DAY 2 – PERSONAL BANKING SERVICES MARKET STUDY CONFERENCE

SESSION 4 – OPEN BANKING

14 MAY 2024

9.01 am

JOHN SMALL: Mōrena tātou, welcome to day 2 of the conference on personal banking market study. I'll just run through a few of the preliminaries because there's a few new faces here. So my name is John Small, Chair of the Commission. My fellow Commissioners beside me have been working on this project throughout as well. We have Anne Callinan, our Deputy Chair on my left, Commissioner Bryan Chapple, Telecommunications Commissioner Tristan Gilbertson and Associate Commissioner Rakihia Tau. So we've been working and there's a bunch of talented staff at the back who we may call on for further questions as the day goes on.

So day 2 is about open banking and innovation and the topics that we're going to talk to are on the screen in front of you, so I won't traverse those any further. We have invited Adam Gagen, who's Global Head of Government Affairs at Revolut UK to just kick us off this morning with a few minutes of talking about his insights and experience with open banking implementation across a number of different countries. So he'll just spend a few minutes doing that to, I guess, get us in the right frame of mind to think about open banking.

So, as I said, Adam leads the Global Government Affairs function for Revolut, which has grown in seven years to have more than 40 million customers and operating in 40 countries. Adam leads Revolut's engagement across all of these markets with policymakers, regulators and other stakeholders around the world to deliver public policy outcomes which make a real positive difference in people's financial lives. He originally started his career with the EU Commission in Brussels and then Taipei, following which he held regional and global advocacy roles in different sectors based out of Beijing, Hong Kong and Brussels.

His interest in our topic today in New Zealand is in part for the commercial success of Revolut which seeks to leverage open banking APIs, but further to help improve the regulatory frameworks in which Kiwis experience financial products to drive innovation and better consumer outcomes. So I'll hand over to Adam now for a few minutes.

1   **ADAM GAGEN:** Thank you very much for the introduction and the kind synopsis. It makes me

2   feel very old, actually to hear that, I've been bouncing around the world so much. But yeah,

3   I used to, particularly when I was based in Asia, spend a lot of time down in New Zealand.

4   So, sad to not be there in person, happy to meet many of you virtually.

5   What I was going to try and do today in just under 10 minutes is just give a quick

6   snapshot about what Revolut is and why we're such a big supporter of open banking and

7   open finance, and really this initiative that you're pushing in New Zealand specifically.

8   Secondly, just to share some of our global insights as we're really operating around a range

9   of different markets and see the implementation of open banking can have a massive

10   difference for consumers and also for merchants, as long as we get the detail right. So we

11   thought we'd share a little bit of that today just to inform your own discussions locally. I'll

12   bring up a couple of slides just to get straight into it.

13   In terms of what we see as Revolut, we see open banking as really almost a silver

14   bullet to unlock innovation and competition globally. And we see multiple markets around

15   the world right now adopting the same kind of regulatory interventions you're looking at in

16   New Zealand.

17   Just a little bit about Revolut. So we are, again, around about, as was said, seven,

18   eight years old, we've now got, I think, 42 million customers, added a couple of million

19   since that pie was updated. And again, we try and do every area of financial services. So

20   essentially we're basically trying to provide payment services, savings and insurance,

21   investments, credit, a range of different non-financial products. You can book your holiday

22   through us, for example. And we also do business accounts as well, so things like

23   acquiring services.

24   So when we look at instant payments open banking we see it from all sides. We see

25   it as a card issuer, we see it as an acquirer, we see it as a bank, we see it as a fintech. And

26   generally what we see is extremely positive through all of those lenses.

27   We're now operating, as I mentioned, in about 41 countries globally and in most of

28   those markets we're, if not the largest, one of the largest operators around the open banking

29   ecosystem as well. That's largely because in sort of our DNA we believe there's kind of a

30   digital transformation taking place at the moment in financial services, therefore every bank

31   is actually now a technology company; just our joke is that some don't quite know it yet.

32   So this discussion around APIs, opening up tech stacks, empowering consumers and

33   end-users to have more control over their financial data we see is really just a new reality

the financial ecosystem needs to get behind, embrace and support. That's certainly what we're trying to do globally.

So at the moment we're operating in around about 31 countries under an open banking ecosystem. There's a lot of different ways you can participate and we try and do it all. So we operate as an account information service provider. So essentially means you can pull together people's data from various financial sources to give them insights in terms of how they're spending, how they can save money, potentially how they can get a better deal with us or with somebody else.

We also do payment initiation services, which is where the discussion in New Zealand is currently focused. This essentially means you can move money very seamlessly, very securely if you're an API-triggered payment from your current account held in whatever bank. Again, this is a great way of suddenly moving money in a much cheaper and faster way than has done historically and doing it in a way which opens up a whole new wave of potential innovation; not, again, just for sending from your bank account somewhere to your bank account elsewhere, but even for retail payments, really changing the way merchants can accept payments is sort of where a lot of the focus is now developing.

And then we're also innovating in some more advanced use cases, so something called variable recurring payments, VRP, which, again, is sort of a better, slicker, even faster version of those instant payments, based on you saying I'm happy to set a mandate to enable this amount of money to move this often, and that means that it's very frictionless, very fast to make these kind of transfers.

And again, we see multiple real world use cases that our customers love today. So people, things like when they're moving money from account to account, can do it much cheaper, much faster using instant payments. When you're making business payments, particularly for small businesses, making these things where they are link-generated, API-based payments where basically you can send an invoice and a little link for someone to click to get that payment straight into your account. Saves them time, saves them money; makes sure actually they also don't get delayed with late payments.

And then a myriad of other use cases, like financial management, income verification, credit scoring when you start to expand out towards open banking and open finance data, where again, all of these things under the control of the consumer pushes that innovation, that competition I think all of us want to see. That's, I guess, the good news

story. We see it happening around the world. We see a great demand from our users, and again, there's many other companies like ours adopting it.

A couple of lessons we've learned along the way, though, we wanted to share with the group today. The first is all of that potential really depends on having a high level of performance of the infrastructure that you're building. So here's a bunch of data points basically saying that while people talk about instant payments, country-by-country the actual time it takes to make these payments varies significantly. You have some even within individual countries, some banks performing at a very, very high level, so more than 80%, 90% success times in, let's say, under 5 seconds or under a minute. But you also have quite a large percentage of not well-performing banks that can actually take more than an hour, or at least up to 60 minutes to make these kind of payments.

And again, that has a real impact on actually consumer usage and, again, their trust in the ecosystem. If they expect something to happen now, they want it to happen now; and we see a significant drop off, about 20% for example, of our users will simply never use this kind of service again if they see that it takes long or it doesn't work. So getting the performance level right, monitoring it, making sure that everyone, not just some banks but all banks are delivering that high level of performance, is key. That will be the same applied to Revolut as to any other financial provider.

Second big lesson is, again, just because you can move money quickly doesn't mean necessarily it's a smooth process. So the authentication processes, when people are confirming to move money to enable access to this data, is really essential. The green bar here, this VRP I mentioned earlier, is this idea when you set up a very smooth, fast authentication process, for example redirecting to your banking app on your phone, a couple of clicks and it goes through and you can send multiple payments. You have a very high success rate with those, it's about 93.4% we see on our latest data from Q1. Other more manual processes you see much higher friction, much, much higher drop out. And so again it's around about 60% in some markets. So again, it's just saying just because you adopt instant payments, open banking, it's not always like-for-like, details matter.

That's, I guess, our last lesson we wanted to share today. This is something that we see again being adopted across multiple markets. Here's a chart that shows kind of performance levels country-by-country across the EU and the UK. Everyone adopted the same legislation, everyone adopted the same rule book; but the actual performance, the real

world impact on end-users lives radically differs country-by-country. And this is largely down to the implementation that each country decided to take.

The UK is the big purple line here in the middle. For once the UK doing something not too terribly. Really we've seen the UK outperforming most other markets globally when it comes to implementation because they took quite a strict and kind of whole industry approach, ensuring there was reporting, ensuring there was oversight, ensuring that when problems were found there was a fast reaction and engagement between industry and regulators to make sure it got resolved.

And essentially that's what we wanted to share with you today from our perspective internationally. When it comes to New Zealand we see such a great opportunity to really jump on what you've been pushing from the Commission to get this adoption of innovation. But we see three key things probably as something you need to consider.

The first is, again, using data and transparent reporting to make sure everyone knows how well this is going is key. That's things like SLAs on settlement time, SLAs in reporting over conversion rates and publishing those figures once every quarter, maybe even once a month so people know who's doing well, who's not. And again, people can then get engaged and fix problems when they emerge.

Second key recommendation we would probably have is, make sure the end-users have a voice. So again, in places like the UK they establish sort of industry fora where the banks were all sat around it, but also consumer champions, merchant groups, small business groups; so the people who are actually going to benefit from this can sit around the table and say what's working and what's not and really to make sure you have a best in class adoption.

Then I guess the third lesson for us is, while I think New Zealand is very fast probably going to become a big player in this space, given, again, the speed of which you can move, really we want to be designing some of these systems, some of these regulatory approaches for the long-term future of when we talk about open banking and open finance data. And so while the scope today is mainly focused potentially around payment initiation, some elements of data exchange, really we want to look for that five or ten year horizon when actually consumers, end-users are empowered to share a lot of their financial data and really, therefore, building the structures today, building the forums, building for that long-term process, we would say, is key.

1   So our hope is the Commission takes forward this initiative in New Zealand, takes

2   some of these short-term wins to make sure the initial implementation is very strong, again

3   starts to build for the future to being a lot of really great benefits of this new innovative

4   technology to Kiwis all over the country.

5   So happy to take any questions, but just some of the insights we wanted to share.

6   And again, we're very excited about the future here. We see a lot of innovation taking

7   place in New Zealand and the more New Zealand can, I think, drive forward on this space,

8   the faster your own banks or fintechs ecosystem is going to be able to potentially take

9   advantage, not just for people locally, but also on the international scene. Thank you very

10   much, I'll hand back to you.

11   **JOHN SMALL:** Thank you Adam, that's a very good starter for us for the day. Can I just ask one

12   question then I'll open it up to anyone else who wants to make a question or comment. You

13   had a chart there showing success rates for different types of API call and the payment

14   initiation service was down about 60% or maybe a bit more. Is that something specific

15   about payment initiation that makes it harder to get right all the time?

16   **ADAM GAGEN:** So it's sort of a combination of three things. The first is just performance level

17   of the APIs. So as I flagged that 60% number covers, for example, all of Europe. Some

18   banks have, like, a 35% success focus. And that's also, we would argue, because some

19   banks aren't always incentivised to make these things work perfectly.

20   Being very honest, a lot of people make a lot of money from things like debit card

21   interchange rates; the idea they're going to really invest dollars to innovate and bring

22   something new that disrupts that model isn't always the case in every market. That's one

23   issue with API performance.

24   Second is sort of risk and fraud management. So it's very, very important to people

25   to move money faster and more seamlessly, there's long and strong and forward controls

26   around that. Again, sometimes this works well, very seamlessly, some people with more

27   legacy controls can stop, slow, deny payments. That leads to a little bit more friction.

28   And then the third element is simply the fact that sometimes these things can lead to

29   abandonment from consumers. So again, just taking a minute, 2 minutes, 5 minutes, 30

30   minutes to make this payment, often times the consumer will cancel out, reject and never

31   go back to it. Hence we do see slightly higher friction. Again, that 60% is an average.

32   Some countries are 90%, some countries are below 35. Again, our hope is New Zealand is

1   a best in class globally at this, so hence we'd be really happy to support them in any way we

2   can.

3 **JOHN SMALL:** Thank you. So anybody like to raise a comment or a question about this? Yes,

4   there's a hand up, Catherine first then Tex and then over the back, is that Shane? Yeah.

5 **CATHERINE McGRATH:** Catherine McGrath, Westpac. I heard that with interest and my own

6   credentials in this space, as I was part of the team that lobbied for open banking in a

7   previous market study and was part of the leadership group that implemented that in the

8   UK as well, so great to see that we set it up for success and it's a stand-out. So I think with

9   that insight, there's things that we need to learn and there's things I think that the UK got

10   right and then there's the things that I think we could do better than the UK.

11   And one of the things, that whilst the adoption after five years for retail consumers

12   is now up to, I think it's 1 in 7, that's still not very high as a proportion of digitally active

13   consumers. One of the things I think we need to make sure that we do here is make the

14   accreditation of the users of the data very clear. But really importantly, because I think that

15   will come out of CDR, that we have a programme of engagement with consumers to make

16   sure that they're confident and that they're confident about who's using their data and where

17   the liability sits. And I think those things can accelerate adoption.

18   So my request is as we start to look at this and look at it in anger, that we're very

19   thoughtful about what are the precursors from a consumer perspective for success, and we

20   use that to make sure that we do accelerate. If we do it back to front, which is kind of what

21   we're at the risk of doing at the moment, then I think we don't set it up for success and we

22   won't see the accelerated use cases that have been seen in other markets.

23 **JOHN SMALL:** Thank you, that's really helpful. I think I was going to go to Tex next. Sorry, if

24   anyone wasn't here yesterday, the protocol is just say your name and where you're from so

25   the transcribers can pick it up.

26 **TEX EDWARDS:** Thank you for a great presentation. My name's Tex Edwards, I'm from

27   Monopoly Watch, we're a public policy group that analyses monopolies. I've got a question

28   for you here in the UK. What impact do you think the break-up of the two banks, RBS and

29   TSB, had in creating a heightened awareness and breaking consumer inertia in the UK?

30   Question one, did that have an impact in the success you've had in the UK? And the second

31   question is, was the CMA or the banking regulator breathing down the banks trying to

32   change their attitude and incentives in implementing it? Thank you very much.

1   **ADAM GAGEN:** Thanks very much for the question. Again, also Catherine's comment earlier

2   which I entirely endorse. We think this can work for consumers is really key. So thanks,

3   just on the first question; I'd say probably the RBS and TSB and the changes that are taking

4   place in the market probably hasn't been the primary driver of the boost in innovation and

5   competition in the UK.

6   There's a few things the regulator did a number of years ago to kind of encourage

7   challenger banks, encourage kind of other providers, which start as a payments provider

8   and kind of morph into larger banking competitors to come about; this probably had a

9   bigger driver, we would say, overall of competition in the marketplace. But as you say,

10   there has been a lot of churn in different areas, so probably there's all contributions.

11   I think the second question is probably even more key, though, which is all of those

12   new entrants that maybe even support it, right, or some of the banks have been split, how is

13   that innovation from open banking being delivered to enable them to really compete, bring

14   down margins, bring transparency, make people basically get a better service for less.

15   And it's very much back to your point you flagged there, which is the CMA and

16   actually the banking regulators. So in the UK we set up this thing called Open Banking

17   Limited. Basically have nine largest banks as part of it. It will force them basically to use

18   the same API. It had essentially a trustee sat above them, that when they saw the banks

19   weren't doing a good job, they could actually direct the firms to do X, or to do Y to improve

20   their services. And again, you have consumer reps and merchant reps within those

21   overseeing bodies to kind of ensure, like you say, people are really trying their hardest and

22   did their best.

23   That's, again, one of the things we think has really made a big tangible difference in

24   the UK, that oversight layer. Again, we recommend you don't need to go quite that far

25   immediately from day one. There are some downsides to the UK system; it's been quite

26   costly. So the 9 largest banks have paid a few million quid every year to kind of support

27   that ecosystem very kindly for the rest of the fintech groups. But again, there's a big debate

28   in the UK about how we transition away from that.

29   So we think trying to take the best of that model, learn the lessons of the UK in

30   terms of that reporting, some sort of semi-oversight structure makes sense; but probably

31   using the much faster, much lighter way, which gets the same benefits but without the cost

32   and some of the more burdensome regulatory interventions that we needed there. Again,

| 1 | getting people in a room, getting the data so people know what's working, what's not, that's |
| 2 | really the starter for ten to make sure this thing works. |

JOHN SMALL: Thank you. So I think it was at the back, Shane.

SHANE MARSH: Hi, Shane Marsh from Dosh. In some of the early discussion from the banks in New Zealand about open banking has been less about innovation and more about the security risk, particularly data security. Keen to understand the experiences in the security space, any data security events, or issues across the geographies which you have examined.

ADAM GAGEN: Yeah, very good question. So generally there's been a big focus around security from the technical architecture layer, so talking about very, very technical things like risk of APIs and (inaudible) set standards and Berlin group standards to kind of how you make sure that you get a very clear authentication at the technical layer to ensure that people can't basically hack into the system and anyone who's sharing data is licensed and regulated.

So there's a large amount of discussion over the last few years to make sure that each individual market has systems developed in a very strong way. Sometimes you'd have that government layer, so there's basically kind of a certificate directory service they provide. Sometimes you will have that as kind of a private sector initiative, where it's kind of different companies making that interconnection with the switch, as it were.

All of those things are relatively viable. What we've been surprised about actually is that there has not large significant breaches from a data or cyber point of view in these markets to date. Again, touch wood, there's always risks, there's always definitely some failings that can emerge, particularly at the local operator level. But so far there hasn't been the major concern that people did debate eight, nine years ago, which is enabling people to access this data more freely, more openly, would lead to basically potential incursions for either non-state or state actors potentially.

That, however, doesn't mask the fact that sometimes there have been issues, but it's primarily been what we call in authorised fraud, or authorised scams. So this is not where you are hacking into get someone's data, this is not where there's been a cyber failing, there's been a mass attack to take customer's data at a significant scale. It's largely where you as an individual customer are convinced to send money through, again, these instant payment methods to someone that actually isn't something you think they are.

Again, there has been a risk of fraud in multiple markets where, again, people have had to then take actions to make sure that, again, those fraud risks are mitigated. We as

1	Revolut, we have a very long-winded approach. I could explain to you about how we've
2	built very dynamic interventions to check in real-time when people are trying to make these
3	payments. But that's probably what I would flag as certainly a risk that needs to be
4	properly managed.
5	The cyber one is something from an architecture layer generally has been able to be,
6	I think, relatively safely implemented in most major markets and I'm sure New Zealand will
7	do the same; that there needs to be oversight, needs to be auditing. It's really that the fraud,
8	the customer behaviour, the fact you can hack basically how people operate with each
9	other, that's where the risk has more emerged, where, again, generally you haven't seen
10	high levels of fraud in other parts of the financial ecosystem, but new technology generally
11	solves the problem and creates a new one. That's probably the problem that we are still
12	working through globally.
13	**JOHN SMALL:** So Lyn, I think, from Financial Services is it?
14	**JULIA NICOL:** Hi, I'm Julia Nicol, I'm from Worldline. So we have an open banking payment
15	product here in New Zealand and we have done so for many years, but we don't have
16	instant payments here. So to what extent -- how important do you think it is to have instant
17	payments or real-time payments system for a flourishing open banking ecosystem?
18	**ADAM GAGEN:** So I was talking with my local New Zealand colleagues that this question may
19	come up. We think that it is certainly extremely advantageous to have a full real-time
20	instant settlement system at the infrastructure layer, right? That can take some time to
21	build, so it's not a reason not to pursue these instant payment, open banking, API-driven
22	ecosystems; but certainly trying to do both in parallel, or trying to get that infrastructure
23	layer set up as fast as possible really helps mass adoption.
24	As you say, you probably have a product in the market. I think we as Revolut, we
25	have our own kind of way of making direct settlements on our internal rails. So there are
26	ways you can still bring instant payments to a market, even if actually you haven't built a
27	big, totally industry-wide real-time payments ecosystem.
28	So we'd say it's definitely something we would encourage and support in every
29	major market for a regulator, central banks to try and get up and running; and again, to try
30	and get as fast as cheap as possible is generally what we'd recommend. But it's not a
31	deal-breaker. It's not a reason why, certainly in New Zealand, you shouldn't power ahead
32	with the plans you have to try and, again, get open banking to really take off.

We'd also flag that from our point of view while instant payments is what we're talking about here today, there is a very big area of data-sharing via APIs around this open banking, open finance concept that doesn't depend on that real-time payment infrastructure and really is more just a data sharing, data economy-type initiative. That's something we would also really recommend for New Zealand to continue to power on with, because we really see that's a big, new area where people and end users can get major benefits.

It's really simple stuff like when you're signing up for a new insurance provider you can take your insurance legacy history from your current provider, share it in a couple of clicks. When you're trying to check are you getting a good savings rate, right, on all of your accounts for the last couple of years, you can just press a couple of buttons on your phone and suddenly see how much more money you would have saved by moving your account to another bank, this kind of stuff. Just the fact that it's coming drives innovation in the market, drives competition, makes people in boardrooms think about how they're going to really compete, when really every customer knows exactly how much they're making, exactly how much they can benefit from.

So I think from Worldline's point of view, it makes sense for us to continue looking at that instant payment ecosystem, but the broader open banking API build ecosystem you're embarking on in New Zealand, we'd say power on with it nonetheless. Did that make sense? Happy to take any comments, though, given Worldline is a big expert in this field.

JOHN SMALL: Thank you. So there's two more in the room and one online. Antonia, oh, since you're standing up, okay, go.

SHAUN FORGIE: Yeah hi, Shaun Forgie from Bill Rush. We're interested to know aspects about what bits are differing. So you talked about this open banking entity and the nine largest banks being members of that, and that entity was designed to standardise the usage of the APIs but what parts aren't? I'm particularly interested in things like pricing and those sorts of things. So where are the differences? Yeah, thank you.

ADAM GAGEN: So most markets, apart from the US and a couple of others, are just sort of embarking on that conversation. So a lot of the markets so far today when it comes to instant payments, particularly where it's moving it from one customer's account to that account held with another financial provider or something, is called sweeping. Generally the pricing model has been regulated. So essentially you've had to enable movement of that

money essentially for free, or as close to free as possible, depending on the infrastructure layer.

So you as a bank can't charge for it, there's no interchange fee, and essentially that's just something which is seen as almost a compliance obligations, right? It's the customer's money, they're choosing to move it from point A to point B and you're going to facilitate that via a new secure system; it's the same, basically, as a bank transfer. That has been the discussion to date, so again, there's very simple use cases of moving money into your account, maybe moving it a little bit more seamlessly to utilities, to charities.

There is, however, a genuine debate going on at the moment about retail use cases for instant payments and in a number of markets, and the UK is very live to that debate. This is essentially looking at the idea that if you're starting to move money from the customer's account to a hotel, an airline, the guy down the street that you're buying your pot plants from, or where you're paying for dinner, that suddenly is actually instant payments operating in quite a big economic payment market that exists today.

Again, merchants pay money to accept and process payments. Banks receive often interchange fees to cover fraud, cover liability, cover KYC servicing. And therefore a lot of people are arguing it's legitimate that in that new retail use case for instant payments there should be a pricing model that remunerates essentially the current account-holding bank that is servicing and providing support for that customer. And those arguments become much clearer if you start to say those banks should provide some liability, some charge-backs, some scheme elements in existing cards; you'd provide that.

And again, the debate tends to be do you pick a number above current card interchange, which is a really strong way of incentivising banks to really adopt this technology and push it out there; do you come up with a number that's lower than current interchange, and again essentially probably disincentivise banks to do it but maybe pass some savings to merchants; or do you pick a number somewhere in the middle.

So generally most markets haven't really finished that discussion. But the way it's been discussed is generally by referencing them as premium APIs. So essentially there's a mindset in a number of markets, again -- Europe, UK being the most obvious but there's a few others -- where basically there's some stuff you have to provide for free, so it's regulated, it's good for the consumer, and basically it's stuff that we have to do from a compliance point of view.

1   But anything beyond that, you as the banking industry can potentially come up and

2   develop a scheme about. So basically put premium API costings around it, make money

3   from it. And again from our point of view as Revolut, we're quite open to those debates,

4   we see there's justification on both sides; and generally we think coming up with a

5   sustainable economic model for retail payments can be effective.

6 **JOHN SMALL:** Thank you. Antonia.

7 **ANTONIA WATSON:** Thank you for that, it's been really interesting. My question is -- in

8   New Zealand, I think, much to the frustration of both banks and fintechs, we're dealing

9   bilaterally and we actually can't collaborate as an industry to work out how to make that

10   better at this stage. You've probably seen a few different models in various markets of how

11   that process becomes more seamless. Do you have a particular recommendation, or can

12   you outline some of the ways that that's done rather than having to rely on bilateral

13   contracting?

14 **ADAM GAGEN:** So again, very good question. There's a range of different ways countries have

15   chosen to approach this, often linked to their culture. So Korea, for example, has quite a

16   harmonised systemised data exchange that can be multi-funded. India has a very kind of

17   core tech stack linked to the Aadhar, their digital identity ecosystem. The US is basically

18   free markets, so most people just doing it through private sector companies. Europe, the

19   UK quite regulated entities in the centre.

20   Generally we would, again, support some level of regulatory coordination and

21   oversight depending on the appetite of the local regulator, because it does make things

22   faster and easier. Because, again, sometimes there are sometimes competition concerns,

23   particularly in these discussions around premium APIs on pricing models. Putting a bunch

24   of banks in the room to discuss and negotiate those things together tends to raise eyebrows.

25   So having a regulator sit in the middle and help coordinate that is useful.

26   A couple of caveats to that, though. First of all there's a bunch of stuff the industry

27   can do together, right, and I know obviously New Zealand have already come together to

28   drive this as a number of banks. Things like SLAs, that transparent reporting, deciding how

29   to share data with each other about performance and resolve performance issues. Generally

30   there's very limited competition concerns around that. Should be something the industry

31   can do. Great if you do it with the regulator or the Commission in the room. You don't

32   have to, you can do it together.

1   And then secondly, also when it's not talking about pricing, generally we see that

2   there is an opportunity for industry to come together and develop API standards. So things

3   like the STET group in France, where there's basically something that the industry came

4   together to come up with an API system they liked. The Berlin group that, again, started

5   off in Europe but actually covers multiple markets, like the UAE, Israel. These are areas

6   where, again, it's the industry coming together with, again, private sector organisations to

7   come up with systems and standards that work well for them and then adopting them at

8   scale. That's something, again, you don't need the regulator in the room to do.

9   So, again, we'd see there's a lot of opportunity for the banks to come together and

10   make sure that we have good level APIs. And we would just flag that we think that is in

11   the interests of everyone at the end of the day. This is the new world, we're all going to get

12   there with these high performing APIs. The faster we do it, the cheaper we do it from an

13   implementation point of view, we generally think the better actually the market is going to

14   perform.

15   Certainly a lot of the banks that I think were very worried in some of these markets

16   that have moved a few years ahead of New Zealand, they were really concerned at the

17   beginning of the journey, now they're some of the biggest users, now they see it as actually

18   a great upside, and again actually they've stayed very strong and very competitive in the

19   market. It's just forced everyone to get a little bit better, work a little bit harder for their

20   customer. That isn't necessarily a bad thing for anyone.

21 **JOHN SMALL:** Thank you.

22 **BRYAN CHAPPLE:** I think this probably is a repeat of a question, similar to a question you've

23   addressed before, but I'll pose it anyway, Adam. It's from Adrian Smith at BlinkPay. How

24   much of a bearing does log-in credentials have on the low conversion rates for payment

25   initiation services, as many banks have log-in credentials which are only used for their

26   online banks?

27   And then relatedly, sorry, additionally, which is probably where the overlap is, and

28   in the UK he understands that the banks eat all of the costs of calling APIs; would that

29   model work in New Zealand? So two questions there; one about log-in credentials and one

30   about the costs of APIs.

31 **ADAM GAGEN:** Yes, I can definitely answer the first one. The second one I recognise that I'm

32   calling in from a video conference, so I always trust the people in the room probably to

33   know better about using the ecosystem than me.

In terms of the first one, so, absolutely, we would say it's not just log-in credentials, it's really automation of authentication is what's key here. So, again, you're enabling a new technology to enable people to send money faster and more seamlessly, make sure it's the person authorising that and making sure that they're the one that's authenticated the exact transaction amount is kind of essential. Typing in log-ins and passwords, having to go to a different website with the different UI, having to potentially, you know, go and get a code and justify it by getting an SMS, all of this stuff destroys the use case for consumers and may as well just get out their debit card, right, and top up that way, or send money that way.

So what we've seen is, again, a really detailed discussion between the industry and industry groups in some places with regulators in other markets, about making that as seamless as possible. So what we tend to see works best isn't just about log-in credentials, but what we call API redirects that enable an automated system to talk to other automated systems to make this stuff move quickly.

So to keep it really simple, it's like you've got your phone, you're trying to move money within, let's say, the Revolut app. And when you're trying to move money from a New Zealand bank you would click on that bank logo, it would then redirect to the banking app you potentially have on your phone, you would authenticate as you normally would, to maybe face ID, maybe use your fingerprint. That automatically then confirms the payment and enables it to go through. So essentially you're getting to two, three clicks, the money goes through, you don't have to type in any codes, don't put any numbers in.

Again, that doesn't work in every market, doesn't work for every bank. But that's the kind of user experience you really want to aim for to make this stuff actually work in practise. Again, we think that given the direction of a lot of particularly digital banking applications, a lot of big banks in New Zealand obviously really are leaders in that space, right? We think there's a great opportunity for, again, New Zealand to be one of the best markets for that user experience.

Then just one last thing. All of those apps and screens and technical things is really key, but also just the language you use to explain to a consumer what's going on is really essential too. In some markets, and we'd always endorse this, industry comes up with what they call customer experience guidelines. So it's kind of what's the font you're using, what's the word you use; is it instant payment, is it bank transfer, is it easy bank transfer. That kind of consistency of language, bank-by-bank, user-by-user really builds trust in the

1   ecosystem and is, again, something we'd really strongly recommend. That's, I guess,

2   answer to question one.

3   Then question two, so who pays for what is a really big debate. It's true that it's less

4   that it's just ASPSPs, so basically the account holder that's been paying for everything in

5   the UK. It's more been a model that just the nine largest banks, who are both ASPSPs but

6   also TPPs; so these third-party providers, the people that get access to the data. They're just

7   asked to pay for everything because they were really big, people wanted more competition

8   and therefore they were asked basically to enable this ecosystem to get set up.

9   There is a big debate actually at the moment to broaden that funding base, ask

10 everyone to start paying, whether a fintech, data provider or data user. So that's definitely a

11 journey we think most markets are going to get to. It would make complete sense to me in

12 New Zealand for us to also be really looking at those costs, making sure everyone who can

13 benefit commercially from a great open banking ecosystem to properly pay to support it.

14   And the one thing we would flag as part of that is, you just should be really careful

15 to make sure you don't put the funding model in a way which can be a bit anti-innovation.

16 So one thing that we're pushing against in multiple markets generally, with the support of

17 consumer groups and others, is what they call funding via API call. So this basically means

18 if you're trying to do an API call you have to pay money. We think that's a really bad

19 model. No market, as far as I'm aware, has adopted it; mainly because it really kills use

20 cases that aren't very commercial but are potentially really useful for the world.

21   So, for example, vulnerable customers, helping people make payments to charities;

22 these use cases are where actually banks don't make a lot of money, but are probably a

23 good thing to put in the market. These things become very uneconomically viable if you

24 start charging for API use case, instead of saying look, if you're a big player you should

25 probably pay and do that on kind of a gross scale. But again, it's probably another two-day

26 workshop just talking about the funding model because it gets people (inaudible).

27 **BRYAN CHAPPLE:** Yeah, thanks Adam. Just a follow-up from Adrian. Do you have a view on

28   whether or not open data could be used to expedite on-boarding for AML/CFT?

29 **ADAM GAGEN:** So yes and yes is the easy answer. So we love open finance, we love open

30   data. Our starting point, right, is it's the customer's data, you're just looking after it for

31   them. So if someone wants the data that we hold on our customer from Revolut, we give it

32   to another New Zealand bank, or a bank elsewhere in the world. They should be able to do

33   it, and that's, again, a compliance point from our point of you. We have use cases today,

1	for example, when we're offering credit in some markets; where someone will tap their
2	phone a couple of times, mandate, essentially, their data that's held on other payment
3	products they have with other banks to be shared with us, and then we're able to use that for
4	an instant credit check; can they afford the credit they're asking for us. Again, we do that
5	for AML, KYC, anti-fraud defences, transaction-by-transaction monitoring; the use cases
6	are endless.
7	Again, it's really one of the interesting things that historically when people talked
8	about open banking it was all the benefits coming to the consumers that people focused on.
9	In reality, the banking industry itself has massively benefitted by reducing fraud, making
10	faster on-boarding, enabling basically people to move their accounts around a bit faster.
11	And that's actually led to a big wave of innovation of the people who are really trying to
12	deliver benefits for their customers.
13	So yeah, 100% AML/KYC is really strong. And again, definitions are important
14	here, but open finance is where basically you're opening up data from all financial
15	providers. Open data is another step which essentially says even your Google data, your
16	Amazon, your eBay data, potentially that's something a user consumer should be able to
17	share as well.
18	There's a principle in a lot of markets called essentially data portability that says it's
19	your data, you should be able to share it. When we talk about open banking, open finance,
20	really all we're doing is giving you a very structured, very safe, very seamless way of
21	sharing that data. The fact it's yours in the first place from our point if view is really the
22	starting point there.
23	**BRYAN CHAPPLE:** Great, okay, thank you. Catherine and then we've got someone online with
24	their hand up.
25	**CATHERINE McGRATH:** Catherine McGrath, Westpac. I think it's been a useful discussion to
26	understand some of the commercials around it too. And everything I've learned about
27	payments is you tend to need to have three parties that are making sense; one is the
28	payment provider, the other is the consumer, and often it's the merchant. And in order for
29	something not to become a white elephant, having sustainable commercial models around it
30	is important. Because if you don't have that, you won't get the innovation that we're
31	looking for out of that. And so being thoughtful about ensuring that it works for each of
32	those constituent groups is incredibly important.

1   The other thing that was a pretty live, and I think still is a live discussion in the UK,

2   is with different payment types becomes different levels of protection for a consumer. And

3   helping consumers to understand if you make this choice, this is where the liability's sitting,

4   or here is the risk that you're choosing to carry yourself, becomes really important. So us

5   starting to understand what's the shorthand for consumers that they can understand the

6   different levels of coverage they get becomes incredibly important.

7   **BRYAN CHAPPLE:** Thank you. Did you want to say anything, Adam, to that?

8   **ADAM GAGEN:** No, I was just going to add I think particularly on that last point is a really

9   strong one. The consumer protection you need when you're paying for your coffee, when

10   you're paying for your dinner you've just eaten, is radically different from the consumer

11   protection you need if you're booking a holiday, right, that you're not going to take for a

12   couple of weeks, or you're buying something online that you're not going to receive for a

13   couple of days.

14   So that diversity in the model, enabling it to have very, very cheap payments with

15   very limited protections for stuff you don't need protection on, and then maybe more high

16   levels of protections in certain areas, kind of almost like schemes, we think is something

17   that is really being adopted in different markets and really helps that diversity take off. So

18   just to back up the comment that was made.

19   And then one other one just about the earlier mention there. You know, we do

20   recognise that viable commercial model is necessary, we 100% back that particularly, as I

21   said, for retail payments. We do, though, still believe, right, customers should get some of

22   this stuff for free. So if they want to move money from our account to another account they

23   should probably be able to do that relatively cheaply without being charged. But again, that

24   probably means maybe the industry needs to make some money elsewhere; whether it's,

25   again, on premium APIs, or whether it's potentially on retail payments.

26   **BRYAN CHAPPLE:** Thank you. We've got an online question from Dave Harvey.

27   **DAVID HARVEY:** Hello, David Harvey, Auckland, New Zealand as an individual. As more and

28   more services come online that require identity verification, this is an issue for the blind

29   and visually impaired who don't have access to driver's licence and not all of them have a

30   passport. What I'd like to be able to do is use identifier verification, where I can verify my

31   identity online, that is essentially like RealMe provided, because it would mean it's an

32   accessible experience. What kind of stuff is happening over there in the UK regarding this?

1   And also, when it comes to debit card fees, could these APIs be used on places such
2   as supermarkets to enable alternative payment method to drive down the cost so that
3   consumers don't have to pay the debit or credit card fees? Because more and more places
4   are accepting those fees and they will add up over time.

5 **ADAM GAGEN:** Thank you very much, David, two excellent questions. I'll answer the second
6   one first because it's simpler; which is to say yes, in theory these real-time payment
7   technologies can enable you to have an alternative way of paying at the merchant, at your
8   supermarket. There's different ways you can do that. You can do that by tapping your
9   phone, you can do that with a QR code, you can do that with other ways of triggering that
10   payment. But it will be different than a card payment. Potentially cheaper, generally
11   people would expect it to be cheaper. But again, that depends on the different pricing, the
12   different protections you get as a customer. But yes, in theory this opens up a new wave of
13   innovation and competition that probably will bring down prices.

14   On the first question, I'll answer controversially. I don't think many markets are
15   doing enough, if I'm being very honest, right, around vulnerability and financial inclusion
16   for people that are visually impaired or in other areas. There are some schemes initiatives
17   we're aware of, and some of them, again, we investigate to try and support directly where
18   we see authentication methods, to put it in a very technical way, that people can use without
19   having to interact in a very difficult way with some different technologies.

20   And again, there's different places that that impacts the population. That can be
21   people who are simply not very literate when it comes to technologies, like smartphones,
22   that can be people where there's just not digital infrastructure, that can be people, again,
23   where there's a direct visual or personal or physical impairment.

24   So yes, we'd say there is probably a heck of a lot more that needs to be done and
25   that's, I think, a really good flag to raise in this forum for the industry in New Zealand.
26   Probably as we move forward to adopt these technologies, let's ensure for vulnerable
27   customers and others, everything that is done is done in a way where we recognise we're
28   not disengaging a population that really deserves our support. So an excellent question and
29   sorry for the controversial answer that probably not enough is being done, but a good
30   reminder that we probably should all be doing a bit more

31 **DAVID HARVEY:** Thank you very much.
32 **JOHN SMALL:** Okay, a couple of questions here, one at the back first.

1   **EMMA GEARD:** Hi, Emma Geard, Buddle Findlay. You've talked a little bit about regulating
2   the open banking space. I'm interested to know if there are other kind of things that
3   governments have done in other jurisdictions that have really pushed implementation. The
4   government in New Zealand has not been particularly active so far. And if I am allowed,
5   could you touch briefly on some of those other initiatives you were talking about that have
6   had more of an impact on competition, in your opinion, as I think that might be relevant to
7   our conversation later in the day; is that permitted?
8   **ADAM GAGEN:** I speak under control of the Chair. So just in terms of the first question which,
9   again, just remind me, I think it was around the active users; is that correct?
10   **EMMA GEARD:** It's about government intervention, really. Are there other things that
11   governments have done, other than just regulating, that have helped push the
12   implementation of open banking?
13   **ADAM GAGEN:** So sort of two or three things that have been done, none of which have
14   necessarily been game-changers versus, as I said, just sort of getting the infrastructure right
15   and then letting the industry drive it out. The first has been consumer awareness
16   campaigns. There's been some consumer comms done to educate people about what open
17   banking is, instant payments is.
18   Generally the actually mind share you're able to get with the budgets that have been
19   apportioned to it haven't been significant. So we haven't seen any material difference in
20   open banking uptake between markets that have tried public awareness campaigns and
21   others that haven't. And maybe that's a scale issue, maybe that's just a local economy issue
22   and a lot of other things going on. But generally that's something people have looked at;
23   we haven't seen it to be a game-changer.
24   Second thing people have generally done is that there has been a look to try and find
25   kind of killer apps, or killer use cases; so, for example, enabling instant payments on public
26   transport, enabling instant payments through tax authorities. Generally there we see there
27   has actually been a relatively big shift in sentiment and actually an increased uptake in
28   them for other use cases. So the big example is paying your taxes. If you pay your taxes
29   via open banking everyone basically in the market tends to get used to that, and that means
30   when the offer to pay grocery bill, or something else via open banking, they've seen it,
31   they've used it, they know that it works and are much more likely to use it.
32   So again, actually there has sometimes been a bit of a competition to get your
33   payment products and open banking products into those key use cases. That's certainly

something I think the government could look at, right, when you're buying your driver's licence, when you're getting your passport, when you're paying your taxes; if there's technologies there front and centre as a promoted way of making that payment, much more likely other people will do it. So that's the second type of intervention we've seen that's been pretty successful, pretty effective.

And then the third area has largely been, again, trying to broaden support for competition innovation. So again, if you just leave this, as we found was the case in Ireland with the local three banks, generally they haven't necessarily out-innovated and out-competed each other; generally things have moved pretty slowly until a new entrant's come in, or a local player, or a smaller fintech locally has scaled up and started to challenge them.

So that was a little bit of the story, if I'm being very blunt, about us in Ireland. We started out there again just a few years ago. We've now got, I think, about 70% of the population that are using Revolut, 70% of the adult population. And again, open banking has been key to that journey for us, because it means when a customer wants to join us we can, again, bring some of their data, bring some of their background, offer instant payments that just no-one else in the market was doing.

So again, generally if the regulator is more broadly looking at supporting entrants, supporting people that are kind of expanding, that tends to, again, raise the bar for anyone. Ireland's one example there, but again, Poland's another. We entered Poland but the local banks were very reactive very fast and are now actually some of the most efficient, some of the most innovative banks in the whole of Europe. They're actually now going out of Poland into other markets in Europe to take market share there.

So again, just because, again, you're bringing open banking, doesn't mean that's actually a net loss for anyone in the market. It just triggers everyone to really probably work a bit harder, be a bit more innovative.

So yeah, that's probably, I guess, the answer to the first question. And the second one I speak under the control of the Chair. But there's a range of other things you could do to try and support innovation. But again, I think you'll get to that later.

JOHN SMALL: Thank you. Had a hand up from Kent.

KENT DUSTON: Kia ora, Kent Duston from Banking Reform Coalition. Just curious about where the regulator should play in your experience. Should the regulator be regulating for outcomes such as, you know, these are the results we want but we're not going to specify

1   how those are achieved? Or does the regulator need to be more down in the weeds

2   regulating for the very specifics of an API, or a specific technology platform, or a particular

3   authentication method; what's most effective?

4 **ADAM GAGEN:** So generally we would probably lean towards the former as long as it's done

5   right. So again, outcomes can cover all manner of sins. Are we looking at sort of generic

6   outcomes kind of in terms of usage, are we looking at kind of actual settlements times in

7   milliseconds for individual banks? All of those things can be classed as outcomes.

8   Generally we would see the development of the tech stack, right, so the individual APIs the

9   technology's built on. Generally good if the industry has a very strong hand in that process,

10   right.

11   At the end of the day it's the banks that need to implement this, you guys need to

12   build it, you need to have compliance teams, there's integration with legacy tech stacks.

13   This stuff isn't easy; it does cost money, it does cost time. So trying to make that done in a

14   way where the private sector is very deeply involved, probably has a very strong seat at the

15   table, is quite key.

16   The only element is, though, that that can't be left to its own devices. You do need

17   to have those outcomes very closely monitored, and then a mechanism that, if outcomes are

18   not being delivered to the level that people want, there's fast and effective ability to remedy

19   that. Again, maybe that's just through a forum where, again, the regulator raises concerns

20   with the banks. Maybe that's through a more formalised system where, again, there is some

21   level of oversight and direction that can be given. Depends country-by-country. Again, we

22   defer to New Zealand to find the right path through that.

23   But yeah, we think we should look at outcomes, but they should be detailed, they

24   should be very closely supervised, they should be delivered. But some of the tech stack

25   elements should, again, certainly be relying on the banks and the broader industry, the

26   fintech industry, to be able to come together and develop. Again, I think in New Zealand,

27   given where we are in the cycle at the moment on this particular regulatory journey,

28   probably that would make the most sense right now.

29 **JOHN SMALL:** Thanks very much, Adam. Look, we're going to draw this to a close in a tick,

30   but we've just got one more question online, I think; is that right, Bryan?

31 **BRYAN CHAPPLE:** Yeah. Thanks, so this is also from Adrian Smith at BlinkPay. Just going

32   back to your presentation looking at the disparity between the PIS and the VRP conversion

1   rates is surprising. Is that because the VRP data includes the successful payments after the

2   VRP is set up?

3 **ADAM GAGEN:** Yes, correct. Hence the reason, once you've set up a mandate, you've

4   authenticated, you have much lower dropouts afterwards.

5 **BRYAN CHAPPLE:** Okay, thank you.

6 **JOHN SMALL:** Sorry, there is one other question from my colleague, Tristan.

7 **TRISTAN GILBERTSON:** Just bringing it back to consumers, which is what this stuff is all

8   about. You mentioned that having a strong consumer voice at the table is a critical success

9   factor. How have you made that meaningful in the UK? So, for example, is there a formal

10   requirement that there be a consumer champion at the table? Do there need to be a

11   minimum number of champs at the table? Do they have voting rights? Are they there in an

12   advisory capacity only? How does it work, how do you get the cut-through?

13 **ADAM GAGEN:** So in the UK there's one model, again, there's different ones in other models,

14   but the UK model was, again, essentially to have a formal seat that was occupied for a large

15   portion of the regulatory journey by someone called Faith Reynolds, basically sort of a

16   consumer champion. She had a seat, she had a voting right on essentially the board that

17   oversaw OBL and kind of the regulatory mandate that was being implemented on the

18   banks.

19   There was also a trustee that was appointed by the regulators that have actually a set

20   of goals enshrined essentially within almost a constitution of the entity to, again, look at

21   consumer outcomes and ensure that was being delivered. So there was sort of formalised

22   structures to ensure those consumer elements were represented.

23   In addition to that, there's a lot of consultations with kind of the more standard

24   consumer groups and others that were operating in the market, which are, again, quite loud

25   and very vocal in the UK. Again, we see that as a good thing. So that was quite a

26   formalised structure that was put in place. Again, there's less formal structures you could

27   look at. So I think the Berlin group that developed a standard use in multiple markets has

28   kind of an advisory council, I believe, that they tap into that has some consumer reps on.

29   And again, at the local level in individual European markets you tend to have forums where

30   you'd have the regulator, the banks, consumer champions at their local -- and again, we'd

31   recommend that not to be consumer champions, but also small business champions as,

32   again, actually small businesses can be one of the biggest beneficiaries of this area of

33   technology.

1   So yeah, a variety of different ways of doing it; more formalised, less formalised.

2   The key thing is really to get the dialogue going, because they're the people who, again, like

3   you say, we're doing all of this effort for. If they don't see it's working for them, if they say

4   actually it's nice this technology exists but people don't trust it, or people don't like it

5   because it's not fast enough, or it's not working, hearing that voice directly so that then

6   banks can respond and improve our services, it's a really good outcome for all of us at the

7   end of the day.

8   **JOHN SMALL:** Thanks very much, Adam. I am a terrible softy so I'm going to allow one more.

9   It had better be a good one.

10   **ADAM GAGEN:** No pressure.

11   **JOHN SMALL:** No pressure.

12   **BENJAMIN KELLEHER:** Ben Kelleher, ANZ. Thanks for that, Adam, I found that really

13   helpful. I think we'd all agree, in fact we're actually really excited as a bank to do this, and

14   it's probably contrary to some of the commentary; because we can see some great use cases

15   across our customer base and we're quite excited about it.

16   So I think there's three things that would really help us. One is that competition

17   compensation which we discussed earlier. The second one is the consumer data rights,

18   CDR. That's a real base for us to get this right and to get the confidence of consumers that

19   we're looking after their data and so on. The final one would be the essential accreditation.

20   So having an ability to coordinate well; Adam talked about that as probably a key

21   ingredient. So I think those are the three things, if banks had an ask to help us with this,

22   would be something that we'd like to see.

23   **JOHN SMALL:** Thanks. More of a comment than a question but very helpful all the same.

24   Thank you very much to everybody, and particularly to you, Adam. That has been very

25   insightful, I think, for all of us here and great to learn from international experiences like

26   that. So thank you very much indeed, and we'll now move on with the rest of the session.

27   And I guess we've touched on this a little bit, and Ben's just more or less mentioned

28   it as well, the other parts of the Commission that are dealing with this complex of issues

29   include the authorisation application from Payments NZ exactly for this essentially

30   accreditation process. So that's one thing that we're currently working on and we're not

31   going to be expressing any opinions on that, obviously, because it's in play.

32   And then the other thing is with our retail payment systems responsibility, we are

33   currently consulting on designating the interbank payments network, and that work's being

1	led by our Payments team who include many of the people that are here, and submissions
2	have closed on that just last week. So those are kind of tangentially related, but here we're
3	trying to push, I guess, a somewhat broader agenda for open banking.
4	So just in terms of the recommendation that we made in the Draft Report, the key
5	one really was that open banking be fully operational by 2026, in June 2026. And some
6	submissions have suggested that we should better define what that milestone looks like,
7	exactly what does it mean to be fully operational. And others have suggested that we
8	should be thinking more carefully about what needs to be done between now and then to
9	get there. And of course we agree with both of those points of view and we'll be trying to
10	do both of them.
11	But we're also keen to understand, there's been some discussion about Kiwibank's
12	inclusion in the June 2026 target, and we're keen to understand why people think that that's
13	particularly important and to what extent it should be participating in that.
14	So just to start, I guess, opening it up back into our local environment, a broad
15	question to fintechs first and then banks on the feasibility of the June 2026 milestone. So
16	do you consider this is a reasonable and feasible target, and what do you think it's going to
17	take to get there? Can I start with anyone from the fintech community on that. Please, just
18	identify.
19	**JOSH DANIEL:** Hi, Josh Daniel, Akahu. Yeah, our submission was basically asking the
20	question what do we mean by "fully operational", and we'd really love to see the details of
21	what API functionality we expect by the middle of '26. As an example, the May release
22	from the big four banks with payment initiation, none of our 51 customers would be able to
23	use it. So it really does matter what are the capabilities of an API that are going to enable
24	the consumer value that we want to unlock. So no comments beyond what do we expect to
25	see by this timeframe?
26	**JOHN SMALL:** Okay, so we will get on, but would you like to go further and say what you think
27	the minimums are there?
28	**JOSH DANIEL:** Sure. So the next big version of the APIs that have been developed through the
29	API centre is version 2.3 and that will enable a lot more activity that we currently see
30	through unregulated open banking in New Zealand. But there are some capabilities that are
31	not yet in those standards that we think are really important.
32	The two that we called out in our submissions; one is the ability to make payments
33	from an account that has multi-level authorisers, and the second is an enduring payment

1 consent that is not limited to specific destination accounts. And this really gets at some of

2 the friction that Adam was referring to with the one-off payment consent versus an

3 enduring payment consent.

4 And where we see big uptake of that kind of functionality is payroll services where

5 SMEs are comfortable going through a frictionful process in order to set up a link with their

6 bank account, if they only have to do it once, and then they can automate the payments

7 from there. And not having a limit on the destination accounts is important for something

8 like payroll, because your employees or the contractors that you're paying will change over

9 time. So instead of going through that process each pay round, it is set up and you can just

10 make changes over time without changing the consent.

11 So those sorts of things aren't in the standards yet. And if we're saying fully

12 operational by middle of '26, there are some important bits of functionality that are not even

13 in the specification yet.

14 And then, I guess, the more meta comment is that we see open banking as a new

15 banking channel, and therefore it should evolve with the evolution of core banking services

16 over time. So we don't see it as a done by any certain date, we see it as evolving with core

17 banking services.

18 And I guess to segue back into some of the comments from earlier, we think a lot

19 about equivalency. Can a consumer consume banking services in the same way in a third

20 party product as they can in a bank-owned channel? So if we're talking about pricing, for

21 example, if a consumer doesn't have to pay for that payment in a bank-owned channel,

22 should they have to pay for it if they initiate that payment in a third party channel?

23 So we would love to see equivalency with all these dimensions of open banking,

24 including API performance, so that third party channels can perform as well as bank-owned

25 channels.

26 **JOHN SMALL:** Thank you, that's some good points in there, very helpful.

27 **SHAUN FORGIE:** Shaun Forgie, Bill Rush. I'd just like to follow-up on those comments. So

28 maybe a clearer way to think about open banking today is focused on the individual. So

29 you've got two key profiles at work here. You've got payment initiation and account

30 information that relates to the individual, which is what the standards today are about. And

31 that typically requires a single authorisation.

1   Then you've got the situation of businesses and organisations. Now, that's a

2   separate profile. Typically when you're authorising a payment from a non-profit, a club, or

3   a society, or a business, you require dual authorisation. So this is where things get sticky.

4   So the profile, the focus on functionality today is based around individual, enabling

5   individual use cases, not use cases that relate to businesses. So I would suggest that we

6   look at two profiles and start thinking about B to B and B to C and consumer to consumer,

7   start looking at that, because I think that gives more clarity on where the benefits lie. And

8   I agree that it's an ongoing thing. This is not something you just cut once, sign off on the

9   specs and everyone's happy. This is an evolving set of standards and we need to treat it like

10   that.

11   So I think over time what will happen is the banks will be able to announce their

12   compliance with certain types of open banking profiles. I think that would be far easier to

13   digest for the larger banks, and the smaller banks like Kiwibank. So they don't need to

14   swallow the whole elephant at once, they can start rolling out open banking profile support.

15   I think that's going to be very, very necessary.

16 **JOHN SMALL:** So this concept of constant evolution and development, it's similar to

17   competition itself, isn't it, which is an evolving process; it's not something that finishes and

18   you're done, it's something that keeps ongoing. But in terms of trying to get to the start line

19   and get operational, these things that you've both been talking about, would you categorise

20   those as absolutely essential to get cracking, or are they kind of nice to haves and should be

21   fast followers?

22 **SHAUN FORGIE:** I think where we're at with the standards today is that we're focusing on

23   consumer to consumer and possibly business to consumer profiles. But where you've got

24   the need for dual authorisation, that's where at the moment we don't have -- so version 3, I

25   think, of the standards, correct me if I'm wrong, are looking that this dual authorisation

26   issue. That's critical for businesses and organisations, so without dealing with that.

27   So I guess the point here is that we can break it down, we don't need to treat it as

28   just one large monolithic standard. I think we're better off being smaller, more modular and

29   dealing with profiles. It also makes it easier for the banks and other implementing

30   organisations to announce support for a given profile.

31 **JOHN SMALL:** Thank you. Yeah, okay, a quick comment there and keen to hear what BNZ and

32   some of the other banks have got to say about this as well.

1   **JOSH DANIEL:** Just to say I agree with that, I think we should get going with the functionality

2   that we have in scope at the moment. One thing I'd just be conscious of, is that we have

3   more than a million Kiwis using an unregulated form of open banking every year currently,

4   and the biggest opportunity for adoption is to migrate all of that current activity into a

5   regulated system, or a system that's using purpose-built APIs. If we can do that, then we're

6   going to have strong adoption in New Zealand, much faster adoption on a proportional

7   basis than the UK. And so some of these bits of functionality that we're talking about are

8   used in the current form of open banking. And so it is important if we're going to migrate

9   the current activity.

10   **JOHN SMALL:** Yeah, thank you. I think there is obviously demand out there, as we can see.

11   Look, I've got one more fintech comment, sorry, and I'll come to you in a tick, Julia. But

12   we've got one from Dean Rea from Banzpay is online, can we bring him in please. Hi

13   Dean.

14   **DEAN REA:** Thanks very much for the discussion thus far and I'd like to endorse the comments

15   that have just been made about the need for functionality. I think one of the points I'd like

16   to convey is that if we're serious about that June 2026 date for open banking to be fully

17   operational, somebody needs to pull together a roadmap which has three dimensions to it;

18   has a technical dimension, which is largely the discussion we've just been having about

19   functionality; it has a commercial dimension, and some of that is going to be contingent on

20   where the Commission gets to on things like designation or authorisation; and it also needs

21   to have a third dimension, which Adam touched on in his presentation, which relates to the

22   consumer, or customer to build confidence in the adoption of open banking.

23   Now, we've got an industry body at this point in the API Centre, and accepting there

24   are some shortcomings in its governance, that body could be charged with producing that

25   roadmap as a public document for industry to make submissions on. And unless

26   somebody's actually pulling together that roadmap and industry is contributing to whether

27   that roadmap is appropriate for delivery of open banking by June 2026, I have reservations

28   as to whether we'll actually get there in the way that we want to.

29   **JOHN SMALL:** Yeah, thanks very much. It's something that's very much on our mind as well at

30   the Commission, is what are the blockages and steps that need to be taken along the way in

31   order to get us there. And that's a helpful suggestion too. Julia.

32   **JULIA NICOL:** Hi, Julia from Worldline. I was actually going to say what Dean said, so thank

33   you. I guess what I will point out is that we need to have the same power at the table, the

1	voices need to be heard. So I think what has happened previously with the API Centre is
2	that, you know, you can only go as fast as the slowest bank really, and having only a few of
3	the banks has meant that the participation is not as broad as it could be. So I totally agree
4	with Dean, but we might need a little bit of a different structure.
5	**JOHN SMALL:** Okay, alright, that seems like a good place to pivot to the banks. So who wants
6	to lead off?
7	**JODY BULLEN:** I'm happy to. Jody Bullen from ANZ. I'm probably going to echo some of the
8	points that have already been raised, but I hopefully can take it a little bit deeper for you.
9	**JOHN SMALL:** Mmm-hmm, good.
10	**JODY BULLEN:** And I've been at the coalface of this for the last four years working within the
11	API Centre and industry, and we've been monitoring developments across all jurisdictions,
12	so yeah, very much relate to the comments that were made. I just want to talk a little bit
13	about a few bits. I guess firstly I'd comment on the point around evolution. We've got to
14	go back to the local and our journey's really different, like the New Zealand journey has
15	been different to overseas. And the industry has committed to delivering open banking, and
16	come 30 May ANZ will be open to enable any providers.
17	So this is a huge step forward that the industry's made without regulation. And
18	appreciate there may be different views around the governance model, how it's operating,
19	but we have to acknowledge that progress has been made. It might not have been fast as
20	we expected, but ultimately there will be some level of openness. So the question then
21	really becomes, well, what next and how do we leverage the work that's been done?
22	And I agree it's not a switch. So if we think about evolutionary model that's here
23	today already, and I think you already see it in market today that there is actively, I'd say
24	there's the word "partnerships", or there's enablement of third parties happening in market
25	today.
26	So I do want to draw attention to three things, and Ben touched on it a little bit, but I
27	just want to go into those in a little bit more detail. If we think about what a fully
28	operational system would be and reflected that it's evolutionarily; so we have a starting
29	point and so what do we want it to be by 2026?
30	And so we think about it in three ways, and one of those is that it needs to be
31	centred around customer, and that's been centred quite a lot. We need to understand what
32	we're aiming at. You could argue there's standards in, there's standards out, but
33	fundamentally it needs to be aligned to the outcomes that we're trying to achieve. And if

that's point of sale payments, or if it's on-boarding, or if it's product comparisons, all of those require very different considerations in how they might be built and the risk profile that comes around them.

So the customer focus lens, and it's also been touched on with customer protections. There's a lot of talk, and I think the conversation needs to shift away from APIs and it needs to shift to standardised services. And the model that I use when I think about this is direct debit. So it was a product or a service that was built many years ago, it was in a different environment where collaboration could happen in a more free way.

So if you think about that, we talk a lot about these technical standards; the technical standards of direct debit are just a few pages that talk about how data should interchange. The operating model is hundreds of pages, talking about the rules, how customers should be treated, how they should be informed, what happens when it goes wrong.

So it was mentioned briefly it's all about customer protections, but it's more than just education; it's about how does this system work, what happens when it goes wrong, how are customers redressed, where do they go to, how are the different roles and responsibilities, where does liability sit, what risks are we trying to mitigate?

So those things in terms of collaboration, yes, the industry's been able to progress. And for those that aren't familiar with what's happened, we have technical standards, we have customer experience standards, we have guidelines around performance. Looking at those best in class open banking numbers, ANZ's open banking services have been in market with early stage testing for the last 12 months, and our numbers are way beyond those conversion rates and uptime.

So again, we're in a very different position and I think we talked about equivalency. That is the principle we're taking, but there isn't an equivalent to some of these things. They're new, it's a new system. So we can take it as a principle but we do need to think that there is different risk profile, so I'll get on that a little bit.

Collaboration is really important, I think it's mentioned a few times. You know, we need to be working together on this, and a siloed approach in any party is not going to lead to a great outcome in our view. So how do we work together to make sure that customers are represented, the considerations of allowing third parties into payment systems, the different considerations around different use cases.

1   Enduring payment consent which was mentioned; great example, it hasn't been
2   implemented in any other jurisdiction. In the UK they use sweeping, which is between
3   accounts. They do not facilitate an enduring payment consent in some of the use cases that
4   we're exploring. So we need to make sure we're facing into those with great consideration,
5   and then going back to the pathways, is it the right time? What are the foundations we need
6   to lay to demonstrate trust and security, and how far do we want to step ahead?

7   So collaboration's really key. We've talked about the need that we as an industry
8   have not been able to collaborate around some of the more complicated aspects. Can't talk
9   about risk, can't talk about liability, can't talk about pricing. And so what that's led to is
10   individual banks having to face those challenges on our own and build our own bilateral
11   partnering models based on our risk appetites. So we recognise that needs to change and
12   we've asked for support from authorisation, but we also see there could be a role for a right
13   size regulation.

14 **JOHN SMALL:** For a what sorry?

15 **JODY BULLEN:** For a right size regulation.

16 **JOHN SMALL:** Yeah.

17 **JODY BULLEN:** Yeah, so if industry can collaborate for the most part to solve problems, and
18   when we talk about industry, that is everyone that's been mentioned in a room, with
19   appropriate governance, with appropriate oversight, but we do need those people in the
20   room. So collaboration's really key.

21   The last one goes back to the centralised accreditation, or centralised oversight. So,
22   again, how do we create a system that is effective, you know, efficient. It needs to account
23   for a much more holistic view of open banking. Payments is only one aspect; it's data.
24   Payments is only one aspect of action. And open banking is only the start of what is an
25   enabler for a digital economy. So how do we set up from an evolution perspective to move
26   towards that direction.

27   So we need to think about the simplified governance model. But centralised
28   accreditation, and going back to the operational rules, how are customers protected? How
29   does that then translate into the type of accreditation, the rules on third parties, the
30   implications of new fraud considerations?

31   There are ongoing flows into the system because the game's changed. Data is held
32   at banks at the moment in a very secure and trusted environment which is managed by bank
33   grade policies and risk management. We're talking about now the idea that there's

1	intermediaries in the market that could hold more data in the future than any bank. What
2	are the obligations on protection around fraud? You know, we talk about data security, but
3	it's not about just data security, it's about operational maturity, it's about the protections that
4	they can demonstrate that they can protect that data, that they can protect customers, that
5	they're doing the right thing.
6	So it's very complicated and we need to work together to solve it. So I'll pause
7	there. It's probably quite a lot, but hopefully there's some value in there and, as I say, very
8	happy to take questions.
9	**JOHN SMALL:** Yeah, thanks very much. We've taken notes, it is helpful, thank you. Catherine
10	and then maybe across to Dan.
11	**CATHERINE McGRATH:** One, very supportive of a roadmap. A roadmap allows for
12	everybody to see what's coming and when, and it also gives specific dates for delivery, so I
13	think that's useful.
14	Secondly, an insight from the UK. There's that standard view that says you're going
15	to make progress providing it's only a couple of pieces around the table. So the way it
16	worked with the CMA9 is you had a consumer rep in the room, who was Faith, and you had
17	a TPP rep in the room too who stood for all the TPPs. And that meant that that group, at its
18	heart of 11, understood each other's perspectives and they had a lot of trust and respect in
19	each other, which is why that drove some pace. So I think that's a useful insight.
20	Sensible order of use cases is critical. There is nothing worse than spending
21	millions of dollars on something to see five people using it. So making sure that we're clear
22	here about what we can learn from overseas and understand which of the use cases that are
23	going to drive adoption, so money spent is actually turned into an outcome.
24	And then the final piece for me is understanding the totality of the regulatory
25	roadmap is important. So one of the things, my hypothesis, given that I wasn't here at the
26	time, that meant that there was a delay, is that there might have been some other regulatory
27	priorities that were pretty expensive that were being prioritised at the time.
28	So having a clear view of a regulatory roadmap moving forward so resources can be
29	allocated, prioritised and delivered to commitments would be, I think, a really helpful thing.
30	**JOHN SMALL:** Thank you. Just before I go to Ben, can I follow-up on your comment about the
31	group in the UK, the OBL bus. Is that the kind of group that you would see as being
32	responsible for developing a roadmap as somebody else suggested?
33	**CATHERINE McGRATH:** That was the group that helped to drive that.

1   **JOHN SMALL:** Okay, yeah.

2   **CATHERINE McGRATH:** And I'm happy to sit down and give you a download of those couple

3   of years of my life in terms of what I think worked, because I think it is the market that has

4   progressed fastest and it was a lot of my life for those two years.

5   **JOHN SMALL:** Excellent, thank you. Dan.

6   **DAN HUGGINS:** I'm trying to think how I can most constructively add to this very good

7   conversation. I think the conversation with Revolut is aligned with what we're all trying to

8   achieve here, which is a globally best in class banking system for the benefit of Kiwis. So

9   I'm interested in this conversation that it feels like we're all actually very aligned in those

10   overall objectives.

11   Again, clearly the three buckets I think which were articulated before is the helpful

12   framing of, there's work to be done technically, it feels like we can solve that; there's

13   obviously a set of standards that have been set with the current APIs, and obviously there's

14   still conversations having around those things, but that seems like it's progressing. There's

15   a commercial conversation and I fully appreciate why, you know, at one extreme people

16   want everything for free and at another extreme you've got the people that are having to pay

17   for it who are saying well, there needs to be some compensation. So there's obviously

18   some conversation to be had around that. But I think, agree, we can work on that.

19   The third area, and I think coming back to some of the points that ANZ have made,

20   is actually about customers here. And perhaps to your question around from our

21   perspective where do we see the potential roadblocks to progress here; for us it's actually

22   around customers and the protections that are afforded to customers as the primary

23   roadblock. I think we, at least from where the BNZ's sitting, will solve the technical sides,

24   the commercial sides, but this is sensitive customer data. It's not just about payments, we

25   often talk about it with that, but this is, at its heart, the most sensitive customer data that

26   you can have. And we are talking about moving it out of quite secure systems into other

27   systems and into other providers' systems.

28   Some of those systems are very secure, some of them may not be. So when we

29   think about that, the critical thing for us is a CDR regime, a consumer data right regime,

30   which first of all ensures that consumers always remain in control of their data. They get to

31   choose who it goes to, they get to choose when it gets turned off and that is simple and easy

32   for them to do.

1   Second, and again it has been talked about here, we need to make sure that, for the
2   benefit of New Zealand, that there is a set of standards here around security, and that we are
3   sure that anyone that is receiving that data is going to protect the security of that data and
4   the privacy of that data in a way that benefits New Zealand, and that there is accreditation
5   around that to make it easy for all of the people that want to use that data to be able to get
6   access to that data and move away from some of the bilateral arrangements that we have
7   right now, which we acknowledge are challenging for people. But at the moment we
8   certainly, from a BNZ perspective, don't apologise for the fact that we have quite
9   challenging standards which we expect people to meet because at our heart we're trying to
10   protect customer data. So in an environment which sets that for New Zealand is beneficial.
11   Then third, we've spoken a little bit about liability, but we need to be very clear that
12   consumers understand that liability is going to shift. Once that data moves out of the BNZ
13   environment, or another bank's environment, well we use control of that data, so liability
14   moves with it.
15   So when we think about, as I said, the potential roadblocks it's largely around that
16   CDR regime that we're going to need to work with government and others on collectively
17   as a financial services industry to move forward on.
18   **JOHN SMALL:** Thank you very much. Just on the point about security of customer data, this
19   really comes down to accreditation, doesn't it, accreditation criteria; is that right?
20   **DAN HUGGINS:** Well, I think it comes down to first defining what those standards are.
21   **JOHN SMALL:** Yes.
22   **DAN HUGGINS:** And then second, an accreditation and audit regime around that to make sure
23   that people are adhering to that set of standards that has been set.
24   **JODY BULLEN:** And informed consent so customers understand exactly what they've done.
25   **JOHN SMALL:** Yeah, which is that they've moved to an accredited provider.
26   **JODY BULLEN:** Correct.
27   **JOHN SMALL:** Because I mean if we're thinking about this as a system, the banks are involved
28   in it, obviously, you're expressing your nervousness about data moving out, but so are the
29   fintechs. And so it's in everybody's interests that this assurance is available to be given and
30   is robust and followed up and verified. So it does come down, it seems, to standards for
31   accreditation, implementing those.
32   **JODY BULLEN:** And know they're in the system. The point is that yes, it's a system, and being
33   clear around the boundaries of where that system is and when it's not, and when the

1	customer's in it and when they're not, and what protections they get by being in it. And of
2	course making sure that customers are, you know, truly disclosed and are aware of what's
3	happening.
4	The other thing that's complex about open banking, is it's not often a scenario where
5	we're sharing data from point-to-point, there's often intermediary parties. So data actually
6	will often pass through many different providers, so it's understanding -- really complicated
7	for customers to understand, that actually they're sharing data with one party over here, but
8	actually it's going through intermediary parties that all have aspects of terms and
9	conditions. It's quite complicated.
10	**JOHN SMALL:** Just to be clear, it sounded as if you might have been talking about a system that
11	excluded the fintechs, so consumers need to know when they're in the system and when
12	they're out of it. But isn't this all a system?
13	**JODY BULLEN:** No, (inaudible) people are excluded, the system would include effectively
14	holders of data --
15	**JOHN SMALL:** Yes, exactly.
16	**JODY BULLEN:** -- or payment providers and people that will support connectivity and
17	participants that use those services, or merchant's, businesses and then the consumers are
18	ultimately the recipients of those services. But yes, so I wasn't certainly saying it's only
19	banks or fintechs, it's definitely the whole ecosystem approach.
20	**JOHN SMALL:** Yeah, great. Look I think, Adam, were you going to make a comment? And
21	then there's an online and then we've got a couple of others. Adam's first, yeah.
22	**ADAM BOYD:** Thanks very much. Look, I'd just probably, I guess, support some of the
23	comments that have already been made in the sense that it does feel like there's good
24	alignment on sort of two aspects. One, really just getting clear and getting, I guess, across
25	industry, including consumer perspectives, on, like, what does success look like by 2026 in
26	terms of the roadmap. I think that is a very -- in order to be able to sort of work out
27	whether even '26 is viable, you do have to be clear on the what you're actual aiming for, so
28	I just really double-down on that comment.
29	**JOHN SMALL:** That's right.
30	**ADAM BOYD:** And then the second dimension is just the enablers that we've been talking about.
31	There are some very, very important enablers, like CDR, which we really do have to be
32	doing in parallel and making sure that they are there to underpin this framework. I mean
33	we're in the midst of a substantial ramp in frauds and scams. Many consumers are

concerned about sort of, I guess, how they bank in a digital world. And so I think we just need to be mindful of that as we step into it. Because if we want to see consumers really buying into this and using it, that's going to be a very, very important enabler.

I think the second point which I just think we need -- I would say we can't lose sight of is that if you think about what we've heard today from Revolut, we're looking at the UK as potentially like a good example. And I don't want to take anything away from what Revolut have done because they're an incredible business, but if we were to be able to replicate what the UK has done, in 2029 in five year's time, 85% of New Zealanders will not be receiving their innovation or competition through open banking, they'll be receiving it through other aspects of competition and market, and I think we just don't want to lose sight of that.

I guess building on yesterday's conversation where we were sort of talking about this efficient frontier between stability and competition; equally I see one between regulation and innovation. And so I do think it's an important sort of dimension not to lose sight of in this sort of broader discussion about just how much unlocking of competition could go on with sort of less regulation, or more purposeful regulation. So I think that's just an important dimension.

BRYAN CHAPPLE: Thanks Adam. I just wanted to follow-up a question to Dan just on some of the things you were saying, or actually it's possibly to several of the bankers. You know, you're talking about how you're already, you know, there's these concerns about customer safety and security, which I understand; but at the same time you're already working with third parties and doing that. So a CDR potentially makes it easier, but you are still doing it now. So can you just tease that through for me a little bit please?

DAN HUGGINS: You're right, so on a bilateral basis we are contracting with parties to enable them to use the APIs, where they are the industry standard APIs. From our perspective we're using the templated contracts that exist within the Payments -- in the API Centre. But for the other proprietary APIs that we offer, there's a separate contracting process for that as well. So that gets simplified if you have an accreditation system. So effectively you accredit yourself once and then we can rely on that.

BRYAN CHAPPLE: Yeah, and all can use it, okay.

DAN HUGGINS: That's right.

BRYAN CHAPPLE: Sorry, yeah, okay.

1 **ANTONIA WATSON:** Sorry, can I just add one thing to that. And I've just lost my train of
2 thought. I beg your pardon.
3 **JODY BULLEN:** I could take something. I think we have spent a lot of time challenging the
4 bank processes to be able to enable and open. I think that's slightly underestimated in terms
5 of the work that's been done there, because we haven't got regulation like overseas, which
6 very much then becomes a pure technical build and you kind of leave everything else to the
7 regulator. And you can look overseas for that.
8 We've built those, and I think the point is that at the moment bilateral model means
9 every bank's come to its own position and been able to collaborate to form a standardised
10 view that customers can understand that they get the same protections, the systems works
11 the same across everyone. Because that's why -- it's not about standard technical APIs, it's
12 about standardised services for consumers that are easy to understand.
13 **BRYAN CHAPPLE:** I appreciate that. Yeah, there's a few more before you, Tex.
14 **ANTONIA WATSON:** And I remember my point, sorry, which is that without that centralised
15 and standardised accreditation, we are dealing bilaterally. And the thing that worries me
16 about dealing bilaterally, and one of the reasons I'm sure that we're all, you know, horrible
17 contracting processes that we have as banks, is that without that real consumer
18 understanding, if the third party loses a customer's data, I still think that the front page of
19 the paper test will come back to the banks.
20 **BRYAN CHAPPLE:** Okay, alright, I appreciate that. I just want to go online now to Adrian
21 Smith who's had his hand up for a while from BlinkPay, so Adrian.
22 **ADRIAN SMITH:** Kia ora koutou.
23 **BRYAN CHAPPLE:** Kia ora.
24 **ADRIAN SMITH:** Ko Adrian Smith tāku ingoa, ko tāku mahi ki BlinkPay Chief Product Officer,
25 that's me. So kind of my reflections, a couple of reflections. So in terms of information
26 security, one of the things that we have at BlinkPay is we have ISO 27001 accreditation of
27 information security standards. And we think that if there was that kind of common
28 approach across the industry for standardisation, I think that would be really, really helpful.
29 There's also a few others that we think are pretty important, things like ISO 24760
30 which looks at identity management, as well as IS0 29100 which is a privacy framework.
31 So if we had those sorts of things as a backbone in the industry we think that would be a
32 useful step.

1   Then my other whakaaro on the accreditation regime is, I'd go one step forward

2   beyond having a kite mark as well as accredited providers; I'd also look at a thing like a

3   digital handshake, which is one of the concepts I've discussed with one of the major banks,

4   where if you're coming to a site and you've gone from one provider to a third party provider

5   to a bank, there's a real obvious linkage between those two things. And that would then

6   help subvert some of the things we see around phishing etc. So those are just some of my

7   whakaaro, thank you.

8 **JOHN SMALL:** Thanks Adrian. So we've got two more questions or points and then we'll do

9   morning tea. So Kent and then Tex.

10 **KENT DUSTON:** Kent Duston, Banking Reform Coalition. The thing that does seem -- we're

11   talking a bit about consumers, but I just wanted to bring a bit of a consumer perspective to

12   this, having been through, you know, various changes of banks and things.

13   I don't think we should be holding up the existing bank systems or the existing bank

14   practices as being any kind of gold standard. And the way that the banks talk about

15   customer data, you know, I'm sorry, not wanting to offend anybody, but it really does sound

16   quite paternalistic. If I go to the bank and say "Can I have access to my data" that becomes

17   a Privacy Act request, it takes the usual 20 working days and I'll probably get it on paper,

18   right?

19   So in terms of my transparency as a customer into the systems that hold bank data at

20   the moment, the systems that hold my data at the bank, that's very much behind the curtain

21   as far as the banks are concerned. So I don't have any visibility of the data that the banks

22   hold on me, I have no online access to the full range of data that the banks hold.

23   And just going to the question about the bilateral arrangements of course; as a

24   customer I have no visibility at all as to what data is being interchanged with third parties.

25   So CDR is very important and obviously we need to get to a better place than this, and I

26   think there is an urge there from the industry to do that.

27   But let's not hold up the current way of working where customer data lives within

28   the enclave of the bank as being some kind of gold standard, because clearly it's not. And

29   in talking about the various fraud protections and things, again, these are critically

30   important and losing confidence in the banking sector is not a thing that we wish to have as

31   a result of the move to open banking.

32   But then having said that, the existing bank systems are riddled with fraud. Janine

33   Starks has been reporting, you know, at length on this. And one of the things that's been

1	unhelpful in that debate is that the banks themselves have been standing back from
2	compensating customers to the degree that they are paying out 100% of the losses. And
3	again, this is very much an ongoing media story.
4	So yes, we do need to decide where the liability lies. But the current approach of
5	the banks in terms of the way they're dealing with customer data and the way that they're
6	dealing with fraud, should not be held up at all as being any kind of gold standard to which
7	others can merely aspire.
8	**JOHN SMALL:** Thank you. Tex.
9	**TEX EDWARDS:** Tex Edwards, Monopoly Watch. We urge the Commission to be very
10	prescriptive and deliver severe consequences for further delay in the implementation of
11	regulated open banking. We urge the Commission to fix AI. AI is attitude and incentives.
12	This last 20 minutes of the conference has been a replay of the 2006 mobile market review.
13	We urge the Commission to pull the transcripts of the conference and catalogue the
14	delaying tactics with regard to the implementation of something that has severe
15	consequences for the profitability of the incumbents.
16	There is no incentive for open banking. If I'm a shareholder of ANZ I don't want
17	this nonsense going down and a transfer of the monopoly rent and huge transfers of wealth
18	from my bank going back to customers. I don't want to have to compete in a market, I want
19	the club to exist. This is the same movie as the previous market study in building materials
20	and in telecommunications. We've heard it's very complicated, we've heard New Zealand's
21	different, we've heard about glacial pace. The systems at the moment aren't good enough,
22	we've heard about customer satisfaction. This is a roadmap to Botswana, not a roadmap to
23	Wellington.
24	Revolut showed how far we are behind the rest of the world. It's absolutely
25	encouraging to see the Telecommunications Commissioner here and we urge the
26	Commissioner to look at the parallels between this and mobile number portability. A and I,
27	attitude and incentives. Thank you very much.
28	**JOHN SMALL:** Thank you. Right, well that's certainly got us off to a great start for the open
29	banking day. And so we'll now take a break and come back at about, shall we say 5 past
30	11. There's a cup of tea and something to eat in the next room.
31	**Adjournment from 10.37 am to 11.05 am**