

## Data exchange, APIs, and Interoperability

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*Data is a fundamental resource underpinning the products and services customers need in today's economy. Open Banking has been a popular policy tool to foster the development of fintech in the pursuit of greater competition, new services, and expanded financial inclusion. Now, bigtech platforms are playing an increasing role in financial service ecosystems and an evolution from Open Banking to Open Data seems a better path toward policy objectives. Initiatives that promote data exchange, both within the financial sector but also across different sectors and borders, will help customers receive solutions tailored to their needs. Data protection and security are essential in this context and head the list of customer expectations. The December edition of DataTalk explored data exchange, Application Programming Interfaces (APIs), and Interoperability in this context of Open Data and ecosystems.*

**As APIs are developed across different sectors (energy, mobility, finance, health, etc.), standards should be designed across sectors as well.** To have a holistic view of customers, FIs need to have the capacity to analyze consumers' behavior with all the sectors they interact with. This can be achieved with Open Data frameworks, where consumers are able to share their information easily and securely across different sectors. Standardization also plays a key role in data exchange since it prevents market fragmentation and provides more flexibility to interested institutions.

**FIs interested in APIs should make strategic decisions.** Designing and developing APIs well involves several teams, such as technical experts, designers, legal, consumer experience, and marketing. Therefore, coordination and leadership within the organization are key. When thinking about exposing APIs, organizations should also look at the compensation schemes and try to cover the costs of making the data available and the costs of maintaining data quality over time.

**APIs can be used for external and internal processes.** Some FIs have developed APIs to connect themselves to other institutions in use cases such as identity validation, credit scoring, payment initiation, etc., this is often driven by competitive advantages and attending customer demands, and some FIs have realized that deploying APIs for internal processes -such as risk management, compliance, and auditing- generate efficiencies for their organization, especially in time and costs.

**Regulators and market participants are learning from others' experiences.** The increasing trends toward compensation and reciprocity in open finance approaches are two examples of the learning process that is taking place. Understanding the challenges of the industry and hearing them before regulating is a clear inclination across geographies. Flexible frameworks encouraged by the authorities would have a direct impact on making supply chains better and fostering innovation.

**Regulation plays an important role in enabling or disabling open finance and open data ecosystems.** Regulators are a necessary piece of the puzzle, and FIs need to engage and have open discussions about what has driven data exchange and what will drive further development in the system. The open finance ecosystem is not new, hence authorities that are now working on regulatory developments need to consider the participants that are already operating. Cross-sector data exchange initiatives should be driven by financial authorities since they have been thinking about these issues for a longer period and have experience in developing governance and technical standards in similar fronts.

*We look forward to continuing the DataTalk series on January 17 at 9:00 PM Washington DC / January 18 at 10:00 AM Singapore, where we will focus on trends in decentralized finance (DeFi) and Web 3.0 in the provision of financial services.*