Why APIs Are About to Transform Commercial Cards

The commercial card industry is racing to catch up with consumer offerings. Clients will be the beneficiaries, writes Eileen Wende, Commercial Cards: Digital Channels.

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Application programming interfaces (APIs) play an increasingly important role in making our lives easier, even if we aren't aware of it. These computing interfaces enable different systems, technologies and parties to interact seamlessly with one another. They already play an important role in global banking for both consumers and corporates, and look set to become ever more important for commercial cards in the future.

The adoption of APIs is not just being driven by the improved convenience and functionality they offer banking clients – although this is important. In addition, regulators and governments around the world are putting APIs at the center of strategies to improve the performance of national banking systems, increase competitiveness, and enhance security and resilience in the financial system.

Within the commercial cards space, banks and other card providers recognize the potential opportunities offered by APIs to create a connectivity layer that links ecosystems, technologies and organizations together and makes it easier to modify data and forge partnerships. As in the broader banking world, APIs enable these connections to be made much quicker and with fewer resources than in the past. That should help lower costs and accelerate the introduction of new functionality.

APIs ENABLE NOT JUST COMMERCIAL CARD ISSUERS BUT ALSO FINTECHS, CLIENTS AND OTHER PARTIES TO LEVERAGE EXISTING DIGITAL INFRASTRUCTURES OR BUILD NEW ECOSYSTEMS TO INTERACT WITH EACH OTHER AND EXCHANGE INFORMATION IN A MORE SYSTEMATIC AND SCALABLE WAY.

How can APIs deliver value?

There are three main types of APIs; private; partner; and open. In relation to commercial cards, private APIs are internal to a bank. They can be used to improve bank processes and increase operational efficiency by reducing the administrative burden. In particular, they have a role to play in overcoming a reliance on legacy technology, which almost all banks have built up over many years, without requiring its (costly) wholesale replacement.

Partner APIs currently offer one of the greatest opportunities for commercial cards. They can be either client or partner facing and enable banks to expand their ecosystems and improve inter-connectivity beyond traditional channels such as file or host-to-host channels. Partner APIs can be valuable in addressing the challenges of an evolving regulatory landscape. For instance, in the context of data privacy or security, meeting local or regional requirements has traditionally been time-consuming and costly. APIs developed by partners have quickly become an essential tool to meet such regional requirements and close regulatory gaps.

Public or open APIs, which are made publicly available to software developers and other parties, currently have limited use cases for commercial cards. In the consumer credit card market, issuers open APIs to third parties to allow their applications to access cardholder accounts, to provide account-related alerts or information about bill payments and fund transfers, for instance. In the future, as commercial card APIs become more mature, a use case for public APIs could emerge, allowing third parties to initiate financial services on behalf of a cardholder.

What do APIs mean for clients?

APIs enable not just commercial card issuers but also fintechs, clients and other parties to leverage existing digital infrastructures or build new ecosystems to interact with each other and exchange information in a more systematic and scalable way. By doing so, they help to create opportunities to reduce process complexity and improve levels of automation. However, all commercial card providers need to catch up with the advances that have taken place in the consumer credit card space.

The time is ripe for API innovation in the commercial cards market. Clients are increasingly doing business across different industries, with various commercial card use cases and potential challenges associated with managing commercial card program transaction flows. Multiple stakeholders and optionality inevitably increase complexity. An API-enabled ecosystem – rather than a file-based or web interface – helps to achieve greater flexibility and timeliness when exchanging such information.

While corporate client demand for commercial card APIs was initially driven by digital native companies and fintechs, traditional companies are increasingly interested in the potential use cases of APIs. Their goal is to gain low-cost real-time access to commercial card data, make real-time payments or perform account maintenance. This change is being prompted by the evolution of many companies' business models, including increased direct-to-consumer activity and a move to a 24/7 business environment. Although demand for commercial card APIs is currently strongest in APAC and EMEA, it is expected that North America will soon follow suit.

API use cases in commercial cards

One of the most important issues for commercial card programs is client onboarding. APIs and the use of developer portals helps to give partner or client developers an opportunity to code at their own pace and integrate with the bank in a more self-service way than has historically been the case. The use of APIs and portals helps to provides developers with a sandbox environment, code samples in different languages and the ability to explore the system and information available, reducing time to integration.

Typically, the developers in such circumstances would be fintechs that Citi is partnering with for specific use cases or, alternatively, corporate clients. For example, a corporate client planning to use virtual cards will need to integrate with Citi to generate unique card numbers. Another scenario might involve a corporate HR system that automatically sends an API call to Citi to apply for a corporate card for a newly onboarded employee.

In the consumer space, developer portals can be fully open, with few restrictions on which entities take part and how APIs can be used. However, for corporate banking – which necessarily involves significant financial assets – it is important to go through due diligence and KYC procedures (not least to meet regulatory and compliance requirements).

CITI'S ROADMAP INCLUDES VIRTUAL CARD PAYMENT INITIATION, LIFE-CYCLE MANAGEMENT AND TRANSACTION REPORTING.

More generally, it is essential that any API meets Citi's requirements for service levels and security. Stability, availability and quality of service are critical in financial services, for example, to mitigate against any risks. Keeping these requirements in mind, Citi's vision is to create an environment that is as open as possible in order to encourage innovation and creativity.

APIs are key to Citi's digital strategy

APIs are gaining momentum in the commercial cards space given their rapid deployment in the consumer card space and in other areas of corporate banking. However, APIs also clearly align with Citi's digital strategy of focusing on client pain points, in order to simplify our offering and deliver more value along the card account lifecycle – both before and after a commercial card transaction.

In line with these goals, Citi's roadmap includes virtual card payment initiation, life-cycle management and transaction reporting. The bank is also planning to use APIs for commercial card account maintenance, including setting credit limits, setting merchant categories accessible to cardholders, and account application functions through HR. In the future, Citi hopes to be able to use transactional data to provide clients with program insights in real time, highlighting potential savings or providing alerts when cardholders are spending with non-preferred vendors.