



29 March 2018

Mr Daniel McAuliffe
The Treasury
Langton Crescent
PARKES NSW 2600

Via email: data@treasury.gov.au

Dear Daniel,

CONSULTATION PAPER: REVIEW INTO OPEN BANKING

HSBC Bank Australia Limited and The Hongkong and Shanghai Banking Corporation Sydney Branch (collectively 'HSBC') welcome the opportunity to provide comments on the Review into Open Banking.

In Australia, the HSBC Group offers an extensive range of financial services through a network of 36 branches and offices. These services include retail and commercial banking, financial planning, trade finance, treasury and financial markets, payments and cash management and securities custody. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,000 offices in 70 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,522bn at 31 December 2017, HSBC is one of the world's largest banking and financial services organisations.

HSBC has participated in the industry discussions led by the Australian Banking Association (ABA) and we support their submission. We echo the comments of the ABA that the Farrell Review is a thorough examination of the open banking concept and its potential application in Australia.

HSBC supports the customer focus of the Review and agree that if implemented successfully, the customer will benefit from increased control, choice and convenience that will result in increased confidence in the use and value of their data.

We have elected to provide the following comments in regard to some specific recommendations with relevance to HSBC's operations and customer base.

Chapter 2 – Regulatory Framework

HSBC supports the suggestion for Open Banking to be primarily regulated by the Australian Competition and Consumer Commission with support from the other key regulators including APRA, ASIC, the OAIC and the RBA.

With regard to the external dispute resolution options we believe the current practice is effective and an appropriate process to manage customer complaints. We would caution against the creation of another layer or channel for dispute resolution and highly recommend using the existing established methods.

With regard to the Privacy Act we note that this applies to natural persons therefore consideration in this area would need to be given to any application of Open Banking to corporate entities.

Chapter 3 – Product and Customer Scope

HSBC's view is that due to the complexity of corporate structures and specialised product offerings, our preference is for large businesses to be excluded from the scope of Open Banking. We note however that the list of in-scope products encompasses some broad categories including Lines of Credit that may be provided on syndicated or bilateral terms.

Our primary concern in this area however relates to the definition of small business. We support the ABA's proposal to apply the definition of small business used in the revised *Banking Code of Practice*. HSBC has been participating in the ABA's Working Group to update and revise the Code and we believe the use of this definition is the appropriate approach for Open Banking.

We support the ABA's view that the area of identity verification is complex with parallel work streams already in train across many areas including government and regulators. We agree that changes will be required to the Australian AML/CTF Act and Rules to standardise requirements across the industry to facilitate an Open Banking regime. As a global bank HSBC employs extensive Know-Your-Customer policies and procedures, incorporating identity verification assessments. Our concern however is that the international banks may be left at a competitive disadvantage in instances where our global standards, driven by regulatory requirements in other jurisdictions, may require the collection of additional customer information that is not obtained by other local banks. Further we note that while the focus of the proposal is Australian residents, we suggest consideration should also be given to the impact on non-residents in a digital identity structure. Our preference is for identity verification to be scoped out of the current Open Banking framework and addressed via alternate industry options.

In summary HSBC is a strong supporter of the Australian banking industry moving to more secure methods of data transfer and governance and above all we recognise the importance of providing customers with an enhanced banking experience through improved choice, flexibility and competition.

Yours sincerely



Gunalan Bhaskaran
Head of Regulatory Compliance
HSBC Bank Australia Limited