



TREASURY SERVICES

# The Open Banking Transformation

## EVERYTHING YOU NEED TO KNOW ABOUT APIS AND THE SHIFT TO OPEN BANKING

The rapid growth of application programming interfaces (APIs) and arrival of new regulation has started to push open banking into the mainstream. But what is open banking? Open banking is a loosely defined term that means different things to different people. In the US and Asia, open banking typically refers to a broad set of API-based connectivity that allows greater sharing of account and balance information. The most common application of open banking is account aggregation via API where providers give their clients access to accounts held with multiple banks with one simple log-in. In Europe, open banking is increasingly associated with specific aspects of the Second Payment Services Directive (PSD2) including payment initiation (PISP) and account information (AISP) services. In both instances, APIs play a critical role.

In this article, we explore open banking in the broader sense and discuss how APIs are transforming the way corporate treasuries do business - as banks are increasingly looking to combine bank developed tools with fintech offerings to simplify and enhance treasury processes and controls. Here's a closer look at how APIs are re-shaping the payments industry and how this technology can benefit your business.

## WHY ARE TREASURERS TURNING TO OPEN BANKING?

While the concept of open banking is not new, it is gaining momentum following the introduction of new regulation including the PSD2. New rules mean banks are now collaborating closer with regulated third-party providers, creating more choice and a better user experience. APIs are accelerating this process and can help streamline your journey by enabling real-time, on-demand experiences that are customizable.

“For us, open banking is about how we take more of our experiences to our customers and how we partner with the market to create better experiences. Historically, companies and banks have tried to create active experiences and make customers come to them. We are looking at how we can also take our banking products to our customers, even if they are not on our website. I think APIs are going to create a faster, more efficient way of doing this,” said Head of Open Banking, Treasury Services at J.P. Morgan, Sairam Rangachari.

### What is an API?

APIs are the mechanism through which two systems can communicate with each other. They make processes more independent and allow components to be weaved together to create an automated workflow and a better user experience.

Typically, APIs fall into a few main categories. Data APIs retrieve information, such as account balance or entitlement details. Process or Service APIs are used to trigger a specific type of service, such as initiating a real-time payment. Finally, experience APIs, such as a retail checkout API, consume the same type of information in different formats within a broad set of channels.

Many of us use APIs in our everyday life without knowing it. Think of a mobile savings app pulling your balance information across different banks into a single user interface, or being able to specify your starting point and destination in a ride sharing app, only to have a driver arrive minutes later.

# HOW CAN OPEN BANKING TRANSFORM MY BUSINESS?

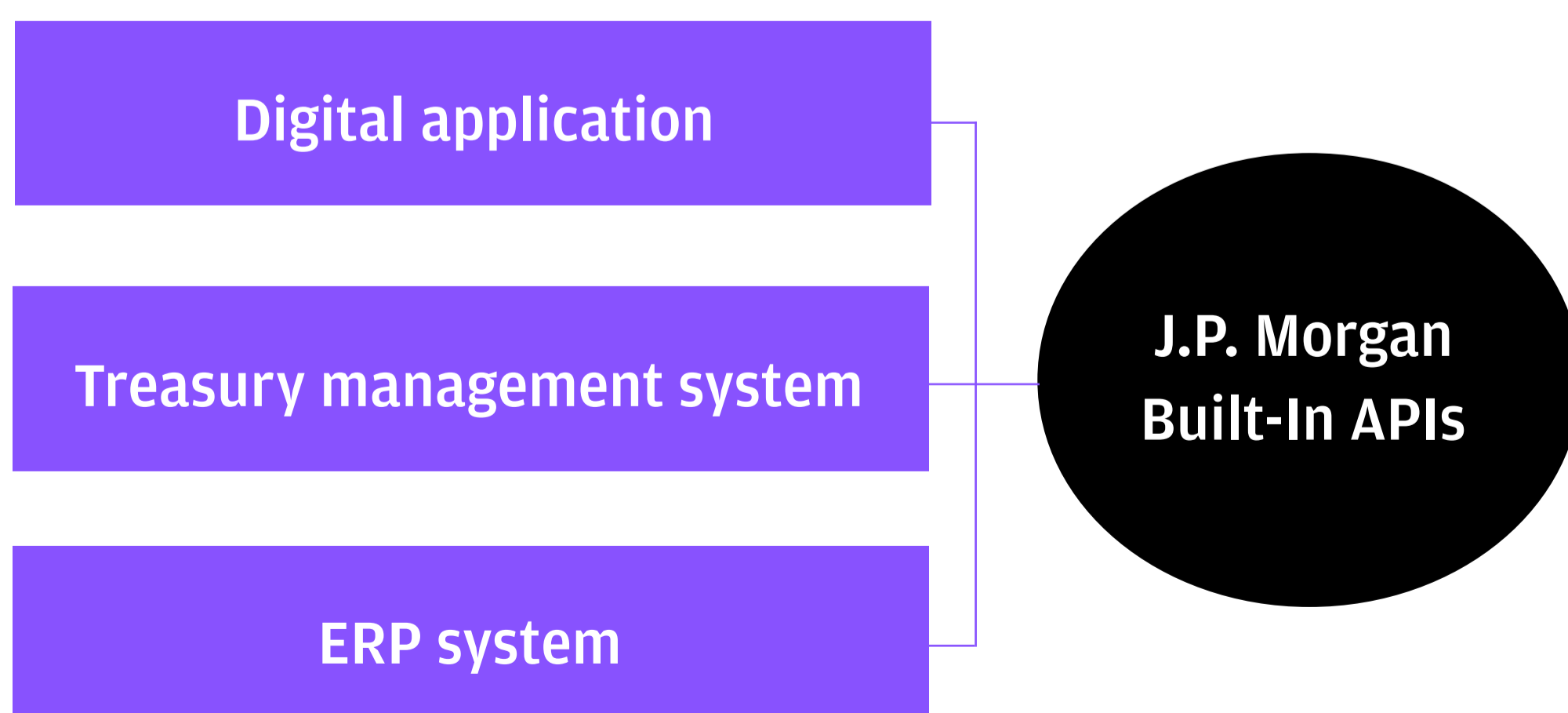
Open banking and APIs are speeding up innovation and helping address some of the traditional pain points associated with cash management and treasury services. Manual and repetitive tasks can now be automated in a secure way thanks to APIs. Systems can be more easily integrated with one another and data can be shared in real time.

“The whole point of real-time data is not only to have the ability to extend information real time, but also to get a response back in real time. APIs are a way to keep up with the speed required for that journey. If you are doing something with real-time payments, the way you are going to interact with the network will be through APIs so you can have the proper on-demand and real-time experience,” Rangachari said.

An everyday example of this is in the payment space, where invoice approval, vendor preferences and real-time payments can take place in a single step, helping to create an improved experience both for you and the partners you transact with. This functionality can also be directly integrated into an Enterprise Resource Planning (ERP) system or Treasury Management System (TMS), allowing for a more centralized and streamlined experience native to your existing Treasury processes.

“We recently partnered with a start-up which helps streamline the invoicing process. They receive both paper and electronic invoices, placing them in a single, user-friendly online portal. This partnership has allowed us to bring the same functionality to our clients. The process is totally digitized, enabling a one-click payment of all invoices,” Sairam Rangachari said.

## CLIENT CHANNELS



## END RESULT

- Enhanced customer experience
- Real-time view of treasury data
- Intelligent automation
- Increased transparency
- More personalization
- Improved controls
- Consolidated information
- Customized reporting

## HOW PSD2 IS HELPING TO DRIVE CHANGE

The combination of new technology and regulatory change is redefining the payments services landscape in Europe. A greater focus on integration is already underway, but is set to be accelerated with the introduction of PSD2. Similar to some of the technological gains seen in other sectors such as retail, integration is making cash management more convenient and secure through APIs. The new directive is also expected to heighten competition among banks and challengers and enhance transparency. Learn more on PSD2 and change in the industry [here](#).



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**Sairam Rangachari**  
Head of Open Banking, Treasury Services  
J.P. Morgan



## WHAT CAN I EXPECT IN THE FUTURE?

Simplified, customizable, secure experiences that increase the efficiency and visibility of your cash management. Some of the innovations disrupting the e-commerce and retail banking space are starting to enter the corporate treasury world thanks to these new tools.

“This is ultimately about how we fit into our customers’ lives and how we integrate banking into their lives – so moving beyond just payments. Whether it is on-boarding, liquidity, transacting or reporting, we are dividing up the journey and looking at how we can enhance each of those experiences through APIs and open banking,” Rangachari added.

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