

# Banking and Payments **BULLETIN**

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## **API security in the banking and payments ecosystem**

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Pandemic recovery fuels card spending in Latin America

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Banks optimise ATM fleets with advanced software

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French non-cash payment fraud declining and evolving

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How issuers use card design to attract and retain customers

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## **Country profile: Mexico**

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## Do secure APIs provide the keys to the kingdom?

APIs are revolutionising the world of banking and payments, but it has taken a while to get

to this point, and there remains wide disparity in their use across geographies and between institutions. The USA is only now starting to embrace APIs and open banking, while in Europe the Payment Service Directive (PSD2), which imposed a minimum level of open banking and API use, came into force back in January 2018. Initially banks adopted APIs because they had to – to comply with regulations. Many did not initially embrace APIs, partly owing to a lack of expertise but also because of doubts about the value they bring. This is changing, with banks becoming increasingly confident of the benefits of APIs for business automation, scalability and speed of deployment – initially as a way of reducing costs but more and more as a driver of revenues.

It is not just a question of confidence, however, as banks have also been modernising their IT infrastructure, removing legacy systems which were previously obstacles to innovation in the digital space. Banks still need to evolve their business processes to make full use of the power of APIs, but they are much better positioned to do so than they were in the past.

Growth in open banking and use of APIs brings huge benefits to end-users as well as the wider financial services industry, but it also increases risk, as discussed by Datos Insights' cybersecurity expert Tari Shreider in a feature on 'API security in the banking and payments ecosystem' in this issue of the *Bulletin* (see page 5). As Tari argues, aggregating data from multiple sources and combining this with use of artificial intelligence and machine learning gives you the "keys to the kingdom" – but only if this can be done securely.

Because open banking reaches across multiple organisations, it opens multiple potential access points that can be breached. As a result, APIs are one of the most targeted components of financial systems by hackers. The good news is that having an API security model in place can mitigate many of the risks, and our feature article walks through six core components of such a model: governance, access control, discovery, security protocols, testing and monitoring.

To quote Tari again, "APIs are the future of the financial services industry... and secure APIs are a prerequisite".

Dominic Hirsch, Editor-in-Chief

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