

**EPISODE 1807**

**FT:** So Money episode 1807, Open Banking and the power of your financial data.

[INTRODUCTION]

[0:00:07.1]

**ANNOUNCER:** You're listening to Money with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

[0:00:33.4]

**FT:** This episode is brought to us by Mastercard. Welcome to So Money everybody. So, quick story. Back in the 1980s, I used to tag along with my dad to the local bank and, if you were born in the 80s, you might relate to this story or even earlier than the 80s, we would be the ones waiting in line, a long line for him to deposit his biweekly paycheck, and looking back, I mean, come on, that just feels like the financial stone age, right?

Compared to all the financial and technological advances that we have today. Today, you can deposit a check with your phone, and honestly, when was the last time you waited in line for any sort of financial transaction? So now, imagine this, a world where you have full control over your financial information, switching direct deposits or paying bills is as easy as clicking a button. Loan approvals can take minutes instead of weeks, and even paying rent could help you build your credit.

As our financial lives get more complex, reaching our goals, it shouldn't have to feel difficult, right? We have technology and we have the power of data. The financial world is evolving at lightning speed, giving us new ways to manage and maximize our money. Today, we're diving into one of the most exciting innovations, shaking up this space. It's called, Open Banking, and

it's a game changer that's transforming how we manage our finances and access new opportunities.

And I'll be the first to admit, I'm still wrapping my head around everything that it can do, but what I learned so far is fascinating, and I've partnered with Mastercard for this episode to explore how open banking is revolutionizing personal finance, and joining us today is Jess Turner. She is Executive Vice President and Global Head of Open Banking and API at Mastercard. Jess is at the forefront of this financial revolution, and she's here to share how open banking goes beyond just convenience.

It's about staying ahead in a rapidly changing financial world. So, whether it's how we budget or how we borrow, staying informed and proactive is the key to making the most of these advancements. Let's dive in.

[INTERVIEW]

**[0:02:45.2]**

**FT:** Jess, welcome to So Money.

**[0:02:45.9]**

**JT:** Thank you for having me. I'm excited to be here.

**[0:02:48.7]**

**FT:** I am so thrilled to have you. I think it's important as an audience and for myself to just be aware of the cutting edge in personal finance, and how it can help us and support us. So, before we get started, I think it's important to just understand what is open banking. How would you describe it like, at a cocktail party?

**[0:03:08.6]**

**JT:** Sure, happy to. I do it often. I don't get invited to as many cocktail parties anymore, but really what Open Banking is it's about a consumer or a small business, you know, people giving permission to another entity to have access to the information in their bank account, and what's important to know about that is it's really about the consumer or small business being at the center of that.

So, they're giving permission for a business to look at their bank account for a purpose, and there's a couple of purposes for that. One could be I want to have a personal financial management tool, and I want to look at how I'm spending money and where I have subscriptions, and so with my permission, I'm going to let either an app or maybe my financial planner have access to look at that information in my bank account so that they can provide some suggestions to me, that would be an example.

But the clinical definition of it is when a consumer and small business gives permission to another third party, other than the bank, to have access to their bank account information for purpose that the consumer has decided.

**[0:04:17.3]**

**FT:** This assumes a lot of trust. Tell me about this sort of security measures in place. So, those people listening are going, "Okay, this sounds good, but I'm not sure how protected I'd be."

**[0:04:28.8]**

**JT:** It's very secure in a way that we permission that, that once the consumer permissions that data or the small business. That's what we do, it's a data exchange, we ensure that for the use, that consumer wants a third party to see that data, that we send only the data that is needed for that purpose, and that's really important, and so the consumer knows that the third party, the other business or maybe the other bank or the financial planner like I just mentioned, who is looking at the bank account is just looking at the information that they need to look at for what the consumer wants them to see, for what they need.

**[0:05:05.4]**

**FT:** What do you see are some of the headwinds to this adoption of open banking, open finance? I'm already thinking there are maybe some that are a little reluctant, let's just say, they're not the ones that are even yet banking on their mobile phones.

**[0:05:18.5]**

**JT:** I think trust is absolutely at the center of all of this. It's one of the reasons why we believe in Mastercard that we can help facilitate it because we – our symbol is a symbol of trust globally, for payments today, but I do think some of the headwinds are if we are not clear in the way we talk to consumers and people around, "Hey, this is what you're giving access to your bank account for," you have complete control and you can stop access whenever you want and this is what it's used for. If that's not very clear and easy to understand, it could be a headwind.

Luckily, I think, most of the user experiences are very clean and clear about that. You mentioned personal financial management as an example. In order to really do that well, you have to allow access to your bank account so that there can be some analysis to say, "Hey, here's your personal financial health, and this is how things can happen." And so, just making sure that there's clarity and transparency is important, and then, of course, that keeping all that data safe and secure is just table stakes.

**[0:06:18.4]**

**FT:** It seems like this is really a shift from transactional banking to consumer-driven, financial ecosystems, putting the customer or the consumer at the center, and having more control over the directionality of their finances. Is that a fair assessment?

**[0:06:33.5]**

**JT:** I think that's very well said, consumers and people, own their data. It's their data, I'm putting them at the center to be able to use that in the way they desire is at the heart of what all of these is about, and so it's pretty exciting because you can do things that sometimes is just an easier user experience. Other times, it's actually providing different lending opportunities that

you may never even have had, without the ability to use this data in the way you desire, but I absolutely think it's about putting the consumer at the center.

**[0:07:04.1]**

**FT:** So, I'd love to bring this to life a little bit, like, if you would be able to walk us through a use case just so that we can really wrap our heads around this. I'm understanding at a high level what open banking is, but walk us through a very clear example of a use case and benefit for the consumer, how they would actually leverage open banking to conduct something in their financial lives with more ease or more speed, or more precision?

**[0:07:30.5]**

**JT:** Sure, let me go ahead and just use a personal financial management tool as an example, and then we can move on beyond that. So, an example would be if you wanted to take a look at how you're managing your finances today, maybe even what subscriptions you have in play. One way you could do that is say, "I'd like some third party," whoever that may be, it may be your bank, it may be an investment community, it may be a fintech.

"I'd like you to take a look at my banking transactions and help me understand how I should better budget, and maybe help me understand where my subscriptions are today because I'm losing track of them." And by allowing that to happen, then you can get a result back, and if you layer AI on top of it, you can even get an agent that can give you suggestions. I always make the joke, I pay for Apple TV three times, that's not intentional.

And so, when I did the same exercise leveraging our open banking connectivity, I had a long stern conversation with my teenage sons around, "We don't need three subscriptions to Apple TV because it's easy." That's just a very like, tactical, tangible thing that puts me at the center because I'm letting my data be analyzed for a purpose, this happens to be subscriptions. I'm able to benefit from it.

Others are just even, you know, getting your paychecks, which to another bank easily or for lending. If you've ever had a mortgage, they ask you for a lot of information, sometimes multiple

times, and by allowing access to open finance, open banking, you can create reports where you don't have to go out and pull all those things separately, and streamline getting approved for a mortgage doing it faster, and possibly, more accurately.

And so, those are just things that I talk to people about open banking. I'll say a lot of times, like, you might be using it and not realize it sometimes because we call it open banking, but it's about streamlining and experience for you to have your data and be able to use it for how you desire with whom you desire.

**[0:09:31.2]**

**FT:** This sounds like it requires a lot of cooperation and teamwork amongst the banks and the financial institutions and even like the credit reporting agencies, how has that been going? Because we're talking financial services, everyone's competing, right? How does this all work in that ecosystem?

**[0:09:48.1]**

**JT:** So, I think everyone believes in the ecosystem that consumers own their data, and as an industry, in the US, there's lots of standard bodies and other things that are trying to make it easier to access the data in a way where everyone can compete fairly. And so, what I'll tell you is most of the financial service providers are leveraging open banking to make their own experiences better with their customer because what it does is it allows cleaning data so it's useable. It's making things better for them so they can manage their business and grow their business, and that's why you're seeing people come along.

**[0:10:21.2]**

**FT:** To your point, I think like, we've all had a relationship with open banking, we've all executed on this, whether it's, "I have an app that takes all of my other accounts and streamlines it onto one platform." That's one example, but this is like taking it to the next level where you're talking about picking and choosing how you want to navigate throughout the financial world, where you want to have your credit accessed.

Giving other financial institutions the keys to your data that's sitting over here to just let you be able to earn back time, essentially. That's really the biggest piece of it, I think, for as I'm listening to this, as the consumer, you're saving a lot of time. Are you also saving money? It sounds like you can be.

**[0:11:01.5]**

**JT:** I think you can save money and you can save time and I'll talk about them, but I think that the data revolution at open banking, open finance brings, which makes me excited and why I get up every day excited for the day is because there's so much data, and there will only continue to be more data. It provides opportunities for lending that may have never existed before.

**[0:11:22.7]**

**FT:** Like what?

**[0:11:24.5]**

**JT:** So, I'll give you a great example, we have a lot of credit-invisible people in the US. That does not mean they're not credit – that doesn't mean they're not creditworthy. It means they're credit invisible, and with open banking, they can provide access to their bank account where a lender can look at that data and provide them access to loans, and credit where they wouldn't have had the opportunity before.

It's the same as small businesses. Small businesses are underserved around the world. That's one space that makes economies, makes leaders, helps with diverse types of thinking. It really is an important segment, but it's complicated, and to get a good small business loan, it can also be complicated. If a small business even says, "Hey, why don't you take a look at my bank accounts as a small business."

There's lots of lenders who wouldn't have given them a traditional small business loan without that information. All boats rise in that model, you know, using more money into the economy in a safe way, in a responsible way, and the more we do that, not only do you put more money in the economy, you help financial institutions or lenders not lose money because they're providing loans to people who won't pay them, which helps them.

Also getting money to people who maybe wouldn't be able to get a loan or if they were able to get a loan, could be predatory lending or things that aren't as good for them, and when you can solve that problem, that makes the world a better place, and so that's exciting and that's just one area.

**[0:12:53.5]**

**FT:** Right.

**[0:12:54.3]**

**JT:** To your point, the others are easier experience, right? I want to open a new app and I want to push money into it, maybe I want to buy a crypto wallet, maybe I want a digital wallet, and we can streamline that very quickly, and be more safe in the way we do that by fusion money, and so there's a lot. There's a lot in it but I really do believe that because there's so much data in the world now and with technology continuing to improve.

And when you overlay a responsible AI, even Gen AI responsibly with human in the loop, you can do so many things inclusive of giving more money to people who deserve it in a responsible way.

**[0:13:34.2]**

**FT:** I'm glad you raised that point. You're right, this does in some ways help to foster more equity in financial services or just something that we have been struggling to do as an industry for so long, and still with all this data, it's out there, and it's more accessible, and for those who are whether it's, you know, credit invisible or in other ways overlooked in the financial industry, they



now have what they need and they can give it to whoever needs it much faster to get further along in their financial lives.

Let's talk about AI a little bit. You mentioned a little bit about how responsible AI can help to advance open banking. It seems like there is a lot of room here for innovation. Where do you see some rooms for opportunity here where the technology can really help to take open banking to the next level?

**[0:14:25.0]**

**JT:** Yeah, that's a great question. We work with some partners today, one partner we work with in Europe is called Bunked and they're using it right now to have AI agents really help with kind of a chat experience where they can help with financial suggestions to their lives. That's pretty exciting because if you have access to it, it's very different than getting a dash for it, like having an interactive conversation around, "Hey, I want to save for a house," or, "I want to buy a new car," or, "I think I should be investing more in my pension because it's in Europe."

Other, this other components, it allows a different access to people, and something that can be very scary, and the data behind it because it's enriched in such a way, and what that means is the data, raw data is raw data. If you can make it readable so people can understand that data is in fact income, is in fact a utility bill. If you can do that and then put AI agents over it, you really can do so many different things with that.

And personal financial management is just one of them but it is exciting because I think financial health is something globally we should be focused on, but certainly in the US because you don't have independence unless you have financial independence.

**[0:15:39.8]**

**FT:** We know all about that here, yes. Yeah, we – louder for the folks in the back. Let's talk about Mastercard's role in all of this and the leadership that they are having in open banking, and specifically, around trust and security, and innovating.

**[0:15:59.3]**

**JT:** So, Mastercard has been around for 60 years. We have a brand that is trust and we provide payments safely and securely all around the world, both in person and digitally. We've been doing that forever and while we're doing that behind the scenes, all those transactions are safe and secure because we've been using AI forever to fight cyber attacks and keep that data safe. That's something we know to do, how to do, even doing it forever across the ecosystem.

What we do in open banking is very similar, we sit in the center, we make sure that when we're connecting data, a data exchange, that we're doing that in a way that is trusted, safe, secure, and usable for the benefit of the consumer. What we innovate here is we really focus on four specific use cases or four ways to use it. One I talked about before a little bit is on the lending side, which clearly I'm passionate about.

Because we can do that in a way, and just open the doors for small businesses and for people to get either more access to lending or maybe with better terms, and that really excites me, but another one is just really helping to reduce fraud. Open banking is a driver also to help reduce fraud. A lot of what we can do is actually verify that you are the person attached to a bank account if you're using that bank account for anything.

That's pretty important, right? You know, when someone else is using your bank account, at least I don't, for something most don't, and so we do a lot of work in the fraud space, and we innovate there too, and we call that account opening. So, if you're opening any kind of an account, we can help make sure it is in fact you, and it is your bank account, and the reason I say that is because if you can help people safely open an account, innovation is limitless.

Because then, third parties can create new products and new things that sit on top of that, and we enable it, and then we do payments through account-to-account payments. So, we have credit cards, we love credit cards, we love debit cards, we do person-to-person, but we also believe in choice, and some people want to pay for things directly out of their bank account, and we can help enable that safely and securely too, just making things a little bit easier. The truth is open banking, open data, open finance is still nascent.

It's just getting started. A lot of people use it today and don't know in the same way as I described it today, but it really is just beginning. There is so much data in the world and so getting this right and making sure people know what their data is being used for, and that they have control over their data so that innovation can continue to move forward, it's at the crux of what we focus on, and you know, I think you'll continue to see more and more innovation coming.

**[0:18:38.7]**

**FT:** Yeah, I agree. I think it's a lot of this is a communication opportunity. I think often in our financial lives and we think of something new or new application or a new system, we expect to, like, a downloaded app. It's like, "Where is the app for the open banking?" No-no, this isn't what we're talking about, this is like a – this is a way of running your financial life. You talked about some of the innovations that can be possible in the lending and credit market because of open banking.

Have there been some relatively new opportunities in that market? I'm thinking for those in our audience who are small business owners or who are looking to get a mortgage this spring, if not yet, what do you see in the pipeline?

**[0:19:19.6]**

**JT:** So, the small business today, there are some small business lenders today that are already using this data to provide small business loans. That continues to grow and so if you're a small business and you're listening, maybe that's one place. On the mortgage side, most of the mortgage providers are using something called a mortgage report, which is digital – digitizing the plethora of papers you have to send in to get a mortgage early finance, and we sit behind that and we create that digital report to make it more accurate.

And also, to reduce the closing cycle by sometimes, up to 18 to 20 days, depending on the type of mortgage and refinance. So, those are pretty exciting. I think what we'll continue to see is more lenders using it to help verify things as well. You know, I joke a lot, but an example is if you

have a credit card sometimes and people will ask, “Hey, can you tell me if your income’s changed, you’ve had that card forever.”

**[0:20:12.5]**

**FT:** Oh yeah.

**[0:20:14.1]**

**JT:** You know, that’s another opportunity for open banking just to streamline that for you so they’ll actually know, “Hey, yes, your income has changed, can you make more money now?” And so, maybe you get more access to credit if you want that. Again, consumer at the center of choice, and so these things may not seem super exciting, but I can tell you from being in data my whole life, streamlining the ability to get things faster in your financial life.

Whether it be just information for personal financial management, or to have different lending opportunities is pretty exciting, and so that, you know, I think you’ll continue to see more innovation around that. Bill pay switch is one that’s recently come out. So, switching your – switching it into a new bank account or switching your payroll, and then switching all the bills that are associated to that bank account is pretty challenging, or has been.

**[0:21:03.1]**

**FT:** I’m in the heads of my listeners and I’m thinking can we create a pathway so that when I leave my employer and I have to roll over my 401(k), or if I want to do a backdoor Roth IRA, like, that inertia, doing that, it’s not rocket science, but it does take time and paperwork and it’s like, the data is there, can we just create the highway systems so that everyone can just talk and we could just press a button, and it’s done with.

Jess, I’d love for the tax industry to get into this because I just finished gathering all my tax paperwork for my filing. As a small business owner, the deadline is sooner than the personal filing. So, it’s a lot, it’s very cumbersome. So, I’m hoping that this can also expand outside of financial services into taxing, maybe it has already.

**[0:21:49.8]**

**JT:** In some ways, it has.

**[0:21:50.8]**

**FT:** In some ways.

**[0:21:50.9]**

**JT:** So, for some of those services, there's a streamline way to provide access to some certain softwares or depending on who you're working with your taxes if you want to give them access to your bank accounts. However, as I said before, this is open banking, open finance is where we're going. Every day, we're getting closer to that and that's really what you're talking about. How do I get to a place where I can connect all of my financial accounts in a way that I have control over at the center?

It's bringing me ease, I know where to go, and it's just – it's easier to move around and also, that you can say, "You know what? I don't want to give access to this entity, I don't want them to have access to my bank account or my financial information anymore." And you can just revoke it, pull it back easily. Like, that's what this is about. For the inertia around changing an employer and then trying to – and trying to – or trying to change a bank account, you know, it's a big deal.

And for people to be able to change things and move that money around with the – that's at the heart of what we're trying to do, like, how do we make that easier for you and more safe and secure. A lot of small businesses are pretty vulnerable as well. Open banking is a component of that, but our focus is when we work with the small businesses to move money whether it's to – for lending, or for them to get paid faster because they're asking for it to get taken from someone else's bank account or to pay out faster because they want to and they want it to be more safe and secure, whatever that is.

We leverage this open banking foundation, but we add security products in it to make sure that small businesses are secure in the data exchange and in the money exchange.

**[0:23:23.6]**

**FT:** It's hard to argue against this movement where we're putting the customer, the consumers at the center of their financial engineering and driving their financial connections, I should – let's just say. I think that's very empowering, we love that here on So Money. Jess Turner, thank you so much. I really appreciate you coming on the show and breaking this down for us, helping us stay up to date on all that's changing and advancing in the financial world.

**[0:23:52.5]**

**JT:** Thank you for having me, and thanks for the good ideas, we'll have to look into that.

[END OF INTERVIEW]

**[0:23:58.9]**

**FT:** Thanks so much to our guest, Jess Turner, Executive Vice President and Global Head of Open Banking and API at Mastercard. To learn more about open banking, check out our link in our show notes, and I'll see you back here on Wednesday where our guest will be Melody Wilding, author and award-winning executive coach, who has got a new book out called, *Managing Up: How to Get What You Need from the People in Charge*. I hope your day is So Money.

[END]