



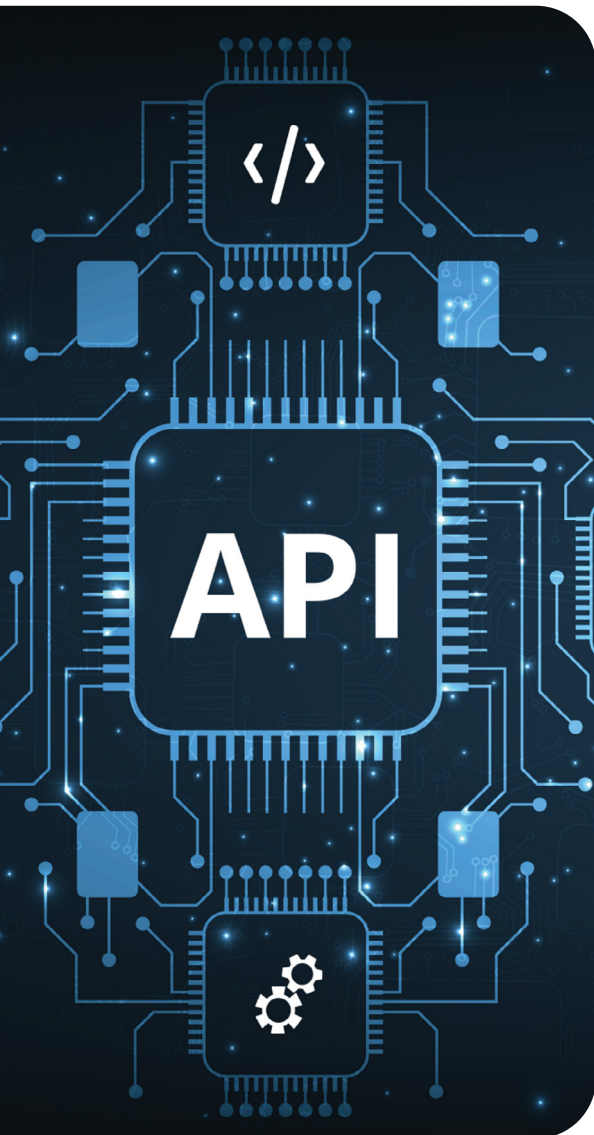
The API Value Proposition:

Digital Opportunities for Your Financial Institution



APIs are at the center of much of the innovation happening in digital banking today. As your digital banking provider begins to rely more on API technology to build connections to innovative offerings, your institution may have questions about what APIs are and how this technology impacts your digital banking platform.

The most important thing to consider, however, is how APIs can help you deliver value for your institution, and ultimately, your users. When you select a provider with expertise in enabling APIs, your institution gains a front row seat to innovation and can take advantage of an array of products and services that will enhance your users' digital banking experience. Read on to learn more about the technology and why it can be a differentiator for your financial institution.



What Is an API?

An API, or application programming interface, is a software interface used by different programs to communicate with each other. An “application” generally represents any software application that provides services and processing to serve a business need.

Today, APIs are used almost everywhere. A “smart” device gets its smartness from using APIs to provide its features. A smart TV that streams HBO Max, Netflix, or Hulu, for example, uses APIs to request content catalogs from the streaming services and to stream the content. The apps on your smartphone or other mobile device are all powered by APIs. Most modern web applications use APIs to pull content to the app and submit requests to the hosted services.

Yesterday’s rigid server-based architecture was not built to support innovation, and as web technology evolved, developers turned to more flexible modern web apps, which use APIs to fetch content and update the interface as the user interacts with it. By using APIs as an architectural structure, developers can deploy enhancements quickly and effectively, users gain a more seamless experience, and financial institutions can access innovative products and services much faster.

Before the advent of APIs, applications worked by requesting pages from an application server. The server generated HTML pages, which the browser displayed. This meant the application’s capabilities were locked into one user interface design that was hard to change. By exposing the system’s features with APIs, it is possible to use those features in different applications or combine them in new ways. Modern web apps use APIs to fetch content and update the presentation as users interact with it, allowing application designs that can change independently of the back end. This improves the user’s experience, new features are easier to deliver, and applications are easier to change.

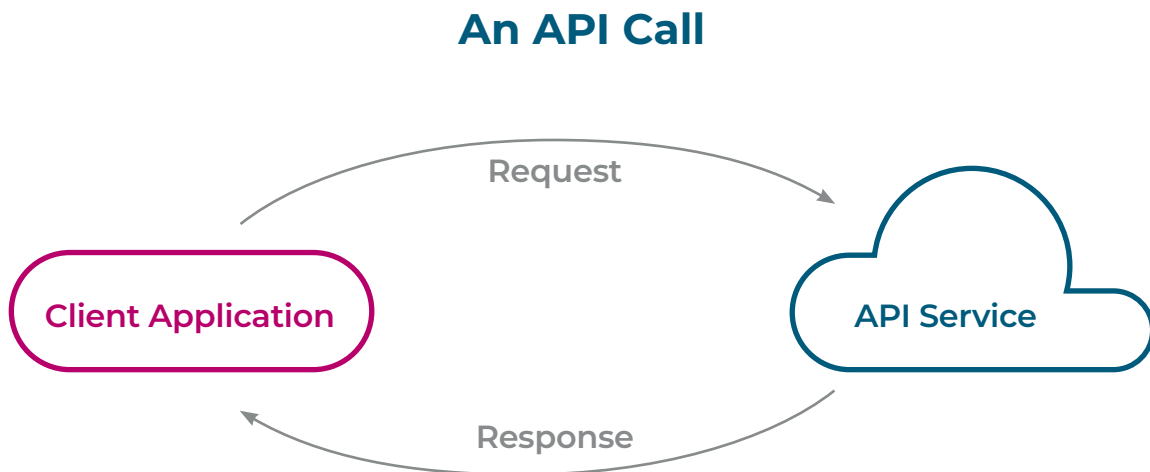
APIs In Action: An Example

Let's follow how a specific digital banking function—scheduling a transfer—uses API functionality. The banking application user follows these steps:

1. Navigate to the digital banking page to request an account-to-account transfer.
2. Select the account to transfer funds from.
3. Select the account to transfer funds to.
4. Select a date for the transfer.
5. Enter transfer details, including dollar amount, transfer frequency, and recurrence.
6. Click the Transfer button to schedule.

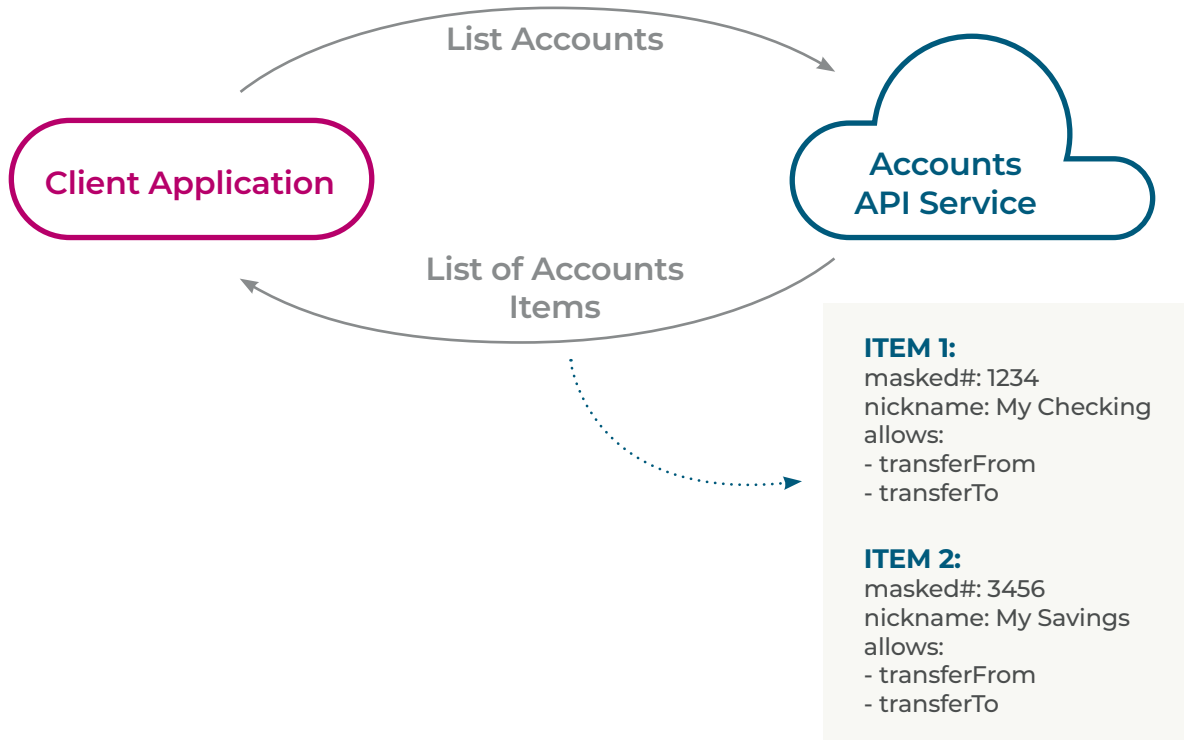
Behind the scenes, several API calls may support this example.

An API call is software construct that allows a client application (such as a digital banking application) to request a back end service to perform an action. The client app sends a request. The API service receives the request, validates it, and executes business logic to perform the requested service, then returns a response to the client. The diagram below shows the flow of information between the client and the API service in a typical API call. For Web APIs, the data flows across secure, encrypted internet connections.



The API is invoked when the user needs a specific service, for example, when a user schedules a transfer. For example, the client begins by making a request to an Accounts API service, asking for a list of the banking customer's accounts. The Accounts API responds with a list of account items. Each account item contains details including the account's nickname, masked account number, and whether the user has the proper entitlements to transfer money from or to that account.

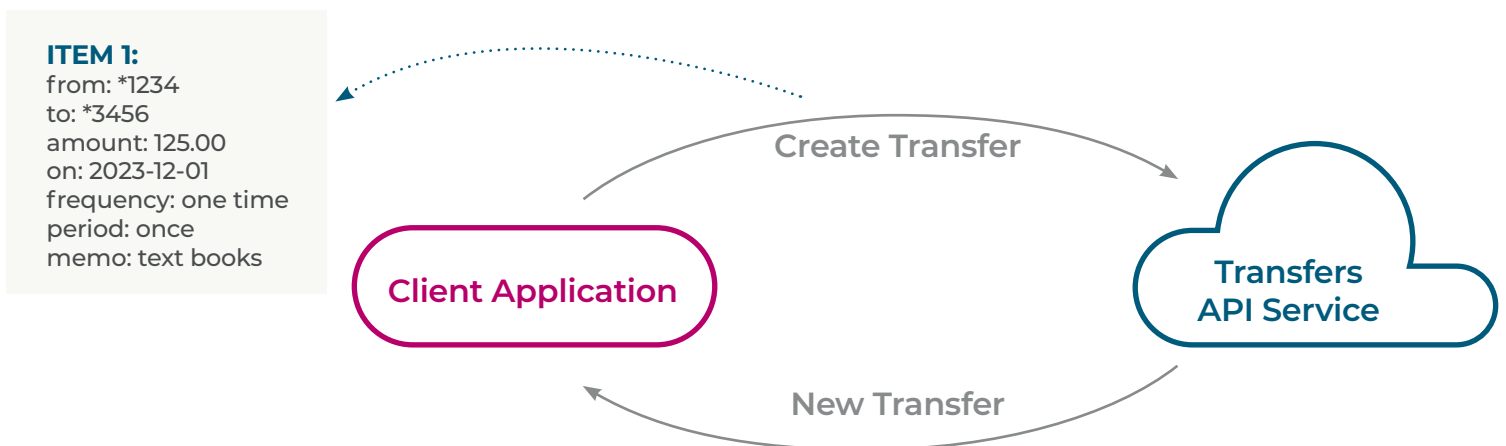
An API Call: List Accounts



The API Call to List a User's Accounts

The client application then uses this information to list the accounts the user is allowed to transfer to and from within the user interface. The user selects the transfer's source and target accounts from these lists, respectively. After the user enters all the necessary transfer details (amount, date, frequency, etc.) and clicks the Transfer button, the client makes another API call, sending all the appropriate transfer data to the Transfers API service, asking it to schedule the transfer. A response from this call confirms that the transfer is scheduled or lists any errors that have occurred while processing the transfer request.

An API Call: Create Transfer



The API Call to Create a Single Account-to-Account Transfer

This pattern is repeated over and over, throughout the application for API-supported activities within the digital banking solution.

Fueling Industry Adoption

API technology is not new, but its use in financial services is growing dramatically. In fact, the global API banking market—estimated at 3.5 billion in 2023—is expected to increase to 17.5 billion over the next 10 years.¹

As the industry moves toward open finance, many banks and credit unions who previously used APIs only for internal purposes are now seeking to leverage the technology in new ways. In fact, 70% of financial institutions use APIs for internal services, with only 30% using them externally. Although only one in five of these APIs is truly “open” to the public, financial institutions plan to double the number of public APIs by 2025.²

With more public APIs, financial institutions can make services available to partners and the public, widening ecosystems and laying a foundation for open finance opportunities. This expansion can fuel the launch of entirely new business models. And by giving partners access to banking services such as loans or accounts, these partners can develop complementary products, increasing the bank’s reach and opening up new distribution channels.

Using APIs to Elevate Your Digital Banking Experience

APIs are a critical part of modern digital banking solutions, providing your financial institution with ways to expand your capabilities and offer enhanced experiences to customers and members. With APIs, you can evolve your capabilities in three primary ways—enabling features inside a digital banking solution, expanding digital capabilities by connecting to various fintech partners, or embedding banking capabilities inside a partner’s software.

1. Enabling In-Demand Features: Digital banking solutions can leverage APIs to offer customers or members quick access to features. Not only can users check their balances on mobile devices by using APIs, they can also perform more complex actions, including reviewing and approving ACH payroll batches, scheduling wire payments, and managing CD renewal settings. APIs also drive new customer enrollment through digital account opening solutions while enforcing your Customer Information Program requirements.

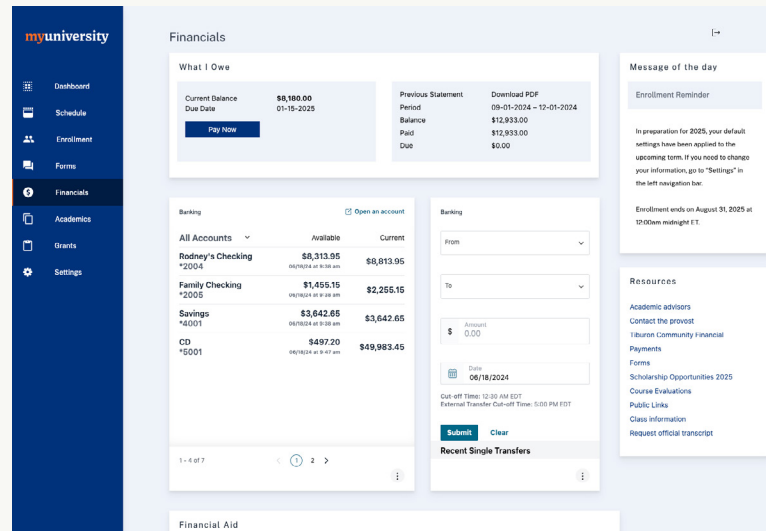
2. Expanding Digital Capabilities: Through APIs, digital banking providers can integrate directly with fintechs, allowing your financial institution to enhance available features or simplify complex processes like external account verification. API technology enables fintechs to be nimble, delivering valuable products and services to market quickly. By using a modern digital banking solution that uses APIs to connect with best-of-breed fintechs, your institution can deliver better, more sophisticated capabilities to your users.

3. Using Embedded Banking Capabilities to Expand Reach: Embedded banking is a strategy that enables you to expand your geographic footprint without the need to build new branches. It works by embedding various banking capabilities—such as opening a new account, making a transfer, or checking a balance—directly within a third-party partner’s software application, eliminating the need for users need to switch from the partner’s solution to your institution’s online or mobile banking solution. By providing access to banking services where users already are, embedded banking delivers added convenience for new users while helping you gain new ones. Look for a digital banking provider who can do the heavy lifting of building, securing, and managing APIs and fintech partner relationships on your behalf. For best results, focus on use cases important to your end users—but don’t limit yourself. See the following scenario for a practical example of the technology.



Embedded Banking Explained

Embedded banking happens when financial institutions empower non-bank partners to offer financial services inside of the partner's digital experience. With an embedded banking strategy, you can meet users where they already spend their time instead of requiring that they visit your branch or access online or mobile banking. This example demonstrates how banking can be embedded in a university's student portal, giving students and parents the ability to make a tuition payment, check loan and account balances, and transfer money from their financial institution directly within the portal.



Getting Started with APIs

The key to securing innovation for your users is to work with a digital banking provider who has expertise in API development and integration. Some solution providers even give you the flexibility to choose your own fintech that can integrate with their digital solutions—an approach that may require some technical staff to facilitate the integrations at your institution.

As you or your fintech partners roll out new features based on embedded components and APIs, your role will be to approve any integrations the APIs enable for your financial institution. Now is a good time to begin working with your digital banking provider to understand the implications of using APIs, including how to manage API security.

APIs offer the possibility of building new experiences that have not been imagined yet. The ultimate benefit of APIs is that they enable innovation, new capabilities, and new experiences—and by extension foster happier customers, increase customer loyalty, and drive business growth. A digital banking provider like Apiture can partner with your institution, using API integrations to bring your unique vision to life.

[Contact us](#) to learn how.



About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the U.S. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger institutions to supporting growth through innovative data intelligence and embedded banking strategies. With our API-first approach, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking, and a team with hundreds of years of collective experience working at U.S. financial institutions, means we're dedicated to meeting the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

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