

3 February 2020

Via email: ACCC-CDR@accc.gov.au

1.0 Introduction

Common Ledger welcomes the opportunity to contribute to the ACCC's consultation on its approach and positions in establishing rules for the Consumer Data Right (**CDR**) and Intermediaries.

We are strongly supportive of the Consumer Data Right (**CDR**) and applaud the Australian Government's decision to act on the various reports and the ACCC's efforts to implement this decision in a workable manner. We see this as an ethical correction to the history book of the 21st century, and a critical way to reduce consumer harm, achieve fairness in the system and allow consumers to benefit from a property asset that is owned by them, and must be able to be used by them for their benefit and survival and prosperity. The Framework will also benefit Australia and its economy as a whole, including rectifying the \$90 billion lending shortfall¹ for the under-served SMEs in Australia who employ 44% of the workforce in this country².

2.0 Submission

Common Ledger's customers are banks, large accounting and consulting groups, and small and mid-sized accounting firms in Australia. These customers use our 'accounting data plumbing' product to access financial data from thousands of Australian small businesses (**consumers**). They depend on us to provide secure, efficient and effective infrastructure to enable their customers - i.e. consumers - to permission them to access their financial data, which the consumer's accountant, advisor and banker then uses to help that consumer fulfill mission-critical use-cases.

This submission builds on our previous submissions and therefore assumption that **Consumer Accounting Data should be explicitly included under CDR to enable consumers to better understand current and future financial health and to act on this**. Portable banking data alone will go some way to providing consumers better access to capital to ensure their survival, growth and prosperity. However, Consumer Accounting Data is core business data that is derived from bank transactions, but is dramatically more valuable than raw bank transactions in helping consumers and their advisors understand their current and future financial health, and act on this. Applying for credit with Australian banks requires the assessment and transmission of Consumer Accounting Data. Today, this is a painful, laborious process involving manual data exports, paper forms and unreasonably long wait times

¹ [SME Banking Insights, Judo Bank, https://cdn.unifii.net/judobank/3970cbc2-5d1f-4ce6-97fa-fe749f11724a.pdf](https://cdn.unifii.net/judobank/3970cbc2-5d1f-4ce6-97fa-fe749f11724a.pdf)

² https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1516/Employ

Our submission is as follows:

- 1. CDR and Open Banking are good for the consumer. But, the ecosystem needs clarity so consumers can benefit.** Right now, financial services organisations don't know if they could build services, and what services they could build, using CDR data. They can not, and will not, take action if they don't have confidence: it's a *Mexican stand-off*. Therefore, their customers ("consumers") don't have clarity as to whether they own their data. Take the example of a business owner applying for finance with the help of their accountant ("non-accredited third party"). The business owner's bank (and accountant) must today have custom (legal and technology) agreements with data holders, even though the business owner ostensibly 'owns their data', and she therefore can not efficiently share data to access better financial services, quicker. With clear rules, financial services organisations will imagine and build better customer experiences.
- 2. But, financial services organisations have claimed that the costs of Open Banking are prohibitive, and banks have other priorities.** Ex-Westpac CEO Brian Hartzler was quoted as saying; "Technology projects, the investment required in these things are enormous. Open Banking in the first instance is probably going to cost us somewhere in the AU\$150 to AU\$200 million to implement because of the complexity of our systems environment," he said. "There's only so much investment and so many technologists who can work on all these things at once."³
- 3. Therefore, accreditation of specialist intermediaries should be explicitly provided for.** Given data security & sovereignty, specialist financial data infrastructure providers ("intermediaries") should be allowed for within the CDR. These providers, such as Common Ledger, take away the resourcing burden and lower barriers to entry for accredited recipients, and allow them to build innovative services that benefit the consumer. Although the CDR framework may allow for 'standardised APIs'⁴, we emphasise that the technological realities are more nuanced and therefore see this principle as critical to the CDR's success.
- 4. Intermediaries should be provided for using an accreditation model.** In order to provide value, and allow for third-party innovation, intermediaries should be able to **collect and use** data. Intermediaries should be able to enrich raw CDR data e.g. through extra insights and analytics, and provide these to the accredited recipient or non-accredited third party; this can happen transparently for the consumer, assuming the right level of accreditation for the intermediary. If the intermediary is acting on behalf of the accredited recipient, the consumer should not need to provide explicit consent - the third-party is effectively an 'implementation detail' and this would be confusing to the consumer. However details of any third-party intermediaries being used must be disclosed by the accredited recipient for transparency.
- 5. Non-accredited third parties, such as accountants, should be provided for.** Accreditation is likely out of reach of individual business advisors, such as accountants and lawyers. Yet, it is well-known that accountants particularly are viewed as the most trusted advisor to small businesses and also act as custodians of sensitive data. Specifically, they often act as a 'translator' of (accounting and financial) data into plain English actionable business advice. If a business were able to consent their accountant to access their CDR data via an accredited intermediary (see 2, 3 and 4 above), it would unlock more actionable, personalised and trustworthy business advice than, say, a generic 'app' or 'algorithm' could provide. These advisors are generally members of professional organisations that have their own accreditation and membership standards, so we would recommend that these professional bodies incorporate the use of CDR data in their standards as a more efficient way to allow wider participation in the system.

³ <https://www.zdnet.com/article/westpac-predicts-open-banking-to-cost-au200m-to-implement/>

⁴ <https://consumerdatastandardsaustralia.github.io/standards/#introduction>

3.0 Background to Common Ledger

The core beliefs that underpin our organisation and the reasons we exist are:

1. Open Data is coming - consumers and businesses own and control their data
2. Accounting Data is an untapped predictive way of understanding consumer and business health
3. An infrastructure provider will be required to move this data to unlock mission critical use-cases
4. Consumers and businesses will be served by a core trusted advisor to ensure their success

Our customers are banks, large accounting and consulting groups and small and mid-sized accounting firms in Australia. These customers use our product to access financial data from thousands of Australian small businesses (**consumers**). They depend on us to provide secure, efficient and effective infrastructure to enable their customers - ie consumers - to permission them to access their financial data, which the consumer's accountant, advisor and banker then uses to help that consumer fulfill mission-critical use-cases. These include: staying compliant with the ATO by completing financial statements and lodging tax returns; securing access to capital to create and build their business; and accessing much-needed core-business advice from their banker or accountant.

Common Ledger has actively participated in the policy and consultation processes to-date by:

- Engaging in the Review into Open Banking in Australia (**Farrell Review**)
- Submitting on the Treasury's consultation on The Farrell Review⁵
- Hosting industry events focussed on increasing awareness and promoting discussion of the proposed CDR and Open Banking regime in Australia - including assisting the Australian Treasury to ask questions and obtain views from industry on the policy and proposed legislation⁶
- Participating in Treasury Roundtables on the CDR Amendment Consultation in Sydney
- Submitting to the Treasury's consultation on the CDR Amendment⁷
- Participating in ACCC Roundtables on the CDR Rules Framework Consultation in Sydney
- Submitting to the Treasury's consultation on the Open Banking Designation Instrument⁸
- This submission

Common Ledger is one of the smallest, and most resource-constrained, organisations participating to this level in the consultation processes. We have prioritised doing so because we believe the legislation is critically important to Australian consumers and the economy.

⁵ Common Ledger Submission, Review Into Open Banking in Australia, 9 April 2018, <https://treasury.gov.au/consultation/c2018-t247313/>

⁶ Open Financial Data event, hosted by Common Ledger, 11 July 2018. The panelists were: Scott Farrell from KWM, Wayne Lipschitz from Macquarie Bank, Julie McKay from Equifax and Thomas Paule from Findex. Attendees included representatives from all the major banks and Kathryn Wardell from Treasury.

⁷ Common Ledger Submission, CDR Amendment, 12 September 2018, <https://static.treasury.gov.au/uploads/sites/1/2018/09/t329531-Common-Ledger.pdf>

⁸ Consultation on Open Banking designation instrument (second round), <https://treasury.gov.au/consultation/c2019-t364234>

Yours sincerely



Sam Olorenshaw | Customer Success

[Redacted]



Carlos Chambers | CEO | Director

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Common Ledger is a fast growing fintech company providing Open Accounting Data Plumbing to Australian financial services firms. Common Ledger believes that data is most valuable when it can be used by multiple parties for a range of purposes. Assuming privacy, safety and security, data wants to be free!

Common Ledger will be successful as a company because we identified the 'open data' trend for business accounting data before anyone else, and have built the infrastructure first. We will be the global domain experts in both accounting data and its transmission between systems and parties across a range of mission-critical use cases. Common Ledger will win business because it is trusted by customers and the market alike - preserving neutrality in the ecosystem ("The Switzerland Model").

Common Ledger's head office is in Wellington, New Zealand, with an Australian office in Melbourne, and is powered by a team of 20 Open Accounting Data and financial services experts. It has raised early stage capital from some of Australasia's top fintech investors, proved out its core thesis that the world needs Open Accounting Data Plumbing, and is now growing strongly in New Zealand and Australia, and looking to the UK, Canada and the USA.
