

Global state of open finance 2023

Introduction From F5

Globally, every country is at a different stage of open finance adoption and maturity. But it drives a worldwide sentiment of growth opportunities and readiness towards change. For example- USA is set to launch their own open banking regulation-CPFB, which will bring a major shift in their open finance environment.

At F5, we see our customers increasingly rely on the evolving financial services digital ecosystems associated with open finance, and thought it was imperative to partner with twimbit to produce research that can help our business partners navigate the associated complexities.

We have seen phenomenal open finance success stories, whether regulator driven, or market led, empowering customers with innovative solutions.

This study on open finance provides a perspective on the total addressable opportunity, potential economic impact, and critical success factors to assist in developing market estimates for top banks, fintechs and technology platforms for their growth

Supercharging growth with open finance in 2023

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SERIES

Outcomes enabled

1 BaaS



2 Embedded finance



3 Data monetisation



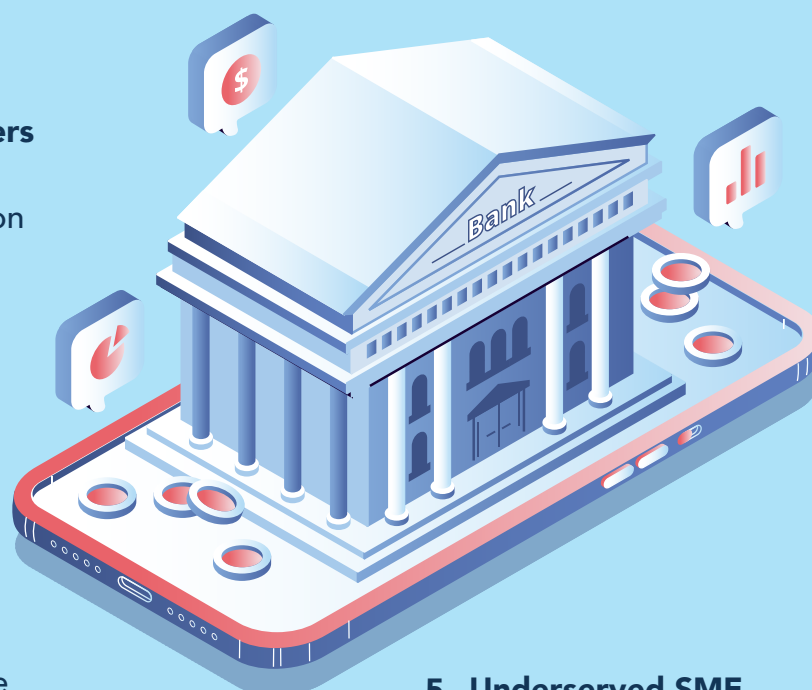
Growth opportunities

1. **Unbanked customers**
(1.4 billion global unbanked population in 2022)

2. **Low per capita consumption of services**
(1-2 average products consumed in a year)

3. **Rise of integrated experiences**
(> 30% of transactions are outside the bank's platform)

6. **Emergence of new revenue models**
(~40% YoY growth in neobank numbers)
(3% average 3-commerce spending through BNPL)



4. **Regulatory support**
(Supportive environment for banking partnerships)

5. **Underserved SME customers**
(Only 80% of credit demand met)

Open finance creates a trillion dollar growth opportunity:

~USD 400 billion
Banking opportunity for major non-banks*

3%
BNPL e-commerce transactions globally in 2021

23% growth
Of global digital payments in healthcare

Over 300
Neobanks globally

29%
Global point-of-sale transactions through digital wallets

44 billion
UPI transactions processed in India until August 2022

49%
Percentage of retail lending to be driven by embedded finance

10
Number of financial service giants creating disruption via digital channels**

*Oliver Wyman Global Study

**Grab, Gojek, Kakao, Paytm, Wechat, Alipay, Square, UnionPay, PayPal, and PhonePe

Download the full report to learn more -

<https://www.f5.com/go/ebook/download-twimbit-global-state-of-open-finance>

twimbit



twimbit's global open finance maturity index, 2023

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SERIES

twimbit's global open finance maturity index evaluated 32 countries across two distinct criteria:

Regulatory initiatives

Led by government and regulatory bodies' policies, guidelines and laws

Market initiatives

Actions taken by major banks, neobanks and fintechs



Champion

Almost 50% of the evaluated countries. The main drivers of open finance lead in both regulatory and market initiatives.

Regulatory Initiatives

- Facilitate centralised API portals development
- Expert-led testing environment
- Develop upgraded API focused architecture

Market Initiatives

- Created journey led marketplaces
- Build digital platform-driven invisible financial services
- Partner ecosystems driven customer & revenue growth

Enthusiast

Though the market maturity is very high, the regulations have yet to emerge. For example, USA plans to institute a new legal system after multiple years of driving market-led open banking activities.

Regulatory Initiatives

- Lack of formal policy & governance framework for API product growth
- Banks' own API rules of operation
- Requires prescriptive frameworks to support ecosystem growth

Market Initiatives

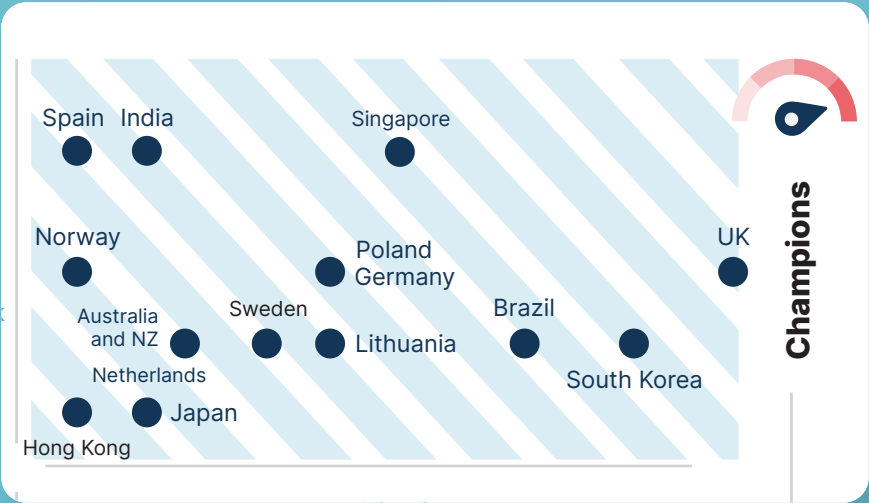
- Partnership between big tech & traditional banks
- Market driven API creation & services
- Embedded finance services from non-banking players

Intermediary

Market has high intention towards open finance however lack of proper regulatory framework acts as a restriction. Nigeria is the only intermediary to have a proper framework in place.

Crawler

Market maturity is at a very nascent stage as opposed to their counterparts. They are learning ropes while working towards forming the regulatory frameworks necessary for governance



twimbit global open finance maturity index - APAC, 2023

Regulatory initiatives

1. Formal regulatory policies in place



Japan, Hong Kong, Singapore, India, ANZ, UK, South Korea, Spain, Lithuania, Poland, Germany, Norway, Netherlands, Sweden

2. Proper governance framework



Brazil, Germany, UK, South Korea

3. Regulatory-driven sandbox environment for controlled testing



Brazil, Lithuania, UK, Singapore, South Korea, Poland

4. Regulator-defined use cases



UK, South Korea

5. Meet data sharing compliances



Brazil, Germany, UK, ANZ, India, Singapore

Market initiatives

1 BaaS

United Kingdom reports among the highest YoY growth in 2021 for API products annually, at 27% & the largest number of products by category

2 Embedded finance

Singapore, India, the United Kingdom, and Australia have embedded finance use cases across payments, lending, insurance, SME finance, e invoicing, and wealth management

3 Data monetisation

More than 36 neobanks are built on co-branded licenses in India

8 imperatives for open finance success

1



IT modernization

Legacy infrastructures create multiple dependencies and delay the execution of projects. An API-led approach enables more hybrid integration and reduces the risks associated with ongoing transformation.

2



Developer platforms and sandboxes

Industry players must future-proof products and services in a simulator environment. This approach identifies any anomalies, risks, and conflicts of interest before exposing the product to the public.

3



API architecture and lifecycle management

A robust, resilient approach to API management is necessary to withstand both immediate and long-term volatilities and open new revenue streams and market opportunities.

4



Revenue sharing models

Banks need to create revenue sharing models that clearly define the distribution scope and customer relationship, reducing the cost of new customer acquisition and pressure on interest incomes.

5



Partner ecosystems

Digital ecosystems enable banks to become more efficient by giving them access to innovative capabilities that would otherwise be prohibitively expensive to develop or operate on their own.

6



Security

Banks must implement a robust application security strategy for 360-degree protection of customer data that goes beyond testing for software vulnerabilities and provides secure customer experience.

7



Data strategy

To ensure robust progression in open finance evolution, banks must implement a holistic data and analytics strategy as a catalyst in delivering more contextual and connected customer experiences instead of just placing it as an aspect of its API strategy.

8



Data monetization

Banks can utilize data to generate insights on customer behavior and understand how macroeconomic factors impact saving and spending patterns in creating hyperpersonalized value propositions.