



## Keeping Your Eyes Open To API

by [Steve Brown](#)

Keep your eyes open around the bank. We say this because a new American Express OPEN survey finds 18% of employees say they have stolen someone else's lunch from the office refrigerator. This is certainly a sad state of affairs, so let's hope the next time you open the fridge this hasn't happened to your lunch.

Speaking of open things, today we zero in on recent UK and EU legislative developments focused on making "open banking" a reality in these markets in 2018 (and then probably the US). Starting next year, European banks must facilitate access to account information through open application interface platforms (APIs). Community banks should stay updated on this topic, as it could affect you soon too.

The concept of open banking is relatively simple. It allows banks to securely [share customer data with third-parties](#) or apps in real time, using APIs. These APIs allow small businesses to connect their various accounts to more easily review cash flows and download expense reports. Even now, APIs have become the norm for companies like Mint, Venmo, Quicken, PayPal and TurboTax. With the deadline approaching in Europe, banks across the Atlantic are feeling a greater sense of urgency to forge ahead with their own efforts.

Already, a number of large US financial companies like JPMorgan, Wells Fargo, CapitalOne, Visa, Mastercard and others have dipped their toes into the world of APIs. It's only a matter of time before other banks begin looking at APIs as a way to enhance digital services, boost revenue, deepen customer relationships and build partnerships with fintech players.

Community banks dabbling in open banking may have an opportunity as well to improve the digital banking experience for customers. Being an early adopter raises the risk profile, but may also give you a competitive leg up.

There's a particular need for open banking tools when it comes to serving small businesses. After all, small businesses have a much more potent need for financial tools than consumers, and the idea of a community bank being able to build everything on its own is cost prohibitive.

Of course, there are downsides to open banking, such as additional risk and potential reliability issues. Although this has given some banks pause, waiting too long could weigh on performance longer term. There is a massive amount of financial technology already available through APIs that a bank otherwise wouldn't be able to tap cost effectively. What's more, customers are demanding more and more open banking.

To be sure, even if your bank isn't yet ready to make a move, open banking is an important development to watch. Certainly, the fact that the UK and EU are driving forward with these initiatives could propel the US banking industry to move even faster than it might have on its own. Because of

this, you may want to begin weighing the pros and cons along with the further developments of APIs to keep up.

In the meantime, keep your eyes open for more developments in this area, as your team keeps working to improve product and service delivery to your customers.

## BANK NEWS

### M&A Down

Thomson Reuters reports announced M&A deals in the US have declined about 16% in the first half of this year.

### Fed

There has been a lot of talk from Fed speakers lately around future rate movement and when they plan to shrink the balance sheet. These include: continue to expect the evolution of the economy to warrant gradual increases in the federal funds rate over the next few years (Yellen); reductions in the balance sheet are likely to begin this year (Yellen); start reducing the balance sheet soon (Brainard); will be closely watching inflation before determining whether more rate hikes are appropriate (Brainard). Market participants expect the next rate hike to come at the Dec 13 meeting.

### Chair

News reports indicate National Economic Council Director Gary Cohn is being strongly considered by President Trump to replace Janet Yellen as Chair of the Federal Reserve Board. Yellen's term ends Feb 2018.

### No Cash

Visa is offering up to 50 merchants \$10,000 each to upgrade their payment technology and to stop taking cash, as it seeks to move people away from using paper money.

### GDP Projection

JPMorgan projects US GDP growth over the next few years will be 2.2% (2017), 2.3% (2018) and 2.2% (2019)

### Top Risks

An RMA survey of midsize and large banks on regulatory concerns finds operational risk including cybersecurity and third party risks ranked highest at 30%, followed by credit risk (26%) and regulatory compliance (26%).

### Tech Topics

Deloitte research of 10k filings finds the top 5 technology topics mentioned in 2015 were security and privacy (48%), tech-enabled business or digital transformation (32%), cloud (18%), analytics and insights (14%) and enterprise resource planning (7%).

### M&A Activity

1) Severn Savings Bank (\$796mm, MD) will acquire real estate settlement firm Mid Maryland Title Company for an undisclosed sum. Mid Maryland is a real estate settlement firm handling commercial and residential real estate settlements in the state.

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