

21 May 2020

Via email: data@treasury.gov.au

Secretariat
Inquiry into Future Directions for the Consumer Data Right
The Treasury
Langton Crescent
Parkes ACT 2600

Reference: Inquiry into Future Directions for the Consumer Data Right

We refer to the Issues Paper published by The Treasury in March 2020 and thank you for the opportunity to provide feedback. While we acknowledge that the CDR will regulate multiple designated industries, however our comments are limited to the CDR as it applies to Open Banking.

Write Access

We propose that write access not be included in the CDR framework.

In other jurisdictions – particularly in the UK and Europe - open banking frameworks have incorporated read access as well as write access (payment initiation). Consistent with this, the Farrell Report discussed the potential for future payment initiation as a post-implementation development.

We support the ability for third-parties to initiate payments as it should lead to a rich set of new products and solutions and it will bring Australia into line with open banking regimes in other markets. However, the method we achieve this in Australia may be different to other markets and we would encourage a broader review to consider whether write access needs to be incorporated within the CDR or governed through other existing frameworks.

There exists a number of methods to initiate payments which can be leveraged by third-parties. Examples of these include:

- New Payments Platform (NPP)
- Card schemes through their proprietary credit payment functionality

In respect of card schemes, third-parties already have the option of negotiating with card scheme participants on a bilateral basis for the purposes of initiating payments. Card scheme rules and a commercial arrangement between a third-party and their scheme sponsor will govern how payments are initiated.

In the case of NPP, Identified Institutions who can be ADI license-holders or other third-parties, can leverage the connectivity of an existing directly connected NPP participant and thereby have access to the NPP infrastructure. As such, a third-party does not need to rely on the CDR framework to allow them to initiate payments as this capability is provided already through other means.

A combination of the NPP governance arrangements, rules and operating procedures, and a proprietary due diligence process by the NPP participant, ensures that third-parties are assessed for suitability, and that risks are managed. We do not see that broadening the CDR remit and accreditation process would provide any additional assurances when assessing the suitability of a third-party.

If the CDR is expanded to include write access, the accreditation costs for third-parties will increase and this may act as a barrier to entry for some companies.

Switching

In 2011 the Treasurer commissioned an investigation to look at options for greater bank account transferability. The key recommendation was to place an obligation on banks to facilitate the transfer of automatic recurring transactions when a customer switched financial institutions. The Account Switching requirement came into effect on 1 July 2012.

The intended benefit of this change was to increase competition between banks by making it easier to switch financial institutions. In practice, because this was a process initiated by customers and awareness of this service was very low, the take-up was minimal and it subsequently failed to deliver on the promise of increased competition.

While we do not support the inclusion of write access into the CDR, we believe there is an opportunity to improve the account switching process and place explicit obligations on financial institutions to facilitate the process of moving regular payments (debits and credits) when switching financial institutions.

Once again, thank you for the opportunity for us to comment on the Issues Paper.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Swannell', with a stylized, cursive flourish at the end.

Michael Swannell
Managing Director