

BETTER BREACH REPORTING:

Key findings on the regulatory burden of the breach reporting system and cost savings of the FSC's recommendations.

According to ASIC there are:

12,298 breaches of obligations

reported by licensees in FY24. ⁽¹⁾

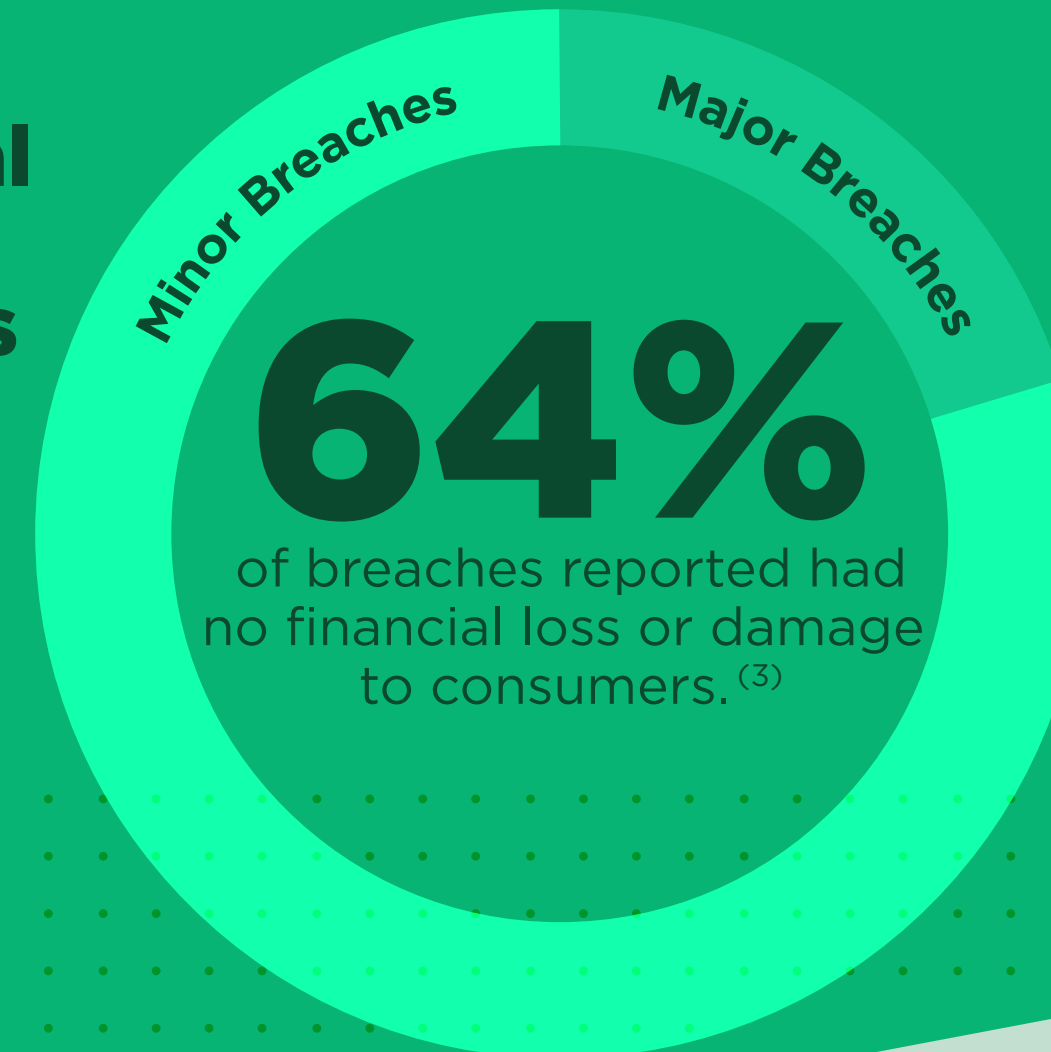
Following changes introduced by ASIC in October 2023, approximately **10,000 breaches** could be reported each year going forward.

10,961

Australian businesses or individuals with financial services or credit licenses. ⁽²⁾

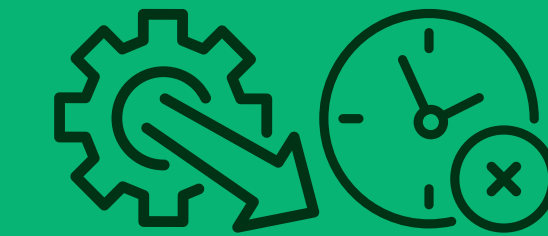


A survey of financial services businesses found:



Examples of such minor and technical breaches include:

- statements being 1 day late
- immaterial typos
- inconsequential oversights



To report a breach, businesses typically follow a process:

Identify & contain



Assess



Decide if reportable



Notify & report



Review & remediate

The extensive documentation, senior executive time and auditor reviews means the process costs an average of

\$3,800

per minor breach reported. ⁽⁴⁾

These activities:

- increase costs to consumers
- reduce service levels
- decrease productivity
- dilute focus from resolving more consequential breaches
- have no apparent benefit to consumers
- have a burden that outweighs the regulatory benefit



\$24 million p.a.

Estimated amount spent to report approximately 6,300 minor breaches, which have no financial impact or damage to consumers. ⁽⁴⁾



If the FSC's recommendations to Treasury & ASIC to reform the Reportable Situation Regime are implemented:

\$183 million could be saved in net compliance costs over 10 years (or \$18 million annually) after accounting for the one-off costs of implementing reforms.

34,000 hours a year could be saved or deployed onto resolving more consequential breaches faster. ⁽⁴⁾

Sources:
 1: ASIC, 2024, Insights from the reportable situations regime: July 2023 to June 2024.
 2: ASIC, AFS and Credit licensee data accessed September 2024.
 3: Positive Economics Advisory, 2024, Survey and interviews with FSC members.
 4: Positive Economics Advisory analysis