

# OPEN Banking

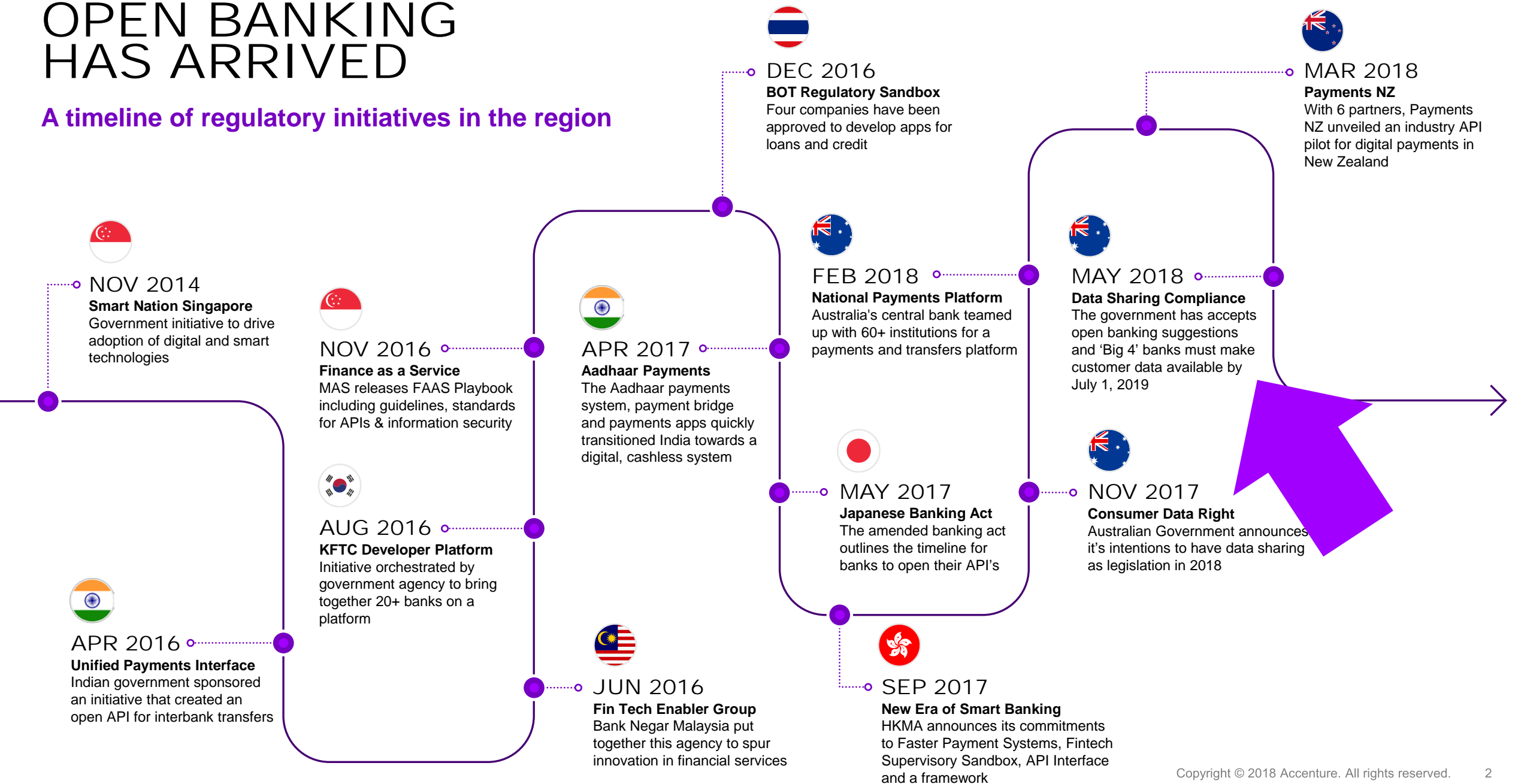


Mike Aston  
2 August 2018

**accenture**consulting

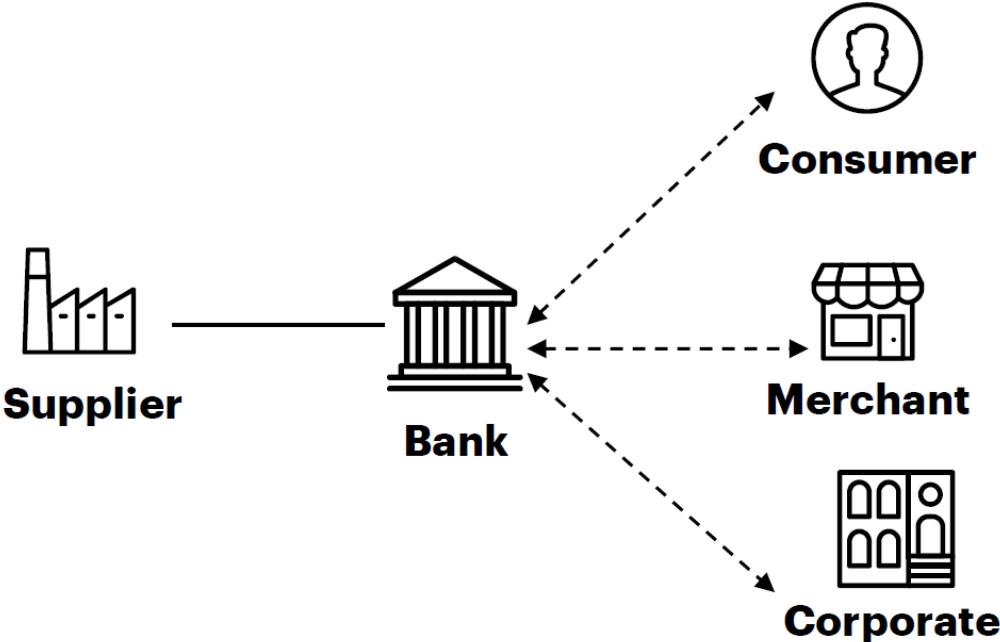
# OPEN BANKING HAS ARRIVED

## A timeline of regulatory initiatives in the region



# OPENNESS TO RESHAPE BANKING

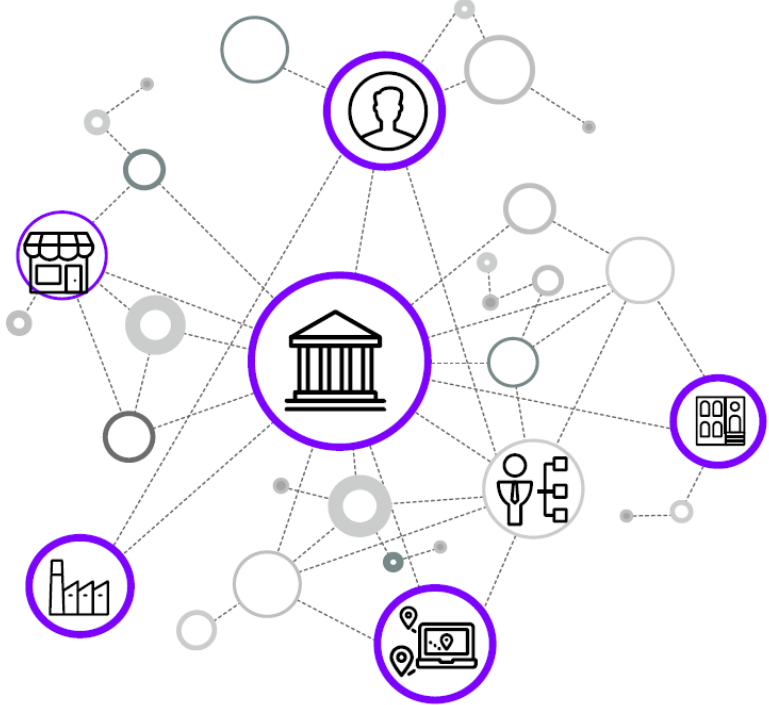
## TRADITIONAL BANKING



**DIRECT 1-1  
RELATIONSHIPS**



## OPEN BANKING



**ECOSYSTEM ENABLED  
RELATIONSHIPS**

# AGENDA

01

THE AUSTRALIAN  
PERSPECTIVE

02

LEARNINGS FROM  
EUROPE

03

OPPORTUNITY OR  
THREAT?



## Highlights of Australia's Open API framework

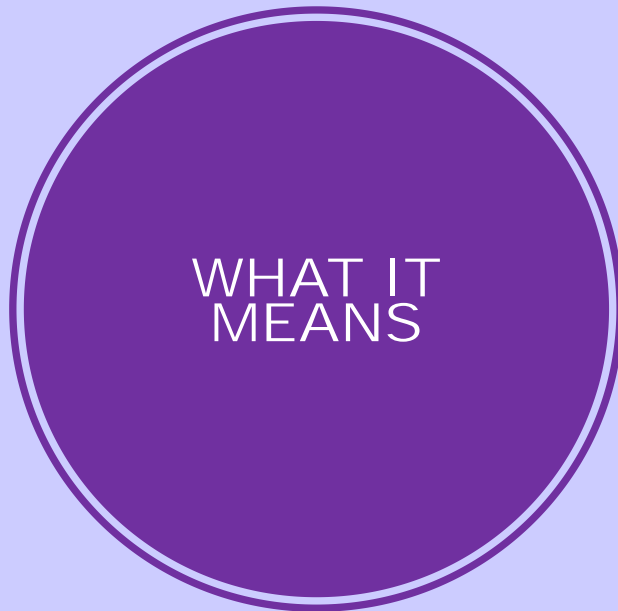
- The scope of data that must be shared by data holders includes customer-provided data, transaction data and product data (e.g., fees and charges).
- Value-added customer data or aggregated data sets are not required to be shared.
- The product range included in the scope is very broad across a large range of deposit and lending products for both retail and business customer segments.
- Data transfer would be completely free of charge.
- The data recipient can rely on the outcome of an identity verification assessment performed on the customer by data holders.
- Tiered accreditation system for data holders and data recipients will be based on the risk of data sets and participants—and with regards to existing license regimes for accreditation—would reduce costs for many participants.
- Multifactor authentication is considered a reasonable security measure. Any authentication measure adopted should be consistent with authentication requirements in direct interaction between the data holders and their customers.
- Screen-scraping is not restricted, but the alternative access mechanisms will be made very efficient, which will make screen-scraping redundant.

provided funding of 5 million over four years to ensure that the Consumer Data Right will be backed by well-credentialed regulators with strong enforcement powers.

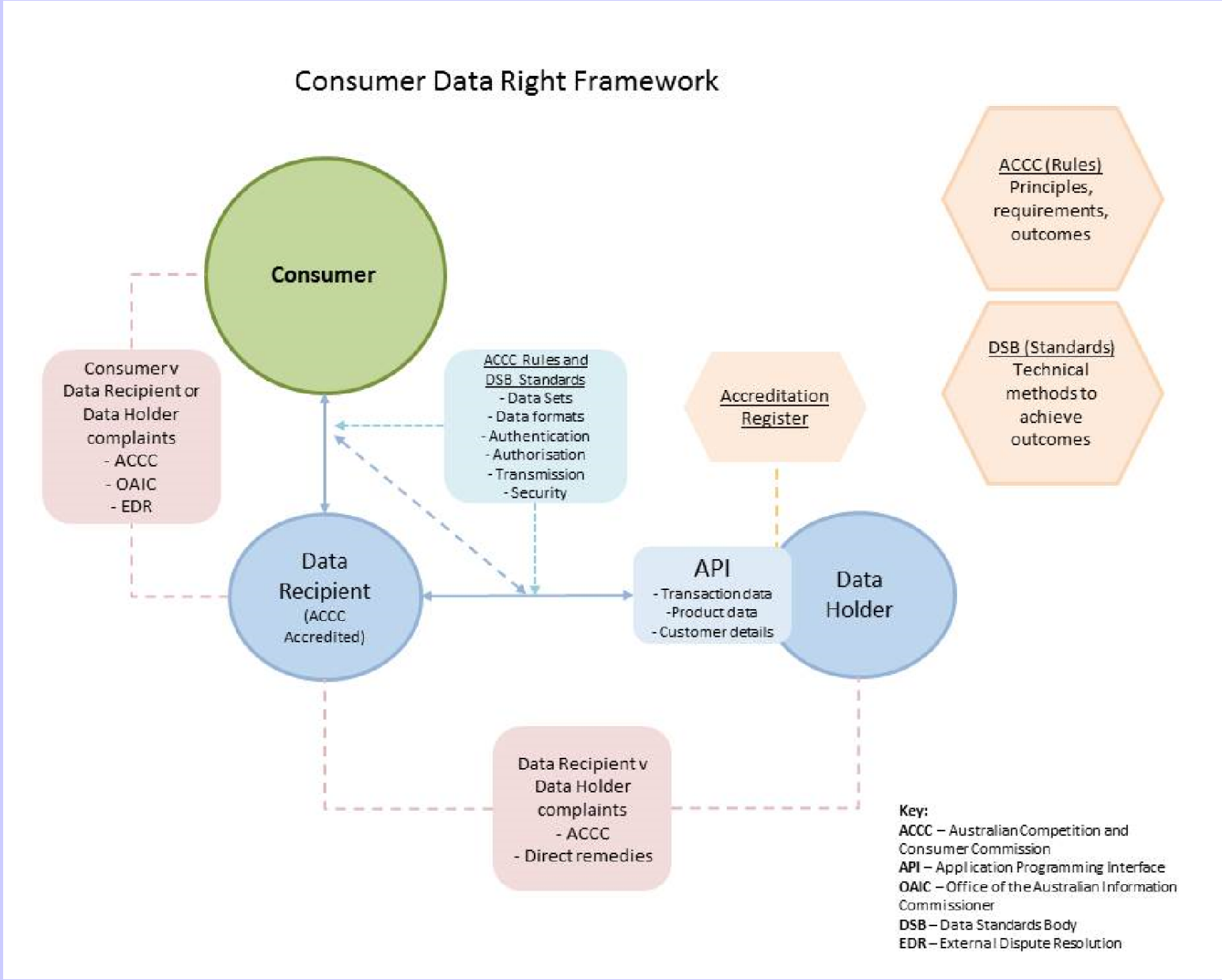
The Government will ensure the implementation of the Consumer Data Right will be informed by the findings of the Report of the independent Review of Open Banking in Australia.

The Government has agreed to the recommendations of the Open Banking Review on the design of the Consumer Data Right and how it will be applied to banking, with a phased implementation from July 2019.

The Government will consult publicly on the legislative design of the Consumer Data Right before it is introduced into Parliament.



A PICTURE





Deposit products	Lending products
Savings accounts	Mortgages
Call accounts	Business finance
Term deposits	Personal loans
Current accounts	Lines of credit (personal)
Cheque accounts	Lines of credit (business)
Debit card accounts	Overdrafts (personal)
Transactions accounts	Overdrafts (business)
Personal basic account	Consumer leases
GST and tax accounts	Credit and charge cards (personal)
Cash management accounts	Credit and charge cards (business)
Farm management deposits	Asset finance (and leases)
Pensioner deeming accounts	
Mortgage offset accounts	
Trust accounts	
Retirement savings accounts	
Foreign currency accounts	





WHAT  
PROTECTIONS

### These privacy protections will include:

- ✓ requirements that data can only be transferred under the Consumer Data Right at the direction of the consumer
- ✓ requirements for greater transparency and choice so that consumers control how their information will be used
- ✓ the mandatory accreditation of data recipients
- ✓ obligations regarding deletion of data
- ✓ the introduction of transfer, security and data standards via a newly created Data Standards Body (initially Data61)
- ✓ extension of *Privacy Act 1988* protections to bind all accredited data recipients, including small to medium sized enterprises
- ✓ a strong role for the Office of the Australian Information Commissioner (OAIC) in advising on and enforcing privacy protections
- ✓ a range of avenues for consumers to seek meaningful remedies for breaches, including external dispute resolution and direct rights of action



Australian Competition and Consumer Commission (ACCC)	Office of the Australian Information Commissioner (OAIC)	Data Standards Body
The ACCC will advise the Treasurer which sectors should	The OAIC will advise the Treasurer on the privacy	The Data Standards Body will set technical standards relating

## Timetable for Standards

Consumer Data Rights  
Data Standards Body Advisory Committee  
Minutes of the Meeting *Date: Wednesday 11 July 2018*

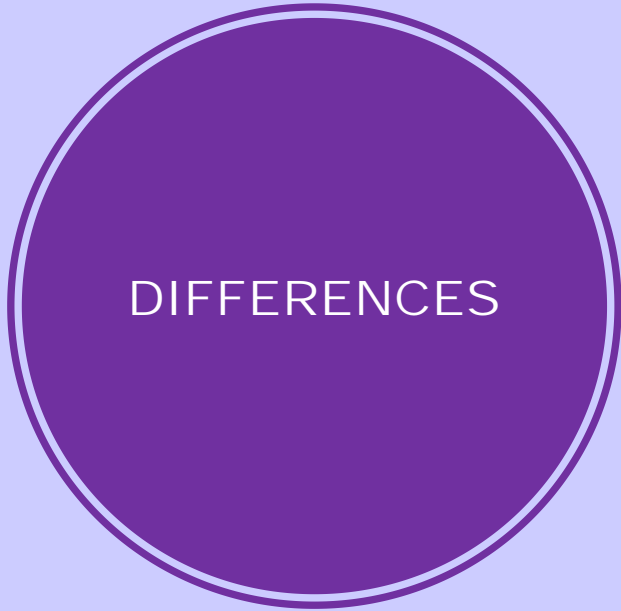
An outline of a draft timetable for the Standards was discussed with the committee members and will be shared when it is finalised.

The following timings were noted:

- Treasury expect to release draft legislation for industry consultation in the 2<sup>nd</sup> week of August 2018
- ACCC will release a draft framework of rules by early September 2018 for initial consultation
- Data Standards Body will release initial draft of core API standards for discussion
- In October 2018, Bill to be introduced to Parliament
- In February 2019, the draft legislation is expected to be passed by parliament. This will create legal entities and formally enable the creation of rules and standards.

enforcement action in relation to serious or systemic breaches of the Consumer Data Right in line with its enforcement policy.

direct them as applicable to the relevant external dispute resolution body, ACCC or other regulator.



DIFFERENCES

USE CASE	AUSTRALIA	PSD2	UK OPEN BANKING
<b>Payment Initiation</b>	No	Yes	Yes
<b>Account Information / Transaction Data</b>	Yes	Yes	Yes
<b>Confirmation of funds</b>	No	Yes	No
<b>Product data</b>	Yes	No	Yes
<b>Customer data</b>	Yes	No	No
<b>Value added services</b>	No	No	No
<b>Aggregated data set</b>	No	No	No

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# PSD2 HAS BEEN IMPLEMENTED INTO NATIONAL LAWS ACROSS EU. MEANWHILE, OPEN BANKING IS NOW LIVE IN UK

13 Jan 2018:

PSD2 implemented in National Laws across EU



13 Jan 2018:

Open Banking «live» in UK



As of January 17, this is the status of the implementation process in the 31 jurisdictions.

Country	TBC	Draft Stage	Consultation Process	Legislative Process	Implemented
Austria			•		
Belgium				•	
Bulgaria				•	
Croatia			•		
Cyprus				•	
Czech Republic					•
Denmark					•
Estonia					•
Finland					•
France					•
Germany					•
Greece				•	
Hungary					•
Ireland					•
Italy					•
Latvia					•
Lithuania					•
Luxembourg					•
Malta					•
Netherlands		•			
Poland		•			
Portugal		•			
Romania	•				
Slovakia					•
Slovenia					•
Spain			•		
Sweden			•		
United Kingdom					•
Iceland (EEA)					•
Liechtenstein (EEA)					•
Norway (EEA)					•

For more information, visit: [paymentscompliance.com](http://paymentscompliance.com)

Bank charges The Observer

'Open banking': radical shake-up, or a threat to your private data?

Few people have heard of them, but new rules that come into effect next week could change the way we bank



Shane Hickey

Mon 8 Jan 2018 07:00 GMT



90% OF BANKERS

Accenture surveyed believe Open Banking will boost organic growth by up to 10%!

PSD2 will be in force across EU-28 by Jan 2018

Key Regulatory Technical Standards (RTS) are shifting to Sep 2019 (estimate)  
Banks have 18 months to comply with RTS

The Berlin Group took the leadership on technical standards, however tech specs variants are expected to exist at national level

- On 13 January 2018 UK went to live with Open Banking principles
  - Allied Irish Bank, Nationwide Building Society, and others
  - Barclays, Bank of Scotland, and others given an extra 6 months to overcome technical difficulties
- Ar. 40 firms have applied to the Financial Conduct Authority (FCA) to become authorised to access banks' APIs and

# OPEN BANKING MATURITY



## RETAIL

- Private individuals
- Bank account for private purposes
- Real-time and contactless payments
- Mobile Payments/Wallets
- Personal Finance Management/Multi Banking



## SMES

- Businesses with less than 250 employees
- Less than € 50m in revenues
- Liquidity Management, Multi Banking & Dashboards/Widgets
- Bookkeeping services
- Invoicing & Matching



## CORPORATES

- Large businesses with more than 250 employees
- More than € 50m in revenues
- Liquidity & Cash Management via real-time account & payments initiation & status
- Multi Banking & Dashboards

**RETAIL EXPECTATIONS FINDS ITS WAY TO SMES & CORPORATES**

### CUSTOMER EXPECTATIONS

### APPLICATIONS AND INTERFACES

- PayPal, Amazon Pay, Apple Pay, Samsung Pay – using APIs
- Various Fintech offering payment services & services based on account information

- EBICS (partially SWIFT)
- Corporate Portals
- Cloud-based Bookkeeping (bexio, runmyaccounts...)

- EBICS & SWIFT
- AribaPay
- Innovation in Treasury & Cash (traxpay etc.)

**INNOVATION EFFORTS IN THE SME & CORPORATE SPACE IS GAINING TRACTION**

# CORPORATE PRODUCTS GROWING IN MATURITY

## EXAMPLE

## CURRENT MATURITY



### TREASURY AND CASH MANAGEMENT

- Faster ERP integration of the API into the TMS/ERP
- Direct access to bank accounts and manage payments and account information centrally from TMS/ERP
- Intraday data for faster decision making & intraday payments



Large US Bank



### MULTI BANK ACCOUNT AGGREGATION

- Faster ERP integration of the API into the TMS/ERP
- Direct access to bank accounts and manage payments and account information centrally from TMS/ERP
- Intraday data for faster decision making & intraday payments



Large European/Global Bank



### INSTANT PAYMENT/ INSTANT LIQUIDITY

- Manage liquidity in near-real time with total view on account activities
- Utilize Artificial Intelligence for preventive liquidity shifts
- Reduce risk of liquidity shortage in different accounts and efficiently utilize of surpluses



Large US Bank

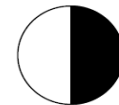


### ENHANCE TREASURY OPERATIONS IN PAYMENTS

- Single payments can be initiated as they occur throughout the day.
- Allow to get payments off the desk and request or receive “push status” updates as the individual payment is processed



Large European Bank



### ACCOUNT & BOOK KEEPING

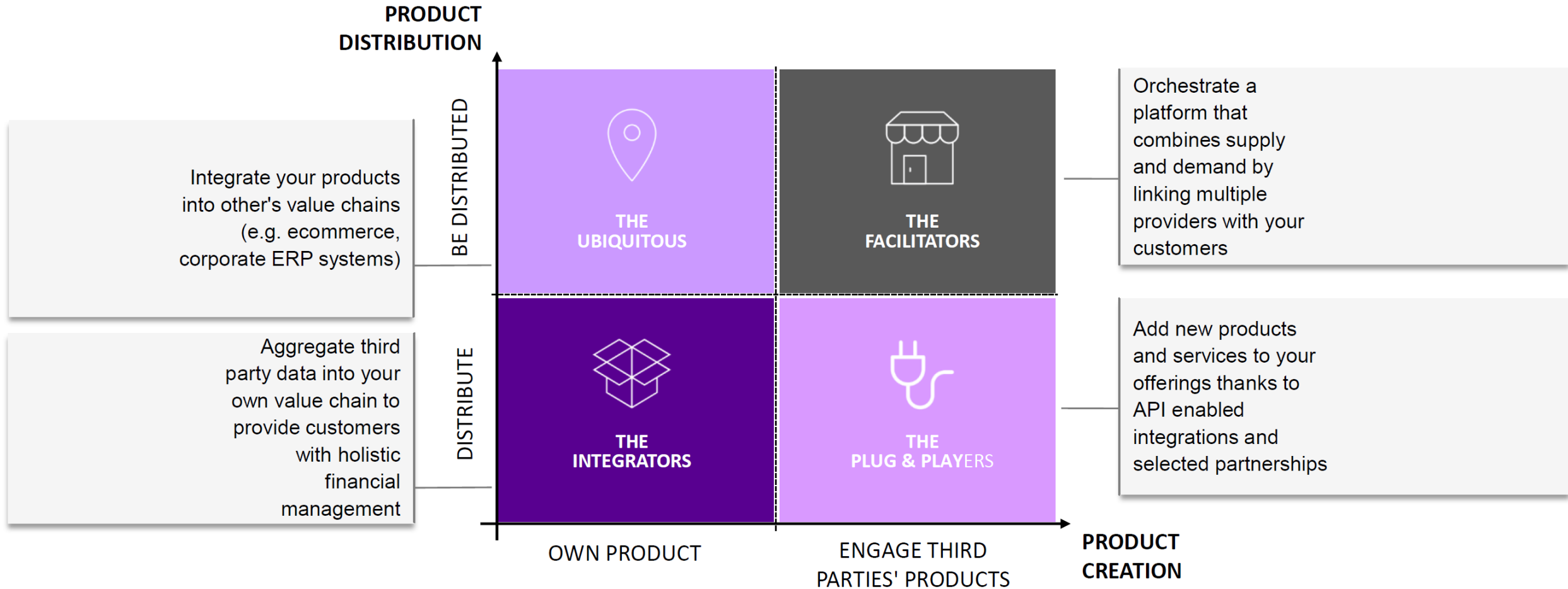
- Manage basic business activities with a multichannel solution as a mini-ERP solutions
- Seamless data exchange with SME banks
- More user-friendly, simple, intuitive solutions possible via APIs



Accounting Software Company

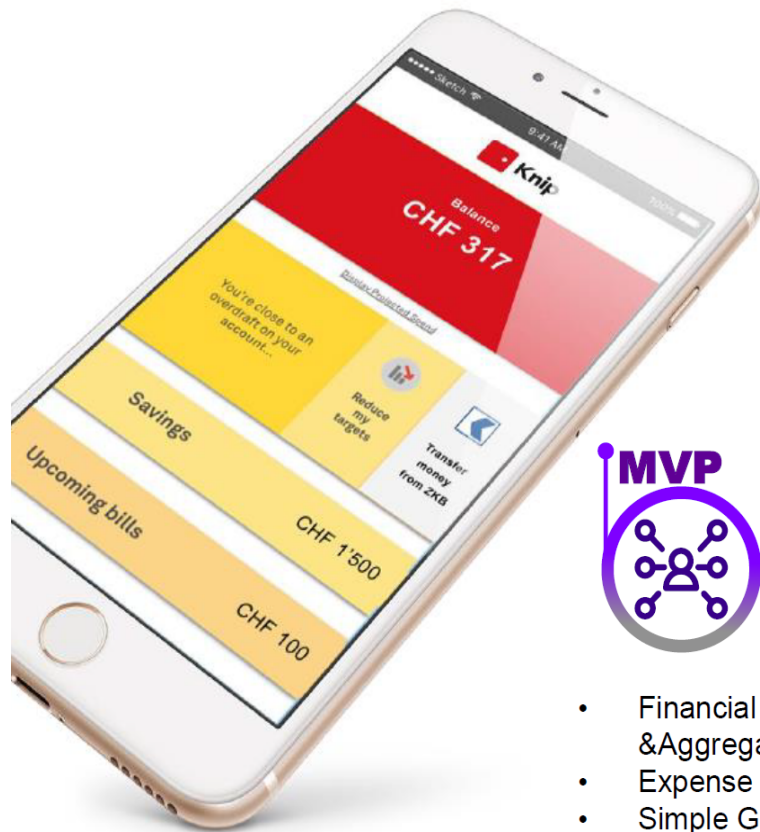


# OPEN BANKING STRATEGIC OPPORTUNITIES





# EVOLVE AGGREGATOR MVP INTO A STRATEGIC CHANNEL



- Financial Statements & Aggregation
- Expense Categorisation
- Simple Graphs

## INTERMEDIATE



- Payments (domestic and international)
- Interactive dashboards
- Advanced consent management

## TRANSFORMATIVE



- Aggregate all financial products
- Product compare and purchase
- Independent advice on "Personal Planning & Life Stages"

## MARKET LEADING



- Aggregate financial & non-financial data
- Cross sell/upsell products
- 'One Click' product switch
- Machine Learning/Artificial Intelligence

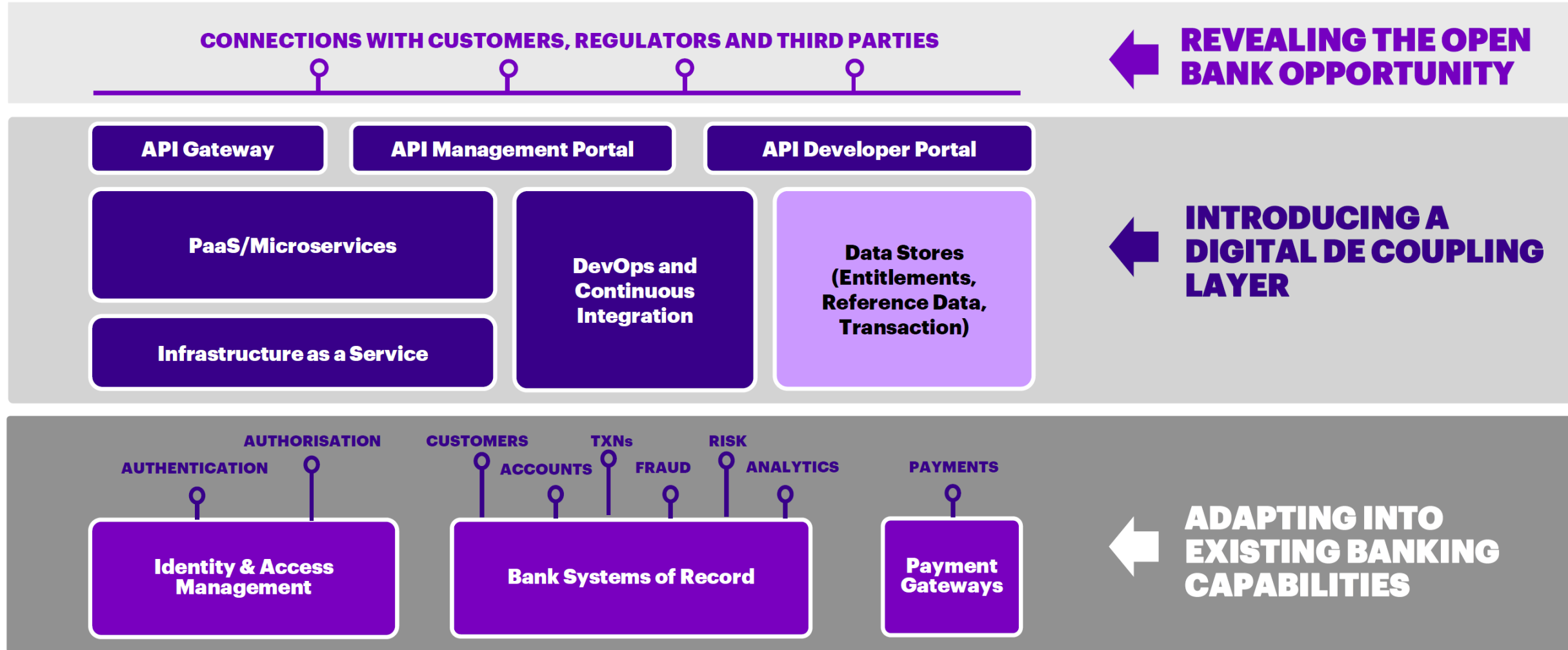


## MVP BENEFITS

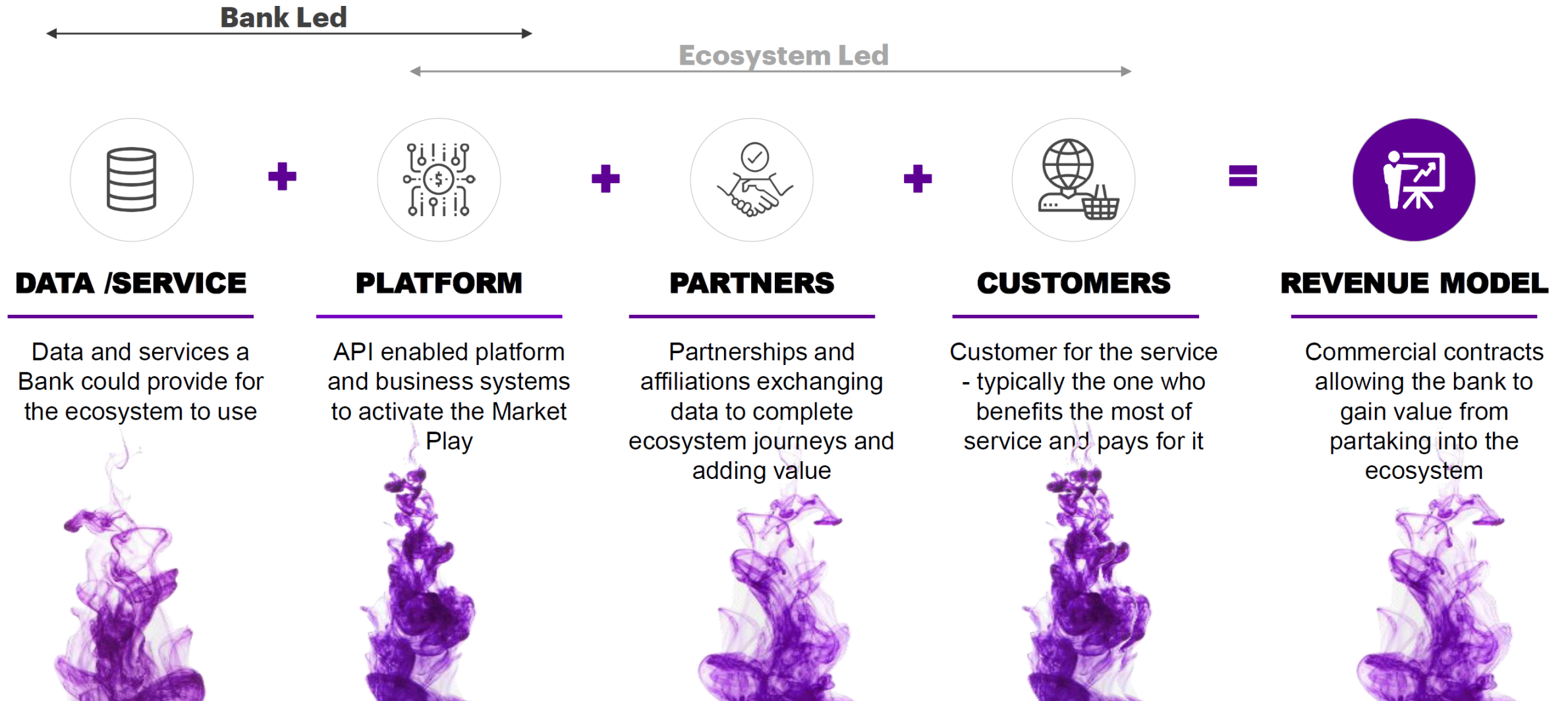
- Provide better customer experience
- Improve customer engagement
- Use data insights to cross-sell upsell

# NEW OPERATING MODELS

ILLUSTRATIVE



# NEW ROADMAPS



# NEW FOCUS ON RISK

## CONDUCT & DATA PRIVACY

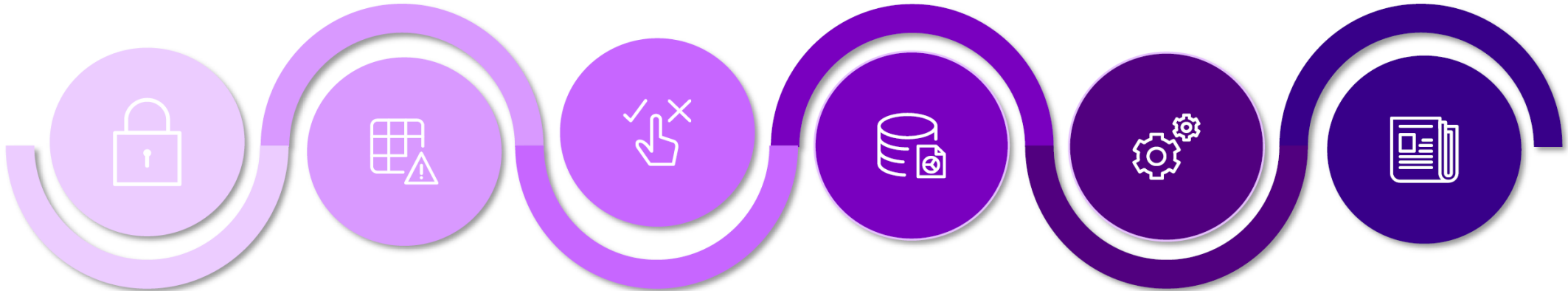
- Consent suitability
- Product suitability
- Vulnerable customers
- Data management

## RISK & CREDIT DECISIONING

- Customer-based risk view
- Outdated customer segmentation
- FCA focus on credit decisioning

## OPERATING MODEL

- Individual accountability
- Leakage across 3 LOD
- Third party risk management & SLAs
- Human-centred robotics and AI



## FRAUD MANAGEMENT

- Fraud risk ownership
- Customer-centric network view
- Transaction traceability & audit
- Speed v control of transactions

## REPORTING

- New 'early warning' indicators needed
- Fast pasce of reporting requires faster decision and attestation frameworks

## REPUTATION & LIABILITY

- Complaints, defaults, and arrears
- Liability for credit extended at PoS
- PISP liability for refunds
- Security breach with TPP

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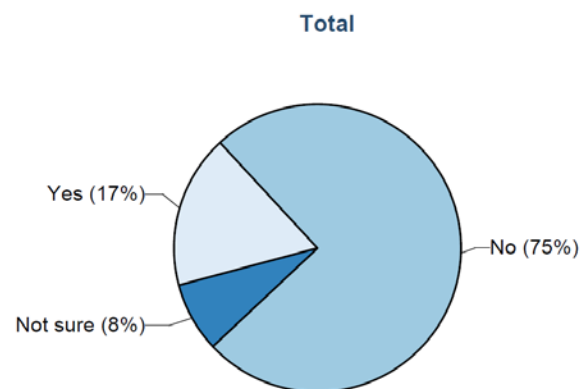
# OPPORTUNITY OR THREAT

There will be clear winners and losers, with the outcome largely determined by their own actions. However, the banking industry as a whole will likely share in a larger economic pie, as new opportunities for value creation emerge quicker than old sources of value erode.

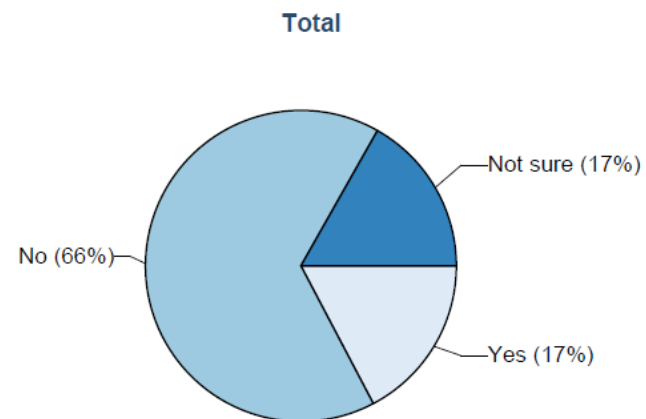
- The winners will be those banks that embrace Open Banking and modernize their business model, opening it up to third parties and accepting that the walled garden through which banks enjoyed a privileged position in the economy is a thing of the past.
- Industry participants will be able to reap early mover advantage from both the “export” and “import” opportunities available to incumbent and challenger banks alike.
- Incumbent banks will need to act decisively to secure their share of the new value being created.
- Incumbent banks that focus on simply harvesting their current business franchise should expect rapidly increasing erosion.

# ACCENTURE AUSTRALIA OPEN BANKING STUDY

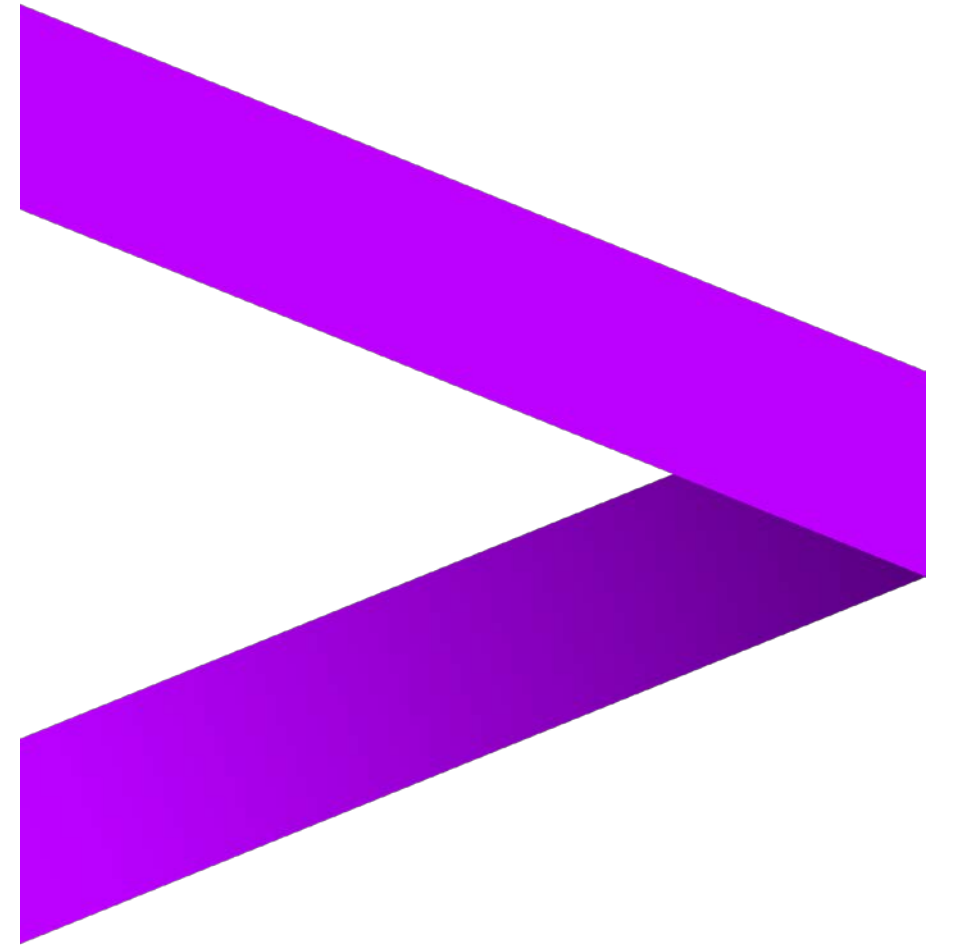
**Q1: Are you aware that the government is implementing new laws for 'Open Banking', which will allow customers to grant authorised retailers and social media companies access to bank account information, such as balance, account and payment information?**



**Q3: Would you be willing to securely share your banking account data with non-banking third parties if it meant you'd get a better deal or other benefits? For example, the ability to display your account balance while you shop, or perform a credit check at the point of sale?**



# RECOGNISING THE CHANGING COMPETITIVE LANDSCAPE



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# FIND OUT MORE

## **The Brave New World of Open Banking**

<https://www.accenture.com/au-en/insight-open-banking-brave-new-world>

## **Accenture Research Explores Australians Views On Open Banking**

<https://newsroom.accenture.com/news/tech-giants-online-retailers-face-uphill-battle-pursuing-bank-market-share-in-australia-but-new-open-banking-rules-could-tilt-the-landscape-accenture-research-finds.htm>



OPEN DISCUSSION

## Disclaimer

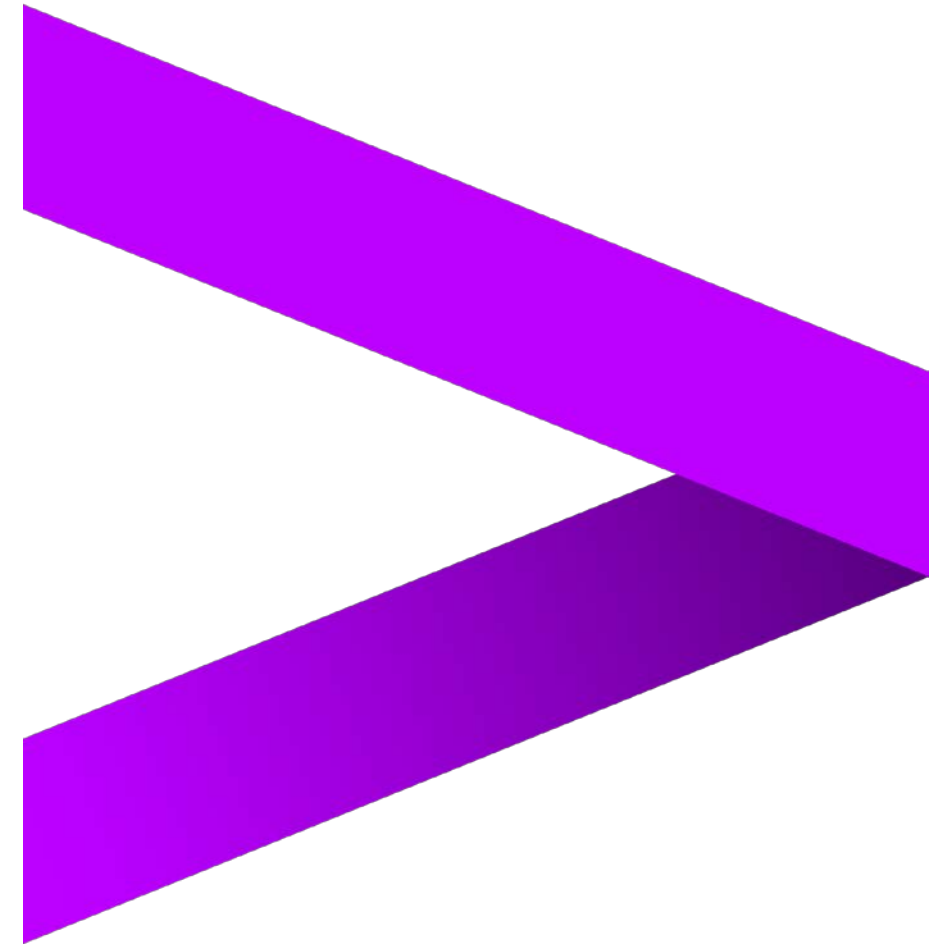
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