

MOBEY FORUM REPORT

November 2022



Monetisation of Open Banking APIs

A report by Mobey Forum's Open Banking Expert Group

Monetisation of Open Banking APIs

A report by Mobey Forum's Open Banking Expert Group

Co-Chairs:

Kristian Sørensen, Norfico

Marc Folch, Interac

Mario Brkic, George Labs (Erste Group)

Expert Group Participants:

Sudip Khan, Raiffeisen Bank International

Hans Nijland, ING Bank

Sandeep Achar, Bank of Montreal (formerly TD Bank)

Douglas Hartung, Diebold Nixdorf

Joelle Gautier, UBS

Anne Morin, Diebold Nixdorf

Kurt Schmidt, Netcetera

Susan Kaae, SDC

Tom Pawelkiewicz, Klarna (formerly TD Bank)

Matthias Biehl, UBS

Bruce Diesel, Diebold Nixdorf

Agnija Gailane, Nordea

Bent Bentsen, DNB Bank

Erik Vasaasen, Okay

Ness Diwan, Promon

Erlend Sundvor, Eika Gruppen

Thor Ragnar Klevstuen, SpareBank1

Special thanks to:

Rune Mai, Aiiia (formerly Nordic API Gateway)

Duncan Cockburn, Onebanx

Darek Nehrebecki, Mastercard

Brendan Jones, Konsentus



Contents

Executive Summary	4
Can Open Banking APIs be monetised, and if yes, how?	5
Understanding the strategic options	2
Direct monetisation of the premium APIs	6
1. Free APIs	7
2. APIs in which the users are charged	7
3. APIs in which revenues are shared	7
4. APIs in which the intermediary (TPP) is charged	7
5. Indirect Revenue	8
Monetisation of the products enabled by the Open Banking APIs	8
Marketing your Open Banking products	9
Opportunity Identification Framework	10
Key Workshop Findings	11
Interesting Questions	13
Conclusion and Outlook	13
Join The Mobey Forum	14



Executive Summary

Though Open Banking in many countries has been driven “top-down” as a regulatory requirement, many banks have taken the opportunity to revisit their strategies to look beyond a pure compliance play. A natural next step after implementation of the regulatory mandated APIs, is to shift their strategic focus to the topic of monetisation.

From the perspective of supporting the long-term health of the ecosystem, this should be encouraged. Open Banking (and later Open Data) can only realise its full potential if organisations big and small persistently invest in making it better and more useful over time. The most efficient and effective way for that to happen is if there are self-sustaining market economics that reward those who do.

This report details key takeaways from a year-long study which leveraged the expertise of top Open Banking experts across some of the world’s leading institutions in the area (see list of contributors), many of whom were surprised by what was revealed:

- There are considerably more monetisation opportunities than initially expected.
- Many of these opportunities are internally facing use cases within their organisations and are therefore of much lower risk and higher return than the externally targeted opportunities that often first come to mind.
- For external opportunities, many may require cooperation between Financial Institutions since their market value requires (near) full coverage of all consumers and/or SMEs in a given country or region.

Can Open Banking APIs be monetised, and if yes, how?

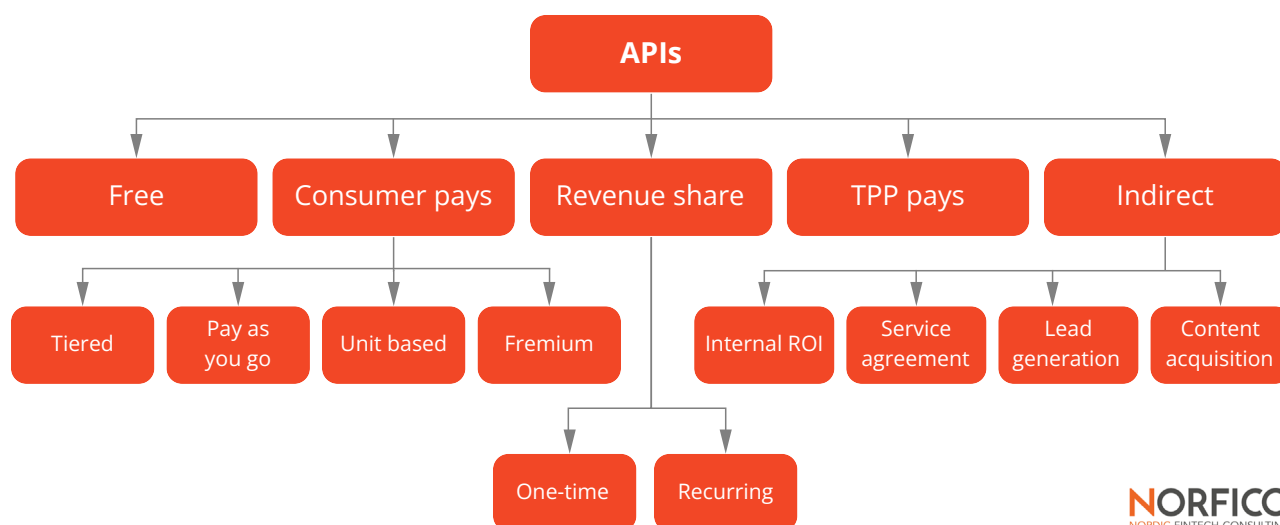
To answer this question, the Expert Group developed a process and sought external input from other industry experts representing different entities and stakeholders. This report shares both, with the goal of enabling interested parties to seek inspiration when conducting similar strategic processes within their respective organisations.

Please note that the Expert Group meetings were conducted under the Chatham House rule, which means that some anonymisation of the input and insights has been applied to permit its inclusion.

Understanding the strategic options

Before diving into the discussions, the Open Banking Expert Group chairs prepared pre-reading and research materials as a starting point to build on the best quality work done by the ecosystem to date. Among various opinions about the potential evolution of the market, some of the analyses certainly stood out and provided a relatable basis for our own theories and a quality basis for our discussions.

This preparatory work established the following foundation for the strategic options discussions:¹



¹ Original source: Pramod Krishna Kamath <https://www.edgeverve.com/open-apis-monetize-apis-accelerated-growth/>

Direct monetisation of the premium APIs

The seemingly most simple business case for a bank to monetise its Open Banking APIs is to charge third parties to access and use those APIs that go beyond the “compliance APIs” – the ones that banks in many countries are legally obliged to offer for free.

When deciding on such a strategy, the group’s main starting point in understanding which approach to take was to understand the value of the “product” being monetised. In this case, the monetisable product is not only the additional APIs, but the additional API performance, their scope and their stability. It is also important to consider the product’s usefulness in terms of market coverage. A highly desired data API which only works for one financial institution’s 5% market share is not very useful for an API buyer. Some premium APIs will need a collaboration between financial institutions to enable full (or nearly full) coverage of a given geographic market.

To explore the monetisation options within this strategic option, the group looked into the different classification of API types and decided to utilise the following API classification ² for its discussions:

- Data APIs
- Transaction APIs
- Application Integration APIs
- User Interface APIs
- Application Component APIs
- Utility and Helper APIs

As we can see, not all types of APIs are the same, and not all types are (equally) attractive - or even suited - for monetisation. Some, like

User Interface APIs and Application Component APIs also fall under the category of Embedded Finance.

Market example:

Some tools are also valuable to be made available via APIs such as Optical Character Recognition (OCR) for digitalisation of physical documents or Data Classification Algorithms for advanced transaction categorisation.

Depending on the type of APIs a bank has in its “portfolio”, or believes it is well suited to develop, and which it is looking to monetise there are numerous different possible approaches to how a commercial proposition can be structured.

Once the API portfolio has been categorised the next step would be to label them according to potential commercial structures.

Generally speaking, the main recognised categories are:

1. Free APIs
2. APIs in which the users are charged
3. APIs in which revenues are shared
4. APIs in which the intermediary (TPP) is charged
5. Indirect revenue

1. Free APIs

For obvious reasons free APIs cannot be monetised as part of a monetisation strategy relying on premium APIs. The monetisation of free APIs would rely on one or more of the other strategies described in the following sections.

Downsides To Free APIs

Regulators may wish to consider an ecosystem-wide minimal data request fee (a few cents or less), to cover the serving Financial Institution's incremental costs and to discourage wasteful requesting. A requestor who queries data multiple times a day (whether their customer needs it or not), should bear the added cost of that choice.

Ignoring this externalisation of requestor costs can otherwise become a problem that will inhibit the growth of the ecosystem and discourage data-contributing Financial Institutions from making their offering more attractive and useful. In general, organisations tend not to invest in demand creation and its associated costs, without a counter-balancing revenue or benefit.

2. APIs in which the users are charged

The 'Consumer Pays' model can have variants that require the consumer to pay for different levels of usage (Tiered), to pay a fee based on usage (Pay as You Go), to pay according to the consumption of specific units of computing or service (Unit – such as CPU cycles), or to use the API for free but pay for various types of additional services (also popularly known a "Freemium" model).

3. APIs in which revenues are shared

Revenue share can be implemented with partners who might be bringing in net new clients for the bankmost Embedded Finance use cases). The revenue sharing mechanism could be one-time (up-front) or recurring on a period basis (e.g. monthly billing), e.g. a mortgage lender paying a commission to websites that embed the lender's mortgage application API and successfully deliver new clients.

Onebanx - a unique approach

After accepting an invitation to join an Expert Group call, [Onebanx](#) shared with our members its innovative use of Open Banking infrastructure that leveraged a revenue sharing model.

Onebanx's market offering is a unique spin on the often fully digital proposition of open APIs. Capitalising on the withdrawal of bank branches from less populated areas, Onebanx introduced a "boutique" brick and mortar Kiosk approach to underbanked areas of the UK, offering banking services based on Open Banking technology. Its revenues are generated through a sharing model with involved partner banks, to which they connect through open APIs, and via which the supported products are made available.

4. APIs in which the intermediary (TPP) is charged

Third-party providers (often referred to as TPPs) may build business models where they charge their customers for the services they provide - services that may be enriched by additional data or other services made available by the banks through premium APIs.

5. Indirect revenue

Indirect methods of monetisation might mean the acquisition of a service or content from a partner, which possibly helps in improving customer service, i.e. the gain is not directly monetary in nature. Other forms of indirect monetisation might include lead generation - the identification of potential customers.

Internal ROI opportunities

Apart from direct monetisation, the internal value of APIs also needs to be recognised. Though they might not directly bring income, leveraging modern API architecture can provide tremendous value to an organisation through cost optimisation, allowing for quicker, easier and better product development, easier integration to third-party infrastructure, data and services, and numerous other indirect benefits.

Many - if not most - of the Financial Institutions directly or indirectly represented in the Expert Group (as members or customers/partners of one of the members) struggle with the challenge of costly and inflexible legacy systems. Adding an API layer on top of these systems helps break down the often-siloed data structures within the bank, which improves both business development and reduces the cost of continuous and increasingly demanding compliance and reporting projects.

The internal ROI was also highlighted as one of the paths of least resistance to get funding for Open Banking projects, as it was generally perceived as easier to present as a justified business case - i.e. invest one euro to save two. It is also easier to scale and lower risk because a single organisation is both the "seller" and "buyer" of the API. There is no cost, complexity and risk of developing an external market as is the case with other monetisation categories.

Monetisation of the products enabled by the Open Banking APIs

Though legislation, in most cases, mandates free "core" APIs with defined scopes and performance, our discussions and research study revealed broad agreement that numerous opportunities for monetisation were offered by increasing the number of products available via APIs, as well as an enhanced performance level.

Market examples:

- Market players have charged €0.10-0.15/user for extended data, and enriched data around €2
- Premium add-ons such as OCR (Optical Character Recognition) for billing have been around €2

While this may not be that interesting for private users, through a business lens the monetisation opportunities look significantly more attractive.

Products and services targeting the SME segment of banks' commercial customers proved to be especially attractive, as this segment traditionally has been somewhat underserved and also, at the same time, willing to pay for services that lighten the burden of administration. This could be e.g. the integration of bank accounts with book-keeping systems - including automated reconciliation.

Market examples:

- Accounting services are a big sector to date and a large percentage of B2B volume in open banking overall.
- Small businesses are far more willing to pay a percentage of their cost savings or increased revenues than consumers, (and banks can be customers too).
- Businesses are willing to pay for making available new closed loop data ecosystems that are not easy to access (out of scope of basic Open Banking).
- Following that line of thought, some experts believe B2B will be the front runner of monetisation because of the direct ROI from Open Banking spend to cost savings or incremental revenue. It is easy to convince a business to spend €1 to save or make €2.

Marketing your Open Banking products

Once a monetisation strategy has been established, one aspect which is often neglected is the need to communicate and promote the defined "API products" in your portfolio. For some reason, this fundamental aspect of sales is often neglected when the APIs are the product in question. In this respect, many of the banks surveyed have encountered the same issue as many fintech and tech startups before them, who have (often unknowingly) applied the proverbial strategy of "build it and they will come".

To ensure that your Open Banking products and services perform, you will need to ensure visibility and promotion of these to get them on the radar of potential "buyers". The key to a successful marketing strategy is not only to ensure that the unique selling points (USPs) of your APIs are properly defined but also to ensure that the stability, quality and availability of your APIs are communicated. As mentioned earlier, the market coverage of an API is an important dimension here. Even the most effective credit risk scoring API on the market would be a tough sell if it only works for 5% of a buyer's customers (because that's your firm's footprint).

Opportunity Identification Framework

The Expert Group performed a series of workshops to tap into the collective knowledge and expertise of the group. Both the process and findings can be useful to organisations looking for inspiration for their own in-house processes.

In the first workshop, the group brainstormed the types of problems or market needs potentially large enough to be worth solving via Open Banking.

EXERCISE 1: WHAT PROBLEMS ARE LARGE ENOUGH TO BE MONETISABLE (Would justify paying a fee)?
SELECT ONE CUSTOMER SEGMENT (Redo for others as desired): Consumers - Small/med business - Corporate - Government

Banking/accounting frustrations & costs Reasons for switching financial providers Insights of value to 3rd parties	Missed opportunities in risk assessments Expensive (inefficient) customer acquisition/servicing/compliance costs Need for better informed decision making Need for stronger customer relationships	Better API or service levels wanted Data cleaning/classification you can do better or more cheaply Desired data outside of gov requirement
CUSTOMER PROBLEMS	YOUR ORG'S PROBLEMS (In servicing that customer)	TPP PROBLEMS (Relating to that customer segment)

It then mapped types of data that (ignoring any barriers for the moment) could be used to solve these problems.

EXERCISE 2: WHAT DATA IS AVAILABLE?
 Including details of major fields (eg date, amount) because is important to unpack what assets you have

Data your organisation holds today

Data available from other sources (may need customer authorisation) - Making current closed loop data ecosystems more broadly accessible is usually valuable

Derived insights from that data (eg proof of income)

CONSUMER DATA (Generated by your consumer clients)	BUSINESS DATA (Generated by your business clients)	METADATA (Generated by your systems' operation in aggregate, not tied to any one client)
--	--	--

In the second workshop, the group was guided to consider how the problems and data assets mapped might come together to create realistic Open Banking monetisation opportunities.

EXERCISE 3: MONETISATION OPPORTUNITY BRAINSTORM
 How can the available data be used (or processed) to solve the top problems in Exercise 1?






<p>Would allow TPPs to offer better service</p> <p>Would save them time and money on cleaning or categorising data</p> <p>Would be of value to them that is not required by legislation</p>	<p>Leverage this easier consent channel to unlock new internal use cases</p> <p>Data uses that reduce your costs or increase your revenues</p> <p>Using data to deepen customer relationship</p>	<p>Save the client more money (how much?)</p> <p>Make the client more money (how much?)</p> <p>Offer a better service quality</p> <p>(It is far easier to charge business clients)</p>
SELL PREMIUM APIS TO TPPS	NEW INTERNAL DATA USE	CHARGE THE CLIENT DIRECTLY

Key Workshop Findings

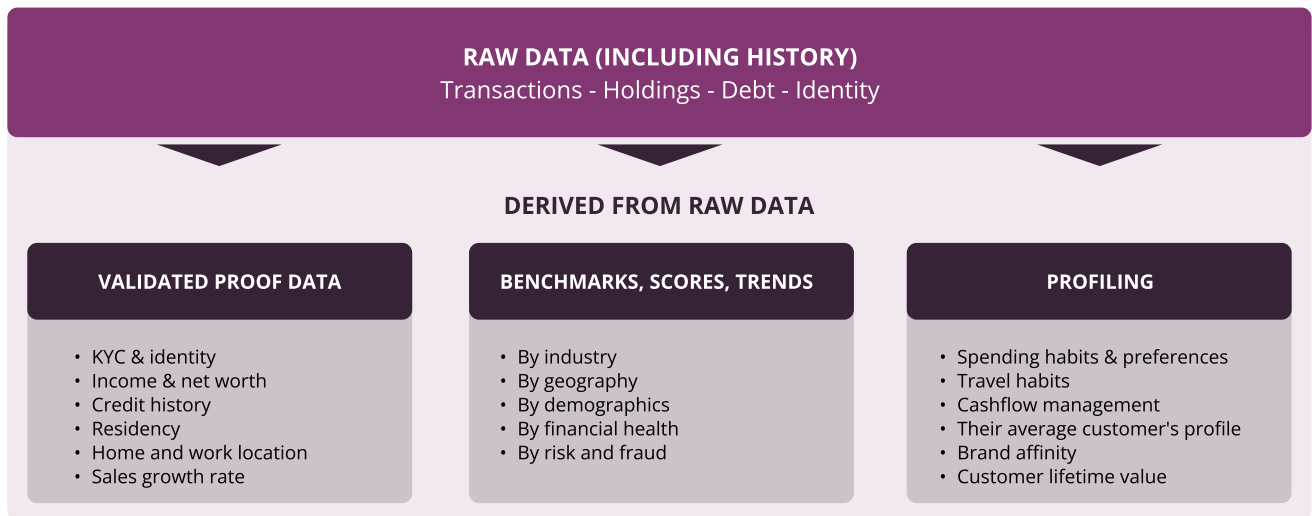
The exercise clearly demonstrated to all participants that there is a much broader scope of both data available within a bank and opportunities to leverage it profitably than many had originally assumed. This is especially so when extended to derived attributes created by processing the raw data to get higher-level insights.

The discussions also highlighted why Open Banking (which in many jurisdictions is limited to payment accounts) should be seen as the first step towards much richer use cases and hence a step toward the more overarching theme of Open Finance and Open Data. With every added data element, the number of potential combinations and therefore ways to solve market needs increase exponentially.

Here is a summary of key needs identified by the group:

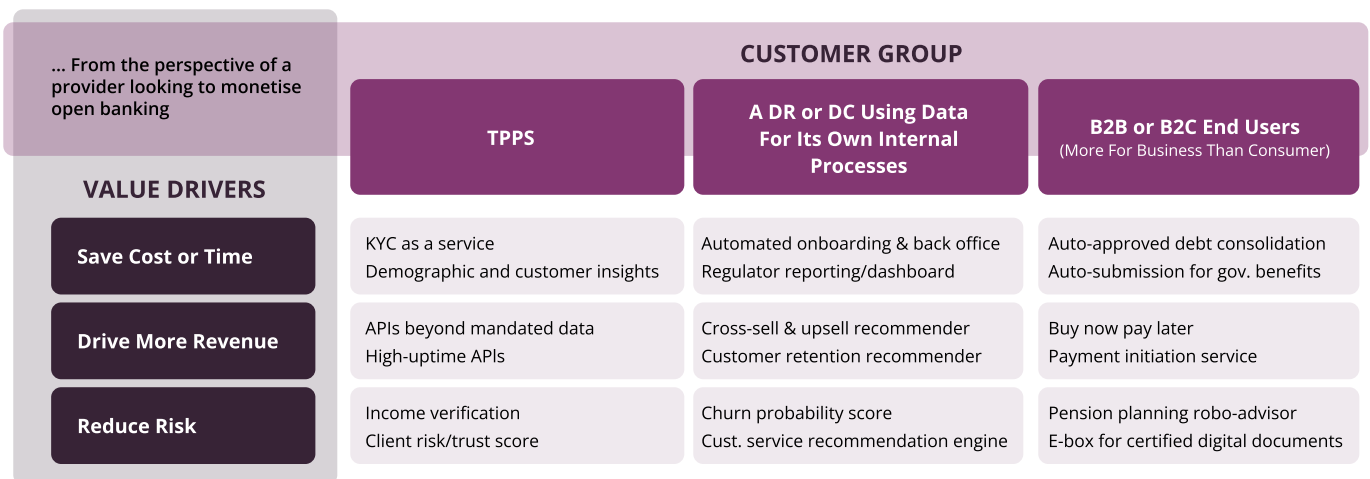
 <p>...Grow my business</p>	<ul style="list-style-type: none"> ↑ my value proposition on current products Offer new products Find new clients Cross-sell or upsell clients
 <p>...Make my back office cheaper/faster/more effective</p>	<ul style="list-style-type: none"> Onboarding clients Better, more automated decisions Convert to all digital processes Replicate or access tools large orgs have
 <p>...Make better informed decisions</p>	<ul style="list-style-type: none"> Benchmark vs competitors Trends affecting my market Insight about my clients Insight about my business
 <p>...Solve for identity, trust and security more easily</p>	<ul style="list-style-type: none"> Costs ↓ Speed ↑ Trust & reliability ↑ Ease of implementation ↑
 <p>...Solve data quality and cost issues</p>	<ul style="list-style-type: none"> Errors, misclassifications, incompleteness Access is too slow or unreliable Implementation or operation too expensive

The group identified key data assets:



The group listed some key monetisation use cases:

The diverse range of responses and insights coalesced around three core target markets and three general value driving themes. In this summary, 'DR' is a 'Data Requestor' and 'DC' is a 'Data Contributor'.



Examples Only - Not the full output list

This summary covers only roughly 60% of the monetisation opportunities uncovered in the exercise but provides an example of their breadth. To learn more or discuss a deeper dive into an area of interest to you or your organisation, please reach out to [Mobey Forum](#).

Interesting Questions

Out of the discussions also arose some interesting areas for potential further consideration by individual firms, Open Banking working groups, and regulators:

- What opportunities are viable for a Financial Institution or provider to tackle on its own, and which are more suited to an ecosystem approach? (e.g. Standard KYC package reusable by all Financial Institutions for considerable savings)
- How might a deliberate enablement of monetisation help regulators accomplish their Open Banking policy goals faster and with greater breadth than mandates alone?
- How might Open Banking data be aggregated and/or combined with non-financial data to derive new, monetisable insights and offerings?
- How might we evolve Open Banking standards and infrastructure to make governance more responsive, flexible, and easy to scale? (There is increasing talk about the need for real-time systems to detect malicious behaviour)

Conclusion and Outlook

The most definitive takeaway from the Mobey Open Banking Expert Group's investigation into monetisation is that **there is considerable opportunity and profitability to be unlocked**. Given the focus to date for most markets has been on baseline compliance and only more recently has shifted towards monetisation, it is still early days and success stories to be seen in the market are still limited. That being said, even the early-stage opportunities discussed above represent **billions per year in bottom line savings and profits** within medium to large markets. The most viable opportunities being B2B or internal use cases rather than charging consumers.

Adding other alternate data sources can grow this opportunity several times over since the potential monetisation use cases multiply exponentially as more data breadth and derived (processed) data is added. **Making such new data sources available to other participants should be encouraged since this grows the value of the Open Banking ecosystem for all**. However, for that scaling to happen, it must be profitable for those who invest in making it happen. **Economics drive action, action drives scale, and scale drives impact**.

There are many more ways to monetise Open Banking than most participants initially expect. Ranging from low risk yet high payoff internal use cases, to Embedded Finance as a new sales channel, to API speed and resiliency levels as monetisable traits. Combining diverse expert speakers, secondary research, and facilitated brainstorming, the Expert Group's meetings have proven a powerful approach for identifying options.

Going forward, **the organisations who come to dominate the Open Banking world will be those who best identify and build solutions for inefficiencies** in their own organisations' and others' processes that can be addressed by faster, more reliable, or broader data than is available today.




Join Mobey Forum

This paper covers the main findings but is by necessity a summary. Individual participants from the Mobey Forum member community did in many cases spot additional opportunities relevant to their specific organisation and were also able to steer discussions into areas of interest to them. To get the full benefit of the Mobey Forum Expert Group, we strongly encourage you to join the organisation and actively participate in the work to gain the full range of insights.

Joining Mobey Forum also helps increase your international network and professional profile as an industry expert on Open Banking or other topics in the industry.

The close community of experts in the Mobey Forum allows you to bring your own questions and leverage decades of combined Open Banking experience in navigating your team's challenges and searching for opportunities.

For more information, contact mobeyforum@mobeyforum.org





www.mobeyforum.org
November 2022