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To: Open Banking Review Secretariat
The Treasury
Langton Crescent
PARKES, ACT 2600

From: George Lucas
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Thank you for the opportunity to make a submission to the Review into Open Banking in Australia. As the CEO of a large fintech investment app, Acorns Grow Australia, we believe this Review is timely and important for two key reasons:

- To give consumers the greatest possible choice in the financial services sector within an appropriate legislative environment;
- To ensure a level playing field for all companies in the financial services sector.

As the Issues Paper relating to this Review states, there have been no shortage of inquiries along similar lines. The 2014 Financial System Inquiry (Murray inquiry), the 2015 Competition Policy Inquiry (Harper review), a Productivity Commission Inquiry into Data Availability and Use and in 2016, the House of Representatives Standing Committee on Economics' Review of the Four Major Banks (Coleman report). Although all these inquiries have given valuable input into the debate, it is our firm conviction that none of them has "bitten the bullet" and provided clear guidelines that will give the intellectual underpinning for a legislative framework to ensure Australia has a highly competitive, both nationally and internationally, financial services sector. It is for this reason we believe this Treasury Review is so important – to kick start the policy agenda that will ensure a fair, transparent and level playing field in financial services.

Before spelling out the specific areas that we would like addressed, I believe some background on Acorns is important to lay the groundwork for this submission.

Acorns Grow Australia (Acorns) was officially launched in February 2016, offering a free app that allows Australians to round up their daily purchases and automatically invest their "virtual change" into a diversified portfolio of ASX quoted Exchange Traded Funds (ETFs). Acorns has been designed to introduce first-time investors to the stock/financial markets and remove traditional entry barriers, such as the high fees, brokerages, commissions and minimum investment sums, associated with the sector.



Acorns has succeeded even beyond our wildest expectations. Just 18 months later more than 300,000 people (1.25% of the Australian population) have signed up. Significantly, its success is being driven by young Australians (70% of customers are investors aged 25 – 34 years old) who are discovering the benefits of regular, small investments. By any yardstick (or benchmark), we are now the biggest investment App (Investment FinTech) in Australia and our growth is accelerating. To date we have managed to save young Australians over \$100m in small change!

What we have shown is that Australians, especially young Australians, have an appetite for Fintech. It brings with it the benefits of young Australians who take an interest in their own financial well-being, learning thrifty habits and how investment markets work – a hands-on, financial literacy education – one of the goals the government lauds when it mentions the importance of FinTech to Australia.

But don't just take our word for this, we have received numerous unsolicited comments from our customers. Here is what young people who have signed on to our app say about Acorns:

Jason P. *“After using Acorns for just under a month's time I can say that I'm very impressed and grateful that a company like Acorns exists to help me, the average Joe, enter the stock market and make my future brighter! I am looking forward to a long and prosperous future with Acorns and I can't wait to also see Acorns change and improve many other people's lives and futures for the better as well!”*

Dan B. *“I was raised with atrocious financial literacy. I'm terrible at saving and getting my head around investing has been almost impossible for me. Acorns has taken a lot of the mystery out of saving and investing. I've saved money without even realising, learnt a little about how investing works and seen the power of compounding (look at me using fancy words now!) I don't have anything, in particular, I'm saving for, I just want to make our family a little more financially secure.”*

Emma Le S (a single mum who left an abusive relationship): *“I began my investment with just \$20 and a \$2.50 referral. Now, 6 months later, I have just over \$800 with \$127 of that being from round-ups. It doesn't look like much but guess what it means for me. It is the cost of my law text books for next semester, or it is the emergency dental work, it is the “all the bills come at once” emergency fund, or it can be the Christmas holiday where we can make new, happy memories. Thank you, Acorns. Thank you for beginning my journey of financial freedom! I look forward to a long and harmonious relationship!”*

Opening the world of savings and investment to people such as Jason, Dan and Emma offers social and economic benefits on so many levels. Like all young Australians, their dreams, their goals, their ambitions, need to be nurtured, and FinTech companies such as Acorns are allowing this to happen.



Although Acorns had its roots in the US (the code and the app was originally developed in California), we have since moved away from the original US product. Australia is now an independent operation. We have developed here in Australia AI/Machine learning in the app to improve the customer's experience and to become more of a holistic financial tool allowing customers to check expenses and income in real-time. This improves the financial literacy of individuals managing their day-to-day expenses with hands-on real-time guidance given by Artificial Intelligence (AI) Machine Learning, adapted to that individuals spending and saving habits.

This technology is now being exported back to the US, as well as other technological advances we have introduced to assist in managing large amounts of data and transactions (which are not so obvious to the user). We are also setting up Acorns in Indonesia that will be a JV between our Indonesian partner and Acorns Grow Australia.

To continue doing this, as well as grow our Australian business, all we ask for is a level playing field with the large institutions – especially the banks. In Australia, this is difficult because of the domination and vertical integration in all aspects of financial services sectors by the big four banks.

In this respect, I would like to address the following issues:

1. Legislation: A clear legislated code outlining the liabilities, ownership and responsibilities associated with open data. That the data is owned by the individual, not the bank. That the liability and responsibility for misuse of the data rests with the financial institution, not the individual. This is very similar to the Electronic Funds Transfer code (EFT Code). Once the EFT Code was passed, Australians became very comfortable sharing their BSB and Account numbers with friends, businesses, on invoices, by email or text message. No one ever expresses any concern about sharing this information. Yet, the financial risk of sharing BSB and Account numbers is, in fact, much greater than sharing your online internet banking credentials. [I know the banks never tell you this. Why? Because the EFT code makes it very clear where the liability for misuse of BSB and Account numbers rests – and this is well known.] In our view, a similar framework is needed for open data. Part of this would be achieved by legislating the ePayment Code (which we note was one of the FSI recommendations). However, we would go a step further and argue there is still room to make it even clearer than what is set out in the ePayment Code.

If there is a strong legislated code, then the market will work out how to share the open data. Acorns, for example, plans to always use an aggregator to avoid needing the resources to build and maintain APIs for 150+ institutions. We would have one API call to the aggregator; the aggregator will manage how they get the data from the 150+ institutions in a regulated and secure manner.

In our opinion, it is not necessary to legislate that banks must provide APIs but to legislate what the liabilities, ownership and responsibilities are and the need for



banks to share the open data. The banks can then choose to offer APIs or not and aggregators can continue to “screen scrape”. Overseas experience has shown “screen scraping” is more accurate than APIs as websites are consumer facing with the associated misleading liabilities, while API data is not. Banks and financial institutions are very concerned that data on their consumer facing websites is correct and not misleading.

2. The Banks: In correspondence to Government Ministers (including the Prime Minister), the House of Representatives Standing Committee on Economics’ Review of the Four Major Banks, and the regulators, we have made it abundantly clear that we believe the banks are using their market muscle to stifle competition from the FinTech sector. How are they doing this? It is our contention that they are deliberately creating confusion in the public mind about the security of their online transactions, particularly when they share their online internet banking credentials. Banks publicly claim that customers’ protections are void, and that the protections under the terms and conditions on which they conduct their internet banking do not apply when they deal with FinTech start-ups. Make no mistake, these are direct campaigns aimed to discourage users from engaging with FinTechs by spreading fear about the security and safety of their information, transactions, and the risk of customers “losing their money”.

One example will suffice – and it will surprise no one when we say it’s the Commonwealth Bank. Australia’s biggest bank sent Acorns’ customers an email implying the use of Acorns increased the risk of fraud on their accounts – a misleading statement. As I stated earlier, sharing your BSB and Account number is riskier than sharing your internet credentials due to the use of multi-factor-authentication by the banks. Under the *ePayments Code (Code)* (which all major Australian banks have voluntarily subscribed to), users will not be liable for any unauthorised transactions because:

- (a) the user expressly appoints Acorns and Yodlee to collect information on the user's behalf only (i.e. Acorns and Yodlee have "read only" access to the user's bank account. They cannot affect transactions and act as the user’s agent); and
- (b) Acorns and Yodlee protect the data by using encryption and bank standard security measures to keep it safe.

In Acorns’ opinion, a report that brought clarity to the main issue as to where the liabilities lie when data is shared (i.e. with the financial institutions who are not owners but mere repositories of individual’s data), who owns the data (i.e. the individuals – and this is in line with privacy law and should be enforced so that individuals can use their own data secure in the knowledge that they own it), and what can be shared (i.e. BSB numbers, account numbers, internet access codes, credit information, bank transactions, etc) will provide consumers with much-needed confidence in using whatever financial service they choose, in the process having enormous social and economic benefits – by opening up competition in



the financial services sector and thereby enabling FinTechs to help achieve the Government's goals. Acorns has already proved it is possible to provide low cost savings, investment support and financial literacy services.

Proper liability legislation similar to the EFT code will also force the banks to open up – provide APIs or live with “screen scraping” rather than the process we are heading down now where banks are hoping that they will control which customers can share data and with whom. Not really acting in the customers best interest nor creating a very competitive environment.

Due to apps like Acorns it is well understood in the market today by millennials that sharing Internet details is secure. What is not well understood by millennials is the much higher risk of sharing BSB and bank account details, something the banks are very silent on.

When offering financial products to consumers (including deposit products) all risks associated with that product must be clearly disclosed, not just the investment risks. Cyber risk is currently not being disclosed adequately especially when it comes to the risk associated with sharing of personal BSB and Account numbers compared to internet banking credentials. Yet the regulators, government and institutions let this slide due to the EFT code. This is creating an unfair playing field in Australia for FinTech.

The legislative framework needs to be simple as it is all-embracing to ensure five critical outcomes:

- All players in the financial services space compete on a level playing field;
- That financial institutions and banks understand that their customer owns their own data and that the FI and banks are merely repositories or custodians of their customer's data;
- That consumers understand their rights and obligations when sharing the financial data, they own;
- That once consent by the customer is given, which may be the provision of their internet banking credentials, for a FinTech to act as their agent that data such as internet banking credentials, transactions, account balances, BSB and Account numbers, credit information is shared by the banks or the relevant financial institution; and
- That the method of sharing, “screen-scraping” or APIs is left for the market to decide. As the focus on the APIs is taking the conversation away from the main issue of data ownership and the right of users to access their own data when consent is given – and the banks know this.



If this Review can achieve this outcome, then we believe the result will be stronger Australian economy delivering better outcomes for all its citizens – especially young Australians and Australia will have the opportunity to become a leader in open financial data and also the strive to be the Fintech leadership nation.

Yours faithfully,

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George Lucas