Beautiful business

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Consumer Policy Team
Ministry of Business, Innovation and Employment
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New Zealand

BY EMAIL: consumerdataright@mbie.govt.nz

To Consumer Policy Team,

XERO SUBMISSION REGARDING EXPLORING A CONSUMER DATA RIGHT FOR THE BANKING SECTOR

Xero welcomes the opportunity to provide feedback on the Ministry of Business, Innovation and Employment's (MBIE's) proposals for open banking designation regulations under the Consumer and Product Data (CPD) Bill.

Xero is a global small business platform with 4.2 million subscribers, including 605,000 in New Zealand. We offer a comprehensive suite of tools, including accounting, payroll, workforce management, and project management, all aimed at helping small businesses run efficiently. Xero connects to an extensive ecosystem of apps and financial institutions, helping small businesses to streamline their operations, manage finances effectively, and access real-time insights.

As a key player in the data ecosystem, Xero supports the introduction of open banking in New Zealand. We believe the CPD Bill presents significant opportunities for small businesses to access higher-quality data and unlock innovation in financial services. Drawing from our experience in Australia's Consumer Data Right (CDR) and the UK's open banking framework, we hope that New Zealand can build on these international lessons and create a regime that benefits the entire economy.

Xero's vision for New Zealand is that small businesses are able to seamlessly obtain and share (with consent) their banking data through a robust system. This will enable them to focus more on growing their businesses rather than administrative tasks like managing payments or applying for loans. Open banking should also allow for the easy integration of data into platforms like Xero, giving small businesses real-time insights that help save time, improve decision-making, and drive productivity.

Xero commends the alignment of the CPD Bill's proposed regulations and standards (secondary legislation) with New Zealand's existing Privacy Act framework. The Privacy Act already provides robust protections for the flow of financial data, and any security concerns should be addressed within this existing legislative structure. This approach avoids unnecessary regulatory overlap and ensures a cohesive legal framework for data protection and privacy in New Zealand.

However, we have two overarching concerns that we believe need to be addressed before secondary legislation can be finalised:

- **Timing and Sequencing:** Xero has concerns about the timing and sequencing of this consultation, given that the primary legislation has not yet been finalised. Progressing with secondary legislation while there are still outstanding issues with the CPD Bill creates uncertainty and complicates the process for stakeholders. It is also unclear how much further consultation will occur, raising concerns about whether industry and consumer feedback will be adequately considered.
- **Derived Data and Downstream Sharing**: Xero strongly recommends removing references to derived data entirely from the CPD Bill and any subsequent secondary legislation. The current approach to derived data and potential restrictions on designated data in the CPD Bill could severely restrict how small businesses share their data with trusted third parties, such as accountants or connected apps in Xero's ecosystem. Xero recommends aligning with the existing Privacy Act framework, enabling customers to share designated and derived data freely once it has been transferred. This alignment will help avoid stifling innovation and ensure the CPD regime is workable for all participants.

While there are critical issues to address, Xero broadly supports the overarching objective of enabling small businesses to access and share their financial data in a way that drives innovation and competition across the financial services sector. Our submission highlights the following key areas:

- **Coverage of Customer Data and Consideration of Customer Needs:** It is critical that the open banking framework in New Zealand incorporates business banking data across all financial institutions. Many small businesses use a range of business and personal accounts across different banks, and if the framework does not include all business banking data, it will fail to deliver a comprehensive view of a business's financial health. Full coverage of business and personal banking data is essential for providing small businesses with the accurate financial insights they need to thrive.
- **Promoting Competition and Innovation Across the Ecosystem:** Expanding designation to include a broad range of financial institutions and ensuring the regime is accessible will drive competition not only between large and small banks, but also among fintechs and other third-party providers. This increased competition will lead to a virtuous cycle of innovation, delivering a wider array of financial products and services that benefit all participants, including banks. For example, increased competition can incentivise banks to improve their offerings, leading to more engaged and satisfied customers. By broadening access and supporting innovation, the framework will create a thriving open banking ecosystem that generates tangible benefits for small businesses and financial institutions alike.
- **Accreditation and Oversight:** Xero supports the independence of the accreditation process and recommends that it be managed separately from the development of technical and operational standards. The accreditation framework should adopt a tiered approach, where different levels of accreditation are introduced based on the sensitivity of the data being accessed. The process should require an initial accreditation and then focus on periodic renewals, rather than a full re-accreditation process each time, to reduce compliance burdens while ensuring ongoing security and compliance.

- **Digital Onboarding:** Xero has a large customer base that would be able to utilise the benefits of open banking. The vast majority of our customers already send banking data into their Xero subscriptions. To enable efficient and effective transition to an open banking regime (at significant scale) Xero's SMB customers require end-to-end digital onboarding.
- **Access Fees:** Xero believes that access to customer data should be free of charge to encourage broad participation and innovation. If fees are necessary to maintain the regime, they should be limited to accreditation or scheme fees that are proportional to the size and scope of the entity, rather than usage-based fees that could become a barrier to participation, especially for smaller businesses and new market entrants.

We appreciate the opportunity to provide feedback and look forward to further engagement on developing a clear and effective open banking framework for New Zealand.

Xero acknowledges this submission may be made public under the Official Information Act. For further information, please contact Maureena van der Lem, Head of Government Experience for Xero, APAC Region, at maureena.vanderlem@xero.com.

Yours sincerely,

Bridget Snelling
Xero Country Manager, New Zealand

Responses to questions

Status quo and problem definition	
1.	How do you expect the implementation and use of open banking to evolve in the absence of designation under the Bill? What degree of uptake do you expect?
	Xero agrees with open banking being designated under the CPD Bill to drive uptake and encourage widespread adoption for economy-wide benefits of the open banking regime. Open banking should allow for the easy integration of data into small business accounting platforms, like Xero, giving small businesses real-time insights that help save time, improve decision-making and drive productivity. The participation of small business accounting platforms has been a key driver of user uptake in the UK's open banking regime. In December 2023, Open Banking UK reported that "small businesses continue to lead the way in open banking adoption, with a record high of 17% of firms now making use of the innovative technology, often through cloud accounting software".[1] Without a designation under the Bill, Xero expects ongoing nascent open banking implementation and use.
2.	Do you have any comments on the problem definition? How significant are the risks of suboptimal development and uptake under the status quo?
	Xero agrees that progress on open banking reforms has been slow to date and that banks are not incentivised to drive rapid adoption and invest capital in the absence of regulation. Without a mandated framework, banks have little incentive to prioritise investment in data-sharing initiatives or accelerate their efforts to support broader market participation. Establishing a robust open banking regime under the CPD Bill will help ensure that banks are held accountable and that the financial services ecosystem can realise the full benefits of open data.
3.	What specific objectives should the government be trying to achieve through a banking designation? What needs to happen to achieve these objectives?
	Xero's vision for the New Zealand banking designation is to enable small businesses to seamlessly obtain and share (with consent) their banking data through a robust and secure system that supports their growth and productivity.
4.	Do you have any comments on the criteria that should be used to assess designation options?

[1] Open Banking (2023) How open banking is helping businesses save this Small Business Saturday, https://www.openbanking.org.uk/insights/how-open-banking-is-helping-businesses-save-this-small-business-saturday/

	Xero broadly agrees with the criteria proposed for designating banks under the Bill, recognising that clear designation criteria are essential for a robust and inclusive open banking framework. ● **Scalability as a core criterion:** The criteria should ensure that the open banking framework is flexible and adaptable, capable of expanding beyond the initial designations over time. The framework should be designed to enable the inclusion of all financial institutions, both large and small, to support broader participation and drive further innovation. ○ The US has opted for a phased or 'bucketing' approach, which categorises institutions based on size and progressively brings them into the regime. This approach allows for a more tailored implementation process, ensuring that smaller institutions are brought into the open banking ecosystem in a manageable way. This phased inclusion can help avoid overwhelming smaller entities while allowing the framework to grow over time. ○ It also contrasts with the UK's approach, where all institutions were given a single 'hard stop' date with screen scraping banned. While this strategy accelerated implementation, it led to many banks providing 'compliance' APIs that were technically live but not fully functional, ultimately hindering usability and trust in the system. ● **Balanced inclusion**: While starting with the largest banks aligns with the API Centre's Minimum Open Banking Implementation Plan, the criteria should set out a clear path to include all institutions—large and small. This will promote greater competition, ensure a more comprehensive coverage of financial data, and maximise the benefits of open banking for businesses and consumers alike. ○ In Australia's CDR framework, smaller institutions were given an additional year for implementation, allowing them to prepare for their inclusion in the regime. This ensured that smaller players were not disadvantaged by the regulatory requirements and could participate on a level playing field. ● **Avoiding exclusion:** The criteria should not create barriers to entry for smaller financial institutions or prevent them from participating in the framework in the future. There should be a phased approach with flexible time frames to accommodate smaller institutions' participation. ● **Consideration of customer needs:** It is critical that the open banking framework in New Zealand incorporates business banking data across all financial institutions. Many small businesses use a range of business and personal accounts across different banks, and if the framework does not include all business banking data, it will fail to deliver a comprehensive view of a business's financial health. Designation criteria should include specific provisions ensuring business banking data is fully covered, enabling Xero and other platforms to provide comprehensive insights to small business owners.
The Scope of an open banking designation	
5.	Do you agree that the banks covered and timeframes should be based on the API Centre Minimum Open Banking Implementation Plan? Do you have any concerns about the specific implementation dates suggested?

	Xero agrees with the initial focus on the largest banks, as aligned with the API Centre's Minimum Open Banking Implementation Plan. This will enable a smoother implementation and allow time to resolve any challenges before expanding to a wider range of institutions. ● **Scalability and timeframes:** The long-term success of open banking depends on a clear commitment to expanding the framework to include all banks. Xero suggests setting a timeframe for this expansion to avoid a scenario where the largest banks dominate the framework, potentially stifling competition and innovation. The framework should aim to provide access to business banking data across all banks, ensuring it meets or exceeds the level of data accessibility currently available through direct partnerships. ● **Phased approach:** Similar to the US approach of categorising institutions into progressive buckets, Xero recommends a modularised approach for New Zealand, where different categories of financial institutions can be brought into the regime over time, depending on their size. This allows for a tailored onboarding process that addresses the unique challenges faced by different segments of the industry. ● **Use case focus:** The UK's Open Banking framework included all major financial institutions from the outset but allowed for staggered implementation of specific use cases, such as payments and credit data. This use case approach, while different from a phased onboarding by size, offers another pathway to consider for managing implementation complexity. Ultimately, Xero supports a pathway that ensures coverage of all financial institutions and a broad range of use cases to maximise the benefits of open banking for New Zealand.
6.	Do you have any views on the costs and benefits of designating a wider range of deposit takers, beyond the five largest banks?
	Designating a wider range of deposit takers will help create a more inclusive, competitive, and innovative financial system in New Zealand. Expanding the scope to include smaller institutions, beyond the initial five largest banks, will deliver several key benefits: ● **Broader coverage benefits:** Including smaller institutions, even with longer lead times as implemented in Australia, will ensure the regime captures a comprehensive range of financial data and customer relationships, ultimately leading to better insights and services for customers. This broader coverage will allow more small businesses to benefit from real-time insights, better financial products, and streamlined access to financial services. It also enables a more accurate financial picture for small businesses, helping drive their productivity and growth. ● **Driving Competition in the Banking Sector:** A broader designation will help drive competition not only between large and small financial institutions but also among fintechs. This increased competition will likely lead to a wider array of financial products and services, delivering more choices and better value for customers. ● **Implementation Flexibility:** A phased approach like the US's 'bucketing' system—where banks are grouped by size and brought into the regime progressively—would allow smaller institutions to participate without

	overwhelming them. The UK's approach, which involved a single 'hard stop' date to transition to open banking, had significant challenges, including limited participation and poor API performance. Learning from these international experiences will help avoid the pitfalls of both overly rigid or overly loose implementation models. ● **Incorporating a Virtuous Cycle:** While there may be cost implications for smaller institutions, it is important to consider the virtuous cycle of benefits. As financial institutions invest in and participate in open banking, they can expect to see increased engagement from customers and the opportunity to offer better products and services. This, in turn, will drive further growth and development within the financial services sector. ● **Consideration of Costs:** While extending the designation beyond the largest banks may have cost implications, these costs should be weighed against the broader benefits of improved data access and customer experience. Smaller institutions could be given additional time or support to join the scheme to ensure a balanced approach that promotes inclusion and competition.
7.	Do you agree that, in the first instance, only requests by accredited requestors be designated? Do you have any comments on when and how direct requests by banking customers could be designated under the Bill?
	Xero has no comment on this question.
8.	Do you have any comments on the customer data to be designated?
	Xero supports the broad designation of customer data as proposed, particularly for high transaction volume accounts such as business current accounts and credit products. This scope ensures that small businesses have access to the data necessary for accurate financial management and real-time insights. ● **Future consideration for additional account types:** While the initial focus should remain on core transactional accounts, Xero suggests that FX accounts and term deposits be included as a future consideration, similar to the UK approach where any account that can be used to make a payment is designated. This would provide a more comprehensive view of business finances and support greater utility for small businesses leveraging open banking data. ● **Data Retention Requirements:** While the current proposal to provide up to seven years of data aligns with general record-keeping requirements, we recognise that this may create a significant compliance burden for data holders. Xero suggests that the framework initially provides for a minimum of the current financial year and the previous financial year (two years' worth of data). This would reduce compliance costs while still allowing small businesses to access the data they need to effectively manage their finances. Importantly, small businesses would still be able to access historical data outside of the regime as they currently do, ensuring compliance with record-keeping requirements.

9.	Do you have any comments on whether product data should be designated? What product data should be included? When should the product data designation come into force?
	Xero supports the inclusion of product data as it provides valuable context for understanding the financial products linked to customer accounts. Having a clear label and details about the accounts connected to our platform is beneficial for small business customers managing their finances. ● We recommend leveraging international standards for product data to ensure consistency and usability across the ecosystem. ● While product data is important, we emphasise that designating and prioritising account data is more critical for business functionality and ensuring the framework's success.
10.	Do you have any comments on designating payments under the Bill? Should other actions be designated? If so, when?
	Xero supports the inclusion of payment initiation services in the open banking framework. Payment initiation can streamline payments, reduce administrative burden, and enhance cash flow management for small businesses. By enabling small businesses to initiate payments directly from their accounting platforms, the open banking regime will promote greater efficiency and reduce the reliance on manual payment processes. This increased convenience fosters competition, driving innovation and encouraging the development of new,value-added financial services. For example, Xero's integration with Crezco in the UK has demonstrated how this can be successfully implemented to enable faster, automated payments and better cash flow visibility.[2]
The benefits, costs and risks of an open banking designation	
11.	Do you agree with our assessment of how the designation will affect the interests of customers (other than in relation to security, privacy and confidentiality of customer data)? Is anything missing? For businesses: What specific applications and benefits are you aware of that are likely to be enabled by the designation? What is the likely scale of these benefits, and over what timeframe will they occur?
	Xero broadly agrees with the assessment of the benefits for small business customers arising from open banking designation. However, we would like to highlight a few specific areas where additional benefits can be realised: ● **Comprehensive Financial Picture:** Designating all financial institutions ensures that all high-volume transaction accounts are captured. This will enable small businesses to gain a complete view of their financial health, as the open banking ecosystem will reflect all relevant business activities and account types.

[2] Xero (2023) Xero unveils new payments features to help UK small businesses better manage cash flow, https://www.xero.com/uk/media-releases/xero-unveils-new-bill-payments-feature-and-launches-einvoicing-uk/

	- **Improved Access to Financial Products:** The availability of high-quality, standardised data will allow small businesses to access a broader range of tailored financial products, such as improved lending solutions and cash flow management tools. This can help reduce financial friction, facilitate quicker access to finance, and enable better decision-making for small business owners. For customers to fully benefit from innovation and increased competition for banking services (as outlined in paragraph 74 (a) and (b) of the consultation paper), product data should also be included in the designation. - **Reduced Administrative Burden:** Real-time data access reduces the need for manual data entry and reconciliation, resulting in significant time savings for small business customers. This will streamline their operations and allow them to focus more on growing their business. - **Addressing Security Concerns:** In relation to paragraph 74 (c) of the consultation paper, accreditation and security standards can address any concerns regarding data security, privacy, and confidentiality. These safeguards will ensure that the disclosure and sharing of customer data is secure, further enhancing trust in the open banking ecosystem.
12.	Do you agree with our assessment of the costs and benefits to banks from designation under the Bill (other than those relating to security, privacy or confidentiality)? Is anything missing? For banks: Would you be able to quantify the potential additional costs to your organisation associated with designation under the Bill? i.e. that would not be borne under the Minimum Open Banking Implementation Plan.
	Xero acknowledges the outlined costs for banks but believes that these should be viewed in the context of the broader long-term benefits: - **Virtuous Cycle of Innovation:** Banks investing in open banking capabilities will likely see increased customer engagement and satisfaction, as better access to data may enable more tailored financial products and services. These enhancements may ultimately drive loyalty, improve customer retention, and create cross-selling opportunities. - **Lower Barriers to Competition:** Expanding designation to include all deposit takers will create a more competitive financial market, allowing smaller institutions to compete on a level playing field or form partnerships with banks. In turn, this will benefit consumers and businesses by driving innovation and reducing costs. - **Regime Requirements Apply to All Participants:** While the compliance requirements under the CPD Bill will create obligations for banks, it is important to note that these requirements will also apply to requestors and other accredited entities under the regime. For example, clause 47 of the CPD Bill requires all accredited parties to maintain policies and processes that meet the regime's standards. - **Reduced Administrative Burden for Banks:** Banks will no longer need to allocate time and resources to negotiating complex data transfer agreements with other banks and requestors, as a standardised framework will simplify the data-sharing process. This will allow banks to focus on building innovative products and services rather than managing bilateral agreements. - **Costs of Developing Standards:** We disagree that banks will bear any significant burden as part of participating in the development and

maintenance of new standards (paragraph 78(c) of the consultation paper). These standards should be developed collaboratively and driven by an independent entity like the API Centre to ensure neutrality and reduce burdens on banks.

In addition, we highlight the following:

- **Digital Onboarding for Business Consumers:** In the Australian CDR regime, digital onboarding is optional under the Rules. This means business consumers may face significant inconvenience when attempting to appoint nominated representatives due to the manual and paper-based processes implemented by many data holders. This created inefficiencies and hindered adoption, particularly for small businesses. Xero strongly believes that the New Zealand framework should avoid replicating these issues by ensuring a fully digital onboarding process from the outset, making it easy for businesses to share their data and appoint representatives seamlessly.
    - The framework should allow businesses to designate representatives in a straightforward, digital manner, similar to how administrators are currently appointed within online banking platforms. This approach will reduce compliance costs for banks, improve the accessibility of the regime for small businesses, and encourage broader participation.

13.	Do you agree that the designation will promote the implementation of secure, standardised, and efficient regulated data services?
	Xero strongly agrees that designating banks under the CPD Bill will promote the implementation of secure, standardised, and efficient data services. Designation will push the banks to act, ensuring the development of a cohesive data-sharing ecosystem that benefits both providers and consumers. By providing a regulated framework, the designation will reduce reliance on complex bilateral agreements and streamline participation for a wider range of providers, making it easier for new market entrants to access banking data.
14.	Do you have any comments on the benefits and risks to security, privacy, confidentiality, or other sensitivity of customer data and product data?
	Xero strongly believes that data sharing through APIs is significantly more secure compared to the methods currently in use by many small businesses today. APIs offer a safer, standardised way to share data by using advanced security measures such as encryption, token-based access, and consent-based controls. This is in contrast to less secure alternatives like screen scraping, which many small businesses still use to access their data. The adoption of API-driven data sharing under the CPD Bill will enhance security for all participants in the ecosystem. It’s important to note that right now, any customer in New Zealand can download and freely share their bank transaction data without restriction. Implementing APIs would not only provide a secure mechanism for data sharing but also ensure customers are better protected when transferring their financial data. If measures are introduced to control the risk of data sharing, they should be applied universally to all methods of data access, not just within the CPD framework, to be truly effective.

	Xero commends that the CPD Bill's proposed regulations and standards align with New Zealand's existing Privacy Act. The Privacy Act currently governs the flow of financial data and should remain the key legislation for addressing any security concerns. This approach avoids duplication, ensuring a consistent and clear regulatory environment for the protection of customer data.
15.	Are there any risks from the designation to intellectual property rights in relation to customer data or product data?
	Xero supports the consultation paper's stance that customer data belongs to the customer, and banks act only as custodians. This ensures customers have full control over their data and promotes transparency and trust within the regime. ● **Product Data Considerations:** We acknowledge that product data may involve more complex considerations regarding IP rights. As stated above, Xero supports the inclusion of product data as it provides valuable context for understanding the financial products linked to customer data. Any specific IP concerns should be addressed through ongoing industry discussions to develop a balanced framework that protects IP while maintaining the accessibility and openness necessary to support the CPD Bill's objectives.
Accreditation criteria – what specific criteria should business need to meet before they can become accredited to make requests on behalf of consumers?	
16.	Do you have any insights into how many businesses would wish to seek accreditation, as opposed to using an accredited intermediary to request banking data? For businesses: How likely are you to seek accreditation? What would make you more or less likely to apply?
	Xero supports an accreditation process that balances security and compliance requirements without creating unnecessary barriers to entry. It is crucial that the body responsible for accreditation maintains independence and impartiality, especially in its decision-making processes. Xero acknowledges the proposal in the consultation paper that MBIE will handle the accreditation process, while the API Centre will be responsible for developing and maintaining technical and operational standards. We see this as a positive approach, but further clarity and safeguards will be needed to ensure this separation is maintained and that the roles and responsibilities of MBIE and the API Centre are well-defined. This will be critical for achieving the right balance in the accreditation framework, and which reflects the interests of all participants. Key considerations for the accreditation process: ● **Independence in Accreditation:** Accreditation should be managed by an independent body, separate from the API Centre and any private sector entities, to prevent conflicts of interest and ensure transparency and fairness. This is particularly important given the API Centre's current membership structure, which includes significant representation from the banking sector and potential control via the Payments NZ board.

	Leveraging Existing Standards: Accreditation criteria should leverage best practice security standards such as ISO 27001, SOC 2, and the Digital Service Providers Australia and New Zealand (DSPANZ) Security Standard for Add-on Marketplaces (SSAM). ISO 27001 is a widely recognised international standard and serves as a high threshold that may be more suitable for larger organisations. However, smaller players and emerging fintechs should be able to use more accessible standards like the DSPANZ SSAM. Xero currently leverages the DSPANZ SSAM to assess the security of developers accessing our API platform, making it a practical option for smaller entities in the ecosystem. **Recognising Compliance with Existing Standards:** Xero recommends that New Zealand adopt an approach similar to that used by the ATO's Digital Service Provider (DSP) framework, where compliance with recognised standards is deemed sufficient for accreditation purposes. This would ensure that businesses that have already invested in robust security measures are not unduly burdened by duplicative accreditation processes. Fast-tracking accreditation for organisations already compliant with recognised standards like ISO 27001 can reduce compliance costs and improve efficiency. **Streamlined and Universal Process:** Once accredited, a data recipient should be able to access data from all designated data holders without needing separate onboarding processes for individual data holders (e.g., for each bank). This reduces the operational burden and ensures a consistent experience for businesses. **Tiered Approach to Accreditation:** Xero recommends a tiered approach to accreditation based on the sensitivity and intended use of the data. For example, a higher bar may be required for payment data access compared to basic account information. This approach, observed in other jurisdictions such as the UK, balances the need for stringent security practices with the accessibility required for broad participation. **Periodic Renewals:** Instead of full re-accreditation, ongoing compliance should be maintained through periodic assessments or monitoring activities, similar to the approach in the UK. This would reduce the compliance burden and provide flexibility while ensuring ongoing adherence to the necessary security and operational standards. **Distinguish Accreditation from Data Access Fees:** We recommend separating accreditation fees from data access charges. Accreditation fees, which are proportional to the size and nature of the entity, can be used to support scheme integrity and administration without creating entry barriers. In contrast, charging for access to data itself, especially based on volume, would undermine participation, stifle innovation, and hinder small business engagement. The goal should be to encourage more players and diverse participation by maintaining free data access, while using a fair accreditation fee structure to support the scheme's governance.
17.	Do you agree that directors and senior managers of accredited requestors should be subject to a fit and proper person test? Do you have any comments on the advantages or disadvantages of this test, or other options?
	Xero has no comment on this question.

18.	Do you agree that requestors whose directors and senior managers have already met the 'fit and proper' licensing or certification test by the Reserve Bank, Financial Markets Authority or Commerce Commission should be deemed to meet this requirement without further assessment?
	Xero has no comment on this question.
19.	Do you consider that, in the absence of insurance or guarantee requirements, there is a significant risk of banks or customers not being fully compensated for any loss that might reasonably be expected to arise from an accredited requestor breaching its obligations?
	Xero has no comment on this question.
20.	Do you have any comments on the availability and cost of professional indemnity insurance and/or cyber insurance, and how this may impact on the ability of prospective requestors to participate in this regime?
	Xero has no comment on this question.
21.	Do you agree that a principles-based approach similar to the Australian CDR rules is an appropriate insurance measure?
	Xero has no comment on this question.
22.	Do you agree that accredited requestors in open banking should be required to be a member of a financial services disputes resolution scheme?
	Xero supports the inclusion of a clear and effective dispute resolution process as part of the open banking framework to enhance consumer confidence. The UK's approach, which requires all accredited participants to be part of the Financial Ombudsman Service (FOS), provides a good example of how a transparent and consistent scheme can operate.
23.	Do you consider that information security requirements should form part of accreditation?
	Xero strongly believes that robust information security requirements should be a core component of the accreditation process, ensuring that accredited entities have adequate measures in place to protect customer data.

	- **Leverage Existing Standards:** Xero recommends that MBIE adopt a framework that recognises a range of established security standards, such as the DSPANZ SSAM, as well as ISO 27001 and SOC 2, where appropriate. This approach ensures that security practices are flexible enough to accommodate entities of various sizes and levels of capability, while still maintaining high security standards. The DSPANZ SSAM, which is already in use to assess the security of developers accessing Xero's API platform, offers a practical and accessible option for smaller entities. - **Framework Alignment with DSPANZ Standards:** Xero suggests leveraging the DSPANZ SSAM for baseline security requirements and introducing higher thresholds like ISO 27001 or SOC 2 for more sensitive data use cases, or larger organisations. This tiered approach balances accessibility for smaller players with the need for stringent security in critical areas. - **Recognition of Compliance to Avoid Duplication:** Xero recommends that New Zealand adopt an approach similar to that used by the ATO's DSP framework, where compliance with recognised standards is deemed sufficient for accreditation purposes. This would ensure that businesses already adhering to robust security measures are not burdened by duplicative processes. For example, in Australia's CDR framework, the ACCC recognises both ISO 27001 and the DSP framework as acceptable standards for information security at the unrestricted level of accreditation. A similar approach in New Zealand would reduce compliance costs while maintaining the necessary levels of security and trust in the open banking ecosystem.
24.	Do you have any comments on the level of prescription or specific requirements that should apply to information security? For businesses: What information security standards and certifications are available to firms in New Zealand, and what is the approximate cost of obtaining them?
	Xero has no comment on this question.
25.	Do you agree that additional criteria of accreditation be the applicant demonstrate compliance with its policies around customer data, product data and action initiation and with the Act?
	While Xero agrees in principle with the inclusion of criteria around demonstrating compliance with policies, additional detail is needed to understand what level of evidence will be required. For instance, it would be helpful to clarify whether businesses will only need to show that these policies are in place or if more detailed proof, such as annual compliance registers or regular assessments, will be necessary. Clear expectations will help ensure businesses are prepared and can meet the compliance requirements effectively.

26.	Do you consider any additional accreditation criteria are necessary?
	Xero has no comment on this question.

Fees – what restrictions should there be on fees for providing customer data or initiating payments?

27.	What would be the impact of requests under the Bill being free, for banking?
	Xero strongly advocates for a framework where access to customer data is free of charge. Ensuring free data access is fundamental to enabling a diverse range of participants—from fintechs and accounting platforms to smaller financial institutions and new market entrants—to engage with the regime for the benefit of their customers. This inclusive approach will encourage a wide variety of players to leverage data and develop innovative solutions, fostering greater competition and expanding the benefits of open banking to more consumers and businesses. ● **Promoting Innovation and Market Growth:** Free access to data removes barriers for smaller and emerging players to enter the market and provide new services. This diversity in participation will help to drive innovation, improve customer choice, and contribute to a thriving open banking ecosystem. Broader participation means that businesses of all sizes can harness the value of data to create tailored financial products and services that address unique market needs. Additionally, free access can enable businesses to dedicate resources towards enhancing security systems and building robust compliance processes, rather than paying for data access. ● **Enhancing Competition and Ecosystem Resilience:** By making data freely accessible, the open banking framework could achieve a more competitive and resilient ecosystem. A wide range of participants—beyond just the large banks—will be able to engage with and benefit from the regime, leading to a richer variety of financial products and services available to consumers and businesses. Free access should also ensure that the regime does not unintentionally favour larger players with more resources, promoting fairness and equity across the market. ● **Sustainable Scheme Management:** While data access should remain free, the costs associated with maintaining and operating the scheme can be covered through alternative models, such as a participation fee based on the size or revenue of the entity, similar to the UK approach. This would support the sustainability of the scheme without imposing a barrier to data access, ensuring the regime is open and beneficial to all potential participants.
28.	If requests under the Bill were not free, what limits or restrictions should be placed on charging fees? Do you have any comments on the costs and benefits of the various options?

Xero believes that the fundamental principle of open banking should be free access to customer data. Any costs associated with participation in the scheme should be transparent and equitable, without creating barriers to data sharing or innovation.

- **Consideration of Scheme Participation Costs:** If fees are considered, they should not be tied to the volume of data accessed or shared. Instead, any fees should be structured in a way that reflects the costs of maintaining the scheme itself, as is the case in the UK. In the UK, scheme participation costs are based on entity size or revenue, ensuring smaller players are not disproportionately burdened and allowing for broader participation in the open banking ecosystem.
- **Avoiding Disincentives to Participation:** Fees tied to data volume could discourage participation and reduce the utility of the regime, making it less attractive to both data holders and data recipients. This could hinder the overall success of the open banking initiative and limit the availability of innovative financial services for businesses and consumers.

The detailed rules for open banking

29.	Do you agree with the proposals to ensure that consents given to accredited requestors are sufficiently informed? Are there any other obligations that should apply to ensure that consents are express and informed?

Xero supports the proposal that ongoing authorisations should not automatically expire. We believe that setting a maximum duration for authorisations could undermine productivity and create a negative customer experience. Specifically, it may result in the deletion or de-identification of data needed to fulfil statutory record-keeping obligations if consents are not actively renewed by customers. For example, if lapsed consents required data deletion (as under the Australian CDR), this would require industry participants to delete or de-identify all CPD and derived data. This could lead to small businesses losing hours of reconciliation and years of statutory business records, exposing them to significant compliance risks.

Xero suggests that a better solution is for data holders, who maintain the existing customer relationship, to provide an easily accessible online dashboard. This dashboard should show customers which accredited requestors have access to their data and include a status update on consents. Coupled with a reminder issued by the data holder, this approach would ensure customers are well-informed and have control over their consents without the need for automatic expiry or re-consent processes. This solution aligns with the proposal in paragraph 151 of the consultation paper, where banks maintain the dashboards and are therefore better positioned to manage consent status updates and reminders.

30.	Should customers be able to opt out of specific uses of their data that are not necessary to provide the service? Do you have any comments on the advantages and disadvantages of this?

	Xero welcomes the principle that consumers should not be able to opt out of essential data sharing necessary to deliver core services, such as bank account information and transactions for bank feeds. Bundling these necessary data elements together ensures that customers understand certain data sharing is integral to providing the service effectively. However, when it comes to non-essential data uses, the proposed opt-in framework, while promoting transparency, could lead to practical challenges. ● **Challenges of Consent Fatigue:** While requiring opt-in for non-essential data uses promotes transparency, it may lead to practical issues such as consent fatigue. For example, in our experience with Xero Small Business Insights (XSBI), we aggregate and anonymise data to provide valuable insights on small business trends across the economy. While XSBI does not directly affect the core functionality provided to individual customers, if every non-essential data use like XSBI required a separate opt-in, it could overwhelm customers with a long list of choices. This creates the risk of consent fatigue, where customers either give blanket consent or opt out of everything without fully considering the implications. ● **Grouping Related Data Uses:** To mitigate this risk, Xero recommends that the regime consider an approach where non-essential data uses can be grouped into a single consent option, provided they are clearly explained and are related in nature. This would ensure customers have a clear understanding of how their data is being used, without the need to navigate an overly complex consent flow. Such a balanced approach will promote transparency and customer trust, while avoiding unnecessary friction and complexity in the consent process.
31.	Should customers have the ability to set an expiry on ongoing consents? Do you have any comments on the advantages and disadvantages of this?
	Xero does not support the introduction of mandatory expiration dates for ongoing consents. Continuous data flows are critical for small businesses that rely on real-time data for cash flow management, reconciliation, and business performance analysis. ● **Business Disruption:** Imposing an expiry date on ongoing consents could disrupt critical data flows and result in delays or financial losses for small businesses. This is particularly concerning if expiry rules required the deletion of all consented data, as in Australia's CDR regime. For example, under these rules, lapsed consents could require Xero to delete a customer's financial data, including reconciled accounts or tax records that are necessary for compliance purposes. This would expose small businesses to unnecessary risks and potentially undermine their compliance with statutory obligations. ● **Avoiding Regulatory Tension:** In the Australian CDR context, the requirement to delete all CDR data upon a lapsed consent created tension with broader privacy principles and incentivised businesses to seek data transfers outside of the CDR framework, limiting the regime's effectiveness. New Zealand should avoid replicating this by ensuring that any changes to consent management do not undermine data utility or create unintended compliance challenges for small businesses.

	- **International Lessons Learned:** In the UK's open banking framework, initial rules required re-consent every 90 days, leading to consent fatigue and disruption for businesses and consumers alike. The rules were subsequently relaxed to allow a more user-friendly reauthorisation process. These experiences show that imposing arbitrary expiration dates can be counterproductive and should be avoided. - **Consent Management Alternatives:** Xero recommends implementing a clear and accessible consent management dashboard for customers (similar to what is proposed in Question 34 below), enabling them to view, modify, or revoke consents as needed. This would empower customers to control their data-sharing arrangements without needing to meet arbitrary re-consent timelines. Such a solution maintains flexibility and keeps customers informed, reducing the likelihood of disruptions to business processes.
32.	Do you agree with the proposals in this paper to help ensure that consents given to accredited requestors acting as intermediaries are sufficiently informed? Are there any other obligations that should apply to ensure that consents given to intermediaries are express and informed?
	Xero has no comment on this question.
33.	Do you agree with the proposals to ensure that payment authorisations given to accredited requestors are sufficiently informed? Are there any other obligations that should apply to ensure that payment consents are express and informed? Should there be any other limitations on merchants or other unaccredited persons collecting authorisations, or instructing payments?
	Xero agrees with the proposal to ensure that payment authorisations given to accredited requestors are express and informed. However, we note that data holders, such as banks, will need to implement additional controls, such as confirmation of payees, to support this process. It is critical that accredited requestors are not held accountable for any shortcomings in the design of banks' online banking platforms or industry processes, which could otherwise impact the effectiveness of obtaining informed consent.
34.	Do you agree with the proposals in this paper for customer dashboards for viewing or withdrawing consent?
	Xero supports the introduction of a customer dashboard for managing consents, as it provides an effective and user-friendly way for customers to monitor and control their data-sharing arrangements. - **Transparency and Control:** Customer dashboards enhance transparency by allowing customers to view, withdraw, or modify their consents at any time. This approach aligns with the principles of customer empowerment and data control, reducing the need for complex consent management processes.

	- **Improving Customer Experience:** Dashboards should be easy to access and intuitive to use, providing clear information on the nature of consents granted, the types of data shared, and the parties with whom data is shared. Regular reminders and notifications about active consents can be integrated into the dashboard to further enhance customer experience. - **Reduced Complexity:** The use of a dashboard eliminates the need for periodic re-consent processes, which can create friction and reduce the adoption of the CPD regime. It simplifies consent management by providing a single point of control for customers.
Joint customers	
35.	Should there be any exceptions to joint customers being able to access account information, other than those provided by clause 16 of the Bill? What would the practical impact of additional exceptions be on the operation of open banking?
	Xero commends MBIE for acknowledging the equivalency principle (paragraph 155 in the consultation document) regarding joint accounts and supports its inclusion as a minimum standard in the secondary regulation. However, we note that this approach may still lead to inconsistency between data holders, as their policies for authorising data access could vary. We believe it would be more beneficial to establish a policy that allows a single authorisation for data access, similar to how an individual authorised account holder can download and share their bank statements with a third party. This would provide greater consistency and ease of use across the framework.
36.	Are regulations needed to deal with joint customers making payments, or are the default provisions of the Bill sufficient? What would the practical impact of the default provisions of the Bill on the operation of open banking?
	Xero has no comment on this question.
Secondary users	
37.	Are there any issues with designating authorised signatories on a customer's account as secondary users? What else should regulations provide for secondary users?
	Xero has no comment on this question.

Payment limits	
38.	How should payment limits be set?
	Xero recommends that payment limits under the CPD Bill be set with consideration for business needs, as limits that are too low can hinder functionality for business customers. We've observed that some banks in Australia have set payment limits too low for normal small business usage, with one as low as AUD 1,000. This is impractical for most businesses, particularly those managing payroll, vendor payments, or larger transactions. This inconsistency in payment limits across banks creates challenges for businesses managing multiple accounts and adds to their administrative burden. Additionally, this inconsistency stifles innovation as payments services companies have to understand and manage the various banks' arbitrary rules which, in practical terms, means the customers of some banks are excluded from access to these services. ● **Suggested Approach:** To support small businesses and ensure the regime is workable, a minimum standard for payment limits should be established, with consistent thresholds across all banks. This will provide greater certainty for businesses, and their preferred service providers, and allow them to use open banking-enabled payments with fewer restrictions.
Remediation of unauthorised payment	
39.	Do you agree that accredited requestors should remediate banks for unauthorised payments that they request? Are there any other steps that should be required to be taken where unauthorised payments occur?
	Xero has no comment on this question.
Content of the register and on-boarding of accredited requestors	
40.	What functionality should the register have? Is certain functionality critical on commencement of the designation, or could functionality be added later?
	Xero acknowledges that the API Centre currently manages a register of participants as noted in the consultation paper. However, with MBIE handling the accreditation process, it's crucial to establish clear delineation of roles and responsibilities between MBIE and the API Centre—particularly as the register is closely linked to accreditation.

	• **Role Clarity and Safeguards:** With MBIE taking on the role of managing accreditation, it is essential that the respective roles of MBIE and the API Centre are clearly defined. This will ensure consistency and transparency in how participants are accredited and how these accreditations are recorded in the register. • **Integration with Accreditation:** To maintain alignment between the register and accreditation status, it is critical that updates to accreditation (e.g., new accreditations, suspensions, or terminations) are seamlessly communicated and reflected in the register. This will help maintain an up-to-date and trustworthy source of information for all parties. • **Register Management and Costs:** It is important that the register remains easily accessible and does not impose additional costs or administrative burdens on participants. For example, in the UK, the register does not incur a separate fee for listing, with fees instead tied to the broader accreditation and participation in the open banking scheme. A similar approach in New Zealand would support inclusiveness and promote wider participation.
41.	What additional information needs to be held by the register to support this functionality? Should this information be publicly available, or only available to participants?
	Xero has no comment on this question.
42.	Is it necessary for regulations to include express obligations relating to on-boarding of accredited requestors? If so, what should these obligations be?
	Xero supports the obligation for banks to on-board all accredited requestors within a reasonable timeframe to ensure a level playing field and avoid any delays that could hinder innovation and competition. This approach should be explicitly defined in the regulations to prevent situations where banks might disadvantage specific accredited requestors by delaying the availability of data. • **Mandatory Acceptance of Accredited Requestors:** Banks should be required to accept all accredited requestors, ensuring that once an entity is accredited, they can participate in the open banking regime without barriers or unnecessary delays. • **Timeline for On-boarding:** A minimum timeframe should be introduced to facilitate timely on-boarding of accredited requestors. This would promote transparency and consistency across all participating banks and prevent any institution from unduly delaying the process. • **Practical Implementation:** The obligation should be applied uniformly to all banks and not be specific to any single institution. This would ensure that all accredited requestors can engage with the ecosystem fairly, without dependence on individual banking relationships or existing integrations.

	A clear and efficient on-boarding process, combined with defined timelines, will help build a robust and competitive open banking framework that provides certainty and benefits for all participants.
Content of policies relating to customer data and action initiation	
43.	Do you agree with the proposed content of accredited requestor customer data policies? Is there anything else that should be required to be included?
	Xero believes that customer data policies under the CPD Bill should align with the existing Privacy Act 2020 to avoid creating a parallel privacy regime, which could complicate compliance and lead to unintended consequences. From Xero's experience with the Australian CDR, implementing separate privacy obligations under the CDR led to confusion and inconsistencies, as well as increased compliance costs for data recipients. It is important that the CPD Bill and secondary legislation leverage existing frameworks, ensuring consistency across industries. Any additional requirements for customer data policies should align with the notification requirements under the Privacy Act, particularly around data minimisation and retention, to avoid creating an overly complex system that may deter participation.
Standards for open banking	
44.	Do you agree with the proposed standards? Should any additional standards be prescribed?
	The current standards, including V3.0 and 3.1, do not have provisions for joint accounts. As highlighted in our response to Question 35 above, there is a need for either a policy allowing an individual to authorise access to data, or an API standard that supports joint authorisation. A joint authorisation API will be necessary to facilitate payment initiation use cases, particularly for businesses (where joint accounts are common). For small business, the current standards also lack support for bulk (or batch) payments—a widely used transaction type for processing multiple payments simultaneously utilised by businesses. At present, the standards only support single payments to individual recipients. To better accommodate business needs, future versions of the standards should include provisions for bulk payments, enabling businesses to carry out these transactions more efficiently within the CPD framework.

45.	When should version 3.0 of the API Centre standards become mandatory?
	The differences between version 2.3 and 3.0 of the standards are relatively minor and primarily focus on enabling event notifications and updating security standards for authorisation. Given these changes, we recommend that V3.0 be adopted as the mandatory standard upon the establishment of the secondary regulation to ensure consistency and alignment with the latest security and operational requirements.
46.	If product data were included in the designation, what standards should be adopted or developed for product data?
	Xero has no comment on this question.
47.	Do you have any comments on performance standards that should apply?
	The API Centre performance guidelines are a good basis for performance standards. However, for the standards to be practical and effective, regulations will need to provide more specificity. It is essential to clarify that the Transactions Per Second (TPS) measurement refers to the number of concurrent requests that can be made per second per accredited requestor. A minimum TPS level should be established within the regulations, and we believe the base level of 150 TPS set by the Australian CDR regime is a reasonable expectation for New Zealand as well. Additionally, it would be beneficial to define what constitutes a 'customer data request'—whether it refers to a single API request and response or an entire interaction. The Australian CDR regime differentiates response times depending on whether the customer is present during the request, and Xero supports adopting a similar approach for New Zealand to enhance user experience and response efficiency.
48.	How can MBIE most effectively monitor performance?
	Xero has no comment on this question.
49.	Are existing institutional arrangements with the API Centre fit for purpose, to achieve desired outcomes? If not, what changes should be considered? How should the approach change over time as other sectors are designated?

Xero broadly supports the API Centre's role in managing technical and operational standards albeit has concerns about the independence of the API Centre as a standards body given its ownership structure, private membership framework and governance framework. While the current institutional arrangements are generally fit for purpose in the context of open banking, there are several key considerations that would help ensure long-term scalability and flexibility:

- **Governance:** Xero does not support the "recognition" model proposed in the API Centre's exposure bill submission because of the potential influence of its banking shareholders, and the prospect of bias in their favour, and ultimate control via the Payments NZ board which has no representation from accredited requestors. Xero favours a "regulated" standards body or a "recognised" standards body that is more independent and representative of the open banking industry. The API Centre terms and conditions would need to be reviewed in the context of the primary and secondary regulation to ensure they were fit for purpose, and consideration would need to be given as to whether all accredited requestors would also need to be a member of the API Centre and accept its terms and conditions to participate.
- **Clear Separation of Roles and Responsibilities:** The API Centre's role should focus on developing and maintaining technical standards, while accreditation responsibilities should be managed independently by MBIE or another impartial body to maintain neutrality and avoid conflicts of interest.
- **Regular Review and Adaptation for Scalability**: As the open banking regime evolves and scales to include additional banks beyond the big four and Kiwibank, regular reviews should be conducted to ensure the API Centre's arrangements are still suitable. This is particularly relevant for any future cross-sectoral expansion of the CPD regime to other sectors, such as insurance or telecommunications, ensuring interoperability and consistent standards across a broader ecosystem.
- **Flexibility to Support Expansion Beyond Initial Scope:** The institutional arrangements should be designed to support the eventual inclusion of all financial institutions in New Zealand's open banking framework. As smaller banks and other financial entities are incorporated, the standards should be reviewed to ensure that the arrangements remain effective and accessible for all participants, avoiding unnecessary barriers or duplicative processes.
- **Issue Resolution Process:** Satisfactory and speedy issue resolution is a significant challenge in the UK Open Banking regime with little incentive for banks to quickly remedy problems that are found. While the CPD Bill includes positive measures to address this concern, the role of the API Centre in any resolution process may be viewed as biased on account of their ownership structure.

General Comments:

Xero supports the overarching objective of enabling small businesses to access and share their financial data in a way that drives innovation and competition across the financial services sector. There are two key points that we wish to raise which are not addressed by the consultation paper.

1. **Timing and Sequencing**

Xero has concerns about the timing and sequencing of this consultation, given that the primary legislation has not yet been finalised. Progressing with secondary legislation while there are still outstanding issues with the CPD Bill creates uncertainty and complicates the process for stakeholders. This misalignment could result in unintended compliance burdens or operational delays that hinder the effectiveness of the regime. To ensure that stakeholders have clarity on the framework's requirements and can provide informed input on secondary rules, it is critical that the consultation on secondary legislation only proceeds once there is greater certainty around the primary Bill. It is also unclear how much further consultation will occur, raising concerns about whether industry and consumer feedback will be adequately considered.

2. **Derived Data and Downstream Sharing**

Xero strongly recommends that references to derived data be removed entirely from both the CPD Bill (primary legislation) and any subsequent secondary legislation. Our position is that once a customer consents to share their designated data with an accredited recipient, any subsequent data created—whether in its original or transformed format—should no longer be subject to CPD rules. Under this approach existing privacy regulations, such as the Privacy Act 2020, would govern subsequent data transmissions.

The inclusion of derived data within the CPD Bill risks introducing confusion, limiting data usability, and stifling innovation, especially for small businesses that rely on data sharing to operate efficiently. We strongly urge the removal of derived data from the CPD Bill altogether to avoid replicating the challenges faced in the Australian CDR framework, where derived data rules resulted in significant compliance burdens and lower participation rates.

While Xero acknowledges the consultation paper's reference in paragraph 146 to unaccredited persons not needing to seek accreditation or comply with additional restrictions when sharing derived data, it is difficult to comment meaningfully on this provision given that the positions outlined in the primary legislation are still subject to finalisation. We believe that it is crucial to first resolve the treatment of derived data in the primary legislation before providing feedback on how it should be managed or restricted under secondary regulations.

To ensure that small businesses can maximise the value of their financial data, MBIE should avoid placing any limitations once the original designated data has been transferred to an accredited recipient with the customer's consent. This ensures small businesses can freely share the financial insights generated through platforms like Xero with their advisors or other service providers, fostering a more flexible and efficient data ecosystem.

Case Study: Practical Implications of Data Restrictions

Mark, a plumber in Whakatane, uses Xero to manage his business finances. Mark has a trusted bookkeeper who helps him reconcile invoices and manage payroll. If the CPD Bill imposes restrictions on how Mark can use designated or derived data, it could require Mark's bookkeeper or other software applications to navigate unnecessary compliance burdens or accreditation processes to continue receiving reconciled financial data from Mark's Xero account, or accessing designated data from his Xero account. This would mirror the situation in Australia, where derived data regulations have stifled data sharing and made it more difficult for small businesses to work with their trusted advisors.

Beyond compliance, these restrictions could limit how Mark's data can be used to provide meaningful insights. For example, if data sharing restrictions remain part of the CPD Bill (primary legislation) and are reinforced in secondary legislation, Mark may not be able to share his reconciled data or designated data with a lender to secure a business loan, and the rules could restrict or complicate this process. Similarly, if Mark wished to share his data with a third-party app that analyses cash flow trends or forecasts expenses, the secondary regulations could create barriers, preventing Mark from fully utilising these services to support his business growth.

If the treatment of data post-transfer is clarified and simplified, Mark's bookkeeper and other third-party service providers could continue to receive and use data that originates from Mark's bank (designated data) and has been reconciled or transformed in Xero (derived data) without having to seek separate accreditation or comply with additional CPD requirements. This would allow Mark's bookkeeper to effectively support his business, and Mark could seamlessly use this enhanced data with other apps and service providers, maximising the value of his financial data and driving business growth.

Highlighting Practical Implications

By ensuring derived data is removed from the CPD Bill and avoiding limitations on data post-transfer, MBIE will:

- Enable small businesses to use their data as they see fit, without compliance restrictions that impede their operations.
- Allow unaccredited service providers, such as accountants, bookkeepers, and software applications, to support small businesses without needing to undergo costly and complex accreditation processes.
- Avoid the pitfalls of the Australian CDR regime, where overly restrictive rules on derived data have led to lower participation and limited data sharing.
- Facilitate broader use of financial data by small businesses, enabling them to derive insights, apply for loans, and share data securely with various trusted service providers to grow and expand their operations.

In conclusion, Xero strongly recommends removing derived data from the CPD Bill as this will safeguard the utility of the CPD framework and encourage innovation and participation across the financial services ecosystem.

Key Considerations from Xero's Submission

In addition, the following are key considerations we want to reiterate from our submission:

- **Coverage of Customer Data and Consideration of Customer Needs:** It is critical that the open banking framework in New Zealand incorporates business banking data across all financial institutions. Many small businesses use a range of business and personal accounts across different banks, and if the framework does not include all business banking data, it will fail to deliver a comprehensive view of a business's financial health. Full coverage of business and personal banking data is essential for providing small businesses with the accurate financial insights they need to thrive.

- **Promoting Competition and Innovation Across the Ecosystem:** Expanding designation to include a broad range of financial institutions and ensuring the regime is accessible will drive competition not only between large and small banks, but also among other financial service providers. This increased competition will lead to a virtuous cycle of innovation, delivering a wider array of financial products and services that benefit all participants, including banks. For example, increased competition can incentivise banks to improve their offerings, leading to more engaged and satisfied customers. By broadening access and supporting innovation, the framework will create a thriving open banking ecosystem that generates tangible benefits for small businesses and financial institutions alike.

- **Accreditation and Oversight:** Xero supports the independence of the accreditation process and recommends that it be managed separately from the development of technical and operational standards. The accreditation framework should adopt a tiered approach, where different levels of accreditation are introduced based on the sensitivity of the data being accessed. The process should require an initial accreditation and then focus on periodic renewals, rather than a full re-accreditation process each time, to reduce compliance burdens while ensuring ongoing security and compliance.
- **Digital Onboarding:** Xero has a large customer base that would be able to utilise the benefits of open banking. The vast majority of our customers already send banking data into their Xero subscriptions. To enable efficient and effective transition to an open banking regime (at significant scale) Xero's SMB customers require end-to-end digital onboarding.
- **Access Fees:** Xero believes that access to customer data should be free of charge to encourage broad participation and innovation. If fees are necessary to maintain the regime, they should be limited to accreditation or scheme fees that are proportional to the size and scope of the entity, rather than usage-based fees that could become a barrier to participation, especially for smaller businesses and new market entrants.

By addressing these concerns, the CPD Bill will be better positioned to support a dynamic and inclusive open banking ecosystem that meets the needs of all stakeholders, from large financial institutions to small businesses and their service providers.