



The image shows two professional women in an office environment. In the foreground, a woman with short brown hair, wearing a blue blazer over a yellow top, is smiling warmly at the camera. Behind her, another woman with dark hair tied back is focused on her work at a laptop. The office has a modern feel with plants and warm lighting. A large yellow diagonal graphic element runs across the top left of the image.

*The Emergence of an  
Online FinTech Marketplace*



## Are You in the Know About Open Banking?

Open banking appears to be the next logical evolution of banking and is taking top priority for many financial institutions globally and within the U.S.

The question now is: how do financial institutions take advantage of that new ecosystem? Learn more about the benefits and challenges of open banking and how Baker Hill can help your financial institution!



*How do financial institutions take advantage of the new ecosystem?*



## The Emergence of an Online FinTech Marketplace

According to Forrester, open banking is the next logical evolution of banking, furthering the ability of a bank to enable customer outcomes through participation in collaborative ecosystems and partnerships. In fact, the global industry is already seeing the beginnings of this.

In 2017, BBVA announced the launch of its open banking business, joining Nordea, which launched earlier that year. Meanwhile, in the U.K., the Competition and Markets Authority accommodated the top nine banks to create an open banking standard.

Beyond the U.S. and U.K., Australia's House of Representatives recommended the development of a binding framework to strengthen data sharing for open banking. Additionally, the Monetary Authority of Singapore made plans to make its own data available via an open application programming interface (API), indicating interest for open data.

It is evident from these initiatives that open banking is quickly becoming a top priority for banks, both globally and within the U.S. We've seen this approach take off with organizations like Apple—creating a marketplace where developers can create their own apps using Apple as the foundation available to any consumer who owns an iPhone. For Apple, it offers

greater value without the time and cost restraints of creating the apps themselves, and it offers greater value to the iPhone owner by expanding the device's capabilities. The U.S. banking industry is headed in this same direction but it's not there yet in terms of "real-time" for every situation. Some cores are lagging behind as well as other technology providers.

To achieve an open banking environment, the industry must:

1. Move beyond an open API and beyond terms like "API," "Service Spots" and others, to a driven web-hook strategy;
2. Move away from simply wanting tremendous amounts of data, because ultimately it becomes just sending data back and forth, which offers little value; and
3. Move towards a marketplace approach to streamline the flow of data and customer insights so that true relationship value can be developed.



## The Industry Standard Up Until Now

Until recently, the standard process for any consumer-institution action has been based on queries, traditional file transfers and underperforming software integrations. For instance, when visiting an ATM, you put your card in, you give it a code, and that code goes to the bank. This is the first query—confirming that you have the valid pin and valid access. If you have access, it then provides you with a menu and asks what you want to do next. You opt to withdraw money and it runs another query, confirming that you have the money to make the requested withdrawal. This entire process is query-based, simply pushing data back and forth.

The future is much different and moving towards a more streamlined standard—and fintechs like Baker Hill are helping to drive this change. By changing how we look at the middleware Baker Hill is creating an environment where if there is a change in data, there is an intelligent action. At the point of data change, it would then be sent to the solution. With this “web hook” approach, the bank or credit union can then take the hook and decide if action on this data is needed.

If action is taken, there would be a push for a similar event, which is pushed back to the other technology provider with a web hook. However, there may be no action taken, so data is only being sent and/or received when there are hooks. In turn, banks and credit unions are not bombarded with information that may or may not have meaning. The process is streamlined and “data overload” is avoided.

The current technology landscape is full of these types of integrations with services like Zapier or Tray.IO. These organizations have been providing the framework to connect (literally) thousands of solution providers to the same magnitude of partners. As a result of this scale and simplicity, an entirely new technology ecosystem in which a financial institution can operate within is born.

***The question now is: how do financial institutions take advantage of that new ecosystem?***





## Baker Hill Driving Forward Open Marketplace

Baker Hill is taking steps beyond other providers to deliver more than just a single function by building out this open technology into its solution. As a result, it can then work and operate within an online marketplace.

If a bank or credit union picks a CRM solution that has an event-driven web-hook structure, it can then work with Baker Hill's solution to easily create opportunities without having to involve additional programming. It streamlines the interaction between the bank or credit union and other third-party providers. This could have a huge impact on the financial institution because those that "streamline" the sales process and bring the CRM function closer to the end process of closing the deal see significantly higher win ratios, higher customer satisfaction and increased wallet share of those customers.

If a bank or credit union is leveraging a marketing automation platform like Marketo or HubSpot and has a web-hook strategy, it can push information back and forth between its credit underwriting, risk management and marketing solutions. Baker Hill takes the data and can leverage it for regulatory issues (such as CECL), portfolio management, risk and profitability, marketing and analytics to create opportunities.





## The Benefits Are Enormous

Ultimately, Baker Hill is taking its platform and extending it out to a broader marketplace. In doing so, financial institutions will greatly benefit by having more choice in the solutions they use, increased speed of implementation and a greater ability to experiment with different solutions. As a result, it will also be able to deliver a better customer experience.

### Choice

The single biggest benefit, an online marketplace offers banks and credit unions choice. For instance, a financial institution may select a more expensive, premium solution provider that offers better security; or it might opt for a cheaper, simpler solution to augment existing solutions. It is all about choice; therefore, the winner in this environment becomes the bank or credit union.

Another example is a financial institution that may have a customer wanting a HELOC to cover certain home renovations. If this is a service the institution doesn't offer frequently, an online marketplace helps support this request. The customer would complete the application. At that point, an appraisal is needed and is sent to someone else. The bank or credit union would then choose which appraisal service it wants to use through the online marketplace, easily integrate it into its system and then directly link it to the web hooks. Essentially, the institution would have access to all of these different web hook platform providers, from marketing to compliance to flood insurance, etc., and then seamlessly integrate them into the process.

Additionally, because it is using event-driven web-hook technology, the bank or credit union does not have to create communication protocols or queries. Everyone is speaking a common language. Financial institutions benefit by having the integrations in this marketplace supported directly by the partners. Rather than vendors guessing what an integration would look like, it is two partners working in collaboration to address a business need.



## ***Speed of Implementation***

The speed of implementation and the tracked ROI is also considerably faster, creating a substantial benefit in terms of deployment. An open marketplace simplifies processes, enabling banks and credit unions to view solutions like apps and then easily integrate them without due diligence. However, this could present a challenge, as IT departments may lack comfort with the increased speed.

This approach will lead the industry back to a “Best of Breed” strategy. In recent years, the industry has moved away from this concept due to systems not working well or integrating fully with each other. This is changing. With a true online marketplace, financial institutions will now seamlessly plug in the solution they want and that works best for them without the headaches and cost of integration. The benefits are enormous and the risks are low – they are no longer stuck with something for years after an expensive, labor-intensive and lengthy 6-month or even 18-month integration.



## ***Ability to Experiment***

Enabling greater choice and speed to implement, an open marketplace will also enable financial institutions to experiment at a substantially lower cost because there is no coding needed. This approach eliminates the need for programming and streamlines the entire process.

For banks and credit unions, this means there isn’t a huge investment to quickly test out a solution to see if it adds value. If it doesn’t work, the institution can remove it and move on to something else without a massive loss.

## ***Improved Customer Experience***

The goal of an open marketplace is to deliver a better customer experience, while limiting risk for the institution. By extending solutions into an open environment, systems can “talk” and seamlessly share information much quicker (i.e. data and needed actions can be sent directly to the right person or department without being queued).

As a result, it removes constraints and the overall customer experience is significantly better. Instead of having the middleware where the bank or credit union is filtering in and out the messages, the institution is moving it to the right person at the right time and conducting it more efficiently.



## The Challenge

The challenge to achieving true nirvana will be working with the core providers that have massive amounts of data. Baker Hill has the ability to capture that data and run the rules to identify risk.

Narrowing the difference between solutions like Baker Hill's and the financial institution's interactions with the core will prove to be a game-changer, as data will no longer be pushed back and forth in terms of web hooks. Instead, Baker Hill is sitting on the core data and reacting immediately to that data and updating the core.

To put it simply, it would be the equivalent of exiting the business of storing data – the core would be the storage. However, to achieve this, banks and credit unions would need to nearly eliminate the need for communication protocols between the core and LOS.

## The Path to Real-Time

Real time is in the future, but the industry is not there yet. At the end of the day, banks and credit unions must still monitor the risk. The institution must be able to identify the risk, and do so at a portfolio level, however, most cores today simply are unable to identify the risk and the changes, and then provide the actions of that.

For instance, the core will know when a customer's balance is lower than usual. In fact, the core probably knows that a customer's balance has decreased several times over a certain time period because they are tracking that on a daily basis.

What the core does not do is analyze it and create an action. Perhaps that customer is in a cash crunch. Deposits may be going down and the loan volume is going up. In this scenario, the bank or credit union should be aware and able to create more opportunities, such as extend more credit to them or be wary of potential fraud issues.



## A New Ecosystem for Financial Institutions

With the rise in open banking initiatives, the question financial institutions must ask is how do they take advantage of this new, emerging ecosystem. It will be critical to shift towards a driven web-hook strategy. In this environment, an intelligent action is made only when there is change in data. This will require banks and credit unions to be more selective with their data, as not all data is valuable. Financial institutions will also need to streamline the flow of that data to ensure better experiences for customers.

Currently, Baker Hill is taking steps to building out this open technology into its solution. As a result, it will position itself to work and operate within an online marketplace. There will be challenges, particularly related to working with the cores

and the massive data. But by tightening the gap between solutions like Baker Hill's and financial institutions' interactions with the core, these challenges will be lessened. Real-time will be important, but the industry has not quite achieved it yet. Financial institutions must still monitor for risk and then create actions to handle that risk.

As Baker Hill takes its platform and extends it out to a broader marketplace, financial institutions will greatly benefit. They will have more choice in the solutions they use, as well as increased speed of implementation and the ability to experiment with different solutions without high costs or risks, all leading to a better customer experience.





## About Baker Hill

Baker Hill's sophisticated technology solutions enable banks and credit unions to compete aggressively in today's complex lending environment. We leveraged more than 35 years of lending and risk management expertise to build Baker Hill NextGen®, the cloud-based common loan origination and risk management solution built with the latest technology to help financial institutions address regulatory and competitive pressures while delivering the very best digital consumer experience. Our promise is to add value along the entire buyer cycle—from consultative selling to the training and education that helps our clients maximize their investment in technology. That's why more than 500 banks and credit unions trust the expert solution for lending, risk management, CECL, and analytics.

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