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Review into Open Banking in Australia
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**Submission on “Review into Open Banking in Australia – Final Report”**

I am pleased to be making this submission to the Open Banking Review Final Report and wish to congratulate Scott Farrell and the secretariat on its completion. The Final Report provides an excellent foundation for the introduction of open banking in Australia.

Please note I am making this submission in a personal capacity. The views expressed in this submission are my own and should not be taken to represent the views of my current or previous clients or employers.

By way of background, I have previously held senior policy positions within financial services industry and professional bodies and have had significant involvement and exposure to the challenges associated with cross-industry data standardisation and regulation in Australia. Of particular relevance has been the establishment of the Gateway Network Governance Body (GNGB), which performs a self-regulatory role within the SuperStream ecosystem, on which I was a member of the working group that led to its establishment. I have also been involved in other superannuation industry initiatives, such as SuperEC / SWIMEC which preceded SuperStream, and the establishment of the New Payments Platform.[[1]](#footnote-1)

**Overall Comments**

The Final Report provides the Commonwealth Government with a series of sensible recommendations that will provide a strong policy framework for open banking. The Final Report rightly places the consumer at the centre of this framework, with a regulated environment, requirements for customer consent, reciprocity of access to data and the allocation of liability being foundational principles. As well, open banking is clearly distinguished from APIs, with clarity provided that open banking is the policy framework while APIs are a means by which certain policy objectives can be achieved.

These principles, within a layered approach, will create an ecosystem that will foster innovation and competition while also managing risks to consumers, individual participants and the system as a whole. Further establishing a lead regulator with overall responsibility for data sharing helps to mitigate against fragmentation across industries.

**Comments on Specific Recommendations**

My comments on the recommendations below are primarily based on my experience with data-standards setting. Importantly, this process cannot be thought of as merely a technical problem or an objective evaluation of competing technologies or methodologies. It is an intrinsically political process that needs to be led and managed in a fair and diligent fashion.

***Recommendation 2.1 - The Regulator Model***

The ACCC is a sensible choice as the lead regulator as it has a clear competition and consumer protection mandate and can provide economy-wide coordination that would be more difficult with one of the financial services regulators.

While the OAIC should play an important role, it will be very important for the financial services regulators such as ASIC, APRA and the RBA to be fully engaged. Other agencies, such as the Australian Taxation Office, should be consulted, as well, as they have experience with data standards within SuperStream and with catalyzing the establishment of industry governance bodies such as the GNGB.

***Recommendation 2.5 - The Standards***

While beginning with existing standards (for example, the UK standards for data transfer) makes sense, it will be important to ensure that Australian standards both reflect Australian circumstances as well as inter-operate globally where possible. As noted in the Final Report, financial institutions exchange data with each other through payment messages. These payment messages include data standards that provide data definitions that are widely used. Payment systems such as the New Payments Platform have introduced messages based on the ISO 20022 standard, which is an open global standard that will be informative to the development of open banking data standards.

In considering security standards, careful thought is required on network security for the transfer of data between accredited parties. Historically, financial institutions have relied on secure networks (such as SWIFT or the current Telstra COIN) to provide additional layers of protection for the exchange of sensitive data and to reduce the potential for “man in the middle” attacks. Standards are network / network choice will need to find a careful balance between the desire for security and ensuring low barriers to entry.

***Recommendation 2.6 - Data Standards Body***

The establishment of the Data Standards Body is a sensible recommendation and one that appears to have the support of a wide range of stakeholders. However, the challenges associated with establishing such a body from scratch should not be underestimated.

Finding the right mix of representation and expertise on any such body can be challenging. An appropriately-experienced independent chair and an active role played by the regulator can be critical in overcoming differences and maintaining momentum.

An absence of funding could mean that minor issues, such as who pays for external legal advice - the stakeholders around the table or the Commonwealth / regulator - can needlessly slow down progress, even when the amounts involved are relatively small. Ideally, Government should provide some modest “seed funding” even if the longer-term objective is for the standards body to be funded by industry participants.

Some of the bodies referred to in the Final Report as supporting the Data Standards Body, such as Data61 and Standards Australia, are well-established and respected. However the development and maintenance of industry standards requires specific expertise, particularly around stakeholder engagement and consensus-building. Data61, for instance, is very strong on data science research, system design and analytics. It may have a standards development and maintenance expertise but it is not widely known or advertised. Standards Australia is undoubtedly well-placed, however I have seen on a number of occasions where industry stakeholders assumed Standards Australia would “just pick up the work” before properly engaging with Standards Australia directly, resulting in unnecessary delays.

Ideally a host organisation should support the work of the Data Standards Body, even if it is later spun off to be its own separate body. This may be the regulator, as was the instance with the ATO supporting what would become the Gateway Network Governance Body, or an industry body, which was the case with the Australian Payments Network supporting what would become NPP Australia Limited as well as previous efforts to establish the Australian Financial Crimes Exchange and eftpos Payments Australia Limited.

***Recommendation 2.7 - Accreditation***

The accreditation process is important and the need for all participants within the ecosystem to be subject to some form of regulation is necessary. Their accreditation obligations should be right-sized to ensure that the requirements manage risk and avoid unnecessary barriers to entry. Consideration should also be given to how accreditation would align or operate alongside with other regulatory initiatives, such as those related to implementing Recommendation 16 of the FSI for “clearer graduated payments regulation” and APRA’s proposed approach to “phased licensing”.

Thank you again for the opportunity to provide comment and congratulations on an excellent Final Report. If any member of the Open Banking secretariat wish to discuss further, I can be contacted on brad.pragnell@gmail.com .

Yours sincerely

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1. On page 64 of the Final Report, the New Payments Platform is inaccurately described as being “the RBA’s New Payments Platform” when the New Payments Platform is actually operated by an independent entity, NPP Australia Limited, where the RBA is one of thirteen shareholding institutions. More information can be found at [www.nppa.com.au](http://www.nppa.com.au) [↑](#footnote-ref-1)