

Open Banking Strategy Execution for Commercial Banks Guided by Business Architecture



Author Bio

Suleiman Barada is an Independent Technology Business Strategist. A Sr. Advisor at the Union of Arab Banks, and Head of UABdigital where he spearheads the ecosystem digital transformation arm of the Union, with an ecosystem-wide vision and mission, and a mandate to leaving no financial institution behind as the sector transitions into the Digital Economy within the Arab countries.

In his capacity at the Union, and reporting into the Union's Secretary

General, Suleiman is leading a Pan-Arab digital banking agenda on

FinTech Collaborations, Open Banking, CBDC, and other transformative initiatives affecting the Arab banking sector.

Suleiman is also a member of the General Union of Arab Experts under the League of Arab States.

Suleiman is a sought-after speaker and thought leader on the global stage on topics such as Strategy Execution, Digital Finance, as well as other topics related to the digital transformation in the financial services industry.



Suleiman Barada

Sr. Advisor & Head of

UABdigital

Union of Arab Banks



About UABdigital

UABdigital is the ecosystem digital transformation arm of the Union of Arab Banks, the representative association of the banking sector in the Arab region with over 360 members including commercial and investment banks, 20 local banking associations, and 20 central banks. Established in April 2020, UABdigital's mandate is orchestrates the banking innovation within the ecosystem by connecting the supply side, including regional FinTech Hubs and global FinTech, with the demand side represented by the Union's member-base for the greater good of the Arab banking sector. UABdigital facilitates multi-stakeholder dialogues and drives the industry shaping digital agenda with initiatives that include Ecosystem Digital Capacity Building, Pan-Arab Digital Banking Innovation Platform, Open Banking, Digital Banks Regulatory Frameworks, partnership between FinTech and incumbents, and Central Bank Digital Currency (CBDC) amongst others. UABdigital operates as part of the General Secretariat of the Union of Arab Banks headquartered in Beirut, Lebanon.

LEARN MORE





OPEN BANKING - FINANCE - DATA

The time to get started is NOW

UK, Brazil, Singapore, United States, India, Australia, Hong Kong, Mexico, Bahrain, Saudi Arabia, Canada, Chile, EU – and the list goes on Approaches: Regulator-drive, Market-driven, Collaborative

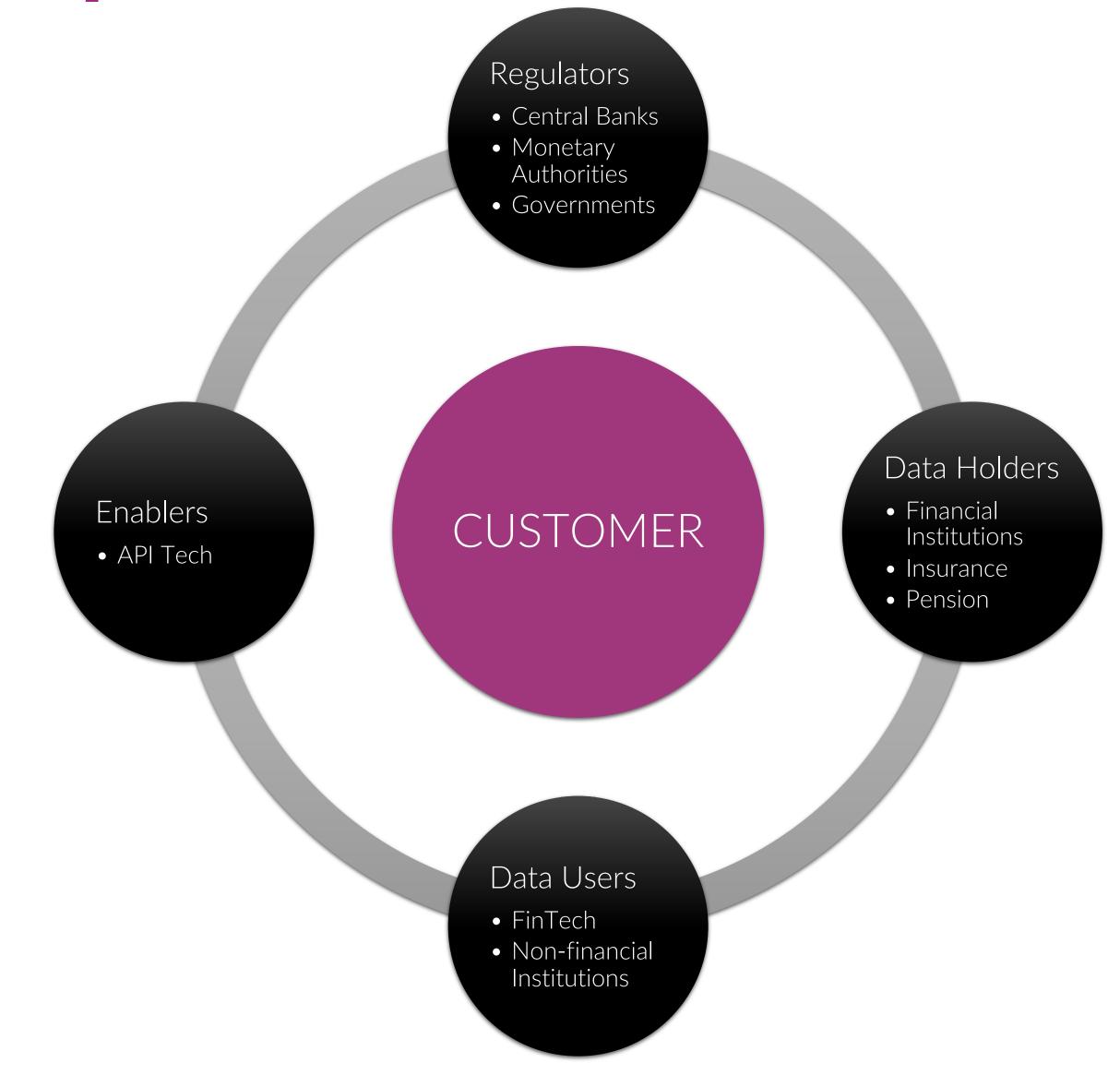


The Driving Forces





The Open Finance Stakeholders





The Global Footprint

REGULATOR DRIVEN

Open Banking regulations & implementation controlled by the regulators with mandatory participation from incumbents.























MARKET DRIVEN

Open Banking initiatives led by industry participants at individual capacity. No regulatory frameworks in place yet.



















COLLABORATIVE

Regulatory guidance & facilitative infrastructure for Open Banking along with industry initiatives. Participation is not mandatory, but encouraged.











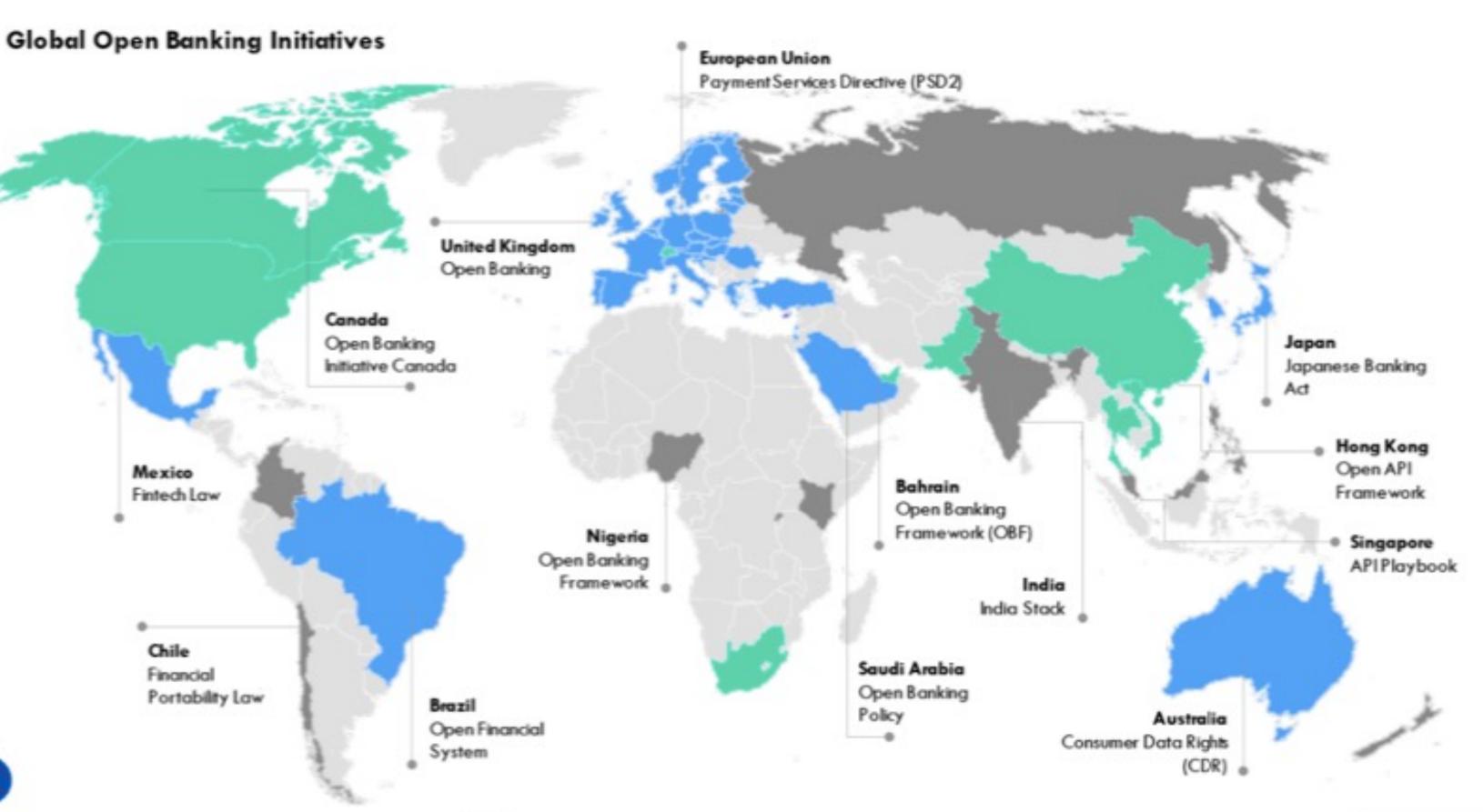








Note: This representation is not exhaustive





The Facts

86%

of financial institutions recognize the value of Open Banking data (1)

(1) Open Banking.org, "Facts and Statistics"

8 out of 10

financial institutions are adopting or plan to adopt Open Banking (1) 94%

of FinTech companies have considered how Open Banking can enhance current services (1) \$9.9Bn

estimated total Open Banking sector revenues by 2022 (1)



The Global Motivations

- Attracting VC investment
- Inclusion
- Enhancing Personal Finance Management
- Enhancing Access to Finance for MSMEs
- Allowing Frictionless Customer Experience
- Increasing Market Competitiveness on the Global Stage
- Enhancing Cross-border Payments, both in terms of time and cost
- Personal Finance Management
- Interoperability in multinational economies



The Arab Region Motivations

• • • •

- Attracting VC investment
- Inclusion
- Enhancing Personal Finance Management
- Enhancing Access to Finance for MSMEs
- Creating a leading digital financial services ecosystem to attract inward investment and growth (sub-text reduce dependency on oil revenues)
- Drive financial inclusion
- Increase innovation and improve services for consumers and businesses
- Drive increased digital connectivity and interoperability across the region (e.g. x-border payments)



Key Themes

- The Rise of APIs
- Embedded Finance
 - Investment & Brokerage Products
 - Insurance Products
- Enablers to the Enablers
- Bank to Bank Payments
- Growing Usage of Data
- Cloud-based Core Bank Processors
- Incumbent Core Processor's Open Banking-Related Services
- Open Banking Solutions for Corporate Banking
- Focused Point Solutions



OF Market Segments

Aggregation / Interconnectivity Infrastructure

Aggregate fragmented consumer financial data by using APIs or building proprietary connections to financial institutions

Analytics / Intelligence Based Interconnectivity

Add intelligence layer to aggregated raw data by structuring it and providing analytics

BaaS Providers

Sponsor Banks

Tech Providers

Licensed banks providing access to banking capabilities to non-banks Technology firms
providing access to
banking services to
non-banks; often
partner with licensed
banks to offer turnkey
solutions

Corporate Open Banking Solutions

Provide Open Banking solutions to the corporate finance and treasury markets

Nextgen Core Account Processors

Software solutions (typically cloud-based)
providing financial institutions with a core systemof-record including all account and transaction
information; competes with legacy core
processors

Mobile / Digital Banking Software

Provide online and mobile banking solutions to banks and credit unions

Account Opening / Onboarding

Enable customers to easily open and fund accounts, and integrate with third-party providers

Account Switching

Enable consumers to easily switch direct deposits and recurring payments to new accounts

Lending Enablement

Empower both financial institutions and non-banks to provide tech-enabled lending products to customers

PFM / Credit Monitoring

Provide data-driven credit scores, enable consumers to easily view their credit scores, or powering datadriven personal financial management apps

Consumer Focused Bank-to-Bank Payments

Enable consumers to initiate bank-to-bank payments

Bank-to-Bank Payments Infrastructure

Enable third parties to initiate bank-to-bank payments

API-Based Payment Facilitators

Enable third parties to manage payments in-house via Open APIs

Card Issuance Processing

Manage issuance of cards, authorization and settlement, and provide system of record for card issuers

Card Link Infrastructure

Link cards and payment data to third-party apps and functionality such as loyalty programs

Card Functionality

Enable banks and credit unions to provide better digital experiences to cardholders

Mortgage Enablement

Empower both financial institutions and non-banks to provide tech-enabled mortgage products to customers

Embedded Investment / Brokerage Solutions

Enable non-financial institutions to offer digital brokerage products to their customers

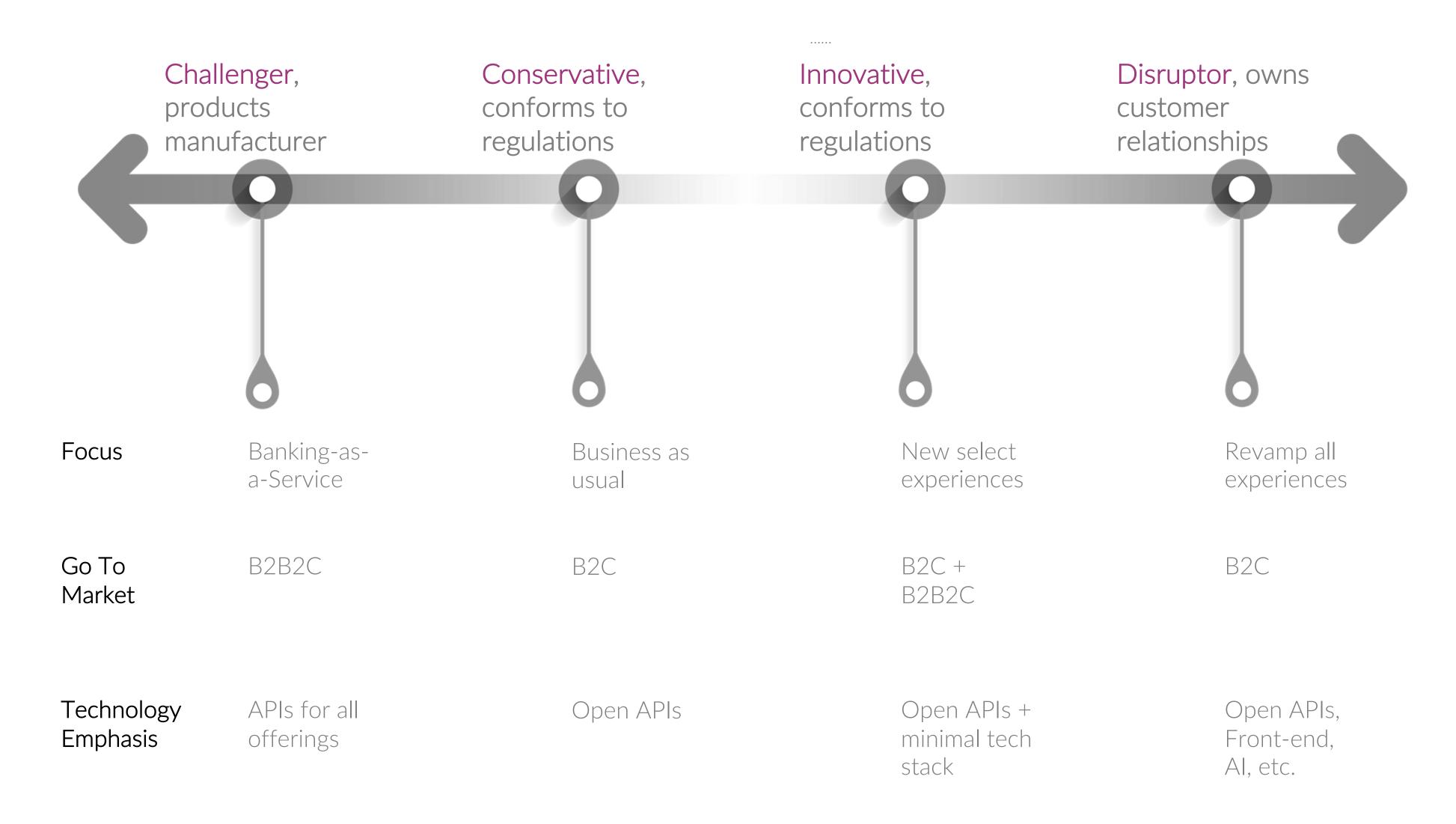
Embedded Insurance Solutions

Enable third parties to offer digital insurance products to their customers

FT PARTNERS RESEARCH



The Design Choices





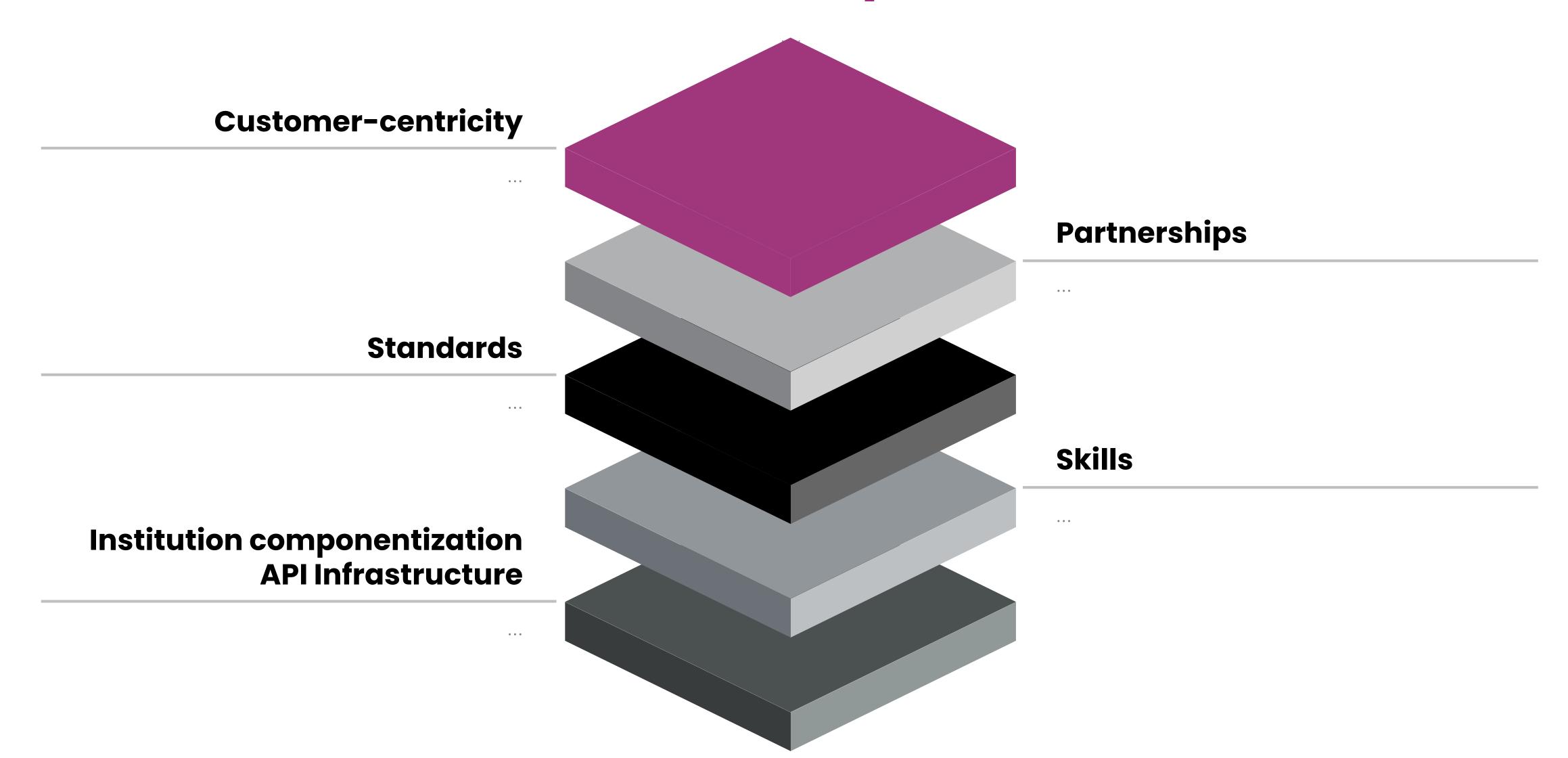
How to design for inclusion

Product Savings trackers/	Required Data Holder Banks, EMIs, PSPs,	Required Data Scope Customer	Required Service Scope Banking, payments	Required Functionality Recurring payment	Required Data Request Frequency Requires real time,
automatic sweepers	other FSPs	transaction data		initiation	continuous data calls
Utility switching	Utilities, banks, EMIs, PSPs, other FSPs	Customer transaction data, customer utility data	Banking, payments, utilities	Payment initiation	Requires a limited number of real time data calls
Collaborative customer due diligence ^a	Banks, EMIs, PSPs, other FSPs (pensions, insurance, investments), mobile network operators, utilities, other alternative providers that can identify an individual	Customer registration data, including identification	Banking, utilities, telecoms, pensions, insurance, investment	Legal framework to allow digital copies of ID to be used for KYC	Requires a limited number of real time data calls
Budgeting apps with payment initiation	Banks, EMIs, PSPs, other FSPs (pensions, insurance, investments), utilities, credit providers	Customer transaction data, customer data concerning other financial services (credit, pensions, insurance, investments)	Banking, payments, credit, pensions, insurance, investment	Account information services, payment initiation, other types of transaction initiation/customer acquisition, e.g., ability to enter into credit agreements	Requires real time, continuous data calls
Credit	Banks, EMIs, PSPs, other FSPs, credit providers, other providers of alternative data (utilities, telecoms, etc.)	Customer transaction data, customer credit data, access to alternative data	Banking, payments, credit, further sectors that provide alternative data (utilities, telecoms, etc.)	Recurrent payment initiation, other types of transaction initiation/customer acquisition, e.g., ability to enter into credit agreements on behalf of customer, ability to undertake debt rehabilitation	Service dependent: for a one-time credit switch, limited data calls; for pre- approved credit to reduce reliance on overdraft, requires real-time continuous data calls

Source CGAP Working Paper "OPEN BANKING: HOW TO DESIGN FOR FINANCIAL INCLUSION", Oct 2020

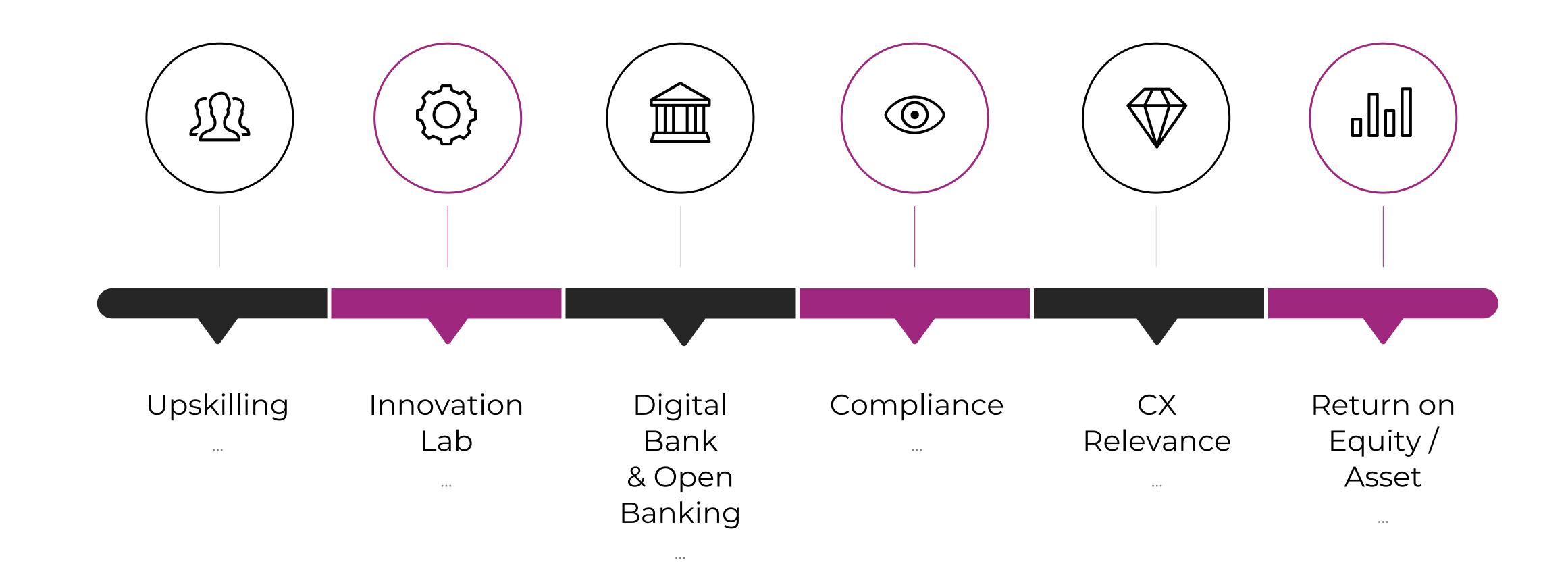


The Pre-requisites





Competing Priorities





Strategy to Execution

Business Architecture Guided Having a strategy in place for digital transformation within the banking sector is only enough to warm an organization up and establish leadership alignment.

Agility in Strategy Execution is a necessary organizational characteristic in the digital era. It takes a holistic approach, discipline, and strong buy in to drive change in a sustainable manner and to ensure alignment and will power so the change cascades to every level and each stakeholder in order to become responsive.

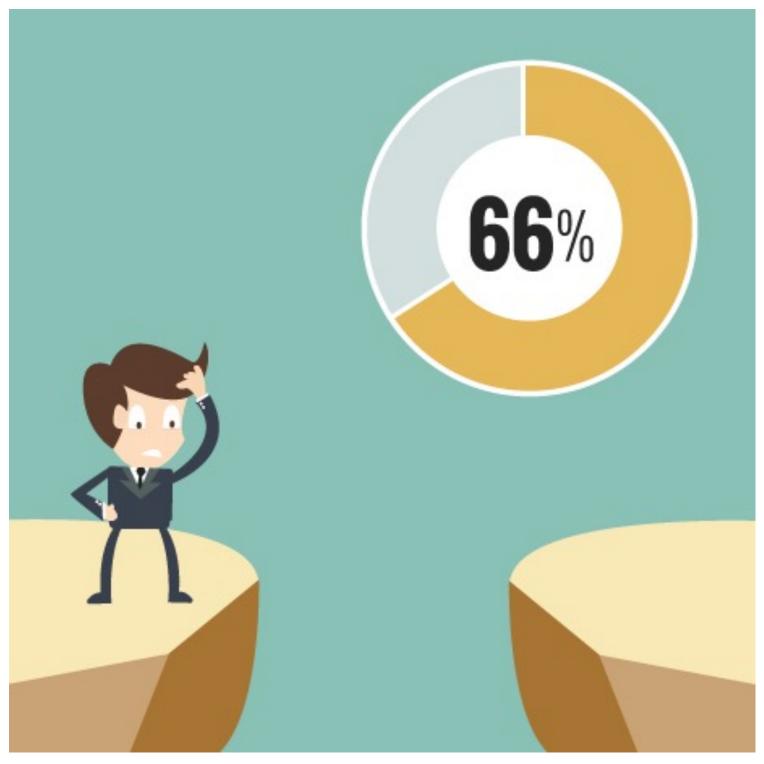


"No organization can win if its parts are not all aligned to execute the same strategy and achieve the same goals. Even the "perfect" strategy within a competitively advantaged business model will ultimately fail if the organization is not fully aligned internally and does not understand how to execute the strategy, or if it works at cross-purposes."

- Rick Kash and David Calhoun in How Companies Win



What Strategy Execution Means for Employees



66% of HR and IT organizations develop strategic plans that are not linked to the enterprise strategy.



95% of employees in most organizations do not understand their organization's strategy.

Source: Robert Kaplan, Harvard Business Review

Source: Robert Kaplan, Harvard Business Review

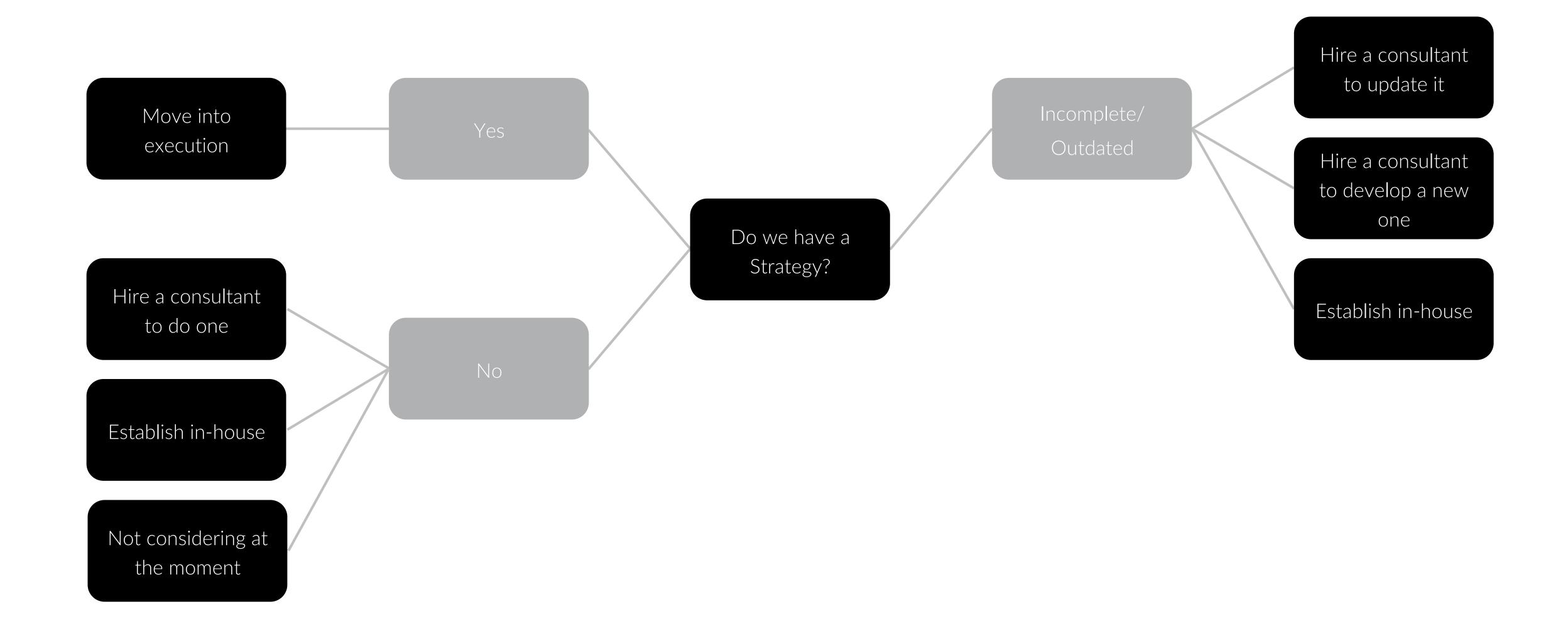


The Top Challenge

FROM TO Enterprise Optimization and Cross-Silo Orientation Business Unit Collaboration Systemic, Big Picture Thinking Narrow Focuses Value and Customer / Stakeholder Internal Focus ("Inside Out") Focus ("Outside In") Technology and Solution Focus Business Focus Slow Down to Speed Up, Do the Execution Focus, Do Things Right Things



Where do we stand on Open Finance Strategy?





Where do we stand on Open Finance Strategy Execution

Execution framework

We use consulting firm's framework We use homegrown framework Do we use a Strategy Execution We use metrics Framework? and strategic planning tools We do through regular/ad-hoc alignment We need a <u>non-</u> proprietary Strategy

... we need a framework which

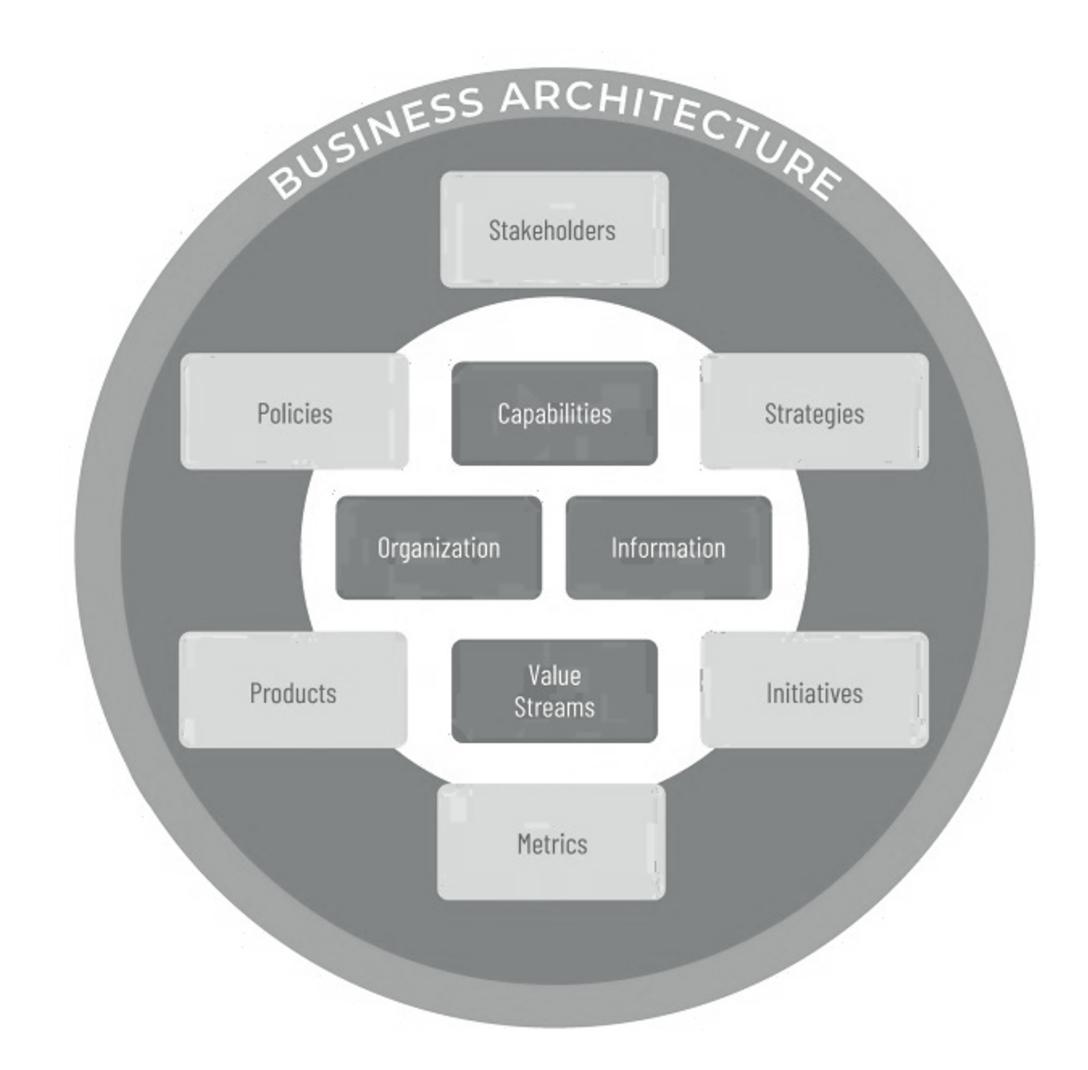
- Is robust, holistic, proven, and comes with reference models
- Is the keystone for digital readiness
- Provides institutional guidance for reimaging and rearchitecting the business model and ecosystem
- Shows us where we are, where we are going, the impacts of doing so and how to get there in the most effective way
- Builds an intentional end-to-end strategy execution capacity (muscle) within the organization that will continue to deliver and provide organizational agility
- Puts emerging technologies into a business and value context
- Is agnostic to business scenarios
- Is internally sustainable with minimal outside consulting assistance
- Is supported by tooling vendors to visualize and automate strategy execution



An Introduction to Business Architecture

Business architecture represents holistic, multidimensional business views of: capabilities, endto-end value delivery, information, and organizational structure; and the relationships among these business views and strategies, products, policies, initiatives, and stakeholders.

Source: Federation of Enterprise Architecture Professional Organizations (FEAPO), www.feapo.org





Key Concepts

Bridges Strategy and Execution – Business architecture is used to translate business direction and architect and plan top-down, across business units; it is upstream from planning and projects

Works in an Ecosystem – To be effective, business architecture / business architects connect to all other related domains / teams

Connects to the Operating Model – Business architecture connects to people, process and technology, but does not encompass it

Value Streams and Capabilities are Key – Capabilities cross-mapped to value stream stages provide the lens into business architecture and the operating model

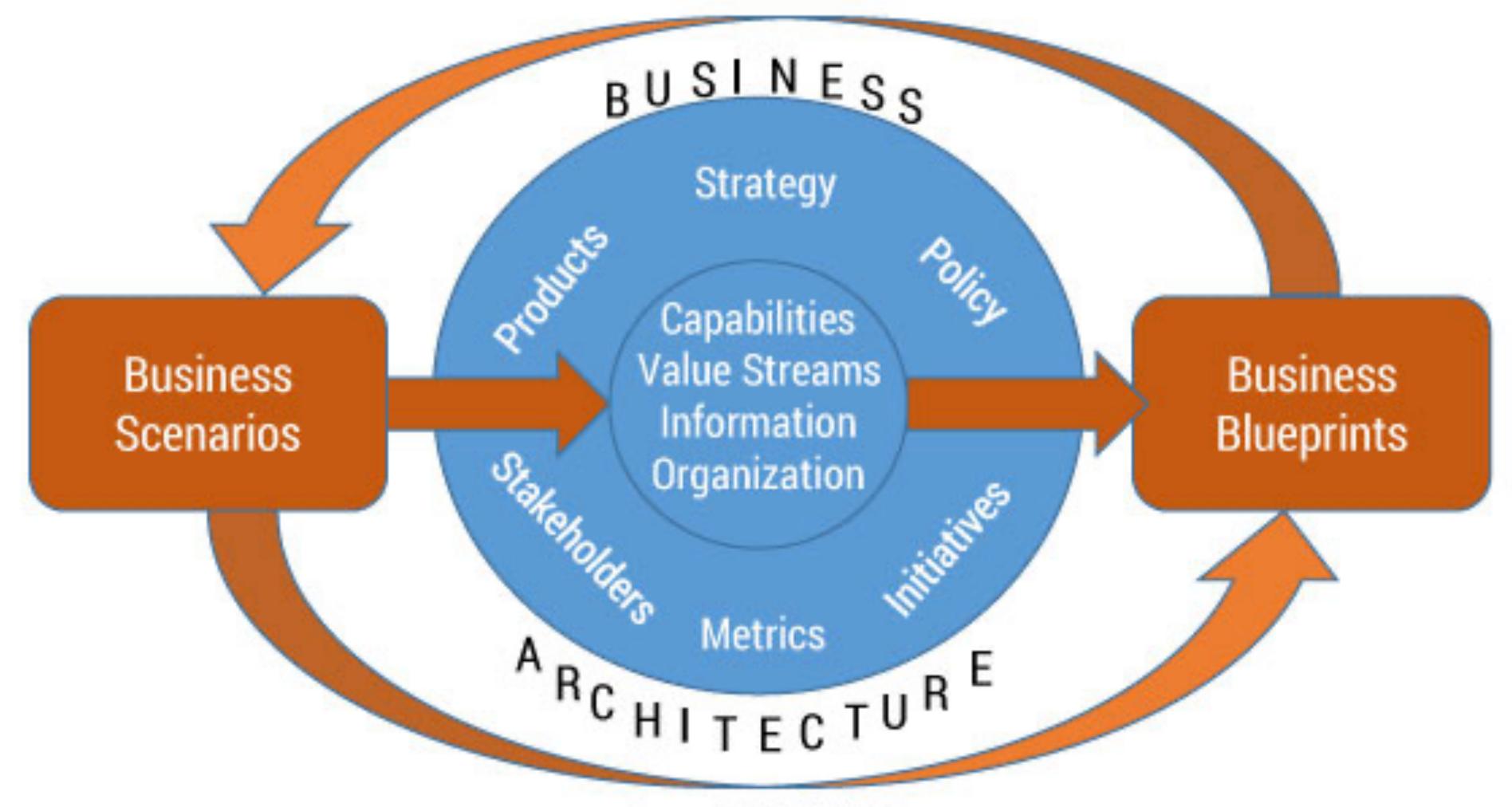


What Bus Arch resolves in Strategy Execution

- Competing or misaligned strategies
- Gaps in strategy communication and translation
- Translating, designing and planning in siloes leading to conflicting and redundant solutions and poor customer experience
- Difficulty prioritizing
- Disconnected disciplines and teams
- Lack of enterprise collaboration
- Dependence on tribal knowledge
- Inability to align initiative results with objectives



Business Architecture Framework



Source: BIZBOK® Guide

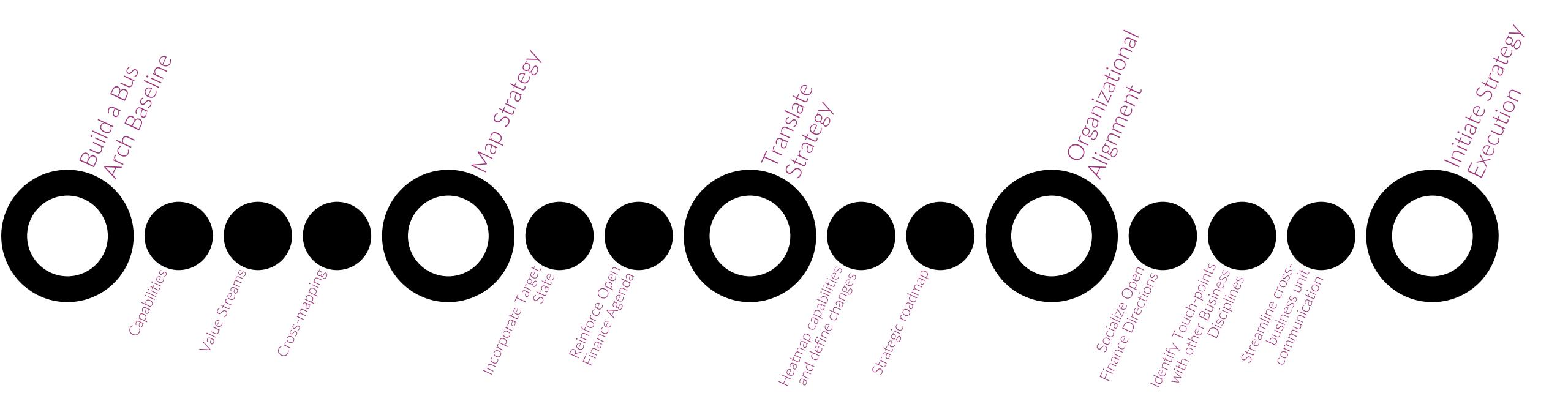


Examples of Business Scenarios

- Investment Analysis
- Shift to Customer Centric Business Model
- Merger & Acquisition Analysis
- New Product/Service Rollout
- Globalization
- Business Capability Outsourcing
- Supply Chain Streamlining
- Divestiture
- Regulatory Compliance
- Change Management
- Operational Cost Reduction
- Joint Venture Deployment

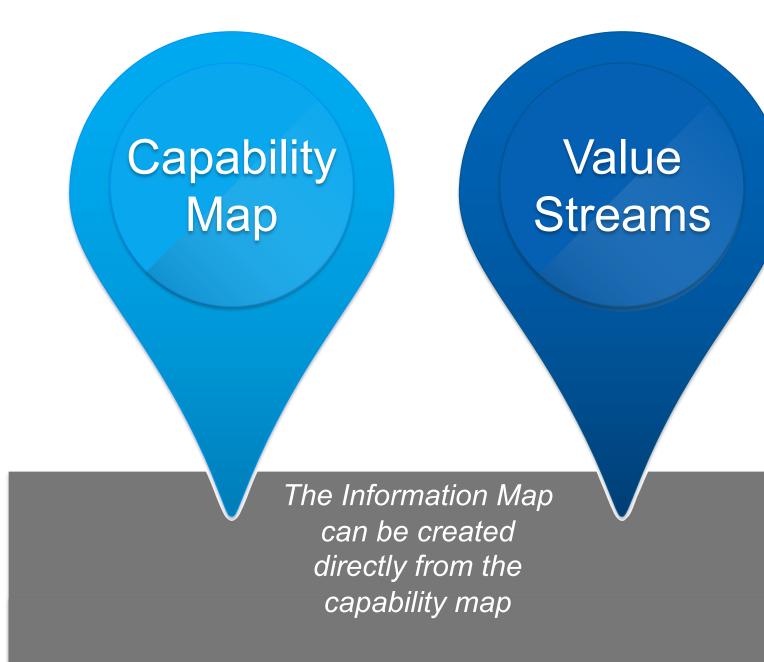


Prepping for Open Finance Strategy Execution





Building a Bus Arch Baseline that Enables Open Finance



Capability/Value Stream
CrossMapping

Identify
OF Gaps
& Inform
Strategy
Execution

Must include all level 1 capabilities; ideally define to level 3s for all, but you can be selective

Start with externally-facing value streams and continue defining more

Cross-map capabilities to value streams

Go deeper on the baseline, define other domains (e.g. organization, product, strategy) and cross-map to other disciplines

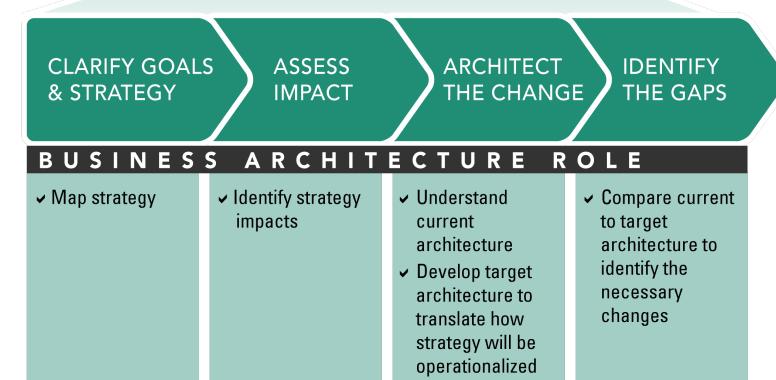


Business Architecture-guided Strategy Execution

PORTFOLIO MANAGEMENT

Provide a framework to analyze investment within and across portfolios







New questions we can answer

What are new ways to look at our business model?

What are the impacts if we...?

What are the top things we should do as an enterprise?

Where is our investment misaligned?

Did our initiatives deliver on our original objectives?

How does this initiative contribute to our overall future state?



How do our strategies align?

Where can we How much change architect are we planning? together?

If our priorities shift, what should we stop doing?





Capabilities: What They Look Like

Partial Capability Map (Generic)

STRA	TEGIC
CAPAB	ILITIES

PLAN MGMT
Plan Optimization
Plan Definition
Plan Development
Plan Validation

INVESTMENT MGMT
Investment Identification
Investment Portfolio Mgmt
Investment Targeting
Investment Performance
Determination

MESSAGE MGMT
Message Definition
Message Validation
Message Structuring
Message Matching
Message Dissemination

RESEARCH MGMT
Research Definition
Research Identification
Research Interpretation
Research Structuring
Research Dissemination

POLICY MGMT
Policy Definition
Policy Interpretation
Policy Dissemination
Policy Validation
Policy Information Mgmt

PRODUCT MGMT

MARKET MGMT
Market Definition
Market Prioritization
Market Targeting
Market/Message
Matching

CORE / CUSTOMERFACING CAPABILITIES

Customer Definition
Customer Portfolio Mgmt
Customer Information
Management
Customer Performance
Management

CUSTOMER MGMT

AGREEMENT MGMT
Agreement Definition
Agreement Offering
Agreement Structuring
Agreement Matching
Agreement Information
Management

MGMT
nition
cring
cturing
ching
mation
CHANNEL MGMT
Channel Definition
Channel Design
Channel Access
Management
Channel Performance
Management
MANATION MGMT
ASSET N

PARTNER MGMT
Partner Definition
Partner Risk
Management
Partner Performance
Management
Partner Information
Mgmt

Product Conceptualization
Product Design
Product Creation
Product Deployment
Product Lifecycle Mgmt

Matching

WORK MGMT
Submission Mgmt
Work Item Mgmt
Work Queue Mgmt
Work Item Routing
Time Mgmt
Work Event Mgmt

LEARNING

Definition

CONTENT MGMT

Learning Content

SUPPORTING CAPABILITIES

Financial Account
Management
Currency Mgmt
Financial
Transaction Mgmt
Payment Mgmt
Finance Information
Mgmt

FINANCE MGMT

HUMAN RESOURCE MGMT

HR Definition
HR Authentication &
Authorization
HR Hierarchy Mgmt

HR Information Mgmt
HR Performance
Determination

Information Definition
Information Organization
Information Aggregation
Analytics Management
Information
Dissemination
Information Packaging

ASSET MGMT
Asset Definition
Asset Inventory
Mgmt
Asset Design
Asset Creation
Asset Matching

PROGRAM MGMT
Program Definition
Program/Schedule
Matching
Program/Human
Resource Matching
Program Information
Mgmt

EVENT MGMT

Event Definition

Event/Schedule
Matching

Event/Asset Matching

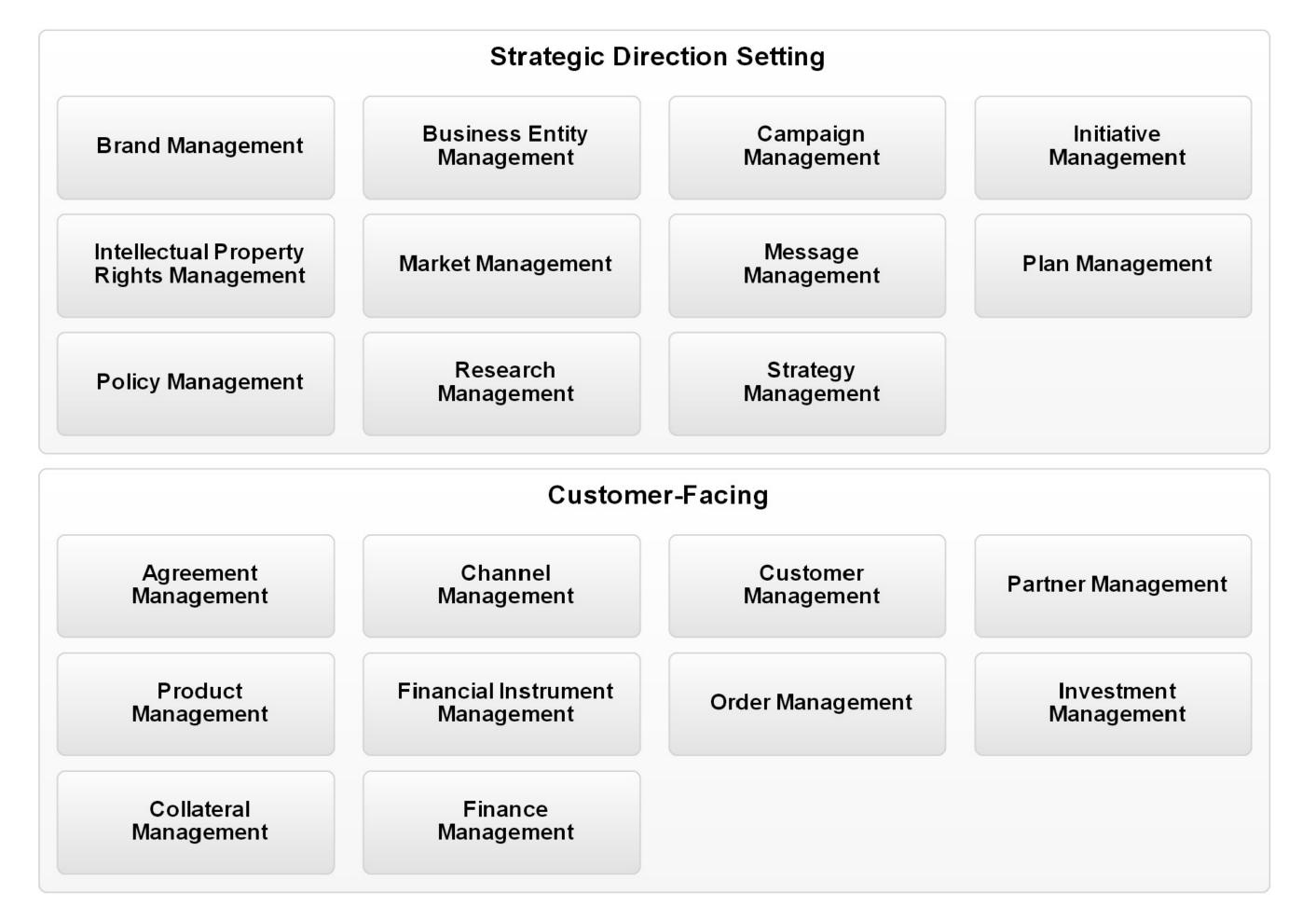
Event/Location

Learning Content
Development
Learning Content
Packaging



BIZBOK® Guide Financial Services Capability Map

FINANCIAL SERVICES REFERENCE MODEL – STRATEGIC AND CUSTOMER-FACING TIERS





BIZBOK® Guide Financial Services Capability Map

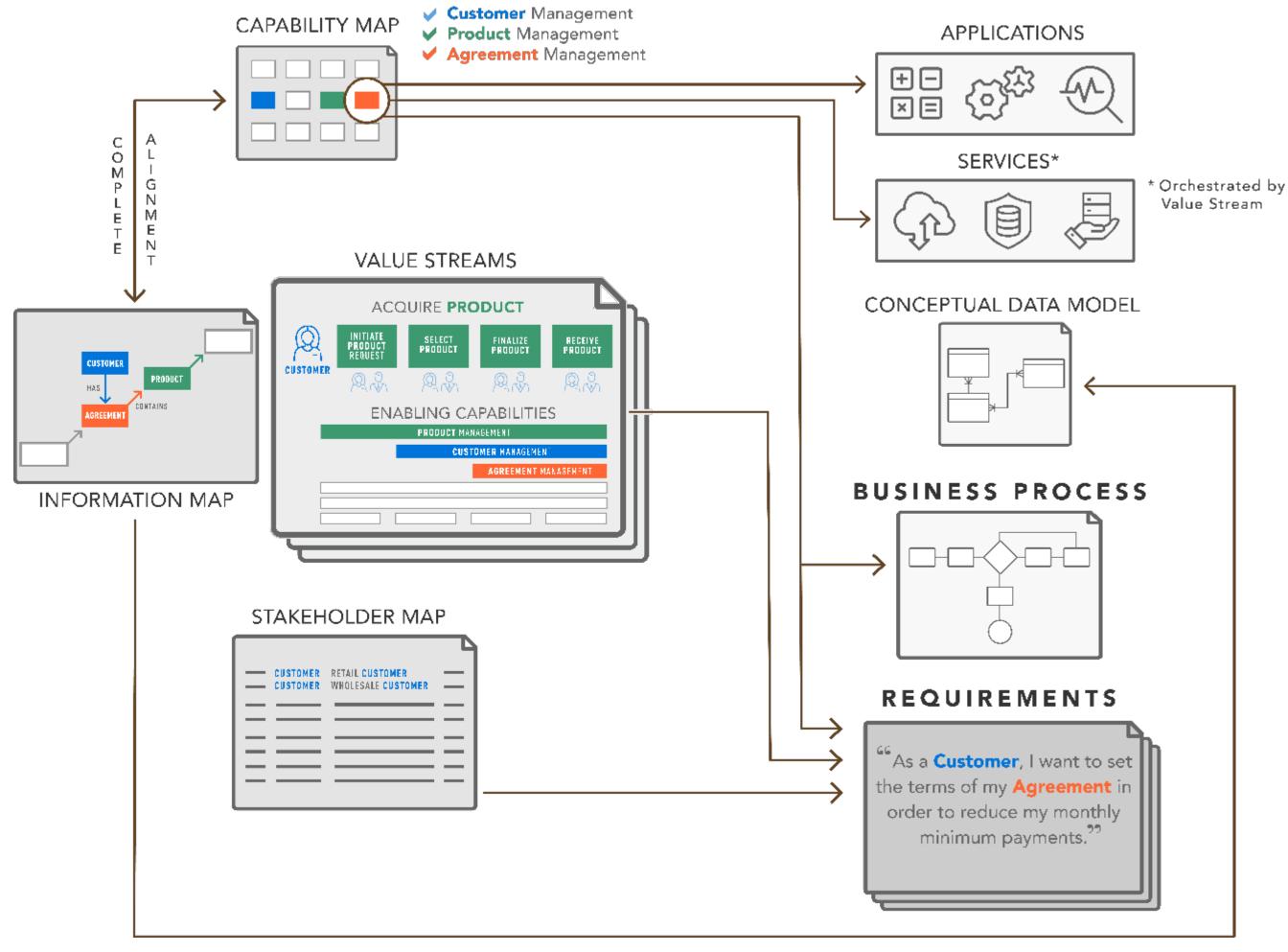
FINANCIAL SERVICES REFERENCE MODEL – STRATEGIC AND CUSTOMER-FACING TIERS





Information Concepts Are the "Glue" of Business Architecture







Value Streams: What They Look Like?

Value Stream Name, Definition and Value Proposition



TRADE FINANCIAL INSTRUMENT



Investor

Initiate Trade

Evaluate Trade Trade Order

Settle Trade



Equitable, compliant trade of a financial instrument completed



Triggering Stakeholder(s)









Value Stream Stage Name, Definition, Entrance Criteria, Exit Criteria, Participating Stakeholders and Value Item



Value Proposition

Source: Derived From BIZBOK® Guide



Value Streams + Capabilities: The Enterprise Connectors

When there is a change to the organization (e.g. a new strategy, product, regulation), if we know... VALUE STREAMS ...which value streams are impacted and the stages within them ... Service Product Acquire Product CAPABILITIES ...and the capabilities impacted within those stages... Customer Information Management ...then we can understand the impact on the rest of the business architecture... Infrastructure ...and the impact on operational people, process and technology.

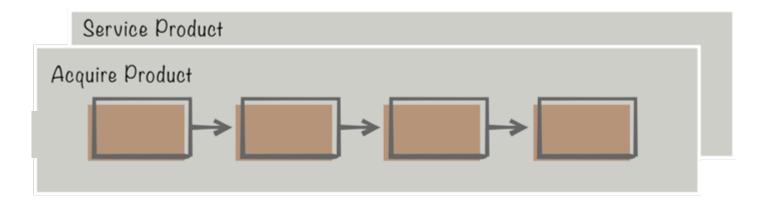


Value Streams + Capabilities: The Enterprise Connectors

VALUE STREAMS

Customer Information Management

CAPABILITIES



What is the aggregate importance of this capability as an enabler across strategies?

What is the current health of this capability across the enterprise?

What are all the initiatives we are planning for this capability and how do the proposed changes harmonize?

What is the aggregate state of technology enablement for this capability?

What is the aggregate risk assessment for this capability across the enterprise?

What innovation ideas have we identified for this capability that could apply as part of solutions?

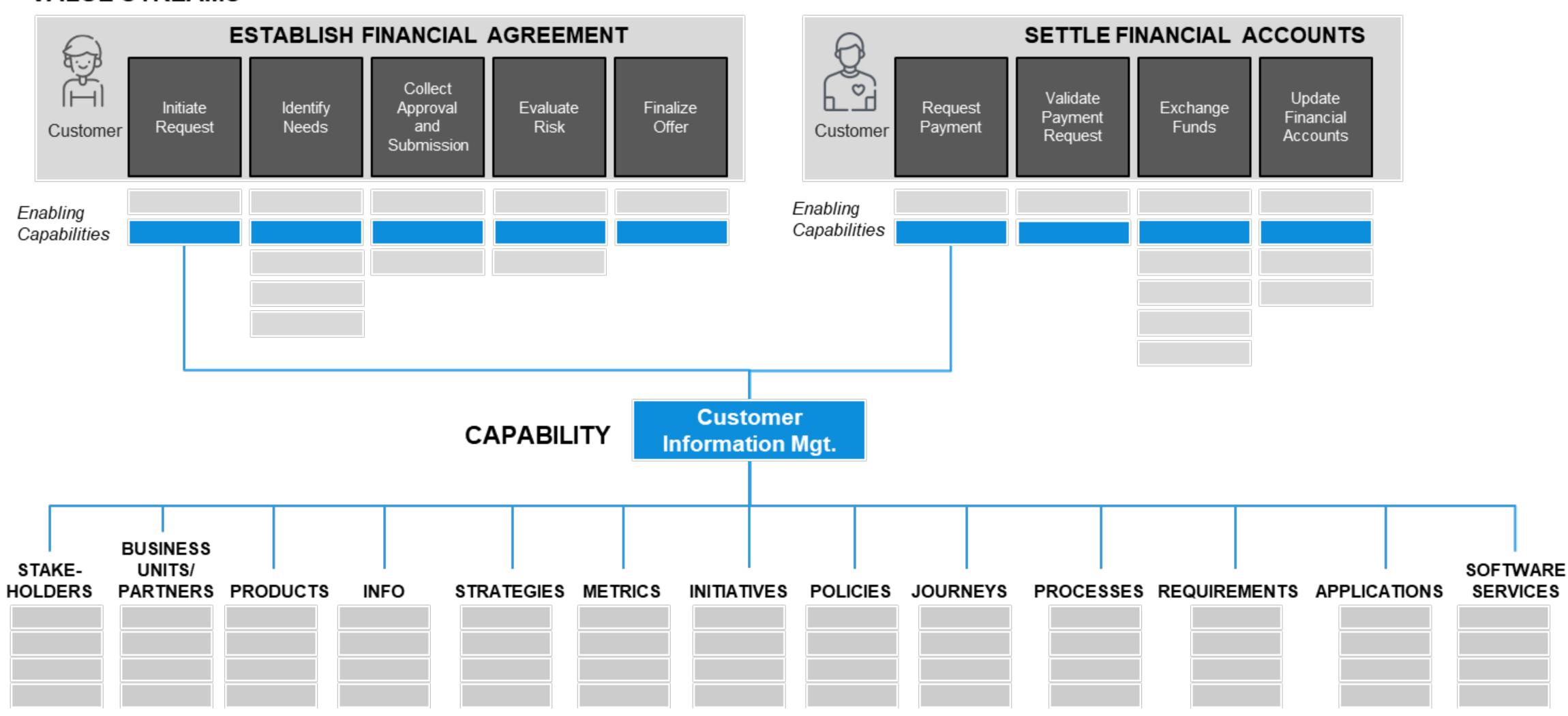
What about start-ups?

Can stakeholders consume the collective impact of the changes we are making to this capability?



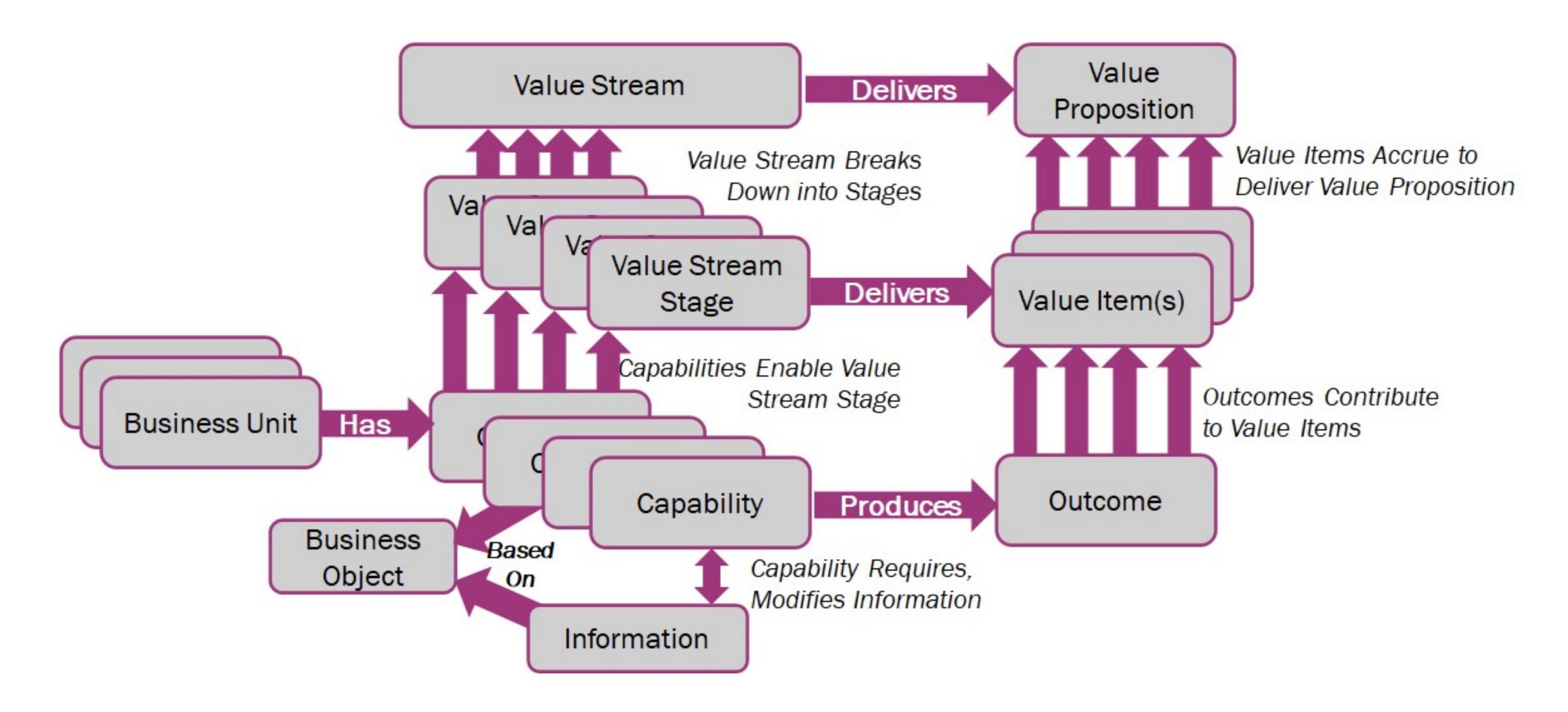
Framework Example

VALUE STREAMS



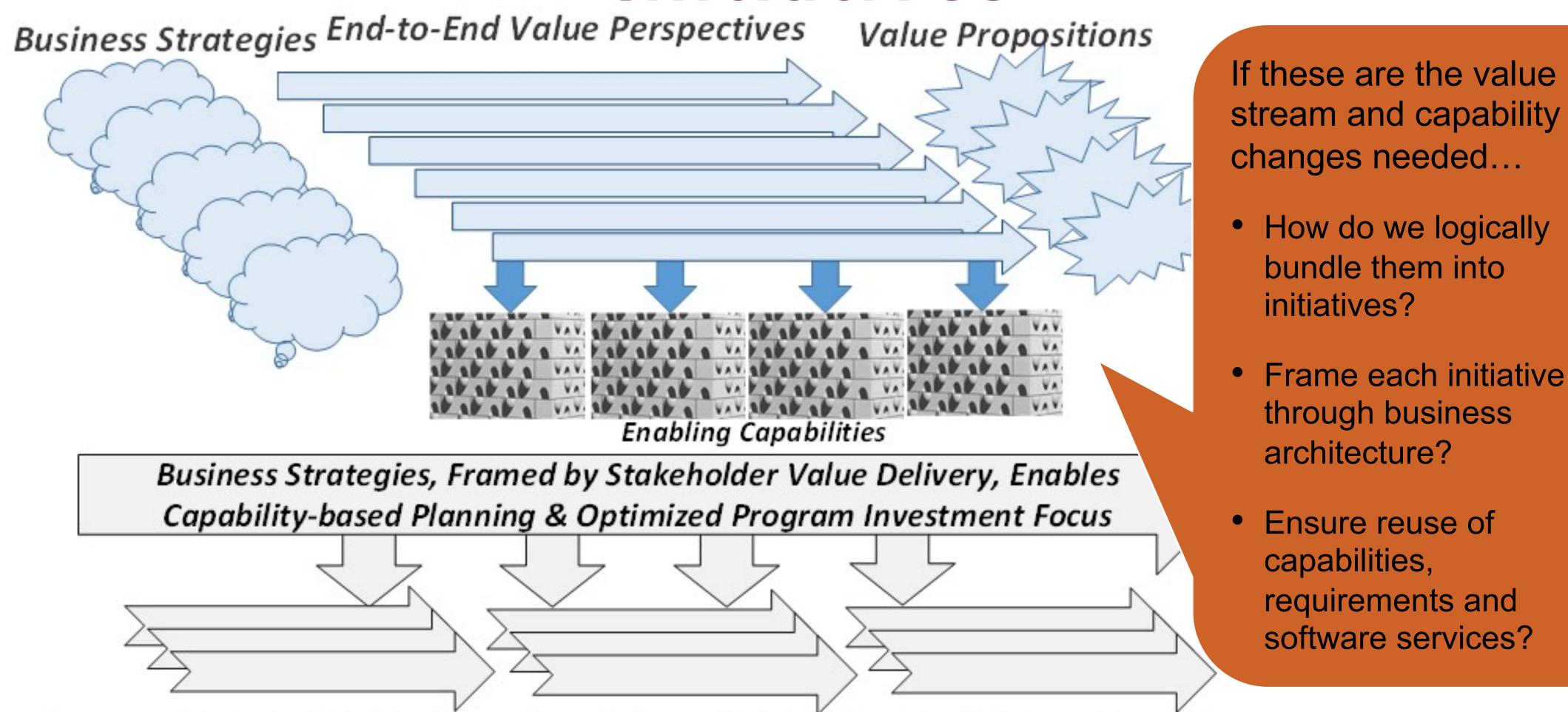


How the Core Domains Interact





Business Architecture Frames Initiatives

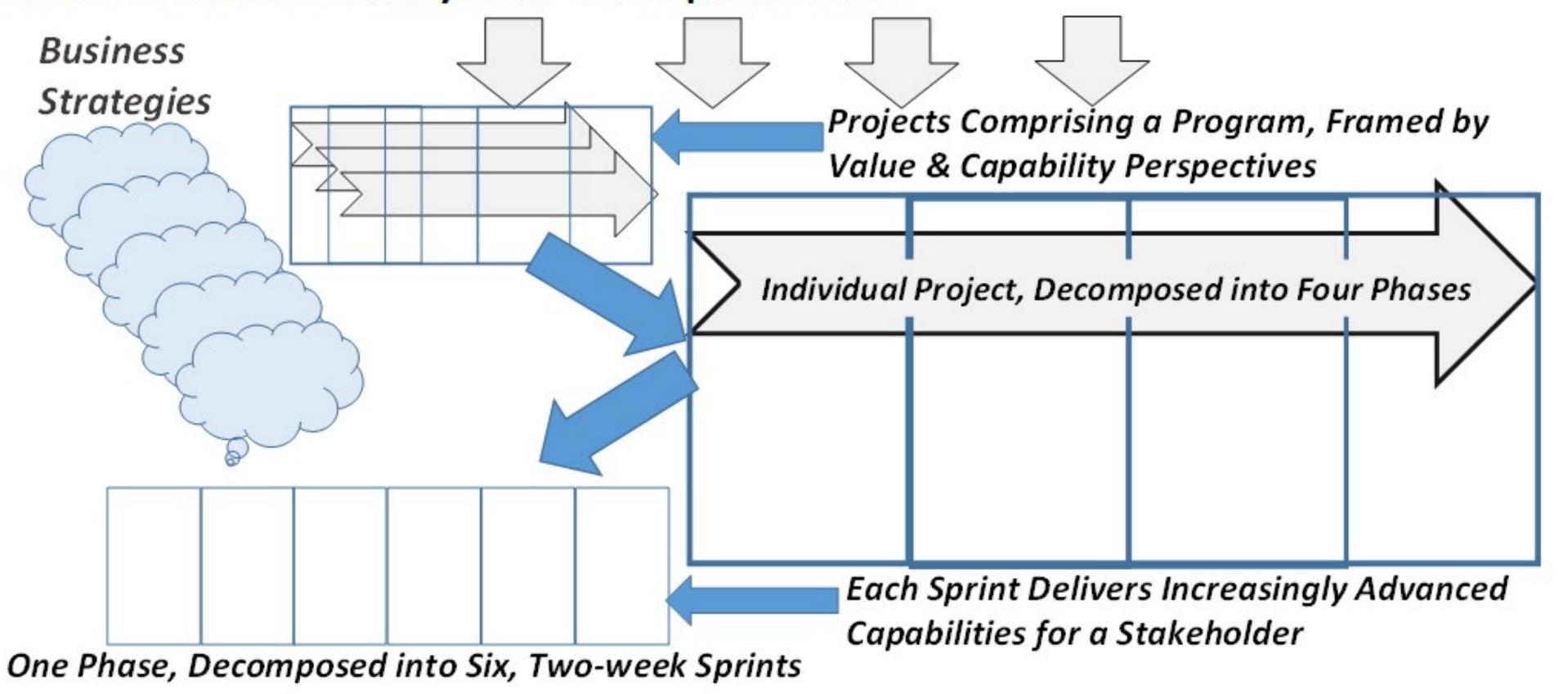


Program, Projects & Related Investments Target Well-Articulated Stakeholder, Value Proposition, Capability, Information, Business Unit & Product Perspectives



(Regardless of Size)

Program decomposed into projects, phases and two-week sprints, providing an unambiguous frame of reference for analyst and development teams

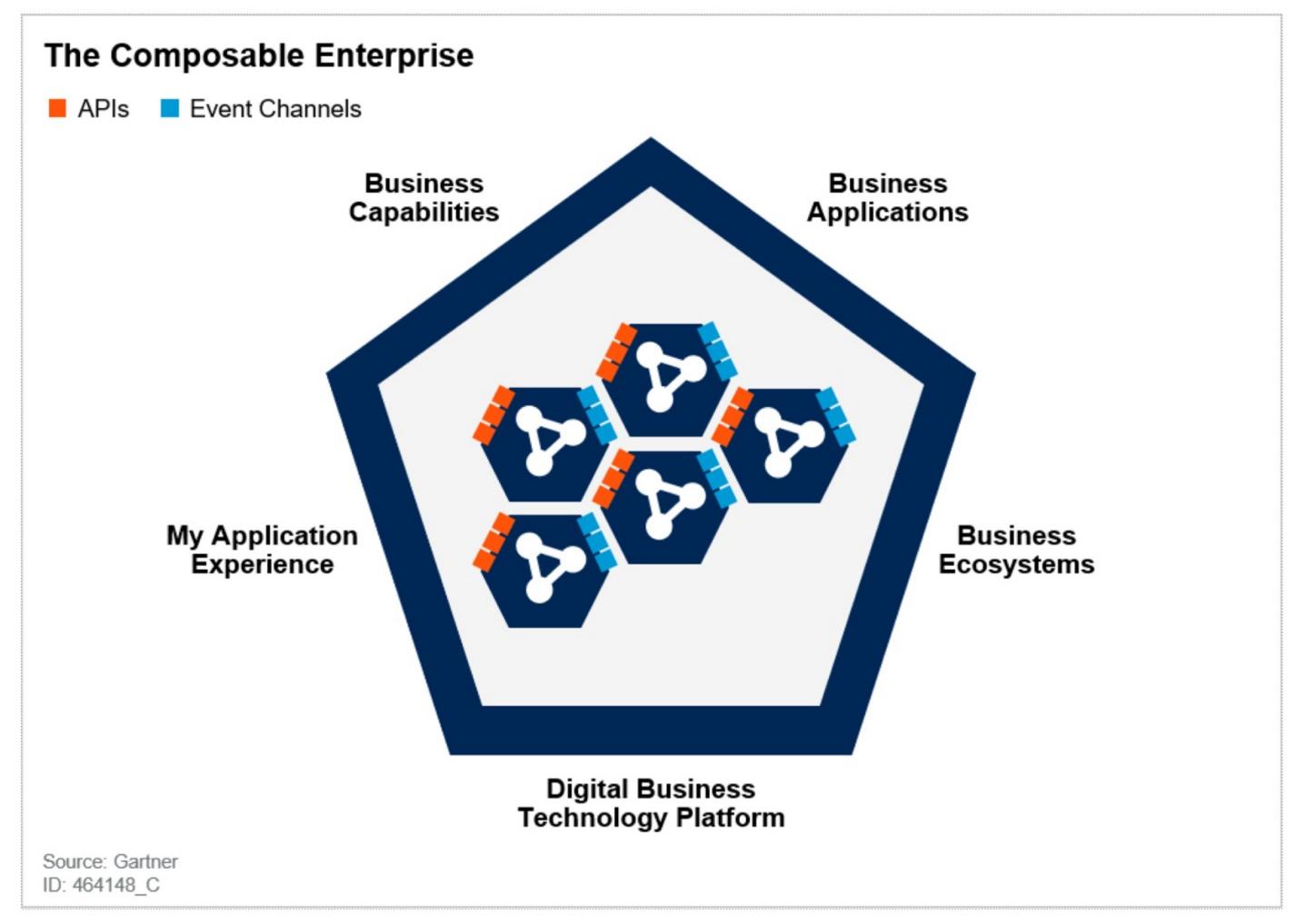






Business Architecture Enables a Composable Business

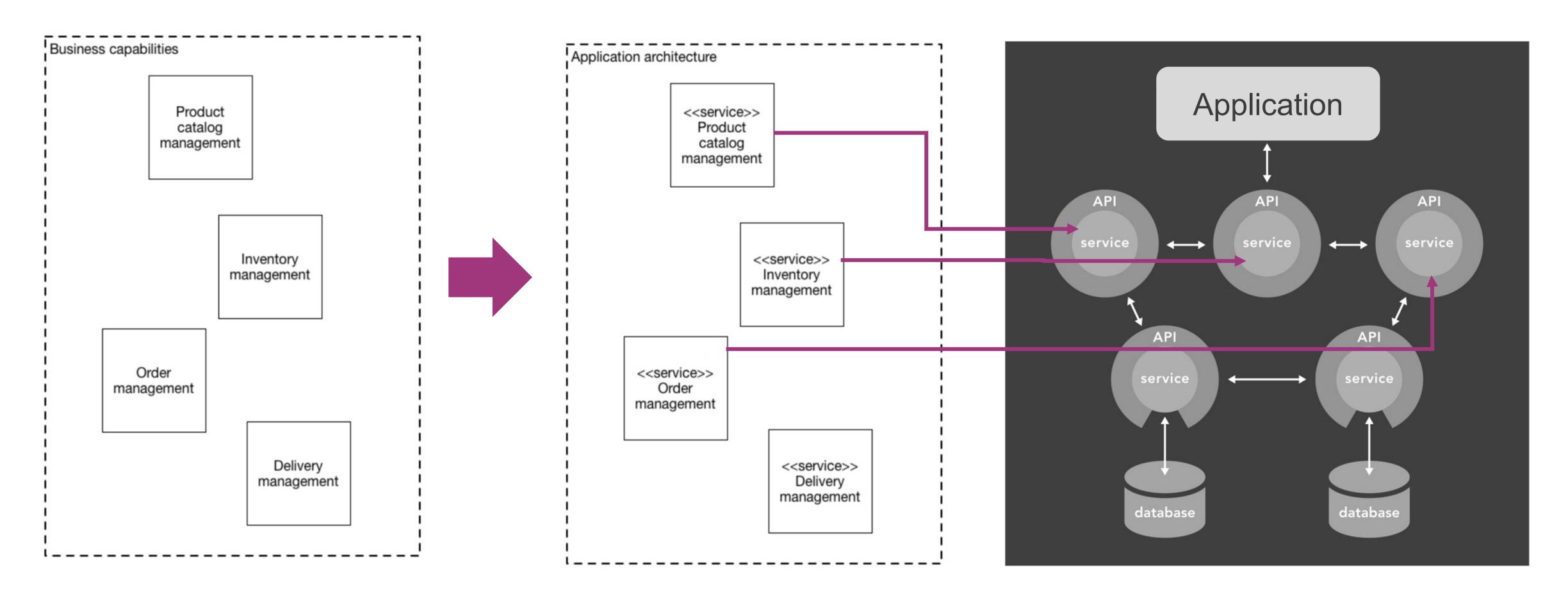
As business needs change, organizations must be able to deliver innovation quickly and adapt applications dynamically — reassembling capabilities from inside and outside the enterprise. To do this, organizations must understand and implement the "composable enterprise."





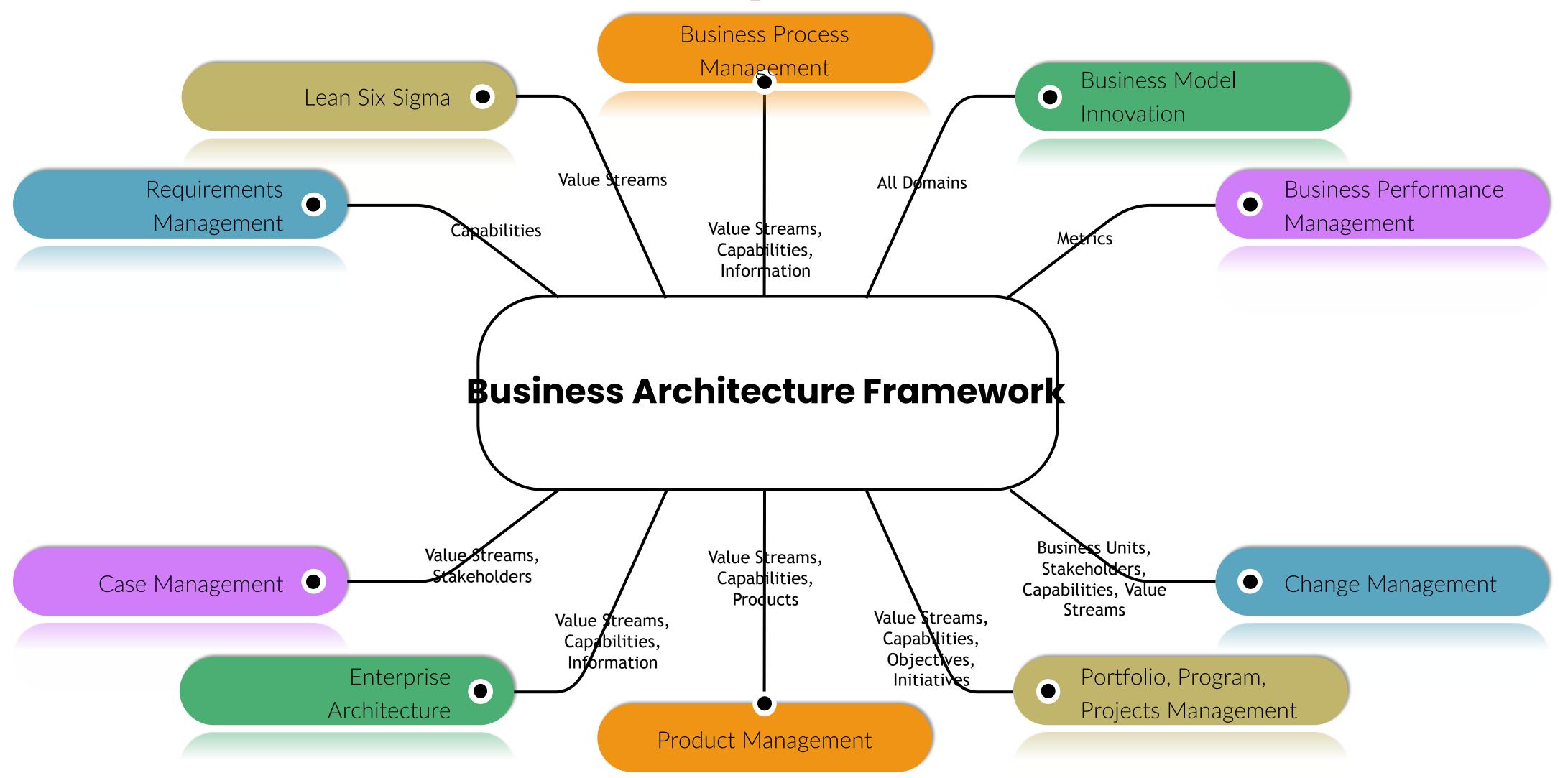
Business Architecture Enables a Composable Business

Capabilities define an organization's reusable building blocks that can be automated and exchanged.





Touchpoints with Business Disciplines





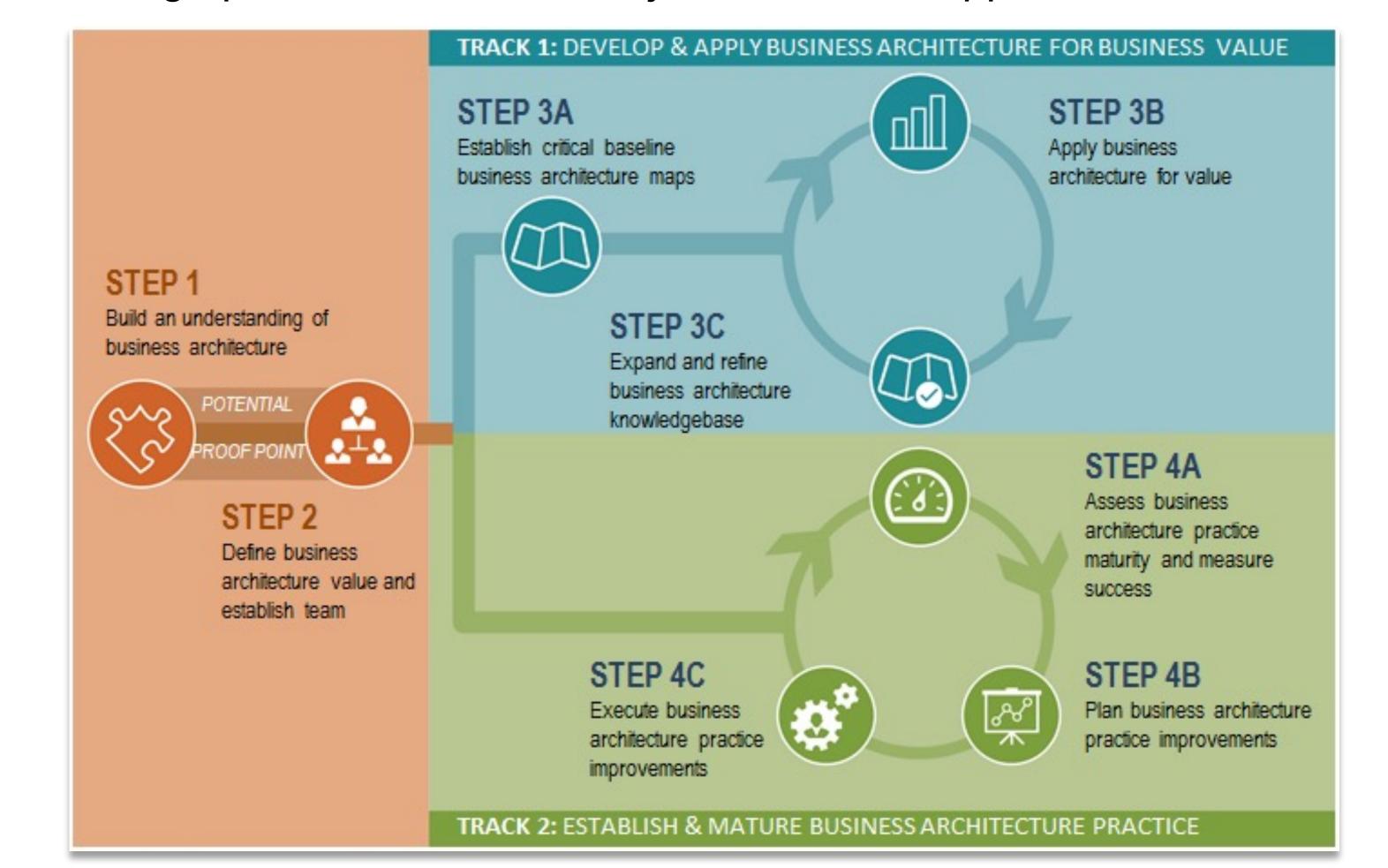
Establishing The Practice

. . .



Business Architecture Practice Roadmap Work along two tracks, guided by delivering business value and developing just

Work along two tracks, guided by delivering business value and developing just enough practice infrastructure just in time to support it.





CONTACT US

Open Finance is here to stay, regardless how fast we move, we shall embrace it early, master it and use it as an opportunity to help shape your strategy for the new era of financial services.

We can help from strategy through execution.



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