

Open Banking Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600
AUSTRALIA

21 September 2017

**Reference: Review into Open Banking in Australia
Issues Paper August 2017**

Dear Mr Farrell,

I write to you on behalf of Moneytree Financial Technology Pty Ltd (ABN 97 611 531 107) in relation to the Review into Open Banking in Australia and Issues Paper released in August 2017 for public consultation and to submit our recommendations.

Background:

Moneytree is a fintech company operating in Australia and Japan, providing an app for consumers to aggregate most of their financial data, which is normally scattered across multiple service providers.

Moneytree was founded in Tokyo in 2012 by Paul Chapman (Australia), Ross Sharrott (United States), and Mark Makdad (United States). The company was the first in the Japanese market to receive simultaneous funding from the investment divisions of all three Japanese megabanks. In 2017, Moneytree completed its Series B funding round, bringing its total number of institutional investors to ten.

In Australia, Moneytree's free app enables individuals to have a full view of their financial position, contributing to better management of their personal finances, and maintaining financial wellbeing. We achieve this by bringing together the details of their bank accounts, credit cards, superannuation funds, loyalty points (i.e. frequent flyer points), and Opal and Myki cards, in one place. Moneytree is available for desktop web, iOS, and Android devices.

Moneytree also works with large financial institutions to provide financial data feeds for use with their systems. Moneytree charges a fee to institutions to access the data, and access is granted only with the express consent of the accountholder, be they an individual or a business. By providing access to high quality financial data, in turn Moneytree's institutional clients can better service their customers.

Our financial data platform, Moneytree LINK, was launched in 2015 and today has over 30 enterprise customers, including Japanese megabanks Mizuho Bank Ltd and Sumitomo Mitsui Banking Corporation, and seven top ranked regional banks. Moneytree LINK also powers ten accounting partners, including the market leaders in consumer and corporate accounting, making it the leading financial data platform in the Japanese accounting industry.

Moneytree LINK reaches an install base exceeding four million people; and through accounting clients, reaches hundreds of thousands of small to medium businesses.

Submission:

Moneytree welcomes the Australian Government's initiative to provide consumers with greater access to, and control over, their banking data; as well as regulating the access of third parties to this data so it can be managed securely and transparently.

As a founding member of the Fintech Association of Japan, Moneytree worked extensively with national regulatory bodies, financial institutions, and other fintech companies to develop standards of security, privacy, and transparency. Our submission draws on our direct experience in the Japanese market.

Moneytree's dual focus for the proposed open banking framework in Australia is in the areas of *privacy* and *transparency*. We make the following recommendations:

- **Access to primary sources of data:** Individuals and small businesses should be able to freely access their primary sources of data (a bank account transaction is an example of primary data) and share said data with approved third parties. However, a distinction should remain for derived or value-added data that is the result of industrious effort in collection or augmentation, and is more than a mere byproduct of another service. There is a need to balance openness with maintaining an incentive to create value from data.
- **Universal access:** The open banking framework should consider all types of financial institution customers, including individuals and small businesses, as equally important. Currently, individual and small business customers enjoy a less powerful bargaining position when compared with banks. Allowing all types of customers to permit third party access to their financial data creates both an incentive to provide new services, and a competitive pressure to maintain high standards across the entire industry.
- **Privacy by default:** As Australia broadens the scope of who gets access to financial data, privacy should be the default state to protect customers. In other words, express consent should always be required before sharing financial data with third parties. Moreover, the exact recipients of the data should be clearly communicated in advance. If a customer of a service takes no specific action, their data should remain private. Data sharing practices that fail to meet these standards should not be allowed within the finance industry.
- **Unified opt-out:** People who have allowed their data to be shared with third party product or service providers should be able to opt-out of this arrangement via the service through which the data was first shared.
- **Registration of service providers:** To minimise the risk of improper access to financial institution customer data, and to encourage high industry standards, the regulatory framework should consider creating a registry of service providers authorised to access open

data APIs. For companies to be recorded in the registry, adequate levels of insurance, tested security implementation, and globally recognized privacy certification should be mandatory.

- **Data access standards:** Outside of the finance industry, widely accepted protocols and standards for data transfer already exist, and are generally applicable. Ultimately, data access methods should be determined and agreed upon by data providers and recipients. Regulators should avoid fixing exact technical standards, as government prescribed standards can easily become outdated, restrict organic innovation, and pre-empt the role of the market in determining sustainable business models.

In Japan, Moneytree participated in a government-sponsored industry working group that met regularly throughout 2016-2017 to define industry guidelines for implementing open APIs in banking. RESTful APIs and OAuth-based authentication, for example, are some of the standards agreed upon. Similar standards are also being adopted in the U.K. and the E.U. In the Japan working group, members from all sides (regulators, banks, and fintech companies) agreed that fixing the exact technical standards could restrict future innovation, and that the resulting whitepaper should be a living document.

- **Phased rollout of the new framework:** We believe that a new regulatory framework, determined by collaborative process, is best introduced in stages. In our experience implementing APIs with Japanese banks, we learned that banks have regular IT investment lifecycles, and requiring immediate compliance could yield implementations that exist solely for the purpose of satisfying regulations, as opposed to fostering an ecosystem for data portability and innovation that can deliver better outcomes for bank customers and industry.

It is also noteworthy that Japan's regulatory framework allows for a gradual reduction in reliance on existing data aggregation methods (i.e. screen scraping). Considering the costs and lead-time needed to upgrade relevant IT systems, we strongly recommend a similar phased approach in Australia.

- **Funding regulatory oversight:** The issues paper suggests the need to consider a model to fund the ongoing operation of the regime, including the costs of regulatory oversight. We believe the degree of regulation should be carefully considered, as this could easily become a burdensome and unintended 'tax on innovation', and risks outpacing the ability for businesses to establish sustainable business models in the Australian market.

In Australia, to the extent that financial institutions commit to exploring the opportunities of an open data framework, the regulator will be able to take a low-touch approach similar to Japan.

From our experience with over 1.5 million users in Japan and rapidly growing numbers of users in Australia, there is ample evidence that people expect high quality and convenient *personal financial experiences* that can only be achieved with open access to financial data. A thoughtfully designed data sharing ecosystem should balance institutional concerns with the needs of customers, and simultaneously, provide room to innovate freely.

We welcome any opportunity for further exchanges with the Taskforce to share the company's experience working with the Japanese regulator in the development of the open banking regime in that market.

Sincerely,

Mr Paul Chapman
Chief Executive Officer
Moneytree Financial Technology Pty Ltd