

BYALLACCOUNTS® • OPEN BANKING OVERVIEW

Open Banking: Navigating the Financial Data Sharing Transition for You and Your Clients

What Is Open Banking?

Open banking is a concept that refers to the sharing of financial information and data between banks and third-party financial service providers, at the direction of and with the explicit consent of the account holders. Open banking allows your clients to share their financial data more securely with authorized third-party providers like yourself via our technology platform. This data includes details about the banking and investment account features, transactions, account balances, and other relevant financial information. The use of an open banking API (application programming interface) connection provides more reliable access to the data by bypassing disruptions caused by broken connections and changed or one-time passwords. It provides uninterrupted access to critical information you need, so you can offer advice that's in the best interest of your clients and perform back-office processes like performance reporting.

As an advisor, you might also use open banking connections to aggregate your book of business or custodial accounts into your performance reporting platform.

Why Is Open Banking Important for Advisor/ Client Relationships?

Open banking empowers investors to have a holistic view of their financial situation, including investments, and have more transparency and control over the information they share with their financial advisor. With open banking, wealth management platforms can now more securely connect to various financial institutions and gather real-time data on your clients' bank accounts, credit cards, loans, and investments, leveraging the latest security and regulatory standards. This consolidated view allows for a clearer understanding of your client's financial picture, enabling you to provide more accurate assessments and personalized recommendations.

By having access to a broader range of financial information, you can provide your clients with more tailored advice and strategies. You can analyze spending patterns, track investment performance, and even assess risk tolerance more effectively. This deep level of insight helps in constructing well-informed and balanced portfolios that align with your clients' goals, risk appetite, and changing circumstances. It also provides objective data to document how your advice is demonstrably in your clients' best interest.

What Are the Key Benefits of Open Banking for You?

Adaptability to Regulatory Changes: Financial advisors can leverage open banking to adapt to evolving regulatory requirements. By staying compliant with data-sharing standards and regulations, advisors can ensure that they are providing services in line with industry norms.

More Control Over Data Sharing: With open banking, the account holder has complete control over their financial data. Data is only shared with the explicit consent of the account holder or designated delegate with the third-party services they have selected. The account holder or delegate decides for how long and for what purpose that the data will be shared. The account holder can revoke access at any time if they no longer want a particular service to use your financial data.

Enhanced Security: Security is a top priority in open banking. Stringent measures are in place to ensure the secure transmission and storage of financial data. Open banking uses secure APIs for data sharing. This is generally considered more secure than the traditional methods for financial data aggregation, which involves providing third-party services with login credentials. The process for granting access to financial data no longer requires the account holder to share their credentials directly with the data aggregation solution provider or advisor. Instead, the data aggregator directs the account holder to their financial institution to log in and grant permission for the financial data to be shared with the technology platform or app of choice.

Deliver Personalized Advice at Scale: By consolidating data from different financial institutions, open banking allows you to get an uninterrupted and comprehensive view of your client's finances. This can help you provide guidance on their spending, saving, and investing habits more efficiently, to ultimately offer more actionable and personalized financial advice.

Why You Need to Take Action

As financial institutions are transitioning to open banking, our data aggregation service provider is migrating to these new direct connections. When these new connections are established, you and your clients must reauthorize the data access with the financial institution to give it permission to continue to share financial data with our data aggregation service. You will be notified when you need to take action — either within the application and/or by email. We also ask that you inform your clients and ask them to reauthenticate their accounts as needed. Please prioritize these requests so we can continue to provide you with accurate performance reporting, and you can continue to deliver the highest levels of service for your clients.