



PayPal Australia Pty Ltd
Level 24, 1 York Street
Sydney, NSW, 2000
paypal.com

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Open Banking Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

By email: OBR@treasury.gov.au

The goal of Open Banking should be to enable a secure technology mechanism for individuals and entities to control access to and share the data that records their transactions across the financial sector.

An Australian Open Banking regime should build upon the Comprehensive Right of Access to Data recommended by the Productivity Commission in its 2017 report into Data Availability and Use and should be designed in a manner that reflects the overall principles of the Comprehensive Right.

Furthermore an Australian Open Banking regime should look at the merits of features of Open Banking regimes established, or in the process of being established, around the globe in order to minimise the cost to the Australian financial system of facilitating Open Banking.

PPAU notes the current initiatives to introduce Open Banking in the European Union pursuant to the revised Payments Services Directive 2 (PSD2). PPAU is further aware that the United Kingdom's Competition and Markets Authority (CMA) is overseeing an Open Banking regime that will come into force in January 2018.

PPAU notes that the CMA has mandated an entity, funded by major UK banks, Open Banking, to develop the common technical standards to underpin an open banking regime. Central to the ultimate success of the UK's Open Banking regime will be agreement on the development by banks of open application program interfaces (APIs) that will enable third parties to develop technology solutions that can, on a permissions basis, draw information from the data records of the banks.

Delivering the potential of Open Banking will require investment and innovation over time particularly in technologies that protect data both at rest and in-transit. It should not be assumed that a fully developed regime need be operational from the day of commencement. Opening up access to data is, in PPAU's view, likely to be most successful where it is delivered in an incremental process that demonstrates system integrity, ease of use and comprehensive security of the underlying data at every stage.

Basic customer transaction data is likely to be the most commonly sought and useful dataset in the initial phase of an Open Banking regime.

Such a dataset holds considerable value to a customer and would identify an account holder's balance prior to the transaction, date of transaction, nature of transaction, value transferred, party to whom the value was transferred and the account holder's balance after the transaction.



The type of accounts that this data is relevant to would include, in the first instance, current/daily accounts, loan accounts, credit-card accounts and cheque accounts.

PPAU endorses the limited impact, first instance approach adopted in the UK and sees merit in an 80/20 approach in Australia that embraces the largest financial institutions involved in retail banking services for Australians. PPAU does not have a view as to when such a regime should be implemented but cautions against assumptions that overseas experience can be immediately translated to or replicated in the Australian environment.

There is merit in adopting a timeframe that both allows sufficient time to undertake a review of practical international experience and that incentivises action in the face of multiple and competing internal investment options in those institutions required to initially implement Open Banking.

To be effective and secure the trust of the Australian public in an Open Banking regime will need agreed protocols for the handling of data and appropriate remediation and liability provisions. PPAU believes these matters should be settled by legislative enactment rather than commercial settlement as the bargaining power of institutions in the financial services system vary considerably.

PPAU notes that as the Open Banking regime is essentially a data transfer regime that the principles underlying Open Banking could be adopted in expanding the range of data capable of being shared to enhance productivity across the financial sector. In particular, PPAU believes the sharing of data provided by customers to confirm identify for the purposes of regulatory obligations could be securely and confidentially shared between institutions. This could limit customer inconvenience and raise the productivity and efficiency of identification procedures for all financial service providers by providing digital identification and confirmation processes.

Establishing an Open Banking regime in Australia will require investment from many parties in technology, people and processes. While the costs are likely to be substantial in the short-term to set up a system within the current technological environment there will also be on-going costs to maintain and expand the system. In PPAU's view it would not be appropriate for firms holding a customer's data to charge a third party for access to that data where the customer has requested it expressly. To do otherwise would involve redefinition of the relationship between users and providers of financial services that would potentially have non-insignificant consequences.

PPAU also considers it would be valuable at this stage of the development of an Open Banking regime to identify possible measures of success for Open Banking. Among other things PPAU would consider the following to be possible benchmarks to assess success:

- The number and commercial success of new financial services;
- The number of new providers of online financial services;
- The level of information provided to consumers by banks about their accounts;
- The degree of current account turnovers in a year.

Yours faithfully



Libby Roy
Managing Director
PayPal Australia

