

Privacy, Confidentiality and Better Banking

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Introduction

- Banking in New Zealand
- Dual obligation of confidentiality and privacy
- When can banks disclose information?
- New ways to meet customer demand
- Use of customer information

Banking in New Zealand

Strong banks

- New Zealand's banks are among the best funded, capitalised and regulated in the world
- World Economic Forum rates NZ banks second most sound in the world after Canada, two years running

Intense competition

- Banks work hard to attract and retain customers
- Credit growth relatively low at around 5%

High customer satisfaction

- 92% of us are happy with our banks (Consumer NZ, March 2015)
- Banks rate higher than any other service industry

Confidentiality and privacy

An overriding dual obligation:

Common law duty of confidence

- Fundamental to the bank and customer relationship
- Strict duty to protect the confidentiality of customers' affairs
- Applies to all bank customers, and all customer information

Obligations under the Privacy Act 1993

- Governs how information is collected and stored; the rights of people to access and correct information about themselves; and the disclosure of personal information.
- Applies to personal information held about individuals, not businesses

When can a bank disclose information?

Compelled by law

- In court, or under the following legislation:
 - Anti-Money Laundering and Financing of Terrorism Act (AMLCFT)
 - Financial Transactions Reporting Act (FTR)
 - Foreign Account Tax Compliance Act (US law with NZ enabling legislation)
 - Inland Revenue (Tax Administration) Act
 - Social Security Act
 - Companies Act

Public duty to disclose

- Danger to the state or public protection against crime
- Need to balance against obligations to customer

When can a bank disclose information?

To protect the bank's interests

- Applies in cases of legal action, where a bank is taking a case against a customer (e.g. loan default), or is defending an action brought by a customer

Where the customer has consented to disclosure

- The bank must ensure the information disclosed is correct and within the scope of the customer's consent

Fraud and cyber-crime

Banks are ever vigilant against the threat of financial crime.

This includes:

- a range of fraud and scams
- money laundering
- terrorism financing.

This may necessitate disclosure of information due to legal obligation or a threat to the public interest.

New ways to meet customer demand

The dual obligation remains paramount in the development of new banking channels and technologies to meet growing customer needs and demands.

Banking customer experience has changed dramatically over the last decade. This is driven by intense competition among banks and the need to attract and retain customers.

New ways to meet customer demand

The “co-production of banking services” has led to increased customer satisfaction.

Extended access through new banking channels:

- Online banking
- Mobile banking apps
- Telephone contact centres

Examples of better banking

Online banking security

- Banks require or encourage the use of second factor identification for customers who use online banking. That means that a second layer of identity verification is needed, over and above a password, to access online accounts.
- Banks provide customers with alerts about fraud risks. They also have systems in place to monitor suspicious activity on accounts.
- Bank websites have security certificates that prove their sites are genuine, encrypted and secure.

Examples of better banking

Voice biometrics

- Used over the phone to facilitate customer identification. Voice ID is used instead of keying in PINs and answering security questions.
- Voice biometrics are more secure than fingerprinting. Fingerprints have 14 “markers”. Voiceprints have 40 markers.
- Voiceprints are stored in secure areas behind multiple firewalls. They are accessible only by authorised staff. The databases are fully auditable and reported on.

Examples of better banking

Mobile wallet

- We're now seeing the introduction of mobile phone integrated payment systems.
- Smart phones are replacing wallets stuffed with cards. They use special SIM cards and apps that allow electronic payments.
- The apps can also replace loyalty cards, public transport cards, and special offer vouchers.

Use of customer information

- Collecting and analysing customer information isn't new, but the scale and automated nature of "big data" is
- Banks are following other sectors
- Benefits include offering a more tailored approach to individuals
- Driven by intense competition and the need to anticipate customer needs and to develop products to meet those needs
- Data analysis also has an important role in detecting and prevent financial crime. E.g. an overseas credit card charge around the same time you're shopping in NZ.

Use of customer information

- Public scrutiny of privacy is heightened in the wake of personal information breaches by major organisations.
- How do banks make sure customers are aware and agree with what they are doing with their data?
- Following the Data Futures Forum recommendations, is there a role for government to lead a public discussion on the trade-off between better customer service and protecting privacy?

Use of customer information

- US studies have found that customers are happy to provide personal information where there is transparency about how the information is used, so long as they get something in return.
- Given New Zealand banks rate highly among their customers, they start from a strong position in analysing information to provide a better service to customers.

Trust in a changing world

- In a changing world of banking technology and customer expectations, some things won't change.
- The dual obligation of privacy and confidentiality remains paramount in developing new services and products to meet customer needs and preferences. Those obligations are based on trust.
- Maintaining customer trust is essential. It remains at the heart of new banking developments.