



Part - 2

Advancing open banking

The value of innovation



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Realizing the cloud advantage

Cloud helps support the always-on culture banks find themselves in nowadays

Experience across all industries – banking included – shows that virtual technology footprints in the cloud generate higher productivity, because they empower employees to make better, faster decisions through increased accessibility to data. Cloud-based environments also help organizations to meet the demands of an always-on culture, by delivering the agility, scalability and seamless integration needed to deliver consistent experiences.

All of this involves cutting across embedded siloes – and it's here that banks face challenges. As open banking gains momentum, banks must change their siloed structure and mindset at dramatic speed, because their main competitors are joining the fray from a non-siloed point of view. Witness how Amazon, Google and the other cloud-native companies entering the financial services space are giving payments away for free in return for data they can leverage.

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In some aspects I think we're going to remain siloed as an industry for a period of time yet, just because frankly there are so many core components there. But I would say over the next five, ten years we are going to see more and more people opening this up. It is really difficult now to make the business case that you can do it better yourself than you can by going somewhere else, which has always been the kiss of death for any business case of, "Oh we can build it better." And moving to cloud services is where the connectivity and data become really powerful."

Krista Tedder,

Head of Payments & Security,
Javelin Strategy & Research

Envisioning the possible

This is very different from the traditional approach to financial services – and it's underpinned by the power of the cloud. The simplistic view of the cloud is that it's just a big data center in the sky. In fact, it's much, much more: a collection of technology tools that enable envisioning of what's possible. And the cloud makes it easy to turn what's possible into reality because it has all the elements within the tools to begin quite easily in natural language, and start to build solutions to serve customers. That is exactly the way the Big Tech competitors and FinTechs are doing it.

So for banks it's a matter of getting more rapidly into the game – which will require the right change management approach. Banks' C-suites are debating how to manage the required changes, such as breaking down the internal silos to take advantage of 5G. So far, internet of things (IOT) solutions have come to the insurance industry, but not to payments. But the point where millions of edge devices are providing signals that trigger payments is where banks will really become integrated into the world around us.

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When we talk with banks about platforms enabling innovation, they become quite bullish on the topic. I think banks should be leveraging new approaches such as design thinking to question the value propositions they offer their customers today. What they should really be doing is elevating those value propositions and re-imagining the new journeys for their customers. Take 5G: if you think about what it means to have a faster connection and interoperability with new processes in the cloud, and start putting the technology pieces together, you can identify some very interesting use cases, leveraging technology in real time to navigate to a more successful outcome for customers."

Robert Mancini,
Head of Payments, Finastra

Similarly, open banking is essentially about how a bank incorporates itself into the wider world to drive more business in terms of lending, from data and in other ways. This is the future that embracing the cloud opens up for financial services. And conversations with banks confirm that this is exactly where the banking industry is moving in terms of discussions and thinking.

Data and trust: banks' differentiators in the open banking world

As banks look to integrate themselves ever more deeply into the surrounding environment, they have some vital competitive advantages. The most important are the rich pool of data they have on customers and the fact that those customers trust them to use that data responsibly. Research has shown that consumers trust the banks a lot more than they trust the Big Tech disruptors. Crucially, they trust the banks not to sell their data to third parties, or to take advantage of it in ways customers don't approve of to make a profit.

To retain that trust, banks must ensure that – whatever they do in terms of technology, platforms and leveraging data to create new value propositions and journeys – they do it all without “selling out” their customers. To date, banks have been very good at maintaining customer-centricity and trust. Retaining those assets will be key to their success trajectory in an open banking world.

A key pillar of trust is security – and here banks have an edge once again. Compared to legacy mainframe systems, a lot of the new technology now available to banks is designed from ground up to be much more secure, with modern threats and approaches in mind. And in terms of banks' own security, try thinking of it this way. If you're part of the banking system, the entire economy passes through you day in and day out by way of payments. So security has to be paramount – and it is.

Given that they play this role, it could be argued that banks have the richest pot of data in the world. They haven't traditionally done a lot with it, partly because they wanted to retain trust, but partly because they didn't have the data scientists to do it in a smart way. Now they do have the data scientists – and they also have the opportunity to leverage the data in an open banking world. For any bank, it's an exciting prospect.

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The Big Techs made so much money and got so big by monetizing data. They know what to do with it. But the point is the banks have the data. So it's about how this nexus gets connected up, and the banks service their clients with what the clients are looking for – by leveraging a much richer view of the data that's already passing day in and day out through the banking balance sheet.”

Krista Tedder,
Head of Payments & Security,
Javelin Strategy & Research

THE FUTURE OF FINANCE IS OPEN

Finastra is unlocking the power of finance for everyone by creating a platform for open innovation in the world of financial services.



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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators.

Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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