‘The trend is already underway. The banks have no choice.’

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Open banking with interfaces and open access, such as for FinTechs, marks a fundamental shift in traditional business models. Roger Wisler, Head of Swiss Branch & Business Manager at ndgit, and Mike Seiler, Senior Business Development Manager at Zühlke, discuss the level of digital development within the financial sector as well as possible applications of APIs and the effects of the current COVID-19 situation.

What does open banking mean for the finance industry?
Roger Wisler: Open banking means a fundamental opening up of the banks. Thanks to uniform and standardised interfaces and APIs, data can be exchanged among different players. If all service providers spoke their own ‘language’, i.e. without certain standards, things wouldn’t work. It’s also about trust. Standardisation allows banks to connect with each other or with third parties much more easily.

Mike Seiler: That creates different opportunities for banks. For example, in collaboration with FinTechs, they can offer their customers products that they wouldn’t have in their portfolio without the integration afforded by open banking. On the other hand, it allows banks to offer other financial service providers their products and services, and to offer them to their customers as a complementary service. The potential applications in the B2B market across all sectors are very exciting, such as in trade finance or insurance services for companies. Open banking makes it possible to establish ecosystems.


Discussing open banking: Roger Wisler (ndgit) and Mike Seiler (Zühlke).

What might such an ecosystem look like?
Mike Seiler: Imagine a retail bank that no longer gives out small loans but still wants to offer this type of financing to its customers. The bank can connect with a crowdfunding provider through an open banking API, for instance. This is a win-win situation for all parties. Customers benefit from a new type of financing and the bank has a new product in its portfolio, which gives it a unique selling point. The crowdfunding provider also gains a strong and reliable partner in the bank, which could indirectly provide credit guarantees if need be. Private banking also offers different scenarios. One example is the integration of various complex, specialised FinTechs, which focus on tax optimisation for multiple domiciles, financial planning or legal and compliance issues, for instance. The institutions are thus in a position to comprehensively serve discerning international customers through an integrated consulting approach.

How exactly do end customers benefit from this?
Roger Wisler: Let’s take the transformation of the housing situation as an example. During this process, interaction with the bank could for many consumers form a possible touchpoint with open banking, such as when it comes to mortgages and rate proposals. When such processes are embedded in a related ecosystem, customers benefit from a variety of potential offers from financial institutions, as well as from a more flexible process without media discontinuity. It can also be said that payment processes are a means to an end in an ecosystem and thus support the process. Such processes must be integrated as intelligently as possible and uniformly digitalised. The limited mobility during the coronavirus crisis has

also made this necessity very evident, as has the need for simplified granting of emergency loans for companies.

Mike Seiler: Absolutely. The current COVID-19 situation has clearly exposed flaws in the level of digitalisation at many financial service providers. Many banks are still dominated by a product-centric culture and mentality. It seems unlikely that people will go into local branches anytime soon for a consultation about a standard product. The needs of the customer, such as financial security over the entire life cycle, must be front and centre. The digitalisation of internal processes for serving customers must be given greater priority. As long as this change in mindset is wanting, front-end applications that have been digitally spruced up will not be very useful. In this case, the industry has been outpaced, and customers are feeling this gap every day, especially in the current situation.

Is the financial community in Switzerland ready for open banking?
Mike Seiler: The trend is already underway, so Swiss banks have no choice but to adjust. Open banking offers the potential for differentiation, which will bring about specialisation as well as consolidation of individual agents in the financial industry.

Roger Wisler: That's right. From the perspective of my business activities at ndgit, I can see that this issue hasn't yet gained traction at all financial institutions. Integrated solutions, such as those provided by ndgit, already exist for banks to meet the challenge of adjusting their IT infrastructure. Today, many institutions, especially in retail banking, still offer the full range of services for their customers themselves. This leads to very high employee and infrastructure costs. Currently, this is still financially viable, partly due to the margins with Swiss customers, who have a very strong sense of tradition. Members of the older generation in particular are less willing to change their financial institution. This is why the pressure at Swiss companies is not yet as pronounced as in other European countries, particularly Germany, where the financial market is already much more dynamic. This is also reflected in EU regulation PSD2, which has been in effect since 2019 and creates greater competition in the market. It is important to reiterate that open banking creates a great opportunity for the Swiss financial centre with its many banks, FinTechs and startups.

Mike Seiler: Agreed. However, many banks first need to scrutinise their internal processes and to digitalise and standardise aspects including the onboarding process and the related compliance tasks. Overall, the banking business is growing more and more expensive through increased competition, measures to combat substitutions, and stricter regulatory requirements, which is why production costs need to be lowered accordingly. The banks have no other choice.