FOI 3700 Document 1

From:	s 47F (Australian Banking Association - Unclassified)
To:	Robertson, Belinda; s 22
Cc:	s 47F
Subject:	Regulatory grid correspondence
Date:	Friday, 8 September 2023 4:38:58 PM
Attachments:	image001.png image002.png s 22 Death Star - Draft SEP 2023.docx

Hi Belinda and s 22

As mentioned the ABA and COBA are writing to the Treasurer next week to encourage implementation of a UK style regulatory grid with cc to the AT.
I have attached a version of the death star (reg landscape) and a current draft of the letter.

We will send it in formally next week.

The fin takes an interest in this issue and will likely cover it on Monday.

Any queries please don't hesitate to call me anytime.

Many thanks
s 47F

s 47F

Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F
E: s 47F @ausbanking.org.au W: ausbanking.org.au

Pages which are fully exempt have been removed from the document set.

FOI 3700 Document 1A

Regulation impacting the financial services industry in Australia

incoming regulation

Federal Parliament
Quality of advice review
Privacy laws review
Digital assets and cryptocurrency regulation
Electric and hybrid vehicle initiatives
Various Treasury Amendment Laws – covering a number of issues (CEFC, FBT, reporting and auditing requirements, superannuation changes, modernising business communications, CDR, etc)
Review of the Consumer Data Right (CDR) Exposure draft legislation to enable action initiation.
Inquiry into influence of international digital platforms
Inquiry into ASIC investigation and enforcement
Inquiry into promoting economic dynamism, competition and business formation
Inquiry into ASIC's capacity and capability to respond to reports of alleged misconduct
Inquiry on oversight of ASIC, the Takeovers Panel and the Corporations Legislation
Inquiry into corporate insolvency in Australia
Inquiry on the cost of living
Inquiry on economics, influence of international digital platforms
Inquiry into bank closures in regional Australia
Inquiry into online gambling and its impacts on those experiencing gambling harm
Inquiry into Australia's disaster resilience

ATO
Mandatory Disclosure of Tax Information by Multinationals
Implementation of OECD Reforms on Digital Economy: Pillar One and Pillar Two
Guidance on EV and related charges
AASB17 Misalignment

AFCA
Implementation of recommendations of independent review of the Australian Financial Complaints Authority (AFCA) – Terms of Reference
Revision of role in customer remediation
Guidance on responsible lending and appropriate lending
Guidance on scams
Fairness Project

Royal Commission
Financial Accountability Regime (FAR)
Compensation Scheme of Last Resort (CSLR)
Removal of POS exemption
Enforceable code provisions

APRA
Modernising the prudential architecture
ADI capital reforms package
Implementing changes to operational risks systems
Macroprudential policies
Group (NOHC) regulation review
Revisions to restricted ADI licensing pathway
Data Transformation Project (new reporting obligations)
Liquidity rules
Governance
Stress testing
Recovery and resolution planning
BEAR transition to FAR
Remuneration standards
Climate vulnerability assessment – climate-related financial risk
Cyber resilience assessments

RBA
Review of retail payments regulation
Review of central bank digital currency

AUSTRAC
Simplification of AML/CTF Act and rules
Potential expansion of regulatory scope to incorporate tranche 2 entities
Implementation of recommendations from Australia's banking and non-bank lending and financing sector ML/TF risk assessments
Implementing new and revised guidance – customer identification and verification, combating sexual exploitation of children for financial gain, preventing criminal use of digital currencies, detecting and stopping ransomware payments, preventing misuse and criminal communications through payment text fields
Review of suspicious matters reports (SMRs) and further guidance
Review of international funds transfer instructions (IFTIs) and further guidance

ACCC
Inquiry into deposit interest rates
Inquiry into markets for the supply of digital platform services
Inquiry into regional mobile infrastructure
National Anti-Scam Centre

ASIC
Updating responsible lending systems and procedures to reflect the 'Wagyu & Shiraz case'
Monitoring financial hardship
Implementing new reportable situations system
Implementing new market integrity rules
Implementing FAR
Reference checking
Implementing changes to derivative transaction rules
Review of small business restructuring
Updating complaints handling policies and procedures
Updating claims handling policies and procedures
Indigenous financial services framework
Monitoring target market determinations (TMDs)
Consumer remediation programs
Insurance pricing review
Insurance complaints handling review
Scams review
Trading during buyback

Self-regulation
Review of industry codes

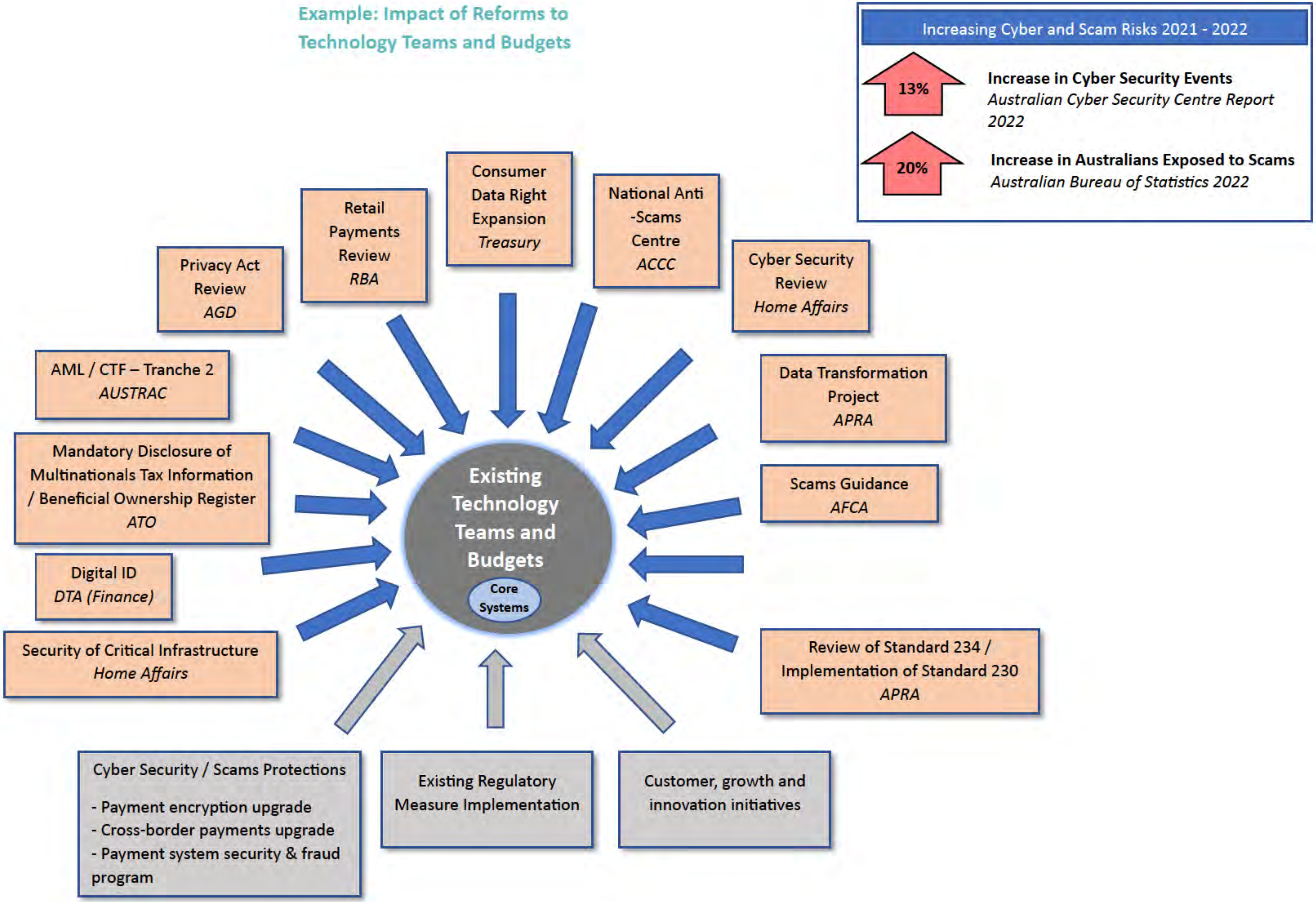
Treasury
Objective of superannuation
National Consumer Credit Protection Amendment (Financial Sector Reform) Regulations 2023
Anti-avoidance provisions for credit product intervention orders
Review of payment times reporting
Regulating Buy Now Pay Later in Australia
Digital platforms – digital asset regulation
Housing legislative package
Strategic plan for the payments system
Improvements to corporations and financial services laws
Climate-related financial disclosures
Consumer data right (CDR) rules and data standards design paper for the non-bank lending sector
CDR rules – Consent Review and operational enhancements design papers
Unfair Contract Terms
Payments systems reform
Financial Market Infrastructure reform
Clearing in Settlement Competition (CiCs)
Foreign Financial Service Providers relief legislation
Anti-avoidance provisions for credit product intervention orders
Rationalisation of ending ASIC Instrument Measures
Rationalisation of Treasury Instruments – digital pre-contract disclosures for credit contracts
Register of Beneficial Ownership
Proposed changes to tax treatment of royalties
Standardisation of terms/definitions in insurance sector
Thin capitalisation changes
Screen scraping
Competition inquiry

Other issues
ALRC – Review of legislative framework for corporations and financial services regulation
ARNECC – e-conveyancing reforms
ARCA – CR Code amendments for hardship reforms
ARCA – Soft Inquiries Framework
ASFI – Designing Australia's sustainable Finance Taxonomy
PC – Inquiry into the Future Drought Fund Act
DPMC – Public Governance, Performance and Accountability Act – implementation of any recommendations
DHA – 2023-2030 Australian Cyber Security Strategy Discussion Paper
DHA – Critical Infrastructure Bill
DHA – Implementing new reporting systems to comply with the Modern Slavery Act
Northern Australia Reinsurance Pool Taskforce
National Recovery and Resilience Agency
Disclosure in General Insurance: Improving Consumer Understanding
Review of the Four Major Banks
Review of the Motor Vehicle Insurance & Repair Industry Code of Conduct
ACSC – Reporting and partnership engagement on cybersecurity attacks
FRAA – Second review of ASIC's governance and accountability framework

AGD
Review of the Privacy Act 1988 Discussion Paper
Consultation on financial products and the Personal Property Securities Act
Review of the bankruptcy system and the impacts of coronavirus
Register for Power of Attorney Orders

DSS
Financial Counselling Industry Funding Model

Example: Impact of Reforms to Technology Teams and Budgets



FOI 3700 Document 2

From: s 47F (Australian Banking Association - Unclassified)
To: Robertson, Belinda
Subject: Accenture report
Date: Tuesday, 25 June 2024 11:27:31 AM
Attachments: image001.png
image002.png
s 47F _202406250755.pdf

Hi Bel
As briefly discussed, this is a hard copy of the Accenture report – we will stay in touch on when we plan to release

Many thanks
s 47F

Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F
E: s 47F @ausbanking.org.au W: ausbanking.org.au

Australian Banking Association Limited. ABN 60 117 262 978.

The ABA acknowledges that our office sits on the traditional land of the Gadigal people of the Eora nation and that our member banks and their services are located across many traditional lands of Aboriginal and Torres Strait Islander peoples. We pay our respect to all first nation peoples and thank them for their custodianship of our country over thousands of years.

FOI 3700 - Document 2A

CONFIDENTIAL

Enclosure 1 of Item 8

Understanding the gaps between vision and outcomes

Australian Banking Association
Consumer Data Right Strategic Review
March 2024

Australian Banking Association

accenture

Disclaimer: This document contains commercially confidential information and is only intended for the person or entity to which it is addressed.

Executive summary

Key findings

- July 2024 marks 4 years since the Consumer Data Right was first launched. Disappointingly, overall customer engagement with the CDR has been low and CDR enabled innovation has struggled to resonate with consumers. This trend that persists with only **0.4% of bank customers enabling data sharing in 2023**, comparing unfavourably with consumer adoption of other digital innovations in banking.
- The CDR rollout has required substantial investment from both government and industry participants and continues to incur significant ongoing costs. **The banking industry alone is estimated to have spent ~$1.5b since 2018.**
- Low customer adoption and significant compliance costs are driving unintended outcomes:
  - Diminished ability for data holders to invest into ADR functionality as **compliance costs are crowding out strategic investment.**
  - Resourcing requirements for CDR compliance have **limited the capacity for other technology investments** that are more aligned to consumer demand (e.g. payments, app)
  - **Competition within the banking sector is being negatively impacted** as Mid-Tier banks (which have lower overall capacity for technology delivery) incur disproportionately higher relative costs compared with Major banks (at least twice the cost per customer sharing data).
- The banking industry supports the intent of the CDR, recognising the significant consumer benefits CDR infrastructure can enable. However, challenges in policy and standards design, and implementation have impeded the CDR's success. These include **unsubstantiated consumer propositions**, an **absence of a robust cost/benefit governance framework**, and **excessive complexity and prescriptiveness** in compliance obligations.
- Analysis of open data regimes globally indicates there are additional factors external to the policy environment that contribute or hinder overall success. Successful data sharing regimes (e.g. India, Singapore and Brazil) typically exhibit enabling infrastructure and clear consumer propositions – factors recognised in the design of their respective data sharing models. This suggests there is not a 'one size fits all' model to open data, and that policy design can improve adoption when responsive to national endemic factors.

Implications

- The Farrell Review into Open Banking outlined guiding principles for the CDR's implementation: '*customer focus*', '*promote competition*', '*encourages innovation*', '*efficient and fair*'. **When measured against these, success has been limited.**
- Quantitative and qualitative analysis of industry data, firsthand implementation experiences, and comparative regimes **suggests that changes to the CDR policy settings are required** if the challenges of low consumer adoption and adverse market impacts are to be addressed.

Australian Banking Association | accenture


01
CONTEXT
Australian Banking
Association
accenture

The Consumer Data Right (CDR) is a legislative, regulatory, and standards framework established to give consumers greater ownership over their data

Inception

CDR was introduced in response to several government reviews. The Murray, Harper, Coleman and Finkel inquiries all recommended that Australia develop a right and standards for consumers to access and transfer their information in a usable format.

In May 2017, the Productivity Commission released *Data Availability and Use* report. The report made 41 recommendations, including for the creation of a new economy-wide 'comprehensive data right'. The report highlighted the benefits of consumer data sharing – namely empowering consumers with greater control over their data, fostering competition among businesses, and stimulating the development of new products and services.

In November 2017, the Australian Government announced plans to legislate a national 'Consumer Data Right' (CDR), which would allow customers open access to their banking, energy, phone and internet transactions data.

Design

The initial design of CDR was to be informed by the *Open Banking Review* ('the Review'). Published in 2018, the Review surfaced several recommendations to implement CDR – starting with the Banking sector, but applicable to all sectors. The Review made recommendations spanning the regulatory framework, the data transfer mechanism, and the implementation timeline. The government agreed to the Review recommendations, both for the framework of the overarching Consumer Data Right and for the application of the right to the Banking sector – with a phased implementation from July 2019, starting with the publication of product reference data by the big four banks.

Legislation

In 2019, the Australian Government passed *Treasury Laws Amendment (Consumer Data Right) Bill 2018/19* to create the CDR. The CDR is established primarily through amendments to the *Competition and Consumer Act 2010 and the Privacy Act 1988*. This amendment:

- Set out the role, functions and powers of each of the Australian Competition and Consumer Commission (ACCC), Office of the Australian Information Commissioner (OAIC) and Data Standards Body (DSB)
- Outlined the overarching objectives and principles for the Consumer Data Right
- Created a power for the Treasurer to apply the Consumer Data Right to new sectors
- Enshrined a guaranteed minimum set of privacy protections, which are built upon in the ACCC rules

Fundamentally, CDR seeks to enhance the consumer confidence, desire, and ease to share their data, stimulating greater innovation, competition, and market efficiency

UNDERLYING DRIVERS OF CHANGE

The underlying motivations for CDR include:

- Supporting Australia's transformation to modern and digital economy to drive future prosperity
- Ensuring Australia's economy remains competitive on a global stage by fostering a thriving Australian digital ecosystem
- Asserting what data Australian consumers have ownership and control over
- Facilitating data mobility throughout the Australian economy through safeguards and trust
- Creating an environment based on transparency and confidence in data processes, rather than one based on risk aversion and avoidance – treating data as an asset and not a threat

CDR OBJECTIVES

01 Consumer Utility

To provide consumers rights over their data so that they have better product/service choice, better control over who can use their data, and more convenience/efficiency when transacting with products/services.

02 Safer & More Secure Data Sharing

To facilitate trust in data sharing through stronger consumer data privacy and security protections – including data holder/recipient accreditation, technical and data standards, and data privacy/security requirements.

03 Innovation

To encourage the development of new ideas/products/services that reach more consumers and are better tailored to their needs, while also creating a vibrant and creative environment new players to participate and grow.

04 Competition & Market Efficiency

To enable easier consumer product (and price) comparison and provider switching, and supporting new and small businesses market participation that create high-value jobs in Australia.

CDR governance broadly consists of four layers that work together to evolve and enforce the CDR in line with policy objectives

Governance Structure

Policy Creation & Setting	**The Minister of Financial Services** *holds authority in formulating CDR rules*	
CDR Rules, Policy Advice, & Sectoral Designation	**Australian Department of Treasury** *leads CDR policy and program delivery, including development of rules and advice to Government on next steps in the CDR*	
Technical & Consumer Experience Standard Setting	**Data Standards Body (DSB)** *(within Treasury) develops technical standards, consumer experience standards and guidelines, and registers standards for implementing the CDR*	**Data Standards Advisory Committee (DSAC)** *provides advice on data standards design and implementation, including industry practices, legal requirements, technical specifications, rule-making, and policy expectations*
CDR Accreditation, Enforcement, Compliance, & Complaints Handling	**Australian Competition & Consumer Commission (ACCC)** *handles the accreditation process, overseeing the CDR Register, ensures service providers comply with the established rules – taking enforcement action where necessary. Measures technical performance of the program*	**Office of the Australian Information Commissioner (OAIC)** *is responsible for regulation of privacy and confidentiality aspects of the CDR including the management of complaints, handling of notifications regarding eligible data breaches related to CDR data*

Stakeholder Overview

The Minister provides policy direction, overseeing legislative and regulatory frameworks for the CDR initiative.

The Treasury in collaboration with ACCC and OAIC takes charge of policy development, rule formulation, and advising the government on potential sectors for future CDR application.

Internally, within the Treasury, **the Data Standards Body (DSB)** is responsible for developing the standards that dictate the procedures for data sharing under the CDR.

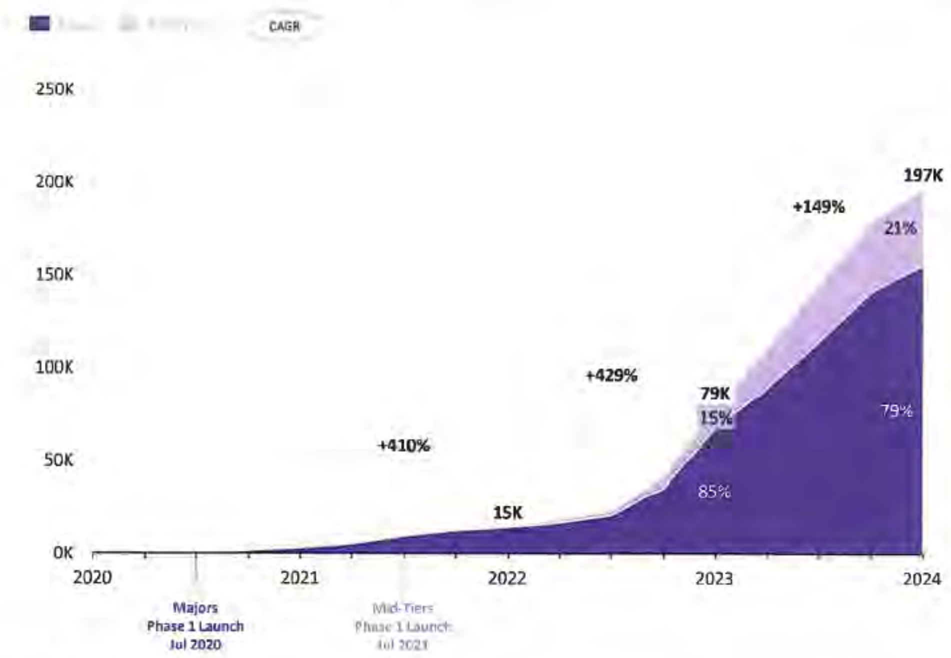
Established to oversee the development and maintenance of CDR data standards to address the evolving needs of consumers, the **Data Standards Advisory Committee (DSAC)** is composed of industry experts, consumer representatives, regulators, and other stakeholders. **DSAC provides guidance and recommendations** to regulatory authorities and industry bodies. It fosters collaboration among diverse stakeholders, contributing to the **development of robust data standards** that enhance transparency, security, and consumer control over their data.

The CDR is co-regulated by the **Office of the Australian Information Commissioner (OAIC)** and the **Australian Competition and Consumer Commission (ACCC)**. Each agency possesses defined investigation and enforcement powers, working in tandem to ensure compliance and safeguard consumer interests within the CDR framework.


02
ADOPTION
Australian Banking Association
accenture

Starting with a zero base in 2020, CDR has not resulted in impactful arrangement volumes and already showing early signs of decelerating growth

2.1.1 CDR Arrangement Uptake



Key Observations:

- Total CDR active arrangements reached 197K at the beginning of 2024, with 79% of the arrangements with Majors and 21% with Mid-Tiers
- CDR active arrangements have an average CAGR of 263% between 2021 – 2024, albeit off a low base
- Importantly, there is a **stark reduction in growth rate between 2022-23 and 2023-24**

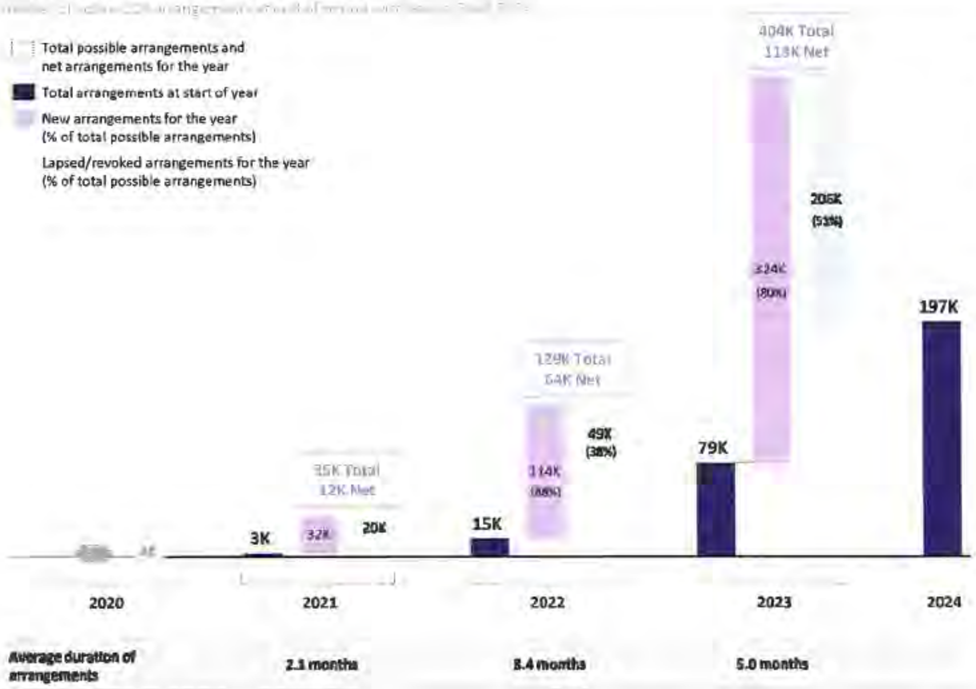
Key Insights:

- The uptake of CDR remains limited when compared to other large-scale digital initiatives in Australian banking:
  - **New Payments Platform (NPP):** 3 years since launching in February 2018, the number of registered PayIDs had grown to **10.0M by 2021** and continued to grow to **18.6M by 2023**[2]
  - **Mobile Wallets:** 3 years after Apple Pay's market entry in Dec 2015, the number of cards registered to mobile wallets had grown to **5M in 2019** and reached **15.5M by 2022**[3]

Australian Banking Association | accenture

The profile of arrangements across the years also shows lapsing/revocations are significant, either due to one-off short-term use cases (e.g., digital lending) or limited customer value proposition

2.1.2 CDR Arrangement Profile



Key Observations:

- The net arrangements has a CAGR of 213% across 2020-2024
- The majority of arrangements are not maintained on an ongoing basis, with a 51% rate of lapsation / revocation in 2023

Key Insights:

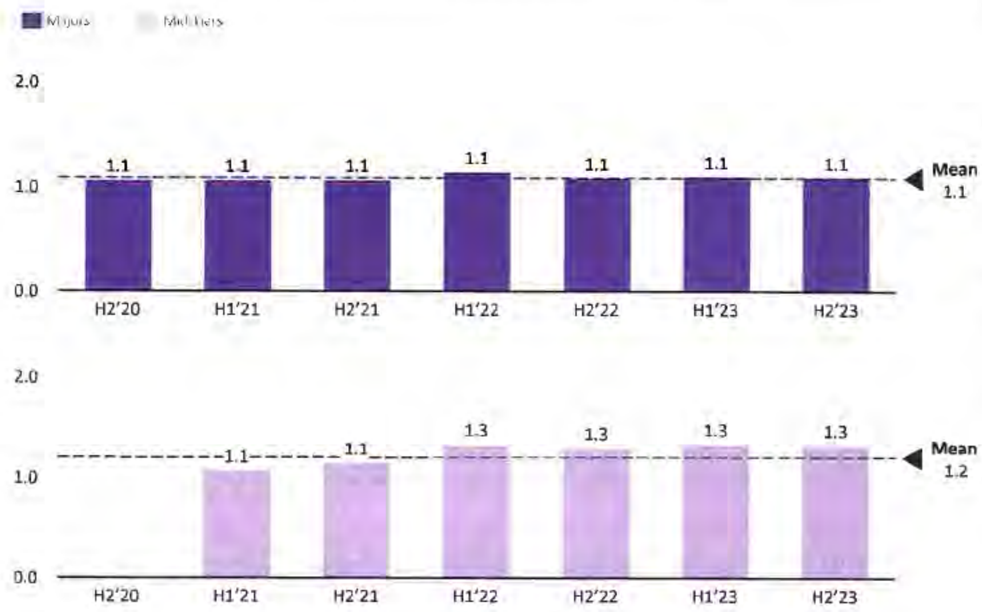
- There are three underlying drivers for lapsing / revoking of arrangements:
  a. Use cases have limited value proposition
  b. Use cases are not renewed/rolled-over at a high rate
  c. Use cases have a once-off use – e.g., Digital Lending
- The former two are more likely given that few ADRs currently offer digital lending or other offerings with once-off use cases – see Exhibit 2.2.3
- The relatively high lapsed/revoked arrangements contributes to the relatively short arrangement duration (5-months)

Note: The arrangement profile cannot capture the activity intensity of arrangements and track whether lapsed customers subsequently return.

The diversity of CDR usage by active customers is low, contributing to low engagement

2.1.3 CDR Usage per Customer

Average number of active arrangements at end of period per active customer at end of period, 2020-2023



Key Observations:

- On average between H2'20 to H2'23, there are 1.1 arrangements per unique customer for Majors, and 1.2 arrangements per unique customer for Mid-Tiers
- There is stability in the arrangements per customer given the relatively tight bound around the mean – i.e., Major and Mid-Tiers have a standard deviation of 0.03 and 0.11 respectively

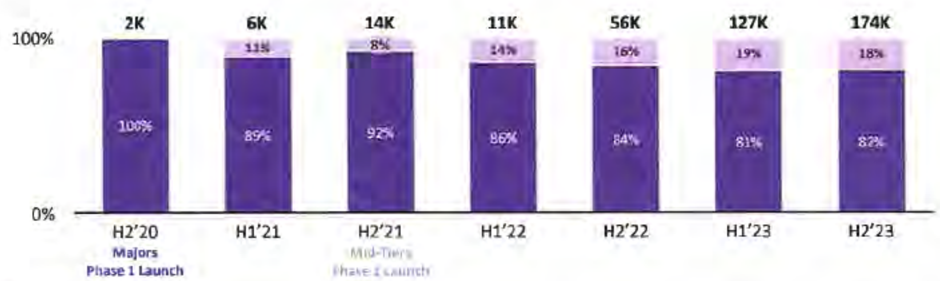
Key Insights:

- An average arrangements per unique customers ratio close to one suggests most consumers are sharing data on a single product only
- The lack of growth in arrangements per customer suggests limited CDR innovation and absence of the development of 'category killers'

Note: The current dataset does not show how frequently a consumer engages with their shared data once consent is granted – *'intensity of use'*

The profile of CDR engagement split by Majors and Mid-Tiers is reflective of their underlying customer profiles and retail bank market dynamics

2.1.4 Proportion of CDR Activity between Major & Mid-Tier banks



Key Observations:

Arrangements
- The share of total CDR arrangements appears to be stabilising at ~80% for Majors and ~20% for Mid-Tiers

Customers
- Similarly, the share of total CDR customers appears to be stabilising around ~70% for Majors and ~30% for Mid-Tiers (see key insights below)

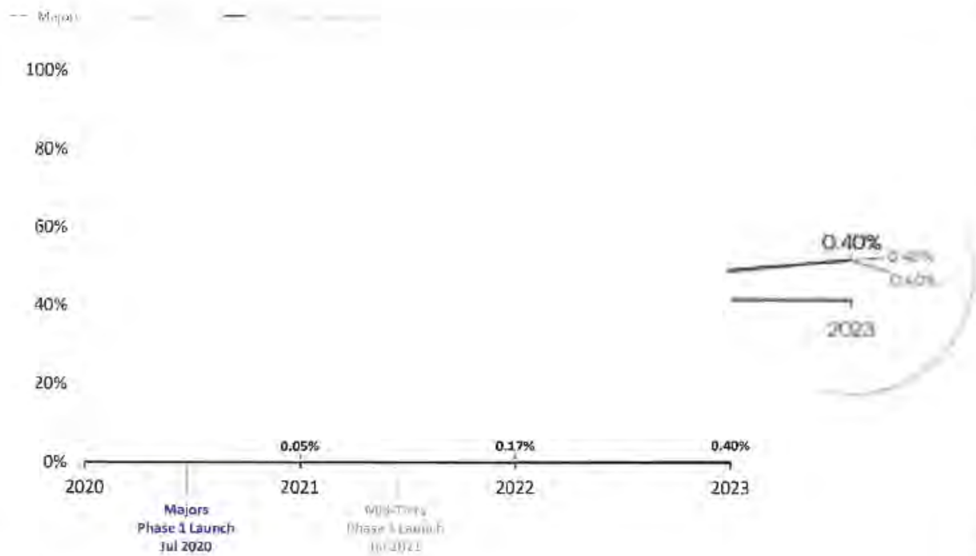
Key Insights:

- The split between Major and Mid-Tier for arrangements and customers is largely in line with the underlying market dynamics in retail banking
- These two underlying drivers shape the arrangement per customer profile seen in Exhibit 2.1.3

Australian Banking Association | accenture

Penetration of CDR amongst bank customers remains insignificant, in large part due to limited stickiness of arrangements

2.1.5 CDR Customer Uptake



% active customers at end of year to total Bank customers[1,3]	**0.03%**	**0.10%**	**0.31%**

Key Observations:

- **New CDR customers** for 2023 represent **~0.40%** of total banking customers
- **Active CDR customers** at the end of 2023 represent **~0.31%** of total banking customers

Note: CDR customer ratio analysis is based on using *total* bank customers for the period in question given by bank publications due to limitations in obtaining and comparing more granular customer data breakdowns[2]

Key Insights:

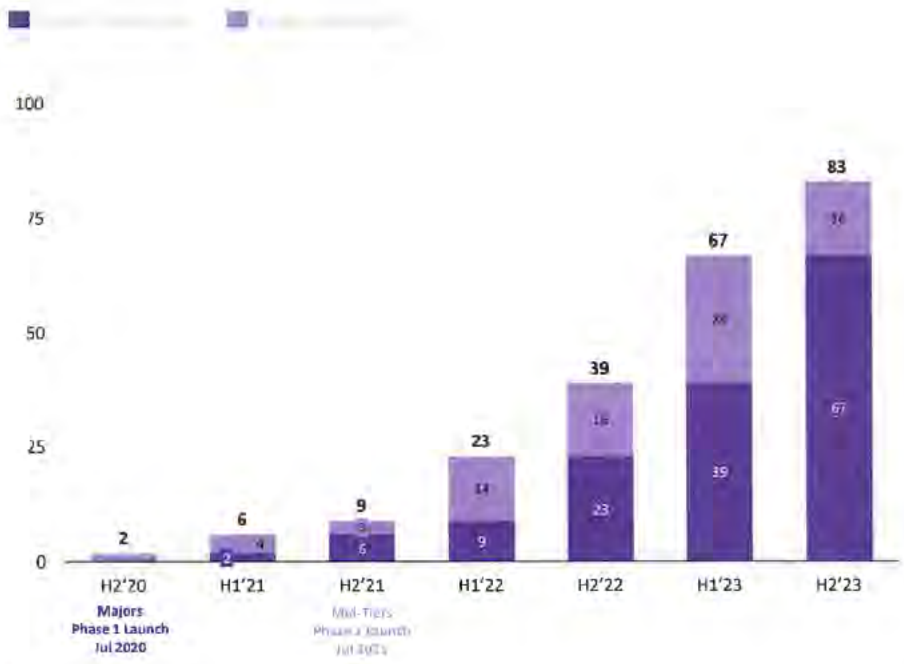
- Penetration of CDR amongst bank customers remains insignificant, in large part due to limited stickiness of arrangements (see Exhibit 2.2.1) – increasing growth in new customer acquisitions is required to grow the active customer base
- Customer uptake is particularly low when considering mobile wallets in Australia which reached 10% user adoption in 2019 (3 years since Apple Pay entered in end of 2015), and continued to accelerate in growth to 36% user adoption in 2022[4]

Note: Calibrating for retail bank customers only would result in higher CDR customer penetration rate for Major banks (given they have a higher percentages of non-retail customers as part of their total customer base vs Mid-Tier banks)

Australian Banking Association | accenture

The slowing of ADR growth in the market reflects a low level of consumer demand and ADR propositions that are not sufficiency appealing for consumers

2.2.1 ADR/CDR Representatives Profile & Activity



Key Observations:

- Of banks who have reported on ADRs, 84 ADRs have entered the market after the initial launch of CDR, exhibiting a 248% CAGR
- The growth of ADRs has been steady, **but quarter-on-quarter analysis shows new ADRs entering the market is slowing down**

Note: ADR includes both ADRs and CDR representatives (intermediaries)

Key Insights:

ADRs

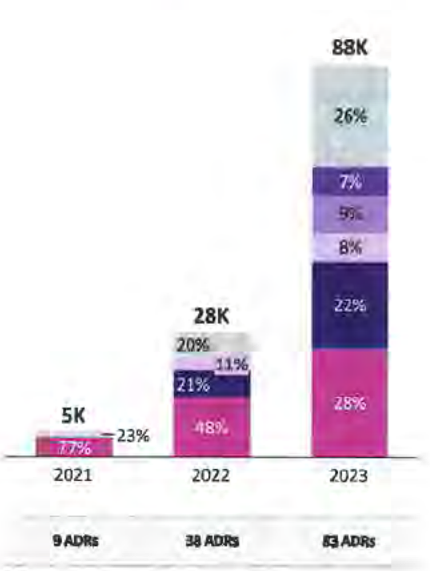
- Comparing to the UK, in 2021 (3-years since the launch of PSD2), there were 145 third party providers (TTPs) and 3M customers; this suggests greater ADR and arrangement activity in comparison to Australia
- At the end of 2023, there were ~151 TPPs and 7M customers; this suggests a plateauing of ADRs, but sustained arrangement activity

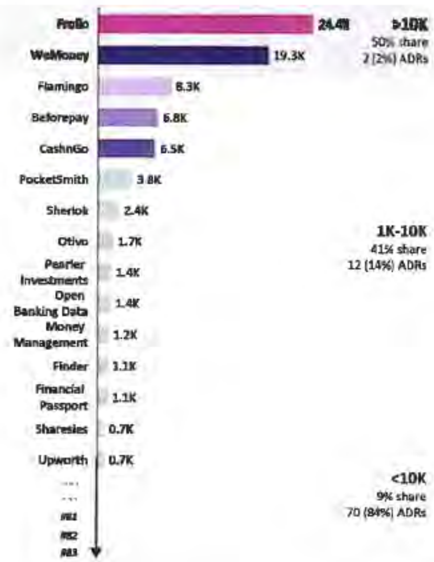
Arrangements per ADR

- As exhibit 2.2.2 shows, the ADR market is highly concentrated and average arrangements per ADR is skewed by the largest players

Despite new entrants, the ADR ecosystem remains concentrated with the top 5 players making up ~75% of arrangement share

2.2.2 ADR/CDR Representatives' Share of Arrangements





Key Observations:

- Of banks who have reported on ADRs, the 83 ADRs are associated with 88K arrangements in 2023
- Competition appears limited with **the top 5 players making up ~75% of the** market (by number of arrangements) in 2023
- **70 (84%) of total ADRs** in 2023 have less than **1000 arrangements**
- Frollo (PFM, CDR Connectivity Services) has been the earliest entrant and continues to be the largest player with 28% market share in 2023; WeMoney (PFM) is the 2nd largest player at 22% market share in 2023

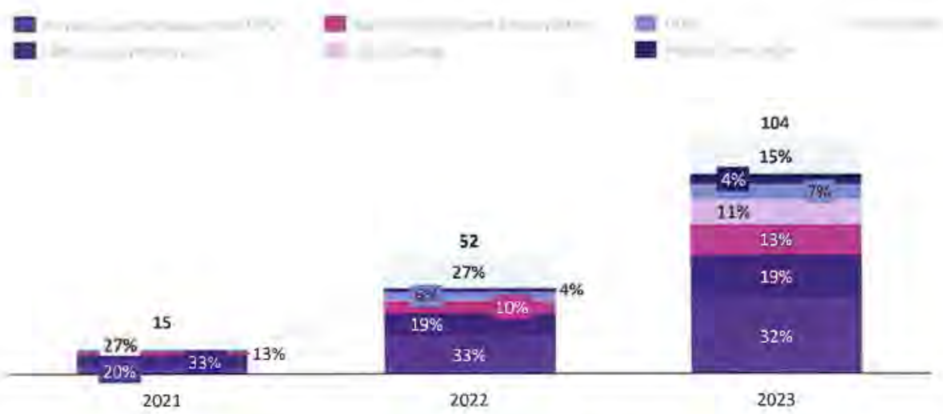
Note: ADR includes both ADRs and CDR representatives

Key Insights:

- Although there are 83 reported ADRs, only the top 5 players have significant CDR arrangement activity **suggesting market conditions are not suitable for new entrants to grow viably**
- Several players have exited or have been acquired by established financial services companies (E.g., Frollo, Basiq, Adatree, etc.)

Despite attempts by ADRs to innovate and grow the market, they are struggling to uncover new and compelling use cases, and gain traction with consumers

2.2.3 CDR Use Case Categories Profile



ADR/CDR Representative	Market Share, 2023	Use Cases Category
Frollo	28%	PFM, CDR Connectivity Services
WeMoney	22%	PFM
Beforepay	8%	PFM, Digital Lending (Payday Lending)
Flamingo	9%	PFM
CashnGo	7%	Digital Lending (Micro-loans)

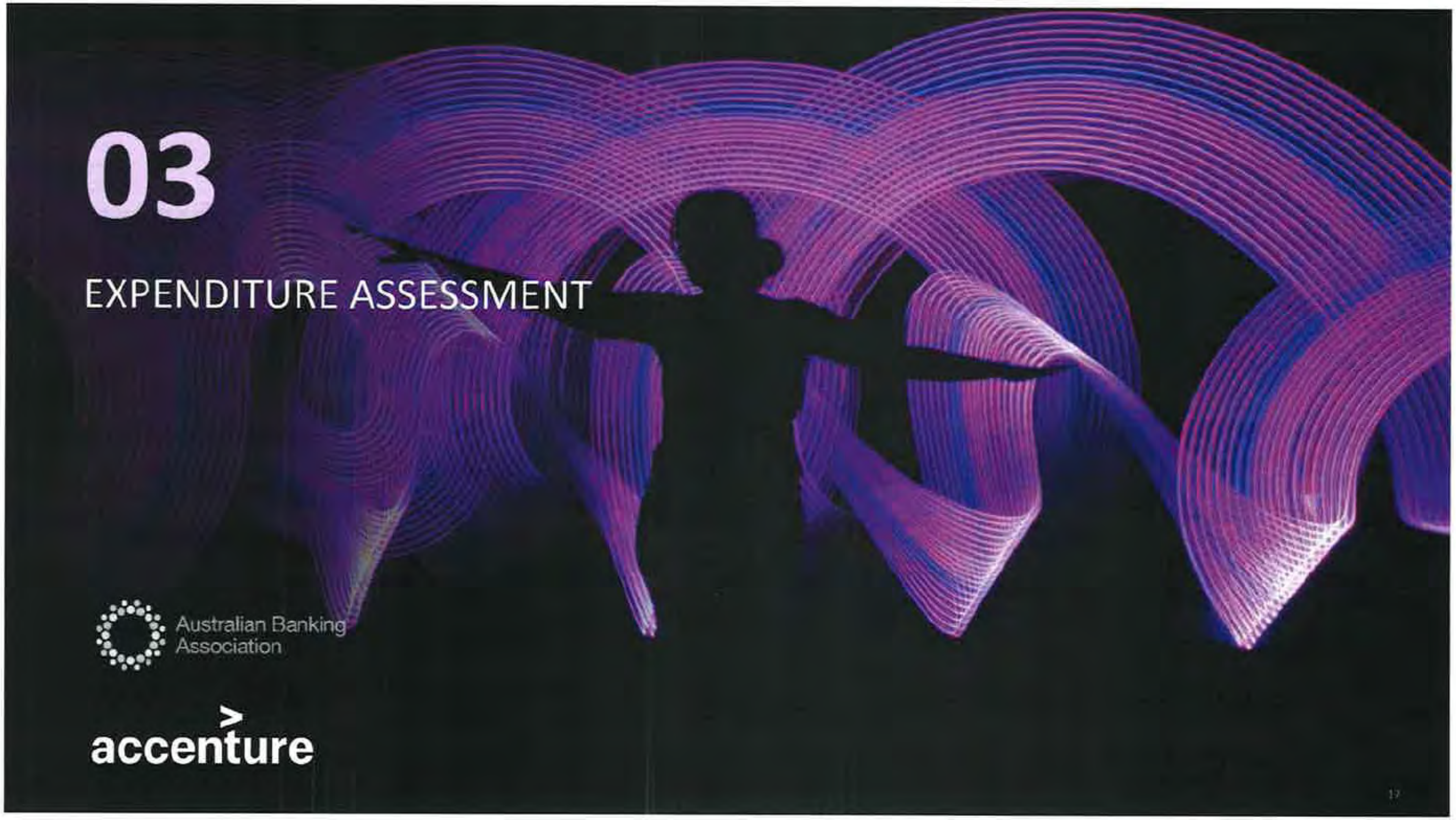
Key Observations:

- There are five key use case categories provided by ADRs identified in the reported ADR dataset: PFM, BFM, Connectivity Services, Digital Lending, and Product Comparison
- Across 2021-23, these five categories generally account for ~70% of total use cases offered by ADRs – which is a proxy for customer use case usage
- Use case category diversity appears to be increasing as evidence with the introduction of Digital Lending in 2022

Use Case Category Examples:[2]
- **PFM:** budgeting, micro-investing, loyalty/rewards
- **BFM:** ledger management, automated reconciliation
- **Connectivity Services:** CDR build outsourcing, white-labelling
- **Digital Lending:** peer to peer lending, micro-loans
- **Product Comparison:** interest monitoring, credit card comparison

Key Insights:

- While use case introduction appears slow, there appears to be feature/function innovation within each use case category
- However, this has not yet converted into increased customers suggesting diminishing returns on product innovation and diversity


03
EXPENDITURE ASSESSMENT
Australian Banking Association
accenture

The banking industry is estimated to have spent ~$1.5b on CDR to date, with a relatively high proportion of expenditure incurred by Mid-Tier banks

3.1.1 Total CDR expenditure – Major vs. Mid-Tiers

Key Observations:

- The total industry spend has been augmented by ~30% based on detailed spend analysis to account for:
  1. CDR expenditure by banks not participating in survey
  2. CDR expenditure by subsidiary brands of banks participating in survey
  3. Participating banks noting that 100% direct cost attribution is not possible and therefore there is likely underreporting of actual/indirect CDR expenditure
- From 2018 – 2023, surveyed Banks have reported a total expenditure of $1.1B, with ~75% ($847M) incurred by Majors and ~25% ($273M) by Mid-Tiers
- ~60% of investment occurred by 2021 as Majors and Mid-Tiers prepared to become compliant

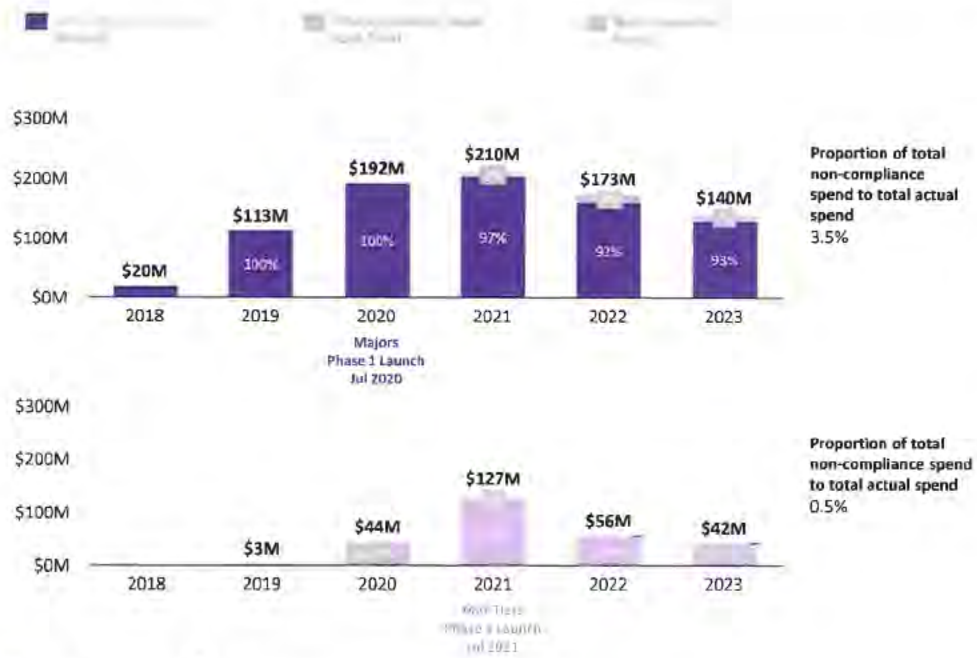
Key Insights:

- The proportional split of reported CDR spend between Majors and Mid-Tiers is **not aligned with relative CDR arrangement and customer volumes** (see Exhibit 2.1.4)
- Taking 2021-23, CDR costs have been disproportionately higher for Mid-Tier banks.
  - Indicative % CDR Spend to Operating Revenue is: **~0.2% for Majors**, and **~0.7% for Mid-Tiers**
  - Indicative % CDR Spend to Operating Costs is: **~0.4% for Majors**, and **~1.1% for Mid-Tiers**

Australian Banking Association accenture

The high level of compliance spend required by the banking industry has severely limited capacity for investment into ADR functionality, with Mid-Tier banks affected further

3.1.2 CDR Compliance Vs. Non-compliance Expenditure



Key Observations:

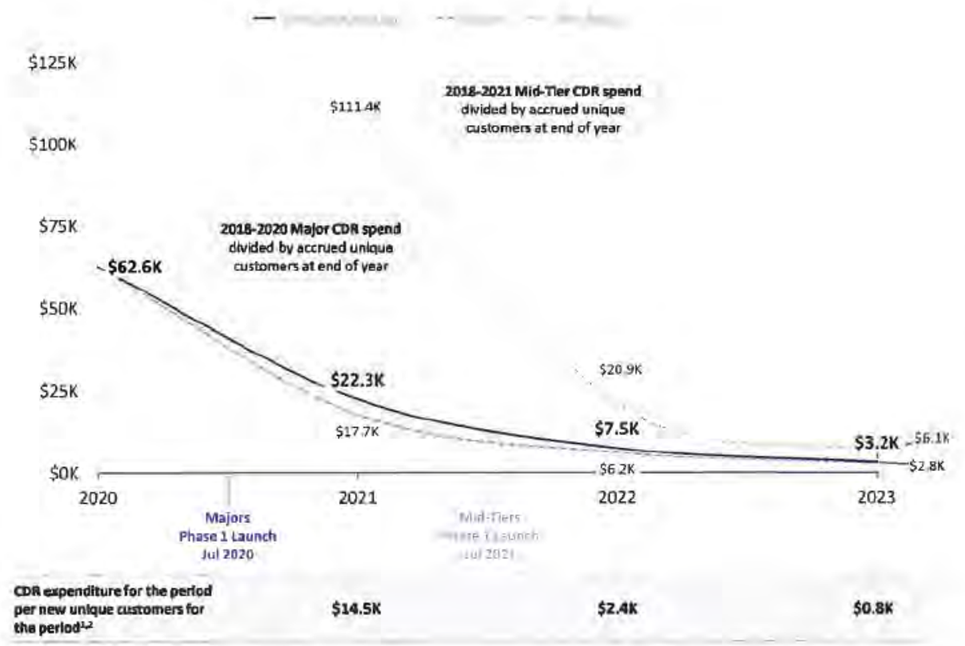
- Of the reported CDR expenditure between 2018-2023 **97% was on compliance**
- In total the **Majors spent ~3.5%** of their CDR budget on non-compliance initiatives, while the **Mid-Tiers spent ~0.5%**

Key Insights:

- The level of CDR expenditure required by data holders to meet compliance obligations has crowded out meaningful investment into ADR functionality
- Persistently high compliance spend will continue to limit the capacity of data holders to invest in strategic CDR initiatives, impacting the overall availability and appeal of ADR functionality for consumers

Despite a decline in the cost of CDR per customer over time, it remains economically unsustainable

3.2.1 CDR Spend per Customer



Key Observations:

- The accrued CDR cost per accrued customer has declined to from 2020 at $62.6K to $3.2K in 2023
- In 2023, the accrued CDR cost per accrued customer is **$6.1K for Mid-Tiers which is double that of Majors at $2.8K**
- The deceleration rate is 67% between 2021-22, and 57% in 2022-23
- The CDR cost for the year per new customers for the year has declined from $14.5K in 2021 to $0.8K in 2023

Key Insights:

- While the cost of CDR per customer has declined, **it appears to be settling at a relatively high level (~$3K per customer)**
- On a cost per customer basis **the disproportionate impact for Mid-Tiers is likely to be structural**
- The limited customer uptake of CDR has resulted in a very high accrued cost per customer and implies a long payback period

04

DATA HOLDER PERSPECTIVES

Australian Banking Association

accenture

Australian banks are supportive of the intent of the CDR, however, stakeholder interviews surfaced issues across design and implementation have inhibited the CDR's success

DESIGN

At the system level, there has been an **insufficient focus on cost and substantiation of benefits** – with the resultant scope, standards, and obligations often being too extensive, complex, and excessively expensive to implement

IMPLEMENTATION

Interpreting and aligning on the numerous technical and data standards, along with scheme changes, has resulted in **additional costs and re-work – pressuring time to compliance and limiting efficiency**

OBJECTIVE OUTCOMES

The CDR objectives have largely not been achieved, and in some cases have had adverse outcomes – namely **disproportionate impacts for Mid-Tier banks**

OTHER OUTCOMES

Banks have incurred **significant opportunity cost** in implementing CDR with little overall benefit – for some this has necessitated difficult trade-offs, stagnating progress across a range of key strategic priorities that would have otherwise benefited consumers

In design, there was an insufficient focus on cost and benefits for the system – with the resulting scope, standards, and obligations being too extensive and prescriptive

WHAT WORKED ...

- **Vision & Objectives:**
  Banks are supportive of the CDR's intent and its overall role in helping position Australian as a leading digital economy
- **Consultation:**
  High level consultation with and representation by the banks at all stages, albeit with limited impact on CDR design

WHAT DIDN'T WORK ...

- **Uses Case Specification:**
  Limited engagement with industry and consumers to surface data-sharing use cases with compelling (cross-industry) value propositions
- **Commercial Lens:**
  No apparent cost/benefit analysis in (use case and product) scope decisions
- **Scope:**
  Product and data scope seen as too broad, resulting in comparatively significant implementation costs with little consumer benefit
- **Standards / Obligations:**
  Comparatively, large number of standards and obligations to comply with (1,400)
- **Data Standards Advisory Committee:**
  Committee unable to create mechanisms to appropriately balance voices / considerations

IMPLICATIONS ...

System not attracting customers and not facilitating ADRs to innovate at pace, resulting in limited value created, at great costs for banks

'Where is the data that drives policy? ... Seems like a knee jerk reaction – unqualified and unsubstantiated with data and customer feedback'
– Major Bank

'There appears to be little thinking about customer experience to drive up take'
– Mid-Tier Bank

Interpreting and aligning on the numerous technical and data standards, along with scheme changes, has resulted in additional costs and re-work – creating significant compliance complexity

WHAT WORKED ...

- **Collaboration:**
  Initial market participant collaboration was productive, largely due to fewer participants
- **Governance:**
  Regulatory dialog seen as productive, with major governance bodies providing prescriptive guidance and early pragmatism to help facilitate compliance – E.g. taking on feedback on obligations / standards, helping devise compliance rectification schemes, etc

WHAT DIDN'T WORK ...

- **Standards / Obligations:**
  As the CDR evolved, the uniform application of extensive and prescriptive standards prevented banks from adapting standards on a principles basis to accommodate variances in products, datasets, and technology structures. The sequencing of standards/obligations was seen as not strategic
- **Scheme Changes:**
  Rule and operating changes – with limited economic and timeline analysis done on implications and value of changes
- **Timelines**
  Compliance phases/timelines seen as too compressed (given change magnitude, change complexity, and legacy systems landscape), with changes introduced too fast without sufficient testing and stabilisation – resulting in 109 compliance exemptions[1]
- **Governance:**
  Governance was less effective as the number of participants grew – creating a larger group with more diverse objectives

IMPLICATIONS ...

Significant implementation complexity, with frequent re-work – pressuring time to compliance and limiting component reusability – ultimately resulting in a system that was not fit-for-purpose

'It was too fast – not enough time to do our own full vision and strategy, and come out with something of more value'
– Major Bank

'It was an evolving operational framework – we were building something that was constantly changing'
– Mid-Tier Bank

The CDR objectives have largely not been achieved, and in some cases have had unintended consequences – namely to competition, stemming from the disproportionate impact on Mid-Tier banks

PARTIALLY ACHIEVED

SAFER & MORE SECURE DATA SHARING

- Key measures – such as API-based data-sharing, data sharing rules/standards, and ADH/ADR registration – seen as positive actions, creating a safer alternative to screen-scraping
- While the infrastructure has been built, the primary benefits will not be derived until the CDR displaces less secure data sharing options. This will require public trust and/or awareness in the system – in part driven by the appeal of propositions – to grow significantly

'Folks are spooked about CDR ... we need to drive confidence in CDR'
– Mid-Tier Bank

LARGELY NOT ACHIEVED

CONSUMER UTILITY

- Seen as not achieved due to the low customer uptake, largely as a result of several inter-related issues, namely:
  - Limited compelling use cases
  - Limited public awareness of CDR
  - Limited underlying trust in sharing data – especially in the advent of data breaches and/or scams

'We need to look at CDR from a consumer perspective – not from an industry perspective'
– Major Bank

INNOVATION

- Bank ADR propositions are likely to be a significant driver of overall consumer awareness and growth given high levels of trust and engagement already , however no compelling use cases have been created due to:
  - Limited use case value potential
  - Crowding out of innovation by compliance spend
- Agreement that a consumer-led approach to data standards (e.g. building to key moments in consumers' lives) would be key to drive data-sharing use case innovation
- Cross-industry/sector data seen as key to facilitate use case innovation

'We can't meet the innovation objective because so much time and cost in trying to be compliant'
– Major Bank

ADVERSELY IMPACTED

COMPETITION & MARKET EFFICIENCY

- Feedback and data from Mid-Tiers indicates they have been disproportionally impacted due to relatively higher compliance spend and lower headroom to absorb these costs without investment trade-offs
- Relatively low and stagnate number of ADRs in-market (aligned with ADR data) – with several ADRs recently exiting due lack of economic viability
- Current CDR reciprocity rules seen as not working – making changes to this may spur on innovation and competition

'We are ~2-years behind all our strategic projects as a result of CDR, making it harder for us to maintain or improve our NPS'
– Mid-Tier Bank

Australian Banking Association | accenture

CDR implementation through opportunity cost has led to significant indirect costs. While there were some indirect benefits, prescriptiveness and sequencing requirements limited these

ANCILLARY COSTS

Most banks have indicated that CDR was one of their largest programs, typically with dedicated resources, that ***invariably took away from key discretionary spend on a range of strategic priorities***

- *'Impacts our customers in the end ... Takes away from money we could be spending on them, kept customers in a worse state because they didn't use CDR'*
  – Mid-Tier Bank
- *'We're pushing for value [CDR innovation], but getting little value [CDR customer uptake]'*
  – Major Bank
- *'CDR took 90% of our digital capacity, people, and funding ..... Delayed investments in digital app and core banking'*
  – Mid-Tier Bank
- *'We're having to make conscious trade-offs with privacy, AML, scams/fraud, and so on'*
  – Mid-Tier Bank
- *'Didn't have ability to invest in value proposition for significant segments such as youth for three years. . . AML/CTF catch up is significant. . . Competitive positioning hindered'*
  – Mid-Tier Bank
- *'Didn't have time to invest and implement intelligently – E.g. for component reusuability'*
  – Major Bank

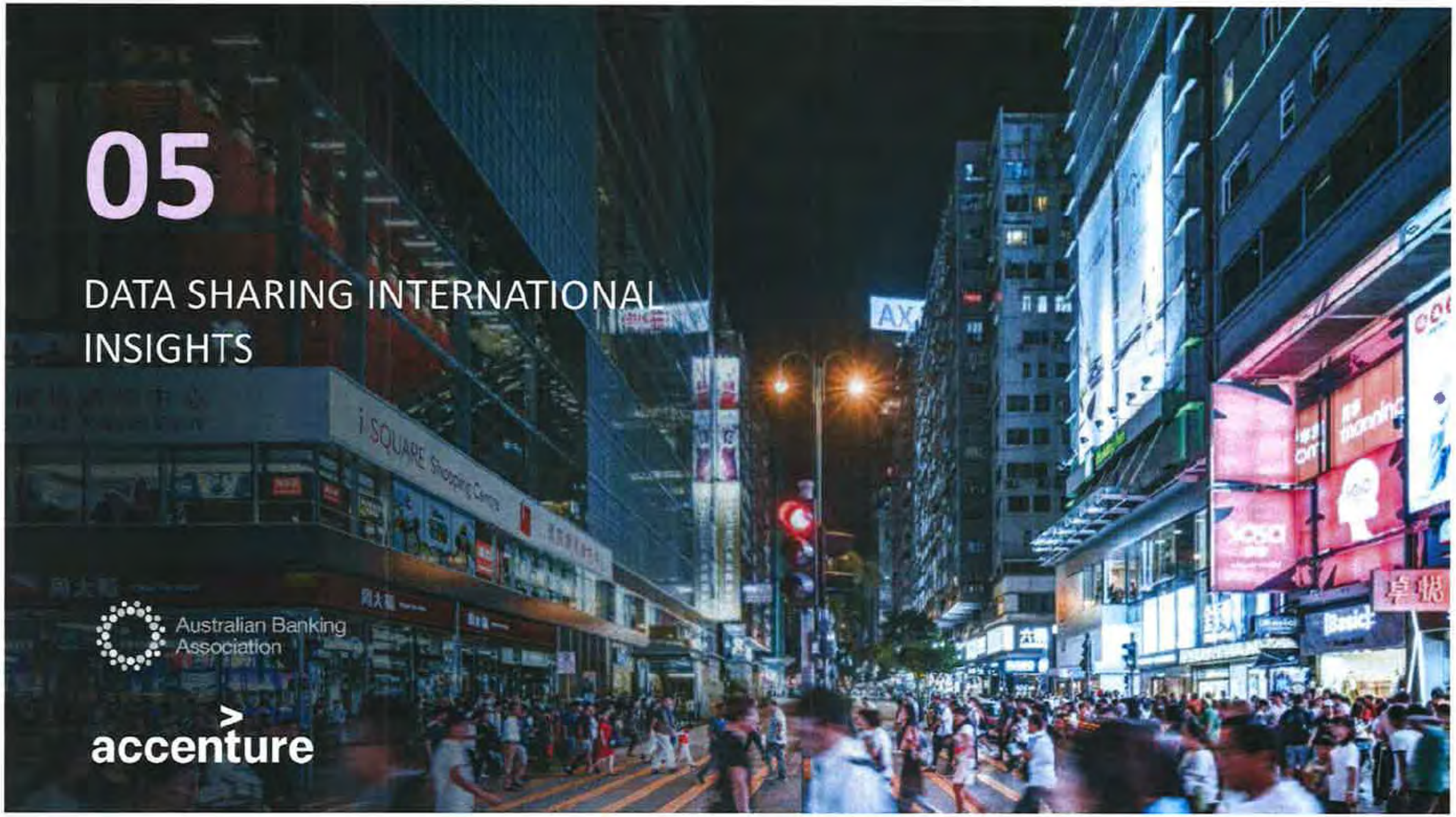
ANCILLARY BENEFITS

While efforts were made to develop use cases, banks observed very little tangible benefits in implementing CDR – including ***minimal auxiliary benefits***

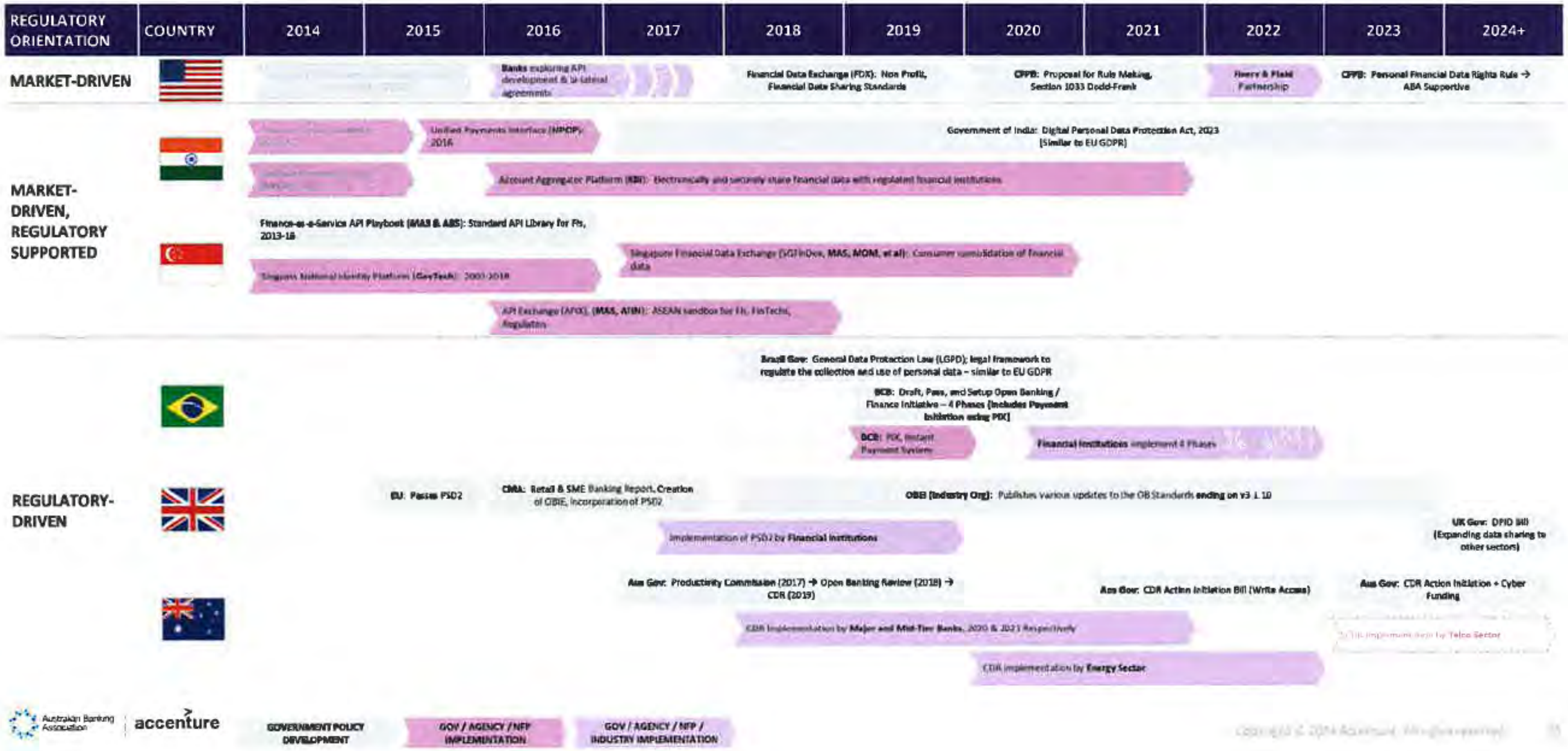
- *'There were no material ancillary benefits'*
  – Major Bank
- *'Built strategic assets ahead of time, but built inefficiently and need to now put in quality controls, putting teams under lots of pressure'*
  – Mid-Tier Bank
- *'Allowed us to develop a new data platform for enterprise benefit; Real time speed layer – used as data source for core banking'*
  – Mid-Tier Bank

05

DATA SHARING INTERNATIONAL INSIGHTS



For insights and lessons learned from global open banking regimes, we have examined a diverse set of recent and contemporary implementations



Selected data sharing regimes have been assessed against several factors – including consumer receptiveness, nature of the supporting ecosystem, and depth/breadth of the policy environment

Data-Sharing Jurisdictions Examined

Gleaning insights and lessons learned from comparable international consumer data-sharing regimes is useful to help shape future considerations for Australia's CDR.

A sample of data-sharing regimes have been selected based on three regime and jurisdiction characteristics:

- Comparable market environment
- Contemporary data sharing schemes
- Breadth across regulatory market and hybrid schemes

Data Sharing Regime Assessment Framework

DIMENSION	SUB-DIMENSION	SUB-SUB DIMENSION
CONTEXT	Market Structure	Regime Orientation
		Banking Market Structure
	Ecosystem	Infrastructure Enablers
	Consumer Receptiveness	Unmet Consumer Needs (Banking, Payments, etc.)
		Trust in Banks' Intent
POLICY DESIGN	Objectives	Policy Objectives
		Measures of Success
	Scope	Nature of Data Access (READ / WRITE)
		API Focus
		Sectors Covered
	Standards & Security	Standards Prescriptiveness
		Accreditation Requirement
		Participation Requirement
IMPLEMENTATION & OUTCOMES	Implementation	Education & Engagement
	Impact	Indicative Market Adoption

Key Factors Driving Data-Sharing Adoption

Key Influencing Factors

- Consumer receptiveness
- Nature of supporting ecosystem
- Depth and breadth of policy & data settings – *'i.e. the policy environment'*

Key Measure of Success

Market Adoption (consumers, businesses, government etc.)

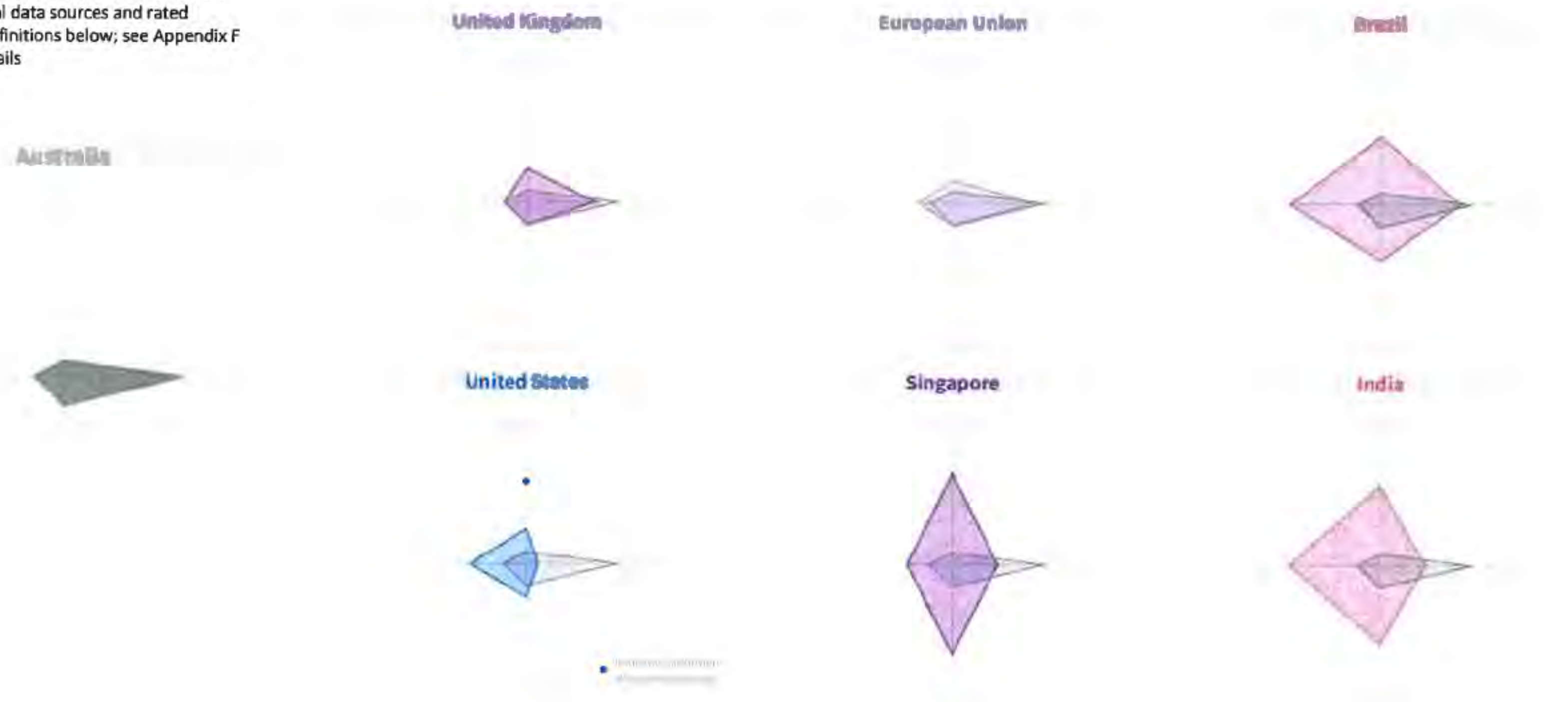
Australian Banking Association | accenture

We leveraged a set of criteria with typical characteristics for the key factors influencing consumer data-sharing adoption

		LOW (1-3)	MODERATE (4-6)	HIGH (7-9)
Measure of Success	**Market Adoption** *2023 or latest figure*	<15% of consumer banking population using API-based data sharing facility	15-30% of consumer banking population using API-based data sharing facility	>30% of consumer banking population using API-based data sharing facility
Key Influencing Factors	**Consumer Receptiveness** *As at time of considering regime implementation*	• Low unmet consumer needs (e.g., low unbanked population) • Substitute to API-based data sharing (e.g., payments, screen scraping) readily used • Low trust towards financial system and/or government	• Moderate unmet consumer needs (e.g., moderate unbanked population) • Substitute to API-based data sharing (e.g., payments, screen scraping) available • Moderate trust towards financial system and/or government	• High unmet consumer needs (e.g., high unbanked population) • No/inadequate substitute to API-based data sharing available (e.g., payments, screen scraping) • High trust towards financial system and/or government
	Enabling Ecosystem *As at time of considering regime implementation*	• No tech infrastructure setup, limited non-tech enablers (e.g., API playbooks, etc.)	• Core technology/data infrastructure enablers implemented (e.g., Digital ID, real-time payments, etc.)	• Core technology/data infrastructure with additional enablers (e.g., API sandbox, etc.)
	Policy Depth & Breadth *As at time of considering regime implementation*	• Minimal level of government involvement • Regulator guidelines/principles for voluntary participant adoption • Limited product scope	• Moderate level of government involvement • Govt. issued prescriptive legal framework and prescriptive technical / data standards • Mandatory compliance for key participants only • Moderate product scope	• Primarily government led • Govt. issued prescriptive legal framework and prescriptive technical / data standards • Mandatory compliance for all participants and/or cross sector application • Broad product scope

Analysis suggests that pre-existing related infrastructure (e.g. digital identity), market-driven implementation and consumer receptiveness (e.g. through trust, appealing propositions) are key drivers to uptake [1/2]

Spider charts show indicative positions based on triangulating several data sources and rated according to the definitions below; see Appendix F for comparison details



Jurisdictions with higher adoption rates (Singapore, India) exhibit a high score in at least one of these categories (consumer receptiveness and enabling ecosystem), with moderate policy depth/breadth [2/2]

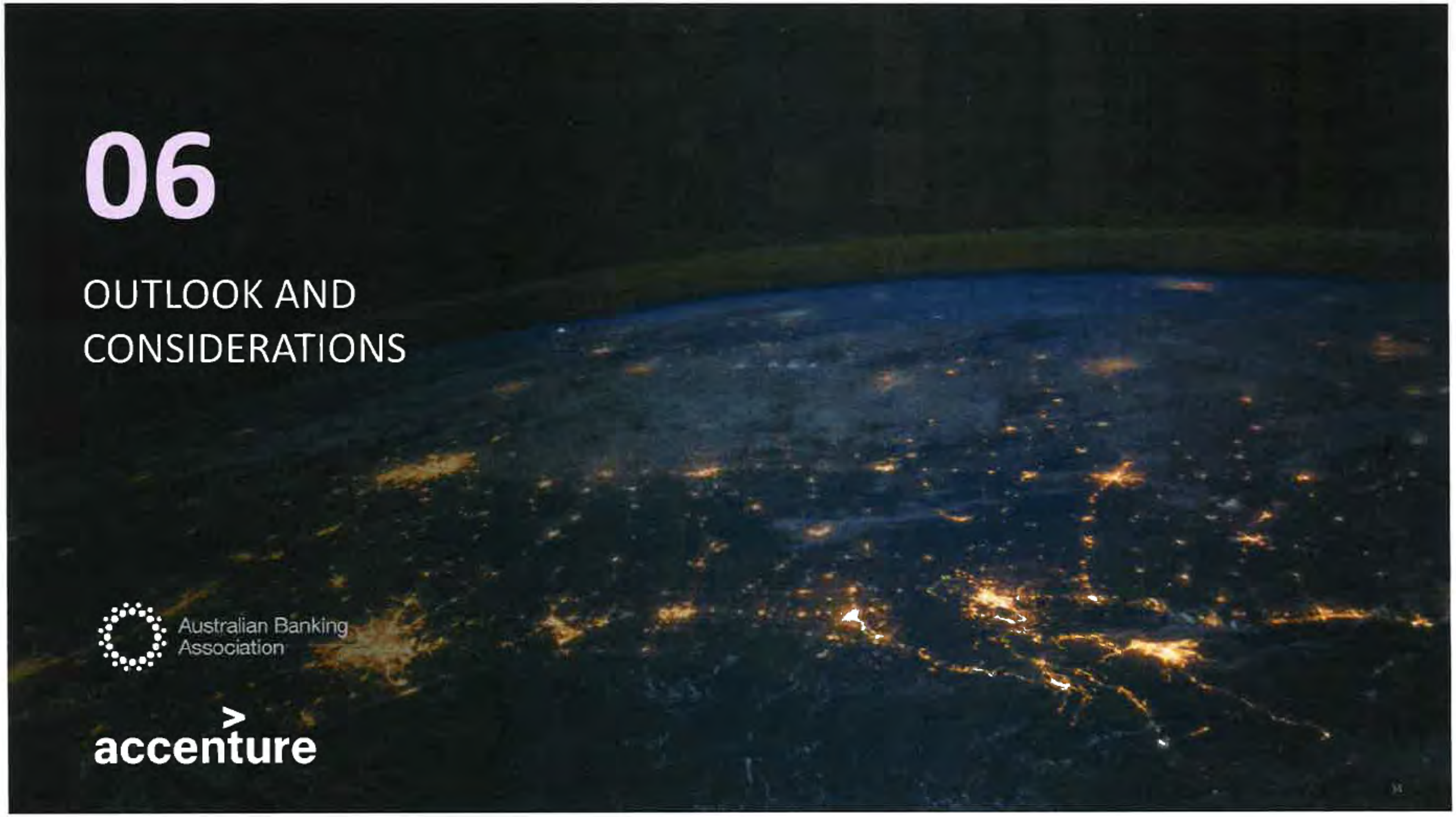
DIMENSION *Scores and Rationales* **ADOPTION KEY** Low (1-3) High (7-9)	**AU (CDR)** Regulatory-driven 2019	**UK (PSD2)** Regulatory-driven 2015	**EU (PSD2)** Regulatory-driven 2015	**Brazil (Open Finance)** Regulatory-driven 2020	**Singapore** Market-driven, Government Supported 2016	**India ('Indian Stack')** Market-driven, Government Supported 2016	**US** Market-driven 2017
Adoption Rate[1] *2023, or latest figure*	**1** 0.4%	**3** 12.7%	**2** 9.8%	**6** 19.6%	**8** ~45 – 70%[2]	**7** 61.7%	**3** Low for API data sharing; High for screen scraping (87.0%)
Consumer Receptiveness *As at time of considering regime implementation*	**2** • Low unmet consumer needs • Substitutes available (screen scraping) • Low trust	**2** • Low unmet consumer needs • Substitutes available (screen scraping, payments) • Low trust	**3** • Moderate unmet consumer needs • Substitutes available (screen scraping, payments) • Low trust	**8** • High unmet consumer needs (payments, relatively high unbanked population) • Substitutes available (screen scraping) • High trust	**4** • Low unmet consumer needs • Substitutes available (screen scraping) • High trust	**8** • High unmet consumer needs (payments, relatively high unbanked population) • Substitutes available (screen scraping) • High trust	**5** • Moderate unmet consumer needs • Substitutes readily used (screen scraping, payments) • Moderate trust
Enabling Ecosystem *As at time of considering regime implementation*	**2** • No to limited tech infra enablers	**2** • No to limited tech infra enablers	**2** • No to limited tech infra enablers	**5** • PIX (Instant Payment System) • BCB Regulatory Sandbox • Vibrant FinTech environment	**8** • API Playbook • Singpass National Identity Platform • API Exchange (APIX) • SGFinDex • APIX Sandbox • Vibrant FinTech environment	**7** • Aadhaar Digital ID • Aadhaar Payments Bridge • Unified Payments Interface • Account Aggregator Platform	**3** • Data Sharing Standards
Policy Depth & Breadth	**8** • Prescriptive legal framework and prescriptive technical / data standards • Mandatory for all banks, energy, and telco sectors • Narrow industry, broad product scope (Loans, Mortgages, Term Deposits, FX, etc.)	**6** • Govt. issued prescriptive legal framework and prescriptive technical / data standards • Mandatory for 9 Major Banks • Limited product scope	**7** • Govt. issued prescriptive legal framework and prescriptive technical / data standards • Mandatory for all Banks • Limited product scope	**7** • Govt. issued prescriptive legal framework and prescriptive technical / data standards • Mandatory for Key Participants • Multi-sector, broad product scope (Insurance, Investments, FX, etc.)	**4** • Regulator guidelines, API playbooks for voluntary participant adoption • Ecosystem (SGFindex) resulted in a reduction of policy required to encourage implementation	**4** • Regulator guidelines, API playbooks for voluntary participant adoption • Ecosystem (Account Aggregator Platform) resulted in a reduction of policy required to encourage implementation	**1** • N/A – the latest is a Proposal by CFPB in 2020

More successful regimes tend to be market-driven, voluntary (India and Singapore), and lower compliance burdens. Write-access does not appear to be a determinant factor

Data scope is generally wider in breadth (products, sectors), but narrower in depth (lower data requirements within products)

DIMENSION *Scores and Rationales* ADOPTION KEY Low (1-3) High (7-9)	**AU (CDR)** Regulatory-driven 2019	**UK (PSD2)** Regulatory-driven 2015	**EU (PSD2)** Regulatory-driven 2015	**Brazil (Open Finance)** Regulatory-driven 2020	**Singapore** Market-driven, Government Supported 2016	**India ('Indian Stack')** Market-driven, Government Supported 2016	**US** Market-driven 2017
Adoption Rate[1] *2023, or latest figure*	1 0.4%	3 12.7%	2 9.8%	6 19.6%	8 ~45 – 70%[2]	7 61.7%	3 Low for API data sharing; High for screen scraping (87.0%)
Scope & Nature of Data Access	Wide Product Scope Read Only	Narrow Product Scope Read & Write	Narrow Product Scope Read & Write	Wide Product Scope Read & Write	Wide Product Scope Read & Write	Wide Product Scope Read & Write	Narrow Product Scope Read & Write
Read Access *(Non-Exhaustive)*							
Current Account Information	✓	✓	✓	✓	✓	✓	✓
Transaction History	✓	✓	✓	✓	✓	✓	✓
Other Accounts *e.g., loans, investments, FX*	✓	-	-	✓	✓	✓	-
Write Access *(Non-Exhaustive)*							
Payment Initiation	PayTo	✓	✓	✓	✓	✓	✓

API SCOPE KEY Policy defined Market defined


06
OUTLOOK AND
CONSIDERATIONS
Australian Banking
Association
accenture

The CDR has had some limited success in building the infrastructure to support data sharing. However, there is no indication that other objectives will be meaningfully met without reform

CDR OBJECTIVES	ASSESSMENT	BANK DATA	BANK INTERVIEWS	GLOBAL INSIGHTS	CURRENT OUTLOOK
Safer & More Secure Data Sharing	PARTIALLY ACHIEVED	[illegible]	The CDR infrastructure enables safe and secure data sharing, however widespread functionality and uptake are required if the benefits to consumers are to be realised	Internationally, jurisdictions are moving towards API-based data-sharing away from screen-scraping	**Significant uptake of the CDR by consumers and businesses is required to displace less secure forms of data sharing and unlock new ones**
Consumer Benefit	LARGELY NOT ACHIEVED	CDR has had low customer and arrangement uptake, and is showing early signs of deceleration	Currently there are limited compelling use cases and low awareness which has hampered CDR consumer adoption	Australia's market adoption is significantly lower than comparable jurisdictions	**There is minimal evidence to suggest that material growth in adoption will occur in the current environment – limiting the extent of customer benefit realisation**
Innovation	LARGELY NOT ACHIEVED	ADRs have struggled to establish compelling use cases and gain traction with customers	Various compliance burdens have limited capacity for ADR innovation Limited opportunity to innovate with only banking data included	Markets with infrastructure ecosystem enablers tend to generate compelling consumer propositions, fostering data-sharing innovation and competition	**Innovation needs to be grounded in consumer needs to facilitate the development the likelihood of compelling use cases**
Competition & Market Efficiency	ADVERSELY IMPACTED	Limited success achieving a competitive ADR market; cost of CDR economically unsustainable for banks	Mid-Tiers have been disproportionally impacted through CDR compliance	Markets with infrastructure ecosystem enablers tend to foster data-sharing innovation and competition	**Compliance burdens and complexity need to be rationalised to encourage new entrants and ensure participation is not unviable for Mid-Tier banks**

A Glossary

B *Confidential*

C Use Cases Categories Definitions & Mapping

D Bank Interview Guide

Key CDR and Report Terms

Term	Explanation
Accredited Data Holder (ADH)	A legal entity that holds a consumer's data – for example, a financial institution, such as a bank, that holds a consumer's account information, or a utility company that holds a consumer's energy usage data. Data holders are subject to data sharing obligations under the CDR Rules.
Accredited Data Recipient (ADR)	A legal entity that can receive a consumer's data under the Consumer Data Right and use that data to provide the consumer with goods and services with the consumer's consent. Accreditation criteria, including privacy and information security requirements, are set by the ACCC in consultation with the government, Consumer Data Right agencies and industry.
Application Programming Interface (API)	A common interface or intermediary that enables two or more software applications to communicate with each other and exchange data. APIs are a structured way to represent data stored in a database. The Data Standards specify the APIs through which data holders offer consumer data to ADRs.
Arrangement	In the context of consent and an authorisation, an arrangement is the continuous relationship established by one or more consecutive consent and authorisations between the ADR and the DH. An arrangement is identified by a cdr_arrangement_id that connects the revoked consent with the new consent. The original existing consent is revoked, and a new consent is created, connected to the original consent by an arrangement. An arrangement allows a consent effectively to continue beyond the maximum 12 month duration for a consent. An arrangement also allows a consent effectively to be amended.
Consumer Consents	A consent is a permission given by a consumer to an ADR to collect, use and disclose their data. The 'Consumer Consents' metric records the total number of active consumer consents that are present with a data holder.
Data Standards	The Consumer Data Standards are standards that data holders and ADRs must follow. They are available at consumerdatastandardsaustralia.github.io/standards
Major Bank	An Australian bank that is part of Australia's 'Big-4' banks – i.e. CBA, Westpac, NAB, ANZ
Mid-Tier Bank	An Australian bank that is not part of Australia's 'Big-4'
New Payments Platform (NPP)	The NPP is a distributed switch of individual 'Payment Access Gateways' that route and exchange financial messages between each other. The platform enables Australian consumers, businesses, and government agencies to make and receive data-rich payments in real-time between bank accounts, 24 hours a day, 7 days a week.
PayID	The addressing service within the NPP ecosystem to enable payments. PayID allows you to use a mobile number, email address, ABN or Organisation Identifier as a way to receive fast payments.
PayTo	PayTo is also an NPP payment method. PayTo provides both push and pull payment (pulling money automatically out of a payers account).
Read vs. Write Access	The ability of an application or service to request and retrieve data from another system or platform via an API. Write-access enables two-way interaction by allowing an application or service to send data back or write transactions to the host system through the API, thereby enabling action initiation such as transferring money, paying bills, or opening/making changes to consumer accounts.
Technical Standards	Technical Standards for the Consumer Data Right specify how the accredited parties within a sector comply with the requirements of the rules. Standards are formulated for each sector and have been developed through four work streams: API standards, information security standards; consumer experience standards; and engineering.

Australian Banking Association | accenture

CDR Use Case Category Definitions

Category	Definition	Examples Features (Non-Exhaustive)
Personal Financial Management (PFM)	Applications/tools to support individuals to manage their financial life which may include providing a comprehensive view of finances to inform decisions, budgeting and saving to achieve goals, manage investments and insurance.	• Advanced budgeting features • Round-ups for micro-investment • Loyalty & rewards
Business Management Services (BMS)	Solutions/platforms to support businesses in streamlining financial operations, enhance efficiency, and provide insights for informed decision-making.	• Account aggregation • Financial management • Bank reconciliations
Product Comparison	Solution to empower consumers to make informed financial product choices by offering comparisons tailored to specific consumer needs, ensuring the best deals and terms.	• Loan comparison platforms • Credit card comparison sites
Digital Lending	Innovate lending by offering new lending products, and/or streamlining the lending process through efficient risk assessment.	• Payday lending • Peer-to-peer lending • Micro-loans
CDR Connectivity Services	Intermediaries within the CDR ecosystem, aiding in the build of new CDR apps or providing services facilitating easier data-sharing.	• Open banking APIs for third-party developers • Developer solutions • White-labelling solutions

Key Topic Areas for Bank Interviews

Category	Key questions for discussion
Implementation	• How would you describe your bank's experience with CDR implementation? What went well, what didn't go well? • Were there aspects of the overall design of CDR that created challenges?
Outcomes	• Has the CDR been a success for your bank? Why, why not? (NB: success is deliberately undefined and could relate to commercial/strategic outcomes, cost, etc.) • Has the CDR's implementation reflected its 4 original design principles? (principles: 1) consumer focussed, 2) encouraging competition, 3) creating opportunities, 4) efficiency/fairness) – Has the CDR improved consumer outcomes? (e.g. better value for money, greater digital innovation, more competition)
Costs	• How significant have implementation costs been? (absolute and relative to overall business investment) • Have trade-offs been made to prioritise CDR funding requirements? (e.g. lower capacity for strategic/other investment, cost reduction/recovery elsewhere) • Has the CDR represented value for money? (both financial outlays and technical resourcing) • Did implementation incur indirect, ancillary, and/or unexpected costs? (e.g. unplanned technology costs, unexpected complexity, opportunity costs (alternative investments, etc.), dependency costs - e.g. impacts to banking app)
Benefits	• What benefits has CDR delivered? (e.g. data recipient functionality, enablement of innovation/improved customer experience, higher NPS, etc.) • Were there ancillary and/or unexpected benefits from your CDR implementation? (e.g. technology modernisation, strategic/commercial benefits, process/capability improvements, etc.)
Outcome drivers	• What do you see as the key drivers behind any identified successes and challenges with the CDR's implementation? (e.g. overall regime design, internal/external governance, technology environment customer proposition, etc.)
Outlook	• How optimistic do you feel about the CDR going forward? • Should improvements or modifications be made to any part of the CDR going forward? (e.g. program design, policy, governance, etc.) • What are your views Treasury's proposed 'Action Initiation' (i.e. 'Write Access')? • What strategic/customer initiatives (if applicable) is your bank investing/has invested in that supports similar use cases/consumer outcomes to the CDR? (e.g. personal financial management) – How successful have these been relative to CDR?

Australian Banking Association accenture

From: s 47F [redacted]
To: Robertson, Belinda
Cc: s 47F [redacted]
Subject: Action Initiation - CDR (ABA submission)
Date: Tuesday, 25 October 2022 2:35:50 PM
Attachments: image001.png
221024 - ABA sub - Action Initiation - Final.pdf

Hi Belinda,

On behalf of s 47F [redacted] and the ABA, thank you again for your time, and the Minister's time today. It is much appreciated.

As discussed, please find the ABA's submission on CDR and action initiation attached.

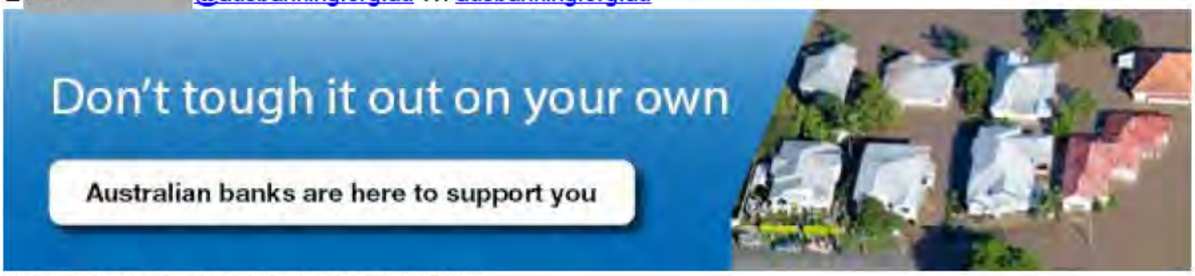
Please feel free to reach out to myself or s 47F [redacted] (CCed) with any questions.

And all the best again with Budget tonight and coming days.

Kind regards

s 47F [redacted]
Government Relations and Communications
Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F [redacted]
E s 47F [redacted]@ausbanking.org.au W: ausbanking.org.au



Australian Banking Association

FOI 3504 Document 3A

24 October 2022

Future Directions Unit
Consumer Data and Digital Division
Treasury
Langton Cres
Parkes ACT 2600
By email: data@treasury.gov.au

Consumer Data Right - Exposure draft legislation to enable action initiation

The Australian Banking Association (**ABA**) welcomes the opportunity to comment on Treasury's consultation on the Consumer Data Right (**CDR**) – Exposure draft legislation to enable action initiation.

Recent, significant cyber security incidents and the compromise of millions of customer records have highlighted the cyber risk environment and made Australians more cautious about the safety and security their data. As a result, ABA member banks are significantly concerned about the potential risk implications for consumer and small business data and financial information.

Ahead of the expansion of the CDR through action initiation, the ABA encourages the Government to carefully consider and address the scams, fraud and cyber risks, while the CDR is still in its early stages. Now is the time to ensure regulatory settings prioritise the protection of consumers.

It is critical that the safety and security of the CDR ecosystem is retained and strengthened, and that a careful consideration of the phasing of the rollout of action types based on use value, risk and complexity is undertaken.

To this end, the ABA makes some recommendations to protect customers, and ensure a strategic approach to the implementation of CDR action types:

1. The legislation should not restrict banks from applying and uplifting scam, fraud and cybersecurity measures
2. A strategic assessment should be conducted ahead of declaring any actions
3. Payment initiation needs to align with broader payments work
4. The Government should allow further time for the CDR to mature, bed down CDR sectoral implementations and ensure extensive consultation before declaring actions.

Key recommendations

1. The legislation should not restrict banks from applying and uplifting scam, fraud and cybersecurity measures

As more Australians experience scams, frauds and cyber-attacks, banks are actively working with regulators, conducting awareness campaigns and building a range of sophisticated detection tools to pick up on unusual behaviours in close to real time to stop suspicious transactions. By the engagement of a third party standing in the shoes of the customer, action initiation potentially introduces a range of new risks for which banks may need to develop specific scam, fraud and cyber mitigation tools.

While accreditation, the rules and standards can assist in reducing some risks, the draft legislation appears to open the door to actions carrying high risk (e.g., payments), while limiting the ability of banks as Action Service Providers (**ASPs**) to address them. This is in the context of the need to rapidly increase the maturity and scale of such preventative measures and the growing number and complexity of scams, frauds and cyber-attacks.

Under s 56BZC, ASPs "must perform a validly requested action in relation to a CDR consumer if, having regard to criteria to be set out in the consumer data rules, they would ordinarily perform actions of that type in the course of their business in relation to that consumer."

The Explanatory Memorandum (EM) notes that "this is not intended to prevent an ASP applying extra security or other checks to CDR action requests on the basis that a third party is involved, provided it is consistent with existing practices. Businesses are also still allowed to refuse to perform an action, provided they do not discriminate against instructions that come through the CDR."

While helpful, we note that the CDR law should not force ASPs to comply with any instruction, just as they are not compelled to act on any customer instruction where they have concerns over the risks of that instruction. The phrase "existing practices" seems to limit the ability of banks to apply fraud protections to current and not newer or additional measures in the future. Also, the phrase "provided they do not discriminate against instructions that come through the CDR" does not recognise that CDR action initiation can have its own risks that need to be assessed and possibly addressed through specific measures.

As an example, involving a third party in the place of the customer will mean the loss of some visibility of the customer through behavioural data such as the device used, the IP address of the customer and the time and date of the instruction. Such markers may be used to reduce fraud and cyber risks, potentially on a close to real time basis, and with a third-party instruction a source of behavioural data could be lost or not be available in a form that can be used by the bank. Given this, banks will need to assess the risk profile of those instructions and potentially develop new solutions specific to addressing the risks that may be posed by CDR actions.

The ABA recommends clarifying s 56BZC to explicitly enable ASPs to refuse to act on a request if it does not meet the ASPs scam, fraud or cyber risk appetite. For example, ASPs should be able to set a transaction limit on CDR payment instructions and should be able not to perform actions above that limit, if they assess the risk of such payment channels warrant a higher degree of protection. Furthermore, banks should be able to refuse an instruction where they detect or determine an elevated risk to their customers and/or have not received confirmation from the customer of an instruction, and this should be made clear in the law.

2. A strategic assessment should be conducted ahead of declaring any actions

Before declaring any action type, the ABA recommends a full strategic assessment and a cost/benefit analysis be undertaken by Government to determine whether the cost of building for an action type is outweighed by the consumer benefit. Work should be undertaken to understand potential use cases, the scams, fraud and cyber risks, the utility to customers compared with alternative options, and the regulatory or technology barriers that need addressing ahead of implementing any action type.

Even for the most viable or valuable use cases such as payments initiation, this assessment should be conducted to understand the merits and timing of implementation to ensure a cohesive policy approach.

Other use cases such as opening and closing accounts should also be examined with the lens of utility value compared with current or alternative methods. For example, many action types may require other technology developments such as digital ID, and others may require changes to other legal frameworks such as AML/CTF laws. Where these intervening requirements add friction to the process and deliver a poor customer experience, it may not be worthwhile to pursue those actions.

Finally, we note that the strategic assessment should take stock of developments overseas and consider the learnings from jurisdictions such as the United Kingdom and the European Union ahead of finalising the policy specifications.

3. Payment initiation needs to align with broader payments work

In addition to a strategic assessment of the broader CDR environment, further work is required for some action types such as payment initiation. For example, ahead of declaring payment initiation there should be an analysis of the interlinkages with the Payments System Review recommendations on strategy and licensing, and the timing of payment initiation should consider these developments.

In particular, Accredited Action Initiators (**AAI**) accreditation should align with the payments licence, and there should be clearer co-ordination on standard-setting so that there are harmonised requirements between AAIs and Payment Services Providers (**PSPs**). The license should also ensure a fit-for-purpose liability framework that clarifies circumstances where AAIs are liable for consumer losses.

Payment initiation should also align with the PayTo implementation roadmap, and accreditation for AAIs align with the requirements for third-party payment initiation under the New Payments Platform. We note that utilising PayTo to execute CDR payment initiation instructions may provide an effective and efficient way for ASPs to meet their obligations while resolving some key issues raised above on liability. For this reason, we consider CDR payment initiation should be enabled once PayTo has been implemented and reaches some level of maturity.

4. The Government should allow further time for the CDR to mature, bed down CDR sectoral implementations and ensure extensive consultation before declaring actions.

The CDR is yet to mature, and there are several sectors that are either being progressed for designation or still implementing their compliance obligations as data holders. Use cases are still developing, and customer usage is still low. Research has found that only 18% of consumers feel comfortable sharing data,[1] and we suggest far fewer would be comfortable with third parties initiating actions on their behalf using shared data. This is understandable, given recent cyber security breaches.

In this context, moving quickly can mean consumers are more hesitant to use CDR action initiation, and are likely to be more exposed to higher risks if security and fraud risks are not well considered, resulting further in less trust and less use of the CDR.

The ABA considers the CDR needs more time to grow naturally, and that increasing functionality at this stage may not result in more customers using the CDR. On the contrary, adding these functionalities without allowing the market a level of stability to enable use case development could impede the development of a competitive market for use cases.

Adding action initiation in the near term may also compromise the intended outcome by adding considerable strain on finite resources and staff.

In light of these factors, the ABA recommends the government allow a period of at least 18-24 months ahead of declaring actions for implementation. During this period, work can be undertaken to implement a strategic assessment, support businesses to meet existing and new compliance obligations, build customer awareness and trust, and allow the CDR to mature.

Thank you for the opportunity to provide feedback. If you have any queries, please contact me at s 47F [redacted]@ausbanking.org.au

Yours sincerely,

s 47F [redacted]

Australian Banking Association

[1] Zepto Consumer research. Source: https://australianfintech.com.au/open-finance-more-than-half-of-australians-not-comfortable-sharing-their-data-to-access-better-deals/

FOI 3700 Document 4

From: s 47F
To: Robertson, Belinda
Cc: s 47F
Subject: Bank On It - new ABA report
Date: Tuesday, 6 June 2023 4:59:09 PM
Attachments: image001.png
Bank On It - Customer Trends 2023.pdf

Hi Belinda,

I hope you have been keeping well.

For your office's information, please find attached a report that the ABA will be launching and becoming public tomorrow at the 2023 ABA Banking Conference (taking place 7-8 June).

It contains new data on mobile wallet usage, digitisation trends, and other consumer shifts.

We kindly ask that the report be kept internally within your office until tomorrow.

Happy to discuss if you have any questions.

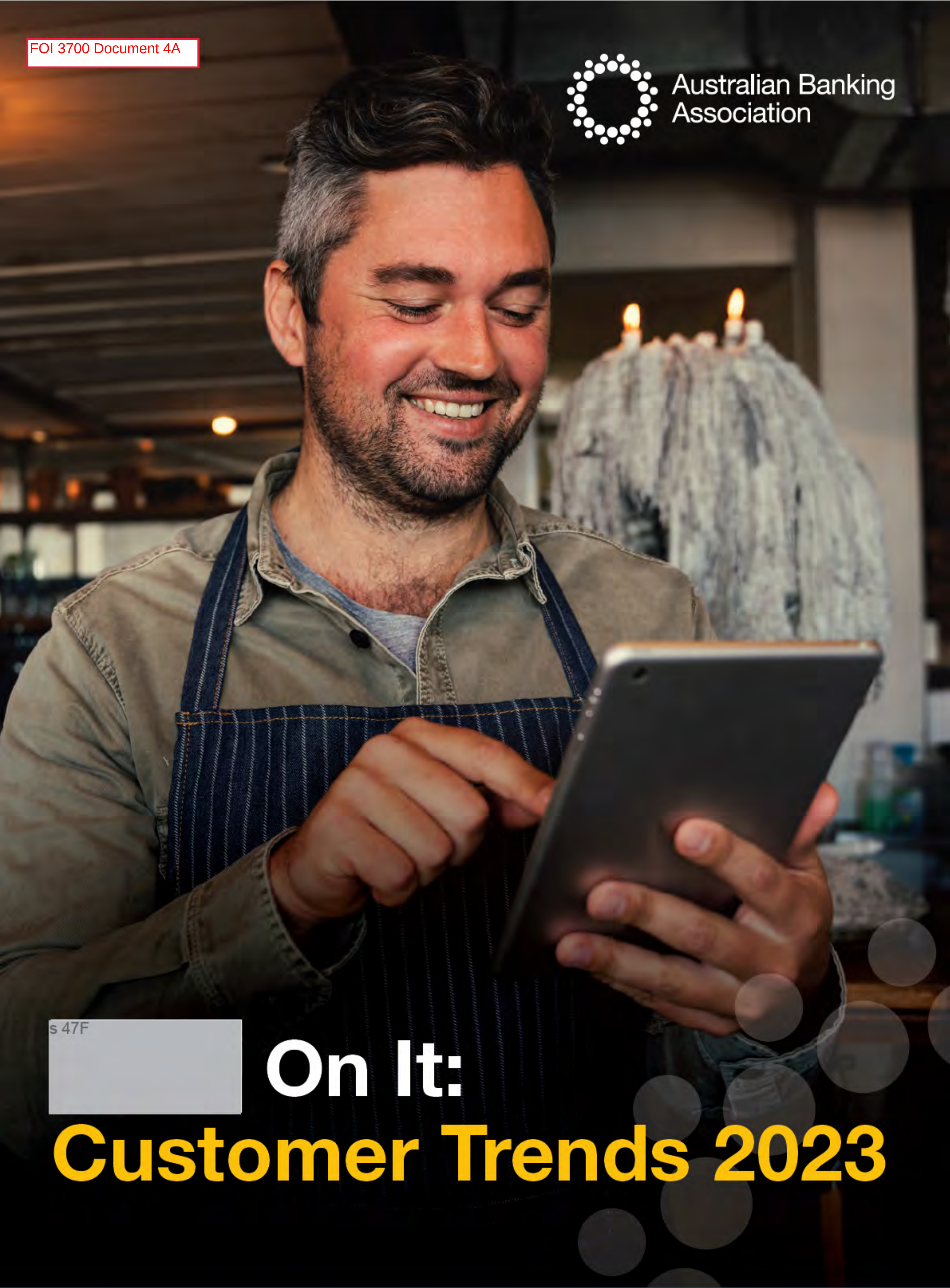
Kind regards

s 47F
Government Relations and Communications
Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F
E: s 47F @ausbanking.org.au W: ausbanking.org.au
W: bankingconference.com.au

Australian Banking Association Limited. ABN 60 117 262 978.

The ABA acknowledges hat our office sits on the traditional land of the Gadigal people of the Eora nation and that our member banks and their services are located across many traditional lands of Aboriginal and Torres Strait Islander peoples. We pay our respect to all first nation peoples and thank hem for their custodianship of our country over housands of years.



Australian Banking Association

s 47F [redacted] On It:
Customer Trends 2023

Table of Contents

Commissioned by

Australian Banking Association

Research by

accenture

Note: All dollar figures are in Australian dollars and accurate as of 2023.

Foreword by ABA CEO Anna Bligh

Like many other parts of our economy, banks in Australia are undergoing a major customer-led digital transformation.

Australians have always been early adopters of technology. But COVID-19 health restrictions accelerated this existing digital trend, resulting in even larger numbers of Australian households and businesses moving online.

Once online, many customers have found the accessibility and the 24/7 availability of digital banking a very convenient way to bank.

These digital shifts have also contributed to a dramatic reduction in the use of bank branches and a significant move to digital transactions. Customers are now undertaking 98.9 per cent of all bank transactions digitally and report the highest satisfaction using this channel (pages 12-16).

Cards overtook cash a decade ago, with cash representing just 13 per cent of customer payments by number, down from 70 per cent in 2007 (page 25).

Meanwhile, Australians are not just leaving their wallets at home, they are digitising them. The popularity of mobile wallet transactions has sky-rocketed from $746 million in 2018 to more than $93 billion in 2022, while the number of cards that were registered to mobile wallets rose from just over 2 million to 15.3 million over the same period (page 30).

Australians are now among the world's top users of cashless payments, exceeding the United Kingdom, the United States, France and Germany (page 32).

Where banks have reshaped their networks to reflect changing customer use, 98 per cent of branch closures have occurred within three kilometres of another branch of the same bank or one of 3,540 face-to-face Bank@Post locations across the country (page 20).[1]

Banks have continued to invest where their customers have been moving, with an eight-fold increase in technology investments since 2005, from $3.5 billion to $28.5 billion (page 22).

To help unpack this rapidly evolving shift, the Australian Banking Association has partnered with Accenture to deliver the *Bank On It*: *Customer Trends 2023* report.

Australia's digital landscape is changing to better serve customer needs – that you can bank on.

Yours sincerely,

Anna Bligh
CEO, Australian Banking Association

1. For banks that are Bank@Post partners

01

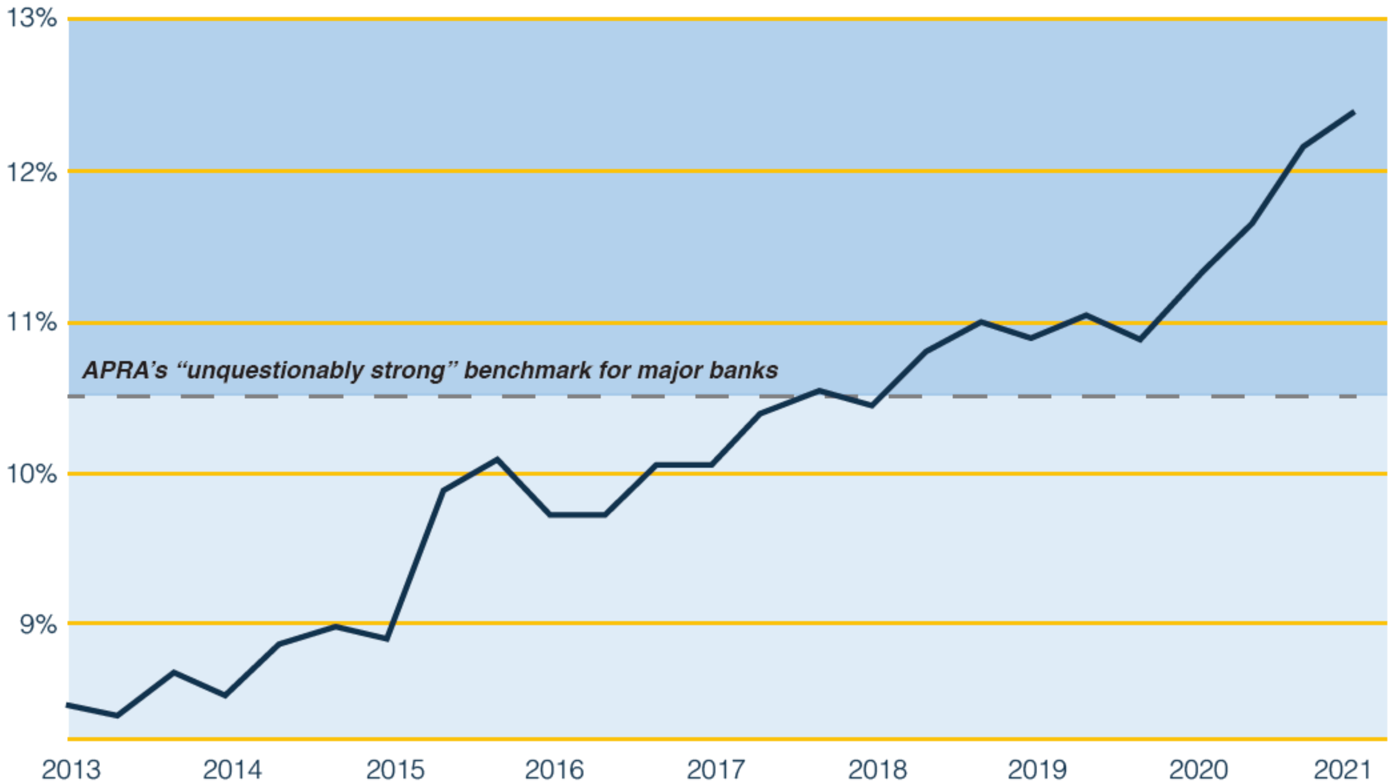
Economic context

Australian banks have strong capital positions that exceed APRA's requirements and global standards

- In 2013, Australia adopted the Basel III capital reforms, ahead of the timeline set by the Basel Committee on Banking Supervision.
- Australian banks were required to strengthen their capital position following the Financial System Inquiry in 2014.
- A 2023 Morgan Stanley analysis reported Australian banks as the best capitalised globally systemically important banks.
- In terms of capital levels, the four major Australian banks lead their peers in Canada, UK, Germany, Switzerland, Netherlands, France, Italy and China.

Common Equity Tier 1 (CET1) ratios of Australian banks have steadily increased

Average bank CET1 ratio (%)



Source: Estimates based on RBA Financial Stability Review (2021), APRA announces 'unquestionably strong' capital benchmarks 2017), Morgan Stanley
Note: The 'unquestionably strong' benchmarks are CET1 ratios of 10.5% for the four major Australian banks, 9.5% for other banks using the internal ratings-based approach for credit risk and 8.5% for other banks.

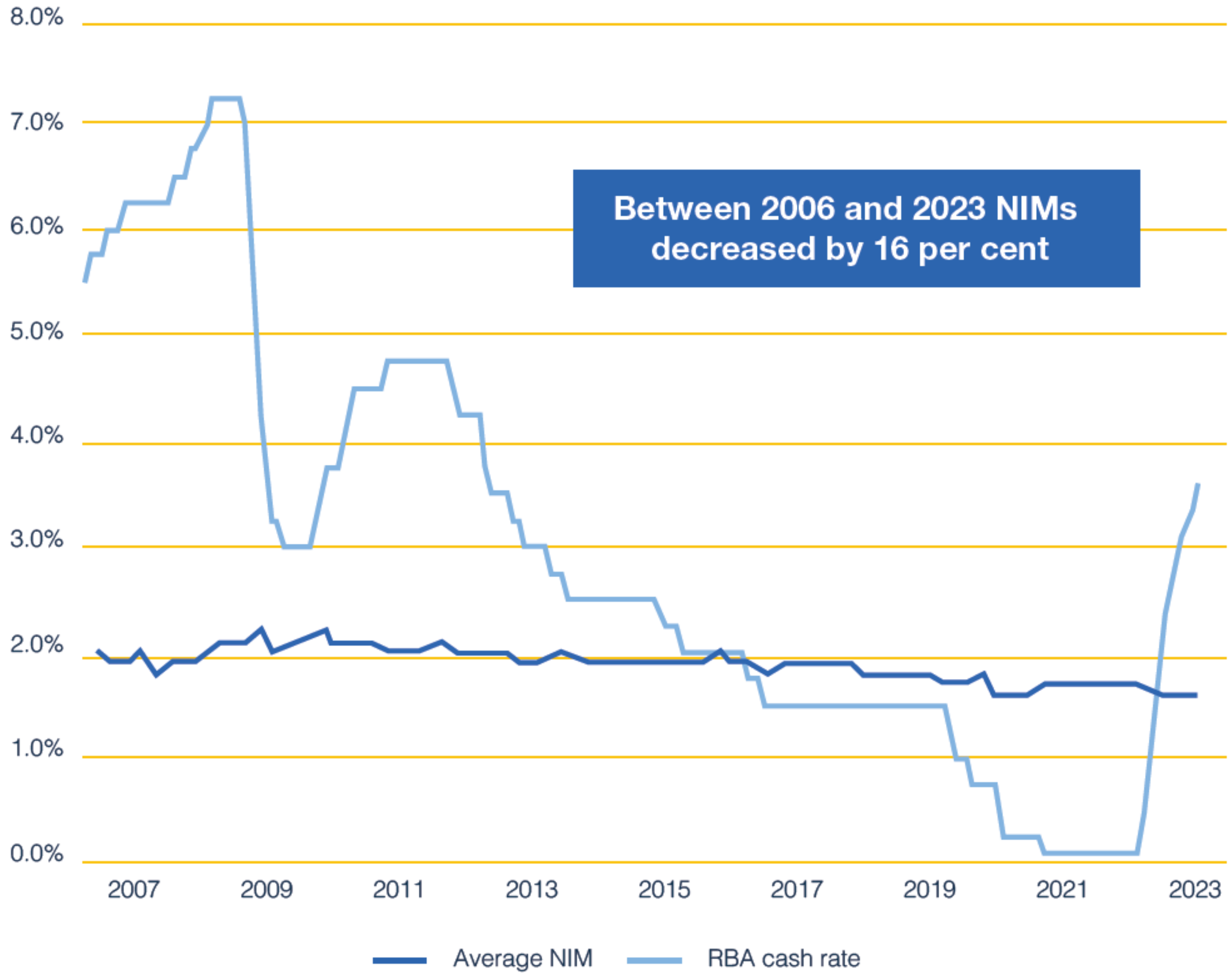
> **"Australian banks learned the lessons of the 2008 global financial crisis and have significantly strengthened their liquidity, funding and capital... [and] are well capitalised vs global peers"**
>
> Morgan Stanley research, March 2023.

Net interest margins (NIMs) have been steadily reducing in part owing to competition between banks

- Despite fluctuations in RBA interest rates since 2006, banks' NIMs have contracted steadily.
- Banks have competed on deposit and lending rates, resulting in lower margins and favourable customer outcomes.

While the RBA cash rate has fluctuated, banks' NIMs have decreased

Average NIMs vs RBA cash rate (%)



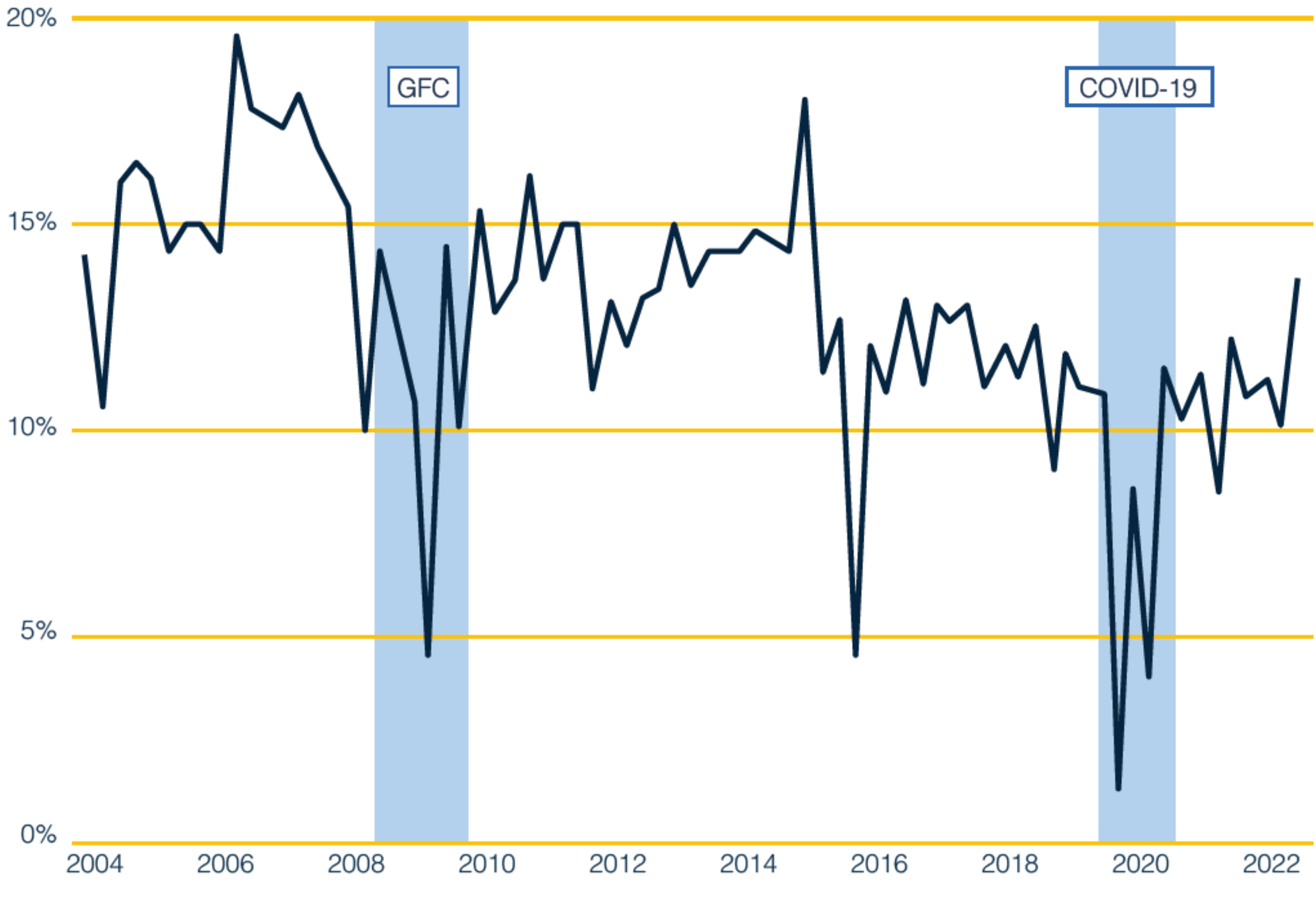
Source: Australian Prudential Regulation Authority Quarterly ADI statistics (2023) Accenture analysis, RBA Cash Rate Target (2023)

While still above the cost of capital, return on equity has declined driven by higher capital levels and increased competition

- Despite declining margins and economic shocks, banks are delivering solid capital returns.

Capital returns have also trended down

Headline return on equity across the (%, all ADIs)



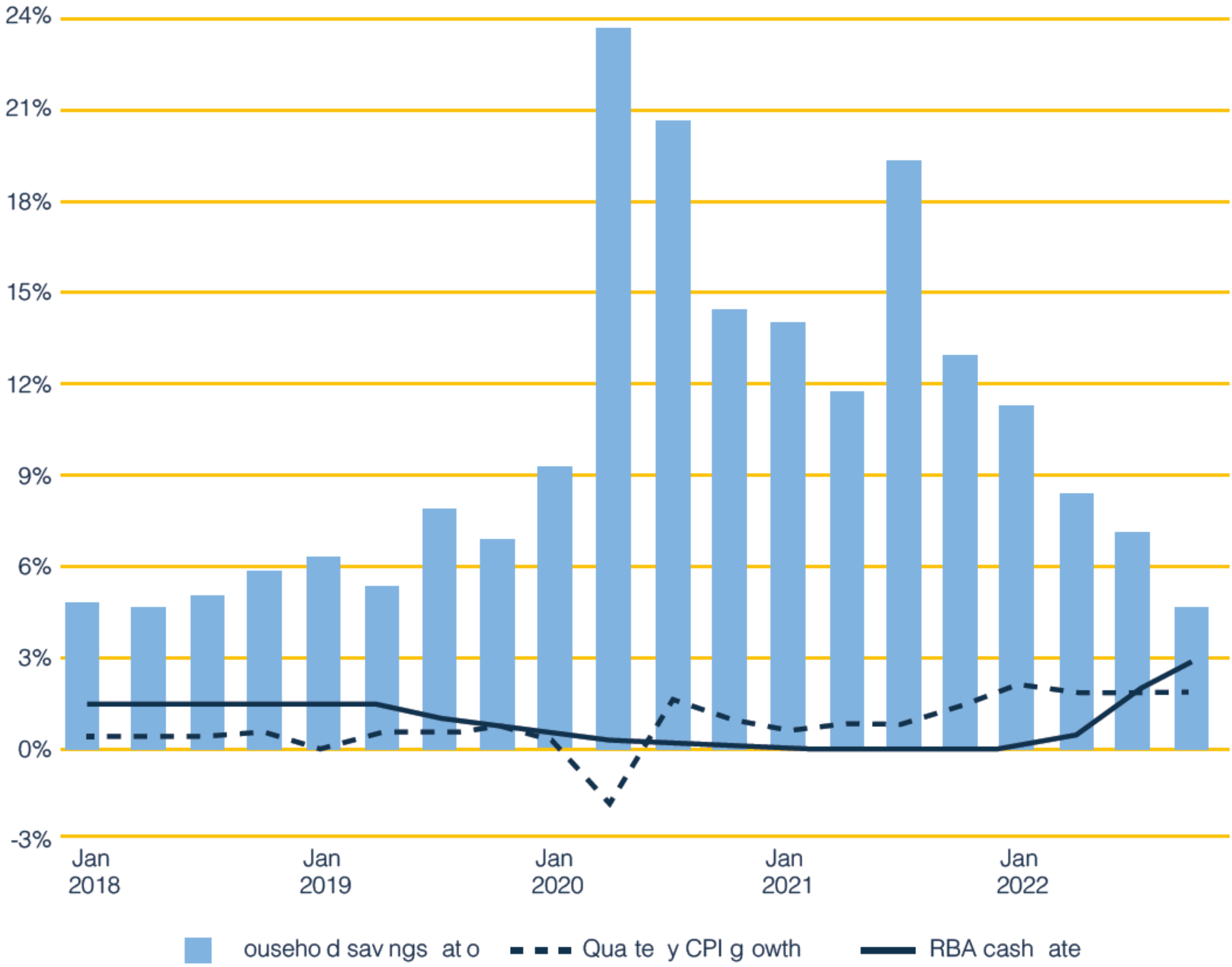
Source: Australian Prudential Regulation Authority Quarterly ADI statistics (2023)
Note 1: Headline Return on Equity is the post-provision value of Return on Equity.
Note 2: In Q1 FY16 there was a lower ROE number as a result of accounting adjustments. Underlying performance remained steady, evidenced by double digit ROEs in the preceding and following quarters.

Household savings are back to pre-pandemic levels after a two-year high indicating a normalisation of savings behaviour

- 2020: Household savings grew significantly as a result of COVID-19 lockdowns.
- 2021: Household savings remained high due to restricted spending, pandemic stimulus and low interest rates.
- 2022: Household savings returned to pre-pandemic levels.

Impact of current economic conditions on household savings

% of income saved by households



Note: Household savings are a measure of changes in net savings plus changes in real net worth of household assets and investments
Source: ABS National Accounts (2023); RBA cash rate target (2023); ABS Finance and Wealth (2023); ABS Leading Indicators (2023); Accenture analysis

02

How customers bank

Sensitivity to interest rates, competition and low barriers to switching are fuelling customer mobility in Australian banking

Australians are willing to switch banks...

1 in 6

1 in 6 Australians switched their main bank in 2022.

48%

c te compet t ve pr c ng or va ue for money

Of those who switched, almost half (48%) cited competitive pricing or value for money as a primary motivation.

2.4

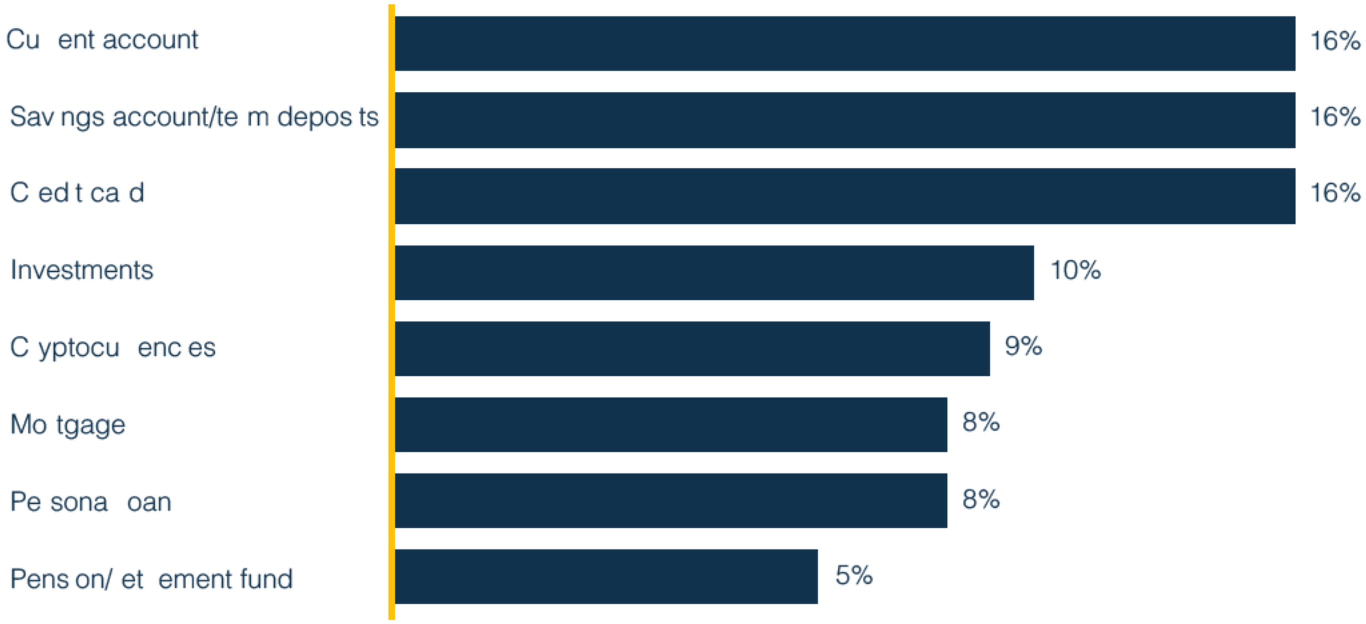
accounts

On average Australians have 2+ bank accounts per person.

Source: Accenture Global Financial Services Survey (2022). ABS Population Estimates by age and sex (2022). Bank Annual Reports (2022). ABA Member survery (2023).
Note: Estimated based on number of customers sourced from the ABA Survey of Member Banks and bank annual reports and the Australian population aged 15+.
Accenture Global FS Consumer Survey (n=2000, Australia)

..across lending, deposits and transactions products

Percent of respondents reporting they purchased/opened the following products or services in the past 12 months from a new provider (%)

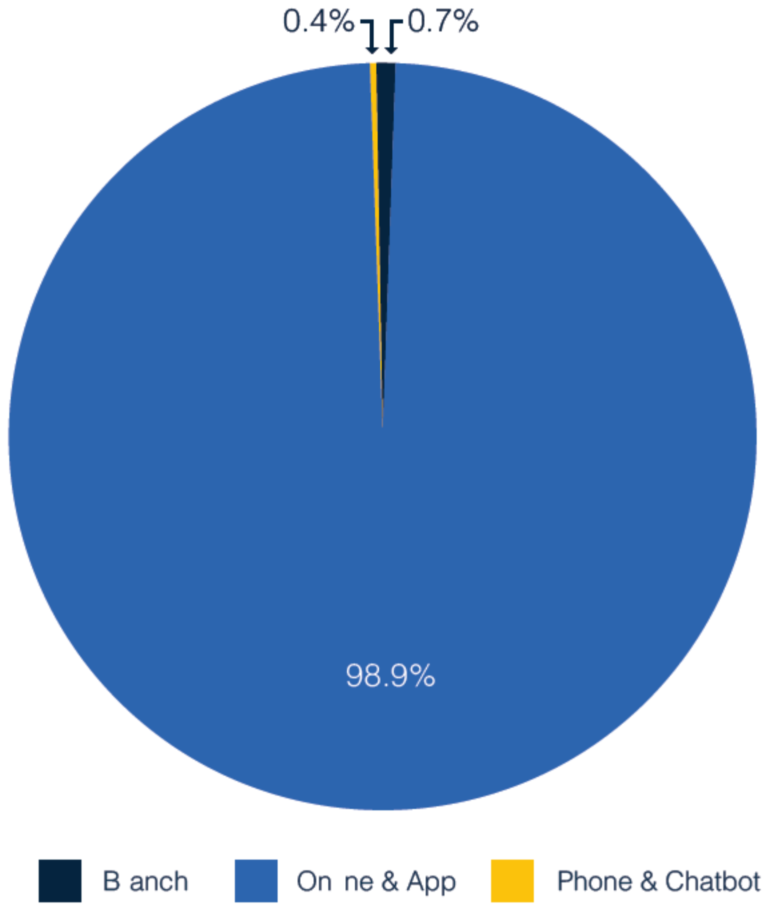


Source: Accenture Global Financial Services Survey (2022).

Australian bank customers have overwhelmingly shifted to digital continuing a pre-pandemic trend

The majority of transactions are now handled through online channels ...

Share of total transactions by channel (%, major banks) 2022



> “98.9%
> of total transactions are now made via **online and apps**”

Source: ABA Member Survey (2023).
Note: Online and app interactions are based on daily log ins. A single log in may lead to multiple interactions and hence is likely to be understated.

… with in-person branch transactions rapidly falling

Change in volume of interactions (%, major banks); 2019-22

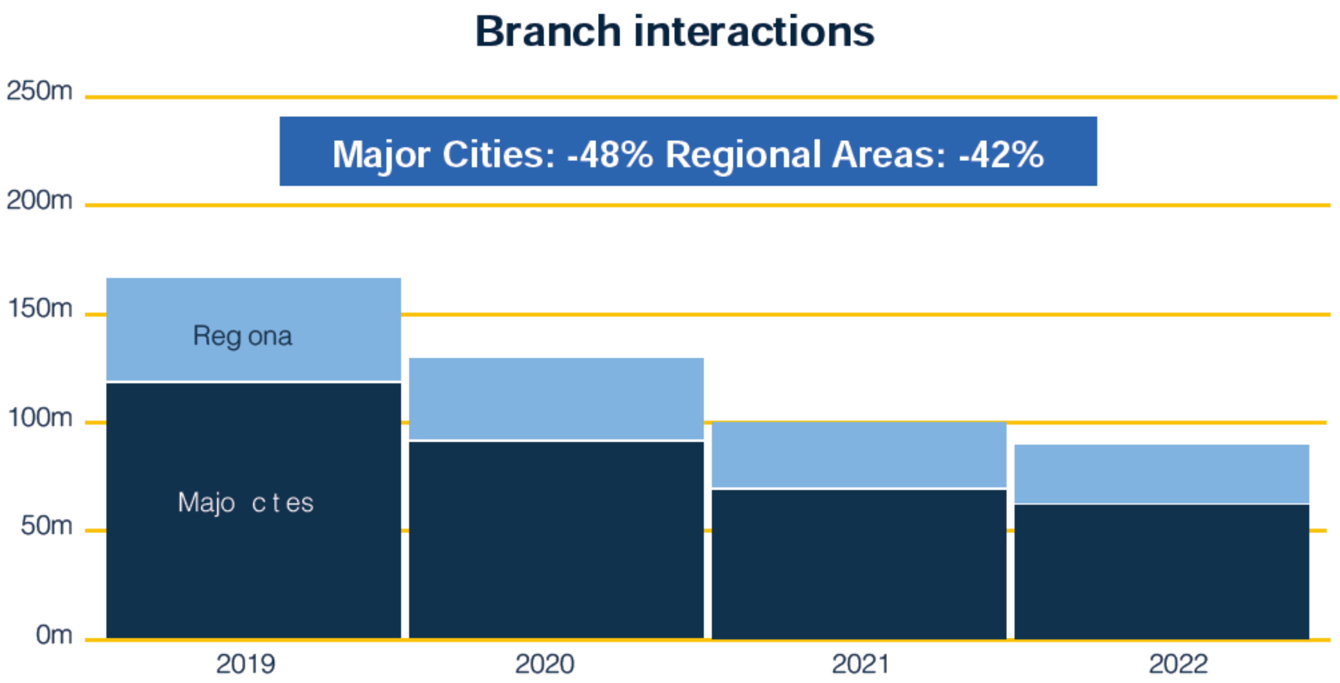
Branch	**46%** ↓ (FY19 to FY22)
Online & App	**26%** ↑ (FY19 to FY22)
Phone & Chatbot	**9%** ↑ (FY19 to FY22)

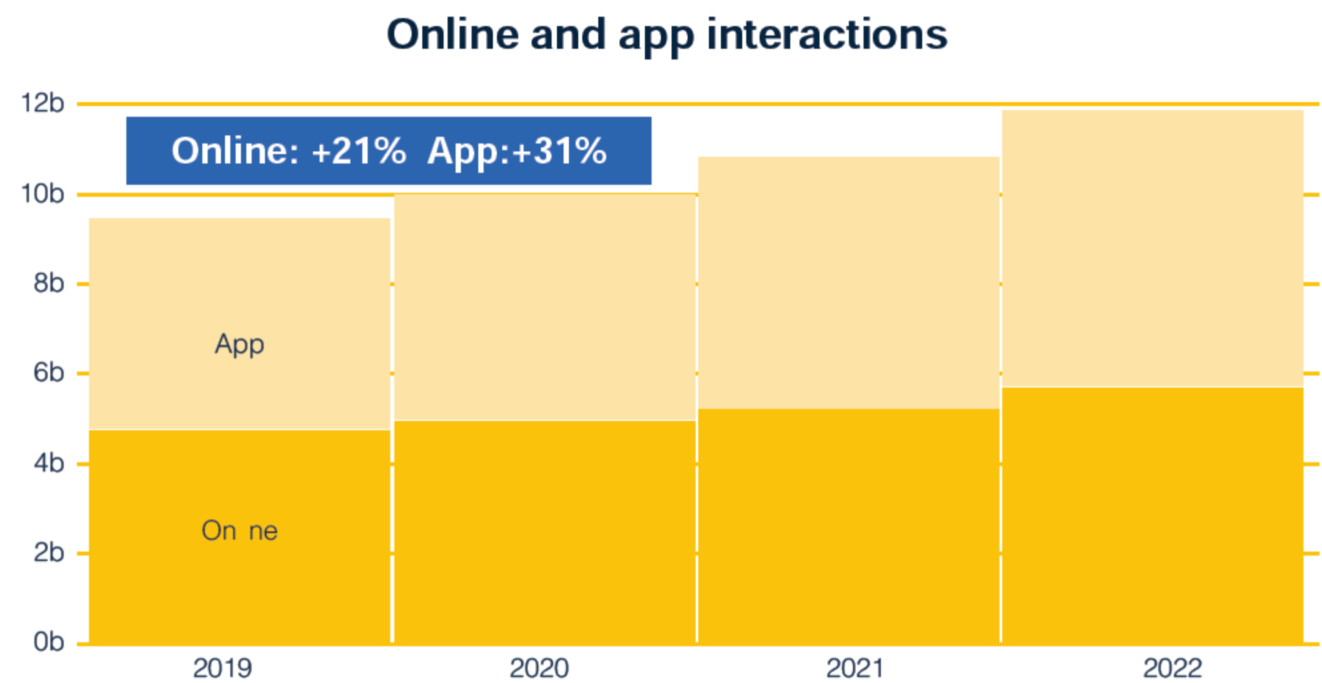
Source: ABA Member survery (2023).

Customers are increasingly turning to online banking, app and chatbots accelerated by COVID-19 lockdowns

Trends in channel usage

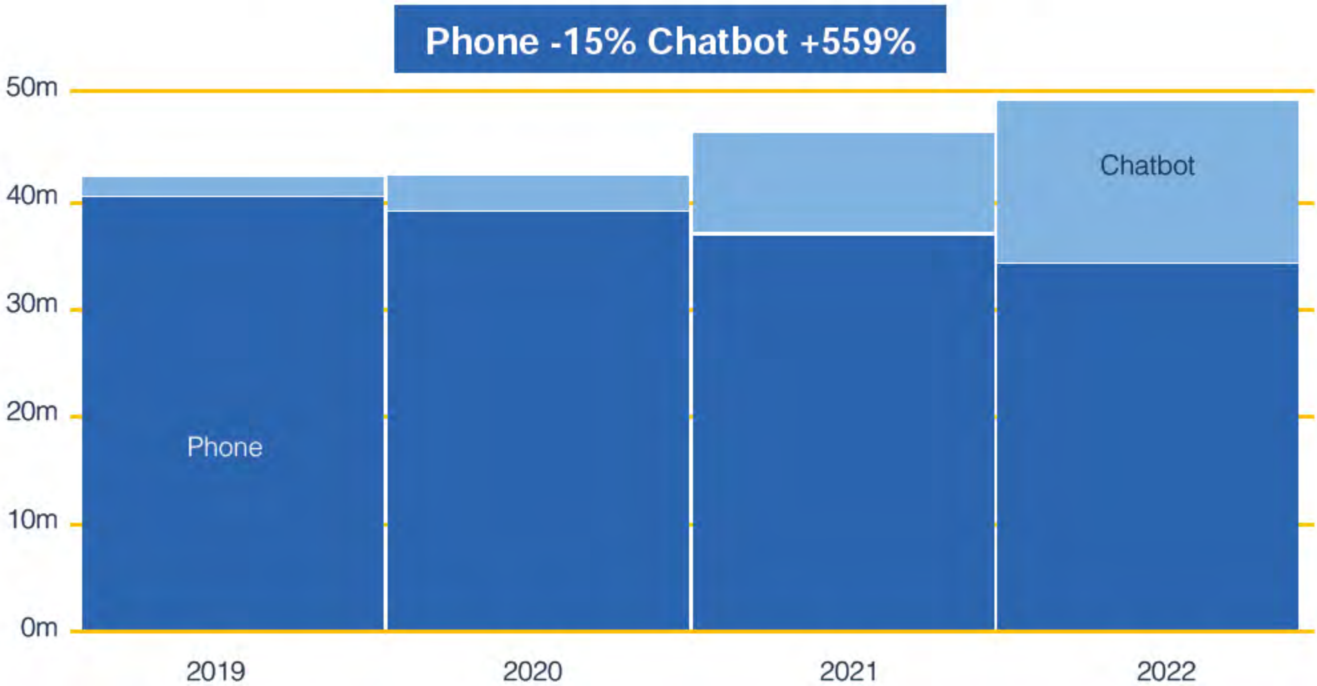
Annual transactions by channel (number, major banks), 2019-2022





Source: ABA Member Survey (2023). Accenture analysis.

Phone and chatbot interactions

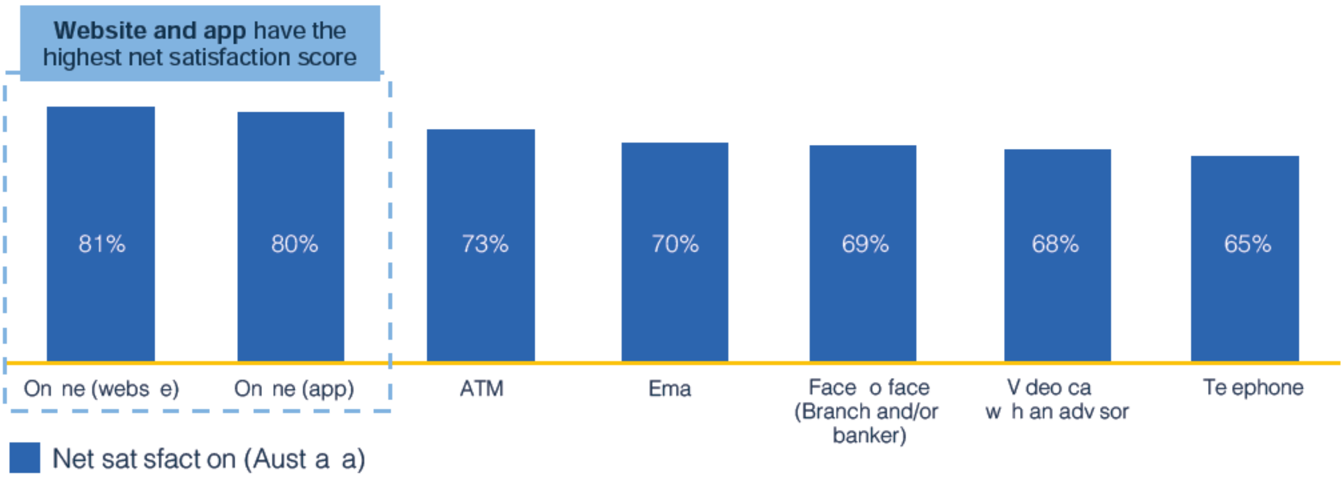


Source: ABA Member Survey (2023). Note: Online and app interactions are based on daily log ins. A single log in may lead to multiple interactions and hence is likely to be understated.

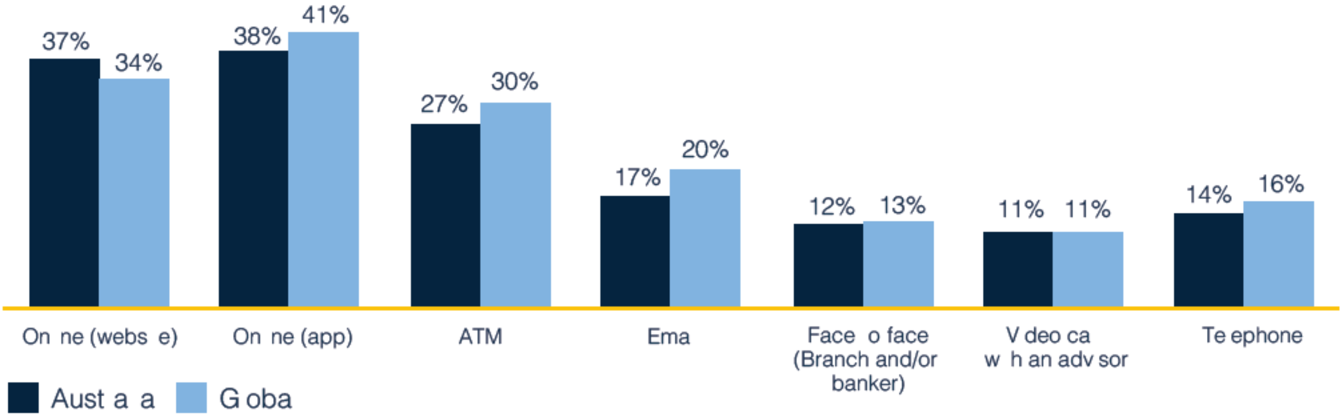
Australian banking customers are most satisfied with digital channels and just like their global peers use these channels most frequently

Australian customers use digital channels as much as their global peers

Share of customers by net satisfaction score (satisfied minus dissatisfied) by channel (%) 2022



Share of customers using specific banking channels at least once a week (%) 2022



Source: Accenture Global Financial Services Survey (2022), Accenture analysis

Australians everywhere are using branches less as most transactions can conveniently be done online or by phone

Regional customers are reducing their branch interactions for the same reasons as metro customers:

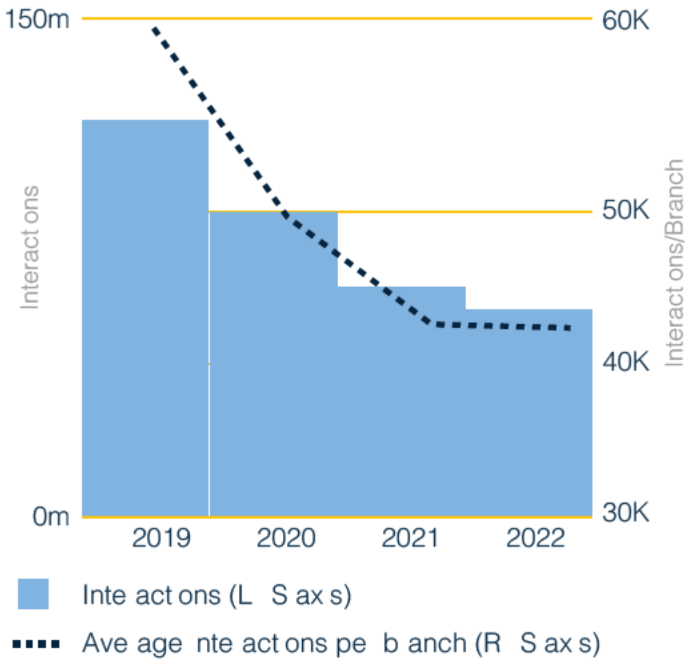
- >80% prefer online or phone channels for their main banking activities.

- 89% use online banking (93% in metro areas)
- Regional customers are reducing their branch interactions for the same reasons as metro customers: >80% prefer online or phone channels for their main banking activities and 89% use online banking.

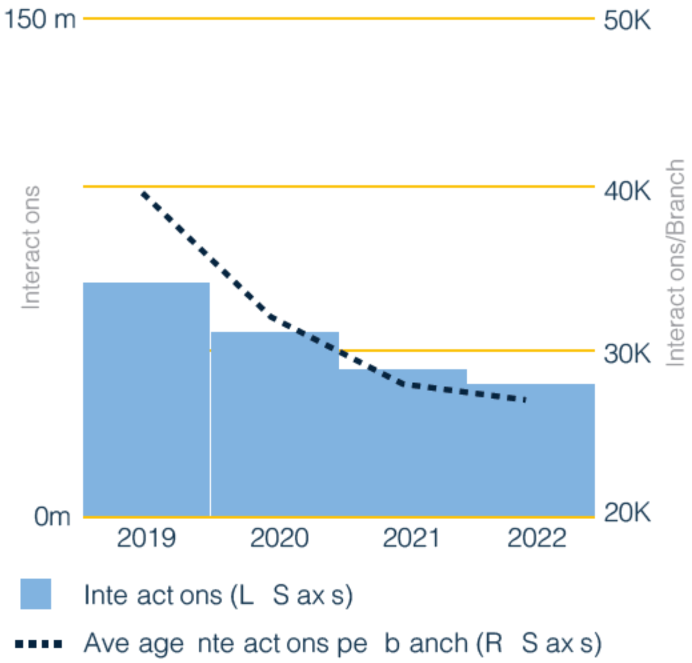
Fewer simple branch interactions in metro, similar trend in regional areas

No. of branch interactions for four major banks (LHS axis) | Average annual interactions per branch for four major banks (RHS axis)

Metro



Regional



Source: ABA Member Survey (2023). ACMA.

Metro

-48% **Number of interactions**

-30% **Average interactions per branch**

Regional

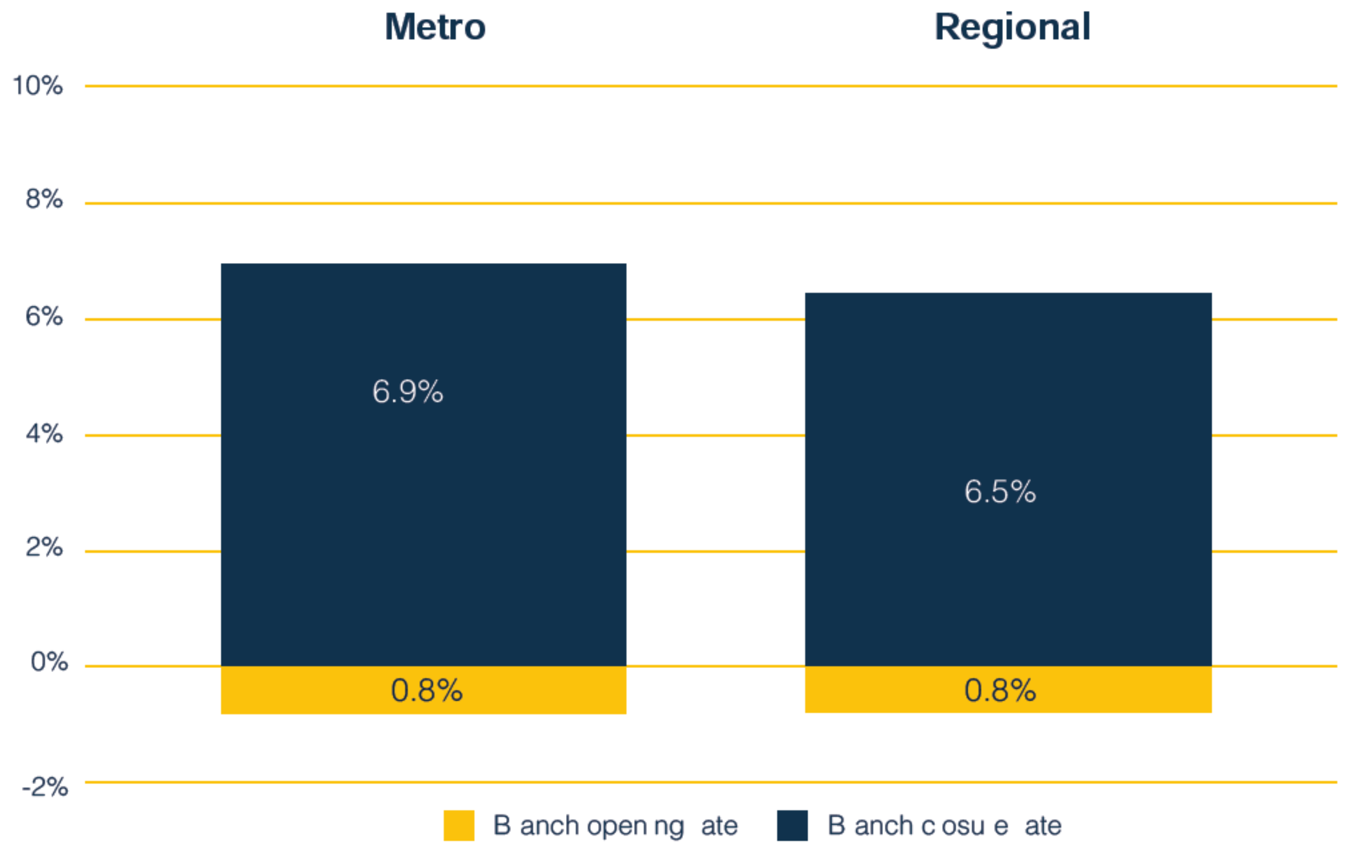
-42% **Number of interactions**

-33% **Average interactions per branch**

- Regional areas have a lower branch closure rate than metro areas.

The branch closure rate is lower in regional areas

Annual opening and closure rate over 2017-2022 (all ADIs)

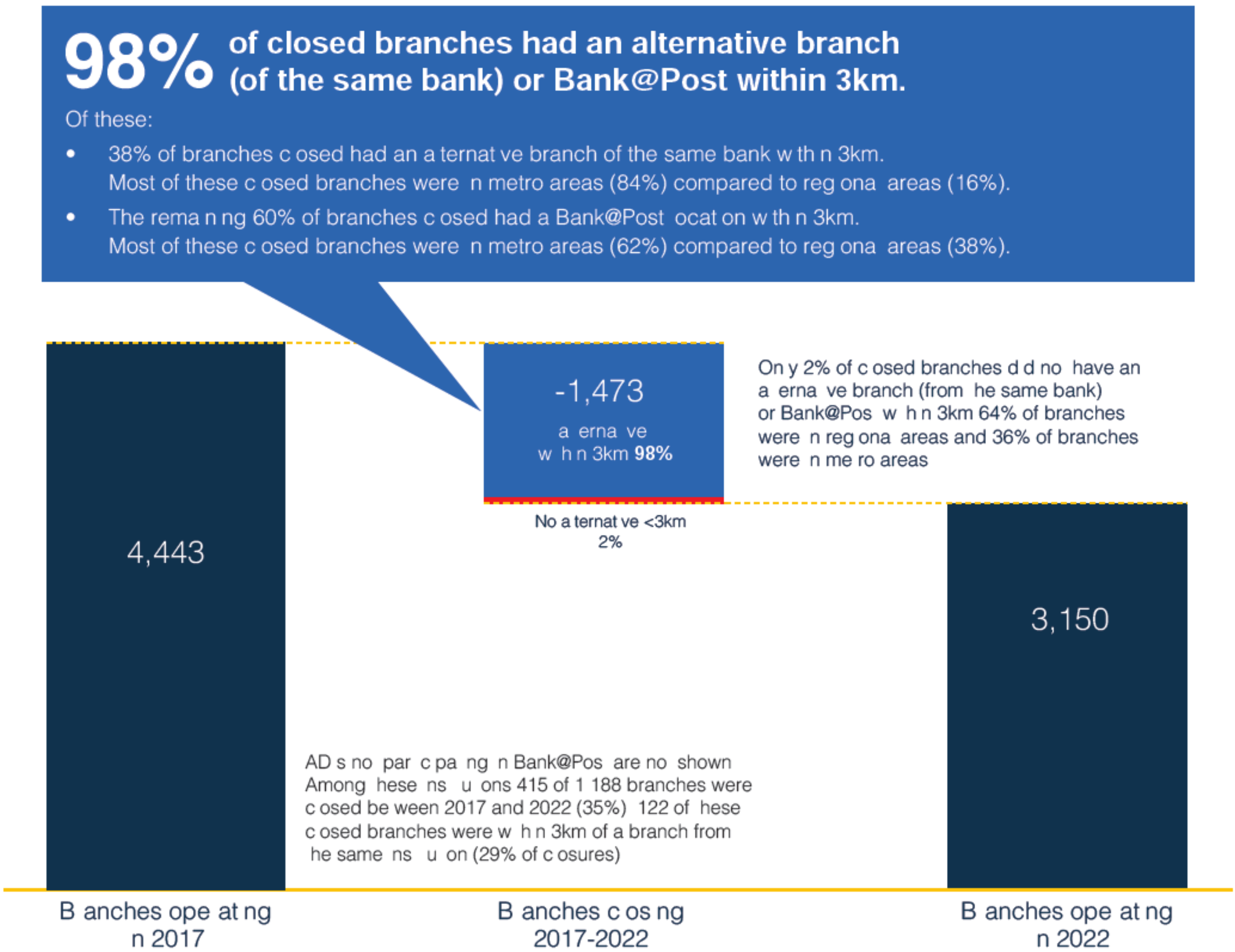


Source: APRA Points of Presences (2022), Accenture analysis.

Customers affected by branch closures typically have access to face to face alternatives either from the same bank or Bank@Post

Bank branch openings and closures

Change in the number of branches operating between 2017 and 2022 (number, ADIs participating in Bank@Post only)



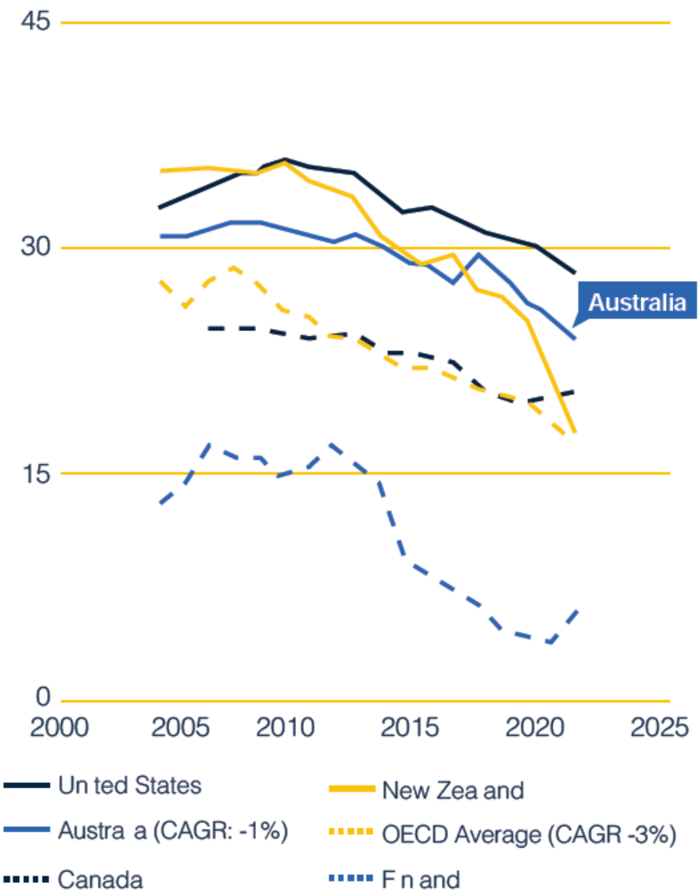
Source: APRA Points of Presence Data (2022), Accenture Analysis.
Note: Includes newly opened branches. Branches of the same financial institution relocated within a comparable area of operation (e.g. within a shopping center or along a high street) are not considered to have closed or opened in this tally. This was defined as within 500m of the closed branch. Data on branch operations reported for June 30 of the respective year. Regional area defined using the Greater Capital City Statistical Areas classification in the Australian Statistical Geography Standard. Sources: Australian Prudential Regulation Authority Points of Presence Data (2022), Accenture analysis

Branch density remains higher in Australia than in global peer countries
and is similar across states and territories

- 86% of the Australian population live in urban areas, 5ppt higher than the OECD average of 81%.
- Australia has a notably higher branch density, at 24 bank branches per 100,000 adults, than the two most comparable OECD countries by urbanisation: New Zealand (18 per 100,000 adults; 87% urbanised) and Finland (6 per 100,000 adults; 86% urbanised).
- Across states, branch density is lowest in Western Australia at 21 branches per 100,000 adults, where the population is heavily concentrated in Perth (80% of the state's total population).
- The Northern Territory has the highest branch density at 33 branches per 100,000 adults, with more than 40% of the population living outside Darwin.
- Australia maintains a higher number of branches per 100,000 adults and this is falling at a slower rate than seen overseas.

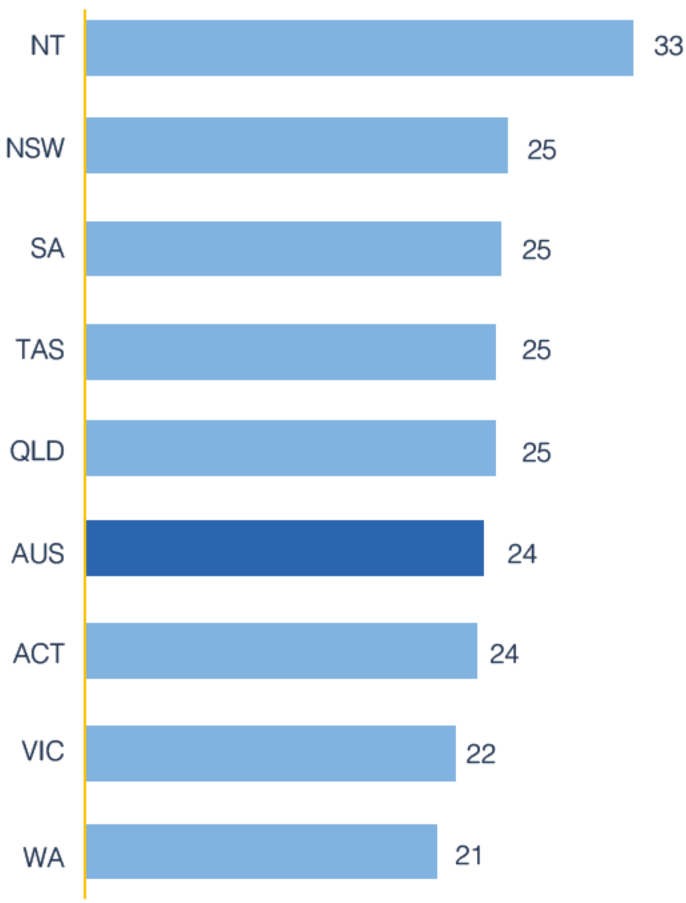
On a per capita basis, Australia has 1.4x more branches than overseas peers

Bank branches per 100,000 adults



Australian branch density is similar by state

Bank branches per 100,000 adults, 2022



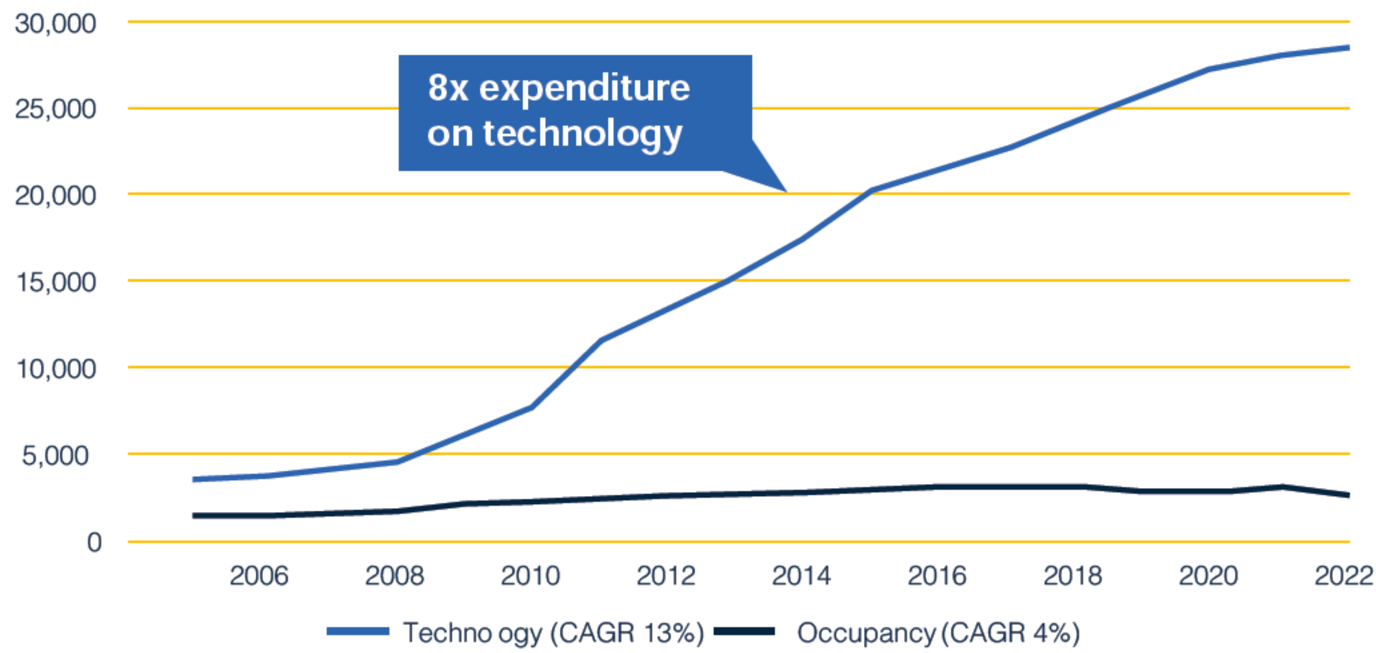
Source: World Bank (2023), Australian Prudential Regulation Authority (2022), ABS Population Statistics (2022), Accenture analysis

Banks are investing significantly in technology especially to meet changing (digital) customer needs

- Banks are spending increasingly on technology/IT. Capital expenditure on software accounts for most of this investment, growing from $3.5 billion in 2005 to $28.5 billion in 2022.
- This growth far outpaces occupancy costs such as lease costs for branches and offices. Banks are aligning with customer needs and increasing both their absolute and relative spend on digital infrastructure.
- Illustrating the growth in bank expenditure on meeting emerging customer needs, the number of bank employees covering CDR, cyber security and fraud has doubled between FY18 and FY22.

Technology expenses have increased eight fold compared to occupancy costs, which have nearly doubled, since 2005

Aggregate expenses (OpEx and CapEx) by type for three major banks ($ millions)



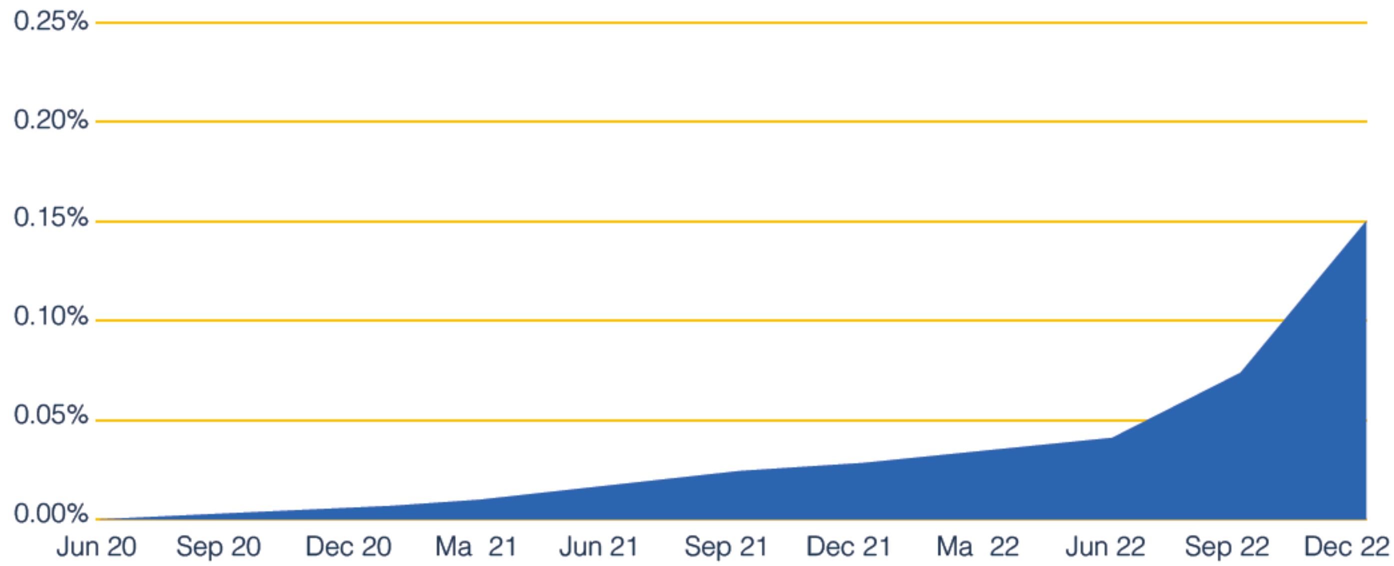
Source: Financial Statements of the major banks (CBA, Westpac, ANZ), Accenture Analysis, ABA Analysis.
Note: Technology expenses includes both OpEx and CapEx . OpEx expenses include technology services, system development and support, IT infrastructure, communications/telecommunications, amortization of software assets and IT equipment depreciation, data processing etc. CapEx expenses include software costs and additions. Expenses have been aggregated from three of the four major banks. Expenses related to occupancy into lease expenses, depreciation of PPE and other occupancy expenses; CAGR stands for Compound Annual Growth Rate.

Despite the investment in CDR, customer uptake remains very low

- Open Banking, the banking sector's application of the Consumer Data Right (CDR) that lets customers share banking data with third parties, went live for major banks by July 2020.
- As of May 2022, banks have spent more than $1 billion establishing data sharing under the CDR.
- A relatively small number of customers have actively consented for data sharing under the CDR.

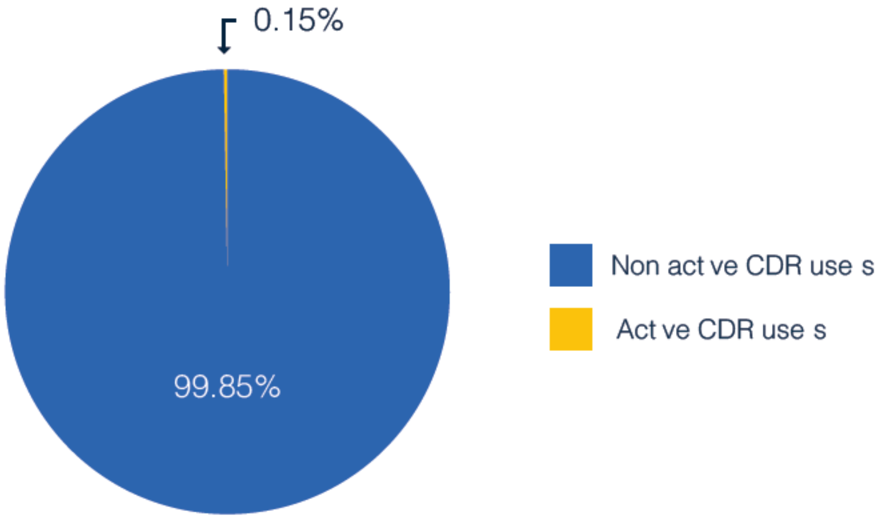
While CDR requests are growing, uptake remains very low

Active CDR consents divided by number of unique customers (%, major banks)



Source: ABA Member Survey (2023). Accenture Analysis.

Active CDR consents relative to total number of unique customers (%, major banks).



Source: ABA Member Survey (2023). Accenture Analysis

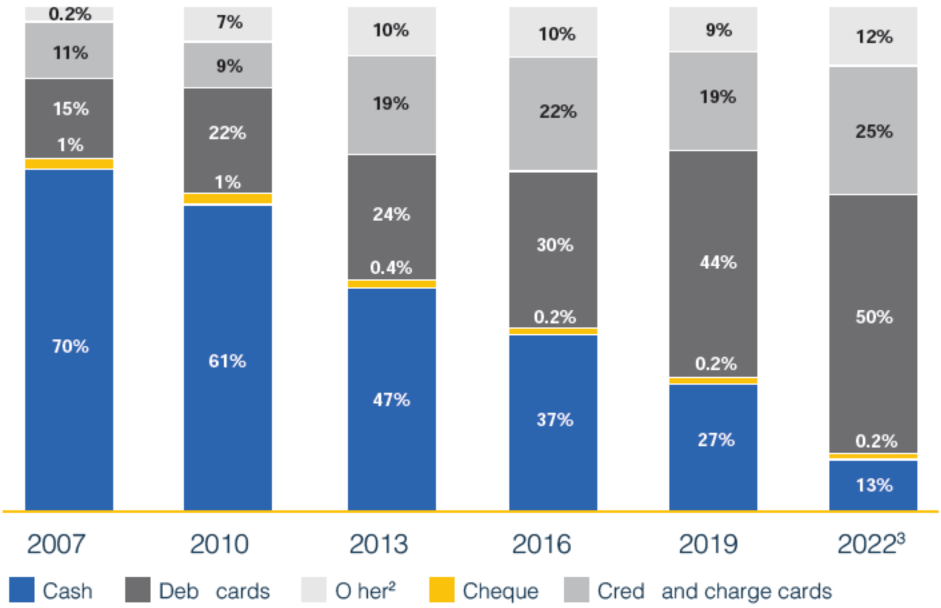
03

How customers pay

Cards are the preferred consumer payment mode replacing cash over the past 15 years

Cards have replaced cash for consumer payments...

Share of number of consumer payments by type[1] (%)

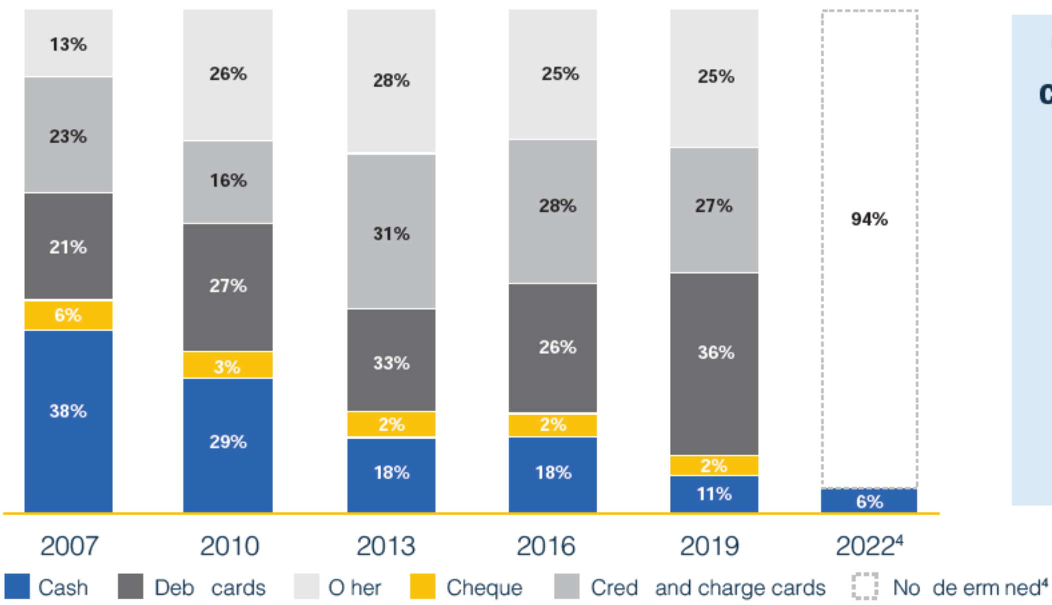


Change in share of consumer payments by number

Payment type	change 2007-2021
Cash	-57 ppt
Cheque	-0.8 ppt
Debit cards	+35 ppt
Credit cards	+14 ppt
Other	+11 ppt

...and account for the majority of consumer payment value

Share of value of consumer payments by type[1] (%)



Change in share of consumer payments by value

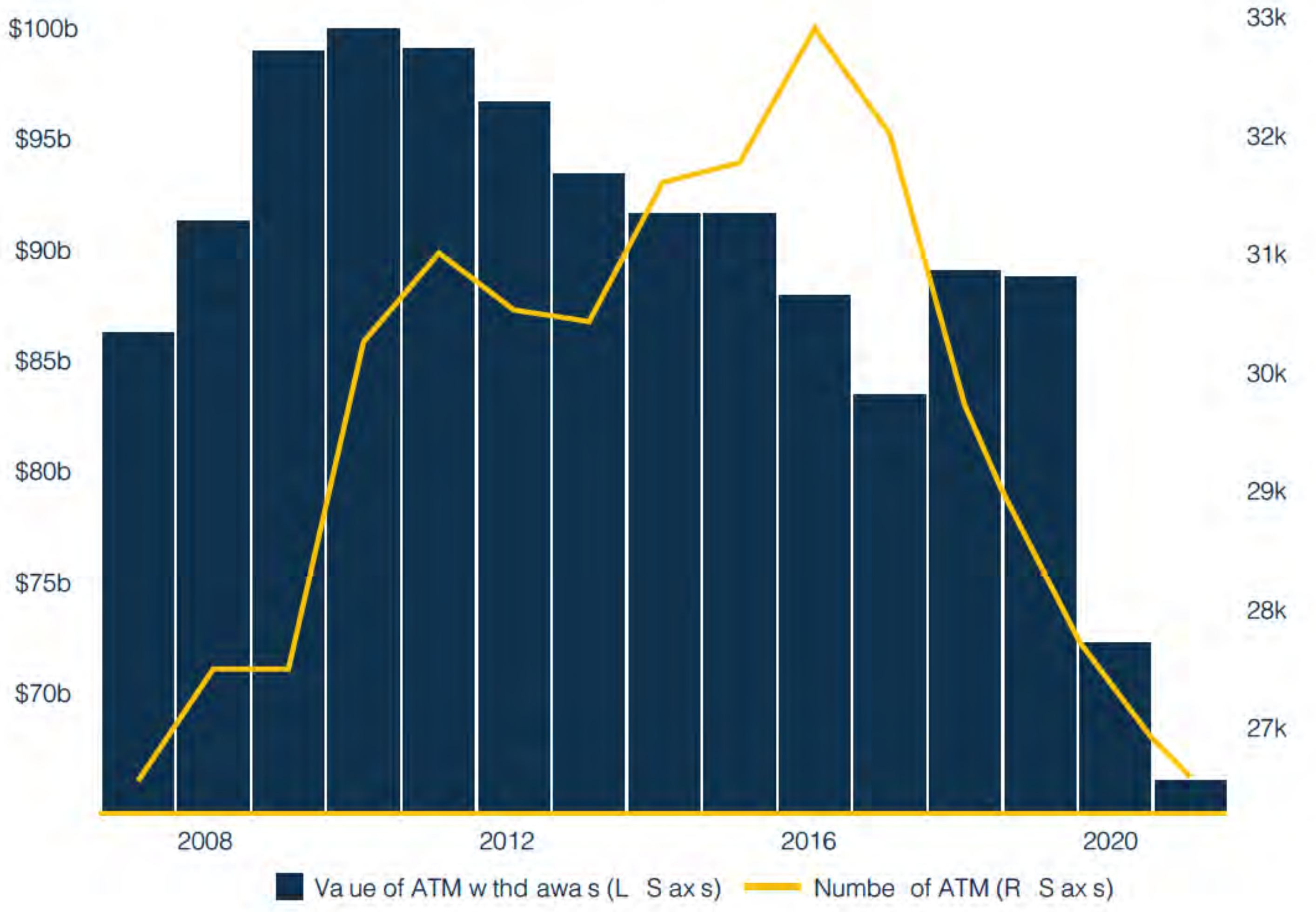
Payment type	change 2007-2021
Cash	-27 ppt
Cheque	-4 ppt
Debit cards	+15 ppt
Credit cards	+2 ppt
Other	+14 ppt

Source: RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020), RBA Payments Data, ATMs (2023), Number of ATM terminals Australia (2022).
Note: 1. Where numbers do not sum to 100 due to rounding, numbers have been scaled up to sum to 100; 2. Other includes Bpay, internet/phone banking, Paypal, prepaid, gift and welfare cards, bank cheques, money order, BNPL, Cabcharge and Direct Entry; 3. Analysis drawn from RBA speech on The Shift to Electronic Payments - Some Policy Issues (2023) which contains early information on the results of the (2022) Consumer Payments Survey for cash and cards. Other and Cheque have been inferred. 4. Estimated based on FIS The Global Payments Report (2023) which states that 6% of value of all payments are cash. Robust information on the distribution across other values is not yet available.The (2022) consumer payments data is expected to be available mid (2023).

- Although cash use has been decreasing since 2007, the number of ATMs was not reduced until 2016.

ATM reductions have followed the cash decline

Number of ATMs in Australia (#); Value of ATM withdrawals ($ billion)

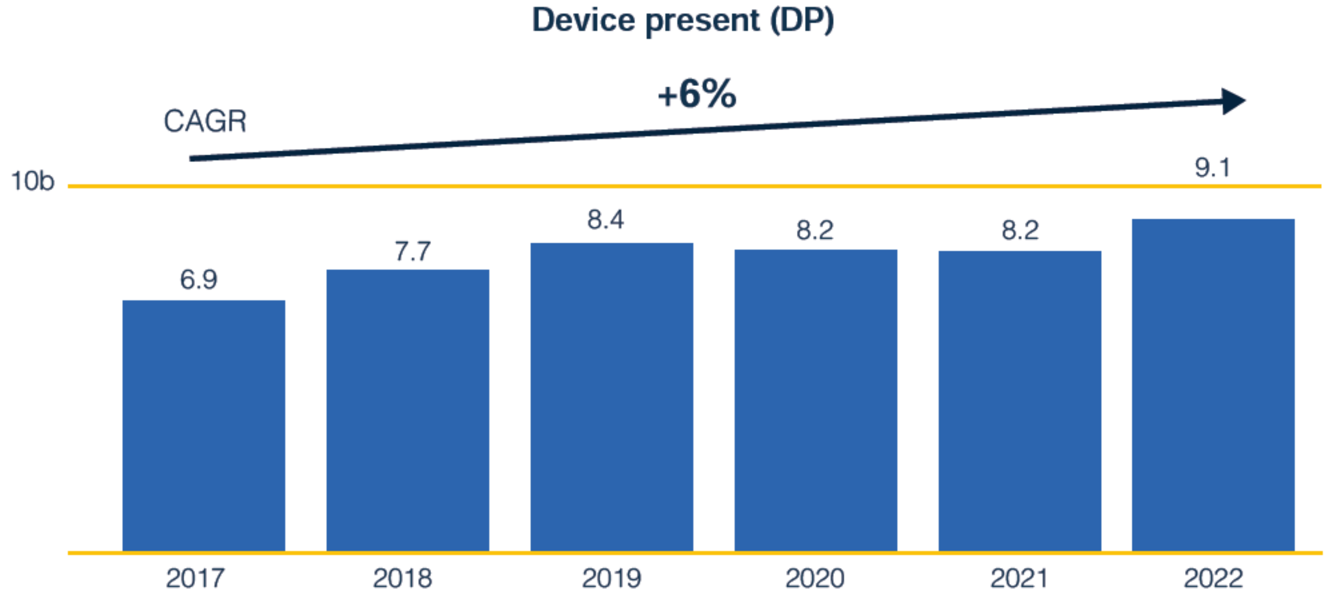


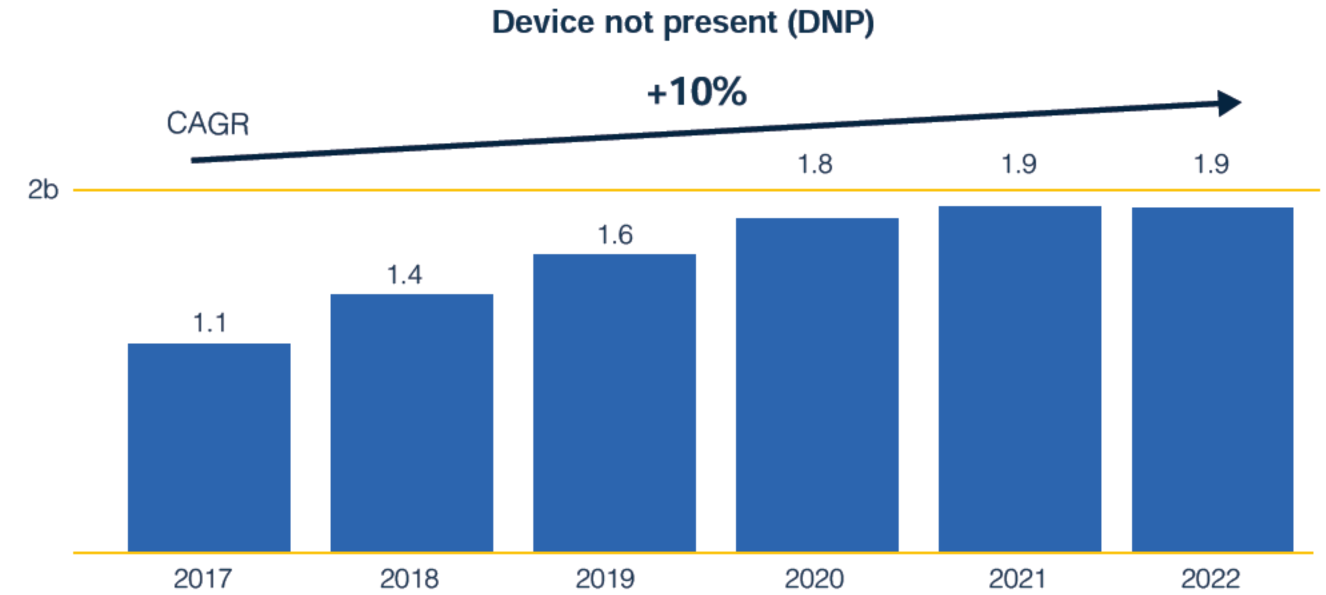
Convenience and strong growth in eCommerce shopping is driving customers to make remote card payments

- Although smaller in volume than physical transactions, remote transactions are **increasing at a faster rate**.

Cards are used for both physical and remote payments…

Number of device present ("physical") and device not present ("remote") transactions (#)

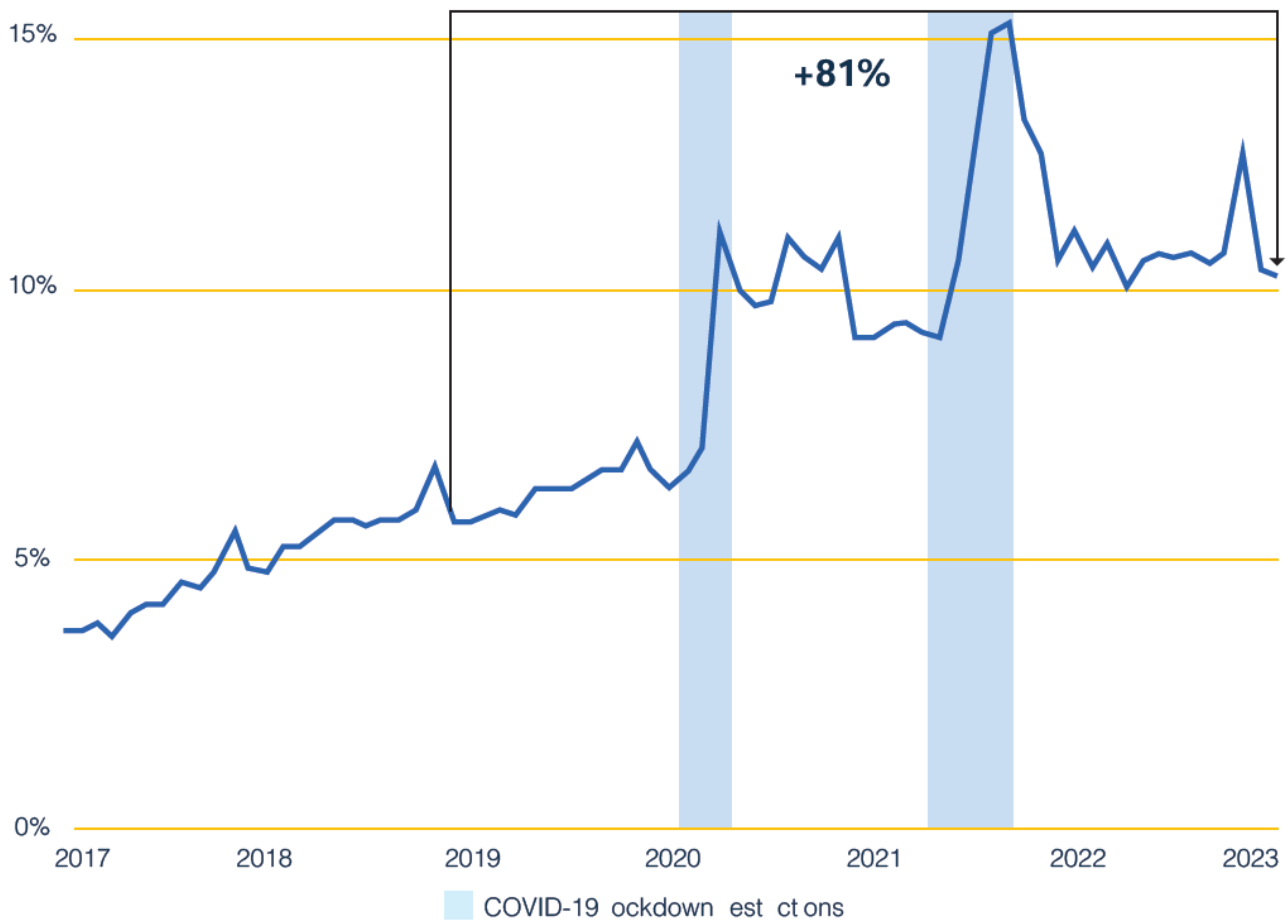




Source: RBA Payments Data: C1 Credit and Charge Cards (2023), RBA payments Data: C2 Debit Cards (2023).
Note: Device Not Present transactions are transactions processed via 'remote' card acceptance technology, e.g. card detail entered through a website;
Nationwide lockdown from May to July (2020), lockdown in Victoria, ACT and NSW from September to November 2021;
CAGR is the Compound Annual Growth Rate, meaning the average annual growth rate of an index over the specified period of time. CAGR stands for compound annual growth rate (expressed p.a.)

eCommerce a big driver of growth in remote card payments

Online retail sales as share of total retail sales (%)



Source: ABS Retail Trade Australia 2023.
Note: Nationwide lockdown from May to July (2020), lockdown in Victoria, ACT and NSW from September to November 2021;

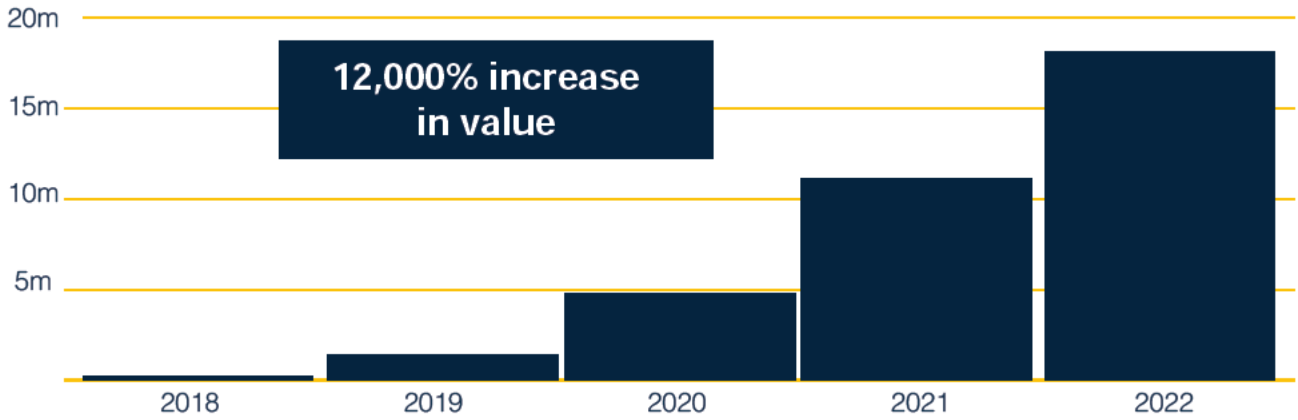

CREDIT CARD
SHOPPING
Online
ADD TO CART

Customers are choosing to make mobile payments using mobile wallets and merchant apps for a seamless experience

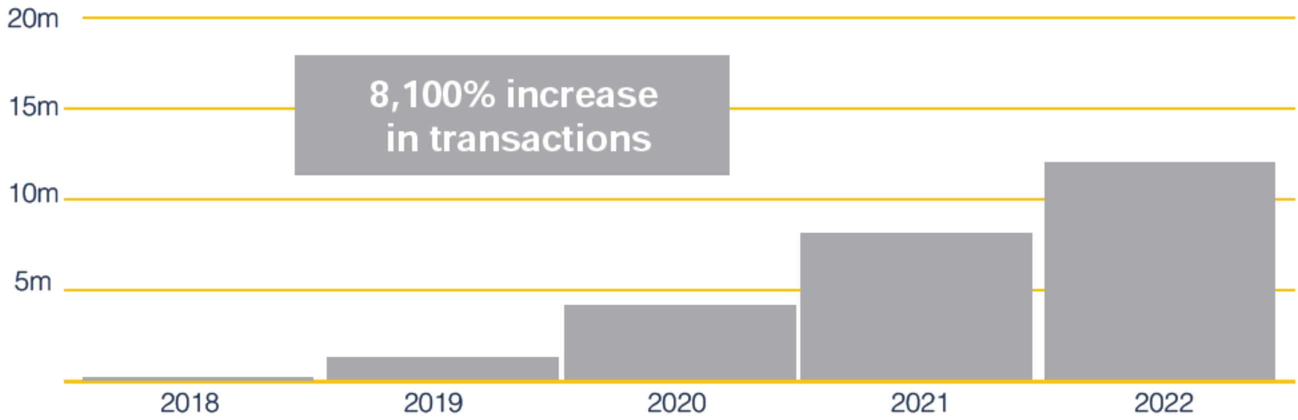
- Mobile wallets allow consumers to digitally 'store' their cards on a mobile device (e.g., phone or smart watch), which is then used to make contactless payments.

Customers are increasingly using mobile wallets…

Va ue of mob e wa et t ansact ons

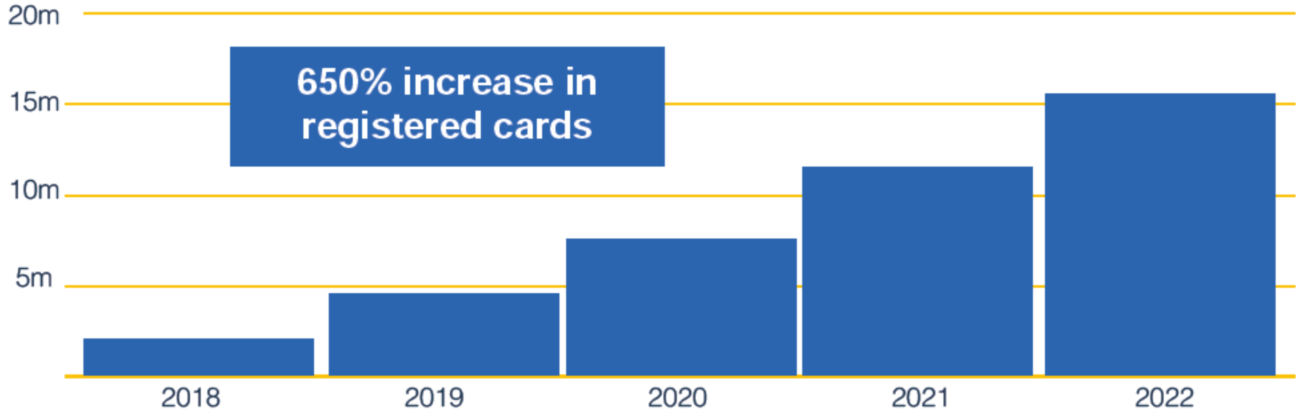


Numbe of mob e wa et t ansact ons



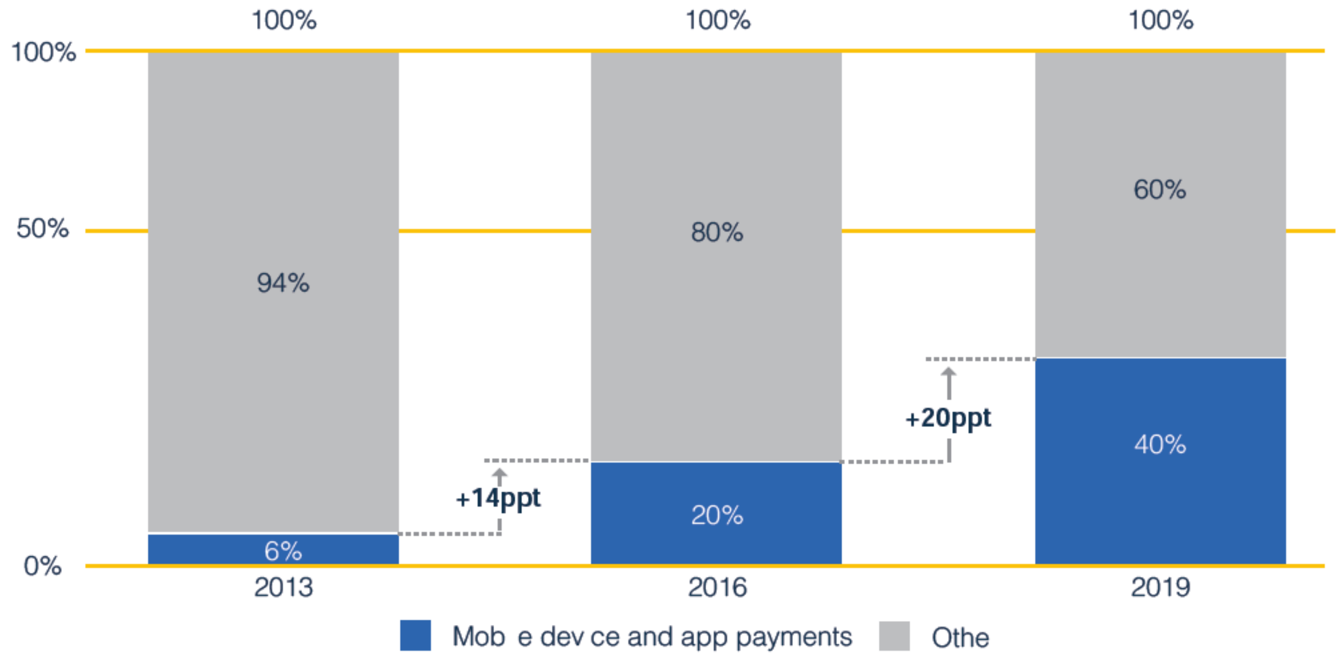
Source: ABA Member Survey (2023), RBA Payment Systems Board Annual Report (2022), RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020)
Note: Other includes transactions not paid through a mobile device or app, e.g. through providing card details through a desktop browser.

Numbe of ca ds eg ste ed to a mob e wa et (L S)



…especially to make online payments via mobile devices

Mobile device and app payments as share of online payments (%)

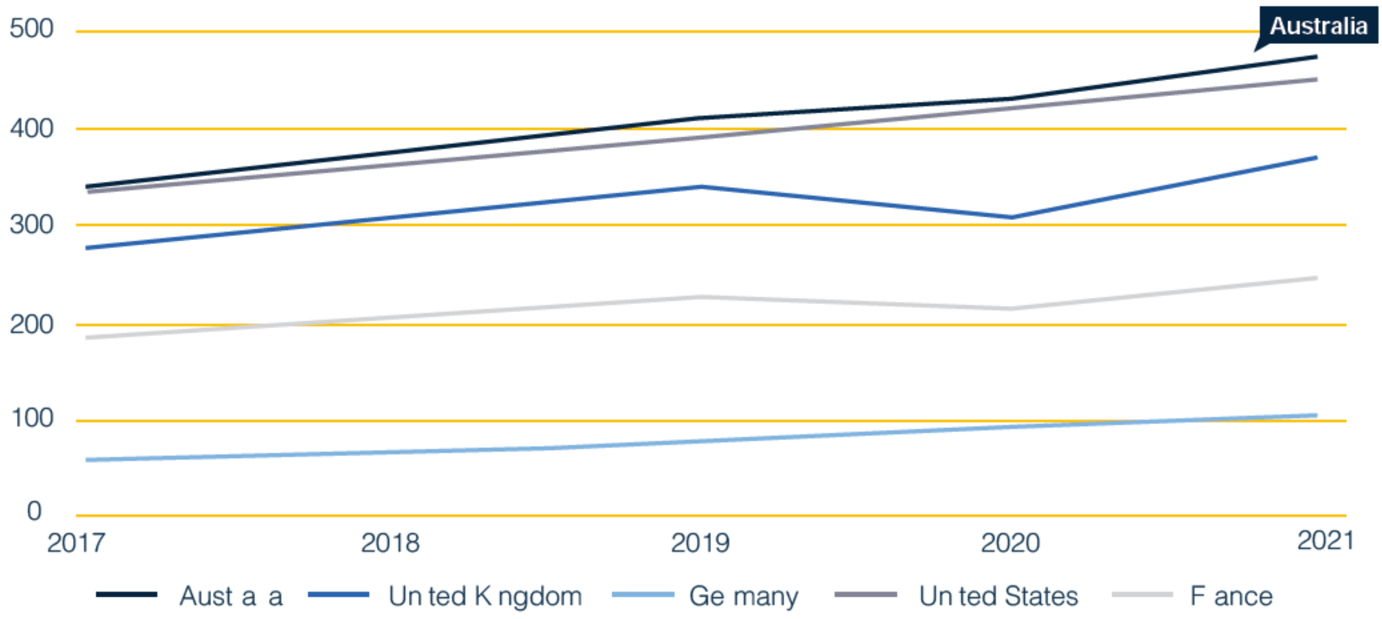


Source: RBA Payment Systems Board Annual Report (2022), RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020)
Note: Other includes transactions not paid through a mobile device or app, e.g. through providing card details through a desktop browser.

Australian consumers are fast adopters of cashless and mobile payments ahead of their global peers – enabled by a world-class payments infrastructure

Australians rank among the top users of cashless payments…

Average number of cashless payments per person per year (#)

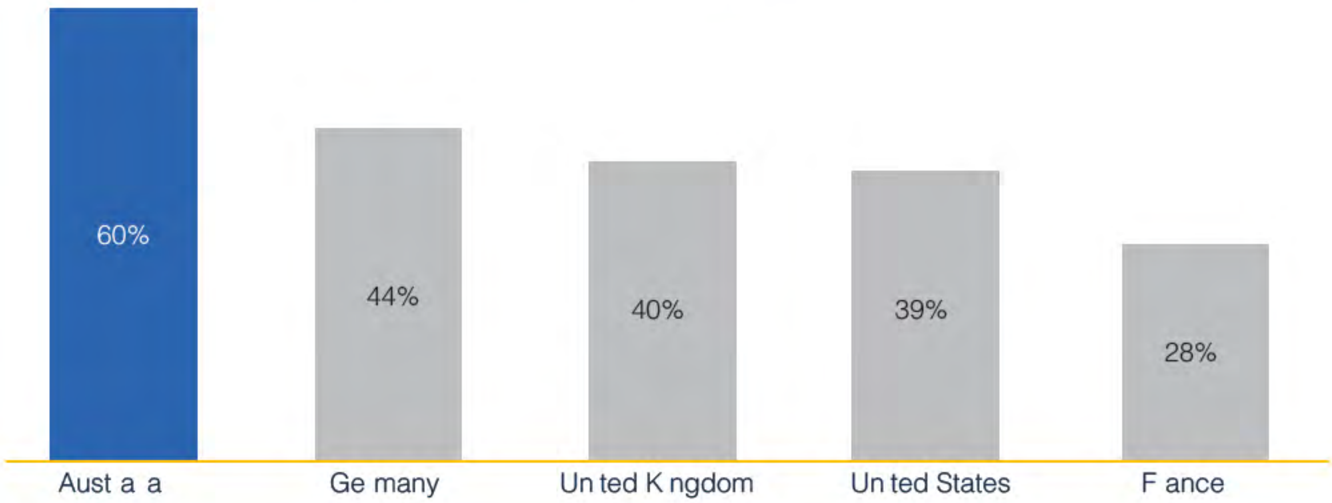


Source: BIS (2020), 'CT6C: Use of Payment Services/Instruments: Volume of Cashless Payments Per Inhabitant' (2020)

- Mobile commerce accounts for 60% of e-commerce transactions, including transactions completed via a mobile device like a phone or smart watch.

….and mobile commerce transactions

Mobile commerce transactions as % of e-commerce transactions (2022, %)



Source: Global Data

About Australian Banking Association

The ABA is an association of 20 member banks in Australia. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry. The ABA is led by Anna Bligh, Chief Executive Officer, who is supported by a team of senior public policy staff. Anna started in the role in April 2017 and is focused on strengthening trust and confidence in banking and delivering better outcomes for customers. The ABA is governed by a Council which comprises Chief Executive Officers of member banks. More information is available at **www.ausbanking.org.au/**

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organisations build their digital core, optimise their operations, accelerate revenue growth and enhance citizen services— creating tangible value at speed and scale. We are a talent and innovation led company with 738,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at **www.accenture.com**.

Commissioned by

Australian Banking Association

Research by

accenture

Australian Banking Association Member Survey (2023)

To complement the publicly available data used in this report, the Australian Banking Association surveyed member banks for additional information on branch interactions, non-branch interactions (online banking, app, phone and chatbot), mobile wallet transactions, cheque usage data and CDR consents. When this data has been used throughout this report, the source 'ABA Member Survey' is noted in the source footnote. Data was collected in May 2023 and is only presented when at least three of the four major banks provided information and when both the ABA and Accenture were comfortable that the results were representative. Registered users for bank app was the only data point which included data from three major banks, not all four.

Disclaimer

Australian Banking Association

Australian Business Number (ABN) 60 117 262 978

FOI 3700 Document 5

From: s 47F [redacted] (Australian Banking Association - Unclassified)
To: Robertson, Belinda
Subject: Bank On It report
Date: Tuesday, 25 June 2024 9:57:07 AM
Attachments: image001.png
image002.png
242311 Bank On It Report 2024_ART-SinglePage.pdf

Dear Bel

As briefly mentioned please find attached a copy of the Bank on it report, due to be released on Thursday morning at the ABA Conference.

Some of the pertinent data points:
-payments by mobile wallets have surged by 35 per cent in the last year - **very important to pass PSRA!**
-customers made $126 billion in payments with their mobile wallets, overtaking total ATM cash withdrawals ($105 billion) billion) for the first time ever.

Other key findings in report:

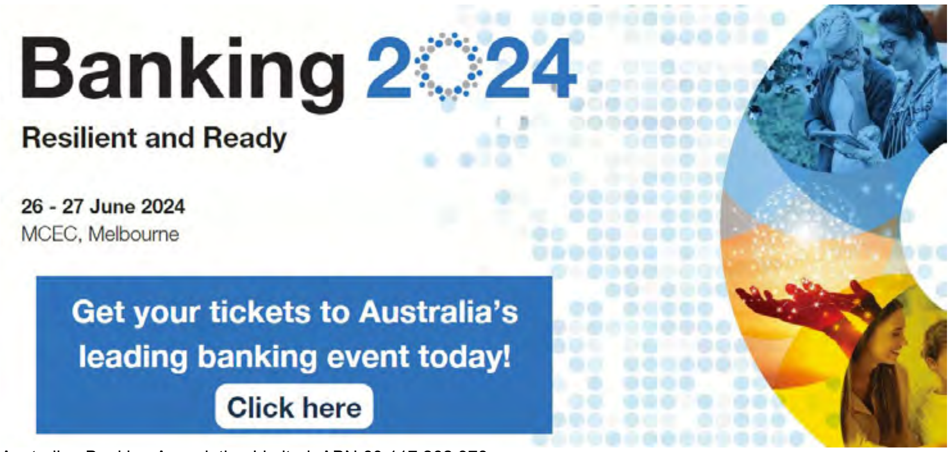
- 18-fold increase in the value of mobile wallet transactions since 2019
- customers interactions with their bank have skyrocketed by 37 per cent in the past four years.
- value of transactions made by cash have reduced to 7.5 per cent
- banking branch interactions fell by 47 per cent between 2019 and 2023
- Australia's branch density is still higher than the OECD average at 19 bank branches per 100 000 adults.

Thank you

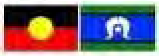
s 47F [redacted]

Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F [redacted]
E: s 47F [redacted]@ausbanking.org.au W: ausbanking.org.au



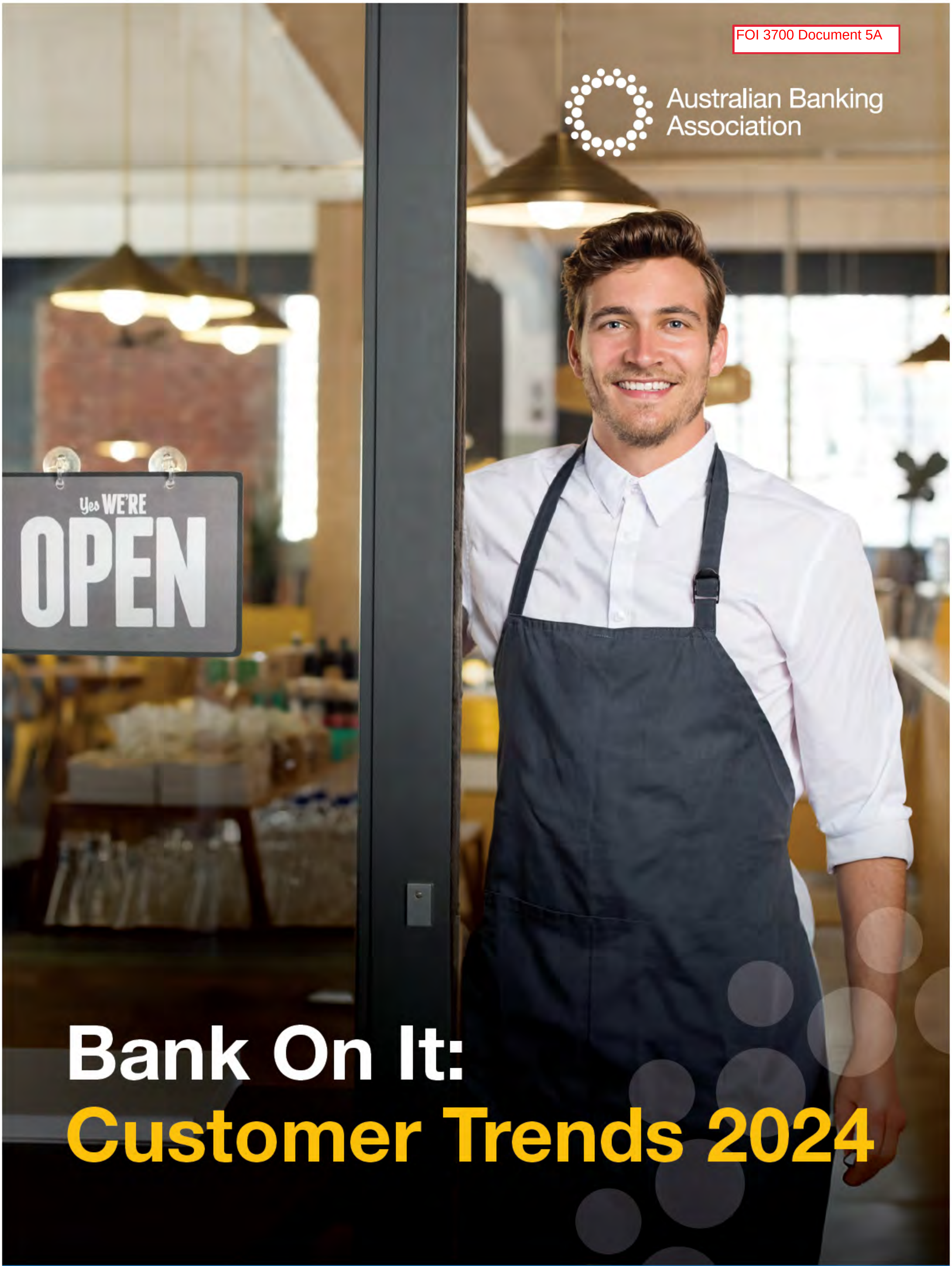
Australian Banking Association Limited. ABN 60 117 262 978.



The ABA acknowledges that our office sits on the traditional land of the Gadigal people of the Eora nation and that our member banks and their services are located across many traditional lands of Aboriginal and Torres Strait Islander peoples. We pay our respect to all first nation peoples and thank them for their custodianship of our country over thousands of years.

FOI 3700 Document 5A

Australian Banking Association



Bank On It:
Customer Trends 2024

Table of Contents

Commissioned by

Australian Banking Association

Research by

accenture

Note: All dollar figures are in Australian dollars and accurate as of 2024.

Foreword by ABA CEO Anna Bligh

The world is in the midst of a digital revolution and Australians are leading the way, with a willingness to embrace technological change and advancement in all aspects of their life. Banking is no exception, with customers continuing to shift to convenient digital banking channels at unprecedented rates.

At the same time, customers are interacting with their banks more than ever before. Between 2019 and 2023 banking interactions grew 37 per cent (from 10 million to 13.7 million) driven by increasing interactions online and through apps (pages 15-16).

Digital payments also continue to grow. In the last year alone, customers of major banks made $126 billion in payments with their mobile wallets, a growth of 35 per cent from the previous year and overtaking total ATM cash withdrawals for the first time (page 32).

Whilst the booming digital economy presents many opportunities, it doesn't come without risks. Banks continue to take proactive measures to protect customers from scammers through our world-leading *Scam Safe Accord*. Pleasingly, these efforts are making a difference, with this report showing monthly scam losses continue to trend down (pages 38 and 39).

We also continue to see remarkable resilience within our economy. Total commercial lending by banks grew 6.5 per cent between April 2023 and 2024. Loans to small and medium businesses account for half of Australia's total business lending, while lending to the construction industry accounts for 33 per cent of industry lending (pages 8 and 9).

Despite higher interest rates and cost of living pressures, the majority of Australians report being able to meet their expenses. For those that are facing financial difficulty banks stand ready to help, with hardship support increasing throughout early 2024 (page 13).

Banks will continue to invest where their customers need them, whether that is lending to grow our economy, supporting customers in hardship or investing in technology to support the digital revolution while protecting customers.

Partnering with Accenture, the Australian Banking Association's 'Bank On It' Report provides a valuable window into our rapidly changing industry. These insights allow banks to move with customers in the directions they lead, ensuring a robust and innovative banking system for the future.

Anna Bligh
CEO, Australian Banking Association

01

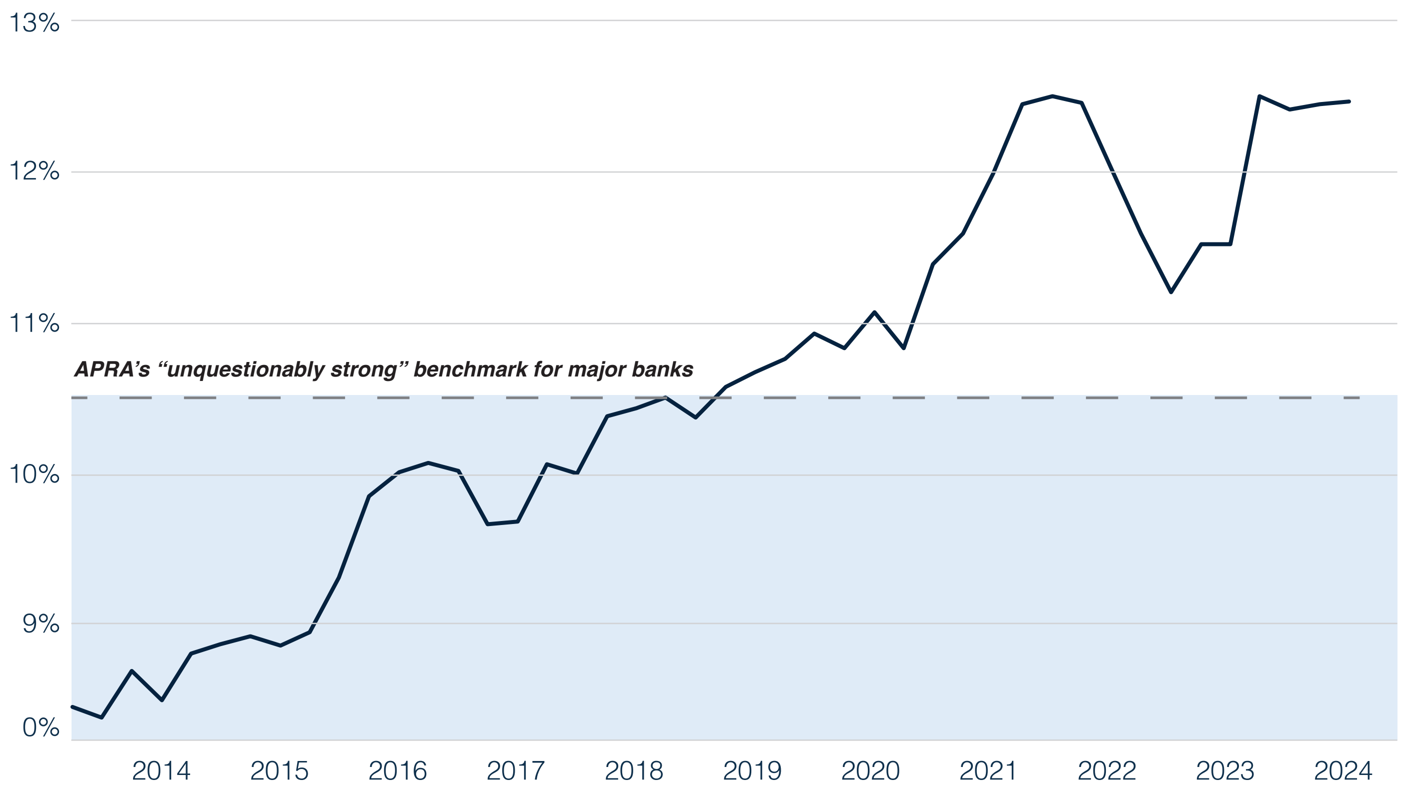
Economic context

Australian banks maintain strong capital ratios, allowing them to safely navigate changes in economic conditions

- The CET1 ratio measures how much Common Equity Tier 1 capital (CET1, mostly consisting of share capital and cash) banks are holding relative to their risk-weighted assets.
- Since 2018, Australian banks have been maintaining a CET1 ratio that is well above the regulator's APRA "unquestionably strong" benchmark of 10.5%.

Common Equity Tier 1 (CET1) ratios by Australian banks have steadily increased, as a result of Basel III reforms and the financial system inquiry in 2014

Average bank CET1 ratio (%, all ADIs), 2014 – 2024



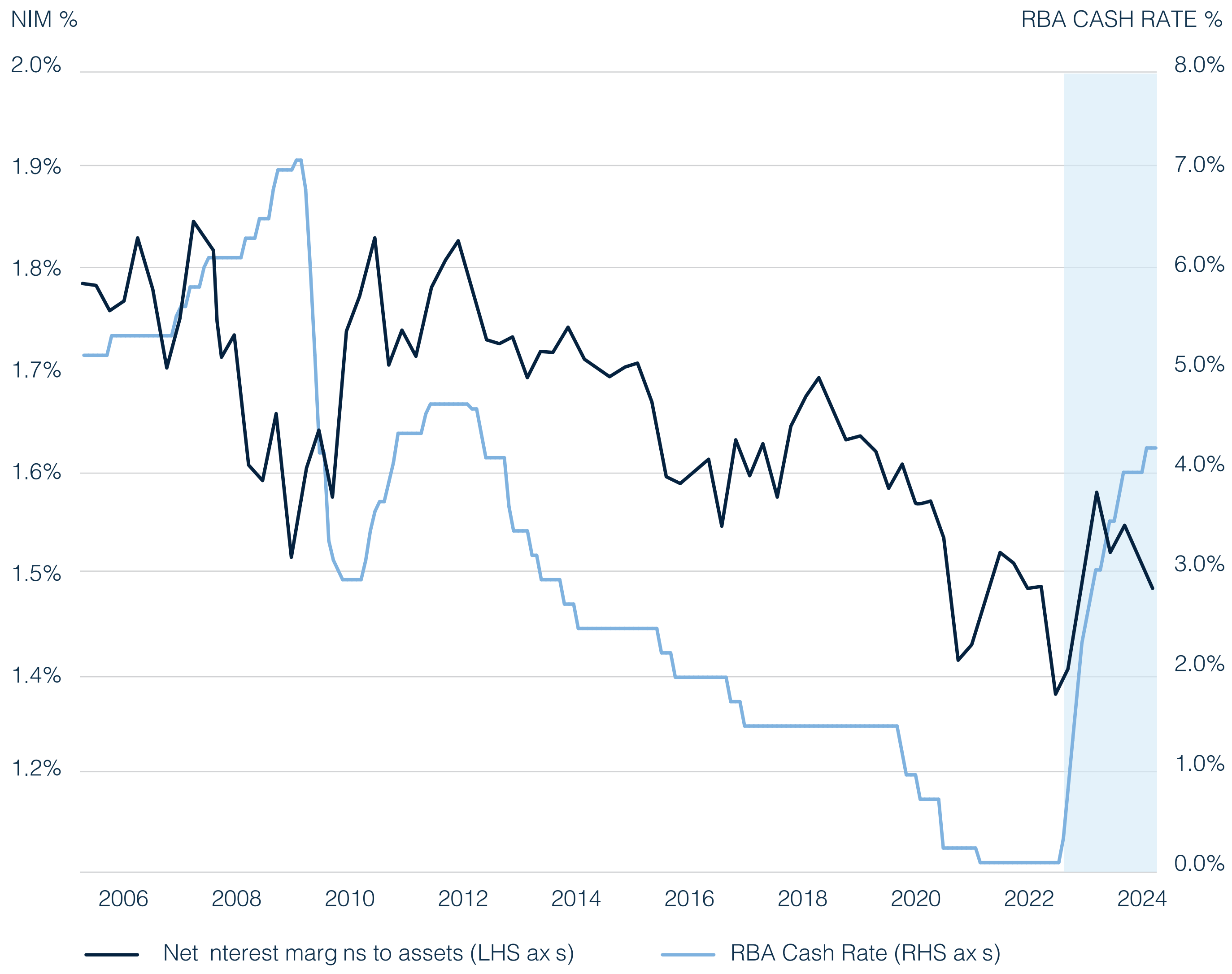
Source: Australian Prudential Regulation Authority, Quarterly ADI Statistics (Tab 1c).
Note: The 'unquestionably strong' benchmarks are CET1 ratios of 10.5% for the four major Australian banks.

In a higher interest rate environment **competition among banks continues to keep pressure on profitability**

- The Net Interest Margin (NIM) is the primary indicator of banks' profitability, and measures the difference between the interest income generated by lending and the interest paid on deposits and other capital.
- NIMs for Australian banks have continued to decline steadily over a long period of time, due to competition.

Since 2019 bank NIMs have hovered between 1.4% and 1.6%

Net Interest Margins (%, all ADIs) (LHS axis) vs. RBA cash rate (%) (RHS axis), 2006 – 2024

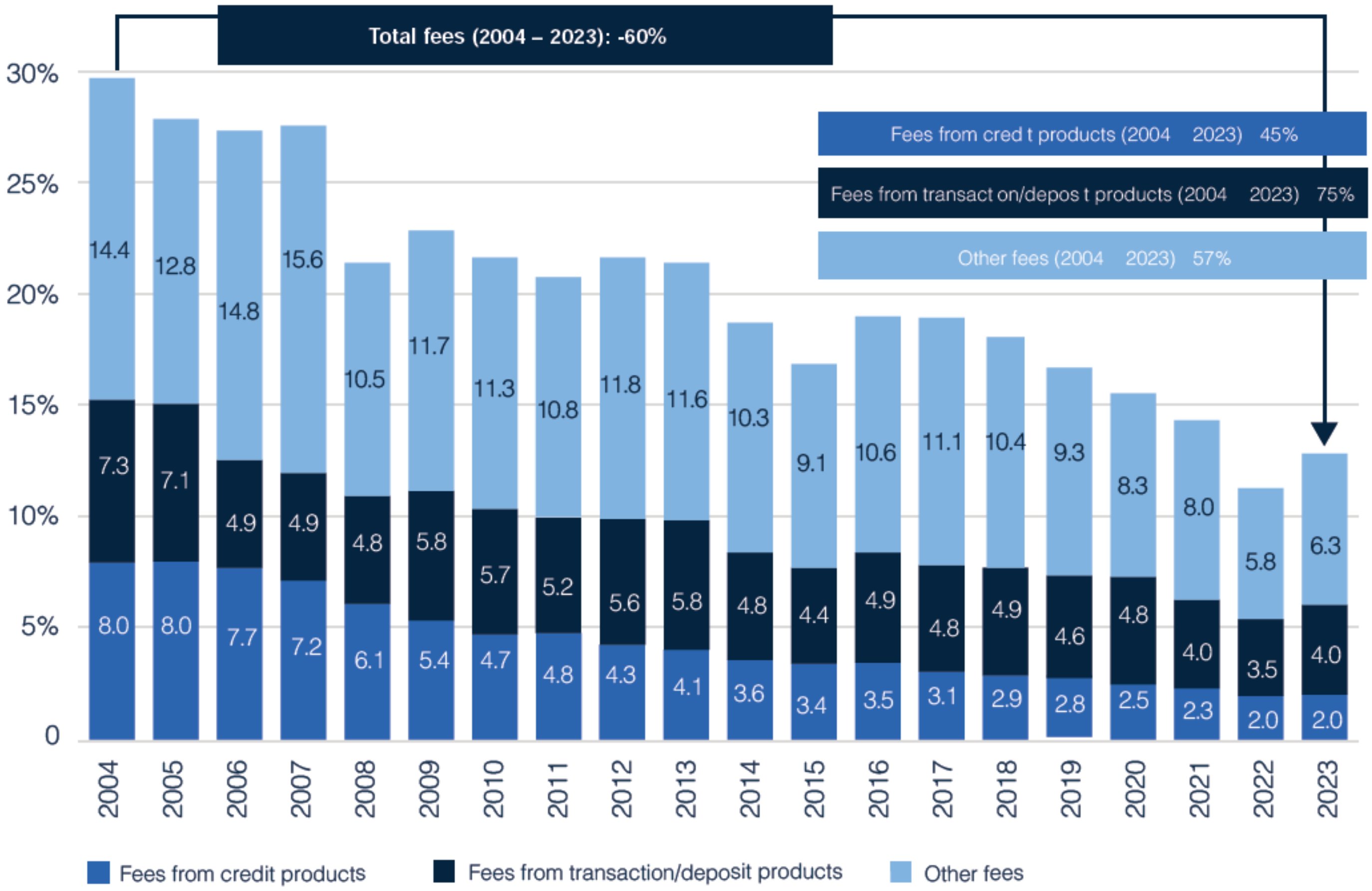


Source: Australian Prudential Regulation Authority, Quarterly ADI Statistics (Tab 1g), RBA, Interest Rates and Yields (F1.1).

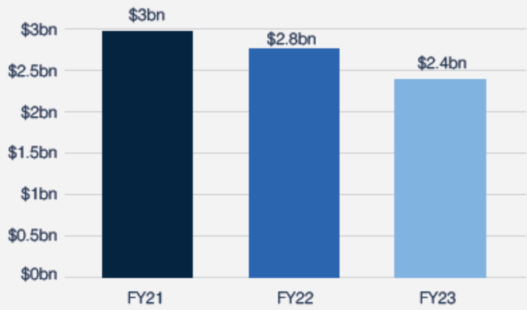
Over the past two decades, **reduced customer fees have resulted in lower fee income relative to total income**

Between 2004 and 2023, the contribution of fee income to banks' total operating income decreased by 60%

Income per fee type (% of total operating income for ADIs) at year ends, 2004 – 2023



Source: Australian Prudential Regulation Authority ADIs' Financial Performance (Tab 1a).
Note: Total operating income is the sum of net interest income and other operating income (including lending, transaction/deposit account service fees, other fee-based activities and other income).



Merchant Service Fee income declined by 13 per cent between 2022 and 2023

This is due to:

- consumers shifting from credit cards towards debit cards which have lower merchant fees, and
- the growing market share of retail payments services provided by non-banks.

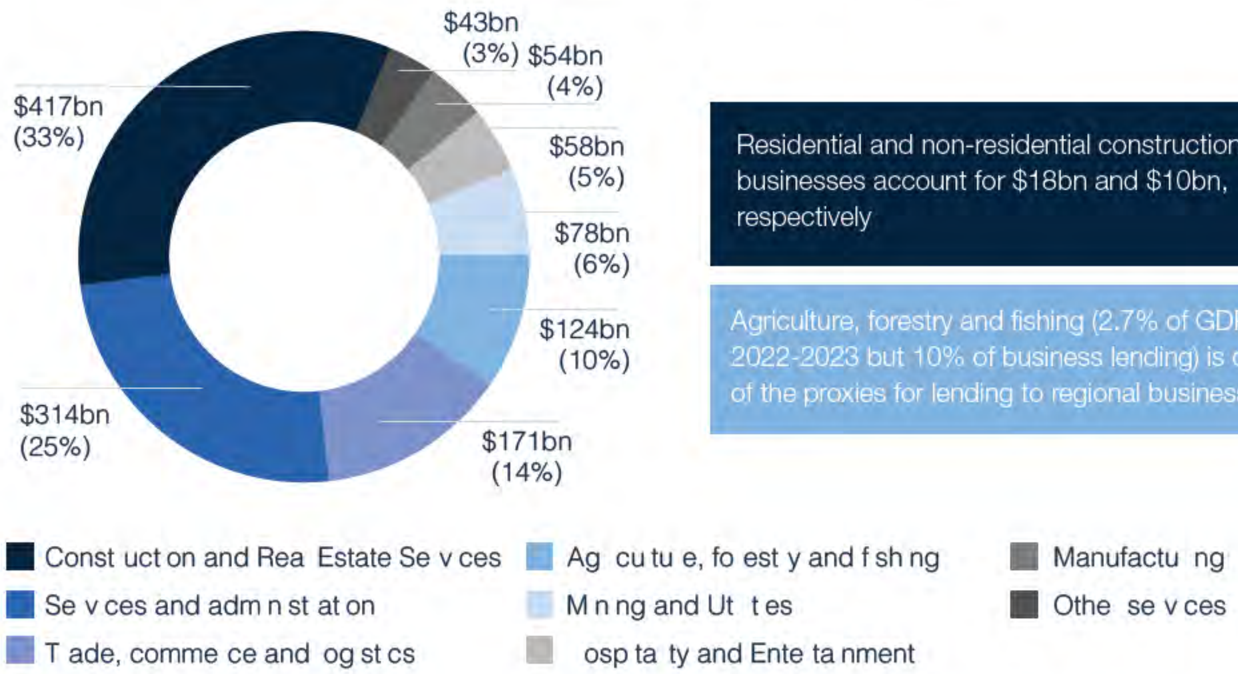
Source: RBA, Domestic Banking Fees, (C9).

Banks are supporting growth in Australian businesses, including in SMEs and regional industries such as agriculture

- Total commerical lending grew 6.5% between April 2023 – April 2024.

Construction receives the most credit of all Australian industries

Business finance outstanding by industry ($ billion, % of total outstanding)[1], April 2024

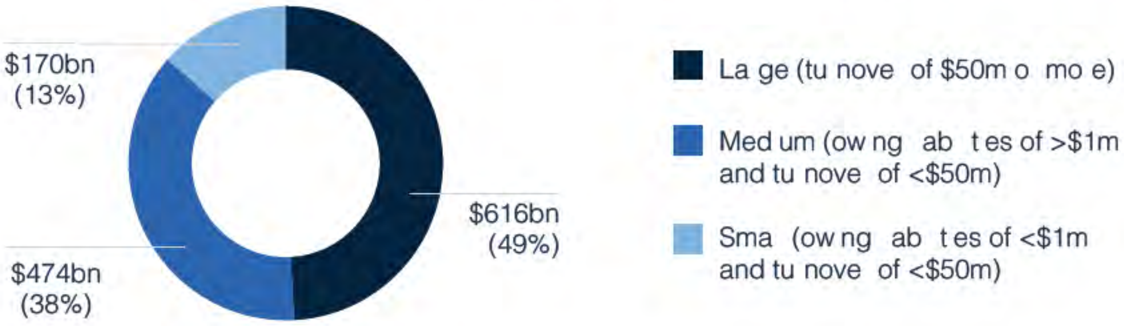


Residential and non-residential construction businesses account for $18bn and $10bn, respectively

Agriculture, forestry and fishing (2.7% of GDP in 2022-2023 but 10% of business lending) is one of the proxies for lending to regional businesses

Small and medium businesses collectively account for half of Australia's total business lending

Business finance outstanding by business size ($ billion, % of total outstanding), April 2024

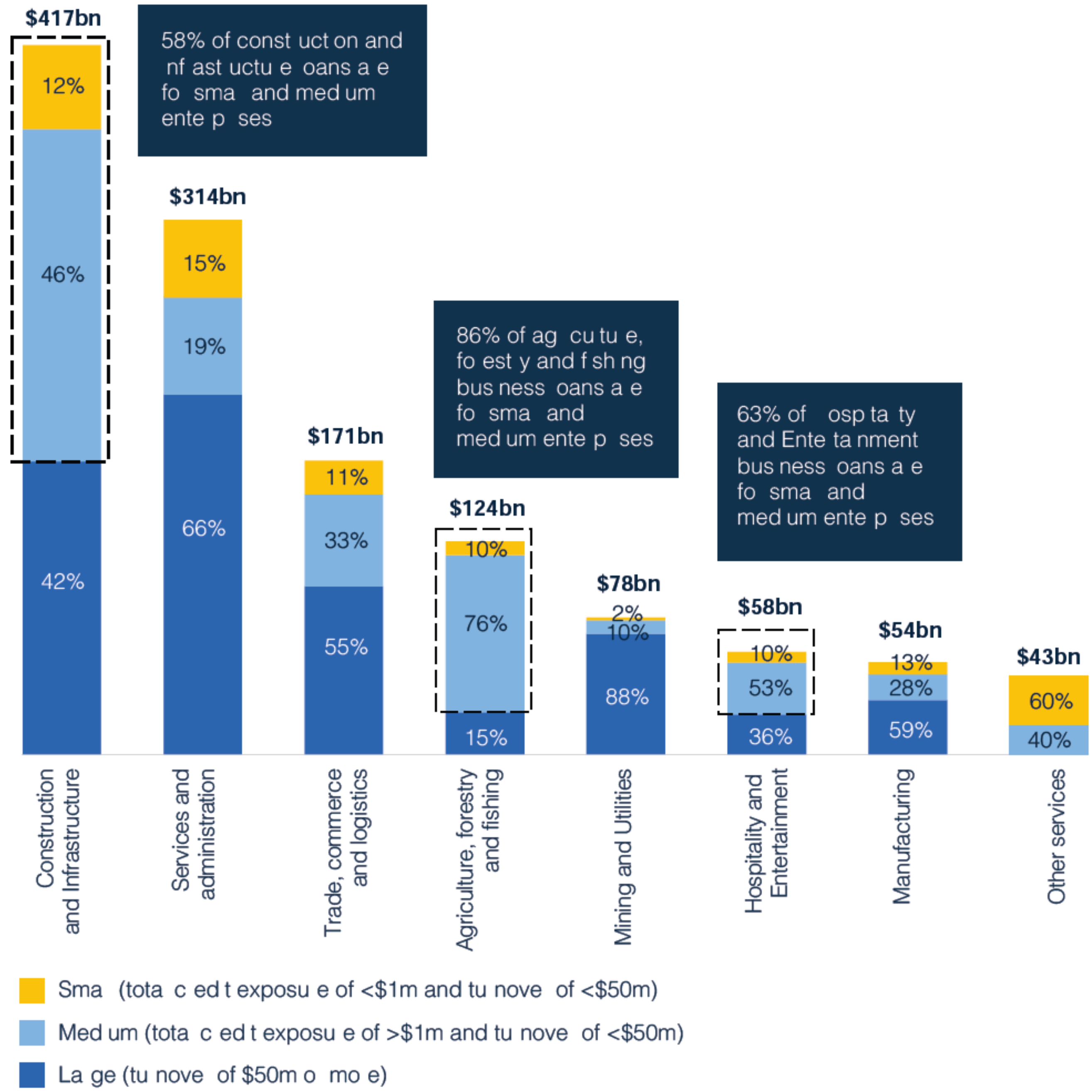


Source: RBA Lending to Business – Business Finance Outstanding by Business Size and Industry (D14.1).
Note: 1: Industries, have been categorised into groups for simplification. Construction and Real Estate Services compiles: Residential building construction, non-residential building construction, other construction, and Rental hiring and real estate services industries. Services and administration compiles: administrative and support services, education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and public administration and safety industries. Trade, commerce and logistics compiles: retail trade, transport, postal and warehousing, and wholesale trade industries. Mining and utilities compiles: mining, electricity, gas, water and waste services. Hospitality and Entertainment compiles: accommodation and food service, and arts and recreation services.

SME lending is particularly strong in the agriculture, construction and hospitality sectors

The distribution of SME lending across sectors shows big variances, reflecting those sectors with a higher proportion of SMEs

Business finance outstanding by industry[1] and by business size ($ billion, % of total oustanding), April 2024

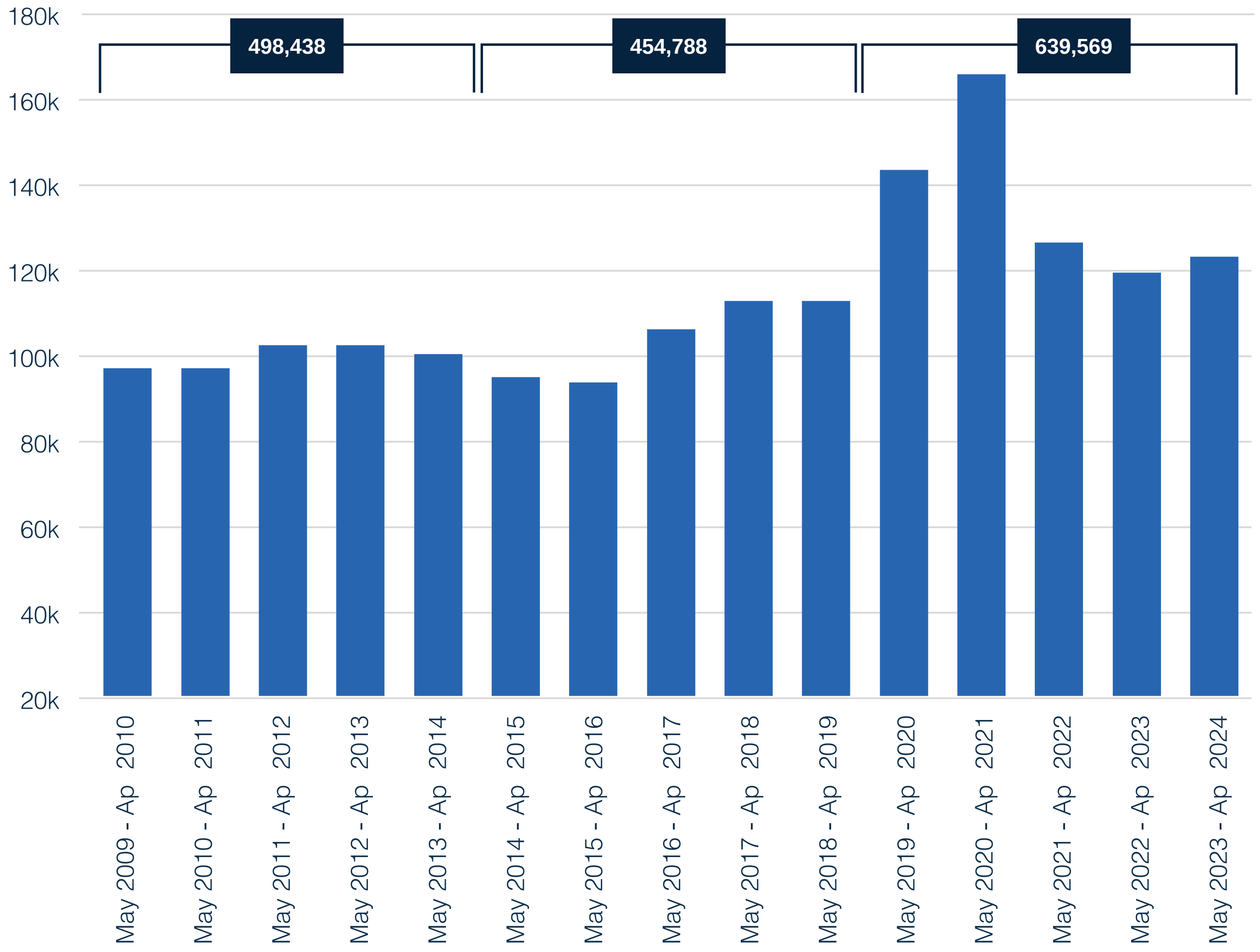


Source: RBA Lending to Business – Business Finance Outstanding by Business Size and Industry (D14.1).
Note: 1: Industries, have been categorised into groups for simplification. Construction and Real Estate Services compiles: Residential building construction, non-residential building construction, other construction, and Rental hiring and real estate services industries. Services and administration compiles: administrative and support services, education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and public administration and safety industries. Trade, commerce and logistics compiles: retail trade, transport, postal and warehousing, and wholesale trade industries. Mining and utilities compiles: mining, electricity, gas, water and waste services. Hospitality and Entertainment compiles: accommodation and food service, and arts and recreation services.

The banks have **made more loans to first home buyers in the last five years than the previous five**

First home buyers took out more than 640k loans worth $5bn in the last five years

New loan commitments for first home buyers (#,12 months to April), 2009 – 2024



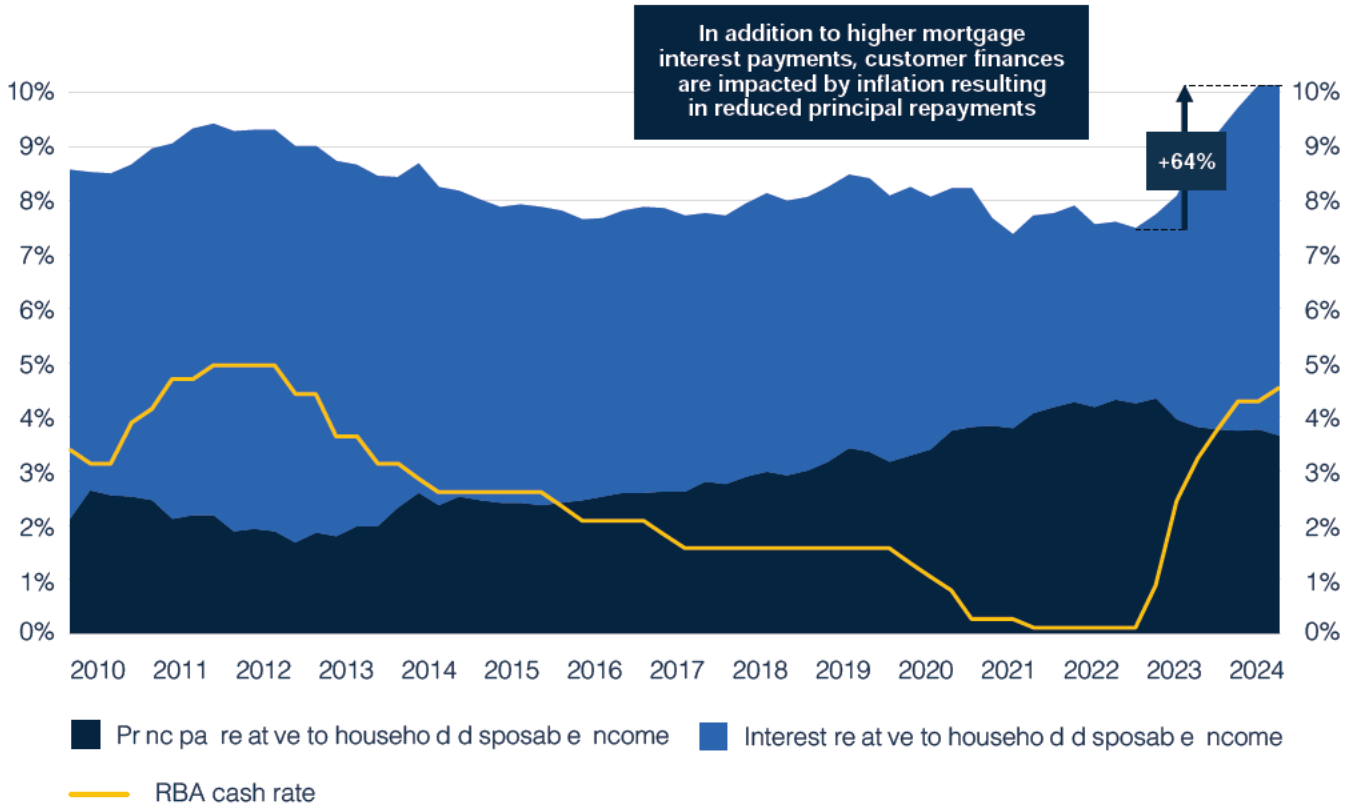
Source: ABS, Lending Indicators (Table 24).

Higher interest rates are resulting in bigger mortgage payments, and in higher interest payments at the expense of reduced principal repayments

- The average household disposable income spent on mortgage payments has fluctuated between 7 and 10 per cent since 2010.
- This is reflective of averages, as some people put higher proportions of their incomes towards mortgages payments.
- The ratio of interest payments relative to principal payments is now at its highest since the March 2017 quarter.

Interest payments on mortgages have increased with the RBA cash rate

Housing loan payments relative to household disposable incomes (%) (LHS axis) vs RBA cash rate (%) (RHS axis), 2010-2024



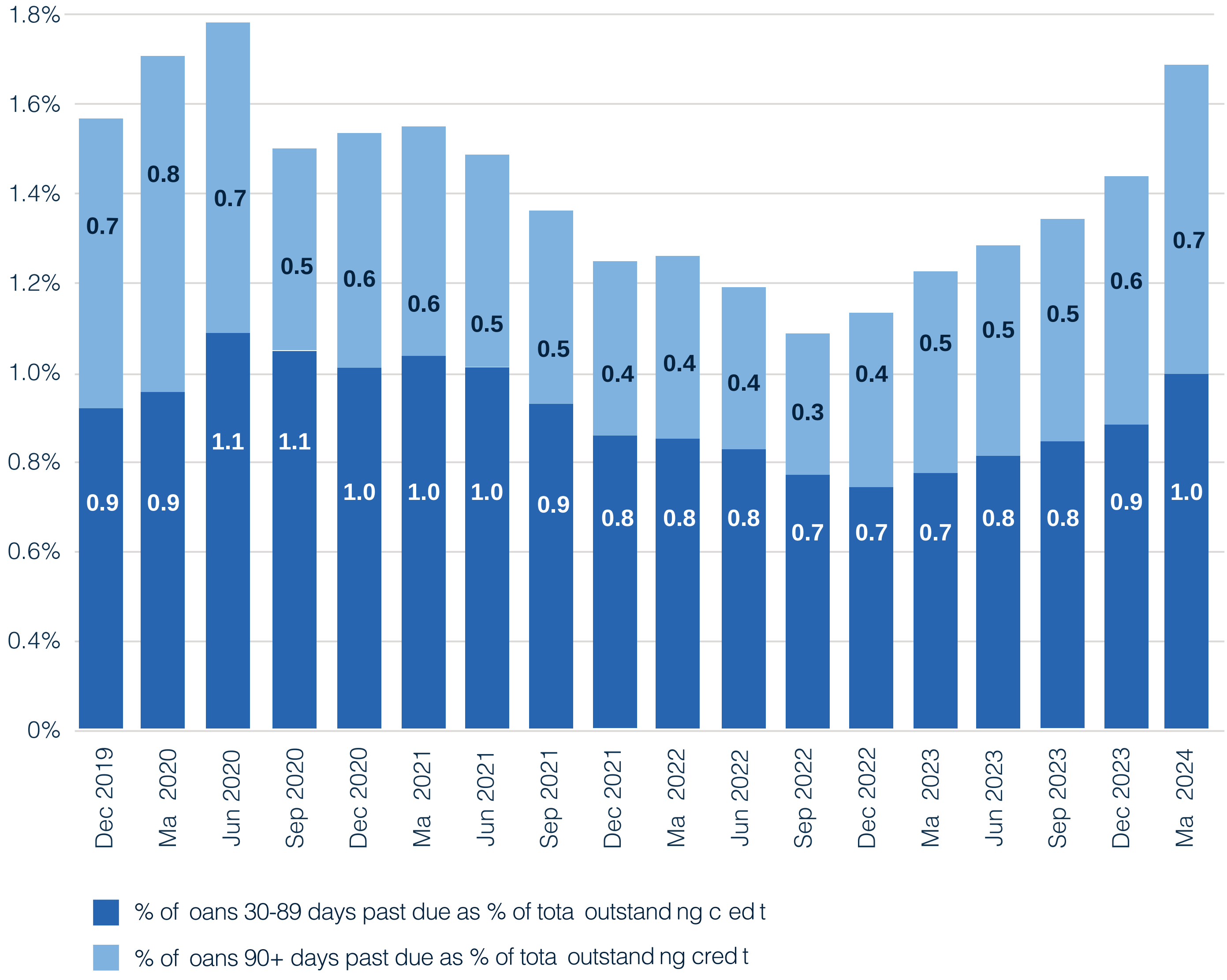
Source: RBA, Household Finances – Selected Ratios (F2), RBA, Interest Rates and Yields (F1.1).
Note: Credit stress is measured by the risk of consumers defaulting on their credit agreements

Despite higher repayments, **most households are managing to keep up with mortgage payments**

- More than 98% of mortgage holders continue to pay their mortgage on time.
- There is an increase in households that are late on payments; however, this hasn't resulted in a sharp rise in households defaulting on their loans.

Despite higher interest rates, there is no sharp increase in mortgage arrears or defaults

Loans 30-89 days past due and 90+ days past due (% of total outstanding) December 2019 – December 2023



Source: Australian Prudential Regulation Authority, Quarterly ADI Property Exposure Statistics (Table 1b).

Banks remain alert as **some people find it difficult to keep up with their financial commitments**

1 in 20

say they don't have the money to meet their expenses

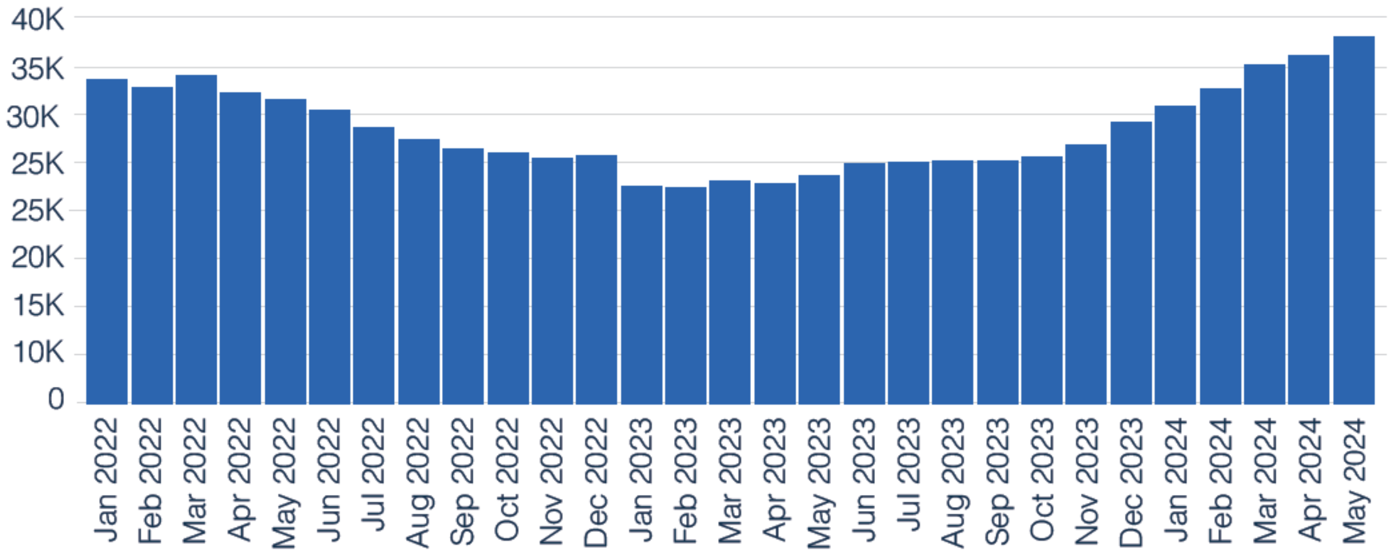
1 in 5

say they can meet expenses without savings

Source: CBA Consumer Insights delivered by Fifth Quadrant

Bank hardship support is increasing, with growth in mortgage accounts in hardship in past 12 months

Accounts in hardship (#), January 2022 - May 2024



Source: ABA Member Survey.
Note: Data for January 2022 to March 2023 as well as May 2024 is extrapolated for one bank based on their average contribution for the months April 2023 – April 2024.

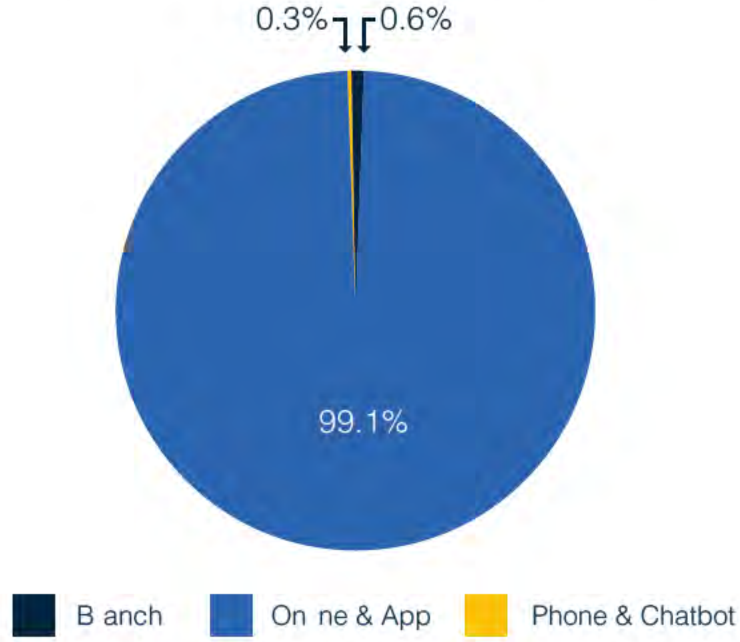
02

How customers bank

Australian bank customers continue their digital shift, **with over 99% of all interactions now via digital channels**

The majority of interactions are now handled through online channels...

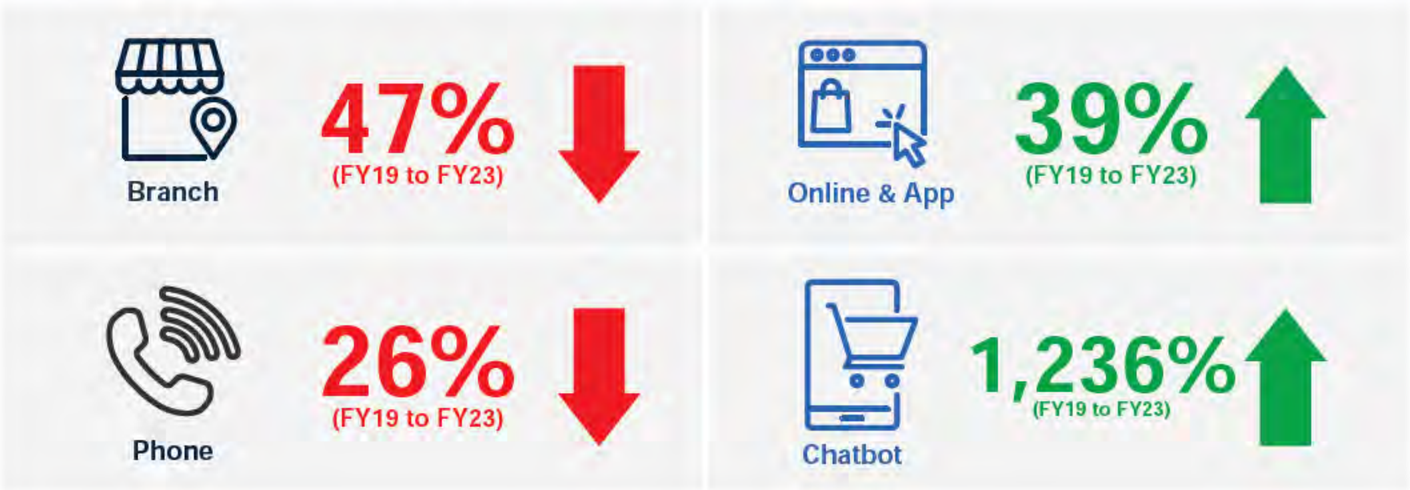
Share of total interactions by channel (%, major banks), FY23



> **99.1%**
> of total transactions are now made via **online banking and apps**

... with in-person branch transactions rapidly falling

Change in volume of interactions (%, major banks), FY19 – 23

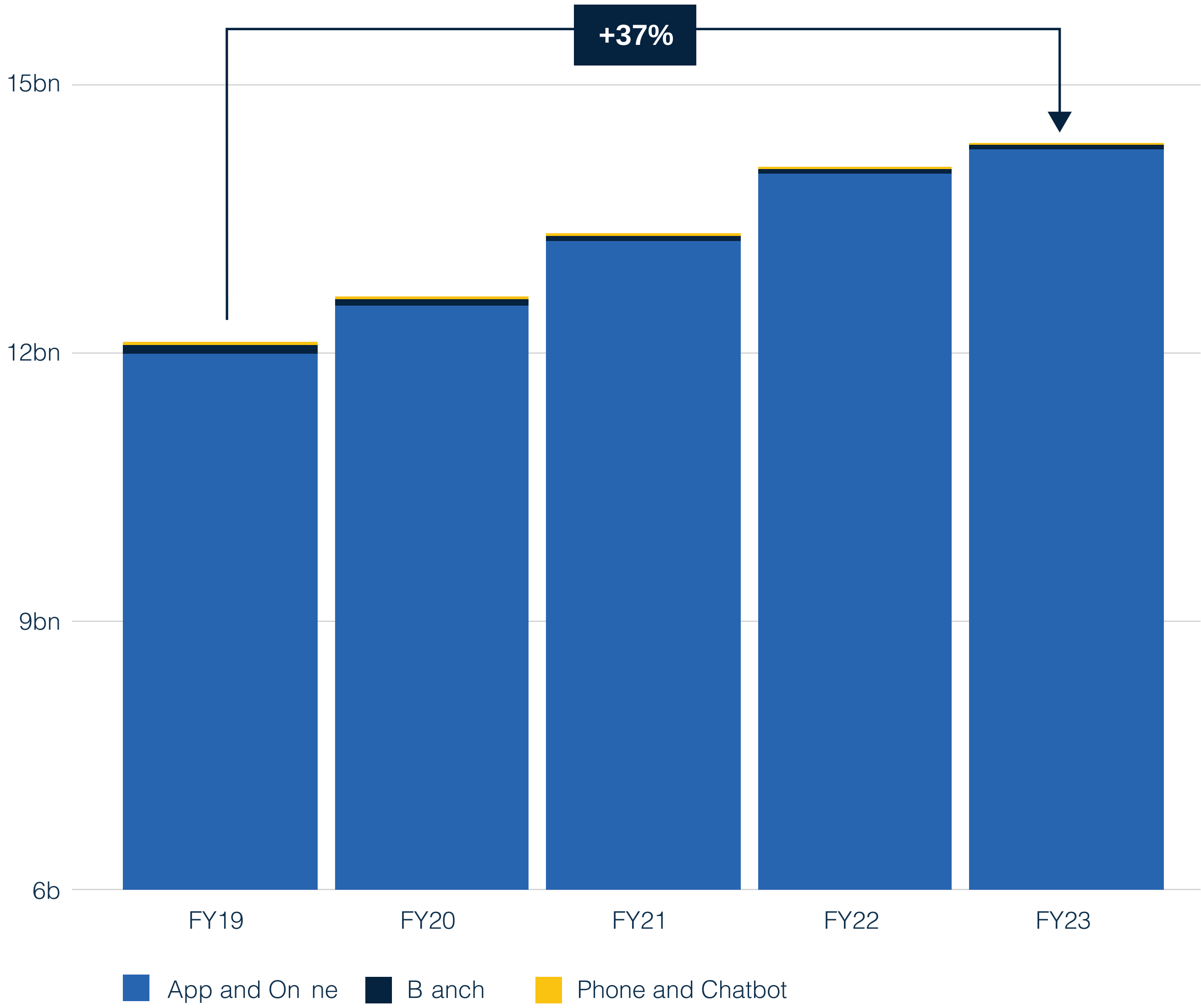


Source: ABA Member Survey, Accenture analysis.
Note: Online and app interactions are based on daily log ins. A single log in may lead to multiple interactions and hence is likely to be understated.

Australians are **interacting with banks more than ever before**

Digital banking is making it easier for Australians to do their banking with a 37% growth in interactions since 2019

Annual interactions with bank (#, major banks), FY19 – FY23



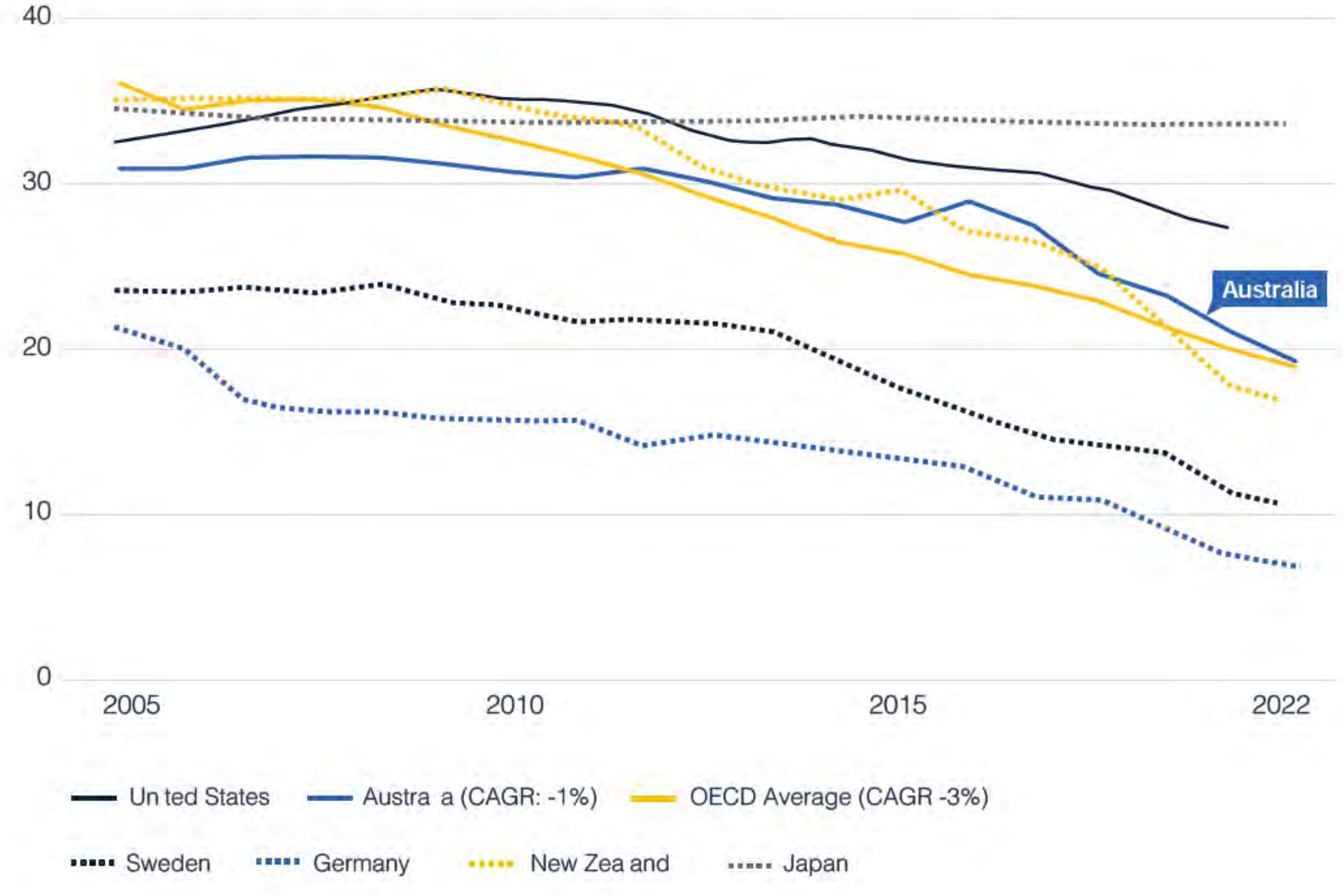
Source: ABA Member Survey, Accenture analysis.

Branch density remains higher in Australia than in global peer countries and is similar across states and territories

- Australia has a higher branch density, at 19 bank branches per 100,000 adults, than the two most comparable OECD countries by urbanisation: New Zealand (17 per 100,000 adults; 87% urbanised) and Sweden (11 per 100,000 adults; 89% urbanised).
- 87% of the Australian population live in urban areas, 5ppt higher than the OECD average of 81%.

Australian branch density is slightly higher than the OECD average

Commercial bank branches per 100,000 adults, 2005 – 2022



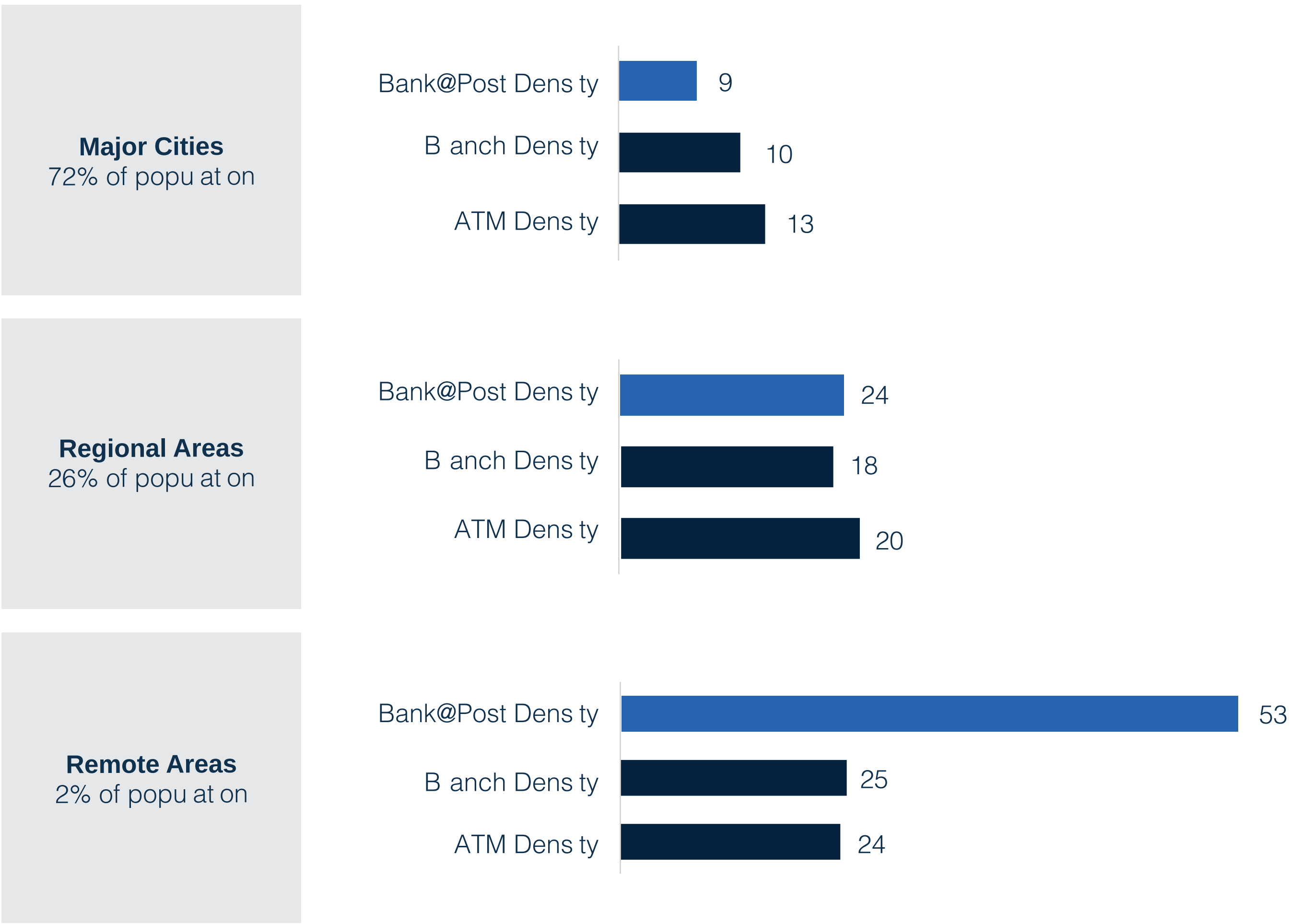
Sources: International Monetary Fund Financial Access Survey (FAS) (2024), The World Bank Urban Population (2024), Australian Prudential Regulation Authority (2024), ABS Population Statistics (2024), Accenture analysis.

Bank@Post provides an alternative for face-to-face transactions for regional banking customers of ABA member banks

- Bank@Post is more common in regional and remote Australia where 28% of the population lives.
- Bank@Post is paid for by particpating financial institutions, providing over 3400 face-to-face banking access points

Bank@Post has more locations per capita in regional and remote areas

Locations per 100,000 people by remoteness, 2023



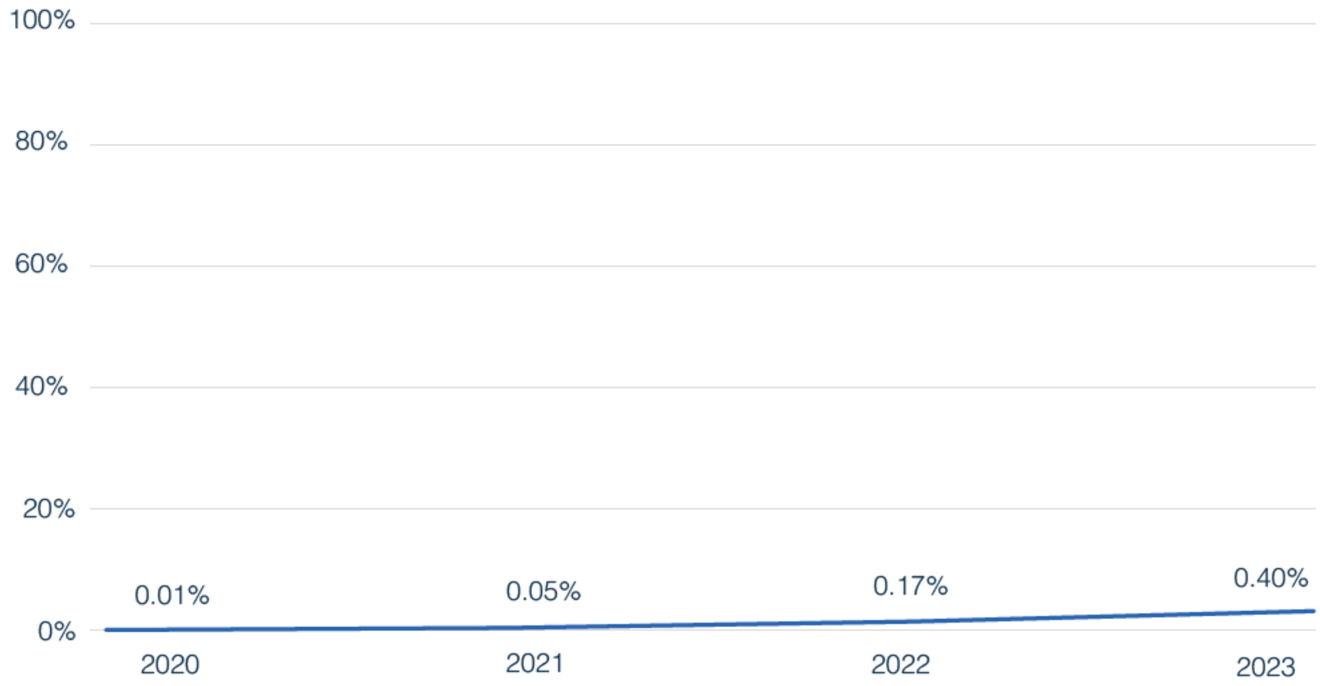
Sources: APRA, ABS, Accenture Analysis.
Note: Bank branch and ATM density based on ABA Members only.

Since launching in 2020, uptake of CDR remains very low as a small share of customers ask for their banking data to be shared

- The Government intitated Consumer Data Right (CDR, also referred to as open banking) enables banks to share data with accredited data recipients with consumer consent.

CDR uptake during each full year since 2020 remains very low

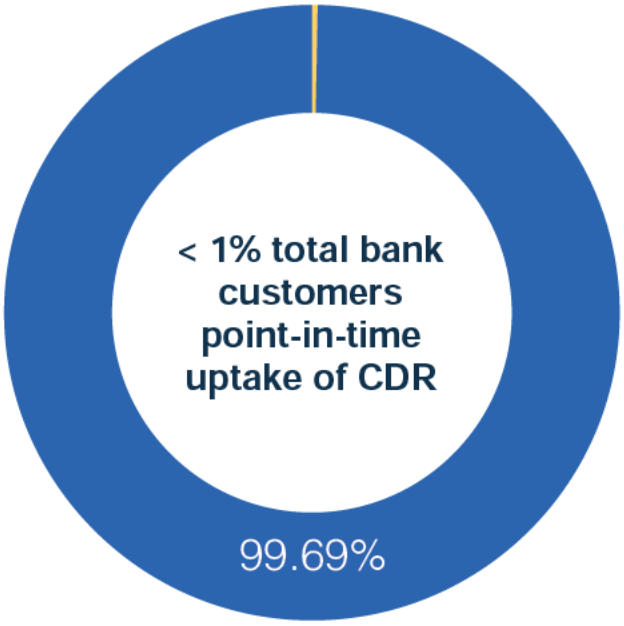
New CDR customers for the entire period (% to total bank customers)[2] 2020 – 2023



Source: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Mid-tier & International – it has been scaled up using stable ratios to represent population of 10 Banks; 2. Total bank customers is the average for the period and spans all bank customers based on bank publications.

Less than 1% of bank customers are sharing their data

Active customers (% total bank customers)[2], December 31, 2023



Source: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Mid-tier & International – it has been scaled up using stable ratios to represent population of 10 Banks; 2. Total bank customers is the average for the period and spans all bank customers based on bank publications.

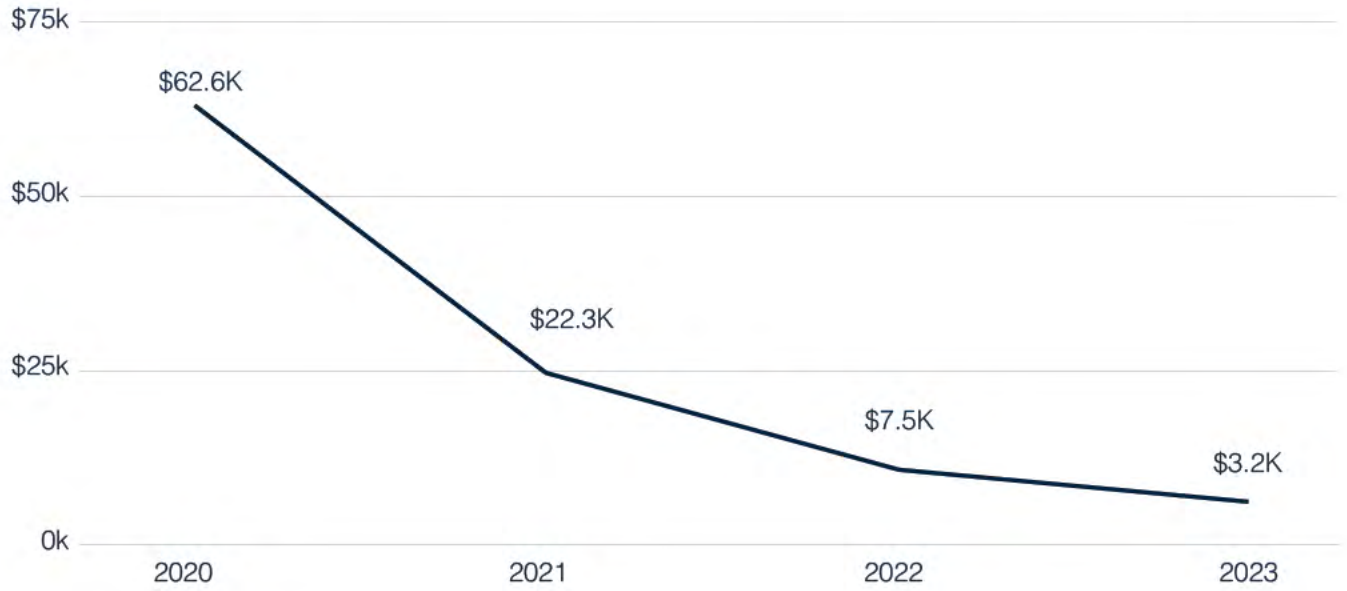
Government and industry have made significant investment in CDR with banks estimated to have spent $1.3bn to 2023

Identified and estimated CDR expenditure, ($) 2019 – 2023[1,2]

Sources: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Non-Majors – it has been scaled up using stable ratios to represent population of 10 Banks. 2. Forecasts (2024/25) not provided due to incomplete bank expenditure data. 3. The estimate of accrued new customers is likely to exceed actual unique customers due to duplication of customers who return after having lapsed.

The average historically incurred cost of CDR per customer remains high at around $3k per customer

Total accrued CDR expenditure at end of period per accrued customers at end of period ($)[1,3] 2020 – 2023



Sources: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Non-Majors – it has been scaled up using stable ratios to represent population of 10 Banks. 2. Forecasts (2024/25) not provided due to incomplete bank expenditure data. 3. The estimate of accrued new customers is likely to exceed actual unique customers due to duplication of customers who return after having lapsed.

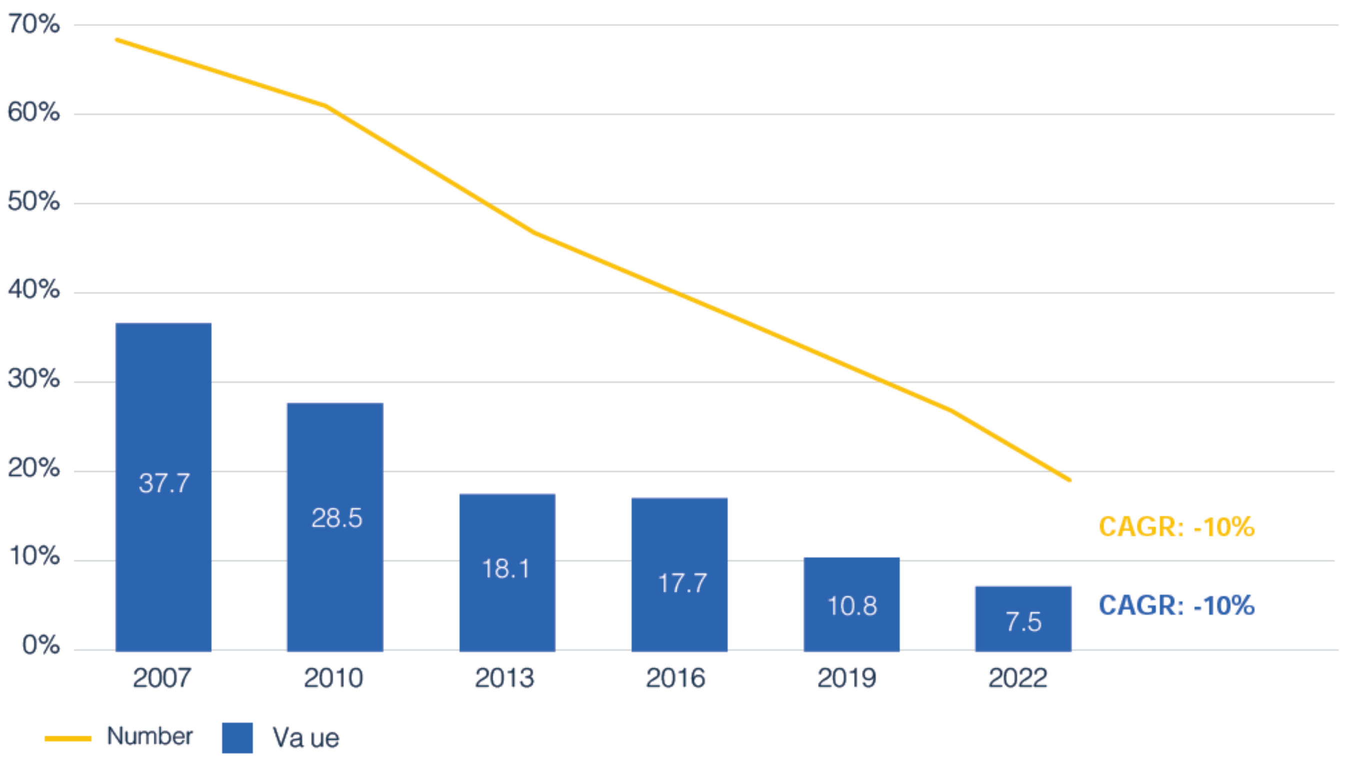
03

How customers pay

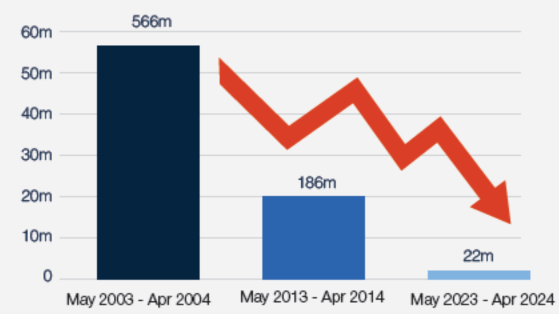
Consumer cash use has declined substantially over the past two decades, as both the relative number and value of cash payments continue to reduce

The share of retail payments made in cash has decreased, with ~10% decline year-on-year since 2007

Share of transactions (%) made in cash by number and value, 2007 – 2022



Source: RBA Consumer Payments Survey. (2022).
Note: Other payment methods include debit card, credit card, internet / phone banking, cheque, BPAY, gift/prepaid cards, other.



Cheque use continues to decline

- Cheque usage continues to fall, with the number of cheques used in the 12 months to April 2024, just 3.5 per cent of the number drawn in the 12 months to April 2004.
- In just the last 12 months there has been a further 37 per cent decline in the number of cheques drawn, from 2.15m in May 2023 to 1.35m in April 2024.

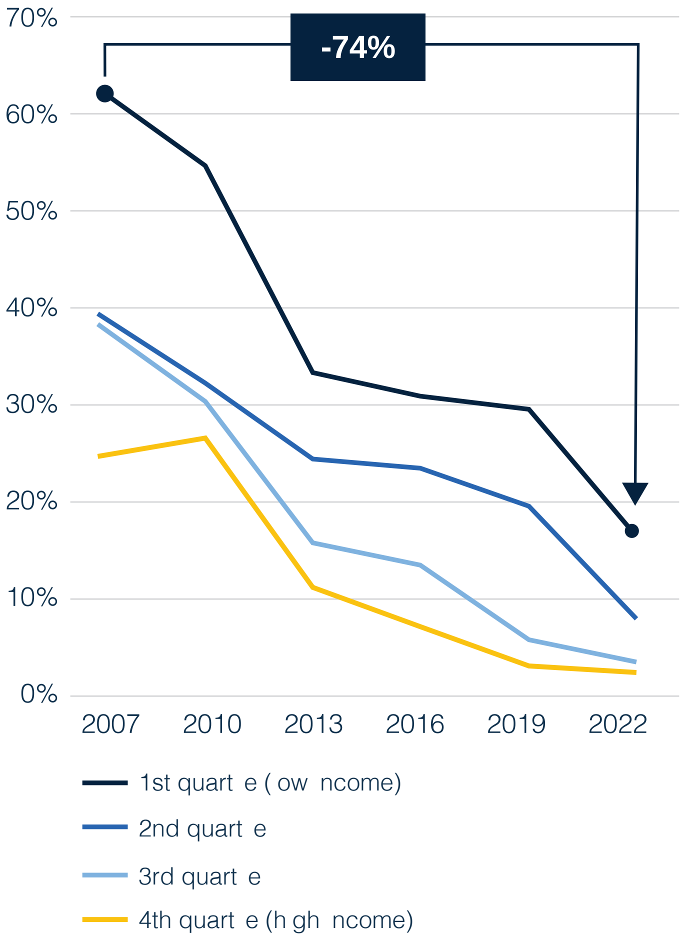
Source: RBA, Cheques (C5.1).

Declining cash use is universal regardless of income, age or geographic location

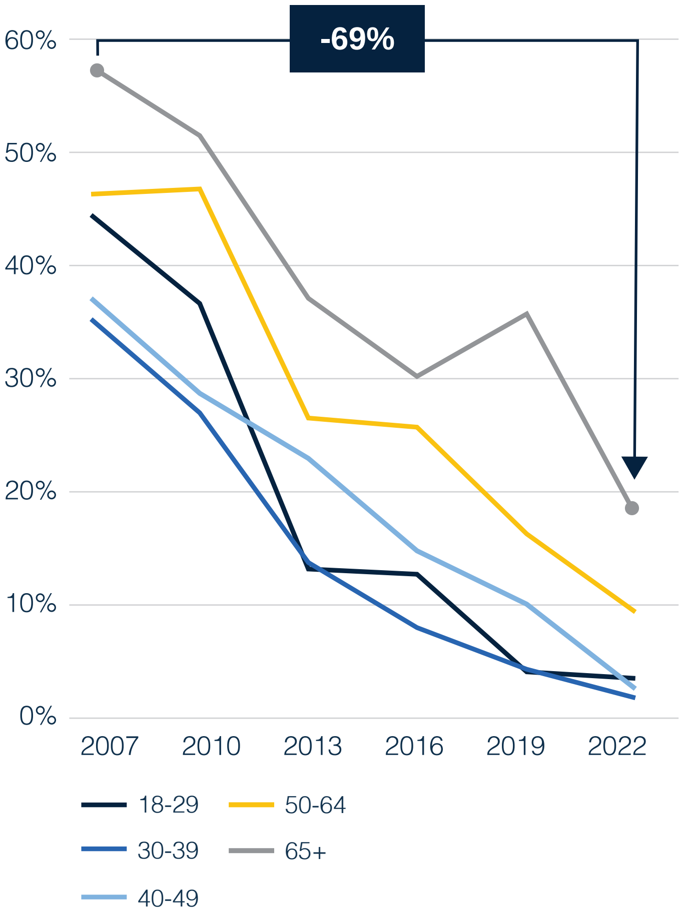
Some of the strongest decline has been in customer segments with historically high cash usage

High cash users by income quartile, age group & geographic location (%), 2007 – 2022

Income

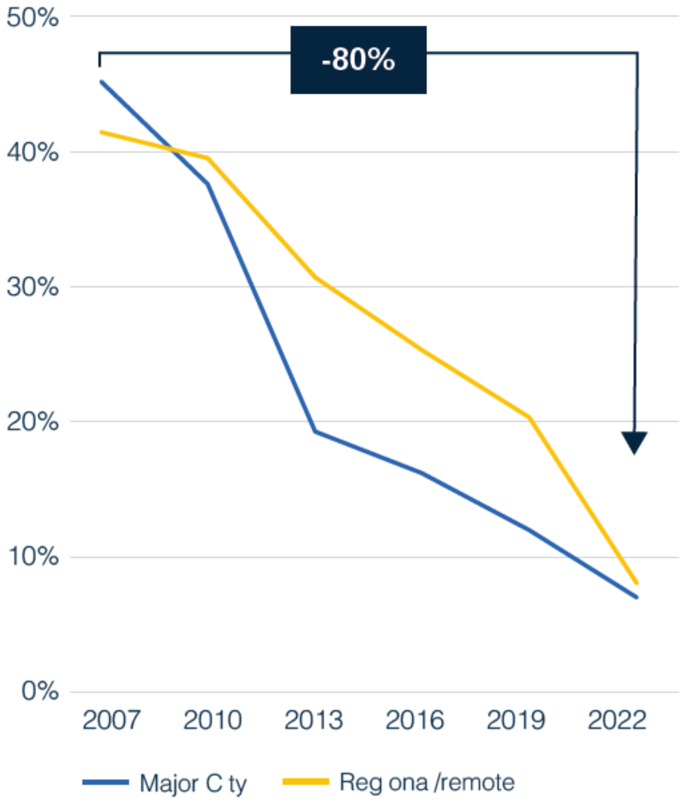


Age



Source: RBA, Cash Use and Attitudes in Australia, (June 2023).
Note: High cash users are those who use cash for at least 80% of their in-person transactions.

Location



“Groups that have traditionally had the highest cash users tended to see the largest declines in cash use...

- In particular, the oldest age bracket – those aged 65 and above – experienced the largest percentage point decline in the share of high cash users.
- Similarly, the share of high cash users in regional and remote areas decreased by more than in major cities, such that there is now little difference between these locations…
- The lowest household income quartiles recorded the largest decline in the share of high cash users.

As a result, cash use is now more similar across age, location and household income than at any time since the [RBA’s] Consumer Payment Survey began in 2007.”

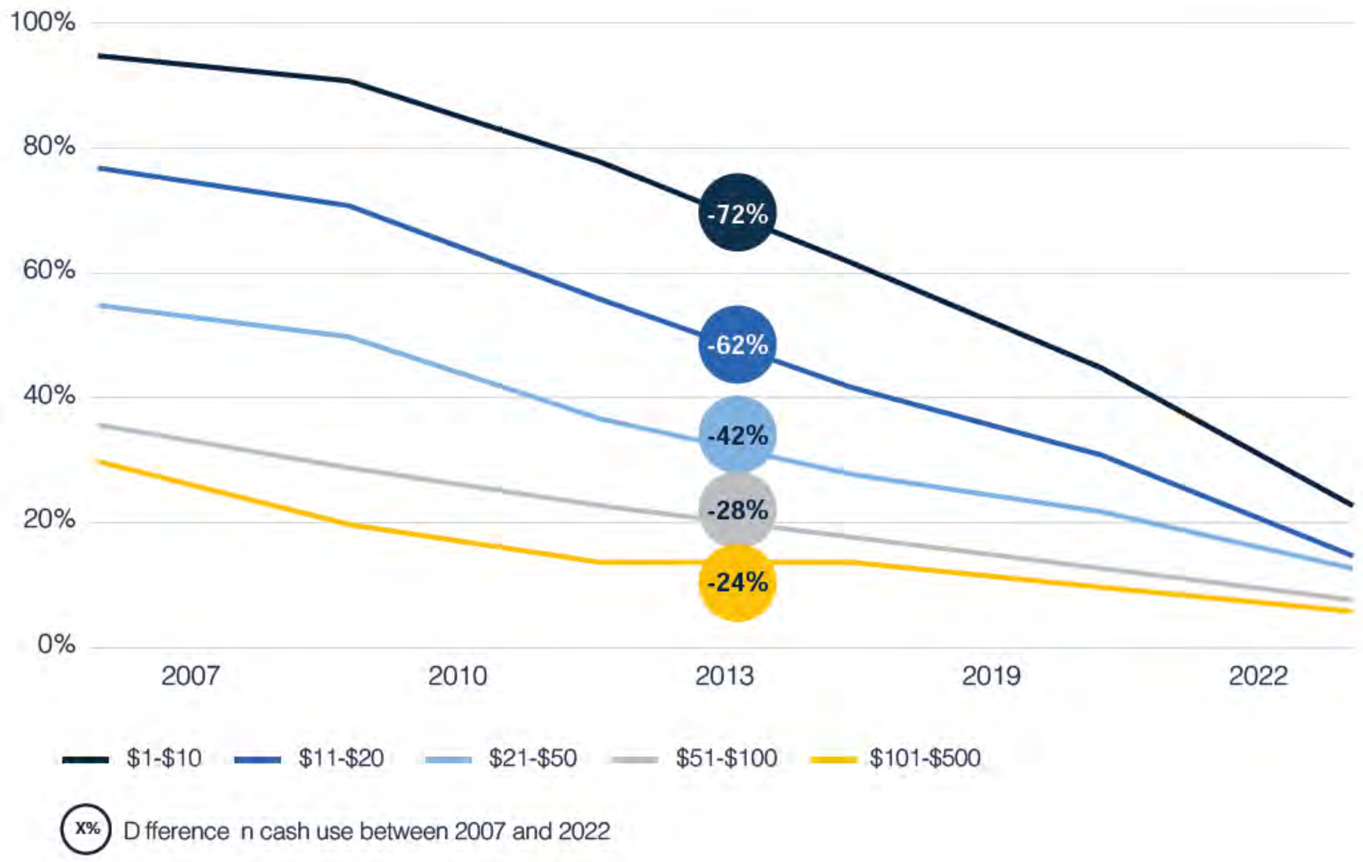
Understanding the Post-pandemic Demand for Australia’s Banknotes
RBA Bulletin, January 2024

Regardless of payment size, **cash payments have decreased substantially over the past two decades**

- Transaction sizes less than $20 have seen the largest drop in use of cash over the past two decades.
- While cash payments have declined across all transaction sizes, the decline has been strongest for lower transactions values.

In 2007 nearly all payments of $1-10 were made with cash, this is now just over 20%

Share of transactions (%) paid in cash by transaction size, 2007 – 2022



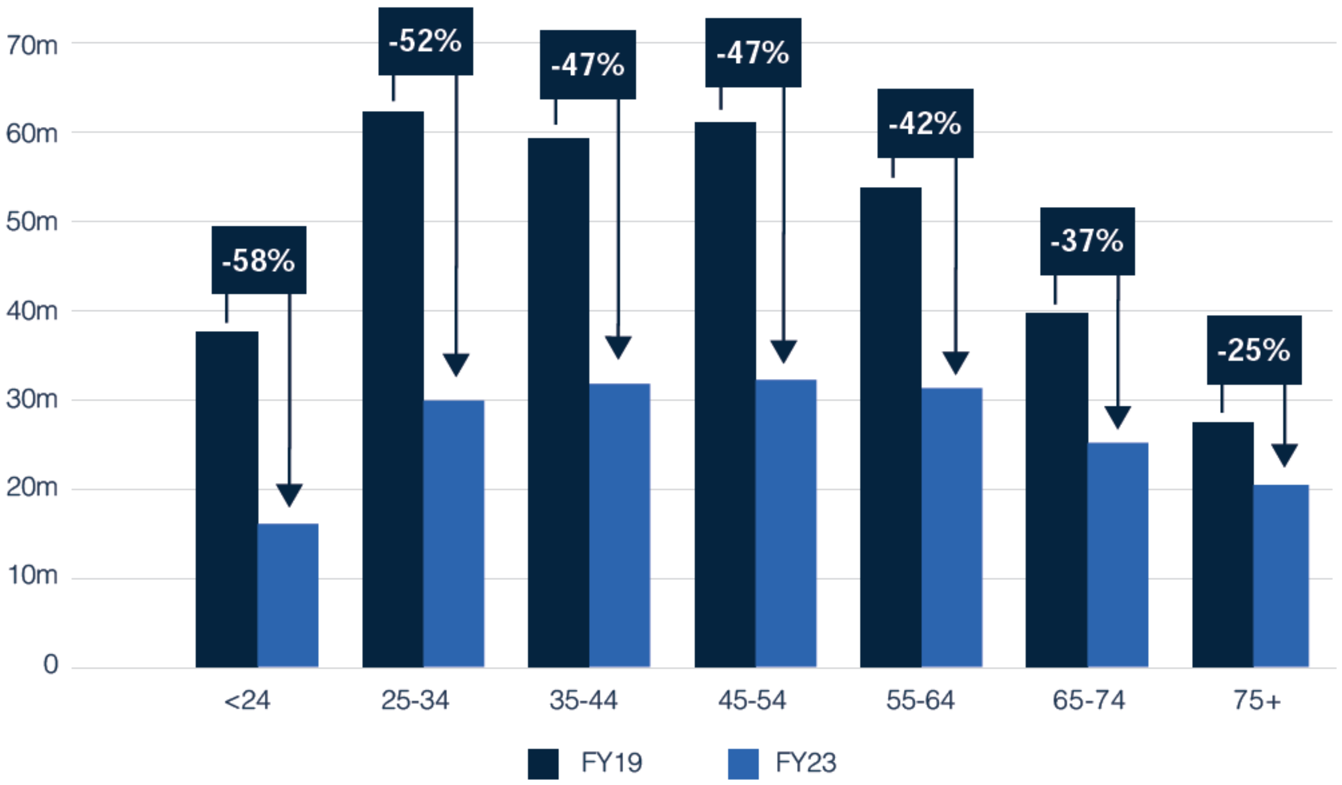
Source: RBA Consumer Payments Survey (2022).

The decline in cash withdrawals is strong across all age groups, states and geographic areas

- There is a strong preference for ATMs over branch transactions with ATM transactions making up 91% of cash transactions in FY23.
- The highest drop in cash use is seen in the age groups below 55. These age groups also have the lowest use of branches transactions to withdraw cash.
- The smallest drop in cash use is seen in the 65+ and 75+ age groups.

Cash withdrawals are decreasing regardless of age...

Cash withdrawals, By age groups (#, ATMs and branches), FY19 & FY23

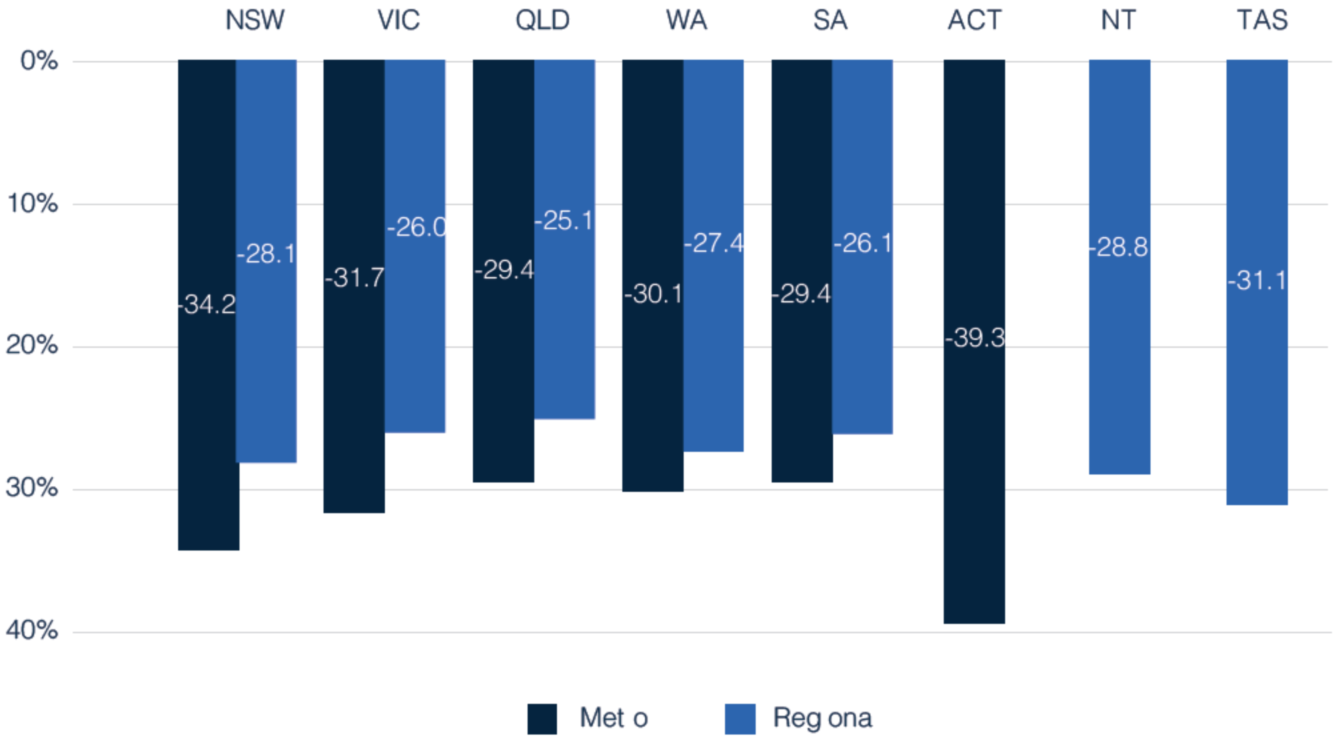


P opo t on of ATM w thd awa s n FY23	96%	96%	95%	94%	92%	87%	71%

Source: ABA Member Survey.

...and geographic location

Cash withdrawals, By states and region (#, ATMs and branches), FY19 & FY23



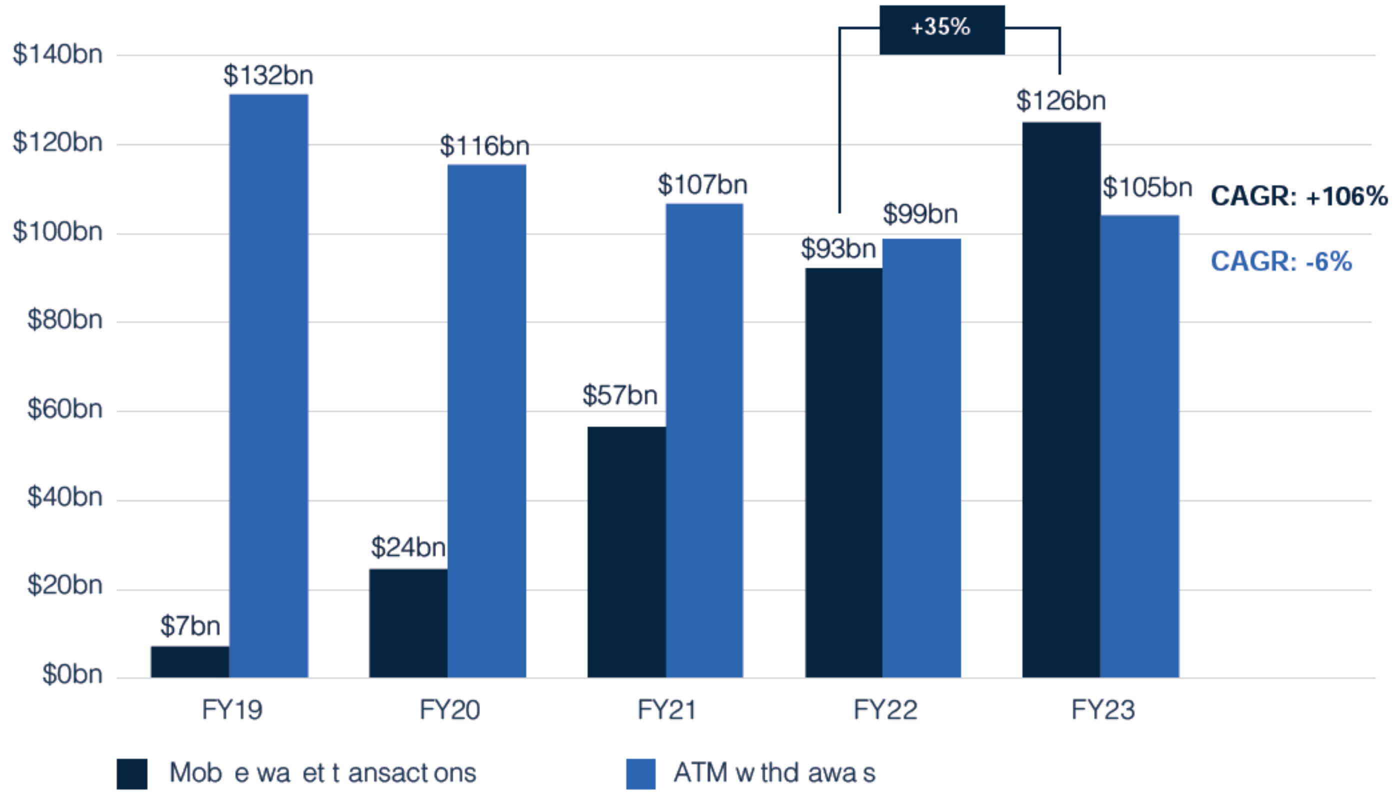
P opo t on of ATM w thd awa s n FY23	84%	84%	85%	83%	80%	84%	74%	82%

Source: ABA Member Survey.
Note: NT and TAS are considered regional areas only (i.e., not metropolitan). ACT is considered a metropolitan area only, (i.e., not regional). The location of a significant proportion of ATMs were unable to be categorised, resulting in a seemingly lower proportion of ATM withdrawals by geographic region.

The acceleration in popularity of **mobile wallets has seen them overtake ATM cash since their launch by the major banks five years ago**

Customers are increasingly using mobile wallets

Mobile wallet transactions vs ATM withdrawals ($ billion), FY19 – FY23



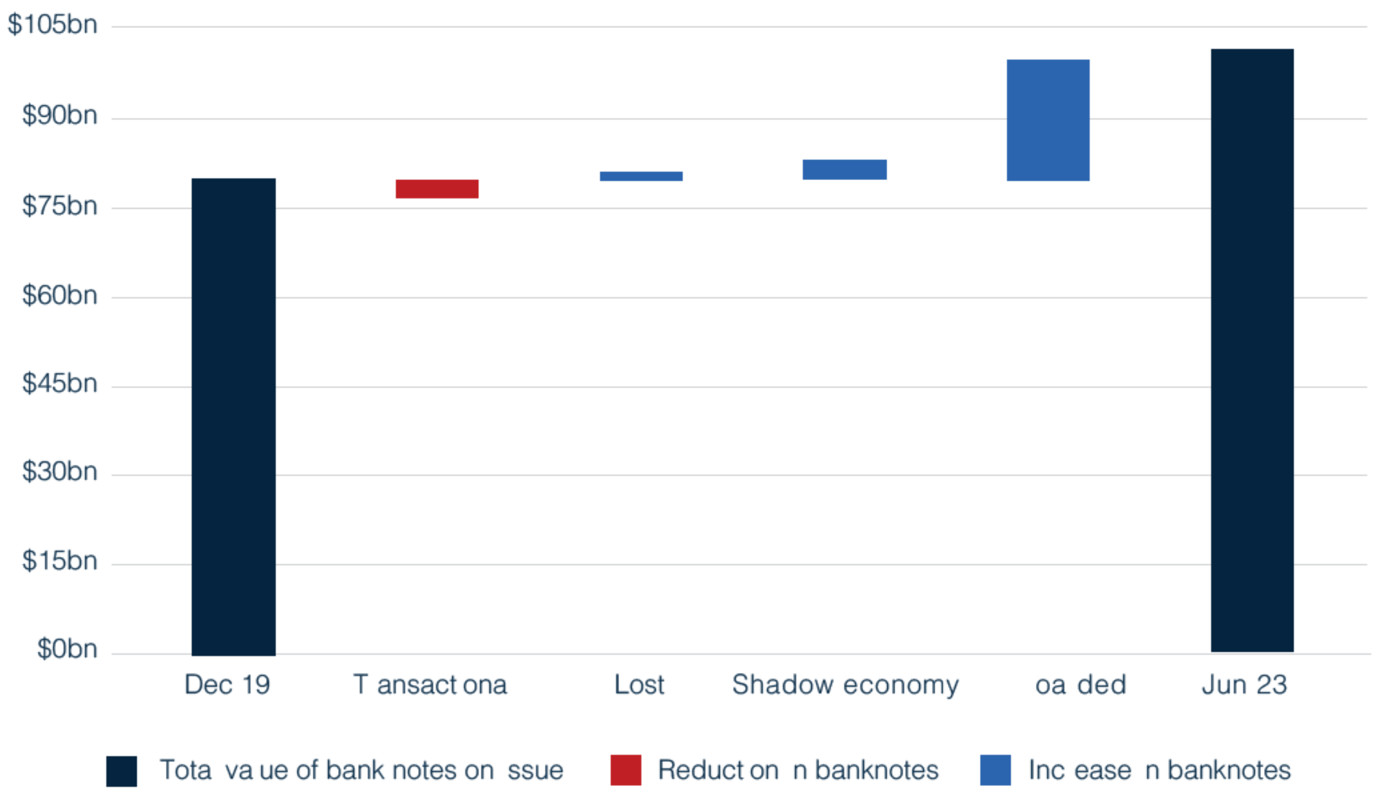
Sources: ABA Member Survey, RBA, ATM statistics (C4).

The number of **banknotes on issue continues to grow**, despite the decline in use of cash for payments

- In 2022 just 13 per cent of retail payments were made using cash, down from 69% in 2007.[1]
- Analysis by the RBA attributes the majority increase in banknotes to cash hoarding.
- As at May 31, 2024 the value of $50 and $100 notes on issue comprised 94% of the total $101.2bn banknotes on issue.

The majority of new bank notes in circulation have been hoarded

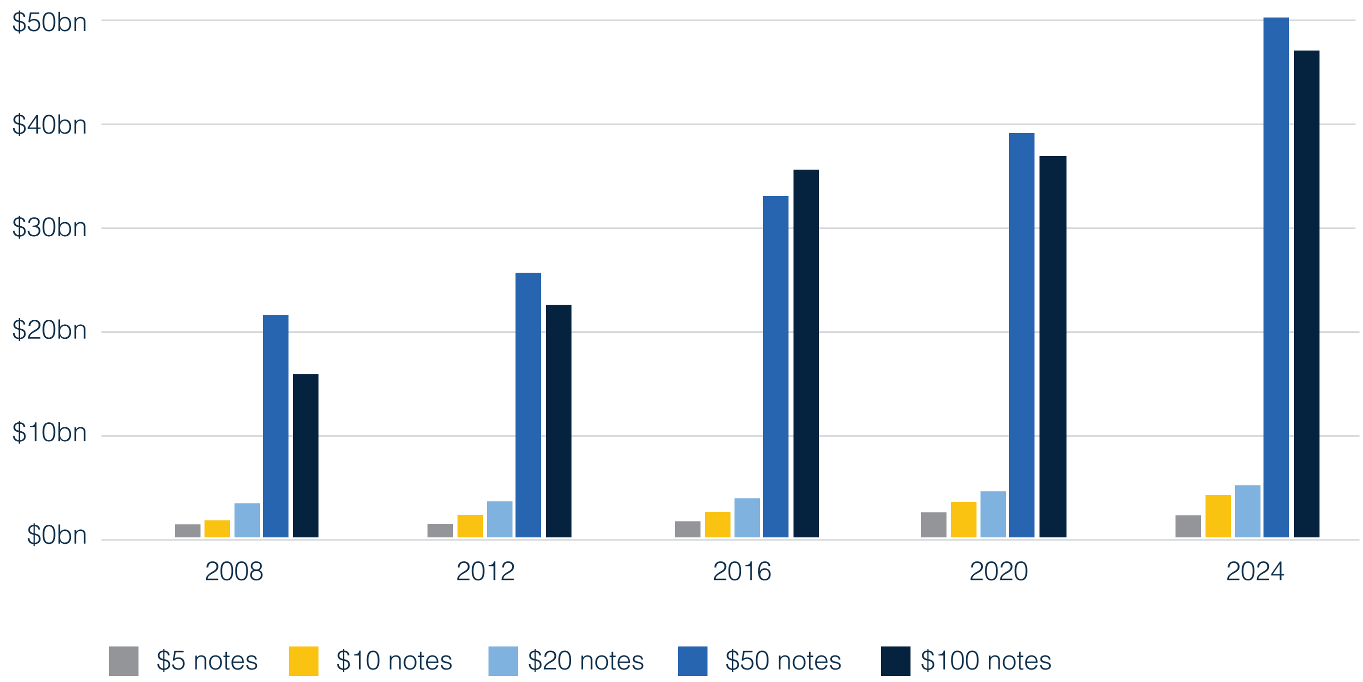
Value of banknotes in circulation by component, mid-point estimates*



Source: RBA, Understanding the Post-pandemic Demand for Australia' Banknotes (January 2024).
Note: 1. RBA, The Evolving Retail Payments Landscape, Payments System board Annual Report (2023).

In 2024, the value of $50 notes in circulation was 13x greater than $20 notes, up from 7x in 2008

Value of banknote in circulation, by denomination ($ billion), 2008-2024



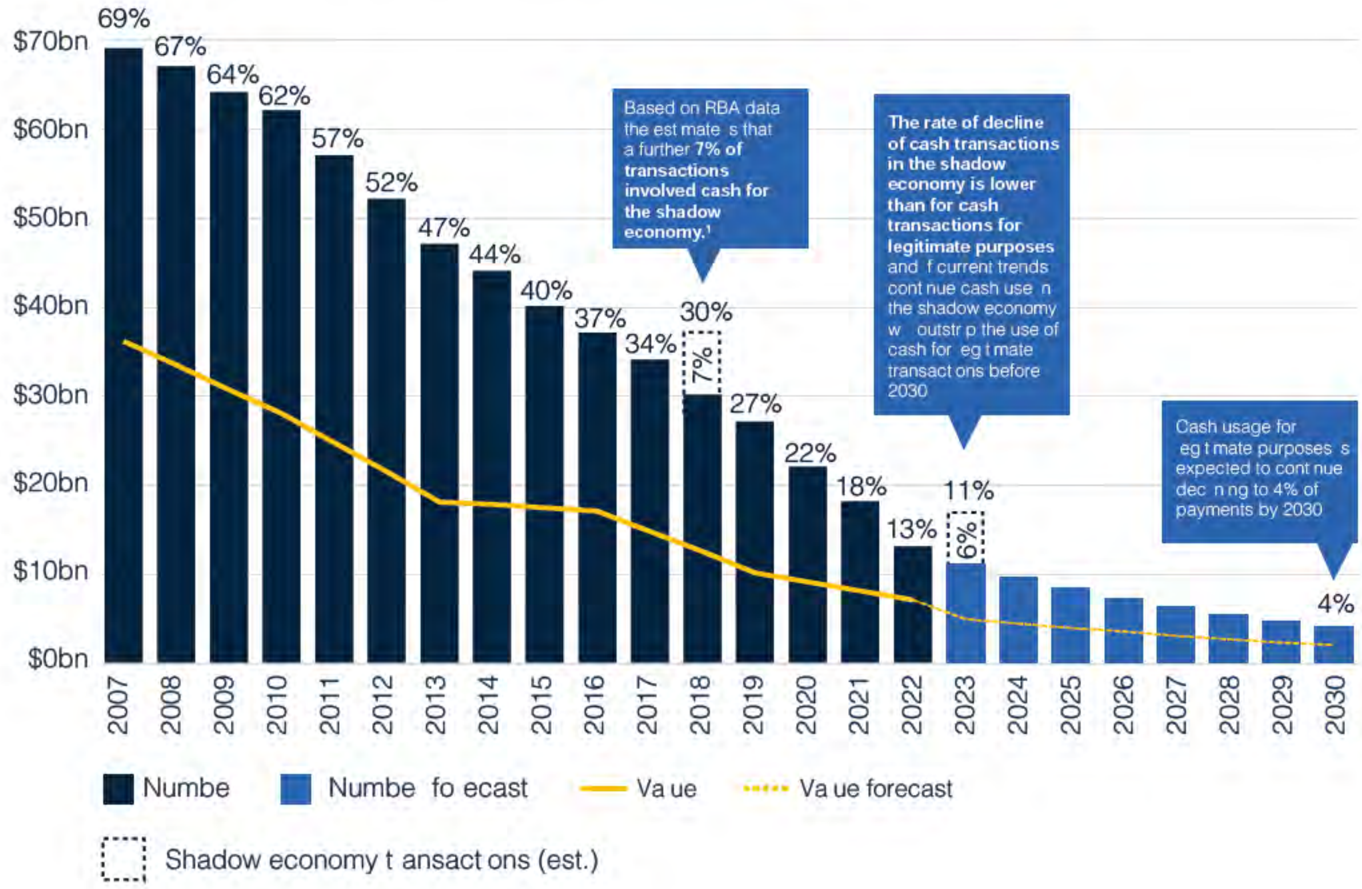
Source: RBA Banknotes on Issue by Denomination (F1.1).

> **Hoarding, both domestically and internationally, is the most significant component of banknote demand.**
>
> Understanding the Post-pandemic Demand for Australia's Banknotes
> RBA Bulletin, January 2024

The use of cash for legitimate transactions
is expected to continue to decline

Cash payments will become marginal in the next decade; however, cash use in the shadow economy is declining only slowly

Percentage of payments that are cash (%), by # (bar) and value (line), 2007 – 2030



Sources: RBA, Cash Use and Attitudes in Australia, 2023; RBA, Annual Report – Banknotes; ABS, Population Time Series, Mar 2023; Centre for Population, Intergenerational Report: Population Projections, 2023; Accenture analysis. Note: Forecast made by projecting the relative size and transaction volume of cash payments, weighted by projected population age bracket distributions. Data is based on a survey where participants recorded details about every transaction they made over a week; they also completed a questionnaire on payment preferences, cash holdings and perceptions of cash access. Around 1,000 individuals completed the survey, recording about 13,000 transactions, around 9,000 of which were made in person.

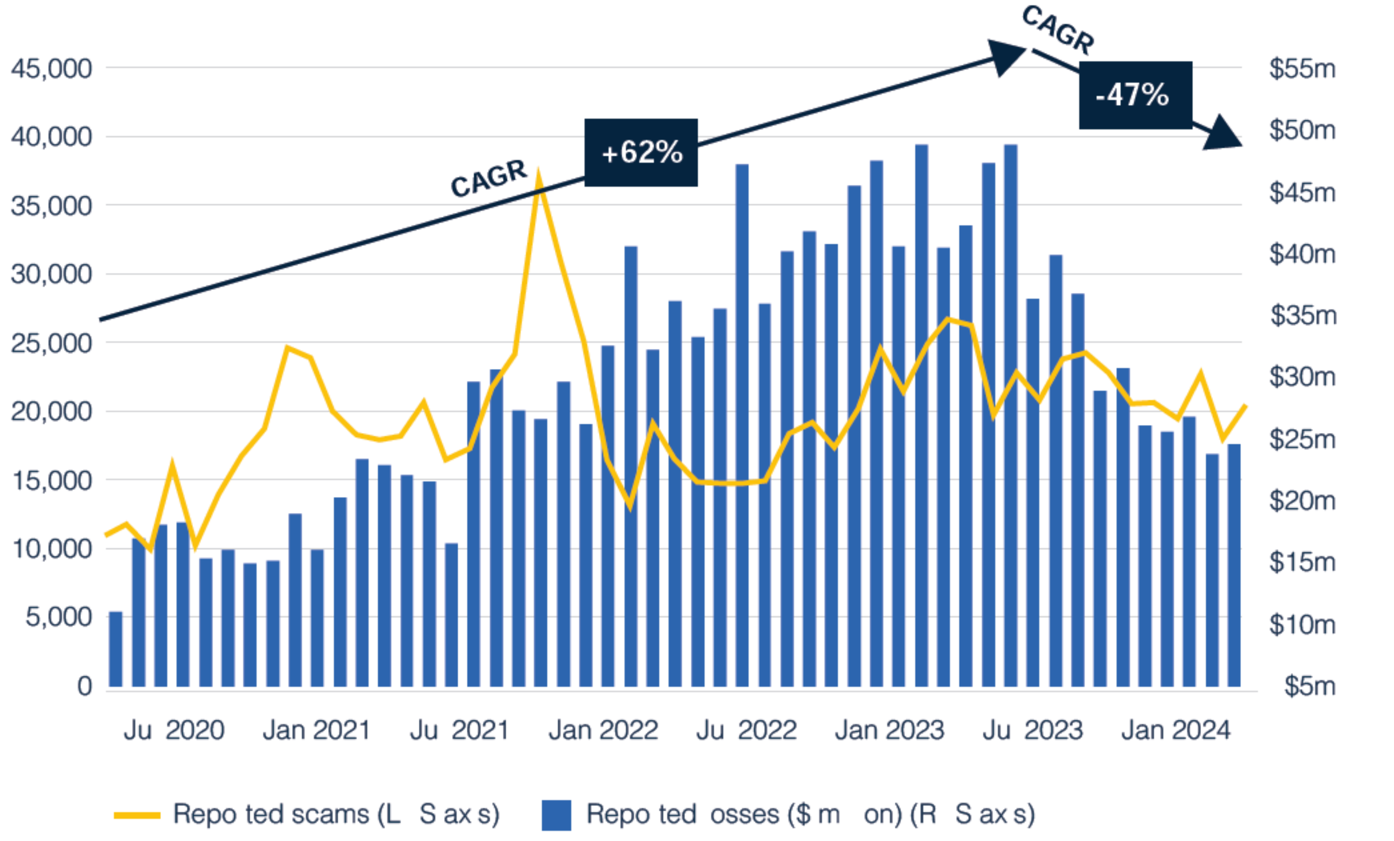
Note: 1. As this data is self-reported, we expect it does not account for some if not all, cash payments used for tax avoidance purposes or for illegal activities/crime. Accounting for these payments would increase the numbers shown. In 2018, the RBA reported that of outstanding banknotes, 15–35 per cent are used to facilitate legitimate transactions and 4–8 per cent are used in the shadow economy. We have estimated that c.7% of transactions are shadow economy by applying the ratio of banknotes used for legitimate transactions to shadow economy transactions in 2018. Estimates are indicative only as data on the shadow economy is limited. 2. Based on RBA data that reports debit and credit card payments, which make up 76% of payments, where worth $710bn in 2022. See footnote 8 (RBA)

The digital revolution has increased opportunities for scams, but government & bank interventions have seen a reversal of the upwards trend

- Several interventions may have contributed to the reduction in amounts lost to scams over the past year.
- The National Anti-Scam Centre (NASC) was launched in July 2023, enabling sharing of scams intelligence across government, law enforcement and the private sector.
- NASC has worked with other federal agencies to deliver several initiatives, such as removing websites with malicious phishing and investment scam information.
- From mid-2023, most banks have also enforced measures to limit transactions to 'high risk' cryptocurrency exchanges.
- Scam victims have also been automatically referred to the national identity theft and cyber support service (IDCARE) for support and advice.
- Additional interventions (e.g., from telcos and digital platforms) could help to make further progress.

While scam reports has trended upwards over the past four years, several interventions has reversed this

Number of reported scams (#) (LHS axis) vs. value of reported scam losses ($ million (RHS axis), January 2023 - April 2024



Sources: National Anti-Scam Centre Scamwatch Scam Statistics (2024). Australian Government & National Anti-Scam Centre Targeting scams: Report of the National Anti-Scam Centre on scams activity. (2024)

> **"…the Government recognises effective planning and coordination amongst regulators and industry is required to ensure Australia can capitalise on the opportunities and manage the risks of new payment methods and services."**
>
> A Strategic Plan for Australia's Payments System,
> The Australian Government the Treasury, June 2023

About Australian Banking Association

The ABA is an association of 20 member banks in Australia. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry. The ABA is led by Anna Bligh, Chief Executive Officer, who is supported by a team of senior public policy staff. Anna started in the role in April 2017 and is focused on strengthening trust and confidence in banking and delivering better outcomes for customers. The ABA is governed by a Council which comprises Chief Executive Officers of member banks. More information is available at **www.ausbanking.org.au/**

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organisations build their digital core, optimise their operations, accelerate revenue growth and enhance citizen services— creating tangible value at speed and scale. We are a talent and innovation led company with 742,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at **www.accenture.com**.

Australian Banking Association Member Survey (2024)

To complement the publicly available data used in this report, the ABA surveyed member banks for additional information on branch interactions, non-branch interactions (online banking, app, phone and chatbot), mobile wallet transactions, cheque usage data and CDR consents. When this data has been used throughout this report, the source 'ABA Member Survey' is noted in the source footnote. Data was collected in May 2024 and is only presented when at least three of the four major banks provided information and when both the ABA and Accenture were comfortable that the results were representative. Registered users for bank app was the only data point which included data from three major banks, not all four.

Commissioned by

Australian Banking Association

Research by

accenture

Australian Banking Association

Australian Business Number (ABN) 60 117 262 978

FOI 3700 Document 6

From: s 47F on behalf of s 47F (Australian Banking Association - Unclassified)
To: Stephen.Jones.MP@aph.gov.au; s 47F
Cc: s @coba.asn.au; s 47F (Australian Banking Association - Unclassified)
Subject: Correspondence sent on behalf of Anna Bligh, CEO, Australian Banking Association
Date: Wednesday, 17 July 2024 11:11:41 AM
Attachments: image001.png
image002.png
270717_CDR Letter_ABA and COBA.pdf

The office of The Hon. Stephen Jones MP,

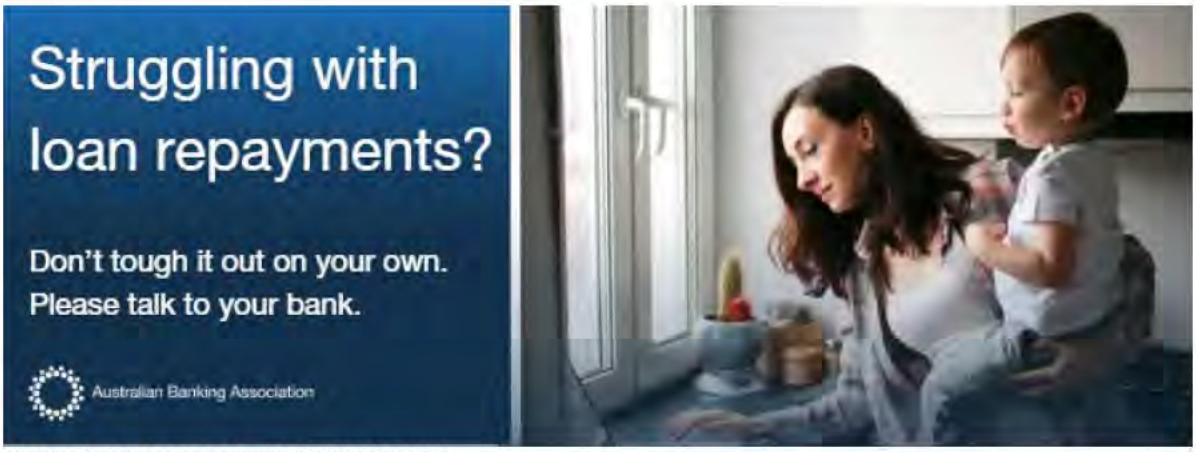
Please find attached correspondence sent on behalf of Anna Bligh, CEO, Australian Banking Association and Mike Lawrence, CEO, Customer Owned Banking Association.

Kind regards

s 47F

Australian Banking Association

PO Box H218, Australia Square NSW 1215
M: s 47F
E: s 47F @ausbanking.org.au W: ausbanking.org.au



Australian Banking Association Limited. ABN 60 117 262 978.

The ABA acknowledges that our office sits on the traditional land of the Gadigal people of the Eora nation and that our member banks and their services are located across many traditional lands of Aboriginal and Torres Strait Islander peoples. We pay our respect to all first nation peoples and thank them for their custodianship of our country over thousands of years.

Australian Banking Association

CUSTOMER OWNED BANKING ASSOCIATION

FOI 3700 Document 6A

17 July 2024

The Hon Stephen Jones
Assistant Treasurer
Minister for Financial Services
Parliament House
Canberra ACT 2600

Dear Assistant Treasurer,

Urgent call for an immediate pause and strategic review of the Consumer Data Right

We are writing to follow up our recent meeting with your office on 11 July 2024, where we discussed our significant concerns about the Consumer Data Right (CDR) and the Parliament's imminent plans to legislate action initiation.

Industry is committed to the success of the CDR regime. Over the past four years, industry has committed financial resources, time and effort to build a robust framework that was intended to benefit consumers and promote competition. However, despite these collective efforts, it is evident that the current regime is not yet achieving its intended objectives or delivering meaningful benefits to customers.

Consequently, the Australian Banking Association (ABA) and the Customer Owned Banking Association (COBA) are urging the Government to enact an immediate pause and conduct a focused strategic review of the CDR regime.

It is also our view that proceeding with action initiation at this time, without sufficient safeguards in place, would expose Australians to an unacceptable risk of scams and fraud. Therefore, we call on Government to withdraw the legislation until this review is completed. Improvements to the existing CDR framework should be prioritised before expanding the regime to action initiation.

Accenture CDR Strategic Review

As you are aware, Accenture was recently commissioned to undertake a review of the Consumer Data Right. The Department of Treasury was consulted throughout this process and were also provided with drafts of the review as the work progressed towards its release.

This review ultimately found that Australian banks spent approximately $1.5 billion to enable data sharing, yet only 0.3% of bank customers had a data sharing arrangement in place at the end of 2023. This low uptake underscores the broader issues within the CDR framework, which include significant compliance burdens and propositions that don't resonate with Australians. While the cost of CDR compliance is substantial for all banks, it is especially disproportionate and rapidly becoming unsustainable for mid-tier and customer-owned banks.

The report revealed:

- Indicative % CDR Spend to Operating Revenue is ~0.2% for Majors, and ~0.7% for Mid-Tiers
- Indicative % CDR Spend to Operating Costs is ~0.4% for Majors, and ~1.1% for Mid-Tiers
- CDR cost per accrued customer is $6.1K for Mid-Tiers – double that of Majors at $2.8K

Most concerningly, smaller banks have reported that the framework, which was intended to drive competition, has had the opposite effect. The high costs associated with CDR compliance are now crowding out strategic investment for these banks, making it harder for them to compete.

Smaller banks must prioritise compliance with an ever-changing CDR regime ahead of initiatives that their customers need or want. For many customer-owned banks, the same third parties who support their CDR implementation through technology changes are those that also need to change systems for higher priority issues such as scams and financial abuse. For these banks, ineffective CDR implementation creates real trade-offs for their customers.

As mentioned in the meeting, CDR costs in Australia are very high by global standards, even compared to other regulatory costs. Given Australia's market size, these high costs diminish the country's appeal to international banks.

The ABA and COBA acknowledge and welcome the Treasurer's announcement of a review into the challenges faced by small and medium-sized banks, led by the Council of Financial Regulators (CFR) in consultation with the ACCC. This review, focusing on the vital role these banks play in providing competition, is a necessary step to ensure that regulatory and market trends do not stifle innovation or stability. Addressing the burden of CDR must therefore be an urgent part of this consideration.

Our view is the CFR review should be complemented by an immediate and targeted review of the CDR regime. Therefore, we urge government to announce a pause and conduct a focused review with clear terms of reference to identify necessary adjustments to the existing regime, including:

- ensuring viable customer use cases;
- ensuring appropriate compliance and cost burdens to designated sectors – especially to small and mid-tier banks;
- ensuring CDR rules, standards and governance processes drive fair and equitable outcomes for all participants 'without being more complex and costly than needed'[1];
- ensuring Australians are kept safe by a system that adequately ensures security and market integrity requirements, including cyber risk, fraud, scams and anti-money laundering and counter-terrorism finance; and
- ensuring appropriate alignment with current regulatory reviews, including the privacy act review, anti-money laundering and counter-terrorism finance and legislative actions to protect Australians from scams.

Action Initiation

As outlined at the meeting with your office, Action Initiation was a worthwhile component of the original CDR Framework. However, it is our strong view that consumer risks relating to scams and fraud has heightened significantly since action initiation was first envisioned.

Banks currently play a crucial role in keeping customer funds safe. Having control and oversight of customer accounts enables banks to have a monitoring role over accounts – something that is now enshrined at the heart of the ABA and COBA's Scam Safe Accord ensuring transactions are legitimate and a focus on preventing transactions that may be scams.

As currently proposed, action initiation would remove banks from this important oversight role. Instead, it would enable unlicensed, unregulated third-party entities to undertake transactions on a customer's behalf, such as transferring funds, changing account details, applying for loans or opening accounts.

We believe it is important to maintain the banks' critical involvement in these protective measures to uphold the integrity and security of the financial system. As such, it is our view that further consideration needs to be given to these risks before the bill proceeds. This is particularly the case given Australia has made commendable progress in reducing scam losses, largely due to the robust measures and

---

[1] 2017 Review into Open Banking in Australia, Scott Farrell

innovations implemented by banks. These include the commitments that banks have undertaken to monitor customer transactions, to implement appropriate friction to protect against scams and to implement appropriate identity checks. The action initiation bill could potentially reverse these gains without deeper consideration of its impacts.

Australia's consumer watchdog, the ACCC, has expressed concerns with action initiation. In their letter to the Department of Treasury in February of 2023, the ACCC noted the following,

> *"While the evolving payments landscape provides many opportunities for businesses and consumers, there are also increased risks. These risks are not limited to instances of scams or fraud, but extend to the full range of harms to consumers in their use of the payments system from misleading, false, unfair, manipulative, and other unlawful conduct. Moreover, the ACCC considers that consideration should also be given to whether systems and processes are designed to ensure consumers are able to make fully informed decisions, particularly as payments evolve in a digital economy.*
>
> *Comprehensive consumer protections to address these risks must be a part of the regulatory design process and should be reflected in key priorities and supporting initiatives.* ***For example, the ACCC considers that clear and robust safeguards must be put in place before the CDR is expanded to action initiation****. "*

We note that no such safeguards have been put in place.

The Office of the Australian Information Commissioner expressed similar concerns when responding to the exposure draft, noting that action initiation may:

> *"For example, if action initiation facilitates payments or changes to a consumer's financial information,* ***this may increase motivation for unauthorised actors to attempt to use the CDR system to commit fraud in order to initiate such a payment or change****."*

In conclusion, the banking industry remains committed to constructive engagement with the government to enhance the CDR framework. However, we firmly believe that a strategic reset, including the withdrawal of the action initiation bill, is necessary to address our profound concerns and to ensure the system's integrity and safety for all Australians.

Thank you for your attention to this matter.

Yours sincerely,

Anna Bligh
Chief Executive Officer
Australian Banking Association

Mike Lawrence
Chief Executive Officer
Customer Owned Banking Association

FOI 3700 Document 7

From: s 22 [illegible] s 47F [illegible]
To: s 22
Subject: s 47F s 22 s 47F

[illegible]

[illegible]
From: s 47F [illegible]
Sent: [illegible] AM
To: s 47F s 22 s 47F s 22 s 47F
Subject: [illegible]
When: [illegible] August 2024 [illegible] AM [illegible] (UTC+10:00) [illegible] Sydney.
Where: [illegible]

[illegible] s 47F s 47 [illegible]
s 22

Meeting ID: s 22
Passcode: s 22

[illegible]

[illegible] s 47F s 47 [illegible]

Phone conference ID: s 22

[illegible]

s 22 [illegible]
Video ID: s 22

[illegible] s 47F [illegible]
[illegible] s 47F s 47 [illegible] s 47F s 47 [illegible]
