What is Open Banking?

- Open Banking entails banks open their banking platforms under new incoming regulations, allowing customers to securely share data and “push” payments from their accounts.
- This means banks must share (with the customers consent) the customer’s financial data with 3rd parties securely and in real time, through application programming interfaces (API).
- Coupled with the Payment Service Directive 2 (PSD2) and the General Data Protection Regulation (GDPR), Open Banking has the potential to fundamentally change the way retail and corporate customers engage with their bank and access financial services. A new environment will be created where consumers take control of their financial data and share this information with 3rd parties in return for value-added propositions.

What does it mean for you?

- To address the regulatory changes and prepare for the new environment, banks should have established transformation programs, with initial focus on meeting regulatory deadlines and delivering good customer outcomes for 2018.
- Firms should now be confident in complying, putting in place robust security measures, developing an understanding of liability and creating compelling customer propositions.
- Consumer uptake of Open Banking is expected to drive new competitive dynamics. Financial services firms will also need to monitor these trends and review appropriateness and sustainability of ongoing business strategies.

The impact of Open Banking

### Evolving expectations
- Role of banks
  - Banks to assume new role as public API providers or data custodians
  - Data sharing to erode banks’ competitive advantage – requiring innovation to traditional approaches
  - Banks at risk of being relegated to back-end capital hosts
  - Opportunity for new revenue models

### Non-discriminatory data services
- Competitive landscape
  - Data availability to erode barriers to entry
  - Competition to become innovation-led; new use cases to emerge
  - Barriers between industries to erode: new entrants expected from adjacent industries
  - Increased use of partnerships and collaborations to both grow and defend revenue

### Compliance requirements
- Regulatory dynamics
  - Open Banking regulations may evolve over time
  - New organisational stipulations, governance processes and legislative requirements may emerge

### Safeguard and protections
- Customer preferences
  - Preferences to adjust over time, influenced by new use cases and product innovations
  - Greater emphasis to be placed on personalisation, pricing, convenience and user experience
  - Banks to be judged on solution quality, pricing, trust and security as data custodians
  - New payment preferences to emerge driven by push payments
Different strategies towards Open Banking

The strategy you choose will have a significant impact on the future business model and the role in the financial ecosystem

- **Data provision as required**
  - Ensure systems are compliant with security requirements and technical standards
  - Open payment and banking systems for third parties as required by XS2A.

- **Banking as a Service**
  - Provide third parties access to regulatory framework and broad range of in-house financial services offering via defined set of API;
  - Receive fees for provision of structured data and product usage.

- **Financial services ecosystem**
  - Develop full service value proposition through creation and active management of a comprehensive ecosystem of 3rd suppliers;
  - Create revenues through direct and indirect network effects and lock-in.

- **Data & Insights monetization**
  - Leverage the access to account information to enhance existing products by offering services around a broader spectrum of information or leverage customer insights to offer additional products and services.

To respond appropriately, banks need to address a complex set of considerations

### Strategic considerations
- What will banking and payments look like in a “data portable” environment?
- How will Open Banking interact with adjacent trends (e.g. biometrics)?
- What partnership opportunities with should we pursue?
- How can data be leveraged as an asset class?

### Compliance considerations
- How should key incoming regulations be interpreted?
- What operational and technological changes are required to comply across regulators and jurisdictions?
- What new risk vectors and security issues could arise and how are these best mitigated?

### Security considerations
- What new security vulnerabilities will the bank and its customers be exposed to?
- How can we protect APIs from a new wave of cyber attacks?
- How can you detect, prevent, resolve vulnerability failures of new external / vendor systems?

### Legal considerations
- How should guidance on liability, customer consent, redactions and data controller requirements be interpreted?
- What steps should be taken to ensure insulation from potential legal issues?
- How will Brexit impact the adoption of approved data related regulations?
How EY can help you

- EY can help you identify and prepare for risks and opportunities
- EY can support with the implementation of the most promising initiatives in your organization
- EY offers support across all programme dimensions to help you comply, reduce risk, and shape and pursue strategic growth opportunities

Selected EY services

- Open Banking strategy
- Service definition and customer experience design
- Target operating model design
- Solution definition
- API strategy and framing
- Data analytics and customer insight
- Innovation Scans & FinTech Lifecycle Support
- Regulatory interpretation and rules traceability (including CMA, PSD2 and GDPR interlock)
- Compliance health check
- Security and fraud risk framework
- Cyber risk analysis

Why EY is a suitable partner

- EY has been at the forefront of shaping the Open Banking agenda from the outset, working closely with (international) banks, FinTechs and regulators
- EY’s full service suite integrates the breadth of its capabilities to support all aspects of your Open Banking journey. EY worked with many international clients, and continues to work with leading banking and data institutions to mobilise and deliver PSD2 and Open Banking transformation programmes
- EY’s support to these clients has included customer-centric strategy, compliance and legal advice, as well as operations, technology, security and end-to-end delivery management.

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