



SUBMISSION PAPER:

Submission to Federal Treasury: Strategic Assessment to inform an economy-wide Consumer Data Right

September 2021

This Submission Paper was prepared by FinTech Australia working with and on behalf of its Members; over 300 FinTech Startups, VCs, Accelerators and Incubators across Australia.



About this Submission

This document was created by FinTech Australia in consultation with its Open Data Working Group, which consists of over 120 company representatives.

In developing this submission, our Open Data Working Group held a series of Member roundtables to discuss key issues relating to the proposed changes.



Context: Consumer Data Right

FinTech Australia has consistently supported the implementation of Open Banking in Australia. In the past, we have made submissions to the Federal Treasury, the Productivity Commission, Open Banking Inquiry, the Australian Competition and Consumer Commission (**ACCC**) and Data 61 on the need for an effective and efficient Open Banking framework. Going beyond the Open Banking framework, financial data can be combined with various industry data sets to enable a range of innovative possibilities for consumer products and services. Financial data is connected to every industry and will be harnessed to improve offerings in other industries when combined with relevant industry Consumer Data Right (**CDR**) data. As a result, FinTech Australia continues to be an avid supporter of the expansion of the CDR into other sectors of the Australian economy.

Expansion of the Consumer Data Right

Data mobility across sectors is critical to strengthening Australia's data economy at large. The CDR enables a consumer-centric approach to personal data interoperability across social, finance, energy, health and other sectors. By enabling data to seamlessly cross sectors, you enable a range of new innovative products and services.

Furthermore, a secure and private application programming interface (**API**) pathway to consumers, as the data aggregation point, is essential to ensure data is not siloed by industry. To develop the CDR's economy-wide rollout, banks should use secure industry APIs to drive data access across the market. Consumer-centric data utility platforms are likely to play an essential role in bringing consumer and product data use-cases to fruition across sectors.

Examples of how the Consumer Data Right will play a role across sectors

Broadly, consumer banking data is able to enhance expenses, income, claims and assets across a wide range of industries when combined with relevant industry data. Consumer data is critical to enhancing services and products across a range of life milestones. For example, consumer's data is used when purchasing a house or car, renting a home or car, obtaining insurance for your house, car or health and life insurance, pricing your risk, obtaining an electricity, water or internet plan, using a joint account, obtaining a business loan and so on. By integrating more datasets, like superannuation data, health data, telecommunications data, utilities data and more, it enables businesses to provide more accurate risk pricing, potentially enabling better deals for a mortgage, better ability to budget and more. In turn, a greater level of availability to access combined data sets across industries will lead to more customised end-products and services for consumers. In turn, a more comprehensive CDR unlocks the ability to enhance a range of common consumer



transactions by plugging in more data. Moreover, more datasets lead to greater competition, lower barriers to entry, more players in the market and more innovation long-term. Another example is personalised medicine, which requires financial data to indicate financial fitness whilst also requiring social data to provide relevant mental and physical indicators to ultimately lead to an ongoing solution for a patient. As a result, FinTech Australia supports the ongoing removal of sectoral data flow barriers.

Key Sectors

FinTech Australia specifically advocates for insurance and superannuation datasets to be included under the CDR for the following reasons:

- The **insurance** sector is currently highly opaque to consumers and comparing like-for-like across insurance products is near impossible for the average consumer. Furthermore, the loyalty tax has had a massive impact with many policies often not being fit for purpose, leading to many consumers being under or overinsured. As a result, there is potential for consumers to receive great savings by harnessing insurance data through the CDR.
- **Superannuation** data is essential to enable a range of use-cases. It unlocks more accessible super switching for Australians, added features and cost analysis for businesses across a range of industries that factor in super, as well as for the verification of income and assets for the purpose of lending. Similar to the insurance sector, superannuation products are often opaque and comparing products is difficult to consumers. Over a significant period of time, changes in fixed and percentage fees lead to immense differences in the amount of superannuation a person saves. It is essential to ensure this process is transparent to enable Australians to feel confident that they are able to select competitive and fair superannuation products.

These industries have very high barriers to entry and large companies dominate the majority of the market. Both insurance and superannuation data is critical to improve competition, enable new and innovative entrants, and enhance consumer access and understanding of the available insurance and superannuation products. Furthermore, such data will also enable important benefits to other industries when their product or service involves an element of insurance or superannuation. For example, harnessing risk-based pricing when applying for loans and mortgages, as well as unlocking claims history data to calculate risk tolerance and allow for the possibility of better rates and greater lending capacity. As a result, both of these sector's data have critical ramifications for many products and services offered in a range of other industries, meaning that incorporating their data into the CDR should be considered a high priority.

Future Sectors

Other sectors of priority to be integrated within the existing CDR framework include:



- **Non-bank lender data** (such as the buy-now-pay-later (**BNPL**) industry, unsecured business lenders, credit card issuers, payday advance companies): Data in this sub-sector is important for the overall serviceability and lending assessment of consumers as it is usually asked for when obtaining a loan. With no comparison rates, it is much harder to compare like-for-like rates, for example, one payday advance company has an Annual Percentage Rate of 65%. Increased data portability enables greater comparisons, more transparency and easier switching. Furthermore, it is critical that lending companies are able to have a complete understanding of a consumer's spending habits, for example, in a scenario where a consumer utilises multiple BNPL services. The CDR enables this data to be provided seamlessly for an accurate and efficient assessment and loans process.
- **Investment platforms:** These platforms represent a critical element in calculating a person's total wealth as Australians have moved further towards non-cash investments. The data is also key when it comes to proving assets, easier for tax return and the ability to switch companies with better rates or features.
- **Identity** (such as a person's licence and passport): The current method for consumers to provide their identity documents when purchasing a product or using a service often requires consumers to upload scanned photocopies of their identity. For example, when a consumer purchases a car, starts a business or opens a new bank account. Not only is this practice ineffective and slow, but it also presents an increased security risk as sensitive identity documents are stored with a range of businesses that may be vulnerable to a data breach. By introducing a right for consumers to share verified identity documents it will enable improved efficiency of services and products under the CDR, including easier switching and decreased loyalty taxes.
- **Government entities** (including Centrelink, ATO, grant bodies, Medicare, ASIC and more): Such data is important for Australians and Australian businesses to prove their eligibility for grants and other programs. Furthermore, government data is used when purchasing. A member also noted that such government entities should also be registered as Accredited Data Recipients as well as Data Holders under the CDR.
- **Accounting platforms:** To improve accessibility to data for the purpose of more efficient tax returns and proving eligibility for grants, for example, by sharing a profit & loss statement for certain periods of time.
- **Loyalty systems** (such as at Woolworths, Coles, Qantas and more): Increased data accessibility will enable consumers to optimise their spending means and maximise their points. These loyalty programs are often essential to non-financial use cases that have the potential to drive better consumer outcomes, such as people's lifestyle choices, nutrition and exercise goals. It also improves switching and portability, for example, switching from Qantas Gold to Virgin Gold or comparing a range of loyalty products.
- **Big Data** (Such as email providers, social media, dating apps): These companies hold a huge amount of consumer data. It is important that switching email providers or social media providers are facilitated to be an easy process, instead of risking



forced lock-in. We should promote and ensure competition in this space to reduce the chance of a monopoly over huge amounts of Australian's data.

- **Rental history data** will unlock greater possibilities in the real estate market and enable investors to easily analyse their portfolio of properties.
- In relation to **health data**, FinTech Australia acknowledges that there are likely to be privacy concerns due to the high level of sensitivity of health data. However, it is important to note that greater access to datasets will unlock unique personalisation of services to consumers as well as the ability to incorporate better pricing of health and life insurance. Increased access to health data may also allow for better informed public health responses. However, as health data is currently incorporated under the My Health Record system, it may currently lay outside the scope of the CDR.

Privacy

All platforms and services relating to the use of personally identifiable information or sensitive information data should be architected with Privacy By Design or Privacy-Preserving architecture that meets requirements with the existing *Privacy Act 1988* (Cth). It is essential to maintain strong privacy provisions to maintain consumer trust in the CDR in the long-term. Consistent data quality and adherence to security rules will be more easily achieved by adopting a full conformance test suite that the regulator, the ACCC, will use to check that prospective Data Holders comply with technical standards, rules and consumer experience guidelines.

Furthermore, information security protocol standards across industries should also be standardised to ensure they are of the same high-standard and reduce the potential to add additional complexities to the CDR. Beyond this, financial-grade API 2.0 (**FAPI**) specification compliance should be required to be met by Data Holders and Accredited Data Recipients to ensure adequate security standards to protect sensitive data, such as in the finance industry.

International comparison

Finally, it should be noted that the CDR should also move quickly to expand towards action initiation. The UK's Open Banking scheme greatly benefited from its inclusion of write access. One member noted that write access should be a higher priority than the CDR's expansion to other industries.