

Scott Farrell
c/o Open Banking Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: data@treasury.gov.au

23 March 2018

Dear Mr Farrell

Thank you for the opportunity to respond to the Review into *Open Banking in Australia – Final Report*.

As a major participant in the global payments industry, Mastercard has a stake in policy development affecting the financial systems in countries where we operate. In providing this response, Mastercard considers the interests and perspectives of consumers, businesses, industry participants and other stakeholders in the payments industry, as well as the broader financial system.

While Mastercard does not hold information to which the Treasury's Review on Open Banking relates, we believe that Mastercard can offer a potentially helpful perspective on certain matters under discussion as part of the initiative. That perspective is informed by Mastercard's role as a trusted service provider to a significant number of retail banks worldwide, its experience of payment services regulation and its role in receiving and processing data in the context of its wider business.

About Mastercard

Mastercard is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and cheques.

A typical transaction on our network involves four participants in addition to us: the cardholder, merchant (a business who accepts payment for goods or services provided), issuer (the cardholder's financial institution) and acquirer (the merchant's financial institution).

Mastercard does not issue cards, extend credit, determine or receive revenue from interest rates or other fees charged to cardholders by issuers, or establish the rates charged by acquirers in connection with merchants' acceptance of our branded cards. In most cases, cardholder relationships belong to, and are managed by, our bank or financial institution customers.

Open Banking

Mastercard supports the findings of the Review generally. In particular, we applaud the review for:

- Making customer choice the driver for the move to open banking

- Recognising that maintaining customer confidence is the key to an open banking regime delivering genuine value in our financial system, by focusing on safeguards to the integrity of open banking (for example, a robust system of accreditation for financial services participants)
- Recognising the importance of rules and standards applicable to open banking participants in building confidence and supporting the fundamental security of the system
- Acknowledging the importance of meaningful customer education to support and derive maximum value from the introduction of open banking.

Mastercard comments on the Review

While Mastercard appreciates the breadth of the Review, there are certain comments we would make which we hope are helpful as the work is progressed to conclusion:

1. **Risks and threats created by open banking** While Mastercard notes the Report acknowledges that "[s]ystems are likely to be needed to monitor, assess and manage additional risks arising through the broader and deeper use of data", further consideration should be given to potential risks introduced by open banking as a matter of priority. It may be that open banking is less risky than current practices such as 'screenscraping.' Nonetheless, risk is a constantly evolving proposition in the financial services landscape. It is likely that new threats and types of risk are likely to emerge from a move to open banking and that customers will need support to manage these threats and risks to their privacy and security.

For example, one particular concern is third parties who both provide services to a bank customer but also in fact aggregate data to sell to third parties. This makes the control of a request for access to data just as important as control of consent of how data is processed and used: the third party might be motivated by commercial interests unknown to the bank customer which lead it to be creative and persistent in seeking the broadest possible consents. An open banking framework could introduce new risks or exacerbate existing issues like the perceived mismatch between social media operators' request for data and the related consent for its use. This risk needs to be clearly considered and mitigated as part of any framework

2. **Identify verification assessment data** Mastercard notes identity verification assessment is in scope of the Review. We are not clear however that impersonation risk has been fully addressed as part of the Review. Specific rules governing use, transfer and storage should be developed for this class of data. We understand the Digital Transformation Agency (DTA) is progressing work on digital identity, and that one of the potential benefits of this work could be to make identity verification more efficient and less costly within the financial system. This work should be closely linked to the open banking reforms proposed by the review. Mastercard will continue to work with the DTA to develop digital identity standards that will enable industry to create robust digital identity solutions.

3. **Rights and expectations** As a basic principle, Open Banking/Open API initiatives should not create rights or expectations on the part of data recipients to be able to provide any service unless they are qualified to provide the service in question with reference to the same norms that apply to other providers of the same services. Naturally we make this comment with particular reference to the provision of payment services or the operation of a payment system but we believe that there is a broader principle at play here.

If you would like to discuss Mastercard's position on open banking further, or require additional information, please contact Chris Siorokos, Director Public Policy on 02 9466 3720 or via email to chris.siorokos@mastercard.com

Yours sincerely

A handwritten signature in blue ink, appearing to read "Richard Wormald".

Richard Wormald
Division President Australasia