



illion
Formerly Dun & Bradstreet

23 March 2018

The Treasury
Langton Crescent
PARKES ACT 2600

By email: data@treasury.gov.au

Dear Sir/Madam,

Consultation – Review into Open Banking in Australia

As a major Credit Reporting Body within the Australian credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) welcomes the opportunity to provide this submission to Treasury regarding the Review into Open Banking in Australia (**the Review**).

illion agrees with the Government’s proposition that Open Banking will provide substantial benefit to financial services consumers, transforming the way they interact with the banking system by providing them with the ability and tools to safely share data with different lenders, other financial institutions and fintech companies. In doing so, consumers will be able to access the most appropriate and economical financial products to suit individual needs. Likewise, granting access to consumer data will ensure providers will be able to offer innovative products at more competitive rates.

Illion believes that intermediaries, like credit reporting bodies, will be critical to the practical implementation of Open Banking in Australia.

We therefore welcome the Government’s release of the *Review into Open Banking in Australia* which makes detailed recommendations for the implementation of an Open Banking regime as part of the Consumer Data Right (CDR) in Australia, following recommendations made in the Productivity Commission’s *Data Availability and Use Inquiry* report in May 2017.

About illion

illion is the leading independent provider of data and analytics products and services across Australasia. The organisation’s consumer and commercial credit registries make up a central

component of Australia and New Zealand’s financial infrastructure and are used to deliver end-to-end customer management solutions to clients.

We also make this submission on behalf of subsidiary Proviso, the leading aggregator of banking data in Australia, which has recently become part of illion. Proviso will continue to play a key role in the financial ecosystem under Open Banking with products and services for consumers, businesses, fintechs and authorised deposit-taking institutions (ADIs).

Specific Comments on Open Banking Review

In illion’s view, the Open Banking Review provides a well-considered and robust pathway for the effective and timely implementation of Open Banking in Australia. We are broadly supportive of the recommendations made by Mr Farrell and his Review, and take this opportunity to highlight our observations and responses to a select number of recommendations made in the Review.

A. Open Banking Regulatory Framework

Recommendation 2.6 – Data Standards Body

illion agrees that a Data Standards Body (DSB) should be given the responsibility of setting Standards, and should be comprised of potential accredited parties, customer representatives and experts in data transfer. We submit that the development of the DSB should include consultation with the major lenders, non-bank providers and other stakeholders, in order to ensure all participants and future potential participants have an opportunity to contribute to setting Standards. A comprehensive consultation process will mitigate conflicts of interest between consumers and the commercial interests of financial institutions under Open Banking.

Recommendation 2.8 – the accreditation criteria

illion believes that the Review’s proposal for a tiered risk-based accreditation model that takes into account existing licensing regimes, and appropriately balances the public interest in consumer safeguards and minimising participant costs and barriers to entry. This model is likely to provide the flexibility to appropriately reflect the risk of data held by a party and its risk management systems. We agree that the ACCC should consult with ADIs and other stakeholders in defining the accreditation criteria.

B. The Scope of Open Banking

We support the comprehensive nature of listed proposed banking products (at Table 3.1) to be included in the scope of transaction data shared by data holders, in a form that facilitates its transfer and use. In addition to transaction data, illion believes it is important that the regime includes the sharing of product features and related information, such as interest rates or loan terms – we interpret Recommendation 3.6 to encompass this product information.

We note that as part of a recent Residential Mortgage Price Inquiry conducted by the Australian Competition and Consumer Commission (ACCC), it was found that a lack of transparency by lenders in the pricing of residential mortgages negatively impacts a consumer’s ability to meaningfully compare residential mortgage products and related interest rates.¹ Once implemented, Open Banking will be useful in responding to key consumer issues such as transparency concerns. As the Review suggests, “A multitude of potential uses can be imagined for transaction data”; for example,

¹ ACCC, *Residential Mortgage Price Inquiry – Interim Report* (March 2018), p 18.

by providing a customer with a simple means of sharing data with competing providers, the customer will have greater ease in applying for new financial products, such as a mortgage.²

Recommendation 3.3 – value-added customer data & Recommendation 3.5 – aggregated data

As a data insights and analytics business, illion transforms data into complete and actionable business information, and believes that quality data is the foundation of its continued success in helping businesses (including banks) manage risk and secure appropriate consumer outcomes. Clearly, continued innovation and investment in data analytics is based on the existence of commercial incentives and we therefore agree with Recommendations 3.3 and 3.5 to exclude both value-added customer data and aggregated data sets from the scope of Open Banking.

Recommendation 3.8 – application to ADIs

illion supports the recommended phase-in of the obligation to share data (at a customer’s direction), beginning with large ADIs. In Chapter 6, the Review has outlined a proposed timeframe for implementation of Open Banking of 12 months from the announcement of a final Government decision to the formal commencement of Open Banking. In illion’s view, this will provide ample time for regulatory/standard-setting processes to be concluded and for large ADIs to prepare their systems for Open Banking. While acknowledging potential resource constraints on smaller ADIs, illion believes an additional 6-12 months should provide these entities with the lead time required for the orderly adoption of Open Banking.

We note that in order to drive adoption of Comprehensive Credit reporting, it has been necessary to mandate timeframes and that the act of mandating has ensured budgets are allocated. illion are firmly of the view that mandating Open Banking by, for example 1 July 2019, is both beneficial for the Australian consumer and economy, and necessary in order to ensure that the projects required are funded by banks in a world of competing priorities.

Recommendation 3.9 – reciprocal obligations in Open Banking

illion concurs that reciprocal obligations among participants ought to be a fundamental principle in the implementation of Open Banking as suggested at Recommendation 3.9, so that all data recipients are required to share transaction data in compliance with a customer’s direction. In relation to this obligation, as a matter of logic it should only arise where the customer is clearly identifiable and where the data held is personally identifiable information.

Recommendation 3.10 – eligibility to receive data

illion agrees with the approach taken by the Review with regard to eligibility to receive data. While it is clear that ADIs should be automatically accredited to receive data, the competition and innovation benefits of Open Banking will only materialise if other (non-ADI) financial services providers and intermediaries are also participants. Given the importance of security, privacy and trust to the success of Open Banking, it follows that non-ADIs should be required to establish their ability to comply with relevant obligations in relation to data. illion supports the suggestion made at Recommendation 3.10 that graduated, risk-based accreditation process be applied to non-ADIs, based on any correlating potential harm to customers arising from a given data set or the data recipient itself.

² Treasury, *Review into Open Banking: giving customers choice, convenience and confidence* (December 2017) pp 34-35.

As a leading provider illion maintains a robust approach to privacy and security concerns in accordance with relevant legislation, standards and technologies.

C. Safeguards

Recommendation 4.5 – customer control

Customer consent within a data sharing scheme such as Open Banking must always be clear, informed, voluntarily provided, and current. illion is of the view that explicit customer consent, obtained at the beginning of the customer relationship, should permit the bundling of consent for future use of data. This reasoning is based on the knowledge that if a customer develops a relationship with an organisation, the organisation is expected to assist the customer in different ways and with other services. We suggest that a clear option is made available for a customer to opt out of this additional service, and an organisation should not be permitted to share data with related or affiliated entities for further products.

The alternative scenario, in which consent must be obtained before informing a customer of another product, will negatively impact the convenience and expediency of offering a competitive alternative. In a practical sense, this would substantially dilute the public interest benefit of Open Banking. Any added costs in obtaining consent will likely be passed onto the consumer, or result in customers not being properly informed of their options. We note that fintech companies remain in a disadvantaged position compared to technology companies such as Google, Amazon and Facebook, who retrieve transaction data to offer and cross-promote financial products, but do not have the added requirement to obtain explicit consent for individual products.

Recommendation 4.8 – security standards

Illion is of the view that a standardised data security framework is essential to Open Banking, and that robust security standards and practices will provide consumers with confidence that their data will be protected, regardless of which organisation they have chosen to share their information with. A DSB will provide the necessary structure and standardised security requirements, balancing the public interest in robust protections with avoiding unnecessary barriers to entry/participation. In illion's view, given the numerous global and domestic examples of relevant security standards, the finalisation of these requirements should not lead to any slippage in the implementation schedule for Open Banking.

D. Data transfer mechanisms

Recommendation 5.1 – application programming interfaces

Illion believes that the transfer of data via screenscraping technology is now a well-embedded part of the financial services ecosystem and despite some limitations, delivers significant value to millions of consumers and data holders. Until Open Banking can provide an equal level of service to consumers and businesses, we suggest that screenscraping is considered a viable value-adding technique and not restricted via the Open Banking implementation framework. The ePayments Code, used to regulate consumer electronic payment transactions, could be amended to provide clarity on screenscraping technology and protect consumers who are engaged with businesses using this technology.

Following the full implementation of Open Banking, there may still be significant use cases for screenscraping where it can and should coexist with the former. This continued utility may relate to

real-time data provision, ease/simplicity of customer on-boarding, level/quality of data availability, and redundancy (e.g. a period during which an ADI's API is offline). illion believes screenscraping will also provide an important benchmark to assess the performance of Open Banking at least during its establishment phase.

Recommendation 5.5 – no additional barriers to authorisation

The Review has proposed that data holders may not authorise requirements beyond those included in the Standards, and that requiring multifactor authentication is a reasonable security measure. Illion is supportive of this view, but cautions that multifactor authentication should only be required during a customer's initial 'sign up' phase. Any further imposition of multifactor authentication requirements would prove unnecessary and burdensome on both the data holder and customer, particularly if data is retrieved on a daily basis in order to provide real-time information.

Recommendation 5.6 – persistent authorisation

We agree that customers should be able to allow persistent authorisations for applications, for the sake of convenience and useability. However, we believe the proposed 90-day expiry period is too short and places an unnecessary burden on the consumer to regularly review an authorisation. We would alternatively suggest a period of two years, provided that clear disclosures are made, that authorisations are an 'opt in' feature, and that consumers can easily opt out via the application should they wish to sever access prior to the expiry period.

Recommendation 5.10 – access frequency

Illion is supportive of the Review's proposition to model Standards for the data transfer mechanism on the UK Open Banking technical specification, which is an existing, fit-for-purpose framework. In adapting this for Australia, there may be some enhancements worthy of consideration on particular points. By way of example, the draft regulatory technical standard (RTS) developed under the European Union second Payment Services Directive (PSD2) holds that "third parties cannot request information more regularly than four times during a 24-hour period unless the user is actively requesting information".³ We do not believe a constraint should be applied, as it restricts the ability of third parties to monitor developments in real-time, and would restrict individual consumer requirements from being met.

Illion also believes that a push API should be developed as a third-party notification mechanism, in order to enhance the consumer experience by allowing consumers to self-monitor transactions, and restrict the number of unnecessary API calls made to the ADI or data holder. Illion believes this should be reviewed by the Data Standards Body in order to properly manage data requests without necessarily restricting access to information.

E. Conclusion

Illion believes the Review provides a comprehensive, well-considered pathway for the implementation of an effective and robust Open Banking regime in Australia, delivering a stronger Australian economy, enhancing competition and facilitating positive consumer outcomes. The advent of Open Banking will minimise consumer inconvenience and improve access to competitive financial services. We welcome the positive impacts Open Banking will have on industry, such as

³ Treasury, *Review into Open Banking: giving customers choice, convenience and confidence* (December 2017) p 79.

improved costs connected to anti-money laundering (AML) and know-your-customer (KYC) compliance obligations through the extension of Open Banking requirements to identity verification.

In addition, illion believes Open Banking will provide the first important implementation of the Consumer Data Right in Australia which will also offer significant benefits to consumers and industry players in other sectors such as telecommunications, utilities and healthcare.

If you have any concerns or questions regarding the submission, please do not hesitate to contact me at any time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Brown', with a long horizontal flourish extending to the right.

Steve Brown
Director – Bureau Engagement