

31 March 2015

Senior Adviser
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Sent by email: fsi@treasury.gov.au

Attention: David Crawford

Dear Mr Crawford

Financial Systems Inquiry Recommendations Submission

Nimble Australia Pty Ltd ("Nimble") is a licensed credit provider, operating under the *National Consumer Credit Protection Act 2009*. Nimble offers a responsible, alternative credit solution to thousands of Australians facing short term financial pressures.

Nimble welcomes the opportunity to contribute to the Government's considerations in responding to the Financial Systems Inquiry Recommendations, which we are confident will strengthen the policy and regulatory environment of Australia's financial system.

Nimble appreciates that a strong financial system is key to economic prosperity, and for Australia to properly compete in an increasingly growing global economy. A financial system that achieves the balance between encouraging businesses to be innovative and having a good legislative and regulatory framework provides the security that investors and consumers expect, giving businesses a better opportunity to fund growth. Australian consumers will also benefit from a financial system that offers a competitive choice of regulated products appropriate to their individual needs.

As a small but growing financial services provider, Nimble's success is reliant on its ability to continue to invest in technology and innovation. Accordingly, Nimble supports the Inquiry's recommendations to create a legal framework for a financial services industry that encourages and supports innovation.

The subsequent paragraphs outline our submissions to the relevant recommendations of the Inquiry.

Recommendation 14 Collaborate to enable Innovation

Nimble supports the recommendation to establish a permanent public-private sector collaborative committee to facilitate financial system innovation, and to enable timely and coordinated policy and regulatory responses.

The existence of such a committee will provide a formal avenue for the Government and regulators to understand industry issues and recognise matters which could improve innovation and to flag necessary areas of risk that warrant wider consideration. It will encourage a more collaborative relationship between industry and Government, and in turn, will promote efficiencies in the way industry complies with regulation. Allowing industry the opportunity to contribute to the way regulation is shaped has proven to be effective in other jurisdictions.

Nimble is of the view that it is in the interest of Government to have a thorough understanding of the market, and that this understanding is sourced directly from industry key players. Industry-sourced information can assist the Government to formalise policies that are backed by wider stakeholder consultation and consideration - this will be better for business, the regulators and ultimately the consumer.

Recommendation 15 Digital Identity

Nimble advocates the recommendation to develop a strategy to implement a model of trusted digital identities. Not only will this reduce the costs of compliance (for example compliance with the *Anti-Money Laundering and Counterterrorism Act 2006*), but also assist in reducing the potential risk of fraud as noted in the Inquiry's Final Report at page 154.

Nimble utilises some of the existing elements of the federated-style model, such as the Document Verification Service and Auskey. The proposed single sign-on process to public and private sector services will provide efficiencies for industry and facilitate streamlined compliance.

Recommendation 16 Clear Graduated Payments Regulation

Nimble recognises that the ePayments Code provides assurance for consumers that their electronic payment transactions are secure. Notwithstanding that it is not currently mandatory for Nimble to comply with the ePayments Code, Nimble has systems in place to maintain the integrity and security of electronic transactions for its consumers.

Accordingly, Nimble supports the mandatory application of the ePayments Code, especially as industry work towards implementing the unprecedented New Payments Platform, allowing funds to be accessible as soon as payment is received.

However, prior to any mandatory application of the Code, it is recommended that an initial review of the Code is conducted, and industry is consulted on potential revisions for currency, and to reflect any technological changes.

Recommendation 19 Data Access and Use

As an innovative technology-based financial services provider that has created its own proprietary scorecard reliant on various sources of data which it uses to make informed and responsible lending decisions, Nimble welcomes the recommendation to increase private sector access to public sector data. Nimble agrees that the implementation of the recommendation will achieve the Report's objective of improving the quality of business and consumer decision-making. Further, the recommendation will also enable innovative and technology-based businesses such as Nimble to rely on more accurate data to improve user outcomes and ultimately decrease compliance costs.

Nimble notes however that access to public sector data would have enhanced value if the data can be accessed on a "real-time" or live basis. Technological infrastructures are readily available which can facilitate the secure sharing of data to support this framework.

Nimble considers that private sector data should not be publicly released or shared unless such data is aggregated in order to protect intellectual property rights, or personal rights under privacy laws, as applicable.

Recommendation 20 Comprehensive Credit Reporting

As one of the first credit providers to subscribe to comprehensive credit reporting (CCR) in March 2014, Nimble supports the mandatory subscription to CCR.

Nimble holds the view that CCR data will significantly assist its sophisticated credit risk engine to make good and responsible lending decisions. This is especially true in the absence of a National Small Amount Credit Contract database which ASIC has flagged as an option for transparency of other small amount loans¹. Nimble also supports the Inquiry's view that CCR will assist in reducing overall default rates.

Recommendation 22 Product Intervention Power and Other Enhanced Powers for ASIC

Nimble agrees that enhanced regulatory oversight is important to increase the credibility of the financial system. Nimble agrees with the Inquiry's findings that the regulator's mandate should focus on stakeholder engagement which will ultimately mitigate the need for later enforcement. Not only will this align the interests of the regulator with businesses and consumer needs, but open the opportunity for a pro-active and consultative approach to regulation.

Accordingly, a regulatory framework that encourages mutual objectives for industry and the regulator to ensure each remains accountable and protect the interests of consumers will give the regulator better knowledge of the issues facing industry, and give industry confidence that its operations are consistent with the regulatory framework.

¹ Consultation Paper 198 *Review of the effectiveness of an online database for small amount lenders* dated 25 January 2013

Recommendation 23 Facilitate Innovative Disclosure

Nimble supports the Inquiry's views that innovative disclosure can improve consumer engagement and understanding. As an innovative technology-based financial service provider that conducts its business solely online, it is important that regulation supports this innovation.

We support the research referred to by the Inquiry that consumer understanding is improved if financial product information in shorter disclosures are better signposted. We additionally support that disclosures can continue to be provided in a technology neutral manner, allowing modes of technology to evolve over time without the need for amending regulation to support them.

Nimble already provide disclosures in an online environment, as permitted by its governing credit legislation. Accordingly, Nimble would be pleased to participate in the pilot project to provide the regulator with our insights and suggestions to enhance innovative approaches to disclosure.

Recommendation 31 Compliance Costs and Policy Processes

Nimble supports the Inquiry's recommendation to increase the time available for industry to implement complex regulatory change and conduct post-implementation reviews of major regulatory changes, on a more frequent basis.

As outlined in Nimble's response to Recommendation 22, it is Nimble's view that a pro-active approach to regulation, and for industry to have a clear understanding of regulatory expectations, would benefit both industry and consumers. This is on the basis that industry will have a reasonable time to properly update its systems and processes to implement regulatory changes.

Recommendation 38 Cyber Security

Nimble supports an updated Cyber Security Strategy to improve the resilience of the financial system. A stronger strategy to overcome cyber security risks that is both relevant and current will increase investor and consumer confidence, especially in an increasingly technology-driven financial services economy.

Recommendation 39 Technology Neutrality

It is Nimble's vision as a business to transform the way in which financial services are conducted and delivered in Australia by offering products that are accessible via innovative, yet consumer-friendly, technology. Accordingly, Nimble would welcome a legislative and regulatory framework that will remove regulatory impediments to industry's use of technology.

As consumers increasingly use new and innovative technology, it is important that laws are responsive to the various modes of delivery. As a leading online technology-based financial services provider, Nimble would welcome participation in the proposed industry working group intended to identify priority areas of regulation that can be amended for technology neutrality.

We hope that our comments will assist the Government in responding to the Inquiry's recommendations.

Once again, thank you for the opportunity to contribute in the future of Australia's financial system.

Yours sincerely



Sami Malia
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