

1 **DAY 2 – PERSONAL BANKING SERVICES MARKET STUDY CONFERENCE**

2
3 **SESSION 5 – OPEN BANKING (CONTINUED)**

4
5 **14 MAY 2024**

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8 **Adjournment from 10.37 am to 11.05 am**

9 **JOHN SMALL:** We'll recommence the session in just a tick, but just before we do, just a little
10 shout out to our friend Katherine over in the corner here who's recording all this diligently.
11 And also, I guess, associated with that a reminder that we're all speaking loudly and clearly
12 in our best inside voices and saying our names so Katherine can pick all that up. Thank
13 you very much and Bryan's going to lead us off.

14 **BRYAN CHAPPLE:** Thanks John, thanks Katherine. I just wanted to move on from the sort of
15 more general discussion we started with this morning and just pick up some of the detail in
16 the submissions. One of the ones we had was from Worldline that Kiwibank inclusion is
17 key for adoption of open banking. So just wanted to check with other fintechs how much
18 that mattered and why it mattered, if anyone's got a perspective on that that they want to
19 share.

20 **JULIA NICOL:** Hi, Julia here from Worldline. A bit weird commenting on your own
21 submission, but I would just like to double down on that point. So we've been told by
22 Inland Revenue and NZTA that they won't stop accepting POLi and move to our product
23 Online EFTPOS which is an open banking payments product, until Kiwibank is on board.
24 So that's quite a big blocker, especially when Adam from Revolut said something that
25 changes consumer behaviour is if government agencies support open banking products.

26 **SHAUN FORGIE:** Hi, Shaun Forgie from Bill Rush. I mentioned in some of my previous
27 comments around this, these notions of profiles. Open banking's quite a -- it's an elaborate,
28 big, evolving specification. And in order to unlock value that had pre-defined scopes and
29 contexts, this notions of profiles around consumer to consumer, business to consumer,
30 business to business, government to consumer are very valuable constructs for us to get our
31 heads around because they unlock pre-defined sets of benefits to different parts of society.

32 I think that's going to be the way forward for us because it will allow banks, and
33 other open banking participants, to announce compliance or support for those profiles. And
34 once released those profiles are likely to be quite stable. It will allow for evolution in
35 different areas and it will allow for banks to adopt different sizes, including Kiwibank, to

1 adopt the open banking standard as a series of releases rather than one large monolithic
2 design and build.

3 So we need to get our heads around how do we release this in a modular way, how
4 do we scope and define bundles of benefits for certain areas of society by using these
5 profile definitions. Thanks.

6 **BRYAN CHAPPLE:** Thank you. Anyone else want to comment on that? Up to you. Mike from
7 Kiwibank.

8 **MIKE HENDRIKSEN:** Mike Hendriksen, Kiwibank. Didn't want to monopolise the voice of
9 Kiwibank, but unfortunately our colleague who can speak with more gravitas on this is ill
10 so couldn't attend today. I think the points that Kiwibank would make is we're very
11 supportive of open banking, we think it is the way for all Kiwis to be better off, and
12 ultimately they are all our shareholders as well as our customers, and so we're supportive.

13 The thing that struck me this morning was how we're still quite fractured in our
14 conversations and how the suggestion from Adam and Dean, amongst others, about how
15 you have a more metricated and sensible roadmap, which sort of highlights not only what
16 the industry's doing but also the way in which the regulations will hang together, is
17 worthwhile. We've got, as already been mentioned, authorisation, the retail payments
18 conversation, CDR, you know, the sooner we get clear on what the plan is the better.

19 In terms of Kiwibank's readiness for open banking, we have committed to a timeline
20 which we think is reflective of a pretty standard approach overseas where the large banks
21 go first and the other banks follow. So the staggered approach which was agreed with the
22 API Centre is where we're heading. And we thought that if the CDR had been moving
23 quicker the same result would obtain, so we don't think there's anything unorthodox in us
24 not being where we are. We are actively, as part of our overall transformation, getting
25 ready for API banking and not just in the technical sense, in the holistic sense that we've
26 discussed this morning.

27 So we think as open banking evolves over the next couple of years that will help us,
28 not only be technically ready, but also ready for the, you know, the sort of fully operational,
29 wherever we may land that. So yeah, that's where we're at.

30 I mean I think the question of proportionality is pretty fundamental to the reasons
31 why we have ended up in stage two. And then obviously the banks with a smaller size than
32 us will follow sometime thereafter, there's no timeframe as yet for them. And we take the

1 view that if a use case is justifiable for 85% of New Zealand customers then it should stand
2 on its feet, it doesn't need Kiwibank to push it over the line.

3 **BRYAN CHAPPLE:** Thanks Mike. I might just take us on to the question of sort of roadmap
4 which has been talked about a bit this morning, and just interested in perspectives about
5 how broad that should be, so what it needs to encompass, what needs to be agreed sort of
6 industry-wide, you know, in the concept of that's incorporating all the voices of the
7 different users and customers and so forth as well. So what needs to be agreed
8 industry-wide and what is left to sort of individual commercial arrangements. So I guess
9 how big does that -- how broad does it have to be, yeah.

10 **JODY BULLEN:** Thank you. Jody Bullen, ANZ. I think I was one that kept forgetting to say
11 my name. In terms of the roadmap I think we made the point earlier on it needs to be
12 customer-centric, there's already a process in place with industry around prioritisation that's
13 led through community members of the API Centre. So I think there's certainly an
14 opportunity to think about how do we bring a stronger customer view to that roadmap, and
15 I think there also needs to be the NZ Inc regulatory lens on that view as well, so what are
16 we really chasing, because there are different views across many individual parties about
17 what we should and shouldn't be doing. And the reality is we don't have a finite amount of
18 resource to work with, so we need to make prioritisation call. So I think that's the first
19 thing, how do we bring the customer advocacy stronger to that, how do we make sure all
20 views are represented and how do we prioritise. And that should set us up well for making
21 sure that the industry is working together to deliver that, and therefore everything else sort
22 of falls behind that, as well as the outcomes.

23 I think the other part that we need to be conscious of is getting too far ahead of
24 ourselves. What we've seen in the industry is it's very easy to pull together a technical
25 standard. It's really easy to work out how we're going to interchange data. And to be clear,
26 ANZ has never questioned the security of those standards. But the reality is, is that security
27 and customer protections are quite different, so there's a technical security aspect and then
28 there's the what do we actually have to do to protect customers that are using those services.
29 And often I think it was talked about the authorisation fraud is actually, in most cases,
30 where these types of things happen, less about compromise of system.

31 So the view is, is that we need to take a very conscious view about what's required
32 to set this up for success, what are the foundations that we really need. And I think ANZ's
33 view, we would be better off spending time working out what are those really key

1 foundations that need to be in place, and one of those would be digital identity fully
2 integrated into the open banking standards, things around fraud protections and all those
3 things that we need, and making sure what we are releasing to consumers is going to
4 sustain for the long run.

5 There is a counter view that we rush ahead and build standards that are potentially
6 beyond jurisdictional that have been implemented overseas, that great, they're going to
7 enable a whole load of innovation, but that's time we have to spend thinking about what the
8 risk implications of those and potentially building on foundations that haven't really cured
9 and hardened may not be the best thing for consumers.

10 So I think the roadmap needs to balance, in summary, the consumer aspect, but also
11 how do we set this up for success and making sure that it's set up as a service and that
12 customers understand and are protected. Thank you.

13 **BRYAN CHAPPLE:** Any other perspectives on that question about how broad the roadmap
14 needs to -- yeah, Catherine. Thanks.

15 **CATHERINE McGRATH:** I guess my view -- sorry, Catherine McGrath from Westpac. I think
16 it's hard to determine what are the exact characteristics, but setting up a process with the
17 right group around the table to agree what that looks like would feel like a sensible path
18 forward. The characteristics that were described that said we need to be very clear about
19 what the service standards are. It is a mindset shift for a bank to look at TPPs as an
20 intrinsic part of a customer relationship as well. And whilst we may have -- others may
21 have understood that, certainly for the UK banks that was quite a big movement in change.
22 So being clear for each constituent part what are the foundations that need to be built in
23 what order I think would be a good thing for a clear group to resolve rather than for the
24 Commission to try and work that out in isolation.

25 **BRYAN CHAPPLE:** Yeah, understand that. Can I just follow-up. So, you know, there is an
26 industry group already, centred around the API Centre and Payments NZ, which already
27 has elements of this and I'm certainly not wishing to, picking up your point earlier Jody, not
28 wishing to undermine what's been achieved and has been done or to discount that; but
29 obviously people are wanting something more. So, you know, what's stopping
30 the industry -- do you need something from government or the regulators, what is it that we
31 need to -- because industry could set up, could have included more customer voice
32 themselves, you know, there's a lot of these things within your own gift. Do you want to
33 comment on that?

1 **CATHERINE McGRATH:** Yeah, so Catherine McGrath, Westpac.

2 **BRYAN CHAPPLE:** Sorry Catherine.

3 **CATHERINE McGRATH:** My reflection, as someone coming into the market, is it hasn't had
4 the degree of focus on it for understandable reasons because of all the other things that were
5 happening over the last two years.

6 **BRYAN CHAPPLE:** Right, okay, yeah.

7 **CATHERINE McGRATH:** And I think the heart of something that's good, and to the point that
8 says New Zealand's actually made progress without regulation is good.

9 **BRYAN CHAPPLE:** Yeah.

10 **CATHERINE McGRATH:** I also think it's fair to say, was the pace fast enough?, but I think
11 what you've seen is once the banks agreed to a date, the banks are working to that date and
12 didn't require regulation to say we're working towards that date.

13 **BRYAN CHAPPLE:** Yes.

14 **CATHERINE McGRATH:** So I think it's a useful opportunity to say how do we make the
15 components that we've got even more effective. I think there is stuff that's happening in the
16 wrong order; the CDR is a really important part of it, and the industry can only go so far
17 and then there's something else that's going to come in. So there's a sequencing that is not
18 straightforward.

19 **BRYAN CHAPPLE:** Not optimal, yeah.

20 **CATHERINE McGRATH:** And not optimal. I think the other thing that's interesting is that we
21 are choosing the data that people would be most bothered about to get them to adopt to
22 move it first. And I understand why we're doing that, but I think there's also a question that
23 says what are some of the easier things to help drive adoption before you get to some of the
24 more sensitive and more risky data to check.

25 So I think it is within our gift and you're right to say that, and I think it
26 needs probably a bit more focus from all of us and making sure -- because I did read some
27 of the submissions that TPPs don't feel that they are in a conflicted position and that they
28 can't speak up loudly because they're worried about a consequence in terms of an
29 engagement with the bank. And that's why my suggestion was having -- you can't do
30 something with 20 or 30 people in the room, you can make a lot of progress with a smaller
31 number in the room, and you need a representative from a consumer perspective, you need
32 a representative from a TPP with respected voices and relationships to help that boat go
33 faster.

1 **BRYAN CHAPPLE:** Okay, that is helpful thank you. Jody did you want to?

2 **JODY BULLEN:** Yes, Jody Bullen, ANZ. I think part of it is that if you talked about what can
3 the Commission do, I think we've talked heavily about the need for collaboration.

4 **BRYAN CHAPPLE:** Yes.

5 **JODY BULLEN:** And I say the ease, the ease to generate a technical standard versus the
6 complexity of implementing the technical standard, building an operating model around it
7 and then actually enabling third parties to use it are quite different. So we have been
8 challenged around not being able to really engage in those deep conversations as an
9 industry, and so therefore, you know, that means going off and sort of doing that in silo and
10 therefore we're now in the bilateral model. So I think our ask is the industry has reached
11 out and asked for an authorisation to enable those conversations.

12 **BRYAN CHAPPLE:** Yeah.

13 **JODY BULLEN:** And going back to the point around foundations, there is a lot of foundational
14 work that has to be done and we kind of need to get everybody up to the same level, and
15 then potentially those next round of increments can happen a lot quicker.

16 The last point, I guess, is just around the priority. Yes, there is a mechanism in
17 place, you know, there is something there that could be leveraged. And because of that lag
18 obviously decisions that we're seeing turning up now were actually priority decisions made
19 many years ago. And so the idea that the environment has changed, how do we build flex
20 into that, and that's going to be a challenge for anybody to balance how do we provide
21 certainty but also flexibility to actually learn and change.

22 **BRYAN CHAPPLE:** Yeah, okay. I understand the point about, you know, obviously there's an
23 authorisation process underway. As John said we can't talk about that because it's in
24 process. But I think would make a more generic point, that if there are areas where you
25 think it would be sensible for industry to collaborate and you are concerned that we may
26 have a problem with that, then you should reach out proactively because we're wanting to
27 help get the right thing rather than be an obstacle.

28 So often the issues that people raise are not ones that have concern to us and we can
29 allay those concerns easily, or else help people find a way through that's bread and butter.
30 Yeah, over at the back and then I'm going to go online to a question online.

31 **JASON ROBERTS:** Thank you. Jason Roberts from FintechNZ. Firstly thank you for your
32 efforts bringing this to the sector. What I'd like to address, I think, is the fact that from an
33 industry perspective there are needs for more assistance. So in the context of FintechNZ,

1 which is a neutral body and contains many of the banks and fintechs and so on within the
2 room, our goal really is to enable the voice of our members to come through in terms of
3 what open banking looks like in practice.

4 Now, with respect to the likes of Payments NZ, who are fundamentally paid for and
5 managed by the banks -- sorry, not managed by the banks, but supported by the banks, and
6 the openness, if you like, to the third-party providers for coming in and being a part of the
7 API Centre is excellent, no question on that. However, I do feel that the sector is lacking
8 from a broader picture of clarity of regulation, about investment and support for the likes of
9 fintechs and others to come through that can be enabled to have a voice to compete and
10 actually have more impact on the sector.

11 The broader picture that we've been looking at as an industry is around
12 collaboration. But, dare I say it, the likes of FintechNZ do actually suffer from being an
13 industry-only group. We don't have any funding and support other than from our members,
14 and therefore we can never have a strong voice or really have deeper impact at whatever
15 level it might need to be.

16 So I think my bigger message is, help maybe an open banking group be set up that
17 includes the likes of FintechNZ, and other groups, Digital Identity and so on, to be more
18 empowered to support the wide industry goal around better customer outcome, more
19 competition and so on. So it's a broader picture, I know, but that would be our message,
20 Chair, thank you.

21 **BRYAN CHAPPLE:** Thank you. I'm just going to go online to Dean Rea from Banzpay. Hi
22 Dean.

23 **DEAN REA:** Thanks very much. Look I wanted to make a couple of observations here. I agree
24 with the comments that have been made about the sequencing being suboptimal. It's been
25 very unhelpful to have CDR on again off again, on again off again and not really clear as to
26 how that fits into the overall framework. But it is what it is, so we just have to work with
27 the hand that we're dealt there.

28 In terms of thinking about a roadmap, I think you can think about that roadmap at
29 three levels. One is a short-term roadmap that gets you from where we are today to 30
30 June, or whatever date in June is going to be decided as when we should be fully
31 operational with open banking. And if you look at the Payments NZ paper that was
32 released on open banking in, I think it was November last year, that paper at various points
33 cries out in different ways for regulatory top cover. We're not going to get very far with

1 this unless there is an empowered regulator who can step in to sort out roadblocks when
2 they arise. And that's not to say that there's any nefarious behaviour on the part of industry,
3 but there are things that do need to be sorted and as we come up against them we need to be
4 able to turn to a regulator who can act.

5 There's also a longer term roadmap that needs to be taken into consideration
6 because, as Adam pointed out this morning, this is just the first step in a much longer
7 journey that takes you towards open finance and ultimately towards open data.

8 And I think the final observation I'd make about roadmaps is we need all of this to
9 be put in the context of an overarching payments modernisation plan for the whole system.
10 Payments NZ delivered that plan in 2020, it was less a plan and more sort of a statement of
11 aspiration. But that drastic -- that is in dire need of updating and it needs to be connected
12 with what we're doing now on open banking and the other elements that need to come
13 together to make this ecosystem really fire.

14 **BRYAN CHAPPLE:** Thank you. Yes.

15 **SHANE MARSH:** Shane Marsh, Dosh. Just wanted to further some of the comments made by
16 Jason from FintechNZ. Dosh is a leader in digital banking innovation and it's our view that
17 open banking in and of itself is unlikely to have any material impact on competition in the
18 personal banking market.

19 If you look at the factors that drove successive open banking in the UK, those
20 factors are very different than the situation here in New Zealand. So firstly, in the UK open
21 banking and PSD2 came out of the GFC in a view by the UK and European regulators to
22 improve competition in the market; and so open banking was driven together with a
23 lowering of the barriers to entry into the banking market. And I mentioned in my
24 discussion yesterday that the capital required to start a bank is £1 million in the UK versus
25 NZ\$30 million New Zealand. So lowering the barriers of entry to enable competition is
26 critical to go alongside open banking.

27 Also capital and funding. So when open banking was rolling out in the UK, there
28 was a great focus on fintech investment globally, 1 in every \$4 of investment went into
29 fintech. That market's substantially cooled and in New Zealand last year the total funding
30 that went into fintechs in New Zealand was NZ\$20 million for the entire industry. So
31 realistically if we think what impact new entrants, and Adam talked about the importance
32 of new entrants in terms of lifting the bar is going to have, being backed with \$20 million
33 across the entire industry will make no impact.

1 The third difference is in the UK it was regulator-led, government-led. We've
2 talked about this a little bit here today that in New Zealand it's been industry-led and that
3 has led to a governance issue. And I know that we won't talk about it because the
4 authorisation is under review, but the reality is that we have an industry body in Payments
5 NZ owned by the banks where the banks on their directors approving recommendations
6 from the API Centre and approving members to the API Council; and I don't understand
7 how that could be not deemed a conflict of interest, or in the best position to enable a fair
8 and equitable open banking regime going forward.

9 So those are the three big differences that, unless they are solved, I don't believe
10 open banking's going to make any difference to competition in New Zealand. Thank you

11 **BRYAN CHAPPLE:** Thanks for that perspective. Akahu.

12 **JOSH DANIEL:** Josh Daniel, Akahu. Just wanted to pick up a point around centralised
13 accreditation. First of all it was really heartening to hear the consistent voice supporting
14 centralised accreditation. That is different to how we perceived that a year or two ago
15 where we felt there was more resistance to regulation. And we do think it will make a
16 massive impact having centralised accreditation.

17 I wanted to comment on what will be achieved if the authorisation application is
18 granted, because I just wanted to make it clear that that will not get us to centralised
19 accreditation. It will be a step towards it, we'll be able to discuss things within the scope of
20 the authorisation application, but even if that work is successful, which will take a lot of
21 time and is uncertain, there will still need to be terms in bilateral contracts with every bank.
22 So we don't get to centralised accreditation through an authorisation application that is
23 granted. So we'll still have the issues, we believe, that exist at the moment. Just pause
24 there to make sure that that was clear?

25 **BRYAN CHAPPLE:** I understood what you said.

26 **JOSH DANIEL:** Great, thank you.

27 **BRYAN CHAPPLE:** We can't comment on the authorisation process, that would be
28 inappropriate, but I heard what you said.

29 **JOSH DANIEL:** Yes, just making sure that I was articulating that clearly. So then coming back
30 to your prompt about the roadmap. So in our view there needs to be a trade-off between
31 taking inspiration from the use cases that are in market where we can see consumer demand
32 and therefore we should enable API functionality that meets that demand. But we should
33 also not be overly prescriptive; because like with any new technology, like the internet, like

1 open banking, these APIs will spur innovation that we can't predict at the moment. So we
2 shouldn't be overly prescriptive saying here are the services that we are going to offer, it
3 should be enabling.

4 And that's kind of a non-answer because it sounds like you're looking for details
5 around what that roadmap should look like. But I guess the point that we would make is
6 that's the balance that you're trying to get, is taking inspiration from what is clearly demand
7 at the moment and enabling innovation.

8 **BRYAN CHAPPLE:** Thank you. Look I don't think -- maybe to echo Catherine's point, I don't
9 think we necessarily want to be writing the roadmap ourselves, or trying to come up with
10 all that detail, I think we understand the limitations of that. I think what we are trying to
11 do, we see some benefits from open banking, notwithstanding there's a range of
12 perspectives on how successful that will be, and what can we do through this process to
13 help advance it in a way that helps take the industry forward. Acknowledging there's some
14 progress being made, but, you know, more could be done, can we help do that in a way that
15 is sensible. So that's what we're about.

16 So I think what we're trying to understand here is, what are the dimensions of that,
17 are there some specific things that it's helpful for us to put down as stakes in the ground, or
18 things that government and others can react to in this report.

19 So there's been some good points made around thinking about the process and the
20 way in which you get people together to take it forward. We're also interested in the scope
21 of what needs to be covered, how broad do we need to go, or how much do we just leave
22 that to the sector to work out. So yeah, Jody.

23 **JODY BULLEN:** Jody Bullen, ANZ. I just wanted to touch on the point around it's about the
24 collaboration again, to come back to. If you sort of take the view that we can only solve
25 this together, then the mechanism is really just the next question of how, right? And so,
26 you know, that firmly is a question to answer and people will have different views on it.
27 But the collaboration needs to occur. And I think it was made online, I can't remember the
28 person that made it, but if you take that view, then that needs to inform a right size
29 regulation at the right time.

30 And so I mean at the moment we can't collaborate in a way we need to; that's the
31 current state. And if we don't move forward then it's going to be bilaterals. So how do we
32 move, you know, I guess the question is how do we enable collaboration and that's, you

1 know, the thing, regardless of the mechanism. And then when is the right time for
2 regulators to step in with that support when the industry cannot solve the problem.

3 **BRYAN CHAPPLE:** Yeah.

4 **ANTONIA WATSON:** I'd just reiterate, I agree, it's a recommendation on how to enable
5 collaboration and probably a sheriff, if that makes sense.

6 **BRYAN CHAPPLE:** Yeah.

7 **ANTONIA WATSON:** You know, in terms of regulator or whoever that is, who's going to be a
8 sheriff involved in that.

9 **BRYAN CHAPPLE:** Yeah, okay. Can I ask how far the parameters of that need to go? So one
10 of the things that people have commented on today is the importance of getting pricing
11 working in a way that supports innovation but also has commercials that are kind of
12 workable for all the different parties, right? So it needs to be kind of something that
13 end-users are going to want to use and the different parties have to be able to make a
14 reasonable return on it. How does that get solved in this -- is that a bilateral process, is that
15 also something that people need to come together on?

16 **JOSH DANIEL:** At the moment it is bilateral, and that is the only future that we can see so far
17 until a regulator steps in and sets a framework for fees. So that is one of the major
18 components where we think a regulator does need to step in. And, you know, obviously
19 payments, for example, are cross-subsidised by banks currently. So, you know, banks
20 charge little or no fees for a consumer to go into the app and make a payment and they'll
21 make the money through deposits, or some other service.

22 So we would encourage a regulator to look at the broader business rather than just
23 the business of open banking APIs, because if that's priced on a cost recovery basis then the
24 use cases will never be viable. So it needs to be looked at in a holistic sense, we think, to
25 come up with feasible pricing that is enabling.

26 **BRYAN CHAPPLE:** Other perspectives? Catherine, then Jody, then Martin.

27 **CATHERINE McGRATH:** Catherine McGrath, Westpac. My only observation is to continue to
28 reiterate that for things to grow and thrive they need to be commercially viable, and then it
29 should start to get its own lease of life. If that doesn't happen, then there'll be stagnation
30 and it won't drive the innovation that's being looked for.

31 **BRYAN CHAPPLE:** Okay, thank you. Were you going to say something?

32 **JODY BULLEN:** I think --

33 **BRYAN CHAPPLE:** Okay, Martin, then I'll go online after Jody.

1 **MARTIN TAYLOR:** Thank you very much. Martin Taylor from Positive Money. I think this is
2 a really important conversation to have. I think the thing to bear in mind is, quite rightly,
3 the banks and other players in this have made the point that for collaboration to work there
4 needs to be a viable return to the collaborators, right? Which is essentially, you know,
5 some money needs to flow through the P&L that's representative of the, you know, the
6 money they've invested and the risk they've taken.

7 I think the other side we need to be thinking about is that a lot of the benefits can
8 reside outside of the P&Ls, because we're talking infrastructure, right? So a lot of the
9 benefits reside outside of the P&Ls of the players. And I think we really need to have a
10 serious conversation about some public money being applied in areas which you can really
11 drive the public benefits and acknowledging that a public benefit, you know, can have a
12 public cost, but which the industry can benefit from, you know, they can take their own
13 risks, they can spend their own money, they can make a return.

14 So I know in our submission one of the things we put forward was the notion of
15 having like a shared banking service that we've spoken about. Someone like Kiwibank,
16 instead of spending billions on increasing capital, spending millions on supporting an
17 industry initiative to provide, for example, common technology services and banking
18 maybe regulatory help, opening bank accounts. There were some very simple things that
19 came through in the responses from small banks, for example. How can we afford to
20 develop an app and keep developing it so that it's competitive all by ourselves with, you
21 know, tidy customer use.

22 But of course these are very shareable, you know, technology industry is a
23 wholesale industry. Most people don't see that, but there's vast amounts of the technology
24 industry that is a wholesale business. So a technology shared services hub, a hub that
25 fintechs can tap into, a hub where local players can have a way of developing their
26 products, particularly the business to business, not business to consumer market so much.
27 But these are all things that could have enormous benefits to, not just fintechs, but bricks
28 and mortar banks, small banks, the ones that we need to come and see more of.

29 And I believe should be funded, at least in the initial stages, with public money, like
30 R&D effectively, or, you know, the public goes in, creates a market, derisks it so the
31 private market can go in and expand it and accelerate it and so on. And that concept could
32 well work here and I think public money used wisely, not as a corporate subsidy but used
33 wisely, is perhaps part of a solution here.

1 **BRYAN CHAPPLE:** Thank you. I'm going to go online first, there's a couple of people have
2 been waiting. Sorry, Jody, I was going to go to you and then I'll go online.

3 **JODY BULLEN:** Thank you, I'll just be very quick. Jody Bullen, ANZ. I probably sound like a
4 broken record, but again, pricing, just like every aspect of open banking, is actually a really
5 complicated topic. You know, I have experience of working with third parties and we've
6 collaborated for our open banking journey, is that different use cases, different third parties,
7 different views. So it is one of those areas that, you know, you need to consider a use case
8 approach and we've talked about customers transferring money between their own accounts
9 versus maybe paying a person, or paying a business maybe for a coffee. But what if it was
10 a \$5,000 flights versus a \$40,000 investment, or a \$100,000 car purchase.

11 So again, it is a complicated topic and the collaboration aspects does include pricing
12 structures, and the authorisation doesn't include pricing, but again it's a step forward to get
13 us closer to where we are today.

14 **BRYAN CHAPPLE:** Thank you. Alright, I might just go to Adrian Smith online and then to Lisa
15 Ibarra.

16 **ADRIAN SMITH:** Kia ora koutou, Adrian Smith, BlinkPay. This is going to be a little bit
17 soapbox ranty so I apologise in advance. But the assumed best practice, I would love it if
18 we could do that, that would be great. Because I can tell you from personal bitter
19 experience that when everyone's trying to figure it out for themselves, you have to have the
20 same conversations every time. And everything that's won, every inch of ground it's inch
21 by bloody inch and it's hard. You know, when banks can't come to a common view of
22 insurances, that's kind of irritating. Same with pricing models.

23 So, you know, like at the risk of calling out my mates at the yellow and black bank,
24 they managed to do the whole shooting match with us, on-boarding, due diligence,
25 commercial negotiation, legal negotiation in 25 working days. That's a pretty bloody good
26 template I would argue. Why can't we start there? Sorry Mac. But that's kind of my view.
27 I would love it if we could share best practice across industry.

28 Second point around pricing models. I wouldn't advocate for setting fees, but I
29 would advocate for at least having a common model. Because when you're having to
30 negotiate on various price models, and some of the models, I'll be honest with you, it's like
31 death by 1,000 cuts. We have to set up macro-enabled Excel spreadsheets to figure out
32 how much it's going to cost you. It's really hard to figure out what's going on in those
33 scenarios.

1 So we tend to gravitate towards the JROC principles out of the UK where they sort
2 of said look, philosophically here's five principles we think make sense when you're trying
3 to price up commercial APIs, especially when it's something's this nascent and new. As the
4 value is built and developed over time, then you start to think about actually do we then
5 start to add in premium pricing for the value that's created, right? When I think of
6 something that's analogous like card schemes, what gets charged by card schemes today is
7 not what they started with in the 60s. But as time and capability and features are built into
8 those schemes then the value of what was being created and shared was accretive. So that
9 would be whakaaro, thank you.

10 **BRYAN CHAPPLE:** Kia ora, thanks Adrian. Lisa.

11 **LISA IBARRA:** Kia ora, Lisa Ibarra from Payments NZ's API Centre. I want to take us back
12 quickly to conversations on the roadmap. I think the conversation here has been incredibly
13 helpful. Primarily it's highlighted just how complex prioritisation of the open banking
14 roadmap actually is and the passion behind the voices. In Payments NZ we've always been
15 market-led in this sense, and for these first five years we have been consulting with our
16 community contributors, third parties and banks to inform that roadmap.

17 Following the Commission's letter of expectation that we received a month, two
18 months ago, I wanted to note here for the Commission that the API Council has agreed in
19 the last week to expand our consultation into the market further afield, consult wider on
20 inputs into the roadmap, and essentially we maintain that position that we should be
21 market-led, speaking very clearly in support of those that want to see high value use cases
22 rolled out in New Zealand as a priority. Appreciate some of the comments here around
23 how that roadmap should look, particularly in regards to fraud, digital identity, and that is
24 something that in the API Centre we are certainly incorporating into that thinking around
25 the future roadmap. Thank you.

26 **BRYAN CHAPPLE:** Thanks Lisa. Julia and then -- yeah.

27 **JULIA NICOL:** Thank you, Julia from Worldline. I think one of the big gaps is in-store
28 payments. So the open banking API standards don't contemplate in-store payments at all.
29 I mean you can do like a sort of an e-com in-store, if you like. So you can use your phone
30 to make an online payment, via open banking. But in order for a retailer to be able to
31 accept an open banking payment without having sort of an e-Commerce gateway, it's near
32 on impossible and it's not contemplated in the API Centre standards. Moreover, the kind of

1 messaging we need to provide sort of safe in-store open banking payments is a long way
2 away. And I don't even think it's on the future roadmap.

3 So if we are talking about having competition, for us, you know, we don't want just
4 a few people using these products and services, we actually want to be a viable competitive
5 constraint on Visa and Mastercard, and in order for that to happen there needs to be some
6 real change. I mean if you look at our gateways, Online EFTPOS is 2.5% of overall
7 scheme transactions and in-store scheme is about 76% of the transactions. EFTPOS is
8 dying, yeah.

9 **BRYAN CHAPPLE:** So what's -- I assume you're part of the API Centre?

10 **JULIA NICOL:** Yes, we're on the working group and business groups.

11 **BRYAN CHAPPLE:** So what's stopping those things being progressed through that process?

12 **JULIA NICOL:** Well, I think it's an appetite to broaden the scope. So that scope is largely
13 determined, I think, by the banks and obviously they make lots of money from scheme
14 transactions. PNZ holds the rules for EFTPOS, they've not been modernised since the
15 1980s substantially. So there's been kind of no focus in-store, if you like, and we've sort of
16 gone let's try and do some online stuff. But I think if you want real competition in
17 payments, and I understand that's only a small portion of open banking, then something
18 needs to be done about in-store.

19 **JOHN SMALL:** So you mention there, Julia, the fact that you see a future where these sort of
20 payments compete with Visa and Mastercard. So that's a competitive threat to those --

21 **JULIA NICOL:** Well, that's very generous of you.

22 **JOHN SMALL:** Well, you're aspiring to threaten that commerce.

23 **JULIA NICOL:** Yeah, we're aspiring.

24 **JOHN SMALL:** Does it have any bearing at all on progress inside the API Centre?

25 **JULIA NICOL:** Well, I mean I think that, you know, banks are commercially rational, and at the
26 moment they've got perfectly good payments products that bring them a great return. So
27 why you would invest in alternatives which might not bring the same return, you know, it's
28 not a decision banks normally make. So we've been working on an in-store open banking
29 payment product and that's going to cost money and the returns might not be as much as
30 scheme products. So to get investment for that, people need to consider, I guess, the public
31 benefit, which I think my colleague over there was talking about.

32 So, you know, EFTPOS is at, I don't know, 20% of overall transactions at the
33 moment on our switch. There's some other products that go that same way, but they could

1 quickly move to the other side. So it's just kind of what are we doing, there's no collective
2 acknowledgment that that competitive constraint will go. And we'd like the industry to
3 make a decision about whether it's important to have an alternative payment product or not.

4 **JOHN SMALL:** Thank you.

5 **SHAUN FORGIE:** Hi, Shaun Forgie from Bill Rush. I'm starting to think that the ability for an
6 individual in New Zealand to initiate a payment and to access their information is a human
7 right. If it's a fundamental human right, it would seem that we need to have the standards
8 managed by government on behalf of every individual in New Zealand. And if we start to
9 think about open banking and the ability to initiate a payment and to access account
10 information as a human right, then it would make sense for us to really start dealing with
11 that with public funding and to have those standards owned and managed by the general
12 public to interact with the banks and to understand the relationship that an individual can
13 have with a financial service provider.

14 So I think fundamentally I'm sort of forming the opinion that it's actually a set of
15 standards that need to be managed by New Zealanders for New Zealanders and to bring
16 banks along. I don't think we can ask the banks to make changes to their core systems
17 today without them understanding their relationship in the context of what it means to be a
18 New Zealander and our rights to access our bank account information and to transact
19 between ourselves. Banks are likely to come in and support those initiatives, but I think
20 fundamentally the responsibility is on us.

21 **BRYAN CHAPPLE:** Thanks Shaun. Any other comments on that? Yeah, Kent.

22 **KENT DUSTON:** Just an observation, Kent Duston, Banking Reform Coalition. Just an
23 observation coming from having spent a bit of my career in the technology business, is that
24 most innovators understand, most of the new rivals into any technology segment
25 understand that their technology investment, the platform that they're putting in place is
26 kind of a sunk cost in the sense that it's like the table stake in Poker, it's the minimum
27 necessary to play the game. But the actual outcome of the game depends on a whole bunch
28 of other factors that have nothing to do with the table stake. So it's what typically a new
29 innovator coming into a market will understand.

30 Now that's as true of the incumbent banks as it is for any new innovator coming to
31 market. So we need the incumbents to also recognise that their investments in open
32 banking are the equivalent of the table stake, and that you don't necessarily make any
33 money off the table stake, that's just what's necessary to play the game.

1 We know from the Commission's report that there has been very significant
2 under-investment in the IT systems in the banking sector, and that some of the core systems
3 are now depreciated down to zero book value, so those do require reinvestment. And in
4 that context I don't think it's reasonable for the incumbents to be saying we wish to make a
5 return off the reinvestment in our own core systems. Exactly the same as any of the
6 fintechs coming to market, they understand that that's the table stake, and that the actual
7 outcome will then depend on, because remember allegedly the data sitting on those systems
8 is our data as customers, it doesn't belong to the bank. But there's the expectation, it almost
9 seems, that the banks may wish to monetise that. And I think that that would be an obstacle
10 to the industry developing well and that the expectation around reinvestment should be
11 there on the incumbents as much as it is on the innovators that are coming to market.

12 **BRYAN CHAPPLE:** Okay, thank you. That's been helpful. I think what we might do is sort of
13 move to just get a bit more specific around some of the things that we've heard of that are
14 barriers to making progress here from the submissions and other discussions we've had. So
15 we might just move to that now and then we'll see where that leads us.

16 **TRISTAN GILBERTSON:** Maybe picking up on the technology theme, as you say, the report
17 talks about the importance of technology and systems as an enabler of competition. One of
18 the responses we got back from the banks quite clearly was a view that their core systems
19 don't limit, or aren't limiting progress, the progress of fintechs in particular. And we were
20 quite keen in this forum to get a view back from the fintechs on how they see it from their
21 side of the fence. Do you see it that way, or not? If not why not? Is somebody prepared to
22 speak to that?

23 **JOHN SMALL:** Probably best if it's somebody who's already got a partnering deal. Maybe
24 Adrian if he's online, or who's over here?

25 **RAJESH SINGH:** Hi, my name is Rajesh, I'm from 3Plus. But the perspective I want to bring is
26 actually I used to work for Standard Chartered Bank in Singapore and Hong Kong for about
27 12 years. I think Singapore and Hong Kong are actually not very different from
28 New Zealand in terms of if you look at the size of the market and as a developed economy.
29 And also the banking structure; there are like four or five banks which are large and then
30 you don't really have a long tail behind it.

31 What really changed, and there was similar demand for we need to have more
32 innovation in the market. And what really changed was when regulators actually did
33 decide to take a stab at actually inviting for digital banking licence. So I do think if we

1 really want to drive innovation, which is for betterment of the customers, then we have to
2 touch upon how do you increase competition, and one of the ways to do it will be to
3 introduce new digital bank licensing which will also address. And the reason I wanted to
4 pick on this theme is because it allows you to build something from scratch and you can
5 actually move on from the legacy systems and platform.

6 So in Standard Chartered we rolled out two new digital banks, Mox in Hong Kong
7 and Trust in Singapore, and both of them actually use new core banking platform rather
8 than depending on the legacy platform that we had. So I think Dosh, Shane, you mentioned
9 about competition. I do feel that's a very key element of why we're not talking about
10 introducing new digital banking licences, especially given there are fintechs who are
11 relatively well progressed in terms of the capabilities and banking products they already
12 provide.

13 **JOHN SMALL:** Thank you. That's a helpful contribution. We're also interested in the access
14 point and the ability of fintechs to interact in a practical sense with the major banks, let's
15 say, through the APIs. And so I believe Adrian is online and so I just extend this question
16 to you, Adrian, since you've got an agreement already, as you've told us. So does the state,
17 or age, or condition of your partner's core banking infrastructure impede your ability to
18 connect and provide services?

19 **ADRIAN SMITH:** Short answer, Dr Small, is yes. Some of the infrastructure of the major banks
20 has got some systemic weaknesses which means that some parts of the API swaggers can't
21 be honoured. And so you then have to find ways to work around them, which then have
22 flow-through effects to any other parties you may wish to on-board to have access to your
23 payment gateway.

24 So that is a big part of the challenge. And I think it's fair to say that potentially we
25 haven't invested in our core infrastructure as heavily as we might have. But that is part of
26 it, but it's not true of all. Does that help?

27 **JOHN SMALL:** Yeah, it does, it helps in a way that's a little disappointing, but it moves the
28 conversation forward. Were you going to say something Antonia?

29 **ADRIAN SMITH:** Sorry, Dr Small, we try to work around those to the best of our abilities
30 (inaudible) to the systems. But there are some things that you can't really overcome even
31 though the APIs and swaggers allow for it. So if you can imagine, a lot of the API
32 technology's been bolted on to the side of legacy infrastructure. So whilst you have a
33 beautiful connection point, some of the things that sit beneath it aren't quite up to snuff or

1 where they need to be. So that means that you can't fully meet all of the parts of the
2 standard as you would like to.

3 **JOHN SMALL:** Right, that was certainly the impression we got when we were doing the Draft
4 Report, which is why we made this suggestion. But it sounds like it's kind of partial, not
5 complete. So maybe there's a question about whether things are adequate to get by. I mean
6 obviously you've got a work around now, even though it's perhaps not giving you the full
7 functionality. I think Antonia wants to --

8 **ANTONIA WATSON:** Antonia from ANZ. I'm desperate to respond. I completely understand, I
9 mean everything that Adrian says resonates. We have absolutely been able to meet all the
10 API standards but we are bolting it on to legacy technology. Give us a chance to upgrade
11 our technology. I think I'm probably speaking, and obviously these are competitors and we
12 don't talk about our competitiveness of our systems, but, you know, there's major work
13 under way in the industry. But don't forget, we had five, six years of implementing BS11;
14 it costs of hundreds of millions of dollars.

15 If you're a start-up, if you're a Revolut, you get to start from the very beginning with
16 cloud-enabled API technology, all those kinds of good things. We still need to, in a very
17 complex world, replace all those core systems. It takes years and hundreds of millions of
18 dollars. It's not easy. We don't get to start with one simple customer, we get to start with a
19 plethora of customers from individuals to trusts, to large institutions, to, you know, you
20 name it. And we still have to be able to operate safely for all those customers.

21 So it takes time. We'd love to have -- I'm sure I could speak for Kiwibank in terms
22 of their delay in some of the API standards. But, you know, I think for ANZ we're working
23 on this stuff, but it's not as easy as it is if you're a start-up, it really isn't, and it will take us
24 years and a lot of money. And we're working on it. We would love to have started early,
25 but we've had very, very large regulatory programmes that have taken all our capacity and
26 all our ability to keep our underlying core systems safe in the meantime.

27 **JOHN SMALL:** Thanks. I'll just leave you there, Adrian, in case you want to comment later, but
28 I've got Shaun and Shane actually, both got their hands up. Shane first.

29 **SHANE MARSH:** Shane Marsh, Dosh. Just reflecting on my own kind of personal experiences.
30 I've worked in both a large bank building out technology projects, and also have built a
31 bank from the bottom-up from a fintech perspective. And absolutely agree with what
32 Antonia's saying, they're two very different things. Trying to build on legacy infrastructure
33 and trying to innovate on that is extremely difficult. And starting with a blank sheet of

1 paper and building it up from a cloud perspective is a very different story. The speed at
2 which we've been able to move is I suppose what in some ways the banks would just dream
3 of. We've been able to, in the last six months, release both a savings product and a
4 borrowing product.

5 And I suppose then you reflect on the need for innovation and competition in the
6 market; for me this just highlights the role that fintech plays and new entrants play in being
7 able to bring new services to the market, and really kind of reinforces, I think, the need for
8 investment and focus into the sector to bring the next generation of services to market. And
9 in a lot of ways there probably will be collaborations between existing banks who struggle
10 in that space and the new entrants in the market.

11 Just want to touch on one topic. We talked about how hard is it to connect, plug
12 into a bank. I think another topic, and all the fintechs this would resonate with, is actually
13 starting a relationship with a bank is very challenging. And what we see is a vast difference
14 between the banks in terms of how mature they are and deep their understanding is of the
15 fintech sector, their needs and how to engage with them. BNZ's the leader in this space,
16 they've invested in specific components of fintech and understand the business in terms of
17 being able to bring them on, and they have probably the leading market share in terms of
18 fintechs and they're leading innovators in the market.

19 And at the other end of the scale there's banks who are really just trying to get their
20 heads around even talking to fintechs. So for those who perhaps don't have the banking
21 background that I have, that's been really hard for people trying to get something started in
22 New Zealand, and I think there's a lot to be done to try and raise the overall tide in terms of
23 banks working with fintechs from the best to the work in progress.

24 **JOHN SMALL:** Thank you.

25 **SHAUN FORGIE:** Yeah hi, Shaun Forgie from Bill Rush. There's a real opportunity for
26 New Zealand to, I guess, improve on open banking. If the government can provide
27 elements of the architectural components that are important for open banking, and identity
28 being one of them, we have the ability to significantly transform how easy open banking is
29 to implement. So what we're doing at the moment is we're getting the banks to work out
30 what they can do, how they can facilitate and support open banking enablement through the
31 two main mechanisms that open banking provides, payment consents and information
32 access consents. Both of those require you to authenticate against the bank's identity
33 system. So the banks own your account identity.

1 If we can contribute public infrastructure into the open banking architectural
2 framework in the notion of leveraging government-controlled identity; so we already have,
3 you know, we have single sign-on capabilities, RealMe, which is a Government-owned
4 identity. If we're able to start thinking about what elements the government and the public
5 infrastructure can contribute to these standards, we can significantly simplify a lot of the
6 complexity we have today.

7 So there's a real opportunity for us to think about what components can be
8 contributed into these standards to dramatically simplify this infrastructure and modernise
9 it. So there's low hanging fruit. Yes, there's legacy banking systems that are transactional,
10 but there's areas that we can contribute that the government, the public infrastructure can
11 provide to assist fintechs in this area.

12 **JOHN SMALL:** So these, I mean RealMe, you know, your passport, your driver's licence, that
13 sort of thing, they're already out there. You're probably aware about the work that DIA's
14 doing in digital identity where they're conceiving of this in quite a different way, as a world
15 in which there'll be a number of digital ID providers and they'll all be accredited -- that
16 might not be the right word -- as providing a digital ID. So is this an opportunity for the
17 banks to be players in that field, and so maybe throw that to the banks; do you see
18 yourselves as getting into that framework?

19 **ANTONIA WATSON:** Antonia Watson, ANZ. I see ourselves being part of it. I don't see five,
20 six, seven individual banks creating our own digital IDs as being the solution. I feel like as
21 a country it's a New Zealand Inc issue that should be driven centrally as a country, but I
22 think, I probably speak for my colleagues in the room, that we'd love, love to be part of
23 something like that.

24 **JOHN SMALL:** Yeah, right.

25 **SHAUN FORGIE:** We have a birth certificate, you know, you have your passport, you have
26 elements of your identify today that are issued and managed by the government --

27 **JOHN SMALL:** Yeah, that's right.

28 **SHAUN FORGIE:** -- as part of who we are as Kiwis. And so that can be leveraged into the open
29 banking debate to dramatically simplify and streamline a lot of the technical issues.

30 **JOHN SMALL:** It is sounding like a little bit of a challenge to the way DIA's going to me, but
31 anyway.

32 **JODY BULLEN:** Jody Bullen, ANZ. I'm going to just pull it back to the roadmap. All of these
33 things take time, effort and head space to work on, so what's important? And I think we've

1 heard quite clearly that digital identity is -- it's not currently part of the open banking
2 framework; we recommend it should be. But that comes at a cost against some of the other
3 things that we'd want to progress, because you can't have everything all at once. So what's
4 the most important things we should be working on and aligned to?

5 **JOHN SMALL:** Yeah, good thought. Adrian.

6 **ADRIAN SMITH:** Yeah, so I tend to align around the Gates Foundation, Bill and Melinda Gates.
7 And they have this view that in order to have the digital technology foundations for a
8 country you need to have three things; digital identity is at the core of it, as is the instant
9 transfer of data between systems as well as real-time payments. So for me I see these as all
10 interconnected. Not an original idea obviously, but I totally support the idea around digital
11 identify being a core part of all this ecosystem.

12 The other point I was going to pick up on is that Shane made around working with
13 banks. A lot of the fintechs I talk to they sort of say, who do you speak to within a bank?
14 And that's part of the challenge, right, because of the large complexity of an organisation
15 it's really hard to know who are the right people to talk to, who are the decision-makers,
16 who are the budget holders etc. And often time folks come in at the wrong level, they're
17 talking to someone who's quite enthusiastic who gets what they're up, but then that ability
18 for that individual to influence up the food chain is greatly diminished.

19 And as I've given this advice to other banks before, the moment you get all the
20 bankers in a room, there tends to be this view around consensus decision-making, and that's
21 just my perspective based on my time in big banks. It typically defaults to the lowest
22 common denominator, which is typically the risk officer saying "that sounds risky". So the
23 comment I always make is 99 times out of 100, "do nothing" wins. So that's another part of
24 the challenge is how do we have that engagement and that conversation with the right folks
25 in a way that helps move the conversation forward without getting yourself excluded right
26 out the gate.

27 **JOHN SMALL:** Yeah, it's quite a soft but very important aspect of the whole puzzle, isn't it.

28 Antonia and then Kent.

29 **ANTONIA WATSON:** I was just going to add one thing on the digital identity, which is I think
30 why it's really important that it's New Zealand-led not bank-led; is that, and this speaks to
31 vulnerable customers but it includes a lot of new Kiwis and migrant labourers and all sorts
32 of things. The easiest thing at the moment is to rely on passports and driver's licences, and
33 there is a lot of people out there who need bank accounts who don't have either of the

1 above. Immigration New Zealand has an enormous amount of information on every single
2 person that comes to New Zealand as an example.

3 **JOHN SMALL:** Yeah, good thoughts.

4 **KENT DUSTON:** Kent Duston, Banking Reform Coalition. Way back in the mists of time I was
5 the operations manager for the e-government programme, and one of the core components
6 of that was RealMe. So I had something to do with the implementation of RealMe, and to
7 everybody in the room who's ever tried to change their password on RealMe, I apologise
8 profusely. So I'm no expert these days in digital identity, but the federation idea that there
9 is core information held by the government that can then be federated out for commercial
10 use and for other purposes really lay at the centre of what RealMe was intended to do.

11 I would not trust this process to DIA to be completed in a timely and effective
12 fashion. However, I would completely endorse everything that Antonia's said about the
13 necessity of having banks at the centre of this conversation and building further commercial
14 information around the core information held by the Crown would be a very useful thing.
15 That assumes that there is a central organisation, to Shaun's point probably publicly funded,
16 that allows that to occur.

17 So if there was a recommendation coming out from the Commission about the
18 foundational aspects of digital identity based from the information the Crown held,
19 federated to organisations that can then make use of it in exactly the way that Antonia's
20 suggested, then that would be a very helpful thing indeed and I think would provide the
21 foundational stepping stone for then the regulatory intervention to say what should that
22 organisation look like, how should it function, how should it be governed, all those
23 interesting questions

24 **JOHN SMALL:** Excellent thank you. Tex.

25 **TEX EDWARDS:** Thanks, Tex Edwards, Monopoly Watch. The question before the conference
26 here is how can we, the ComCom, support great innovation in personal banking. And
27 I urge the Commission in the Final Report to have a break-out section in discussing the
28 imbalance of power we're hearing in this room. In this room there's a serious disease going
29 on. The nice chap from BlinkPay is suffering from it; it's called MTS, monopoly trauma
30 syndrome. And what it is, it's the personal characteristics of somebody who doesn't have
31 the negotiating power of a big bank. And we urge the Commission in the Final Report to
32 take it very seriously, this imbalance of power in negotiation, and use it to catapult forward
33 to where we should be.

1 Resolut(sic) clearly catalogued how far we are behind the rest of the world. We
2 urge the Commission to understand what tight monetary policy would mean in a quick
3 implementation of open banking. Tight monetary policy means it's easier to break inertia in
4 open banking in a high interest rate environment.

5 We also urge the Commission to ask specific and detailed questions about what
6 happened to the Kris Faafoi December 2019 letter, which was a very prescriptive
7 ministerial request of getting on with open banking.

8 And we close off; we think it's important that the Commission catalogue,
9 specifically as they've done such an admirable job in understanding excess profitability in
10 the banks, just articulating possibly in the Final Report what's at stake here in terms of
11 market capitalisation of the incumbent banks. This is not a takeaway bar discussion, this is
12 a banking discussion of 2, 3, 4% of GDP. The difference in valuation to these four big
13 banks when we have open banking is significant. We urge the Commission to just
14 understand that size of incentive to delay this further. Thank you.

15 **JOHN SMALL:** Thank you.

16 **ANNE CALLINAN:** One of the other roadblocks that we've heard, or potential roadblocks to
17 open banking being rolled out, is how to deal with the risk of scams and we've certainly
18 heard submissions from many parties about that needing to be dealt with appropriately as
19 part of the technical and commercial standards.

20 But our interest is really in how we progress protecting consumers from scams
21 whilst not unduly delaying open banking, and we see potentially a little bit of a tension
22 there. I wonder if people can comment on that. And also I'm interested in hearing whether,
23 coming back to the sequencing point that's been raised a number of times, whether we need
24 to also be resolving the wider issue of how we're dealing with scams in New Zealand as
25 part of this; again, because that seems to be relevant to some of what we've heard today
26 about getting consumer buy-in and trust in anything we do. So a few questions there, I'd be
27 interested in some comments.

28 **BRYAN CHAPPLE:** Catherine.

29 **CATHERINE McGRATH:** Catherine McGrath, Westpac. A couple of thoughts on that. I think
30 an accreditation regime where it's very easy for a consumer to know that who they are
31 sending either the payment to or the money to as accredited by someone who is credible,
32 and to make that as easy and simple as possible. Because if that's a known trust marker
33 engagement, it ideally would be broader than financial services actually, because as we go

1 into the CDR regime it should be other data that's shared, and providing I've got the sign,
2 whatever it is, I should know that from a starter for 10 they have been through some
3 process of authorisation. So I think that's a key component of it.

4 To your second question about scams more broadly, I recognise that the industry
5 here has started later than industries in other markets. From the start to where we are now,
6 the pace of change and how quickly we are delivering is far faster than anything I saw in
7 the UK in terms of confirmation of payee, as a good example, and some of the other work
8 that's happening.

9 So my perspective, which I recognise you'll hear through vested interests, but there
10 is a very good clip of work that is happening in terms of the broader scams ecosystem
11 within the financial services industry. I don't think that there is enough progress being
12 made outside the financial services industry and I think that's a critical part that needs to
13 happen next. And then I think the accreditation and a trust mark is really helpful to protect
14 consumers as there are new forms of payments.

15 **DAN HUGGINS:** I guess adding to where Catherine was -- sorry, I'm Dan Huggins, BNZ. I
16 think on scams there are a huge number of industry initiatives going on, as Catherine
17 rightfully said. I think if we could go back five or ten years perhaps we would have done
18 some things differently, but things are moving apace now. We do need others other than
19 just the banks involved, and that is, again, we've all said publicly, we need government,
20 telcos, I won't go on, but we do need others involved to protect New Zealand, it is a fight
21 against sophisticated criminals who are looking to harm New Zealanders.

22 I think the other two areas that are happening here is, one, there is a need for
23 customers to also stop and think. There's a huge amount of activity that we're all
24 undertaking to educate customers to ensure that all of our colleagues in the frontline who
25 are talking to customers every day are aware and are asking the right questions. And then
26 there's a third area here of the things that people will never see, but they are happening
27 behind the scenes in the payments infrastructure to look at every individual transaction and
28 identify that one doesn't look right, let's pull that one out and have a conversation with
29 people. So that work is critically important. It will interact with some of the things we've
30 been talking about today, but it doesn't entirely get dealt with by what we're talking about
31 today.

32 **JODY BULLEN:** I'm going to narrow down to the open banking piece. I guess it is going to
33 introduce new fraud vectors that we need to consider, and again, going back to the point

1 around customer protections. So that doesn't just extend to banks but also the entire
2 ecosystem. So necessary to have these conversations at the use case level and at the
3 collaborative level around what are the risks around the introduction of this type of service?
4 How might it be used by fraudsters, how might it impact fraud and scams?

5 And you only have to start thinking about some steps that we've collectively made
6 about things like sending links, but are there obligations on third parties not to send links
7 for payments in an open banking world? There's patterns being developed that will cement
8 with customers. So things like should we be promoting patterns that encourage the sharing
9 of banking credentials as part of process, for example; not with third parties. So there's
10 some really interesting -- we're only touching on a few areas. The point is, is that we are
11 changing the landscape in terms of third parties and TPPs being introduced, so we need to
12 think about what that means.

13 And, you know, as we've said before is that we're very supportive of open banking,
14 but we just need to be careful not to open up too fast and open to exposure of risk. So how
15 do we work through those, what mechanisms do we need to put in place, how does that turn
16 up in accreditation to make sure that these patterns are followed as a whole rather than, you
17 know, it's not all on banks, there's a shared responsibility here for customer duty. Thanks.

18 **JULIA NICOL:** I've got one just on resource. I think similar teams at the banks would work on
19 things like open banking products or confirmation of payee. There's not enough resource to
20 do both is kind of what we hear. So yeah, I mean I think that that does impact the progress
21 of open banking when there's only a small team at the bank that can work on this sort of
22 stuff.

23 **TEX EDWARDS:** To speed up the process, we urge the Commission in the Final Report to have
24 a five-year ban on flanker brands from incumbent banks. In October this year the boards of
25 the major four banks will be meeting to discuss open banking. They'll have two pages of a
26 board rap sheet on open banking, and they'll have a McKinsey report tucked in the side of
27 their October board reports as you're discussing how to have flanker brands. Flanker
28 brand's a good example because we saw it in the telecommunications industry. And we
29 urge the Commission to have a five-year ban on flanker brands. And that will speed up,
30 because you'll notice that flanker brands will be introduced six months, three months after
31 open banking comes. Thank you.

32 **ANNE CALLINAN:** Any other questions on scams? Kent.

1 **KENT DUSTON:** Kent Duston, Banking Reform Coalition. Just acknowledging Catherine's
2 comment about the amount of work that's going on and at pace, you know, because
3 obviously having scams within our financial system is in nobody's interest. So it's as much
4 an incentive for the banks to clean this up as anybody else.

5 There are a couple of observations there, though. The first is that the banks have
6 been largely reactive about this. They're large organisations, they have a fair degree of
7 inertia. So all of the work that's now occurring could easily have occurred five or ten years
8 earlier if there had been a more proactive approach to this. So banks, and I think there's a
9 lesson here that the incumbents, as they sit, are fairly reactive organisations.

10 And so that doesn't bode well for new and emerging threats. And some of the
11 assessment of those new and emerging threats might be better placed outside the banks in
12 the very regulatory organisation that we are discussing, because that might be a more
13 appropriate way of addressing them more quickly, which again would also be in the best
14 interests of the banks themselves.

15 We're also talking about the scams, or we largely think about the scams in terms of
16 a technology problem; that if we have the right platforms with the right algorithms and
17 things, then maybe we can capture some of this and stop it occurring. I'm curious about the
18 intersection, though, of the regulation and the scamming that is occurring. There seems to
19 be a bunch of the scams are coming out of mule accounts. These mule accounts have been
20 set up by people who are fake to some degree. I'm curious as to how AML and CFT, those
21 compliance obligations have been met, but we still have mule accounts arising within our
22 financial system. And I would have thought from the neophyte perspective, and really the
23 expectation of everybody who's had to go through AML compliance in this country, that
24 the whole purpose of that legislation was to stop exactly what is occurring with mule
25 accounts.

26 Now, if it turns out that AML and CFT are insufficient to prevent people creating
27 mule accounts on our financial system, then perhaps one of the things that the incumbent
28 banks may wish to do is have recommendations carried forward in this report that the
29 regulations are strengthened sufficiently to prevent exactly this at the creation of account
30 level rather than the trying to stop the transaction level.

31 **ANNE CALLINAN:** Thank you. I think there's a question behind you.

32 **SHAUN FORGIE:** Shaun Forgie from Bill Rush. I think the role of national identity can play an
33 important part in scamming. You, as a consumer or a business, should be aware of whether

1 you are interacting with an identified entity, or a non-identified entity, in the sense that is
2 this payee, do they have a New Zealand certified identity from something like, you know,
3 State Services Commission, or the Department of Internal Affairs. Is this an authenticated
4 New Zealand identifier. You get that with things like X or Twitter where you can see in the
5 post, you can see they've got a badge which indicates their identification status, whether
6 they've been verified or validated. Very much the same infrastructure can be applied. And
7 then we can have basic payment protection plans that are in effect for businesses or for
8 consumers where they are paying a known identified party.

9 So I think the role of public infrastructure in this debate is very important to
10 understand. So the notion of identity and payments are very closely aligned and I think we
11 need to develop some policies around how that plays out.

12 **BRYAN CHAPPLE:** Could I just follow-up on a related question. I think, Dan, you've talked
13 about, and others have too, about just being clear about liability when data moves. Is that
14 something that you can solve in a collaborative way, you know, potentially with
15 authorisation, or do you need legislation? Is that a regulatory thing?

16 **DAN HUGGINS:** I doubt we need regulation to solve it. I suspect we need permission from you
17 to be able to do that and not fall foul of the Commerce Commission.

18 **BRYAN CHAPPLE:** Contractually?

19 **DAN HUGGINS:** Yeah, contractually.

20 **BRYAN CHAPPLE:** Right, that's cool, thank you. Antonia then someone at the back.

21 **ANTONIA WATSON:** I just wonder if this is another example of things you wouldn't want
22 banks to do to themselves. I think open banking, the original thing was "banks you do this
23 or we'll do it to you". And we've made it really clear the things that we actually need to be
24 given. I think, I don't know that we've got the ability to say we wouldn't be liable for this. I
25 don't think we'd have the buy-in if there wasn't more of that, a wider body that had, whether
26 it's consumer reps or regulators or someone there helping make that decision.

27 **BRYAN CHAPPLE:** Okay, alright, thank you. I think there's a gentleman down the back.

28 **ADEEL ALI:** Adeel from APIMatic. I want to catch up on the last question here, what we can
29 learn from other countries' experience. So I was in New York two weeks ago at the
30 headquarters of one of the top five banks in the world, I cannot name because of NDA.
31 And the discussion over there happening was about how, like, they can make their APIs
32 more consumable, how more and more developers can start using their API, what can be
33 that technology.

1 And, like, talking to these kind of banks, like the kind of Paypals and the Stripes of
2 the world, the focus we are seeing is more towards technology that can help APIs more
3 consumable. Because no matter what frameworks we talk about, no matter what standards
4 they implement, that's all part of our investment. And the return on that investment comes
5 only when people start consuming those APIs. And we often overlook here, because we
6 don't consume APIs. If I ask here from the people in this room how many of us have ever
7 tried using the API Centre, or make the first API call; anybody here has tried making first
8 API call using the API Centre? How long did it take?

9 **SHAUN FORGIE:** A couple of weeks.

10 **ADEEL ALI:** A couple of weeks, making the first API call. I'm sure you're a great developer.

11 Because, you know, I tried it, it also took me ages to use that. And if we don't talk about
12 that kind of technology then we will stay behind the world, we stay behind the innovation,
13 we stay behind in the adoption. And if you talk about a technology, if you want to listen
14 what I'm talking about, just, like, open the API Centre by Payments NZ and then open the
15 Stripe's APIs, Square's API, and you will see all the different things available, the help
16 available to consume those APIs.

17 So my recommendation, my plea to the Commission will be to also consider the
18 technology once the open banking is implemented, the adoption of that open banking.

19 What technology should we be thinking and utilising by that time. Thank you.

20 **JOHN SMALL:** Thank you. Alright, Adam, final comment?

21 **ADAM BOYD:** There's just a couple of points I wouldn't mind making I think are worthy at this
22 point in time. The first one would be if we go back to kind of like what's the overall goal
23 that we're looking to achieve here with open banking, which is really to get buy-in from
24 consumers and get cut-through and really make a difference.

25 I think with that in mind, yes, there's debates around whether we need the digi ID,
26 whether CDR would help etc; but I guess I'd almost ask the question why wouldn't we lean
27 into those if that genuinely is our goal, because the context has changed rapidly. And when
28 you're rolling out these things in other jurisdictions five years ago, the frauds and scams
29 kind of like dynamic was just different. I think we need to be thinking about the context
30 that we're executing into with that in mind.

31 The other point that I'd just make, and it sort of goes back to one of the themes of
32 the questions around, you know, are the core systems like a roadblock etc, and you've heard
33 varying perspectives on that. The point I would make is that we are investing hundreds of

1 millions a year into core systems. The challenge that we have faced, and it's been spoken
2 about already, is just the sheer amount of that money that is going in reg change at the
3 moment and has been going into regulatory change, and that does come at an opportunity
4 cost. I think about, like we had to get ready for negative interest rates, we've made
5 substantial changes for CCCFA, we're going to make substantial changes to unwind
6 CCCFA, those are all choices we could have made that come with opportunity cost.

7 So I think back to my point earlier, us being able to sort of build new core systems
8 quicker and faster; yes, that's going to have the opportunity to unlock sort of, I guess, more
9 potential in open banking. To my earlier point, that might serve 15% of consumers in
10 New Zealand, but it will also unlock value for the other 85% of New Zealanders that are
11 getting their innovation not through open banking.

12 So I think there really is an opportunity through sort of, I guess, thinking about
13 sensible regulation and impactful regulation to really unlock competition.

14 **JOHN SMALL:** Yeah, thanks very much. That's a nice way to wrap it up actually Adam before
15 lunch, I think we all see the idea of too much or too little regulation is not really the point,
16 it's about doing things that help and move things forward.

17 So look let's break there for lunch for an hour, and when we come back we'll do
18 session 5 which is other enablers and barriers, AML, that kind of stuff. And we'll be, yeah,
19 that should see us through to the end, I think. So lunch is available next door. Thank you.

20 **Lunch adjournment from 12.33 pm to 1.31 pm**