



Xero Submission

CDR - Exposure draft legislation to enable action initiation

25 October 2022



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Future Directions Unit
Consumer Data Right and Digital Division
The Treasury
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PARKES ACT 2600

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To the Consumer Rights Division,

Xero submission: Consumer Data Right - Exposure draft legislation to enable action initiation

Xero is pleased to make a submission in response to the Consumer Data Right (CDR) - Exposure draft legislation to enable action initiation consultation. We also acknowledge the complexity of this transformational micro-economic reform.

Xero is Australia's leading provider of cloud accounting software for small businesses, and we exist to make life easier for small business. Our software makes running a business simple, and our ecosystem of over 1,000 cloud-based applications connects businesses with the digital tools they need to optimise their operations. Today, Xero is an ASX50 company with over 1.3 million small business customers in Australia, and over 3.2 million customers globally.

Xero and the accounting software industry have vocally supported the CDR regime since its inception. Our support is multi-faceted: firstly, we have seen first hand how small businesses benefit from access to and control of their own data; and secondly, we have witnessed the maturation of the business data environment and the subsequent explosion of world-leading business-to-business (b2b) software-as-a-service (SaaS) technology applications. The CDR is a productivity enhancing policy with the potential to enhance the way small business operations are managed.

Xero is attuned to the small business opportunities of introducing action initiation into the CDR regime. A commonly sought-after example of action initiation is payment initiation, which as a practical example, would allow a small business to use third party software to instruct their bank to pay a bill. This could





remove the friction of logging into different systems to manage this frequent business task. This is a significant productivity opportunity in itself, but action initiation is not limited to payments alone.

Action initiation capability has the potential to create a world leading b2b SaaS innovation ecosystem in Australia. Limited only by entrepreneurial imagination, it is conceivable that action initiation will lead to a whole new realm of business optimisation opportunities. Complementing the benefits to Australia's small business sector is the potential for entrepreneurs to utilise the world-leading innovation environment to export software when comparable regions catch up.

Specifically considering payments initiation, Xero is aware that there are a range of ways to implement this - options of payment types and payment infrastructure that could be used. Additionally, the payments landscape in Australia is very complex with various "rails", account types (accounts, cards, wallets), different regulators including industry-based and the RBA and the space is evolving in a number of areas. Xero encourages Treasury to engage with infrastructure players and governing entities but also fintechs and those smaller entities that are at the forefront of changes in consumer preferences related to banking and payments, both directly and indirectly through their industry groups..

Xero strongly supports the introduction of action initiation legislation and the productivity and innovation opportunities it creates.

To build a world leading innovation ecosystem powered by the CDR, deliberate steps to increase participation are required. Currently, Accredited Data Recipient (ADR) participation in the CDR is low, and penetrated primarily by CDR infrastructure providers and financial institutions, offering predominantly consumer use cases. While entities such as these are important to enabling the innovation potential of the CDR, broad based consumer, much less business, benefits from the CDR are yet to be realised. Xero is concerned that the core regulatory and operational settings of the CDR are not yet supporting ADR participation at scale, while at the same time the CDR priority is expanding into more sectors and action initiation.

The potential of Open Banking, let alone Open Finance or Open Data, is being realised in the United Kingdom. The Open Banking regime in the United Kingdom has over 5 million regular users and 231 active Third Party Providers (TPPs). Momentum continues to accelerate in the UK Open Banking regime with an additional 1 million new regular active users joining every 6 months. The OBIE also found that business penetration (11%) is slightly higher than consumer use (10%) indicating that small businesses were early adopters of open banking technology with consumer offerings following behind.

Xero cautions against the assumption that expanding the regime will result in increased ADR participation and consumer benefits. However, we welcome the consultation on Rules amendments to increase



participation, including through the introduction of a business consumer disclosure consent (BCDC) and seven year consents. These Rules additions better reflect the UK Open Banking regime and recognise business data needs. Xero supports continued assessment of the Rules and amendments as required to drive participation before expansion, to enable consumer benefit while protecting scarce resources.

Xero thanks the Government for its ambition to create a world leading innovation environment through the CDR regime. The possibilities for entrepreneurs to leverage action initiation within the CDR to solve problems for small businesses are immense. However, without underlying regulatory settings that support participation, continual expansion of the CDR regime is unlikely to result in consumer benefits. Should the Government wish to discuss any component of Xero's submission in greater depth, please feel to contact Head of Government Experience Angus Capel at [REDACTED].

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Danielle Smith".

Danielle Smith

Xero GM Partnerships - APAC (A/g)

