



FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

15 July 2020

Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Email: FinTech.sen@aph.gov.au

Re: Questions on Notice - Senate Select Committee on Financial Technology and Regulatory Technology

Dear Chair

The Financial Planning Association of Australia (FPA) welcomes the opportunity to respond to the Questions on Notice of the Senate Select Committee on Financial Technology and Regulatory Technology from 30 June 2020 as follows:

Public Hearing – 30 June 2020

Questions on Notice – Financial Planning Association of Australia

HANSARD, p. 29-30.

CHAIR: I'm trying to nail down what are the things you want changed, if any, to facilitate this. If your answer is that you think sticking to the timetable we've outlined on the CDR is sufficient, that's fine. I'm just trying to work out what are the arguments for doing something. I'm trying to work out what are the ways of doing things at this point.

Mr Marshan: I think that will certainly help. The secondary issue there is that different bits of robo-technology and financial technology have to work with each other. At the moment, they just don't talk to each other. So you have to manually move—

CHAIR: For example?

Mr Marshan: In terms of financial advice, you have modelling software which does most of the grunt work in terms of considering the client's financial position from where it is today to what it will be after a recommendation. But to automate the process of collecting the data that goes in, the systems usually don't talk to each other. To then generate the advice, the systems don't talk to each other. To then implement the advice, the systems don't talk to each other. Then you often can't get it to the product manufacturer. If you can automate that whole process then you can provide advice very efficiently and very cost effectively. But the problem is there is no actual data standard that links everything together. From that perspective, from a regulator's perspective, if you had a data standard in place, you could better monitor and supervise each part of the advice process as it's going along to make sure it is complying. You could see what's going on [inaudible] for the client.

CHAIR: That is very useful. If you could consider taking on notice how you think a data standard or CDR enhancements could [inaudible] robo-advice, I'd be very grateful.



The FPA as a professional association for financial planners is not an expert in the technology itself, and so does not suggest it has the technical expertise to offer solutions to the committee. The FPA has however spent the last 3 years in developing resources and support tools for members which assist members in engaging with the fintech and regtech landscape in Australia. From this perspective, we are aware of the challenges faced by members (financial planners) in using these emergent technologies, the challenges faced by technology providers themselves in servicing financial planners and the financial services industry and from consumers looking to engage with fintech programs.

The FPA produced a report entitled “Mapping Fintech to the Financial Planning Process: Why fintech is not a threat¹” in 2017 to assist financial planners to identify technology solutions which would assist in making their financial planning process more efficient, more cost-effective and more engaging for their clients. The feedback from members was incredibly positive, as it was from the fintech community who were able to get a better sense of what issues faced both financial planners and consumers in advice and purchasing products.

The feedback as the year went on, however, was that many members were purchasing new pieces of technology which were not integrating with each other, and were, therefore, spending money for no benefit, or worse yet, more inefficiency. For this reason, the FPA produced a second report entitled “FPA Fintech Buyers Guide and Checklist²” which included a technology purchase checklist³ to assist members to purchase technology which would work for their businesses and their clients.

Two years on, members still complain that finding technology which integrates with their existing tech stack is often very difficult.

In speaking to technology providers on this issue, they universally state that integration is their biggest challenge. There is a process to map one piece of technology to another, build the data connections and security, and maintain the integration over time which is time-consuming and expensive. Each integration can cost in the vicinity of \$250,000, particularly when each piece of technology is built on a different platform and with different data labels. This is a cost generally born by shareholders, is necessary to engage with the market and gain market share but may or may not have a prospect of financial reward given the size of the Australian financial services technology purchasing community.

The benefits of integration across platforms is essential, double-entry of client data leads to a significant level of productivity loss and inefficiency. The problem for fintech’s is that the complexity and cost of creating APIs for integration are very high. The other problem is that each company has APs for different items and or names. Hence when you try to match one company’s APIs with another, they are often slightly different in the delivery of the information (e.g. name of budget items). From this perspective, the biggest challenge is that this no national or international integration standard to plug into.

¹ https://fpa.com.au/wp-content/uploads/2017/11/FPA_Fintech_White_Paper_Nov_2017.pdf

² https://fpa.com.au/wp-content/uploads/2018/11/FPA_fintech_planning_software_guidance_webversion.pdf

³ https://fpa.com.au/wp-content/uploads/2018/11/FPA_Technology-Assessment-Checklist_Nov2018.docx



A national register of common information would be very helpful in terms of matching the APIs. For example, if the software is seeking information about the client's home, the information could be presented as:

- Description of Home
- Purchase Date
- Purchase Price
- Current Value
- Estimated future Capital Growth
- Current Value of Loans
- Loan Type
- Interest Rate
- Remaining Length of Loan
- Monthly Payments

For this reason, the FPA suggests that for the benefit of financial technology, there is an opportunity for a regulator - ASIC given many fintechs are regulated as products or the ACCC to integrate with CDR - should be empowered to develop an integration standard and manage the security through the integrations. Given the data security and privacy implications of the data used by financial technology providers, there is an opportunity to support the Australian technology sector and developers by placing requirements around localising data and security and using Australian developers. This has the added benefit of supporting the Australian economy and creating jobs in these challenging economic conditions.

As noted in our initial submission, one of the biggest challenges for consumers accessing financial advice services is the time and cost it takes to provide a piece of advice (26 hours and up to \$6,500). Financial planners would benefit from being able to select from "Best of Breed" technology to significantly reduce the time and cost of delivering advice by improving the efficiency of advice delivery. For this reason, the Government could consider grants or tax incentives for the integration of fintech and regtech solutions where it demonstrably solves efficiency and access to financial services for consumers.

Alternately, having the hard work for APIs creation done at a national level would be much more beneficial in assisting fintechs to quickly and efficiently integrate with each other. Further, the government could engage technical staff to assist fintechs with technical advice where required. This would have the benefit of creating data and security standardisation, for example standard data fields for client information, assets, liabilities, insurance, etc. as well as an improvement in the level of cybersecurity standards to protect consumers data and which can be impossible for small startups to achieve in the current environment. If this were done, there would also be an incentive for existing companies to modify their software once so they can align with a standard set of data rather than going through the costly challenge of individual integrations they face on an ongoing basis at present.

Another benefit of this sort of standardisation is that the current challenge our members express when working for or being authorised by larger organisations, where there is a lack of willingness by licensees to provide fintech and regtech solutions to financial planners and their clients due to their organisational procurement process (as well as potentially facing their own integration challenges). The procurement process in many large organisations creates an insurmountable challenge for new and innovative



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fintechs, particularly when each group has a different procurement process and requirements to address. The ability to demonstrate compliance with a national standard should make it significantly easier for fintechs to get through the procurement process and get to the end user, which will also make it more financially viable to create new and innovative financial technology solutions out of Australia.

The FPA again thanks the committee for the work they are doing and looks forward to the outcome of this inquiry. Should the committee require any additional information or feedback, the FPA would welcome the opportunity to provide further assistance.

Yours sincerely

Benjamin Marshan

Head of Policy, Strategy and Innovation
Financial Planning Association of Australia