CALL FOR PROPOSALS

The SWIFT Institute

Can banks use open APIs to open up new markets?

The SWIFT Institute invites proposals for research on the use of open APIs (application programming interfaces) and how banks can use them to securely open up new markets.

The adoption of the new PSD2 (Payment Services Directive 2) in the EU and the Treasury backed Open Banking Working Group (OBWG) in the UK calling for an open banking standard, are both designed to stimulate competition in the electronic payments market by providing the necessary legal certainty for companies to enter or continue in the market. This would allow consumers to benefit from more and better choice between different types of payment services and service providers.

Greater access to data has the potential to improve the reach of banks into new markets. APIs allow different software applications to communicate with each other and exchange data directly, without the need for human input each time. They have become the de facto standard for sharing data, and have enabled organisations that hold significant amounts of data to become platforms for third party innovation.

Banks can benefit from creating open APIs, encouraging third party integration and becoming a platform as a strategy, to keep competitive in the fintech revolution without having to use significant resources. In doing so, banks can position themselves as the safe, secure integral player in the future payment transaction lifecycle. New applications and services for consumers can be more easily developed.

Some banks have already launched open API and app store initiatives. Sixteen UK banks and building societies collaborated to offer Paym, a P2P payments service using the UK's Faster Payments network. Another group of banks backs Zapp, which integrates into their existing mobile banking apps to enable P2P payments, mobile online shopping and bill payments.

Open API developers facilitate innovation and a better user experience by accessing information within the API, providing organization of data and manipulating that information in new ways. Open APIs are especially effective for ecosystems that extend beyond a particular organizational structure. For example, a bank might allow its clients to design their own interfaces with the bank using open APIs. In such a case, the client determines the type of experience it will have as it accesses the bank's online portals in terms of look and feel, data access and aggregation, and the ability to repurpose data and information to generate the insight that support business decisions.

Some early banking open API use cases include:

- Onboarding clients more quickly and easily
- Integrating bank applications seamlessly with crowdfunding platforms and payment-splitting applications
- Partnering with niche fintech providers that optimize front-end user interfaces to improve client experience

The research should try to explain how open APIs really help improve banking services. What will be the real benefits to banks to adopt the open APIs. What are the merits of competitive or cooperative strategies or the merits of a mixture of the two?

Research proposals can be theoretical or empirical. The focus of the research could look at the following (other suggestions are welcome):

- How can banks use open APIs to provide better services to their customers (corporate and consumer)? How can open APIs help banks become more nimble and competitive?

- Compare the merits of adopting a competitive strategy of banks vs. third party providers to that of the merits of banks working with them.

- Should APIs be standardised across other service industries (not just within the banking ecosystem)?

- What privacy issues arise from data sharing through open APIs? Where does ownership of the data lie? How can the data be governed once it is in the open?

- Third party developers will be dealing with many different banks. What are the foreseeable problems (e.g. cost, risk, data leakage, etc.)?

- Is it best to bundle services/assets into one API or rather have services/assets accessed through individual APIs to reduce risk?

Grant & Working Paper

A grant of EUR 15,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a final working paper.

The SWIFT Institute will publish the working paper to the global financial industry whilst the author is free to submit the paper for publication in academic journals and other publication outlets of their choice.

Proposal Submission

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
   - Objective of your research
   - Methods by which you intend to undertake your research
   - Timeframe by which you intend to complete your research
3. By email in MS Word / Excel / PowerPoint format and / or pdf.

Deadline: Proposals must be submitted no later than 31 March 2016

Email: Send submissions to: Nancy.Murphy@SWIFT.com