



6 March 2020

Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Please find below responses to questions on notice from the Australian Banking Association's appearance at the inquiry into the Senate Select Committee on Financial Technology and Regulatory Technology.

Senator Susan McDonald

As far as this committee's hearing, I put it to you that the reality of what the big four are doing and the rhetoric are not matching. I would like you to please take on notice this concept of: what actual steps do you think your change in policy position will make for making consumer data available, and do you believe this is a government regulatory solution or is this an industry responsibility? I guess that's the second part of the question: which one do you think it is—is it government or is it industry?

Ms Landis: *It's absolutely a joint responsibility—and I'm very happy to take that question on notice and provide some more information to you. We would certainly agree that data is a very powerful resource. But I see it in a much more positive light. I think it's a great benefit for people now that new providers will have information about these customers. It means that you can tailor products and services more specifically to that customer's need. I see it in a much more positive light, frankly.*

ABA response

The commencement of the Consumer Data Right in Australia from 1 July 2020 means customers of approved data recipients who bank with one or more of the four major banks can authorise their bank to share their transaction data with the authorised data recipient at no cost.

This fundamental policy change gives customers a right over their own personal information in a way they have not had before.

The Government has developed the Consumer Data Right initiative and it is the responsibility of the banking sector to comply. Open Banking will fully extend to other banks in 2021 and Open Banking is then to be implemented by the energy and telecommunication sectors.

In relation to the banks' management of data, the banking sector complies with APRA Prudential Standard 234 which requires APRA-regulated entities to take measures to be resilient against information security incidents (including cyberattacks) by maintaining an information security capability commensurate with information security vulnerabilities and threats.

A key objective of APRA is to minimise the likelihood and impact of information security incidents on the confidentiality, integrity or availability of information assets, including information assets managed by related parties or third parties.

CHAIR

'We've got great ideas, but we just can't get onto the books.' There could be very valid reasons for that, but we want to try and get a more collaborative system happening. Do you want to take on notice any ideas you've got around big and small collaboration?

Mr O'Shaughnessy: *I can answer that now. To reiterate a point my colleague made: banks are very much focused on implementing many of the recommendations of the royal commission, so there is a significant workload on banks. As we progress through implementing many of the royal commission recommendations, I am hoping that the focus will return to the technology projects that drive competition. I read with interest the FinTech Australia submission. They had some good ideas about the research and development incentive. One concept was—*

CHAIR: *Sorry; I'm asking about collaboration between big and small organisations.*

Mr O'Shaughnessy: *And I think FinTech Australia brought up a good idea with the research and development incentive.*

CHAIR: *Which is a tax incentive.*

Mr O'Shaughnessy: *Yes—particularly around collaboration. I think one of the issues here is making incentives on both sides—the banks would have data, customers and resources; the fintechs, as the smaller businesses, would have good ideas—and optimising the tax environment to facilitate that. I'd include universities and entities like Data61 and CSIRO in that small-business category.*

CHAIR: *I'd like you to take it on notice, because we need to put some meat on the bones of these ideas. I figured you'd be well placed to do that.*

ABA response:

Fintech Australia in their written response to this Committee's Issues Paper outlined a number of recommendations.

In regards to the R&D incentive question raised, the ABA draws attention to the Fintech Australia recommendation that "Experiments" in the R&D tax incentive scheme should be interpreted broadly by the ATO to include companies which contribute to building new and innovative services for the fintech sector, even where these are built on top of existing rails.

The ABA view is that Regtech's natural market is solving distinct problems within a large, mature and heavily regulated Australian financial services system. The ABA sees value in ensuring that technological improvements to existing infrastructure are not negatively impacted under the R&D eligibility. Our view is aligned with Fintech Australia in that this would drive research, innovation and efficiencies in the sector.

If you have any further queries, please do not hesitate to contact me

Yours sincerely,

Fiona Landis
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Australia Banking Association