Submission: Exposure draft legislation to enable action initiation

Submission by:

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BASIQ

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About Basiq

At Basiq, our vision is Making Finance Easy. Finance is complex and it can be hard for consumers to make informed financial decisions. We see a world where consumers are empowered to make smarter financial decisions and to engage with their finances in new and unique ways.

Basiq enables this by providing an Open Finance API platform for businesses to build innovative financial solutions. Our partners include some of the fastest-growing Fintechs and banks in the region. As the building blocks of financial services, the platform facilitates the relationship between fintechs and consumers by enabling access to consented financial data and executing payments.

Backed by Reinventure, NAB Ventures, Plaid, Touch Ventures, Salesforce Ventures, and Visa, over 200 fintechs rely on the Basiq platform to deliver solutions to market.

Introduction

Treasury is seeking comments on exposure draft legislation to enable action initiation in the Consumer Data Right (CDR), which would create a new channel for consumers to instruct a business to initiate actions on their behalf and with their consent.

We welcome the expansion of the CDR to increase functionality for industry and consumers.

We have reviewed the Exposure Draft materials and would like to raise the following points for consideration:

- Impact on innovation
- Accreditation and Access Models
- CDR and non-CDR Actions
- Consent flows and real-time payments
- Clarifying the issue

Impact on Innovation

The Treasury has recognised that introducing action initiation will help drive innovation. Basiq is supportive of the idea that actions should be initiated by consumers via consent. However, would like to caution that specifying APIs for actions could have the reverse effect and hinder innovation.

For many fintechs, they make their services available to consumers via API interfaces. This is how they provide value to their customers and differentiate themselves from the competition. In practice, it includes things like UX design and onboarding processes.

Our understanding is that designating actions would result in the standardisation of APIs. Doing so risks the diluting or removing fintech's ability to come up with new and improved solutions for designated actions in solving market problems

Impact on Action Service Providers

While only the instruction layer will be regulated, it shouldn't be overlooked that the instruction will inevitably inform how the action is executed. Mandating APIs for actions effectively means Action Service Providers are restricted in how they carry out the action because of the specification of data points that must be collected.

For example, if one of the designated actions is *opening a new account*, the mandated API would specify all data attributes to be included in an Action Initiation request. While a bank would be free to choose how to execute the action, in this example, a mandated API suggests there is little flexibility to differentiate the process of opening up a new savings account across all banks. If user experience is core to a bank's success, then this would negatively impact their ability to innovate and differentiate their services.

Impact on Accredited Action Initiators

We also ask the Treasury consider that for many businesses, ours included, their unique APIs are what sets them apart from each other, driving innovation and competition.

To support ongoing innovation and drive competition, we advise against mandating APIs and instead recommend specifying the minimum data points required, enabling ASPs and AAIs to develop their individual solutions.

Accreditation and Access Models

Prioritise finessing the accreditation process and access models

Currently, the accreditation process, including additional access models, restrict the type of businesses eligible to participate in the CDR scheme. In particular, it prohibits smaller organisations and start-ups that don't have the resources or means to meet the strict eligibility criteria.

For eligible fintechs, the accreditation process does not support their fast-paced and agile way of working. The time it takes to get accredited halts innovation and slows the process of bringing products to market quickly and efficiently. The fintech industry that is driving innovation relies on the ability to deliver their product to market as fast as possible and get feedback so they can reiterate or pivot as necessary.

The accreditation process hinders their ability to be nimble and pivot because of the time it takes to meet the numerous requirements and the significant amount of capital that needs to be spent before they are even able to go to market. This will slow down innovation.

Access Models

CDR datasets have become more accessible via the introduction of multiple Access Models.

We would like to seek clarification on how this might impact organisations accessing CDR via existing access models and whether a similar framework will be included regarding AAIs. Specifically, will it be possible for an Affiliate or Representative to be an Accredited Action Initiator?

CDR and non-CDR Actions

One of the outcomes of action initiation under the CDR is enabling consumers to instruct businesses to access their data and carry out actions on their behalf under the one scheme, like executing a payment.

Basiq seeks clarification on whether it will be permitted for CDR consumer data to trigger actions outside of the Action Initiation CDR framework, even if those actions are included in the Action Initiation framework? And if CDR data can be used to carry out actions not designated?

Consent flows and real-time payments

Payments were suggested as a potential use case under action initiation. Currently the New Payments Platform (NPP) is rolling out real-time payments via PayTo as authorised by the consumer.

If a consumer shared their data via CDR and executed a payment via PayTo, our understanding is that two separate user journeys and consents would be required; one for accessing the data and one for instructing the execution of the payment. There are already multiple screens included in the CDR consent process, adding more to execute a payment via PayTo would cause friction in the customer journey and negatively impact the user experience.

At this stage, we recommend the Treasury consider how action initiation and PayTo might work together to reduce friction for the end user.

Clarifying the issue

Clarity on the problem Action Initiation intends to solve would be beneficial for future consultations. From our point of view, it seems like a solution is being created that does not address a clear problem.

If there are specific issues to be addressed, such as payments, we believe they should be addressed at the root. For example, if the issue is payments, the solution could be focussed on aligning PayTo with CDR. We already have other initaitives like TDIF, NPP and CDR, why not focus on the compatibility between these services?

It's not very clear what specific use case or problem we are trying to solve with Action Initiation. Greater clarity will help address the root issue head on.