

Tangible Value in Open Business Banking for Banks and Entrepreneurs

The road to Open Banking and the general merits – for as far as we can see them today – are fully documented and start to be understood – in degrees – by the industry participants. But once we go beyond the ideation, the sandbox and we start pulling the ideas off the page and into the business, one big question prevails – how do we turn this idea into a viable business? As the customer journeys and drawings get condensed into management summaries and boardroom proposals, that question comes more to the fore. Banks do appreciate that their service to the business customers has been product-driven, inflexible and, in fairness, often below par. As fintechs appeared offering niche, attractive, easy to manage and often cheaper alternatives for lending, financing, currency exchanges and more, business users started to meander through this unconnected forest of parties vying for their business. As the fintech community grew, businesses were inundated with choice, offering benefit, but also adding complexity and still not offering an integrated overview on the financials of their business, actionable insights and access through the two channels they know and work with: their accounting package and their bank account.

A bank operated market place for business

If you ask any entrepreneur, they will agree that the juggle between focus on the business and the time to be spent on finance and other support services is seen as a necessary evil. SME owners in particular appreciate the financial insights that help them to manage their business but not the ‘hard way’ to get access to those. Cumbersome, in a myriad of places, in multiple bank accounts, in short – dispersed, unconnected, and not made for a 24/7 life on the move. Because of PSD2, banks can now service their customers in a multi-bank setting with consented access to other relevant data, such as held in the business’ accounting package. Payments on behalf of, invoice payments, cash forecasting, pooling and sweeping, factoring and lending can be offered in an open eco-system, made up of a bank’s own services and those hosted in the app store.



Cash management akin to full corporate treasury solutions can be offered by the bank by combining data of the account package with those held at various bank accounts. This offers the business owner a real-time cash position today and, more importantly, based on supplier obligations and expected receivables, a cash forecast into the future. Credit can be offered on a need-basis (for a few days not ongoing), sweeping, or invoice payments. All from the device of the business user’s choice; in and during his busy working life. Lower cost, more choice, connected view, relevant tips through one partner they know, need – if not like – and trust.

The bank as a TPP – fee-based revenue from other banks’ customers

Throughout the Open Banking debate we hear suggestions that we will face thousands of new Third Party Processors (TPPs) who will overnight take business away from banks. Really? There are three main impediments to this being the case. Firstly, these organisations need to be regulated to provide either AIS or PIS services. Secondly, they need to have very, very deep pockets for a marketing budget to get customers to know who they are. Last but not least, there is the issue of trust – we are coming to a view point that most big-techs have the same interest as banks and are, as such, not really different.

If banks take the opportunity to act as TPPs themselves, they have the opportunity to understand what their business customers do with other competitive banks, and fintechs. →

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Mark is a renowned innovator and thought leader on Payments & Open Banking and Advisor to the Board of Nationwide Building Society. Conny is a frequent speaker at fintech events and a non-executive board member at a number of fintech companies, Holland FinTech and a Global Innovation Awards Judge at BAI (US).

About BankiFi: BankiFi (UK, NL) offers financial institutions a consent centric platform with business banking solutions that enables banks to become a TPP and as such go 'beyond an open experience' promise with relevant offerings to their business clients & developer community such as: Consent as a Service, Pocket Treasurer, Sandbox etc.

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Open Banking, Open Data, and GDPR enable banks to offer their customers much more meaningful services built on consensual access to customer data that can be combined and analysed to help them choose the right products and services. Moreover, banks could truly act on behalf of the business customer, rather than simply trying to sell them one of their own manufactured products. Business customers, in particular, have the common sense to recognise and appreciate value. Thus, banks can generate fair fee-based income by charging flexible rates for those services and insights to the fintechs that use the bank's app store as the last mile to the customer.

And the winner is ...

The critical success factor for Open Banking is trust, and a key driver to building trust is ensuring data is not lost or stolen, but that it is also only used for the purposes that customers "allow" it to be used for. Consent becomes the key service enabler for trust.

In summary, alongside the customer, banks are in a great position to be the winners of Open Banking, but that requires them to realise the opportunity and look towards and even beyond the medium term and not see Open Banking as yet another compliance issue, but as a genuinely great opportunity for them to service their business customers properly. From custodians of money to data and, finally, trust – everyone (finally) wins ●