

31 May 2020

Treasury
Langton Crescent
PARKES ACT 2600

By email: data@treasury.gov.au

Dear Ms Breen

Consumer Data Right- energy sector designation instrument

The Australian Finance Industry Association (AFIA) welcomes the opportunity to provide a response to Treasury's consultation on its *Consumer Data Right- energy sector designation instrument (CDR Energy Designation Instrument)*, a framework that will boost innovation and competition in the energy sector, and support the development of a safe and efficient digital economy in Australia.

AFIA is committed to ensuring that all Australians have continued access to finance as well as enhancing consumer protection and these commitments inform our responses to the consultation.

AFIA Background

AFIA represents over 100 providers of consumer, commercial and wholesale finance in Australia including retail banks, finance companies, credit card issuers, and Fintechs, such as buy now pay later providers. For more information about AFIA, please see **Annexure A** to this submission.

AFIA's role as an industry body is to drive industry thought leadership and represent members' views, facilitate self-regulation through industry codes, and to work with the Federal Government, financial regulators, and other stakeholders to promote a supportive environment for industry.

Our guiding principles seek to build the settings to:

- Promote simple, convenient, innovative, and affordable credit to finance Australia's future, including maximising access to credit for customers able and willing to service their commitments and minimising the likelihood or incidence of customers entering into unsuitable credit contracts
- Foster competition and innovation in Australia's financial services industry, which enables our members to grow, expand and thrive as key participants in lending and other markets, and
- Generate greater financial and economic participation by consumers and small businesses in Australia's financial system and economy and improve social participation as a means to create financial wellbeing.

To do so, we focus on the key drivers that provide positive customer outcomes, foster competition, and innovation within industry, and facilitate financial, economic, and social engagement by both customers and industry.

Our Submission

AFIA and its members support the implementation of the Consumer Data Right (**CDR**), its extension to the Energy sector and its commitment to have regard to competition, fairness, innovation, efficiency, regulatory compliance costs and consumer protection.

We note that while members have contributed to our submission, the position being put by AFIA may not reflect a particular member's organisationally-specific position on all of the issues. These will get captured through a submission from that organisation.

In principle, AFIA supports new technologies such as the CDR, which enable competition with flow on benefits for customers. Improved data access has the potential to drive innovation and facilitate the development of better products and services tailored and enhanced to continue to meet particular customer needs. However, in delivering the above, it will be important to ensure that further extensions of the CDR, such as the extension to the energy sector (**CDR Energy**), are applied in a manner that does not negatively impact on the broader economy, limit access to credit, or reduce innovation and competition.

We believe market forces and customer demand, supported by evidence-based policy, should drive competition and innovation. The CDR Energy instrument should be based on these principles and ensure optimal outcomes for consumers, small business and large businesses, the financial system, and the broader economy, and where those interventions are deemed economically necessary and beneficial.

Proposed recommendations

Streamlined Accreditation Process

We recommend:

- *The accreditation process for the CDR regime is streamlined,*
- *A dual tier accreditation process is adopted, and*
- *A holistic approach is taken to the accreditation to encourage participation and therefore maximise consumer benefit. Such an approach should take into consideration standards, intermediaries, and tiering, and look at how these barriers can be lowered overall, whilst still complying with security principles*

When developing the accreditation process for entities to become an Accredited Data Recipient for the CDR, the nature, scale, complexity, and size of the various entities should be considered. The current blanket approach to accreditation in the CDR should be reviewed prior to implementing the CDR Energy.

We recommend that a tiered accreditation approach is adopted, as the current 'blanket' approach across all participants will likely lead to over prescription, cause unnecessary compliance complexities and costs and impede competition, innovation, customer choice and accessibility. It is critical that when promoting broader access to the regime there is not an increased risk to privacy.

CDR Energy Privacy Framework

When assessing the CDR privacy framework and whether it is appropriate for the energy sector; we recommend:

- *Security principles and definitions are reviewed, in conjunction with the specified classes of information as set out in sections 7-9 the CDR Energy Designation Instrument, and for these to be*

reviewed on an ongoing basis to allow for innovation, so that certain definitions will not exclude appropriate participants .

With technological innovations advancing at an increasingly fast pace, it is important that security principles, definitions, and specified data sets are reviewed on an ongoing basis, so that certain definitions will not exclude appropriate participants.

We believe that when assessing these security principles, it is important to consider the actual or perceived risk benefit of participation in the CDR Energy from the consumers and the participants perspectives. It is important to assess whether consumers will derive a considerable benefit that outweighs increased risks, and whether participants will not only have the resources necessary to utilise it as intended, but also to ensure that the increased privacy risks can be sufficiently mitigated.

An established CDR Energy regime would benefit consumers at this time, when more than ever, greater flexibility, tailored solutions and faster responses from providers are needed. As part of any implementation programme, learnings from implementing Open Banking in Australia and internationally should be taken into account in order to maximise consumer adoption.

Should you wish to discuss our feedback further, or require additional information, please contact Chalisa Parekowhai, Associate Director Policy at chalisa@afia.asn.au or 02 9231 5877.

Kind regards



Karl Turner
Chief Operating Officer

Annexure A

The Australian Finance Industry Association (AFIA) is the voice of a diverse Australian finance sector. AFIA represents over 100 providers of consumer, commercial and wholesale finance in Australia which includes:

- major, regional and mutual/community owned banks
- providers of consumer finance, including home loans, personal loans, consumer leases, credit cards, buy now pay later services, and debt purchasers
- providers of land finance, including residential and commercial mortgages and bridging finance;
- equipment financiers, including commercial equipment financing ranging from agri-equipment to small ticket equipment financing
- motor vehicle financiers, including consumer motor finance, novated motor finance, small business motor finance and heavy vehicle finance
- fleet leasing and car rental providers, and
- providers of commercial finance, including secured and unsecured loans and working capital finance to businesses, including small businesses.

AFIA's members range from ASX-listed public companies through to small businesses providing finance, which operate via a range of distribution channels, including through 'bricks and mortar' premises (physical branches and other outlets), via intermediaries (including finance brokers, dealerships, retail suppliers), and through online access or platforms (traditional financial institutions and fintechs).

AFIA's members collectively operate across all states and territories in Australia and provide finance to customers of all demographics from high to low-income earners and to commercial entities ranging from sole traders, partnerships and across the corporate sector in Australia.

AFIA's members provide a broad range of products and services across consumer and commercial finance, a snapshot of these include:

- consumer: home loans, personal unsecured loans, revolving products (including credit cards and interest free products coupled with lines of credit), personal secured loans (secured by land or personal property); consumer leases of household assets (including household goods, electrical/IT devices or cars) and buy-now, pay later services;
- commercial: land, asset or equipment finance (finance/operating lease, secured loan or hire-purchase agreement or novated leases); business finance and working capital solutions (secured loans, online unsecured loans; debtor and invoice finance; insurance premium funding; trade finance; overdrafts; commercial credit cards), together with more sophisticated and complex finance solutions.

For further information about AFIA, please see [here](#).