2020: the year of value creation

Open banking attitudes and fintech partnerships

tink

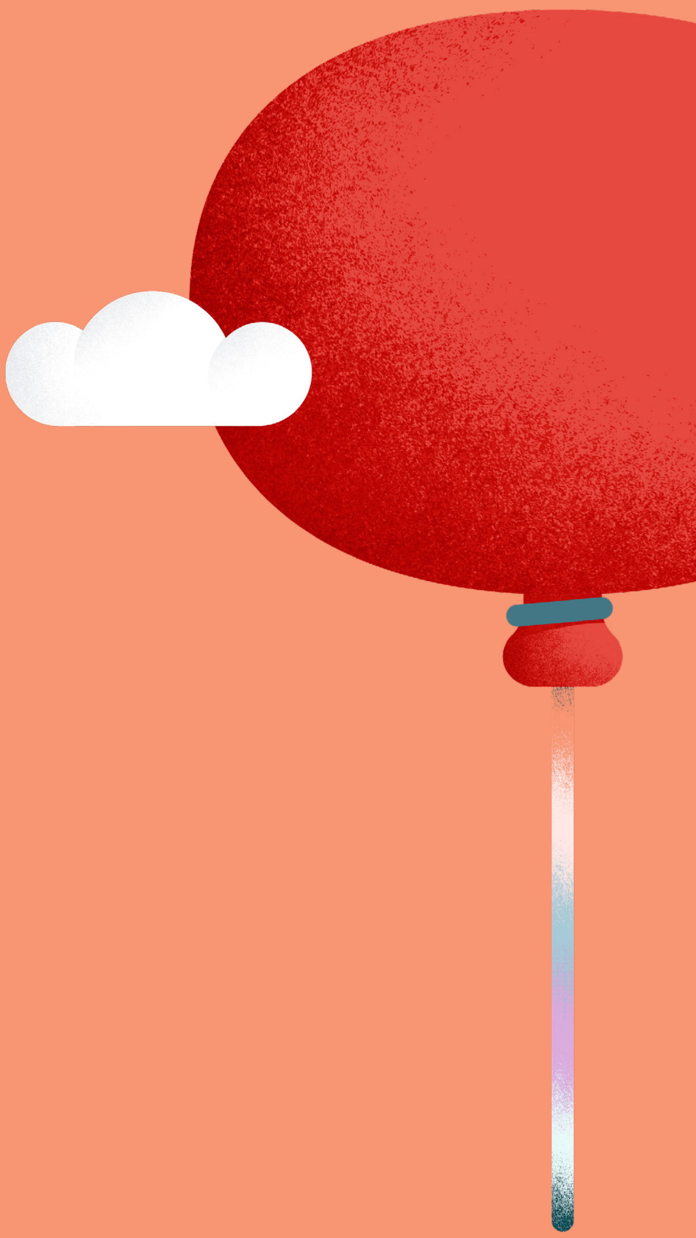
The open banking shift continues

Financial executives are more positive and optimistic towards open banking than ever before. Although a large number of financial institutions recognise the open banking opportunity, there are still some question marks when it comes to translating it into a concrete strategy.

Most open banking executives are approaching open banking from a long-term strategic perspective, but short-term, they're **looking to use cases that can impact their current business** model by enhancing existing products and services.

Over one-fifth of institutions have already partnered with fintechs to get access to open banking technology. But looking to the future, the journey of value creation is just getting started.

This report presents the findings from a survey of 290 senior decision makers and influencers working at regulated financial institutions across Europe.

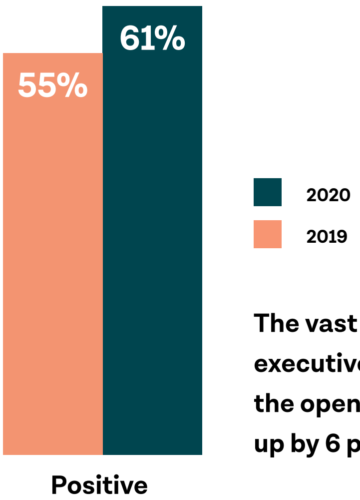


The short version

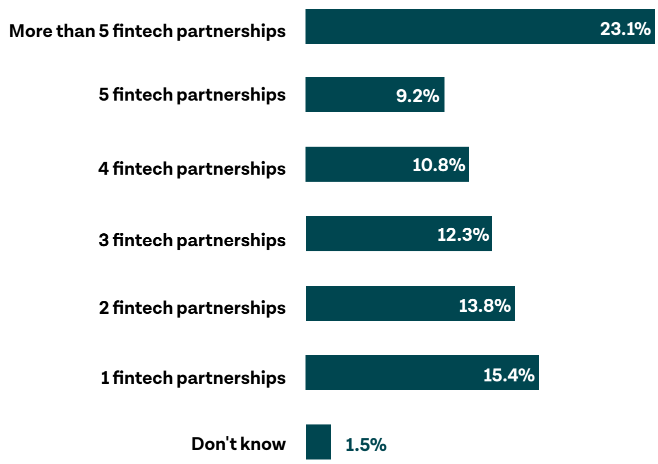
Looking for highlights? Here are some of the top findings we'll explore further in this report.

As a high-level conclusion: open banking is increasingly perceived as an opportunity and financial institutions are flocking to form fintechs partnerships to accelerate the path towards value creation.

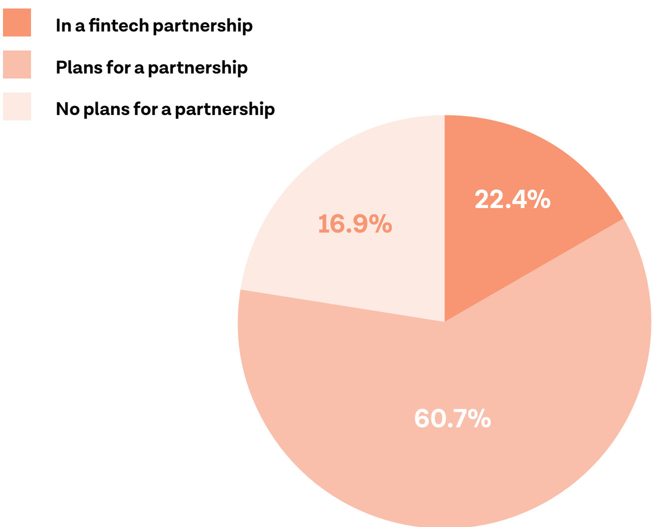
Nearly a quarter (23%) have established more than five fintech partnerships to complement their open banking strategy.



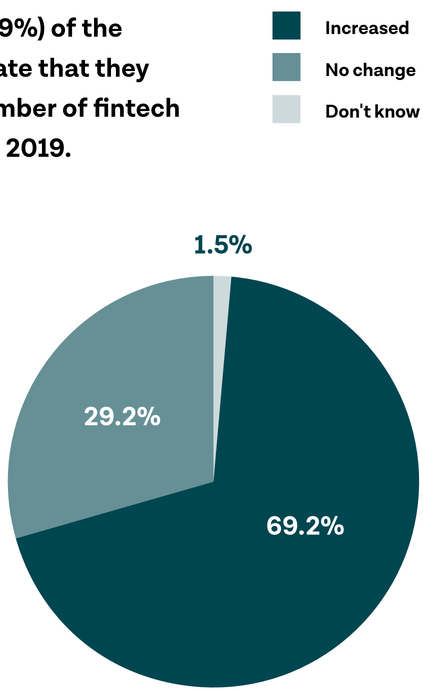
The vast majority of financial executives are positive towards the open banking movement, up by 6 p.p. year-over-year (YoY).



Over one fifth (22%) are currently in a fintech partnership to power their open banking strategy.



Over two-thirds (69%) of the respondents indicate that they increased their number of fintech partnerships since 2019.



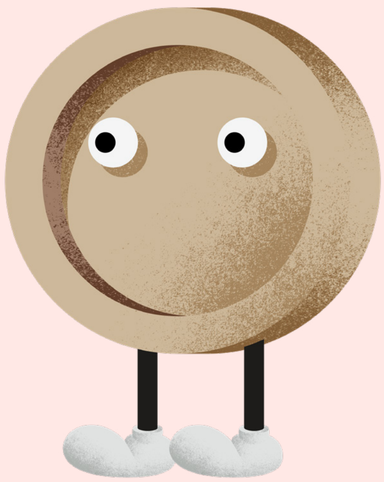
About this survey

To better understand how the market has shifted since last year, Tink teamed up with market research firm YouGov for the second year in a row. This time, we wanted to learn more about open banking attitudes, investment budgets, and investment priorities across Europe – so we surveyed 290 financial executives from 12 European countries to hear what they had to say.

This first report zooms in on the attitudes and perceptions towards the open banking movement, as well as the 'strategic readiness' to embrace the opportunities, highlighting key differences between countries.

An important sidenote

The coronavirus has created many concerns for our health and uncertainties regarding the long-term impact on jobs, businesses and the entire market. Please note that the data in this survey was collected before the spread of the coronavirus surged in Europe, so it does not account for any potential shifts in business priorities brought on by this crisis.



The open banking transformation

In its essence, open banking comes down to the exchange of data between financial institutions and third-party providers (TPPs), with the aim to boost competition and deliver new capabilities and enhanced experiences to the market.

The notion of open banking has recently become a global discussion. Nearly every country around the world is either exploring the benefits of open banking or contemplating the need to regulate it – if they haven't already implemented regulations to enable it.

The surge in popularity of open banking can be traced back to the introduction of the revised payment services directive (PSD2) for the European Union (EU) in 2015. This piece of legislation acknowledges that open banking services have existed for many years — some as far back as the early 2000's. Instead of restricting these services, PSD2 provides the regulatory framework that allows TPPs to continue to operate (provided they have the necessary licenses).

Most of the nitty gritty details surrounding the technical aspects of PSD2 went into force in 2019, essentially making it 'the year of open banking'. Nearly all banks subject to PSD2 decided to publish dedicated interfaces — in the form of an application programming interface (API) — in order to enable the exchange of data with TPPs.

A platform for the future

While some banks have approached this as a compliance effort, others have been looking at their **open banking investments as a stepping stone for a much broader digital transformation story –** one that is centered around the platformification of the financial services industry.

Put simply, platformification is a concept often used to refer to a business model where the goal is to become the primary interface for partners, developers and clients. Think of it as a marketplace where both consumers and businesses can search, buy and manage their financial services – getting access to the best services at the best price. (Very much like Amazon.)

In this scenario, financial institutions become a factory of APIs, and the business model centres on producing APIs to allow TPPs to deliver financial services, integrate the data to enhance services, and expose their offerings via the platform.

“Open banking is only part of the equation. Banks are moving from an old model with old systems to a fully digitalised platform.”

An open banking strategy should not be limited to a long-term vision of platformication or simply producing APIs for the sake of compliance.

It needs to be balanced by **short-term business objectives to create value and generate measurable returns.**

Instead of making significant investments towards exposing data and developer services, a number of financial institutions have embraced the role of a TPP. They’re consuming APIs to enhance their current products and operations – and leveraging the available data to improve customer acquisition, accelerate onboarding, increase conversion, lower risk, and improve customer satisfaction rates.

The widespread adoption of proven open banking use cases will make **2020 the year of value creation.**

Christian Clausen

Executive Advisor at Tink, Board Member at Blackrock, Former CEO at Nordea, and Former President of the European Banking Federation

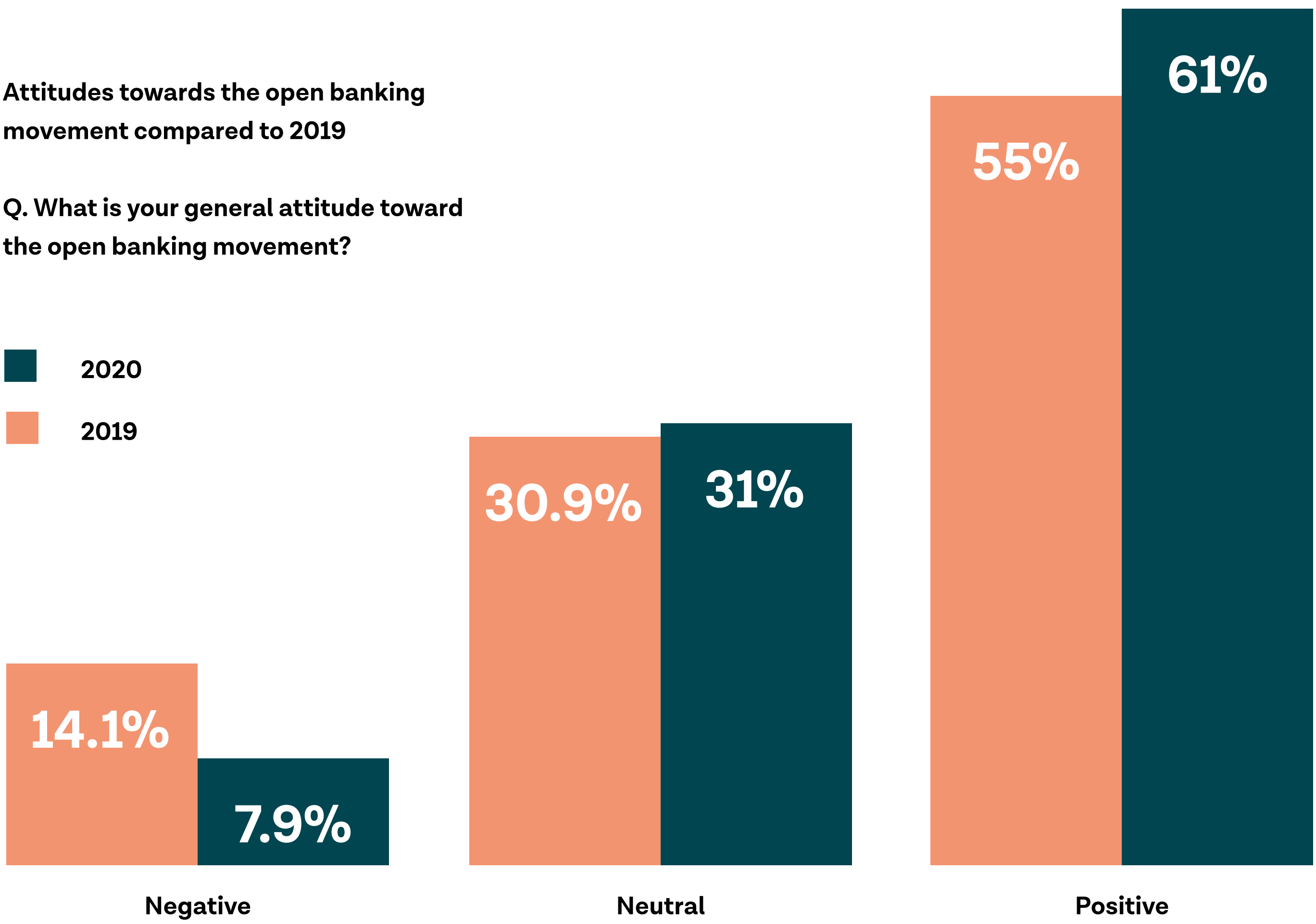
Growing positivity towards open banking

Adoption of open banking starts with the belief that it will create value. In order to see how the sentiment towards open banking evolved, we compared the 2020 results to the ones gathered in last year's survey.

Over the past 12 months, the percentage of respondents that feels positive towards the open banking movement has increased by 6 p.p. – jumping from 55% to 61%.

Attitudes towards the open banking movement compared to 2019

Q. What is your general attitude toward the open banking movement?



Note: All respondents (2019 n=269; 2020 n=290)
Source: Tink & YouGov, 2020

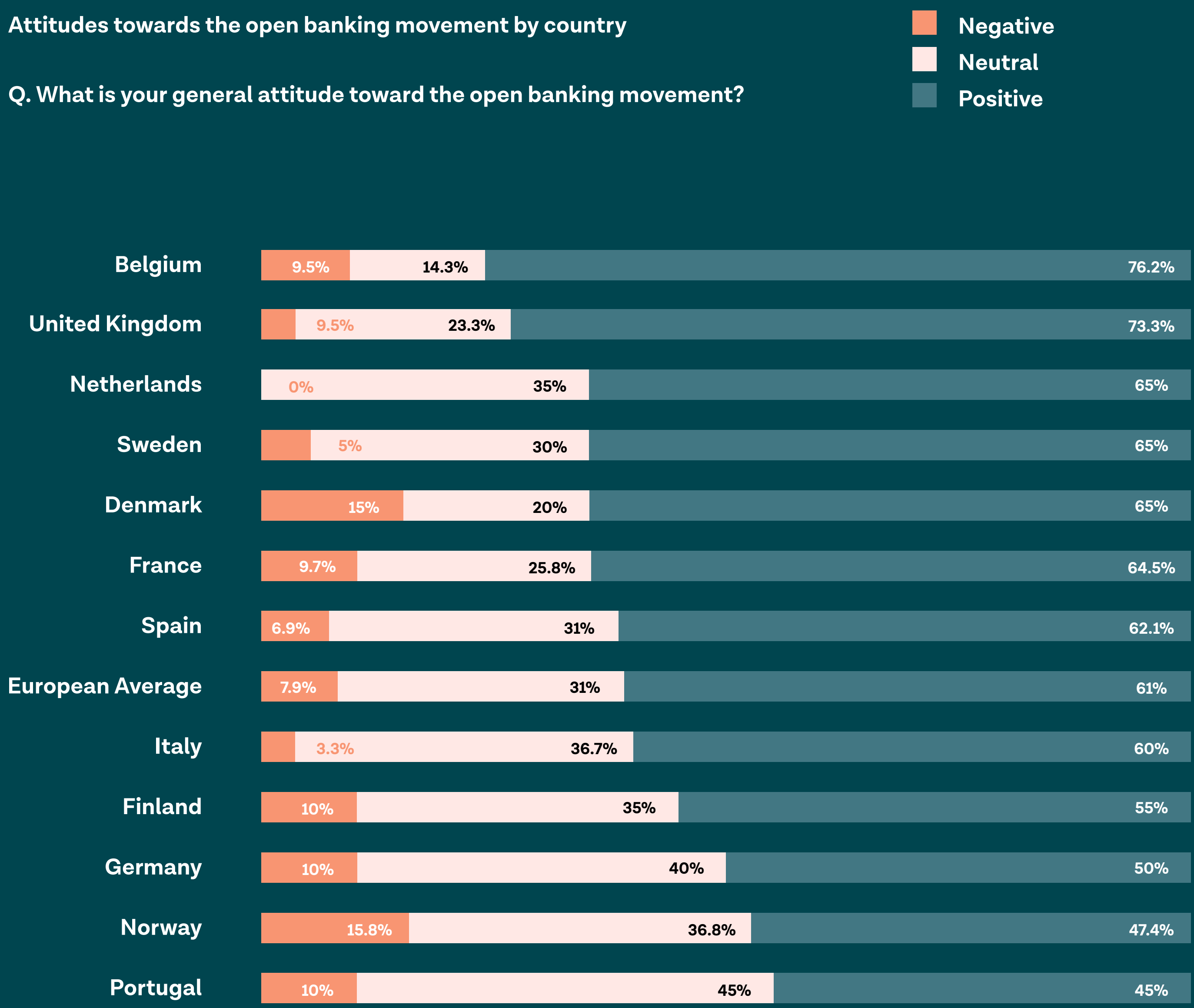
The slight increase in positivity is no surprise. Despite the enormous efforts from a PSD2 compliance perspective, venture capital investments and big moves like VISA's acquisition of Plaid for $5.3 billion give confidence that **open banking will be a central component** for the future of the financial services industry.

When we break down the results by country, Belgium and the United Kingdom (UK) come out as the most positive, with 76.2% and 73.3% respectively.

The positive response among financial executives in Belgium may be a reflection of the efforts from the National Bank of Belgium (NBB) to encourage active participation from banks and fintechs in open banking discussions, and establishing an open dialogue between the two. In addition, different players have already gone live with their first open banking solutions, **increasing awareness and interest in the market.**

Attitudes towards the open banking movement by country

Q. What is your general attitude toward the open banking movement?



Note: All respondents (n=290)
Source: Tink & YouGov, 2020

The positive results in the UK are not surprising considering open banking has been a topic of discussion ever since the Competition and Market Authority (CMA) issued the mandate for the nine largest banks to establish Open API standards and data sharing back in 2017. As financial executives have had time to become more familiar with the different open banking use cases, they're starting to embrace it as a positive movement for the industry.

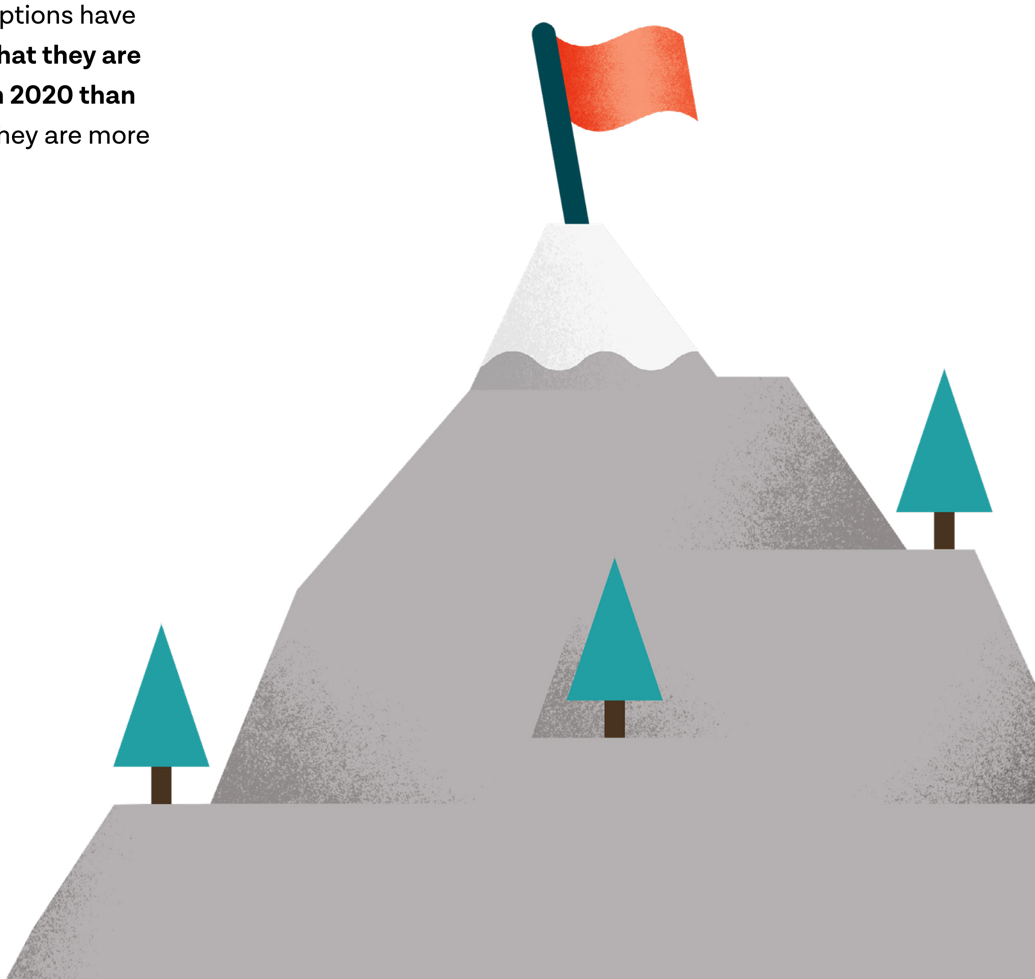
The only countries where more than 10% of executives are negative towards the open banking movement are Norway and Denmark. An explanation for this may be that the financial institutions in these countries have consistently strived to deliver advanced customer experiences before PSD2 was introduced. (Despite the fact that Norway is not part of the EU, the Norwegian Ministry of Finance voluntarily implemented the parts of PSD2 to ensure harmonisation with the broader EU landscape.) The additional expectations from the banks to provide APIs for TPPs can come as an unwelcome burden for some, standing in the way of other business priorities.

This positive shift in attitude also comes through when asking executives if their perceptions have changed. On average **52% indicate that they are more positive about open banking in 2020 than they were in 2019.** Only 1% say that they are more negative than last year.

The ones feeling positive are more likely to have a clear strategy

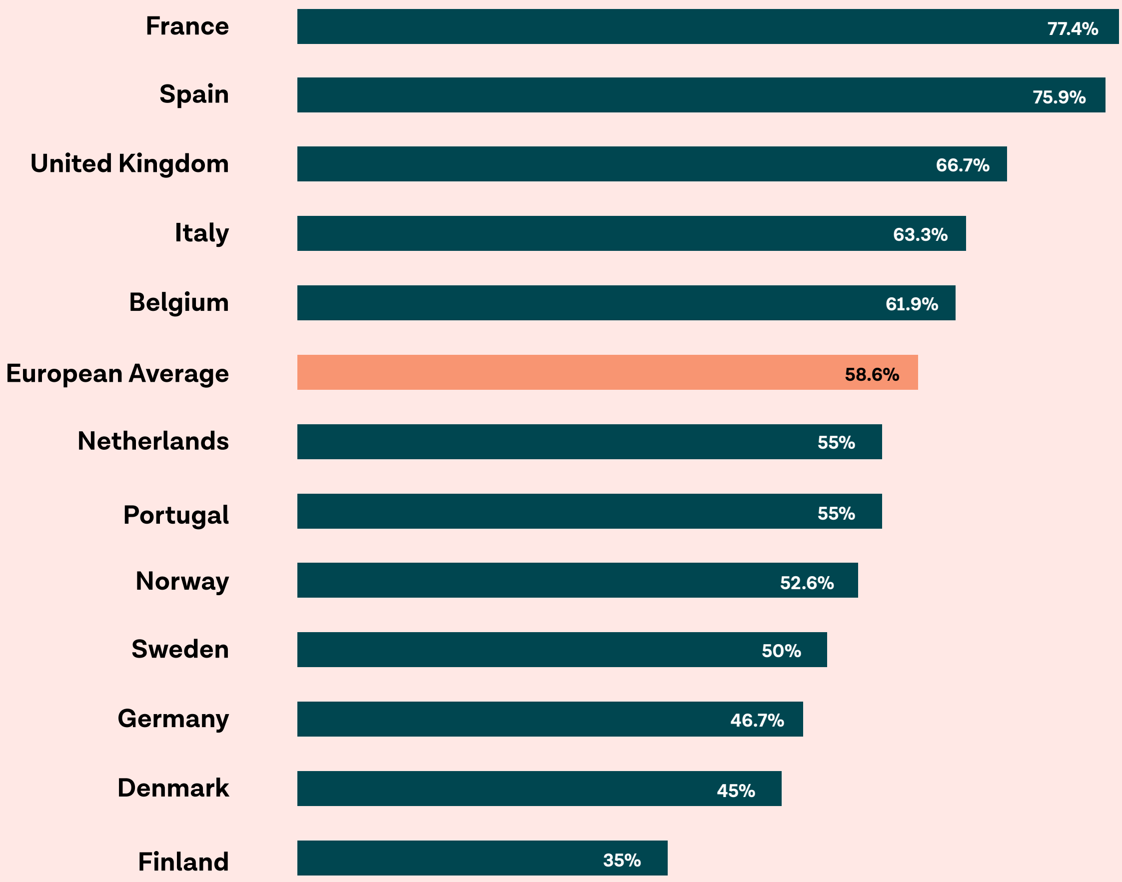
The recent acceleration towards open banking has resulted in many institutions making last-minute preparations. Executives have needed to translate the open banking strategy into concrete business objectives, nurture a culture that embraces change, educate talent on the benefits, and incorporate open banking into the product, service and technology roadmaps.

As seen on the following page, the majority of respondents indicate their organisation has a clear strategy for open banking (57.6%) and views it as an opportunity (58.6%). This implies that these companies have managed to **successfully translate strategy into concrete objectives and opportunities** for the rest of the business.



Organisations that view open banking as an opportunity

Q. Do you agree with the statement "Open banking is viewed as an opportunity in my organisation"?



Note: All respondents (n=290)
Source: Tink & YouGov, 2020

France and Spain shoot to the top as the countries where organisations look to open banking as an opportunity. Bank leaders in these countries have been very vocal in articulating how open banking will transform their business models.

In Spain, the opportunistic point of view is paired with a clear open banking strategy (at 79.3%). Spanish banks such as BBVA and Santander have been investing in 'open innovation' for years — BBVA even launched the minimum viable product (MVP) for its open banking platform back in 2015.

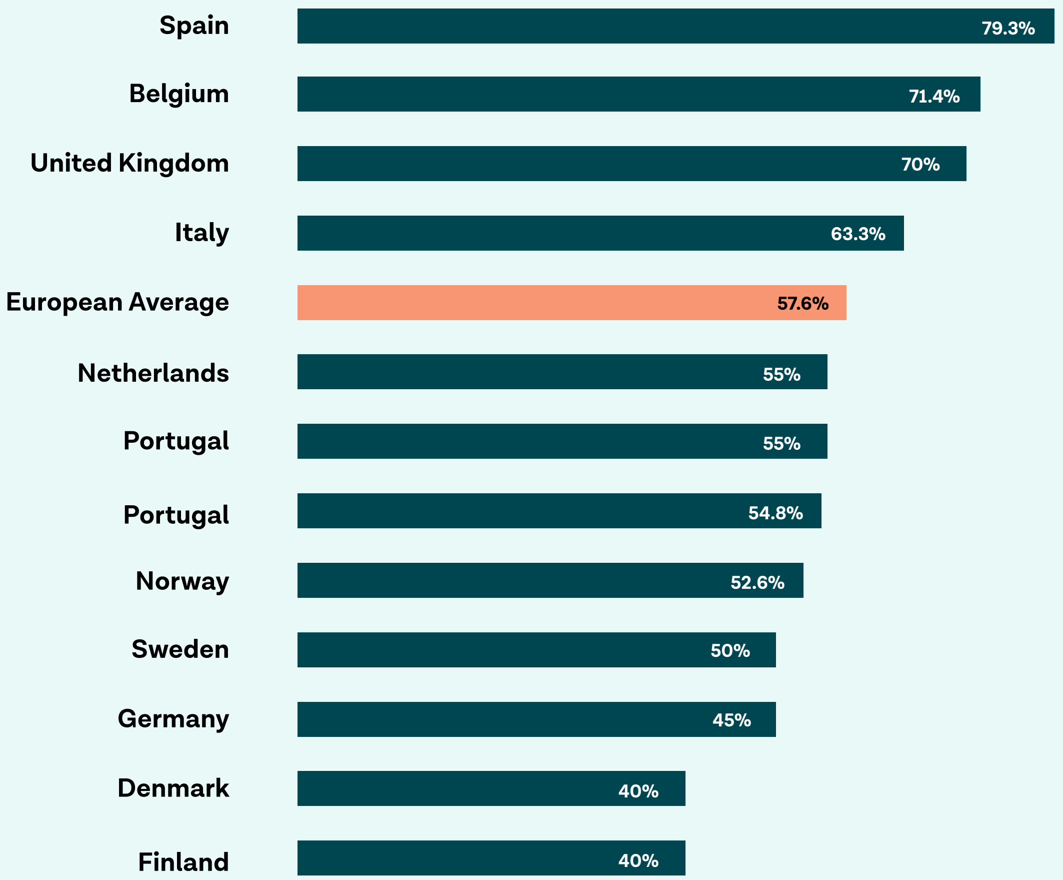
In France, only 54.8% of executives agree they have a clear strategy for open banking — 45.2% do not. Some incumbent banks, such as BNP Paribas, have made significant investments to launch digital banks and have publicly disclosed strategic partnerships with fintechs such as Tink. However, the financial services industry has not been transparent about how they will be leveraging open banking technology to improve their business or operations.

Finland and Denmark feature on the bottom end of both charts, with 40% of the respondents indicating they have a clear open banking strategy. In both countries, banks have approached open banking as a PSD2 compliance issue; many have outsourced the production of PSD2 APIs to a handful of technology service providers. As a result, not all financial institutions have approached open banking as a strategic initiative that concerns the broader organisation.

On the other hand, the Finnish and Danish financial services industry is rather concentrated, with a relatively small number of incumbent institutions holding a significant market share. Large banks such as OP in Finland and Danske Bank in Denmark are making significant investments into open banking and may set an example for the rest of the market in the near future.

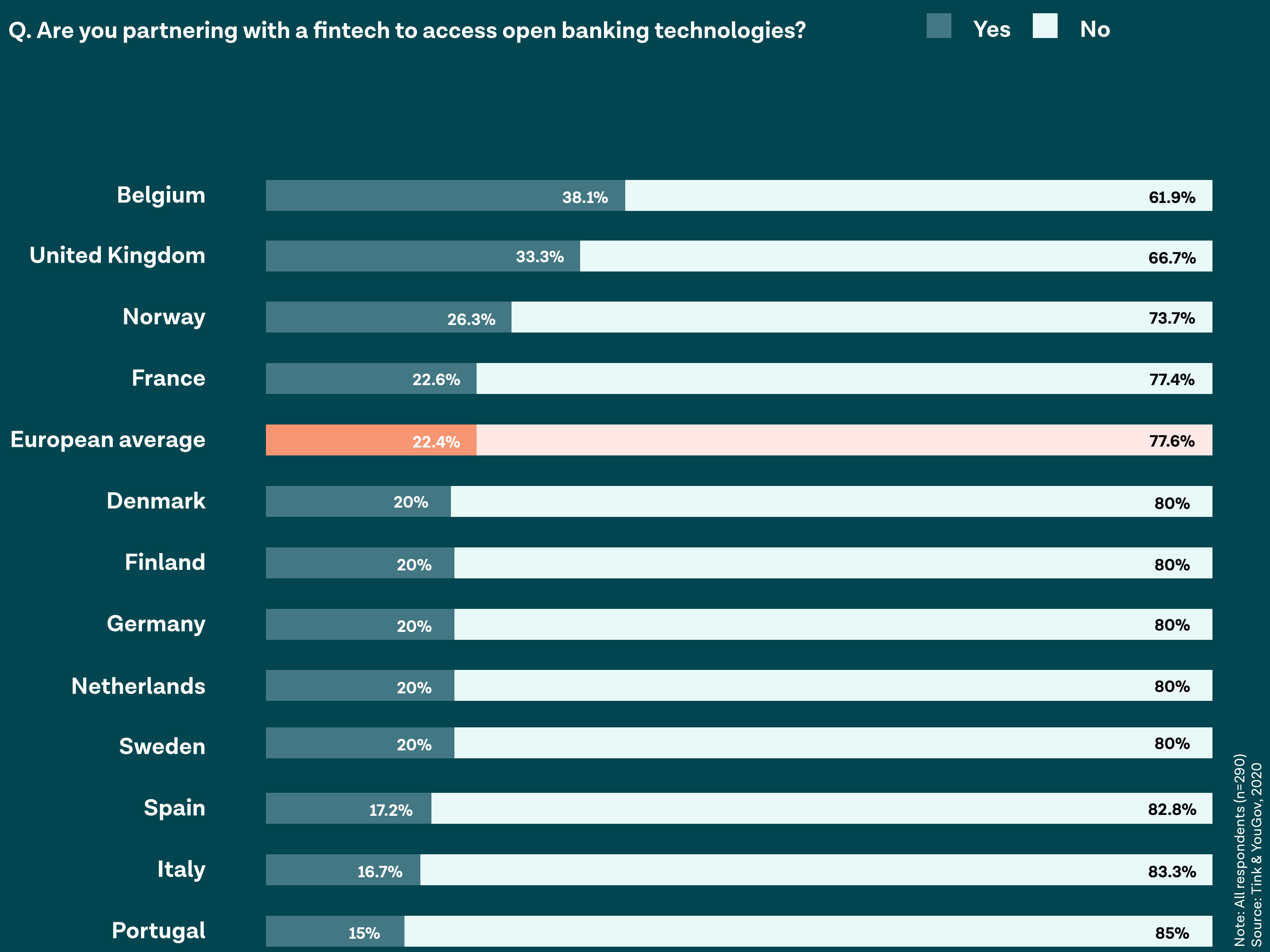
Organisations with a clear open banking strategy

Q. Do you agree with the statement "Our organisation has a clear strategy to realise the benefits of open banking"?



Note: All respondents (n=290)
Source: Tink & YouGov, 2020

Financial institutions with a fintech partnership for open banking



The acceleration of open banking partnerships

The general confidence in open banking is not just reflected by the understanding of the opportunity, the strategy, or the sum of investments.

It is also reflected by **the number of open banking partnerships that financial institutions have formed** to help accelerate innovation and realise their objectives.

Across Europe, 22.4% of financial institutions already have a fintech partnership to access open banking technologies, a number nearly identical to 2019. The vast majority of these executives also indicate that they are working with more than one partner — some even more than five — to realise the organisation's open banking objectives.

Looking at the results, it appears that the respondents that are more positive towards open banking (like in the UK and Belgium) are also more likely to already have fintech partnerships to access open banking technologies.

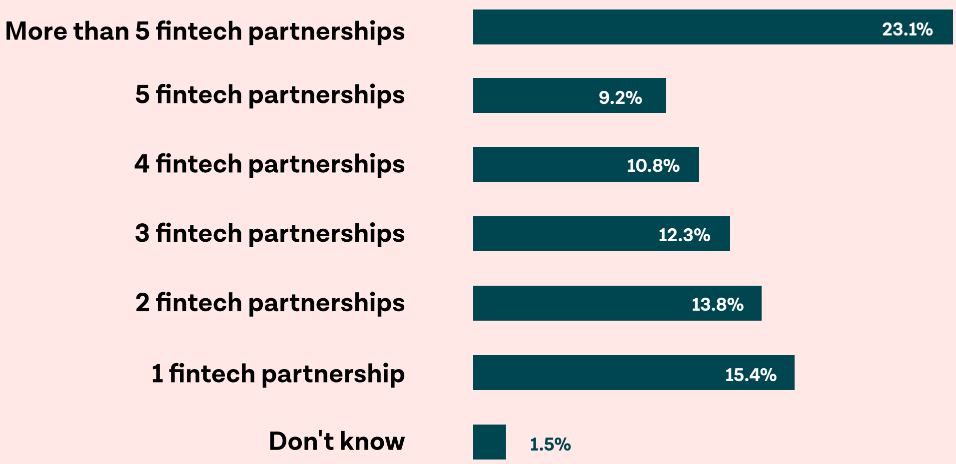
When looking at the financial institutions that are already in a fintech partnership, we find that the vast majority has multiple fintech partnerships to fuel their open banking strategy — with 23.1% counting more than 5 partnerships.

Furthermore, 69.2% indicate that the number of partnerships increased since the previous year. These partnerships are helping executives **gain access to technology that might otherwise be quite costly to build and maintain at scale.**

What these results show is that financial institutions investing in open banking show **increased appetite for fintech partnerships after witnessing the impact from their first initiatives.**

Open banking fintech partnerships

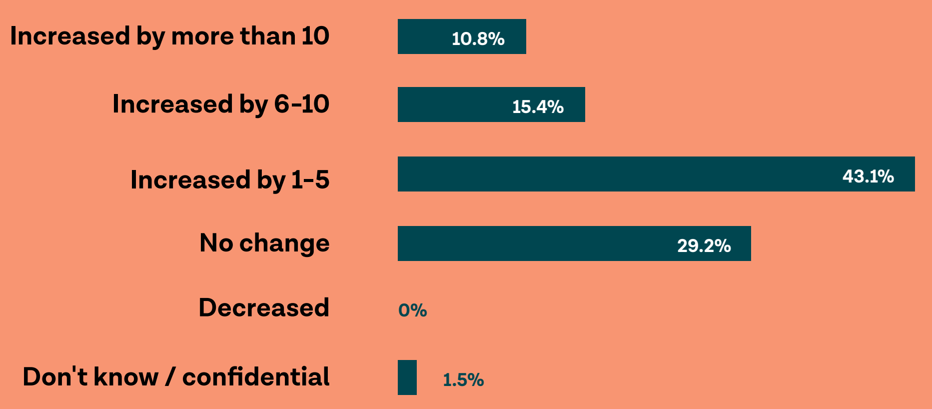
Q. How many fintech partnerships does your organisation have to deliver on its open banking objectives?



Note: Only respondents that have partnerships (n=56)
Source: Tink & YouGov, 2020

Change in the number of fintech partnerships

Q. Has the number of open banking fintech partnerships changed compared to last fiscal year (2019)?



Note: Only respondents that have partnerships (n=65)
Source: Tink & YouGov, 2020

The different types of partnerships

It is important to note that there are many different types of fintech partnerships. Some are aimed to expand the number of sales channels for new business or provide complementary services to existing operations. Others are aimed to help solve a concrete internal problem within a controlled environment.

However, there are only a small number of open banking fintech partnerships that can address large scale open banking use cases.

One of the reasons for this is that large institutions traditionally demand enterprise level support, service level agreements, and state-of-the-art technology when it comes to data protection. Moreover, technology partnerships are typically also assessed on references and integrity.

Another reason is that, under PSD2, TPPs are required to operate as a technical service provider to a financial institution when it is offering a regulated service. This means that a bank would need to operate as a TPP if it wishes to provide account information or payment initiation services.

Partnering with fintechs around open banking technology can therefore **be described as a highly strategic endeavour.**

And while many financial institutions have been focused on producing APIs for compliance reasons, **the ones investing in strategic fintech partnerships are dedicated to creating value** for its customers.

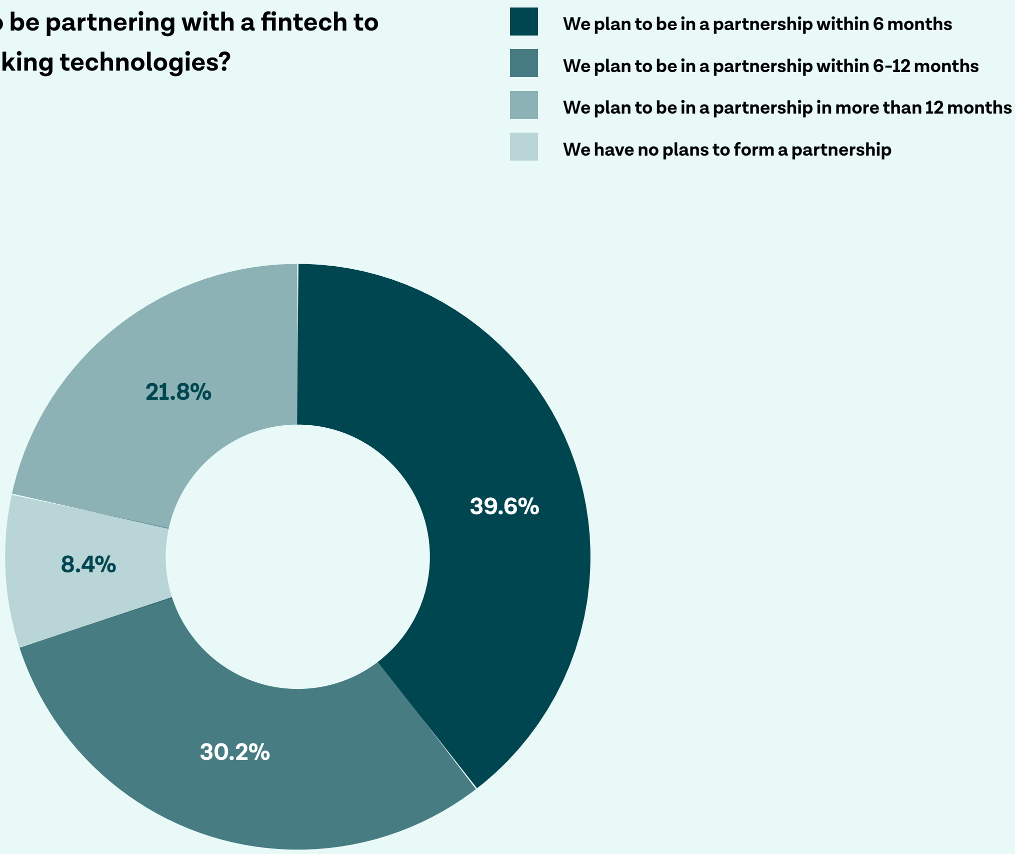
More partnerships to come

Looking into the future, it is clear that 69.8% of the executives without an existing partnership indicate that establishing a fintech partnership to access open banking technology will be a priority over the next 12 months — 21.8% of these executives indicate that they have no plans for a partnership.

The results imply that the word is on the street that fintech partnerships help accelerate the open banking journey.

Open banking fintech partnerships

Q. Do you plan to be partnering with a fintech to access open banking technologies?



Note: Respondents without a fintech partnership for open banking (n=225)
Source: Tink & YouGov, 2020

In conclusion

The positive shift in open banking attitudes is evidence for the incredible work that businesses have done to meet the regulatory deadlines. But it is also a testimony to the current efforts in building an ecosystem where the exchange of data between financial institutions and TPPs will help deliver enhanced capabilities and experiences to the market.

While there is ample confidence in open banking, it is not always widely understood within some organisations. Institutions where the executives are able to translate the opportunity of **open banking into a clear strategy will be in the best position** to start realising its benefits.

In order to take advantage of open banking, many financial institutions have decided to partner with fintechs. Fintech partnerships come in many forms, but they are highly strategic in the quest for value creation.

From the results presented in this report, we make the following recommendations:

#1 Leverage open banking to enhance your current business model

Executives are taking open banking seriously. Attitudes are shifting as the industry starts accepting there is money to be made on open banking. But the focus on the production of APIs and compliance has steered investments towards a long-term strategy — even though there is short-term value for the taking. Open banking is not about changing the business model, it is about **serving the existing business as much as the future business**. Executives need to develop a roadmap for creating value from open banking today.

#2 Make business strategy central to open banking investments

Organisations that understand the opportunities of open banking often have a clear strategy on how to yield returns. More importantly, institutions that understand the benefits can focus on **use cases across the customer journey** — from acquisition and onboarding to servicing and support.

#3 Explore fintech partnerships to create customer value

So far, only a small number of regulated institutions have fintech partnerships to access open banking technology. However, most executives intend to establish partnerships over the next 12 months. These **partnerships are strategic and will enable the business to create value for customers** — while innovating and operating as fast as a fintech in the open banking market. Executives should not only assess a fintech's technology offering, but also evaluate a potential partner’s capabilities in terms of support, security, and integrity.

About this research

Tink enlisted the help of independent market research organisation YouGov to conduct a wide-ranging survey on the attitudes and opinions towards open banking in Europe.

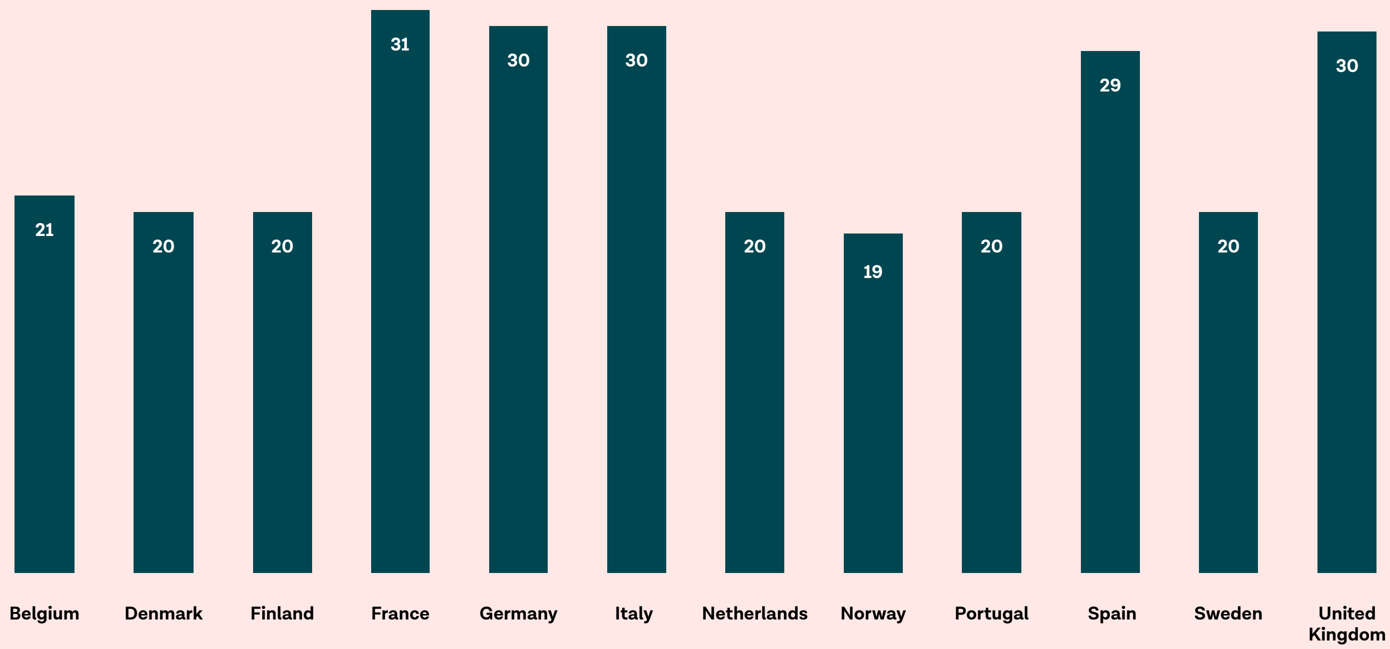
All interviews were conducted by YouGov between January 28 and March 3, 2020, and included 290 prominent financial services executives spread across 12 countries.

The participants answered questions through telephone interviews and an online questionnaire, (in their local languages, to improve the validity of responses).

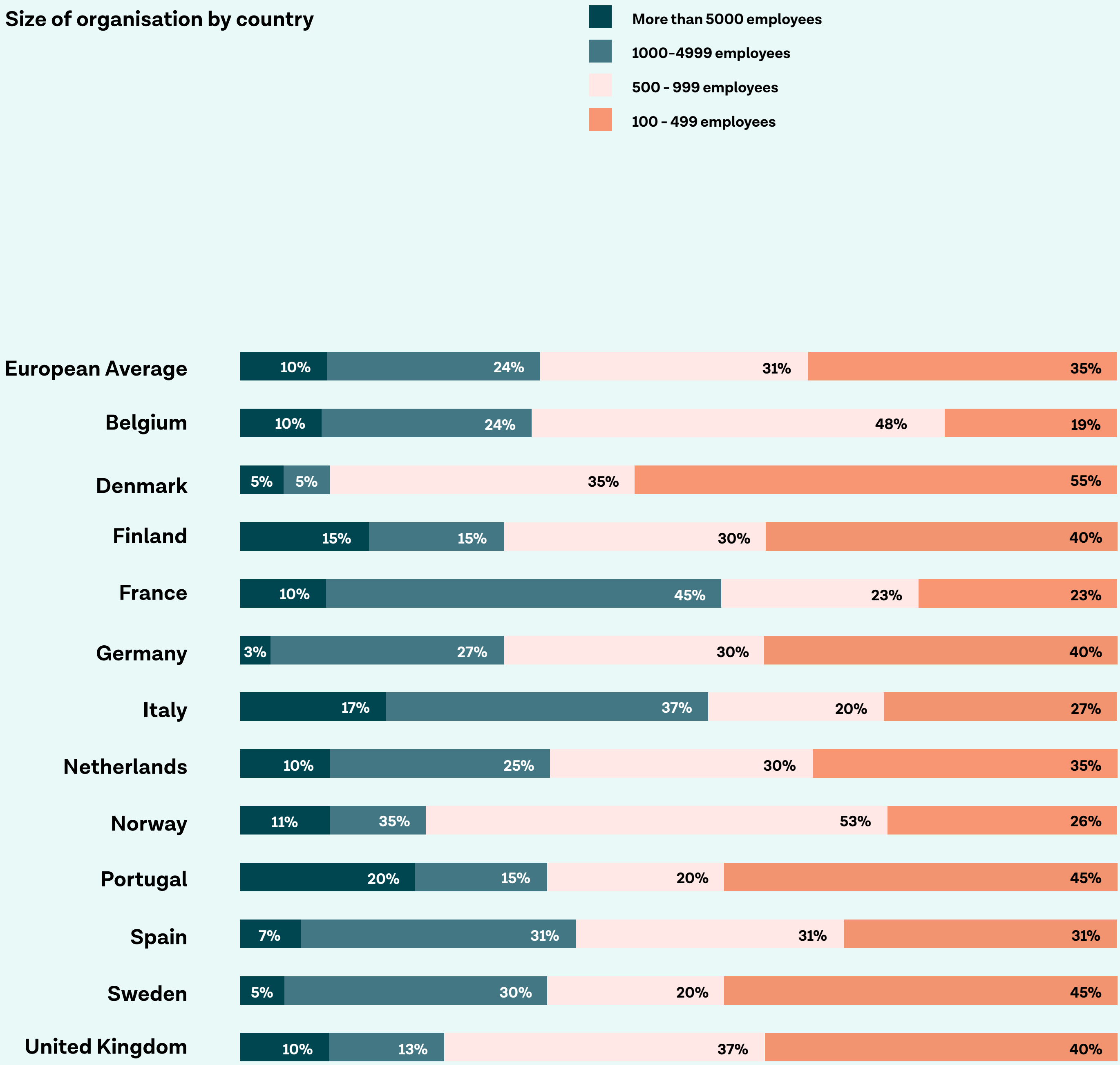
In order to be selected for the survey, participants needed to be i) senior decision makers or influencers, ii) employed by a regulated financial institution, iii) have at least some knowledge of PSD2, and iv) insight into the open banking investment plans.

Sample size by country

Q. Where are you based in terms of daily operations?

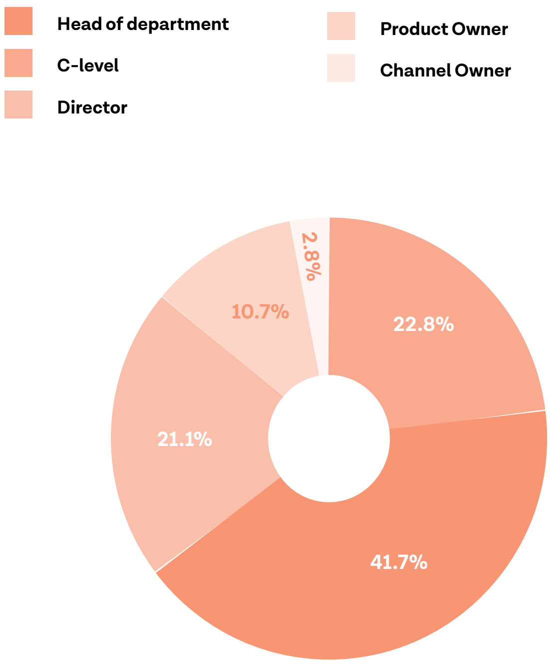


Size of organisation by country

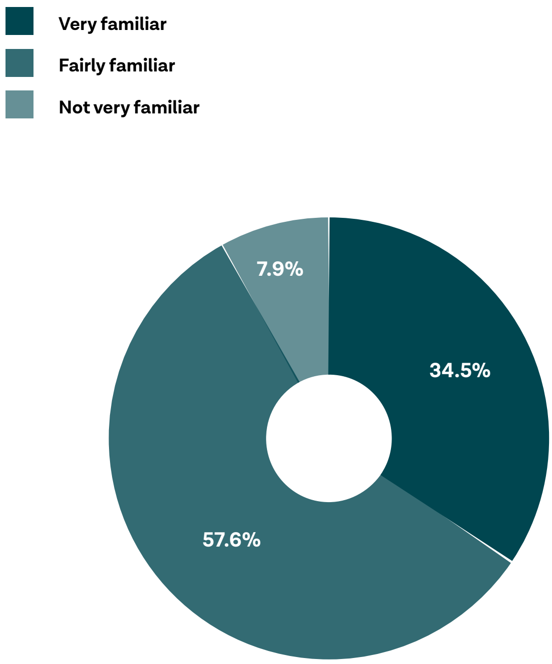


Note: All respondents (n=290)
Source: Tink & YouGov, 2020

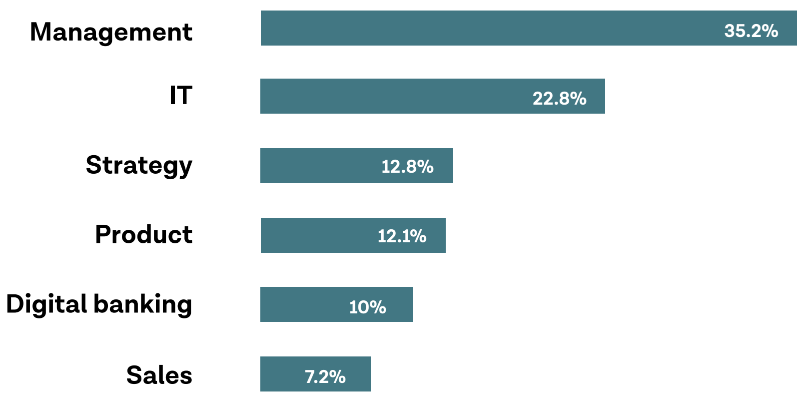
Respondent seniority



Respondent familiarity with PSD2



Respondent by department



More insights and numbers on open banking – coming soon

Want to know more about how companies are looking to create value for customers (as well as their businesses), and how much they're investing towards their open baking efforts? We have more reports based on our 2020 survey **coming out throughout the year** – so stay tuned.

If you already want to dive deeper into the world of open banking, check all our latest reports and reading materials in our resource page:

tink.com/resources

About Tink

Tink is Europe's leading open banking platform that enables banks, fintechs and startups to develop data-driven financial services. Through one API, Tink allows customers to access aggregated financial data, initiate payments, enrich transactions and build personal finance management tools. Tink connects to more than 2,500 banks that reach over 250 million bank customers across Europe. Founded in 2012 in Stockholm, Tink's 270 employees serve 14 European markets out of 12 offices.

Let’s talk about open banking

We have a clear vision of where the banking industry is headed, and would love to discuss it with you. Contact us for a meeting and let’s talk about a potential collaboration:

partnerships@tink.com