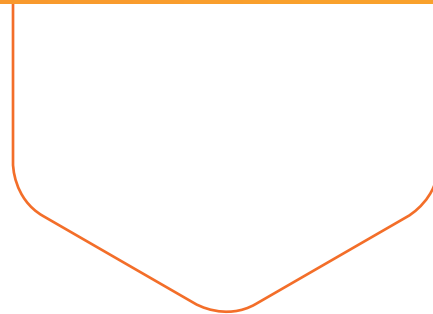




Preparing for Open Finance, But What is Openness?

Learn How to Position Your Community
Bank or Credit Union to Take Advantage
of This Movement





You've most likely heard about [Open Banking](#), which allows user-permissioned data and services to flow between financial institutions and third-party providers. But what is Open Finance, and why should financial institutions care about it? Isn't this just another term for Open Banking?





**The two concepts
are related, but they
do differ**

**Open Banking generally
only applies to retail
bank accounts.**

**Open Finance applies to
the broader ecosystem,
including commercial
banking and expanding
into credit facilities,
wealth management, and
insurance.**



Open Banking started as digital users around the world began to demand more control over their data, alongside regulators abroad recognizing the benefits of competitive forces in financial services.

Now, with Open Finance, the financial industry goes a step further, recognizing that end users – not institutions – own their data. Users should be the ones enabling access to use and share this data when and with whom they choose.



Australia and Europe currently lead the way in terms of establishing frameworks and standards to enable the Open Data Movement, including Openness in Health and Utilities industries, and General Data Protection Regulation (GDPR), as well as Open Banking and Open Finance.



Open Finance initiatives gained popularity during the Covid-19 pandemic, and the size of this market is estimated to reach \$43.15 billion by 2026.





In the U.S. and Canada, the Open Finance movement is led by industry players instead of regulation.

The Financial Data Exchange (FDX) is a not-for-profit, industry standards body whose mission is to enable secure, convenient access of permissioned consumer and business financial data. Since inception, FDX has ballooned to nearly 190 members, including Apiture, and millions of customer accounts.



What Needs to Change

There are several hurdles on the path toward an Open Finance ecosystem in the U.S. One is the reality of legacy architecture that underlies the financial services industry today. Another is the lack of regulatory directives for data sharing patterns, or legal infrastructure around eligibility for who can share or access data.





As a result, most financial institutions in the U.S. today share data via legacy mechanisms, for example, screen scraping. Along with data security issues, screen scraping prevents transparency.

Additionally, institutions are unable to see where customers or members share data, determine who is accessing the data, or gain any insight into capacity and infrastructure management around data access.



At the core of most financial institutions' digital transformation efforts is a more agile infrastructure.

Another crucial piece is employing APIs to evolve data strategy. But domestically, the financial industry is still a ways off—even today, the FDATA (Financial Data and Technology Association) reports that only 15% of data is shared using APIs in the U.S.



How Can You Position Your Financial Institutions for Open Finance?


As the Open Finance movement begins to take hold in the U.S., you have several ways to prepare for more widespread use of the FDX standard, or regulation in this area as alluded to by the Consumer Financial Protection Bureau (CFPB) of late.





Here are three steps you can take to be proactive in moving toward a more open data architecture:

- 1** Make data accessible by leveraging APIs.
- 2** Partner with companies whose core business solves problems in your current infrastructure so you can remain focused on your customers and growing the business.
- 3** Lean into your competitive advantages (including trust and security) by giving your customers the most secure way to access and share their data (APIs and Open Banking)



Financial institutions that embrace Open Finance will be better positioned to tap into new business models, uncover sources of revenue, and build more personalized experiences.

To learn more about Open Banking
and Open Finance, contact us.





About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the United States. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger banks to enabling unique, digital-only brands. Through our API-first strategy, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking means we're dedicated to delivering innovative solutions that meet the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

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