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# Get set for Open Banking

**Customer and strategic  
opportunities amid a thriving  
data economy**



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**“It marks the beginning of a data revolution, with Australia set to become a world leader in implementing an economy-wide right for consumers to access and use data that businesses hold about them.”**

Josh Frydenberg MP, Treasurer



## Open Banking is the first step in what will inevitably be an ‘open data’ future – in which institutions and customers are all part of a safe, robust and innovative ‘data economy’.

Open Banking is set to launch in Australia, which will see customers have greatly improved access to, and control over, their own data, all backed by the new [Consumer Data Right \(CDR\)](#).

Open Banking is the first step in what will inevitably be an ‘open data’ future – in which institutions and customers are all part of a safe, robust and innovative ‘data economy’.

Scott Farrell, Partner, King & Wood Mallesons, and leader of the Australian Government’s Review into Open Banking says: “Open Banking and the CDR will mean that banks will no longer be competing in the financial sector, they’ll also be competing in the emerging data sector.”

The legislation will impact banks first, before energy, telecommunications and other customer-data heavy sectors, including a push from the productivity commission to apply the CDR to superannuation by 2021.

Open Banking means a customer of a bank – whether an individual or business – can request or give consent for their data to be shared with a safe and accredited third party such as (but not limited to) another bank, a product comparison site, fintech company or utility provider (such as a telco or energy company). It offers the potential for customers to have clearer visibility of their data as a whole, and to make more informed decisions based on the insights.

Ian Pollari, Partner, National Sector Leader, Banking & Co-Head, Global Fintech, KPMG, says whilst uncertainty around dimensions of Open Banking exist and will be resolved over the coming months, all banks in the market should be assessing their options and strategic approach – in terms of timing of their participation, identifying use cases, technology and operational readiness, partnerships, etc. – this will be critical for success.

‘We must learn the lessons of other jurisdictions, but chart our own course. This will require companies to move beyond seeing this as solely a compliance exercise, but also a strategic opportunity.’

Bianca Bates, Chief Client Officer, Cuscal, says Open Banking is an acknowledgement that customers want choice, and want to get the best deal.

“It is all focused on lifestyle simplification,” Bates says.

Here, Open Banking specialists from KPMG, Cuscal and King & Wood Mallesons explore what lessons can be learned from international experiences, why the customer should be at the core of any Open Banking-related strategy, the strategic opportunities it presents, the steps needed to be compliant, and the partnership potential that can be seized by those willing to lead the way.

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### Open energy?

On 25 February 2019 the Australian Consumer and Competition Commission (ACCC) published a consultation paper on applying the CDR in the energy sector. Open data in the energy sector is proposed by the ACCC to commence by early 2020.



# A global phenomenon

## The move to Open Banking in Australia follows a number of jurisdictions globally – including the UK, parts of Europe and India.

In each country, the change has either been driven by customer demand or legislation. For example, in the UK, Open Banking has occurred in response to government reforms – largely as a disciplinary exercise following poor banking practices. In Europe it was designed to help provide greater access to payment services.

In India it has evolved in an informal fashion as a consequence of a number of government initiatives and through the development of new products and services that respond to customer needs and increasing expectations, but without overarching Open Banking regulation.

The shift towards Open Banking is also taking place in Canada, New Zealand, Mexico, Argentina, Nigeria, Israel, Hong Kong, Japan and Taiwan among others.

There are some fundamental differences intended for the Australian model, based on learning from the UK's implementation challenges (see table below). However, Farrell says while it is natural to look to the UK first for insights, there are many variations in the other countries to explore. Variants include whether it is mandated or voluntary, whether it is for all Authorised Deposit-taking Institutions (ADIs), or limited to large

banks, whether there are one-way or two-way data sharing rights, or if it impacts multiple sectors, among other considerations.

Farrell says: “The different jurisdictions are all considering quite distinctive variants, taking in elements of the systems being implemented in Europe, the United Kingdom and now, Australia. There is a strong desire to move relatively quickly – and we should expect to see a number of new jurisdictions implement Open Banking within the next 2 years.”

**“Open Banking is a global phenomenon and at the same time as harnessing lessons learnt from other jurisdictions, we need to be mindful of the unique nature of its introduction in Australia.”**

Ian Pollari, Partner, National Sector Leader, Banking & Co-Head, Global Fintech, KPMG

### Australia vs. UK Open Banking model

Feature	Australia	United Kingdom
<b>Mandated compliance or voluntary</b>	Mandated	Mandated
<b>Limited providers or all banks</b>	All ADIs	Nine banks
<b>Access to read data only, or also to write data</b>	Read only	Read and write
<b>One way or reciprocal obligations to share data</b>	Reciprocal	One-way
<b>Broad, or more limited, account scope</b>	Broad	More limited
<b>Single tier or multiple tier accreditation</b>	Multiple, risk-based tiering	Single tier
<b>Clear and specific liability regime</b>	Yes	No
<b>Separate standard-setting body</b>	Yes	Yes
<b>Banking only or multiple sectors</b>	Multiple sectors	Banking only



## India and the 'super app'

Bianca Bates, Chief Client Officer, Cuscal, travelled to India in 2018 to explore its ecosystem of Open Banking – and found that while it is not mandated, it was far along on the journey, and had a lot of lessons to offer Australia.

“I wasn’t expecting to look at an absolutely live ecosystem of open data, but that’s exactly what we found,” she says.

A number of initiatives to create an open data ecosystem have been introduced by the government and Reserve Bank of India. These include customer authentication and verification, digital identity, payment initiation, and consent management, all using open Application Programme Interfaces (APIs).

“The enabling components are collectively known as IndiaStack, which governments, businesses, start-ups and developers have been able to easily access and use to create products and services for customer.”

Bates says India’s uptake has also been assisted by its unique payments infrastructure. It is backed by the National Payments Corporation of India, and services include the Unified Payment Interface and National Financial Switch, that makes it comparatively easy to facilitate data flows between organisations and customers.

A key benefit of Open Banking for customers in India has been the evolution of ‘mega apps’ or ‘super apps’ through which all of their banking data can be consolidated. They can see, and also access and control, all of their accounts via the one platform, through one log in. Other data sources like frequent flyer or transport card balances can be integrated.

Bates observed that the banks did not appear to have the “fear factor” about sharing information that simmers in Australia. Rather, they focused on offering the best service possible to foster loyalty.

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**“They’ll think, ‘If I can do everything from the one place I’ll never leave it. They will appreciate not having to open multiple apps every time they do their banking.’”**

Bianca Bates, Chief Client Officer, Cuscal



# Customer experience is a key driver

Open Banking in Australia has a strong customer focus. The scene for customer-centricity is set by the four words on the front cover of the Australian Government's Review into Open Banking: customers, choice, convenience and confidence.

Farrell says: "It is designed to give customers more control over their information, leading to more choice in their banking and more convenience in managing their money, and resulting in more confidence in the use and value of an asset mostly undiscovered by customers – their data."

Unlike the approach in other jurisdictions, the Australian approach is not purely about compliance, because Open Banking and the CDR is framed to put the customer at the core. It is part of the continuation of the real-time 24/7-journey that banking customers have been shifting to, facilitated via online, mobile and apps.

Australian Open Banking, and the CDR, which has no cost to the consumer, is designed to:

- be customer focused
- encourage competition
- create opportunities
- be efficient and fair.

Farrell says: "These fundamental principles of who Open Banking should be for, why it should be done, what it should do, and how it should be achieved, are important to understanding the broader scope of Open Banking in Australia, and the best strategic response to it."

For example, there is a clear emphasis on the benefits for customers including:

- again the four c's – better choice, convenience, control and confidence
- the ability to share information
- increased ability to negotiate better deals
- easier ability to switch providers or products
- better value for money.

A notable factor is 'control', with the customer able to control who has access to their data, and what those third parties can see. They should also have 'confidence' this is being done safely between authorised organisations.

Pollari says: "One of the challenges that arose in the UK was the misunderstanding from consumers that third parties could gain access to their data without them granting consent. Effective customer awareness and education of both the opportunities and risks will be essential."

The elements of choice and convenience compel banks to deliver optimal customer experiences. Every product – from daily spending accounts to credit cards, business loans and mortgage offers – will have to be competitive and well-targeted as customers will have better options for comparison and selection. The Government's Review into Open Banking lists innovations such as:

- comparison tools for credit cards and mortgages
- tools to help small businesses identify better products, taking into account historical spending and previous loans
- budgeting products that show all information on one screen
- insights into spending habits
- in-person or automated advice.

In short, by allowing access to their information, customers can empower other organisations to better help them with tailored, fast and accurate insights.

Hessel Verbeek, Partner, Strategy, KPMG, says: "It will move from delivering customer experiences to delivering customer outcomes – such as a quicker mortgage approval or personalised pricing."

Another step for banks could be moving from offering reflective insights, to predictive insights.

Pollari adds: "In Personal Financial Management, a lot of the capability we have seen historically is 'rear view' mirror or analysis of past behaviour, rather than in the moment or predictive in nature. Open Banking will unlock opportunities for banks and fintech companies to deliver on the promise of delivering real-time, context relevant and personalised value to end customers.."

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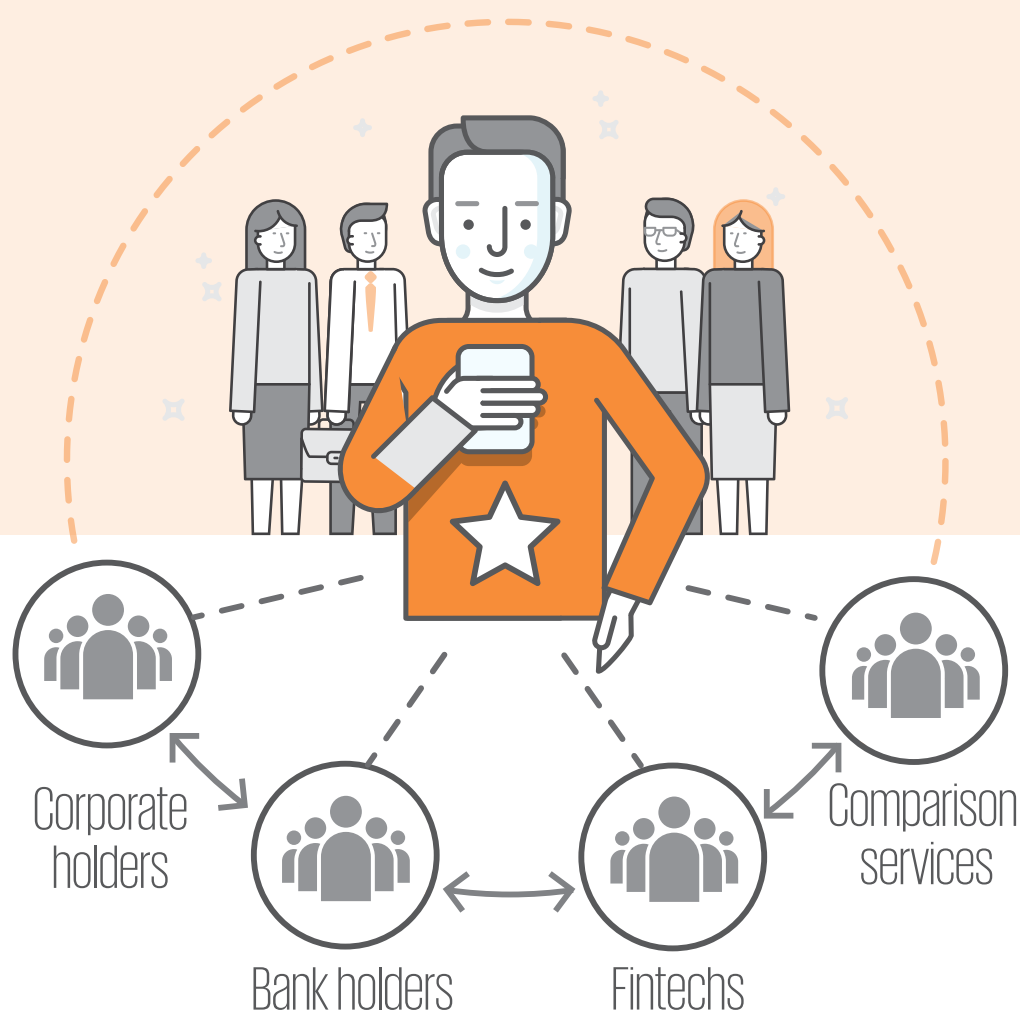
**"This is the soul-searching question – what do you provide your customers that they actually value, as opposed to what they pay for? You need to be both insightful and creative in your offering."**

Scott Farrell, Partner, King & Wood Mallesons



# The data economy

The customer is in control and gives permission of who they safely share data with.



Effective communication with customers will be essential in order to generate awareness of Open Banking, and to drive uptake. Communicating in terms that customers understand is critical given the 'opt in' nature of participation. Individuals and businesses will need to understand the value and any risks of sharing data.



# Open Banking is a strategic opportunity

Incumbent banks may be concerned about the potential competitive threats that Open Banking could present. For example, making it easier for customers to compare and contrast products and services, switch banks, or for other banks to target their customers with tailored marketing material.

However, Brett Watson, Partner, Payments Advisory, KPMG, says allowing concerns to get in the way of seizing the strategic opportunities offered by Open Banking could mean competitors surge ahead.

“If you just focus on compliance then you’re going to miss the opportunity...engaging in Open Banking, navigating the playing field, and looking for ways to take advantage as the ecosystem develops and changes occur is how organisations will win,” he says. “In order to do this, it will be important to think ahead in the design phase, and to remain flexible on execution to bring new and improved solutions to the market.”

As a foundation for opportunity, banks need a very clear Open Banking framework (see graphic below) that flows from customer experience, through to data holding and sharing, data requesting and ingesting, privacy and security, and includes partnerships and third-party access.

## Underpinning these steps are:

- APIs that enable connectivity and seamless flow of data
- digital identity technology which ensures that all information relates to the right customer and is secure
- a best practice mechanism for customer consent
- secure data storage
- an accreditation requirement for data requestors.

## Open Banking considerations



Customer experience



Data holding and sharing



Data requesting and ingesting



Privacy and security



Partnerships and third-party access

	Customer experience	Data holding and sharing	Data requesting and ingesting	Privacy and security	Partnerships and third-party access
APIs	✓	✓	✓	✓	✓
Digital identity	✓	✓	✓	✓	
Entitlements management	✓	✓	✓	✓	
Customer consent	✓	✓	✓	✓	
Data store		✓	✓		
Accreditation					✓

Pollari says that after years of public trust issues and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, with the right framework, Open Banking is a chance for banks to demonstrate they can be trusted data holders for their customers.

“Astute banks will show that they will keep data safe, and help clients to extract value from their data. They can help customers and businesses be aware of the value of their data.”

Part of this is helping customers to understand the product and service options available to them, in a tailored way. Nathan Churchward, Head of Product, Emerging Services, Cuscal, says there is potential for organisations to hone in on specific market sectors with tailored products and services, rather than competing at all levels.

“There is a strategic opportunity in that you don’t have to be all things to all people, you can be the best in an area, target a niche, and partner to get scale in that niche,” he says.

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### Use customer case studies to guide strategy

Banks should look beyond compliance use cases to ‘customer pain points’ to develop a set of core objectives that will guide their strategic approach to Open Banking. What customer issues can be solved through access to new data?

## What’s the opportunity?



Build trust with customers as a safe and secure data holder.



Find a niche area of expertise and deliver unique products and services.



Partner with accredited Open Banking third parties for scale.





# Getting ready for compliance

Open Banking presents new opportunities and risks for banks, and has implications across whole organisations. KPMG has seen that organisations in other jurisdictions have commonly underestimated the implementation effort required for day-one readiness.

Pollari says: “Overseas experience highlights the complexity and risk in achieving compliance and operational readiness for Open Banking’s introduction. There are new capabilities that banks will need to acquire, source or build – and with this, opportunities beyond compliance mandates to leverage these capabilities for other strategic objectives of the organisation.”

**The following three focus areas are key to being ready for compliance.**

### 1. Risk, future legislation, control and monitoring

- anticipating future regulatory changes and impacts
- the ability to respond effectively to data breaches
- coverage of all liabilities
- the ability to cater for enhanced risk based decision making based on information received from other financial institutions.

### 2. Technology and operations, identity and consent, and data security

- the technology to manage consistent customer records across new Open Banking systems and the existing ecosystem
- customer consent for sharing data
- best practice data security to prevent cyber breaches and reputational loss.

### 3. Engagement, governance, and stakeholder engagement

- co-ordination of other programs (within the bank) and the relevant impacts from/to the Open Banking program
- effective participation in the standards working groups
- liaison between external engagement and implementation teams

- a clear and agile decision making framework
- ability to balance stakeholders’ views and requirements.

One key inclusion in Australia’s implementation of Open Banking that organisations should be aware of is reciprocity of data. In the ACCC’s Consumer Data Right Rules Outline, it explains that all ADIs (other than initial data holders) who are accredited data recipients will be ‘reciprocal data holders’ from early 2020: “This means that those ADIs who seek to receive CDR data will be required to share CDR data in accordance with the Rules from 1 February 2020 in response to a valid request from a customer.”

Churchward says: “Some banks have considered getting on board early with Open Banking to ‘receive’ once data is available, then ‘provide’ once mandated. This isn’t possible, so they need to be set up for full participation from the start. The idea is to drive a thriving data sharing ecosystem and make life easy for customers.”

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**“Successfully identifying the customer and getting their consent are key – you can’t use the APIs without the right consent and a digital identity. Consent requires interoperability with partners – that is critical for success.”**

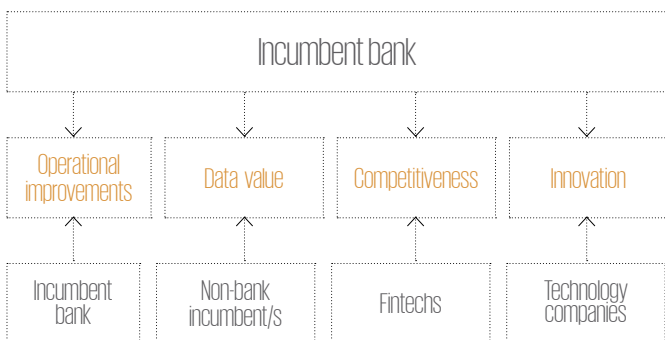
**Nathan Churchward,**  
Head of Product, Emerging Services, Cuscal

# Ecosystems and partnerships for successful Open Banking

Open Banking will require banks to establish and drive value from collaboration and partnerships with the safe and accredited parties that are part of the ecosystem.

**Thanks to the new data sharing requirements, new ecosystems could include:**

- Incumbent bank to incumbent bank, for operational improvements or revenue building
- Incumbent bank to non-bank incumbent/s, for data value
- Incumbent bank to fintechs, for competitiveness or niche markets
- Incumbent with technology companies, for innovation.



Watson says that when collaborating, “it is important that partnerships help solve a specific problem, or remove friction points on the path to successful open banking”.

**Partnerships can particularly help when it comes to leveraging technology, for example:**

**Enabling assets:** These are likely to include digital identity and access management, consent management, authorisation management, and data analytics.

**Apps:** Banks will need to ensure they have effective capabilities for data ingestion and account aggregation.

**APIs:** APIs are the mechanism by which banks interact with others in the digital ecosystem. Banks should consider their API strategies and capabilities to ensure they are set to meet minimum regulatory standards, as well as to introduce enhanced API services (to strategic or preferred service partners beyond the core compliance, for example, fair value exchange).



**“Open Banking will usher an era of partnerships on a scale we have not seen before in the banking industry and beyond as CDR gets rolled out across other sectors – partnerships related to data, services and creating new business models.”**

Ian Pollari, Partner, National Sector Leader, Banking & Co-Head, Global Fintech, KPMG

# On track to an open data future

Banking is one of the industries leading the way into an open data future, so all eyes will be on how banks operate, what they do well, and importantly, how they please customers in the process.

Verbeek says banks need to think now about their internal operations, and their partnerships, to make the most of the opportunity.

“Then you have the two wheels working together – success at an individual level and success at an ecosystem level.”

If a bank sits back while others learn from overseas organisations, build enticing customer experiences and outcomes, get their frameworks right, build trust, become compliant with great governance, and collaborate to leverage the power of other organisations, there is no question that they will fall behind in this competitive space.

Watson says now is the time to get on the front foot.

“The way this is playing out is that if you engage in it, and you think about it, and you are strategic about it, you can be a winner,” he says.



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