

FOUR PILLARS TO DELIVERING A SUCCESSFUL OPEN BANKING INFRASTRUCTURE

DATASHEET

BENEFITS OF AN OPEN BANKING INFRASTRUCTURE

As customer demands for new, integrated financial services continue to grow, banking executives see the potential benefits of open banking—beyond regulatory compliance. However, there is no single model for open banking success. The needs of financial institutions vary, depending on their infrastructure.

Legacy infrastructure increases the complexity of introducing new technologies. Integrating with existing, fragmented systems and providing the necessary communication and integration links often requires additional work. This process creates customized integration hubs that become new bottlenecks, adding to overall technical debt. While the intent is to modernize and break down barriers to data access, these integrations often create new inefficiencies.

New banking organizations do not have this legacy infrastructure issue. As noted in the Red Hat® e-book, *Agile integration: The blueprint for enterprise architecture*, “The advantage that startups and disruptors have is the freedom to structure their infrastructure, teams, application, architecture, and even their deployment processes. It is more than having an innovative idea—they are able to execute those ideas because they aren’t held back by legacy architecture. . . they can be agile.”¹

Open banking practices that adopt more modern approaches can provide the desired agility and speed, reduce technical debt, create an adaptable environment for both short- and long-term compliance, and build a competitive advantage. This datasheet describes key considerations for defining an open banking strategy using open application performance interfaces (APIs).

BUILDING AN OPEN BANKING STRATEGY AND DESIGN

Regardless of the existing infrastructure, the first step is defining the project scope. This process might encompass a short-term goal for compliance purposes or a more extensive implementation for third-party integrations and hosting services. Answering the question, “Why are we doing this?” with “To be the bank of the future,” is a good visionary direction, but it is not enough to measure success. To determine a measurable project scope, stakeholders need to define the elemental goals that they want to extract from their open banking initiatives.

Banks need to consider how to:

- Grow margins.
- Acquire customers and meet retention targets.
- Equip the organization to pursue innovative partnerships.
- Increase brand presence in digital marketplaces.
- Gain efficiency with simplified legacy systems and manual processes.
- Build speed—to be market relevant.



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¹ Codelli, David and Willmott, Steve. Red Hat e-book, “*Agile integration: The blueprint for enterprise architecture.*” Pg. 5. May, 2018.

While the open banking infrastructure goals do not necessarily need to cover all points comprehensively, it is important to have clarity for the corresponding API development and implementation environment. APIs are key for growing technology within the bank, but they must be composed in a well-orchestrated, managed environment so that any investments address current, specific needs and facilitate future growth.

To create a more modular environment, the bank will require integration across the entire legacy network, as well as integration with partner systems, networks, and other external services—like those offered as Software-as-a-Service (SaaS) solutions. As a result, banks need APIs that are granular enough to complete a well-defined, specific, and valued task in isolation of other APIs. When constructed as an open platform, APIs become interchangeable components that can link to existing offers, enhance services, and even become new products.

For example, banks can build an open banking platform that allows them to focus on self-service, removing intermediaries that traditionally needed access to their systems. Because it is open, this platform provides internal transparency across networks, and it is a more unified system of processes with varied, specialized components.

Banks can gain additional customer insights by sharing data across networks connected by APIs—whether those networks belong to fast-growing technology disruptors or third-party software solutions. This ability allows banks to build tools and services that can be applied for future innovation, significantly reducing the time and cost required to develop new technologies, services, and capabilities for customers.

Banks that implement a complete API network can build an open banking platform that allows them to focus on self-service, removing intermediaries that traditionally needed access into their systems. An open API architecture allows for managed and controlled access to bank assets, like the services they provide and the products they offer, as an integrated system of processes and specialized components.

Centralized, enterprise services, which are brittle and hard to maintain, must evolve into agile and open integration platforms. As a result, teams need to address technology challenges, including:

- Increasing internal agility.
- Building a consistent omnichannel experience.
- Creating customer or partner ecosystems.
- Integrating with cloud applications, including native, mobile, and Internet of Things (IoT).
- Using existing data and services better.
- Enabling SaaS integrations across hybrid environments.²

FOUR PILLARS OF API ASSESSMENT—WHAT MAKES A PROJECT SUCCESSFUL?

Red Hat has determined four key pillars for successful open API integrations. In tracking these pillars, banks can determine the direction that will improve operations, maximize revenue, and enhance the customer experience.

² Bortenschlager, Manfred, and Willmott, Steven. Red Hat e-book, "The API owner's Manual: Best practices of successful API teams."

- 1. Revenue.** Successful API implementations earn new revenue by directly charging for access to APIs. The rate structure should be tailored to the data and service being provided and the internal billing rate relative to broader third-party use.
- 2. Increased rate of innovation.** Open APIs allow for outside innovation, bringing new perspectives on how to use data to increase revenue. Exposure to external networks can facilitate new designs for components within a broader community. This ability brings fresh ideas across a broader community to build out functionality across specialties, like communication or data retention architectures.
- 3. Internal key performance indicators (KPIs).** Using the data produced by APIs, additional improvements to the environment and processes can be made and measured. For example, as a reusable component, APIs can impact new product interface design time. Logs collecting API usage patterns can be analyzed to measure how often calls are made to the API, or how many different departments are using the same one. Containers have become the underlying deployment platform for an API platform, allowing services to be automatically deployed within specific API environments. As a result, container utilization rates are often also relevant.
- 4. Ecosystem growth.** Successful open APIs have network effects, such as growing in the number and reach of influencers. To have the widest audience, even well-defined APIs should minimize customization to be useful across a range of environments. Those that are built to run anywhere, anytime, and in any cloud or datacenter are the ones that can be reused from a single investment.



ABOUT RED HAT

Red Hat is the world's leading provider of open source software solutions, using a community-powered approach to provide reliable and high-performing cloud, Linux, middleware, storage, and virtualization technologies. Red Hat also offers award-winning support, training, and consulting services. As a connective hub in a global network of enterprises, partners, and open source communities, Red Hat helps create relevant, innovative technologies that liberate resources for growth and prepare customers for the future of IT.

WHY RED HAT?

Banks have various strategies to better utilize their technology infrastructure. These strategies range from doing the bare minimum to achieve compliance, to expanding capabilities to allow and support third parties, to becoming part of a broader ecosystem as an open banking platform. The pace of change in digital finance continues to increase exponentially, and banks who do not react appropriately only fall farther behind the curve. The best approach for the organization should include consideration of where new sources of competition could come from and how to position the organization to adapt accordingly. Red Hat offers a unique perspective on the strategic assessment and decision-making process used to determine an effective open banking strategy.

To learn more about developing an open banking infrastructure, visit the [financial services page on redhat.com](#) to explore our library of resources on the subject, including Red Hat's [API owner's manual](#) e-book.



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