

Setting Data Free

Paths for 'Open Banking'
in Australia



Contents

01	Value of Openness
07	Eye of the beholder
13	Roleplaying the future
18	Play. Compete. Win.
20	Conclusion

Value of Openness

Why set data free?

Consumer Data Right (CDR) in Banking, or 'Open Banking' as it is more broadly known, is continuing its phased rollout in Australia. The consensus is that CDR will bring about profound changes to the Australian economy.

Relying on experiences and lessons from other countries with similar reforms, many reports have detailed the potential use cases and benefits of CDR for the consumers and the economy as well as the threats it poses to existing market structures. There has also been some analysis of how the market structures may develop in light of Open Banking regulations. What has not been widely discussed is a strategic lens through which the players within the banking and financial services ecosystem can systematically paint a plausible future or set of futures. They need to assess their own place among these plausible futures, and act on them by developing a strategy with the associated set of capabilities and operational plan to play, compete, and win in this brave new world.

In this paper, we consider three primary questions:

1. How should banking and financial services firms view the changes brought about by Open Banking and its planned future expansion to other sectors across the economy?
2. What are the lead indicators we can monitor to determine the direction of future market development, and the role of financial services firms in it?
3. What are the strategic response options available to businesses to conduct more confident planning and business strategy development within the context of the credible future scenario space?



Before we delve into these questions, it will be useful to spend some time considering the origins of the CDR – so that we can better understand what the future may hold.

A brief history of consumer data right in Australia

The genesis for the development of the CDR lay in the post-global financial crisis introspection years and the government response to increasing public concern over the power of the banks.

In **2014**, the then Treasurer Joe Hockey, launched the 'Financial System Inquiry'¹, led by David Murray an ex-CEO of the Commonwealth Bank of Australia and an inaugural Chairman of the Future Fund, Australia's sovereign wealth fund. The 2014 Financial System Inquiry's objective was to 'examine how the financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth'. Hence, it set out to make 44 recommendations to 'foster an efficient, competitive and flexible financial system...with capacity to meet the needs of users' and 'create an environment conducive to dynamic and innovative financial service providers'. To facilitate its innovation aim, the inquiry specifically recommended to 'Enable the development of data-driven business models through holding a Productivity Commission Inquiry into the costs and benefits of increasing access to and improving the use of private and public sector data'.

Then in **2015**² the Australian government commissioned Professor Ian Harper to conduct a 'root and branch' review of Australia's competition policy, noting that the 'markets work best when consumers are informed and engaged, empowering them to make good decisions. The Panel sees scope for enhancing Australian consumers' access to data to better inform their decisions'.



Taking its cue, in **2016** the Productivity Commission³, chaired by Peter Harris, launched the 'Data Availability and Use' inquiry into the 'benefits and costs of options for increasing availability of and improving the use of public and private sector data by individuals and organizations'. The final report vigorously argued for improved data access across the economy on the basis that it will 'enable new products and services, drive efficiency and safety, create productivity gains, and allow better decision making' because until the data is more generally available the 'opportunities to use it are largely unknown'. In its report, the Productivity Commission recommended major reform to move from a system based on 'risk aversion and avoidance' to one based on 'transparency and confidence – treating data as an asset and not a threat'. It was a call to arms for the significant changes needed to catch-up with the achievements in competing economies by enacting a Data Sharing and Release Act and a Comprehensive Right for individuals and small & medium businesses over their own data.

¹ Murray, D (Chair), et. al. (2014): Financial System Inquiry

² Harper, I (Chair), et. al. (2015): Competition Policy Review

³ Harris, P (Chair), et. al. (2017): Data Availability and Use

Three back-to-back inquiries (Murray, Harper, and Harris) made the case and set the stage for legislative reform; the government set about on this legislative work to develop and enact the CDR. To make it a reality, one more review was needed to connect the broad policy direction to a particular sector – and that was to be the Banking sector, the very focus of the Murray review in 2014.

In **July 2017** the Treasurer commissioned the ‘Review into Open Banking’ by Scott Farrell as the first application of the Consumer Data Right, which ‘will provide consumers with rights to direct that a business transfer data on the consumer to a third party, in a usable machine readable form’. The final report, released in December 2017, made recommendations on the regulatory framework, scope, safety, data sharing mechanism, and implementation of the Open Banking regime in Australia.

The Farrell report was largely accepted by the government and the Australian Competition and Consumer Commission (ACCC) was tasked as the primary governing body for implementing and operating the CDR. In **2018**, the work commenced on creating the necessary rules, standards, and infrastructure for CDR and phased rollout began with the major banks in February 2019.

With regulatory authorities and the industry busily driving the implementation of Open Banking, in January 2020 the Treasury embarked upon an ‘Inquiry into Future Directions for the Consumer Data Right’. The final report, released in December 2020, recommends implementing ‘write’ access for payment initiation and consumer action, extending CDR application to more sectors, increasing interoperability with other regulatory frameworks and digital systems, and aligning with similar international initiatives.



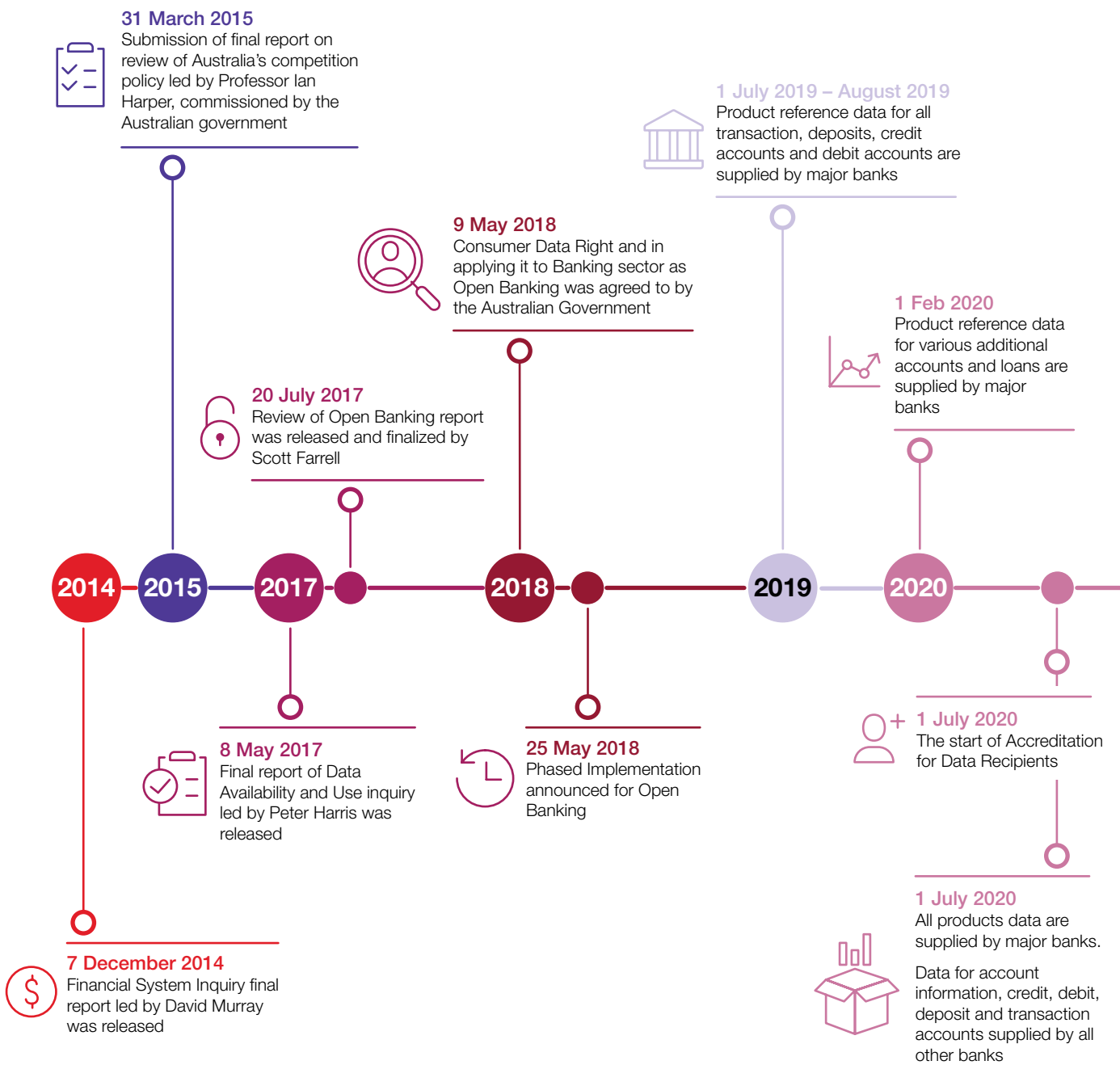
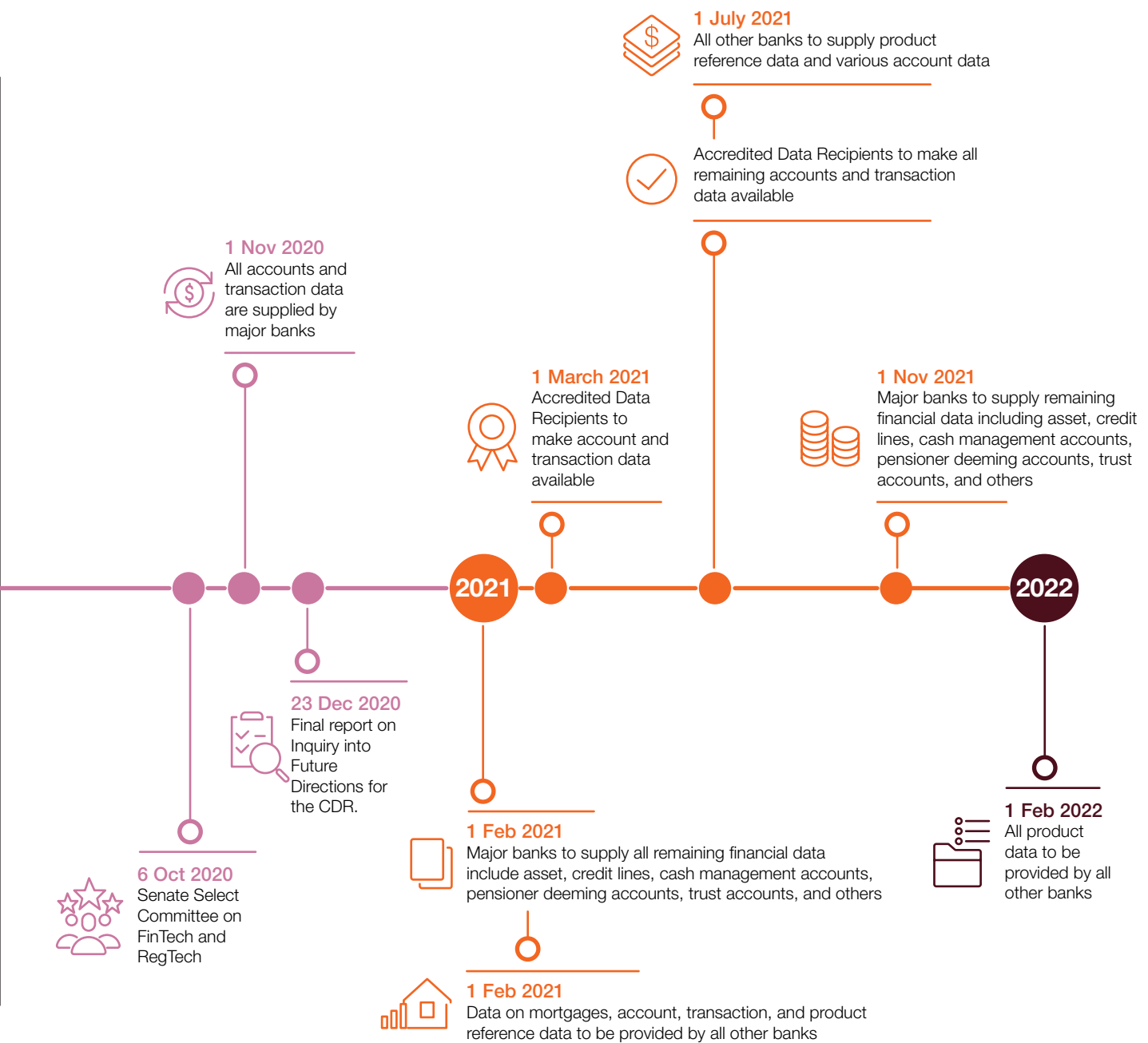


Figure 1 – CDR: from inception to implementation



Great expectations

The CDR has been in the making through multiple inquiries over a number of years. The central tenet of CDR is the primacy of data in the digital age.

Just as gasoline was initially discarded as a waste by-product of crude oil refinement process but later becoming enormously useful (and valuable) with the invention of the internal combustion engine, data (actual and meta) has historically been a largely underappreciated resource, which was often offered 'freely' (or cheaply). No more – data has now taken its rightful place as the oil of the digital market economy. Ownership and control of data is highly coveted, and those who own and control it, reap the rewards in our data-age.

Across most of the developed world, since 2005, the labor productivity has essentially remained stagnant – the rate of productivity growth rate has declined by over 40% in 2005-2019 compared to the 1995-2004 period. In Australia, the drop in growth rate has been less severe at 34%, possibly due to the one-off mining boom experienced by Australia during this time. There are many potential causes for declining rate of productivity growth. These include the slower diffusion of technology, the effects of globalization on labor allocation, the macroeconomic environment, and the nature and structure of technological progress - the idea that within a mature technology paradigm, new technology advancements are less likely overall (lower hanging fruit has been plucked) and are also less likely to yield as many benefits as previous advancements.

Despite this, the total wealth created during this period has skyrocketed due to a multitude of macro-economic factors and government policies, but the middle and lower end real wages have remained stagnant or declined. The hypothesis is that:

- a. the wealth or economic surplus being generated in the current technology paradigm through the use of data is not accruing to the real data owners (consumers), and
- b. the inability of the real data owners (consumers) to readily access and deploy their data for their benefit is holding back innovation and lowering the overall economic surplus.

Freer access, dissemination, and deployment of data controlled by its rightful owner (consumers) is therefore of central importance – whether our objective is to improve financial system stability and growth prospects (2014 Murray inquiry), to increase competition for consumer benefit (2015 Harper inquiry), or to increase productivity to raise living standards (2016 Productivity Commission report). CDR clarifies the ownership of data, and its implementation provides rules and standards for access, dissemination, and use. The expectation is that within the Right and the framework provided by CDR, consumers will deploy their data for their own benefit. That is, granting consumers more bargaining power to claim more of the economic surplus, in the micro-economic sense, thereby spurring the 'invisible hand' to drive innovation, productivity growth, and overall economic expansion – and in the process create a more just economy.

Benefits of openness to the advancement of technology is not new. Our recent (industrial and post-industrial ages) and ancient (Neolithic age 12,000 BCE onwards) history tells us that technology – tools, languages, writing systems, transport, agricultural practices, art, sciences, engineering, computing – flourishes in an open environment where competing, large scale experimentation is combined with a more free exchange of information .

CDR in Setting Data Free therefore follows the structure of scientific and economic development established throughout human history.

⁴ Productivity Commission (2020): Productivity Insights, Recent Productivity Trends

⁵ Diamond, J (1997): Guns, Germs, and Steel

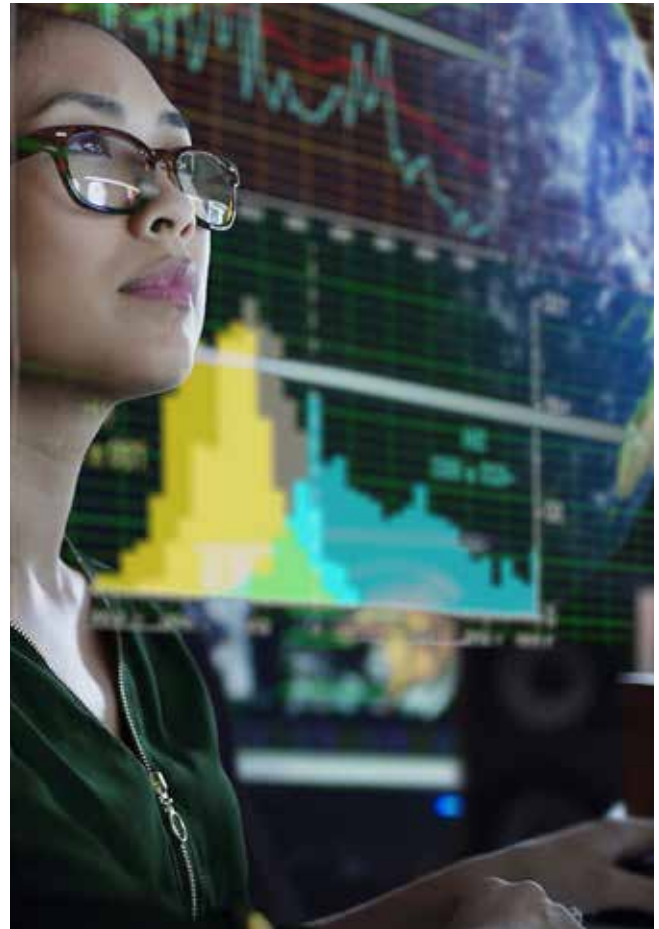
Eye of the beholder

Strategic lens

Considering the premise, driving forces, and historical background, we can be reasonably confident that Consumer Data Right, subject to competent implementation, will have a wide-ranging impact on the Australian economy. But, what would that future look like?

Predicting a specific future with certainty is impossible, due to the future's inherent opacity. Making strategically useful judgements about how to position the business and what capability to develop, and at what time, is especially challenging because of the large number of variables and uncertainties involved. Particular unknowns are, how the competitive forces will work to spur the innovation in what direction and in what timeframe, and the role a particular business should, can, or aspire to play. Rational predictions are typically based on extrapolating stable patterns. The difficulty arises because of the limitation of what we know and what we are capable of knowing.

Although there are a number of predictive methods, each with their own drawbacks, one attractive approach for thinking about the consequences of CDR, its impact on the economy and on a business' strategic choices, outcomes, and operating models, is to develop a small number of representative scenarios⁶ that paint a credible future space. Once the key features of each alternative future are described, it is then possible for businesses to track lead indicators as signposts to determine which scenario (or combination) looks likely to eventuate. Another advantage is that each scenario can be used to design, develop, and



test business strategies, capabilities, and operational concepts optimized for each scenario. Hence, as the actual events take shape towards a particular scenario, the firm can deploy the associated strategy, capability, and operational concept to play, compete, and win.

⁶ Kees van der Heijden (2005): Scenarios, The Art of Strategic Conversation

What is driving us? – forces seen, unseen⁷

In modern times, it is the firm-level strategic thinking and planning involved to consider the challenges of an increasingly globalized, deregulated and market-orientated world. This world was shaped by two opposing forces- market incentives (profit motive) to achieve efficiency and social good to achieve cohesion.

Market incentives is the fundamental force to achieve efficient resource allocation while 'social good' is the primary force to funnel the generated economic wealth towards societal development.



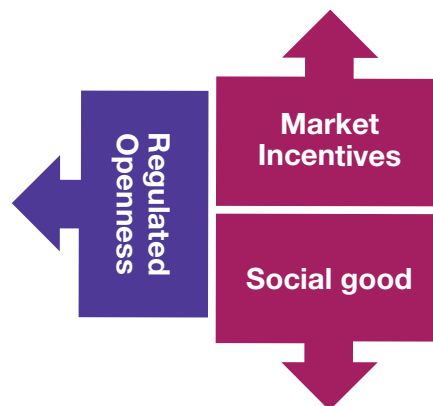
The primary concern comes to a point of equilibrium between these two forces and whether it will lead towards: concentration of market power (monopolies or oligopolies), state control (oligarchies), or social benefit through vigorous market competition (liberal market-economy).

This is the question of our times in social, political, and economic spheres.

Today, the fundamental tension captured within this dilemma remains valid, but consumers and society also face additional complex choices on the nature of technology, the meaning of privacy, and the value of data. Public opinion and government action in the



form of inquiries and commissions into the financial services sector has delivered a verdict that 'the people on the main street' have not sufficiently benefited by the globalizing trend – i.e. market incentives have trumped social good. To restore balance, CDR introduces the third driving force: **regulated openness**.



⁷ Royal Dutch Shell (2005): Shell Global Scenarios

These three forces in turn drive towards three different **objectives**: market efficiency, customer centricity, and creative destruction⁸.

Whilst we may aspire towards all three objectives, the forces display mutually exclusive elements – that is, one cannot be simultaneously, purely profit driven, fully conformant to social good, and more forcibly open.

Exploring the interplay among the three forces in the pursuit of these objectives will help us understand and develop plausible scenarios representing credible futures, allowing for optimized strategic planning and execution.

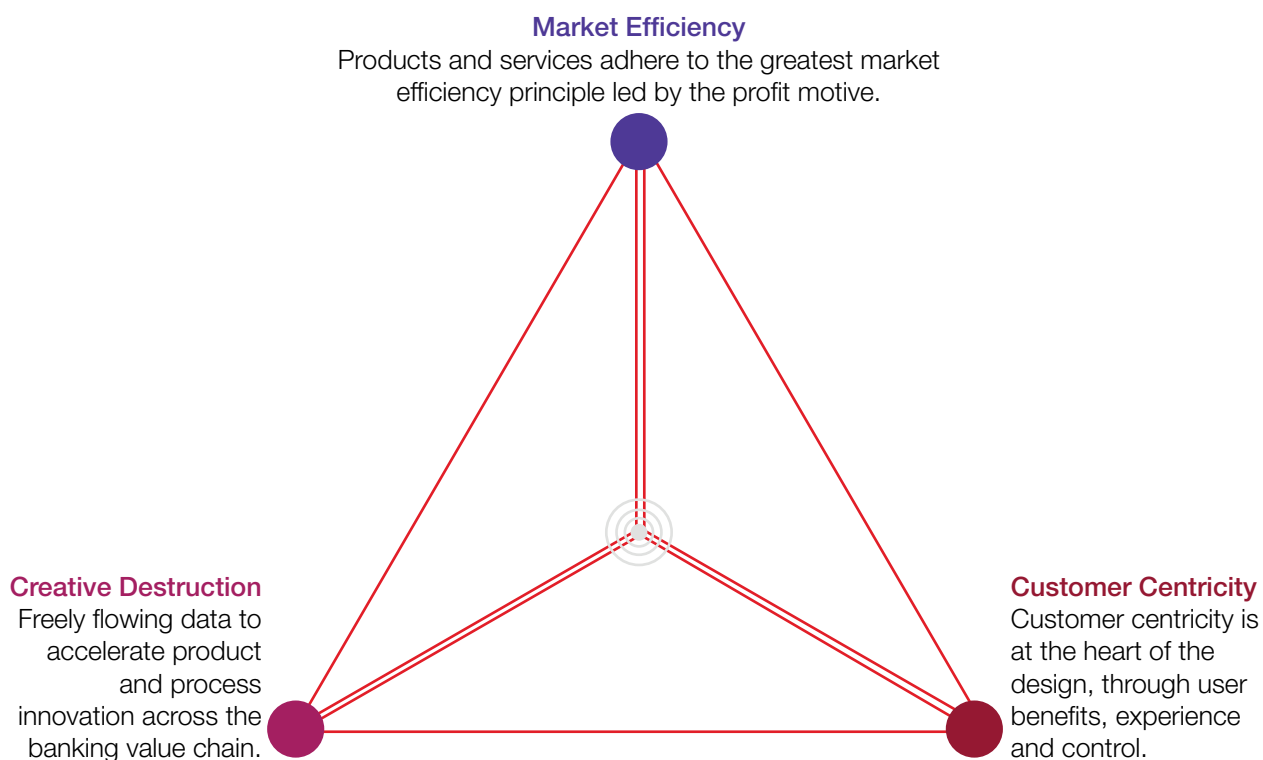


Figure 2 - Three structural forces

⁸ Creative destruction, characterised by Joseph Schumpeter (1942), refers to the incessant innovation mechanism that continuously revolutionises the economic structures (within Capitalism) by destroying the old ones and creating new ones. See Schumpeter, J. 1942. Capitalism, Socialism, and Democracy.

Scenarios: “Two wins, one loss”

The three objectives (the apexes of the triangle) would be tempting starting points for building scenarios – as this would pit a purely market-led banking sector (market incentives) against society-led (social good) and state-led (regulated openness) ones. However, such worlds are ‘utopias’, – they inspire, but cannot truly exist.

Therefore, more useful (and plausible) scenarios exist - not on the apexes of the triangle, but in the area which captures more plausible trade-offs between the diverse and complex objectives.

These plausible scenarios (Figure 3) can be characterized as ‘two wins, one loss’ situations. This is where the dominant forces combine to achieve more of the two objectives via trade-offs acceptable to the wider set of stakeholders, than would be the case in the idealized scenario. Note that in each scenario, all three forces remain active, but two are more dominant than the third.

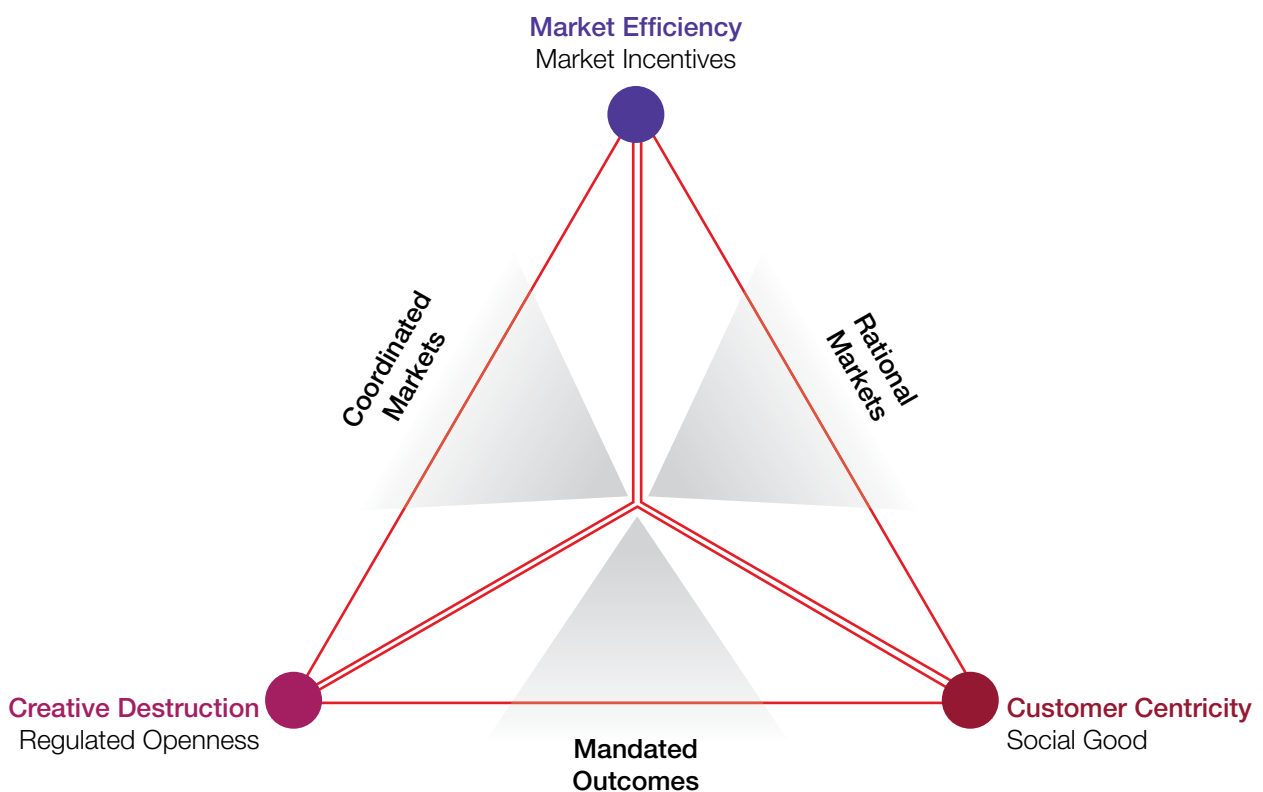


Figure 3 - ‘Two wins, one loss’ scenario stories



The three plausible and stable⁹ scenarios are characterized as follows:

Coordinated Markets	Rational Markets	Mandated Outcomes
A “regulatory” world	A “pragmatic” world	A “dogmatic” world
<ul style="list-style-type: none"> • The absence of market solutions to the dual crises of trust in the existing market (banking) structure; and • Rapid regulatory change, overlapping jurisdictions, and conflicting rules/regulations. • Intrusive government policy to direct the market, leading to short-term portfolio optimization and vertical integration • Organizational/institutional discontinuities limit cross-organization collaboration and ecosystem integration • Complex compliance and risk management challenges 	<ul style="list-style-type: none"> • “Built in” trust and compliance due to market mechanisms. • Regulatory harmonization and coherence. • Voluntary, industry best practice codes. • Close links between market investors and society. • Coopetition encouraging integration of value-chains for mutual benefit and the greater good • Networking skills and reputation management are essential. 	<ul style="list-style-type: none"> • Win/lose, zero-sum game. • Dogmatic approaches driven by regulatory fiat for an ordained outcome. • Regulatory fragmentation, mandated approaches towards mandated outcomes. • Exclusive collaboration among limited set of participants for limited set of domains under regulatory pressure. • Exclusive partnerships and regulatory standards exacerbates fragmentation. • Higher implicit barriers to entry

⁹ Stable due to acceptable set of trade-offs between the stakeholders.

Each of the scenarios represent a plausible market development under Open Banking, as well as with general applicability to the expansion of CDR to other sectors of the economy. These scenarios and their underlying analysis, can be used by various market participants to develop specific stories that capture specific features of the business environment and available strategic choices.

For example, we can specify features of each scenario against several business environmental factors, such as, trust, disclosure requirements, governance risk, competition dynamics, consumer power, cross-industry risk, and new entrant risk.

	Trust	Disclosure Requirements	Governance Risk	Competition Dynamics	Consumer Power	Cross-Industry Risk	New Entrants
Coordinated Markets	Rule-based	Financial and Consumer value	Legal	Regulated competition	Controlled	Competitive alliances	Niche offering
Rational Markets	Voluntary codes	Financial	Reputational	Laissez-faire	Free Market choice	Extension of existing advantage.	Re-imagined value
Mandated Outcomes	Regulator	Financial and Consumer impact	Loss of control	Command and control	Activism	Regulatory enforcement	Cherry-picking

The selected business environmental factors in each scenario are especially influential when we consider the combination of three separate but related initiatives: a) General, economy-wide application of CDR, b) Real-time payment infrastructure in New Payments Platform (NPP), and c) Expected advancements in digital identity.

The combined impact of these initiatives on our scenarios is important, but a separate exercise. For now, let us pursue the third and last question we posed at the start of this discussion: What are the strategic response options available to businesses to conduct more confident planning and business strategy development within the context of credible future scenario space?

Roleplaying the future

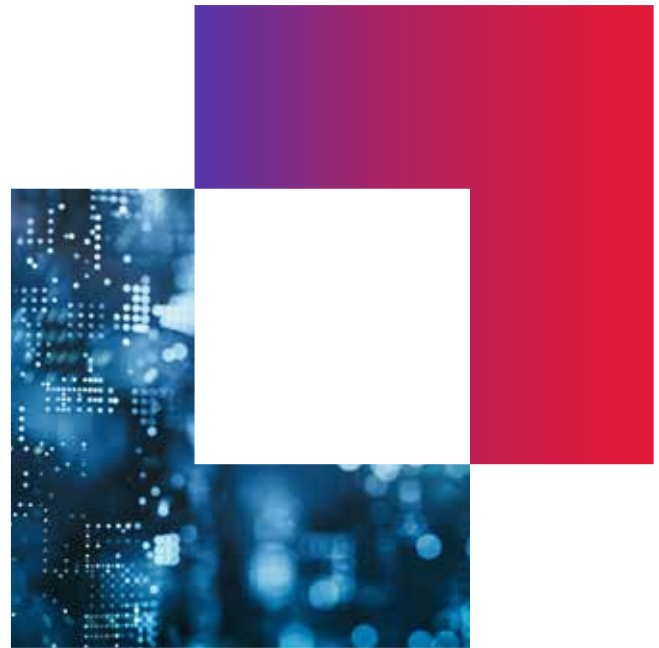
Both our experience and analysis suggest that as the 'data-barrier' is lowered, new competition will emerge in the form of increased industry rivalry and new entrants.

Two basic competition strategies¹⁰, cost leadership and differentiation, tell us that any new competition, particularly from new entrants, will compete either on cost (cherry-picking), on differentiation (niche offering) or, more realistically, a combination of the two.

The technical implementation of Open Banking in various jurisdictions has been enabled by the creation of consumable application programming interfaces (APIs) for information exchange, that meet the regulatory requirements for open data. This follows the general technology trend of moving from monolithic systems to small published services, which can be easily orchestrated to construct new products and services, often through new distribution channels.

The rollout of CDR within the banking sector in Australia, particularly the 'write' access, is expected to increasingly create API-driven value chains both inside and across the firm's boundaries, with published, consumable services assembled and orchestrated in unique and innovative manners.

As CDR further embeds in the financial services sector in Australia, banks will increasingly need to make the strategic choices regarding their role within the ecosystem.



¹⁰ Porter, M.E. (1980): Competitive Strategy

The European Banking Association (EBA)¹¹ has developed a useful framework to clarify the roles on a spectrum of internal (own) and external (third party) capability, for production and distribution of the products and services (see Figure 4 reproduction).

This framework seeks to answer two questions:

1. Who is distributing my organization's products, which I make accessible via open APIs, to their customer base?
2. Who is creating the products that my organization will be distributing / selling to my customer base?

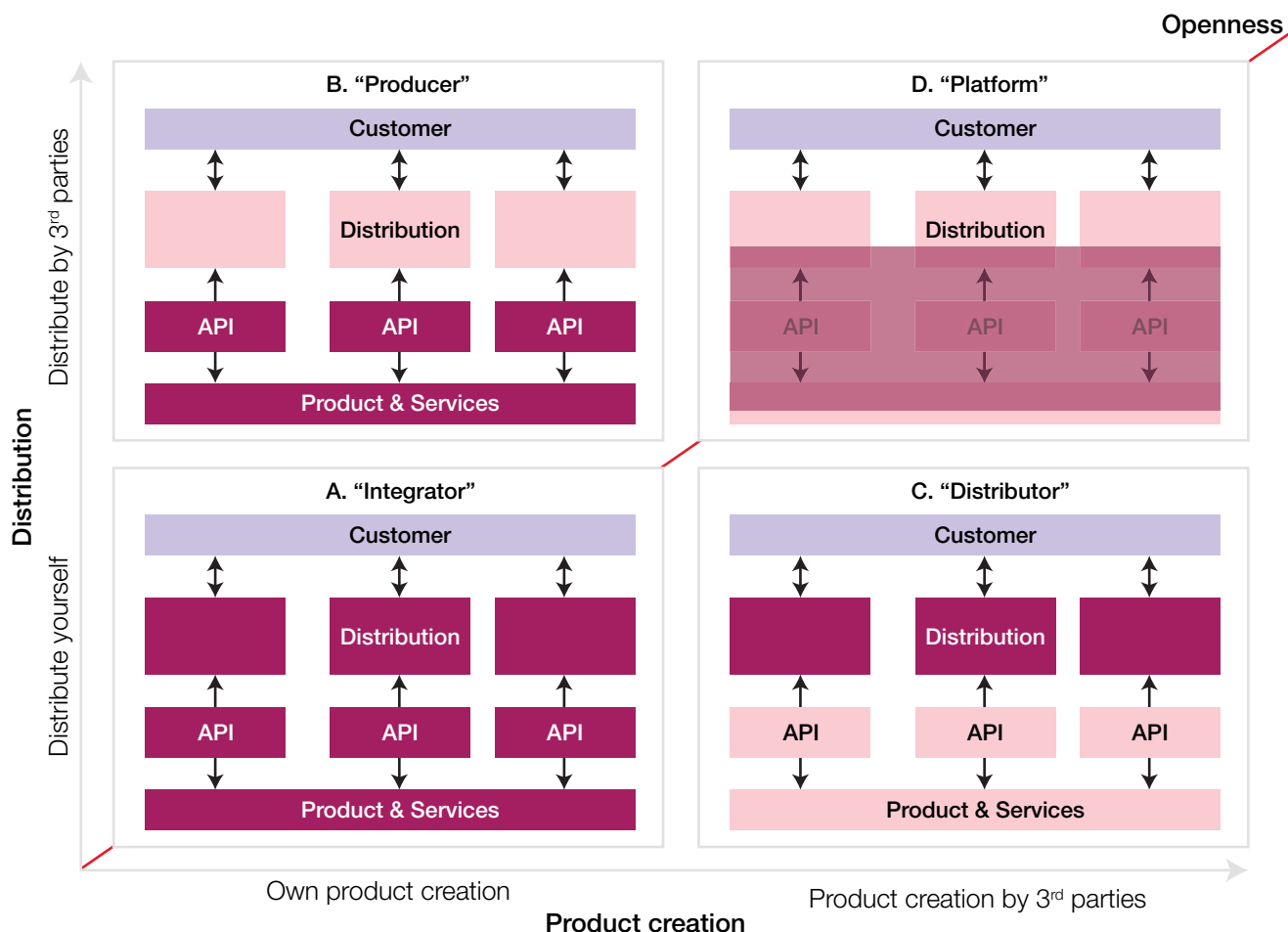


Figure 4 – Role of the firm in Open Banking
 Source: European Banking Association (EBA) working group paper "understanding the business relevance of Open APIs and Open Banking for banks - Information Paper"

¹¹ European Banking Association (EBA) working group paper "understanding the business relevance of Open APIs and Open Banking for banks - Information Paper"

Combining the production and distribution activities with the internal and external providers, the framework provides four distinct roles for the banks:

- a. Integrator:** Banking products created and distributed by a single organization under a single brand. This is the traditional banking business model – one organization responsible for end-to-end servicing and customer experience (CX).
- b. Producer:** Products are created by an organization, which then relies on a third party or parties to distribute their products. The third party is responsible for product servicing.
- c. Distributor:** The organization is effectively a distribution or “marketing” organization for products created by third party producers. The organization is responsible for customer servicing and CX.
- d. Platform:** The organization acts as an intermediary, bringing together multiple third party producers and distributors on the platform, creating a marketplace, and offering common services such as security, know-your-customer (KYC), anti-money laundering (AML), onboarding, and the like.

Many traditional banks work as integrators but also as producers and distributors for different business lines or products. Platform, as a business model as opposed to the technology platform, is continuing to develop – some notable examples exist in Germany and the UK.

Great unbundling and re-assembly

With increasing openness, the general trend will be away from vertical integration, heralding new firms with sharper roles, changes to existing firm’s roles, and new or re-imagined products and service offerings.

Within the EBA Framework (Figure 4), one role is not inherently worse than the other. We suspect that vertical integration will persist at least in some



business lines. Most organizations will craft hybrid roles depending on their view of how the market will develop and their perceived area of competitive advantage in each future market scenario. However, in a scenario where the openness increases with the intended effect of intensifying innovation and competition, the clarity of the firm’s role, a renewed value proposition, and partnership and membership within the changing ecosystem, will all be key determinants of success. This is especially important as a firm’s competitive position and advantage may be significantly eroded by the market changes wrought by CDR – making assessment and re-positioning of the firm’s role (and associated capabilities) an urgent imperative.

With the move away from exclusive vertical integration comes the ‘great unbundling’, as forces of creative destruction take hold. In the UK and European context where the Open Banking reforms have been in play for 2-4 years ahead of our Australian experience, there has been an accelerated explosion of competition in third party services.

This explosion of competition – taking advantage of the regulatory-led openness and improvements in associated financial infrastructure has, as a natural consequence, led to the unbundling of a traditional vertically integrated bank.

New and emerging ecosystem in Retail...



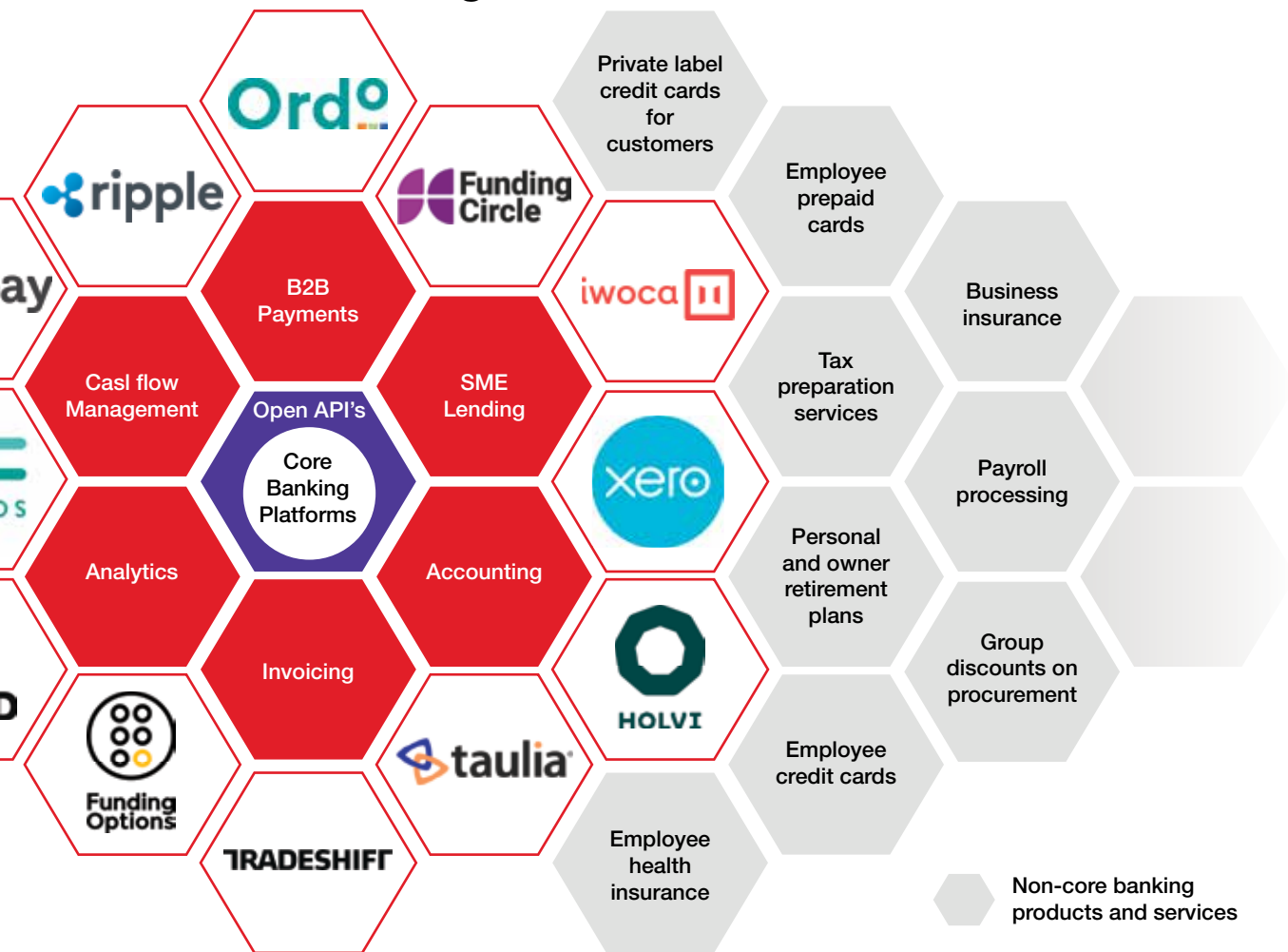
The next stage of this evolution is a much more dynamic re-assembly of the customer value chain constructed from new building blocks or services, and led by real time API interfaces.

In response, traditional banks have not remained static – they have actively sought to extend, enhance, or re-engineer their competitive position. They have done this with a variety of responses from direct competition (by building new de-coupled services) to partnering, co-opting, or buying-out the new entrants.

How the regulatory regime, the market forces, and consumer interests inter-play to either reshape or subsume the existing market structure will determine the extent to which the consumer choice and benefit goals of Open Banking are realized in Europe, the UK, and indeed in Australia.

The international experience signals important information about the potential impact of Open Banking reforms in Australia. However, differences in regulatory framework, market structures, and rules may result in a different trajectory of outcomes.

... and SME segments...



Play. Compete. Win.

A strategic response

This leads us to the final set of pertinent questions; what does the Open Banking journey for a firm in Australia look like? What are the different stages in this journey? What strategic questions must a firm decide at each stage? Finally, what operational actions constitute success at each stage? In short: what does it take to 'Play. Compete. Win'?

Open Banking will have a profound impact on the business of banking and consumer behavior. The successful strategic response will need an equally profound change within the firm. Sun-tzu, a famed Chinese military strategist, said; "All can see the tactics whereby I conquer, but what none can see is the strategy out of which great victory is evolved".

Any strategic responses to Open Banking reform that become positioning exercises where options are tested by how they fit the existing industry structure are doomed to fail, as the current industry structure reflects the strengths of the industry leader and past choices. Open Banking reform introduces fundamental changes which demand competitive innovation, not competitive imitation.

Therefore, our goal is not to find a niche within the existing industry space, but to create new space that is uniquely suited to the strength we will extend or build. This is particularly true when industry boundaries are likely to become unstable. Industry upheaval generally presents opportunities for ambitious firms to redraw the industry map in their favor, if they are able to transcend traditional boundaries and introduce innovation across the value chain.

Assessment of the current tactical advantage of the firm or of the competition is important, but not sufficient to produce a successful strategic response.



Often, in the face of profound change, firms naturally gravitate towards what is achievable or realistic, rather than what it may take to mount a successful strategic response to the change. The goal therefore isn't to fit the ambition to match the current resources and tactical advantage, but to accelerate the pace of organizational learning to create new capabilities and competitive advantage – that is, to have a clear and stable 'Strategic Intent'¹².

Strategic intent is not simply wild ambition but a long-term goal, rooted in analysis and understanding of market dynamic and future scenarios. Setting strategic intent means defining the leadership position that the firm desires while focusing on winning by clearly communicating the value of the goal to the people. Guiding long-term resource allocation in support of the intent is one of the most important responsibilities of senior leadership. Examples of strategic intent include Microsoft's "a computer on every desk and in every home" in 1974 or Google's "organize the world's information and make it universally accessible and useful" in 1997.

¹² Hamel, G, Prahalad, C.K (1989): Strategic Intent.

The Open Banking opportunity demands strategic intent from a firm's leadership to **be bold and be right** in the placement of their firm in a credible and plausible future scenario space.

CGI's Open Banking Journey Strategic Framework (Figure 5) is an end-to-end framework for a firm participating in an Open Banking ecosystem as either a traditional bank, a financial services firm, or an emerging entity as a distributor or a service platform. This framework and associated playbooks and guides will enable the firm to develop its business strategy with a firm bias towards action allowing them to play, compete, and win in the Open Banking era.

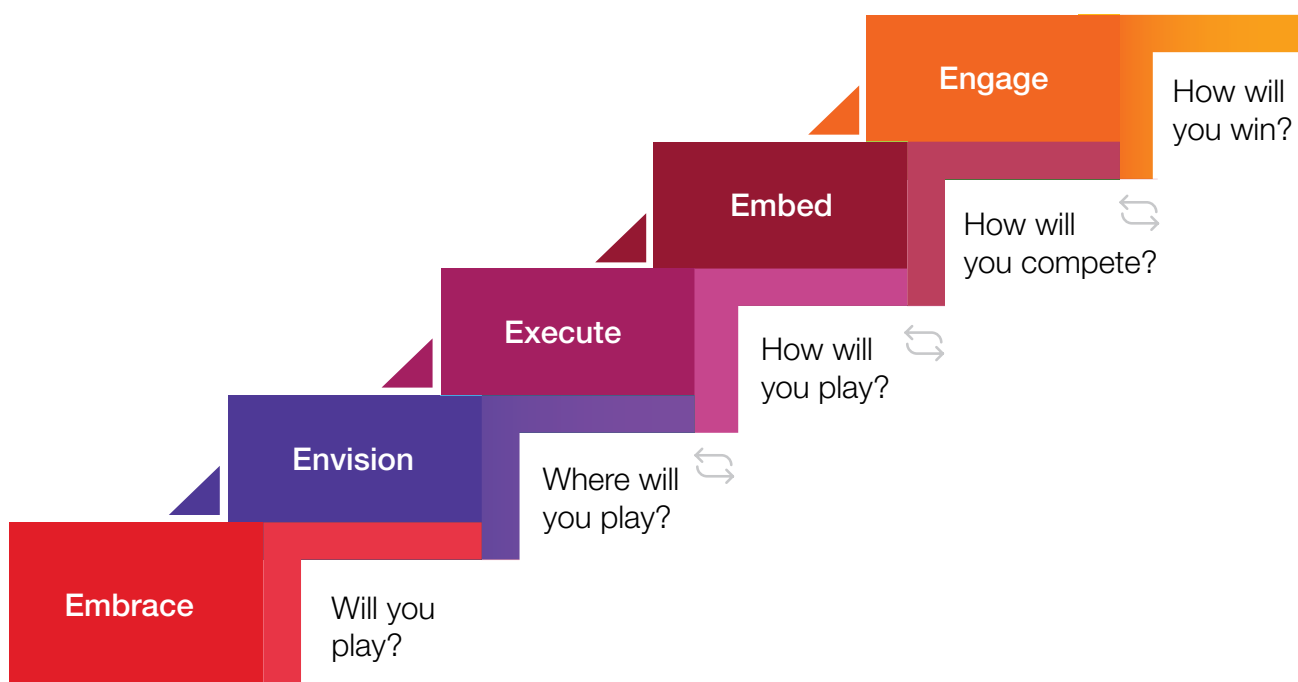


Figure 5 - CGI Open Banking Journey Strategic Framework

The framework starts with the Embrace stage of scenario analysis and setting the firm's strategic intent. This is followed by Envision, for market direction and the firm's role and capabilities. Execute is to develop the required capabilities for building new sets of

competitive advantage, followed by Embed, to set the new capabilities and approaches within the firm so it can compete. Finally, Engage, with the market ecosystem and customers to win. Next, we draw out key elements of the strategic framework.

Embrace: Will you play?

Senior leadership defines the strategic intent of the firm, consisting of the aspirational goal to achieve a specific leadership position and the criteria (scenario analysis) to evaluate decisions towards reaching its goal.

- Detailed Open Banking scenario analysis to understand trade-offs
- Firm and industry level strategic analysis
- Definition of strategic intent – long-term view
- Clear resource allocation decision framework in accordance with strategic intent
- Regulatory change horizon scanning and requirements
- Senior leadership resolve and commitment towards long-term vision

Envision: Where will you play?

Definition of the firm's future role in the value chain shaped by Open Banking reform and how the firm's business model, customer engagement, channels, technology, and operations will need to change – a corporate and business strategy¹³ to support realization of the firm's strategic intent.

- Define the firm's future role, corporate and business strategy
- Business model definition
- Current state assessment (CX, channels, products, technology, operations, corporate functions)
- Business and strategic case for change
- Change portfolio design
- Customer experience and journey principles
- Enterprise risk management

¹³ Distinction between corporate and business strategy is relevant for multi-divisional firms, such as banks.

Execute: How will you play?

Plan and build firm-wide capability in accordance with corporate and business strategy.

- Change implementation plan
- Resource (human, capital, capability) mobilization and deployment
- Customer journeys, products, services, and experiences design
- Open Banking infra connectivity
- Digital operating capability – internal and external (digital identity, authentication and authorization solution, near real time payments, fraud/AML, KYC solutions, cybersecurity, digital channels, analytics, automation, predictive technology, near real time servicing)
- Open Banking business model implementation
- Consent management process and solution
- Dispute management and complaints handling process and solution
- Target operating model design
- Open Banking API services implementation and orchestration
- Third party collaboration strategy
- Open Banking ecosystem integration
- Performance, risks, controls monitoring, management, and reporting solution

Embed: How will you compete?

Embed new capabilities across customer engagement, channels, products, operations, technology, organizations, and partnerships within the firm

- Target operating model implementation (structures, practices, and incentives)
- Customer journeys, products, services, and experiences development (integration of new capabilities)
- Third party engagement and partnership model
- Enterprise risk management review and update (continual)
- Open Banking proposition case(s)
- Commercialization strategy
- Internal communication plan and change management

Engage: How will you win?

Launch new product/service offerings and business models; compete in the ecosystem to win the desired leadership position (strategic intent). Actively monitor market dynamic and the firm's proposition performance to continually adapt, extend, enhance, or build new capabilities for competitive advantage.

- Launch Open Banking products, services, journeys and experiences
- Partnership with ecosystem partners and providers
- Enrich data, extract insights and feedback
- Existing proposition enhancements and new capability propositions
- Enterprise risk monitoring
- Change control and continual experimentation, prototyping, development and release
- Innovation agenda
- Competitor monitoring and benchmarking
- Enterprise risk management

Conclusion

Data ownership, control, and use (CDR) as a competitive policy

Consumer data right (CDR) in Australia (and in other equivalent international legislations) is part of competition law. It is no coincidence that in each jurisdiction, the regulator for Open Banking reform is the respective competition authority - in Australia's case, the ACCC.

Competition laws have a rich history over two millennia. Roman Republic passed laws to protect corn trade by imposing heavy fines on anyone "directly, deliberately, and insidiously" interfering with supply ships. Later Roman laws dealt with preventing artificial price increases through manufactured scarcity and with dismantling monopolies. The development and application of competition laws continued throughout the Middle Ages, Renaissance, and post-Renaissance periods. Common Law Doctrine of Restraint of Trade (18th century), to constrict monopolies, inspired, in modern times United States, the Sherman Act (Anti-Trust law) of 1890.

The basic premise of competition laws is to achieve fair and stable prices, free from deliberate and coercive manipulation not produced by the free market forces. Competition law thus aims to generally promote competition (as an enabler of price fairness and stability) by lowering barriers to entry to eliminate monopolies and oligopolies, reduce market concentration, and reduce power of the few for the benefit of the many.



In the information age, the data - its ownership, control, and use - determines success or failure in the marketplace. The insights derived from the use of data determine the pace of innovation of new products and services, what value is generated, and who is able to claim the economic surplus through pricing power. Leave data in the hands of a few to control and use, and it concentrates market power of the few, increases barriers to entry to the many, and leads to lower innovation, lower productivity and living standards, and higher prices.

Carpe diem

Setting Data Free through various Open Banking initiatives is therefore a continuation of the general aims of these competition laws, to achieve fair pricing and stability, from antiquity to the modern and post-modern times.

While competition laws have led to the demise of previously large enterprises, many large enterprises have adapted and thrived and new enterprises have been birthed in the newly competitive markets.

To thrive in the market shared by Open Banking reform, established banks and new entrants must:

- 1. Contemplate and understand the nature of the market forces** shaping policy and market development in order to inform a business strategy that is successful not in the assumed or “likely” scenarios but in all plausible scenario space;
- 2. Thoughtfully consider the role of your firm in the future market place** not simply based on your current strengths but based on what the future market is likely to demand. Commit to building the necessary capability to compete with a combination of a clear and stable strategic intent, organizational focus and rigor; and finally
- 3. Be strategic** - your business strategy must build a sustainable competitive advantage around an innovative business model in the open data economy.



We have shown briefly how a firm may achieve each of these. Thriving in the competitive market has always meant (and I dare say will always mean) gaining competitive advantage over competition by offering greater ‘value’ to your customers. The competition laws such as Open Banking offer a challenge and an opportunity to generate competitive advantage not through data-barriers, but through innovation – and ultimately business innovation is where each firm in the open data economy must find its center.

About the author



Davinder Oberoi,
Director, Consulting Services
Banking and Financial Services

Davinder joined CGI in 2006 and leads CGI's Banking and Financial Services business in Australia across Trade Finance, Payments, Credit and Collections, Risk, and Wealth Management domains.

Davinder specialises in the open data economy initiated by the introduction of the Consumer Data Right in Australia and its application to the banking sector. Banking and Financial Services is at the cusp of a defining period of change. Sweeping changes in the regulatory environment and competitive landscape within banking and financial services sector are afoot and technology advancement is accelerating, impacting business models. Davinder is a practicing management advisor with expertise in business opportunity identification, strategic capability development, and complex program management – to deliver on the promise of transformative digital technologies.

Davinder is a computer systems engineer by training and earned his MBA in 2013 from Melbourne Business School in Melbourne, Australia.



About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. We are insights-driven and outcomes-based to help accelerate returns on your investments. Across hundreds of locations worldwide, we provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

Contact us at sales.aus@cgi.com

cgi.com/au

© 2021 CGI Inc.

