

achieve first-app status with open banking

With open banking comes a whole new world of possibilities: you can gain efficiencies, create a unified omnichannel experience, compete more effectively, and set your financial institution apart from your competitors.

When it comes to open banking, most financial institutions seem to be on board – with our recent study indicating 90% of banks and credit unions plan to embed fintechs into their digital banking experiences over the next two years.

What's more, is 65% of bank and credit union CEOs plan to embed payments fintechs specifically, with credit unions looking to embed digital marketing and consumer financial health fintechs. On the other hand, banks want fintechs' help with data collection and analysis. This comes as no surprise since new payments rails are emerging online and open-loop, P2P alternatives are maturing.

fighting financial fragmentation with open banking

The exchange of financial data has become more common in the U.S., making it easier for people to share their account information with different companies.

Even before rates began to rise in 2022, deposits held at community and regional financial institutions were being steadily displaced by a long list of new competitors and disruptors. The average American consumer uses 15 to 20 different financial



service providers and 14 financial apps, with Gen Y and Gen Z couples using upwards of 30 to 40 financial service providers.¹

This financial fragmentation makes it difficult to know where consumers stand with their money or which steps they should take next to improve their financial health.

Financial fragmentation, inflation, and the higher cost of living drove a decline in financial health in 2022 – the first decline of its kind in the last five years – resulting in 70% of Americans being considered financially unhealthy.²

Though technology has fueled financial fragmentation, the right technology can also provide relief by helping you become the financial hub for your accountholders.

As a financial hub, you can deliver the one app your accountholders open when they want to see their complete financial picture. Powered by open banking and account aggregation within your digital platform, you can become their single source of truth.

When that account aggregation relies on open banking and secure data connections rather than screen scraping, you're improving reliability and data access for your accountholders – who also gain greater visibility into their financial wellness and more control over what they're sharing while you unlock relationships and growth opportunities for your financial institution.

fighting fraud in real-time

With real-time payments driving speed and innovation, consumers are taking advantage of immediate funds transfers and frictionless experiences – as are fraudsters.

With real-time payments comes real-time fraud and the need for real-time fraud detection, prevention, and mitigation – including the data analytics, ML, and AI that make these protections possible. While the increasing exchange of financial data broadens the attack surface for a growing array of cybersecurity and fraud threats, open banking rails also provide a powerful new tool for authenticating identity, verifying authorizations, and validating information in real-time.



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Ensuring you have the right systems with the right data that can communicate in real-time to identify anomalies and malicious patterns across digital behaviors and transactions will be a key differentiator in 2023 and 2024.

Improved real-time fraud mitigation also means you can raise transaction limits, remove friction, and deliver better payments services and experiences across the board.

what's next

Product innovation and differentiation will continue to be key drivers.

Strategic agility and the ability to offer your accountholders the most relevant, high-grade solutions in meaningful timeframes will be vital. Embedded fintech strategies will be tailored to specific segments and require a coherent API strategy and open banking platform for timely, third-party integrations.

Successful banks and credit unions will use open banking rails to solve financial fragmentation, achieve first-app status, eliminate inbound screen scraping, and reclaim their position at the center of their accountholders' financial lives.

By opening yourself up to open banking, your accountholders will be empowered with a full, 360-degree view of their finances and have the ability to share and control all of their financial data easily and securely in one place – far ahead of any Consumer Financial Protection Bureau (CFPB) mandates in 2024 centered around open banking and Section 1033 of the Dodd-Frank Act.

looking to the future

As momentum builds for simpler, faster, and cheaper ways to pay and digital transformation accelerates, the challenge for financial institutions will continue to be developing a payments strategy for the near- and long-term future that keeps pace with innovation and evolving accountholder expectations – especially around digital wallets.



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To stay relevant and compete more effectively, focus on analyzing your payments flow, removing complexity, integrating real-time options, and offering a holistic approach to your accountholders' finances.

connecting possibilities

[Learn how](#) to better serve your accountholders and keep up with industry trends with innovative digital banking offerings.

For more information about Jack Henry, visit jackhenry.com.

sources

1. Rob Shevlin. *Americans' Shadow Financial Lives: Why Banks Don't Know Jack (Or Jill)*, Forbes, accessed August 18, 2023.
2. Necati Celik, Wanjira Chege, Andrew Dunn, and Andrew Warren. *2022 U.S. Trends Report Landmark Changes in Americans' Financial Health*, Financial Health Network, accessed August 18, 2023.