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Mr EVANS: Yes. On the topic of data, I guess, congratulations on your support in principle around your open banking and account portability measures and your submissions to the PC on that. I guess I am always cautious about support in principle and whether that translates to support in practice. I note your comments around the importance of controls around data security. I also note that the UK is going down this path with pretty quick time lines and deadlines in place, and I note that you have some experience in the UK. I guess I wanted to give you an opportunity to flag for us now if there is anything significantly different in the Australian banking sector compared to the UK market when it comes to implementing open banking.

Mr Hartzler: I will probably have to take that on notice.

**Answer:** We note the UK Competition and Markets Authority (CMA) will require the UK's largest banks to adopt an open API standard by early 2018, however there are still many decisions to be made as to how the new standard will be designed and implemented in the context of security and governance concerns that have been raised during the CMA's consultation process. This includes important issues related to: security, liability and the cost of implementing and using open Application Programming Interfaces (APIs) (the cost is considered to disproportionately impact smaller banks).

Westpac's submission to the Productivity Commission noted our support for an enhanced data-sharing regime to support consumer empowerment, competition in the financial services industry and innovation and productivity in the Australian economy.

However, in Westpac's view, the use of externally facing APIs is not currently well enough established to safely transmit banking information in the Australian banking and financial services industry. There are significant and complex issues relating to API usage which require industry consultation. For example, vetting of API access requests, authentication and validation, access rights and permissions, cost recovery, volume, scale and capacity, servicing and support. As such, the replication of the UK approach in Australia may not be appropriate.

We have recommended that the Australian Government should, as a first step, require organisations to provide individuals with access to information that the organisation holds about the individual in a standardised and readily useable format (e.g. information about credit card usage, interest and fees). However, we also recommended that the Government should encourage organisations to independently develop mechanisms for facilitating data-sharing for both customers and third parties, rather than mandating the use of open APIs.

Retaining the privacy and security of customers' personal information is crucial. There is an opportunity for government and industry to work together towards governance and licensing arrangements to enhance trust and confidence in data-sharing.

In addition, while there are similarities between the banking industry in Australia and the United Kingdom there are important differences, including the drivers behind the mandated UK open data regime. For example, differences in product penetration, transparency of product information and pricing complexity. The CMA highlighted the potential consumer benefits associated with switching in particular for personal customers who are overdraft users. In the UK, the CMA indicated that overdraft users make up almost half of those with personal current accounts, are a major source of revenue for UK banks, have been a key regulatory concern and are a major source of customer complaints. In contrast, within Westpac, overdraft usage is dramatically lower and is a small source of revenue.

Finally, it is important to note the existing switching initiatives which support competition in the Australian financial services industry, for example the Government's account switching initiative introduced in 2012 and the banks' individual programs. Westpac has taken advantage of new technologies in e-verification and straight-through processing which allow a new customer to sign-up for an account and switch payments in a few minutes. In addition, the New Payments Platform will enable customers to use their payment alias (e.g., mobile phone number or email address) to receive payments if they change banks.