

Unlocking opportunities

in the era of open data and payment initiation

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Cuscal

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“The move towards an increasingly interconnected digital economy, where API ecosystems and platforms converge, is a transformational opportunity for enterprises.”

Bianca Bates
Chief Client Officer and Deputy CEO
Cuscal Limited



Welcome to a new data economy

Data portability is radically transforming transaction-based industries and disrupting traditional markets.

Consumer Data Right (CDR) legislation is not only a regulatory response to improving the availability of reliable data. It's reform to enable market efficiencies. It's transformative change that demands new thinking around data ownership. It's economy-wide infrastructure that will accelerate changes to consumer experience and expectations, delivering greater convenience, ease of use and interconnected services.

Open Banking, the application of the CDR in the banking sector, presents unlimited potential for banks, fintechs and most importantly consumers. And yet, the staged development of CDR rules and regulation, as well as legacy processes, have made participants wary of implementing systems and processes designed to support the CDR too early. Unsurprisingly, public awareness and engagement also remains low. The onus lies on all CDR participants and stakeholders – the Federal Government, regulators, industry bodies as well as banks and fintechs that accredit as Data Recipients - to bring consumers on a trust journey and build momentum for the CDR by demonstrating the value of sharing data.

In this emerging hyper-competitive and

interconnected market, innovation will be key.

To compete, enterprises must go beyond mere digitisation of services. They must reinvent their business to place data and consumer-centricity at their core. They must be ready with a roadmap of capabilities to meet looming regulatory deadlines affecting designated sectors.

Beyond compliance, those enterprises that embrace data-centricity revolutionise the way in which organisations help customers to move money, manage money, and apply their data. Ultimately this will enable forward thinking enterprises to win new business and make money.

How? At the core of delivering great customer service is the ability to capture and deploy relevant data to meet personalised needs. But disjointed product delivery, siloed operations and manually intensive processes have long been obstacles to adopting a data-centric strategy, resulting in a fragmented customer experience.

Customers must also trust that their data is protected from misuse, interference and loss, as well as from unauthorised access, modification or disclosure. Although safe and secure data sharing is at the heart of the design of the CDR, consumer trust in the ecosystem must still be earned.

Other countries are on the same journey and are watching how Australia goes about the design and implementation of the CDR.

Meanwhile momentum is building around exciting prospects for third party payment initiation that will transform user experiences into genuinely real-time transactions at the point of commerce.

In the open data new world order, a customer-centric and future-proof data strategy will require a truly collaborative mindset to harness the reciprocity that is at the heart of an economy-wide reform process.

Data fluidity that is at the heart of the CDR is what will drive new products to meet evolving consumer demand. As collaborative API ecosystems and platforms emerge, data and payments will converge, creating differentiated value for business and consumers.

The CDR is a reality and now is the time to invest in the open data economy. Early adopters will reap the benefits of integrating to the new data ecosystem. Nonetheless, the safeguards that stop consumer data falling into the wrong hands makes being an accredited Data Recipient feel perilous. The technology that manages consent is complex and regulation around data management can feel burdensome.

Choosing the right data intermediary to navigate the regulatory and technological terrain can overcome these challenges to position enterprises confidently within this new data ecosystem. From there, business can innovate at pace to generate a return on their investment.

Consumer Data Right

The regulatory framework

The Australian Government announced the introduction of a Consumer Data Right (CDR) in Australia in 2017 in response to the [Productivity Commission's recommendation](#) to “improve the availability of reliable data”.

The CDR is centred on the premise that consumers are the rightful owners of their personal and behavioural data and gives them the right to safely access, control and move certain data about them held by businesses.

Treasury also hopes the CDR will fuel data services to become a new export opportunity for the Australian economy.

The CDR is intended to encourage competition and stimulate growth through:

- Improved consumer control over their own data to support the development of more convenient products and services.
- Improved competition and data-driven innovation that will support economic growth and create new high value jobs in Australia.

Under the CDR, consumers are able to direct information held about them to be transferred to accredited, trusted third parties of their choice. In designated industries, an enterprise that holds consumer data (called Data Holders) will be compelled to share a consumer's data. This data is disclosed to a 'Data Recipient' who has gained the consent of that consumer. Data Recipients are enterprises accredited by the Australian Competition and Consumer Commission (ACCC). The ACCC tests Data Recipient's suitability to hold and share consumer data, as well as the systems and processes they have in place to keep it safe. It monitors compliance and has the authority to take enforcement action where necessary.

In response to recommendations from the [Review into Open Banking in Australia](#), chaired by Mr Scott Farrell, the Treasury and the ACCC is working with the Office of the Australian Information Commissioner (OAIC) and the Data Standards Body (DSB) on the implementation of the CDR. The DSB is responsible for the creation of the technical standards for the sharing of consumer data. The OAIC is the primary complaints handler under the CDR and will have investigative and enforcement powers to handle privacy complaints and carry out other regulatory activities with respect to privacy. In late 2020 the government moved to transfer regulatory oversight of the CDR to Treasury, in what could be a precursor to the creation of a new data regulator.

The government is compelling enterprises to become Data Holders because they want to encourage enterprises to become Data Recipients. The government hopes that many Data Recipients will find reasons to persuade millions of consumers to share their data as a catalyst for economy-wide reform. Sharing of



consumer data is a fundamental structural reform that will drive competition and efficiency.

Momentum is building.

The prospect of profiting from an ‘economy-wide transformation’ has not escaped the notice of the technology industry. Early investment in integrators indicates an encouraging degree of confidence in the CDR. Tier-one companies like IBM are talking about CDR solutions, and agile fintechs are accredited in market. Data start-ups are promising to be fast growth CDR intermediaries and are already funded with generous seed rounds backed by billionaires.

ANZ, meanwhile is working towards accreditation as a Data Recipient, and in March 2021, CBA became accredited as a data recipient by the ACCC. It’s worth noting though that Data Recipient accreditation is not the preserve of major banks, with Regional Australia Bank becoming the first organisation in Australia to become an Accredited Data Recipient.

Industry designation

Open Banking refers to the CDR as it applies to the financial sector. Open Banking is emerging all over the world, but Australia is unique in that it is implementing the world’s most comprehensive, cross-sector open data ecosystem.

Although the CDR kicked off with Open Banking, the goal is to give consumers more control over their data and who they share it with, across many industries. It is not limited to financial information. Policies covering the designation of the energy sector under an Open Energy data sharing framework are well underway, with implementation expected in 2022. The government is currently consulting on the telecommunications sector with other designated industries like insurance and superannuation to follow.

Open Banking was launched according to a phased timeline in July 2020, when big banks were required to share product reference data. Smaller institutions were granted an extension due to the constraints of COVID-19. By 1 July, 2021, all banks are required to make customer data – that is account and transaction data – available



on products relating to credit and debit cards, deposit accounts and transaction accounts.

However, the ability of banks to achieve compliance with this deadline is in doubt, with the ACCC granting exemptions under section 56GD of the Competition and Consumer Act 2010 (Cth) to Data Holders facing challenges complying with their CDR obligations. Provisions in the 2021-22 Federal Budget to allocate an additional \$1.2 billion digital package to position digital at the centre of Australia's economy included \$111.3 million of additional funding for the CDR to "accelerate" its rollout. This renewed focus on "accelerating" the rollout makes it unlikely that the ACCC will grant further exemptions to Data Holders that struggle to meet their compliance obligations under the CDR.

Treasury's consultation period on the designation instruments that will give the regulator the authority to oversee the application of CDR rules to the energy sector has now closed. Similar to Open Banking, Open Energy will stimulate competition in the energy sector and help customers find and switch to the best energy deals. Covering billing, tariff and meter data, the widening of CDR regulation to energy will help customers manage their energy use and identify

products that are better suited to their personalised needs.

As the CDR rolls out, the intention is to continually update the rules, standards and technology platforms. But being first does not necessarily mean enterprises in the first sectors to be designated are guinea pigs, or create risk that early adopters are left behind as the platform evolves. Rather, it places them ahead of the curve within the new data ecosystem – giving them a first mover advantage to establish their place at the centre of a consumer's data-oriented life.

Banks and fintechs are in the position of providing the radical stimulus required for what will become consumer's data-oriented financial lives. Achieving this will require a certain degree of adaptability and a disruptive growth mindset, and sound partnerships.

Inquiry into Future Directions for the Consumer Data Right

In January 2020, Treasury announced the [Inquiry into Future Directions for the Consumer Data Right](#). The Inquiry was tasked with consulting with the industry and interested stakeholders on

“ a fundamental structural reform that will drive competition and improve the flow of information around the Australian economy. ”

The Hon Josh Frydenberg MP
Treasurer of the Commonwealth of Australia

future directions for the CDR and how legislation can be built on to support the development of a customer-centric digital economy. Specifically, the Inquiry sought to answer how the CDR could be enhanced to:

- Boost innovation and competition through expanded functionality, including 'write' access.
- Promote innovation that is inclusive of vulnerable customer segments.
- Ensure alignment of infrastructure investments to support a productive, safe and efficient digital economy.
- Learn from best practice developments in Australia and overseas.

On 23 December 2020, the Minister for Superannuation, Financial Services and the Digital Economy, Senator the Hon Jane Hume, announced the [release of the Inquiry report](#) which made over 100 recommendations to expand and enhance the functionality of the CDR.

Key recommendations focus on growth and expansion of participation in the CDR ecosystem, consumer safeguards and opportunities for connecting the CDR to the broader data economy to promote interoperability.

Most significantly, the Inquiry recommended major changes in the field of payments and delegated authority. Specifically, the report recommended expanding the CDR framework to enable accredited third parties, with a consumer's consent, to apply for and manage products on the consumer's behalf. "Write access" or "action initiation" is essentially a digital power of attorney which would allow recipients of banking, energy and telecommunications data not only to read and analyse consumer data but take action on a consumer's behalf. This could include closing existing accounts, switching providers or initiating payments. The report recommends that action initiation first apply in the banking sector.

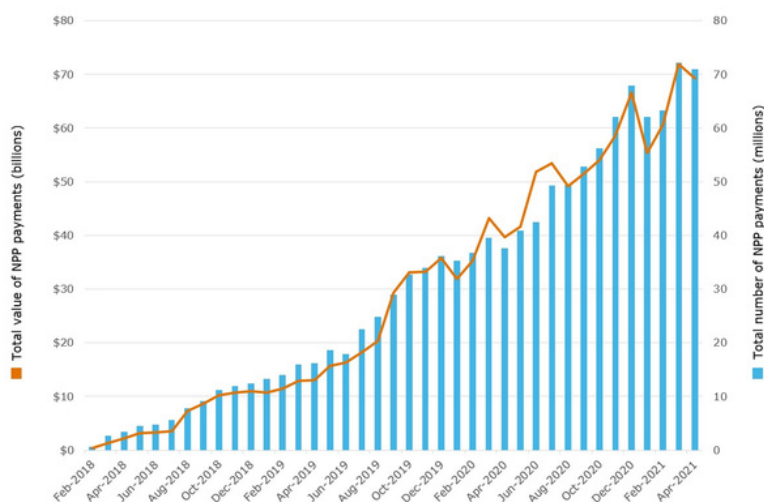
Treasury is still consulting on changes to write access, which would require legislative change. Meanwhile, consultation is still ongoing on CDR rules, accreditation arrangements and tiered levels of access.



The New Payments Platform and PayTo

The move towards giving customer's greater control of data really accelerated with the New Payments Platform (NPP). Since Australia's real-time payments infrastructure platform went live in 2017, almost all retail transaction bank accounts are now enabled for NPP payment services, with 75 million reachable accounts able to make or receive data-rich NPP payments. Over 100 banks building societies, credit unions and fintechs are now connected to the NPP.

This presents a dramatic overhaul of the Australian Payments System that has allowed banks and payment service providers to deliver and execute payments with improved speed and efficiency - as reflected in the steady increase in the number and value of NPP payments since launch.



Source: Reserve Bank of Australia, May 2021

But in the move towards optimal application of transaction interaction, consumers and enterprises alike want payments to be invisible, contextual, and instant.

The NPP PayTo service (originally referred to as the Mandated Payments Service or MPS) was announced as a foundational capability and natural extension of the platform as part of the NPP Australia (NPPA) inaugural roadmap of 2019.

When NPPA updated the roadmap in October 2020, it set the agenda to extend and enhance the platform capabilities and the foundations “to meet the needs of the wider payments ecosystem.”

While the focus of Treasury's Inquiry was on creating a new "write access" power that would allow third parties to initiate payments, NPPA has already confirmed it will deliver “write access”, to initiate payments from customer bank accounts using the NPP, separately to the CDR.

The NPP PayTo service will enable scenarios in which Payment Initiators can initiate payments from a customer's account on their behalf, based on an authorised payment agreement that has been approved by the customer. Customers will be able to view and control authorised PayTo agreements from within their own banking apps.





PayTo agreements offer customers and businesses genuinely real-time payment alternatives to direct debit arrangements. The PayTo service allows a consumer to authorise third parties to initiate payments directly from their bank accounts at the point of commerce interaction, using the NPP infrastructure.

PayTo removes the uncertainty of making and receiving payments from bank accounts, with real-time account validation, fund verification, and notifications at various stages of the payment.

PayTo agreements are a step in the generalised shift towards real-time payment initiation from the point of commerce interaction - the applications and platforms that customers and businesses use every day - not just via bank channels. Scheduled, as well as one off payment scenarios like payroll applications, subscription services, invoicing, or even in-store payments will be supported.

Online shopping provides a useful comparison. If a customer visits a site where they regularly purchase, then goes to the checkout, entering their card's CVV2 security code involves two distinct interactions. This creates friction. In the future, the payment is embedded in the point of commerce interaction as a payment is initiated instantly according to an established PayTo agreement.

While initiated by a third-party service provider, the PayTo authority is still authorised through a customer's banking channel. PayTo leverages existing features and security protections - fraud prevention and liability allocation - already built into the NPP funds settlement framework. This

means PayTo can offer consumers and businesses a single view of scheduled transactions, while providing strong protection and transparency. Security controls and the PayTo authority provisions can be viewed, managed, and even moved between different financial institutions.

And, given there are over 75 million NPP enabled accounts connected through a network of financial institutions, a key benefit of the PayTo service is its ease of access, where third parties require only a single access point to NPP infrastructure to effectively initiate payments.

PayTo services are expected to be rolled out from mid-2022.

At the moment CDR and PayTo are separate, but that will effectively change as it is anticipated that payment initiation using PayTo will come under the action initiation framework of CDR. Especially for customer-related processes such as PayTo authorisation and onboarding, processes consistent with the rules and criteria of the CDR will need to be observed.

The centrality of data

To take advantage of the data revolution, enterprises need to think beyond compliance and develop truly customer-centric data strategies.

Data Holders have traditionally viewed their responsibilities under the CDR as a liability. But in fact, Treasury has handed Data Holders an asset. Clean, verified, and secure data is not valuable in and of itself. The consumer insights it can translate to are invaluable, and CDR data presents the potential for unlimited customer insights. When it comes to customer insights Data Holders have one competitive advantage over Data Recipients from outside their designated industry – meta data. To realise this competitive advantage Data Holders must adopt a competitive mindset and accredit as Data Recipients themselves.

The CDR makes available four types of data:

- Product Data
- Consumer Data
- Account data
- Transaction data

Once registered, Data Holders are required by the ACCC to comply with new regulations making product information available, firstly, followed by consumer data shortly.

Data Holders have the option to build the technology they need to be compliant themselves, or they can outsource the responsibility of data management to a CDR intermediary.

Either way, Data Holders will need to feel

confident the technology they employ is adaptable, future proof, and will meet unfolding regulatory demands. Data Holders will need to remain compliant not only now, but must look ahead to ensure compliance throughout the CDR's evolution.

Removing the burden of transformation and pagination of variable data is an immediately identifiable time and cost saver. Moreover, gaining access to data that is standardised, labelled and formatted according to approved standards translates to a treasure trove of information on a pool of potentially 19 million customers.

In new expanded markets, fluid data is the most valuable of all. Connecting to the CDR is about managing data flow. CDR Intermediaries like Cuscal can help reduce the cost burden of data compliance management, integration and processing, enabling transaction businesses to spend less time managing data, and more time innovating to make the best use of moving data.

A full-service CDR platform collects, shares and stores CDR data on behalf of Data Holders, Data Recipients and outsourced service providers through CDR compliant API gateways. With sound consent management, storage and accurate reporting, data can be efficiently monetised through the development of innovative products and services within a new economy that will be constantly changing for at least the next three to five years.

CDR intermediaries that provide platform capabilities to connect enterprises to the CDR, and the CDR to enterprises, will be key to providing ecosystem participants with the ability to access data that is digital, that is regulated, that is secure, and flows.

CDR integration

When looking to effectively integrate into the CDR, Data Holders, Data Recipients and their outsourced service providers will need a platform that manages data across four main processes:

- Extraction and ingestion of data from external and internal sources.
- Providing consumers interfaces for interaction and consent flow.
- Disclosure of data between Data Holders and Data Recipients.
- Maintaining data through relevant compliance and reporting provisions.

Good data design and governance processes will provide sound data extraction and management capabilities that will assist enterprises to accelerate their use cases and compete more assertively in bigger markets. By facilitating market connectivity, enterprises can provide innovative products, business models, and improved customer outcomes.

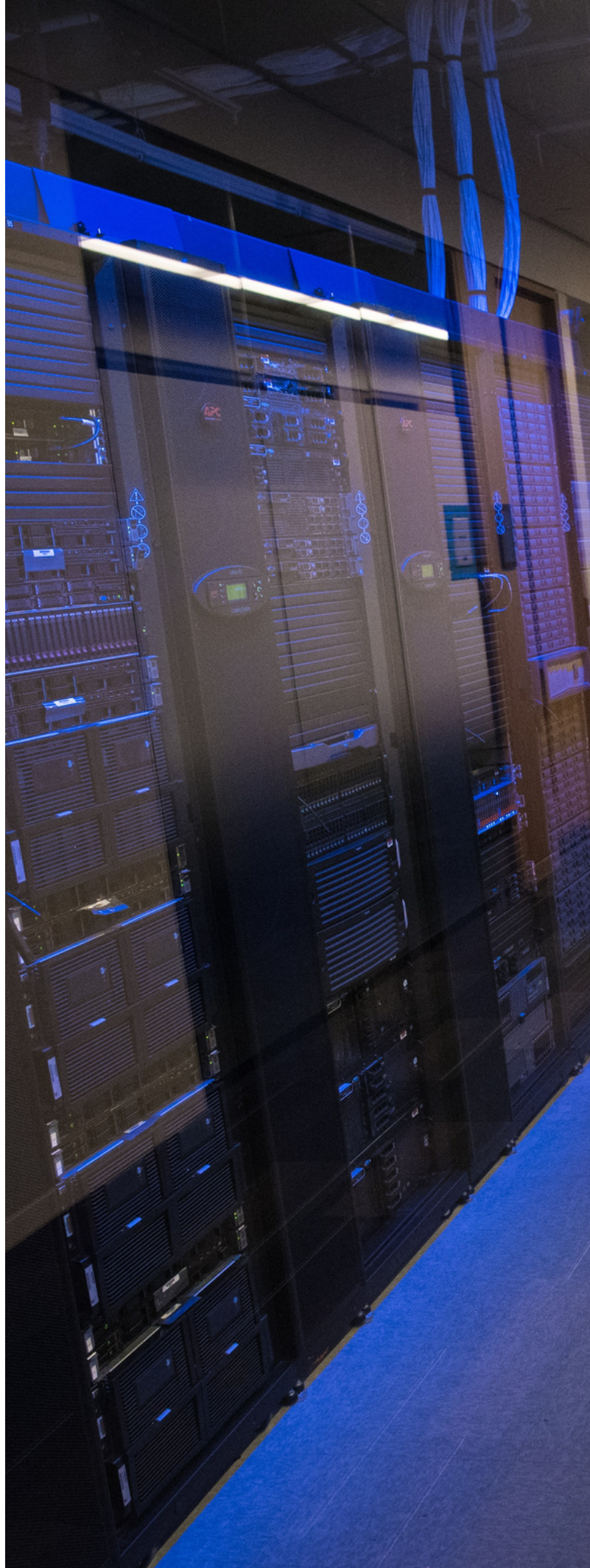
With an effective management platform in place data starts to flow. It's then that truly exciting new use cases will start to be realised.

Digital enablement

As the first sector of the Australian economy subject to the CDR, banks that accredit as Data Recipients are looking to adapt their digital and data strategies to compete in a new data ecosystem. Application Programming Interfaces (APIs) are already used to connect to payment networks but will now be used to issue commands to third party providers.

API's are important tools for businesses, providing access to data and capabilities outside existing organisational structures. But to grow into the new markets, Data Holders and Data Recipients will need to overcome legacy approaches to API design that are fixed to specific product design.

Leveraging the power of APIs to deliver real value in exchange for access to customer data requires new thinking around how technology can service customer needs. In banking, forward thinking





strategies are required to move from a mere digital strategy centred around providing disparate financial products, to one centred around building a digital banking platform that unifies a customer's financial experience.

To truly harness the opportunities presented by the CDR, organisations should look to a flexible base of API integration that does not compromise on core functionality, while having the ability to repurpose APIs to new applications. A well-designed set of API's permits the redeployment of existing interfaces, while complementing others operating in the CDR ecosystem to power entirely new systems. To meet the new Data Standards, API design must be:

- Simple to use
- Rich in load capability
- Internally consistent
- Adaptable

An API strategy that adopts these principals will enable organisations to share data and applications using easily accessible interfaces that are extendable, bringing together disparate functionality to create completely new customer experiences.

For example, Cuscal's modular API architecture means product reference data can be used as either a channel for CDR compliance, or to power new value operations. This agile strategy creates opportunities to reuse, share and monetise core assets by extending the reach of existing services to provide new revenue streams, whatever your business's level of technical and structural maturity.

A collaborative network

Harnessing this potential requires a strategic and economy-wide data mindset that embraces collaboration. Beyond payment system additions, the real commercial value of the Australian CDR is in the reciprocity that lies at the heart of the cross-sector CDR system. Open Banking will work optimally when it is understood that businesses are part of an ecosystem; that it's a give and take arrangement.

Businesses must give up the idea of owning data and processes to see the value in the new-found transparency that the CDR mandates. Data Holders and Data Recipients will now be able to see what systems, data, and processes are available across the sector. This levels the playing field, driving standardisation and shared service models that will ultimately unlock economies of scale.

By leveraging each prospective partner's unique strengths, assets and capabilities, APIs enable organisations to aggregate data and applications using easily accessible standards and platforms to overcome disparate functionality. The result is a thriving community of innovation that fits within the economy-wide approach of the CDR.

Early positioning within this system of inherent interdependence will bring together consent management, data sharing and payment initiation, creating immediate time and cost efficiencies for consumers. Operating as a single point of aggregation when there is greater access to data, meanwhile transforms what may previously have been considered a strategic limitation, into an asset for enterprise.

For example, when a banking app becomes the single-view mode in which a customer manages all their cross-sector finances, Data Recipients can see the balances of all other accounts their customers hold outside of banking (as other sectors progressively are designated under the CDR). Instead of building all the features that the customer requires, data is aggregated so that businesses are able to simply choose the processes and services they wish to provide, and leave out the rest. Data aggregation is hard but the rewards for doing it will be worth it.

A trust building exercise - the consent utility

CDR standards have been designed to ensure consumers have simple, informed, and trustworthy data sharing experiences that provide them with positive outcomes.

That sounds good, but as the CDR moves towards utility, it will be up to enterprises in designated industries and accredited Data Recipients to ensure that consumers have the confidence to share their data and take control of their open data lives. Businesses may begin to ask: What would persuade consumers to share their data? The answer might be less than you would expect.

A willingness to share data is partially based on brand trust, along with trust in government and CDR privacy and security safeguards. To that extent, Australian financial institutions are already in an enviable position.

But customer trust is also largely based on perceived value and the consent experience itself. Customers will trust, given the right incentives.

The economic principal behind the CDR also tells us that efficient markets work well when customers make free and informed choices. That they believe there is transparency in price and quality of service. And of course, convenience, accessibility and personalisation.

We know customers hate filling out forms. The efficient flow of identified, verified and accurate data removes this pain point. Offering the consumer this basic value proposition is the first step in the consent experience. Use cases like real-time identity validation, instant loan approvals and real-time payment facilitation at the point of commerce are just the beginning of what will comprise more personalised consumer experience.

Familiarity and faith in the new data utility will, in turn, drive consumer behaviour as well as demand. To that extent, the Inquiry into Future Directions for the Consumer Data Right recognised that for the CDR to succeed, customers need "a high level of confidence that their data is secure and that it is only being used for the purpose that consent is given".



A coordinated roll out of capabilities by trusted brands and industry participants is required to help consumers adjust and feel comfortable with their newfound data accessibility. The trust and cache that comes with established banking branding will help participants to benefit from the consumer trust and comfort embedded in the data portability journey.

As the CDR phases roll out across more and more designated industries, consumers will no doubt start to demand open data utility in ever more areas of their daily lives. Accustomed to the speed and convenience of automation, they will no longer be asking if they should share their data, but why they can't.

Good consent management within the CDR also embraces the collaborative mindset we have already discussed. Overly complex or disparate consent interfaces have the potential to drive confusion and damage trust from the outset, so consent management will not work in a siloed fashion. As the CDR rolls out across sectors, consumers will find complex consent experiences unacceptable, so giving them easy-to-navigate consent management resources will prove commercially valuable.

When looking to take customers on the trust journey, consent should be given prominence in dashboards as an upfront feature that provides customers with greater control over their data, rather than hidden in small print disclaimers. Agile API platforms will give businesses the tools to allow them to do what consumers have consented to.

Data Holders and Data Recipient alike will need a consent interface that is clear and transparent,

but that, under the hood, facilitates the five key elements of consent utility:

- The storing of data
- The revoking of data
- The retrieving of data
- The enforcing of data legislation
- The expiring of data consents (continuously checking accreditations)

Effective consent management will prove to be the foundation stone of an optimally functioning CDR system. Businesses that adopt good, integrated consent management services early will reap the reward of strengthened trust between their brand and customers. In Open Banking, innovative banks will be better positioned to play a greater role in customer's digital lives, well beyond banking and building the momentum needed for banks and fintechs to collaborate efficiently.

PayTo enabled payments and digital identity services will be consolidated through APIs into third-party digital applications, while assurances of data security, strong privacy frameworks and proper use of personal information will be paramount in building and retaining customer trust.

Customer-focused innovation

As the first sector of the Australian economy subject to the CDR, banks are already adapting their digital and data strategies to find new ways to compete in an economic, regulatory and technology landscape that is constantly evolving.

Innovative product design that addresses customer pain points will be key to success in this environment, with Data Recipients able to benefit from:

- Streamlined onboarding.
- Accurate identity, income and expense verification.
- Account verification and future payment mandate creation.
- Personalisation of product and pricing.
- Instant service provision.

Account switching

Transferring payments from one account to another has been identified as one of the most significant barriers to switching providers. Efficient consent management capabilities that manage a customer's data sharing permissions and payment mandates, coupled with digital identity and a robust trust framework, is critical to support account switching instructions from one provider to another.

The CDR and PayTo remove cumbersome processes that require consumers to contact each organisation individually and verify their identity to close an account or amend payment instructions. Previous account switching schemes – the 'tick and flick' – were inefficient due to the effort required by customers to switch.

Switching arrangements can be achieved under the existing CDR 'read regime'. However, with action initiation, or write access, and PayTo customers will find it easier to authorise a third party, such as a price comparison website or new provider, to close their existing account on their behalf and transfer payment mandates to the new provider. This makes migrating recurring payment instructions like utility bills or subscription services from one bank account to another a more seamless experience for the customer.

PayTo agreements will integrate with dashboard services that provide customers with more visibility and control over payments linked to their account, resolving a significant pain point when switching providers.

The benefits of more convenient switching opportunities to consumers are obvious. But the benefits to enterprises go beyond initiating and opening new contractual arrangements, too. Empowered with the ability to ingest transaction data, transaction service providers may find they no longer need to service accounts that don't deliver transaction value.

Straight-through loan origination

Auto-financing is one of the most exciting open data use cases that demonstrates the potential application of CDR and payment initiation.

Currently loan origination is a labour intensive, multi-stage manual process progressing from pre-qualification, to application data entry, application processing, underwriting, credit decisioning and quality control – all before a decision on the loan can be taken.

This process can range in time from days to weeks, depending upon the amount of time it takes the lender to gain a full view of the applicant and their risk profile.

Manual completion of forms and collation of bank statements is an important stage in the loan origination process as it converts the customer from an unknown entity to a known client – but this can be a significant friction point for both consumers and the lender.

Open Banking data can streamline the loan origination journey, resulting in a better customer experience and lending outcome because the data is:

- Identified – data coming from a trusted source where the customer has completed a 100pt ID check.
- Verified – data is coming directly from an accredited source, so certified documents are not required.
- Accurate – data is an historic record of financial history going back years (not just the last three months).
- Insightful – data is labelled, revealing greater insights about the customer's behaviours and patterns.
- Trainable – data is standardised and formatted, making it trainable for machine learning.

Leveraging Open Banking data for loan origination presents a genuinely customer-focused alternative that dispenses the need for cumbersome form-filling and the need to provide evidence of income and expenses. It speeds up credit risk assessment and enables





lenders to offer near-real time decisions on loans and hyper-personalised products.

Where PayTo capabilities are also implemented, lenders will be able to offer an end-to-end service allowing customers to enter into a loan agreement, pay deposits and establish PayTo agreements for repayments, all as part of the one loan-origination process.

The same data and payment capabilities can be applied to insurance applications within the loan origination process. Consumers will be able to drive away in their new car on the same day they apply for a loan, without having to complete multiple forms, submit evidence and return later to complete the transaction and take delivery of their vehicle.

Applying the collaborative mindset, it is also easy to imagine how ingesting transaction data from other banks will facilitate income validation to get a single view of behavioural attributes, like living expenses, for home loan and credit card applicants.

API-based accounting services

Standardised APIs and action initiation open up a range of business-to-business services that work on an “on-behalf-of” basis. These offer significant improvements to an organisation’s internal workflow and create operational efficiencies.

Integrating banking data with payment initiation services via Open Banking and the NPP PayTo service will empower businesses to manage finances and processes through cloud-based accounting software packages, rather than current two-step processes via their business bank.

Examples of streamlined financial, operational and payment processes that could be initiated and executed directly from cloud-based business software include;

- Planning working capital requirements.
- Credit application.
- Cash flow management.
- Invoice payment.
- Staff expenses.
- Payroll.

“The convergence of data and payments creates opportunities for business to innovate, overcoming friction that negatively impacts customer experience.”

Nathan Churchward
Head of Product, Emerging Services
Cuscal Limited



AI-powered insights

Open Banking data and payment initiation services will assist consumers to make smarter financial decisions automatically. The combined benefits of the CDR and PayTo creates opportunities for banks and fintechs to develop services that help people manage and forecast their finances, and ultimately, to save.

Combining consumer data with behavioural and psychographic profiles generates greater insights into a customer's transactions patterns to better understand income, spending behaviours and upcoming expenses to calculate and forecast cash flow requirements automatically.

For example, customers will be able to pre-authorise a service provider to make a mandated payment using the NPP PayTo service to initiate payments from their transaction account and have remaining funds 'swept' into a savings or investment account – optimising the allocation of available funds automatically for the customer. Enabled switching and optimisation services will also help customers identify where they may be wasting money or have an underperforming financial product. Similarly, the personalisation opportunities data analytics enables will help identify a better product to switch to for their requirements by instantly calculating savings.

As the CDR rolls out across designated industries like utilities and telecommunications, the availability of real-time data will allow banks and fintechs to assist customers to optimise services, alert them of bill spikes to avoid bill shock or transfer funds to prevent them going overdrawn when a payment is due.

In energy, accreditation as a Data Recipient and PayTo capabilities could be deployed by energy retailers to support customer hardship obligations under Retail Law (or the Energy Retail Code in Victoria). Receiving banking data as a Data Recipient provides valuable insights into the financial position of any customer experiencing hardship and their capacity to pay a payment plan. While PayTo account validation, fund verification, and notifications at various stages of payment could be used by energy retailers as a proactive indicator of customers slipping into financial distress, triggering action under corporate hardship policies.

Why Cuscal

At Cuscal we're collaborating closely with clients and partners to prepare for the initial application of the CDR in the banking sector. But our outlook is long term. We are creating broad-based, flexible, and client-centric solutions that will support cross-sector connectivity and capabilities for CDR compliance, payment enablement and competition in a new open data world.

Cuscal has been enabling clients to access Australia's payment system with innovative solutions for over 50 years. As the largest independent provider of payments solutions for the Australian financial services sector, we are the beating heart of the payments sector.

Throughout our history we have used our scale, banking expertise, trusted industry position and technical knowledge to champion competition in payments in Australia. Cuscal has a track record providing innovative and reliable banking solutions to clients that have allowed them to compete against much larger incumbents. At the dawn of transformational change in the banking and financial services sector, we believe the potential of data portability and payment initiation is limitless.

Here's the secret: many of the processes required for successful CDR integration, compliance and competition are already embedded in our payments DNA, technology stack and modular API approach. Payment flows are regulated data

flows that require the same secure, resilient and highly availability infrastructure that will be needed by Data Holders and Data Recipients to manage the flow of CDR data.

As the leading provider of NPP payment services to banks and payment service providers, we are enabling payment initiation services that align with CDR and NPP PayTo frameworks. We are the only NPP participant that provides NPP APIs to payment service providers to embed making and receiving real-time payments into the services they provide for their merchants and customers.

We are an Authorised Deposit-taking Institution (ADI), the holder of an Australian Financial Services Licence, and an Australian Credit Licence for Securitisation purposes. With senior experienced legislative executives serving on the board of eftpos, NPPA, and Australian Payments Network, and on numerous industry committees, Cuscal has deep expertise across payments, CDR processes and regulatory compliance. Our experts have been involved in developing NPP infrastructure and in CDR consultation and development from the outset.

With the introduction of the CDR we are leveraging our knowledge and experience in payments, APIs and regulatory compliance to build a Collaborative Data Exchange to connect enterprises to the CDR, the CDR to enterprises.

Our expertise managing complex data flows for regulated payments data means we are already positioned to help enterprises complete in an open data economy. We have the know-how to capitalise on the convergence of data and payments, unlocking opportunities for enterprises to improve the experience they offer customers, while helping to reduce the cost and burden of data handling.



We will provide Data Holders and Data Recipients access to a suite of secure and robust capabilities for the collection, sharing, management and storage of data subject to CDR legislation – facilitating fair access to markets and capabilities that would otherwise be beyond the reach of some enterprises looking to participate.

But we don't take these responsibilities lightly. For individual enterprises, as well as the entire ecosystem to succeed, we know that complex technical integration, regulatory compliance and operational expertise must be rigorously applied. Strong consent, security, and privacy frameworks are required to build and retain customer trust, while building momentum for the CDR. With a mature risk, compliance and governance structure in place we can assist clients with managing their ongoing compliance requirements to participate in the CDR and accessing the Australian payments system, beginning with completion of the ACCC accreditation and onboarding process and sponsorship to participate in the NPP.

Our API services offer a simplified, modular and scalable technology platform that offers our clients extensible and interoperable application across industries and partners, now and into the future.

At Cuscal, we don't believe the CDR presents a temporary compliance exercise. We are helping clients with future proofing their businesses by providing them with technology and compliance mechanisms that will free them to innovate for the good of their customers as they embark on new data-defined lives.

To find out how we can support your business with open data and payment initiation, unlocking opportunities for growth, speak to your Cuscal Account Manager or call 1300 650 501.



About the authors

Bianca Bates was appointed to the role of Deputy CEO in addition to her role as Chief Client Officer in December 2020. As well as leading Cuscal's Product, Client Services and Operations teams, Bianca is involved in Cuscal's engagement with industry bodies, regulators and shareholders.

Prior to this Bianca held the role of Chief Client Officer since April 2018. Since joining Cuscal in July 2014, Bianca has held several other senior roles including Acting General Manager, Product and Service, General Counsel and Company Secretary, Acting General Manager Shared Services and Head of Client Services.

Bianca has over 20 years' experience in financial services with large and complex US and Australian companies, both public and private. Prior to Cuscal she worked in senior legal and compliance company secretariat roles with Genworth, GE Capital and DLA Phillips Fox.

Nathan Churchward brings a vast range of experience to Cuscal and our clients in the role of Head of Product, Emerging Services, with more than 20 years in leadership roles in the banking and payments industry.

Nathan leads Cuscal's involvement in the New Payments Platform (NPP) and Consumer Data Right (CDR) both at a product development level, as well as through industry representation and client engagement.

Throughout his career Nathan has focused on creating and launching new payment solutions that deliver competitive advantage and enhanced customer experience, in both B2B and B2B2C environments.

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Cuscal Limited, Level 2, 1 Margaret Street, Sydney, NSW 2000
1300 650 501 communications@cuscal.com.au