



# Understanding Data Safety in an Open Banking Regime



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The deadline for open banking is fast approaching. Now, with the data having to be made available by 2020, Australian financial institutions must be ready to embrace the initiative or risk being left behind.

The opening of consumer data will offer many benefits such as more competitive insight into the market and increased service offerings for consumers. However, there are still issues pertaining to security risks now that the data will be open and shared across the market.

Ahead of **Open Banking and API Melbourne 2018**, we chat to George Lucas, CEO and Managing Director of Raiz Invest, a fintech that allows users to micro-invest the remaining rounded up value of a purchase. We also talk to Marcus Cann, CIO at MOGO, a fintech that offers personal loans, mortgages, debit cards and Equifax based credit score viewing. This article will explore their thoughts on the implications of open banking in Australia and understanding data safety in an open banking world.



# Disrupting the Traditional Finance Sector

*The open banking regime will reshape the landscape of Australian finance. With consumer data shared across financial institutions, consumers have many more service offerings. This means that banks will need to transform their operations in order to stay as a competitor in the market.*

## **George Lucas**

With Australia's finance sector being so traditional, open banking is set to be a disruptive force on the landscape. Consumers will no longer be tied to one bank anymore. Instead, there will be an option to utilise multiple institutions but have all their services consolidated on one app instead.

The regime largely relies on whether consumers consent to have their data shared and the ability of the government to keep running and maintaining the online verification register, 24/7. Then, financial institutions will need to prove the value of open banking to consumers to help the regime flourish. "Consumers are not going to consent to anything that just consists of sharing your data to analyse you better, this is not going to be a value add for consumers. But telling them that open banking will pre-fill your forms and show you more service offerings is a big plus for consumers. This is why you need to present these values to your customers for them to consent," George explains.

But at this stage, George says that everything is still uncertain. "Everyone is unsure because no-one knows the exact process and how reliable the service will be. How do we budget for all the technological upscaling required to support open banking? This is the question every finance professional is asking now."

## **Marcus Cann**

Marcus also believes that open banking will result in many changes coming for traditional finance institutions in Australia.

"The number one factor for the banks is that they will get more data which gives them greater insights into how the consumers are spending their money," he says. As a result of that data, financial institutions can then individually tailor their propositions to each unique consumer, giving them more competitive edge in the market.

"Rather than having a blanket mortgage for everyone they will be able to target a mortgage product specifically to a customer's needs. So, the key here for banks is to focus more on product innovation to ensure that they're ready to take advantage of that data when open banking rolls around," Marcus says.

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# Understanding Data Safety amid Open Banking

*With the open sharing of consumer data between financial institutions, rules around data safety must shift to accommodate the changes in the new initiative. To ensure effective security, consumers need to understand how these changes affect them.*

## **George Lucas**

Currently, open banking is in its early stages in Australia so there is still a lot of discussion between finance professionals as to who will be liable for consumer data. "It hasn't really been finalised as to how it will all work. Banks will definitely have to change their terms and conditions to be compliant, but there aren't any clear liabilities at the moment," George says.

"With data sharing becoming commonplace soon, there needs to be regulations set to clearly define the liabilities of who is responsible for the data. This is to ensure that consumers know who to contact if their data gets leaked through software or human error," George explains.

To ensure successful data safety from the consumer side, George believes that one of the key steps is that the customer must understand the implications as simply as possible. "From a consumer point of view, they're not going to care where their data leak came from. Therefore, they need to know the risks and understand where the liabilities lie and have that clear-cut for them right from the get go," he notes.

## **Marcus Cann**

Marcus shares a similar sentiment as he believes that the best thing to do to ensure data safety for consumers is to not overcomplicate the message for them. "They don't necessarily need to know the mechanics of the software or security; they just need a reputable body or representative to step forward and tell them their data is safe and secure," he says.

"Typically, banks are institutions that consumers trust and feel safe with as well as their own advisors. This is why we should empower those people or provide them with the information they need to communicate the security aspects to the consumers," Marcus explains.



# Staying in the Competition

*Open banking will allow financial institutions to view consumer data from other companies. This lets them provide personal, tailored service offerings to consumers, making them a strong competitor in the finance market.*

## **George Lucas**

To make the most of open banking George says that it is paramount to understand the great opportunities it is providing amid all the fears of disruption. “The important thing is to communicate to consumers that open banking is to help them and make their life easier. Let them know that open banking will do things like; pre-fill their application forms or improve their chances of getting loans since they’ll be able to be serviced by other financial institutions as well.”

However, George does acknowledge the increase in competition for financial institutes. “The first two years have the potential to create the most competition. The banks who readily innovate will fare better than the ones who just remain worried about open banking. It isn’t easy to get a customer to share their details but if the value add is high enough they will be willing. However, if you don’t have a product ready for them that shows the value of this regime then they will be looking elsewhere.”

This is because the consumers serve to gain the most out of open banking. “It’s improving the ways that they can manage their finances and future innovation will help develop new products to help them add even more value to the open banking initiative,” George says. This means that financial institutions need to be ready to embrace the open banking regime and show what’s in it for their consumers if they want to retain them.

## **Marcus Cann**

Marcus believes that for financial institutions to remain competitive, they need to stop focusing on just the transactional level or the product level and start concentrating on personal, tailored products and experiences for their customers.

“Open banking is going to give us this data which allows us to produce products that suit individuals. If we focus on that I think we can really begin to create an amazing proposition for customers, showing them the real value of open banking and getting them on board,” Marcus notes.



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## Interested in learning more?

If you're interested in learning more about open banking and how to ensure data safety and getting consumers on board then join George and Marcus at **Open Banking and API Melbourne 2018**.

This event, held on the 30th - 31st of October at the Victoria Hotel, Melbourne, brings together over 20+ speakers from the likes of Santander UK, Bankwest, Xinja, AMP Bank and Me Bank.

For more information visit the website or call +61 2 9229 1000 or email [enquire@iqpc.com.au](mailto:enquire@iqpc.com.au).

