



26 September 2017

Open Banking Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Email: OBR@treasury.gov.au

Dear Madam/Sir,

SMSF ASSOCIATION SUBMISSION ON OPEN BANKING IN AUSTRALIA

The SMSF Association (SMSFA) welcomes the opportunity to make a submission on the Government's Review into Open Banking in Australia. The SMSFA is broadly supportive of measures that will give customers greater access to and control over their own banking data and increase competition, innovation and productivity.

SMSF's are an important provider of stable liquidity for the banking industry in Australia. As at March 2017, Australian Tax Office statistics estimate that \$187 billion, or 26.9% of all SMSF assets, are invested in cash, term deposits and debt securities. This illustrates the importance that increased competition and transparency in banking has for the SMSF sector.

Primarily, providing Australians with greater access to their own banking data will allow provision of greater choice and competition in the market. It will allow SMSF trustees the ability to be offered relevant banking products from other financial institutions without 'red-tape' barriers. In turn, SMSF trustees will have greater opportunity to control and use their own banking data to evaluate whether they can access more competitive and better value products. Currently, it is not simple for consumers to switch between banks or compare banking offers, especially in the SMSF industry where the use of smaller banks and online banks are more common. Designed appropriately, increased data sharing will help the advancement of these consumer choices.

Open banking data will be complemented by the innovation that is also occurring in the SMSF and broader financial services market. Financial technology services will be able to use open banking data to assist in bringing full financial pictures to consumers. The provision of 'robo-advice' for example, will benefit from the use of data to provide relevant services which will help consumers understand, manage and maximise their retirement savings.

The SMSFA also believes that a move towards a unified open aggregated financial data standard will greatly assist SMSF platform providers who use trustees' banking data in their SMSF administration or investment platforms. A single data standard will make it simpler and more efficient for these service providers when using bank data to administer SMSFs or provide an investment platform.



Currently SMSF platforms allow receipts of banking data to their systems on request from a consumer for the purposes of easing administration burden. The data received by platforms is vastly different from each bank and cause potential issues in system design and reduces the ability to streamline processes. For example, in order for an SMSF trustee to authorise banking records to be fed to their SMSF platform provider results in extensive paperwork and lengthy application processes.

If a unified banking standard was created across the banking industry this would create extensive efficiencies in the SMSF sector through streamlining processes for SMSF trustees to allow for the provision of data feeds to be entered into SMSF platforms.

The benefits of open-banking over the long term are also relevant to the SMSF industry. Based off precedents in the United Kingdom's Open Bank Project (which aims to create a uniform technical interface where software developers can build banking applications and services that seamlessly interact with the banking system) open banking may produce further revolutionising efficiencies. SMSF trustees may be able to use their mobile phone to make withdrawals via their SMSF platform provider without having to interact with any of their banks. This data could then be integrated with their advisor and reporting requirements with the ATO.

Another benefit of open banking will be the ability for financial technology companies to build partnerships with banks and other financial institutions. This is currently noted as a key external challenge and a new framework will help SMSF advice firms and SMSF platform providers overcome these hurdles.

Ultimately, the creation of an open banking system requires excellent data security. There must be security, governance and authentication controls implemented across the entire regime to protect the interests of consumers. We strongly encourage that these controls are made standard throughout the banking sector so that any consumers interacting with open banking will have a simplified experience in authorising the use of their data. Data security will also be essential to protect the intellectual property of companies.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'.

John Maroney
Chief Executive Officer
SMSF Association



ABOUT THE SMSF ASSOCIATION

The SMSF Association is the peak professional body representing SMSF sector which is comprised of over 1.1 million SMSF members who have \$696 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.