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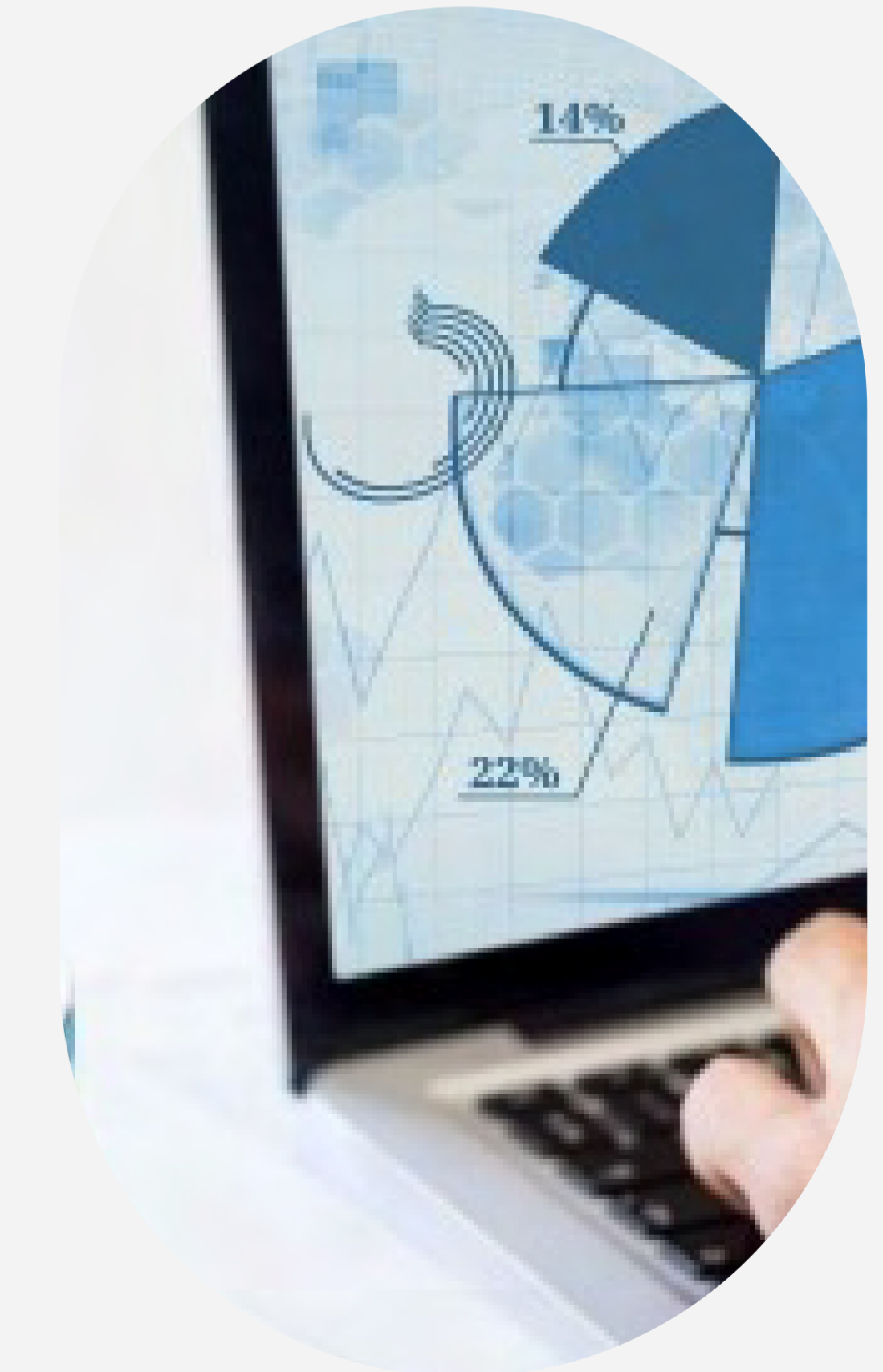
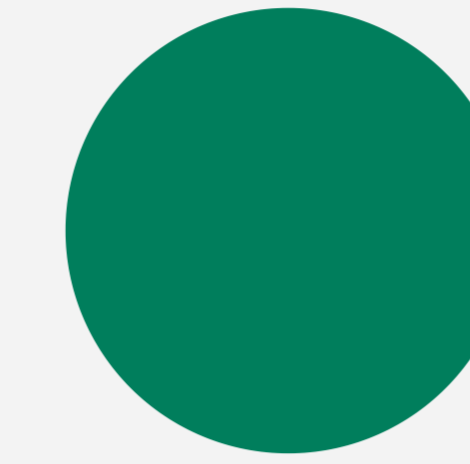
# RETHINKING FINANCIAL LANDSCAPE WITH OPEN BANKING

2021 Global Trends



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# Opening Up Zillion of Opportunities in the Future

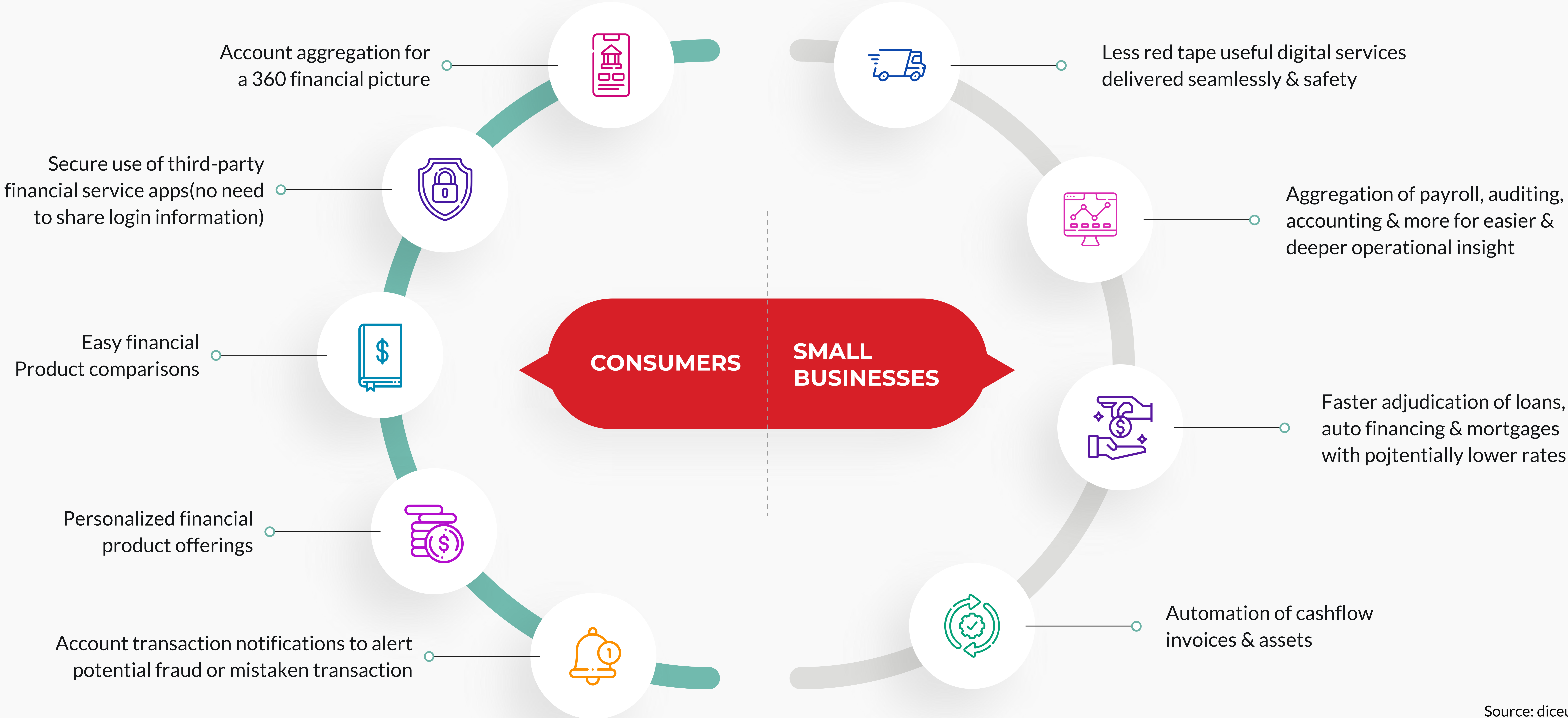
“Open banking regulation” as few of them heard off but the most critical topic that is hard to ignore by the financial sector. As open banking becoming a common word among BFSI clients, it has also become important to understand its power of radically changing the legacy banking system and bring new changes in the banking landscape.

Moreover, the shift that the world is going through due to fundamental, political, societal change underway, the global financial sector must radically change its process to stay relevant to the future world.

The challenges such as failure of full digital adaptation, building up strong and secured IT infrastructure has lowered the trust factor of the bank and the only way banks can come out from the crisis is through open banking. Open banking as called opens up the banking to the third parties with huge database which can be used for zillion more opportunities that is going to shape up the future of the financial world.

Initially open banking was used for more convenient current account switching, today it is used for more evolving needs such as enhancing the customer experience, increased financial inclusion and greater control of data.

# Capitalizing on the benefits of Open banking



Source: diceus

# Capitalizing on the benefits of Open banking

A new age banking aka Open banking has lead us to whole new environment of banking where with express permissions from the client, a third party can fetch data through open API from clients account for any kind of financial transaction.

“By 2022, 2/3rd of the adult adopts Open banking in UK” reports PWC. With whole new experience open banking has transformed the customer experience.

With the introduction of second payment service directive, Open banking ensured a fairer , competitive service and secured transaction.

With open banking, third party providers (TPP) are allowed to access to the data through API technology. The data shared by the TPP have opened up million of many opportunities such as easy payment gateway, e-wallets and etc.

Keeping customer experience in mind, open banking is empowering customers with the control of data which can be leverage in use of multiple financial services from both banks and non banks.

# Benefits of Open Banking



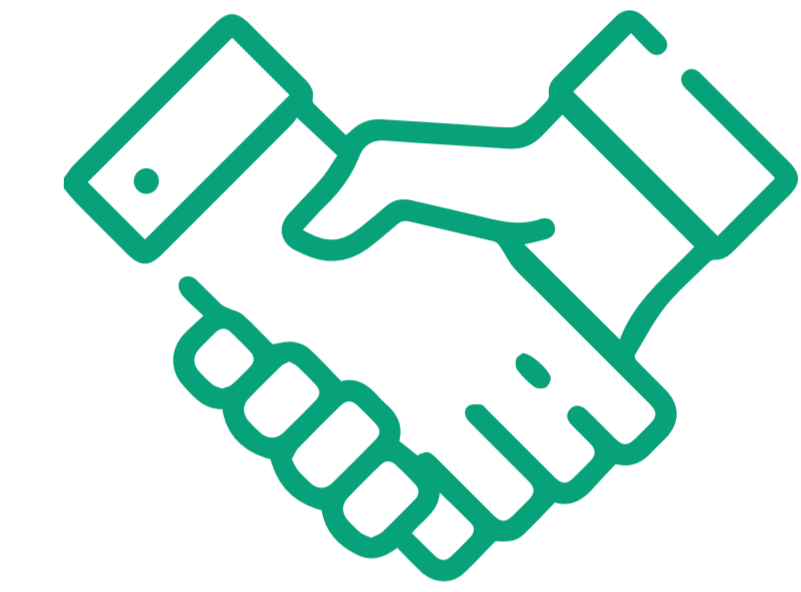
**Fairer  
Transaction**



**Easy & Efficient  
Payment**



**Enhanced Customer  
Experience**



**More  
Collaboration**

# 3 Reasons why Open Banking is the future of the Banking Industry: Expectations

01

## More Collaboration

“Fintech disruptor can take over legacy banks”- A myth one shouldn't fall for. Infact, we are going to see more collaboration between big banks and fintech disruptors due to the “data sharing agreement”.

02

## More Analytics Driven Decision

As third party providers are getting access to the humongous data through API, we are going to see fintech and other non fintech disruptors using data internally to gain insight and provide highest personalised service to enhance the customer experience.

03

## Integration of AI

Open banking has ensured high usage of technologies in the both financial and non-financial institutions. We can see usage of technologies like voice recognition and augmented reality incorporated in the interface which customers can use along with the third party data in their banking environment.

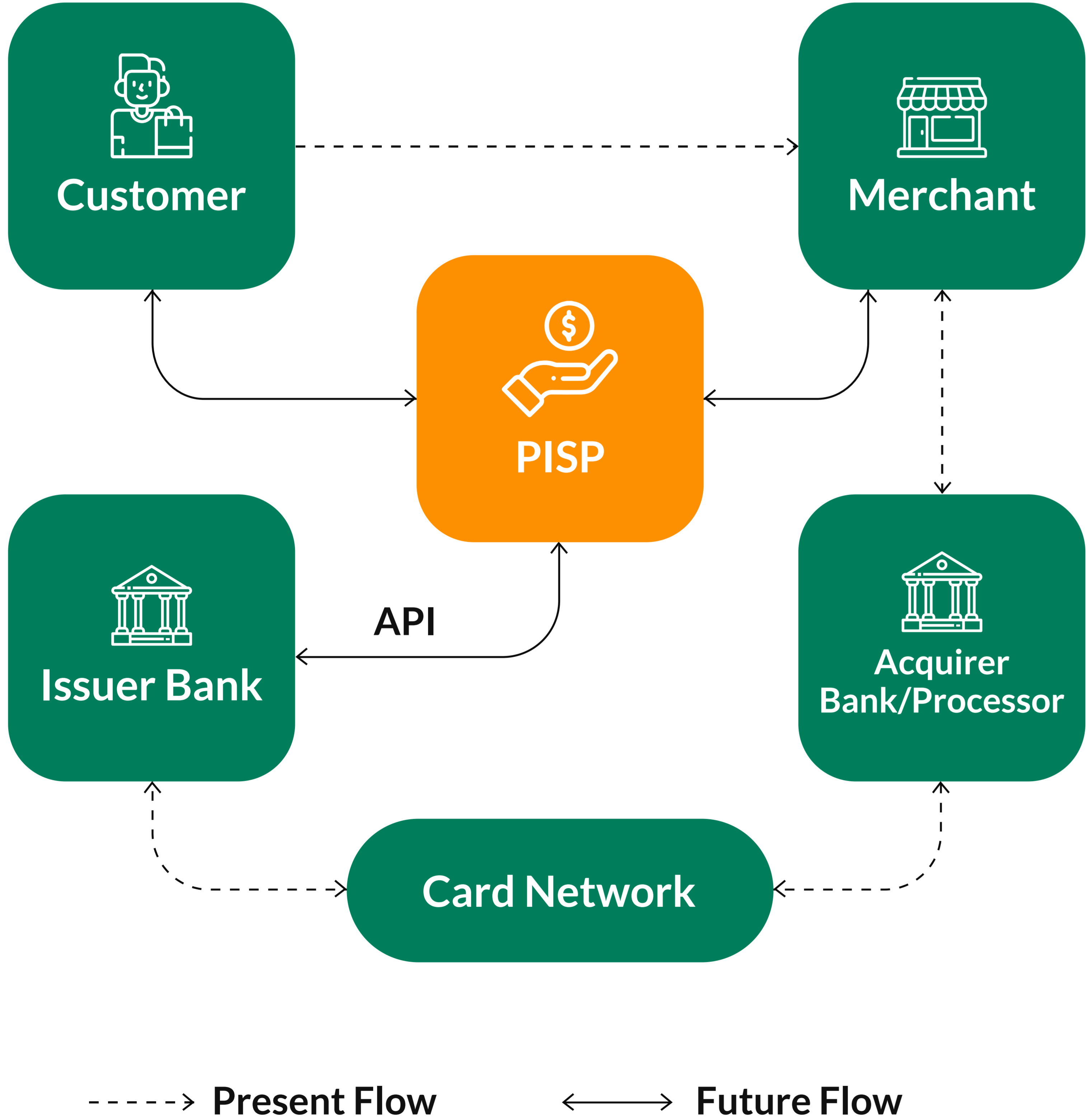
# 5 Proven Use Cases to look for in 2021



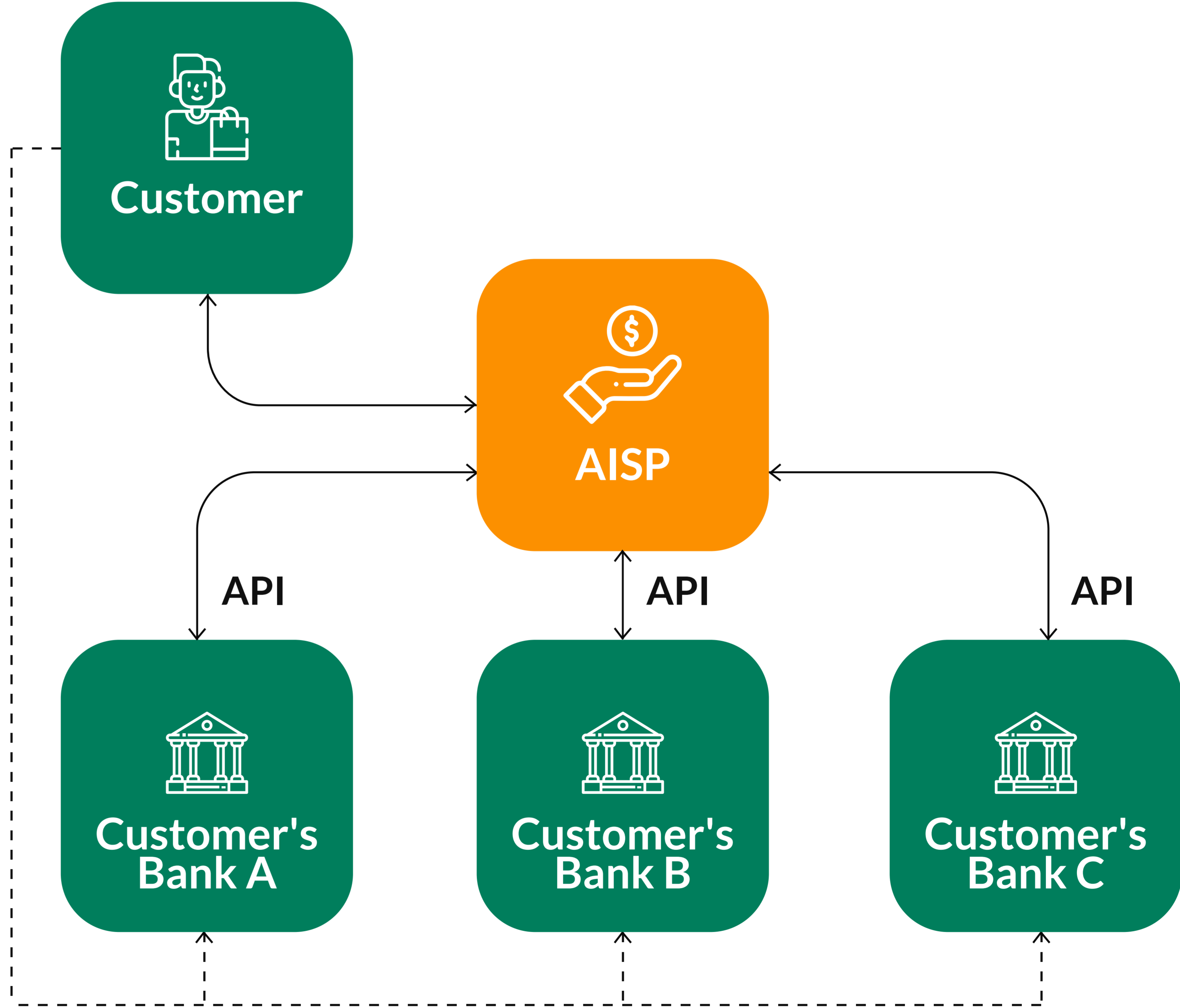


# a. Personal Finance Management

An updated payment model including a payment initiation service provider(PISP)



An updated interaction model including an account information service provider(AISP)



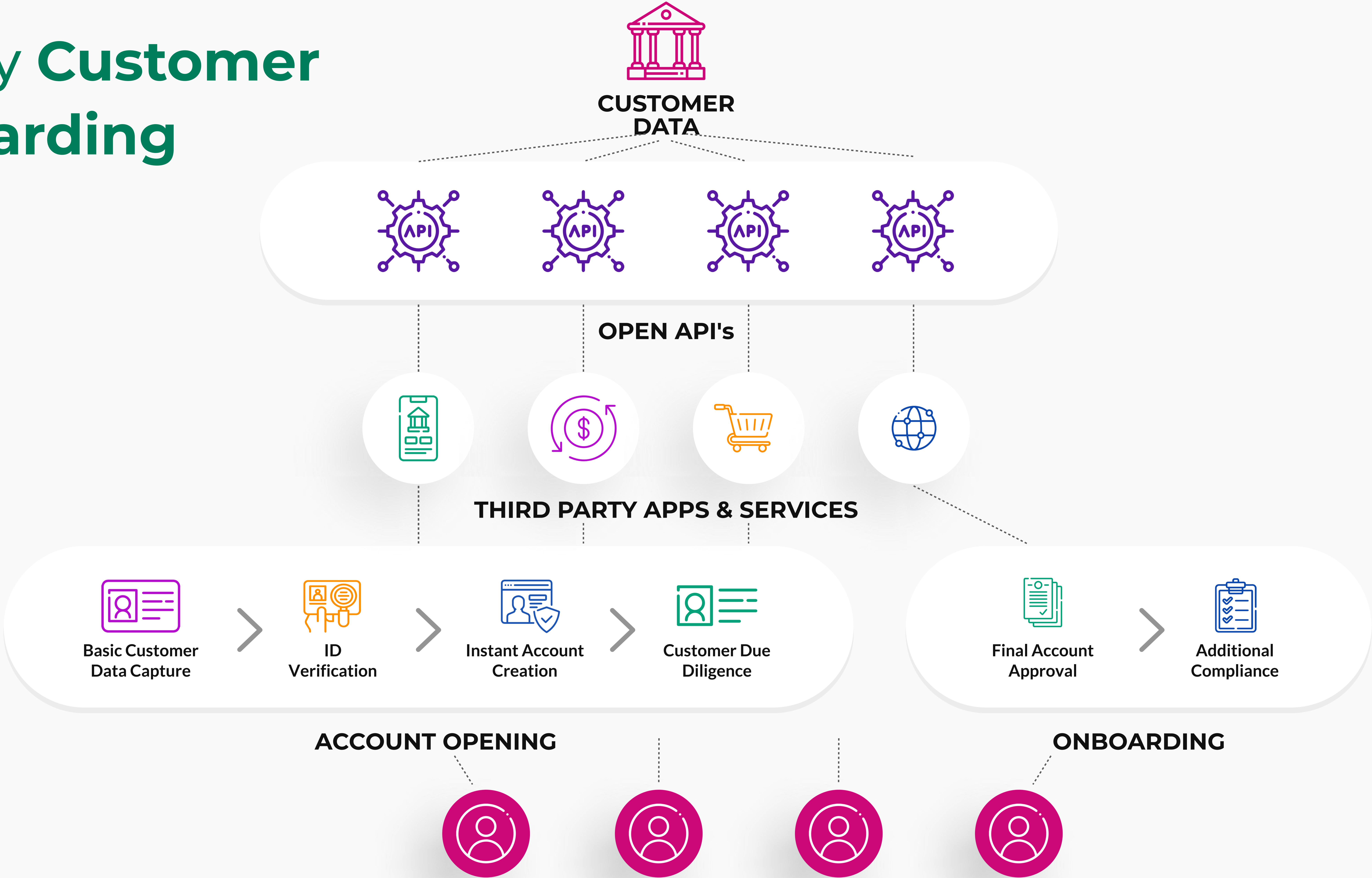
Open banking is widely used in personal finance management. If we look into one life, then a customer nearly starts his bank account at young age and continues to add on account henceforth. Now, keeping a track of all these account is quite difficult. Open banking comes into this space and eases managing account and thus improving customer expectations. 24% of the use case are revolving around personal finance management.

## How open banking is using current account data in:

**Budgeting:** Open banking account aggregation is creating a single unified view for customers. Where they can empower customer in planning their budgets with the help of open banking. The current account data used by open banking helps customers suggesting the plans of controlling their spendings by applying spending cap. This improves the customer experience and trust score.

**Automate savings:** In cash management system, open banking also used data through API to plan the financial goal for a customer. They also suggest with the help of AI the path to reach the goal. Thus open banking also automates saving for the customer.

# b. Easy Customer Onboarding





Open banking is highly responsible for making smarter onboarding process. For a complex regulatory institutions open banking fetches great value as it accelerates the KYC process for quicker loan application verification. Though 3% of open banking is used for account verification, we are going to see more in the near future.

# Open Banking Makes It Smarter:



## Verifying account

Institutions are using open banking for verifying account ownership. Open banking helped in building credit score which further helped in detecting frauds quicker.



## Verifying Identity

opening APIs are helpful in verifying identity while onboarding a new data in a marketplace website.



## Affordability Checks

In renting a property, open banking is used widely, landlords can check on the renters about their affordability without asking for bank statements.



## Estimating Predictable Earnings

Institutions can provide customers with facilities to use open banking for stream percentage of wages validated against upcoming wages and this is used as a substitute of overdraft facilities.

## c. Boosting Sales for Insurance Products

Open banking has opened up another opportunity for the Insurance companies. As non financial and financial institutions could fetch data through API, those data could be used by the insurers to act promptly on:

- Emerging customer need
- Cross-selling relevant product

How Open banking can be used by insurers to boost insurance products?

Identifying the product need: If Insurers buys a motor vehicle then the need for motor insurance emerges and through open platform technology, the data can be fetched by the insurers.

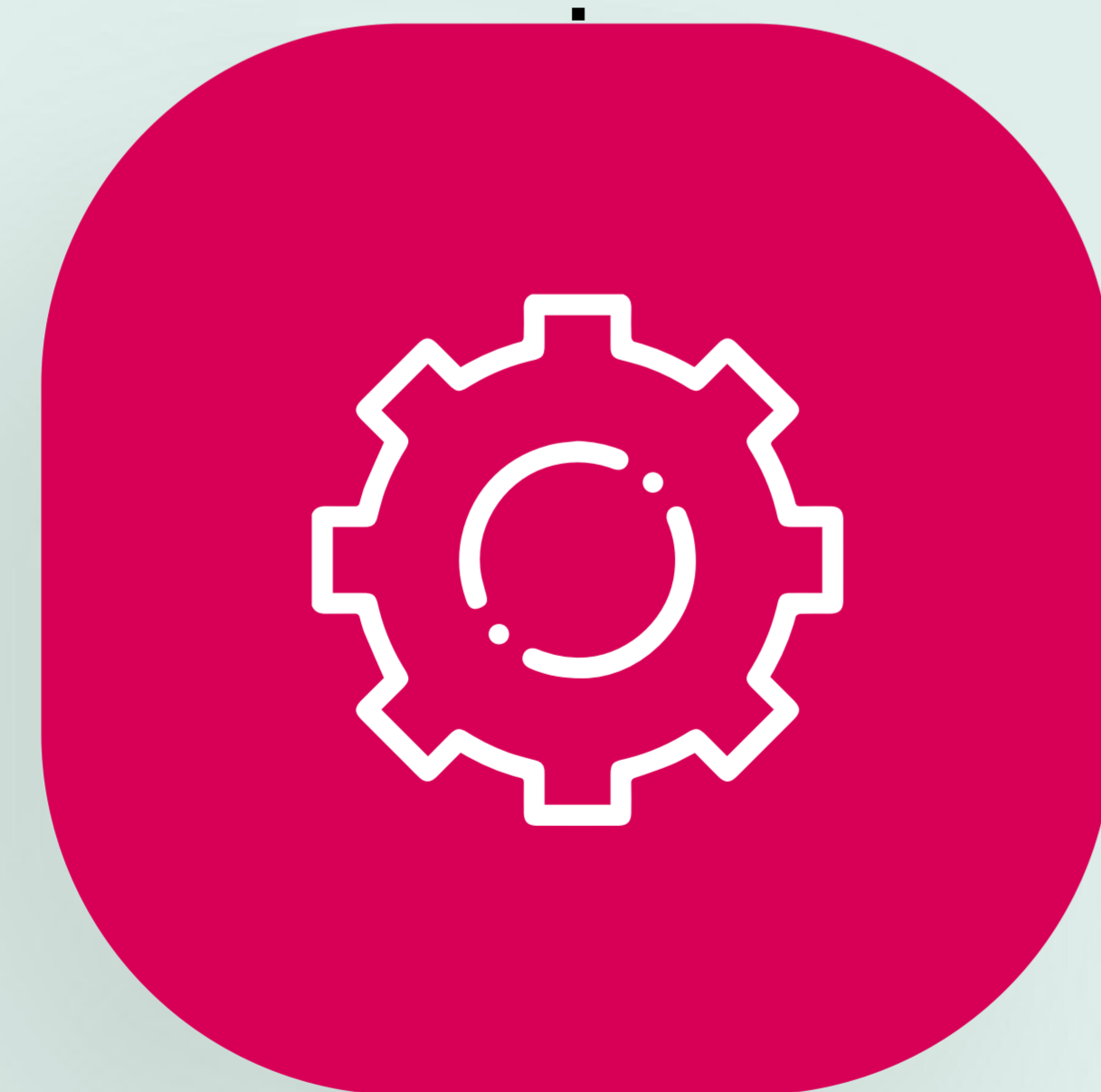
- Cross selling product: As soon as the demands triggers, through open banking insurers calls up the client and with the agreement of the customer, insurers can pre fill the form by fetching details from the existing bank account informations.

In this way, the insurers can scale up the conversion rate by reaching the right customer at right time with right product.

# d. Smart Credit Risk Decisioning



**Smart Data Analytics**



**Categorisation of Transactions**



**Recognition of Spending Behaviour**



**Identification of Income, Investments & other Loans**

Source: fintecsystems

Today credit scoring is not enough to identify and understand whether the customer is capable to meet the due payments. To minimise the rates of defaulters, the lenders must thoroughly assess the likelihood of the borrowers to meet the due payment.

Shifting from the laborious, critical and conventional method of scoring credit, open banking has made the process much easier.

Account information API is deployed to contrast the previous transaction of the borrower along with the financial health.

This process provides transparency to the end customer through fairer credit scoring structure. Constant upgradation of credit scoring through open APIs helps the service provider staying up to date with the present scenario.





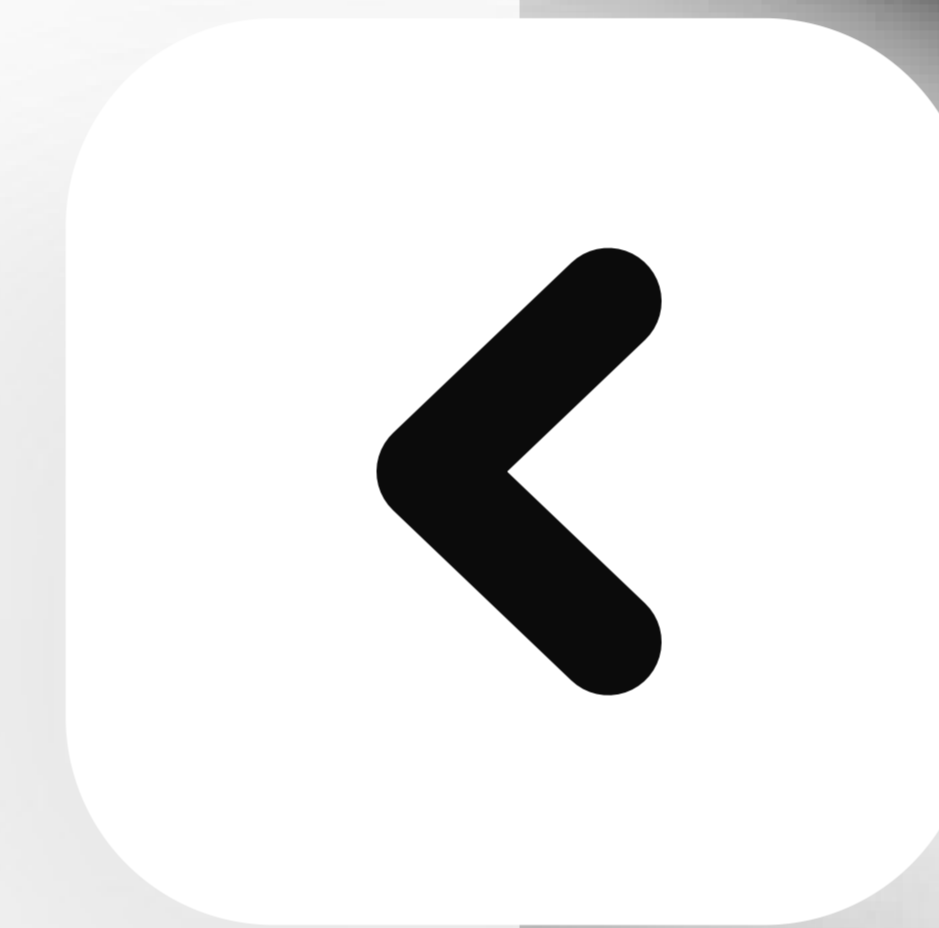
## e. Product Comparison Service

In this customer centric industry, open banking is used to increase standardisation in ensuring comprehensive comparison.

Like aggregator platform, customers can find the best deal in the area of overdraft facility, loans, insurance and other financial products.

Through open banking, the shared data is securely used by the service provider to document on the product comparison on the basis of real transaction data.

Thus through open banking, product comparison is becoming transparent and fairer.



**23+**  
Years

**750+**  
Professionals

**11k+**  
Projects

**6m+**  
Hours

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