



14 October 2022

Louise Staker
Director
Rules Unit
Consumer Data Right Division
The Treasury
Submitted via email to: data@treasury.gov.au

Dear Ms Staker,

Consultation on the Exposure Draft of amendments to the Consumer Data Right (CDR) rules to expand the CDR to telecommunications and support participation by business consumers

The Australian Finance Industry Association (AFIA)¹ appreciates the opportunity to comment on the *Competition and Consumer (Consumer Data Right) Rules 2020 with proposed amendments* ('the Exposure Draft').

AFIA is the only peak body representing the entire finance industry in Australia. We represent 158 members, including bank and non-bank lenders, neobanks, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry.

We are the voice for advancing a world-class finance industry, with our members who are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes, and create a resilient, inclusive and sustainable future.

SUBMISSION

AFIA welcomes the operational improvements proposed in the draft, which represent progress towards CDR rules that are fit for the future and support the rollout of Open Finance.

In particular, we support the provision of a 12-month delay for reciprocal obligations for non-ADIs and the introduction of the trial product exemption. We believe these changes will support competition.

¹ www.afia.asn.au

Reciprocity delay

In prior submissions², we have cautioned that data sharing obligations will represent a significant compliance burden on the non-bank lending (NBL) sector. Implementation of appropriate systems and accreditation as an Accredited Data Holder (ADH) present substantial barriers to entry to the CDR ecosystem, whether through mandatory designation or voluntary opt-in.

Therefore, we welcome the 12-month delay in reciprocal data holder obligations for non-ADIs following accreditation as an Accredited Data Recipient (ADR). Allowing paced integration with CDR will facilitate uptake by giving businesses space to invest in systems and learn from experience as an ADR.

Initially, this will provide an on-ramp for early adopting NBLs, who wish to enter the CDR ecosystem on a voluntary basis before being mandatorily designated. On an on-going basis, this provides a realistic path for those NBLs which fall under a *de minimis* threshold to voluntarily join CDR, without facing an insurmountable upfront investment. As a result, we believe this change will positively contribute to CDR uptake in the NBL sector, leading to more competition and better outcomes for consumers.

Trial products

AFIA welcomes the introduction of an exemption for trial products, to allow for product viability and scalability testing without incurring CDR data sharing obligations. This is an important provision, as the ability for businesses to quickly bring new products to market is critical for both competition in existing products and innovation that creates new ones. The burden of compliance with CDR data sharing from day one would weigh on dynamism in financial services generally, and especially amongst smaller businesses without the means to test products internally.

We suggest consideration be given to the appropriate threshold for trial product graduation to mandatory data sharing. The inclusion of both a customer threshold (one thousand) and time threshold (six months) creates a degree of uncertainty for businesses seeking to pilot products. A business utilising the trial product exemption would not have confidence in the timeframe they have available to develop their data sharing solution, as they may breach the customer threshold before the 6-month period elapses.

This may undermine the intention of the trial product provision, as uncertainty has a deleterious effect on businesses' propensity and ability to invest in bringing innovative products to market. A potential solution is to remove the customer threshold, giving businesses confidence in a six-month lead time before data sharing obligations commence.

² AFIA (April 2022). *CDR Sectoral Assessment for the Open Finance Sector*, <<https://afia.asn.au/post/Treasury-s-CDR-Sectoral-Assessment-For-The-Open-Finance-Sector-April-2022>>; AFIA (September 2022). *Submission to Treasury on the Consumer Data Right Non-Bank Lending Draft Designation Instrument*, <<https://afia.asn.au/post/AFIA-Submission-to-Treasury-on-the-Consumer-Data-Right-Non-Bank-Lending-Draft-Designation-Instrument-exist-exist>>.

We appreciate the progress made in these operational amendments towards CDR rules fit for the rollout of Open Finance and look forward to further consultation on rule development in the NBL sector.

CLOSING COMMENTS

Thank you for the opportunity to provide this submission. We look forward to participating in ongoing dialogue on this issue.

Should you wish to discuss our submission, or require additional information, please contact me at roza.lozusic@afia.asn.au or 0431 261 201.

Yours sincerely,



Roza Lozusic
Executive Director of Policy and Strategy