



6 October 2020

Consumer Data Right Project Team
Commerce, Consumers and Communications Ministry of Business, Innovation & Employment PO Box
1473
Wellington 6140

Via Email: consumerdataright@mbie.govt.nz

Dear Sir/Madam,

Consultation — *Discussion Document – Options for establishing a consumer data right in New Zealand*

As a major Credit Reporting Body in the New Zealand credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) welcomes the opportunity to provide this submission to MBIE, regarding the *Discussion Document - Options for establishing a consumer data right in New Zealand*.

illion is a strong supporter of the implementation of a Consumer Data Right (CDR) in Australia and have made a submission to be an Authorised Data Recipient. We believe that the Australian CDR framework will provide substantial benefit to financial services consumers, transforming the way they interact with the banking system by providing the ability and tools to safely share data with different lenders, other financial institutions and FinTech companies. In doing so, consumers will be able to access the most appropriate and economical financial products to suit individual needs. Likewise, granting access to consumer data will ensure providers will be able to offer innovative products at more competitive rates. We feel that the opportunity exists in New Zealand to learn from the Australian experience and create a structure to deliver similar benefits to consumers in New Zealand.

About illion

We are a leading supplier of data, analytics and software services for the banking, finance, telco and energy services sectors in Australia and New Zealand. Our market leading data solutions and unique insights enable organisations to make confident decisions across the entire customer lifecycle – from customer prospecting, credit originations and identity verification to on-going customer management and collections.

illion is the major provider of Income and Expenditure verification to the Australian market place; we perform 850,000 checks per month and have over 3,500 customers. In many regards we are best placed to comment on aspects of open banking as we are a major provider of the services open banking wishes to bring about in a “pre-open banking world”.

Comments on the Discussion Document

Introduction

illion have a track history in providing New Zealand and Australian customers with solutions access customers income and expenditure data with illion Open Data Solutions providing hundreds of New Zealand and Australian customers automated bank statement retrieval technology combined with high-speed analysis and categorisation of income and expenditure data. Currently transactions are captured using Digital Data Capture (DDC) technology which incorporates robust security measures on par with security standards used by the major banks, encrypting data with 256-bit encryption and secured by 2048-bit keys.

In Australia illion are also strong supporters of the Australian Consumer Data Right (CDR) and are amongst the first tranche of organisations applying to become Authorised Data Recipients. In Australia we anticipate that as CDR matures and grows it will replace DDC as the source of banking transaction data for our illion Open Data Solutions customers.

While DDC provides a mechanism to access customers banking data, we recognise that a strongly regulated structure provides additional benefits above what can be achieved purely with DDC, for example wide acceptance and trust in the technology ensuring greater adoption. However, there are also risks if the regulatory structure is too prescriptive or imposes significant barriers to entry.

In Australia the initial CDR rules omitted to include the role of Intermediaries, providing only a single level of accreditation that all recipients of CDR data are required to achieve to access CDR data. illion believe that Intermediaries provide a crucial role in providing third party data retrieval, analysis and categorisation services on behalf of smaller lenders that do not have the resources or technological capabilities to gain accreditation and develop and maintain their own application programming interfaces (APIs). The major banks, in comparison, may have the necessary capabilities to source these functions in-house. It is therefore essential to competition that smaller lenders are able to rely on intermediaries such as illion Open Data Solutions in order to compete with major lenders and contribute to competition in the market for the benefit of consumers.

The enhanced competitive pressure intermediaries introduce into the market will contribute to innovation and the development of new technologies, and will ensure that the competitive effects of a CDR regime are fully realised.

Responses to the Specific Questions:

The following section contains illion's responses to the specific questions stated in the discussion paper. Only questions that illion have a response for are listed below.

3. *Are there additional benefits, costs or risks that have not been explored in the above discussion on a consumer data right?*

- We agree with the stated benefits and would add to these the ability for Financial Services organisations to collect and verify income and expenditure data to ensure that consumers are offered financial products that are suitable to the consumers financial situation.

4. *What would the costs and benefits be of applying the consumer data right to businesses and other entities, in addition to individuals?*

- The risk (which we also believe applies to the consumer model) is in the cost of accreditation to access the data. If a model is created that provides a suitable level of security to access the CDR data for businesses while minimising the costs for these businesses to meet the necessary accreditation requirements then extending the CDR to encompass business data has the potential to facilitate simpler business lending, creating a more flexible, innovative and dynamic business lending market.

5. Do you have any comments on the types of data that we propose be included or excluded from a consumer data right (i.e. 'consumer data' and 'product data')?

- We see clear value in both the provision of product and consumer data. The use cases and the privacy of these data sets are very different so separating them, and applying potentially different security models, can deliver wider benefits with appropriate levels of cost and accreditation to access the data set.

6. What would the costs and benefits be of including both read access and write access in a consumer data right?

- While write access provides a wider scope of products and services that could be delivered through the CDR, it also introduces a number of additional requirements. For example, write access may enable account creation, in which case identity verification will be required as part of the CDR capability introducing significant additional layers of complexity. illion strongly recommend that a phased approach is considered, with the first phase comprising of read only to enable the adoption of CDR in New Zealand to be accelerated and the initial benefits realised. Only after the successful implementation of a read access CDR should write access be considered.

8. Do you have any comments on our proposed criteria for assessing options? Are there any additional factors that should be considered?

- We agree with the selection of trust, reach, speed, cost and flexibility as criteria to assess CDR options. From our experience with the Australian regime we note the trade off requirement between these criteria, and the risks inherent in over-weighting any one criteria. For example, imposing too stringent trust (privacy) requirements will increase the cost of implementation reducing the speed and reach of the CDR.

9. Do you have any comments on the discussion of Option one: Status quo?

- While existing solutions do exist that enable (some) access to account information, for example Digital Data Capture used by illion Open Data Solutions, we see significant benefit in New Zealand adopting a CDR regime. A well-designed CDR regime can ensure that consumers data across multiple sections of the NZ economy can be accessed securely, in a regulated and governed manner, creating a more open, competitive economy without imposing undue costs on businesses looking to become regulated under the CDR regime.

10. Do you have any comments on the discussion of Option two: A sectoral-designation process?

- In our experience in Australia the approach of tackling one sector at a time has significant advantage. It has allowed for a focused approach to address the specific needs of a sector (Banking being the initial sector in Australia), while working within the more general CDR framework offering benefits of re-use and using learnings in other sectors.

11. Do you have any comments on the discussion of Option three: An economy-wide consumer data right?

- illion believe that there may be dangers to such a wide approach. There will be sectors of the economy where there are limited (or no) financial benefit, however the imposition of CDR will create an unavoidable cost. There is also the risk of having to develop such a generic implementation, in one go, that the benefits returned in individual sectors are limited through the adoption of a completely generic design.

12. Do you have any comments on the discussion of Option four: Sector-specific approach?

- A CDR framework that has the stated goal of covering the entire economy may enable more rapid adoption over many sectors. In the UK as yet there has not yet been an extension beyond Open Banking, while the Australian approach while starting later than the UK is already consulting on an energy CDR.

15. Do you agree or disagree with our assessment that Option two is most likely to achieve the best outcome using the assessment criteria?

- We agree with the assessment that Option 2 is the preferred approach.

17. Do you have any feedback on our discussion of any of these key elements?

- We agree that the key elements of a data portability regime are captured in the document.

illion would like to highlight the tensions between defining an Accreditation regime that promotes widespread access to the CDR data, in a controlled and secure fashion but at a cost that does not introduce significant barriers to entry.

The current Australian CDR regime requires that every recipient of CDR data is accredited. There is only one level of accreditation and in illion's experience the cost of accreditation is approximately AU\$250,000. Such a significant cost acts as a significant barrier of entry and the absence in Australia (at least at present) of an intermediary model that allows unaccredited or lower levels of accredited entities to access CDR data will result in smaller lenders, FinTech's and segments of the lending ecosystem such as mortgage brokers being unable to access CDR data.


22. To what extent should we be considering compatibility with overseas jurisdictions at this stage in the development of a consumer data right in New Zealand?

- From an illion perspective there would be efficiency gains if the New Zealand legislations were the same as, or similar to, the Australian CDR legislation. The efficiencies for illion (and other third-party providers) would come in the re-use of capabilities that we build to access the data

under the CDR. Examples of this would be re-use of the API schemas that define access to the product and consumer data and re-use of consumer permissions capabilities.

26. If government decides to establish a consumer data right, do you have any suggestions of how its effectiveness could be measured?

- illion would encourage measurements that focus not just on volumes of transactions but on the breadth of acceptance of the CDR regime. For example:
 - o Number of Data Holders and measures of the amount of data made available by the data holders
 - o Number of Accredited Data Recipients and measures of the amount of data used by each ADR and the number of unique individuals accessing data by ADR.
 - o Number of unique individuals providing permission for their data to be accessed over CDR.

If there are any questions or concerns arising from this submission, please feel free to contact me at any time at 

Yours sincerely,



Richard Atkinson
General Manager Consumer Bureau