

FUTURE DIRECTIONS

for the Consumer Data Right

consumers • choice • convenience • confidence

Source: The Australian Government the Treasury

A Breakdown of the Inquiry into Future Directions for the Consumer Data Right - Final Report

CHAPTER ONE

For those within the Financial Services Industry, Open Banking has been years in the making. On 23rd Jan 2020, the Treasurer announced the Inquiry into Future Directions for the Consumer Data Right, led by Scott Farrell. This inquiry would supersede our focus intent on Open Banking and consider the future benefits of the economy-wide potential.

In Chapter 1 of the report, the Inquiry background is depicted; Introduction to the Inquiry. This chapter sets the scenes for the Future Direction. It explores the concept of the CDR expanding its functionality, ensuring innovation and competition can occur, and leveraging the infrastructure to support broader productivity development.

In order to consider such concepts, the inquiry examined the inclusion of 'write' access, linkages and interoperability with existing frameworks and potential infrastructures,

linkages to the New Payments Platform, how the CDR might overcome behavioural and regulatory barriers to switching of products and providers, and how similar regimes have/are being developed in other countries.

The inquiry has made a nice round 100 recommendations on topics including:

- expanding the CDR regulatory framework to enable consumers to initiate actions
- enhancing the CDR to support participation and competition in the data ecosystem
- empowering and protecting consumers, including those with vulnerabilities
- leveraging the CDR and its infrastructure domestically and internationally with other data regimes, and
- implementing the Inquiry's recommendations through a roadmap. - expanding the CDR regulatory framework to enable

Since its inception, the Consumer Data Right has been guided by four key principles. These principles have been front and centre of the Inquiry:

• **Be consumer-focused – for the consumer, about the consumer and seen from the consumer's perspective.** Trust has been highlighted as a theme throughout the development of the CDR and the Inquiry. "Consumers and other participants will not engage with a system that they do not trust". The need for data to remain protected and that any breach will be remedied is paramount.

• **Encourage competition – seek to increase competition for products and services so consumers can make better choices.** This concept needs to be considered from both sides. Firstly, "the CDR should not unreasonably lock out new participants and should not place unreasonable costs on existing participants." The barriers to entry and the costs of operation must be considered. From a consumer perspective, the more participants offering various products and services, the more choice that presents, the greater the outcome of the competition.

"Reaching this milestone in our CDR journey has taken much thought, discussion, work and investment from many people over many years. But we are at a waypoint, not the endpoint." Scott Farrell

- **Create opportunities – provide a framework from which new ideas and business can emerge and grow, establishing a vibrant and creative data sector with better services enhanced by personalised data.** This is the area of greatest excitement from those that have watched Open Banking and Open Finance grow in other jurisdictions. The ability for the new offering, new services, even new products to be created or introduced into a territory is exhilarating. The potential for cutting edge products to be married with the traditional financial service requirement to enhance the customer's experience is phenomenal.
- **Be efficient and fair – implemented with safety, security and privacy in mind, so that it is sustainable and fair without being more complex or costly than needed.** The CDR must consider the regulatory costs and their potential impact on innovation and their significant barrier to entry for new participants. At the same time, it can only succeed if customers use it. A regime that the masses are unaware of, or worse, that they do not understand, trust, or have the incentive to participate in, will never succeed.

Out of the 100 recommendations, the report makes two for Chapter 1:

Chapter 1 – Introduction to the Inquiry

Recommendation 1.1 – Balanced approach to safety, efficiency and effectiveness

The Consumer Data Right should be developed to be safe, efficient and effective. A balanced approach is needed to realise meaningful benefits to consumers and grow participation in the data ecosystem.

Recommendation 1.2 – Clarity in relation to other laws and regulations

The Consumer Data Right operates in conjunction with other laws and regulations, including sectoral regulation. However, amendments to these other laws and regulations may be required to enable the benefits of the Consumer Data Right to be fully realised. Similarly, the Consumer Data Right may enable new behaviours and practices which may warrant a government response through other laws and regulations.

Consumer Data Right development and operational processes should identify emerging behaviours and practices of concern and refer them to appropriate policy makers and regulators. Government should articulate with clarity when a response should occur through the Consumer Data Right or other laws and regulations.

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As we explore the Future Directions for the Consumer Data Right final report, this week we take a deeper look at Chapter One. In the words of Scott Farrell, "Reaching this milestone in our CDR journey has taken much thought, discussion, work and investment from many people over many years. But we are at a waypoint, not the endpoint."