



EMBRACING TECH IN FINANCIAL SERVICES EPISODE: OPEN BANKING TRANSCRIPT

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Tim: Open banking is a term we've been throwing around for some time. But what's really happening in the technology space, what's going on overseas? And as the deadline for compliance gets closer in Australia, are we ready?

Presenter: Welcome to Embracing Technology in Financial Services, a podcast brought to you by Accenture. In this 16-part series, we will hear from experts to uncover the latest in technology and trends in financial services. Now, here's your host, our practice lead, Tim Broome.

Tim: I'm really excited to be joined today by Graham Rothwell and Mike Aston from the Global Payments Practice. I've not seen either of you for some time now and, I'd say old

colleagues, it's a real pleasure to be back with you again.

Graham: Thanks Tim, it's great to be back here as well. I've been working in Asia for the last eight months but it's good to be back in Australia.

Tim: How was Asia?

Graham: Hot.

Tim: And Mike?

Mike: Yeah, Tim, yeah, it was a while since we worked together in Melbourne. Good team, though.

Tim: Good team, happy days.

Mike: Yes, indeed.

Tim: So today, we're gonna explore open banking. You're both experts in this field and we wanna explore: what is open banking, what's it mean to consumers, SMEs, corporates, and the landscape in general. So, what is open banking and what does it mean for Australians? Mike, what are your thoughts on that one?

Mike: A big topic so I'll try and keep it short to start with 'cause I'm sure we'll get in to some of the detail as we talk about this in the banter that we normally have. A lot of people are probably familiar with the term now. This is a campaign that's going around the world, a trend that's



going around the world. You've heard of what's happening in the UK and Europe possibly and in short, it's about allowing people to have data that is held, in this case by a bank but it could be other organisations - we'll talk a bit more about what's happening in Australia with that - but data that's held by a bank, allowing that data to be shared with third-parties, with your consent, and those third-parties could be FinTechs, they could be other banks, they could be any organisation that is suitably accredited to have that data. And then they might, well, offer services, may offer other services, could be as simple as aggregating your data from all accounts, but it could go on to offer new services that arise out of that data.

Tim: Alright, and Graham: why now?

Graham: As the industry has become more digital across the world, what we're seeing is countries, regulators and banking systems wanting to drive more innovation and improve the customer experience. We've seen the rise of the FinTechs, we've seen the evolution of new digital services, the Bats, the Gaffers and all those sorts of organisations and the industries are looking to drive new capabilities and offerings to leverage the data that sits within the ecosystems and the new digital capabilities that are evolving. Australia has implemented the regulations which will go live in June of this year and then evolve progressively over the next few years through the consumer data right. It's slightly different, we'll touch on that shortly, it's slightly different to some of the other countries around the world. And if you've read some of the premise behind the consumer data right in Australia, it's all about driving innovation and improving the customer experience for people and organisations within the country.

Tim: You mentioned Europe, what's different about Europe versus Australia?

Graham: There's probably two key differences. Firstly, in Australia it is not just for banking. So, as Mike touched on, this is gonna roll out beyond banking to pick up utilities, telcos, etc and in fact, just yesterday I saw that the government has announced they're now working on the plans for the energy sector to be next cab off the rank in terms of open data in Australia. So, that's one difference. The other major difference is that in Australia, it's really just around providing access to data, so it's a read-only, if you like, capability that third-parties can tap into. In the UK and Europe, open banking and PSD2 regulation provides the read-only data capability but it also then provides what we call a right capability, which is the ability for third-parties to initiate payments back into the banking ecosystem. So, payment initiation is not part of the scope of the consumer data right in Australia.

Mike: Yeah, look, I think it's really exciting what Australia has done, I think it's interesting when you see these trends go round the globe, the following countries tend to pick up what's been done in another country and then add some dimension to it and I think the whole creation of the consumer data right - so rather than simply creating a regulation that the banks have to do, they've really given a right to consumers and consumers can be retail consumers, they can be SMEs, they can be corporates, they've given the right to them to have their data shared with third-parties. And that, banking is the first one but as Graham's mentioned, other sectors. And the reason I think that's exciting is, A: it really does put the consumer at the centre of this, the focus entirely there: consumer data right, there's the word right up front. And secondly, I think it does create a certain amount of competitive tension and challenge out there. The focus in UK and Europe has been pretty much entirely on the banks, it's been largely the banks just focusing on what do they roll out in the early stages of this trend. Here, with the fact that the government's already designated utilities and telcos as the next ones to have to comply with this, puts them on the map. And it's important to remember that they're key players in consumers' ecosystems. So financial services, yes, but also utilities, telcos, bills etc. So, who's gonna do what in there, is it gonna be FinTechs, is it gonna be utility techs, is it gonna be the banks who rise to the challenge to address this, are there gonna be other players who see this opportunity?

Tim: I think that's one of the keys points. So, you mentioned are the banks gonna rise up to



this. We've had a number of banks that have, probably, the cornerstone of the Australian banking industry. This sounds as though it's a pretty disruptive change that's coming in. Graham, you mentioned digital several times in your overview, what does it mean for the big banks?

Graham: It's a threat and an opportunity, is the way I'll describe it. And, whenever I'm talking to the banks about what they should be thinking about with regards to open data, open banking, I classify it into three layers.

So, the first layer is the regulatory compliance. So, this is gonna be a law, and so they are gonna need to comply with the regulations on that front. So, they need to do the bare minimum to make sure they are compliant, both from a technical and a business perspective.

The second, then, dimension they need to think about is how do they leverage this open banking capability to protect their existing franchise, they wanna make sure that they, they're not gonna get their lunch cut by any of the competitors, be it the other banks or the FinTechs or whatever. So, what are they gonna do to protect their existing business?

And then the third dimension that we talk about is how do they use this to attack new business opportunities, new business models, new revenue streams and those so forth.

So, we think about it in those three dimensions. Now, in fairness, the banks are very focused on the first one right now, which is the regulatory compliance. There's a lot of work to be done in a short period of time by June and then by February next year. The banks have also got a lot of other priorities on the table at the moment, as well - outcomes of the royal commission, other major programs. They've just finished doing major NPP implementations as well from a payments perspective, so they've spent a lot of money there and they have a lot on their plate. So, I think the focus for them right now is get the regulatory compliance out of the way, and then start thinking more strategically beyond that.

Tim: You mentioned royal commission. I'd say a lot of folks on the royal commission at this point, what does the royal commission do to plans around open banking? Are the completely independent, is there an overlap, how should people be tackling the two together?

Graham: I actually think the outcomes of the royal commission reinforce some of the premises of open banking and open data, because it's all about creating better transparency around products, pricing, transactions for consumers. And open data is all about that, anyway. So, I think some of the capabilities that we'll see get built through open banking, be it within the banks or the third-parties, will be quite aligned with the royal commission's ambition of improving transparency, improving accuracy, fees-for-service as opposed to fees-for-no-service all that sort of thing. So, I think it's quite aligned.

Mike: Yeah, and I think you touched on something key there. One of the key focuses is open banking here, and again, it's a subtle difference to some of the things that's happened in UK and Europe. Beyond your account information, which is part of the data that has to be shared and your transaction data which has to be shared, there's product data and that's not necessarily front and centre in other countries. Here it's pretty broad and that would be fees, charges, terms and conditions. So, a consumer, remember this, could also be corporates as well. The bank needs to make available and for it to be shared, information about its products and charges and fees etc. So, full transparency on what you're receiving, what fees you're paying for, what charges etc, what are the terms. And having that information out there, consistent, reliable, is a pretty interesting requirement that I think reinforces what's come out of the royal commission.

Tim: I think that we've got two competing forces going on in the world right now. There is on one side, this desire for faster, better, simpler. And on another side, fear of loss of control. And open banking seems to be pushing towards release people's data, make it more publicly available. Okay, we might get better products and there might be a speed associated with that but then there's the fear of loss of control. And I think traditionally we look at banks as being a place where my data will be safe. What does it do to all of that?

Mike: Yeah, look, it's a very interesting observation and one that's not lost in the



industry. Some people may be aware that there have been some delays in the process around the consumer data right legislation. So whilst July the 1st is, it's still a date in which some things have to happen, the full rollout of this has been delayed somewhat. And some of that is around the issue of the protection of data, including who owns it, and the banks probably justifiably have some concerns around the intellectual property of data that they may have added to or derived from the consumers' information. But the protection of that data and making sure that there are no major dramas out in relation to this because this information is being provided to third-parties. To be clear, there are some pretty clear controls, this is not just a case of you going to your bank in this case and saying "Yeah, you can just share my data, whatever, with this other party". Consent has to be given, it's timed consent, so it will time-out and you either renew or you don't and if you don't renew it, that information data has to be cleansed or given back or whatever the process is. And then the other element is there has to be a purpose for which that data is being shared. It's not just kind of thrown over the wall for them to do whatever with. So, the purpose has to be clearly defined and that will be part of the accreditation of the third-parties. But I think the banks are in a position, are in a strong position, as you said. They're regarded and trusted as custodians of data and I think you will see their hand, if you like, in guiding the regulation, in guiding the processes and the standards etc, in how this rolls out.

Tim: Graham, do you reckon people see their banking data as fundamentally different from their, the data which is on their mobile device which tracks everything they're doing, their Facebook data. Do you think that they are fundamentally different data that needs to be treated very differently?

Graham: I think the general public does perceive that to be different and we've done a number of surveys, consumer surveys, where the vast majority - two-thirds, three-quarters - of the population do not trust their banking data to be managed by anyone besides their bank. In other words, the banks have a window of opportunity here around trust for the data, and this includes the Googles, the Amazons, all of the big techs. They would prefer the bank to have their data than those big tech companies. So, I think they do treat that data differently to their mobile data, their GO data and all the other, their Google search data etc which the tech companies already have access to. So, one of the points of view we have when we're talking to the banks is actually, you have a window of opportunity here because you do have the trust advantage with the general public when it comes to that data. You should be leveraging that window of opportunity when you're thinking about new services you wanna build.

Tim: And if we can dive into the tech a little bit at this point. So, we've talked around the challenge and opportunity for some of the bigger institutions out there, but they've got a very different technology landscape to a new digital organisation that is almost built with the thought of data at the heart of everything. What do the banks need to do from a technology perspective to be ready for open banking?

Graham: Most of the banks have got the key building blocks under control from what we've seen and have been investing for many years now and building their digital capabilities, whether it's APIs, whether it's data analytics and big data warehouses, even sort of security, identity and consent platforms. So, where they need to be focusing though is how do we build a more agile operating model and delivery model around all of that. Because the opportunities are gonna come very quickly, and their ability to build new services and capabilities and get them to market at speed, within days, is gonna be very important.

Tim: That's interesting, 'cause I'm having a chat with Laura Entwistle about operating models and so we will dive into how organisations need to restructure themselves to be faster, more nimble.



Mike: And it's important to remember, and this is not new for the banks with the advent of real-time payments, but it's important to remember that this is real-time. The purpose of using APIs is that the information, the data that's being shared is available in real-time. And that's a dimension which holds a lot of complications in some cases - not just for banks, to be honest - I think for a lot of organisations where the availability of the data in real-time has not necessarily been a requirement, but it will increasingly now. And it's not just that it's, so if you're updating information, updating fees, charges or whatever, these things now have to be done, as Graham said, in an agile and an apt speed and in real-time. And that's quite a shift in thinking, I think, for a lot of organisations.

Graham: Tim, one other point I wouldn't mind making around the way some banks have been really successful, we've observed this in the UK and Europe with our open banking capability when it comes to the tech side, we talked about the operating model and agile and speed, but some of the banks that we've seen have been successful because they've also treated open banking as a product, not just something that the technology organisation has built. So they run it as a product line in the business, it has a product life cycle, refresh, all that sort of stuff, much like a tech company would manage their own APIs, whether it's a Microsoft or a Google or whatever. They have product life cycle capabilities wrapped around that offering and we've seen some of the banks like HSBC and Barclays, have created that as a product organisation with product ownership for their open banking capability and they have been more successful than the ones that have just done it as 'this is something the technology team needs to build'.

Mike: Yeah. Can I just, sort of reinforce that because I think people often make the observation, and again it's based on what we've seen in other countries particularly UK and Europe, in the speed of which there is uptake in people requesting this and things coming to market, requesting their data to be shared. And I think, let's be realistic about it, on the day after this becomes law, consumers don't wake up and go, "Hmm, I think I'll share my data today." The reality is it's going to be driven by organisations going to consumers and saying, "If you allow me to have your data, if you give instructions to the bank or telcos or utilities to share your data with me, I will provide you with this new service." And that's what will drive people then to do it. And so it really is about products and new services, it's all about what new services can be offered to consumers. We hear of aggregating accounts, account information but the view coming out of UK and Europe now is that's really a hygiene function. Pretty much everybody, and it will be the banks here we'll need to roll out that capability of the visibility of your accounts from different banks in one screen, in one portal, whatever. But this is really going beyond this in terms of what are the new services and products. So I think anyone looking at it from a perspective that 'this is about product, this is about a product strategy, about a service strategy' is really in the right frame of mind.

Tim: You mentioned aggregation. Can you just give us a bit of an overview of what aggregators are and what they're doing? And I guess what people get out of it?

Mike: And actually, it's not new, I mean in Australia we've had organisations that have used screen-scraping to provide that service. So today, even ahead of this, you can go to organisations and they will provide a screen, it can be on your mobile phone, on your computer and that, through screen-scraping, brings together what other accounts where you're holding funds and can provide that information. Challenge with that it's a view, it's not a real-time capability but in the open banking world through APIs, that means that you - if your bank happens to provide that service, but you have other accounts, you maybe have your mortgage with someone else, you may have savings with other people, that if they're providing that service they will be able to get that information based on you consenting to, them to have that data and they can bring all that data together.

Mike: So, you have now one view of where all



your funds are held, which obviously can be quite helpful in terms of having a universal view, and remember if product data is being shared as well with fees and charges, you may be able to make comparisons therefore, in terms of whether you're getting the best deal from where you're holding those funds and perhaps make a decision to move those funds.

Tim: That does sound like good for the consumer, which is ultimately everything what we're all about.

Mike: Absolutely.

Graham: And there's lots of good examples already in Europe and the UK around aggregators. I mean, ING's Yolt app which they've launched in the UK has been very successful. HSBC has also got a really good capability, as do the other banks. Idea Bank in Poland has launched a really interesting aggregation app for SMEs, so they're looking at multiple capabilities around that at the moment and the banks in Australia will be able to look at what's worked, what hasn't worked and how they can build similar capabilities here.

Tim: Mike, you mentioned corporate, SMEs, and consumers. What does it all mean for them?

Mike: Yeah, look, that's a really interesting question Tim, because we tend to defer always into thinking of the literal retail consumer in these things and getting information about your everyday account or your mortgage account etc but as I mentioned earlier, the consumer data right, although it uses the term 'consumer', does actually include in consumer, SMEs, corporates, it could even be a large corporate but there's some question on complexities around that with the consumer data right.

Mike: But the key thing here is we're already seeing, coming out of UK and Europe, some quite interesting developments in the corporate world, in the SME world, because you mentioned earlier some of the challenges around GDPR and some of the data protection issues and some of the reluctance that Graham talked about in people sharing their data. So consumer uptake has, whilst it's there, has been slow. But it's looking like corporate and SME uptake is quicker, organisations who realise that there is actually quite a significant benefit to open banking, getting shared data. Lots of corporates have multiple accounts, it's almost part of the business. And liquidity management, what funds are sitting where and having the availability of those funds to pay for things just in time etc, can be fairly critical to them. So, that aggregated view we talked about for corporates can be quite important. So, we're already seeing that trend there and I think it will be similar here. I think it's possible to see real value and quick value coming out of open banking, out of open data into SMEs and the corporate world somewhat ahead in some respects of retail consumers.

Tim: Okay, and Graham – any other considerations?

Graham: Yeah look, I mean unlike the regulation and the framework in the UK and Europe as I mentioned before, we don't have any payment initiation capability within the open data design for the Australian market. But, a lot of the new services that are really gonna benefit customers will require value transfer one way or another to make them come to life and, especially as Mike talked about in the corporate and the SME space. So, we've got the point of view which is actually it's the combination of open data that we're gonna see come through the consumer data right in the banking space along with the new payments platform, NPP, which started rolling out beginning of 2018. Bringing those two together will actually create the capabilities for third-parties, banks, FinTechs, to actually leverage the data, then initiate payments and create new value services for organisations. So we're quite excited about the combination of the two and what that means.



Tim: Yeah, really interesting. Okay, so every superhero has their kryptonite. Open banking has the general data protection regulation, GDPR. It strikes me as something that is creating challenges for the rollout of open banking. What are your thoughts on that?

Graham: So GDPR is an interesting one and it is going to provide a lot of counter to some of the ambitions and objectives of open banking. But I think it will do in a constructive way because it will still be doing it with the customer in mind. But it will pose some challenges such as the right to be forgotten, the protection of data, who owns the data. So, for example, if a bank makes some data available to a third-party and there's a problem with it or the third-party is compromised, where does the liability sit, things like that become quite complex. This is gonna play out over five to ten years, it's not something that the industry is gonna be able to solve in a matter of months. So, it's something that everybody's working very hard on. Data61, which is the, part of the CSIRO has been appointed by the federal government to come up with all of the standards for the data management and they're taking GDPR into account with that. All of that's public information on their website, you can see some of the standards that they're coming up with already so there's some pretty interesting reading on what they're doing there.

Tim: Okay, and lastly – I believe you've got an open banking roadshow on the horizon. Can you tell us a bit about that?

Graham: It's on the horizon because it's actually next week.

Tim: Coming quick.

Graham: Yeah, so we're gonna have a number of our SMEs from UK and Europe visiting APAC to meet with clients and regulators and industry bodies to talk about what's happening with open banking across Asia Pacific. Each country in Asia Pacific is actually at a very different point, both from a timing but also a design perspective on how they're approaching opening banking. So, we're gonna be spending time in Japan, in Singapore, in Thailand and Australia to talk about what that means for various organisations in those countries.

Mike: We've talked a bit about timeline, the regulatory timeline and I think there's an interesting issue here given that the government here has already designated other sectors and telcos and utilities. I think within that statement is a little bit of a call to action to the banks who may be looking at the timeline somewhat closely as really the driver here. And that is, Tim, you're a consumer and here's two scenarios: one is that you get your utilities information, your telco information, perhaps through a telco open banking portal. And by the way they can also reach out and get your banking information and aggregate that information. So, in this case, to a large extent the banks are sitting in the back seat of a car driven by the telcos in this case, it could be utilities. Or the other scenario is you go through your bank's open banking portal where you can get your aggregated information from other accounts but also get your telco and utility account information and perhaps do some comparisons and work out how you pay for them. So, those are the two scenarios, and the question to some extent for the banks is do you wanna be in the front seat of the car or the back seat of the car?

Tim: I mean, I'd look at that and think that there is a number of competing forces for banks on what is it that they want to be in the future. Do they want to be a core system of record, do they wanna be a disruptor, where do they actually want to sit and play. But it sounds as though as time progresses, it's not just the banks that are going to be thinking about this, everybody's now gonna be thinking about what is my role in a new future.

Mike: Yeah, good point. But I think it's a pretty interesting way to look at what's happening in Australia and open banking at the moment.

Tim: Graham, Mike, really appreciate your time. I know you're very busy and it's great spending this time with you.

Graham: Thanks Tim, always happy to talk about open banking.

Mike: It's been a pleasure, Tim.



Tim: And you can find out more on this topic by checking out the open banking forum with Alex Trott, that's on the 30th of April. If anybody wants any more information on this, please reach out to me, tim.broome@accenture.com or you can also catch me on LinkedIn. Thank you.

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