



September 18, 2017

VIA ELECTRONIC MAIL:

OBR@treasury.gov.au

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

RE: Review into Open Banking in Australia

Dear Mr. Farrell:

Investnet Yodlee (“Yodlee”) appreciates this opportunity to share our perspective regarding the Australian Government’s (“the Government”) decision to introduce an Open Banking regime in Australia. As the leading account aggregation platform provider globally with more than 18 years in the industry and ten years in the Australian market, Yodlee strongly believes in the ability of technological innovation to safely empower consumers by increasing competition and providing broader access by consumers across Australia to technology-based financial tools, and applauds the Government for taking a proactive, consumer-focused approach to the Australian financial services system.

Yodlee provides consumer-permissioned account aggregation capabilities with hosted solutions and open APIs on a business-to-business basis to customers around the world, including in Australia. Yodlee’s customers include traditional financial institutions of all sizes as well as financial technology companies. These customers use the Yodlee platform to connect millions of retail and small business consumers with their own financial data to provide financial wellness solutions, which provide a single platform for consumers to track, manage, and improve their financial health across a host of different banks and financial institutions, as well as through platforms that provide financial advice and lending solutions. Customers also use Yodlee’s platform to establish the authenticity of account holders in real time, along with improving the real-time affordability checks required by providers of credit. Yodlee’s customers include top global banks in more than 16 countries. Both leading financial innovators as well as household names in Australia are also Yodlee’s customers.

The Government’s decision to implement an Open Banking is timely. The growth of the financial technology sector has presented consumers and small businesses with tools that can promote competition, improve market stability, meaningfully help improve financial wellness and, ultimately, serve public policy issues. Whilst Yodlee actively seeks to work with financial institutions to provide their customers with access to their own financial transaction data – and

the technology-based services powered by it – the introduction of Open Banking in Australia presents an opportunity to formalise a regime that will both protect and empower consumers by assuring access to these important third-party services. In the past, some financial institutions have blocked third party access to consumer’s transaction data, thus blocking customers’ ability to use these important tools, even when they explicitly expressed a desire to do so. These blockages have historically relied on both prohibitive covenants within the terms and conditions between financial institutions and their customers, which customers must accept in order to open an account, as well as the implementation of technological barriers to block aggregation services from accessing consumer account information.

As a large presence in the United Kingdom and Europe, which have both embarked on their own Open Banking journeys, Yodlee has a unique perspective of the significant benefits that an Open Banking ecosystem can present for consumers, as well as some of the policy and industry challenges that must be addressed in order for the full potential of an Open Banking framework to be realised.

Yodlee agrees with the Government’s assertion that Open Banking ecosystems reduce the time, cost, and inconvenience associated with identifying and selecting financial products and services. Further, the increased competition spurred by Open Banking brings with it lower costs and barriers to entry for consumers and small businesses alike. From Yodlee’s perspective, an Open Banking framework is one under which banks are not the only providers of all financial services. Instead, Open Banking fosters a system in which consumers have real choice and can adopt a more modular system. For example, instead of a consumer carrying out all their banking through one or two financial institutions, they can use one provider for their transaction account and then bolt on other financial services, such as an insurance policy, mortgage, or investments through other providers, under a user interface of their choosing. The end result of a truly competitive market is an improved depth and breadth of service offerings available to consumers, reduced fees, greater access to loans and capital, and a direct benefit to improving the financial lives of millions of Australian consumers and small businesses.

Yodlee believes that the review, as published, will address these exact issues critical to the design of a balanced Open Banking ecosystem. In particular:

What data should be shared, and between whom?

The current commercially-managed ecosystem for consumer-permissioned financial data sharing allows the consumer to access all data held by their financial institutions via third-party tools and to permission that access to the service providers they’ve selected to help them achieve their financial outcomes. This data is broadly organised in four categories: commercial, account, transaction and identity. In a balanced Open Banking system, the consumer must be able to access the account, transaction and identity data held at the financial institution and share it with responsible, and potentially authorised, third parties in the ecosystem.

How should data be shared?

From a technology perspective, successful Open Banking systems rely on standardised open Application Platform Interfaces (“API”), which allows information to be shared securely without the end user having to reveal their password. This is the same technology that is currently used by millions of Australians to use ride-sharing applications or find the nearest open ATM or bank branch. The Government rightly asks whether smaller financial institutions, which do not have the same resources as their larger peers to implement API technology, should be required to participate in Open Banking. For the full consumer benefit of Open Banking to be realised, Yodlee believes it is critical that all players in the ecosystem eventually participate.

Understanding the relative challenges for smaller financial institutions, the Government may opt to make certain accommodations for these entities. In the United Kingdom, for example, a regulatory-sponsored effort saw the creation of a standardised API by the nine largest British banks, which all players in the financial system will be permitted to use at no cost once the framework is fully implemented next year.

How to ensure shared data is kept secure and privacy is respected?

All stakeholders in an Open Banking ecosystem must participate per defined standards for conduct, safety and governance in the collection, processing, storage and use of the consumer’s data. Many of these standards are already well defined in applicable regulations for bank safety and soundness, privacy and sectoral consumer protection. By using these regulations and standards as a baseline, the Government, working with industry, can craft enforceable technical standards for all market participants as well as a program of assessment upon which authorisation will sit.

To be fair to traditional financial institutions, there are regulatory, legal, and consumer expectations around liability that create hesitancy to move towards an Open Banking environment. These challenges are in many ways legitimate: statutes, regulations, and, in many cases, consumer themselves, expect financial institutions to make the consumer whole in the event of financial loss due to fraudulent activity, regardless of whether the financial institution holds any responsibility for that loss. These challenges must be addressed if Open Banking is to be implemented successfully in Australia. In Yodlee’s experience, surmounting the statutory and regulatory obstacles on the path towards Open Banking involves agreement on two important principles by policymakers and industry participants: traceability and accountability.

The concept of traceability conveys that any party accessing a consumer’s data with the consumer’s permission is identified through unique, coded headers embedded in the authorisation call that the party uses to access the consumer data required to fuel its service. Accordingly, every entity to which a consumer has permissioned their data is identifiable. In the event of a data breach, this chain of identifiers can be used as forensic evidence to trace the source of the breach to the party that was responsible for it.

Accountability is a principle that logically follows traceability. A successful Open Banking regime will implement traceability as a means of ensuring that any party responsible for a breach

of consumer credentials is liable for any financial loss incurred by the consumer. To ensure this is the case, Yodlee suggests the Government pursue a system under which any participant in the Open Banking ecosystem must carry some minimum level of liability insurance commensurate with the potential risk they present to consumers in the event of a security event. Under a system in which both traceability and accountability are implemented, all parties involved in a breach would be aware of what entity was responsible and would have assurances that the responsible party is held liable for any losses, thus addressing the key hurdle that traditional financial institutions now face under the existing statutory and regulatory framework when their customers elect to use third-party tools.

Of course, all of this must happen under the umbrella of consumer consent that is based on appropriate disclosures, explicitly obtained and fully reliable.

What regulatory framework is needed to give effect to and administer the regime?

In many ways, Australia's Open Banking journey will be simpler than the United Kingdom's. A significant regulatory challenge toward implementing Open Banking for policymakers in the United Kingdom has been compliance with the Second Payment Services Directive ("PSD2"), a pseudo-Open Banking framework limited to payment accounts promulgated by the broader European Union. Because the United Kingdom's Open Banking regime must sit atop and be harmonious with PSD2, coordination with European policymakers on technical standards has in some cases made more complicated the United Kingdom's Open Banking journey, particularly on the questions of consumer authentication and consent. Australia would have the benefit of designing its Open Banking framework free of such constraints.

Thus, Yodlee's experience in other countries suggests that the path to a true Open Banking regime involves a significant investment of time by all of the stakeholders involved to ensure that the framework ultimately implemented provides consumer benefits while ensuring safety and soundness. Yodlee is an active participant in the United Kingdom's Open Banking journey, providing technical expertise on a regular basis both directly to policymaker and through trade associations, including the Financial Data and Technology Association. We believe the time invested in formulating an Open Banking regime is well-spent, as designing and implementing a robust Open Banking ecosystem provides a significant return in terms of consumer and small business benefit.

Once again, thank you for this opportunity to provide Yodlee's perspective on the implementation of Open Banking in Australia. As you and your colleagues at the Secretariat consider the key questions and considerations around this issue, Yodlee would be pleased to share our perspectives and expertise if at all helpful. Please do not hesitate to contact me at sboms@yodlee.com or +1 (202) 997-0850 if we can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'SBoms', followed by a long horizontal line extending to the right.

Steven Boms
Vice President, Government Affairs
Envestnet | Yodlee