

THE EMERGING MARKET OPPORTUNITY FOR OPEN APIs IN COMMERCIAL BANKING



EXECUTIVE SUMMARY

UNDERSTANDING THE MARKET LANDSCAPE TODAY

To date, the open banking discussion has focused primarily on the consumer banking experience and has been driven by the current global regulatory environment in places like Europe. However, the most fertile ground for change and disruption in open banking lies within corporate and commercial banking space, where the expectation of the market is to pay for even basic services, and add in a premium for enhanced services. This creates an opportunity for both existing players, but will also attract non-traditional and new market entrants into the space, and paired with the lack of regulatory push focused on the consumer side of the market here in the U.S., we sit at a perfect intersection of opportunity and time.

Traditionally, advancements in consumer banking tend to ripple their way into the commercial market in five- to 10-year horizons. There have always been early technology movers and adopters, yet the market itself seemed to trail these advancements as commercial banks were slow to embrace change. Today, rapid technological innovation has led to an accelerated rate of adoption in the corporate space, reducing the five- to 10-year window to less than three. This advancement has also introduced massive disruption, with small tech startups turning into corporate clients and producing technologies and practices that leapfrog the industry. Considering this, the chance to capitalize on Open APIs to help deliver net-new experiences could not be more well timed.

THE FIVE THINGS YOU NEED TO KNOW TO START YOUR OPEN API JOURNEY

1 UNDERSTAND CLIENT NEEDS

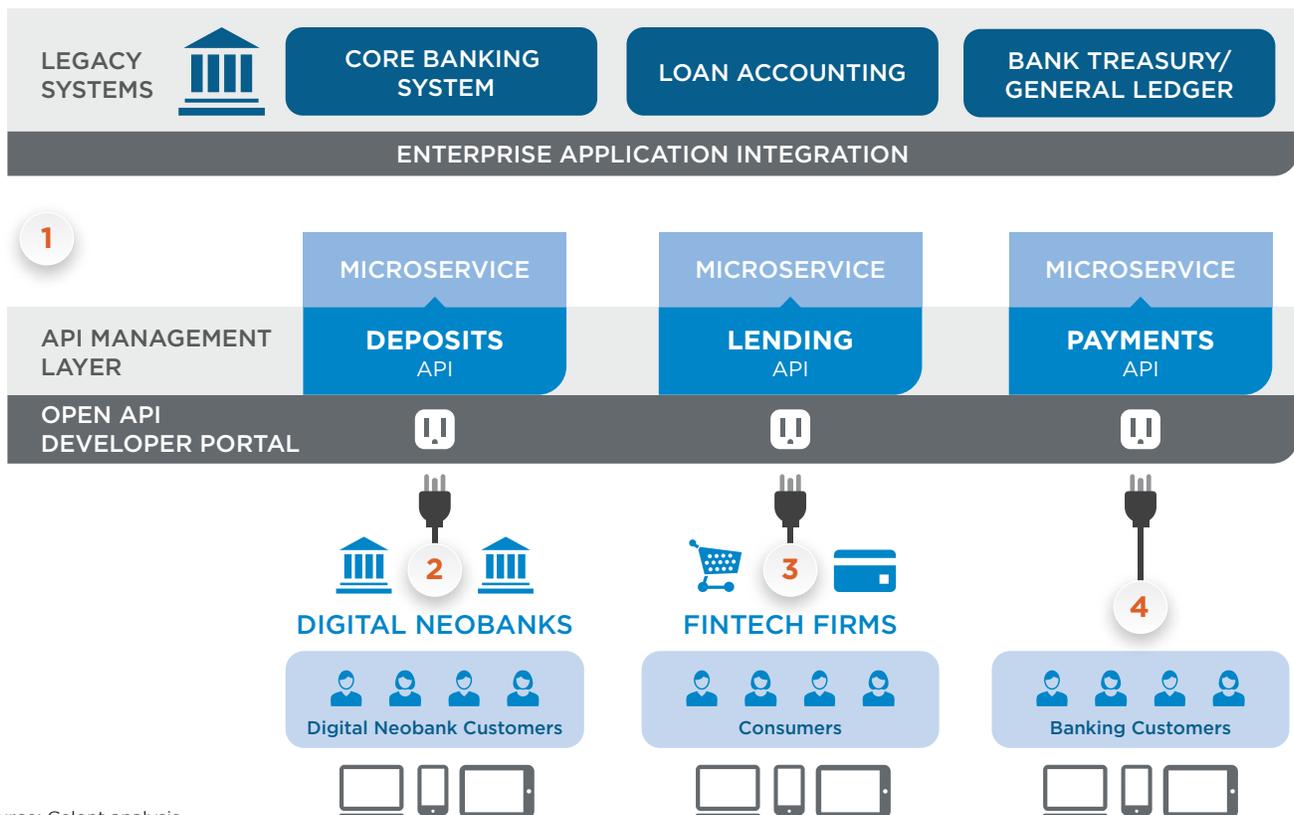
As Celent's recent report, *APIs in Banking: Four Approaches to Unlocking Business Value* lays out, understanding the different audiences you are trying to reach is a necessary starting point. Extrapolating this point out, once you solidify your development audiences, you need to start to explore what the value propositions to the end user will be.

The first obvious step in the Open API journey is access to data. This is not a new use case for APIs, as this has been in the market for some time and is the basis for a few notable FinTechs which have made the shift from screen scraping to harnessing the potential of APIs. An example of this is account aggregation services. However simple, access to data can play a crucial role with commercial clients looking to do more

with their financial information. Coupling this with future-dated information, such as cash flow forecasts, banks can expand their offerings and provide working capital management services.

The next step would then be actionable functionality. Once you have access to the data, the logical question then becomes what can you do with it and how can you use it to start building value enhancing products and services? Whether it be looking at future-based scenarios and initiating a simple transfer, or engaging in something more complex, the only way to do this today is by logging into your account and creating a new payment.

DIFFERENT AUDIENCES FOR DIFFERENT API APPROACHES



Source: Celent analysis

2

A STURDY ARCHITECTURAL LAYER IS A NECESSITY

Regardless of technological advances, one key to success will always be a sturdy foundation from which to grow your product offerings. Open APIs are no exception, and may in fact demand more from a foundational layer than legacy systems. Whether modernizing existing infrastructure or starting anew, Open APIs demand a flexible architecture that is built for scale and can handle rapid volume changes.

In addition to scalability, the foundational layers Open APIs are built upon must feature non-functional requirements that include reliability and security. As globality demands 24x7x365 banking access, built-in reliability ensures there will be zero downtime for systems, allowing customers the world over to conduct transactions and meet their banking needs. This convenience must be accompanied by robust security for the end-to-end platform.

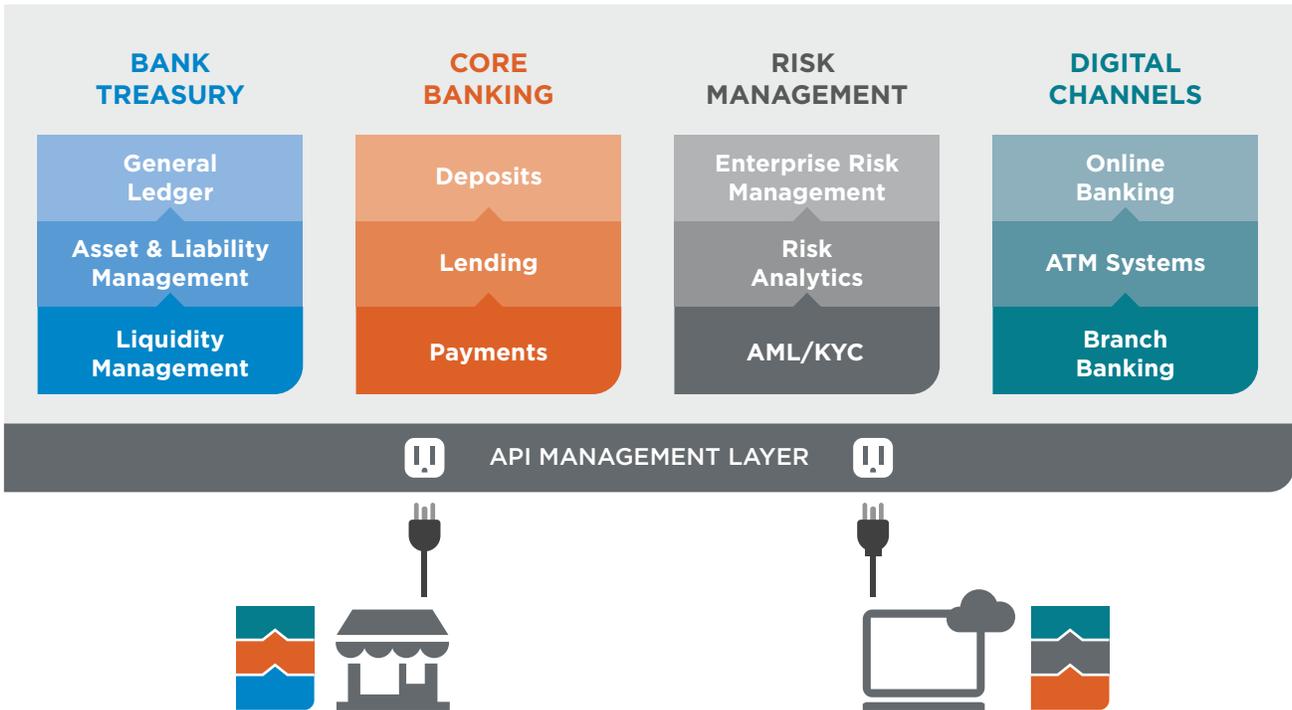
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SHAKEOUT OF ORGANIZATIONAL MENTALITY

Incorporating the best of the open landscape requires acceptance of the fact that great ideas will be sourced from outside of your walls. Organizations that accept this and make it a part of their culture will be in prime position to take advantage of all that Open APIs have to offer. Far from ceding control, this cultural shift will demand understanding and innovative thinking from all parts of the organization.

Additionally, sourcing great ideas means working with top partners who can deliver innovation and bring new ideas to the table. Banks must make finding these partners a priority, and be willing to seamlessly incorporate them into their internal teams.

BANKING AS A PLATFORM MODULAR ARCHITECTURE



Source: Celent analysis



THE FAST FAIL MENTALITY IS A POSITIVE

Today's tech startups innovate, disrupt and fail fast. They understand that time spent trying to fix an unworkable solution is time that is being lost to competitors. Banks would be wise to adopt this mentality, trying many things and focusing only on those that show promise. Not only will this save time, it will surface the best ideas and encourage ideation from all team members and partners.

GETTING STARTED

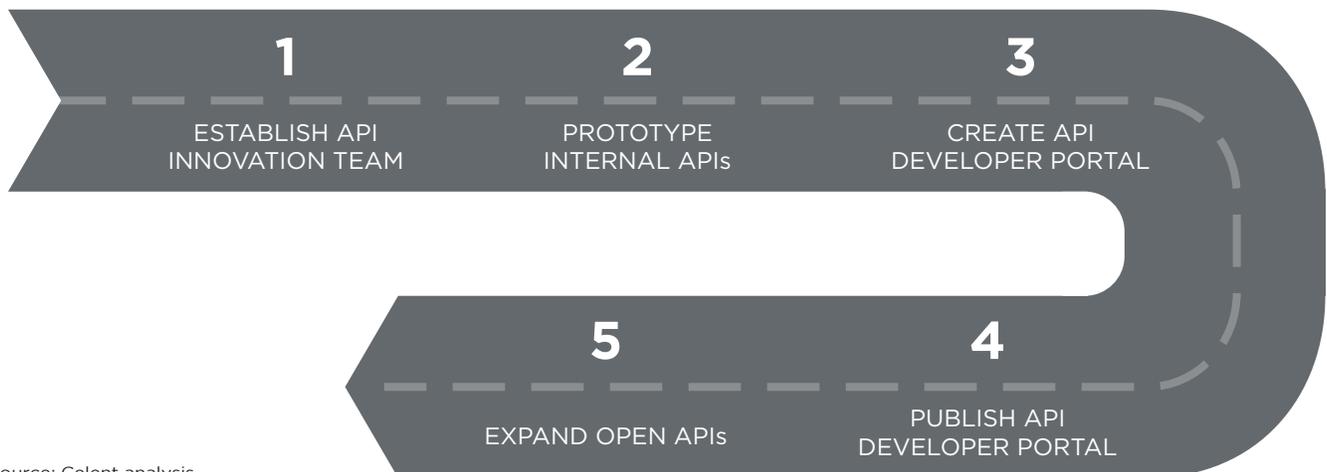
The path to prosperity runs through Open APIs, and financial institutions that fully embrace this journey from a cultural and technological standpoint will realize fast success. The first step towards this end is to create a top-down structure where everyone buys into the strategy of embracing the world of open. From there, find partners, not simply providers, who will co-innovate with you and become a member of your team.



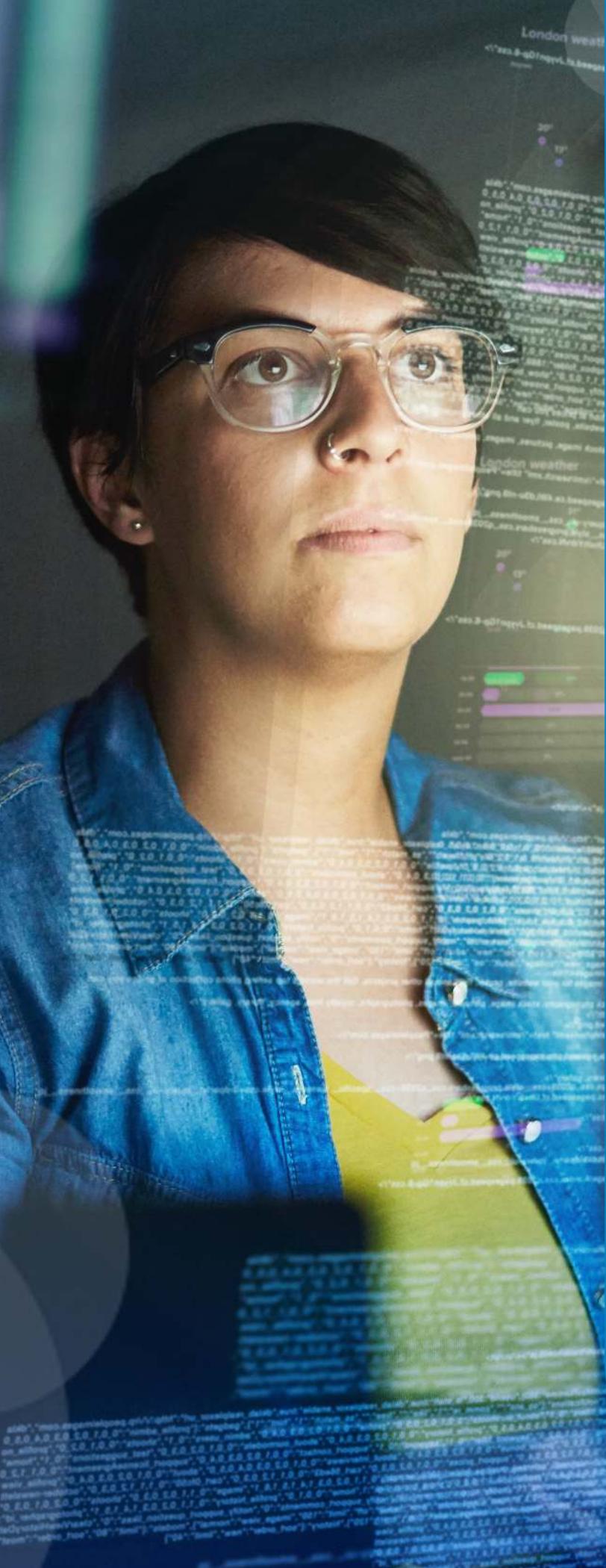
SOLUTIONING

Once here, Open APIs begin to unlock the true potential of your organization. Services become untethered from their silos, allowing financial institutions of any size to offer customers a personalized experience because the corporate can now own the full experience. This client-centric approach, delivered through Open APIs, firmly places financial institutions at the center of the customer's financial world.

THE JOURNEY TO UNLOCKING BUSINESS VALUE WITH APIS



Source: Celent analysis



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