



Open Banking Review Secretariat
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Response to the Open Banking in Australia – Issues Paper – August 2017

The Verifier Context:

As the CEO of a company that uses APIs to access data on behalf of individuals we are very supportive of the work of both the Productivity Commission's Data Inquiry and this Review – and we are all about putting people back in control of their data.

In this response, we offer the perspective of a team who live and breathe data and APIs. As a user of the APIs both there and overseas (for instance, we are enrolled as a developer with the UK's Open Banking Implementation Entity) we seek to share our experiences, our sense of outcomes that are desirable and what we think is needed to support that.

We will not comment to the policy goals and imperative around data sharing. We have already made submissions to the Data Inquiry on that topic. We will take as a given that data sharing is of value to in the banking sector and the economy more broadly. And we absolutely believe that to be the case.

However, we acknowledge that the right to extract value from data is a valuable economic right. Incumbent organisations (the data custodians) can, quite rightly, see the policy of open data as a "land grab". Incumbent organisations will bear the bulk of the costs in enabling data sharing in the economy, and arguably wear most of the opportunity cost in doing so. We might also suggest that a lot of the risks of data sharing might, if not thought through, likewise fall on them. We note the introduction of mandatory data breach notification happening next year as well. Again, a good thing, but one that will expose data custodians to more scrutiny at a time when open banking is seeking to lower the walls a bit more.

Frankly, we hope that the genuine economic issues for incumbents will be tackled head on, so as not to delay open data.

But here is the twist – we are confident that incumbents will gain as much if not more than consumers from open data. Why? After years of consulting to large organisations on the meaningful use of their data, the reality is that they are not really unlocking anywhere near 5% of the value of it. Incumbents



have as much, if not more, to gain from data sharing (and API software) as anyone. But that's our view – we are not sitting on accumulated market advantage from knowing customers. Nor are we sitting with a host of legacy systems being asked to get “API ready”. Since no one will know until it's too late who is going to win and lose from open data, that is cold comfort for boards and senior executives. It is always easier to say no!

Note that our comments focus on financial services but we have veered away as much as possible from the term Open Banking. There are two reasons for this. Firstly, we believe, as per the Productivity Commission, that the comprehensive right of people to their data is universal. So, what is being covered in this response would apply to health data as well (and any other sector).

Secondly, Verifier's core business is using non banking data to solve the responsible lending challenge faced by the lenders in this country. So, we are well aware that banking APIs will not necessarily be the only way to fix banking problems. The question for the Review is what decisions need to be made better and what data might support that and then what operating model for APIs would support release of that data. Framing the problem this way, we believe, will lead to different conclusions and hopefully better outcomes.

In our view a dynamic data sharing system is needed

We feel that sometimes the discussion goes too quickly to “what data do we want” and how to retrieve it, rather than thinking through how to create a dynamic, data sharing system.

We think there are three broad options, but since most of the focus tends to be on Government mandated data sharing and industry standards led data sharing, we will focus more on the third option – the free market of data sharing.

But first, let's consider the challenge and why the first two options don't always work.

For this discussion we should be clear that we start from the absolute certainty that setting up APIs is a high cost, never ending project. We think the operating model adopted for open APIs needs to be one that recognizes that fact.

Industry standards are a term often used as the silver bullet to solve for the complexity of the task of getting data into a consistent format across multiple participants. There is definitely a role for industry standards, but we suggest the team working on this review talk to the stakeholders involved in SuperStream and Single Touch Payroll. The participants in those initiatives have lived the dream of standard setting and frankly, that is a very high cost way to share data.

Legislatively set data standards definitely do not work. One of the reasons for the Productivity Inquiry into data sharing was the policy failure around low levels of adoption of comprehensive credit reporting. Because the credit reporting data sharing fields were implemented in legislation, changing the data was a complex political process. The new standards are arguably out of date even before they are implemented, and as those who were part of that process can attest, it was a tortuous journey. That is



not to say there are not going to be cases where the Government needs to legislate to have data shared. We are just pointing out that best the intent be in the legislation, not the specification.

However, we also appreciate that in the case of comprehensive credit reporting that this was a second order problem. The bigger issue was the one referred to earlier, namely that the economic advantages of incumbent data custodians in not sharing overrode the community benefits in opening the data up.

A third option – the free market of data sharing:

Unlike many people involved in discussions around data, we do not believe all data sharing needs to be standardised. For instance, at Verifier we play the role of a “multiple adaptor”, connecting data sources to data requesters and translating data. We get paid to do that because the data we share is useful and as result the service we provide has value. There are plenty of cases, in our opinion, where once the context is set – that individuals have a right to their data in machine readable form – data sharing will spontaneously occur. The right of access is the crucial point.

To support that what is needed is government support to establish the key enablers for this type of data sharing:

- **Getting identity right** – historically, identity discussions have focused on the needs of Government first and the private sector second. Having said that, the Federal Government’s Document Verification Service (DVS) is, in our opinion, a globally leading example of what is possible. It’s not that Australia lacks good identity solutions, it’s just that when the scale of data sharing that is possible and desirable in the economy is examined, the demands on identity services are going to grow exponentially. And, as a result, new solutions and approaches are needed at lower cost. If not, data sharing will find its largest inhibitor is the cost and availability of identification services. Which would be a pity.

We believe one key distinction might open up the dialogue about how to support data sharing. In our view, there are at least three uses of identity information, with different goals:

- **Information about identity:** The first use of identity data is where something about the details of identity are important. Are you a citizen? Do you have a visa to enter the country? Do you have a valid driver’s licence for the driving you are doing (e.g. you might be stopped on a motorbike without a motorbike licence). For that the details of identity are important.
- **Confirmation of identity:** In this scenario, people need to prove their identity in order to then proceed with some form of interaction with an organisation (be it public or private). This is where the Government has done a good job with the DVS, which enabled a transition from a paper based world to an online capability to confirm identity in real time.

- **Identity matching to support a data exchange:** This where we believe a lot of the growth will be. In this case, the details of the identity information are not relevant, but just the fact of a single, valid identity is insufficient. What is needed is a way to confirm that the same identity corresponds to location #1 and location #2. Therefore, having matched the identity, data can flow from location #1 to #2 as per instructions and permissions. In this case, neither the fact of a person’s identity or the details of their identity are relevant, just the fact that there was a match. However, in order to do the matching, there needs to be a process and a format.

Now as it happens, Australia has a number of processes to handle specific types of data messaging. It seems that since we have a range of data “rails” that at least one of them is probably adaptable to this purpose OR the principles of at least one of them (or some other, better, global model) could facilitate this. The data rails we are thinking about are those of SuperStream, Single Touch Payroll and the NPP. These are the ones we know. Who knows what else is there. The Government could set up a process, set a standard, accredit and supervise the identity matchers. Those identity matchers could offer a range of technological options, and commercial models, and then data sharers would be able to use what works for them, in their specific context. Those matching tools would not reveal identity information, nor validate an identity, but they would confirm an identity matches to the level to support the data sharing intent that has been expressed.

- **Mandating data sharing readiness** – this is about making sure that being “API” ready is an obligation of data custodians. In our opinion, the issue is less about specifying the specifics of an API, and more about setting a context in which the fixed costs of being “API ready” are off the table. Every organisation should be moving to API approaches anyway, but for those who don’t want to invest, it would seem that there is a role for Government to demand data sharing readiness. How that looks is a question for this review. But this matters. We get a bit sick of organisations saying they cannot open up the data because they don’t have the infrastructure to do it. We are sympathetic to a point, but the problem is that even though there is economic value on the table for data sources, if our specific little API request wears the full economic cost of becoming API ready, then there will be no spontaneous data sharing occurring for the large, incumbents who have the largest suite of legacy systems and real challenges.
- **An appeals process** – this is crucial to getting the right outcomes. The question is how the customer and the citizen get to input on industry and Government priorities around data sharing. The problem occurs when data is requested and data custodians do not want to cooperate. What is the mechanism for arbitration of that and resolution. What powers are remedies available for non-cooperation. And likewise, in fairness, incumbent data custodians cannot support infinite APIs. So how can they protect themselves against nuisance



requests. Since data sharing is innately a competitive issue, individuals, large incumbents, smaller incumbents, new entrants and possible Government agencies will all have different, conflicting agendas.

Again, to be super clear and reiterate the point made at the start of this submission, the data custodians wear all the cost and risk and have investment vast sums in storing and tending to the data that people now want access to. The last thing anyone wants is the tragedy of the commons. Unless the costs and a fair market return are factored in, then why would anyone store data. And if data custodians don't do it, then platforms supporting people will have to. And, in the process, a huge amount of data (and time) will be lost.

- **Some clear boundaries – trust and privacy by design:** one notable boundary that needs to be set is the Government's position on privacy and how that fits in with an Open Banking regime. We are passionate advocates for both the economic value to individuals and the community of more data sharing AND the necessity of achieving that data sharing in a responsible, sustainable way. We simply cannot understand why, at this point in history, screen-scraping is tolerated. Open APIs with appropriate identification regimes are far safer and sustainable. The Australian banking sector has done a good job in training people not to share passwords. Why undo all the good work? We note the European Banking Authority's position on this in regard to PSD2. They are not allowing screen-scraping – so why should Australia? We appreciate that new entrants into banking, frustrated by the lack of data sharing, have tended to fall in to screen-scraping as the lesser evil (forced to choose between screen-scraping and no data access). But that is not the position that we believe the community would expect its policy makers to take.
- **Supervision** – we believe the Government is best suited to supervision of the data sharing system, like it supervises the banking system. This seems to be the model that works best to support innovation and dynamism and suggests that only in exceptional cases would the Government itself drive specific data sharing initiatives.



Individuals – getting them ready for their starring role!

There is no doubt that people in control of their data is a tectonic shift, possibly one of the most defining in modern history. There are a suite of other issues that emerge aside from getting the data to flow. In many ways data sharing is like the evolution of the motor car. From horseless carriage to airbags through to the driverless future we might be living in to, think of all the social change needed to support the technology. Traffic lights, road rules, drink driving rules etc.

This response hasn't tackled the social issues around putting people in control of their data. If we think that financial literacy is pretty low, what about data literacy? How well do Australians understand how their data is used and misused? How can they make intelligent decisions and give real consent to data sharing? Actually, there isn't much uncertainty on this point, the evidence is clear that awareness of data matters is really poor in the general population. So, there is a public health requirement here, complete with education and awareness and possibly a Government led drive to get industry to agree common, standardised data permissions so that consumers don't have to wade through legal terms to know what access they are giving away. And that is just the start. What is the equivalent of traffic lights in data sharing?

In conclusion – this review is much needed and very timely

As was suggested at the outset of this submission, we at Verifier are practitioners and enthusiasts for data sharing. But we understand that what is needed is a systems view coupled with the recognition that the creation of a vibrant data sharing ecosystem is more about setting up a dynamic economic/political/social system than it is about data fields and tech specs.

We are more than happy to discuss further if required and look forward to hearing the results of the review.

Kind Regards,

Lisa Schutz. CEO. Verifier.