Leading Banks Eye APIs to Leapfrog the Competition

APIs become pivotal to bank integration, functionality, and innovation

The market for financial services is changing fast, and banks are scrambling to redefine themselves and keep pace in the digital era.

To evolve, banks are transforming their organizations into digital ecosystems by disaggregating highly specialized services to a variety of environments such as the cloud, on-premises, and software as a service. They also realize they must tap into the innovation that is happening around them by becoming digital platforms that serve the larger market through FinTech partnerships. Application Programming Interfaces (APIs) are the key to making that platform approach happen by bridging the boundaries inside and outside these traditional banking organizations.

Executive Summary

APIs have emerged as essential tools and critical enablers to help financial services firms meet new consumer expectations. Through collaboration with FinTechs, banks will use APIs to add new functionality from business partners and deliver internally-developed service offerings to partner value chains and ecosystems.

The new ecosystem will allow banks to:

- Drive horizontal and vertical integration
- Foster a culture of collaboration
- Create new revenue streams and get solutions to market faster
- Strategically deliver innovation and functionality to the business

However, moving to a collection of independent systems managed as a digital federation requires a new set of skills. Traditional, centralized IT management techniques of the past will no longer apply. To pull value from real-time data and deliver new experiences to consumers quickly through APIs, banks must invest in and implement a new operating model.

Enabled by flexible and secure technology platforms, new business and technology delivery models will be key to achieving success. To seize this opportunity, banks need to start thinking of APIs as products and embark on a continuous and rapid cycle of ideating, prioritizing, deploying, and then measuring the success of new services.

Click here to gain more information on the Modern API, the API-led approach to connecting systems, and benefits.

APIs Extend the Banking Business Model

APIs are growing in acceptance across banking organizations, but their progress and development are still in flux. Their adoption is increasing exponentially, with 15,000 to 50,000 publicly available APIs as of April 2016—and probably even more private and partnership APIs.[1]

Banks are enthusiastically embracing these APIs, with more than three-quarters (78.3%) stating that they are counting on APIs to help them improve the customer experience.[2] In a recent survey of more than 100 bank and credit union executives, APIs were placed fourth as an important trend in retail banking—with most other trends related in some way to APIs.[3] These APIs are the basis for forming partnerships with FinTechs, as banks collaborate through partner and open APIs to be more transparent and customer-focused.

One of the most compelling capabilities of APIs for banks is their ability to drive both horizontal and vertical integration. Integrating open APIs lets financial organizations push banking in new directions. From a vertical perspective, banks gain the freedom to transform themselves into a banking-as-a-service platform built around services, account access, payments and product onboarding —all connected by APIs.

A major global bank has developed a comprehensive API strategy to cover its retail and commercial businesses, both in terms of internal APIs and external APIs. This has enabled re-use of a common platform across the different lines of business and APIs, particularly system and experience APIs. Whilst the commercial business has different characteristics, particularly in terms of customer types, many of the core API services are re-usable which has been enabled by the effective use of a common Mulesoft API platform. APIs also enable banks to extend their operations horizontally into new marketplaces. For example, by collaborating with FinTechs via APIs, banks can open up new channels and build new sets of enhanced product offerings. This means the bank becomes the center of a rich financial ecosystem.

For example, one innovative retail bank is using a push-to-card API, which allows a company to send a payment via debit card to their consumer's account in near real-time. One of the bank's insurance company partners could pay out a claim directly to a customer's debit card, expediting processing and delivering a superior experience.

Consider the following figure that shows how banks can design appropriate APIs to drive the new banking model afforded by open banking. It illustrates how a common set of APIs can serve multiple lines of business as well as internal and external operations.

		Client a/c Management Services	Collection Services	Disbursement Services	Funding/ Liquidity Services
External API Enabling interaction between bank and external world	**Account Management APIs** Enable clients to manage their account services	✓			
	Information APIs Access to relevant cash management related data/ information	✓	✓	✓	✓
	Transaction APIs Financial implication based APIs that are exposed to client representatives		✓	✓	
Internal API Enabling internal payments processing capabilities	**Account Management APIs** Enable internal users to manage customer accounts	✓			
	Information APIs Enable internal users to fetch cash management related information for internal consumption	✓		✓	
	Transaction APIs Financial implication based APIs for internal processing		✓		✓

---

1   "Tracking the Growth of the API Economy." Nordicapis. April 18, 2017.

2   Capgemini's World Retail Banking Report 2017.

3   "Digital Banking Report: 2017 Retail Banking Trends and Predictions." The Financial Brand.

Watch for these Emerging API Business Models

So far, the industry has only had a glimpse of what's possible with APIs. Soon, APIs will enable innovation to support an exciting array of new business models, expanding the reach and depth of business channels. Instead of acting as a single institution, banks will increasingly function as a vibrant marketplace with aggregated, bundled offerings. A leading global bank is currently offering an API marketplace to support its many different services, including retail banking, wholesale businesses, and home mortgages.

Banks will not only look to APIs to drive this expansion, but to encourage innovation—both internally and through third parties. Of the financial services organizations already using APIs, 58% report increased productivity and 48% have increased innovation.[4] These APIs will be instrumental in supporting customers across the lifecycle and adding value to their experience through speed, convenience, and adaptability.

We are already seeing APIs at work in customer-friendly mobile services and contactless payment systems like Apple Pay, Samsung Pay, and Android Pay. In the financial services industry, improving the customer experience (77%) is the primary goal for digital transformation, just edging out increasing operational efficiency (75%).[5]
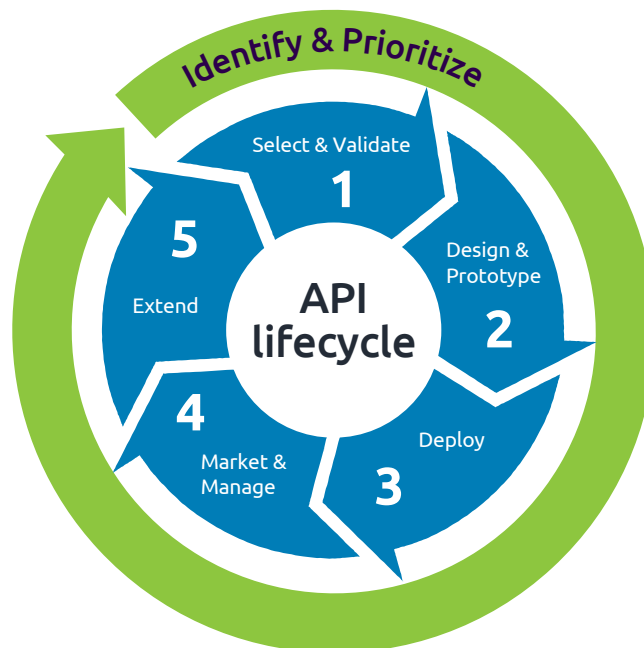
With plug-and-play third-party components and artificial intelligence-based personal financial management (PFM), banks can rapidly step up their game to deliver the responsive, personalized services that will differentiate them from competitors. Within the bank itself, APIs can drive efficiency by connecting siloed systems to improve system coordination, speed processes, and minimize risks. For example, one global bank uses APIs to enable fraud detection and combat money laundering through artificial intelligence and machine learning.

While all these API business models hold immense potential, financial services organizations must position themselves to move with speed and authority. Success will be based on evolving their technology to monitor APIs, control usage, and govern access. Forward-looking banks are already deploying solutions, measuring success in real-time, and getting their offerings to market more quickly.

Ideate and Prioritize to Evolve the New API Services

A key to success will be to treat APIs as products, ensuring that they are easy to use and that their success is continuously monitored. These "products" need to evolve in response to customer feedback as much as any other bank product. The focus needs to be as much on the business value and the business model to manage the APIs as on the

technical delivery. This best practice ideates and prioritizes services and embarks on a continuous cycle of product evolution, as illustrated below.

Being able to reuse software assets through APIs can be expedited with an internal self-service model in which everyone can access APIs and integration assets. This model will help in finding and integrating APIs to connect applications and data. Of the organizations surveyed in the MuleSoft Connectivity Benchmark Report 2018, 93% of the IT decision makers believe this type of self-service model will be critical to a successful digital transformation.[5]

The Future Holds Much Promise – And APIs Lead the Way

APIs will play a leading role in driving the future of banking—but only for those banks that take an active approach. Start taking steps today to be at the forefront of the API-led future or risk being left behind.

But beware: In the accelerated environment of digital disruption, open banking by itself will soon be considered table stakes. Banks will need to have the right tools, methodologies, and strategy in place to compete and succeed. However, digital transformation is like any major strategic initiative, it's a journey that banks must approach at a controlled pace. It can be useful to have a business and technology partner along that journey to help define and support your strategy.

To determine the best approach for your organization in the API-fuelled economy, consider developing a proof of concept as a joint business and technology exercise.

---

4   MuleSoft Connectivity Benchmark Report 2018.

5   Ibid.

Capgemini | MuleSoft

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms.

Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2016 global revenues of EUR 12.5 billion.

Visit us at **www.capgemini.com**

About MuleSoft

MuleSoft's mission is to help organizations change and innovate faster by making it easy to connect the world's applications, data and devices. With its API-led approach to connectivity, MuleSoft's market-leading Anypoint Platform™ is enabling over 1,200 organizations in approximately 60 countries to build application networks.

Anypoint Platform empowers organizations to lead in the open banking economy by offering a single solution optimized for designing, developing, and managing APIs and integrations across multiple environments—— whether it is on-premises, in the cloud, or in a hybrid environment.

For more information, visit **www.mulesoft.com.**

For a complimentary workshop on how to create value from APIs or a demo of Capgemini's API platform – contact us at
banking@capgemini.com

For more information, visit us at:

www.capgemini.com/openbanking

www.mulesoft.com/integration-solutions/soa/financial-services

---

People matter, results count.