



OPEN BANKING AND DIGITAL TRANSFORMATION

Connecting to the global
payments ecosystem

OPEN BANKING KEEPS TRADITIONAL BANKS COMPETITIVE

Open banking allows consumers better access to their data, enabling them to make better choices about financial products and services. Regulators support open banking in order to drive financial services competition, promote innovation and create new partnerships.

Combining data from financial institutions with open APIs, developers are creating a new generation of apps and platforms with a customer-centric orientation. To beat the rising competition and enable real-time payment that can meet

customers' demands for speed, convenience and always-on access, traditional banking must prepare for digital transformation, breaking through old IT constraints to find, share and deliver value in new ways.

“To open up data to third parties will of course increase competition as intended, but it will also present significant opportunities for banks to grow new revenue streams, capture customer ownership and progress towards an extended ecosystem.”

Hans Tesselaar, Executive Director, BIAN (U.K.)

WHY OPEN BANKING? THE BUSINESS PERSPECTIVE

Open banking refers to the use of open APIs that enable third-party developers to build applications and services around customer data from financial institutions such as banks, insurance companies and so on.

Open banking gives nonbanking firms a chance to compete with banks in the digital payments business, building financial services platforms on top of the bank's data and infrastructure.

Regulators around the world support open banking as a means to encourage collaboration, competition and innovation between banks and fintechs while providing greater transparency and customer choice around banking products.

As customers come to expect new services throughout commercial transactions, businesses from the corner convenience store to the multinational enterprise must gear up to deliver the goods—and their banking institutions must be ready to handle new forms of payment.

“Their [banks'] most important customers—those who have a primary banking relationship—are at risk of leaving: 63% say they are willing to share financial information concerning their accounts with a competing bank, fintech or aggregator in pursuit of a better offer.”

Survey of 4,000 banking customers by Bain, Salesforce and MaritzCX (U.K.)



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WHY OPEN BANKING? THE BUSINESS PERSPECTIVE (CONT.)

Facing regulatory pressure, some traditional banks are already moving ahead with open banking.

Singapore-based DBS and OCBC banks have led the charge by introducing API-enabled platforms as early as 2016 and partnering with telecom providers such as OnDot and Xero.

Australia's four major banks—ANZ, Westpac, NAB and CBA (covering 95% of the financial industry)—will have executed the first phase of open banking by July 2019. The government's banking regulator will force banks to make banking data available to consumers and third-party providers beginning in 2020.

In the United States, a market that has not mandated open banking, Capital One, Silicon Valley Bank, and Citi are some of the early adopters of open banking, getting a head start on competitors in building a platform for fintechs to increase value for their customers.

Open banking in Europe has several developed markets with an adoption rate of more than 70%. Leading adopters are the Netherlands (73%), the United Kingdom (71%) and Ireland (71%)

The Hong Kong Monetary Authority (HKMA) launched its draft open API framework in January 2018. It expects banks to complete two phases of a four-phase open API implementation plan—(1) product and service information, (2) customer acquisition/new applications, (3) account information, and (4) transactional processing—by the end of 2018 and mid-2019, respectively.

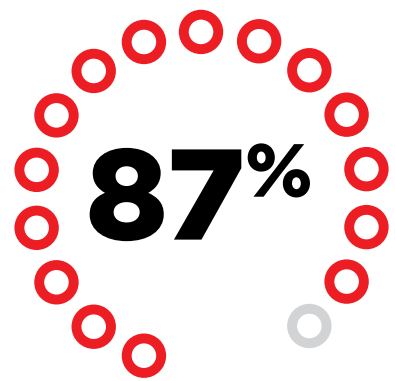
To gain the competitive advantage, traditional banks will need to transform themselves into digital providers of cloud-based financial services accessible to users anytime, anywhere.

WHY OPEN BANKING? THE CUSTOMER PERSPECTIVE

Consumers want the convenience of online access, and fintech and third-party providers are happy to oblige. For example, open banking in the United States is being used to streamline the credit-decisioning process for new loans. In some instances, consumers are able to confirm up to 24 months of historical income in less than 30 seconds without any documentation.

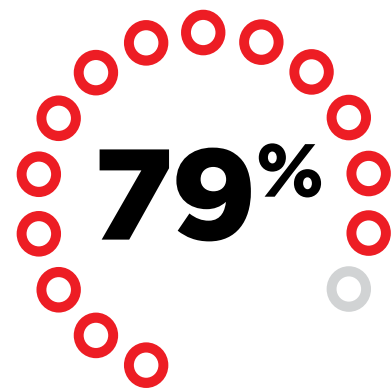
But digital payment systems based in one country may not work in another. Commerce is driving a need for global interoperability of services and payment systems for users who are constantly mobile.

How will traditional banks meet increasingly firm calls for data privacy, data security and customer choice while delivering the services that consumers now expect and protecting the banks' own interests?



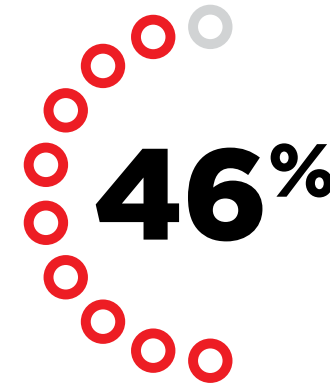
87% of banks have defined an open banking strategy.

[Ovum and ACI Worldwide](#)
2018 Global Payments Insight Survey: Retail Banking



79% of banks in Europe have plans to actively encourage the use of open APIs.

[Ovum and ACI Worldwide](#)
2018 Global Payments Insight Survey: Retail Banking



46% of consumers worry about the security of open banking-enabled solutions.

[The Drum](#),
citing Crealogix research for Financial IT



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MEETING GOVERNMENTAL REQUIREMENTS: LOCAL IS GLOBAL

New regulatory requirements are changing data access and collaboration models. Changes in one country or group of federated countries can have a cascading effect on other nations.

For example, the European Union's (EU) adoption of the General Data Protection Regulation (GDPR) in 2018 caused changes in data privacy throughout digital business worldwide. Implementation of the EU's Payment Services Directive 2 (PSD2) in 2018 and requirements for strong customer authentication (SCA) in 2019 are having similar repercussions for data privacy and data security across the globe.

Organizations that conduct business online will have to accommodate regulations both in the country where they are based and the countries from which customers access their services. Traditional architectures cannot support regional data requirements or scale to meet digital demand.

To ensure regulatory compliance, banks and fintech providers must connect with partners and services with a local presence and global availability.

"The reason we have been growing so fast is because the world is moving online, but verifying identity has been stuck in the offline ... If you think the purpose of a bank is to connect borrowers and savers and centralise trust, we can decentralise the trust piece."

Husayn Kassai, Cofounder, Onfido (U.S.)

OPEN BANKING ACROSS THE WORLD

There is no global standard for open banking, and regulations can vary in different jurisdictions. This creates legal, technical and operational challenges for multinational banks. Some banks operating in regulator-led regimes such

as the U.K. and EU have already begun implementing open banking functionality in markets where the mandates are not in place, providing global consistency for operations and end-user experience.

OPEN BANKING REGIMES AROUND THE GLOBE



COMPULSORY

Regulator Led

European Union
United Kingdom



IMMINENT

Following Prior Regulation

Australia
Hong Kong



EMERGING

Industry Led

Canada
Japan
India
New Zealand

Singapore
South Korea
United States

Bold = Regimes where Equinix operates

Source: [Gilbert+Tobin Law](#)

EXPAND YOUR CAPABILITIES TO ADD BUSINESS VALUE

Digital transformation is blurring the lines between traditional banks and emerging players. Proximity to customers, ecosystems and clouds lets you integrate new capabilities and dynamic cloud technologies that keep your business agile and flexible.

Traditional banks, fintech companies and supporting ecosystem partners can strategically leverage interconnected digital services on a global platform to meet specific regional requirements across markets.

Platform Equinix® is where you can come together with the world's largest ecosystems of interconnected partners and providers to accelerate your digital

transformation. Globally deploy your infrastructure and services wherever opportunity leads. Directly and privately interconnect to your most important clouds, services and networks. Activate edge services on demand to scale for success.

SECURE DIGITAL TRANSACTIONS WITH LOW LATENCY

With 99.9999% availability, Equinix data centers offer superior performance, with secure, direct, low-latency physical or virtual connections to the services and providers you trust.

Traditional banks can take advantage of open banking on Platform Equinix to revolutionize how they do business:



REACH EVERYWHERE

With one global partner, deploy digital infrastructure anywhere you need to be.



INTERCONNECT EVERYONE

Discover and reach anyone on demand, through one connection to the world.



INTEGRATE EVERYTHING

Activate your digital edge through leading technology tools, partners and services.

WORLDWIDE REACH FROM WHEREVER YOU ARE

200

Data centers

52

Metros

3,000+

Enterprises

2,900+

Cloud & IT providers

330,000+

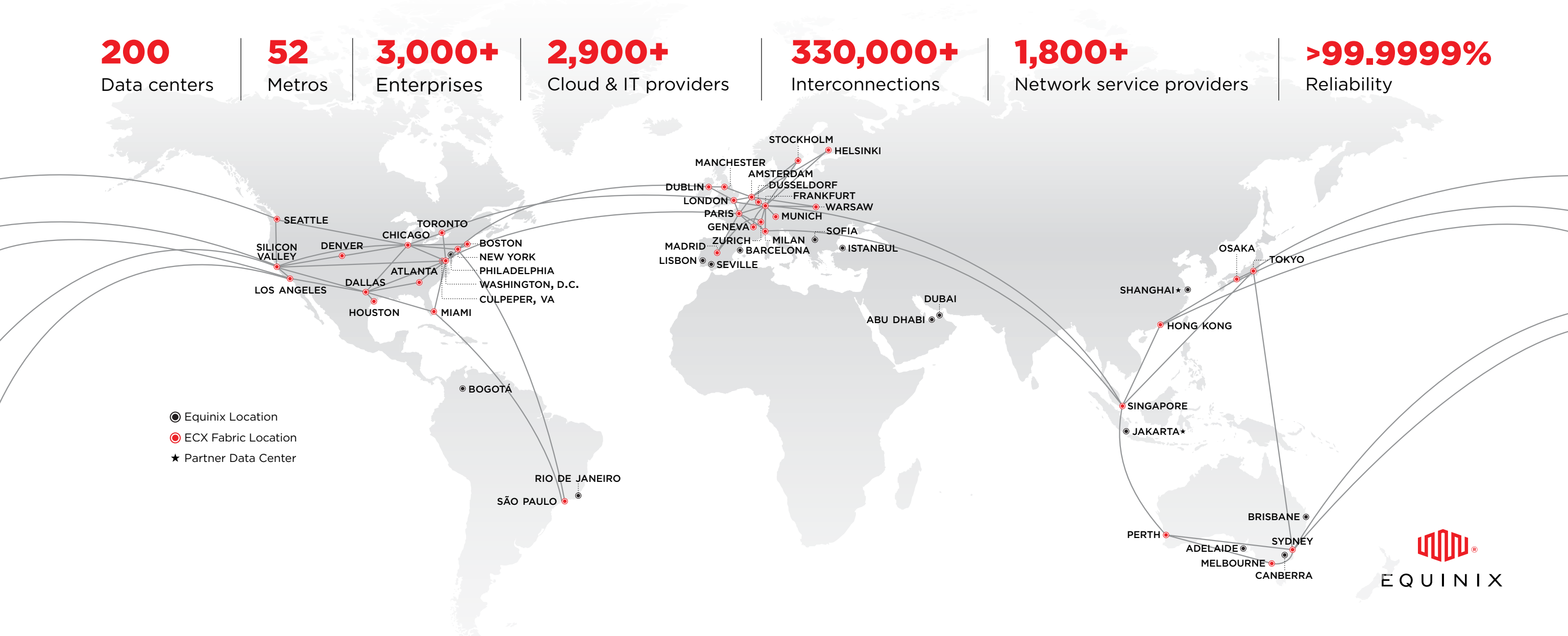
Interconnections

1,800+

Network service providers

>99.9999%

Reliability



- Equinix Location
- ECX Fabric Location
- ★ Partner Data Center



BUILD YOUR DIGITAL STRATEGY

To compete with more agile, more flexible services from fintech and third-party providers, traditional banks must embrace a digital strategy. We've identified three key steps to help banks build their strategy and win with open banking:

1. RE-ARCHITECT FOR INTERCONNECTED COMMERCE

- Deploy control points in local markets.
- Exchange with ecosystems through interconnection.
- Optimize for scale and capacity.

2. INTEGRATE HYBRID CLOUD SERVICES

- Adopt multicloud services.
- Collect and analyze insights in real time.
- Apply governance and policy enforcement.

3. ENABLE REAL-TIME PAYMENT COLLABORATION

- Deploy cross-border service.
- Adopt deep learning algorithms for data analysis.
- Deliver a frictionless customer experience.

EQUINIX INTERCONNECTION SOLUTIONS FOR OPEN BANKING

The Equinix portfolio of innovative interconnection solutions helps you achieve your global digital transformation objectives faster.



Equinix Performance Hub® brings IT resources to the digital edge, where the physical and virtual worlds meet, allowing you to quickly and safely connect to the people, clouds and data exchanges that a digital business requires.



Equinix Cloud Exchange Fabric™ is a software-defined interconnection solution that enables you to weave together distributed infrastructure and digital ecosystems across metros to drive your digital future forward.



Equinix Cross Connects provide instant interconnection between businesses in the same data center. We've installed more than 330,000 of these private and direct, one-to-one connections worldwide.



Equinix Data Hub® enables you to safely position large volumes of data where you need them, so they can be easily and securely processed, analyzed and retrieved, and you can get the most out of big data and the internet of things (IoT).

EXPLORE DIGITAL TRANSFORMATION

Our team can help you explore how to build a digital edge strategy and take advantage of open banking.

 **Work with an expert to get started**

[Contact Us Today →](#)