NATIONAL AUSTRALIA BANK SUBMISSION

Consultation on Open Banking Review Final Report

23 March 2018

TABLE OF CONTENTS

1. Executive Summary

NAB welcomes the opportunity to respond to the Department of Treasury consultation on the Open Banking Review Final Report. As a member of the Australian Banking Association (ABA), NAB has also contributed to and is supportive of its submission.

NAB believes the Review was a detailed and thorough process. NAB thanks Scott Farrell and his secretariat for their work on it; the review's focus on the customer was welcomed.

This submission builds on NAB's September 2017 submission ('September 2017') to the Review and previous contributions to the public policy debate regarding Open Banking. It does not respond to every individual recommendation but focuses on those recommendations where NAB has further views or believes refinement is needed before implementing an Open Banking regime in Australia; which NAB considers will be a complex and significant change to the Australian financial system.

NAB supports several of the Review's key recommendations, principally the establishment of Open Banking as part of a broader economy-wide data sharing framework under the Consumer Data Right (CDR). NAB also supports the ACCC being the lead regulator; the establishment of an accreditation system; detailing of a liability regime; and the principle of reciprocity.

The response is focused on how Open Banking can be best implemented in Australia to benefit customers, while at the same time ensuring they are afforded the appropriate protections and safeguards. NAB's submission also gives consideration to ensuring that the regime is appropriately balanced against the need for ongoing financial system stability and resilience. NAB believes there are important implementation considerations needed with regard to the initial scoping of Open Banking in Australia and the speed it is established.

Specifically, NAB believes that commencing Open Banking within 12 months of the Government's response to the review is not feasible. Instead, Open Banking should commence 12 months after the Rules and Standards are finalised. NAB also supports implementing the product scope of Open Banking progressively across three phases, and that Open Banking should only apply to consumers and small businesses. In a trade-off between scope and speed, narrowing of the initial scope will allow a faster implementation of the regime.

Overall NAB has responded to 16 of the Review's 50 recommendations but has focused on seven (recommendations 2.7, 2.8, 3.2, 3.7, 3.9, 5.2 and 6.1). On occasion, NAB has addressed multiple recommendations with one response given the related nature of several recommendations.

2. Open Banking Regulatory Framework

Rec 2.2 – the regulator model
Open Banking should be supported by a multiple regulator model, led by the ACCC, which should be primarily responsible for competition and consumer issues and standards-setting. The OAIC should remain primarily responsible for privacy protection. ASIC, APRA, the RBA, and other sector-focussed regulators as applicable, should be consulted where necessary.

As stated in September 2017 to the Review, NAB supports the ACCC having primary regulatory responsibility for Open Banking in Australia. If the ACCC is given this responsibility, NAB believes it is important the appropriate resources by the Federal Government are allocated to oversee implementation. It will also be important for the ACCC to use these resources to acquire the appropriate technical expertise. Some of this expertise could be obtained through the creation of an Expert Advisory group to advise the ACCC on development of the Rules.

In respect of the multi-regulator approach, NAB recommends further consideration is given to the UK model of having other financial regulators more prominent in the regime, beyond being consulted. For example, APRA should have specific input into the accreditation process for access to financial services data, given its expertise and prudential responsibility. NAB also believes that along with involving ASIC, APRA and the RBA, AUSTRAC should also be formally involved given the Review's consideration of Know-Your-Customer (KYC) and risk assessment.

Rec 2.4 – Rules written by the ACCC
The ACCC, in consultation with the OAIC, and other relevant regulators, should be responsible for determining Rules for Open Banking and the Consumer Data Right. The Rules should be written with regard to consistency between sectors.

Rec 2.5 – the Standards
The Standards should include transfer, data and security standards. Allowing supplemental, non-binding, standards to develop (provided they do not interfere with interoperability) will encourage competitive standards-setting and innovation.

NAB supports the adoption of overarching Rules and Standards to guide the establishment of Open Banking. NAB also agrees the scope of the Standards should include transfer, data and security matters, and recommends they reflect the existing requirements in prudential instruments (such as CPS 232 Business Continuity Management, CPG 234 Management of Security Risk in Information and Information Technology and CPG 235 Managing Data Risk) which provide direct regulatory guidance on managing continuity of service, security and data management. NAB recommends that accredited participants must also comply with these requirements (see p5 for further comments on the accreditation process).

It is vital there is close dialogue and constant feedback between the ACCC (or whichever regulatory body develops the Rules) and the body responsible for setting the Standards. This could mitigate a situation where the Standard-setting body develops a technical method of data transfer, which the regulator ultimately decides it is not comfortable with, or is not aligned with the Rules the regulator adopts. Similarly, the Rules could restrain the type of technology that could be included in the Standards. These scenarios could create substantial re-work and slow implementation.

One option to prevent this possibility would be a requirement for the regulator setting the Rules to provide the Standards-setting body with an early indication of the expected direction of Rules to best inform the body's work on Standards.

See NAB's response to recommendation 5.2 for more detailed information about the establishment of Standards and using the UK Standards as a starting point (p13).

Rec 2.7 – accreditation Only accredited parties should be able to receive Open Banking data. The ACCC should determine the criteria for, and method of, accreditation.
Rec 2.8 – accreditation criteria Accreditation criteria should not create an unnecessary barrier to entry by imposing prohibitive costs of otherwise discouraging parties from participating in Open Banking. Using a tiered risk-based accreditation model and having regard to existing licensing regimes should minimise costs for many participants. Accreditation decisions should be reviewed by the Administrative Appeals Tribunal (AAT).

As stated in September 2017, NAB supports a robust accreditation framework as a key component of Open Banking to verify that third parties have the appropriate security measures and capability to protect the customer data they are receiving.[1]

While NAB had recommended a separate or independent entity be created to undertake the verification process, NAB notes the review recommends the ACCC have responsibility for the process. If ACCC is given this responsibility, NAB encourages it to seek technical and specialised advice from third parties on undertaking and assessing the accreditation process, in line with the Review's acknowledgement that "accreditation could be based on reviews conducted by qualified third parties".[2] NAB believes that APRA should be explicitly involved in the accreditation process for financial services, to ensure the requirements reflect existing prudential requirements such as CPS232, CPG234 and CPG235.

Regardless of who ultimately undertakes the accreditation assessment, as previously stated, NAB believes accreditation should occur at inception, and then on an ongoing basis to ensure security safeguards are maintained.[3] The Review acknowledges that accreditation "should entail more than a one-off process."[4]

NAB supports the Review's recommendation for a tiered risk-based accreditation model, which will help to appropriately match the risk of the customer data sets to be transferred with the capability of the recipient to manage that risk.

In relation to the requirements for higher risk accreditation, the review recommends that non-ADIs should not have to meet the same standards as ADIs given that banks hold customers' money along with their data. NAB disagrees with this characterisation.

NAB believes that alignment between the accreditation requirements for ADIs and non-ADIs is critical for two reasons:

---

[1] NAB September 2017 submission, p14
[2] Review into Open Banking: giving customers choice, convenience and confidence, p25
[3] Review into Open Banking: giving customers choice, convenience and confidence, p14
[4] Review into Open Banking: giving customers choice, convenience and confidence, p24

1. System stability – While non-ADIs may not be responsible for holding deposits, they can still have significant financial relationships with customers (such as through provision of consumer credit or lending) via products also offered by banks.
2. Customer trust and confidence – If a data breach were to occur under Open Banking, the impact on the confidence customers have in the regime would not be dependent on whether a breach happened at an ADI or non-ADI. A data breach at a non-ADI could have a comparable, if not greater, impact on public confidence in the regime, necessitating a similarly high requirement of accreditation.

Adoption of use cases

NAB also notes, in relation to accreditation, the Review's rejection of the argument that accreditation be based on use cases. NAB had previously argued to the Review that the data recipients should only receive data for the express purpose of providing competition, and that the UK use cases were appropriate for adoption in Australia.

NAB acknowledges the Review's argument that customers should choose the uses of their data. NAB believes that in addition to an obligation for accredited parties to disclose the purpose for receiving customer data, they should provide customers with choice around how this data is used to ensure sufficient clarity and transparency for customers.

For example, customers should have an ability to direct how third party recipients use their data. At a minimum, this could be providing customers with two options:

1. Use for a primary specified purpose (to be defined by the accreditation process); or
2. Unrestricted use.

Should any of the data received by third parties be personal information, then other obligations may apply to those third party recipients such as the requirement to outline for what purposes they intend to use a customer's information, as required by the Privacy Act.

Customers should be able to change their choice of these options at any time to reflect a change in their circumstances or preferences.

3. Scope of Open Banking in Australia

Rec 3.1 – customer-provided data
At a customer's direction, data holders should be obliged to share all information that has been provided to them by the customer (or former customer).However:

- The obligation should only apply where the data holder keeps that information in a in digital form
- The obligation should not apply to information supporting an identity verification assessment.

NAB agrees with Open Banking covering customer-provided data and particularly that it should not apply to data in non-digital formats.

NAB believes it will be difficult to capture application data as there is currently no prescribed standard format to collect application data across banks. Application forms also vary from product to product within banks. Additionally, application forms are only valid for a certain period of time (often 90 days) after which time they need to be re-validated. While the individual pieces of information within application forms can be transferred, the application form itself could be challenging to provide in a digital format.

Rec 3.2 – transaction data
At a customer's (or former customer's) direction, data holders should be obliged to share all transaction data in a form that facilitates its transfer and use. The obligation should apply for the period that data holders are otherwise required to retain records under existing regulations. Table 3.1 describes the list of accounts and other products to which this obligation should apply.

Table 3.1: Proposed list of banking products

Deposit products	Lending products
Savings accounts	Mortgages
Call accounts	Business finance
Term deposits	Personal loans
Current accounts	Lines of credit (personal)
Cheque accounts	Lines of credit (business)
Debit card accounts	Overdrafts (personal)
Transactions accounts	Overdrafts (business)
Personal basic account	Consumer leases
GST and tax accounts	Credit and charge cards (personal)
Cash management accounts	Credit and charge cards (business)
Farm management deposits	Asset finance (and leases)
Pensioner deeming accounts	
Mortgage offset accounts	
Trust accounts	
Retirement savings accounts	
Foreign currency accounts	

The scope of products outlined in table 3.1 is well beyond the scope of what NAB had proposed in September 2017 that Open Banking should capture (customer-collected data relating to personal and small business transaction and deposit accounts).

NAB believes the Review does not provide a compelling case for why all of these products should be included. There is insufficient analysis about the merits of including

such a broad array of product types and the value of including each product. This detailed assessment is important as table 3.1 canvasses a broad range of products where there is a wide variation in the nature and type of data collected from customers.

Including such an array of products in the initial scope of Open Banking will result in practical implementation issues. It also reduces the ability to iteratively learn from the implementation of Open Banking, as it initially applies to some products, before moving onto others. Finally, it limits the ability to make improvements to processes based on the level of interest in, and demand for, Open Banking from customers.

With these reasons in mind, NAB recommends the phased implementation of Open Banking to the list of banking products in table 3.1:

Phase 1 – Deposit and transaction products

Commence with deposit and transaction products as the foundation of a broader regime. This will enable Open Banking to be available to the largest number of customers holding the least complex account types – delivering the greatest benefit to customers from the beginning of the regime. These products would be accessible for customers in the initial implementation, 12 months after the Rules and Standards are finalised.

The timing of subsequent phases should be informed by customer adoption, usage and demand for other specific products.

At this point NAB suggests the following phasing:

Phase 2 – Unsecured lending products

Personal overdrafts, credit cards, personal loans and unsecured small business finance.

Phase 3 – Secured lending products

Such as mortgages and secured small business finance.

As per NAB's response to recommendation 3.7, only secured and unsecured business lending products for small business should be captured (on p9).

Rec 3.4 – identity verification assessments
If directed by the customer to do so, data holders should be obliged to share the outcome of an identity verification assessment performed on the customer (provided the AML laws are amended to allow data recipients to rely on that outcome)

NAB agrees with the Review that the AML/CTF framework does not support the transfer of identification/verification information, or management of risk assessment and the reporting of suspicious activity, and more flexibility is needed. NAB also agrees the risk of identity theft increases where supporting identity documents of customers are transferred from one party to another.

Currently, AUSTRAC and the Attorney General's Department are considering allowing recipients to rely on another party's identification and verification information. NAB believes this process should continue outside the initial scope of Open Banking with recommendation 3.4 considered as part of that process. While this process occurs, NAB recommends that AUSTRAC be included in the ACCC's consultation of other regulators (see recommendation 2.2).

Rec 3.7 – application to accounts
The obligation to share data at a customer's direction should apply for all customers holding a relevant account in Australia.

NAB believes this recommendation is in need of significant refinement. Recommending Open Banking applies to all customers of relevant accounts, including large businesses, substantially expands the cost and risks of implementation, along with the time to implement. The report lacks a detailed analysis of the costs and benefits emanating from this broad proposed application.

NAB believes that large businesses should be out of scope for Open Banking as competition in this sector is not impacted by data sharing in the same way as the consumer and small business segments:

- Many large customers leverage their significant size and bargaining power to receive bespoke data from their bank;
- Many large businesses have relationships with multiple banks making it easier for them to switch, a process supported by the intermediation of the business by platforms; and
- Banks are often already directly integrated into large businesses (e.g. via their payroll system).

Given this, NAB recommends that Open Banking cover consumer and small business customers. NAB acknowledges the challenges associated with determining the most appropriate definition of small business (as noted by the review) but believes this challenge alone is insufficient justification to apply Open Banking to all businesses – regardless of size.

While there are a large number of 'small business' definitions in the economy, the below definition of small business has been agreed by the banking industry as part of the new proposed Code of Banking Practice (which is currently being considered for approval by ASIC).

A business is a "small business" if at the time it obtains the banking service all of the following apply to it:

a) it had an annual turnover of less than $10 million in the previous financial year; and
b) it has fewer than 100 full-time equivalent employees; and
c) it has less than $3 million total debt to all credit providers — including:
   i. any undrawn amounts under existing loans;
   ii. any loan being applied for; and
   iii. the debt of all its related entities that are businesses.

NAB believes this small business definition should be replicated in Open Banking and apply to the below lending products proposed in table 3.1:

- Business Finance
- Lines of credit (business)
- Overdrafts (business)
- Credit and charge cards (business)

Elements of the ABA's definition could be applied to other sectors designated under the CDR. NAB also notes that removing large businesses from the Open Banking scope aligns

Australia with the UK where Open Banking applies only to personal and SME current accounts.

Rec 3.9 – reciprocal obligations in Open Banking
Entities participating in Open Banking as data recipients should be obliged to comply with a customer's direction to share any data provided to them under Open Banking, plus any data held by them that is transaction data or that is the equivalent of transaction data.

As outlined in September 2017, NAB strongly supports the principle of reciprocity. For example, if large global technology companies are eligible to receive customer data from ADIs, they should have to provide data about customers to an ADI upon request of customers. NAB believes ADIs should be able to receive large global technology companies' customer-provided data, or equivalent transaction data, such as search and personal entries, maps and location data. This should occur on a reciprocal basis.

This could benefit customers as reciprocated information on customers' transaction search data could allow ADIs to offer customers more targeted digital products and services which better meet their needs.

An understanding of what constitutes 'equivalent transaction data' for non-ADIs will be important to determine.

NAB supports the principle of reciprocity applying across sectors as the CDR expands beyond banking. In defining equivalent data across industries, NAB supports a principles-based approach. This issue could benefit from some specific, targeted work by the Department of Treasury as part of establishing the CDR for the three sectors to which the Government has announced it will initially apply.[5]

Rec 3.12 – transfers of identity verification assessment outcomes
Provided that liability borne by the original verifying entity does not multiply as the outcomes of identity verification assessments are shared through the system, those outcomes should be provided without charge.

NAB believes that sharing of KYC information alone may not be sufficient to satisfy a Reporting Entity, as it creates a reliance on another institution's KYC processes.

The ability to rely on other participants within Open Banking is beneficial, however a Reporting Entity is still held accountable for compliance with their AML obligations, even when it chooses to outsource its obligations to a service provider. Clarification on the accountability for participants providing and receiving customer identification and verification information is required, as this may have a direct correlation with how reporting entities will participate within the regime. Further clarification on accountability is required where information is found to be incorrect, is part of a fraudulent scheme, or where a suspicious activity report has been submitted on a customer and that customer's information is shared with another party under an agreement.

[5] Hon Angus Taylor MP, Assistant Minister for Cities and Digital Transformation, 'Australians to own their banking, energy, phone and internet data', 26 November 2017

In relation to the cost of identification and verification of customers, NAB questions whether non-ADIs should be eligible to receive that information at no cost given non-ADIs are not able to reciprocate by sharing data which is 'equivalent'. There is a cost for NAB in performing such tasks, which would be borne by NAB for the benefit of non-ADIs and other third parties. While the review notes the costs of conducting these tasks may be recovered indirectly, this in itself should not be a reason why the information should be provided at no cost in the future.

4. Safeguards to inspire confidence

Rec 4.7 – joint accounts
Authorisation for transfers of data relating to a joint account should reflect the authorisations for transfers of money from the joint account. Each joint account holder should be notified of any data transfer arrangements initiated on their accounts and given the ability to readily terminate any data sharing arrangements initiated by any other joint account holders.

NAB believes part of this recommendation does not align with the current industry practices in relation to joint accounts and could pose challenges. As the Review notes, there are two types of joint accounts: "where only one account holder needs to authorise transactions, and where the authorisation of more than one account holder is needed".[6]

This recommendation suggests that, regardless of the joint account type, other account holders should have the ability to terminate a data sharing arrangement. This means where only one account holder is needed to authorise a transaction, under Open Banking, other parties would have the ability to cease a data transfer initiated by the other party, even though they do not have the ability to cease a payment. This potentially places NAB, or any entity offering a joint account, in the middle of a dispute where joint account holders disagree on the sharing of data.

To address this difference, NAB supports the authorisation of data transfers for joint accounts reflecting the arrangements for money transfers. NAB believes the ability to terminate a data sharing arrangement should only exist for joint account types where more than one account holder is needed to authorise a payment. This aligns payment authorisation terms with data transfer terms for different account types.

Rec 4.9 – allocation of liability
A clear and comprehensive framework for the allocation of liability between participants in Open Banking should be implemented. This framework should make it clear that participants in Open Banking are liable for their own conduct, but not the conduct of other participants. To the extent possible, the liability framework should be consistent with existing legal frameworks to ensure that there is no uncertainty about the rights of customers or liability of data holders.

NAB supports the review's recommendation to establish a comprehensive, principles-based liability framework on the premise that participants are liable for their own conduct in relation to data, but not that of other participants. NAB encourages this liability framework to be binding in order to have the desired effect and also encourages establishing who will have responsibility for enforcement.

[6] Review into Open Banking: giving customers choice, convenience and confidence, p62

As previously stated in September 2017 to the Review, regardless of accreditation requirements or liability framework, the possibility remains that some third party data recipients may not have sufficient means to reimburse customers in the event of a data breach where they are liable (particularly if it is significant). Regardless of the liability framework in place, there is a possibility customers may still expect an ADI to reimburse customers if the third party involved is unable to do so. To prevent a situation where third parties are unable to make payments for which they are liable under the framework, NAB continues to believe an insurance requirement for third party data recipients is required. This requirement would help prevent customers being uncompensated and foster ongoing customer trust in the broader regime.

Another area which NAB believes could be further explored is the liability for the quality of information provided. This would address situations where an organisation knowingly transfers information which was ultimately inaccurate or incorrect.

5. The data transfer mechanism

Rec 5.2 – starting point for the data transfer Standards
The starting point for the Standards for the data transfer mechanism should be the UK Open Banking technical specification. The specification should not be adopted without appropriate consideration, but the onus should be on those who wish to make changes.

NAB supports the approach of using the UK Standards as a starting point, believing they are a useful input into the development of Australian Standards. NAB believes there are significant changes needed to those Standards though before they are adopted in Australia.

Below are some initial views on these changes for the Australian context. NAB is keen to be actively involved in developing Australian Standards and looks forward to providing more detailed technical input and expertise into the standard development process.

Changes to the UK Standards to develop Australian Standards:

- The UK Standards are prescriptive and closed. There is no room for extension of the standard to incorporate out of scope data. A "minimum" standard payload is appropriate but the standard should expect and incorporate extension.
- The use of block versioning rather than end point versioning could limit innovation in the industry; as the least advanced financial institution will drive the schedule given APIs will only evolve at the speed of the whole. In Australia, the use of end point versioning for minor versions and scope versioning for major versions should be considered.
- NAB believes the addition of third party managed fine grained authorization is unnecessary, reduces security and will be expensive to implement. OAuth 2 as a standard can adequately handle coarse grained authorization for the use cases currently identified.
- The authentication standard should only be prescriptive insofar as it pertains to maintaining a standard set of touch points for third parties. Banks should be able to continue to evolve and iterate their security models to match their risk appetites and those of their customers.
- NAB views the UK payloads, as defined to date, as not appropriate for the Australian market. There are different field level data requirements in Australian due to our differing legislative requirements along with differing standards for areas such as account identification.

Future review

NAB believes the Standards should be reviewed on a semi-regular basis to allow the opportunity for them to be updated as technology evolves. Having a review does not necessarily mean the Standards should change, but rather offers a checkpoint for assessing whether they remain most appropriate. It should not be a case of the Standards being set and then not reviewed for a significant period of time.

The prospect of a near-term future review may also assist in the initial Standards being agreed more quickly if participants know that certain issues can be re-visited in the future. As Standards are developed for other designated sectors as part of the CDR, a review mechanism will also help support interoperability between banks and other sectors.

6. Implementation and beyond

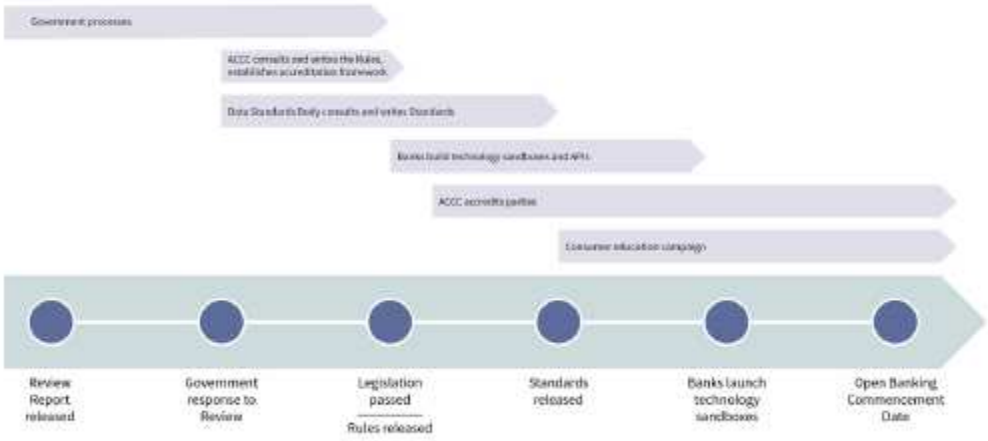
Rec 6.1 – the Open Banking Commencement Date
A period of approximately 12 months between the announcement of a final Government decision on Open Banking and the Commencement Date should be allowed for implementation.

As noted earlier, NAB believes commencement within 12 months of the Government's response to the Review is not feasible or practical. In September 2017 NAB supported the ABA's commitment that industry is able to share transaction data within two years of the underlying regulatory framework being confirmed.[7]

As previously outlined to the both the Review and the Productivity Commission, NAB believes the key implementation costs will be in identifying, collating, verifying and aggregating the data, the development of technology systems and infrastructure to complete this work, and the ongoing costs of data reporting and system maintenance.[8] The experience of Open Banking implementation costs for UK banks is relevant to this recommendation in informing Australian implementation estimates.

As the review acknowledges, a 12 month period between the final Government response to the Review and commencement is "relatively ambitious". The implementation timeline in Figure 6.1 suggests that in the first six months following the Government's response, legislation would be passed and both the Standards and Rules finalised. This timeline and level of activity is ambitious given the amount of work to be done and that each component is the responsibility of a different entity (legislation by the Government, Rules by the ACCC (or other responsible body) and the Standards by an as yet unestablished Data Standards Body). While parts of this work can be done concurrently, having all three component parts completed within six months appears challenging. The remaining six months of the implementation period is for banks to complete the technology build to implement.

Figure 6.1: Implementation timeline



NAB's recommendation to phase the product scope of Open Banking, and that it should only apply to consumer and small business accounts, will allow NAB and other banks to develop the required infrastructure and capability before it applies to broader product

[7] NAB September 2017 submission, p17
[8] Review into Open Banking: giving customers choice, convenience and confidence, p104

groups. In addition to phasing implementation, NAB believes the 12 month implementation period from the date of the Government's response to the report should be lengthened.

As an alternative, NAB recommends that Open Banking commence 12 months following the establishment of Rules and Standards to create the Open Banking framework. This means that if the Rules and Standards can be finalised within six months, as the Review recommends, then Open Banking would commence 18 months after the date of a final Government response to this Review.

NAB believes it is important that any delays in establishing the Rules and Standards should be accommodated for by having commencement be 12 months from the finalisation of these requirements. NAB supports the ACCC (or other responsible body) having the ability to adjust the commencement date, as noted in the Review, to allow for more time if unexpected challenges arise during implementation. The earlier legislation is passed, and the Rules and Standards are finalised, the earlier implementation can begin.

This recommended timeframe broadly aligns Australia with the approximate 18-month implementation period in the UK – from the August 2016 Competition and Markets Authority (CMA) report to the commencement in January 2018 of phase two of the CMA remedies.[9]

NAB believes that this alternative timeline will help to implement Open Banking in a timeframe that is more achievable, and will allow wide industry participation from the commencement date, rather than the UK experience where six of the nine banks it applies to were not able to participate from the 13 January 2018 commencement date.[10] A longer time period would also enable more time for a new Data Standards Body (recommendation 2.6) to be established and operational. NAB believes having the Standards set by the same body which will oversee them in the long-term (including for other designated sectors), is a preferable to the Standards being set by an interim body, given their vital importance to a successful Open Banking regime.

Rec 6.6 – timely post-implementation assessment
A post-implementation assessment of Open Banking should be conducted by the regulator (or an independent person) approximately 12 months after the commencement date and report to the Minister with recommendations.

NAB supports the undertaking of a Post Implementation Review (PIR) and has previously argued that such reviews form part of regulatory best practice.[11] A PIR offers an opportunity to assess whether the regime is working as expected, whether the intended outcomes are being achieved and an opportunity to measure the value customers are deriving from it. In conducting the PIR, and assessing the impact and success (or otherwise) of an Open Banking regime in Australia, NAB believes it is important a broad range of criteria is adopted. Using the level of customer switching between ADIs as a proxy for the overall success of an Open Banking regime is an insufficient sole measure of Open Banking's success.

---

[9] Review into Open Banking: giving customers choice, convenience and confidence, p93-94
[10] See UK reports which say that six UK banks were given extensions to the Jan 13 2018 compliance deadline https://www.telegraph.co.uk/business/2018/02/25/open-banking-contribute-1bn-uk-economy-says-report/
[11] See National Australia Bank, 'A Plan for Deregulation, April 2014, p13.

For example, the establishment of Open Banking in Australia will likely offer benefits to ongoing customers of an ADI. Customers may utilise features of Open Banking and find that their existing ADI is indeed offering the best available price or product features. Similarly, a customer may be able to obtain an improved product offering from their existing ADI after better understanding other offerings available from competitors. Both of these scenarios will result in an improved customer outcome, but not through the ultimate event of switching banking providers. These scenarios highlight the importance of measuring outcomes beyond switching in a PIR to capture the broader benefit that customers will have acquired. Possible outcomes to consider could be the number of data transfer requests made by customers, and the number of non-ADIs which become accredited entities.

7. Conclusion

As previously stated, the introduction of an Open Banking regime is a significant development in the Australian financial services sector.[12] It offers the potential to increase competition in the banking sector and NAB welcomes competition that enhances customer outcomes.

NAB looks forward to further engagement with the Department of Treasury and the Federal Government on Open Banking, as well as other entities which will have responsibility for Open Banking implementation including the regulator and body responsible for setting the Standards.

[12] NAB September 2017 submission, p18