



Consumer Data Right Open Finance Sectoral Assessment

Non-Bank Lending

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FDATA A&NZ www.fdata.global

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1. Foreword

Open Finance, a precursor to the Consumer Data Right, began as a grassroots movement, campaigning for the legal rights of consumers and businesses to have control of their financial data and share this data with businesses of their choice digitally. It is part of a broader suite of Open Data initiatives to empower consumers and small businesses to access, change and benefit from the data held about them by governments and institutions.

The proliferation of the initiative has gathered notable momentum; various markets around the world are assessing, adopting or implementing laws and regulations to support it. In the European Union (EU), Canada, United States of America (USA), Mexico, Brazil, India, Japan, Russia, New Zealand, South Korea, Singapore, and many other significant markets, Open Finance is already at varying stages of review, policy development, or policy development implementation.

The concept of Open Data is extending across the globe into multiple jurisdictions simultaneously. Whilst the approach has varied, the principle of delivering logical, safe and understandable solutions has prevailed around the world:

Open Banking is simply a subset of the financial services product verticals that could be made to move to an open architecture model. The EU has brought forward legal and regulatory frameworks to push toward an early-stage version of Open Banking that focuses on the availability of payment accounts through the Second Payment Services Directive (PSD2). Under PSD2, money can also be moved and viewed by a suitably regulated DRI.

Despite these positive market developments, there is still much to understand about the versatility of Open Finance to unlock economic potential and improve the financial well-being of customers. In addition to exploring these opportunities, there are also risks and ethical considerations which will be critical factors for Governments and regulators in developing Open Finance policies moving forward.

Research is needed to understand, measure, and forecast the considerable impact of Open Finance on society and shape public policy to ensure Open Finance creates

positive disruption and the appropriate flows of capital allocation in markets and assess the techniques of regulation.

Australia has much to learn from other jurisdictions. To date, there has been a severe lack of interoperability across borders. We can consider the Australian market in isolation; however, consumers and trade are becoming increasingly global in their approach and in doing so, we are doing this nation a disservice. Both consumers and participants show frustration over navigating multiple regulatory environments and varying customer experiences depending on where they transact, despite massive inroads to normalisation and standardisation of platforms and processes in Financial Services. Participants and users of the Consumer Data Right seek to do the same things in Australia as they can in the United Kingdom, Brazil, Japan, and other participating jurisdictions.

2. About FDATA

The Financial Data and Technology Association is the not-for-profit trade association leading the campaign for Open Finance across many markets. It is also a focal point of that industry knowledge in the financial community. FDATA was initiated in the UK when the government considered adding account data access to the Second Payments Services Directive in 2013 and was formalised in 2014.

In addition to working with EU policy makers, FDATA was heavily involved in the UK Open Banking Working Group in 2015. In 2016 the working group's output was published by HM Treasury as the Open Banking Standard.

Having helped UK regulators to shape the agenda that led to the formation of the UK Open Banking Implementation Entity (OBIE), FDATA has been represented in the Open Banking Steering Group. We have also played a significant role in helping OBIE drive high-quality standards and ensure that regulators and policy makers have been fully involved in the challenging areas.

The effort of coordination to common standards was recognised when FDATA was invited to develop an engagement programme amongst policy makers in many different markets. Having already launched new chapters in North America in 2017 and Australasia in 2019, the FinTech community requested to continue developing across other markets. FDATA Global now has active chapters in Asia and South America from 2019, and the mandate is to expand in Asia and establish an African chapter in 2021.

Adding to the broad scope of its international representation, FDATA has also been heavily involved in the UK in developing input to assist the Pensions Dashboard programme. This assistance is in addition to representation in the Steering Group of the Open Savings and Investment programme run by TISA, in the FCA Open Finance Advisory Group and several initiatives in digital identity.

This work is intended to be an organic, iterative document and updated as the story unfolds in subsequent versions. It is specifically designed as a high level and convenient reference guide in this edition. It will continue to expand to provide more depth in technical and regulatory matters in subsequent editions.

The Australasian Chapter of FDATA continues to work closely with Federal Ministries such as the Treasury Department and Department of Finance, Federal Regulators including the ACCC and OAID, and all echelon of industry in the pursuit of the most effective Consumer Data Right environment and the highest level of Open Finance available to consumers across the region.

Our membership has grown significantly over the past eighteen months, including Digital Banks, Regional Banks, Intermediaries, Credit Bureaus, Technology Providers, Platform Providers, Privacy Platforms, Deep Data Houses, Insights Brands, and Fintechs Energytechs and Out of the Box Providers. Our membership includes several International Brands that have entered this market after dominating the United Kingdom, the United States and Europe. It is truly an exciting time to be involved in Open Data in Australia.

3. Summary

FDATA commends the Treasury Department and the Data Standards Body to review and reconsider the designation of Open Finance to the Consumer Data Right.

FDATA ANZ is pleased to offer this submission in response to the request for feedback on the designation of Non-Bank Lenders in the context of a broader Open Finance sector. Please accept this shortened submission considering the call for a brief (short form) and direct feedback on a series of questions. If a longer-form expanded report is deemed advantageous, please do not hesitate to reach out.

We have chosen to provide a series of responses and recommendations to the 19 questions, considering the following:

- **FDATA Member's Views:** As a membership-based organisation, FDATA collects, collates and shares the views and opinions of our members, who are active participants within the banking and fintech community.
- **Global Participants:** As a global trade association, our experience and participation within the United Kingdom, European, North American, South American and Australasian markets influence our advice and feedback on the creation, introduction and evolution of the Open Banking and Consumer Data Right in Australia.
- **Industry Experience:** The regional representatives and associated staff of FDATA have worked within the banking and financial sectors within their respective geographies. This experience is employed within the collective contribution and community discussions facilitated by FDATA's membership.

As shared in previous feedback and formal submissions, FDATA supports the principle of mirroring existing financial services practices to simplify the transition from account management to Open Banking/Open Finance consent wherever possible. This mirroring has two distinct benefits:

Firstly, the requirements and responsibility for information sharing on behalf of the ADIs/DHs are uniform. This mirroring ensures a consistent approach to information sharing and assists in the narrative and training of staff.

Secondly, the ability for consumers to engage in an Open Banking/Open Finance solution that echoes the permissions and operations of the accounts is paramount. That account may hold their money and data; by increasing trust in the regime, trust in their ADI/ADH, and trust in the end-product they are attempting to share their data with, the Consumer Data Right will flourish.

FDATA understands the appeal of developing one set of rules that can be employed across all sectors but advises the need to separate the complexities of data sharing via read access and action initiation, such as payment and general action initiation. The nuances of subsequent sectors, such as Energy and Telecommunications, with different treatments for account ownership, customer identification, account authorities and account payers will not translate directly to the same consent mechanisms as the rules designed for Open Banking. Open Finance, however, will more closely resemble the traditional practices and regulatory approach of Open Banking, and there will be an amount of direct translation and familiar processes.

4. Benefits and Use Cases

Consultation questions

- 1. How could sharing non-bank lending data encourage innovation or new use cases for CDR data? Are there cross-sectoral use cases that non-bank lending data can support, in particular with Open Finance/Banking?**

FDATA Response: The term non-banker lender is broad with perspective products often nuanced, complex and tailored to the customer segment. Types of products for this sector will include both retail and business lending, residential mortgages of property and property finance, personal finance, pay-day lending, buy now pay later, lease to buy, loan offset accounts, equipment finance, motor vehicle lending, hire purchases and leasing, asset-backed lending, receivables lending, leasing finance, credit cards and other types of finance.

As of July 2021, more than 600 non-bank lenders are operating in Australia, with this segment chipping away at traditional lenders, making up approximately 8% of all debt financing in this country¹. They may be viewed as nimble and agile and operate off a lower cost base primarily due to their digital systems and modern business practices. Due to their returns, they are not burdened by traditional banks' same regulatory capital requirements; these companies are attracting significant funding and investments.

Consumers, both individuals and businesses, will turn to non-bank lenders for various reasons. In some cases, non-bank lenders will assess a customer's borrowing capacity differently from traditional bankers. Traditional capacity assessment or lending ratios are conservative by nature. Consumers who cannot provide "bricks and mortar" collateral against traditional facilities would often be disadvantaged. The non-bank lending space has expanded rapidly since the Global Financial Crisis due to the trade-

¹ <https://stockhead.com.au/tech/with-record-results-asx-non-bank-lenders-are-chipping-away-at-traditional-players>

off between access to finance counterbalanced by a risk-assessed higher rate of interest or conditions surrounding the facility. However, in recent years, the agility of this sector has allowed for new and sometimes improved products and services that are attracting repeat customers to these types of facilities and products.

Although the willingness to provide a new product offering is augmented by traditional residential lending, business finance, and cards, this critical financial market segment is built predominantly on standardised platforms for assessing, issuing, and recording debt. If we peel back the branding, product names, and speed to decision claims, the data collected and held by this segment is comparable to that of the traditional authorised deposit institutions (ADI) and is essentially digital.

Even with the risk assessment being considered lighter in some cases due to the customer's circumstances, there will always be a request for financial details, proof of income, an assessment of serviceability, etc. The inclusion of the non-bank lenders into Open Finance and the broader Consumer Data Right will immediately see this segment connecting to the traditional banking data to speed up an almost 'real-time' decisioning capability. The benefits of access to data will present mutually, with banks often unaware of the non-bank lending obligations of their customers. The interconnectivity of these two sectors will vastly improve the consumer experience, irrespective of the type of product/facility for which they are applying or the circumstances that have led the individual/business to consider the non-bank lending route.

With multiple classes of non-bank lenders and many products/services, identifying who must participate and what data should lead to this inclusion will be critical to successful integration. Starting at a logical place might be extending existing facility types and datasets from the Open Banking iteration. The ability to perform accurate and timely serviceability checks and personalise the type of product/facility limits would support the focus on responsible lending.

As per Open Banking, initial datasets should mirror the already shared data within the CDR. We can break this down into four primary categories of data:

a) **Customer-provided data** – provided directly by customers to their bank

Examples: contact information, financial history, payee lists for bill payments, demographic details, etc.

Customers clearly 'own' this data and should be able to dictate it be shared without restriction. The repetitive process of continually providing this information can be a barrier to switching providers; if a customer opening a new account could simply direct their current provider to share their personal details with a new provider, it may significantly reduce the friction of switching. The sharing of Customer-provided data or Personal Information will lead to new innovative products designed to enhance the customer experience and add to the competitive environment of financial services and digital identity frameworks.

b) **Transaction data** – generated through transactions made by a customer's account

Examples: withdrawals, transfers and other transactions; account balances, interest earned or charged, etc.

Transaction data should be shared in the direction of a current or former customer. Regulators need to consider the amount of historical data required; an open-ended period would burden data holders. We can expect advancements in digital archives and records as time progresses. In many jurisdictions, regulators have determined that a pragmatic approach is that data holders may only be obliged to transfer data for the same period they must hold it for existing regulatory obligations.

c) **Value-added customer data** – data that results from an effort by a data holder to gain insights about a customer

Examples: credit scores; income/assets verification; customer identity verification; data on an individual customer aggregated across the customer's accounts and standardised, cleansed or reformatted.

While the primary data was likely provided by the customer or generated by the customer through transactions, the actual value is derived through actions taken by the data holder. Sharing this data would represent a transfer of value from the data-holder to the customer (or a TPP) and may breach intellectual property or commercial

agreements. **Generally, this is outside the scope of open banking. For similar reasons, pre-aggregated data sets should also be considered outside the scope of Open Finance.**

d) **Product data** – Financial data for which there are no CDR consumers

Examples: eligibility criteria, terms and conditions, pricing, the performance of a product or instrument, accessibility, process or procedure, etc.

Determining the scope of the product is also critical. In its open banking review, the Australian government concluded that transaction data should include products relating to the conduct of banking business as defined in its banking Act, but only for those products that are widely available to the public. Other jurisdictions are likely to follow a similar approach.

2. May the benefits of sharing non-bank lending data vary across particular consumer groups, for example, vulnerable consumers?

FDATA Response: Data is the lifeblood of financial services. Access to digitally-enabled comprehensive, timely and relevant data drives the suitability, personalisation and customisation of financial products and services. Traditionally, this data has taken the form of paper-based documentation such as accounting statements, payslips, transactional statements, and financial records. The expansion of data accessibility to the non-bank lender segment will enhance the customer experience by enriching the whole-of-customer single view.

The impact of enhanced financial acumen presents a significant opportunity through education. In addition, access to the non-bank lending data will progress the ability of fintechs and applications to educate customers on their financial position and assist with improved financial literacy. In addition, the augmented decisioning and impact of responsible lending will further assist vulnerable consumers that may not be suitable for a particular type of product.

Further access to comprehensive financial information will also power the next wave of personalisation and insight-driven categorisation engines that can predict the future state of consumer's obligations and may even be able to predict instances of financial hardship or increased vulnerabilities.

It is important to note that these predictions and analytics capabilities can be helpful to both individuals/ retail clients as they can be to business customers.

3. Would the designation of non-bank lending improve competition between lenders, including levelling the playing field with banks, or lead to greater market efficiencies?

There is tremendous value in expanding the Consumer Data Right to the non-bank lending segment through the provision of rules and technical and data standards. The value will exist from both a technology and an implementation perspective. The advantages include:

- Reduced complexity and risk between similar and often competing segments
- Protecting customers and all market participants in a cohesive ecosystem by creating certainty that ADRs can offer a complete service to all their customers
- Reducing the API build and maintenance costs for ADRs and ADHs across competing segments
- Minimising security costs by significantly reducing the range of penetration testing permutations and audit requirements relating to the existing variety of regulations and oversights
- Enabling investment in customer-facing innovation, rather than tying up resources in the maintenance of plumbing and platforms
- Making it easier for smaller firms to participate, improving fairness and competition

- Simplifying the ability to trace issues, assess fault and allocate loss, which makes it easier to establish a liability model and better enables cyber risk insurers to assess threats and perform during the underwriting and handling of claims
- Creating clarity for ADHs, ADRs and regulators by providing clear, consistent guidelines for compliance (and simplifying the process of adjusting market standards as time progresses)
- Reducing barriers to innovation as creating consistency in data output will simplify the development process for ADRs
- Enables more rapid growth and better sharing of best practices across jurisdictions and market segments.

Although the strengths of establishing rules and technical and data standards far outweigh the weaknesses, there are cases in which standardisation may create complications. For example, if a non-bank lender has pre-existing API materially different from the standard, there may be resistance to re-designing the output. In some cases, non-bank lenders may have already established an "API strategy" that creates a competitive advantage. It may be possible for these firms to comply with the market standards while also offering services beyond the standard to encourage partnership models. This was experienced and overcome by the initial Open Banking participants in Australia.

Some participants have argued that standards reduce their ability to innovate. In some circumstances regarding the Consent Flow, there is a danger of standards being used to slow down innovation. This can be mitigated by arranging a governance model enabling Consent access capabilities that give the market clear direction at a significant scale. Given that Open market models are inherently two-sided, creating common standards on how things connect is necessary but must be backed up by diverse stakeholder representation in governance; otherwise, one type of actor decides what is suitable for another type of actor without consulting with them.

5. Data Holders and Data Sets

Consultation questions

4. If non-bank lending is designated, which entities should be designated as data holders?

FDATA Response: From a data perspective, any organisation, irrespective of its complexity or market cap, should be designated a data holder if they retain any of the four datasets mentioned in Question 1.

Given the disproportionate sophistication of the segment, FDATA supports a phased timetable for both product types and data holders. Products that replicate those offered by traditional ADIs, such as mortgages, business lending, equipment and vehicle finance, and credit cards, would benefit from designation in the earliest stages and provide the most value-based use cases for consumers. This is not an exhaustive list and will require careful consideration before blanket designation.

The segments of the non-bank lending sector that are not similar to those currently provided by ADIs will require further consideration and planning to identify datasets and rules surrounding their inclusion and regulation. For instance, the buy now pay later services are predominantly unregulated; however, their inclusion in Open Finance will be critical to enforcing responsible lending frameworks and creating enhanced use-cases for consumers across all market segments. A balance will need to be struck between benefit for the end consumer, the ability for these datasets to be shared cross-vertical and the potential for high-value use case development in designating who goes first, second, or last.

The cut-off point for inclusion in Open Finance could be assessed by the product's credit limit or time length. However, given the propensity for the user of these types of pay-day lending products to often fall within the vulnerable classification or those most likely to experience financial hardship, the omission of these types of products

would impede the types of predictive and analytics products most help these consumers. Risk versus reward approach may be needed in these circumstances.

5. How should data holders be described in a designation instrument? Is there potential to leverage existing definitions (for example, the definition of 'registrable corporation' in the Collection of Data Act or 'credit facility' in the ASIC Act)?

FDATA Response: FDATA supports the expansion of existing definitions and classification if possible. This would include terms utilised under the Data Act, Credit Regulations, AFSLs and ACLs. Direct translations may not be possible due to the unregulated nature and innovative practices of fragments of the non-bank lending segment. Appropriate rules and definitions will need to be developed, and market feedback sought in those circumstances.

6. Where lending is securitised or provided to a brand owner by a white labeller, does the same entity retain the legal relationship with the customer, as well as hold the data on the loan?

FDATA Response: Where possible, FDATA advocates for expanding existing Open Banking approaches. White label banking is another term for private-label financial services or banking-as-a-service (BaaS). White Labelling is a common practice in financial services and affects both the traditional and non-banking segments in the same manner. In addition, financial services companies often rely heavily on broker networks and aggregates to supply their data or provide products and services to customers via third-party distribution networks.

Two questions must be asked; Who holds the relationship with the customer? And, who holds the data and thus the liability?

In addition, there are many entities offering agency and distribution models for credit cards, personal finance, equipment finance and mortgages. As with Open Banking

tiering, the entity holding the contract with the end consumer should be treated as the data holder.

7. Are there differences in the data held by non-banks and banks that would require adapting the rules and standards that apply to banks so that those rules and standards would apply to non-bank lenders? If so, why?

FDATA Response: As per Open Banking, initial datasets should mirror the already shared data within the CDR. Any deviation from the current data standards and inclusion will erode the simplicity of sharing common datasets, shared data practices and the potential for shared technologies between various financial services participants.

We can break this down into four primary categories of data:

a) Customer-provided data – provided directly by customers to their bank

Examples: contact information, financial history, payee lists for bill payments, demographic details, etc.

Customers clearly 'own' this data and should be able to dictate it be shared without restriction. The repetitive process of continually providing this information can be a barrier to switching providers; if a customer opening a new account could simply direct their current provider to share their personal details with a new provider, it may significantly reduce the friction of switching. The sharing of Customer-provided data or Personal Information will lead to new innovative products designed to enhance the customer experience and add to the competitive environment of financial services and digital identity frameworks.

b) Transaction data – generated through transactions made by a customer's account

Examples: withdrawals, transfers and other transactions; account balances, interest earned or charged, etc.

Transaction data should be shared in the direction of a current or former customer. Regulators need to consider the amount of historical data required; an open-ended

period would burden data holders. We can expect advancements in digital archives and records as time progresses. In many jurisdictions, regulators have determined that a pragmatic approach is that data holders may only be obliged to transfer data for the same period they must hold it for existing regulatory obligations.

c) Value-added customer data – data that results from an effort by a data holder to gain insights about a customer

Examples: credit scores; income/assets verification; customer identity verification; data on an individual customer aggregated across the customer's accounts and standardised, cleansed or reformatted.

While the primary data was likely provided by the customer or generated by the customer through transactions, the actual value is derived through actions taken by the data holder. Sharing this data would represent a transfer of value from the data-holder to the customer (or a TPP) and may breach intellectual property or commercial agreements. Generally, this is outside the scope of open banking. For similar reasons, pre-aggregated data sets should also be considered outside the scope of Open Finance.

d) Product data – Financial data for which there are no CDR consumers

Examples: eligibility criteria, terms and conditions, pricing, the performance of a product or instrument, accessibility, process or procedure, etc.

Determining the scope of the product is also critical. In its open banking review, the Australian government concluded that transaction data should include products relating to the conduct of banking business as defined in its banking Act, but only for those products that are widely available to the public. Other jurisdictions are likely to follow a similar approach.

8. Are there products offered by non-bank lenders that aren't covered by the existing rules and standards applying to banking data in the CDR? Are there CDR rules and standards that apply to banking data that warrant exclusion for non-bank lenders?

FDATA Response: Some products are evolving right now that are not currently regulated. In addition, there are fragments of the Non-Bank Lending segment that face alternate regulation formats. One example for non-regulated entities would be the Buy Now Pay Later genre. Another example of a differently regulated segment might be the mortgage broking fraternity, especially if they run their own investments book.

The world of financial services regulation, the types of products, the technology and opportunities for Open Data are all changing at a lightning pace. Current criticism exists from Data Holders that feel their data holding and cyber/infosec requirements are unnecessarily onerous due to their outstanding reporting and operational requirements. FDATA cautions the need to gain greater clarity and perspective around clear-slate opportunities to align such products' operational and data handling requirements. All efforts to avoid unnecessary duplication should be taken. That being said, we can not have a light touch if requirements do not currently exist.

9. Are there any government-held datasets that would be complementary to privately-held datasets and could support possible use cases in non-bank lending?

With the inclusion of Government-held datasets into the CDR in its earliest stages, the potential use cases are in their infancy. Let's consider the ability for financial data sets to be paired with equipment registration information, automatic registering and checking against the Personal Property Securities Register, or the ability for directorships and company registrations to be automatically cross-referenced with applications. There could be a significant benefit to the Open Banking and Open Finance segments. This would also be in addition to the benefits to the consumer of mingling financial datasets with other government datasets such as for the child's enrolment or the ability to purchase a vehicle, automate the registration and insurance processes based on a single view of customer profile.

10. What is the level of standardisation across products within business finance? Are there key datasets that are common across different types of business

finance products that could be usefully compared? What are the key attributes of a product that would be useful for comparison services?

FDATA Response: The level of detail and the types of data collected via ADIs and non-bank lenders is comparable. As with the teething pains experience in data classification, ontologies and mapping exercises, it is to be expected that brands and offerings will have unique naming conventions and, in some cases, have actively attempted to provide differentiation in the naming of products etc. For instance, the difficulty in getting the Big 4 banks to agree on the naming convention of introductory rates on mortgages. Some referred to this as Honeymoon rates, others discount periods, etc. The critical activity was to provide mapping advisory around this type of product/terminology in the live formal classification.

The data types that would be readily available may include product type, features, terms and conditions, contract lengths, rates, standardised fees and charges, and eligibility. Sharing these elements will help consumers assess and compare like products and identify those products that may suit their needs. Accessibility of this data in a single comparison will also spurn innovation and the ability for the market to identify gaps in provision and the next-gen of personalised products and services across the entire financial services landscape and onto the integration of financial products into the burgeoning lifestyle platforms.

6. Privacy Consideration and Intellectual Property

Consultation questions

11. Are there privacy concerns specific to non-bank lending that should be taken into account when considering the designation of the sector?

FDATA Response: In essence, the non-bank lending segment is exposed to privacy concerns, cyber security issues, identity fraud and other types of financial crime as traditional banks. By bringing this fragmented segment into the Consumer Data Right framework, the gold-standard of information security and cyber practices will only enhance customer safety and raise the overall standard of data security and privacy practices across non-bank lenders.

Currently, the non-bank lenders are not held to the same rigorous standards and reporting requirements as ADIs. As this segment becomes data holders, a particular focus on establishing and maintaining critical risk facilities and reporting will be needed to ensure consumer safety. With the risk of digital and data related fraud on the increase, it is important to note that the larger the organisation, the more resources they have are likely to have focused on this issue. This higher standard of cyber security and risk practices may come at a higher compliance cost.

One method of support for new entrants would be developing and maintaining a cyber response framework and plan and working with the segment to create and adopt best-practice compliance strategies. The community approach of sharing and managing these cyber requirements and additional research into the evolving face of financial fraud and crime will further enhance the participation of the Open Finance/Open Banking communities.

12. Do you consider the existing privacy risk mitigation requirements contained in the banking rules and standards are appropriate to manage the privacy impacts of sharing non-bank lending data?

The existing privacy risk mitigation requirements will be new to some portions of the Non-Bank Lending segment. That being said, the regime should strive to raise the benchmark of data protection to a heightened state. This inclusion into the Consumer Data Right may assist in drawing attention to the need to update and raise privacy assessments, technology and environments. There does need to be a balance between implementing a best practice approach that is commensurate with the level of risk presented. Unnecessary duplication and over-regulation have occurred in Open Banking, and a review of blanket risk assessment must be performed. There is also a requirement to balance appropriate risk versus reward evaluation when considering new frameworks and increased regulation.

13. Are there other examples of materially enhanced information specific to the non-bank lending industry? Regulatory burden and cost considerations.

FDATA Response: Regarding Non-Bank Lending, much of the information collected and utilised in assessing the suitability of a client or product will be similar to that of the traditional banking segment. There are elements of derived data and materially enhanced data in just about every segment of Open Finance. As per ADIs and ADHs, there may be elements of derived or materially enhanced data, and a decision will need to be made to include or omit such data. This may include the 'secret sauce' in a specific product offering or inherent in a brand's proposition for differentiation, and a balance will need to be struck.

7. Regulatory Burden and Cost Considerations

Consultation questions

14. Feedback is sought on the potential costs or regulatory burden implications across the spectrum of potential data holders and scope of product types and datasets that could be captured.

FDATA Response: There is a cost of upgrading/changing any largescale operational process in financial securities. Entities that exist in this segment constantly need to evolve and upgrade to stay competitive and leverage new operation methods. Many Non-Bank Lenders may identify more as Fintechs rather than large staid institutions. That being said, we can not let the investment cost be seen as an excluder. It is in the consumers' best interest to include Non-Bank Lending in the Consumer Data Right, and there will be a long-term benefit to the broader community. The cost of inclusion within the CDR will be viewed in the long run. When framed differently, one should ask, will the inherent efficiencies and new products/services that access to expanded data will create outweigh the initial costs of participation?

15. What datasets would cost more for a data holder to share securely, and why?

FDATA Response: A selection of our members are ADIs, ADHs or provide platforms to Data Holder Clients. They believe that the experience of each data holder may be different depending on their ability to comply with CDR requirements, including CX standards, data standards, technical standards, the timeframe for compliance and the dataset traffic with which they transact. The complexity of each participant's situation will increase the overall costs, irrespective of the dataset. The actual cost may be compounded by complying with functional and non-functional requirements. It is plausible that the actual cost to comply may be more heavily felt by the middle to smaller end of the market due to the need to employ external assistance or both internal resources.

FDATA cautions the Treasury to maintain standardisation of data and consider the consumer's overarching benefit in designating included datasets and participants. There is a need to maintain standardisation between ADIs and Non-Bank Lenders if comparison/switching use-cases, personal financial management apps and various cross-sectoral use cases can be realised. Any break from standardisation will burden the smaller end of the ADR market in normalising datasets to ingest and utilise them.

16. Which entities, defined either by size or product offering, would be less suitable for CDR data holder obligations from a cost or technological sophistication point of view, and why?

FDATA Response: As previously answered, given the disproportionate sophistication of the segment, FDATA supports a phased timetable for both product types and data holders. Products that replicate those offered by traditional ADIs, such as mortgages, business lending, equipment and vehicle finance, and credit cards, would benefit from designation in the earliest stages and provide the most value-based use cases for consumers. This is not an exhaustive list and will require careful consideration before blanket designation.

The segments of the non-bank lending sector that are not similar to those currently provided by ADIs will require further consideration and planning to identify datasets and rules surrounding their inclusion and regulation. For instance, the buy now pay later services are predominantly unregulated; however, their inclusion in Open Finance will be critical to enforcing responsible lending frameworks and creating enhanced use-cases for consumers across all market segments. A balance will need to be struck between benefit for the end consumer, the ability for these datasets to be shared cross-vertical and the potential for high-value use case development in designating who goes first, second, or last.

The cut-off point for inclusion in Open Finance could be assessed by the product's credit limit or time length. However, given the propensity for the user of these types of pay-day lending products to often fall within the vulnerable classification or those

most likely to experience financial hardship, the omission of these types of products would impede the types of predictive and analytics products most help these consumers. Risk versus reward approach may be needed in these circumstances.

17.What would be the likely cost of implementation and ongoing compliance with CDR data sharing obligations for your entity? Please provide detail where possible.

FDATA Response: Our members have shared that in their experience and depending on the actual dataset and size of the entity, the cost could be calculated at between \$250,000 and \$4,000,000 per annum. A portion of this cost must be attributed to the iterative nature of rules development, coupled with a rapidly evolving regulatory framework.

An attempt to standardise datasets between verticals, data and technology standards, and the completion of rules and regulations will reduce costs and obligations of subsequent inclusions into the CDR. The lack of clarity regarding compliance requirements has driven the investment to be higher than initially expected.

18.What barriers to product data sharing exist for your entity or product offering? Please provide information on the types of systems you use and whether there is the potential to limit access to information, such as where data storage obligations are outsourced to third parties.

FDATA Response: N/A for FDATA. Our members have not shared any specifics at this time.

19.Does your business have consumers that are unable to access their account and transaction information online and, if so, what proportion of your customers are 'offline'?

FDATA Response: N/A for FDATA. Our members have not shared any specifics at this time.

8. Additional Considerations

This segment, Non-Bank Lenders, will see their inclusion as a compliance exercise, initially, much like the ADIs did. But over time, those that choose to lean in and embrace the potential will be the true winner in this race to access quality, standardised and comprehensive datasets.

The delays in finalising rules and standards for Joint Accounts, Business Products, and Complex Accounts have proven costly to the market. They have eroded executive confidence in the value-proposition of the Consumer Data Right. FDATA has advocated for the “finishing” of Open Banking, and we believe that this should be the proper priority of the regime before introducing subsequent sectors. There are genuine businesses at the heart of the Consumer Data Right, with genuine balance sheets and stakeholders. Our members recognise the potential for a data-enabled transformation, but the process with which this has occurred to date has been disjointed.

The inclusion of Open Finance to the Consumer Data Right, more so than Open Energy or Open Telecommunication, will see direct data sharing between like-organisations for the first time. This will only serve to highlight the incomplete framework further. Issues around data quality and functional/non-functional requirements have primarily gone unanswered. Difficulties around compliance testing and the role of intermediaries will be exaggerated due to the nature of the Open Finance market. There is no straight-through consent mechanism nor form of sharable or tokenised credential (digital identity) that will allow consent to be amended or withdrawn between providers/sectors. There is also a need to develop a dashboard to assist consumers, both individuals and businesses, in managing their current/past consents to whom they have granted access to their data, for what purpose and timeframe. This difficulty also flows down from the perspective of the data holders, which are expected to manage multiple data-sharing requests from a consumer via a predominantly autonomous system, unable to discern duplications or extensions/amendments of consents.

The more sectors that we include in the Consumer Data Right, the more consumers come to utilise this data-enabled product-based provision; the need to finalise the remaining 15-20% becomes more critical. Suppose we are to honour Scott Farrell's intention of creating a trusted framework where the customer, choice, convenience and confidence are the goals. We strive to create competition whilst encouraging innovation. In that case, we need to create trust in this system and maintain it at all costs.

As per our previous responses:

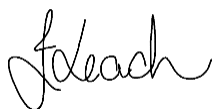
FDATA supports and encourages a CDR that closely aligns with traditional practices as familiar to accredited participants and, most importantly, as familiar to the consumer. Keeping the consumer, choice, convenience, and confidence at the centre of CDR development, we commend the government and the market's continued efforts to deliver a fit-for-purpose, secure and consumer-focused solution.

The ability for consumers to choose their operating practices, coupled with the instant nature of digital banking, will enforce the consumers' choice to share any or all of their data for any purpose that they believe will enrich their experience or enhance their life. In addition to suitably informed account holders, the real-time nature of data-sharing will increase the adoption of open banking and enable growth in product/service offerings for consumers and businesses alike.

The Consumer Data Right is a pivotal opportunity to promote digital transformation, enhancing Australia's economy. We highly encourage the CDR to be finalised with haste to achieve these momentous objectives.

Please do not hesitate to contact me should you have any questions or request further input.

Kind regards,



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