

9 December 2024

Ms Melissa Harris  
Chair  
Australian Registrars National Electronic Conveyancing Council

Via email: [chair@arnecc.gov.au](mailto:chair@arnecc.gov.au)

Dear Ms Harris

### **Security-related Obligations under the Electronic Conveyancing Regulatory Framework**

COBA thanks the Australian Registrars National Electronic Conveyancing Council (ARNECC) for the opportunity to respond to its discussion paper on *Security-related Obligations under the Electronic Conveyancing Regulatory Framework*.

COBA is the industry association for Australia's customer owned banks (mutual banks and credit unions). Collectively, our sector has over \$179 billion in assets and is the fifth largest holder of household deposits. Our members range in size from less than \$200 million in assets to around \$25 billion in assets – all significantly smaller than our ASX-listed peers. Customer-owned banks account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

#### **Key points**

COBA supports the need to update the Model Operating Requirements (MORs) and the Model Participation Rules (MPRs) to ensure that they remain fit for purpose.

COBA opposes the adoption of the Verification of Identity (VOI) Standard as doing so is neither practical nor appropriate. We consider that they will be detrimental to smaller banks and runs contrary to the Commonwealth Government's desire to increase competition from small and medium banks

COBA is supportive of ARNECC reviewing and updating the MORs and MPRs to ensure that these remain fit for purpose. However, we are concerned with and oppose the proposal to adopt the VOI Standard and make face-to-face verifications mandatory in all instances. Adopting the Standard would also remove the option to allow lenders to take other reasonable steps to verify identity. We also oppose the alternative option that would only apply the VOI Standard to certain conveyancing transaction types and allow the reasonable steps option in other instances. We believe that the adoption of the VOI Standard will unfairly favour and provide competitive benefit to larger banks that have more extensive branch networks, will increase costs and inconvenience to customers, and will also not deliver the improved security that is desired by ARNECC.

As the lending market has become digitised more Australians have, via the use of broker networks or by applying to lenders directly through digital channels, had access to a wider range of lenders beyond those in their immediate geographical area. Our members therefore utilise the reasonable steps approach to take reasonable approaches to verification that are appropriate in their individual circumstances and in line with their anti-money laundering and counter-terrorism financing Know Your

Suite 403, Level 4, 151 Castlereagh Street,  
Sydney NSW 2000

Suite 4C, 16 National Circuit,  
Barton ACT 2600

Customer obligations. This may include face-to-face verification for some members while others may use digital identity verification options.

For those lenders that utilise digital identity verification this can provide benefits such as:

- Flexibility and convenience for customers.
- Increased speed in completing the loan application.
- Reduced costs in processing the loan application for both the lender and customer.
- Providing a more secure form of control to address the risk of identity crime.

### **Concerns with adopting the VOI Standard**

COBA believes that the options proposed for adopting the VOI Standard are not practical, in contrast to current identification requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and will be detrimental to smaller banks as many do not have the physical branch network to support face-to-face VOI and would need to rely on agents. The banking industry has largely transitioned to digital with a growing reliance on online applications and communications for the majority of lending business. Mandating face-to-face VOI will increase inconvenience to customers, costs, and application timeframes which will adversely impact on the willingness of customers to consider switching home loans to obtain a better deal. This runs contrary to the Government's desire to increase competition in the banking industry and the ease which customers can change lenders.

To enforce mandatory face-to-face VOI would be a backwards step in the digitisation of the industry and would be highly problematic for customers. Requiring customers to undergo mandatory face-to-face VOI would be particularly disadvantageous to customers who are regionally or remotely based and who do not have convenient access to a branch, post office or other agent. It would also be highly inconvenient to customers who work full time and/or having caring responsibilities which restricts their ability to attend a physical location during business hours. The face-to-face VOI requirement is also not considerate to those customers who have physical disabilities or impairments which can restrict their ability to easily and conveniently attend a physical location for verification.

For smaller lenders that do not have a large physical footprint they would need to rely on agents with Australia Post being the most likely agent used. While Australia Post can offer appropriate services to perform this function it is generally at a cost that is financial unviable when compared to reliable digital alternatives that exist. This is because Australia Post will generally charge at a cost that involves a minimum fee for a minimum number of transactions.

Our members have also expressed concern that utilising an agent like Australia Post will see less control by the bank over the quality and efficacy of verifications. We believe it is likely that there will be increased errors in the verification process if the VOI Standard is adopted. This is due to the increased reliance on humans and the potential for human error over a digital process that has a very low error rate.

The cumulative impact of this is that the cost of processing a loan application is expected to increase if the VOI Standard is adopted. The increased administration costs of the Australia Post and other agent identity verification service is estimated to be more than 10 times the cost of conducting verifications through a service like IDVerse. This will likely result in higher application fees and/or higher interest rates for customers. COBA members do not have confidence that these additional costs will necessarily result in any associated reduction in identity fraud considering that digital VOI solutions can perform more robust checks than those enabled by face-to-face interactions.

### **Alternatives to adopting the VOI Standard**

COBA believes that there are alternatives available to ARNECC to address the concerns it has raised with the reasonable steps approach. The first would be for ARNECC to publish more industry guidance and examples on what it considers to be appropriate usage of the reasonable steps.

This would allow ARNECC to clearly lay out its expectations and those steps or actions it does not consider to be reasonable. This would help to address any ambiguity that it believes may exist on what is appropriate.

Another option would be for the VOI Standard to be expanded beyond the face-to-face regime to include options for Government endorsed or approved digital ID providers, especially following the recent passage of Commonwealth laws enabling the creation and usage of digital ID. The Standard could be expanded to include options on the use of digital verification solutions like IDVerse. The adoption of these measures would better accommodate all parties, including lenders of all sizes, borrowers and brokers.

We thank ARNECC for taking our views into account. Please do not hesitate to contact Robert Thomas, Policy Manager ([rthomas@coba.asn.au](mailto:rthomas@coba.asn.au)) if you have any questions about our submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Lawrence', with a stylized flourish at the end.

**MICHAEL LAWRENCE**  
Chief Executive Officer