

Cybersecurity Challenges in the Era of Open Banking

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Abstract : The advent of open banking has revolutionized the financial services industry by fostering innovation, enhancing customer experience, and promoting competition. However, this paradigm shift towards more open and interconnected banking ecosystems has introduced complex cybersecurity challenges. This research paper delves into the multifaceted cybersecurity landscape of open banking, highlighting the vulnerabilities and threats inherent in sharing financial data across a network of banks and third-party providers. Through a detailed analysis of recent data breaches, phishing attacks, and other cyber incidents, the paper assesses the current state of cybersecurity within the open banking framework. It examines the effectiveness of existing security measures, such as encryption, API security protocols, and authentication mechanisms, in protecting sensitive financial information. Furthermore, the paper explores the regulatory response to these challenges, including the implementation of standards such as PSD2 in Europe and similar initiatives globally. By identifying gaps in current cybersecurity practices, the research aims to propose a set of robust, forward-looking strategies that can enhance the security and resilience of open banking systems. This includes recommendations for banks, third-party providers, regulators, and consumers on how to mitigate risks and ensure a secure open banking environment. The ultimate goal is to provide stakeholders with a comprehensive understanding of the cybersecurity implications of open banking and to outline actionable steps for safeguarding the financial ecosystem in an increasingly interconnected world.

Keywords : open banking, financial services industry, cybersecurity challenges, data breaches, phishing attacks, encryption, API security protocols, authentication mechanisms, regulatory response, PSD2, cybersecurity practices

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