



20 April 2018

Committee Secretary  
Senate Economics Legislation Committee  
Parliament House  
Canberra ACT 2600  
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Dear Committee Secretary

**National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018 [Provisions]**

Thank you for the opportunity to provide a submission on this legislation. COBA is the industry association for Australia's customer owned banking institutions, i.e. mutual banks, credit unions and building societies. Collectively, our sector has \$110 billion in assets, 10 per cent of the household deposits market and four million customers.

COBA supports the Government's decision to mandate Comprehensive Credit Reporting (CCR) only for large ADIs (more than \$100 billion in assets). This will avoid imposing unnecessary costs on smaller ADIs while creating a critical mass of CCR data to encourage all credit providers to undertake the investment needed to participate in CCR.

This approach is consistent with the important principles that policymakers should seek to keep costs to the least necessary to achieve their objectives.

COBA strongly supports this approach to regulation. Regulation should always seek to minimise the regulatory costs for a stated outcome. This flexible approach recognises the disproportionate impact that regulation can have on smaller entities and allows market forces to encourage adoption of CCR.

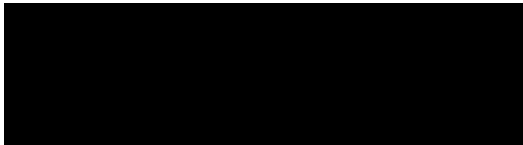
Under the bill, smaller ADIs will be able to decide when to participate in CCR according to their own investment schedules and priorities unless, after commencement, they are mandated into the regime.

COBA believes that mandating in smaller ADIs is likely to be unnecessary. The 2014 Financial System Inquiry Report noted that "credit providers that do not participate are at risk of adverse selection with respect to potential new borrowers; a risk that becomes more acute as industry participation increases". This means that the incentives to participate in CCR will increase over time. However, COBA believes that if the Treasurer does mandate CCR for additional credit providers then the scope of these entities must be limited to the minimum required to further address any identified policy problem. The Government must also consult with the affected entities ahead of any decision to ensure that there is an appropriate transition time.

Several customer-owned banking institutions were at an advanced stage of preparing to participate in CCR prior to the Government's November 2017 announcement of a mandatory regime for the major banks. It is likely that this number will increase as the business case for an individual ADI's participation improves through the availability of more data (as a result of mandatory CCR for the largest data providers and subsequent participation of other lenders).

COBA has been calling on policymakers and regulators to give greater consideration to the impact on competition of the regulatory compliance burden on smaller ADIs. Restricting mandated participation in CCR to the largest players in the market is a very welcome example of targeted and proportionate regulation. COBA believes that the Government should continue to use this approach in future regulatory or legislative decisions.

Yours sincerely



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**Chief Executive Officer**