

*Are you able to detail some of the specific issues that you feel need to be considered prior to any expansion of the CDR?*

AFMA supports the establishment of a Consumer Data Right and has previously expressed a preference for this to be implemented through market mechanisms. However, at this point our focus is on continuing to look to find efficiencies in the scheme.

Consistent with the recommendation of the Final Report of the Review into Open Banking ([link](#)):

Recommendation 6.6 – timely post-implementation assessment A post-implementation assessment of Open Banking should be conducted by the regulator (or an independent person) approximately 12 months after the Commencement Date and report to the Minister with recommendations.

AFMA recommends a post-implementation review be undertaken including a cost-benefit analysis. AFMA recommends this be undertaken by an external independent body to ensure any conflicts from bodies self-assessing their program or program design are addressed.

The Consumer Data Right proposes to extend regulatory intervention into many aspects of businesses' service provision to their customers and to their interactions with other businesses, where that interaction involves customer data.

The implementation of the read phase of the consumer data right has been a substantial undertaking for the firms involved, and there have been significant associated costs. There are also significant costs for taxpayers in funding additional administrative infrastructure and standards development. At present the benefits to consumers are still to fully accrue.

The Government has stated the Consumer Data Right will be “rolled out economy-wide on a sector-by-sector basis”<sup>1</sup>. In the banking sector the Future Directions paper envisages future CDR regulations covering almost every step of the customer journey from opening accounts, applying for mortgages, setting up direct debits and closing accounts. If the aim is as comprehensive on an economy-wide basis then the Consumer Data Right is a very large change to Australia's business environment and economy. It would require a similarly large regulatory program that could have significant costs and impacts. As such, it is important that there is an early assessment of the costs and benefits of the program to optimise the approach used and to avoid creating frictions and inefficiencies in the economy.

For such a wide-reaching program it is also important to better understand its implications for risks around control of information and actions, the move away from the decentralised business and service design typical of market economies shifting to a larger role for government, and the changes to society and economy it may engineer.

We also caution against increasing the depth of the Open Banking program in banking while at the same time endeavouring to widen the CDR program to other sectors given the complexity of the challenge.

The Future Directions paper took as a given that the implementation of the Consumer Data Right was a net positive and could be expected to also be such for future designated sectors. Given the economy-wide implications this assumption should be empirically tested to see if this is correct and whether efficiencies and optimisations can be found.

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<sup>1</sup> Consumer Data Right Overview, The Treasury, 2019, p. iv.

A cost benefit analysis undertaken by an external independent party<sup>2</sup> could look at a range of costs and benefits including:

- Benefits to consumers (including potential future benefits);
- Benefits to new entrants (such as service providers and ADIs);
- Direct and indirect implementation, operating, and administration costs incurred by industry and Government;
- Increased cost barriers to entry for new ADIs; and
- An analysis of the costs and benefits to the security of ADI sourced data.

For comparison purposes facilitative approaches such as that used in Singapore might be considered.

The cost benefit analysis could look at how best to ensure flexibility of standards in the future.

*Could you also take on notice a question on the harmonisation of data standards: are there any specific issues you see impacting the various participants of the scheme?*

Our concerns have been at the strategic rather than data standard level.

AFMA supports greater alignment of the program with existing international standards including data standards and consent practices. Bespoke standards designed solely for CDR in Australia increase costs and decrease interoperability and extensibility.

*Have you had any recent discussions with ASIC on the ePayments Code?*

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<sup>2</sup> We note the Future Directions enquiry had the same lead as the original Open Banking Review.