

# The rise of Open Banking and digibanks in Asia

## Open Banking is transforming the banking landscape

The pandemic has accelerated the importance of remote and digital banking services.

95%



of banks in Hong Kong think collaboration is a key driver of their success.

9/10

banks in Singapore say collaboration increase efficiency



Worldwide, Open Banking is changing the face of banking. New models supported by access to open APIs enable banks to develop new services and deliver a better experience to customers. Recent research from Finastra confirms that Open Banking has firmly taken root in Asia. In Hong Kong, 95% of banks see collaboration as a key driver of success while in Singapore, 90% of banks say collaboration increases efficiency.

Although Open Banking is not mandated in Asia as it is in Europe, it gives banks the opportunity to solve specific customer problems by collaborating with fintech innovators. While Open Banking doesn't enable banks to charge for value-added services, it helps them to with customer retention, especially as challenger banks compete for the attention of younger customers.



Open Banking allows banks to develop new services



## Three business models are coming the fore as Open Banking matures in Asia:

01

Orchestrator

Here, like-minded companies come together to showcase and bring their ideas to market, collaborating via open APIs.

02

Distributor

In this model, banks combine their products with third parties, typically fintechs, with banks focusing on customer acquisition while the fintech takes care of distribution and servicing.

03

Aggregator

In the aggregator model, banks bring together a wide range of data – e.g. for KYC, on spending patterns or customer data – and work with third parties to use the data to provide a high-quality customer experience, boosting satisfaction and loyalty.



**Banks don't need to restrict themselves to one model: South East Asian digital bank TONIK, for example, is using a blend of all three on an Open Banking platform.**

Overall, despite concerns expressed by many banks in Hong Kong and Singapore that regulations are a barrier to Open Banking, we believe its future is bright in Asia, especially when platforms such as Finastra's FusionFabric.cloud can take away the risk for banks of finding and validating fintech partners.

## Has the time for digibanks arrived?

Digital-only banks, or “digibanks”, are already taking off in Asia, with five licences to be allocated in Singapore alone in 2020.

To become profitable faster, digibanks are running lean, no-branch models and building their services on open platforms with software-as-a-service (SaaS) components. The economic stress caused by COVID-19 has put pressure on these banks, as with other sectors of the economy, but the acceleration towards digital services caused by the pandemic has positioned digibanks well for the recovery and beyond.

As far as customers in Asia are concerned, the new digibanks are pushing on an open door. A PwC survey across the continent revealed that strong consumer interest in digibanks was accompanied by frustration with traditional banks. However, the question for challengers is how to build trust. One way is to target SMEs and younger customers who are dissatisfied with incumbents: yet digibanks must bear in mind that trust is “earned in droplets and lost in buckets”, so they need to couple strong security with an attractive, innovative experience that's tailored to the customer.

Digibanks are changing the landscape in Asia, but they face competition as incumbents fight back with digital offerings of their own, often through collaborating with fintechs. In many ways, incumbents and digibanks each have what the other wants: Incumbents benefit from trust built over many years, strong balance sheets and the ability to invest, and large amounts of customers and data, whilst digibanks are nimble with a low cost base, and they are able to have laser focus on the customer experience. It's going to be a fascinating story as it unfolds.



### Next Generation Banking Platform

Find out how Finastra delivers a native cloud banking experience, for banks that need scalable platforms to grow and to exploit their uniqueness in line with their business model.