



Happy APIs

by [Steve Brown](#)

Some old geezers out there still get fussy when it comes to millennials. After all, millennials often are more interested in looking at their phone than in keeping eye contact with you. Well, everyone will have to get used to millennials and adapt to them in the workplace because in less than 10Ys they will represent 75% of the workforce.

As you ponder who your next boss might be as you look around the bank, consider that if you want to capture millennials as customers you have to start by getting their attention. These customers seek a rich, diverse experience on the Web at a minimum. That is why some larger banks are recommending regulators allow them to open up their financial software to outside applications and developers.

Two years ago in fact, the UK's HM Treasury even created an Open Banking Working Group to investigate application programming interfaces (APIs). APIs allow one piece of software to talk to another and if banks can open things up they can then work with third party developers to build applications that interact with bank data. Before you go diving under your security blanket, consider that younger customers actively seek out innovative services, so longer term banks have to be in this game.

Bankers could for example, allow customers to compare services between different banks, play games that encourage them to save more money, notify of overdrafts, buy foreign currency, or participate in crowd funding. There is no limit to a developer's imagination, so the sky is the limit perhaps.

Given its position at the forefront of this idea, the HM Treasury should very soon publish a framework for APIs and its European counterpart is following the same path. In fact, the European Commission issued a directive in Oct requiring banks to give third party applications access to their customers' accounts. The customers must, of course, volunteer to open those accounts up and they will have time to think about it because the directive doesn't come into effect until Dec 2017.

So far, US banks seem more reluctant to embrace APIs. One reason for sure is that under GLBA and other regulations, US banks must safeguard customer data. Furthermore, bankers by nature are risk adverse, so expect slow movement domestically.

Fortunately APIs are safer than screen scraping, which is the way some financial data aggregators gather customer information. To screen scrape, these aggregators ask customers for their usernames and passwords as a way to do so--a very porous practice. APIs, on the other hand, don't have access to confidential customer data and only rely on the interaction of different pieces of software and fields allowed by all parties.

One way a US bank could eventually leverage APIs to improve the consumer's experience might be through an app. That app could create a portal that allows the customer to manage in a unique place

several accounts with different providers. Yet another app could give tools to compare products from different companies or banks.

On the one hand, this structure may encourage the customer to go elsewhere, but on the other hand it could also bring opportunities. Only time will tell, but the innovative bank of the future may be seen more as a hub for transactions. It may even get a cut from developers just to access the platform. Millennials will no doubt like banks that listen to their needs and anticipate those needs.

BANK NEWS

Unemployment Rate

It is interesting to note that the unemployment rate for workers 55Ys or older is 3.2% vs. 5.0% for the national rate.

Fed Speakers

A bevy of Fed speakers hit the tapes saying: Richmond Fed President Lacker - strength in the jobs market could give the Fed justification to raise interest rates multiple times this year ("I still think prospects for rate increases this year is the logical" view); Kansas City Fed President George - Fed should consider raising rates at the March meeting (FOMC should "absolutely" consider raising interest rates); St. Louis Fed President Bullard - warns of moving rates higher too fast (it is "unwise to continue a normalization strategy in an environment of declining market-based inflation expectations"); Dallas Fed President Kaplan - expects to downgrade his assessment of economic growth and reduce rate hike predictions (the Fed must be "patient" and "cautious" in assessing data to decide the course of future interest rates); Atlanta Fed President Lockhart - Fed will be patient and is weighing the risks of the rate hike path (Fed is "data dependent" as it assesses "economic and financial conditions as they evolve").

Customer Risk

The 2015 Symantec Internet Security Threat Report finds small businesses have a 50/50 chance of being targeted for attack by hackers.

M&A Action

A Bank Director survey finds: 41% of respondents said their bank had never made an acquisition, 10% have not done so since prior to 2007 and 32% said they prefer to grow organically.

Small Biz

Paychex reports small businesses had their worst year of employment growth in 2015 since 2011, but still marked the 51st consecutive month of job gains. Sectors that saw the best job growth included other services, construction, leisure/hospitality and education/health services.

Small Biz Failure

The Census Bureau reports 400,000 small businesses opened in 2015 and 470,000 closed their doors.

Global Stimulus

The IMF is urging the G20 to coordinate a stimulus program worldwide in order to boost economic conditions, support global economies and support volatile markets and currencies.

Online Banking

Consumer Reports indicates 90% of its subscribers now do at least some of their banking online.

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