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# Open banking —what you should know



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**Open banking allows financial institutions to stay competitive as they engage their customers.** Bank customers are now familiar with digital banking and the seamless nature of information flow. For this reason, it is important for community banks to understand the elements of open banking, to ensure that they can continue to provide their customers with offerings that give them the speed, value, and convenience they expect.

## What is open banking?

In its most basic form, open banking is where financial institutions (FIs) share customer data digitally with their consent with third parties to provide a more seamless customer experience. The way that data is shared is through application programming interfaces (APIs). APIs are technical interfaces that have become increasingly sophisticated, representing integral components of the Internet of Things (IoT), which includes smart devices like Google Home and Apple watches. APIs make communication between devices and third parties more convenient and efficient.

There are three main types of APIs right now, private, partner, and open/public. Private APIs share information solely within an FI to boost efficiency. Partner APIs are used with preferred third-party partners such as clearinghouses, brokerages, and custodian banks. Lastly, open or public APIs are less commonly used. Yet, an example of this type of connection is with a loan-comparison app that could engage new customers shopping for a new loan.

## Why is open banking important for community banks?

- 1. Customers expect it.** Customers expect coordinated and convenient banking interactions these days. Interfacing with third-party applications to allow access to more complete financial information for your customers allows this to happen. With more comprehensive access to their financials on your app, your customers can make better financial decisions using your tools and additional services from your institution.
- 2. Levels the playing field.** APIs are actually quite cost-effective for all FIs. So, you don't need to be a big bank to deploy open banking. Community banks can add value and enhance customer experience too, which helps retain and even gain customers. Open banking levels the playing field.

Prior to the pandemic, research found that 86% of global banks were considering APIs to enable open banking capabilities in the coming 12 months. While that number and level of commitment are likely to be higher today as customers' expectations have risen, the US lags behind other countries. Still, open banking is here to stay. 📱

## MORE ABOUT PCBB

Dedicated to serving the needs of community banks, PCBB's comprehensive and robust set of solutions includes: cash management, international services, lending solutions, and risk management advisory services. PCBB is using open banking with our vendor ecosystem to add value for our customers. If you would like to continue the discussion or need additional information, contact Dennis Falk at [dfalk@pcbb.com](mailto:dfalk@pcbb.com).