



14 April 2022

Ms Claire McKay
Director
Consumer Data Right Division
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Ms McKay

CDR Open Finance sectoral assessment - Non-Bank Lending

The Australian Banking Association (**ABA**) welcomes the opportunity to comment on the Treasury consultation into the Consumer Data Right (**CDR**) sectoral assessment of the non-bank lending sector.

Banks welcome the growth and expansion of CDR to non-bank lending. Non-bank lending data would complement bank data and enable a better picture of a consumer's financial position, encourage more consumers to use the CDR, support competition and create further opportunities to develop new, and innovative use cases.

In this submission, we respond to some issues raised in the discussion paper and provide comment based on the experience of banks in implementing the CDR.

Scope of data to be included

Given the potential use cases are diverse and yet to be developed in many cases, the ABA supports a broad approach to the non-bank lending designation that includes a wide source of datasets, including buy now pay later data, fringe credit (also known as payday lenders), and other lenders who may be more accessible to customers experiencing financial hardship and businesses under financial duress. On the latter, we note this could enable additional tools that can be a way to educate and assist those customers and enable government to reach out to these individuals more effectively.

We acknowledge that this analysis could result in additional datasets such as buy now pay later being included under the banking designation, but we equally note that this approach is consistent with the Government's intent of an economy-wide CDR and will allow the CDR to naturally grow over time without the need for repeatedly issuing new designations or regulation.

However, once the scope of datasets for inclusion is determined, the Government should consult further and provide clear guidance to all ecosystem participants of in-scope datasets and compliance milestones relevant to those datasets before commencement of any design and build (and after standards and guidelines have been finalised). We would suggest a minimum implementation period of 12 months after the designation instrument is made.

Scope of data holders to be included

The ABA agrees that a broad-based definition that covers the range of data holders in non-bank lending should apply. Using existing definitions that use both functional and entity-based categories would support the underlying objectives of an economy-wide CDR and provide industry with certainty on the products and services that should be included for their implementation.

Existing definitions, such as 'credit facility' in the *ASIC Act*, could be used as a starting point to develop the scope of non-bank lenders, but further consideration should be given to other data holders that may have valuable data to support lending decisions. The ABA would welcome further consultation at the Rules stage on the development of this scope to ensure their implications are appropriately considered.



This is in consideration of other entities that sit outside the financial services sector but may over time fall into the sector with new offerings.

The non-bank lending sector is diverse and consists of firms of varying size and customer propositions. Noting this, and the costs associated with compliance with the CDR, the ABA supports consideration of a participation threshold to exclude small firms, noting the costs for these smaller entities may reduce over time as third-party solutions mature.

Over time, the Government should consider its role in incentivising the inclusion of firms of all sizes by reducing the compliance burden through a more streamlined approach to the way that rules and standards are iterated. Currently, there are multiple changes to data holder obligations that occur frequently and without coordination. For example, in 2021 several updates to the Rules, Standards, guidance and CX standards were not synchronised and did not follow a standardised timeline. Having multi-layered obligations arise at different times of the year without coordination results in a continuous maintenance cycle for ecosystem participants, which is inefficient, time consuming and introduces additional elements of risk to the system.

To ease this burden, standards releases should follow a predictable cycle, with sufficient time to comply and enable integration into the software management and oversight process. All changes to the Rules, Standards, and updates to the privacy safeguards should be channelled through a single release schedule and provide sufficient lead-time for participants to prepare for the changes. This would lower barriers to entry and enable the development of cost-effective third-party services that can more easily assist smaller clients to comply with changes to the rules and standards.

Maintaining system security and integrity

The level of security and privacy requirements on CDR data made available by non-bank lenders should be the same standard as the CDR data provided by banks. This ensures there is no compromise on the security and privacy of sensitive customer data and maintains a high level of integrity within the CDR ecosystem. System security also critical in underpinning customer trust and confidence to share data via the CDR.

Retaining the same rules and standards, including technical specifications will also ensure that interoperability of CDR systems is possible between banks and non-banks. Adopting different rules or standards for security or privacy between the non-banks and banks risks the integrity of the system as a whole and can impact on the ability of future rollout functionality, including write access.

Complementary government data

The ABA reiterates its support for the inclusion of government held customer data in the CDR, as it would drive the use of the CDR and support existing banking and non-bank datasets. Consumer data in the tax and transfer systems, as well as those that relate to digital identity are particularly valuable in supporting smoother customer experience in all lending and credit products.

Government held customer data would also be valuable in supporting business lending initiatives and enable lenders to more quickly and reliably assess and make lending decisions that benefit businesses.

Thank you for the opportunity to provide feedback. If you have any queries, please contact me.

Yours sincerely,

Prashant Ramkumar
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Australian Banking Association