19 December 2019

Committee Secretary
Senate Legal and Constitutional Affairs Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: legcon.sen@aph.gov.au

Dear Sir/Madam,

Consultation — Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019

As a major Credit Reporting Body within the Australian credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) welcomes the opportunity to provide this submission to the Senate Legal and Constitutional Affairs Legislation Committee (**the Committee**) regarding the inquiry into the provisions of the *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019* (**the Inquiry**).

illion acknowledges the Committee's comprehensive review of the provisions and the need to strengthen Australia's capability to combat money laundering and the financing of terrorism.

illion is committed to providing solutions that assist designated entities in meeting their anti-money laundering (**AML**) obligations in a manner that protects the entities from understanding who their customers are. Furthermore, we ensure that our internal processes lead to efficient and cost-effective compliance activities.

As a data insights and analytics business, illion transforms data into complete and actionable information, and believes that quality data is the foundation of its continued success in helping businesses (including banks) manage risk and secure appropriate consumer outcomes.

About illion

illion is the leading independent provider of data and analytics products and services across Australasia. The organisation's consumer and commercial credit registries make up a central component of Australia and New Zealand's financial infrastructure and are used to deliver end-to-end customer management solutions to clients.

Specific Comments

Timeliness and Robustness of Data

At illion, we aim to take the friction out of complex decision making and establishing trust in financial transactions. Using advanced analytics and our proprietary data registries, we speed up the processes of identity verification, applying for credit and managing all aspects of customer relationships across all industry sectors.

We possess granular data on over 24 million consumers and over 2 million commercial entities across Australia and New Zealand. Our data is obtained via live feeds and embedded links to thousands of public, private and proprietary data sources.

The current landscape has facilitated providers who are using data sources that are very well defined and understood. illion's data, for example, is constantly refined and securely held in 18 in-house registries and bureaux.

A credit bureau is constantly maintained and kept up-to-date. Whenever a customer verifies their customer's identity against illion's infrastructure, they know it has been verified against an up-to-date, maintained data source.

If one relies upon third party verification, the data is only up-to-date at the point that the third party signed that customer on. Moreover the data used to initially verify the customer at the point of entry to the system may be a more variable quality of information than is used today.

Risks Associated with Re-Use of Data

The shift to an online economy is driving an explosion in the volume and complexity of data. This trend is creating an increasing need for central registries that can be depended on to securely collate, house, verify, filter and manage valuable data sets, and then convert these into accurate insights to power real-time decision making and risk management.

illion operates in this market, witnessing firsthand the challenges our customers face in accurately validating identity, we specifically note that the proposed changes need to consider the following issues:

- Each reporting entity is required to assess the money laundering risk of products they offer and the customer base they serve, and are required to develop an AML program that reflects this specific risk. While the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (**the Act**) specifies minimum standards for electronic ID verification (AML Safe Harbour), in practice each organisation takes a different approach in terms of the acceptable data sets to match against, what constitutes a match against a data set and the number of data matches required.

- Existing ID verification solutions rely on data sets that are constantly updated as customers move address, change name and even gender. These up to date data sets are then used to meet electronic ID verification requirements.

ID Passporting would replace these centralised, maintained, data sets with single data points typically captured at the point of account creation and infrequently updated, potentially reducing the accuracy of data used for customer verification and hence the validity of the customer verification itself.

Hence, illion believes that the introduction of data ID Passporting would also require an identification standard that would meet the needs of all organisations operating in Australia, while considering how changes in individual's name, address and gender are managed in ID Passporting.

Given illion's direct experience in terms of how each of our customers uses different rules and holds a different acceptance of allowable data sets, changes to this operating environment will pose immediate questions. Customers typically vary in how they want to consider an ID verification. We believe there should be further clarity if a third party's definition of a verified ID can be utilised.

Any changes to the Act would have to determine the ultimate definition of what a valid ID is. A one-size-fits-all approach is not the way the legislation currently works — it is a risk-based approach. Therefore, one level of verification conducted by one organisation may not necessarily be suitable for another.

illion is concerned that this could introduce systemic risk into the AML ecosystem; where one organisation could inadvertently make an error in their know your customer (**KYC**) process which then becomes amplified through the opportunity to re-use the ID.

Strengths of Current Solutions

illion plays a central role in aggregating, verifying, and facilitating the flow of the data which powers the economy. illion's digital infrastructure underpins all of life's most important purchasing decisions; from telco and utility accounts, to mortgages and car loans, and many more. Our solutions ultimately enable businesses and consumers to make critically important yet highly complex decisions with confidence.

illion's digital infrastructure is relied upon by over 15,000 corporate and government clients, and over 1.3 million consumers.

The strength of the current model is that there is no one *source of truth*, and therefore it is not possible to have a 'honeypot' situation arising where a centralised database is hacked or compromised. The diversity of the ecosystem, as it is constituted, allows for data sets to be resilient.

The solution illion provides enables each organisation to create their ID verification rules suited to their risk appetite and their need to service their customer base and, due to the use of multiple disparate data sets makes it significantly harder to compromise.

Suggested Changes

There remain opportunities to extend the capabilities of the current solution, primarily through the inclusion of new, trusted data sets into the ID verification process. illion's belief is that the inclusion of Passport and Proof of Age card information as ID verification sources with the Credit Bureau would further increase the ID verification match rates while reducing incidents of fraud. We would encourage an amendment to the Privacy Act to enable the use of more modern identification documents in a world where not everybody over the age of 18 drives.

Having multiple data sets that are used to verify identities does create more integrity in the process. Although this might appear counterintuitive, the end product is a more resilient and robust system. The majority of verifications are performed against private enterprise data sets. illion believes that there are further opportunities to be explored to assist industry.

Savings look over-stated

illion notes with interest the forecast savings of $3.1 billion over ten years included within the Regulation Impact Statement (RIS). We question the validity of these projections and would welcome further transparency on how these figures were derived. The industry would benefit from access to detailed modelling underpinning the estimates provided in the RIS.

We note that the current cost of existing electronic verification products, such as those provided by illion, cost approximately $3 per transaction and even with the associated manual work and technology costs incorporated we struggle to see how savings from duplication could amount to the figures stated.

Yours sincerely,

Steve Brown
Director – Bureau Engagement