



FINANCIAL SERVICES FEDERATION

10 October 2024

Consumer Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140

consumer@mbie.govt.nz

Dear Madam/Sir,

Re: Open banking regulations and standards under the Customer and Product Data Bill

The Financial Services Federation (“FSF”) is grateful to the Ministry of Business, Innovation and Employment (“MBIE”) for the opportunity to respond on behalf of our members to the consultation on open banking regulations and standards under the Customer and Product Data Bill (“the Consultation”).

By way of background, the FSF is the industry body representing the responsible and ethical finance, leasing, and credit-related insurance providers of New Zealand. We have over 90 members and affiliates providing these products to more than 1.7 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

Introductory Comments

To begin we would like to state that we support the initiative to enhance customer choice and data security, and we believe that the proposed regulations will significantly benefit consumers and competition within the financial services industry. We would also like to express our explicit support of the designation of banks as a whole, we believe that this will have a positive effect on competition in the sector and enable consumers to have better control over their data.

Key Points of the Submission

Please assume we have no comment on any of the sections that have been omitted from our discussion below.

Designation of Banks

We support the designation of large banks from December 1, 2025, with smaller banks and NBDTs having the option to opt in. We believe that this approach allows for a smoother

transition and ensures that all deposit takers, regardless of size, can participate in the open banking framework if their resources allow it. The discussion document is correct in its assessment that NBDTs have fewer resources than banks so designation would impose another layer of regulatory burden on them.

Customer Choice and Data Security

We would like to emphasize the importance of customer choice in managing their data which is the underlying intent of the legislation. Customers should have the ability to directly request their data, promoting transparency and trust in the financial system.

Accreditation Criteria for Requesters

We support the proposed accreditation criteria, including the fit and proper person test for directors and senior managers, insurance requirements, and information security standards. We would also like to state our firm support for MBIE having the ability to rely on fit and proper certifications from other regulators, it is a waste of resources (both for the regulator and the requestor) to go through the same process multiple times.

We also submit that businesses should have the option to seek accreditation or use an accredited intermediary to request banking data. This flexibility will encourage more businesses to participate in the open banking ecosystem. Our members note that uptake from businesses in terms of applications for accredited requestors will depend on the intermediary market. If there are intermediaries who have the capacity to do it better or faster, it is likely businesses will use intermediaries. The existence of satisfactory intermediary services will make a massive difference. In the absence of satisfactory intermediaries, the assumption is that most of our relevant company members will apply.

Privacy Act Requirements

We submit that the existing Privacy Act requirements are sufficient for information security, and no additional accreditation criteria are needed to demonstrate compliance with policies and the act.

Data Request Fees and Pricing Options

We advocate that free access to data requests will promote competitiveness and align with the purpose of the legislation. However, regulated pricing with limits and tiers set by regulations could be considered. If this option is considered, we submit that there should be extensive consultation with the Banks and the accredited requesters to ensure that the potential limits and tiers are set at a level that will not inhibit access.

We consider free access to be our preferred option, with commercial negotiation being considered the least attractive due to its ability to hinder uptake and competition due to the potential exploitation by the banks.

Open Banking Initiative and Standards

We support the content requirements for the register of accredited requesters and the proposed standards for customer data policies, including system availability, response times, and performance monitoring.

In summary the FSF supports the proposed designation for banks under the and Customer Product Data Bill. We believe that the implementation of these regulations will enhance customer choice, data security, and the overall competitiveness of the financial services industry. We look forward to working with the relevant authorities to ensure the successful implementation of these initiatives.

Please do not hesitate to reach out if you wish for us to speak further on any of the points made in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Katie Rawlinson', written in a cursive style.

Katie Rawlinson
Legal and Policy Manager
Financial Services Federation

Appendix A



FSF Membership List as at August 2024

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Credit-related Insurance Providers	Vehicle Lenders Finance Companies/Diversified Lenders	Finance Companies/ Diversified Lenders contd.	Finance Companies/ Diversified Lenders, Insurance Premium Funders	Affiliate Members	Affiliate Members contd., Leasing Providers and Social Impact Lenders
Finance Direct Limited ➤ Lending Crowd General Finance (BB) Gold Band Finance (B+) ➤ Loan Co Mutual Credit Finance (B) <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing/Property Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Liberty Financial Limited Pepper NZ Limited Resimac NZ Limited <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alphera Financial Services Community Financial Services Go Car Finance Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance <u>Finance Companies/Diversified Lenders</u> AfterPay Avanti Finance ➤ Branded Financial Basalt Group	Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers Finance Now ➤ The Warehouse Financial Services ➤ SBS Insurance Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Lifestyle Money NZ Ltd Limelight Group Mainland Finance Limited Metro Finance Nectar NZ Limited NZ Finance Ltd	Personal Loan Corporation Pioneer Finance Prospa NZ Ltd Speirs Finance Group (L &F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited Yes Finance Limited Zip Co NZ Finance Limited <u>Insurance Premium Funders</u> Arteva Funding NZ Ltd Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services	Alfa Financial Software NZ Limited American Express AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited KPMG Loansmart Ltd LexisNexis Match me Money Ltd Motor Trade Association Odessa Technology Inc. One Partner Limited PWC Sense Partners Simpson Western Summer Lawyers	<u>Credit Reporting, Debt Collection Agencies.</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Debtworks (NZ) Limited Equifax Gravity Credit Management Limited IDCARE Ltd Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd <u>Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet <u>Social Impact Lenders</u> Money Sweetspot Ltd. Total 99 members



FINANCIAL SERVICES FEDERATION (FSF)

THE NON-BANK FINANCE INDUSTRY SECTOR - 2024



49%



of personal consumer loans are financed by the non-bank sector represented by FSF members.

Setting industry standards for responsible lending, promoting compliance and consumer awareness.

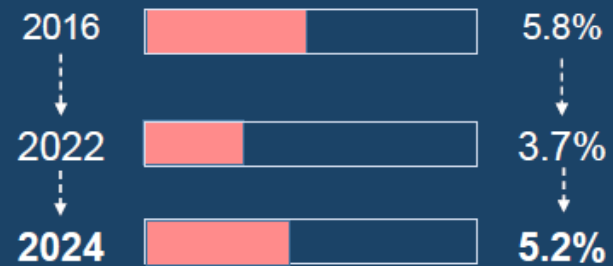
Only **6** dispute resolution complaints upheld or partially upheld from 1 April 2023 to 31 March 2024

Percent of Loan Requests Approved

48%



Percent of Loan Book in Arrears



KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

FSF Members (as at 31 Mar 2024)

Number of Members	97
Number of Employees	3,353
Applications Processed	1,102,266
Loan Requests Approved	527,382
Percent of Loan Book in Arrears	5.2%
Loan Disputes Upheld	6

Bank Sector (as at 31 Mar 2024)

Value of Mortgage Loans	\$352B
Value of Consumer Loans	\$7.7B
Value of Business Loans	\$125B

Non-Bank Sector Share (as at 31 Mar 2024)

% of Total Mortgage Loans	0.3%
% of Total Consumer Loans	48.5%
% of Total Business Loans	8.7%

Insurance Credit Related (as at 31 Mar 2024)

Number of Employees	250
Number of Policies	300,209
Gross Claims (annual)	\$22.1M

Consumer Loans (as at 31 Mar 2024)

Total Value of Loans	\$8.2B
Number of Customers	1,537,502
Number of Loans	1,735,718
Average Loan Size	\$4,746

Total Value of Loans:

Mortgage	\$979M
Vehicle Loan	\$4,036M
Unsecured	\$2,129M
Other Security	\$361M
Lease Finance	\$733M

Average Value of Loan:

Mortgage	\$134,675
Vehicle Loan	\$13,337
Unsecured	\$1,588
Other Security	\$4,245

Business Loans (as at 31 Mar 2024)

Total Value of Loans	\$11.9B
Number of Customers	131,161
Number of Loans	202,921
Average Loan Size	\$58,894

Total Value of Loans:

Mortgage	\$4,092M
Vehicle Loan	\$2,989M
Unsecured	\$262M
Other Security	\$2,846M
Lease Finance	\$1,763M

Average Value of Loan:

Mortgage	\$766,527
Vehicle Loan	\$37,362
Unsecured	\$48,107
Other Security	\$54,724
Lease Finance	\$29,308