

BASIQ

Changing perspectives

**An inside look at
Open Banking performance
and adoption in Australia**

July 2024

INFO@BASIQ.IO

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Foreword

At FinTech Australia, we've long maintained that the Consumer Data Right (CDR) and Open Banking will be the major driver of our digital economy and future prosperity in Australia. Now, after four years of solid policy groundwork, the CDR has reached the threshold of industry adoption that will precede mass consumer adoption.

This is a suite of fintech tools that will have a real effect on cost of living pressures, enabling consumers to use their own financial data to power better decisions on their services providers. As Basiq's latest report details, this technology is already supplanting the practice of screen scraping within the fintech industry. It will be replaced with a more regulated and regimented means by which fintechs can responsibly access consumer financial data.

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The transformative effect of this technology cannot be understated. It will revolutionise the way in which consumers access all manner of services, including superannuation, insurance and telecommunications. Even now, as we're nearing the cusp of broader adoption, we're seeing use-cases emerge that we could not have anticipated four years ago.

As use of this technology continues to grow, fintech will play a key role in the everyday lives of Australians. We anticipate it will not only increase competition for services in the Australian market, but also meet another key goal for the fintech industry in improving the financial literacy of the population.

To get to this stage has required a lot of work from many stakeholders, including corporate partners, banks, government and of course the fintech industry. But we're not done yet. Reports, like this, are shining a light on the early impact of our Open Banking regime. Data is crucial for maintaining momentum and interest from both corporate Australia and policymakers in its continued rollout.



Rehan D'Almeida
CEO | FinTech Australia

Executive Summary

Nearly four years have passed since the Australian Government launched the Consumer Data Right (CDR) in July 2020 and initiated the phased roll-out of Open Banking. Today, the ecosystem encompasses 111 Open Banking data holders sharing and 125 registered businesses using consented consumer data.

This is excellent news for Australians. It means that, regardless of their bank, they can share their financial data with a growing number of businesses to reduce the administrative burden of tasks such as managing their finances, applying for a loan, or protecting themselves against fraudsters and scammers by verifying their identity and account details.

Despite Open Banking's progression, the majority of public sentiment is negative but lacks supporting evidence. The most commonly heard criticisms are that uptake is low, consumers aren't using it, and it doesn't perform as well as web scraping. Web scraping, also known as Digital Data Capture (DDC) or screen scraping, is Open Banking's predecessor and a widely used alternative.

While Open Banking is far from perfect, these negative perspectives don't align with the positive results we see on the Basiq platform and hear from customers.

What's missing from the public narrative is information on how CDR is performing for the businesses and consumers using it. Basiq is one of the few data aggregators offering Open Banking and web scraping services. With a substantial user base across various use cases, Basiq can effectively measure the performance of Open Banking using web scraping performance as a benchmark.

To date, we've enabled over 900,000 Open Banking connections, and in the last 12 months, almost 50 per cent of all new connections on the Basiq platform have been made using Open Banking.

For the first time, we are sharing insights from the Basiq platform to provide a data-informed perspective on CDR performance. By sharing this information, we hope to challenge the current narrative by offering a more optimistic perspective backed by evidence and persuade more businesses to consider CDR for accessing consumer data.

This report explores three key findings, as outlined below, challenging the commonly referenced downfalls of CDR:

- That growth has been slow, and uptake is minimal, and
- Businesses lose potential customers because of the data connection process.

Key Findings

Finding 1: Open Banking growth is booming

- Connection data from the Basiq platform shows that CDR's popularity is steadily increasing, challenging the perception that growth has been slow and uptake minimal.
- Between October 2022 and March 2024, Open Banking experienced a 30 per cent compounded growth rate, increasing from 10,400 connections to 777,000.
- The introduction of new CDR access models and the recent increase in serious data breaches, among other factors, have contributed to growth.

Finding 2: Open Banking leads to more customers connected

- There is an assumption that CDR's lengthy connection process increases consumer drop-off. We've found that Open Banking achieves almost double the success rate of web scraping, with 80% of connections successful compared to 42%.
- Forgotten login credentials, anti-scraping measures, and maintenance affect connection success for web scraping, while Open Banking issues include login ID problems, poor banking flows, API outages, and fraud prevention.

Finding 3: Open Banking is superior for ongoing connections

- Open Banking connections are 88 times less likely to experience disruptions than web scraping. Only 0.17% of Open Banking connections are disrupted after six months, compared to 15% for web scraping.
- For businesses requiring ongoing connections, such as budgeting or investment apps, Open Banking is highly reliable, significantly reducing the risk of customer churn due to connection disruptions.
- Changes in consumer login details, bank updates, and anti-scraping measures disrupt web scraping connections, while open banking disruptions occur due to consumers' revoking consent or closing their accounts.

Scope and limitations

Measuring CDR performance is complex and extensive. As outlined below, we've limited the report's scope to further explore the findings.

Focus on Open Banking's uptake and growth

We decided to focus this report on the uptake and growth of Open Banking using connection data from the Basiq platform (including connection volume, success rates and ongoing performance). The widely reported perspective that uptake and growth are slow infers that open banking is performing poorly, dissuading businesses from considering it an option for data access and inhibiting CDR's expansion.

We acknowledge this is only one of many factors impacting Open Banking's growth and performance. In future reports, we will address other key topics, including data quality.

'Uptake and growth' refers to business uptake

While it is the Consumer Data Right and success should be measured on consumer outcomes, 'uptake and growth' in this report refers to the uptake and growth of Basiq customers and their end users; that is the businesses enabling use of Open Banking by their customers.

We consider business uptake an essential driver of consumer uptake; more businesses offering Open Banking means more opportunities for consumers to use it.

Findings reflect Open Banking performance on the Basiq platform

The data in this report is generated from the Basiq platform and impacted by Basiq's individual products, processes, and procedures. Consequently, our findings are based on our experience and may differ from those of other data recipients.

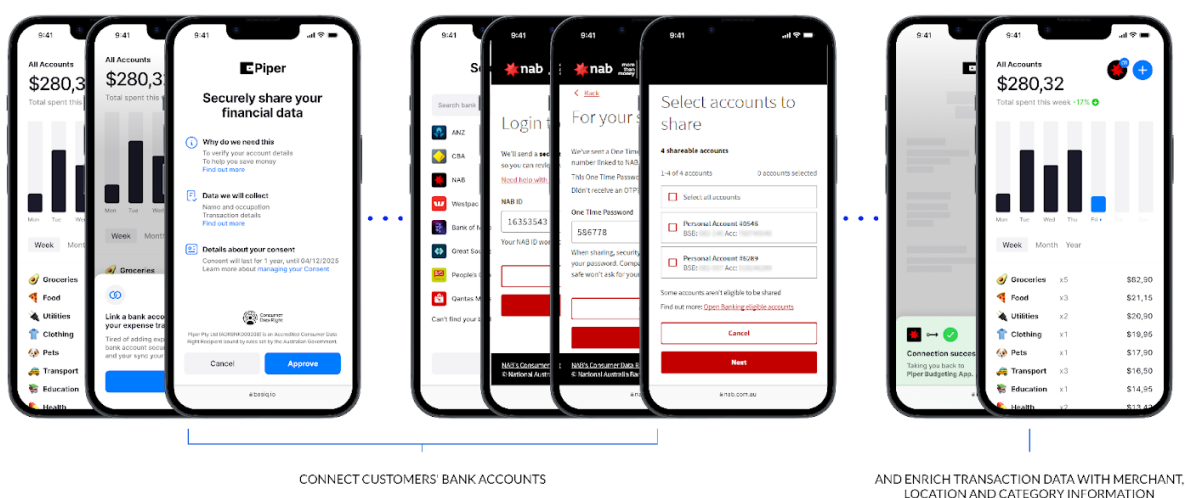
Data is Basiq's bread and butter

Snapshot stats

- +250 businesses using Basiq from small start-ups to large corporates
- Enabled +3.7m consumers to share their data via the Basiq platform
- From +170 data sources covering all major institutions servicing 99% of the Australian and New Zealand banked population

Basiq is a leading data platform in Australia that enables businesses to connect to customer's financial data. Beyond access, we provide data tools to help companies make sense of and use the data as needed.

Basiq helps businesses



We have collaborated with over 250 businesses across a wide range of industries and use cases, including:

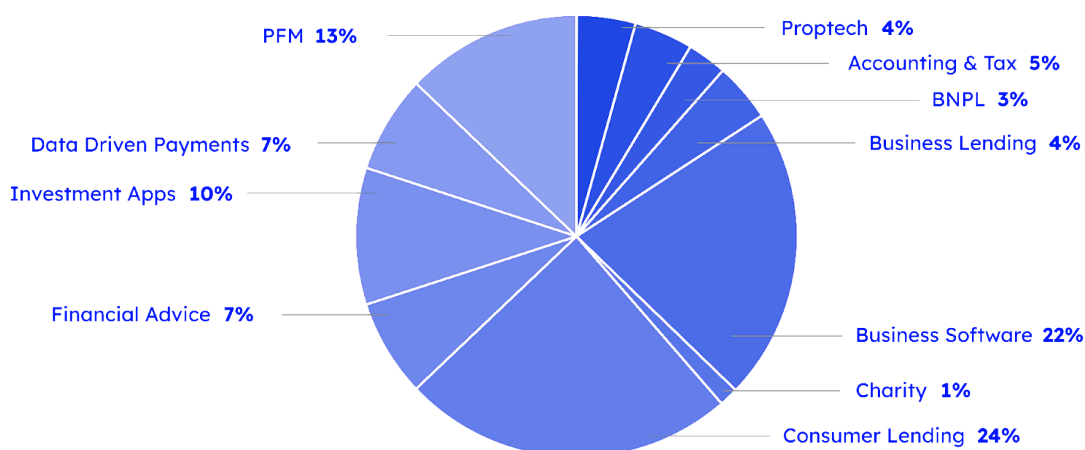
- **Lending, Buy Now Pay Later, and early wage access:** Conduct affordability analysis for lending assessments and offer tailored product recommendations.
- **Personal finance management:** Provide budgeting tools to track spending, offer categorisation insights, and assist with setting and achieving savings goals.
- **Wealth and Investing:** Create a comprehensive picture of an individual's wealth and identify investment opportunities based on spending habits and financial goals.
- **Proptech:** Conduct rental affordability checks and automate rent collection and reconciliation for property owners.
- **Reconciliation:** Automate matching incoming payments with invoices or other receivables during reconciliation.

- **Not-for-profit:** Streamline donor onboarding and round up bank transactions to increase donations.
- **Collections:** Evaluate a debtor’s financial situation to customise payment plans and automate communications.

Basiq has provided open data services using web scraping since 2017 and been involved with Open Banking from the very beginning. As an Accredited Data Recipient (ADR) under the CDR, Basiq is permitted to access and use consumer banking data, as well as enable access to other eligible businesses.

- Basiq has enabled **over 900,000 connections** via Open Banking
- Representing **over 50% of all CDR representatives** on the CDR register
- Across a diverse range of use cases outlined in the chart below.

Basiq’s CDR Representatives by segment (as of May 2024)



Basiq’s experience and knowledge of both Open Banking and web scraping have put it in a unique position to compare their relative performance based on customer data from the Basiq platform.

Open Banking and web scraping: a quick recap

Open Banking and web scraping are two different means of accessing financial data that vary greatly, particularly regarding how data is collected, shared and used.

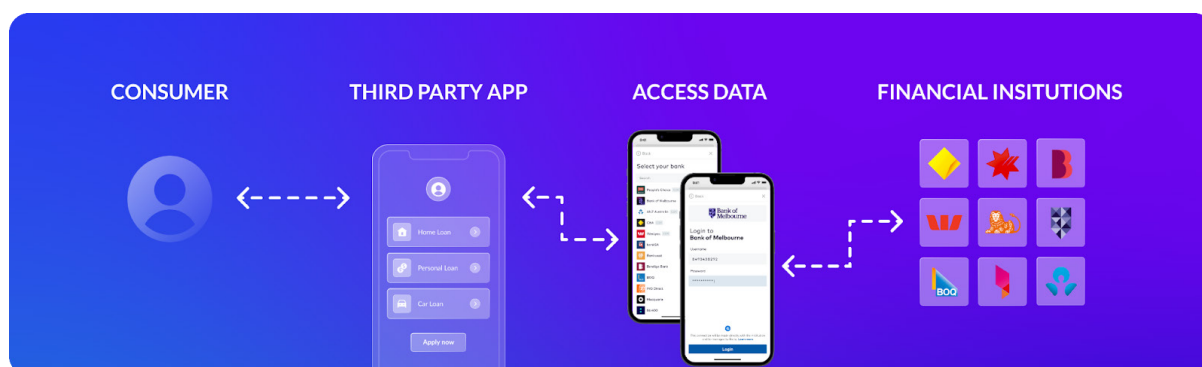
Web scraping

For decades, third-party service providers have widely used web scraping to access and aggregate financial data from banks and financial institutions.

The term 'web scraping' is broadly used and covers many different methods of data access, including:

- **Unregulated bank website Application Programming Interface (APIs):**
Banks often develop APIs to support their mobile applications or online banking portals. Some aggregators leverage these APIs to obtain customer data.
- **Server-side web browsers:**
If unregulated bank website APIs aren't available, developers may use the institution's web application (like their online banking platform) to access financial data. This process uses a consumer's username and password to simulate the login flow to gain access.

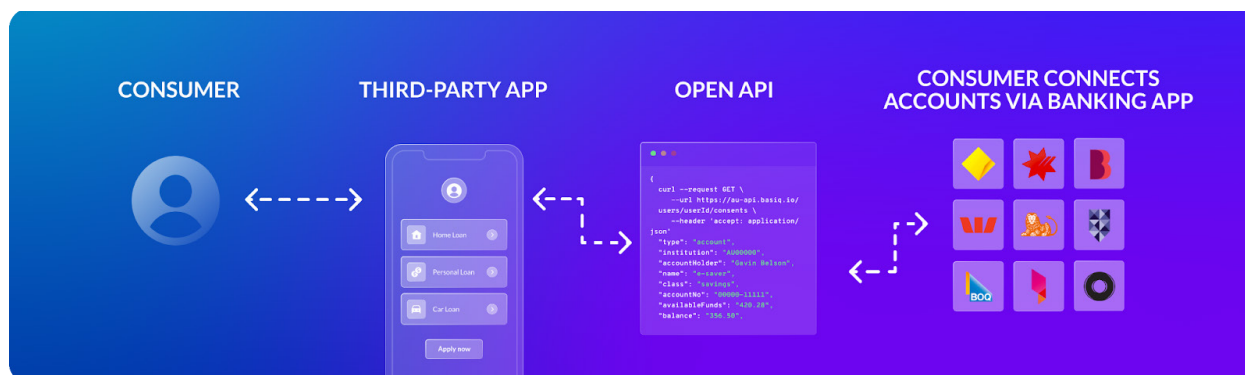
An **Application Programming Interface (API)** is a set of rules and protocols that allows different software applications to communicate with each other. APIs define the methods and data formats that applications can use to request and exchange information.



Open Banking

Open Banking was implemented as part of the government’s CDR rollout, aiming to give consumers greater control over their data by allowing them to securely share it with eligible third parties.

In contrast to web scraping, Open Banking uses an ‘official’ API from the bank, known as an open API, enabling approved service providers to access a customer’s data.



There are several critical differences between Open Banking and web scraping:

Differentiator	Open Banking	Web scraping
Regulation	<ul style="list-style-type: none"> Open Banking is a <u>regulated</u> system. Treasury writes the CDR Rules, which are monitored and enforced by the ACCC and OAIC. CDR restricts who can access Open Banking data. Any business using Open Banking data must: <ul style="list-style-type: none"> meet eligibility for a CDR access model adhere to strict privacy and security rules. 	<ul style="list-style-type: none"> Web scraping is <u>unregulated</u>. Businesses can access consumer financial data via scraping without restrictions. The Australian Government is considering sunseting web scraping due to its unregulated nature.
ADIs (Authorised Deposit-taking Institutions) available	<ul style="list-style-type: none"> All entities matching the regulated definition of an ADI must provide data or 	<ul style="list-style-type: none"> ADIs available depends on the data aggregator. Banks control the ease of data access via scraping and

	<p>seek limited-period exemptions.</p> <ul style="list-style-type: none"> • 111 ADIs are currently available with Open Banking. • APIs are stable, and any changes are mandated and carefully planned, making Open Banking more reliable. 	<p>can block scraping attempts anytime without warning.</p>
<p>Data-sharing</p>	<ul style="list-style-type: none"> • Open Banking data can only be shared with eligible businesses outlined under CDR's access models and with the consumer's permission as outlined in the 'data connection process.' 	<ul style="list-style-type: none"> • There are no restrictions on how and with whom the data can be shared. • There's nothing to prevent third parties from sharing consumer data with other organisations, meaning consumers' data can be duplicated and stored in various places.
<p>Consumer consent</p>	<ul style="list-style-type: none"> • The consumer must provide consent before data is shared. • Consumers can withdraw their consent at any time. 	<ul style="list-style-type: none"> • Because web scraping is unregulated, there is no consistency regarding when or how customer consent is captured. • Third-party apps determine if and how they obtain and store consent, often embedded in a business's Terms and Conditions.
<p>Authentication process</p>	<ul style="list-style-type: none"> • Consumers are directed to their banking app (Data Holder) to log in securely. • Consumers are NOT asked to share their online banking username and password. 	<ul style="list-style-type: none"> • Consumers share their username and password with a third-party app to authenticate and connect their bank account, which logs in on the consumer's behalf.
<p>Data collection</p>	<ul style="list-style-type: none"> • Open Banking uses purpose-built, open APIs to collect data. • Data points for collection are specified. 	<ul style="list-style-type: none"> • Web scraping collects data using an institution's 'unofficial' API or web interface (like their online banking platform).

	<ul style="list-style-type: none"> • Consumers select the accounts and data shared. 	<ul style="list-style-type: none"> • Once authenticated, the third-party app can collect any data accessible via online banking. • Consumers have no control over the accounts and data shared.
<p>Data availability</p>	<ul style="list-style-type: none"> • More data is available. Each API has many mandatory and optional fields, including user, accounts and transaction data. 	<ul style="list-style-type: none"> • It can only return data made available on online banking screens and is limited to what a scraper can realistically extract.
<p>Data usage</p>	<ul style="list-style-type: none"> • Open Banking data can only be used for the purpose specified during the 'data connection process.' 	<ul style="list-style-type: none"> • There are no restrictions on how scraping data can be used.
<p>Data collection frequency</p>	<ul style="list-style-type: none"> • Open Banking data can be refreshed on demand up to 20 times daily (capped by the CDR standards). 	<ul style="list-style-type: none"> • Web scrapers <u>usually</u> only refresh data once per day. This can be increased but comes at the risk of banks blocking access.
<p>Data deletion and retention</p>	<ul style="list-style-type: none"> • There are strict rules for data deletion. • Unless the law requires, data must be deleted once consumer consent expires or is revoked. • A de-identified version of the data can be kept with consumer permission. 	<ul style="list-style-type: none"> • There are no requirements about when and how consumer data must be deleted. The decision is made by the third-party app. • Data can be held indefinitely.
<p>Issue resolution</p>	<ul style="list-style-type: none"> • Because Open Banking is regulated, there are established roles and responsibilities regarding liability. 	<ul style="list-style-type: none"> • It's unclear who is liable if there is an incident using web scraping data.

What we've measured and how

We've analysed Open Banking and web scraping *connection data* from the Basiq platform, including volume, success rates and ongoing performance.

A **connection** is the successful outcome of connecting a third-party app to a consumer's bank.

It's important to note that it only refers to the connection with the consumer's bank, not the number of shared accounts. For example, a consumer might hold 2 or 3 accounts with a single institution, but it's recorded as one connection if they choose to share data from all accounts.

To understand how we've measured *connection data*, knowledge of the *data connection process* is essential.

The data connection process

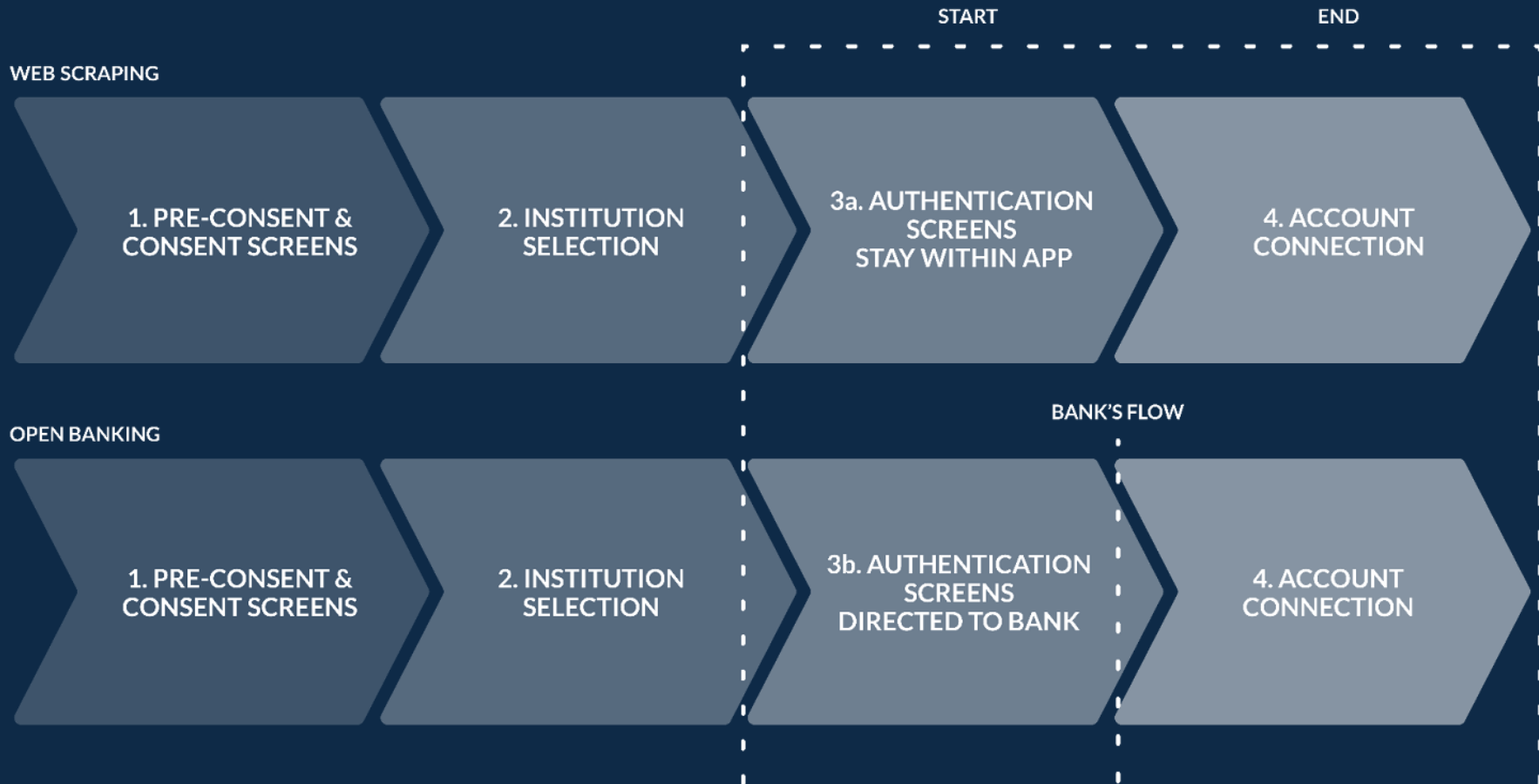
On the Basiq platform, all consumers must complete *the data connection process* using Open Banking or web scraping. For web scraping connections, it's worth noting that the data connection process differs depending on the data aggregator, but Basiq has adapted the CDR consent flow.

The **data connection process** has four stages:

- **Stage 1 | Pre-consent and consent screens:** provides information explaining the data to be collected and how it will be used. It's also the stage where consent is provided by the consumer.
- **Stage 2 | Institution selection:** the consumer selects the bank holding the account they want to connect.
- **Stage 3 | Authentication screens:** account ownership is authenticated via the consumer's banking application. This is the stage in the process that differs the most between web scraping or Open Banking.
 - **Web scraping:** occurs within the third-party app. Consumer's banking login details are shared with the app.
 - **Open Banking:** Consumer is re-directed to their online banking portal or app to securely login.
- **Stage 4 | Account connection:** if the process is completed successfully the account will be connected and is ready for data to be shared.

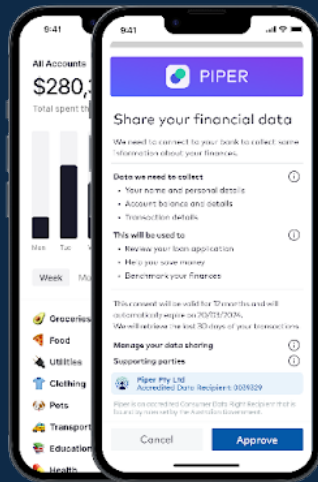
Connection data is based on a consumer completing stages 3 and 4 of the data connection process. Stages 1 and 2 are also crucial to the process; however, they are completed on the third-party app, making the results difficult to measure.

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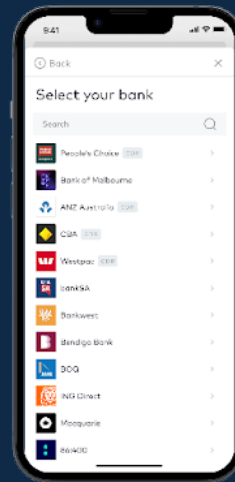


The web scraping data connection process:

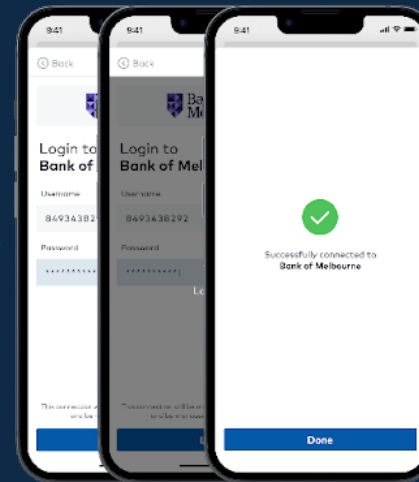
1. PRE-CONSENT & CONSENT SCREENS



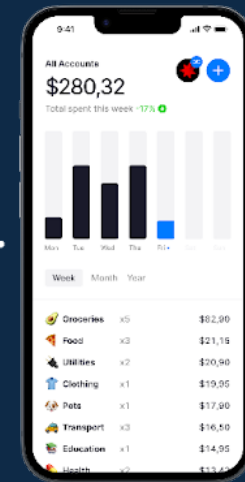
2. INSTITUTION SELECTION



3a. AUTHENTICATION SCREENS STAY WITHIN APP TO LOGIN



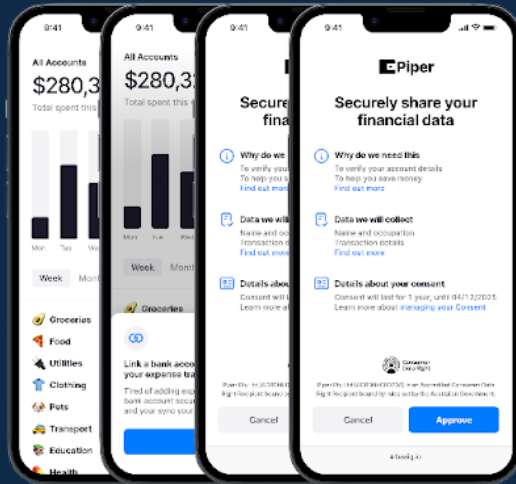
4. ACCOUNT CONNECTION



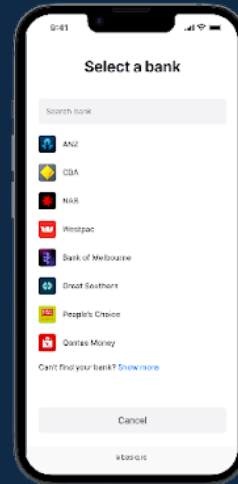
SCOPE OF MEASURE

The Open Banking data connection process:

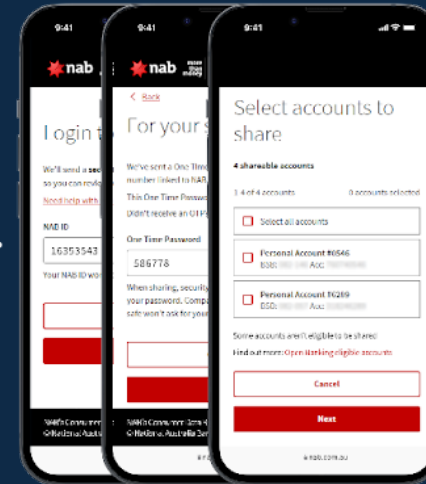
1. PRE-CONSENT & CONSENT SCREENS



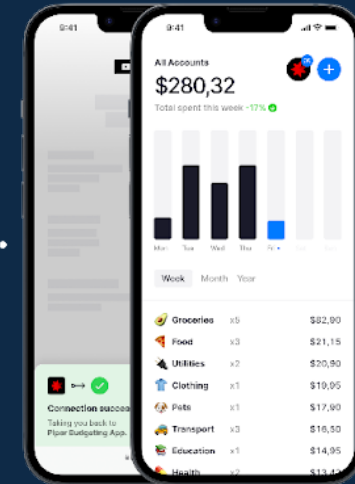
2. INSTITUTION SELECTION



3a. AUTHENTICATION SCREENS DIRECTED TO BANK



4. ACCOUNT CONNECTION



SCOPE OF MEASURE

Finding 1 | Open Banking growth is booming

Key stats:

- Basiq has enabled over 900,000 connections via Open Banking
- Since June 2023, almost 50% of new connections on the Basiq platform are via Open Banking
- The compounded monthly growth rate of connections from October 2022 to March 2024:
 - Open Banking: 30%
 - Web scraping: 4%

Open Banking has a solid compounded monthly growth rate of 30%

To date, Basiq has enabled over 900,000 connections via Open Banking. Analysis of connection data from the Basiq platform shows that CDR's popularity is steadily increasing, challenging the perception that growth has been slow and uptake minimal.

Basiq has been monitoring the ratio of connections using Open Banking and web scraping and has found, since June 2023, nearly 50 per cent of all new connections on the Basiq platform were enabled using Open Banking.

Until October 2022, connections on the Basiq platform were predominantly created via web scraping. Since then, Open Banking has skyrocketed from 10,400 connections to 777,000 in March 2024, totalling a compounded monthly growth rate of 30 per cent compared to the 4 per cent growth of web scraping over the same period.

Compounded monthly growth rate of Open Banking users

30%

Compounded monthly growth rate of web connectors

4%

These figures demonstrate that businesses (and consumers) are successfully using Open Banking and uptake is rapidly growing on the Basiq platform.

Contributors to growth:

We attribute growth to four key factors:

1. The Government's introduction of new CDR access models has reduced barriers to access for businesses;
2. Increasing rates of significant data breaches among large corporate organisations;
3. Open Banking creating a viable option for businesses previously unable to use web scraping, and
4. Basiq enabling customers to trial Open Banking before committing.

1. Government's introduction of new CDR access models

New CDR access models have helped growth by making it easier for businesses to use Open Banking data. In particular, we've observed that the increased uptake of Open Banking on the Basiq platform correlates with the introduction of the CDR representative model.

The CDR representative model allows businesses to forgo the Australian Competition and Consumer Commission's (ACCC) complex and costly process to become an Accredited Data Recipient (ADR). Instead, CDR representatives leverage the certification (and data capabilities) of an ADR like Basiq and can access consumer data in a fraction of the time and cost.

At the time of writing this report there were 125 CDR representatives in the ecosystem compared to 41 ADRs.

We expect growth to continue snowballing as the uptake of alternative access models, such as Trusted Advisor and Business Consumer Disclosure Consents, increases, opening up CDR to new cohorts of users.

2. An increase in data breaches

Data breaches involving large corporations and government bodies have increased in the last few years, including Optus, Medibank and Service NSW. According to the OAIC, the finance sector reported 49 data breaches between July and December 2023, the second highest reporting sector after health.

As a result, we have observed businesses are more concerned about risking the privacy and security of their customers, as well as the business's reputation, if it was exposed to a data breach. They are less willing to use data-sharing practices like web scraping that exposes them to a consumer's personal information, including banking login details, and instead are turning to Open Banking as a safer option.

Additionally, consumer actions suggest they've become more security-aware regarding their data and are more hesitant to share their information with a third-party provider.

3. Open Banking is a viable option for businesses previously unable to use web scraping

Some organisations could not access data via web scraping due to company policy restrictions. For example, their Privacy Policy may not have allowed them to capture a consumer's banking credentials. The introduction of Open Banking has provided these organisations with a viable alternative for accessing customer financial data that doesn't compromise company policies.

4. Basiq has enabled businesses to trial Open Banking before committing

Internally, the growth of Open Banking users on the Basiq platform can be partially attributed to Basiq offering third-party apps the option to test performance with a small portion of their users while remaining compliant with the CDR Rules.

We understand that reliable access to consumer data is essential to the operation of many businesses, and moving from a tried-and-tested data-sharing method to a relatively new one is a high risk decision. Testing performance helps build trust and confidence in Open Banking before transferring more significant volumes.

Open Banking connections to hit +1 million by 2025:

The substantial growth of Open Banking on the Basiq platform demonstrates its increasing adoption. With a compounded monthly growth rate of 30 per cent, and nearly 50 per cent of new connections leveraging Open Banking, it is evident that both businesses and consumers are recognising the value and security it offers.

We predict the above mentioned factors will continue to encourage greater uptake of Open Banking. If growth increases at the current trajectory, we've estimated that Basiq will hit 1.3 million connections on the platform by December 2024.

Customer insights



James Wigglesworth

CTO and co-founder



PocketSmith is advanced personal finance software that connects to nearly every bank worldwide. More than a spend tracker, it specialises in personal financial forecasting with a visual approach to budgeting. PocketSmith uses Open Banking to help users manage their money productively. The software features beautiful graphs, flexible budgeting, trend reports, and customisable dashboards, allowing collaboration with household members and advisors. It supports Open Finance through its content, APIs, and product.

Why did you decide to use Open Banking for data access?

Providing feeds via web scraping has operated in a grey area for a long time, which erodes consumer trust when they might be in breach of their customers terms and conditions by using them. Open banking legitimises and secures essential consumer's ability to use their financial data to their own benefit, with much greater reliability than web scraping.

How do you find Open Banking in comparison to web scraping?

While the speed with which web scraping can appear to set up – as it's simply entering your banking username and password into a form – the devil is in the details. Multi-factor processes are slower and more error prone with web scraping, reliability is far worse with frequent failures and refresh times are slower. As a result the overall time spent by the user to get their data out of the bank in a usable state is far lower for open banking, than it is for web scraping. This is particularly the case for ongoing data access, where troubleshooting and multiple refresh attempts are often required for web scraping, whereas for open banking connections this'll mostly happen quickly in the background, without any required user maintenance of the feed.

What benefits has your business seen from Open Banking so far?

Higher conversion rates due to feeds now being legitimate, instead of operating in the grey area of web scraping. Lower average support costs for open banking feeds, compared to other markets that rely upon web scraping, or non-bank lenders and superannuation feeds that still require web scraping in Australia.

If you had to choose one challenge with Open Banking to be addressed most urgently to ensure its success, what would it be?

The knowledge of bank staff – both about open banking generally, and their ability to solve issues when customers encounter problems sharing their data – instead of pushing the issue back to the data recipient even when it's an issue with the bank's consent flow. The banks need to be an active participant in both understanding the systems which their bank has in place for open banking, and actively encouraging their customers to use those systems.

What would you say to other businesses considering Open Banking for data access?

Knowledgeable, high-value customers only choose businesses that use open banking for data access. Without committing to using open banking instead of web scraping, you're leaving behind all educated customers who are aware of the risks of web scraping.

Finding 2 | Open Banking leads to more customers connected

Key stats:

- Consumers are almost twice as likely to successfully connect their account using Open Banking than with web scraping
- Connection success rate:
 - Open Banking: 80%
 - Web scraping: 42%
- Incorrect login details account for +90% of customer drop-off using web scraping

Open Banking results in twice as many successful connections as web scraping

It's a common assumption that businesses lose more customers and, therefore, revenue using Open Banking over alternatives like web scraping. The logic is that the friction caused by the length of the CDR data connection process results in consumers becoming frustrated and abandoning attempts to connect their account/s.

While it makes sense in theory, data from the Basiq platform tells a very different story. We've observed that open banking results in almost double the volume of successful connections compared to web scraping.

These findings suggest that an appropriate level of friction can be beneficial when it comes to data sharing. The multiple screens and information provided in the CDR data connection process help build consumer trust, meaning they are more likely to complete the flow, resulting in a successful connection.

Let's examine the numbers. *Chart 1* shows the success rate of new Open Banking and web scraping connections made on the Basiq platform between December 2023 and June 2024.

The **success rate** is the percentage of consumers completing the data connection process and establishing a connection between their bank and the third-party app.

Success rates have been measured by analysing Open Banking and web scraping connection data from the Basiq platform.

For the 534,000 new connections created during that time, Open Banking had an average success rate of 80 per cent, compared to only 42 per cent using web scraping.

Connection success rate: Open Banking versus Web scraping

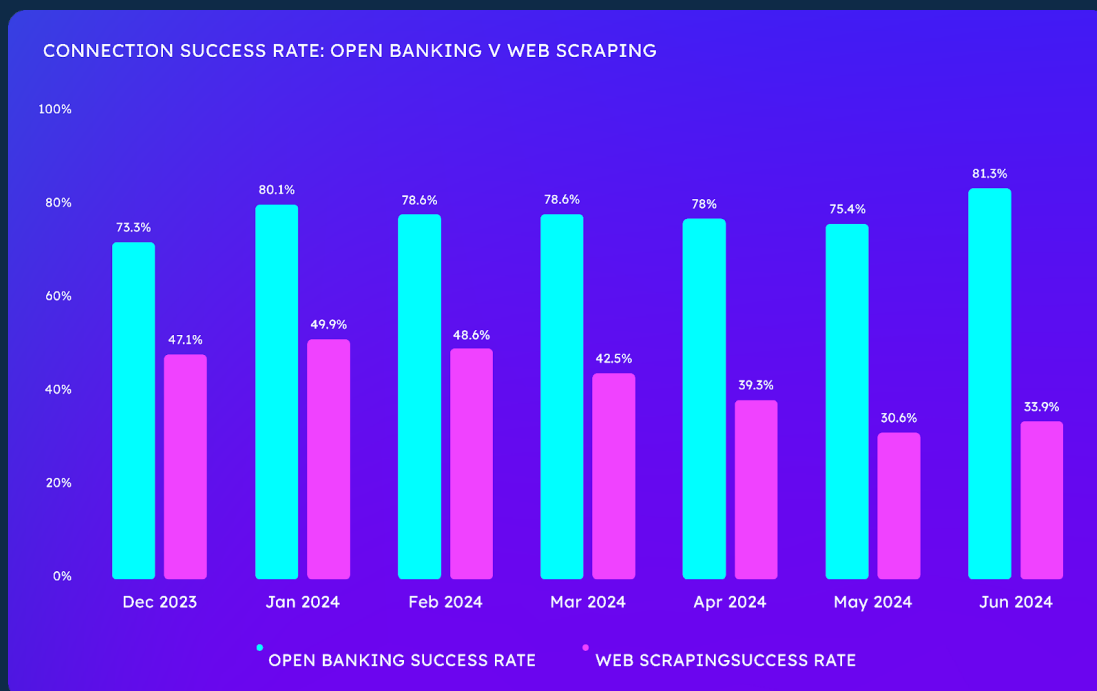


Chart 1: Comparing bank connection set-up success rate with Open Banking and web scraping, December 2023 to June 2024

This means that for every 100 consumers who tried to connect their bank via web scraping, only 42 resulted in a successful connection. Conversely, consumers using Open Banking saw a much higher connection rate, with 80 out of every 100 able to complete the process.

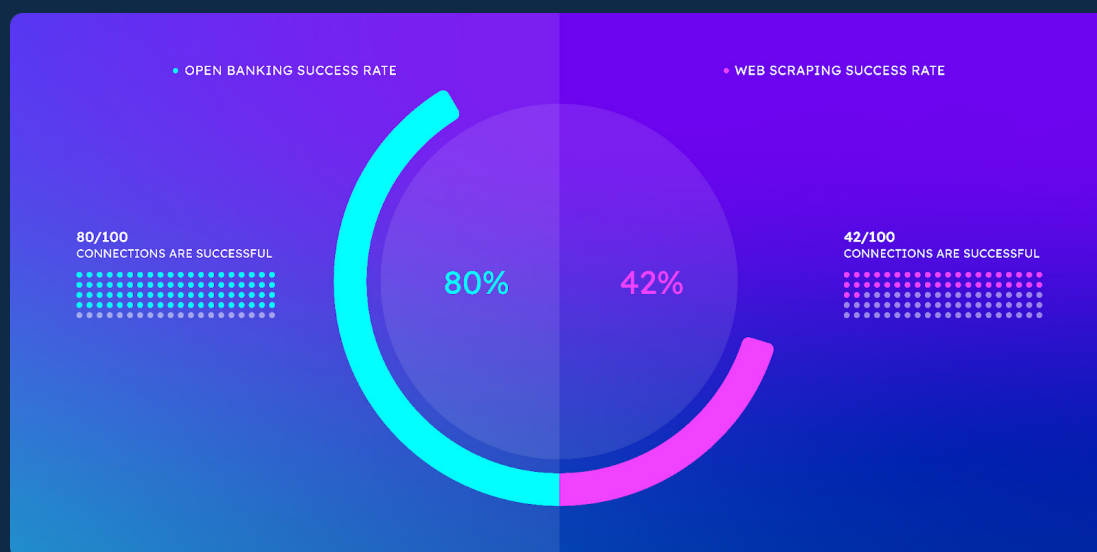


Chart 2: Average bank connection success rate of Open Banking and web scraping, December 2023 to June 2024)

What impacts connection success rates?

Factors determining success depend on whether the connection is made via Open Banking or web scraping. Unsuccessful attempts to connect are considered a 'drop-off'. Below are the most common reasons for drop-off on the Basiq platform, beyond consumers deciding they don't want to proceed and abandoning the flow.

Using web scraping

Reason	Overview
<p>Consumers entering incorrect banking usernames or passwords – intentionally or unintentionally</p>	<p>Almost 90 per cent of web scraping drop-offs happen because the user can't remember their login details.</p> <p>Many people login to their banking apps using facial recognition, a passcode or securely saved details and as a result don't have their login information at hand.</p> <p>Alternatively, some users are deliberately entering invalid details to force failure and find an alternative means of sharing financial information.</p> <p>This could be due to the significant increase in data breaches and scammer activity, making consumers more conscious about sharing their information.</p>
<p>Banks implementing anti-scraping measures</p>	<p>Banks are increasingly using anti-bot tools without warning to deter web scraping, preventing users from connecting their accounts.</p> <p>This includes anti-bot tools, like AKAMAI, that use technologies such as fingerprinting to discern between a bot (automated code) and an actual user. Once these anti-bot measures are in place, they are challenging to bypass for any data aggregator using web scraping.</p>
<p>Planned maintenance of banking apps</p>	<p>Planned maintenance of banking apps and online banking platforms disrupts the process. A connection can only be made once the issue is resolved.</p>

Using Open Banking

Reason	Overview
Difficulty finding consumer ID to login	<p>Similar to web scraping, consumers do not often need login IDs. Many use mobile banking and log in with FaceID or a PIN. If a login ID is required, depending on the bank, it can be hard to find in the customer portal.</p> <p>Consumers don't need to remember their password because Open Banking uses One Time Passwords (OTP). A drop-off can occur if they don't have access to the device receiving the OTP.</p>
Poor banking authentication screens	<p>There is no standard user flow for authentication screens once consumers are redirected to their bank. There are typically between 3 - 4 different screens. In our experience, the number of screens and poor user interfaces can result in drop-offs. This impacts the success rates of individual institutions.</p>
CDR API outage	<p>CDR API outages are rare and experienced by some institutions much more than others. Data Holders regularly inform ADRs of any planned outages.</p>
Fraudsters failing authentication	<p>We've heard from Basiq customers that they're experiencing drop-offs caused by fraudsters looking for an alternate way to connect an account, as the banks' authentication process is impassable.</p>

The performance gap is expanding:

Data from the Basiq platform shows that Open Banking results in almost twice as many successful connections as web scraping, translating to twice as many customers. Our findings highlight the impact a business's data access method could have on its bottom line.

In the future, we expect the performance gap between Open Banking and web scraping to continue widening in terms of both uptake and connection success. The factors that will have the most impact are institutions implementing more robust anti-scraping measures and heightened concerns regarding data security.

Customer insights



Lisa Schutz
CEO

Verifier is a RegTech providing Digital Proof of Income



Why did you decide to use Open Banking for data access?

There is no silver bullet to Proof of Income – Verifier Connect orchestrates a combination of digital payroll, Consumer Data Right sourced Income Insights as well as uploaded documents (OCR) for payslips and Notices of Assessment – if required. And we can also process a lender’s own bank transaction data if that’s applicable. The beauty of Verifier Connect is that with a single call to Verifier, 100% of digital Proof of Income can be delivered with a consistent approach – organisations are effectively hedged against the ebbs and flows of the various data options out there and reduce their tech debt and overhead.

Verifier believes the Consumer Data Right is the best option to offer consumers who need bank transaction data to prove their income – both because consumers prefer it (higher take up) and it has better uptime than screen-scraping. And, as a Privacy By Design business, it fits Verifier’s ethos of more data sharing, more respectfully.

What benefits has your business seen from Open Banking so far?

We are able to increase the number of applications we can process to 100% if the consumer is willing to participate.

If you had to choose one challenge with Open Banking to be addressed most urgently to ensure its success, what would it be?

For lenders, the key is awareness – we often get concerns about CDR reliability. Reliability and stability are there already but the more transparent the information about that is, the better. That’s why we welcome Basiq’s work to get the message out about the great CDR outcomes we are seeing.

In terms of getting consumers to take up CDR when offered – the key is making it simpler. I think CDR will take a step up when the simplified consent flow requirements are implemented. I always go back to the fact that when I go to a restaurant, I want to know it’s up to the required food safety standards, I don’t need to know the meat or milk storage requirements and governance protocols around that – I want to know with some brand recognition that it’s done.

What would you say to other businesses considering Open Banking for data access?

Understand that 90% plus of the work is data governance after you take delivery of the CDR data and that the governance around privacy is probably the majority of that work, not infosec as many believe. For instance, managing deletion requests requires tech heavy lifting. I would urge businesses looking to get into CDR to use intermediaries like Basiq and Verifier to avoid getting distracted by the APIs and connectivity. That leaves their internal teams free to focus on the data lifecycle management (systems and processes) which cannot be outsourced to third parties and are the bulk of the work effort.

Finding 3 | Open Banking is more reliable for ongoing connections

Key stats:

- Open Banking connections are 88x less likely to experience disruption than using web scraping
- Connections disrupted after 6 months:
 - Open Banking: 0.17%
 - Web scraping: 15%

Connection disruption with Open Banking is basically non-existent

Data from the Basiq platform shows that Open Banking is the most reliable choice for businesses requiring an ongoing connection to a consumer's account, such as budgeting or investment apps.

Connection disruption can be a major issue for businesses, increasing the risk of customer churn. Consumers must complete the connection process again to establish a new connection. Based on data from the Basiq platform, *Chart 3* breaks down the disruption rates for Open Banking and web scraping connections between December 2023 to June 2024.

The **disruption rate** is the percentage of existing connections that become invalid.

The chart shows that Open Banking connections remain consistent, with 0.17 per cent of connections disrupted after six months. Web scraping connections fare much worse in comparison. By the sixth month the disruption rate is 15 per cent.

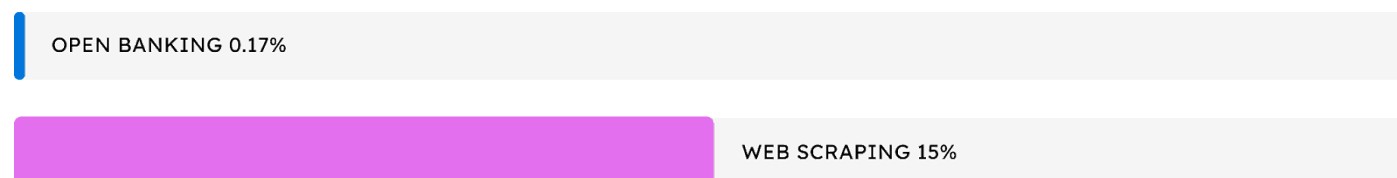


Chart 3: Disruption rate after 6 months: Open Banking versus web scraping, December 2023 to June 2024

The previous section covered the success rates of Open Banking and web scraping for new connections. To recap, 100 consumers attempting to connect their bank accounts would result in the following:

- **Open Banking:** 80 of the 100 consumers could successfully connect their accounts.
- **Web scraping:** Only 42 of the 100 consumers successfully completed the connection process.

Let's explore how these figures change after six months based on the disruption rates:

- **Open Banking:** A 0.17 per cent disruption rate to 80 consumers would leave 79.9 connections remaining so virtually no connections have been disrupted.
- **Web scraping:** A 15 per cent disruption rate to 42 consumers would leave 36 connections remaining. Six connections have been disrupted.

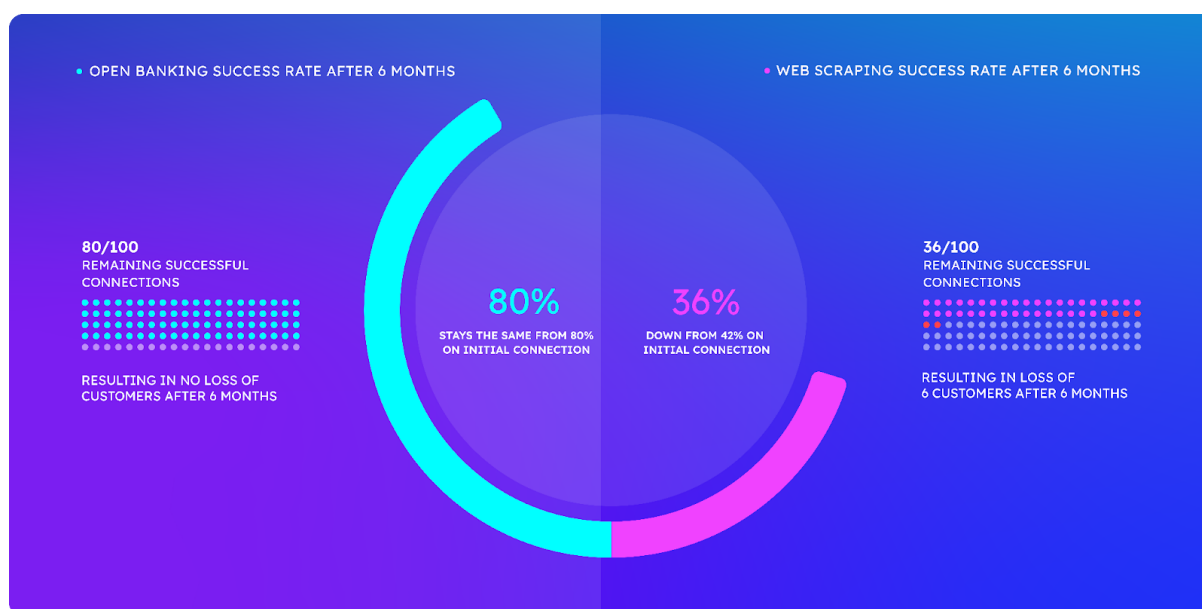


Chart 4: Combining initial connection rates and disruption rates after 6 months: Open Banking & web scraping, December 2023 to June 2024

Extending the connection success rate to include the disruption rate at six months exposes a significant difference between the potential number of customers acquired and retained depending on the data access method. After six months, the connection rate for Open Banking is 80%, while for web scraping is 36%.

What causes connection disruption?

The reasons for connection disruptions differ depending on whether connections are created via web scraping or Open Banking.

Web scraping

Reason	Overview
Consumer updating login details	Consumers changing their banking usernames and passwords break the established connection.
Banks changing their user interface or API	Disruptions occur when banks alter the user interface or internal APIs relied on for web scraping connections, including updating their Terms and Conditions. To fix the connection, the data aggregator must review and update its code, taking days to weeks to resolve, and the consumer must complete the data connection process again.
Banks introducing anti-scraping measures	Banks are implementing anti-scraping measures increasingly and without warning, causing existing connections to break.

Open Banking

Reason	Overview
Consumer's revoking consent	Connections are disrupted if a consumer revokes data-sharing consent with a third-party app.
Consumers closing connected accounts	Consumers closing an account connected to a third-party app will break any existing connections.

Open Banking minimises customer churn:

Open Banking connections are proven to be the most stable option for businesses reliant on ongoing access to consumer data due to the use of designated APIs that are less susceptible to disruption.

Broken connections can cause customer frustration, which can lead to churn. Businesses using Open Banking can minimise that risk and are, therefore, more likely to keep customers for longer.

Conclusion

Open Banking has come a long way since the Australian Government launched CDR nearly four years ago. Despite the prevailing negative sentiment, data from the Basiq platform paints a different picture – one of robust growth, higher connection success rates, and exceptional reliability for ongoing connections.

Our findings challenge the notion that Open Banking uptake is slow and that the lengthy connection process deters consumers. Instead, we see a 30% compounded monthly growth rate for Open Banking connections, significantly higher success rates than web scraping, and minimal disruption for ongoing connections. These results highlight the effectiveness and reliability of Open Banking for both businesses and consumers.

Open Banking's growth is driven by several key factors, including the introduction of new CDR access models, an increase in data breaches prompting businesses to seek safer data-sharing options, and Basiq's innovative approach allowing businesses to trial Open Banking before full commitment. As a result, we expect this growth trajectory to continue, with a potential milestone of 1.3 million connections on the Basiq platform by December 2024.

Recommendations for future growth

Future growth can be accelerated through continued improvement. Outlined below are Basiq's recommendations for driving uptake.

1. Raising consumer awareness

A consumer campaign driven by Government

We've already established that consumers are more hesitant about sharing their data. In light of recent data breaches, a consumer-facing campaign is critical to educating and building trust among Australians that CDR is a secure way to share their data.

Supported by banks

Individuals and organisations contacting their banks enquiring about CDR or Open Banking often receive incorrect information. Staff state that the bank does not share financial data with third parties, highlighting a need for more awareness about CDR among bank call centres and front-office staff.

We recommend an educational campaign for data holders, focusing on customer-facing staff, to improve understanding of CDR to ensure correct handling of inquiries, support customer uptake of Open Banking, and protect the reputation and effectiveness of CDR.

2. Revising CDR rules and access models

Government should revise the CDR rules and access models to address challenges inhibiting uptake, adapt for new use cases and remove unnecessary friction in the steps hosted by banks.

Improvements to Business Consumer Disclosure Consent (BCDC)

Open Banking can help business consumers with cumbersome admin tasks like reconciling transactions, managing taxes, and proving cash flow for loans. To ensure businesses can make the most of Open Banking the following changes need to be made:

- **Enabling automatic data sharing for business accounts:** Banks don't automatically allow data sharing for business accounts, and the enablement process is complex and time-consuming. The rules should be revised to make data sharing the default for users with access to online banking for a business account.
- **Allowing business account data sharing regardless of portal:** Business customers are being told that accounts accessed via business-specific online banking portals are not included in CDR. Data sharing should be enabled regardless of the online banking portal business consumers use.

3. Mandating financial institutions to prioritise CDR data over alternative sources

The practices of some banks hinder the use of CDR data, restricting the growth of Open Banking. To address this issue we suggest the following changes:

Enforcing banks to accept CDR-sourced data

We've heard instances of banks rejecting Open Banking data but allowing web scraping data. For example, bank statements generated via web scraping are widely accepted as proof of income and expenses, but statements generated using CDR data are not uniformly accepted.

The CDR rules must be adapted, mandating that banks accept documents created with Open Banking data.

Enforcing banks to remove unnecessary friction for CDR data access

Institutions often sell products in direct competition with CDR. It's not unusual for banks' processes to include unnecessary friction to encourage uptake of its equivalent product. For example, banks offer a low-friction bank feed product for sharing business data, yet the CDR process for sharing business data is complex and unnecessarily cumbersome.

Updating CDR insights to include account verification

Account verification is a simple and practical Open Banking use case that benefits businesses and consumers. It's used to verify a user's identity or verify a bank account before making a payment, removes manual processes prone to error, helps prevent identity theft and fraud, and reduces the risk of security breaches.

The CDR rules must be updated to allow businesses to share account details with Payment Service Providers (PSPs) to enable account verification via Open Banking.

What's next?

By sharing insights from the Basiq platform, we want to shift the narrative and encourage more businesses to embrace Open Banking.

We acknowledge that we haven't touched on other important issues, such as data quality, which is crucial to the discussion about the success of Open Banking. We plan to address this issue in a separate report.

To stay updated on this and other related topics, sign up for our [email updates](#) or follow us on [LinkedIn](#).

Sources:

- [Consumer Data Right – Rollout](#)
- [Consumer Data Right – Performance](#)
- [Office of the Australian Information Commissioner – Notifiable data breaches report July to December 2023](#)
- [Australia and New Zealand Open Banking Ecosystem Map and Report – May 2024](#)

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