

Submission on discussion document: *Options for establishing a consumer data right in New Zealand*

Your name and organisation

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Responses to discussion document questions

Does New Zealand need a consumer data right?	
1	<p><i>Are there any additional problems that are preventing greater data portability in New Zealand that have not been identified in this discussion document?</i></p> <p>For situations where security and monitoring is critical (e.g. third party sources for payment initiation), an agreed and respected method of connecting and communicating is needed so that there is a common view on how the ecosystem as well as any individual is being protected.</p>
2	<p><i>Do you agree with the potential benefits, costs or risks associated with a consumer data right as outlined in this discussion document? Why/why not?</i></p> <p>Yes – these are themes that cover all the major areas of benefit.</p>
3	<p><i>Are there additional benefits, costs or risks that have not been explored in the above discussion on a consumer data right?</i></p> <p>The risks of sharing highly confidential information should be considered. Not all data has the same value/importance. As such the framework should consider how data elements are classified and the difference between acknowledging their existence rather than sharing.</p>
4	<p><i>What would the costs and benefits be of applying the consumer data right to businesses and other entities, in addition to individuals?</i></p> <p>The benefits of extending to businesses could be significant. It could be more effective to consider this framework as relating to ‘entities’ rather than individuals to increase the flexibility of any legislation. The benefit of this would be increased efficiency and transparency.</p>
5	<p><i>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’)?</i></p> <p>Product Data, although not directly related to an individual does provide visibility to the market of capabilities and enables comparisons. It should be included in some way.</p> <p>The document does not discuss sensitive data. The acknowledgement that this data is captured/held could be sufficient rather than the need to share the data.</p>

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

Read access is assumed by the framework. It provides the basic level of data sharing and enablement.

Write access starts to enable the next level of efficiency in an ecosystem. No longer is a direct interaction between parties required. Rather, through another organisation's channel event can be triggered. This reduces complexity for the individual and enables efficiency.

What form could a consumer data right take in New Zealand?

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Do you have any comments on the outcomes that we are seeking to achieve? Are there any additional outcomes that we should seek to achieve?

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

Trust – this should include thoughts around the tokenisation of data. The actual data elements themselves may not always need to be shared. Sometimes the acknowledgment the sensitive data has been captured by the primary source is sufficient.

The tracking of who is accessing and using shared data is critical for audit and monitoring.

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

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

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

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

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This discussion document outlines four possible options to establish a consumer data right in New Zealand. Are there any other viable options?

This is a good set of options.

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Do you have any comments on our initial analysis of the four options against our assessment criteria?

The analysis seems sound.

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

How could a consumer data right be designed?

16 *Do you agree with the key elements of a data portability regime as outlined in this section? Are there any elements that should be changed, added or removed?*

The addition of Tokenisation of data provides a tool that will enable different approaches to data and its sharing.

Classification – a common classification methodology for data would ensure that the appropriate rights, approvals and authorisation are captured before data is shared, with the level of oversight varying according to the classification.

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

18 *Are there any areas where you think that more detail should be included in primary legislation?*

Enabling Write access for data would enable the development of two-way ecosystems. This would increase efficiency in many areas and ensure data is kept up to date. This protects individuals as well as businesses as they will have a true and current set of data.

The addition of Tokenisation of data provides a tool that will enable different approaches to data and its sharing.

Classification – a common classification methodology for data would ensure that the appropriate rights, approvals and authorisation are captured before data is shared, with the level of oversight varying according to the classification.

19 *How could a consumer data right be designed to protect the interests of vulnerable consumers?*

20 *Do you have any suggestions for considering how Te Tiriti o Waitangi should shape the introduction of a consumer data right in New Zealand?*

21 *How could a consumer data right be designed to ensure that the needs of disabled people or those with accessibility issues are met?*

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?*

Active consideration of overseas jurisdictions is essential given the low barriers to the flow of data and capabilities the internet enables. The influence of overseas legislation on NZ citizens and how their data is kept and used is already in play. As such, any approach should seek to leverage and interoperate when possible, and be clear on boundaries and differences when not.

23	<i>Do you have any comments on where a consumer data right would best sit in legislation?</i>

24	<i>Do you have any comments on the arrangements for establishing any new bodies to oversee parts of a consumer data right?</i>

25	<i>What are the pros or cons of having multiple regulators, or a single regulator, involved in a consumer data right?</i>

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

Other comments

The SWIFT cooperative has broad financial services experience but our primary area of expertise is in the area of banking and payments. The implementation of a CDR could be multi-sector, however given our expertise is in exchange of financial data and value transfer, our comments are more focussed on a consumer data right implemented in the payments and banking context. For this reason, we will use the term ‘Open Banking’ as it is more specific to our sector.

Open Banking, suitably implemented, will modernise the New Zealand payments ecosystem and deliver great benefits to New Zealand consumers and businesses. It will lead to seamless and frictionless user experiences and foster innovation and competition and in due course, it offers the potential to provide consumers with greater control over their data and greater choice in the products and services they use.

Globally and within the Asia Pacific region Open Banking development is still in the initial stages and, it would seem there is no “one-size-fits-all” approach to the introduction of Open Banking. This presents an opportunity for regulators, industry and other stakeholders to collaborate in order to tailor approaches that would be most appropriate for their local environment.

Open Banking is multi-functional; it requires considerations of data standards, data privacy, cyber security, consent management, liability and compensation, compliance and fraud management, governance of multi-party and multi-level relationships, API version and risk management and many more. Given this, many parties are impacted by Open Banking and the opportunities and risks for each is varied however, they all point towards the need to develop and implement a robust infrastructure and ecosystem for the fundamental purposes of interoperability and innovation.

The benefits to customers of Open Banking is dependent on the level of interoperability in the financial system in the same country i.e. leveraging the same real time payment platform for payment initiation in open banking as well as the seamless facilitation of both domestic and cross border payments transactions and bank data consolidation. If one of the key objectives is to assist with consumer financial welfare and inclusion and get more people involved in payments it will be critical to implement technology, frameworks, standards and regulatory initiatives to allow Open Banking to be interoperable.

A parallel can be drawn with the development of The Society for the Worldwide Interbank Financial Telecommunication (SWIFT) system. It started with the vision of creating shared worldwide financial

messaging technology, service and a common language to support financial transactions. As an international co-operative and a provider of systemically important financial infrastructure, SWIFT has unique governance and oversight arrangements designed to ensure safe and secure movement of value and associated data between regulated financial institutions in every corner of the world.

SWIFT is the provider of the underlying technology that supports the RBNZ-operated High-Value Clearing System (HVCS) and the SBI Bulk Electronic Clearing System (BECS). SWIFT is also the provider of Australia's domestic payment systems: the RBA-operated High-Value Clearing System (HVCS) and the New Payments Platform (NPP).

In collaboration with SWIFT, NPP Australia (NPPA) has developed an API framework and launched a dynamic NPP API sandbox, introducing additional features and capabilities to meet the evolving needs of the expanding NPP ecosystem. APIs play an important role helping innovators to use NPP's capabilities, from supporting the ability to initiate payments through to assisting ecommerce transactions and other payment experiences: the applications of API's are endless.

APIs are at the core of SWIFT's strategy and a key part of how we deliver a faster, more transparent experience to our customers. SWIFT has built a state of the art API platform, where we are adopting the Modelling, Exposure and Consumption approach. SWIFT's API strategy will leverage our core competencies for community benefit; the platform offers a highly available and resilient infrastructure, using best-in-class security standards; a community approach with proven onboarding processes, uniform security baseline and reinforced security controls framework; and strong authentication for clear-cut dispute resolution.

SWIFT's vision for APIs, which leverages SWIFT's core capabilities, includes:

- **Standardisation:** SWIFT is actively fostering API standardisation using ISO 20022 specifications.
- **Simplification:** SWIFT is using APIs to simplify access to SWIFT content and shared services, payments tracking, Sanctions Screening and reference data are available to be consumed by API.
- **Community APIs:** Actively engaging with the community to help them develop APIs, leveraging ISO 20022 standards, and creating a platform for the community to expose their APIs, for the consumption of the broader community.

Given the agility and simplicity afforded by APIs, the tooling around them mean that anyone can develop and publish their own API specifications and update them whenever they wish. Under such a model, however, fragmentation is inevitable. Inconsistencies in business specifications and in identity and security frameworks negate the potential for universal reach and undermine two of the key promises of API technology: the ability to quickly and easily switch between service providers, and the ability to aggregate data and services from multiple sources to create new business value.

SWIFT recommends harmonised Open Banking APIs and the use of ISO 20022 to underpin both the real time payments and HVCS clearing systems in each market. With this coordination, other payment initiation schemes such as pay-to-mobile or pay-to-QR from a local bank account in New Zealand can be developed and interoperate with other countries. Additionally we consider the NPP API Framework, UK Open Banking standard, European Union PDS2, and Payments New Zealand API standards as fundamental reference points for the future development of Open Banking payment initiation in any country. All of these standards were developed using ISO 20022 and are inclusive of payment initiation.

Where Open Banking is including payment initiation, the existing payment system infrastructure may not be equipped to support this functionality. Consideration of the benefits to enhance existing payment infrastructure or the development of new infrastructure to support real-time payments based on open standards should be undertaken. Banks themselves may also need to upgrade or update their own systems to accommodate API integration and manage consent.

SWIFT is transforming its platform, we will go way beyond today's capabilities by managing end-to-end transactions, mutualising services such as pre-validation of essential data, fraud detection, data

analytics and transaction tracking, as well as evaluating going deeper into screening services – reducing costs that are typically carried by each bank individually. We will offer improved data quality, analytics and insights, too, and make sure everyone using our platform can adopt and take advantage of new benefits at their own pace through backward compatibility.

Open Banking is an ecosystem and infrastructure and SWIFT can assist with the current pace, scope of work and cost required to implement open banking through the co-creation of real time payments and payment initiation services for the New Zealand market leveraging the new SWIFT platform.

The SWIFT platform has all of the requisite criteria listed in the discussion document

- a. Trust.** SWIFT is well known for its' reliability, resiliency, data security and risk management including understanding the challenges of maintaining a broad ecosystem of network players. We have established expertise in on-boarding, access control, version control, transaction/data validation, user authentication, partner certification and non-repudiation
- b. Reach.** SWIFT has unique governance and oversight arrangements designed to ensure safe and secure movement of value and associated data between regulated financial institutions in every corner of the world.
- c. Speed.** Harmonised Open Banking APIs to support both the real time payments and HVCS clearing will facilitate coordination other payment initiation schemes such as pay-to-mobile or pay-to-QR from a local bank account in New Zealand including interoperability to other countries
- d. Cost.** Co-creating real time payments and payment initiation services for the New Zealand market leveraging the new SWIFT platform, which all New Zealand Banks and some corporates are already connected to, is an opportunity to optimise costs.
- e. Flexibility.** The SWIFT platform is an API native extended eco system with that will allow Banks, Fintechs and Bigtech to develop payment related solutions for consumers, small and large business leveraging cloud based infrastructure built on standardised API's that can be tailored to the needs of a sector.

SWIFT has long played an important role in standardisation and global interoperability and a similar approach is required for the interoperability of a real time payment platform and the APIs required for Open Banking to achieve its full potential for financial inclusion and economic development.

SWIFT is looking forward to participating in further discussions, establishing an ongoing rapport and collaborating with like-minded organisations through the co-creation of real time payments and Open Banking payment initiation services for the New Zealand market leveraging the new SWIFT platform, the SWIFT API platform and in the development of the standards and APIs.