



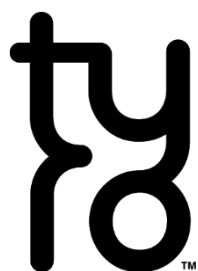
Tyro FinTechHub



Submission to the Productivity Commission

Data Availability & Use

July 2016





Contents

Introduction	3
Transactional Data	4
Other data	5
KYC	5
Data ownership	6
Access to Data	7
Security & Consent	8
Conclusion	9

Introduction

Tyro Fintech Hub is Australia's premier location for start-ups across the full spectrum of fintech. It is Australia's first dedicated space for financial services start-ups.

The dozens of companies who call Tyro Fintech Hub home have, over the past 18 months, raised several million dollars in investment, provided many new jobs, and played a vital role in the ongoing transformation of financial services in Australia.

Tyro Fintech Hub was founded, and is operated by, entrepreneurs. As such it is highly entrepreneur-centric – placing the needs of founders and the well-being of their ventures first and foremost.

In this vein we are pleased to offer this submission to the Productivity Commission's inquiry into data availability and use. This submission is focussed on financial services and the benefits to consumers of ensuring they are given control of their data and are readily able to share that data with financial technology companies, particularly new entrants with highly innovative products and services.

We note that a good number of our member companies have made submissions of their own and under their own names, such is the level of engagement in the sector, as has our parent organisation, Tyro Payments Limited.

In making this separate submission we offer a collective view on behalf of the Tyro Fintech Hub membership and the entrepreneurs who operate the Hub.

Transactional Data

As consumers interact with their banks they generate transactional data. This data is collected and stored by banks and other organisations. These organisations are resistant to sharing this data, instead seeing it as proprietary to them, and/or saying that it is prohibitively costly for them to share it.

Such data can provide them with a competitive advantage, as well as further opportunities for deriving revenue, especially as transactions increasingly move to complete digitisation and thus carry with them richer data. Not only is more data being generated but that data is increasing in value.

The immediate and most pressing data need for fintech startups generally is gaining access to this transactional data. With such data companies can provide services such as financial product comparisons to consumers, enabling consumers to uncover better products, and products with lower prices and fees, and generally promoting further innovation and competition in financial services.

To date this type of offering has been possible in a limited way through consumers providing their banking logon details to third party companies, who then 'scrape' the transaction data. However banks generally discourage this, and have even warned-off consumers, usually citing security concerns.

Transactional data of course goes beyond simple current account activity – consumers can transact as shareholders, investors and more with a range of financial institutions.

Other data

A great deal of data is generated in other ways by consumers, for instance via smartphones which can record search activity, location and, increasingly, physiological data. Wearable technology similarly generates a great deal of data about individual users, and as these technologies advance they will increasingly overlap and seamlessly combine with personal health, Internet of Things, life, health insurance and property insurance, payments and the full range of financial services.

In short, a great deal of data beyond just transactions will be created, collected and stored. Due to its breadth and depth this data will become increasingly more valuable, and as such it would be reasonable to expect that companies will guard it more jealously.

Yet it is this very depth and breadth and increasing value of data that demands that it be readily shareable.

KYC

A key issue for financial services companies is the proper identification of customers, referred to as Know Your Customer (KYC).

Undertaking KYC is a costly and cumbersome activity, especially for smaller companies and startups.

It is worth noting in the context of this submission that a single system of KYC, shared across private and public institutions, would reduce the burden and expense of compliance, speed-up customer on-boarding and facilitate switching for customers.

Data ownership

A critical point in the discussion about transactional banking data centres on ownership: does transactional data belong to the customer, or to the private company that collects and stores it?

We say that such data is the property of the individual, the customer.

We also note that in 2014 the UK's Treasury:

“...announced an agreement with the largest UK banks that they would provide their customers with access to their transaction history data in a standard format, through the manual download of a CSV file... ”¹

Further:

"The UK Treasury is keen for banks to open up access to the data they hold on customers to other businesses to encourage innovation and boost competition in the sector."²

We doubt that there can be any serious ongoing resistance to the sharing of such data in Australia, if for no other reason than such resistance would further erode Australia's global competitiveness, and label us a metaphorical, as well as a literal, island nation for unenviable reasons.

We acknowledge the distinction made by the Productivity Commission between data and information³, specifically that data is given meaning by being processed and presented in context ('information'). We say that such processing and presentation of data can create information which may be proprietary to a particular organisation.

The raw data itself, however, remains the property of the individual.

¹ Open Data Institute & Fingleton Associates, 2014, p13: *Data Sharing and Open Data for Banks: A report for HM Treasury and Cabinet Office*. Accessed at www.gov.uk/government/publications/data-sharing-and-open-data-for-banks.

² www.theregister.co.uk/2016/02/10/consumer_trust_central_to_success_of_uk_initiative_on_open_data_in_banking. Accessed 7th July 2016.

³ Productivity Commission, 2016, p2: *Data Availability and Use: Productivity Commission Issues Paper*. April 2016.

Access to Data

Ownership of data is just a part of the puzzle however, and matters nought if that data is not readily accessible.

To that end we say that banking data must be made readily accessible (with due security and consent considerations), and the best way to provide access is through an open API. The API must use a common standard, adhered to by all players in the industry, if the full benefits of open data are to be exploited by fintech start-ups to the benefit of consumers.

We note that the industry has, in the case of comprehensive credit reporting (CCR), by and large adopted the locomotive characteristics of a glacier, and so we say that, for an open API standard to succeed, it must be mandated to the industry by government. It must further be given a compulsory timetable for implementation, be assessed regularly to determine that its intent is continually being met, and carry penalties for delinquent companies.

CCR is just one example of the clear market failure that results when dominant incumbents are tasked with acting to reduce their powerful positions in the interests of increasing competition. Without regulation to compel positive action it is likely an open API will never be developed.

Security & Consent

There can be no argument that security and consent requirements must be standardised and of high quality. If they are not then consumers' trust would be eroded at the expense of the entire industry, but particularly at the expense of new fintech entrants.

We say that security and consent are vital considerations.

However we maintain that the mechanisms for security and consent are readily addressed, and should be mandated as a single standard along with an open API.

Conclusion

A broad range of factors have given rise to hundreds of so-called fintech start-ups in Australia. This has and will continue to drive both innovation and competition in the sector, which in turn brings great benefits to consumers. Yet fintech startups face huge barriers due to the size and dominance of Australia's banks

There are clear imperatives for allowing individuals to access and share their financial services data including: to allow consumers to find new or better products and services; to lower the fees consumers pay; to enable consumers to better manage their finances; to stimulate innovation and competition in the sector in Australia; and to enable Australian companies to compete globally.

Data should be considered the property of the individual, and an open API standard must be mandated to facilitate data sharing. Government has a role to play here in ensuring an open API is implemented and given effect.

Incumbents and new entrants alike will then be on a level playing field, to the benefit of consumers.