AVOID HEAD IN THE SAND OPEN BANKING
Open banking is about you and me. Not PSD2 compliance.

There is a lot of talk about how open banking begins with PSD2. This is just not right.

The real driver of open banking is the shift in how you and I - as digital consumers - want to work with our banks.

We have grown accustomed to a new kind of digitized customer experience. One that gives us power to choose and options to choose from. **New value. Ultra-convenience. Security.**

We have been getting this kind of service in other industries for a while. Look no further than Uber, AirBnB and Netflix.

There is something else that is important here. The instant popularity of these companies confirms that digital consumers are quite happy to switch to providers that deliver on these expectations. **All this is putting pressure on banks; their customers want better service.**

Open banking creates this environment. It **does things like:**

- Bringing all your financial products together (even if they are provided by different banks)
- Simplifying payment processes
- Providing easier access to a wider range of financial products
- Enabling the development of smarter, more useful products and services
- Increasing competition among providers (which will lower prices and raise service quality)
How are banks responding?

To be honest, **it is not going terribly well.**

So far, banks have spent millions on forecasting and analysis, which told them to embrace open banking. In fact, they were told more than that. Most analyst firms are recommending that banks join larger, collaborative ecosystems that deliver economies of scale, allow banks and third parties to innovate (and sometimes fail) quickly, and reduce time-to-market for new products and services.

**Forrester, 2017:** “Banks that put customers at the heart of their strategy by using the deep insight they hold on them to build relevant, contextual services will ride out the waves caused by open banking. So too will those that embrace and actively foster collaboration, looking for mutually beneficial ecosystem partners.”

**Gartner, 2016:** “Open banking enables people, businesses and things to give, take and multiply value creation for the bank by sharing assets like data, algorithms and transactions with business ecosystems.”

**IDC, 2017:** “Introducing open APIs into the banking industry demands a holistic new approach — starting from looking at it more as a business opportunity that requires different stakeholders to work together toward achieving a common business goal.”

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1 https://go.forrester.com/blogs/17-05-24-open_banking_is_open_for_business
2 https://www.gartner.com/doc/3374517/hype-cycle-open-banking
3 https://www.idc.com/getdoc.jsp?containerId=AP42687817
Despite changing customer expectations and a new raft of new regulations, just 60% of large banks have taken the first steps towards an open banking business model. What is more, only 4% of large banks are open to working with a fully independent third-party. 4

96% of large banks still believe that success lies in keeping control of the ecosystem. This is a big mistake.

4 Based on IDC’s “The Experience Digital Transformation Survey 2017” which surveyed 201 Western European retail banks from 9 countries in the region earlier this year.
We get banks’ reluctance. Change is risky. Banks are powerful, protective and risk averse. Until now, customers of banks have been loyal. Why would this change?

And who would want to throw open their systems to third parties so they can build apps and services that might pull their customers away?

The hard truth, however, is this: if banks do not respond, their customers will be pulled away anyway. And faster than they might think.

**The real risk to banks lies in non-participation.**

“Sticking your head in the sand might make you feel safer, but it’s not going to protect you from the coming storm.” - Barack Obama
**Prove it**

*Uber did not disrupt the taxi industry.* Unreliable service and high fares did.

*Netflix did not sink Blockbuster.* The fulfillment of streaming technologies did.

And closer to home: *Banks did not offer a fast and simple way for people to send money to one another,* so Paypal prospered.

*Banks did not address the need for delayed payments,* so Klarna flourished.

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**Disruption happens** when customer expectations go unmet.

And when disruption strikes, the longevity and ubiquity of incumbent services offer little defence. The speed, for example, with which the smartphone replaced the cellphone, globally, is telling.
If bank participation in the open banking ecosystem is necessary, the next big question is: **How?**

**Developers hold the key**

Banks need to stand out from the crowd, *not blend into it.*

The answer lies in their support for developers. A truly open ecosystem will run on one or two APIs and support maximum integration. Banks that seek to control or limit the interface through which they engage with other banks and service providers will fail.

History speaks (again): If there were as many operating systems as there are personal computers or smartphone manufacturers, it would be cost prohibitive for developers to build apps. That’s why there are two platforms each for PCs and mobile devices, because **that is the maximum number the developer market can sustain.**

Competitive forces prevent any bank from establishing its own API as the de-facto choice for all. Those that try will not recruit enough developers to deliver the depth and variety of third-party services that will meet customer demand and enable them to differentiate in the market.
A single API ecosystem will attract the most developers. **More developers** means more innovation and more exciting and attractive financial apps and services.

Banks that support these new apps and services will benefit from their kudos, and **retain customers and attract new ones** as a direct result.
Collaboration between supply (banks) and demand (developers) is crucial to quickly meet customer needs and create a rich customer experience. A bank’s closed ecosystem can not do this.

To maintain their strength in this new environment, banks must rally around a single API. This will arm them with instant interoperability and access to the maximum number of new apps and services.

They must also choose carefully. A successful open API ecosystem is designed to serve developers as much as banks, enabling them to rapidly build and test new products in a secure environment.
Formidable companies such as Google, Apple, Facebook, Amazon and Alipay are already in the game and want to grow their market share.

No bank can compete in isolation with their developer resources.

Innovative challenger banks also see open banking as an opportunity to pick off customers from the large banks. They too want to grow their market share.

Constrained by operational complexity and the inflexibility of their legacy systems, traditional banks are unable to move quickly enough to keep up.

The trouble is, banks must move now or risk being frozen out.

Competition is intensifying
TokenOS is the only solution that provides one interface to access all banks for both payments and data. Right now, Token is connecting banks-to-banks, merchants-to-banks and third party providers-to-banks faster and with less friction than anyone else on the market, via its single, secure interface.

Token is the only provider that can do this.

Its open banking platform also provides the tools, the security and support environment required for developers to build new bank-powered apps and services quickly.

This developer-centric approach has already attracted hundreds of developers and TPPs, who are now creating apps and services that run on TokenOS. Some examples are e-commerce checkout, in-purchase lending, PFM apps, multi-bank account aggregation and sweeping of funds and many more.

By connecting to Token, banks can reduce time to market and customer acquisition costs, retain and grow their customer base, tap into hundreds of innovative developers, and generate new revenue from new business models.

“In the long history of humankind, those who learned to collaborate and improvise most effectively have prevailed.” -Charles Darwin.

Be bold, or be disrupted. Talk to us today.
About Token

Token is a technology company with headquarters in San Francisco and offices in London. Token’s open banking platform helps banks achieve PSD2 compliance quickly and cost-effectively, and generate new revenue streams.

It also allows banks and other players in the payments ecosystem, such as merchants and payment processors, to build bank direct payment methods and data aggregation solutions for their customers.

Further, the platform raises security and reduces fraud and disintermediation. Unlike in-house developed solutions, Token supports the same API across all banks.

Token’s team combines years of highly successful execution and innovation in the technology, banking and security sectors. The Token team comes from top companies like Google, Apple, Microsoft, Barclays, ACI Worldwide, HSBC, Twitter, and Square. Token’s CEO and Founder, Steve Kirsch, has invented several groundbreaking Internet technologies and has had multiple billion dollar exits.

Token is a recognised industry leader named in the Financial Times Future of Fintech Awards shortlist 2017 as one of the top ten companies to watch globally. CB Insights named Token in their global annual ‘The Fintech 250’ ranking 2017 and in 2016 Token was the winner of PlugAndPlay’s 2016 Fintech EXPO, which was contested by more than 1000 applicants from around the world.

For further information, please visit: www.token.io
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