



# BEYOND COMPLIANCE

Winning with Open Banking



**Banks and authorised deposit-taking institutions (ADIs) across Australia are subject to immense pressure to meet the deadlines for Open Banking. This can lead to a blinkered focus on compliance to meet these deadlines, replacing a broader innovation strategy that considers potential operating models, products and value propositions that Open Banking enables. These include substantial benefits available through the development of new ecosystems, value chains and customer experiences, based on trusted customer relationships.**

**This paper, authored by Salesforce and Accenture, outlines our view on the challenges and opportunities presented by Open Banking. By exploring practical approaches to devising and executing new business models, products and services, it serves as a guide to help you and your organisation shape your Open Banking strategy.**

## “Open Banking is exciting to me because it provides the opportunity for consumers to have safe and trusted experiences in bringing their whole financial lives into one place.”

Behavioural nudges and AI can then determine the actions required to deliver the next best step for a consumer. Put simply, consumers/SMEs stress over money—increasingly we will spread our financial lives, [and] it will become important to empower users to engage in their finances.

The opportunity to improve financial wellbeing will come through transparent financial products and the ability to seamlessly switch products and move money. With a broader data set, financial services companies can develop whole new risk and transaction

models. This will enable a shift for the less financially literate or less financially well-off getting access to better deals. The opportunity to remove complacency is vast, and with more transparent products the value of switching will be much clearer.

For us, ultimately, financial transaction data is the ‘thin end of the wedge’. Once data across other categories opens up (telco, utilities, insurance, etc) the opportunities to help consumers ‘get ahead’ become endless.”

**Gareth Gumbley**, Founder and CEO, Frollo



# Summary

**The global trend of broadening access to financial data, in order to stimulate the sort of innovation and competition that has been seen in sectors like travel, has arrived in Australia.**

This trend, often referred to as Open Banking, should be thought as an Open Data initiative, due to its manifestation here as part of the Consumer Data Right (CDR). Regulators have applied CDR rules initially to the banking industry, but they will also roll them out to the telco and utilities sectors, and potentially other fields such as superannuation and insurance.

Much of the analysis of the implications of CDR for banks has focused on compliance. More important, though, are its strategic implications: i.e. what banks must do to win in a market where customers allow data to flow more readily between organisations.

In our view, winning with Open Banking means customer data is not only shared to accredited third parties, but that Open Banking data underpins a more intimate understanding of customers, where personalised communication, offerings and, ultimately, customer outcomes are enabled. To achieve these ends the following factors need consideration:

**1. Create products or services with compelling consumer benefits.**

The approach adopted by the Australian government puts the consumer at the centre of this new world. Consumers initiate sharing of their data by consent. Will a bank, merely being compliant with the regulation, drive consumers to do this? Of course not: consumers will consent only when they see the benefits of doing so.

**2. Recognise that early opportunities for monetisation are more likely in the B2B sector.**

The media often focuses on retail consumer benefits from Open Banking, but in the world of CDR “consumer” can apply equally to small- and medium-sized enterprises and larger companies. There are clear signs that the business sector is likely to be responsive to, and will gain much from, Open Banking. Developing insights into business needs and pain points will reveal opportunities for new services.

### **3. Think like a third-party provider.**

Banks need to create new products and services by combining and analysing aggregated financial account data, non-financial data and other public sources of data. To win in Open Banking, consider how to use data held by others—for instance, a customer's account information from other banks or financial institutions combined with their own data and potentially other public sources, to offer new insights, offers or advice.

### **4. Leverage customer interactions to instil trust.**

Customers stand to benefit from analytics and artificial intelligence (AI) when these are applied for their benefit. Behavioural nudging and genuine advice to help customers will lay the foundation for a trusted partnership. Only those who consistently act in their customers' best interest, through offering timely, relevant and personalised insights, will retain their consent to share data through Open Banking.

**5. Recognise that Open Data, whether in banking or other designated sectors, will fuel ecosystem plays.** Banking is only one of the designated sectors that will be required to comply with CDR. The utilities and telco sectors have also been designated, and similar large data-holders, such as insurance companies, can be expected to be included in the future. This leads naturally towards the potential for an ecosystem play through the combination of analytics and insights drawn from financial and non-financial data sourced from within the members of the ecosystem.

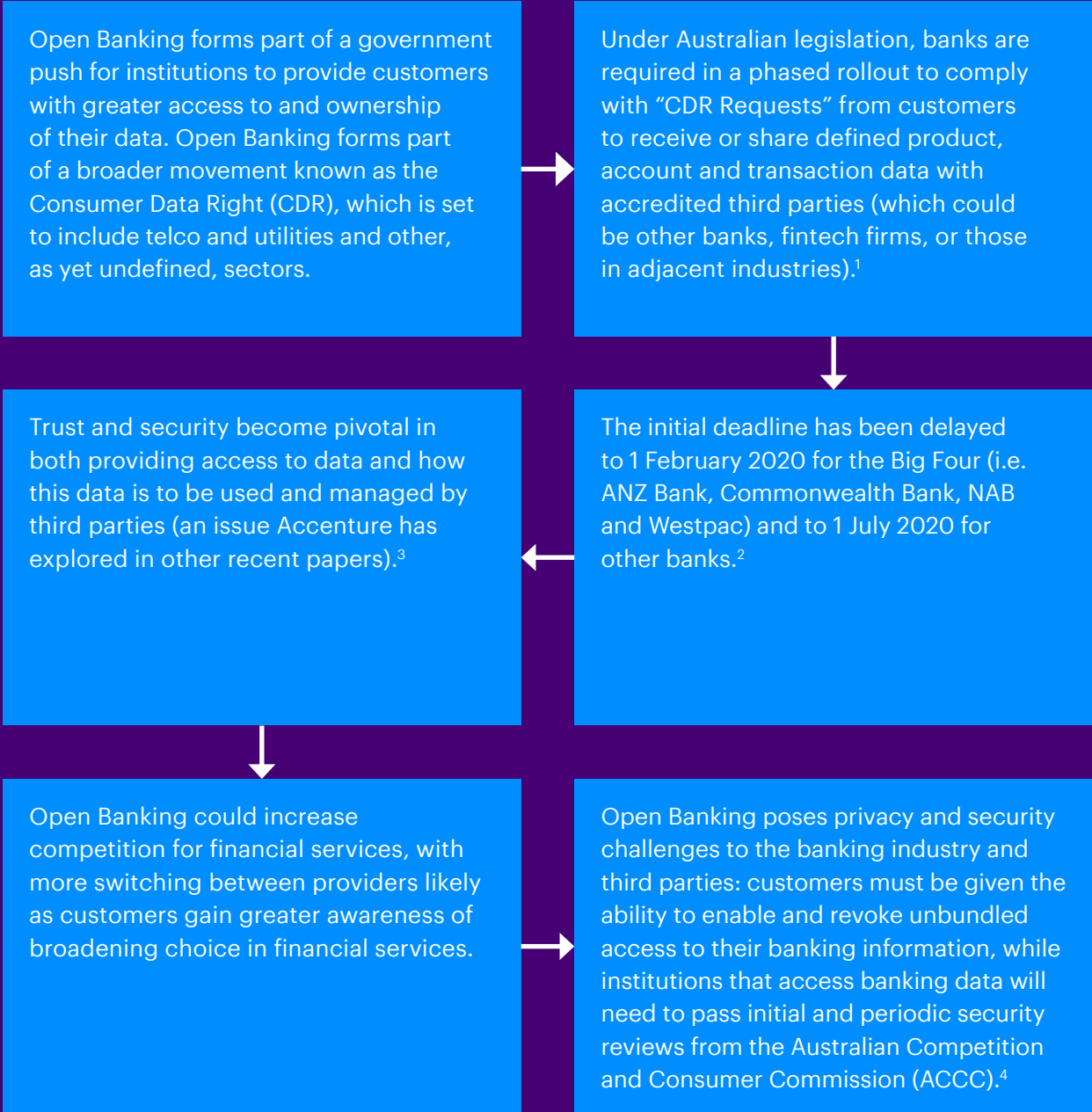
We believe a winning strategy for Open Banking must centre on these five factors. Moving beyond compliance means delivering on new customer experiences, retaining customers in the face of tougher competition and attracting new customers through compelling new products and services.

We believe the battle of Open Banking will also be won at the point of interaction that a customer has with an institution or service provider. Exploring what winning interactions could be in the future, as well as considering the kinds of external customer data to which you may lack access today, can help inspire the creation and execution of a winning Open Banking game plan.

**"Open Banking creates tremendous opportunities for financial institutions, especially once the compliance hurdle is crossed and there is a genuine commitment to understanding the customer and helping them achieve their financial goals."**

**Paul Chapman**, CEO, Moneytree

# The Consumer Data Right and its Implications



# Strategies for Winning in Open Banking

## 1. Create products or services with compelling consumer benefits

Going beyond the banking marketplace business model, Open Banking offers the opportunity to create customer-centric features that bundle together products or services across multiple service providers. Under the umbrella of an integrated bundle, a bank could provide customers real-time access to their and other bank accounts, products and offerings, and thereby aggregate value across multiple banks or fintech firms.

Such services may include consolidated transaction histories across all accounts, personal financial management tools, or sweeping and pooling features that enable customers to set up rules to move funds between different bank accounts automatically. These are just three of the more than 40 customer-centric features we are helping banks reimagine and operationalise.

## 2. Early opportunities for monetisation are more likely in the business sector

Early signs from Open Banking initiatives in the UK and mainland Europe are that the uptake of new related products and services is quicker in the business sector – and that this sector is more prepared to pay fees for delivered benefits. This is perhaps not surprising given that innovation has traditionally been slow in this sector, leaving many pain points unresolved, and their understanding of data sharing is more advanced than that of many retail consumers.

Furthermore, it is common for businesses to have multiple financial accounts, for which real-time aggregation services are therefore valuable. If such services are also linked with the ability to move funds quickly, they can provide even more significant benefits.

Emerging use case examples in the business sector include:<sup>5</sup>

### Commercial dashboards

- Treasury and control centre dashboard
- Optimised cash management
- Better spending controls and enhanced predictability

### Business lending

- Personalised lending products
- Faster loan processing

### Trade and receivables finance

- Improved operational efficiencies
- Move away from expensive proprietary methods

### Customer onboarding

- Simplified approval and onboarding process
- Faster time to market
- Improved customer experience

### 3. Think like a third-party provider

Compliance with CDR requirements entails only that the data holder (e.g. a bank), when provided with a valid request for data from consumers or accredited third parties, makes that data available. While this is a useful service, it does not provide any benefit to the data holder and therefore on its own cannot be a winning strategy.

However, there is nothing stopping a data holder adopting more proactive strategies. These include, for instance:

- Distributing data via an ecosystem of fintech or other service partners to provide a 'banking-as-a-service' offering.
- Incorporating data from other data holders and other public data sources via a combination of proprietary or third-party products and services to create a 'marketplace' or 'banking-as-a-platform' offering.

**“We cannot lose sight of the fact that data exchange has to make sense for the person involved. If you start your product-thinking with your person hat on, you won't go too far wrong. Added to that, never forget that people don't really care about money or data. They have lives to live. The killer applications of Open Banking will be anchored in that reality.”**

**Lisa Schutz**, Managing Director, Verifier

Emerging use case examples in these areas include:

#### **Personal account aggregation**

- Providing one simple portal to show aggregate positions and balances for the digital customer

#### **Spending analysis**

- Optimised, simplified cash management
- Better expense control

#### **Savings**

- Budgeting based on spending patterns
- Better control resulting in better savings
- Saving on late payment or overdraft fees

#### **Credit and lending**

- Accurate and more reliable credit decisioning
- Faster decisioning through additional data sets
- Improved customer experience

#### **Soft credit checks**

- Allowing credit providers to conduct instant soft credit checks to streamline the buying process
- Improved customer experience

#### **Insurance**

- Improved transparency
- Cheaper insurance for cleaner financial history
- Improved claim-settlement process

#### **Financial marketplace**

- One-stop shop for all financial needs
- Integrated third-party functions across investment, lending, pension, insurance, FX, payments and more
- Facility to compare product/services across vendors



#### 4. Use all customer interactions to educate and inform consumers about their rights, instil confidence and build trust

Customer queries in relation to Open Banking are likely to take two forms:

- a) "I have been approached by (another bank/fintech/third party) offering me a new service if I give my consent to share my data that you hold with them. They called it my Consumer Data Right. I am just not sure (what this means?/if it is safe?/who they are?/how it works?)"
- b) "I have seen this new Open Banking service you are offering via (email/website/ad) but I understand that I need to give consent for my data from other (bank/utility/telco) accounts to be shared with you. How does this work? What will you do with my data? Will you keep my data safe? Will you give my data to other people as well? What happens to my data if I decide not to continue with the service?"

This is a new type of interaction for banks: neither a traditional sales nor service interaction, but rather one that brings sales and service together. Permission dialogue, capture and maintenance needs to be real-time and as simple as possible, but must also provide clarity to a customer (and front-line staff) on precisely what is being agreed to.

This is a new mindset for a bank, and perhaps a difficult one, as it is less about selling a product or responding to a simple request than helping a customer subscribe to, and understand the implications of, a completely new service. Banks must have answers ready for the following questions:

- What is the bank's story of how the customer benefits from providing the bank with visibility of their banking behaviour at other institutions?
- What is the bank's commitment to the customer for using this data?
- What control does the customer have if they decide to change their mind?

Banks need to provide real-time visibility to customers of what their data is being used for and who is accessing it. Consequently, data access history is becoming as important as accessing transaction history.



## 5. Open Data, whether in banking or other designated sectors, will fuel ecosystem plays

A recent survey of business leaders across various industries found that 76% believe current business models will be unrecognisable in the next five years, with ecosystems being the main change agent.

In a World Economic Forum report prepared in collaboration with Accenture, an ecosystem is defined as a network of cross-industry players who work together to define, build and execute market-creating customer and consumer solutions. An ecosystem is characterised by the depth and breadth of potential collaboration among a set of players: each can deliver a piece of the consumer solution or contribute a necessary capability.

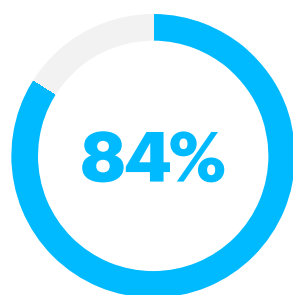
The power of the ecosystem is that no single player needs to own or operate all of the components of the solution, and that the value the ecosystem generates is larger than the combined value each of the players could contribute individually.<sup>7</sup>

With ecosystems in mind, what might a business customer demand of a bank?

- **“Be a business partner, not a banker, and bring my business new customers and volume.** Provide access to your customer base and help me grow. When gathering customer permissions for use of their other account data, also ask if they would be open to receiving offers from a carefully selected set of partners that could help them achieve their goals and aspirations. Integrate into my APIs to provide real-time fulfilment and servicing.”

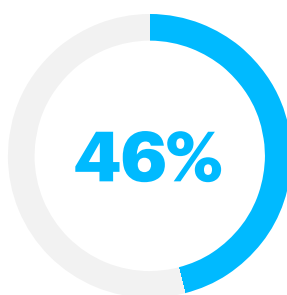
**“76% of business leaders surveyed agree current business models will be unrecognisable in the next 5 years—ecosystems will be the main change agent.”**

**Ecosystems are at the heart of future firm success...**



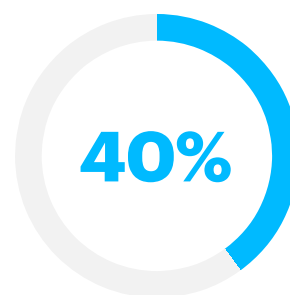
of leaders surveyed say ecosystems are important to their strategy

**...but less than half are actively cultivating them...**



of executives are actively seeking ecosystems and new business models

**...and most admit they don't have required capacity and experience**



have the capacity and experience to understand an ecosystem, build the structure and value exchange, measure success, manage relationships, etc.

Source: Accenture Survey of 1252 business leaders across multiple industries  
Source: Cornerstone of future growth Ecosystems<sup>6</sup>

- **“Step up and lead ecosystem plays my business can join.** We can create both of our futures, together.” With an ecosystem play, a bank co-creates and assembles a team of partners, aggregating individual company products and services into a differentiated offering to go after untapped customer needs or market opportunity.
- **“Provide key services in my ecosystem plays, should I choose to create one or more.** Be ready to run at the pace I need to innovate. Have necessary infrastructure and APIs ready to scale. Be confident to represent the role you want to play, and the services you’ll contribute. My ecosystem plays will need more than just funding and cash management capabilities from you.”
- **“Help my business adopt a common customer identification across the ecosystem my business participates in with you.** Provide an ecosystem view of the customer, across different entities, to dramatically lower the cost of sharing customer insights, providing customer offerings, and servicing customers for all participants.”

**“Now is the first time that customers will see a huge benefit in sharing their own data! Until now, banks only had a small window into the customer’s finances solely based on the relationships they have with their products. Open Banking exposes a transparent and complete view of that customer. Customers will discover that by sharing a full financial picture of themselves, they will be offered tailored services and products—just for them. Imagine if a customer was offered a mortgage rate specific to that individual’s situation—they can be rewarded based on how they manage their money.”**

**Damir Cuca, CEO,  
Basiq Open Banking Platform**

# Execution Components

**In order to execute in an Open Data environment, banks must use a combination of enabling technology to incorporate optionality and prepare the business for increased collaboration with peers and adjacent industries.**

## Connect and secure

Banking systems require an **integration layer**, liberating data from systems in a repeatable, secure fashion. This must be capable of sharing data both internally and with accredited third parties as mandated through Open Banking. To protect customer data, consent dashboards empower customers to determine which data is shared with nominated third parties, and for how long.

## Organisational memory

Bankers require a current, informed, aggregated view of their customers. A consolidated, accessible customer record, via Customer Relationship Management, will empower staff to offer advice that is relevant and personalised, informed by bank interactions and augmented by any data feeds from third parties.

## Onboard and empower

Value-added partnerships and innovation via third-party development require a considered strategy. Using a “build it and they will come” approach is insufficient to optimise third-party participation. A combination of capabilities to onboard, enable, evangelise and measure updates is needed.

## Engaging experiences

The Open Data movement will accelerate innovation across industries as existing and new firms stand to be flush with new transactional data to underpin value-added services. The industry needs technology to allow for rapid development and innovation. Elastic scaling, privacy and links back to customer records are some of the key capabilities that enable for this rapid innovation and ideation.

## Organisational considerations

Interdisciplinary working groups are needed to optimise a bank’s response to Open Banking. A programmatic response calls for input and commitment from technology/digital, compliance, customer advocacy, product, marketing and distribution functions. Ensuring that all voices are heard will lead to solutions with built-in optionality to empower a range of business drivers, with customer outcomes at their centre.



# Conclusion

**Australia's Open Data movement follows a global trend, providing greater choice for customers and access to markets for new entrants. The financial services industry is at an inflexion point as it transitions to new operating models underpinned by Open Data. We see tremendous opportunities for organisations to move beyond compliance to win in Open Banking as they shape truly compelling and personalised consumer benefits.**

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