

30 November 2020



Dear CDR Rules team

Consumer Data Right rules consultation BGL Corporate Solutions Submission

Thank you for the opportunity to provide feedback on the rules for the Consumer Data Right (CDR).

BGL is a 30+ years software business and sees Open Banking, properly implemented, could provide significant benefit to BGL clients, the self managed super fund (SMSF) industry and fund trustees.

Background on BGL

BGL has produced SMSF administration software since 1997. Our SMSF software currently administers 300,000+ (over 50%) of SMSFs with the majority sitting on our cloud based solution Simple Fund 360. These SMSFs maintain over 600,000 bank accounts. The main users of our applications are accountants, financial planners, SMSF administrators and SMSF trustees (BGL Users).

Current integration with Financial Institutions

Bank data and our software:

BGL Users are required to record bank transactions relating to their SMSFs in our applications. Traditionally this was done through manual data entry, however, since 2012 we have developed direct bank data feeds from many financial institutions including the big four banks. These data feeds provide BGL with read-only access to data.

Daily data feeds help SMSFs to efficiently meet their reporting requirements to SMSF trustees and the Australian Taxation Office. Having up to date data in our application means SMSF trustees can accurately monitor Contribution Caps and ensure pension payments meet minimum and maximum drawdown rules. They also help significantly reduce the cost of running an SMSF.

Current authority process with our bank feeds:

The current authorisation model with financial institutions requires wet signatures on paper authority forms or, in some cases, online authorisation through Internet Banking.

In most cases, it is a very manual process where BGL and the financial institution are required to deal with paper authorisation forms.

There are many limitations with the process.

1. The paper form for authorisation is a slow and drawn out process.
2. Most institutions do not provide historical data.
3. There are many institutions who either don't have the systems, or are unwilling to commit the resources required, to properly service mutual clients.

BGL Feedback and recommendations on draft rules

Item 1

With regards to Subdivision 4.3.2C – Duration of Consent 14.4 – Duration of Consent (1) (d) the end of the period of 12 months after

Currently this clause stipulates consent can never be longer than 12 months.

BGL's view is this will cause a lot of friction for our clients having to get SMSF trustees to consent each year.

BGL understands this may work for certain vendors who only need data either as a once off or for a short period of time (e.g. loan applications). This however does not work for BGL.

BGL clients require the data continuously and for indefinite periods to provide accurate record keeping and to maintain low superannuation fees.

Our recommendations are:

1. CDR consumer has the option to provide consent for an indefinite period
2. Where consent is provided for more than 12 months, the CDR consumer is reminded annually and provided with an opt out / cancellation option.

Item 2

BGL is concerned about the creation of unreasonably high barriers to entry through the proposed accreditation process. Accreditation to participate as an ADR in the CDR scheme will be resource intensive. We note that FinTech Australia estimates the cost of accreditation at \$100,000. BGL is looking for recognition of existing accreditation frameworks. This will contribute to increased ADR participation and the overall success of the CDR scheme.

Our recommendations to overcome this are to allow current accreditation frameworks to be recognised for CDR such as the ATO's Operational Framework and ISO 27001 for software providers.

Item 3

The ability for consumers to easily share their data with non accredited entities is critical for increased ADR participation.

Clause 1.10A - allows the CDR consumer to nominate 'Trusted Advisors' who can use the data. However, this introduces unnecessary onerous regulations for the CDR consumer. The CDR consumer authorises access to their data by providing advisers access through their accounting systems. Further authorities are unnecessary and onerous.

Our recommendation to overcome this is to remove the need for CDR consumers to authorise access to their data from the legislation. This provides unnecessary complication to a process that has worked well for many years.

Item 4

Extend the CDR legislation to require banks to provide data for companies.

Many small businesses operate through a company structure. Some businesses are directly operated through a company and some have a company acts as trustee of a trust or SMSF.

Limiting CDR to individuals excludes the vast majority of small businesses and SMSFs and will significantly reduce CDR participation.

Our recommendation to overcome this is to mandate financial institutions provide data for companies.

Finally, please take this review of the legislation as an opportunity to learn from industry experts. BGL has been collecting and providing bank data for clients for many years. Like the other accounting software providers, we know the issues and we know what will work and will not work.

If CDR is implemented in its current form it will not improve access to data as it will simply not be used by many software suppliers who already have better less restrictive ways to collect data for their clients.

If you have any follow up questions or require clarification, please do not hesitate to contact me.

Sincerely

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BGL Corporate Solutions

