**Open Banking Report Consultation**

Thank you for the opportunity to respond to the proposals in the Open Banking report dated December 2017.

**About Data Action**

Data Action (DA) is a provider of software and services primarily to the customer owned banking sector. We strongly support competition in banking believing that a competitive banking sector delivers customers more choice, greater access and fairer prices.

**Response to Proposal**

1. **Read-only API access**

It is our opinion that the recommendation [ref. Recommendation 5.3 and Ch 6 pp 109] to implement Open Banking as read-only in the first instance, could severely limit its utility. It is our view that the use of read-only data would be limited to:

* product comparisons
* personal financial management apps
* spend-tracking with account aggregators

Without the ability to perform financial transfers, the potential for economic interactions and product development is severely restricted. In addition, we also believe that read-only access to APIs is unlikely to deliver increases in competition and will in fact, help maintain the status quo.

DA acknowledges the working group’s view that a staged approach may mitigate perceived risk around security breaches. However, a model has already been proposed [ref. Recommendations 2.7, 2.8 and 3.10] to allow for tiers of accreditation.  We recommend that consideration is given to an option whereby those who achieve the top tier of accreditation would also gain read-write access to APIs.

Similarly, the working group has acknowledged [ref. Ch 1 pp3] that ADIs already have bilateral integration arrangements with trusted partners, so the need for, and solution to, supporting financial transfers securely already exists. Indeed, many ADIs have successfully completed NPP integration at this time providing for real-time settlement and clearing of payments securely between financial institutions.

Therefore, DA maintains that the challenges of supporting financial transfers securely via an “open” integration can be demonstrably overcome, and in the process will provide consumers with the much richer functionality that read-write access can bring.

1. **No minimum uptime SLA proposed**

It is our belief that for Open Banking to succeed, it is imperative that a suitably high SLA be included to govern the expected uptime of the APIs. This view is premised on the likelihood of degraded customer experience if products, no matter how innovative, are compromised by data providers who are offline for scheduled maintenance or overnight batch processing (as is commonly the case).

The recommendations consider draft PSD2 RTS that “*the level of availability and performance, including support and contingency measures, be the same as the interface made available by the account provider to the user directly*” [ref. Ch 5 pp 79]. Our concern is that this would enable data providers to constrain the business models, and stifle innovation, of new entrants to the market.

It is DA’s view that for Open Banking to be a driver for innovation in Australia, data consumers need to have **predictable** access to data, and as such Open Banking should come with a clear minimum SLA on availability that is subject to audit, e.g. by the ACCC, rather than accepting the lowest common denominator.

1. **Screen scraping will not be diminished by Open Banking proposals**

*It is asserted that “Open Banking should not prohibit or endorse ‘screen scraping’ but should aim to make this practice redundant by facilitating a more efficient data transfer mechanism.”* [Ref Executive Summary Ch 5 pp 10.]

DA agrees with this approach for screen scraping services that aggregate branch, ATM, and product data and acknowledge that a standard for accessing this data would be naturally adopted over time.

However, it is worth highlighting our area of most concern with screen scraping relates to access to a customer’s personal financial data.

We have pro-actively worked on our Internet Banking product with third-party companies that operate screen scraping technology, to determine the API access they would require to fully transition to a secure and managed interface. Based on this experience, it is our view that the API offerings presently outlined under Open Banking will only form a subset of the data currently accessed via screen scraping, thereby reducing the likelihood of optimal adoption of the APIs.

It is our opinion that Open Banking can, and will, alter the landscape of financial services in Australia. In the process, expectations of consumers will be that their financial service providers can deliver better integrated and relevant services. This “new normal” will increase the value of data to all participants in the marketplace, including screen scrapers. By failing to include screen scrapers within the scope of Open Banking, the recommendations could establish a cost-avoidance incentive that will encourage growth in screen scraping.

DA envisages that under a data rich environment facilitated by the Open Banking regime, that consumer needs (highlighted by screen scraper) could continue to be fulfilled, but with better controls and clearer governance. This could be achieved if screen scrapers face the same obligations as other providers and consumers of the same data. Specifically, we suggest that the following recommendations should be extended to screen scraping services that deal with financial data:

* Recommendation 2.7 – accreditation
* Recommendation 3.9 – reciprocal obligations in Open Banking
* Recommendation 3.10 – eligibility to receive data
* Recommendation 4.1 – application of the Privacy Act
* Recommendation 4.9 – allocation of liability
1. **UK API limitations – account capabilities**

Our analysis of the UK APIs reveals some opportunity for improvement. When retrieving accounts on behalf of a customer, the data consumer can be restricted from performing the customer instruction (e.g. a transfer) if it is not allowed in the source account. While Open Banking is read-only, this is of limited concern, however when write-access is permitted, the consumers of a ‘transfer’ API will need to know what features a specific account type supports.

By way of illustration, a term-deposit account may not support debit transactions and a loan account may have limits on the amount of credit transactions. Although the transfer API calls themselves must return an error in these cases, it would result in a much better user experience if this metadata were available when reading the account data itself.

The additional properties feature within the JSON Schema specifications, is compatible with the UK standards, and permits a data provider to unilaterally provide this additional information. However, this is something that would be far more effective if standardised across all data providers.

Yours sincerely

Karl Grant

**Chief Executive Officer**

**Data Action Pty Ltd**