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Inquiry into Future Directions of the Consumer Data Right

American Express welcomes the opportunity to comment on this Inquiry.

American Express believes the Consumer Data Right (**CDR**) has the capacity to substantially improve the products and services available to consumers and businesses. We do, however, believe there are opportunities for the CDR to be enhanced. This includes an expansion to third party service providers (as we have submitted to the ACCC) and an expansion to write access in line with comparable jurisdictions. We believe that opening access to payments initiation will encourage innovation and competition to ensure that all participants can offer full-service products and Apps. We consider the European Union's Payment Services Directive 2 (PSD2) is a model that could be mirrored in Australia. American Express is adhering to this regime in Europe where we see customer adoption and increased innovation by incumbents and new providers.

In Australia, we see opportunity for write access to be enabled in the context of CDR and the New Payments Platform (**NPP**).

About American Express

American Express is one of the largest global payment providers and has operated in Australia since 1954. American Express holds an Australian Financial Services Licence and an Australian Credit Licence. American Express is committed to innovation in payments and financial services. Founded in 1850 as a freight-forwarding company, American Express has reinvented itself many times throughout its history – continuing to transform its business model by leveraging technology in innovative ways to drive increasing value for our diverse customer base.

Write access

We believe that write access should be enabled under the CDR to allow for third party 'account to account' payments initiation. Enabling safe and secure payments initiation is a cornerstone capability in a fully matured Open Banking environment and will provide the foundations for true innovation and competition in Australia. Open payments is already live across Europe under PSD2 and through the UK's open banking regime. To keep pace with these developments globally, Australia should also pursue this capability as part of its CDR framework.

We note the submission of the NPPA and support the NPP Mandated Payments Service. However, we consider that both the NPP and the CDR can support payments initiation and should be pursued in parallel.

Enabling write access and specifically, 'account to account' payment initiation instructions under the CDR has the potential to lead to far broader 'use cases' than the NPP can reach alone. Critically, it is essential to achieving one of the key aims of the CDR, to promote competition through 'switching'. 'End to end' comparison and switching services can be achieved seamlessly through write access. For example, under a fully developed CDR, a consumer would be able to compare their existing energy plans, choose a better deal and immediately transfer direct debit instructions all within a single streamlined user journey. The CDR gives consumers control over their data, but without complementary payments capability it curtails what they can achieve.

Whilst we are encouraged by the pace of more recent developments towards a 'Mandated Payments Service', we consider that a parallel payments service under the CDR has significant merit. This would give market players the flexibility to determine which entry point best suits their specific 'use case' (the NPP or the CDR) based on a range of considerations such as cost, flexibility, ease, security, interoperability and consumer benefit.

Generally, American Express supports an approach based on PSD2 in Europe which mandates payment initiation for deposit accounts. However, there are important improvements which can be made based on 'lessons learned' from the European experience. For example, the system should support a singular access point and universal API standards.

Should expansion to write access be supported, we consider there is a need for further consideration and consultation on the exact operation of 'account to account' payment initiation, which we would be happy to contribute to.

Read Access

American Express has previously raised concerns about the onerous consent requirements and the risk it poses to uptake. We remain of the view that providers should be able to determine for themselves how best to implement consent collection in compliance with the rules.

With the proliferation of CDR participants and growing consumer interest in how their data is being used, it's likely that there will be an emerging need for third party consent management providers, who aggregate and simplify the management of a consumer's consents into a centralised dashboard. This function would not necessarily be provided by one of the participants with whom the consumer has authorised the sharing of data. The CDR rules may address this through an extension to intermediaries but it's something, we suggest, should be looked at to provide greater clarity.

International context

Where it makes sense to employ common international standards, Australia should do so. Within the finance industry, the global shift towards ISO20022 for messaging is an example of beneficial international convergence around a common standard.

Where it's not possible to standardise specific data points and definitions, then the use of open protocols with built in flexibility to be able to evolve as technology develops, will provide the best opportunity to capitalise on emerging solutions for interoperability.

Identity Verification

A Digital Identity is a foundational capability which is currently absent from the Australian landscape. There are multiple efforts underway to provide versions of a digital identity solution for the Australian market through both government and industry. We consider there to be opportunities to use the CDR framework to help scale and support a Digital Identity solution for Australia.

While identity verification was excluded from the initial iteration of the CDR, it is timely to consider how it might be implemented as part of the near-term future development of the CDR. We see broad alignment on the desire to share the outcome of identity verification in line with the Farrell Report on Open Banking. However, as identified in many submissions, existing AML/CTF laws need to be updated to allow Accredited Data Recipients to rely on assessments conducted by third parties, which should be prioritised.

Further consultation will be required in relation to the implementation of identity verification as part of the CDR, particularly in relation to the possible fees for such derived data sharing. Providing additional electronic options for identify verification is increasingly important given face to face verification is currently challenged due to COVID-19.

Conclusion

Whilst we support expansion of the CDR as outlined above, ultimately, the potential of the CDR can only be fully realised when consumers are aware, educated and empowered to use their data.

Given the well-documented slow uptake of Open Banking in the UK, it is important for government to invest in a public awareness campaign to ensure customers know about the new framework, understand how it works, and have confidence in it so they can exercise their CDR rights safely.

American Express would be more than happy to discuss any part of this submission in more detail.