The future of investment management

Open application programming interfaces

Mohit Mehrotra
Partner
Consulting
Deloitte

Application Programming Interfaces (APIs) allow organizations to leverage their existing IT assets to generate new business value via mobile apps, connected devices, and the cloud.

APIs have been elevated from a development technique to a business model driver and boardroom consideration. An organization’s core assets can be reused, shared, and monetized through APIs that can extend the reach of existing services or provide new revenue streams.

Applications and their underlying data are long-established cornerstones of many organizations. All too often, however, they have been the territory of internal R&D and IT departments. From the earliest days of computing, systems have had to talk to each other in order to share information across physical and logical boundaries and solve for the interdependencies inherent in many business scenarios.

The trend toward integration has been steadily accelerating over the years. It is driven by increasingly sophisticated ecosystems and business processes that are supported by complex interactions across multiple endpoints in custom software, in-house packaged applications, and third-party services (cloud or otherwise).

The open API-oriented approach toward technology architecture is generating lot of attention. APIs are expected to reduce the time to market for various products/services and lower the cost of build by “plugging in” with open API.

APIs in financial services

The growth in banks and financial services firms exposing APIs to their legacy systems is primarily driven by the need to deliver more functionality and faster time-to-market. For example, when launching a new digital bank, if every single feature of the digital bank was built in-house, it would take a huge amount of time and investment to build all the functionality needed to run such a bank. Instead, the bank can leverage best-of-breed software and integrate them into their solution via APIs.

Similarly, in the case of the investment management industry where market data is the lifeblood of any organization’s business, getting accurate and timely market data in the requisite format continues to be a time consuming and evasive process. However, these businesses now have the option of linking their systems with external data feeds, which provide real-time, historical, and reference data without the need for complex in-house data management systems. These offerings can also be potentially sold by investment management firms as additional products over and above the suite of investment management offerings.
The evolution of APIs

There are more than 12,000 APIs that give fantastic opportunity for investment management firms to explore ways to further develop the next generation of technology play.

01
1960-1980

Basic interoperability enables the first programmatic exchanges of information

02
1980-1990

Simple interconnection between network protocols

Sessions established to exchange information

Object brokers, procedure calls, and program calls allow remote interaction across a network

03
1990-2000

Creation of interfaces with function and logic

Information is shared in meaningful ways

New platforms enhance exchanges through middleware

Interfaces begin to be defined as services

Tools manage the sophistication and reliability of messaging

04
2000-today

API layers manage the operational and business support of integration

Businesses build APIs to enable and accelerate new service development and offerings

Currently APIs are increasingly scalable, monetized, and ubiquitous, with more than 12,000 listed on Programmable Web, which manages a global API directory
The open API-oriented approach toward technology architecture is generating lot of attention.
To manage the cost of building and delivering solutions, service providers need to consider development on clear standards that help in articulating this across not just the entire technology organization but also the business. This makes it easier to develop various ecosystems not just with small corporates but also large ones.

The degree of openness, elements of usability and/or re-usability, and how we can make the framework easy to interpret, as well other elements such as feasibility, stability, and transparency are key priorities of an API management framework. Organizations will need to think clearly about the transition from legacy architecture to micro-services and how these transitions will help them not only better manage the maintenance budgets, but also reduce time to market.

Here are a few vital questions firms should ask themselves before embarking on an open API journey:

01

How do we develop data standards around transaction data, reference data, and, more importantly, sensitive commercial data? Firms should consider elements such as data protection, data portability, and consent.

02

How do we build security standards that ensure the right level of authentication, authorization, and encryption?

03

How do we manage relationships with the various stakeholders such as data attribute providers, third parties, and customers?

In summary, organizations need to ensure APIs have the clarity of a well-positioned product—a clear intention, a clean definition of the value, and perhaps more importantly, a clearly defined audience. It is important to plant the seed of how business services and APIs can unlock new business models.

To the point:

- APIs allow organizations to leverage their existing IT assets to generate new business value via mobile apps, connected devices, and the cloud
- The growth in banks and financial services firms exposing APIs to their legacy systems is primarily driven by the need to deliver more functionality and faster time-to-market
- In the investment management industry, where market data is the lifeblood of a firm’s business, getting accurate and timely market data in the requisite format continues to be a time-consuming and evasive process
- With APIs, these businesses have the option of linking their systems with external data feeds which provide real-time, historical, and reference data without the need for complex in-house data management systems
- Organizations will need to think clearly about the transition from legacy architecture to micro-services and how these transitions will help them not only better manage the maintenance budgets, but also reduce time to market