

The Best of Open Banking Without **All the Risk**

By Jorge Andres Gomez



To overcome hindrances to open banking, financial institutions can accelerate their digital transformation by adopting a modular solution designed to integrate tomorrow's technology with legacy systems as well as open APIs/fintech technologies.

Open Banking may seem like a bridge too far for many financial institutions, but its potential benefits and inevitability call for a different view: Embrace openness as a logical digital destiny, but deploy it in cautious, measured, selective advances, tightly enveloped in strong security and compliance. Financial institutions already have the trust and the data to reap open banking's rewards without throwing open the vault.

Let's be honest. The first time a banker heard about open banking, he could be forgiven for thinking it a prank. *Offer up our valuable customers to our competitors and fintechs? Court trouble over customer privacy matters? Grant more access when we've spent a fortune to seal off our assets?*

Inevitability

But the future waits for no one – and no financial institution. Even if open banking were not spurred into reality by regulation, it would still be inevitable. The globalized world is an ever more connected, integrated world. Once fierce competitors are finding mutual value in cooperation where strategic partnerships provide innovations quickly. One of financial institutions' greatest assets is their wealth of customer data, but data unshared is value squandered.

Besides, nobody is in financial services to be safe – they are in it to help customers with their financial needs. And customers – consumer and commercial alike – want what open banking promises – convenient online access to a wide range of products and services and the ability to do business in any channel. And whatever customers get, employees will need as well. To serve customers effectively, employees will need access to the same APIs, information and tools used by customers.

Unlock Value

The emergence of open banking echoes a common technology development path: First the closed system develops. Then it scales up and matures. Then it opens up as a platform, and in doing so, delivers a leap in value.

Innovative Products/Services: Financial institutions are unlikely to ever make a complete shift to becoming a platform, but adoption of open banking still holds great promise. The institution can offer services, carefully curated, from other trusted parties and products they don't own and decline to develop. Step-by-step, they can decide if they should build or buy – whether they are better off with an API or creating their own capability.



For an industry with arguably the fiercest sensitivity to the risky world of security and compliance, a shift to open architecture and APIs, even with a most judicious, cautious approach, is properly viewed by financial institutions as a daunting prospect.

Exciting Technologies: As the institution travels its digital transformation path, adopting analytics, artificial intelligence, machine learning, natural voice processing, robotic process automation, and other such technologies, it can discover specific opportunities for individual customers and automatically generate a personalized offer or solution to an individual customer, even intervening to prevent financial mishaps. It can achieve instant access to innovations without having to develop its own version.

The Dual Challenge

Risk: But neither open banking's inevitability nor its promise erase legitimate concerns about its challenges. Even its firmest advocates acknowledge that opening up financial services carries special security and privacy risks. As one U.S. banker put it to *American Banker*, "When you're dealing with people's money, then there's much less tolerance for any kind of customer data breach."

Our aghast banker at the top of this article is right. open banking does expand the risk of unauthorized access, cyberattacks, data breaches, and fraud.

Digital Catch-Up: Moreover, few tier 2 and 3 institutions are far enough along in their digital transformation to take good advantage of open banking in a timely way. Many are limited by an analog legacy, disparate, siloed systems, unintegrated channels, and a complex array of security solutions, thus slow to market with new products and services, unable to use their massive data stores to identify customer needs and customize offerings accordingly.

A Seamless, Secure Solution

To overcome these hindrances to open banking, financial institutions can accelerate their digital transformation by adopting a modular solution designed to integrate tomorrow's technology with legacy systems as well as open APIs/fintech technologies.

Customer Convenience: By doing so, they can achieve a seamless, omnichannel structure that enables customers to do business in any channel, gain access to services from other providers, facilitate these transactions, and enable interactions with third parties. And not just customers.

Employee Empowerment: Over time, financial institutions have tended to make better progress on their front-end technology than the back-end. Open architecture and APIs can put top-quality tools and processes in the hands of back office employees, empowering them to deliver better service, and providing for a seamless end-to-end process and improved retention of skilled employees.

Modularity: An important aspect of such a solution is modularity. No financial institution's digital journey is exactly like another's. Each needs to be able to transform selected functions without having to rip-and-replace hard-wired applications. They need proven best practices to follow in order to accelerate innovation. For open banking, they also need the capability to integrate fintech technology into existing platforms with the flexibility and security customers expect, along with omni-channel capabilities that enable end users to move seamlessly across all channels.



Jorge Andres Gomez

Director for Unisys Financial Services,
Latin America

Jorge is a Business Administrator, graduated from Universidad del Rosario, has a specialization in International Business Management at the same university, and has Complementary Studies in Business Management Banking, and Financial Management. He has been a popular professor of International Banking and Trade and over 20 years of experience in Financial Institutions.

The matter of compliance must be a given with the entire technology ecosystem – not just compliant at the introduction of a new capability, but compliant throughout its lifecycle. Equally essential are layers of security that shield transactions from detection, along with visibility of security threats in real time, the ability to identify and isolate threats, and fully encrypt data.

Summary

For an industry with arguably the fiercest sensitivity to the risky world of security and compliance, a shift to open architecture and APIs, even with a most judicious, cautious approach, is properly viewed by financial institutions as a daunting prospect.

But at the same time, who is better positioned than financial institutions to be early, committed adopters of openness? Financial services consistently rank high in “trust,” having earned it by word, deed, and massive investments in security. As one of the most regulated industries, they come well equipped with compliance knowledge and resources. And no other industry in the world has more and better data about their customer’s habits, finances, and demographics – data begging to be utilized for customer good and institution profit.

Let Unisys use its open banking expertise and experience to help you reap its rewards without throwing open the vault.

To learn more visit [unisys.com/Elevate](https://www.unisys.com/Elevate).



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