



**Australian Government**  
**Australian Business Register**

26 August 2014

Mr David Murray AO  
Financial System Inquiry  
GPO Box 89  
Sydney NSW 2001

Dear Mr Murray

Thank you for the opportunity to make a submission to the Financial System Inquiry (the Inquiry).

I attach a submission to the Inquiry, which sets out how the Registrar's three capabilities, the Australian Business Register, AUSkey and the Standard Business Reporting program can be leveraged to support the efficiency of the financial system.

Please contact Mr Mark Jackson, Deputy Registrar, Australian Business Registrar, on (02) 6216 4991, should you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Jordan', with a horizontal line underneath.

Chris Jordan  
Registrar  
Australian Business Registrar

## **SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY**

The Registrar of the Australian Business Register (the Registrar) welcomes the opportunity to make a Submission to the Financial System Inquiry (the Inquiry) on the Interim Report.

### **EXECUTIVE SUMMARY**

The Registrar is responsible for whole-of-government products and services, the Australian Business Register (ABR), AUSkey and the Standard Business Reporting (SBR) program, which seek to improve the wellbeing of the Australian people by enhancing business productivity.

The Registrar's three products streamline business to government interactions and provide a single source of business information for use by government in service delivery and planning. Briefly the:

- ABR provides business identification services for dealing online with government;
- AUSkey provides authentication services to enable business to access online services; and
- SBR provides infrastructure (harmonised dictionary and online gateway) so that business and government can communicate and interact.

The Registrar's products offer technologies that are capable of supporting innovation and a more efficient financial system in a digital environment. The Interim Report of the Inquiry has canvassed the role technology will play in shaping the financial system into the future, as well as its potential to address some of the challenges facing the financial sector, businesses and the community.

The Submission to the Inquiry considers the role SBR could play in supporting greater access to credit for small-to-medium enterprises (SMEs). SBR could be used for credit reporting to financial institutions, where efficiencies would result from the re-use of information already prepared for other government reports, such as Business Activity Statements. This would assist in reducing informational asymmetries between lenders and borrowers to support better access to finance for SMEs. The Submission also draws on the experience of counterparts in other countries, which suggests that the use of SBR-type models reduces informational asymmetries between lenders and borrowers and facilitates quicker credit decisions, with the potential for lower cost finance.

There is also greater potential for the use of SBR's international standards and other technologies to provide standard ways to interact and exchange information to support the efficiency of the financial system. The SuperStream reforms are discussed as a key example of the Government facilitating the use of common standards, in partnership with industry, to improve the 'back office' efficiency of the superannuation system, with benefits flowing from the greater interoperability of information. The Submission notes the potential for SBR, as an adaptable and scalable solution, to be used for a wide variety of information exchanges, with benefits from the automation and integration of business processes.

In the context of the increasing need for digital identity verification and authentication solutions, the Submission also canvasses the potential for existing whole of government infrastructure, the ABN and AUSkey, to be further leveraged to support a more consistent single government identity credential for business.

The Registrar's three capabilities, ABR, AUSkey and SBR are key whole-of-government products, which are capable of supporting a more efficient and competitive financial system.

## **BACKGROUND**

The Registrar is responsible for whole-of-government products and services which seek to improve the wellbeing of the Australian people by enhancing business productivity. The whole-of-government services include the Australian Business Register (ABR), AUSKey and the Standard Business Reporting (SBR) program. These services offer a business identification service and a registry of business information, a digital business credential and a standardised information exchange capability. These products and services streamline interactions between business and government, and provide a single source of business information for use by government agencies to improve service delivery and planning.

To improve the wellbeing of the Australian people through enhanced business productivity, the Registrar is focused on expanding the use of these products and services across government to reduce business costs, while also encouraging the adoption of new practices by business and government to reduce operating costs for business.

### *Australian Business Register*

Introduced over a decade ago, the primary purpose of the ABR is to make it easier for business to conduct its dealings with the Australian Government. It does this by providing a system for registering businesses and issuing them with unique identifying numbers (known as Australian Business Numbers (ABNs)), so they can identify themselves with government. As a unique trusted identifier, the ABN not only accurately identifies businesses in their dealings with government, but also enables other businesses and consumers to verify the identity of the entities they are dealing with.

The ABR is also a comprehensive database of the identity and demographic information of businesses provided under their ABNs. This repository of business information has enabled the ABR to be increasingly used for other beneficial purposes beyond identification, through the use of its non-public data by all levels of government for a variety of purposes to support community outcomes. These include compliance checks, service delivery improvements, grant funding, local infrastructure planning, the promotion and measurement of economic development, and the facilitation of emergency relief. In July 2014, 467 government agencies had access to ABR data, for use in government planning and service delivery.

### *AUSKey*

Linked to their ABN, businesses can also use AUSKey, a secure digital credential that authenticates their identity for online transactions with Commonwealth, State, Territory and local government agencies.

The AUSKey solution, which was implemented in May 2010, simplifies how businesses interact electronically with government, by providing a single digital key to access online government services. AUSKey's acceptance as the national authentication solution is reducing the need for businesses and other organisations to maintain multiple identifiers and passwords to interact with government online. AUSKey provides cost effective and secure access to online services, with a shared common infrastructure and support services used across government.

The Registrar and the Department of Industry (Industry) have joint responsibility for providing the authentication solution, which is available to all businesses with an ABN. AUSKey identifies the person seeking to use the government's online services on behalf of a business, while Industry's VANguard identifies the validity and suitability of a credential for an agency.

In July 2014, there were over 941,000 active AUSKeys, which are held by over 498,000 businesses. This means about one in four Australian businesses have an AUSKey. AUSKey is used to access 45 online services managed by 24 government agencies. The number of AUSKey services has progressively increased over time. In 2013-14, an additional ten AUSKey services were made available, including the Australian Taxation Office's (ATO) SuperTICK service and the Department of Health's Hearing Service Online.

### *Standard Business Reporting*

SBR has been available for use by Australian businesses for financial and payroll reporting since mid-2010. It reduces red-tape by simplifying business reporting to government through the use of harmonised reporting definitions and standardised electronic reporting.

SBR is based on the idea that information can be 'captured once, and used often' to enhance business efficiency and productivity. SBR works as a by-product of natural business systems, allowing businesses to report through a single online channel to government directly from those systems on a 'machine to machine' basis (rather than through a portal), saving time and money and allowing more time for core business activities.

SBR makes use of international standards and other technologies to provide a standard way to interact and exchange information. Key capabilities of SBR include the harmonised dictionary (taxonomy), the SBR online gateway and a digital credential (see AUSKey).

The SBR taxonomy is a harmonised dictionary of reporting terms, which removes unnecessary or duplicated data in reporting obligations. To date, the taxonomy has rationalised the number of reporting terms by more than 80 per cent across the forms in scope from 33,523 unharmonised terms to 6,636 harmonised terms. The taxonomy uses an international reporting language used by accountants, analysts and investors (eXtensible Business Reporting Language - XBRL), which works by tagging each data item so it can be understood and used by computer systems. Once this information is mapped, real benefits accrue where that information can be used for multiple reporting purposes. It also supports greater comparability of financial information.

The SBR online gateway allows the software packages used by businesses to interact seamlessly with government services through a single, secure online channel. These include for reporting activities such as Business Activity Statements and Company Tax Returns (ATO); payroll tax returns (State and Territory Government revenue offices); and financial reports to the Australian Securities and Investments Commission (ASIC).

SBR has also adopted an open standard messaging profile, known as ebMS3, a communication mechanism for the exchange of electronic business documents. This standard is to be progressed for consideration as a government standard under the National Standards Framework, for use in business-to-government and government-to-government interactions, as appropriate. The use of a consistent standard provides for greater interoperability and a more responsive and agile ICT system.

SBR is also being expanded for further use in taxation and superannuation transactions. The ATO is transitioning its Electronic Lodgment Service (ELS) to SBR-enabled services through practice management software from 1 July 2015. When fully operational, the transition is expected to see approximately 52,000 tax practitioners using the SBR platform to lodge in excess of 20 million transactions with the ATO per annum.

The Stronger Super measures, announced in September 2011, include the SuperStream project which is designed to improve the 'back office' efficiency of the superannuation system. SuperStream extends the use of SBR to business-to-business interactions for superannuation fund rollovers and member contributions. SBR is already being used as the standard platform for rollovers between superannuation funds (from 1 July 2013). All employers are also being progressively transitioned to full use of the standard by 30 June 2017, for member contributions to superannuation funds.

SBR is also extensively used to provide verification support for SuperStream's business-to-business interactions. Superannuation Tax File Number Integrity Check (SuperTICK) interactions do not involve the lodgement of reports, but are information exchanges that enable superannuation funds to verify that individuals have quoted a valid tax file number (TFN). The introduction of SuperTICK has led to annual savings of almost \$50 million for the superannuation industry, compared with previous manual processes.

The use of SBR has sharply increased over the past two years and further substantial increases are expected, as more and more software developers SBR-enable their products. This will increase access to small businesses, which comprise the majority of businesses in Australia and who require assistance such as SBR to streamline their reporting burden. At the end of June 2014, over 568,000 reports had been lodged using SBR through the online gateway since its implementation in mid-2010. Over 396,000 of these lodgements (just over two thirds) were recorded in the 2013-14 financial year. In 2013-14, an additional 3.4 million interactions have been recorded under SuperStream.

As noted earlier, a key part of the Registrar's vision is to expand the use of these products and services across government to reduce business costs. In the future, the full implementation of SBR across government would contribute significantly to improved digital productivity for business and the convergence to a more connected, integrated government.

Under this vision, regulatory reporting requirements would be substantially harmonised and rationalised across all governments, there would be a single authentication mechanism across government for business and government services would be able to interact directly with natural business systems and processes.

## **APPLICATION TO FINANCIAL SYSTEM INQUIRY**

The Interim Report of the Inquiry has drawn out the key role technology will play in shaping the financial system into the future, including its potential to deliver greater efficiencies and competitiveness. The Interim Report has also identified the increasing shift of the financial system to online environments, where cyber security risks increase, with the need to improve digital identity solutions.

The Registrar's whole-of-government products and services offer technology which is capable of supporting a more efficient financial system in a digital environment. The technology is flexible and scalable, with a range of possible uses; however, a few examples of its potential are discussed below, and are relevant to the issues raised in the Interim Report.

## *Use of Standard Business Reporting and access to credit by SMEs*

The Inquiry has identified structural impediments for small and medium enterprises (SMEs) to access finance. One of the most significant factors affecting the cost and availability of credit for these entities is informational asymmetries, under which lenders often have limited knowledge about a new borrower's financial position, the financial position of the business and the financial behaviour of the business owner. Further, given the diversity of the SME sector, lenders may also have limited knowledge of industry specific challenges and opportunities.

The Inquiry is seeking options to address these structural impediments, and it has identified the possibility of developing an SME finance database to reduce information asymmetries between lenders and borrowers.

An alternative model could make use of SBR's unique 'capture once, use often' capability to provide business financial information directly from business software to financial institutions to assist their credit assessments for loans to SMEs. This would re-use some of the financial information businesses already report to government, for example, through Business Activity Statements and tax returns. The use of a consistent language would promote greater capacity for financial institutions to compare financial information across industries and sectors.

It would be necessary to establish a framework for this type of reporting; however, the use of SBR would reduce the impost on business in providing financial data, where that information was already collected through reporting to government. Like other models, such as the finance database, it is acknowledged that a range of privacy considerations, including the willingness of business owners to provide this data, would need to be considered. It is noted that other policy options could be considered, such as a requirement for certain data to be provided to financial institutions.

Overseas experience with the use of SBR-type models may be worthy of consideration in addressing some of the financing challenges faced by SMEs.

The Australian SBR program has followed the lead taken by the Netherlands Government in initiating an SBR program to reduce the reporting burden on business. Similar to the Australian program, SBR in the Netherlands provides a standard way of interacting, with information labelled in a standard way (via a taxonomy) so it can be re-used, the use of a standard language (XBRL) to give meaning to the information, and reporting through a digital channel.<sup>1</sup>

As in Australia, a wide variety of tax and financial reports can be lodged through SBR to government. In the Netherlands, business can also provide credit reports to the banks, which they can use to determine whether to provide the business with credit.<sup>2</sup> These reports use the language of SBR, XBRL and make use of a harmonised dictionary (taxonomy).

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<sup>1</sup> Netherlands Government, Standard Business Reporting Unequivocal and simple reporting, [http://www.sbr-nl.nl/fileadmin/SBR/documenten/Engelse\\_factsheet\\_Eenduidig\\_en\\_eenvoudig\\_rapporteren.pdf](http://www.sbr-nl.nl/fileadmin/SBR/documenten/Engelse_factsheet_Eenduidig_en_eenvoudig_rapporteren.pdf), viewed 6 August 2014.

<sup>2</sup> Esser A, *The Impact of SBR on SME Lending in the Netherland*, Interactive Business Reporting, IBR volume 02, 03 August 2012, [https://www.ing.nl/media/The-impact-of-SBR-on-SME-Lending-in-The-Netherlands\\_tcm162-34452.pdf](https://www.ing.nl/media/The-impact-of-SBR-on-SME-Lending-in-The-Netherlands_tcm162-34452.pdf), viewed 6 August 2014.

There are clear efficiencies from the use of SBR with the re-use of business information already prepared for other government reports, where ‘50 to 80 per cent of the data needed by the banks for credit reports is similar to statutory account data’. It is also noted that the use of standardised credit reports means that the same report can be provided to the three major Dutch banks, reducing the burden for those businesses that hold accounts with more than one bank.<sup>3</sup> These three banks dominate the business loan market in the Netherlands.

Businesses are likely to receive a quicker decision on whether they can access credit. For example, the ING Bank guarantees that if a company submits its annual reports in XBRL (international reporting language used by accountants, analysts and investors), it will receive an answer within four working days for applications up to €500,000.<sup>4</sup> This is a substantially shorter period for loan approval.

From the banks’ perspective and also to support broader financial system stability, there are benefits from enabling better comparisons between industries: increased data quality; the ability to develop more complex risk credit models; and the capacity to build a broader information base on business. It is also a quicker and more efficient process, requiring less staff resources.

The language of SBR, XBRL is also used for mandatory and voluntary financial reporting programs in many other international jurisdictions, including in Belgium and for listed companies in the United States that report to the Securities and Exchange Commission (SEC).<sup>5</sup>

In Belgium, private firms can lodge official financial reports in XBRL with the National Bank of Belgium. As a voluntary program, it has had a high adoption rate, with more than 95 per cent of Belgian private firms’ annual accounts filed using XBRL. Banks can also request the annual account filings as part of the loan application process. Recent research has suggested that the Belgian entities which have voluntarily adopted XBRL have lower interest rate spreads than non-XBRL adopters. There is also some evidence to suggest that the size of loans is larger for voluntary adopters of XBRL.<sup>6</sup>

Overall, there is potential for SBR to be extended to credit reporting to the banks, to reduce informational asymmetries between the lender and the business to support better access to finance for SMEs. This could include quicker credit decisions, with potential, over time, for lower cost finance. With the re-use of information already collected for government reporting, it would also reduce the burden on reporting parties.

#### *Use of technology-based standards to support the financial system*

The Inquiry notes the possibility for technological innovation to improve the efficiency of the financial system. It canvasses the role government can play in facilitating this innovation within industry, with the potential for government to assist industry to agree on standards to support interoperability, or otherwise to work together on developing common infrastructure.

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<sup>3</sup> Esser, 2012, above n 2.

<sup>4</sup> Esser, 2012, above n 2.

<sup>5</sup> Wallagh K & Van den Ende D, Dutch businesses benefit from XBRL, IBR Vol 3, Issue 01 March 2013, [https://www.deloitte.com/assets/Dcom-Netherlands/Local%20Assets/Documents/EN/Services/Accountancy/nl\\_en\\_xbrl\\_ibr\\_Dutch\\_businesses\\_benefit\\_from\\_XBRL\\_March2013.pdf](https://www.deloitte.com/assets/Dcom-Netherlands/Local%20Assets/Documents/EN/Services/Accountancy/nl_en_xbrl_ibr_Dutch_businesses_benefit_from_XBRL_March2013.pdf), viewed 6 August 2014.

<sup>6</sup> Kaya D & Pronobis P, XBRL and Loan Contracting Empirical Evidence from Belgian Private Firms, June 2014, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2450858](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2450858), viewed 6 August 2014.

A common analogy to SBR was the need to introduce a standard rail gauge in Australia in the 19<sup>th</sup> and 20<sup>th</sup> centuries, to facilitate cross-border business and national interest activity. In the transformation to a digital economy and an increasingly interdependent and global economy, there is a strong need for common approaches, where standards are a key element for governance of a global financial system. An important current example is the convergence to international financial reporting standards, which enable consistent, transparent, relevant and comparable financial reports.

As discussed earlier, SBR is a set of standards which facilitate the secure and cost-effective exchange of information between business and government. It makes use of international standards and other technologies to support greater automation of the business reporting process, while increasing the efficiency of that process. Importantly, SBR standards are adaptable and scalable; they are not restricted to reporting to government and could be used for broader exchanges of information between businesses.

One such example is the SuperStream reforms, which involve the use of SBR standards for superannuation related transactions, where those transactions largely involve the exchange of information between businesses. SuperStream is a good illustration of the Government's role in facilitating the use of common standards, in partnership with industry, to improve the 'back office' efficiency of superannuation system. It demonstrates the increased interoperability of information across finance applications, and the efficiencies that can result from increased interoperability.

An example for the future use of SBR standards would be the establishment of an e-invoicing capability. In general, e-invoicing refers to the electronic automation of invoice processing. SBR's capabilities have the potential to support more efficient processes for invoicing between businesses, and with government.

The use of SBR could involve the automation and integration of the process from order to payment between businesses (e-invoicing). This would offer benefits from the adoption of electronic invoicing, with shorter payment delays, fewer errors and reduced costs; in addition, there are also potentially significant benefits from the automation of the invoicing process. For example, if the invoice is provided in a common structured format, an e-invoice could be created and transferred automatically from the service provider's financial supply chain systems to those of the buyer. In addition to the benefits of an automated electronic process, greater efficiencies could be achieved through the use of a common mechanism to exchange invoices and related data, which would be used by both business and government.

E-invoicing is only one example of a business process that would benefit from a consistent approach through the use of SBR standards; it is expected that there are many other possibilities. These could include the application of SBR to financial participants' internal information systems and processes, to support their efficiency and competitiveness. This is particularly relevant to the transition to a digital economy and the challenges for Australian businesses in participating in a globalised economy.

Some financial institutions in their submissions to the Inquiry discuss the wide range of regulation applicable to them, the cost of the regulation and the impact on consumer outcomes. The Australian Bankers' Association (ABA) notes that 'In addition to these sorts of costs are the challenging reporting requirements met by banks. These requirements mean that some banks report over 200,000 cells of data each year, to various agencies, such as the ABS, APRA and the RBA'.<sup>7</sup> Similarly, the Macquarie Group noted that 'particularly in the global context, consideration should be given to standardising and streamlining the collection of information, and to clarifying who is entitled to what information, in what timeframe and for what purpose'.<sup>8</sup>

Some of the issues identified by these financial institutions are a good fit with the SBR solution. This includes making use of SBR's unique 'captured once, used often' capability to reduce the burden from the reporting of similar data to multiple government agencies; while also standardising and streamlining reporting using the SBR harmonised dictionary and other standard technologies. For financial institutions, this could also facilitate, in the future, a more seamless, standardised communication process, where they can provide and receive information from government and other businesses (including credit reports).

SBR offers technologies that are capable of supporting innovation; it also has underlying objectives to support government and business efficiency and effectiveness, and transparency as a tool for accountability.

#### *Digital identity verification*

The Inquiry notes the ongoing importance to the financial system of the need for confidence in a person's identity, which is central to combatting fraudulent activities. It notes the increasing need for efficient digital identity verification and authentication solutions.

As identified in the Interim Report, there is no single government identity credential. As discussed above, the Registrar's AUSkey solution is one that has been widely adopted by business for a range of government online services, from tax, prudential and health to employment. As previously noted, almost one in four Australian businesses, nearly half a million businesses, now have an AUSkey credential. The AUSkey solution is reducing the need for businesses and other organisations to maintain multiple identifiers and passwords to interact with government online.

The Report of the National Commission of Audit has recommended that the Australian Government adopt a digital by default strategy, which, among other things, should cover both citizens and business. The Report notes that for business, the ABN could become a standard online identifier, as it is already being used extensively as an identifier with the AUSkey login.<sup>9</sup>

The existing whole of government infrastructure, through the ABN and AUSkey, provides a unique business identifier and a secure and trusted authentication service for business. This could be leveraged further to support a more consistent single government identity credential for business.

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<sup>7</sup> Australian Bankers' Association, Submission to Financial System Inquiry, March 2014, page 101, [http://fsi.gov.au/files/2014/04/ABA\\_1.pdf](http://fsi.gov.au/files/2014/04/ABA_1.pdf), viewed 7 August 2014.

<sup>8</sup> Macquarie Group, Macquarie Group Submission to Financial System Inquiry, 31 March 2014, page 9, [http://fsi.gov.au/files/2014/04/Macquarie\\_Group.pdf](http://fsi.gov.au/files/2014/04/Macquarie_Group.pdf), viewed 7 August 2014.

<sup>9</sup> The Report of the National Commission of Audit, Towards Responsible Government, Phase One, page 236, [http://www.ncoa.gov.au/report/docs/phase\\_one\\_report.pdf](http://www.ncoa.gov.au/report/docs/phase_one_report.pdf), viewed 5 August 2014.

## **CONCLUSION**

The Registrar's three capabilities, ABR, AUSkey and SBR, are key whole-of-government products and services capable of delivering a more efficient and competitive financial system. This arises through the use of a common way to identify and verify businesses identity, and to support the interaction and exchange of information in the same way between financial market participants, other businesses, as well as government.