



Committee Secretary  
Select Committee on Financial Technology and Regulatory Technology  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

*Sent via email: fintech.sen@aph.gov.au*

Thursday, 23 January 2020

Dear Committee Secretary

**RESPONSE TO SENATE SELECT COMMITTEE ON FINANCIAL TECHNOLOGY AND REGULATORY TECHNOLOGY – ISSUES PAPER**

I write with regard to the issues paper prepared by the Senate Select Committee (**Committee**) on Financial Technology (**FinTech**) and Regulatory Technology (**RegTech**). The Commonwealth Bank (**CBA**) welcomes the opportunity to contribute to this inquiry.

The evolution of consumer-facing digital financial services in Australia has accelerated considerably in the last five years. The supportive policy environment has seen Australia recognised as one of a number of fintech ‘hubs’ globally, based on demand for fintech services, access to funding, government policies and the availability of relevant skills.<sup>1</sup>

Unique to the current wave of innovation is the number of non-traditional firms now delivering financial services via digital channels, including incumbents from parallel industries, as well as the rate at which new entrants can rapidly gain scale.

Digital disruption is not a zero sum game where an incumbent either overcomes or is overcome. For the Australian banking industry we believe there is a place for existing providers who innovate and provide high quality service, alongside new and emerging tech players. Furthermore, there is a place for both banks and new entrants to partner and deliver innovative experiences for customers.

CBA, like businesses in most industries, experiences competition from companies large and small. Enhanced competition, in all its forms, is a key driver of the significant investment we have made in the delivery of digital services, in order to remain competitive in an evolving market.

Seven million of CBA’s retail bank customers are now banking through our digital channels, with the number of digitally-active users growing by 500,000 over the past year. At the same time, the number of digital transactions also increased – at 63 per cent of total transactions by

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<sup>1</sup> Vives, X, “Digital disruption in financial markets”, Discussion Paper, Organisation of Economic Cooperation and Development, Paris, June 2019, p.8.

value. The rise in digital activity was set in a year when the CBA app was confirmed by Forrester as the number one digital banking service in Australia for the third year running, with Canstar also awarding CBA the best in mobile banking for four years in a row.<sup>2</sup>

Moving to digital by default in financial services offers significant gains in productivity and efficiency across the economy, by streamlining key interactions with bank customers, such as the origination of loans and digital e-conveyancing. Digital interfaces create opportunities to improve levels of financial literacy via innovative disclosure, savings and budgeting applications. Digital platforms also allow financial firms to better tailor offerings, by seeing through a given financial transaction to identify a more specific set of customer needs, in real time.<sup>3</sup>

In addition to encouraging greater innovation to benefit customers, other important policy goals in this context include ensuring adequate consumer protections for customers across all financial products and services, regardless of which entity is providing the good or service in question, and managing any risks to system stability that may arise from evolving market models. Further, as financial services becomes more digital in nature, and as data is shared more widely, public policy settings around cyber security, privacy and digital identity will be essential to maintain ongoing trust in the system.

In 2019, CBA was awarded the Australian Financial Review's most innovative Banking, Superannuation and Financial Services sector company in part due to the work of our Innovation Lab and its partnership with the World Bank, issuing world's first bond issued on a blockchain (Project Bond-i).<sup>4</sup> A new blockchain prototype has also been developed that has the potential to boost sustainable development while enabling investment opportunities for landowners, environmental groups, developers and government, following a collaboration between CBA and BioDiversity Solutions Australia (BDS), a privately owned regional business based in Port Macquarie NSW.<sup>5</sup> Our Innovation Lab has strong partnerships with several Australian and international universities, as well as facilitating workshops with over 8000 businesses since its inception in October 2014.

### **Data sharing for innovation and importance of data security**

There are many benefits to financial firms and consumers from greater sharing of public and private sector data, including opportunities to reduce fraud, credit risk and regulatory cost.

CBA supports the introduction of an open data regime in a way that protects customers' privacy and security, and upholds the stability of the financial system. Importantly, CBA is very

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<sup>2</sup> *CommBank Newsroom, 07 August 2019, Commonwealth Bank Extends Digital Leadership. Web link: <https://www.commbank.com.au/guidance/newsroom/cba-full-year-2019-financial-results-innovation-article-201908.html>*

<sup>3</sup> *For instance, our property app provides customers with real time tools, tips and data to help with property purchasing decision making.*

<sup>4</sup> *Project Bond-i: Bonds on blockchain, Web link: <https://www.commbank.com.au/business/business-insights/project-bondi.html> and*

<sup>5</sup> *CommBank Newsroom, 21 August 2019, 'Blockchain Biotokens; create new marketplace for biodiversity investment and protection' Web link:*

<https://www.commbank.com.au/guidance/newsroom/blockchain-biotokens-biodiversity-marketplace-201908.html>

supportive of an Open Banking model that puts customers in control of their data, encourages competition and lifts security across the industry.

As part of the Government's Open Banking regime, CBA has started providing data about some of our products through a new Product API (Application Programming Interface). This data includes publicly available information such as product rates, fees, and Terms and Conditions across our deposits, transaction and credit card products. CBA continues to progress its implementation program for the Open Banking Regime.

These reforms have the potential to drive significant economic benefits and opportunities for innovation. Much of the potential will be realised when we bring together information from across multiple industries. We know that in an Open Banking environment, trust and security are more important than ever. Australians expect Major Banks to be trusted custodians of data, and we continue to invest extensively in market leading security. Well implemented, Open Banking can actually enhance the security of data by ensuring that data sharing takes place in a safe and well-regulated manner.

To the extent Government can make more of the data it holds available to citizens for legitimate purposes, either through giving individuals the opportunity to share their own data more readily with private sector entities, or by making large anonymised data sets publicly available, this should be encouraged. As one example, allowing individuals to authorise a one-off sharing of certain data sets from the ATO with banks when they are applying for loans would significantly reduce the time taken for loan approvals, while also reducing errors. This data could be encrypted via an independent intermediary so that the bank had access only to relevant data elements.

### **Opportunities for superannuation data**

Today, our superannuation business, Colonial First State, provides investment and retirement advice to over 1 million Australians via a range of products to suit all circumstances. We share information about our products and performance to regulators such as Australian Prudential Regulation Authority (APRA) and the Australian Securities & Investments Commission (ASIC), and to specialised product comparison services regularly.

We also provide individuals' superannuation balance, contributions and account information to the Australian Taxation Office (ATO) on a rolling basis. This provides the ATO the ability to match up lost superannuation accounts. It also ensures that the community can access their own superannuation and insurance information via the MyGov website. We strongly support these initiatives in the interests of a better superannuation system and better individual retirement outcomes.

We also support the 2019 'Productivity Commission's review into Superannuation: Assessing Efficiency and Competitiveness' recommendation for a more open superannuation system. Consumers will benefit from a more transparent system, if the government proceeds with a 'best in show' model. This would ultimately allow consumers, via the Government's 'MyGov' website to compare products and access their data more freely. This would create a more competitive superannuation system and improve the members' user experience by using technology.

Extending consumer data rights (CDR) to superannuation sector should also consider the opportunities and potential benefits for financial advice. We believe that by extending CDR to superannuation it could make advice more accessible by reducing the cost of advice and open up new ways for advice to be delivered.

As the level of public interest and expectations in the performance and efficiency of the superannuation sector has increased, the need for more scalable information provision and access has become clear. We welcome the opportunity for a framework that would provide a more consistent, streamlined and efficient approach to enhancing the customer experience.

We would welcome the opportunity to host the committee at our Innovation Lab, to provide further background on our activities in digital innovation. Should you require more information or would like to follow up on any point raised in our submission, please contact me.

Yours sincerely

**Euan Robertson**  
General Manager  
Government and Industry Affairs