

# OPEN BANKING

UNLOCK YOUR POTENTIAL.

## Dear Readers

The financial services industry has experienced rapid technological development in recent years. And we are currently facing one of the greatest changes our industry has known. Thanks to newer technologies, companies are able to develop highly specific tailored solutions suitable to the individual needs of their customers. Young people in particular, who have grown up with the internet, mobile devices, and social media, increasingly expect and demand such solutions.

The opportunities opened up by open banking are wide-ranging and go far beyond banking services. Open banking also enables information and communication technology companies, insurance companies, online retailers, and companies in many other industries to use new digital applications themselves and offer their customers individual services. And yet this process is just the beginning. Older consumers are realizing the advantages of such services and are starting to show interest. The number of users and offerings can and will grow significantly.

finAPI accompanies companies on this growth path. We are a Munich-based company developing software for banks and financial service providers since 2008. Our experience and expertise enable us to create state-of-the-art software solutions for and with our customers, and to integrate open banking services into the services of companies from a wide range of industries. We look forward to developing individual, customized solutions for you and your customers.

[Enjoy finding out more in this brochure!](#)

Kind regards



Dr. Florian Haagen



Dr. Martin Lacher



Dr. Felix Lowinski

# THEMES

<b>Editorial</b>	02
<b>Motivation and growth opportunities</b>	04 – 09
<b>Use Cases</b>	
Banks	10 – 13
Finance apps	14 – 15
Insurance	16 – 17
Retail, e-commerce & online services	18 – 19
ERP & Accounting	20 – 23
<b>The user's view of open banking</b>	24 – 27
<b>Data security</b>	28 – 29
<b>Imprint</b>	29

# MOTIVATION AND GROWTH OPPORTUNITIES

04





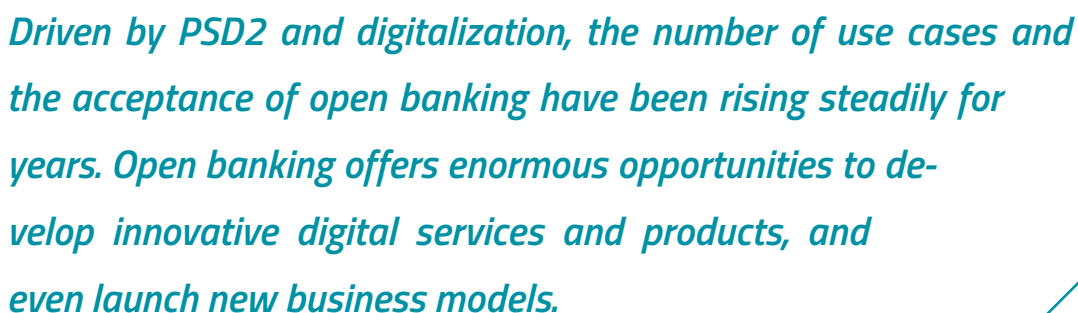
# Motivation: Growth opportunities for all industries

Opening up bank interfaces to third-party providers is one of the biggest game changers in banking history. For centuries, banks were self-contained systems and shared information about their customers with no one. But people's expectations have changed. Today's bank customers want to decide for themselves what happens to their data, and how they access and manage it. They expect high standards of service, and individualized and fast solutions. Thanks to new EU regulations, financial service providers can now offer their customers precisely such services.

Since September 2019 the second EU Payment Services Directive (PSD2) has required banks to allow certified third parties to access customers' bank account data in order to provide financial services, provided that customers have approved. Service providers such as software companies are now able to offer new services directly to banking customers or via their clients. But which services does open banking make possible? How do bank customers benefit? How do banks benefit? And how can insurance companies, e-commerce companies, and other third-party providers use these new opportunities?

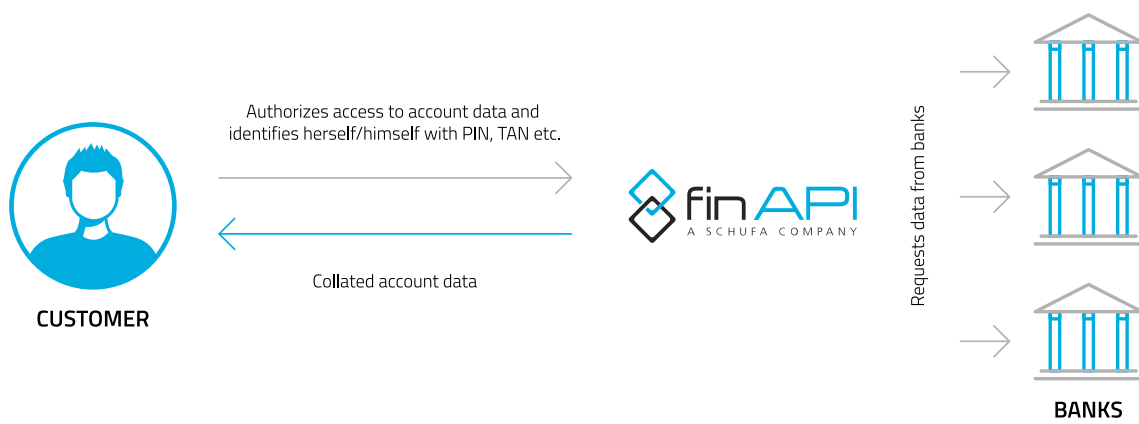
As a specialist for open banking and financial data analysis, and a leading provider of banking APIs in Germany, finAPI supports banks, financial service providers, and companies from other industries in creating innovative business models using the opportunities created by PSD2. We have been developing and implementing financial software and solutions for B2B clients and their customers since 2008. finAPI's software is made in Germany and offers the highest level of data protection and security. On the following pages, you will find a selection of business processes in various industries that were made possible by open banking.

*Driven by PSD2 and digitalization, the number of use cases and the acceptance of open banking have been rising steadily for years. Open banking offers enormous opportunities to develop innovative digital services and products, and even launch new business models.*

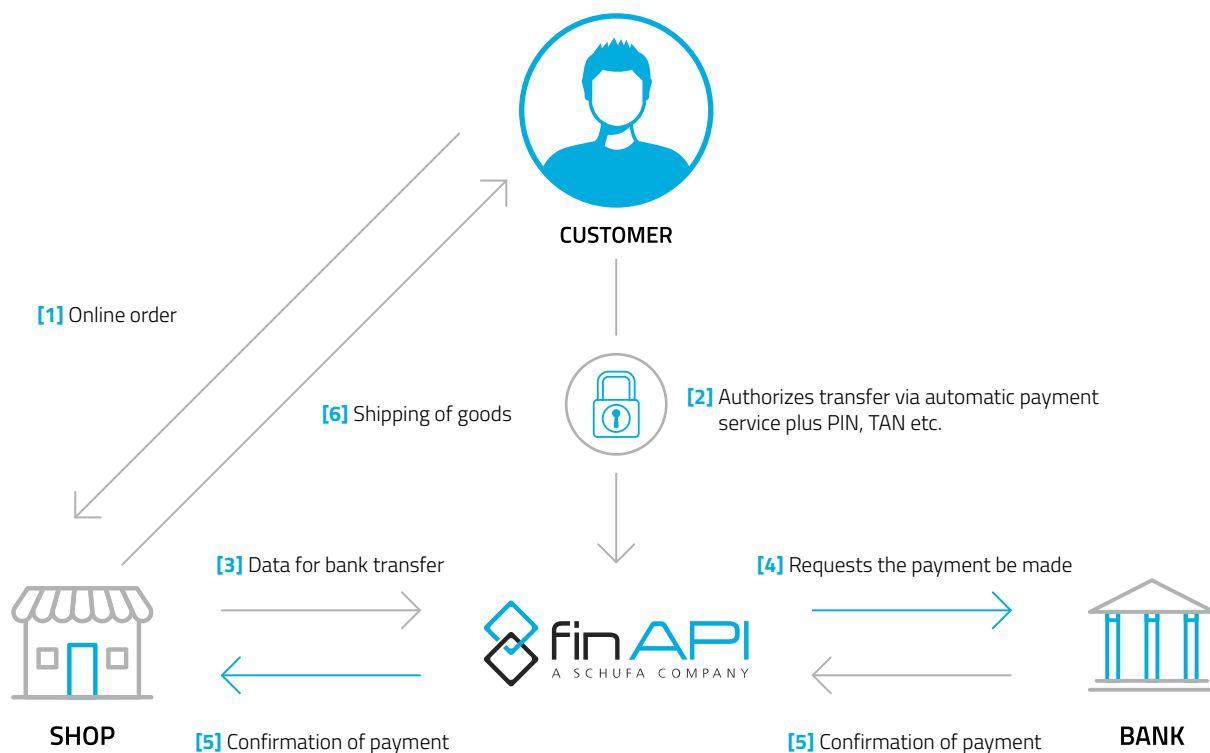


## Bank interface for account queries and transactions

The second EU Payment Services Directive (PSD2) lays down strict rules for providers of account information and payment services. These services may only be delivered if the account holders explicitly agree and grant the service providers access to their accounts.



An account information service takes a look at one or several accounts on behalf of the account holder and processes the required information depending on the use case. Banks and third-party providers can, for example, offer their apps that analyze current accounts and deposits using various filter and analysis functions. Holders of accounts at several banks can have an easy and up-to-date overview of their entire financial situation. Other possibilities for banking customers include proof of creditworthiness or confirmation of identity via an "account insight". Many banks and financial services customers already benefit from these services today – and without a doubt, many more in the future will.



An automatic payment service also accesses bank accounts on behalf of the account holders. This service does not just retrieve data, but it is also licensed to initiate payments (payments by online bank transfer and direct debit) on behalf of account holders. Automatic payment services are particularly common in e-commerce: Online merchants use them to offer direct payment via an online bank transfer option in their stores. The automatic payment service processes the transaction and confirms to the merchants that the transfer has been initiated at the bank. The merchant can then proceed with the shipment or provide the service requested, e.g. video streaming.

# One interface. Numerous add-on modules. An infinite number of possibilities.

Open banking service providers offer two types of services: Account information services and payment initiation services. finAPI is a leader in both services. We were one of the first Fintechs to be registered with the German Federal Financial Supervisory Authority (BaFin) as an account information service provider and licensed as a payment initiation service provider. With our various products, finAPI enables its customers to develop individual solutions in the area of open banking.

## Modular Open Banking

Our **Open Banking** module is the foundation of our software. It enables third-party providers to retrieve account data from banks and also from payment service providers such as PayPal. finAPI can access data from banks in Germany, Austria, the Czech Republic, Slovakia, and Hungary. With customer approval, we can access data from all sorts of accounts, such as current accounts, savings accounts, as well as credit cards, securities accounts, building society deposits, and PayPal accounts of both private and business customers. The most important tool is our PSD2-compliant XS2A interface.

finAPI's **Data Intelligence module** is designed to analyze financial data extensively. It categorizes transactions, carries out cash flow and risk analyses, and identifies credit and insurance contracts. Artificial intelligence ensures precise analyses and continuous system development. When categorizing account transactions, we deliver an accuracy of up to 99 percent in the most relevant categories.

Our **KYC (Know Your Customer) module** identifies customers and business partners via their bank accounts without media disruption. Depending on the level of security required, the module can map different levels of detail. Our various GiroIdent products can help prevent fraud, check the age or addresses of customers, or securely verify identity. Amongst other use cases, identity verification is necessary to fulfill the KYC obligation required by European money laundering laws.

Thanks to our **payment module**, companies can integrate key payment solutions into their accounting systems: SEPA credit transfers and SEPA direct debits, including bulk transfers. The payment products can be used by accounting departments, for example, to trigger payments automatically. E-commerce companies can offer their customers secure online payments via bank transfer or direct debit without media disruption.

The combination of modules offers companies a wide range of possible applications along the entire digital customer journey - far beyond pure banking and financial services. Thanks to the modular principle, a wide range of setups can be configured. The following pages will show you how e-commerce providers, insurance companies, and telecommunications companies can benefit from finAPI Open Banking.



## The most important terms

**Open banking** refers to access to bank accounts for third-party providers. Depending on the type of license they hold with BaFin, these providers can only access account information or also initiate payments. finAPI can do both.

**API** stands for Application Programming Interface. These interfaces are the key to open banking and enable banks and third-party providers to exchange data and engineer functionalities between them.

**XS2A** is the abbreviation for "Access to Account" and refers to using APIs to implement online banking services.

**PSD2** is an abbreviation for the second EU Payment Services Directive (PSD2), which defines the legal framework for open banking. It obliges banks to grant third-party providers access to payment accounts if the account holder so wishes.

# For more information on finAPI's product offering, please visit [www.finapi.io](http://www.finapi.io)



# USE CASES

10





VitaliyMataha - stockadobe.com

# Banks

Open Banking poses major challenges for the banking industry, but also offers opportunities for improving and expanding services. Processes such as loan applications, which are still processed manually in many banks, can be (partially) automated. This reduces time, costs, and errors. Both banks and their customers benefit from the advantages, which can vary depending on the use case.

## Automated credit applications: the end of unnecessary paperwork

No matter what you want a loan for - a car, a house, or new furniture - your bank will expect you to fully disclose your financial circumstances. After all, the lender needs an overview of income and expenses to assess the ability to repay. Banks often ask for this information on paper, for example as copies of payslips.

This is time-consuming and unnecessary. With finAPI's **Digital Account Check**, bank customers can submit the required data digitally and completely automatically. This not only saves work for both sides, but also enables a precise assessment of the applicant's financial situation. Thanks to various data intelligence analyses based on machine learning, a subfield of artificial intelligence (AI), finAPI can analyze account data with an accuracy of up to 99 percent.

Our software analyzes and categorizes account transactions and identifies credit-relevant information such as salary, pension, or other income. Costs such as rent and utilities are also analyzed. Existing loans and financing are identified as well and automatically incorporated into the bank's credit check. The result of the check is available immediately. The bank saves time processing the loan decision, and the borrower can access the money immediately once the loan is granted.

*The finAPI Digital Account Check provides banks with a digital decision-making basis for faster lending decisions. Credit-relevant information such as income, expenses, and risk factors are analyzed by the DAC in real-time.*





# Financial apps, multibanking & individual financial services

The range of financial services has grown steadily in recent years. According to Statista, half of all German consumers used a finance app on their smartphones in 2020. People mostly use these apps to get an overview of their finances or to transfer money. But thanks to open banking, these apps can do much more: from trading shares through insurance management to individual financial advice.

## Everything at a glance: a cockpit for personal finances

The majority of Germans are customers of more than one bank. They have a current account at their local bank and use a credit card from another bank or provider. Their shares are held via a direct bank, and their savings for real estate purchases are at a classical home savings bank.

To meet their customers' desire for a complete financial overview, banks, financial service providers, and even independent start-ups are developing apps and online services with multibanking capability. Providers such as finAPI provide a basis for such offerings by being able to collate financial data from bank and securities accounts via the open banking interface and then combine this into a virtual overall view at the customer's request. This gives the customer an overview of their complete asset situation.

## From digital financial manager to individual financial advice

Housing costs, insurance, hobbies, and holidays - a digital budget book helps you keep track of all your monthly expenses. Apps or online applications that use a finAPI interface are simple and clear. If the account holder allows finAPI to take a look at his account, finAPI can order the income and expenses into suitable categories.

If the customer fully shares information about his income and expenses with his financial advisor, he benefits from more complete and individualized advice, e.g. on financial investments, shares, and other securities, or loans and mortgages. Questions such as "How much can I spend on a house?" are then also quicker and easier for the bank advisor to answer. Customers can look for affordable properties quickly and perhaps manage to make an offer for their dream house before it is sold.

The credit process for real estate financing can also be automated using the Digital Account Check. The basis for this is real, forgery-proof, and reliable account data. Gone are the days of printouts and copies, salary statements, and incomplete contract folders that the customer first had to painstakingly gather, and the loan consultant had to analyze manually.

# Insurance

Keeping track of insurance policies is not easy. Which insurance policies do you regularly pay for? Which ones do you really need? Which have you forgotten about? Many people only think about insurance when the premium is due, or when they need to make a claim. And so many consumers often have patchy insurance coverage. And customers' lack of knowledge about their own situation makes it difficult for insurance companies to advise them individually and offer appropriate products.

## For the best possible protection: Optimize insurance at the click of a mouse

finAPI's **Smart Sales Advisor** is the foundation for consumers to get a structured overview of their insurance contracts. They can then optimize their coverage together with an insurance expert.

Firstly, the tool identifies the status quo. It recognizes insurance contracts that the customer currently has, and can show the advisor where there are gaps and where the customer is overinsured. Secondly, the tool is able to identify changes in transactions that may indicate changes in life circumstances. These changes, such as the birth of a child or buying a house, often require adjustments to insurance coverage and are therefore sometimes referred to by insurance companies as "life-changing events."

If the customer provides the insurance expert with this information digitally, it not only does not have to be entered manually, it is not forgotten or overlooked. This process also saves a lot of time, in which these insurance consultants can spend more time looking for appropriate policies and providing the best possible advice.

*The finAPI Smart Sales Advisor offers insurance companies new possibilities for individual customer advice: Insurance contracts and insurance-relevant changes in bank transactions are identified via account analysis with the customer's consent.*







## Retail, e-commerce & online services

Online retailing now encompasses almost all areas of life. According to BEVH, the German e-commerce and mail order association, online retail in Germany generated sales of 83.3 billion euros in 2020, almost 15 percent more than in the previous year. Companies with efficient, automated processes are benefiting particularly from this growth.

### Pay online as usual: by bank transfer and direct debit

The Corona pandemic has boosted electronic and contactless payment methods. But even when it comes to cashless payments, people in Germany prefer simple payment methods that they already know. finAPI allows online shops to integrate two of Germany's most popular payment methods into their stores: online bank transfer and payment by direct debit.

In the past few years, more than six billion online transfers were made in Germany annually. Online shopping is just as easy as online banking. If customers select the transfer option during the payment process and click on "pay now," they are redirected to a secure finAPI page. Log in, confirm the transfer with a second authentication factor, for example a TAN, and payment is made. The shop receives a notification that the transaction has been initiated and can prepare the goods for shipment. Instant payments, i.e. transfers in real-time, are even faster than standard transfers. finAPI Instant Payments mean a clear competitive advantage for companies thanks to speed, security and ease of use.

SEPA direct debits can also be easily integrated into online stores. If a customer chooses this method, they can give permission for direct debit directly online. The online merchant collects the amount due from the customer's account on the agreed date. Companies can simplify processes by using multiple direct debits to collect amounts due from several customers in one step.

### Identification and payment via online banking in online stores

People wishing to purchase products such as medicines, video games and alcohol, or services such as lotteries and gambling, are legally required to prove their age. To conclude a mobile phone contract, an identity or address check is required. [finAPI's GiroIdent products](#) enable such checks to be carried out digitally via the customer's online banking. And after successful verification, payment can also be made conveniently via online banking.

## Expanding the customer base: the new way of proving creditworthiness

For telephone, gas and electricity contracts, apartment rentals and the online purchases of particularly expensive products, providers usually check their customers' creditworthiness. For some customers, such checks can cause problems. If the agency providing creditworthiness data has a question mark against your name, it can be difficult to convince companies that they should have you as a customer.

Thanks to **finAPI'S GiroCheck**, customers now have another way to prove their current creditworthiness. All they have to do is approve a one-off account check. finAPI's software then analyzes whether there is sufficient current account coverage and if there is sufficient regular income. The customer is sent the preliminary assessment of his or her chances of obtaining the desired contract. Based on this result, the customer can decide whether the provider should carry out another check. If he passes on the results, the provider decides whether to make the customer an offer based on the current account data. If the customer does not pass on the data, the order process is terminated.

This solution allows customers to prove their current creditworthiness quickly and easily. Companies can access a wider consumer base without taking on additional risks and increasing overall sales.

## Late payments? Finding joint solutions when things go wrong

Sometimes customers have problems making payments - to online retailers, their electricity supplier or their mobile phone company. This means stress for both the customer and the company. Nobody wants payment arrears to lead to legal proceedings, which can be expensive and do not always lead to the desired result. **finAPI DebitFlex** helps to avoid such proceedings and to find a customer-oriented solution that benefits both sides.

Instead of a formal warning, companies send a friendly payment reminder to the customer. This contains a link to a finAPI site, where the customer has the option of allowing a one-off account insight. Based on the individual account data, finAPI determines whether the customer can settle the amount due by immediate payment, deferred payment or via a personal installment plan. If the customer agrees to the payment method, the company receives a brief notification and further proceedings can be avoided.

With **finAPI DebitFlex**, payment arrears can be resolved amicably. Both sides benefit. The company simplifies its receivables management and receives the money without an elaborate procedure. The customer avoids stress, further reminders and possible legal proceedings.





# Open Banking within the company: Process optimization in accounting

Thanks to open banking, companies can offer their customers a range of additional services. But open banking can also help to make internal processes more efficient. Processes in accounting or receivables management can be automated, saving money and reducing the risk of human error.

## Digital instead of manual: Automating accounting

Posting invoices, collecting receivables, preparing financial reports and planning are all processes that can involve a lot of manual effort in many companies. With finAPI's open banking interface, internal processes such as payments, receivables management or liquidity planning can be automated.

Companies can integrate all business accounts into their accounting software or ERP system via an API interface. Incoming payments are automatically posted and clearly displayed. This aids a clear overview of cashflows and the company's overall financial situation.

With the help of **finAPI data intelligence analyses**, liquidity planning can be automated. The complete overview enables a comprehensive evaluation of account movements. Companies get a clear picture of their cash reserves, making complex financial planning easier and avoiding errors.

Open banking also offers companies opportunities to optimize payment management. Payroll payments can be set up as multiple transfers and made at a single click. Incoming payments from customers can be automatically booked directly in the ERP system. This also enables automatic payment reconciliation. And of course, further processes can be integrated, such as sending reminders for outstanding payments.

*Link your bank account directly to your accounting software via the finAPI interface to digitize and automate bookings and follow-up processes, e.g. receivables management.*

# THE USER'S VIEW OF OPEN BANKING

24







## The user's view of open banking: I didn't know it could do so much!

There are many possible uses for open banking, and just as many possible benefits for consumers. They get a better overview of their expenses and income, savings and deposit accounts, and insurance and credit contracts. They are better informed and can invest money in financial products that really suit them. They can pay more easily and conveniently online. All this saves time, money and effort.

Digital financial services based on open banking have become part of most people's everyday lives. In a survey by the banking and financial services provider Mambu, eight out of ten participants said they use mobile financial apps. In a survey by industry association Bitkom, 86 percent of participants described a user-friendly online banking app as important. 67 percent attached importance to a broad range of online banking services, and 59 percent would use apps to make bank transfers via their smartphones.

Open banking has found its way onto people's computers and cell phones. Bank customers use some services, and are open to new services that meet their needs. However, many are simply not aware that these open banking services exist. More than half of the participants in a Mambu survey claim they have never heard of open banking, and more than 60 percent say they have never used it.

So while there is no lack of services or users, there is a lack of information. Banks and providers of such open banking applications need to close this gap. They have to show which services they already offer and inform customers about the benefits they provide. Maybe there will still be some skepticism about the new technology - but there will also be many open-minded users interested in finding out more about new apps and what they can do.

*The majority of users are very open to open banking services or are already using them - and the trend is rising. Explaining the advantages of the respective solution to customers is crucial for their use.*



Dannyjacob - stockadobe.com

## Data security is our number one priority

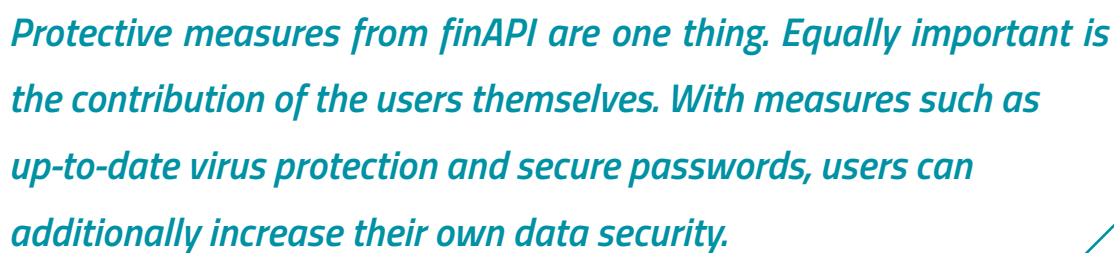
The willingness to pass on data to third parties is significantly lower in Germany than in other countries. Confidence in data protection is not high, but it is growing. In a 2020 study by industry association Bitkom on the subject of data security, 29 percent of respondents said they thought their data was safe or very safe on the internet - still low, but three times as many as in 2014. In 2014 86 percent thought their data was insecure, this number was down to 68 percent by 2020.

Providers from Germany are considered particularly trustworthy when it comes to handling data. More than half of those surveyed think their data is in good hands in this country. finAPI confirms this trust. The company was founded in 2008 and has been based in Munich ever since. The data centers that finAPI uses meet all legal security requirements and are also located exclusively in Germany. In addition, there are many other measures that finAPI uses to ensure a bank-level security level. Currently, finAPI has its data protection standards certified by an official body.

## Data security works best if users are on board

We can protect the data you give us. But if you do not want anyone else to see it, you also have to protect it yourself. This is not a new insight. In the Bitkom survey on data protection, 86 percent of respondents see themselves as primarily responsible for protecting their personal data on the internet. And yet a large proportion of respondents feel quite helpless in the face of cybercrime. Only 39 percent believe they can adequately protect their smartphone and computer against attacks. Almost two-thirds fear that they will not even notice attacks.

*Protective measures from finAPI are one thing. Equally important is the contribution of the users themselves. With measures such as up-to-date virus protection and secure passwords, users can additionally increase their own data security.*





**Would you like to find out more about open banking?** Would you like to offer open banking applications to your customers or use them to automate and simplify internal processes? Then get in touch with us.

*We look forward to accompanying you on your journey to Open Banking.*

**finAPI GmbH**

Adams-Lehmann-Straße 44  
80797 München

Tel.: +49 89 41 61 77 55-0

Mail: [contact@finapi.io](mailto:contact@finapi.io)

[www.finapi.io](http://www.finapi.io)

Managing Directors: Dr. Florian Haagen, Dr. Martin Lacher, Dr. Felix Lowinski

Registered company: HRB 175250 (Munich)

VAT number: DE261708910

