Opening Remarks (Day 1): Diane Tate, CEO, AFIA

- We need to think about things holistically, not in isolation.
- The World Economic Forum has identified key risks we face over the next decade, including – extreme weather events, AI generated misinformation, the cost of living, cybersecurity threats, and polarisation of society/politics – a polycrisis of threats.
- AFIA is working hard to understand consumer and member needs through our consumer research, our toolkits on privacy and sustainability and our research projects on artificial intelligence and sustainable transport.
- SEC Newgate's *Mood of the Nation* survey says that Australians are feeling stressed, anxious, overwhelmed and overworked – this mindset is what your customers are bringing to their interactions with you. The finance sector is being asked to solve many problems.
- Edelman's *Trust Barometer* shows Australians and others around the world do not trust government or the media. The most trusted sector is business and the most trusted part of business is finance.
- AFIA's strategic priorities – proportionate regulation, data and digital innovation, sustainability, financial inclusion, and a safe and transparent financial system – are how we achieve our vision of a more resilient, inclusive and sustainable Australia and how we identify our advocacy priorities and express the work we do with members. However, if we don't achieve these strategic priorities, these are also our greatest risks.

Session: The Risk Landscape | Type: Panel | Speakers: Kerensa Sneyd, Partner, Allens; Steven Klimt, Partner, Clayton Utz & Kelly Dickson, Managing Principal Lawyer, Macpherson Kelley

Artificial intelligence

- As AI continues to evolve, it will be important to have guardrails that ensure its ethical use.
- To play the game hard, we need to know what the rules are.
- AI has significant implications for automated decision-making – especially around biases.
- It overlaps with a number of existing complex areas of law, such as copyright and privacy.
- We need to rethink existing regulations to be compatible with AI, not just superimpose new laws without updating the old.

AML/CTF

- AI uses for AML/CTF, such as the automation of Know Your Customer obligations.
- Ongoing consultation for AML/CTF laws to simply them and apply them to new entities.
- *Westpac v Crown* – the primary purpose of Part A of your AML/CTF program needs to be identifying, negating and managing risk – it is outcome focused.
- AML/CTF risk management needs to be from the Board down – AUSTRAC may look to join senior managers who were knowingly involved in breaches or did not properly discharge effective oversight.
- Internal training, reporting and escalation processes need to be appropriate.

Financial hardship review

- ASIC's review report included analysis of 10 large home lenders (however, 30 lenders participated in the review and data collection).
- The report and its findings provides a map for lenders to assess their hardship processes. Section 72 of the National Credit Code requires you to recognise hardship communications with a borrower as a hardship notice and take appropriate steps.
- ASIC also reads a lot into the general obligation under s 912A of the *Corporations Act 2001* (Cth) to act 'honestly, efficiently and fairly'.
- Key takeaways – recognise hardship notices, deal with them flexibly, communicate with borrowers effectively, accountability is key, as is customer-centric reporting.
- Regulators have moved past education and are looking to enforcement.

ASIC's focus on motor finance

- This continues to be an ASIC priority for 2024.
- They are focused not on mainstream lending, but particularly on lending to high risk consumers who may be vulnerable (for example, the *Money3* case).
- In the first instance judgement in *Westpac*, Justice Perram said lenders could do what they want in their assessment processes. ASIC may look to revisit this finding.
- There was a discussion on the correct policy settings for RLOs to promote financial inclusion.

ASIC's focus on greenwashing

- ASIC has issued 23 corrective notices, 11 infringement notices and had successful proceedings against *Vanguard*.

Session: Rethinking Regulation - ACCC | Type: Regulator keynote
Speaker: Catriona Lowe, Deputy Chair, ACCC

Key points:

- ACCC spoke about the importance of trust for the efficient operation of our markets.
- We also heard about the importance of backing up 'green' claims – don't just ask but check your supply chain.
- On unfair contract term provisions, the ACCC highlighted the need for review of standard form contracts – mentioning the car rental sector.
- On scams, the ACCC confirmed the need for friction as well as the National Anti-Scam Centre (NASC) building pipes for real time data sharing of threats.
- On industry codes, the ACCC stated that to be effective, codes of practice must have broad coverage, be independent, have sanctions, and ideally be mandatory.

Summary:

- The Deputy Chair reminded members of the ACCC's enforcement priorities and focused on the following topics:

Greenwashing

- The ACCC's 2022-23 survey found 57 per cent of online green claims examined contained potential concerning issues.
- December 2023 – ACCC issued 8 principles outlining expectations.
- Back up claims, do not omit information, explain statements and avoid overly broad claims.
- ACCC is conscious of the risk of 'green hushing', where businesses avoid making green claims due to fear of getting it wrong.

Unfair Contract Terms (UCT)

- From 9 November 2023, new UCT laws apply to small business and consumer contracts.
- An unfair term will not just be voided but can attract significant new penalties.
- The contract value threshold for accessing the UCT regime has been removed.
- Businesses can be stopped from using substantially the same term in future contracts.
- The protection of a legitimate business interest is not the same as a business want or desire.
- ACCC is especially concerned about terms to do with unilateral variation, automatic renewal (particularly where it is inadequately disclosed), excessive termination charges, and broad indemnities.

Scams

- ACCC found $2.74 billion lost to scams in 2023, down 13 per cent since the last year.
- Scams have been elevated as an enduring priority for the ACCC, especially with the establishment of the National Anti-Scam Centre (NASC).
- ACCC advocates for mandatory, enforceable and eco-system wide codes on scams and welcomes the initiatives taken by the ABA and COBA.
- Customers are willing to accept more friction due to greater awareness of scams.

Session: Operational Resilience in the Age of AI | Type: Keynote
Speaker: Jacqui Kernot, Security Director - ANZ, Accenture

- We should be focused on building systems that give contextual access at the right time, not unfettered trust.
- As a generally safe country, Australians are reasonably complacent when it comes to these matters and not used to being in uncomfortable situations.
- Due to our demographics and other factors, Australia is on the map as a target country for cyber-criminals.
- Do you know all the reporting obligations you would have to do in the event of a breach? Who do you have to notify? What agencies are you required to report under law? What market reports do you need to make? What customer communications do you need to make? etc
- It is essential to have diverse decision makers and do crisis response exercises regularly.
- Technology can help you move more quickly and securely, not build more complex systems.
- Do not keep data where it is not meant to be or allow broad access.
- Have a clear map of all your suppliers/third parties.
- Add intelligent friction where appropriate.
- Look for patterns and flag transactions that do not match those patterns.
- We want to take advantage of new technology, but we must protect data.
- Digital ID may help minimise data risks.
- Look to changes being made in the realm of eSafety, as well as amendments to legislation impacting scams and privacy.
- Important to ensure cybersecurity professionals are properly accredited and trusted.

Session: A New Approach - AFCA | Type: Regulator keynote
Speaker: David Locke, CEO & Chief Ombudsman, AFCA

Key points:

- AFCA noted that high complaints continue, and that the major banks are resolving many more complaints at IDR than other lenders.
- On their new approaches to responsible and appropriate lending, AFCA thanked AFIA for our input.
- On scams, AFCA noted the 'global plague' and how they are trying to encourage lenders to resolve more disputes internally. It was noted that Australia is becoming a destination of choice for scammers and the need for financial institutions to insert more friction in customer processes, highlighting overseas innovation around scam detection and disruption.
- On industry codes, AFCA expressed concern with moves to remove important commitments, even if these are contained in the law, in certain lending codes (referring to the consultation being conducted by ASIC of the ABA Banking Code of Practice). It was also stated that the ICA has flagged that they are exploring ASIC approval as an option in the independent review of the General Insurance Code of Practice.
- Finally, AFCA told our Summit that everyone can do better on financial hardship.

AFCA's priorities

- Focus is on four core priorities – equity and access, quality, influence and expertise.
- Want a high-quality service with the broad, mainstream trust of consumers and businesses.
- Have implemented 8 of 13 recommendations from the independent review of AFCA.
- New rules changes come into effect from 1 July 2024.
- Will be able to expel paid advocates for a period of 12 months.

The importance of IDR

- AFCA wants more complaints to be resolved at Internal Dispute Resolution (IDR) – major banks are now at 64 per cent, including one at 74 per cent and one at 78 per cent.
- 77 per cent of non-bank lender (NBL) complaints that go to final decision find for the financier, indicating more can be done to resolve at IDR.

Scams and financial difficulty

- Have received 9,500 complaints about scams so far in 2024 (double the same time in 2023).
- Two-thirds relate to personal transaction accounts.
- The average value of scam related complaints at AFCA has gone from $36,000 in 2023 to $18,000 in 2024.
- Financial difficulty complaints are up 25 per cent to 5,396.
- Friction helps – look at the new 12-hour delay rule in Singapore.

AFCA Approach to Responsible Lending and Appropriate Lending to Small Business

- AFCA recently published their approaches on Responsible Lending and Appropriate Lending.
- Came after significant consultation with industry, including receiving feedback from AFIA.
- AFCA recognised the importance of ensuring technology neutrality.

Change at AFCA

- Working on rolling out a new member portal, consumer portal and case management system.
- AFCA is funded by industry and increased fees are due to significant increases in complaints.
- Three components to fees: fixed member fee, five free complaints before complaint fees are levied, then an addition user charge based of use of system.
- If you have fewer complaints, resolved earlier, you will pay less in use charges the next year.

Q&A

- AFIA will host a workshop with AFCA on hardship, following their April media release.
- Jurisdictional review and delay are recognised as a significant issue – cutting the queues is a top focus and AFCA have hired 450 staff in the last 12 months.

Session: Sustainability Toolkit | Type: Member update
Speaker: Josue Castro, Senior Strategy Manager & Liam Jouannon, Senior Strategy Associate, BWD Strategic

- Reminded members of APRA's 2022 climate risk self-assessment survey.
- Discussed the difficulties associated with ASIC's implementing mandatory climate-related financial disclosures and enforcing greenwashing.
- Reminded
- us of the ACCC's clear guidance on greenwashing.
- Led AFIA members through a discussion of the AFIA Sustainability Toolkit, which is designed to help members focus on getting practical advice to help them prioritise the next steps in their sustainability journey.
- The key message is that members want to stop exploring and start executing – AFIA's Sustainability Toolkit will help members to get this job done.

Opening Remarks (Day 2): Diane Tate, CEO, AFIA

- Proportionate regulation is increasingly important, for promoting competition and innovation in industry, but to also deal with the challenges and risks posed by government and regulator interventions to address consumer protection.
- BNPL legislation is expected to be introduced before the winter recess of Parliament, although this is subject to change.
- The Point-of-Sale exemption will be dealt with after BNPL via an Options Paper consultation.
- Industry codes are a way to achieve proportionate regulation.
- AFIA needs to consider our approach to industry codes – our code development work is conducted consistent with the ASIC and ACCC guidance. However, ASIC oversees the regime for 'approved codes' and the ACCC for 'mandatory codes' – whether AFIA seeks to go down this path with our new AFIA Code of Practice is a question for members (once we've settled content and presentation, structure and governance aspects need to be formulated).
- AFCA operations are heavily impacted by the level of disputes – we need to focus on resolving complaints internally to take pressure off AFCA.

Session: Reflections of a CRO | Type: Panel
Speakers: Saara-Jayne Mistry, General Counsel, Payright; Michael Vainauskas, CRO, Pepper Money; Nick Brown, CRO, OnDeck Australia & David Skillen, CRO, Hyundai Capital Australia

Approaches to Risk

- The panel discussed the difficulty of knowing when to trust in a low trust environment.
- The distinction between the three lines of risk is stronger in Australia than in other jurisdictions, like the United States.
- Australia also has a legal/regulatory/compliance approach to risk, compared to other jurisdictions which are highly driven by mathematics and analytics.
- Regulatory relations are more friendly/consensus driven in Australia than other jurisdictions.

Maro-economic risks

- The costs of capital raising on global markets is going up which is making business tough.
- The cost of debt funding is getting harder due to higher interest rates.
- Merchants/retailers are in a hard position post COVID-19, especially regarding debts, which places downstream pressure on lenders, especially those interacting with small businesses.

Policy settings

- A lot of time is spent considering how to make the best lending decisions.
- RLOs lead to a degree of financial exclusion because of assessment requirements.
- Hardship assistance is a major focus of lenders activities when it comes to their risk function – hardship assistance needs to be tailored to customers.
- ATO's recent enforcement of small business debts has had a downstream effect on repayments to small business lenders.

Session: ASIC – Navigating Disruption | Type: Regulator keynote
Speaker: Alan Kirkland, Commissioner, ASIC

Key points:

- ASIC focussed on their recently published report on hardship practices of lenders as well as cybersecurity, greenwashing, and scams responses.
- ASIC's report on hardship found that over 30 per cent of customers drop out of hardship processes. In some instances, hardship processes were not clear and customers were not well supported.
- ASIC told our Summit that they were considering further action over a wider cohort of lenders and that lenders need to do better to consider individual circumstances in their hardship processes.

Summary:

Cost of living pressures

- ASIC's recent hardship report on 10 largest home lenders. However, ASIC engaged with 30 lenders and over 170 staff, examining 440,000 requests for hardship covering $45 billion.
- Found 30 per cent of those customers who requested hardship dropped out of the process – findings in the review indicate processes lacked clarity, customers were not well supported, and hardship was not tailored to individual customers.

- In 40 per cent of cases where payments were deferred/reduced, customers immediately fell back into arears.

ASIC's priorities – predatory lending and vulnerable customers

- ASIC focus on high-cost credit, especially misconduct in the motor finance sector and as it applies to First Nations people (for example, *Max Lending* and *Green County* cases).
- The *Cigno* and *BSF* cases were also examples where short-term credit was extending without an ACL – in some cases, fees of over 600 per cent of the credit amount were charged. (24-111MR ASIC wins Federal Court case against Cigno Australia and BSF Solutions | ASIC – on 24 May 2024, the Federal Court found in favour of ASIC).
- Regarding debt management, Federal Court proceedings were brought against *Solve My Debt Now*, where only 3.5 per cent of customers received a total debt reduction after fees.
- ASIC is also focused on the Design and Distribution Obligations (DDOs), see the *Urban Rampage Case,* which took deductions from Centrelink payments and targeted First Nations customers.
- DDOs necessitate that financial products should be designed with particular customers in mind and distributed in accordance with Target Market Determinations (TMDs). Credit products should not be designed or distributed in a way that places consumers in financial hardship.

Climate change

- ASIC focus on the nature of disclosures and representations to consumers on green claims.
- 90 per cent of global GDP is covered by net-zero targets, as well as 80 per cent of ASX net cap.
- ASIC will administer mandatory climate-related financial disclosures. Will issue guidance.
- Once fully implemented, this disclosures framework will cover over 6,000 entities.
- Direct reporting requirements only apply initially to larger and significant financial institutions, but suppliers may also have to engage in the process.
- Focused on greenwashing, having issued 60 corrective notices and 17 infringement notices.

Rapid technological changes

- ASIC focus on scams, Australians lost 2.7 billion to scams last year, including 1.3 billion to investment scams. Reports of scams up 17 per cent, but losses went down 13 per cent, showing greater awareness.
- The National Anti-Scam Centre (NASC), established by the ACCC, has been crucial in this effort.
- Last year, there was a consultation a mandatory scams code for banks, telcos and digital platforms (to which AFIA contributed).
- AI uses can be such that they breach ACL conditions or other license obligations.
- One cyberattack is reported every six minutes – it is a question of when, not if.

Session: APRA - Strengthening Operations Resilience
Type: Regulator keynote | Speaker: Therese McCarthy-Hockey, Executive Board Member, APRA

Key points:

- APRA focused on how 'predictions about technology' often tend to be 'wildly wrong' and that's why we need to be circumspect about things like AI.
- APRA's focus is on critical services – understanding what is critical versus what is material.
- AI can be a valuable co-pilot, but should never be your autopilot.
- APRA discussed four key areas – accountability, board capability, risk culture, data quality.
- Proportionate regulation means appropriate to the risk involved – rules should not always be the same.

Ms McCathy Hockey's full comments are available here.

<u>The pace of technological change and poor predictions</u>

- In 1930, Johnn Maynard Keynes predicted that in 100 years we would work 15 hours a week.
- Recently, an open letter signed by many experts suggested AI risks human extinction.
- We need to be circumspect in making broad predictions about AI.

<u>Managing AI</u>

- AI has already been operating for years, through things like email and predictive text.
- Need to put in place firm board oversight and strong risk management controls.
- Financial institutions without such measures in place should proceed with caution or not at all.

<u>Benefits of AI</u>

- By 2030, AI will add between $170 billion and $700 billion to Australian GDP.
- Helps with marketing, communicating with customers and writing faster, better code.
- Should deliver benefits to consumers and shareholders through higher profits and cheaper or higher quality services.

<u>Risks of AI</u>

- Conversely, could lead to more potential crimes and scams.
- Could worsen decision making through 'herding' effects based off individuals making decisions from the same flawed AI model or data.
- Could undermine trust and lead to concerns around privacy, ethics, discrimination and bias.

<u>AI regulation</u>

- The Federal Government last year issued a consultation on safe and responsible AI use.
- Existing prudential standards CPS 234, CPS 235 and CPS 230 all touch on AI risk.
- In August 2023, APRA released their initial guidance on AI risks.

<u>Managing data</u>

- Need to have a risk culture with strong management, monitoring and avoidance of unauthorised use of data by employees.
- Focus on data quality and reliability – Australia has a long way to go on data risk management.
- Need clear accountability – cannot outsource data governance responsibility to a program.

Q&A

- Discussed the implementation of the FAR.
- Discussed the importance of proportionate regulation – setting rules according to the risks.
- Encouraged open, upfront, and active dialogue with the regulator.

Session: ASBFEO – Leveling the Playing Field | Type: Regulator keynote
Speaker: Hon Bruce Billson, The Australian Small Business & Family Enterprise Ombudsman

Key points:

- Finance is the oxygen of enterprise. ASBFEO spoke about the need to 'energise enterprise', including policy settings that make it 'attractive' to lend to small business. Competition is essential.
- On the importance of industry codes, the ASBFEO stated that a code is a floor, not an ambition.
- On UCTs, the ASBFEO noted that future reform will be about 'unfair practices'.

The importance of lifting entrepreneurship

- Small business lending is essential to the economy.
- International banking frameworks make it unattractive to lend to small businesses, such as through higher capital charges. As circumstances change, the policy settings need to change.
- Policy settings are too focused on housing, over business.
- Minimal competition in business banking creates issues for our productivity and economic growth.

The risks of small business

- 73% of small business owners take home less than average weekly earnings.
- Half of all small businesses are backed by the family home.
- Risks associated with collateral and other issues, like directors' guarantees.
- Small business profits are up 3%, big business profits are up 13%.

The importance of proportionate regulation and codes

- Proportionate regulation needs to support competition, innovation and choice – 'right-sized regulation'.
- ASBFEO helps small business against the ATO – exercise of discretion can be unfair. AFIA will host an industry roundtable with the ATO, ASBFEO and members on managing ATO liabilities.
- Code of Practice is a floor, not the ambition – industry codes should encourage you to do more not just meet the minimum requirements (otherwise you get the attention of lawmakers and regulators).
- You'll be marked by your lowest common denominator and judged by who you associate with – financial firms outside the scope of codes are 'fringe lenders'.

ASBFEO reform proposals

- ASBFEO wants to see more done on payment times, businesses should not use payment times to exercise illegitimate interests in markets. Supply chain finance has a role, but not because businesses are acting unfairly.
- ASBFEO wants a new prohibition on 'unfair business practices', where dominant positions are used to harm the counterparty to a contract in the absence of a legitimate business interest justification.
- ASBFEO wants to encourage more women's entrepreneurship.

Session: AUSTRAC – Adopting a Risk-Based Approach
Type: Regulator keynote | Speaker: Brendan Thomas, CEO, AUSTRAC

Key points:

- AUSTRAC's priority is to reduce criminal opportunity for those seeking to exploit the financial system.
- Money laundering risk remains 'high but stable' – AML/CTF needs a strong commitment from the Board and senior management – not a 'tick and flick' approach – need to ask the right questions and drill down.
- Can't have a 'set and forget' transaction monitoring program. It needs to be 'living and breathing'.

AUSTRAC's Role

- AUSTRAC's job is to reduce criminal opportunity across the financial system.
- The UN estimates there are 200,000 workers in the scams industry.
- AUSTRAC also seeks to provide insights to regulatory, law enforcement and business partners regarding the risks of money laundering and proliferation and terrorism financing in Australia.
- AUSTRAC focus on their 2024 regulatory priorities, which include an emphasis on digital currencies and payment platforms.

Difficulties in AML/CTF

- Australia is an attractive market for financial criminals.
- Opaque legal structures, and the use of intermediaries, can make it difficult to determine who the beneficial owner is.

Compliance with AML/CTF Obligations

- Need to have board and senior management oversight, can't be a 'tick and flick' approach.
- Need to ask the right questions and follow-up effectively.
- Need to have effective escalation frameworks, assurance and adequate resourcing.
- Need a proactive approach to money laundering risk, not wait until something wrong.
- AUSTRAC recently enforced a penalty of $1.3 billion due to lack of assurance.
- Programs must be tailored to risks involved and transaction monitoring should test new risks.
- Transaction monitoring needs to be linked to risk assessments, not based on past practice.
- Can't have a set and forget transaction monitoring program. Must be living and breathing.
- Documents from external consultants need to be sufficiently tailored to your business.
- Can't use template approaches. Must be relevant to the business and AML/CTF risks.

Reforms to Australia's AML/CTF Framework

- AUSTRAC are currently consulting on changes to our AML/CTF framework, to simplify reporting for all entities, update the structure, include tranche 2 entities and make sure Australia meets international best practice of the Financial Action Task Force (FATF), ahead of the next 2026 mutual evaluation.
- Boards should be across AML/CTF risks and take actions when they see issues.
- Need to report, review openly and have independent reviews of the quality of your programs.
- Need to have documented evidence that you have followed those steps.
- Need to Know Your Customer and conduct appropriate Customer Due Diligence.
- $16 billion pa is laundered via the drug market and $1 billion is laundered through real estate.
- Need to tailor products and compliance programs to your specifically understood risks.

Q&A

- Discussed the meetings of both SE Asian financial intelligence units and the Pacific Financial Intelligence Community (PFIC) and emerging typologies, noting TikTok and problems with payments through digital platforms.
- Discussed the importance of financial inclusion when it comes to money remittance services.
- Discussed what constitutes a 'reasonable attempt' for a non-bank lender (NBL) in the AML/CTF context.

Session: Global Perspectives on AML Compliance | Type: Member update
Speaker: Milan Cooper, CEO & Co-founder, First AML

- First AML help companies meet their AML/CTF compliance obligations, including onboarding trusts and companies with minimal human intervention.
- Geopolitical tensions are creating increased risks. There are significant penalties for non-compliance which are being enforced more regularly.
- Need to learn from regulatory environment globally – First AML operate in NZ, Australia, the EU and the UK.
- There has been a convergence in recent years between AML and fraud risk management.
- UK and EU have implemented beneficial ownership registers. AUSTRAC may look to do similar.
- According to the US Office of Foreign Assets Control (OFAC) – reporting entities must comply with US sanctions if they do business in the US, even absent exposure in US. See for example the case of *EFG International*, doing business with sanctioned Cuban and Russian actors.
- Australian entities who do business in the US should review their OFAC compliance.
- The US Corporate Transparency Act requires that from 1 January, beneficial ownership structures need to be reported to FinCEN. The threshold is 25 per cent. This has implications for Australian entities with US reporting obligations.
- Non-UK entities that operate portfolio companies in UK or own property there must disclose beneficial ownership – threshold of *over 25 per cent* and more onerous obligations around identification, anti-tampering and biometric liveness checks.
- Non-compliance can have severe reputational consequences with the regulator and the public.

Session: Privacy in Focus | Type: Fireside Chat
Speaker: Cheng Lim, Partner, King & Wood Mallesons

- Discussed the final report of the Privacy Act Review, which makes 116 proposals for reform.
- The Government response agreed with 38 of the recommendations and the Attorney-General intended to introduce legislation on these matters in August.
- These 38 recommendations include – updating the objects of the Act, enhanced powers for OAIC, fines for mid-tier offences and greater transparency for automated decision-making.
- Some of the other recommendations had to do with data governance and data retention (for example, the government agreed-in-principle with a proposal to require disclosure of maximum and minimum data retention periods in privacy policies).
- It's not better to keep data just in case. Old data can be compromised. APP 11 requires regulated entities to only keep information as long as they need it. Minimising the amount of data you hold minimises your risk of a breach.
- There was a proposal to have Privacy Impact Assessments for high-risk privacy activities – well known in government but not all private sector organisations do this. You have to outline matters like what kind of data you have, who has access and the ways it is protected.
- The legislative reform paper related to the Government's 2030 Cyber Security Strategy discussed a proposal to limit the use of this information so regulators could not use it for purposes other than that for which it was provided.
- Consents and privacy policies will be affected by a reform proposal which would insert and overarching 'fair and reasonable' test regarding the use of personal information.
- The proposals would also extend the *Privacy Act* to small businesses, with under $3 million in turnover, which have not previously been covered.
- It is crucial to check the potentially compromised credentials of IT service providers and stop lateral movement of malicious actors once your systems are compromised.
- It is also essential to review supply chain risks that might compromise privacy protection.
- On real time threat sharing mechanisms, in the event of a breach, this could create issues as anything shared in an industry forum is not privileged, so could be sought by the regulator.

Session: Building Supply Chain Agility | Type: Rapid Risk Session
Speaker: Chris Coldrick, Partner - Consulting, Supply Chain & Procurement, Deloitte

Three key takeaways for managing supply chain risks:

1. Accept the inevitability of supply chain risk.
2. Work out how you'll protect your critical assets and how you are going to create a snapshot of where you were at prior to the incident and how you'll get through it.
3. Tell your network of suppliers and customers what your plan is.

- It's important to pre-empt your supply chain risks, so you can plan effectively.
- When cyberattacks hit, they are sudden, catastrophic and unpredictable. That's their leverage.

- They do not just disrupt your organisation, they can disrupt global suppliers/third parties.
- Deloitte has been involved with three of the largest in Australia – Optus, Medibank and Toll – these cyberattacks were designed to be wide ranging and high-impact.

Three key challenges with cybersecurity responses:

1. Your cyber resilience
2. Understanding and managing your service providers
3. Recovery.

- Time is essential – a Business Continuity Plan (BCP) could go for 72 hours to 4 weeks – what happens if the cyberattack impacts you for 6 weeks?
- Nature of technology today means they have tech within tech and when a component part is compromised it can compromise the system.
- Do you know what you don't know and understand your blind spots?
- As reported in the Australian, Deloitte analysis shows there are 40,000 vulnerabilities across tier 1 organisations in Australia because of the failure to apply a simple patch.
- Two key risks – individuals doing the wrong think and criminals.
- We need to move to seeing security as a practice rather than an investment / cost.

Closing Remarks: Mario Rehayem, CEO, Pepper & AFIA Chair

- The Chair thanked the AFIA team and all members for participating throughout our Sumit.
- He asked all members to go back to their organisations and be advocates for AFIA.
- In reflecting on our Summit, he commented on the following topics:
  - When it comes to proportionate regulation, we need to get the balance right.
  - When it comes to cybersecurity, it is not if, but when, so members should prepare.
  - When it comes to dealing with AFCA, better IDR processes can help members avoid AFCA issues and further hardship interventions.
  - When it comes to environmental claims, you have to back up what you say.
  - ASBFEO noted that industry codes are a floor, not an ambition – 'you will be judged by those you associate with and your lowest common denominator'.
- The Chair closed our Summit, noting its successful outcomes.