Australian Banking Association

Inquiry into Artificial Intelligence

Joint Select Committee on Artificial Intelligence

2 October 2026

Australian Banking Association

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Key Recommendations

The Committee should recommend that the Government:

1. Prioritise innovation, investment and the adoption of AI across the economy to unlock productivity growth, improve customer outcomes and strengthen Australia's domestic capability.

2. Support Australians and businesses of all sizes to participate in the AI transition through skills, training and reskilling initiatives, targeted assistance for small and medium businesses, and the responsible use of AI to improve accessibility and inclusion.

3. Expressly preserve industry's ability to use AI to protect Australians and Australian businesses from scams, fraud and cyber-crime. This should be reinforced by reforms to digital identity and to the sharing of Government data.

4. Be technology neutral, regulating risks and outcomes rather than the technology itself, and applying the same requirements to the same risks across the economy.

5. Build on existing regulatory frameworks first. Before imposing new obligations on already regulated sectors, the Government should identify and publish any gaps in existing law, and act only where those gaps are established.

6. Ensure that any additional regulation is proportionate to the risk and its impact on customers, reflects the existing regulatory environment, and does not require disclosure that would undermine fraud or financial-crime detection systems.

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

Australian Banking Association

ABA submission to Joint Select Committee on Artificial Intelligence

The Australian Banking Association (ABA) welcomes the opportunity to contribute to this inquiry.

Independent modelling estimates that Artificial Intelligence (AI) could add $95 billion to $116 billion to Australia's GDP by 2036, lift multifactor productivity by 2.0 to 2.4 per cent and create a net 36,000 to 44,000 full-time equivalent jobs.[1] Under the current levels of adoption and investment, the Productivity Commission estimates labour productivity growth at around 0.4 percentage points, banks estimate that widespread AI adoption could lift labour productivity growth by 0.8 to 1.0 percentage points a year. The regulatory settings must ensure that Australia captures this gap of 0.4 to 0.6 percentage points.[2] Bank research similarly shows adoption is already accelerating, with 42 per cent of surveyed SMEs using AI and a further 14 per cent planning to do so.[3]

However, Australia risks missing this opportunity if regulation focuses disproportionately on risk or creates uncertainty, duplication or settings more restrictive than comparable economies. Australia cannot opt out of AI, the objective should be to enable responsible deployment at scale. In banking, AI can improve fraud and scam detection, speed up assessments, reduce information requirements and deliver more tailored customer support. These benefits will depend on businesses having the confidence to invest, innovate and implement AI.

The Committee should recommend a policy and regulatory framework that manages risk and maximises opportunity, giving businesses the confidence to invest, innovate and deploy AI at scale for the benefit of customers, while preserving Australia's capacity to use AI to protect and advance the national interest.

1. Generational Opportunity

Australia's productivity performance has been weak for two decades, and the Productivity Commission has identified the adoption and diffusion of digital technology as central to reversing it. [4] But the opportunity is broader than productivity alone. AI has the potential to improve customer outcomes, strengthen economic growth and support more efficient delivery of services across the economy. Realising those benefits will depend on creating the conditions for businesses to invest in AI with confidence. Australian consumers have a strong track record of adopting new technology and benefiting from it, from internet banking and contactless payments to digital wallets, often faster than customers in comparable markets. AI should be no different. Banks are already moving to develop models for customers. They are doing this safely on proprietary data, supported by responsible AI principles. These systems are not fringe or novel, they are ordinary commercial systems operating at scale, with the potential to benefit millions of customers. If adoption in Australia lags behind overseas markets, it will inevitably be Australian consumers that miss out.

Capturing the opportunity will also require investment in Australia's sovereign AI capability. Banks want to use Australian technology, Australian expertise and Australian innovation, but this depends on a strong domestic ecosystem of AI providers, researchers and skilled workers.[5] Government can help build that ecosystem through investment in compute infrastructure, research, commercialisation and AI skills, and by using procurement and other policy levers to support Australian firms to scale. Banks

[1] EY, The economic upside of Artificial Intelligence for Australia, August 2026.
[2] CBA, AI can lift Australia's growth, if we're willing to do the hard work, June 2026.
[3] NAB, Small business in the driver's seat of Australia's AI shift, April 2026.
[4] Productivity Commission, Harnessing data and digital technology, Inquiry report, December 2025.
[5] See Appendix for examples.

need confidence that a local supplier can meet their assurance, security and regulatory requirements. Domestic capability is also a resilience question. Compute, infrastructure and foundation models are supplied by a small number of largely offshore firms. Depth in the local market is what creates genuine alternatives. The answer is not simply data localisation, which would raise costs and narrow access without reducing the dependency. Getting these settings right will give banks greater access to trusted local solutions and help ensure more of the economic benefits of AI are created and retained in Australia.

We must ensure that we seize the once-in-a-generation opportunity for productivity gains that will benefit all Australians. The ABA asks the Committee to recommend that the Government prioritise innovation, investment and take-up of AI across the economy, and ensure that regulatory settings enable banks to invest in domestic compute, research and AI skills, and use Commonwealth procurement to build a market for Australian AI providers.

2. Supporting Australians to participate in the transition

The ABA does not suggest that AI will leave work unchanged. It will alter tasks, reshape roles, shift the skills banking needs and reduce demand for some existing work, while increasing demand in other areas. Banks are investing heavily in supporting their staff through that change.[6] Government has an important role to play in supporting AI adoption across the economy, ensuring Australia has the depth and breadth of skills needed to succeed in the transition.

Banks have entered partnerships with AI developers and engineering firms that pair AI implementation with training and upskilling for their people, and that link adoption to Australian skills, talent and the wider domestic AI ecosystem.[7] Banks have focused on the importance of retaining human knowledge, skills and oversight for key processes.

Banks' commitment to AI adoption in Australia extends beyond their own operations. They are helping customers, including small and medium businesses, understand, adopt and benefit from AI. Yet adoption remains uneven across the economy.[8] Without the right policy settings, the businesses and customers that are slowest to adopt AI risk being left behind, with the cost measured in lost productivity, foregone growth and reduced resilience to cyber threats, as much as in compliance expense.

AI offers gains in inclusion and accessibility, helping customers understand financial products through translation and plain-language explanations, and enabling earlier identification of financial stress and vulnerability. This creates an opportunity to widen access for customers who would otherwise face barriers, provided safeguards and access to human support remain available.

The ABA asks the Committee to recommend that the Government support businesses of all sizes to adopt AI, with targeted assistance for small and medium businesses. The Committee should support AI skills and reskilling being built into Australia's existing vocational and tertiary training pathways. The Committee should also recognise the gains AI offers to customer outcomes, including accessibility and inclusion for customers, where appropriate safeguards and access to human support are maintained.

3. Protecting Australians

Australians and Australian businesses, including banks, are exposed to scams, fraud and cyber-crime on a growing scale. Those who commit it operate largely offshore and carry none of the obligations that

[6] See Appendix for examples.
[7] See Appendix for examples.
[8] ABS, Business adoption of Artificial Intelligence accelerates in 2024–25.

apply to the institutions defending against them. Industry must be able to use AI to defend itself and its customers. Government can help by keeping regulation clear and not unnecessarily restricting defensive use of AI.

Banks are meeting that threat with the same technology and have partnered with AI developers to strengthen scam and fraud detection. Government can help first by ensuring regulation does not weaken that response. Regulation framed around AI only as a hazard would do exactly that. Broad high-risk definitions could unintentionally capture fraud, scam and financial crime detection, and the identification of financial abuse or customer vulnerability. Any high-risk designation should expressly preserve those protective uses.

The same is true of cyber security. AI lowers the barriers to hacking, intrusion and phishing while raising the value of coordinated defence. As a result, the industry is exploring collective action on cyber resilience and AI readiness.

A key concern for banks is loan fraud. AI makes it easier to produce fake payslips, bank statements and identity documents at scale. A verifiable digital identity, available across the digital economy rather than only for government services, would help banks establish who an applicant is without relying on a document AI could fabricate. Sharing Australian Taxation Office income data through the Consumer Data Right would do the same for what an applicant earns, cross-checking income at its source. Together they would close off the two inputs where AI could have a negative impact, and the ABA asks the Committee to support both.

The ABA asks the Committee to recommend that the Government expressly preserve industry's ability to use AI to detect and prevent scams, fraud, financial crime, financial abuse and customer vulnerability, so that no high-risk designation or AI-specific obligation captures those uses.

4. Technology Neutral

Any regulatory response should apply a ‘same risk, same rules’ approach. Therefore, any regulatory responses should focus on addressing potential risks in a thematic, outcome-driven way, regulating specific technologies in a neutral way. If a risk is significant enough to warrant legislative attention, then it is that risk, rather than its AI manifestation, should be the primary focus.

Definitions tied to technical characteristics do not achieve this. Technical capability does not necessarily correlate with greater risk is highly specific to the context in which a system is deployed. The pace of technological change would likely leave such regulation in a constant state of ‘catch-up’.

The ABA asks the Committee to recommend that AI be regulated on a technology neutral basis, with obligations defined by the risk and the outcome rather than by the technical characteristics of the system, and the same requirements applied to the same risk wherever it arises in the economy.

5. Using existing regulatory frameworks first

Banking already operates under an extensive body of technology neutral regulation covering the risks most often attributed to AI, such as, discrimination and bias, financial exclusion, privacy and data protection, transparency and explainability, cyber security, responsible lending, accountability, and third-party risk. The Productivity Commission has cautioned against regulation that would damage growth unnecessarily, noting that many AI risks are not new and can be addressed under existing law.[9] The Australian Prudential Regulation Authority (APRA) has confirmed that its "prudential standards may not specifically refer to AI but nor do they need to at the moment. They have intentionally been designed to

[9] Productivity Commission, Harnessing data and digital technology, Inquiry report, December 2025.

be high-level, principles-based and technology neutral."[10] In April 2026, APRA maintained its principles approach when it wrote to all regulated entities setting expectations for AI governance, information security, third-party risk and assurance. It did so without a single AI-specific prudential standard and without new legislation.[11]

The ABA's position is that new AI-specific obligations should be introduced only after the following steps are undertaken:

1. Identify the risk it is seeking to address.
2. Assess whether existing legal, regulatory and prudential frameworks already address that risk.
3. Demonstrate a clear regulatory gap where existing frameworks are inadequate.
4. Ensure any new obligations are proportionate to the nature and scale of the risk.

Where new rules are needed, they should be developed with regard to international interoperability. This will help support cross-border operations, maintain international competitiveness and reduce the risk of duplicative or inconsistent regulatory obligations.

The ABA is not arguing against new rules generally. The ABA is currently asking for regulation where gaps exist, for example, in our submission to the Reserve Bank's Review of Payments System Regulation the ABA identified gaps and argued that agentic commerce should be a priority for early industry and regulatory work, to establish a trusted and interoperable framework before transaction volumes scale and commercial or liability arrangements become difficult to unwind.[12]

Future and in-flight reforms should consider their applicability to AI to avoid regulatory gaps emerging in the future. Agentic commerce that enables AI agents to transact on a customer's behalf is expected to amplify existing payment system risks. The SPF, PSP licensing and ePayments Code will need to be fit for purpose to manage potentially greater scams, fraud and consumer protection risks. Risks to competition, resilience and sovereignty will also need to be considered from the growing role of AI platforms in the economy.

The ABA asks the Committee to recommend that, before new obligations are imposed on an already regulated sector, the Government identify and publish the gaps between existing law and the risk it is seeking to address and legislate only where a gap is established. Establish the risk, test it against the law that already applies, and legislate where the gap is real.

6. Proportionality

Where any additional obligations are warranted, they should be commensurate with risk. For already regulated sectors they should also reflect the regulatory environment those sectors operate in.[13] The same principle underlies the ABA's advocacy on regulatory efficiency, including its recommendation to reduce unnecessary data collections and duplicative reporting.

Proportionality applies with particular force to transparency. Banks are conscious that where a decision, for example, significantly impacts a person, community, group or environment, and commit to the capability for human oversight of, and timely intervention in, AI facilitated decisions.[14] Proportionality guards against excessive disclosure that undermines the benefits. The ABA has said that "accountability or transparency policies should not require businesses to expose proprietary algorithms or IP", and that requiring a bank to tell a customer that a payment was blocked by an AI model "could

[10] APRA Executive Board Member remarks to AFIA Risk Summit, 22 May 2024.
[11] APRA, Letter to industry: Artificial intelligence (AI), 30 April 2026.
[12] ABA, Review of Payments System Regulation, 2026.
[13] ABA 2024, p 1.
[14] See, for example, Westpac, Responsible AI Principles; NAB, Data Ethics Principles.

undermine customer protection where highly confidential and sophisticated fraud models were subject to challenge".[15]

The ABA asks the Committee to recommend that transparency and oversight obligations be set in proportion to the impact on the customer. From December 2026, where an automated decision involving personal information significantly affects a customer's rights or interests, banks will be required to disclose the use of automated decision-making in general terms.[16] This should not extend to disclosing how fraud and financial crime detection systems work, which would allow them to be evaded.

[15] ABA 2022, p 5; ABA 2024, p 14.
[16] Privacy and Other Legislation Amendment Act 2024, Part 15 of Schedule 1.

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Appendix – Examples

Banks are using artificial intelligence to improve customer service, enhance the efficiency of operations and to detect fraud in the following ways:

- to detect unusual payments on a customer's account in real time
- answer common questions on a website or app 24 hours per day
- to reduce wait times in call centres
- to help identify customers who might be experiencing financial stress
- to monitor compliance obligations

Specific examples include:

- CBA is using AI across 20 million payments daily, with 40,355 proactive warning alerts sent to customers per day, contributing to a fall in customer fraud losses of over 20 per cent in H1 FY26 against H1 FY25.
- CBA is partnering with Apate.ai to deploy thousands of AI-powered bots that engage scammers, gather near real-time intelligence, identify emerging threats, and help generate alerts and blocks to better protect customers and disrupt scam networks.
- Westpac rolled out Microsoft 365 Copilot to all employees in February 2026 – the largest financial services Copilot deployment in Asia Pacific.
- Westpac has also introduced a new AI-powered call assistant aimed at tackling scams as they happen. The tool is designed to identify scams as they happen to support operators in responding faster.
- Bendigo and Adelaide Bank is building capacity to use AI in its contact centre to identify signs of financial hardship during live customer calls, surfacing prompts to staff so issues can be addressed in real time.
- ANZ is using Salesforce's Agentforce 360 platform to give bankers faster access to customer insights and history, enabling more personalised conversations. By consolidating information from 20 systems and generating real-time summaries, the platform is expected to save bankers the equivalent of around one working month per year, allowing more time to focus on helping business customers grow their businesses.
- NAB's Customer Brain, launched in 2023, uses AI to guide more than 50 million customer interactions each month. Drawing on over 3,500 adaptive models, it delivers personalised prompts across more than 550 different customer actions, from transaction dispute updates to recognising home loan milestones. NAB reports customer engagement is 40 per cent higher when a Customer Brain prompt is used. The Customer Brain also transcribes and summarises approximately 10 million contact centre calls annually, improving the customer experience through more effective triaging, better record-keeping and reducing the need for customers to repeat information.
- The ABA is supporting the Buy Australian AI Partnership, a national initiative delivered by Stone & Chalk and the National AI Centre that connects Australian AI startups and scale-ups with major financial institutions. The program aims to strengthen domestic AI capability by helping Australian firms navigate enterprise procurement, regulatory and assurance requirements, and build pathways to commercial adoption in banking, insurance and superannuation.