

Inquiry into Mobile Payment and Digital Wallet Financial Services
Questions on Notice to the Reserve Bank of Australia

Public hearing – 26 July 2021

4. In what countries are Australian's financial data held/transmitted?

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Senator O'NEILL: The witnesses indicated that Australians' banking data is currently held offshore in a number of sites, including the US. That's kind of new to me. You indicated there were other countries around the world holding Australians' financial data. I'm keen to get the full list of those countries in which data is held, and, if possible, the financial entities that are using those services in those different countries.

Dr Richards: I don't think I said Australian data was being held offshore; I was saying there may be hubs used for transmission of information with foreign entities. I have absolutely no reason to suspect that Australian data is being held offshore.

Senator O'NEILL: Are you confident about that?

Dr Richards: It's not the Reserve Bank's area of responsibility, so I can't comment more explicitly. It might be better to ask APRA, I suspect.

CHAIR: Senator O'Neill, I will get the witnesses to take that question on notice and they can clarify whether Australian financial data is or is not held, where it's held if it is held, and the entities offshore in which it is held, in accordance with your question.

Response:

The Reserve Bank does not have regulatory responsibilities in relation to the privacy of personal information or the data storage practices of financial institutions, and therefore does not have a list of organisations that may hold data offshore or the jurisdictions in which data may be held.

As background on card payments, the authorisation of a typical card transaction involves the merchant's bank sending an authorisation request to the cardholder's bank via a card scheme's communication network, and receiving an approval on that request. The messaging hubs (or 'switches') of the card schemes may be either on- or offshore. For example, if a transaction at an Australian merchant involves a card issued by a foreign bank, payment messages must be routed offshore. For domestic card payments, the switching may be either in Australia or in some cases offshore. We understand that any data transmitted is limited to the information required to authorise the transaction (e.g. the transaction value, card number and merchant identifier); and any data stored by the card network would typically be for purposes such as billing, fraud mitigation or regulatory compliance (e.g. anti-money laundering and counter-terrorism financing). It is important to note that card schemes (at least 'four-party' schemes such as Mastercard, Visa and eftpos) do not have a direct relationship with cardholders.

In relation to the banking sector, APRA is the responsible regulator. The Bank understands that, while banks may store data in offshore jurisdictions and/or use foreign-based service providers, they must consult with APRA prior to entering into any offshoring agreement involving a material business activity. APRA also imposes obligations on regulated institutions pertaining to issues such information security, outsourcing and business continuity through various prudential standards (which apply regardless of data location). APRA could provide further information.

More generally, the *Privacy Act 1988* applies to how Australian Government agencies and organisations with an annual turnover of more than \$3 million, and some other organisations, handle personal information. The Office of the Information Commissioner is the national privacy regulator.