



# Building Better Banking: CDR, Transparency, and a world of Open Banking

Prepared by  
Ingrid Schnell,  
Industry Chief Technologist

## Opening doors to the future

A lot has happened — both to the world of banking and the world in general — since the Australian Federal Government, in May 2017, announced its support for an Open Banking system and commissioned a review. In July 2020, the Consumer Data Rights (CDR) finally became law.

The CDR has enormous implications for the ‘big four’ Australian banks and accredited providers, who have greeted it cautiously. It is a catalyst for disruption, and in the digital economy, data sharing is the new normal.

DXC believes the CDR has the potential to drive nothing less than a revolution in the Australian banking landscape; a change for the better, to make Australian banks more competitive on a global scale. Leveraged smartly and creatively, the CDR can help banks provide smarter and more relevant services to their customers and create banking products that weren't previously possible. Above all, it's a significant opportunity to reposition 'The Bank' as a fundamental pillar of every Australian's life.

Today's environment is one of excitement and opportunity, tempered by risk-awareness and a keen desire to keep an eye on what others are doing. For banks that see CDR more as an opportunity than a threat: how can you grasp that opportunity — and how can you grasp it quickly and confidently, and use it to differentiate competitively?

### All about the CDR

The CDR is a data-sharing reform introduced by the Australian Government with the intention of an economy-wide roll out. Starting with banking, the CDR will be gradually introduced to various sectors, including energy and telecommunications. The objectives of the CDR are to:

- Provide consumers with the ability to efficiently and conveniently access their personal data held by businesses, aka data holders, and, authorise the secure sharing of data to trusted and accredited third parties, aka the accredited data recipients (ADRs).

The CDR requires businesses to provide public access to information on transactional data and products they offer, giving consumers the ability to access and use this information and improve their understanding around providers and products and switch providers if they find a better deal. In January 2020, the Australian Treasurer announced an inquiry into Future Directions of the Consumer Data Right<sup>1</sup>, looking at how the Consumer Data Right could be enhanced and leveraged to boost innovation and competition, and support the development of a safe and efficient digital economy, including examining how the Consumer Data Right could be expanded to include 'write' access transactions.

For more details about the CDR, you can visit the ACCC's website.

---

<sup>1</sup> <https://treasury.gov.au/review/future-directions-consumer-data-right/TOR>



## Open Banking

European banks were at first hesitant to dive headfirst into the PSD2. However, over the past five years, banks across Europe have made significant headway in incorporating Open Banking and reaping the rewards it can offer.



## Open Banking

It's important to understand Open Banking not in isolation but as part of the wider CDR agenda, which is key to unlocking innovation, competition and a revolutionising of the Australian consumer digital landscape.

Open Banking isn't a particularly new concept – it has been in the European lexicon as early as 2010 and widely used since late 2015, when the European Parliament adopted a revised Payment Services Directive, commonly referred to as the PSD2.

The parallels with Europe can be instructive for Australian banks. European banks were at first hesitant to dive headfirst into the PSD2. However, over the past five years, banks across Europe have made significant headway in incorporating Open Banking and reaping the rewards it can offer.

In the United Kingdom, for example, Lloyds Commercial Banking has seen the value collaborating with FinTechs can bring<sup>2</sup> and have adapted their approach to improving how they collaborate with potential partners. A recent example of this includes successful collaboration with Xelix<sup>3</sup> — a platform that uses machine learning to enhance validation and decision-making process within a business' accounts payable.

## So, what exactly is Open Banking?

Put simply, Open Banking is the 'doing bit' of the PSD2 or the CDR. Some applied examples of Open Banking in action include a customer being able to connect their bank account to an app that can analyse their spending and recommend new products, for example, credit cards or saving accounts that save them money. Big banks and smaller challenger banks can work alongside Fintech companies to provide customers with best-in-class banking experiences.

<sup>2</sup> <https://www.wired.co.uk/article/first-glimpse-open-banking>

<sup>3</sup> <https://xelix.com/>

HSBC in the UK has been using Open Banking data to underwrite customers for credit products, and as Hetal Popat, head of Open Banking and PSD2 at HSBC points out<sup>4</sup>, “We’ve seen acceptance rates materially increase for the obvious reason: there’s a lot of customers out there in the UK who are perfectly creditworthy, but the data the bureau has on them is limited and therefore, due to a thin file, banks may say no. Now we get more data, we can say this customer is creditworthy and offer a loan.”

### Seize the opportunity to avoid the threat

The phrase “data is the new oil” encapsulates the current value and opportunity in a digital ecosystem: those controlling it will be well-placed to capitalise on opportunities as Open Banking comes into full force. While a level of caution to CDR and Open Banking is understandable, those in the industry would be very unwise to stay dormant during what has the potential to be one of the most disruptive periods for the industry.

The bank of the future will be based on APIs<sup>5</sup>, and for this, Open Banking is fundamental. To be ready, banks need to remember that the CDR opens competition, so they need to stop thinking about competing with each other and realise that a threat or substitution could come from anywhere in the market - indeed, anywhere in the world. The first bank to open up and set up will have a significant first-mover advantage that will be hard to compete with once a banking ecosystem is built around it.

### Enter the tech giants

Technology giants including Google are already starting to offer financial services and this will accelerate over the next couple of years. For banks, who have competed solely with each other for decades, this is a wake-up call. Alongside the global technology giants, the rapid rise of Fintechs also poses an ongoing threat. Banks would be well advised to take full advantage of CDR and Open Banking rather than concentrate on ‘defensive’ measures.

---

<sup>4</sup> <https://www.computerworld.com/article/3454436/the-big-uk-banks-talk-about-open-banking-successes-and-failures-so-far.html>

<sup>5</sup> <https://thrive.dxc.technology/eur/2020/02/04/open-banking-the-bank-of-the-future-will-be-based-on-apis/>

### A brief recap on APIs:

Application Programming Interface (API) is a software-to-software interface that provides a secure and standardized way for applications to work with one another and deliver information or functionality without there needing to be any user intervention.

There are three types of APIs:

**Public** — most relevant for Open Banking. They allow platforms to access consumer data from a bank without saving or storing the data

**Partner** — B2B APIs are there for two or more specific businesses to exchange enterprise data. The applications are effective at vendor-to-vendor communications, EPR, and producer-retailer-reseller relationships

**Internal** — Proprietary APIs, these are used by and within a single organization to safely manage data and increase communication between teams and create economies of efficiency

### Google

Google is launching a customer checking account in partnership with Citigroup. Their primary motivation is customer data and understanding more fully consumers purchasing behaviour. While today they are primarily offering checking accounts, their ambitions for the future are massive. Banks need to be prepared.

### Amazon

Amazon has been offering loans since 2011, and its strategy is focused on creating a commercial partnership with young consumers and those without banking services. Last year, Amazon launched an aggressive recruitment campaign in Singapore to mine the country for the finest banking technology experts. As the 'war for talent' becomes an ever-more urgent issue for banks, the entry of Amazon and its implications for recruitment shouldn't be underestimated?

### Facebook

Facebook engaged with the cryptocurrency trend by releasing its own coin, Facebook Libra. Today, Facebook is forging ahead into the payment products space with Facebook Pay, a seamless, secure way to pay on the apps customers already use almost daily.

### Fintechs

Australian Fintechs are offering a significant challenge to native banks. Last year, KPMG and H2 Ventures named seven of them among the world's top Fintech innovators. Important to note is that it's not just retail banking that's at stake. Judo Bank, for example, focuses on small and medium-sized enterprise lending, offering a range of financial options for businesses, with products enabled by new technology and backed by traditional relationship banking.

## Bank on success

At DXC, we believe there are three key 'necessities' banks need to act on immediately if they are to come out on top in this CDR-led world. These are:

- Invest in Open Banking-as-a-Platform (OBaaP)
- Participate in a Collaborative Ecosystem
- Experiment with Different Business Models and Products

## Open Banking-as-a-Platform (OBaaP)

Now that Australia has joined the likes of the United Kingdom, Singapore and Hong Kong in the implementation of the Open Banking reform, the commoditisation of banking services has been fast-tracked by providing an open and accessible way to transactional data. While commoditisation brings its challenges, it is also inevitable. Banks need to take advantage of the reform and

### **Open Banking in action**

Smart banking app Coconut helps entrepreneurs and small businesses manage expenses, invoices and taxes in a simplified and intrinsic manner. Powered by Open Banking, the accounting services app is proud of the work it has done for Britain's small business community.

Sam O'Connor, Co-Founder and CEO, says "We've seen first-hand just how limited the financial services offering is for the UK's 5.3m self-employed and micro-SMEs in the UK. Despite the growth of challenger banks, only 3% of businesses switch accounts each year and branch closures are reducing the relationship between banks and business owners. Being owned by our customers keeps us connected to the community. We've not diluted our proposition by trying to cater to the larger end of businesses. We're entirely focused on the 93% of businesses that banks and accounting packages are actively rejecting."

the only way to do that is by building a platform that scales, extends and expands as digitisation matures across other industries.

Open Banking naturally lends itself to a platform-based business approach where data, processes, and business functionalities are made available in an ecosystem of banks, customers, third-party developers, Fintechs and partners.

Participating in platform business models helps integrate and enhance current products while also making it much easier to build new ones with the establishment of APIs. Open Banking has the potential to go beyond simply the exchange of information and touch on the core of how financial services are delivered to customers.

The key message for banks: rather than limiting yourselves to the regulation requirements, you should look steadfast into the future and think of all the value-add opportunities you can provide your customers. Look into the customer end to end value chain, expand your boundaries and partner to succeed.

### **A collaborative ecosystem**

A platform's value is measured by its 'stickiness', that is, the number of providers and subscribers the platform has. Co-platforming is the next-generation of platform strategy. This is where all parties collaborate and build increasing value to a common customer. Competitors now become partners. New market strategies, business models, and business capabilities are required to shift a traditional financial institution into the preferred financial hub in the industry.

With the help of platforms, such as Data Republic<sup>6</sup>, data-rich companies are using ecosystems to delve even deeper into customers' lives and requirements. Also, ancillary services have been built to personalise, enhance and enrich the open banking data<sup>7</sup> and there is the potential for an ecosystem of developers and partners that use data provided by the likes of Facebook, Amazon, or Google to integrate it with banking data, enabling banks to unlock additional value for their customers.

We are already seeing how start-ups and innovators are aligning and joining forces to leverage Open Banking. As recent as July this year, NextGen. Net acquired Frollo<sup>8</sup> to leverage the power of CDR, and accelerate and reduce the cost of lending.

Also, investing in third-party platforms and start-ups to mould and take advantage of new functionality is a strategy that banks such as Westpac and ANZ have taken with Data Republic.

Rather than losing customers to third-party providers, banks need to co-create digital services on a 'sticky' platform that can build trust in the eyes of its customers and offer them effortless simplicity.

---

<sup>6</sup> See <https://www.datarepublic.com/>

<sup>7</sup> See <https://finchxp.com/>

<sup>8</sup> See <https://frollo.com.au/blog/nextgen-acquires-frollo/>

### **Open Banking in action**

For nearly two years, American Express has been working with Fintech GreenSky on point-of-sale financing solutions. Using GreenSky's platform and technology, home improvement and elective healthcare merchants that accept American Express can drive incremental sales by providing qualifying customers with options to finance large purchases in a paperless environment.

As David Zalik, CEO and Chairman of GreenSky states, "Combining our industry-leading technology platform with the security and backing of American Express will allow us to continue innovating to meet evolving customer needs."

### **Open Banking in action**

Launched in 2015, in Singapore, GoBear is an online financial products marketplaces, offering over 1,800 consumer financial products, such as travel, health and car insurance, credit cards, and personal loans. Through smart targeting, it matches users' profiles to the financial products they want.

"In terms of partnering, in the future, there will be those that are quick and move with others and those that are dead."  
— Jamie Broadbent, Head of Digital & Innovation at RBS International.

### **Leveraging the ecosystem**

Australia has over 600 active Fintechs, and according to EY, approximately 64% of digitally active consumers globally now use Fintech products and services. Applications such as Frollo<sup>9</sup>, Pocketbook<sup>10</sup> & Monzo<sup>11</sup> provide a detailed breakdown of expenditure and budgeting, and with apps like Airwallex<sup>12</sup>, you can create foreign currency accounts globally, access interbank exchange rates and send funds from a centralised source.

Other use cases can include on-the-spot mortgage approvals, through an automated exchange of financial and risk information. Whatever the application, Open Banking is all about the customer.

Banks need to shift their mindset from viewing everything and everyone as competition and start thinking about them as partnerships. The new economic model is based on collaboration and partnerships to offer integrated, data-driven, real-time and seamless experiences - this is where value is created.

### **Experiment with different business models and products**

One of the many benefits of Open Banking, and the digital ecosystem, is that it allows participants to expand their client base and leverage partner's services in real-time. A co-platform approach offers interconnectivity into ecosystems and access to new data, customers and markets. Rather than thinking of CDR as a data leakage issue, banks need to view the reform as enabling reciprocity. What we want is a system whereby banks are giving and receiving enhanced and enriched data so they can build a digital infrastructure that is fully focused on benefiting the customer.

As banks use APIs to build platforms and ecosystems their business model begins to shift to an integrated marketplace offering. Banks are working with partners - on a platform - to provide the best products and services possible to their clients and customers. In the same way, and through the use of open APIs, banks are now offering integrated value chains, a clear example is the ANZ business lending platform integrating directly to accounting software platforms such as Xero, Quickbooks and MYOB<sup>13</sup> and providing conditional loan approvals digitally and within 20 mins. In the same way as traditional banking services, accounting, financial health, legal services, and many more, banks can become value-added hubs that drive loyalty and unlimited customer satisfaction.

---

9 <https://frollo.com.au/>

10 <https://getpocketbook.com/>

11 <https://monzo.com/>

12 <https://www.airwallex.com>

13 <https://www.theadviser.com.au/breaking-news/40733-anz-cba-launch-online-business-lending-platforms>

This shift is facilitated by company ecosystem builders such as Stone & Chalk<sup>14</sup>, that since 2015 have been offering the Fintech community a commercialisation platform to accelerate the innovation and disruption in the sector. Many successful start-ups coming out are starting to revolutionise the marketplace, the likes of Data Republic, democratising data access across enterprises, and Littlepay<sup>15</sup>, a world-class open-loop transit payments system for both operators and commuters via contactless EMV (Europay, MasterCard and Visa).

Disruptors leverage data to their advantage and offer hyper-personalised experiences. Personalising offerings, based not on demographics but actual and individual customer insights, provide a service that is not only desirable but also much more likely to be adopted. However personalisation comes about - be it through customer profiling in terms of expenditure, locations, expenses categories, goals, risk etc., — as Boston Consulting Group estimates, for every \$100 billion in assets a bank has, it can achieve as much as \$300 million in revenue growth by personalising customer interactions.

Banks need to start thinking about how their current business model is going to change, what new products are desirable and viable, and start charting a course that moves them from being a transactional bank to a more comprehensive service provider.

## Expand your reach with DXC

Australia is at the start of its Open Banking journey, and due to the reciprocity of the Australian Open Banking reform, Australian financial institutions are in a great position to leverage consumer data further and offer services that are of a value greater than they've even been before.

DXC can help banks ensure they get the most out of the CDR and Open Banking. To do this, we want to support you in three primary areas.

## Understand the landscape

DXC's focus is to help you understand your current business capabilities and technical maturity and map those to areas of opportunity, growth, threat and weakness. We will provide you with a clear path to success and understanding of what steps need to be taken and by when so that you are driving value for your customer. Supported and enabled by the Leading Edge Forum, DXC can help you explore platform business opportunities to avoid costly mistakes. We use techniques such as Wardley Maps<sup>16</sup> and Industry Trends analysis to help you map your landscape and understand where you have the right to play and where you may want to innovate and partner.

---

14 <https://www.stoneandchalk.com.au/>

15 <https://littlepay.com/>

16 <https://leadingedgeforum.com/advisory/wardley-mapping/>



### Invest in a Business Platform MVP<sup>17</sup>

The bank that moves quickly to develop a modular business and technical architecture will be best placed to leverage its brand to own entire parts of the customer value chain. Starting with a Business Platform MVP and integrating offerings and data from players outside the organisation, banks can place themselves at the front, middle and back of the customer value-added production line. DXC, jointly with Leading Edge Forum, have a vast experience in building business platform MVPs and can help you do this by providing global expertise and insights gained through a multitude of global engagements.



### Experiment: partner, iterate, review, align, and iterate again

With a strategic map on hand and a Business Platform Blueprint, DXC can help you transform, while working beside you at every step of the platform building journey. With already built and tested automated backend services<sup>18</sup>, security, scalability and optimisation is a given through the use of real-time data from the platform. Through each iteration, each partnership is reviewed and the next move is planned. When a partnership works, we move quickly to scale it up, when it doesn't, we fail-fast and move on.

Wherever you are on your journey, it's essential you keep innovation and collaboration top of mind. The entire financial services industry is moving to a simpler, more transparent, consumer model and financial services customers are only getting smarter and more demanding. To be a winner, you need to act now.

If you'd like to find out more about how DXC can help Australia's banks own the CDR and Open Banking reforms, get in touch with one of our experts today. Alternatively, you can find out more on our site, [here](#).

<sup>17</sup> Minimum Viable Product  
<sup>18</sup> See Platform X

**Get the insights that matter.**

[dxc.com/optin](https://dxc.com/optin)

