

Response to Financial Systems Inquiry Interim Report

INTRODUCTION

ING Bank Australia Ltd trading as ING DIRECT would like to focus its response to the FSI Interim Report to subjects relevant to ING DIRECT's original submission rather than commenting on the full report.

The central themes of ING DIRECT's original submission cover the following:

1. *Customer choice*
2. *Cost efficiency*
3. *Customer control and system resilience*

Key Issues

Digital Identification

ING DIRECT is heartened to see the FSI Interim Report has considered the topic of digital identification as a way of facilitating easy, efficient and cost effective banking.

ING DIRECT believes that facilitating the identification of customers electronically across financial service providers and products has the following advantages:

- Meets the digital expectations of customers who are increasingly using technology in their daily lives
- Provides increased protection against fraud, identity theft, cyber-crime and concerns over privacy. ING DIRECT has been using electronic verification (EV) to verify individuals since the initial implementation of AML/CTF over 6 years ago. In a 2013 review, we observed that 86% of fraud and suspected money laundering events occurred where accounts had been established using face to face document verification methods after initially failing EV. Conversely 14% of fraud and suspected money laundering events occurred when accounts had been opened using EV.
- Lowers costs and increases productivity. ING DIRECT data shows the introduction of electronic verification, given current match rates, has reduced costs by more than 30%.

ING DIRECT believes Australia's existing Federated electronic verification system serves customers and the industry well however the system needs access to a greater variety of data bases to enable verification for more complex products for both individuals and non-individuals.

The expansion of the existing Federated system could include:

- Using customer information known by the ATO for identification purposes only
- Creating a more robust mechanism for the electronic verification of non-individuals (for example, in the UK they are implementing a common register for trusts)
- Government allowing access to more data bases for the purpose of identification matching.

In addition, the government could explore creating a fully functioning centralised digital identification which would provide a critical foundation piece to enable customers to more easily switch between financial institutions and products. Such a system would provide a reliable, simple and fast mechanism for customer identification.

ING DIRECT believes that market discipline is achieved when informed customers have easy access to alternative products and services. ING DIRECT believes that the market will respond in a competitive way when customers are able to exercise their choice easily.

Reducing customer effort by way of account switching, online identification, real time payment system and e-conveyancing is critical to this process.

Switching

ING DIRECT notes the Interim Report also includes discussion of how the NPP could facilitate the switching process by attaching customer direct debits to an individual identity rather than an account number linked to an institution. ING DIRECT supports the idea as a way of making it easier for customers to choose between financial institutions.

As stated in our original submission the current Account Switching Package in Australia requires too much customer effort and has not delivered a 'real choice' to the customer. As outlined in our original submission there are examples from jurisdictions outside of Australia where progress has been made in this area.

ING DIRECT believes any measure to simplify the process should be considered. We thank the Government for prioritising this Inquiry and would welcome the opportunity to discuss our proposals in further detail during the consultation phase of this inquiry. Should you require any further information please do not hesitate to contact myself or David Breen on 02 9028 4347.

Yours sincerely,



Vaughn Richtor
Chief Executive Officer
ING Bank (Australia) Ltd