysis of production-grade open banking case studies across LOBs shows more than 2x adoption of commercial banking and treasury use cases in 2019.

EXHIBIT 4

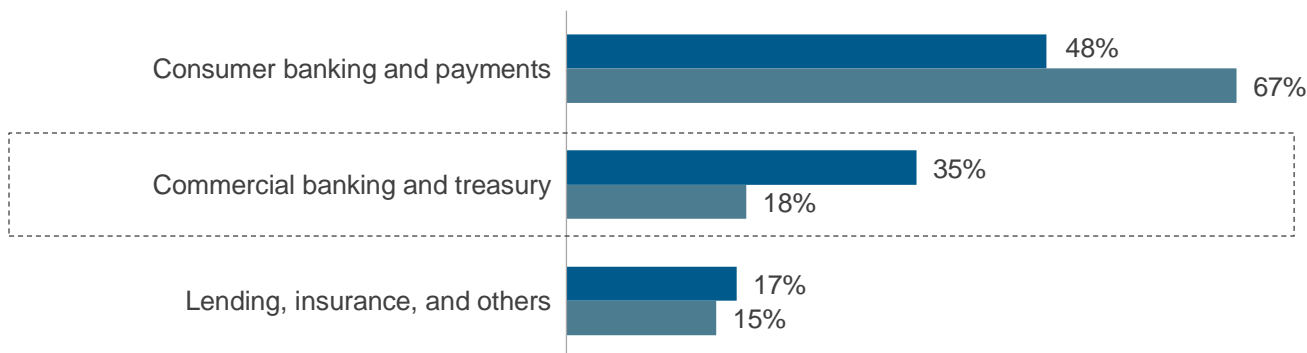
Analysis of production grade open banking case studies across Lines of Businesses (LOBs) shows more than doubling the adoption of commercial banking and treasury use cases in 2019

Source: Everest Group (2020)

BFS firms’ open banking adoption across LOBs

2018-2019; percentage of production-grade open banking case studies

■ 2019 (100%) = 60
 ■ 2018 (100%) = 45



Large corporate customers with global operations can securely aggregate banking data from multiple bank accounts globally into a single accounting portal for API-driven real-time reconciliations. The payment initiation capabilities of open banking frameworks enhance corporate accounting solutions' accounts receivable capabilities, easing the liquidity pressures on corporate customers. At present, for most B2B payments, merchants and sellers absorb the card processing fees; however, open banking enables banks to share standard APIs for initiating payments, allowing corporate customers to leverage the APIs for real-time account-to-account money transfer, thereby reducing processing fees costs per transaction.

The data connectivity and access offered by open banking can drive efficiencies in the commercial lending business for both borrowers and lenders. Conventionally, lenders have manual access to two-three months of Small and Midsized Businesses' (SMBs') bank statements. Open banking connectivity ensures that lenders have faster access to transaction data beyond two months, thereby expanding the scope and reducing the processing times for underwriting. The availability of business identity data of customers with accounts in other financial institutions helps BFS firms seamlessly perform Anti Money Laundering (AML) and Know Your Customer (KYC) checks, improving their ability to onboard new customers and expand their customer base, as well as provide new avenues to SMB customers to access capital.

As open banking transforms how consumers and businesses share their financial data, BFS institutions are adopting a mix of proprietary API innovation and an ecosystem-driven partnership approach to expand their corporate banking solutions. HSBC has rolled out a set of treasury APIs to expedite payments for small businesses and corporate clients. Corporate customers have the flexibility to integrate APIs in their treasury systems, eliminating the need to manage multiple banking platforms for real-time access to services such as single and bulk payments, payment status inquiry, and account information inquiry, giving corporate treasuries more visibility to make dynamic cash management decisions.

Exhibit 5 showcases the different types of open banking initiatives in corporate and treasury banking LoBs.



Open banking regulations combined with technology evolution allow cash management teams to identify ad hoc use cases, enabling corporates to accelerate their transformation programs and reach process efficiency objectives faster.

- Benjamin Madjar, Head – Cash Management Structuring, EMEA/Germany, Deutsche Bank

EXHIBIT 5

Types of open banking initiatives in corporate and treasury banking LoBs

Source: Everest Group (2020)



API marketplace

Industry value chain integration

Alternative sales channel via partners

BFS firms are building an API marketplace and open banking platforms to enable co-innovation opportunities with their corporate banking customers.

For example: UBS has launched a developer portal with sandbox testing environment and API documentation to provide direct-access to third-parties. It provides them with API products such as Account Information Services (AIS), Payment Initiation Services (PIS), and Confirmation on the Availability of Funds (CAF) services. This enables its corporate clients to initiate real-time payments and make dynamic cash management decisions within their ERP software products and treasury management systems

BFS firms are building deep integration with specific industry value chains to provide contextual services. This involves integration with industry-specific third-party systems and collaborations with niche partners that enable industry access.

For example: J.P Morgan’s acquisition of the healthcare payments platform provider InstaMed enables its corporate customers from healthcare payer and provider domains to leverage API-based connectivity for seamless sharing of healthcare and payments data with healthcare ecosystem participants

BFS firms are unlocking new sales channels by partnering with FinTechs and technology vendors. These partnerships enable BFS firms to expand their channel strategies, as well as acquire new customers.

For example: US-based Freedom bank has partnered with the StreetShares crowdfunding platform to expand its SMB lending business by enabling bank’s API-based integration with the platform to expedite the lending process for SMB borrowers

J.P Morgan has established a developer portal with plug-ins to integrate the bank accounts of its corporate customers using partner ERP software products and treasury management systems. It provides API documentation and access to treasury payments and reporting APIs for third-party access as well. J.P Morgan's acquisition of InstaMed to enable its corporate customers from healthcare payer and provider domains to seamlessly share healthcare and payments data with healthcare ecosystem participants showcases the deep integration of its open banking solution with the industry value chain.

A few financial institutions are taking a partnership-led approach to open banking to expand their SMB customer base. India-based SBM bank has partnered with PayNearby to provide banking services for PayNearby's client base of micro-enterprises and merchants. Western Union is driving open banking adoption for its corporate clients by providing them API-based connectivity to its domestic and cross-border payments applications, enabling its business customers to integrate their bank accounts, ERPs, and accounting platforms with Western Union GlobalPay accounts. Goldman Sachs has partnered with SAP to enable its corporate customers to manage their global suppliers on the SAP Ariba Network using open APIs for international payments.

The corporate banking segment's approach to open banking

While open banking adoption for retail banking was fueled by regulatory drivers, activity in the B2B open banking space is driven by market interest. As corporate customers accelerate their digitalization journeys to provide seamless experiences to their end users and achieve operational efficiencies, they expect integrated and flexible solutions for their business needs related to accounting, book-keeping, payments, reconciliation, cash management, and credit profiling.

Commercial banks have adopted a combination of approaches to fuel their open banking journeys, including:

- Re-engineering existing systems serving SMBs and corporate customers to integrate all the touchpoints and obtain an aggregated view of customer needs
- Creating an ecosystem of B2B financial products and services by partnering with TPPs to service corporate banking customers on a revenue-sharing basis
- Building an API strategy for outbound and securely exposed APIs as well APIs from FinTechs, treasury systems, and ERP and accounting platform vendors and for the development of new services on top of functionalities securely exposed by partner companies
- Enhancing the third-party developer experience for rapid testing and development of innovative financial products by providing developer portal functionalities such as API documentation, sandbox testing environment, and self-service TPP onboarding on a bank-owned and -operated open banking platform

Corporate banking use cases for real-time treasury

Corporate banking is experiencing a surge in product and channel innovation due to the use of open banking principles and designing solutions using APIs to resolve customer issues. Corporate banks' open banking investments and regulatory push have triggered a rapid transformation in the treasury function, which is moving from batch processing to real-time systems through technologies such as analytics, APIs, automation, digital business process management tools, and real-time payment networks. The following three open banking use cases are experiencing rapid adoption among treasury functions globally:

- **Cash flow forecasting:** The automation of processes that collect and consolidate data from multiple internal systems and banks via APIs allows for significant improvements in the reliability, accuracy, and speed of cash-flow forecasting
- **Cash pooling:** The treasury function at large corporate customers aims to reduce bank fees and financial costs, and optimize interest returns by aggregating the cash management function across subsidiaries at a group level. Open banking allows the aggregation of inputs such as payment transactions, rates, and account balances to dynamically carry out cash-pooling operations
- **Foreign Exchange (FX) settlements:** Corporate customers with operations across country borders need to manage foreign exchange exposures in real-time. Open banking APIs provide treasurers access to automated real-time conversions of both inbound and outbound FX payments in multiple currencies and on real-time rates. This improves FX operational efficiencies, reduces costs to manage global supply chains, and enhances treasury risk management capabilities, with real-time access to data

These use cases are laying the foundation for open banking's application in real-time treasury management. Treasurers need to transact in real-time from any network, device, any place, and anytime. This is possible via open banking APIs that allow access to real-time payment networks and account transaction data. Treasurers can integrate banking APIs into their platforms or build new applications using these APIs to help meet their liquidity and risk priorities. They can leverage machine learning technologies to enhance risk analytics and forecasting, as well as provide data and insights for businesses to make strategic decisions.



Our journey toward open banking started even before the regulatory environment pivoted toward open APIs. We realized that open banking is an opportunity for us to facilitate the **development of new products and services** with the help of banking data. The benefits of open banking and FinTech collaboration are the creation of new customer value and higher customer satisfaction.

- Helena Forest, Head – Cash Products, EMEA, Deutsche Bank

Open banking case study – Deutsche Bank

How the open banking ecosystem is playing out at Deutsche Bank

A free-wheeling chat with Helena Forest, with inputs from her colleagues Benjamin Madjar and Moritz Strobel, gave us a 360-degree view into Deutsche Bank's successful open banking story and helped us appreciate how one of Europe's largest banks, with more than €1.3 trillion in assets, is building new products for its corporate banking customers. In our conversation, Helena emphasized on five core principles for Deutsche Bank's open banking journey, on which other banking firms can base their own open banking implementations:

- **Keep the customer at the center when designing open banking products and services:**
 - Globally, corporate banking customers want to enhance their cash and treasury management structures, security services, and foreign exchange management, with a strong focus on connectivity, data analytics/forecasting, and process automation
 - The depth of understanding customer needs and using open banking to create new products and services requires interactions with industries beyond banking
 - The vision is to become a life companion of customers
- **Co-innovate with customers:**
 - Proactively share market trends with corporate customers on an ongoing basis to inform them about new technologies, innovations, and regulations
 - Organize white-boarding workshops to review in detail underlying cash management processes, identify key client objectives, and relate those with current market trends / new regulations / new technologies to jointly build an open banking vision
 - Jointly define product requirements and the project plan
 - Build a joint task force that co-innovates through the Minimum Viable Product (MVP) to scaled implementation
- **Collaborate with the ecosystem:**
 - By adopting and deploying APIs, banks can extend and enhance their native services and offerings to build a robust partner ecosystem that transcends industry boundaries
 - Open banking APIs provide banks with the opportunity to improve, inform, and increase the value of their analytics and data. This can be achieved through native solutions or by partnering with other FinTech firms that offer innovative services
 - Deutsche Bank has built an ecosystem to foster FinTech identification, integration, and partnerships. Open banking and FinTech collaborations help boost customer satisfaction by enabling third parties to unlock bank data and expand their product offerings without the expense of developing proprietary solutions in-house
 - Building and nurturing a rich ecosystem has allowed Deutsche Bank to collaborate with clients and partners to showcase innovation in offerings by using an MVP development approach at speed and scale

- **Drive change management that aligns all stakeholders with the new open banking-led operating model:**
 - Change management is an essential part of the open banking strategy, and banks should ensure buy-in from key stakeholders (both internal and external) by driving awareness about the business value of open banking and API-based products
 - Examining open banking APIs from a customer- and business value-first lens helps pool in ideas from all stakeholders involved to drive financial product innovation
- **Monitor well-defined metrics to measure the Return on Investment (RoI) on open banking APIs:**
 - At the beginning of the journey, banks should make their technology teams focus on implementing well-structured and user-friendly APIs and not on generating RoI
 - BFS firms should use business metrics such as increase in the Net Promotion Score (NPS), loyalty of existing customers, revenue growth by monetizing premium APIs, and growth in new customer acquisition
 - The RoI strategy should focus on enabling new business models and reducing client acquisition costs

Scaling open banking for corporate customers

For its corporate banking division, Deutsche Bank's primary focus was to leverage APIs to support its corporate clients in enhanced decision-making and seamless transaction processing. Collaborations between multiple divisions across the organization helped standardize, re-use, and simplify open banking implementation frameworks. Deutsche Bank looked to become its customers' business process and experience orchestration partner by building API products to leverage data and financial services that power innovative products and services and connect to industries beyond banking.

Deutsche Bank developed API products such as cash account opening and access to own account, which can be integrated by external partners such as FinTechs and business clients into their existing systems for real-time access to banking services such as payments, customer onboarding, and account aggregation, without the need to juggle between multiple systems. Partnership was at the core of the bank's open banking journey to develop an understanding of the relevant open banking value chain elements. The tracking of metrics such as the number of requests for services leveraging PSD2 APIs assisted in process improvements, thereby improving customer loyalty.

Exhibit 6 illustrates Deutsche Bank's open banking journey in the corporate banking LoB.



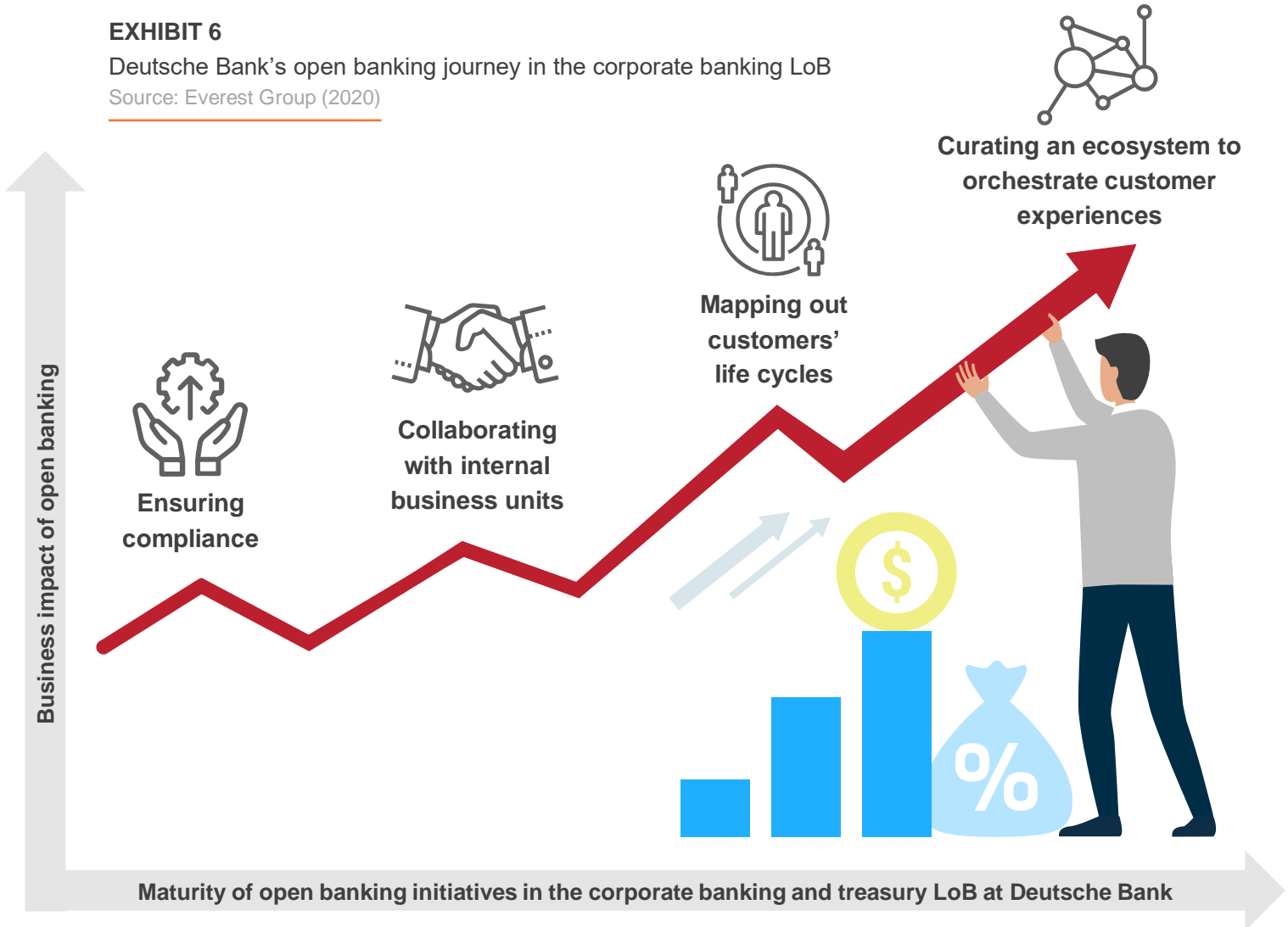
Our corporate customers want us to become **seamlessly integrated into their clients' journeys** rather than offer a standalone product.

- Helena Forest, Head – Cash Products, EMEA, Deutsche Bank

EXHIBIT 6

Deutsche Bank’s open banking journey in the corporate banking LoB

Source: Everest Group (2020)



- | | | | |
|--|---|---|--|
| <ul style="list-style-type: none"> • PSD2 compliance • Data privacy compliance • Customer authentication design | <ul style="list-style-type: none"> • Drive awareness of open banking business benefits among all internal stakeholders • Align all business units to manage the changes following open banking adoption | <ul style="list-style-type: none"> • Understand customer objectives and create structured mechanism to co-innovate with corporate customers on an ongoing iterative journey to launch innovative products/services • Monitor the progress of open banking initiatives using well-defined customer-centric metrics | <ul style="list-style-type: none"> • Focus on forging partnerships across product segments with ecosystem participants such as FinTechs, corporate clients, and other banks to share the cost burden • Provide customers with choices to access products/services through channels of their choice |
|--|---|---|--|

As open banking entails a shift from traditional financial products to a broader range of services by partnering with TPPs, organizations will have to put in place effective change management strategies for efficient and transparent collaboration with external partners. In its journey, Deutsche Bank created a dedicated program to establish direct, accessible links with clients and FinTechs. The bank brought all internal and external stakeholders on the same page with respect to the benefits of embracing open banking and the underlying technology

The path to successful open banking

Key elements for building your open banking strategy

Increasing customer expectations for unified service offerings are pushing BFS firms to transform their technology, talent, and organization management strategies with a common goal of promoting ecosystem collaboration and simplifying end-to-end customer lifestyle experiences. BFS firms anticipate changes across products, channels, services, operating models, data and technology stacks, talent, and partnership strategies as they move ahead in their open banking journeys. Banks would need to reorient their operating models around the customer journey through a carefully defined and quantified customer segmentation strategy and tailored business processes to deliver high value to customers.

We believe that BFS firms would need to do the following to accelerate their open banking journeys:

- **Reimagine their business model** – BFS firms should leverage open banking to reimagine products, channels, and business models to realize the value from investments made for open API initiatives. In the future, banks will transition to the next phase of open banking through collaborative ecosystems. BFS firms will act as infrastructure providers to third-party FinTech developers, enabling them to build products and services for their own customers. Open banking will enable BFS firms to sign revenue-sharing agreements with TPPs, monetize their API investments, and help diversify their revenue mix. As open banking enables banks to not only share their APIs, but also consume APIs from incumbent banks and partners, banks can leverage their marketplace to offer innovative financial solutions from FinTechs and close the gaps in their product portfolios.

This would address the need of corporate and retail customers to obtain access to a personalized and flexible pool of services beyond banking through a single window, enabling BFS institutions to maintain brand loyalty. With collaborations and partnerships driving the open banking wave, there is a need to anticipate changes not just in the business operating model, but also in the culture of BFS firms which will be inspired by digital-native FinTechs to become agile in responding to customer demand at speed and scale

- **Modernize technology and data infrastructure** – Legacy core systems and siloed data infrastructure are major roadblocks to extracting value from open banking initiatives. BFS firms will need a cloud adoption roadmap to manage the scalability, flexibility, and agility requirements of their open banking projects. They will need to modernize their data infrastructure to enable a single customer view across the ecosystem and touchpoints in the customer life cycle. Data governance and quality principles will need to be adhered to for data aggregated from all sources (internal and external) to ensure that predictive analytics and machine learning initiatives yield faster and effective results. BFS firms will also need to invest in interoperability and data exchange standards to ensure seamless connectivity with ecosystem partners. Modern technology adoption will help banks provide superior developer experience to

ensure partners advocate the use of the bank's open banking platform to build innovative solutions for their customers and drive faster adoption. BFS firms should augment their data engineering and analytics capabilities to identify right-fit channels/partners for targeted pushing of in-house and third-party services based on varying customer demand themes

- **Build data security and privacy by design** – BFS firms are impeded by a range of data protection and privacy regulations that they are required to adhere to. Banks need to strengthen their TPP authorization and customer authentication process design, while also ensuring hassle-free customer experiences on their open banking channels. As the scope and adoption of open APIs and data sharing via open banking platform increases, there will be stricter demands for data security and privacy. BFS firms will need to embrace a data security and privacy by design architecture for their open banking platforms and open APIs. This will ensure that BFS firms' meet the demand for data security and privacy without creating any overheads
- **Future-proof their talent strategy** – The rise of open banking is synonymous with the transformation of BFS firms' technology function from an enabler of business operations to a core focus area. This pivot and the significant demand-supply gap for talent vis-à-vis next-generation technology skills (such as microservices architects or data scientists) can put a strain on banks' abilities to support their open banking journeys. BFS firms will need to re-invent their talent value proposition to compete with BigTechs and other industries for next-generation IT skills talent. Banks will need to forecast the demand for these next-generation skills, tap into their extended talent sourcing ecosystem, and build training programs to future-proof their talent strategies
- **Develop a platform-first mindset for ecosystem orchestration** – Data and API platforms created by a collaboration between banks and third-party firms can facilitate open commerce by supporting customers' end-to-end purchasing activities through a single interface. In contrast to a conventional value-chain model, a platform-based operating model leads to continuous and interactive value creation for customers by aggregating inputs generated from each ecosystem participant. It can bring together relevant TPPs to orchestrate lifestyle experiences such as home buying, working capital management, and supply chain financing, thereby providing more choices to customers and minimizing customer churn

In Exhibit 7, we illustrate these elements of a successful open banking journey.

Increasing customer expectation are pushing BFS firms to transform their technology, talent, and organization management strategies with a common goal of promoting **ecosystem collaboration**

EXHIBIT 7

Elements of the open banking journey

Source: Everest Group (2020)



As banks take on the mantle of experience orchestrators, they will have to ensure that elements in their open banking journeys are:

Customer interfacing	Ecosystem coordinating	Service packaging
<ul style="list-style-type: none"> As banks adopt a customer-centric approach and align their business strategies with customer engagement, they will need to expand their offerings to position themselves as end-to-end customer experience enablers This will require them to expand the scope of allied services they offer enhanced through their innovative products offered via open APIs and open banking platforms 	<ul style="list-style-type: none"> As the industry evolves, allied businesses and TPPs will need to collaborate to offer a one-stop experience to customers Banks will need to look out for partnerships to complete the value chain. The greater the diversity and number of TPPs, the richer the customer experience, as they will have more options to choose from products/services 	<ul style="list-style-type: none"> Banks will need to orchestrate and integrate their offerings with those of TPPs that can plug in their platforms to the banks' core systems through APIs Banks will act as service aggregators and repackage services and products (in-house and those acquired through TPPs) to offer improved experiences to customers

To accelerate their open banking journeys, BFS firms will need to:



Reimagine their business model



Modernize technology and data infrastructure



Build data security and privacy by design



Future-proof their talent strategy



Develop a platform-first mindset for ecosystem orchestration

Conclusion

The adoption of open banking is creating a tectonic shift in the banking industry – far greater than the introduction of the printed check or plastic currency. BFS firms need to grab this opportunity to embed themselves in their customers' lifestyles, thereby becoming end-to-end orchestrators of their customers' experience.

To achieve this objective, BFS firms will have to overcome the challenges of legacy technology and data infrastructure, the pain of change management and training as new operating models take shape and learn to collaborate with a broad partner ecosystem as traditional boundaries between industries get blurred. Open banking initiatives will also enable BFS firms to overcome the pandemic-induced economic and social crisis by diversifying revenue and creating new experiences for customers in the next normal. In fact, they will enhance the industry's resiliency to weather future crises and come out stronger on the other side.



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