OPEN BANKING: HOW PLATFORMS AND THE API ECONOMY CHANGE COMPETITION IN FINANCIAL SERVICES

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Annotation: Basically, this article clearly demonstrates open banking: it has created a new basis for the systematic, transparent and secure exchange of financial information. The recent wave of digitalization in the banking sector and the use of new technologies in a wider range of financial services - from payments and accounts to lending and asset management - have led to the emergence of new players (e.g. fintechs and competing banks). Research in this area has been used to analyze the views of scientists. Suggestions are given by the author.

Keywords: CMA, Open banking, PSD2, API, Fintech, Financial servis.

In recent years, UK and European regulators have declared that the lack of competition in the retail banking sector has had a negative impact on consumers, and they have viewed the oligopolistic nature of competition in the banking sector as problematic. While acknowledging that unnecessary barriers in the UK have prevented retail bank customers from switching providers, the UK Government's Financial Management Authority has made it easier and faster to switch providers, including all direct debit for consumers. and launched a current account swap service in 2013 to make it easier to change permanent orders. However, given the current structure of the industry, it has become difficult for customers to compare relevant products and services. Thus, another regulator, the Competition and Markets Administration (CMA), has begun to develop additional regulation to put more pressure on older and larger banks (which make up the majority of the retail banking market) to do more for customers. helping to “separate” or “separate” banking services to introduce more “transparency” in the sector and create a level playing field.

The Open Banking Regulation was announced in 2015 as the basis for the introduction of open application programming interfaces (APIs) in banking to ensure the implementation of open banking in the UK. This is in line with the European Commission’s 2015 Revised Payment Services Directive (PSD2), which has the same goal. Since then, the regulation of open banking has been repeated in other parts of the world - Australia, Brazil, Canada and Singapore, to name a few - to boost innovation in the financial sectors in those countries.

In general, the main objectives of regulating open banking are to further integrate and support a more efficient payment market, as well as to encourage competition in an environment where new players are emerging. To achieve this goal, EU and UK regulations have made it possible for third-party payment institutions to access consumer bank accounts held by existing banks. To this end, the law requires all banks to create interfaces (such as an open API) through which trusted third parties can automatically connect to customers' bank accounts and access their transaction data and start payments once the three-step process is complete.

Basically, financial services are an information business, and therefore changing not only the method of information transmission, but also the type of data exchanged between market participants can lead to drastic changes in competition dynamics and market structure. Basically, open banking does just that: it creates a new basis for the exchange of financial information in a systematic, transparent, and secure manner. Such data sharing activities not only reduce access barriers for new entrants, but also allow for the introduction of new and innovative products for the benefit of consumers who gradually strengthen their control over their data. While this is an attractive proposition, an open banking system poses a challenge for existing banking institutions and traditional business models based primarily on a vertically integrated agreement to create value.

The recent wave of digitalization in the banking sector and the use of new technologies in a wider range of financial services - from payments and accounts to lending and wealth management - have led to the emergence of new entrants (e.g. fintechs and competing banks). Managed to demand a share of market share from established banks. As competition intensifies, existing firms are gradually reconsidering their position in the market and value offers to customers. In this context, existing institutions can choose to accept change and be open to collaboration using the opportunities offered by technology by interacting with a wider ecosystem of market participants and other service providers, or to make their efforts more competitive. They can defend their positions by focusing on developing solutions. Restrict access to all customers and product segments, their systems and platforms.

The introduction of PSD2 in the EU, as well as the UK Open Banking initiative, have left little room for traditional banks to go the defensive path, and so many are considering ways to adopt new rules and remain competitive. As noted above, the key technology that is important in this context (both strategically and regulatoryly) is the API. APIs have proven to be one of the safest ways to share financial information in a secure and standardized way. They have been tried and tested in many industries and contexts and thus offer a good way to cross organizational boundaries and develop ecosystems to create innovation and value. In this chapter, we discuss how the introduction of APIs and open banking will affect banks 'organizational structure and competitive position in the market, how platform business models play a role in this context, and how banks can develop platform-based strategies. Digital transformation in a changing environment of data exchange.

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