DEC 07
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Open banking budgets must be sustained through 2022

Article

The news: **Forty-seven percent of financial services executives** said their budgets for open banking technology increased in 2021, per a survey by the open banking platform provider **Tink**. The survey was based on **308 financial services decision-makers** in 12 European countries.

By the numbers:

Tech budgets took a hit early in the pandemic: COVID-19 affected budgets for **93% of respondents**, **with 25% calling the impact "significant."**

- Early in 2020, execs pegged their budgets for open banking at €50 million ($56 million) to €100 million ($113 million)—**but their actual spending averaged well below estimates**, at €32 million ($36 million).
- **Some spent more, though:** Retail banks spent €84 million ($95 million) on average, and wealth management firms averaged €79 million ($89 million). To comply with open banking legislation, they had to overhaul their legacy tech infrastructure with APIs capable of sharing necessary data.

But open banking budgets rebounded in 2021: Wealth management firms' budgets showed the strongest increase, at 58%, followed by wholesale banks at 55%, credit providers at 51%, and digital-native challenger banks at 50%.

Where did the money go? Seventy-two percent of financial institutions said **payment initiation services** were their first priority and streamlined their payments processes as innovations heated up the financial services sector.

- After that, 71% of executives equally weighted **account verification**, **identity verification**, **and asset verification**—reflecting the need to easily handle data involved in customer onboarding and the digital customer experience.
- **Risk and creditworthiness assessments** critical to risk management were also important for 71% of executives.
- **Carbon footprint accounting** was lower on the list but remained important for 62% of executives. Among commercial banks, it was the fourth-highest priority.

Open banking-related spending in 2022: As open banking moves toward mainstream adoption, fintechs and banks must continue to plan and budget for data-driven initiatives.

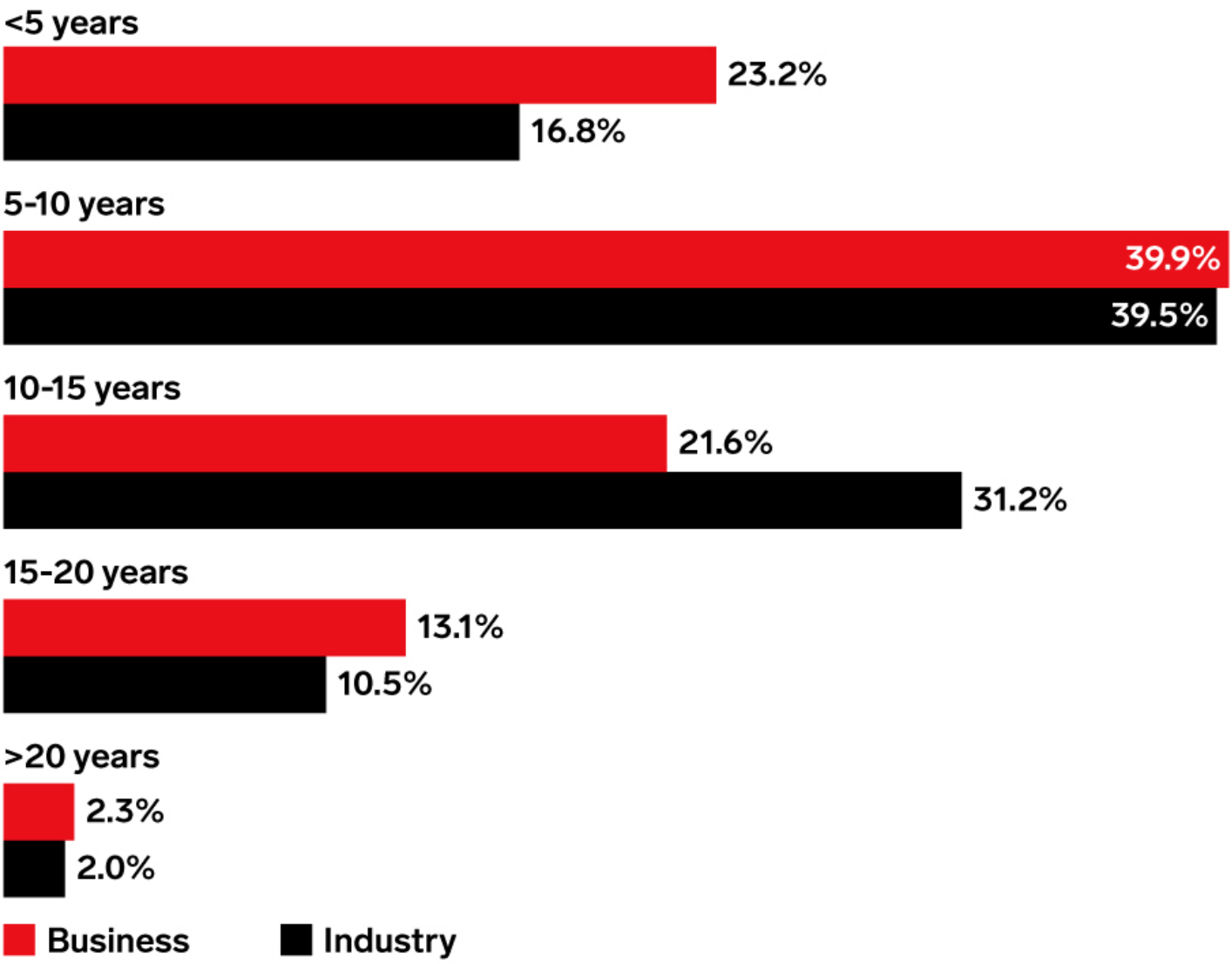
- **ESG data spending is on the rise** and is expected to grow 20% annually, reaching **$1 billion in 2021**. Concerns over greenwashing will require due diligence in identifying ESG data providers who follow transparent methodologies.
- **Streamlined consent management**—necessary for collecting or sharing various types of personal information between financial institutions—is still evolving. Laws are under review in

the UK and being drafted in the US and Canada. Systems will need to adapt to maintain user-friendly processes.

- **Balancing data privacy and data security** has become increasingly challenging for open banking—particularly in light of consumers' uneasiness about sharing data. Identifying digital customers is more complex, with more personal information moving across online channels. Technologies such as tokenization or biometric identifiers offer promise for authentication solutions.
- **Staying competitive, agile, and responsive** is even more critical as open banking breaks down barriers and lets new players—many digitally native—enter the market. Financial institutions must continue to enhance their core infrastructure, or if they have smaller budgets for in-house tech development, consider partnering with fintechs.

In How Many Years Do Financial Executives in Europe Expect Their Business vs. Their Industry to Complete All Open Banking Objectives?

% of respondents, March 2021



Note: n=308
Source: Tink, "The open banking revolution" conducted by YouGov, Sep 21, 2021

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