



Mindtree

Welcome to possible

Progression of API Enablement in Banking

Part 2: Staged Approach to API Evolution

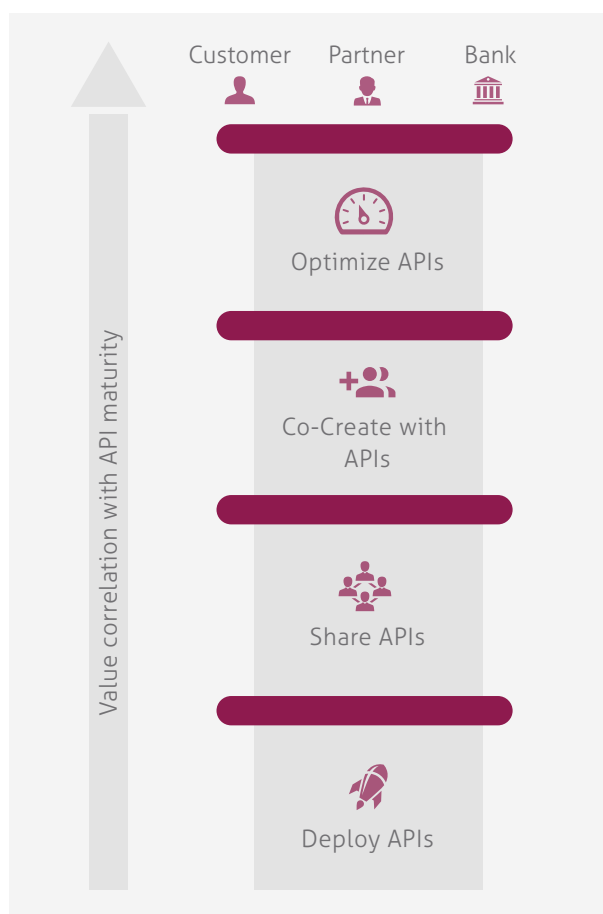
VIEW POINT



In Part I, we described how Fintech APIs have challenged the banking industry to create their own APIs. In this follow-up, we show the typical progression for how APIs evolve within a digital bank. Understanding this progression is important for banking organizations attempting to develop a rational strategy for developing and implementing APIs.

While APIs have been around a long time, they've only recently become pervasive and powerful to support the key success factors of an enterprise: creation of marketable products and services; distribution across physical and digital channels; and agility in innovation and reengineering

The progression of API adoption in banking follows a four-stage model:



1. Deploy APIs

The first stage toward API enablement encapsulates legacy technology behind a standard set of APIs that can be deployed internally within a bank across its various channels: mobile, tablet, kiosk, ATM and IVR.

At this stage, banks have a digital ecosystem to facilitate a highly-personalized digital experience within the context of the bank's own offerings.

2. Share APIs

Given a robust set of APIs that encapsulate the capabilities of a bank, the next step is to make those APIs available externally to partners who can develop unique selling propositions in combination with contextually-relevant digital services. By doing so, banks would benefit from rapid onboarding of new customers through these innovative new services, as well as increased revenues from incremental transactions

3. Co-Create with APIs

Once APIs are available to both internal and external users, the next step is to engage with consistent conversations between banks, their clients and their partners on the co-creation of innovative solutions. Through direct partnership and involvement with multiple stakeholders, banks can design and build contextual, personalized solutions with the highest potential for marketplace adoption and success.

4. Optimize APIs

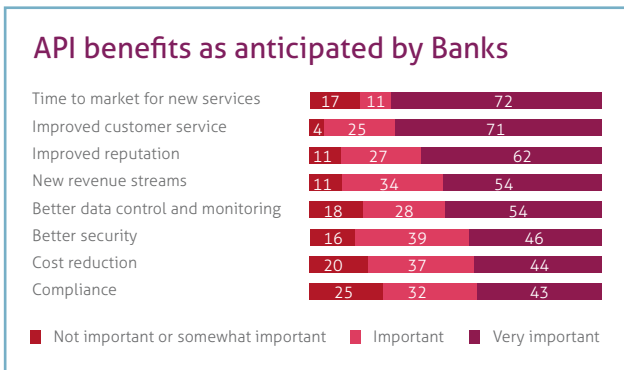
As the results of co-creation reach the marketplace, optimization through API management ensures that the co-creators of an API are prepared for success. In the digital economy, successful ideas quickly scale beyond what was initially scoped. It's also a sure bet that the scalability question will arise faster than ever in the future, given the expansion of computing networks powered by wearable form factors and the Internet of Things. Effective API management smooths the transition to "Internet scale" solutions, bringing in non-bank solutions and infrastructure where appropriate.

An enterprise-level effort toward API enablement requires careful planning from the outset. By following the stages as described in the staged approach to API Enablement, organizations can achieve business benefits at each successive stage, while ensuring the maximum in strategic flexibility.

This strategic approach helps organizations to avoid getting into situations driven solely by expediency. That's to say, the easiest APIs to develop may not have the best business case. For example, if a bank co-creates APIs with external providers prior to having its own internal APIs under control, it risks becoming overly dependent upon the partner providing the API. In this way, robust API capabilities are a strong defense against disintermediation, one of the biggest risks in the digital economy.

Benefits: The API advantage

Banks anticipate a wide range of benefits from API enablement – just ask the bankers themselves.



- 83 percent expect APIs will speed up time to market for new services;
- 82 percent expect better data control and monitoring;
- 81 percent expect cost reductions;
- 75 percent expect stronger compliance.

These results demonstrate the banking industry's high expectations of the benefits from APIs.

Initial API deployments will enable banks to do more with less, improving organizational flexibility, standardizing the user experience, and increasing productivity.

(Source: Bank Innovation and Open Bank Project, March 2015. Link: <http://www.slideshare.net/TESOBE/open-bank-project-api-days-api-strat-berlinapril2015r2>)

In a recent online survey conducted by Bank Innovation and the Open Bank Project, 96 percent of respondents said that they expected APIs to be "important" (or "very important") in improving customer service.

Other "important" results:

- 88 percent expect APIs to generate new revenue streams;
- 87 percent expect that APIs will improve the industry's reputation;
- 85 percent expect better security;

Later deployments will enable banks to do more with others, reinventing financial services through API-enabled partnerships. Whether monetizing business capabilities through innovative, low-touch business models, connecting with partners through new distribution channels and new-age marketplaces, or improving security and compliance, it all starts with API enablement.

The push toward API enablement won't wait. Within the next 24 months, Mindtree expects significant uptake in APIs in financial services. Those banks that execute on a well-timed and crisply-executed API strategy will be in an excellent position to capitalize on tremendous opportunities for customer engagement, operational efficiency and revenue growth.

Mindtree's approach

Mindtree has proven expertise in the following areas to aid you in the staged approach to API Enablement:

1. Initiation and identification

- A current-state study that engages business and technical stakeholders to develop an understanding of current challenges;
- An evaluation of industry trends in API usage across other industries, in order to apply lessons learned elsewhere to build traction in banking;
- And an assessment with recommendations, including a detailed, phased roadmap prioritizing key areas for API enablement.

Case study

A leading global bank reviewed its extensive lineup of products and services throughout its entire technology architecture. The exercise uncovered many operational challenges and business growth opportunities, driving the creation of an actionable roadmap to API enablement across the organization.



2. Design and development

- Current state and future state architecture overview to aid the layering of offerings on existing systems (ensures minimum disruption of existing processes)
- Standard or iterative development
- Testing and UAT
- Deployment

Case study

A leading home improvement retailer relies upon an API framework that supports multiple consumer types through multiple channels, from online and mobile to in-car entertainment, delivering increased business agility and reduced development costs.



3. Continuous improvement

- Analyze trends and market shifts
- Propose to make the right move at the opportune time
- Identify business and system efficiencies

Case study



A leading U.K. household goods company exposes services through multiple access channels through an API framework using a single published interface.

Leading global bank on road to API enablement



Challenge

A leading global bank based in New York sought to evaluate the extent to which APIs could enhance product quality and improve service levels for its worldwide clients.

Internally, the bank anticipates that APIs would enable seamless information exchange within the bank, making it feasible to create a universal customer profile. At present, customer information within the bank is spread across multiple line-

business solutions and reliant upon multiple file and messaging formats, making it difficult for CSRs and clients to access frequently-needed information with the necessary speed and ease-of-use.

Externally, the bank seeks easier onboarding of customers from third-party platforms; smoother integration with third-party providers of KYC/AML solutions; and expanded digital distribution of financial services through marketing and distribution partners.



Solution

The bank turned to Mindtree to undertake a global review of its products, services, technology and architecture, resulting in a comprehensive list of existing operational challenges and business growth opportunities. From this analysis that Mindtree presented, several high-value candidates for API enablement were identified as having the greatest potential for profit enhancement.

Each of the candidates for API enablement were validated and ranked through a workshop organized

by Mindtree that involved representatives from the lines of business involved, as well as from technology and operations personnel. The ensuing focus group discussions resulted in a broad consensus on the highest priorities.

The results of these discussions were compiled into a written recommendation for how the bank can proceed with a phased approach toward API enablement by following a multi-year roadmap.



Results

The bank has undertaken an API enablement strategy that will enhance its digital business models through the proliferation of internal APIs; enable value-added

services by exposing APIs externally to partners; and improve client engagement by co-creating apps with strategic stakeholders.

About Mindtree

Mindtree [NSE: MINDTREE] delivers digital transformation and technology services from ideation to execution, enabling Global 2000 clients to outperform the competition. "Born digital," Mindtree takes an agile, collaborative approach to creating customized solutions across the digital value chain. At the same time, our deep expertise in infrastructure and applications management helps optimize your IT into a strategic asset. Whether you need to differentiate your company, reinvent business functions or accelerate revenue growth, we can get you there. Visit www.mindtree.com to learn more.