



Three Steps To Get Started With Open Banking

by [Steve Brown](#) Topics: [digital banking](#), [fintech](#)

Summary: Open banking has been a hot topic these days. Community financial institutions interested in open banking should consider that banking behaviors have permanently changed, the importance of starting conversations with their core and digital banking providers, and making data sharing transparency a priority.

The phrase “open sesame” comes from French Antoine Galland's 18th-century story, “Ali Baba and the Forty Thieves.” Yet, it has been popularized here by the world of animation through Disney’s “Aladdin.” While “open sesame” hasn’t shown up in the banking world yet, open banking definitely has.

[Open banking](#), or open finance as it is often called, has attracted a lot of buzz lately due to the rise in digital banking. Open banking is defined as financial institutions sharing customer data digitally with third parties, with consent, to provide a more engaging banking experience. While many community financial institutions (CFIs) may believe this technology is too advanced for their customers, it could be a good time to start looking into it more closely. We provide three steps to get started with open banking.

Look for accessibility & convenience options for your customers. Banking behaviors have changed for good. While some people are waiting for the world to get back to the way things ‘used to be’ before the pandemic, the impact of the pandemic has permanently affected banking behaviors. According to Statista, the [percentage of the US population using digital banking](#) is expected to reach almost 65% in 2021. While the impetus towards the increased digital banking adoption was the pandemic, the convenience is giving digital banking staying power. Bank customers now have digital tools which provide greater access to their financial life. Looking for options to continue supporting customers’ needs for financial accessibility and convenience will be a priority for many financial institutions.

Start the conversation and do your homework. Core providers and digital banking vendors have different ways to enable information sharing through APIs. Start the conversation with them, if you haven’t already. Ask them how they plan to connect to third-parties. What are the costs to you and what is the process? Look into what your institution needs to provide your customers to keep them loyal so that you can better communicate that with your core provider and digital banking provider. David Nohe, CEO of fintech FinGoal adds, “Ask them for a way to speak with another institution on their platform that’s already doing that kind of thing, and see how it works in practice.” This will better help you understand if this is a fit for your institution or not.

Transparency with data sharing is key. Since the premise of open banking relies on the use of outside applications and data-sharing, it is important to set firm guidelines — especially around privacy — and share them with your customers. Being fully transparent with your customers upfront is critical to ensure consent, but also for continuing a high level of customer trust. Underscore the benefits, the freedom, and the myriad new options that open banking can offer customers, especially as many have these expectations now. Yet, also reassure them that their data is safe and highly protected by your financial institution and the regulations that govern it.

While open banking is growing and may be inevitable, how to integrate open banking through APIs will differ from institution to institution. Talk to your providers and peers to see how it works for them and then create a plan, based on your customers' needs. We have found great value in providing open banking for our customers. Feel free to reach out; we are happy to share our insights on how we are doing it.

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ECONOMY & RATES

Rates As Of: 03/04/2021 09:24AM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.03	0.00	-0.03
6M	0.06	0.01	-0.03
1Y	0.07	0.01	-0.03
2Y	0.14	0.02	0.02
5Y	0.73	0.00	0.37
10Y	1.51	0.10	0.59
30Y	2.29	0.14	0.65
FF Market	FF Target	Fed Disc	
0.07	0.25	0.25	
SOFR	Prime	Unemp	
0.04	3.25	6.30	

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