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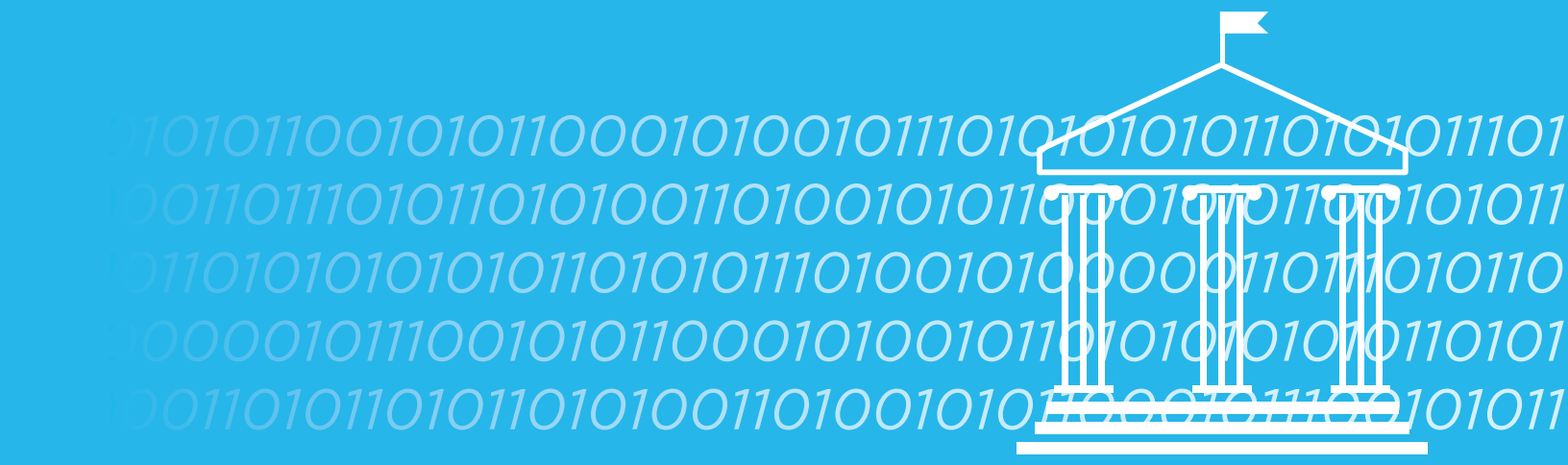
EBOOK

The Banking Revolution: Innovate at the Speed of Technology

Unlock the Data Within Your Bank's Legacy Systems to Create Innovative and Engaging Financial Applications for Your Consumers.



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Introduction

Fintech is smoking hot. Flush with capital, fintech entrepreneurs are launching new ventures in everything from peer-to-peer lending to crowdfunding, and micropayments to automated wealth management. These smart, well-funded entities have the potential to capture market share, mindshare, and revenue from the legacy retail banking industry.

From business-as-usual budgets to legacy systems and regulatory burdens, there are a number of reasons why most of this innovation is happening outside of the banking industry. Banks have a natural advantage — their data. Once they leverage it, they'll be able to catch up with the fintech competition and even surpass it.

Global investments in the fintech category reached almost **$3 billion in 2013**.[1]

[1] *Accenture Newsroom: London Is Benefitting from Fintech Investment Boom, According to Accenture Study." Accenture Newsroom: London Is Benefitting from Fintech Investment Boom, According to Accenture Study. March 26, 2014. Accessed January 12, 2015. http://newsroom.accenture.com/article_display.cfm?article_id=6030.*

Fintech Startups Set the Pace

Backed by Silicon Valley investors and other sources of funding, an immense array of startups are actively seeking to reinvent financial services from top to bottom. Yet, the growth in innovation is not just about the investment dollars. Fintech startups also have the unprecedented ability to tap into an incredibly powerful technological stack. Open-source development frameworks lower the initial investment required to build a new application, while cloud-based computing and storage resources make it possible to build rapid prototypes of highly-scalable business models. How can banks compete?

In the first three quarters of 2014, **over $790MM in venture capital funds were invested** in 50 financial services companies.[2]

[2] *"Custom Query." Custom Query. Accessed January 12, 2015. http://www.pwcmoneytree.com/HistoricTrends/CustomQueryHistoricTrend.*

Digitally Savvy Users Raise the Bar

In addition to access to capital and technology, fintech entrepreneurs also benefit from an avid and eager market for innovation in financial services. Digitally savvy users, and in particular, the Millennial generation that has grown up with mobile phones, have far different expectations of their banks than do their Baby-Boomer parents. These customers of the future are gravitating toward personal financial management solutions such as Personal Capital™, Mint, Geezeo, and others. The fast pace of development by venture-backed fintech firms and the inability of banks to keep up has changed the perception of the banking industry for the worse, saddling it with the perception that banks are behind the times.

> The younger generation believes that **banks will be unnecessary** within five years.[3]

[3] *"The Millennial Disruption Index - The Millennial Disruption Index." The Millennial Disruption Index. Accessed January 12, 2015. http://www.millennialdisruptionindex.com/.*

Why Are Banks Being Left Behind?

Concern #1: Business-As-Usual Budget

The financial services industry spends almost a half-trillion dollars[4] annually on IT. Yet, a significant portion of banks' IT spending is dedicated to the business-as-usual budget, including operating costs, license fees, and other overhead. Regulatory mandates, including higher capital requirements, have also placed immense pressure upon IT budgets. Hit by successive waves of mandatory headcount and budget cuts, IT departments at major financial institutions must do more with less, and in this austere environment, experimenting with new technology becomes harder to justify.

For **every $1 invested** in a fintech venture, the **financial services industry spends about $160** in its annual IT budget.[4]

[4] *"Forecast: Enterprise IT Spending for the Banking and Securities Market, Worldwide, 2011-2017, 4Q13 Update." Forecast: Enterprise IT Spending for the Banking and Securities Market, Worldwide, 2011-2017, 4Q13 Update. Accessed January 12, 2015. https://www.gartner.com/doc/2659418/forecast-enterprise-it-spending-banking.*

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Concern #2: Regulatory Requirements

In recent years, new technology investments have been driven more by regulatory compliance than by market opportunity. The volume and scope of regulatory mandates have been overwhelming in the wake of the financial crisis, forcing IT departments to allocate IT budgets to compliance instead of to discovering new business models. With all the regulations around security, it's difficult for banks to expose their internal systems and share customer data with the developers who could craft incredible financial applications and services.

There's valuable **data inside banks**, but it's **too expensive to extract and too risky to hand over** to outsiders.

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Concern #3: The Legacy Burden

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A major burden exists within the legacy core banking systems at major financial institutions. Some banks still have the legacy of decades of bolt-on acquisitions, while others rely upon external providers of core banking solutions that make low-cost experimentation impossible. Even the slightest change in a bank's core system makes new fintech development an expensive exercise, considering the sheer number of people and departments involved. It costs to innovate – yet banks will pay dearly if they don't.

Banks that have tried to build their own solutions for repurposing core banking data have **found it to be time-consuming and expensive**, costing millions of dollars **for mixed results.**

Turning the Disadvantage Into An Advantage

Access to customer data represents the single largest factor holding back the fintech industry—as well as the single largest advantage of the banking industry. Wherever they go, people can bring with them their photos and videos, private files, medical records, and search histories, all accessible through the cloud. Mobile devices generate a near-ubiquitous record of travel and activity. The opportunity at hand is to combine those sources of data with information about commerce and banking.

Yet, banking data remains locked away within banks in protected, hard-to-access silos. Given the sensitivity of banking records, this difficulty of access is in part by design.

Talented developers have the potential to create incredible applications and services driven by bank data.

What if the technological possibilities were managed under the control of a financial institution?

What if banks, on behalf of their customers, could maintain oversight on how data was put to use?

What if the world's top developers were given low-cost, low-friction, reliable, secure, and auditable access to transactional information about bank customers, with the incentive to build products on behalf of the banking industry?

The API Approach: A Pathway To Innovation

An application programming interface (API) provides a well-defined interface that enables developers to access a set of software services. As long as the developer follows the published API, there's no need to expose the internal details of the data source.

Applied to retail banking data, an API provides developers – whether in-house or external – the ability to connect to a bank through a controlled access channel to make use of customer data. Once built, developers can rely upon the API to build new services, with banks maintaining complete control over how those services are delivered behind the scenes. By decoupling the front-end applications from the back-end details through a well-defined API, banks can foster a culture of innovation while still ensuring secure, monitored operations.

APIs represent the fastest and most efficient way to deliver new services that draw upon customer data, including real-time transactions.

The API Already Exists: Envestnet | Yodlee Enterprise API

The good news for banks is that the API already exists to enable them to innovate quickly. Over the past 17 years, Envestnet® | Yodlee® has worked with a wide range of financial institutions to create the world's leading aggregation service and a set of financial applications. As a result, the Envestnet | Yodlee Enterprise API is a reliable and trusted data network for millions of users, billions of transactions, and more than 45 million API calls per day, while maintaining an average API response time under 500 milliseconds.

The Yodlee Enterprise API aggregates information from multiple departments within a bank into a single API. This API enables developers and innovators to create bank-specific applications that combine the latest capabilities of emerging technology with secure customer and transactional information. In turn, financial institutions benefit from speed to market within a safe and controlled security framework, lower costs through standardized development practices, and the ability to attract the top minds in IT development to the most compelling applications in fintech.

The Yodlee Enterprise API enables speed to market for innovation and "hackathon" approaches. For the first time, financial institutions can provide developers with the tools to build something amazing for their use. They will not have to worry about the details involved with accessing or securing the data from multiple internal systems. Those connections already exist, so there's no need to launch a huge new undertaking to build and protect them.

The Yodlee Enterprise API can be customized for an individual financial institution to include any internal or external data source needed for a given application. Envestnet | Yodlee's 17 years of experience is a well known participant in the financial services industry. Envestnet | Yodlee is highly experienced in working with bank systems and has an active understanding of the latest bank security protocols.

Data accessed through the Yodlee Enterprise API is automatically enriched with geolocations and second-level information, including merchant categorization. These data-enrichment capabilities make transactional data more accurate, actionable, and ultimately a better driver of innovation.

Conclusion

Once financial institutions unlock their data, and top developers start to "mash-up" real-world financial data with external data sets, it won't be long until innovative new applications start to gain widespread marketplace adoption. However, in order to capitalize upon these emerging opportunities, the move from ideation to deployment will have to take weeks, not years.

With the Yodlee Enterprise API, your developers can get started immediately, helping your bank to build the innovative applications needed to become one of tomorrow's banking leaders.

How can I learn more?

- Download the white paper: "The Banking Revolution: Innovate at the Speed of Technology"
- Download the data sheet: "Envestnet | Yodlee Enterprise API For Financial Institutions"

For more information, visit: **www.yodlee.com.**

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