

24 December 2024

Ms Claire McKay
Assistant Secretary
Data and Digital Policy Branch
The Treasury

Via email: CDRRules@treasury.gov.au

Dear Ms McKay

Consumer Data Right Rules – non-bank lending and banking data scope

COBA welcomes the opportunity to respond to Treasury's consultation on the proposed Consumer Data Right Rules (CDR) to introduce non-bank lenders and reduce the banking data scope.

COBA is the industry association for Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$179 billion in assets and is the fifth largest holder of household deposits. Our members range in size from less than \$200 million in assets to around \$25 billion in assets – all significantly smaller than our ASX-listed peers. Customer-owned banks (i.e. mutual banks) account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

Key points

We support the Government's efforts to reset the Consumer Data Right (CDR) to improve cost-effectiveness, increase uptake, and deliver better financial outcomes for Australian consumers.

COBA supports measures aimed at reducing the ongoing compliance burden of the CDR. Customer-owned banks have collectively spent over \$100 million on the CDR with minimal benefit to date.

Reducing the scope of banking products and limiting the data retention period will help alleviate some costs for customer-owned banks. However, while we welcome these changes, their benefits are expected to be limited, as customer-owned banks have already incurred significant costs to develop systems that meet the previous requirements.

We believe the most effective way to improve the CDR's cost-effectiveness is to limit and carefully target future changes. This includes assessing who is and is not subject to future mandatory designations under action initiation.

Reducing the scope of CDR bank data

COBA welcomes the proposed changes to make data sharing voluntary for asset finance, consumer leases, foreign currency accounts, margin loans, and reverse mortgages. While we support these changes, they are expected to have limited benefit for COBA members, as members have already built the systems to share this data under previous requirements. Similarly, these products are not major offerings for customer-owned banks and could also fall under the 1,000-customer threshold. While we also welcome the 1,000-customer threshold, it is likely to benefit only the most niche products of the smallest customer-owned banks, as well as products that are well into run-off.

Reduced requirements to share historical consumer data

COBA welcomes the proposals to reduce the length of data sharing requirements. This change is likely to improve the performance of transaction-related APIs without limiting customer utility, as old transaction data has limited value. Additionally, it has the potential to reduce data storage costs.

Limiting the pace of CDR change

While we welcome the above rule changes, the most beneficial measures to reduce compliance costs under the CDR regime are those that limit the rate and scope of change.

System builds are costly, so avoiding unnecessary changes in the first place and keeping them targeted is much more efficient than narrowing the scope after systems are developed. Similarly, carefully considering who is designated into the regime is likely to limit costs without significantly affecting overall benefits. This includes evaluating who is subject to future designations under action initiation. We note that the proposed \$1 billion loans 'de minimis' threshold for non-banks is set at a level that would exempt around half of the customer-owned banking sector.

COBA supports establishing a ceiling on the volume of regular CDR changes as a tool to manage the regulatory burden on our members, while still taking meaningful action to ensure the success of CDR. As highlighted in the Richards Review, it is essential to minimise change volumes and provide stability to the industry.

COBA members have consistently advocated for proportionate, appropriate, and coordinated regulatory change, as exemplified by the introduction of the Regulatory Initiatives Grid. The same rationale applies to regular CDR changes. Continued system development driven by uncapped CDR changes and shifting regulatory obligations is unsustainable for our members and will not result in the best outcomes for customers. COBA encourages the Government to impose clear limits on the volume of regular changes to reduce unnecessary regulatory compliance burdens on banks.

Thank you for taking the time to consider our submission. If you have any queries, please contact us at policy@coba.asn.au.

Yours sincerely



MICHAEL LAWRENCE
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