Banking Without Borders: **The Open Banking Revolution**

INTRODUCTION

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Imran is Ciklum's Open Banking Advisor and a seasoned financial services expert with deep expertise in fintech, investment, and strategic advisory. As the former Implementation Trustee for Open Banking Ltd., He played a pivotal role in leading the UK's Open Banking initiative, overseeing regulatory compliance among major banks.

Previously, he served as the Global Head of FinTech at EY, where he advised fintech firms, corporate clients, and investors on strategy, operations, and capital raising. With a background in strategy consulting at Oliver Wyman and investment roles at Bridgepoint Capital and Resolution, he brings a comprehensive perspective on financial services, combining advisory, investment, and entrepreneurial experience.

In addition to his advisory work, Imran is the founder of CommuterClub, a FinTech 50 startup, further showcasing his ability to drive innovation in the sector.

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Introduction

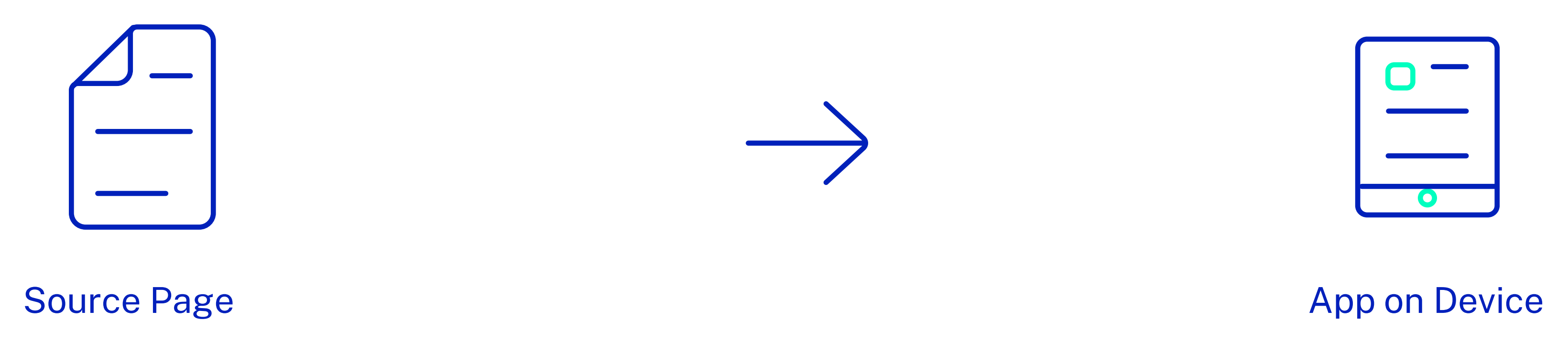
The United States represents a unique case in Open Banking when compared to others around the world, and this is down to a variety of factors.

Americans are generally more comfortable with data sharing, and the wider principles of Open Banking, due to a decades-long history of screen scraping by finance firms across the country. This is where users share their banking usernames and passwords with third-party aggregators; according to Oxford University, around a quarter of the US population use financial services comprising screen scraping technology.

These include banks that generally operate at state rather than national level; 56% of consumers having different account holdings across different banks; and a natural demand for account aggregation services. The latter is especially important, as it has driven the growth of API-based Open Banking that enables secure and seamless data-sharing experiences.

Basic Screen Scraping

A screen scraping program will pull data from a source page and parse it into its own view model



However, in order for finance firms to maximize Open Banking adoption, more needs to be done to win the trust of the American people. Pymnts has found that only 57% of Americans currently trust financial institutions to keep their personal information safe.

A number of developments should gradually help build that consumer confidence, including:

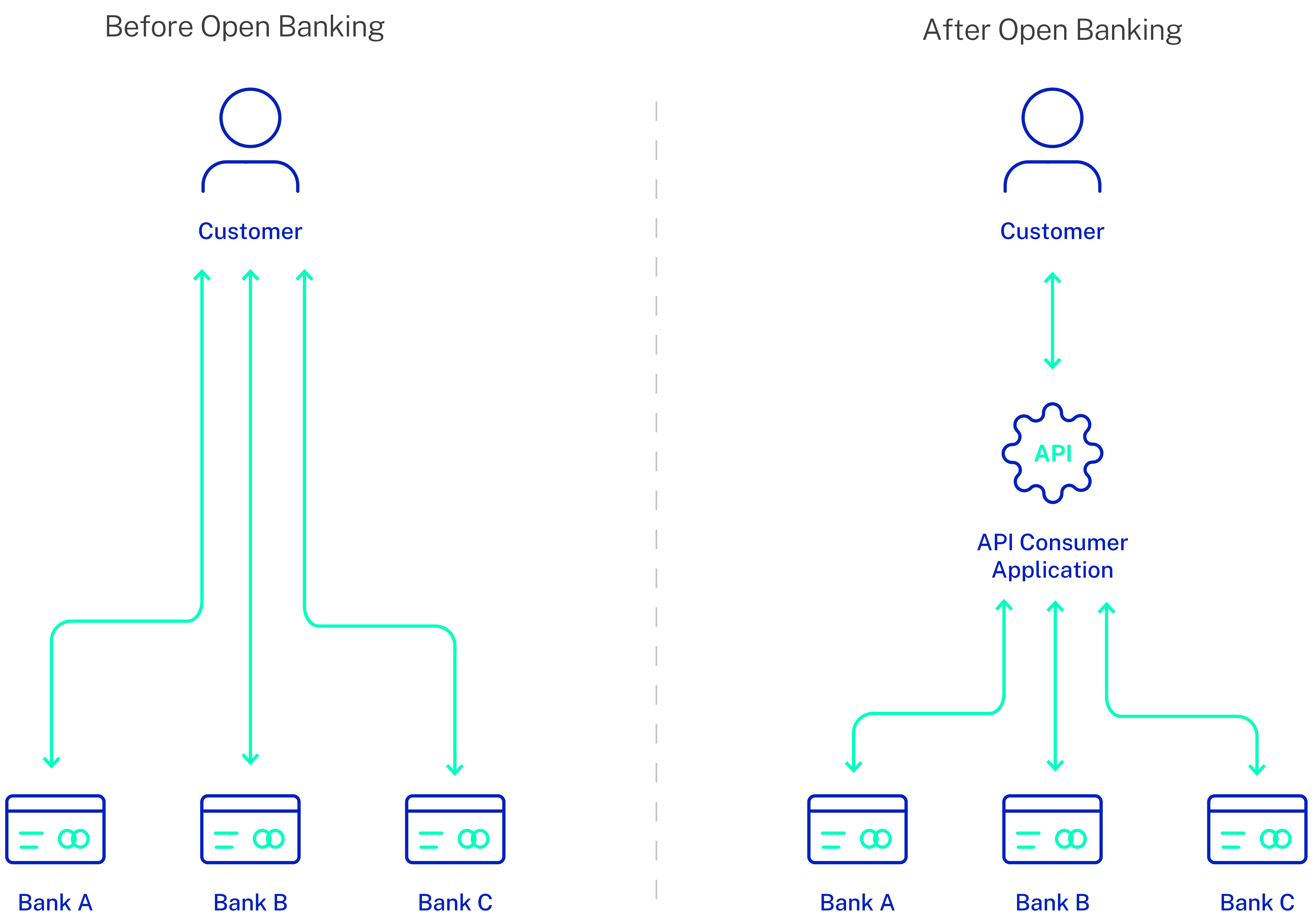
01 New regulations proposed by the **Consumer Financial Protection Bureau** that will enable customers to transfer data between financial providers more easily, thanks to mandated data sharing

02 Greater vigilance around protecting customer data, in order to meet regulatory requirements

03 Securing data pathways for APIs with innovative security measures that prevent organized and sophisticated cybercrime operations

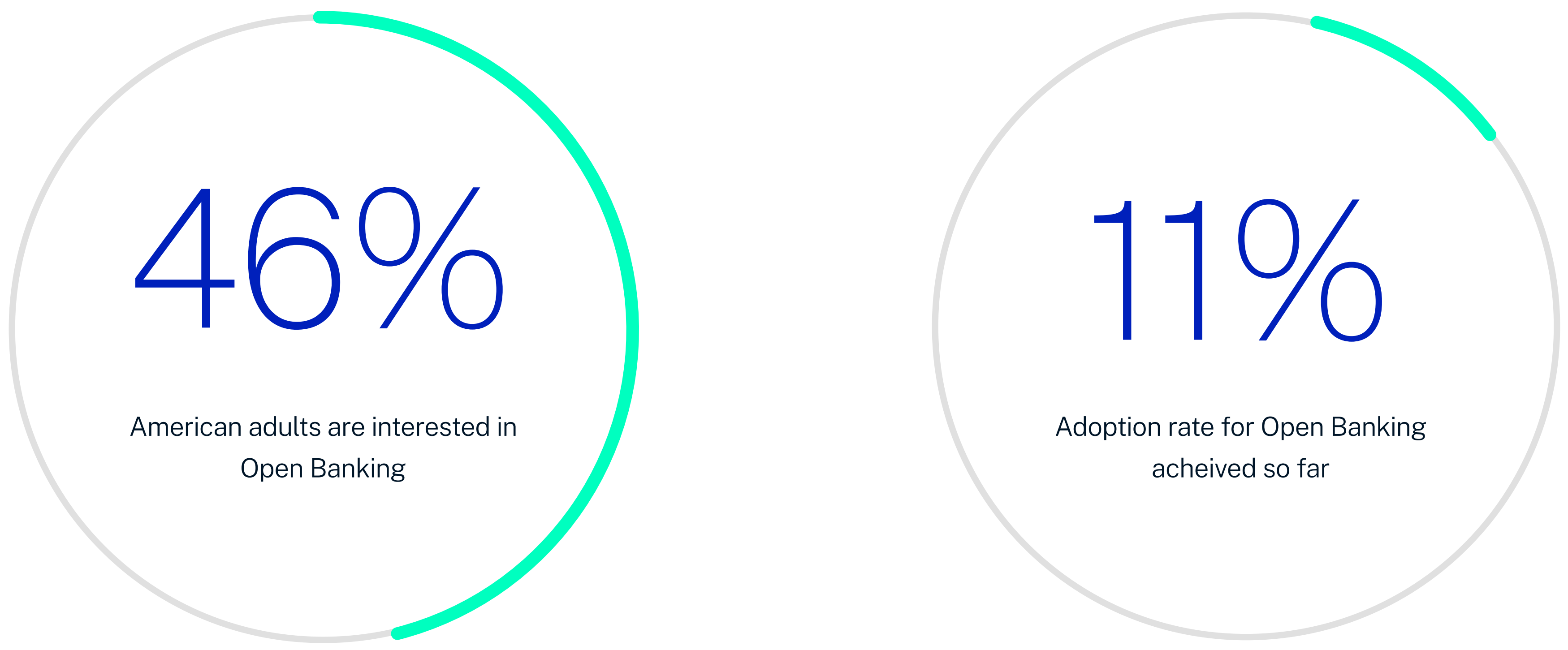
This guide explores the state of play as Open Banking becomes more regulated, including solving key challenges, building consumer trust with technology, and how to drive genuine value for all parties.

What is Open Banking?



Navigating the Key Obstacles Surrounding Open Banking

According to Pymnts, 46% of American adults are interested in Open Banking, but adoption has only reached 11% so far. The challenges that stand in the way of widespread adoption of Open Banking in the United States are many, and can be divided into three categories: cultural, technical and consumer.



Cultural Transformation

The proposed new regulations from the CFPB will encourage a shift for financial institutions from data ownership towards data stewardship.

Consumers will own their own data, and finance firms will be required to make this available to them, and to authorized third parties as appropriate (as at least 100 million US consumers have done already). Those third parties will have to be transparent with how that data is used in order to build customer trust, while financial institutions will have to manage organizational change to enable this shift to take place.

Technical Implementation

From a technical point of view, there will need to be some substantial changes to facilitate smooth, transparent Open Banking functions:

Legacy System Integration

Many established banks are reluctant to phase out legacy software in which they've invested heavily in financial and resource terms - but new commitments to APIs are necessary to make Open Banking a success.

API Standardization

Integrating APIs for Open Banking can be difficult as it involves bringing together data in many different formats from many different systems. Standardizing those APIs will ease this process, both for financial institutions and third parties.

Security Protocol Adoption

Open Banking providers are required to screen customers for Anti-Money Laundering (AML) and Know Your Customer (KYC) - but must do so in a way that doesn't require consumers to share security details directly. This means facilitating combinations of passwords, PINs, fingerprints, facial recognition or other security measures.

Customer Education

The good news is that younger consumers in particular are enthusiastic around Open Banking for payments, including 72% of Generation Z and 66% of Millennials.

But to respond to that enthusiasm successfully, it's vital to connect with the top priorities of the consumer base as a whole. According to The FinTech Times, security and efficiency are considered most important, followed by speed and efficiency.

Helping customers understand how Open Banking delivers on the security and privacy front, such as data sharing only being limited to necessary information, is therefore key.

Read More on Navigating the **Challenges and Complexities of Open Banking**

Learn More

Building Trust in the New Era of Banking

So how can these Open Banking challenges be addressed in practice, in order to build trust and buy-in among consumers, and to allow Open Banking to run smoothly for finance firms. Three separate technology considerations come into play here:

Data Management

How data is handled is instrumental to the whole Open Banking process. There is a balance to be struck between accessing that data, and keeping it secure throughout, through a combination of:

Secure Data Sharing Protocols:

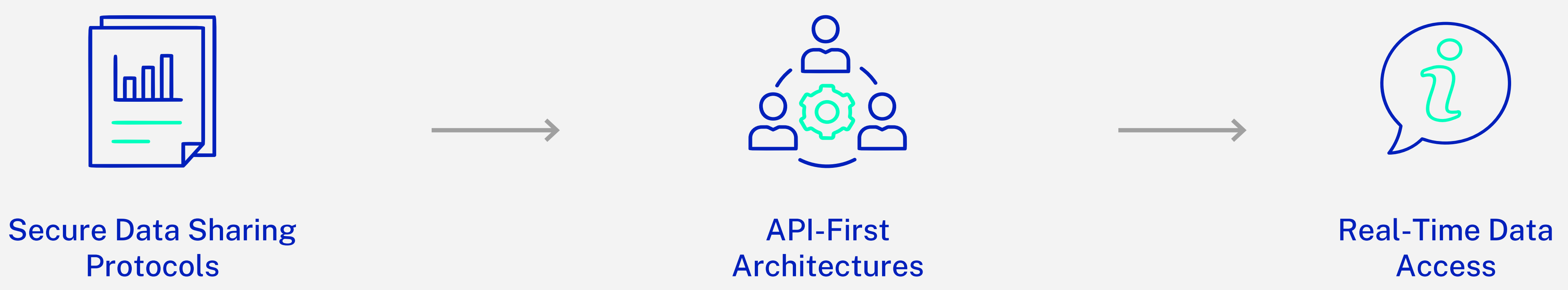
Direct API connections enable account-to-account (A2A) payments that take less than ten seconds to complete. The ability to deliver payment status in real time, and guarantee transaction completion, minimizes the risk of issues like chargebacks that can crop up with other payment methods.

API-First Architectures:

Enabling the above requires IT architectures to be refocused around APIs, and how they connect with each other. This can deliver improvements in efficiency, innovation, and customer insights that drive personalized services.

Real-Time Data Access:

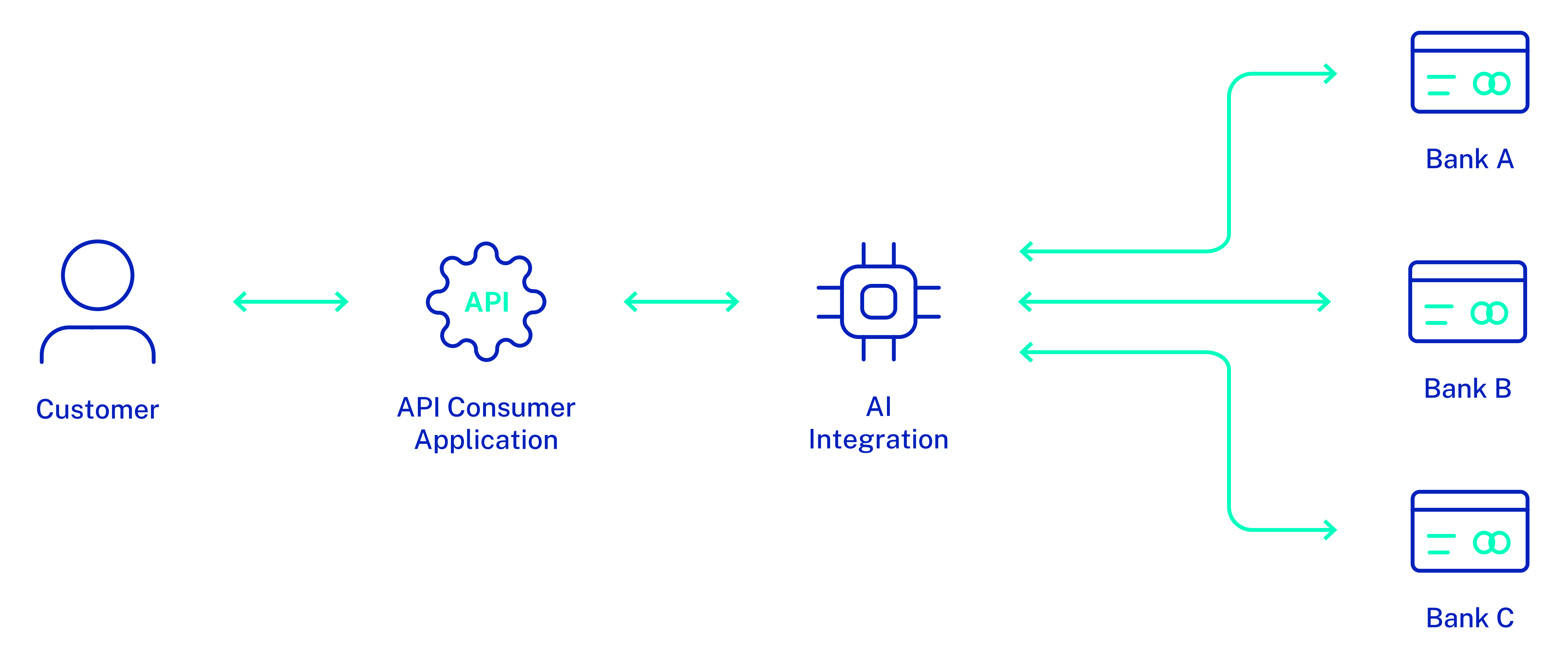
Open Banking enables the authorized sharing of specific types of data with third-party providers, which enables new opportunities to be capitalized on, in full confidence that consumer permission has been granted to do so.



AI Integration

The combination of Open Banking and AI can unlock new levels of analysis and decision-making, based on deep levels of insights derived from individual customer data. These abilities will only improve all the time as AI algorithms self-train from the data that is fed into them.

Taken to its fullest extent, AI-backed Open Banking can automate decision-making, so that the quantity and quality of services provided to consumers can be massively scaled upwards. It also supports the delivery of personalized experiences and financial insights, supporting the financial wellbeing of individual customers thanks to insights gained from aggregated data.



Security Considerations

Like any financial service or operation, Open Banking is subject to detailed and extensive regulation. Integration with third-party providers is an area where particular care needs to be taken, in order to ensure that the partners meet the same infrastructure standards and privacy frameworks to keep customer data safe.

A combination of strong authentication, secure API design and implementation, data encryption, and a focus on compliance will help Open Banking providers deliver the protection that consumers expect.

Driving Value Through Open Banking

When Open Banking is done right, it's a win-win situation for all concerned. Service providers satisfy customers and drive increased growth and revenue, while customers themselves get control of their data and greater flexibility in their financial affairs:

Firstly, service providers gain through:

01 **Streamlined Admin Processes:**

Open Banking APIs speed up KYC and AML workflows, and reduce human error, through automated retrieval of key data and automated identity verification. Not only does this reduce compliance costs, but can also improve the accuracy of fraud detection through comprehensive analysis of data.

02 **Better Customer Understanding:**

networked accounts can improve understanding of individual customers' financial position, so that personalized products and services can be offered to them. This comprehensive, data-driven view can also help predict customer needs for targeted communication, helping build the finance firm's reputation as a trusted source of advice.

03 **Enhanced Cost Efficiency:**

Automated data processing can lower operational costs, streamline reconciliation processes, improve resource allocation, and remove the time-consuming and error-prone nature of physical document handling and processing.

04 Stronger Specialized Services:

insights from integrated data can unlock a range of new opportunities for business growth. This can include more accurate credit scoring and risk assessment, faster loan approvals, and more refined product offerings that appeal to previously underserved market segments.

05 Wider Customer Acquisition Opportunities:

A more digital-first approach to banking supports seamless digital onboarding experiences, smoother customer journeys and more appealing offerings to tech-savvy customers. This can help broaden market reach and improve conversion rates in the long-term.

Customers, meanwhile, get enhanced control and choice on several fronts, including:

01 Greater Ownership Over Financial Data:

Customers will be in charge of who can access different elements of their data; will have full visibility of how that data is being used; and are able to give and revoke permission to use and share data at any time.

02 Expanded Access to Financial Services:

Customers will be able to choose the financial products and services that best suit them, comparing offerings across providers and accessing lending options at more competitive rates through increased market competition.

03 Improved Financial Management Capabilities:

A consolidated view of all financial accounts in one place will give customers more control around their finances, with real-time spending and income tracking, and better budgeting and financial planning tools. This can be augmented by personalized financial insights and recommendations, and automated savings and investment opportunities.

The Way Forward: Why AI is the Cornerstone of Open Banking Success

Open Banking naturally brings together many different innovations, and this will continue to be the case in the months and years ahead. The evolving market landscape, with the rise of FinTechs and digital challengers, and the greater opportunities for financial inclusion, will both play their part.

But it is AI integration and advanced data analytics that will have the biggest and widest-reaching impact. Only AI can derive the most value from complex customer data that can vary substantially from one customer to another.

Many organizations are still trying to work out how best to utilize AI with customer data. Understanding where this AI capability should reside - with banks, FinTechs, customers, or Big Tech companies - will play a major role in defining how Open Banking evolves in the future.

Case Study: AI-backed Development Transforming Payment Card Services at Scale

Some, however, have managed to find a successful way forward, including one multinational payment card services corporation working in conjunction with Ciklum. With EU banking regulations tightening, the company wanted to use Open Banking technology to innovate with its payment gateway system.

To do this, they needed over 200 APIs to ensure seamless EU-wide integration. Ciklum helped them develop all of these APIs, providing autonomous teams of developers and scaling offshore resources to implement the payment gateway roadmap.

This expanded the headcount working on the project from 15 to 60, enabling scalable, AI-supported development, ESG-focused risk mitigation strategies, and prioritizing PSD2 compliance along the way. At a technical level, the project teams deployed AWS ECS with Fargate for autoscaling and unified acquisitions, supporting the creation of a robust Open Banking platform.

99.8%

Service uptime ensured

Transformed

Customer rating from 2/10 to 9/10

200+ APIs

seamlessly integrated

PSD2

compliant across 16 EU states

This not only supported the business aims of the payment card services corporation, but also made banking services faster, more efficient and more secure for millions of people across Europe.

Alongside this focus on AI, organizations hoping to lead the way in regulated Open Banking should also focus on:

Customer Experience:

Making data sharing and banking processes secure and intuitive, through clear user interfaces that explain data sharing benefits, consent management and privacy controls.

Strategic Data Implementation:

Organize and clean data to make it accessible, usable and capable of generating meaningful insights; and ensure information can be presented back to customers in actionable, understandable ways.

Building Trust:

Acknowledge that customer data belongs to customers and put transparent processes in place to give customers control. Allied to robust security measures, this will help maintain ease of use and encourage adoption.

The Ciklum Approach, Transforming Open Banking

Ciklum is already enabling AI-driven Open Banking technology for finance institutions and FinTechs like yours, drawing on our deep expertise in Experience Engineering to drive transformation. We bring together:

Product Engineering:

Enabling financial organizations to create innovative and secure digital products and services that enhance the customer experience and support evolving Open Banking requirements.

Data and AI Solutions:

Advanced analytics and machine learning capabilities to transform raw financial data into actionable insights, enabling personalized customer experiences and intelligent decision-making.

Customer Experience Design:

Creating intuitive, user-centric digital experiences that bridge the gap between traditional banking services and modern customer expectations.

About Ciklum

In a highly competitive marketplace, our focus on Experience Engineering can help you ride the wave of Open Banking transformation, building trust and satisfaction in consumers who are able to shop around like never before. Contact us today to discuss your specifics, and how we can help you capture new market opportunities and stand out from the crowd.

CIKLUM

Ciklum is a global Experience Engineering firm that stands at the forefront of innovation, blending next-generation product engineering, exceptional customer experiences, and cutting-edge AI. The business revolutionizes the way people live by developing technologies that reimagine, reshape, and redefine the future.

For over 20 years, Ciklum has been a trusted partner to global enterprises and digital disruptors, spearheading the creation of digital solutions that tackle complex corporate challenges while propelling businesses toward accelerated growth and success.

Its global team of over 4,000 highly skilled engineers, experience design specialists and consultants joins forces to engineer technology that paves the way for the future of your business.

If you need to bridge the technological gap between your open banking solution and innovative transformation, get in touch with the people who can help you reach your goals.

Get in Touch