

PAVING THE WAY FOR THE FUTURE

The rise of open banking

Security, privacy, transparency and trust are at the center of innovation - open banking is opening doors, enabling connections and driving consumer adoption.



Open banking and the consumer experience

Seldom is a whole landscape changed by a singular innovation, but when it happens, it's undeniable. Online retail, smartphones and cloud computing have all profoundly impacted the way our society operates, both in our business and personal lives.

Another transformational leap in technology is the use of data and analytics. Large enterprises have used their powerful data and analytics tools to gain insights on business operations, improve efficiency of existing processes and enhance customer experiences. Institutions and businesses that have embraced this have realized significant cost reductions and enhanced revenue opportunities.

For too long, individuals and families haven't reaped the same benefits of using their own data. The technology has been too expensive, or the ability to collect all that data and analyze it has been cumbersome.

This is where the advent of open banking and open finance is flipping the data experience. Open banking has put people in control of their personal data in an unprecedented way and unleashed a wave of innovation in the financial sector. Access to rich, accurate financial data via open banking allows for the improvement or creation of financial products. These innovations can help consumers who've been left out of a financial system that's been handicapped by limited data access until now.

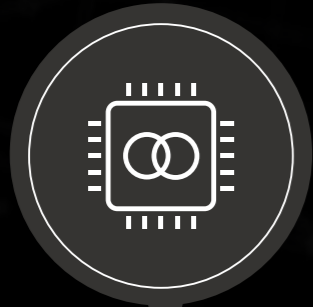
Open banking is still an emerging technology, but it is already enabling a wide range of financial products and services. They're transforming how consumers manage their money, prepare their taxes, apply for loans, open accounts, and make real-time payments. They're even helping them better understand and improve their credit. All of this is leading to more consumer choices and rewarding experiences, along with increased financial literacy, financial inclusion and improved financial fitness.

To better understand the near and long-term implications of open banking on financial services and the consumer experience, Mastercard conducted a survey of over 4000 US and Canadian consumers. We asked them to talk about how they feel when it comes to sharing personal financial data, what makes for a trusted experience and more.

This research demonstrates that consumers are already connecting their data to conveniently manage their financial experiences, and they're enthusiastically looking for what's next. With the rise of open banking, the way we think about money will never be the same.

Key findings from our research

Use of technology to manage money is mainstream



Over 9 in 10 use technology to manage money. They are using digital apps, products and services for simple financial tasks (i.e., paying bills, banking) however, there is a rising appetite for more complex needs like financial forecasting, investing via cryptocurrency and crowdfunding.

Convenience is a top driver for using technology to manage finances



Consumers are looking to save time, save money, improve their financial health and automate the financial process.

Eight in ten North Americans are linking their accounts



Top use cases where consumers have linked their accounts are to automate financial tasks and P2P transactions.

Future use cases consumers would consider



Consumers are also considering new experiences that can offer advice via a holistic financial view, simplify the loan application process or automate regular payments.

Banks and credit card companies are most trusted



Trust is likely driven by the fact that both USA and Canadian consumers are most likely to believe financial institutions and credit card companies have established longstanding, reliable channels for remediation vs. others.

Easing concerns with the linking of financial accounts will help drive adoption

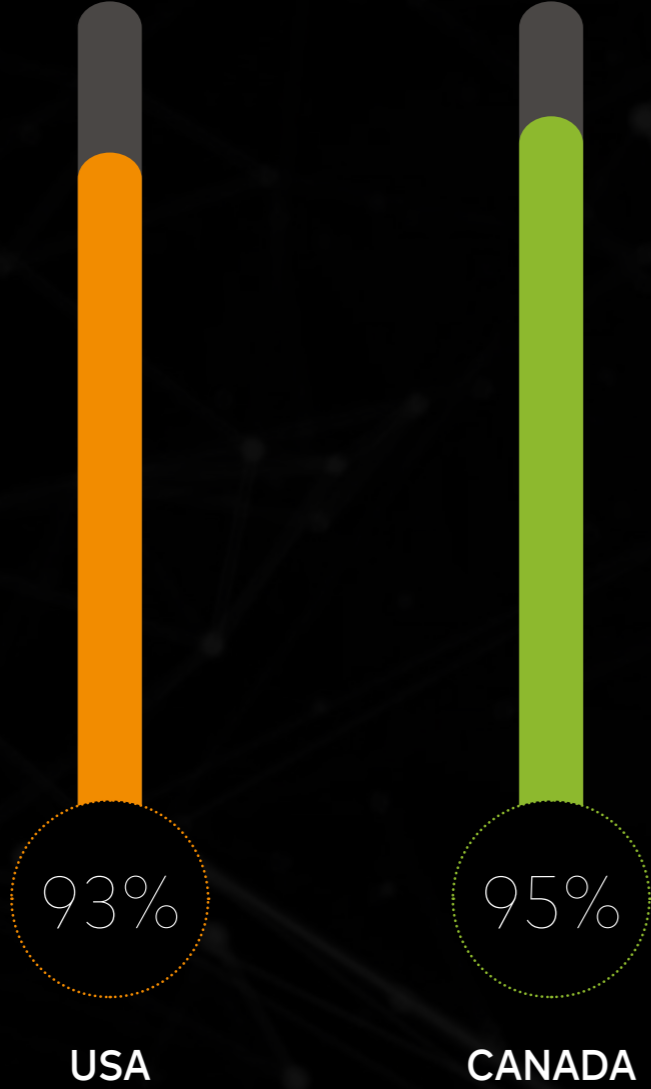


Alleviating consumers' security concerns and providing more control of how personal information is shared could help them feel more comfortable in linking their accounts and put consumers in the driver's seat.

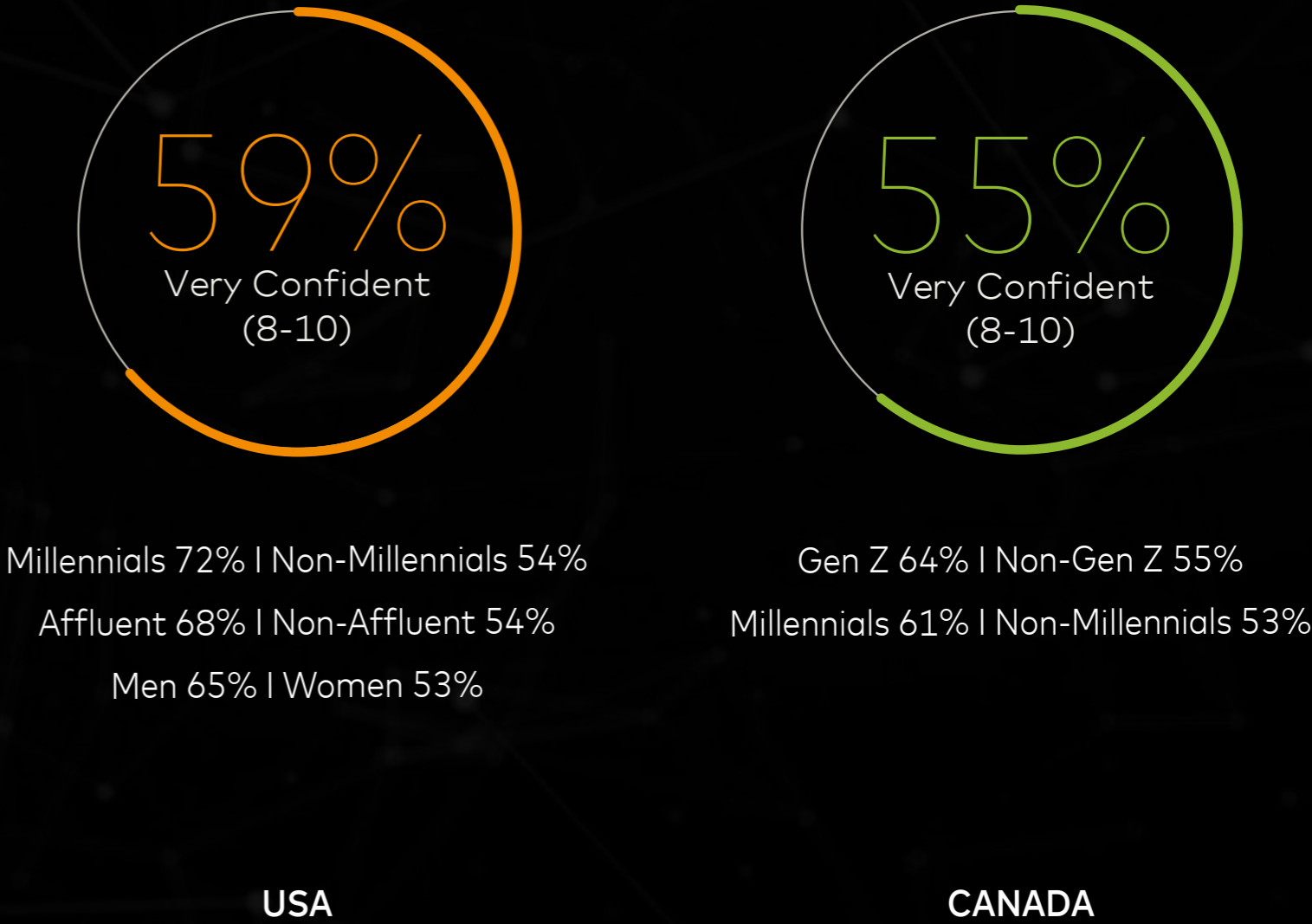
There's an app for that: Technology is now second nature for managing finances

Technology has become ubiquitous for financial management and North American consumers are confident in using technology to manage their money

Current use of technology to move money

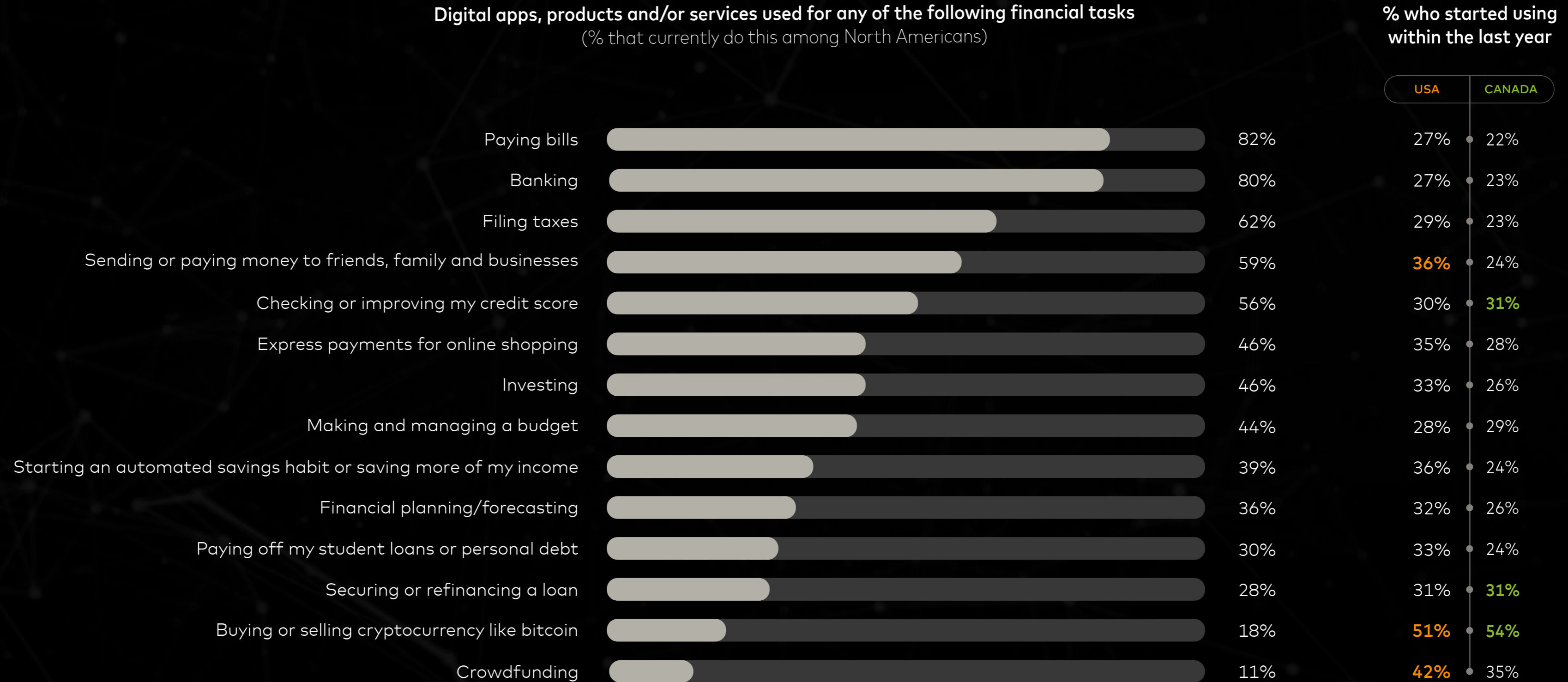


Confidence using technology to manage money
(On a scale from 1-10 where 1=not at all confident and 10=very confident)



Consumer adoption of financial technology has been fueled by simple financial tasks

However, there is a rising appetite for more complex needs like investing in cryptocurrency, crowdfunding, budgeting and financial forecasting that have accelerated in the last year due to COVID-19

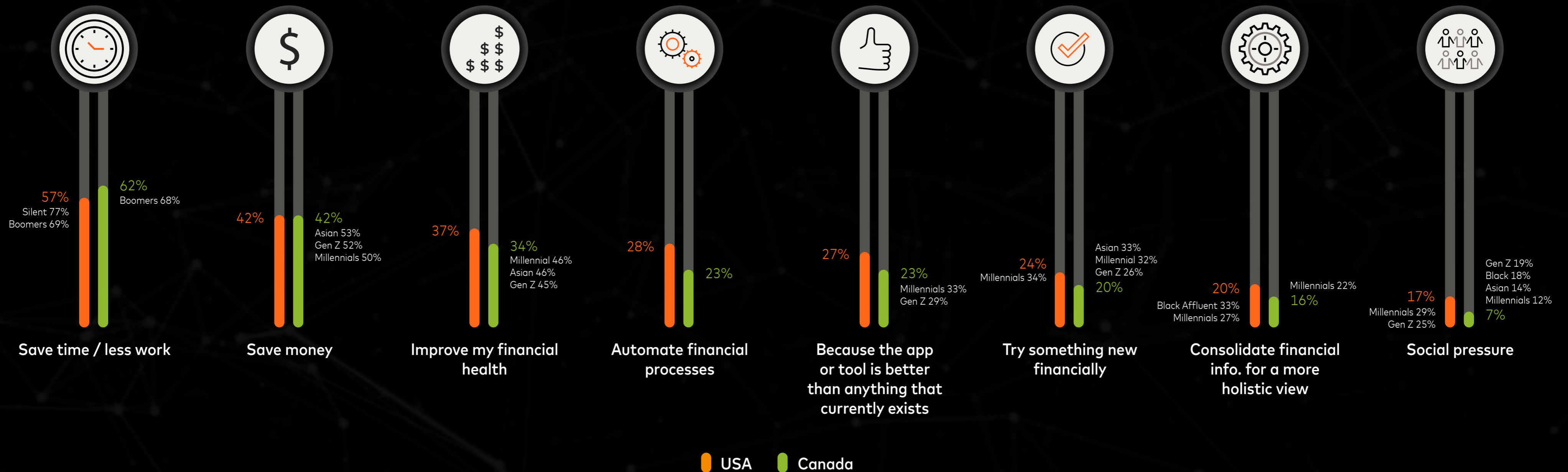


Bold Text – Highest percentage of people starting to use in the last year

Convenience is a top driver for using technology to manage finances

Younger North American consumers are leaning into fintech more for experimentation and social needs.

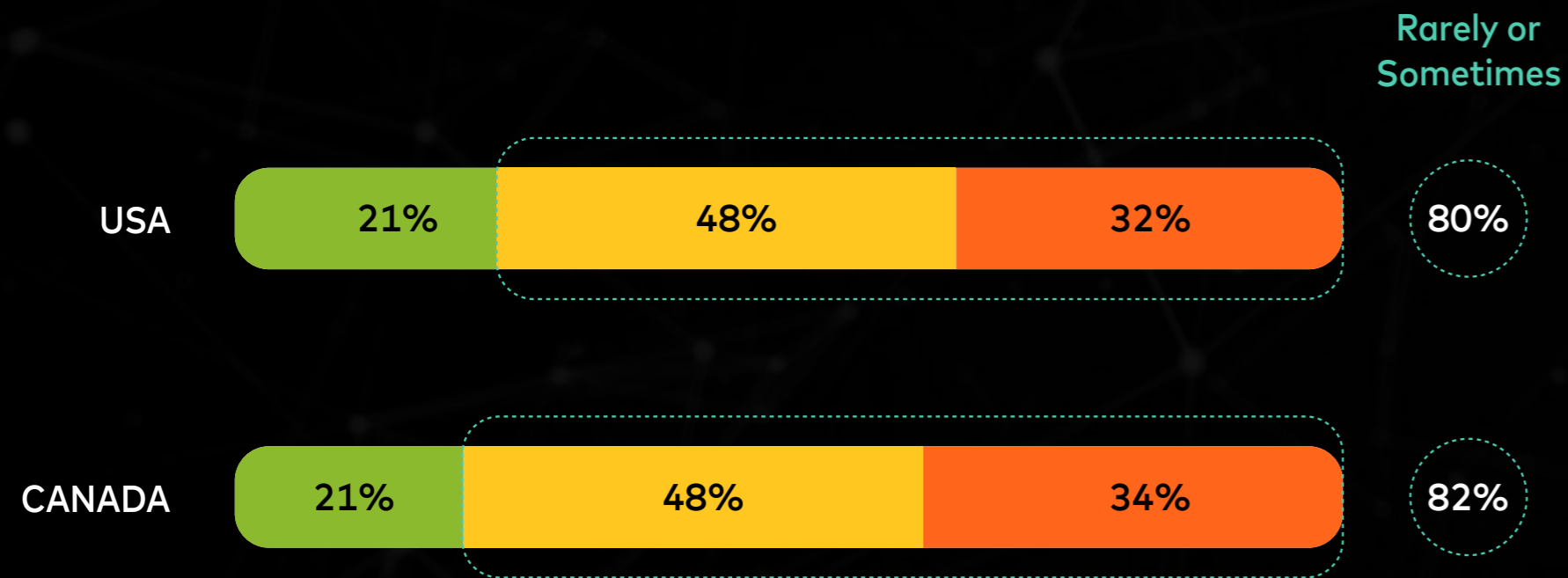
Drivers of use



Open-banking is mainstream whether consumers realize it or not

Over three-quarters of North Americans are linking their accounts today, especially younger and diverse consumers and most have a "set it and forget" mindset once accounts are linked

How often connected accounts are thought about



Often
(It's always in the back of my mind)

Sometimes
(When I use it or need to update it, I think about it, but not much more than that)

Rarely
(Once it was linked, I didn't think about it much)

Currently linking financial accounts

Are any of the tools you use for financial tasks connected to your primary financial accounts where you have logged into your online bank account from another app or service or using shared logins across accounts?



Black Affluent 94%
Gen Z 93%
Millennials 92%
Hispanic 89%
Black 88%

**A top use case:
Sending or paying money to friends, family and businesses**

Black 91%
Gen Z 86%
Millennials 85%
Quebec 84%
Asian 81%

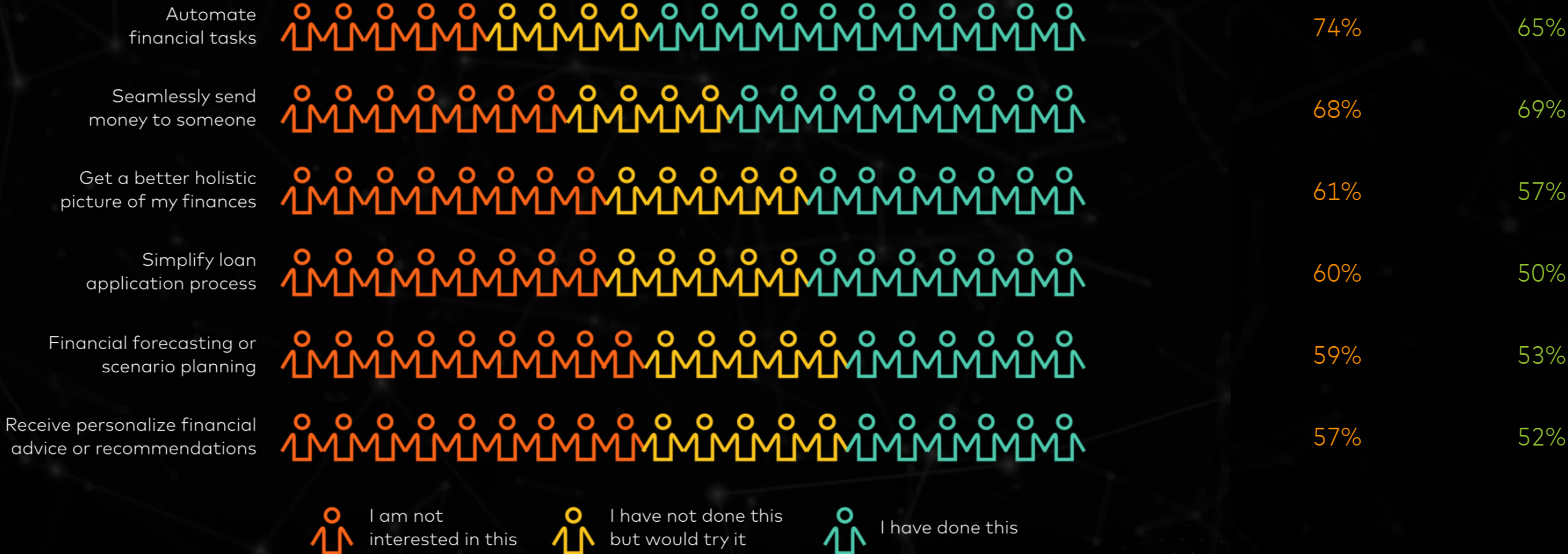
Top use cases where consumers have linked their accounts are to automate financial tasks and P2P transactions

Consumers are considering new experiences that can offer advice via a holistic financial view, simplify the loan application process and provide personalized recommendations.

Men, Gen Z and Millennials are more likely to connect their bank accounts for each reason listed below.

Have or would ever connect bank account(s) to app / service to...

USA CANADA



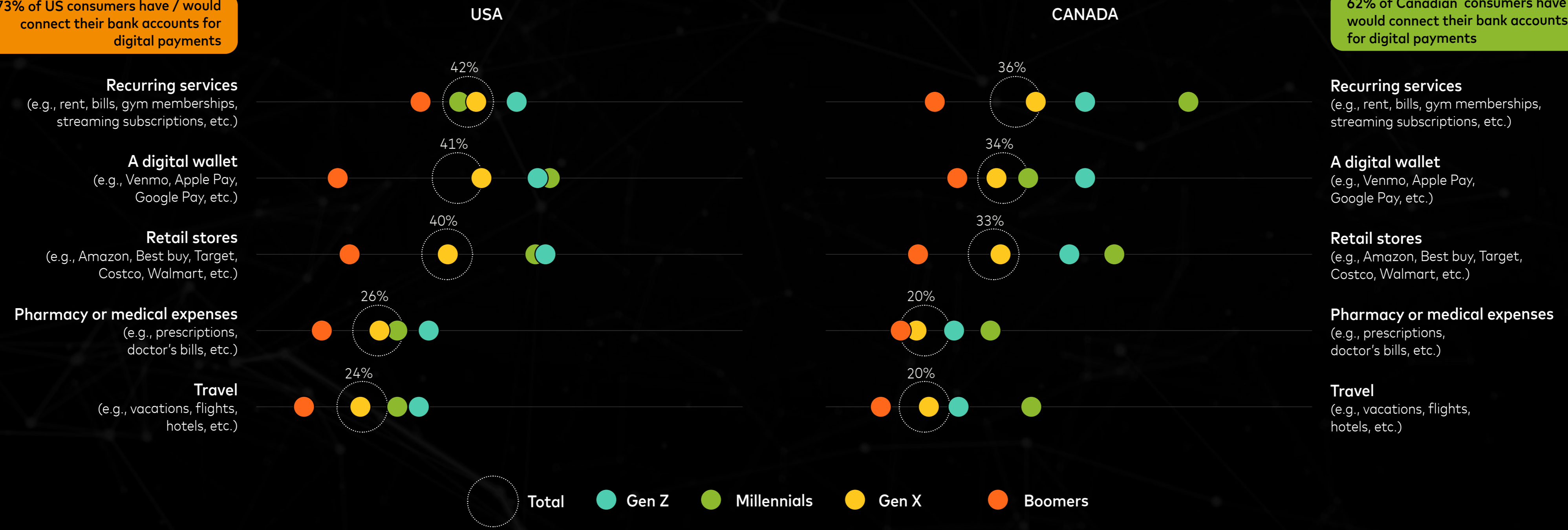
Consumers are also willing to directly link their bank accounts for regular payments (recurring larger transactions) and digital wallet top-ups

Gen Z and Millennials are the most likely to link their bank accounts to pay for recurring services, retail purchases, and digital wallet top ups vs. other generations.

Have or would you ever connect bank account(s) instead of credit/debit cards for...

73% of US consumers have / would connect their bank accounts for digital payments

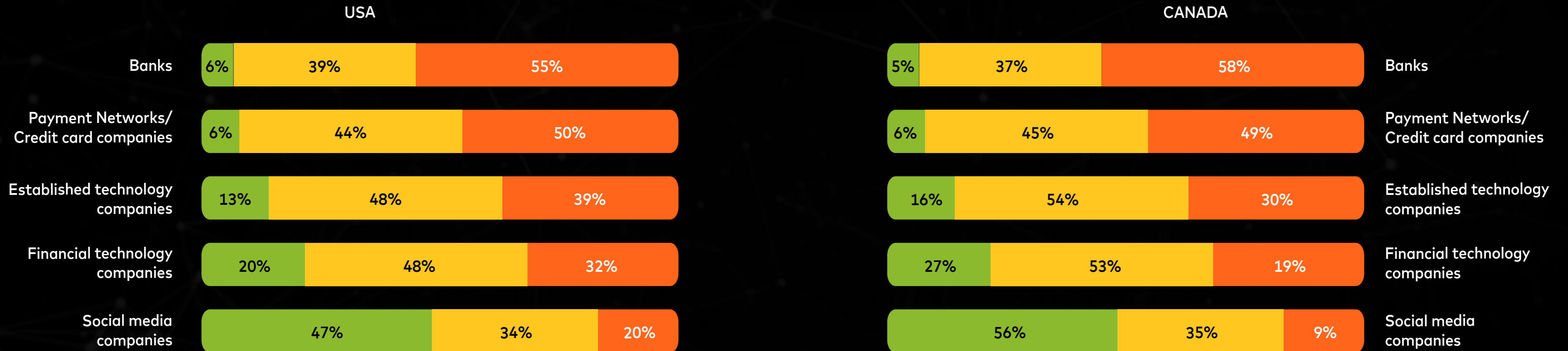
62% of Canadian consumers have / would connect their bank accounts for digital payments



Companies that consumers are most likely to trust with financial data are banks and payment networks

Trust is likely driven by the fact that consumers are most likely to believe financial institutions and payment networks have the most experience dealing with money.

Trust company with financial information
(Among North Americans)



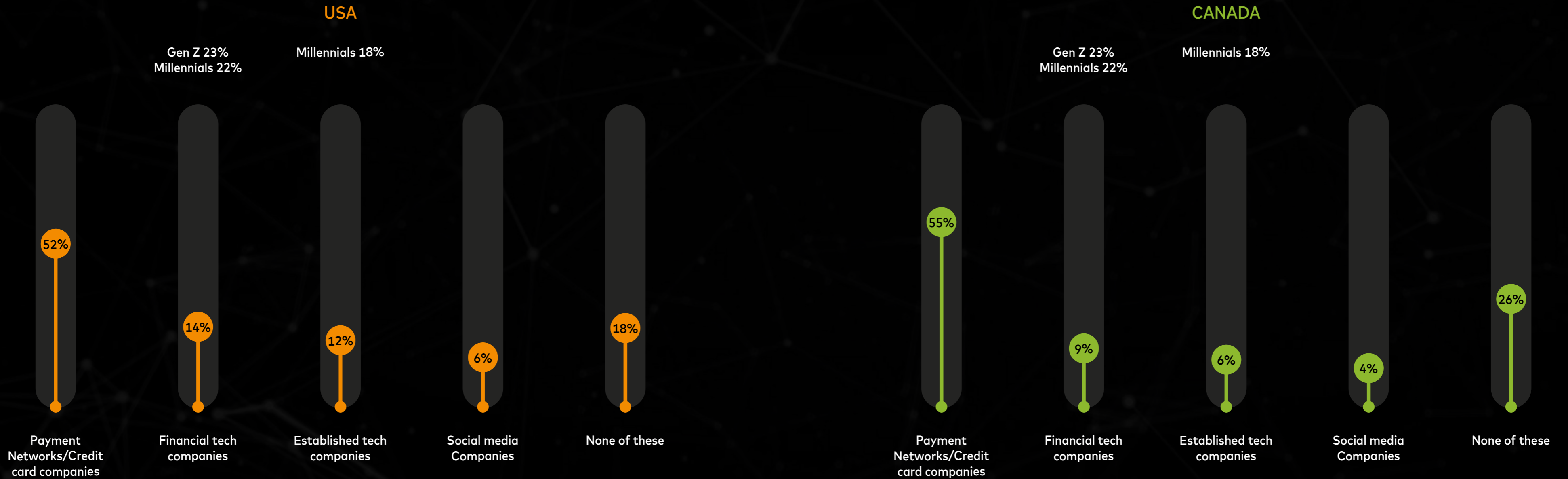
● Strongly distrust (1-3)
 ● Neutral (4-7)
 ● Strongly trust (8-10)

"I think I would trust, just because they always deal with money. They deal with those things. That's literally what they deal with every single day. They can't screw it up right?"
Canadian respondent

Payment networks/credit card companies are trusted most to ensure open banking connections are protected.

While all demographic groups trust credit card companies most, younger generations are notably more open to trusting tech brands

If linking your bank account to another app or service, who would be most trusted to ensure that connection is protected?



Alleviating consumer pain points and concerns could help them feel more comfortable in linking their accounts and put consumers in the driver's seat

Consumers want more control over their data, demand higher security, and would like protections in place to thwart fraud.

Easing concerns over linking financial accounts/sharing details

If linking them required multi-factor authentication (e.g., typing a password and then entering a code from email or text)	29%	23%
If I had control of how my information was shared (e.g., what details, how often, when to stop sharing, etc.)	29%	28%
If my primary bank endorsed the connection with the third-party provider	26%	26%
If I knew a credit card or established third-party secured the transactions	21%	21%
If linking them required biometric authentication (e.g., use of my fingerprint or face recognition)	21%	17%
If higher-risk transactions had additional security measures (e.g., phone call voice verification)	21%	15%
N/A - Nothing would make me more comfortable	20%	26%

USA Canada

75%

I actively try to protect my private data from companies.

vs. 25% I have given up trying to protect my data from companies.

71%

I take primary control of my financial data and decide when and who has access to it.

vs. 29% Companies primarily control my financial data and decide when and who has access to it.

50%

It's my job to safeguard my money.

vs. 50% It's my bank's job to safeguard my money.

Implications for Financial Services

As consumers increasingly control and permission the use of their data, industry players will need to rapidly adapt to changing expectations and adopt open banking to offer next-gen experiences.

Open banking empowers consumers to benefit from their financial data through a wide variety of third-party apps and services that utilize that data to offer new money experiences.

As consumers adopt and demand more personalized digital tools to save time and money, and look to improve their financial outlook, financial services innovators will need to leverage open-banking solutions to drive stronger customer engagement and loyalty. Consumers should be at the center of the data experience, and feel connected and in control, so that they can benefit more from using their data.

Financial institutions, fintechs and others can utilize open banking solutions to drive innovation such as creating the next personal financial management experience, revolutionizing money movement and payments or developing a digital lending experience. Consumer-permissioned data powered by open banking technology provides:

1

The tools to build groundbreaking solutions for payments and beyond for customers of financial services providers.

2

A model that can instill trust and place the consumer at the center of control, ensuring greater transparency when it comes to their financial data.

3

A focus on fostering financial inclusion by delivering technology and enabling solutions that help consumers get access to financial services that they did not have before.

Mastercard resources

To learn more, please contact your [Mastercard account lead - Andy Forrler](#).

Explore www.finity.com to learn more about allowing consumers to easily permission data from their bank accounts with Finity Connect. Shorten the time it takes to verify account details, balances, or create verification reports thanks to a seamless experience permissioning their bank accounts.



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