

**Appendix 6**  
**Answers to Questions on Notice**

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**Abacus**

Public Hearing 4 March, 2011

Proof Hansard, p. 12

Topic: Representations regarding term 'Authorised Banking Institution'

Mr Lawler—We are not entirely sure. There is a discussion now with APRA about their administration of section 66 of the Banking Act, which is where they protect the terms 'bank' and 'banking', and 'credit union' and 'building society'. So that discussion is unfolding at the moment. That might shed a bit of light on where the regulator sees what these terms mean to the public and how it thinks they should be used. But at this point we certainly do not have a totally positive response to the suggestion of changing the Banking Act to get rid of 'ADI'.

Mr ANTHONY SMITH—To the extent that you have made public representations and the rest, would you be able to provide the committee with that?

Mr Lawler—Yes.

**From:** Luke Lawler [llawler@abacus.org.au]  
**Sent:** Friday, 25 March 2011 4:32 PM  
**To:** Holland, Ian (SEN)  
**Cc:** Edwards, Ruth (SEN)  
**Subject:** RE:

Dear Mr Holland,

I gave an undertaking to provide further information to the committee on our representations proposing a change in the *Banking Act 1959* term "Authorised Deposit-taking Institution" to "Authorised Banking Institution".

Here is a link to a 2 July 2010 submission by Abacus to the Treasurer which was recently publicly released as part of a Freedom of Information request. This document includes our case for the change from "ADI" to "ABI".

[http://www.treasury.gov.au/documents/1970/PDF/6\\_letter\\_from\\_ABACUS.pdf](http://www.treasury.gov.au/documents/1970/PDF/6_letter_from_ABACUS.pdf)

Earlier and subsequent representations on this matter, covering the same ground, were made in our January 2010 Pre Budget submission to Treasury, March 2010 submission to the Productivity Commission, April 2010 submission to the Senate Economics Committee, November 2010 submission to the Senate Economics Committee and January 2011 Pre Budget submission to Treasury.

Yours sincerely,

**Luke Lawler**  
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*Abacus - Australian Mutuals* represents Australia's mutual financial services providers as the industry body for credit unions, building societies and friendly societies. Abacus is owned by its member institutions and provides representation and advocacy services as well as compliance and research services.

[www.abacus.org.au](http://www.abacus.org.au)



**Abacus**  
Australian Mutuals

2 July 2010

The Hon Wayne Swan MP  
Deputy Prime Minister  
Treasurer  
Parliament House  
CANBERRA 2600

Correspondence Received - Office of the Treasurer	
Office Circulation	
Treasurer	Contact Adviser - .....
Chief of Staff	Other Adviser - .....
Deputy Chief of Staff	DLOs - .....
06 JUL 2010	
Departmental Action	Briefing
Acknowledge	Speech
Substantive Response	Refer to .....
Appropriate Action	No Further Action
Information	URGENT
Constituent Response	
Signatory .....	

Dear Deputy Prime Minister

We appreciate your ongoing support for the mutual banking sector and our sector's capacity to provide competition and choice in the Australian retail banking market.

Our sector's role has become more important due to the diminution of competition caused by the global financial crisis and exit of non-ADI lenders.

Credit unions and building societies have 4.5 million members, \$72 billion in assets, around 9 per cent of the new home loan market and around 11 per cent of the household deposits market.

I seek your support for some measures to enhance our sector's competitive potential by delivering genuine regulatory neutrality among regulated banking institutions.

I understand that the Council of Financial Regulators is currently considering the future of the Financial Claims Scheme (FCS), including transitional arrangements and the appropriate cap for the deposit guarantee.

We propose:

- Maintaining the FCS cap for deposits at \$1 million beyond October 2011, and at least until the prudential standing all authorised banking institutions is better understood;
- An effective public awareness campaign about the prudential regulatory framework and the FCS;
- Changing the Banking Act term 'Authorised Deposit-taking Institution' to 'Authorised Banking Institution'; and,
- Allowing all regulated banking institutions unrestricted use of the terms 'bank' and 'banking'.

These proposals are consistent with the *Core Principles for Effective Deposit Insurance Systems*.<sup>1</sup> The principal objectives of the FCS are to contribute to the stability of the financial system and protect deposits but the FCS is also an important factor in promoting competition.

<sup>1</sup> *Core Principles for Effective Deposit Insurance Systems* Bank for International Settlements & International Association of Deposit Insurers, June 2009

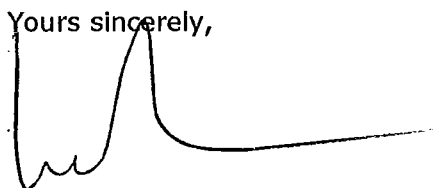
Changes to the language of banking regulation are far from merely cosmetic. Consumer perceptions about security and prudential standing are critical factors in the banking market. The changes we propose increase the capacity of smaller banking institutions to deliver simple, cut-through messages to the market that they are subject to the same regulatory standards as major banks and that their depositors are covered by the FCS.

These changes will help smaller banking institutions to continue to deliver competition and choice and a vibrant, diverse retail banking market.

These changes would also improve APRA's capacity to meet its statutory obligation "to balance the objectives of financial safety and efficiency, *competition, contestability and competitive neutrality*".<sup>2</sup>

The attached submission sets out our proposals in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Louise Petschler', with a long horizontal line extending to the right.

**LOUISE PETSCHLER**  
Chief Executive Officer

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<sup>2</sup> *Australian Prudential Regulation Authority Act 1998, Section 8(2).*

# PROMOTING COMPETITION AND COMPETITIVE NEUTRALITY IN RETAIL BANKING AND FINANCIAL SYSTEM STABILITY

## SUBMISSION BY ABACUS – AUSTRALIAN MUTUALS

### Retail banking market

A major bank CEO recently described Australia's banking industry as an "oligopoly"<sup>3</sup>. An oligopoly occurs when a particular market is controlled by a small group of firms. The Australian banking market is an oligopoly, where barriers to entry are high<sup>4</sup>, and the market is "now, by some criteria, the most concentrated it has been for a century"<sup>5</sup>.

Major banks had by late 2009 lifted their net interest margins 20-25 basis points above pre-crisis levels.<sup>6</sup>

More competition is needed to drive down retail banking prices, and to promote innovation and real choice.

As the Treasurer recently noted<sup>7</sup>, credit unions and building societies meet the same high standards of prudential regulation as banks, as they are supervised by APRA in the same way.

"All deposits held with a credit union or building society are backed by the Government's Financial Claims Scheme up to \$1 million – just like bank deposits – with this cap being reviewed for all in October 2011. So Australians can have absolute confidence in the safety of their money wherever their deposit is held."

However, there is persistent evidence that major banks continue to benefit from entrenched misconceptions about the regulatory framework and the scope of the FCS.

### Consumer perceptions

Recent research by Brand Central<sup>8</sup> confirms that major banks are seen as stronger and more reliable than smaller banking institutions.

The survey found that bank customers believe credit unions and building societies behave more responsibly than the major banks, but they are still more likely to take their business to the big four lenders because customers think the major players will be around longer. (This is despite the fact building societies have been around for more than 100 years and credit unions for more than 60 years.)

Consumers can make judgements about security and stability only if they are informed.

A key finding of a June 2009 survey<sup>9</sup> of consumer attitudes about the guarantee of "bank deposits" was that 15 per cent of adults were not aware of the guarantee.

The other key findings of the IFSA survey provided to the Senate Economics Committee into the deposit and wholesale funding guarantees were:

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<sup>3</sup> *Clyne warns of risks in refusing to change* The Australian, 8 April 2010.

<sup>4</sup> Public competition assessment, 'Westpac Banking Corporation – proposed acquisition of St George Bank Limited', ACCC, 13 August 2008

<sup>5</sup> Senate Economics References Committee, Report on Bank Mergers, September 2009

<sup>6</sup> *Recent developments in Banks' Funding Costs and Lending Rates* RBA Bulletin March Quarter 2010

<sup>7</sup> Australian Mutuals Safe and Competitive, 28 Mar 2010

<sup>8</sup> *Stability attracts customers* Australian Financial Review 16 April 2009

<sup>9</sup> *IFSA: The Government's Guarantee on Bank Deposits* Investment Trends, June 2009

- When asked how long the guarantee would last, only 8 per cent stated it would last 2.5 to 3 years, 50 per cent for a shorter duration, 6 per cent thought it would last longer and 18 per cent said they didn't know;
- Only about a quarter (28 per cent) correctly said that the guarantee covers \$1 million, 29 per cent thought it covered a smaller amount and 14 per cent a larger amount; and
- 30 per cent say they would feel comfortable investing money in banks with no guarantee after the global financial crisis has passed.

Research by CoreData<sup>10</sup> reported in March 2010 indicated that "mutuals are considered the least secure segment for retail deposits in Australia". The research indicated that only 13.7 per cent of respondents consider deposits held by credit unions and building societies to be 'very secure' while 13.9 per cent considered mutual deposits to be 'somewhat not secure'. In contrast, 49.5 per cent of respondents considered a deposit with a big four bank as 'very secure' and only 4.5 per cent considered deposits with the big four 'somewhat not secure'.

"It's clear from these results that Australians have not understood the deposit guarantee, perceiving safety based on the size and awareness of a banking brand," CoreData said.

According to findings by Sweeney Research<sup>11</sup> for the current national industry promotion campaign for credit unions and building societies, negative associations for credit unions and building societies include the perception that they are not backed by the Federal Government guarantee. Key barriers to switching to a credit union or building society include "many consumers are hesitant to move beyond the security of the Big 4 banks" and "overcoming the perception that credit unions and building societies are not being backed by the Federal Government guarantee."

"Credit unions and building societies are generally better regarded than banks on most of the attitudinal measures included for testing. However, perceptions of accessibility, financial expertise and the security of credit unions and building societies are clearly inferior to banking institutions," according to the Sweeney Research work.

According to a Datamonitor survey<sup>12</sup> of depositors' reasons for choosing their main account provider, depositors rank safety and stability ahead of other factors such as service, location of branches, and recommendations by friends and colleagues.

These findings, consistently appearing across a range of consumer surveys, indicate a clear need to raise public awareness about the prudential regulatory framework and the FCS.

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<sup>10</sup> *Misunderstood Mutuals* Burningpants, CoreData, March 2010 <http://www.burning-pants.com/2010/03/misunderstood-mutuals/>

<sup>11</sup> *Advertising Concept Testing – Credit union and building society group*. Sweeney Research, October 2009

<sup>12</sup> Datamonitor survey, Market Scan 2010, Abacus, March 2010



## Financial Claims Scheme

The guarantee of deposits of up to \$1 million under the FCS was a decisive and welcome intervention by the Government in 2008 and remains a pro-competitive measure that has delivered peace of mind to depositors and stability to the core of the financial system.

Public misunderstanding about the institutional scope of the guarantee probably contributed to the slower growth of deposits in credit unions and building societies compared to major banks in the September-November period of 2008. Public nervousness and perceptions of safety and security clearly also played a role in the major banks managing to capture the bulk of funds redirected from higher risk investments over the course of the most unstable period of the global financial crisis.

While credit unions and building societies grew their deposit balances steadily over 2009, the much stronger performance of the major banks has seen the mutual banking sector's market share slip from third place (behind CBA and Westpac) a year ago to fifth place (just behind ANZ and NAB) in December 2009. (See **Appendix A** for more detail on deposit trends.)

Westpac has commented that "in the absence of a guarantee, it is more likely that a greater share of deposit funds would have flowed to larger ADIs (with relatively higher credit ratings) on the basis of the perceived greater security of these funds."<sup>13</sup>

The 'flight to quality' in the deposits market was accompanied by a similar trend in lending. One of the factors behind the 'flight to quality' by borrowers was the performance of "non-bank lenders" – the category of lender financed entirely from wholesale markets – that were unable to lower mortgage rates in line with moves in official rates. Mutual ADIs suffer collateral reputational damage when identified in the "non-bank lender" category by borrowers opting for the perceived security of "banks".

Westpac's chairman Ted Evans commented recently that Westpac's out-of-cycle rate rise in December 2009 was partly because the bank was attracting too many mortgages.<sup>14</sup> Consumers are paying dearly for their misconceptions about the banking market, as indicated by research by InfoChoice.com.au published in the *Sunday Telegraph*: "Assuming a \$300,000 home loan, \$10,000 in an instant access savings account, a \$25,000 car loan and \$3,000 on a credit card, a customer with Westpac is \$4615 a year worse off than a consumer with the best value products."<sup>15</sup>

Abacus recognises that our own industry needs to work more effectively and co-operatively to increase our market recognition and consumer awareness. That is why credit unions and building societies have embarked on their largest ever industry promotion campaign. However, we are competing against enormous businesses with colossal marketing budgets that benefit from entrenched misconceptions about the prudential regulatory framework. CBA's 2009 advertising budget was estimated to be \$65-70 million, Westpac's \$55-60 million and ANZ's \$45-50 million.<sup>16</sup>

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<sup>13</sup> Westpac submission to Senate Inquiry into banking funding guarantees, 13 July 2009

<sup>14</sup> *Rate rises tipped for five years* Australian Financial Review 23 March 2010

<sup>15</sup> *How the banks rank* Sunday Telegraph 7 February 2010

<sup>16</sup> *Plenty of pruning among top 25* Australian Financial Review 29 March 2010

One of the *Core Principles for Effective Deposit Insurance Systems* is that it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system. (See **Appendix B** for comparison of the FCS and the Australian prudential framework with the *Core Principles*.)

Abacus recommends the per-depositor cap for FCS should be maintained at \$1 million beyond October 2011, and at least until the prudential standing and competitive offering of non-major banking institutions is better understood. The \$1 million per depositor cap, guaranteed by the Government, poses no risk to the taxpayer because:

1. the prudential regulatory framework ensures that it is highly likely that the remaining assets of a failed institution will be sufficient to recover funds paid out under the FCS to depositors; and
2. in the unlikely event of there being a shortfall, banking institutions will be levied to make up the difference.

The FCS reduces the risk of a 'run' on a banking institution by unsophisticated depositors on the basis of often uninformed market rumours. The price of entry to the FCS for the banking institution is an extremely tough prudential regulatory regime. Entities that wish to compete on a level playing field with banking institutions are welcome to submit to the same requirements on capital, liquidity, risk-management, reporting, auditing and governance.

Prudentially-regulated banking institutions also meet the cost of this "first line" of depositor protection because they pay the costs of regulation via ordinary industry levies.

The perception that major banks are too big to fail is an anti-competitive factor in the banking market. This perception has been strengthened as a result of the GFC because, internationally, there have been many real examples of governments bailing out large banks. The FCS levels the playing field for large and small banking institutions and is a pro-competitive factor. Any reduction in the FCS cap from \$1 million will benefit the four major banks to the competitive detriment of other regulated banking institutions. Rather than being seen as a risk to the taxpayer, the FCS should be seen for what it is – a no cost reassurance to depositors and an early access facility for depositors' funds in the event of an institution failing.

Importantly for competition in retail banking, the \$1m cap is reassuring for larger depositors, e.g. local governments and non-government organisations, that are important sources of funding for smaller banking institutions. APRA and others have noted from recent experience that 'runs' are generally not caused by depositors with very small amounts.<sup>17</sup>

A \$1 million cap does not appear excessive when compared to the median house price in Sydney in the March quarter 2010 of \$609,300.<sup>18</sup> Average amounts held in deposits are much lower than \$1 million but households, i.e. unsophisticated investors, will from time to time have much larger amounts held in regulated banking institutions. The vast majority of these depositors are extremely unlikely to have the skills and capacity to be able to assess and monitor the prudential standing of a financial institution.

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<sup>17</sup> Evidence by APRA executive Keith Chapman, 28 July 2009, and FSI member Ian Harper, 14 August 2009, Senate Economics Committee inquiry into bank funding guarantees.

<sup>18</sup> <http://news.domain.com.au/domain/real-estate-news/sydney-still-top-of-the-property-ladder-but-rivals-are-closing-gap-20100429-tu7e.html>

Investors with more than \$1 million to deposit are more likely to be able to contribute to the market discipline necessary for an effective deposit insurance scheme. Setting the cap at that level, though relatively high by international standards, gives credibility to the limits of the scheme.

Market discipline will also continue to be imposed by other creditors outside the FCS and by shareholders. Excessive risk taking by profit-maximising banking institutions is constrained by a combination of market discipline and prudential regulation. Unlisted mutual banking institutions do not have the same motivation to maximise profits as listed banks, so there is not the same incentive to take excessive risk in our sector. The focus of mutual banking institutions is demonstrated by their market-leading customer satisfaction ratings and their long track record of responsible lending.

A cap lower than \$1 million is less likely to be taken seriously as a genuine limit. This is particularly valid in the Australian context because of the long-standing 'implicit' deposit guarantee arrangements that applied until October 2008. The Council of Financial Regulators took the view prior to the global financial crisis that this system, rather than an explicit FCS, was more likely to be subject to moral hazard.<sup>19</sup>

RBA research in 2006 showed that 60 per cent of respondents were of the view that there was a guarantee of deposits or that it was likely (or highly likely) that the Government would step in to ensure either full or partial repayment of the funds in their main deposit account. Only 10 percent were of the opinion that their main deposit account was not guaranteed and that, in the event of a failure, the government was unlikely to step in.<sup>20</sup>

Setting the cap at a credibly high level is important to a successful permanent transition from the pre-existing implicit blanket guarantee.

The RBA's 2006 survey asked respondents to identify the supervisor of banks, building societies and credit unions from a multiple choice list. Only 14 per cent correctly said that APRA was the supervisor, slightly more than the 10 per cent who thought it was the Australian Bankers' Association.

The OECD has observed that effective consumer protection requires that the public properly understand existing arrangements and is aware of the extent of and limits to existing compensation arrangements and that simplicity is valuable in promoting public understanding.<sup>21</sup>

A relatively high cap of \$1 million for the FCS is not only stark and simple, it is also a credible limit on the 'early access' dimension of the depositor safety net.

A 2009 Senate Economics Committee report referred to an IMF survey showing average coverage levels in pre-crisis deposit insurance schemes at around one to two times per capita GDP (around \$100,000 in the Australian context). However, the IMF noted that this "is only a statistical description of deposit insurance systems and is not meant to be considered as a desired design feature."<sup>22</sup>

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<sup>19</sup> *Financial Stability Review* RBA Sep 2006

<sup>20</sup> *Financial Stability Review* RBA Mar 2006

<sup>21</sup> *Financial Turbulence: Some Lessons Regarding Deposit Insurance* Sebastian Schich OECD 2008

<sup>22</sup> *Government measures to address confidence concerns in the financial sector - The Financial Claims Scheme and the Guarantee Scheme for Large Deposits and Wholesale Funding* Senate Economics Committee Sep 2009

Abacus notes that major banks and non-ADI industry bodies have argued for a lower cap.

Major banks are seeking to preserve the competitive advantage they obtain from depositor misconceptions that they are safer simpler because they bigger than their competitors.

Non-ADI industry bodies have argued that financial products that are "close substitutes" to deposits are disadvantaged by being outside the FCS. However, such products are not direct competitors with deposits if issuers of such products are not subject to prudential supervision and requirements on capital, liquidity, risk-management, reporting, auditing and governance.

Any reduction of the \$1 million cap, eg. to \$500,000, should be implemented only with safeguards to minimise negative impacts on stability and competition. These would include a transition period with an effective public awareness campaign about the prudential regulatory framework and the scope of the FCS.

Under the *Core Principles for Effective Deposit Insurance Systems*, public awareness of deposit insurance, its existence and how it works (including the level and scope of coverage and how the claims process operates), plays a significant role in underpinning a sound deposit insurance system.

"All deposit insurers should promote public awareness about the deposit insurance system on an ongoing basis to maintain and strengthen public confidence. The objectives of the public awareness program should be clearly set out and consistent with the public policy objectives and mandate of a deposit insurer. When designing a public awareness program, deposit insurers should clearly define the principal target audience groups and subgroups (eg the general public, depositors, member banks etc). Employing a wide variety of tools and channels of communication can help ensure that the deposit insurers' messages are conveyed to the target audience.

"In general, the deposit insurer should be the primary party responsible for promoting public awareness about deposit insurance and should work closely with member banks and other safety net participants to ensure consistency in the information provided and maximise synergies. All these bodies and their staff have a role to play.

"Budgets for public awareness programs should be determined on the basis of the desired level of visibility and awareness about deposit insurance among the target audience. And, it is an effective practice for a deposit insurer to conduct a regular independent evaluation of awareness levels."

Competition is needed in retail banking to drive efficiency, innovation and productivity but competition depends on effective consumer choice. Informed consumers are empowered and motivated consumers.

The creation of a single licensing regime for banking institutions a decade ago was aimed at promoting competition and choice. It is time for a renewed effort at explaining the prudential regulatory system, including by making some changes to the language of regulation, to achieve a genuine level playing field.

## Promoting the prudential regulatory framework

### "Authorised Banking Institutions"

All ADIs - credit unions, building societies and banks - are subject to the same strict prudential regulatory regime, with the same set of strict, legally-enforceable prudential standards covering capital, liquidity, risk management and governance.

ADIs are subject to rigorous and close supervision by APRA, which requires the ADI to comply with a range of requirements contained in Prudential Standards and provide comprehensive data to APRA under Reporting Standards. APRA has a range of powers it can exercise should an ADI not comply with any of the requirements imposed by APRA.<sup>23</sup>

"Banking business" is defined in the *Banking Act 1959* as both taking money on deposit (otherwise than as part-payment for identified goods or services) and making advances of money.

This is what all ADIs do.

However, using its powers under s66 of the Banking Act, APRA restricts use of the terms 'bank' and 'banking' to a minority of ADIs. ADIs that have at least \$50 million in Tier 1 capital can apply to call themselves banks.<sup>24</sup>

The \$50 million hurdle has been in place since 1992 and was seen by the RBA, APRA's predecessor as banking prudential regulator, as a "means of discouraging unsuitable shareholders from attempting to gain a banking authority."<sup>25</sup> The RBA's 1996 submission to the Financial System Inquiry (FSI) said that in "a world where financial institutions of doubtful pedigree are always scouting for opportunities, the minimum capital requirement for a bank is an excellent screening device."

The RBA at that time also took the view that to "provide the relatively broad range of services expected of banks requires sufficient capital to acquire the necessary expertise and technology, and to generate the required degree of confidence."

The FSI's final report in 1997 adopted the position that a "continuing distinction between banks and other DTIs remains relevant in an international setting and in distinguishing those entities large enough to maintain an exchange settlement account with the RBA from other, smaller DTIs."<sup>26</sup> The FSI said "authority to use the word 'bank' in its brand should be reserved for licensed DTIs which meet two additional conditions: satisfy a minimum capital requirement as prescribed by the [APRA] from time to time (the Committee suggests retention of the current \$50 million); and, have an exchange settlement account with the RBA."

Abacus argues that in 2010 the continuing restrictions around the term 'bank' and 'banking' that exclude the majority of regulated banking institutions have long outlived their original rationale. Allowing only a minority of regulated banking institutions free use of the terms 'bank' and 'banking' is unjustified and anti-competitive.

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<sup>23</sup> *How to apply for ADI authority* APRA website <http://www.apra.gov.au/ADI/ADI-authorisation-applications.cfm>

<sup>24</sup> *ADI authorisation guidelines* APRA website <http://www.apra.gov.au/ADI/upload/ADI-Guidelines-11-4-08.pdf>

<sup>25</sup> RBA submission to Financial System (Wallis) Inquiry, 1996

<sup>26</sup> Financial System Inquiry Final Report March 1997 (Wallis Report).

The original distinction between 'banks' and other deposit-taking institutions, based on an arbitrary level of capital and a vague concept that a 'relatively broad range of services [is] expected of banks', was never well-founded and is now clearly anachronistic.

The RBA's successor as prudential regulator, APRA, has a much wider and stronger array of powers to screen out "doubtful" and "unsuitable" applicants for a banking licence. These include prudential standards on governance and 'fit and proper' requirements for directors and senior managers. APRA's powers have been strengthened and extended since it was established in 1999 and will be further enhanced under measures proposed in the Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Bill 2010.

With regard to exchange settlement accounts (ESAs), smaller banking institutions, such as credit unions and building societies, do not need to hold an ESA with the RBA because they can access settlement services and the payments system through providers such as Cuscal, Indue and ASL. However, a number of Abacus member banking institutions have exercised their option to become ESA holders.<sup>27</sup>

Credit unions and mutual building societies, as customer-owned institutions, obviously value their distinct identity from banks but the reality is the terms "bank" and "banking" are well understood in the community. The term "ADI" is not well understood a decade after it entered the statute books. The term is barely used even in Government publications:

- the Report on Australia's Future Tax System released on 2 May 2010 recommends a tax cut for interest income but refers to "bank accounts" and "bank deposits";<sup>28</sup> and
- ASIC's June 2010 updated regulatory guide on advertising of debentures and unsecured notes refers throughout to "bank deposits"<sup>29</sup>.

ADIs that do not have the option of marketing themselves as "banks" are at a competitive disadvantage. They must comply with an intrusive, constantly-evolving, burdensome regulatory regime to engage in the business of banking but they are denied the full competitive benefit of achieving compliance.

A simple step to improving market awareness of the prudential standing of all regulated banking institutions - and therefore contestability, competition and choice - would be to replace the term "Authorised Deposit-taking Institution" with "Authorised Banking Institution".

#### "Mutual Banks"

There are 27 mutual ADIs that have at least \$50 million in Tier 1 capital (though as far as Abacus is aware, none have to date opted to apply to call themselves a "bank"). The majority of mutual ADIs are currently ineligible, due to APRA policy, to apply to use the term "bank". Credit unions and building societies have APRA's express consent to use the term "banking". They may use the term "banking" in relation to "the banking activities of the building society or credit union if the word is not used in a misleading or deceptive way."<sup>30</sup>

However, new uncertainty about the scope of this consent was raised last year when APRA indicated to one Abacus member ADI that a complaint had been lodged about the

<sup>27</sup> Greater Building Society, Heritage Building Society, IMB Ltd, Police Department Employees Credit Union.

<sup>28</sup> Australia's Future Tax System, Report to the Treasurer, Part One, Overview, December 2009

<sup>29</sup> ASIC Regulatory Guide 156

<sup>30</sup> Guidelines - Implementation of Section 66 of the Banking Act 1959. APRA January 2006.

<http://www.apra.gov.au/ADI/upload/Guidelines-Implementation-of-Section-66-of-the-Banking-Act-1959.pdf>

ADI's use of the word "banking" in its marketing material and that the ADI could be in breach of section 66.

APRA should allow all ADIs the non-compulsory option of marketing themselves as "banks". This would enable Abacus members to exercise the option of marketing themselves as "mutual banks" to the market generally or to market segments where the terms "credit union" or "building society" are less effective.

These changes to the Banking Act and APRA's approach would give mutual banking institutions greater capacity to cut through misconceptions that they are not as safe as listed banks and that they are not covered by the FCS.

It is unlikely that all mutual banking institutions will embrace the term "mutual bank". Abacus members with very strong brand strength in their regional areas and other market niches have no need or desire to use the term bank in their core markets.

The objective of the change is to enable all regulated banking institutions, whether listed or customer-owned, to effectively promote their status as prudentially-regulated entities covered by the FCS.

Genuine regulatory neutrality does not mean any loss of diversity in the banking market. The key distinguishing factor of mutual banking institutions is their strong customer focus, as demonstrated by their consistent market-leading performance in customer satisfaction surveys.

Prior to 1998, building societies seeking to become "banks" were required to demutualise. Most building societies that converted to banks in the 1980s and 90s have since merged with other banks and disappeared completely or continue to exist only as part of a major bank's brand strategy. These include St George Bank, Advance Bank, Challenge Bank, Bank of Melbourne, Tasmania Bank, Metway Bank, and Adelaide Bank.

The Productivity Commission's June 2010 Draft Report on regulatory burdens on business and consumer services discusses this issue in a section entitled 'Bank – what's in a name.'

"Historically banks in Australia have usually been larger businesses than building societies or credit unions and might, therefore, be thought to offer a greater level of security and a wider range of services. But that is not always the case. The largest building societies and credit unions (such as Credit Union Australia, Heritage Building Society, Newcastle Permanent Building Society and IMB) are larger than, or of similar size to, the smallest Australian owned banks (Members Equity Bank and AMP Bank).

"It would seem, *prima facie*, that there is little beyond the name 'bank' to distinguish some credit unions and building societies from banks. It would be useful to remove any unnecessary restrictions which limit the ability of building societies and credit unions to compete with banks on a level playing field. The current restrictions on the use of terms such as 'bank' by other ADIs could be reconsidered."

## Conclusion

The FCS is generally consistent with the Core Principles for Effective Deposit Insurance Systems, though there is a need for a public awareness campaign in line with Principle 12.

The FCS cap for deposits should be retained at the credible, stark and easily understood level of \$1 million to promote stability and mitigate moral hazard.

Retaining the cap at \$1 million is also pro-competitive because it helps level the playing field for smaller banking institutions and new entrants.

The dominant position of the major banks in Australia's highly concentrated banking market has become even more entrenched due to the global financial crisis.

Abacus acknowledges the critically important role of the now-closed *Guarantee Scheme for Large Deposits and Wholesale Funding* in ensuring the flow of credit in the Australian economy during the global financial crisis.

However, the scheme's unfair fee structure meant that the scheme disproportionately benefited the major banks. The fee for major banks was 70 basis points compared to 150 basis points for the vast majority of regulated banking institutions. The RBA has confirmed that the differential in the fee structure was "relatively large by international standards" and that the fee paid by the major banks was "at the low end of the international range."<sup>31</sup>

Fees flowing to the Government from the scheme are estimated to total \$5.5 billion. As argued in previous submissions by Abacus, diverting a small fraction of this windfall revenue to a pro-competitive public awareness campaign about the prudential regulatory framework and the FCS would help level the playing field in banking.

**Louise Petschler, CEO, 02 8299 9036**

**Mark Degotardi, Head of Public Affairs, 02 8299 9053**

**Luke Lawler, Senior Adviser – Policy & Public Affairs, 02 6232 6666**

2 July 2010

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<sup>31</sup> RBA Bulletin, March Quarter 2010

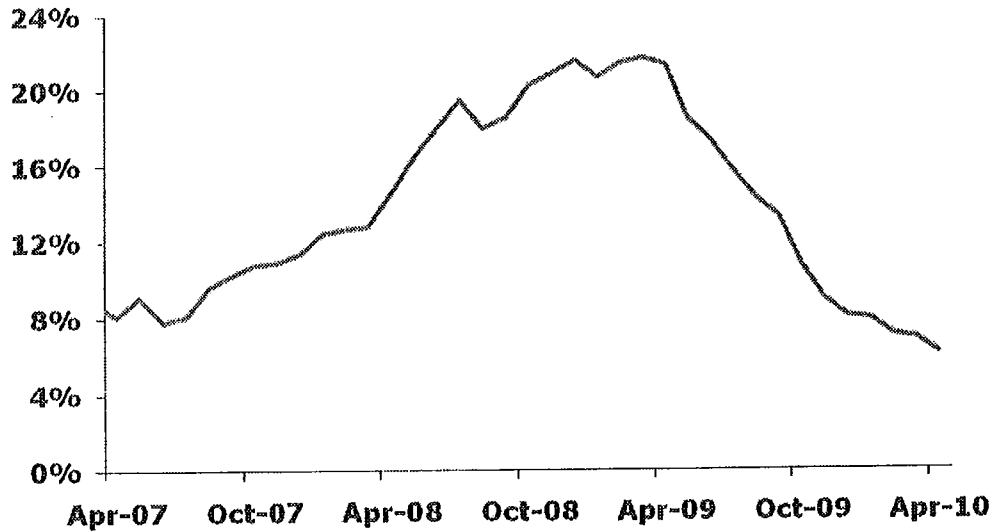


## APPENDIX A

### Deposit market trends

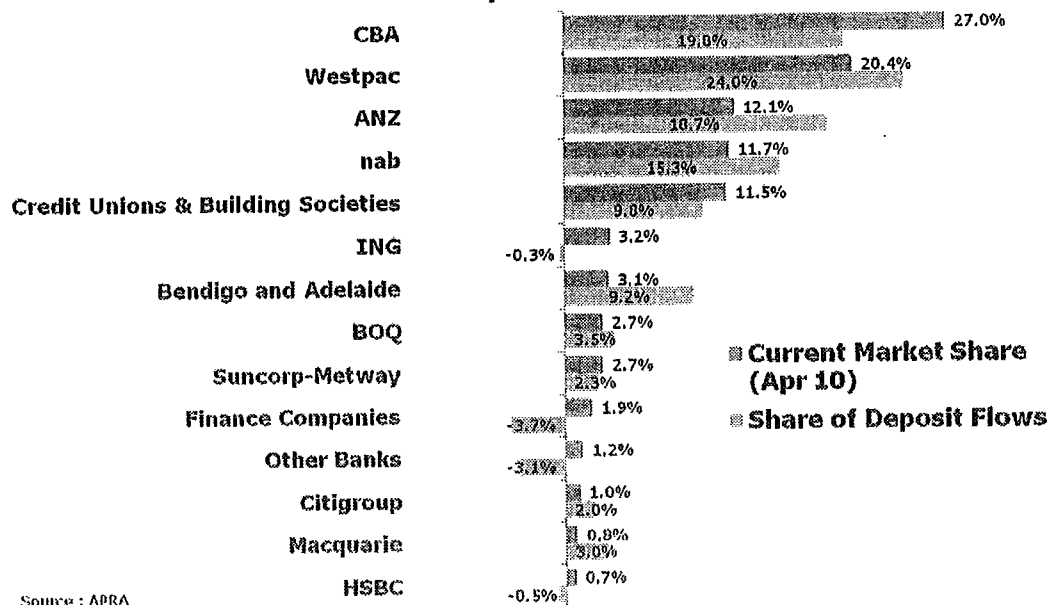
A flight to safety was already evident in the lead up to the announcement of the deposit guarantee. Growth rates of 20% pa continued through 2009 and have sharply fallen back to normal levels.

#### Overall Growth in Household Deposits



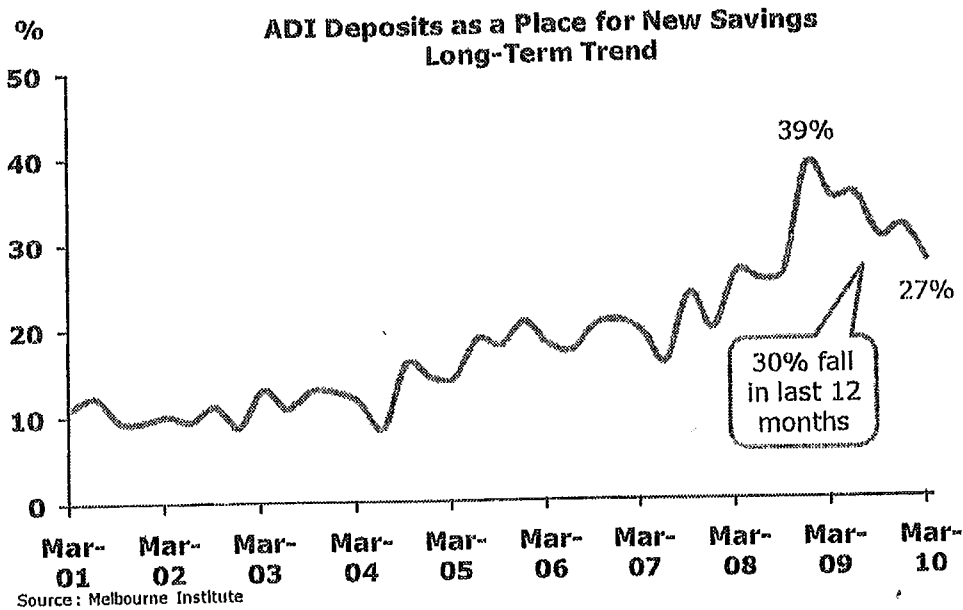
All major banks except CBA attracted deposits in excess of their market share. Credit unions and building societies have grown at close to the rate expected by reference to their market share.

#### Retail Deposit Market Trends



Source : APRA  
CBA includes BankWest, Westpac includes St George  
Deposit flows are for the period Sep 08 to Apr 2010

Consumers have more recently re-appraised their risk profiles and are again looking at other asset classes, despite abnormally high deposit rates.



Credit unions and building societies in aggregate have expanded their deposit portfolios by 13% from September 2008, before the deposit guarantee was announced, to the present. The retail deposit market has grown by 16% over the same period, so market share of credit unions and building societies has fallen from 11.6% to 11.4% as a consequence. This below system growth indicates that, at industry level, credit unions and building societies have managed their liquidity and funding risks by building deposits, but have not done better than the market overall as would have been the case if outlier high interest rates had been on offer.

Further evidence that this growth has been achieved in the context of sensible risk management principles lies in trends for interest expense. Over the period that deposit balances rose by 13%, total interest expense fell by 24% between September 2008 and March 2010 as official and market rates were reduced significantly.

Paragraph 47 (1) (6)  
(commercially valuable information)

Paragraph 47 (1)(b)  
(Commercially valuable information)

## Conclusions

The deposit market grew at unprecedented rates through the GFC, leading up to and after the deposit guarantee was announced. This growth has now returned to normal levels.

Major banks were the real winners in this environment, with most extending their market shares. If moral hazard of having the guarantee was in evidence, a broader spread of deposit takers would have been using price to build deposits.

Credit unions and building societies have benefited from these deposit market dynamics, adding over \$7.5bn in balances or an increase of 13%. While credit unions and building societies have a strong reputation for offering better rates to members compared with banks, these are offered in the context of prudential approaches to liquidity, funding and financial performance risk.

Confidential data held by Abacus shows credit unions have seen growth across a range of different sized deposits with only a slight change in the mix across the portfolio when comparing pre and post retail deposit guarantee data.

Close to 90% of all deposits held by credit unions are under \$1m.

**APPENDIX B**

**Core Principles for Effective Deposit Insurance Systems**

*Bank for International Settlements*

*International Association of Deposit Insurers*

<p><b>1. Public policy objectives:</b> the first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors.</p>	<p>FCS legislation second reading speech: ensure confidence in Australian financial institutions is maintained; in the event an institution fails, will provide deposits in ADIs with timely access to their funds</p>
<p><b>2. Mitigating moral hazard:</b> Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net.</p>	<p>Limited to ADI deposits of up to \$1m. Large depositors, i.e. more than \$1m, outside FCS have incentive to impose market discipline on ADIs, along with other creditors and shareholders who are also outside the FCS. Relatively high cap, i.e. \$1m, is credible, so large depositors are convinced the FCS is limited. Setting the cap at a credibly high level is important to a successful permanent transition from the pre-existing implicit blanket guarantee. Strong prudential regulatory framework, regularly strengthened and enhanced (APRA, Treasury) Strong financial stability regulator and central banker (RBA) Strong corporate regulatory and disclosure framework (ASIC, ASX) Unlisted mutual banking institutions are not motivated to take excessive risks to generate excessive returns.</p>
<p><b>3. Mandate:</b> It is critical that the mandate selected for a deposit insurer be clear and formally specified and that there be consistency between the stated public policy objectives and the powers and responsibilities given to the deposit insurer.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>

<p><b>4. Powers:</b> A deposit insurer should have all the powers necessary to fulfil its mandate and these powers should be formally specified. All deposit insurers require the power to finance reimbursements, enter into contracts, set internal operating budgets and procedures, and access timely and accurate information to ensure that they can meet their obligations.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>
<p><b>5. Governance:</b> The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.</p>	<p>APRA is an operational independent statutory authority with 3-member executive group responsible for determining APRA's goals, priorities and strategies.</p>
<p><b>6. Relationship with other safety-net participants:</b> A framework should be in place for the close coordination and information sharing, on a routine basis as well as in relation to particular banks, among the deposit insurer and other financial system safety net participants. Such information should be accurate and timely (subject to confidentiality when required). Information sharing and co-ordination arrangements should be formalised.</p>	<p>APRA has formalised frameworks in place with other safety net participants - RBA, ASIC and Treasury – including as members of the Council of Financial Regulators</p>
<p><b>7. Cross-border issues:</b> Provided confidentiality is ensured, all relevant information should be exchanged between deposit insurers in different jurisdictions and possibly between deposit insurers and other foreign safety-net participants when appropriate. In circumstances where more than one deposit insurer will be responsible for coverage, it is important to determine which deposit insurer or insurers will be responsible for the reimbursement process. The deposit insurance already provided by the home country system should be recognised in the determination of levies and premiums.</p>	<p>APRA is a member of the International Association of Deposit Insurers. APRA is active internationally and has memoranda of understanding with many of its counterpart prudential regulators.</p>

<p><b>8. Compulsory membership:</b> Membership in the deposit insurance system should be compulsory for all financial institutions accepting deposits from those deemed most in need of protection (eg. retail and small business depositors) to avoid adverse selection.</p>	<p>All ADIs are 'members' of FCS</p>
<p><b>9. Coverage:</b> Policymakers should define clearly in law, prudential regulations or by-laws what an insurable deposit is. The level of coverage should be limited but credible and be capable of being quickly determined. It should cover adequately the large majority of depositors to meet the public policy objectives of the system and be internally consistent with other deposit insurance system design features.</p>	<p>The FCS applies to ADI deposits of up to \$1 million on a per-account holder, per-ADI basis. Protected deposits are defined in the Banking Act and regulations</p>
<p><b>10. Transitioning from blanket guarantee to a limited coverage deposit insurance system:</b> When a country decides to transition from a blanket guarantee to a limited coverage deposit insurance system, or to change a given blanket guarantee, the transition should be as rapid as a country's circumstances permit. Blanket guarantees can have a number of adverse effects if retained too long, notably an increase in moral hazard. Policymakers should pay particular attention to public attitudes and expectations during the transition period.</p>	<p>Transition was achieved in less than two weeks; 12 Oct 2008 announcement of guarantee of all deposits; 24 Oct 2008 announcement fee-free guarantee applies only to deposits up to \$1 million from 28 Nov 2010; 7 Feb 2010 announcement of closure of large deposits and wholesale funding guarantee from 31 Mar 2010.</p>

<p><b>11. Funding:</b> A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims including a means of obtaining supplementary back-up funding for liquidity purposes when required. Primary responsibility for paying the cost of deposit insurance should be borne by banks since they and their clients directly benefit from having an effective deposit insurance system. For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilising risk adjusted differential premium systems, the criteria used in the risk-adjusted differential premium system should be transparent to all participants. As well, all necessary resources should be in place to administer the risk-adjusted differential premium system appropriately.</p>	<p>APRA is funded by industry levies on ADIs and other supervised entities. As part of the FCS arrangements, the Government has made a standing appropriation for funds to be available for FCS purposes. From October 2011, the appropriation is for a maximum amount of \$20 billion for payouts to account-holders at any one time and \$100 million for expenses relating to the administration of the FCS. The former amount would be used to pay account-holders in the first instance, with this amount to be repaid to the Government from the liquidation of the ADI. Payments made under the FCS are covered by the depositor preference provisions in the Banking Act, such that the assets in Australia of the ADI in winding up must first be applied to repay amounts paid under the FCS. If the assets of the ADI are insufficient to meet the amounts paid under the FCS (including expenses incurred in administering the FCS), an industry levy may be imposed to cover any shortfall.</p>
<p><b>12. Public awareness:</b> In order for a deposit insurance system to be effective it is essential that the public be informed on an ongoing basis about the benefits and limitations of the depositor insurance system.</p>	<p>As argued in this submission, there is strong case for action on this principle.</p>
<p><b>13. Legal protection:</b> The deposit insurer and individuals working for the deposit insurer should be protected against lawsuits for their decisions and actions taken in "good faith" while discharging their mandates. However, individuals must be required to follow appropriate conflict-of-interest rules and codes of conduct to ensure they remain accountable. Legal protection should be defined in legislation and administrative procedures, and under appropriate circumstances, cover legal costs for those indemnified.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>

<p><b>14. Dealing with parties at fault in a bank failure:</b> A deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>
<p><b>15. Early detection and timely intervention and resolution:</b> The deposit insurer should be part of a framework within the financial system safety net that provides for the early detection and timely intervention and resolution of troubled banks. The determination and recognition of when a bank is or is expected to be in serious financial difficulty should be made early and on the basis of well defined criteria by safety-net participants with the operational independence and power to act.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>
<p><b>16. Effective resolution processes:</b> Effective failure-resolution processes should: facilitate the ability of the deposit insurer to meet its obligations including reimbursement of depositors promptly and accurately and on an equitable basis; minimise resolution costs and disruption of markets; maximise recoveries on assets; and, reinforce discipline through legal actions in cases of negligence or other wrongdoings. In addition, the deposit insurer or other relevant financial system safety-net participant should have the authority to establish a flexible mechanism to help preserve critical banking functions by facilitating the acquisition by an appropriate body of the assets and the assumption of the liabilities of a failed bank (eg. providing depositors with continuous access to their funds and maintaining clearing and settlement activities).</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS. APRA works closely with the RBA. RBA has responsibility for stability of financial system.</p>



<p><b>17. Reimbursing depositors:</b> The deposit insurance system should give depositors prompt access to their insured funds. Therefore, the deposit insurer should be notified or informed sufficiently in advance of the conditions under which a reimbursement may be required and be provided with access to depositor information in advance. Depositors should have a legal right to reimbursement up to the coverage limit and should know when and under what conditions the deposit insurer will start the payment process, the time frame over which payments will take place, whether any advance or interim payments will be made as well as the applicable coverage limits.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS. APRA's intention is to provide accountholders with access to their deposits up to the FCS limit as soon as possible following the declaration of the FCS.</p>
<p><b>18. Recoveries:</b> The deposit insurer should share in the proceeds of recoveries from the estate of the failed bank. The management of the assets of the failed bank and the recovery process (by the deposit insurer or other party carrying out this role) should be guided by commercial considerations and their economic merits.</p>	<p>APRA is scheme administrator; APRA has strong prudential regulation and crisis management powers and specific powers to administer the FCS</p>



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## **NSW Business Chamber**

### Public Hearing 4 March, 2011

#### Question 1 – Proof Hansard, p. 31

##### Topic: Effectiveness of Small Business Loan Guarantees in other countries

Mr Green—Yes, in response to the GFC. I am not sure exactly what the overall perception is, but certainly our communication with fellow chambers in the US and the UK has indicated that, as far as they are concerned, the view of their members is that these arrangements have been helpful in assisting the securing of funds.

Senator STEPHENS—It would be helpful if you were able to put your hands on some sort of evaluation or reporting on the impact and effectiveness of those arrangements. That would be helpful.

Mr Green—We can certainly take that on notice.

#### Question 2 – Proof Hansard, p. 31

##### Topic: Victoria University Survey

Senator STEPHENS—You mentioned the Victoria University survey?

Mr Orton—Yes.

Senator STEPHENS—It would be helpful if you could provide the questions in that survey. They would be quite interesting.

Mr Green—I will have to get back to you on that. I certainly should be able to track that down...

#### Question 3 – Proof Hansard, p. 32

##### Topic: Reasons why small businesses choose not to apply for finance

CHAIRMAN—Do you know of any cases where businesses have decided not to reapply for funds or not to apply for further funds they need through fear of being reassessed and re-evaluated and having all their assets revalued?

Mr Orton—Certainly one of the responses from the Victoria Uni survey is that quite a large number have had applications rejected. I am not sure whether we obtained data on applications not made in anticipation of being unsuccessful.

Mr Green—We did get a number of respondents indicating that they were not looking at the moment because they thought they would be unsuccessful and that it is too hard. But I do not have specific case studies illustrating that point—the fear that they will turn up and the bank will then show attention to them and tighten their criteria.

CHAIRMAN—I would be interested if you could go back to your membership during this inquiry and report back to us as soon as you could—

Mr Orton—Yes.

CHAIRMAN—on that issue, but also on whether there are any instances of businesses that have actually gone to their bank, looking either to adjust their finance or to refinance, and found that, through doing that, they have damaged their business—whether they found that their assets had been revalued lower and that that has caused them hardship. If you have an example now and you could tell us a little bit about it, that would be great. If not, we are certainly keen to hear from you.

Mr Orton—We will come back to you, yes.

31 March 2011

Dr Ian Holland  
Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
Parliament House  
CANBERRA ACT 2600

**RE: Access for Small and Medium Business to Finance – Questions on Notice**

Thank you for providing the NSW Business Chamber with the opportunity to appear before the Parliamentary Joint Committee on Corporations and Financial Services as witnesses in the access to finance hearing on 4 March.

Over the course of the hearing, we took several questions on notice, and committed to provide the Senators with responses to these questions in a timely fashion.

***Q1/ Do we have any information that would assist in evaluating the effectiveness of small business loan guarantees in other countries?***

The British Government has completed several reviews of its small business loan guarantee (previously called the *Small Firms Loan Guarantee Scheme* and now titled the *Enterprise Finance Guarantee*).

These reviews have consistently found that there is a real need for a scheme of this kind to exist, and that it has been effective in supporting lending to small businesses. In January 2010, the Institute of Employment Studies completed an economic evaluation of the Small Firms Loan Guarantee Scheme (the SFLG) on behalf of the Department of Business Innovation and Skills.<sup>1</sup> This review found that:

- *“The rationale for SFLG is still valid. There remains a need for supporting viable small businesses with a lack of security and/or track record.”*
- *“The scheme is well targeted with high levels of self-reported additionality.”*
- *“A conservative cost benefit analysis of SFLG covering the first two years benefits of loans obtained in 2006 show the overall benefits outweigh the cost to the economy in terms of GVA.”*
- *“There are other economic benefits attributable to SFLG supported lending, particularly in terms of sales growth, exports and jobs. The scheme appears to be a particularly cost effective way of creating additional employment. Further benefits may also accrue in the future as supported businesses appear to be more orientated towards growth, and many are seeking to develop new products and services.”*

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<sup>1</sup> Institute for Employment Studies, *Economic Evaluation of the SFLG Scheme*, January 2010.

In February 2011, the UK House of Commons Business Innovation and Skills Committee completed a report into Government Assistance to Industry.<sup>2</sup> Among other things, this report considered the effectiveness of the Enterprise Finance Guarantee Scheme (the EFGS). The report found that:

*“It is clear that the Enterprise Finance Guarantee Scheme represents a positive intervention by the Department and that in general it is now running efficiently. We note that there were significant problems when it was launched but accept that, to some extent, these were caused by the need to bring the Scheme to market before it was fully ready. We welcome the Government’s commitment to the Scheme and the extension to its lifespan...”*

We note that Treasury’s submission to the Joint Committee expressed a number of concerns about the merits of a guarantee scheme. We address these concerns below:

Treasury suggests that the UK schemes were not effective because business credit fell in the UK following the crisis. We believe that this is a flawed assessment, as the global financial crisis had a dramatic impact on all developed economies, and the level of lending to small businesses would have declined irrespective of the level of support provided by Government. We would contend that the decline in business lending would have been more significant had the guarantee not been available, and that it was effective in cushioning the decline in business lending.

Treasury then puts forward four reasons why loan guarantees are not effective:

1. *They do not address reductions in demand for small business finance.* NSW Business Chamber agrees with this proposition, but do not believe that this demonstrates that small business guarantees are poor policy. Guarantees do not target the demand side, but they are effective in improving the supply of finance to small businesses. Business surveys continue to indicate that small businesses that wish to access finance are unable to do so – this is a supply side issue which could be addressed by a guarantee.
2. *They do not stimulate demand in the economy.* Again, NSW Business Chamber agrees with this statement, but do not believe this in any way undermines the merits of a guarantee. The purpose of the guarantee is to help address the shortfall in the supply of finance, which small businesses need to meet the existing level of demand in the economy.
3. *They can lead to adverse selection.* We would agree that a poorly designed guarantee scheme could result in adverse selection and an excessive level of risk being transferred onto the Government’s balance sheet. Our proposed model (detailed in our submission) suggests two separate mechanisms that could be used to ensure that banks still have “skin in the game.” This would ensure that

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<sup>2</sup> UK House of Commons, Business Innovation and Skills Committee, *Government Assistance to Industry – Third Report of Session 2010-11*, February 2011, p. 26.

appropriate risk assessments are still completed before loans are approved, and that finance does not flow to businesses with no capacity to make repayments.

4. *They can crowd out private providers.* Under our proposed model, the private sector would be responsible for assessing eligibility for the loan guarantee. Under this model there could not be any crowding out of the private sector, as the Government would not be providing any loan products. In addition, all indications are that there is currently insufficient supply to meet demand – it is hard to see how any crowding out could occur in such an environment.

In summary, we maintain that a carefully developed Government guarantee of small business loans can be an effective temporary tool to help support lending until greater levels of competition have returned to the Australian banking sector.

***Q2/ Can we provide the Committee with the full set of questions raised by the Victoria University survey regarding access to finance?***

The complete set of survey questions has been attached along with this letter.

If any findings regarding specific questions are of particular interest to Committee members, Victoria University has indicated that it may have the capacity to provide some of these findings to the Committee to assist them with their inquiry.

***Q3/ Can we provide further information regarding the reasons why small businesses choose not to apply for finance?***

Victoria University's access to finance survey asked respondents whether they had sought external finance in the last two years to fund business expansion. In response to this question, 18.7 per cent of small businesses indicated that they had not sought finance because they did not believe their application would be successful.

Respondents were invited to set out why they felt an application for finance would be unsuccessful. Many stated that banks had tightened their lending criteria, that it was too hard to get finance following the global financial crisis, and that they would not have enough collateral to secure funds.

Others noted that banks were being more selective, and that it was harder to satisfy banks that they had a strong trading record. For example, one respondent stated that *"even though our business has grown every year over 25 years, the bank is not willing to invest in a proven small business."*

For many small businesses, they believed that the likelihood of success was so low that they felt their time was better spent in other areas. One respondent noted that *"lenders have tightened to a point where a preferred position is to forge ahead rather than continue to waste energy that would likely prove to be fruitless."*

The following comment summarised one small business's frustration with the overall system:

*"In the past we have provided company tax returns etc for the last 2 years or so in order to get finance. Even when this is done there seems to be other hidden rules and criteria that keep comming out of nowhere in order to progress the application. Then it all becomes too hard and the guarantees too large to continue."*

Overall, the strong anecdotal evidence was that many small businesses had struggled to get finance following the global financial crisis, and their belief that lending conditions had not improved meant they were no longer looking for funds.

Should you require further information or clarification on any of these matters, then please do not hesitate to contact Mr Micah Green, Economist on (02) 9458 7259 or via e-mail at [micah.green@nswbc.com.au](mailto:micah.green@nswbc.com.au).

Yours sincerely,



Paul Orton  
Director, Policy and Advocacy



Dear business owner or manager,

Welcome to the Survey of Business Finance in South Australia being carried out by Business SA (link) and the Centre for Strategic Economic Studies (Victoria University).

This survey requests the opinion of firm owners and managers about the difficulties they face as they seek to grow their firms. In particular, we are interested to hear about your firm's ability to access external credit.

Your participation will contribute to a better understanding of the obstacles facing South Australian firms, which will inform policy recommendations. The survey will take between 5-15 minutes, depending on your responses. You can withdraw from the survey at anytime and choose not to respond to certain questions. At the completion of the survey, you can request that the results of the study be emailed to you when they are published. Those who complete the survey can enter the draw for an Apple iPod Classic (160GB) .

Please note that none of the information collected will be used for commercial purposes or shared with outside institutions. All data will be stored securely on premises at the Centre for Strategic Economic Studies, Victoria University. The privacy of participants is protected by the Privacy Act and Victoria University's Research Ethics guidelines, which follows the national framework . When the research is complete, only aggregate statistics will be published so that confidentiality is protected. If you have any queries please contact Dr. Andrew van Hulst, the lead investigator for this research, via email. If you have any concerns or complaints about the way you have been treated, you may contact the Ethics and Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (03) 9919 4148.

**Do you consent to participate in this research? (please tick box)**

- Yes
- No

**What is the legal status of this firm?**

- Sole proprietorship (Sole Trader)*
- Partnership*
- Incorporated company (e.g. PTY LTD)*
- Publicly-listed company*
- Other (please specify)*

**What industry is your firm engaged in? (e.g. manufacturing, financial services)**

*Entered manually and coded*

**Firm size**

- How many people does this firm employ?
- What is the firm's approximate annual revenue?

**Accounting and auditing**

- Does your firm employ a professional accountant?
- Does an external auditor review to prepare firm's financial accounts?
- Does your firm have a formal business plan?

**What best describes the debt level of the firm?**

*Has no debt*

*Has low levels of debt*  
*Has moderate levels of debt*  
*Has high levels of debt*  
*Is close to insolvency*  
*Do not know*  
*Prefer not to say*

**Does the firm need access to external finance in order to survive in the next 12 months?**

**Ownership characteristics**

- Is this a family-owned business?
- Does this firm operate as a franchise?
- What percentage of this firm is foreign-owned?

**Importing and exporting**

- Does this firm specialise in importing goods and services?
- Does this firm sell goods or services inter-state within Australia?
- What percentage of total firm revenue comes from exports overseas?

**Business characteristics**

- How many business premises does this firm operate?(including international subsidiaries)
- Is this firm home-based? (i.e. operate from a personal residence)
- How old is the firm?

**Which best describes your position?**

*I am an owner-manager responsible for investment and borrowing decisions (including partners and part-owners)*

*I am a manager involved in investment and borrowing decisions*

*I am filling this survey out on behalf of an owner-manager*

*I am filling this survey out on behalf of a firm manager*

*Other (please specify)*

**Owner/Manager characteristics.**

- Were you born in Australia?
- Did you arrive in Australia to live in the last 10 years?
- Is English your second language?
- Gender?
- Age?
- How many years experience do you have as a business *manager*?
- How many years experience do you have as a business *owner*?
- What is the highest level of formal education that you have completed?
- Do you have a formal qualification related to business management (e.g. management, accounting, finance)?
- Have you used your personal assets (e.g. family home) as collateral to get a business loan for this firm? (*Owner-managers only*)
- Do you own your own home? (*Owner-managers only*)
- Have you ever declared bankruptcy? (*Owner-managers only*)

**Does your firm have a line of credit (or overdraft facility) with a financial institution?**

### **Credit history of the firm**

- Has the firm been late to make debt repayments in the last 5 years?
- Has the firm renegotiated debt repayments in the last five years?
- Does the firm have a debt with the Australian Taxation Office?

### **Over the last 2 years, did this firm pass up attractive business opportunities because it could not access external finance? (Tick ALL boxes that apply)**

*No*

*Yes, because attempts to access external finance were unsuccessful.*

*Yes, because credit was not available in sufficient quantities*

*Yes, because credit/finance was too expensive (e.g. interest rates were too high)*

*Yes, because lender conditions were too strict (e.g. collateral requirements).*

### **Innovation**

*Please indicate your level of agreement with the following statements.*

*Strongly/Moderately Agree/Disagree*

- The firm must constantly invest in high-tech equipment and new processes to remain competitive.
- The firm must invest heavily in research and development or intellectual property to grow.

### **What factors are obstacles to the GROWTH of this firm?**

*No obstacle*

*Minor obstacle*

*Moderate obstacle*

*Major obstacle*

- Transport and communication costs Inadequate infrastructure (roads, rail, utilities)
- Inadequate access to finance
- Recruiting and retaining skilled labour
- Recruiting and retaining low cost labour
- Labour market regulations
- Reliable supplies of inputs and products
- Foreign competition
- The exchange rate
- Other MAJOR firm obstacle not listed above (please specify).

### **Which best describes the priority given to growing this firm?**

*The firm wants to scale-back operations*

*Firm growth is not a priority*

*Firm growth is a minor priority*

*Firm growth is an important priority*

*Firm growth is the most important priority*

### **Importance of access to finance**

- Access to external finance is ESSENTIAL if this firm is to achieve its long-term goals.  
*Strongly/Moderately Agree/Disagree*

### **Credit history of the firm**

- Has the firm been late to make debt repayments in the last 5 years?
- Has the firm renegotiated debt repayments in the last five years?
- Does the firm have a debt with the Australian Taxation Office?

### **Over the last 2 years, did this firm pass up attractive business opportunities because it could not access external finance? (Tick ALL boxes that apply)**

*No*

*Yes, because attempts to access external finance were unsuccessful.*

*Yes, because credit was not available in sufficient quantities*

*Yes, because credit/finance was too expensive (e.g. interest rates were too high)*

*Yes, because lender conditions were too strict (e.g. collateral requirements).*

### **Innovation**

*Please indicate your level of agreement with the following statements.*

*Strongly/Moderately Agree/Disagree*

- The firm must constantly invest in high-tech equipment and new processes to remain competitive.
- The firm must invest heavily in research and development or intellectual property to grow.

### **What factors are obstacles to the GROWTH of this firm?**

*No obstacle*

*Minor obstacle*

*Moderate obstacle*

*Major obstacle*

- Transport and communication costs Inadequate infrastructure (roads, rail, utilities)
- Inadequate access to finance
- Recruiting and retaining skilled labour
- Recruiting and retaining low cost labour
- Labour market regulations
- Reliable supplies of inputs and products
- Foreign competition
- The exchange rate
- Other MAJOR firm obstacle not listed above (please specify).

### **Which best describes the priority given to growing this firm?**

*The firm wants to scale-back operations*

*Firm growth is not a priority*

*Firm growth is a minor priority*

*Firm growth is an important priority*

*Firm growth is the most important priority*

### **Importance of access to finance**

- Access to external finance is ESSENTIAL if this firm is to achieve its long-term goals.  
*Strongly/Moderately Agree/Disagree*

**Did the firm seek external finance in the last 2 years to fund BUSINESS EXPANSION?**

*Yes*

*No, the firm did not need external finance*

*No, because it was assumed that an attempt to raise external finance would be unsuccessful.*

**In the previous question, you indicated that you thought an application for external finance would not have been successful. Why do you think this? (please specify)**

**In the last 2 years, how many attempts to raise external finance were SUCCESSFUL? Including bank loans, sale of equities and bonds, trade finance etc.**

**Details of the MOST IMPORTANT loan application in the last 2 years that was SUCCESSFUL**

- Loan maturity
- Length of firm's relationship with lender (at time of application)
- Did an accountant or financial advisor assist in the application for external finance?
- What was the MOST IMPORTANT use for the finance raised?
  - *Increase cash reserves/working capital*
  - *Acquisition of another business*
  - *Purchase of land/buildings*
  - *Maintaining/Refurbishing existing buildings, equipment Investment in new production equipment (excl. IT)*
  - *New computing/IT systems*
  - *Research and development*
  - *Purchase of new intellectual property (patents, licenses etc)*
  - *Other*
  - *Do not know*
  - *Prefer not to say*
- Type of finance raised?
  - *Loan from Big Four Banks (NAB, ANZ etc)*
  - *Loan from other banks or financial companies*
  - *Loan from family/friends*
  - *Loan from owners*
  - *Line of credit or overdraft facility*
  - *Trade credit (inc. factoring)*
  - *Equity investment from existing owners*
  - *Equity investment from new owners/partners*
  - *Issue of equity or bonds on capital markets*
  - *Lease agreement*
  - *Loan from government or not-for-profit agency*
  - *Government grant*
  - *Other*
  - *Do not know*
  - *Prefer not to say*
- What interest rate are you currently paying on this loan (%)?

**In the last 2 years, how many attempts to access external finance were UNSUCCESSFUL? Including bank loans, sale of equities and bonds, trade finance etc.**

**Details of the MOST IMPORTANT application for external finance that was UNSUCCESSFUL in the last 2 years**

- Loan maturity
- Length of firm's relationship with lender (at time of application)
- Did an accountant or financial advisor assist in the application for external finance?
- What was the MOST IMPORTANT intended use for the finance raised?
  - *Increase cash reserves/working capital*
  - *Acquisition of another business*
  - *Purchase of land/buildings*
  - *Maintaining/Refurbishing existing buildings, equipment*      *Investment in new production equipment (excl. IT)*
  - *New computing/IT systems*
  - *Research and development*
  - *Purchase of new intellectual property (patents, licenses etc)*
  - *Other*
  - *Do not know*
  - *Prefer not to say*
- Type of finance applied for?
  - *Loan from Big Four Banks (NAB, ANZ etc)*
  - *Loan from other banks or financial companies*
  - *Loan from family/friends*
  - *Loan from owners*
  - *Line of credit or overdraft facility*
  - *Trade credit (inc. factoring)*
  - *Equity investment from existing owners*
  - *Equity investment from new owners/partners*
  - *Issue of equity or bonds on capital markets*
  - *Lease agreement*
  - *Loan from government or not-for-profit agency*
  - *Government grant*
  - *Other*
  - *Do not know*
  - *Prefer not to say*
- What reasons were given by lenders for why the application was unsuccessful? Please
  - *No reason given by lender*
  - *Lender thought firm was already too indebted*
  - *Insufficient collateral*
  - *Poor credit history/rating*
  - *Proposed project was not viable*
  - *Lender did not have funds available*
  - *Equity or bond raising was deemed unlikely to succeed*
  - *Don't know*
  - *Prefer not to say*
  - *Other (please specify)*
- What were the consequences of the unsuccessful attempt(s) to raise external finance?
  - *Firm growth has been constrained significantly (Strongly/Moderately Agree/Disagree)*

- The chances of firm bankruptcy have increased significantly (*Strongly/Moderately Agree/Disagree*)

**Firm profitability**

- Was the firm profitable for the 3 financial years prior to the recently completed financial year (i.e. 2006-07, 2007-08, 2008-09)
- Was the firm profitable for the recently completed financial year (2009-10)
- Do you expect the firm to be profitable this coming financial year (2010-2011)?

**Balance sheet items**

- Approximately, what are the total assets of your firm (\$AU)?
- Approximately what are the total liabilities of your firm (\$AU)?
- Approximately, what percentage of the firms total assets are 'hard assets'such as land, buildings and vehicles? (%)

**Has the firm recently declared bankruptcy or gone into voluntary administration or receivership?**

**How long does it take to visit your primary business banker in person?**

*0-5 minutes*

*6-15 minutes*

*16-30 minutes*

*31-60 minutes*

*More than an hour*

*They usually come to our premises*

*We have no face-to-face contact with our business banker*

*Other (please specify)*

**Please enter the post-code of the physical location of the firm.**

If the firm has multiple locations, please list the post-code of the main office.

**The survey is now complete. Thank you for your participation.**

**If you wish to provide additional feedback on some of the issues raised by the survey, please let us know here.**





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## **The Treasury**

Public Hearing 4 March, 2011

Question 1 – Proof Hansard, p. 39

Topic: History of US small business guarantee

Mr ANTHONY SMITH—I would not mind getting your perspective, Mr Lonsdale, because I know you have worked in this area. I read in one of the submissions, particularly on the history, that the US has had something since the 1950s. Let me be blunt. Can you fill in some of our gaps in knowledge, like what I think the Bush administration, I suppose initially, did in terms of boosting up in this area? Where are some of them at now?

Mr Lonsdale—I think we can come back on the chronology. We are happy to do that. To be honest, I cannot take you through the chronology from 1950 but I can certainly come back.

### **Response**

Information on the history of US small business assistance (particularly, lending programs and loan guarantee schemes) can be found on the US Small Business Administration at <http://www.sba.gov/about-sba-services/198>.

## The Treasury

Question 2 – Proof Hansard, p. 44

Topic: Definition of Small Business

Mr Murphy—With SMEs, it is not an exclusive definition. It is just a guide.

Mr Lonsdale—When designing policy typically, whether it is tax policy or regulatory policy or whatever it is, you always take a broader view—it is not so much the definition but whom it is that you want to direct something to.

Mr ANTHONY SMITH—You might remind me—how do the capital gains tax small business-specific measures work?

Mr Lonsdale—We would take advice from our revenue group people on that. A lot of work has been done on the tax side to try to streamline the definition of small business.

Mr ANTHONY SMITH—Yes. Could you send us something on that—not that it is going to be a big focus. I think the chair raised it. Ultimately, in any report we will have to address this issue.

**Response**

Broadly, a small business entity for taxation purposes is one with an aggregated turnover of less than \$2 million. The aggregated turnover includes the turnover of the small business entity and certain closely related entities.

The TreasuryQuestion 3 – Proof Hansard, p. 44Topic: Banking reform community awareness campaign – timeframe

Senator STEPHENS—On a slightly tangential issue, we had evidence this morning from the mutuals and credit unions representative around the government's undertaking in relation to the Bank on a Better Deal campaign. We had a discussion then about who might be overseeing that campaign, the authority with which the campaign would operate and the importance of consumer education around financial literacy and these issues. Does Treasury have a view? Would it be APRA? Would it be the Financial Literacy Foundation? Where do you think it would be most potently driven?

Mr Lonsdale—On the last one, I am not sure at this stage, but I can give you a sense of where the thinking is up to in terms of the broader campaign. The government announced in the statement it issued on 12 December that it wanted to look at a campaign approach. Some preliminary research has been done—market testing. Some preliminary results have come through, but it is very partial at this stage because it is quite qualitative. I have not yet seen the quantitative results of surveying, but the idea is that when that comes together—which has not yet happened—advice would be put to government on the form of the campaign. So whether that is advertising or a website approach—there are different forms that could take. No decision has been made on that. There is an established government process where that research would go and decisions would be made.

Senator STEPHENS—Is there a time frame involved? Do we know a target date and when it might start?

Mr Lonsdale—I can come back to you on that target date.

**Response**

The Campaign commenced on 15 March 2011 with the launch of ASIC's new personal finance website called MoneySmart ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)). Timeframes for future elements of the campaign have not been finalised at this stage.



8 April, 2011

Dr Ian Holland  
Secretary  
Senate Joint Committee on Corporations and Financial Services  
Parliament House  
CANBERRA ACT 2600

Dear Dr Holland

## COMMITTEE INQUIRY INTO ACCESS FOR SMALL AND MEDIUM BUSINESS TO FINANCE

Thank you for your letter of 25 March 2011 originally directed to Secretary of the Treasury, Dr Martin Parkinson, regarding of the National Credit Reforms and lending to Small Business. I am pleased to be able to provide responses to your questions on his behalf.

### ***1. Consultation on the topic whether the provision of credit to small businesses should be regulated***

The issue of the provision of credit to small business is one of a number of topics that are being considered as part of a review of credit generally (following the 2008 COAG decision to refer power from the States to the Commonwealth in respect of credit). COAG specified that a number of topics be considered within the National Credit Reform Agenda, with different delivery timetables, according to the nature of the topic. Small business is one of a number of topics where the complexity of the issue requires more time for consideration and therefore there has not yet been any decision or outcome arising from the consultations following the release of the Green Paper.

The National Consumer Credit Phase 2 Green Paper, *National Credit Reform: Enhancing confidence and fairness in Australia's credit law*, was released in July 2010 and covered all topics within Phase Two of the COAG National Credit Reform Agenda. Chapter One of the Green Paper sought views on a range of questions relating to whether or not there should be additional regulation for lending to small businesses. Submissions on this issue were received from major banks, other lenders, lender and broker industry bodies, small businesses, and small business associations.

In general terms, lenders and brokers remained cautious about further regulation except where market failure could be demonstrated. Some small businesses considered there were no significant differences between the way they borrowed money as consumers and as small business borrowers, and that similar issues could arise in relation to, for example, information asymmetries or lack of competition.

Small business was discussed at the meeting of the Industry and Consumer Representatives Consultation Group on 18 October 2010, in the context of a review of the outcomes of the Green Paper generally, with a representative of the Council of Small Business of Australia (COSBOA) outlining their views. Since that time this broader group has been focussed on issues other than small business that have a more immediate priority because of the COAG timetable.

Treasury intends to use these submissions as a useful starting point for a more detailed examination of the issues, as this model has proved effective in consultation on other topics in the National Credit Reform Agenda. It is proposed to use the information provided, and other evidence gathered by Treasury, to enable a more sophisticated analysis of the issues, and the consequences of particular options, to be developed.

## ***2. The roles of the industry consultation groups***

The Industry and Consumer Representatives Consultation Group was initially convened in 2008 to consider Phase One of the National Credit Reforms. It is the main vehicle for consulting with stakeholders and has a broad membership (apart from COSBOA) comprising:

- lender and finance industry bodies (the Australian Bankers' Association, ABACUS, the Australian Finance Conference and the National Financial Services Federation);
- broker and intermediary industry bodies (the Mortgage and Finance Association of Australia, Finance Brokers Association of Australia (MFAA), the Financial Services Council, and the Financial Planning Association (FPA));
- both external dispute resolution bodies, the Credit Ombudsman Service Limited and the Financial Ombudsman Service; and
- legal and consumer group representatives from the Law Council of Australia, CHOICE, Legal Aid NSW the Consumer Action Law Centre and the Consumer Credit Legal Centre (NSW).

Consultation on Phase Two commenced shortly after the end of the 2010 election caretaker period. Meetings with the Implementation Group in which these reforms were discussed have been held in Sydney on:

- 10 September 2010;
- 18 October 2010;
- 3 November 2010; and
- 1 December 2010.

These meetings have concentrated on topics where the COAG timetable requires decisions to be made relatively soon and before any decision needs to be made in respect of small business lending. These topics include reforms in relation to credit cards, reverse mortgages and consumer leases.

The Equity Release Consultation Working Group (ERCWG) is the forum for consultation in respect of reforms to the regulation of equity release products (that is, products that enable persons who have retired or are approaching retirement age to access funds through the equity in their home). The nature of these products means that the consultations needed to include persons with specific specialist knowledge, in order to ensure the reforms were practical and effective.

The ERCWG has held 6 meetings since February 2010. The membership of this group consists of SEQUAL (the main industry body for reverse mortgages and home reversion scheme products), major industry bodies such as the MFAA and the FPA, as well as seniors, legal and consumer groups. This group provides feedback to Government on the various options for reform of reverse mortgages and equity release products.

The Point of Sale Working Group (POSWG) is a consultation group brought together to discuss the specific issue of whether or not there should be regulation of vendor introducers who can arrange finance for the purchase of their goods or services (such as car dealerships or retail stores). This class of persons are currently exempt from the national credit regime.

Its membership comprises key stakeholders with specialist knowledge, including persons from major financiers in the retail sector, representatives from the two main retail areas (stores and vehicle dealerships), industry bodies, and consumer representatives. Again, it was considered the issues raised by this topic required more detailed consultation with key stakeholders with specialist knowledge.

The POSWG met approximately monthly (usually face to face but also by teleconferences) between December 2009 and June 2010, and developed proposals for a more refined approach to the regulation of point of sale vendor introducers. Treasury is now looking to consult more broadly on those proposals, and intends to release a Discussion Paper on this topic.

Treasury also delivered reports to the Industry and Consumer Representatives Consultation Group on the outcomes of the ERCWG and the POSWG.

### ***3. Small business involvement in Phase 2 consultation***

During Phase One of the National Credit Reforms the Industry and Consumer Representatives Consultation Group did not include small business representatives. Treasury recognises that small businesses need to be involved in the Phase Two consultations and COSBOA has become a member of this group. In addition Treasury has met directly with representatives of COSBOA on two occasions to discuss their specific issues in relation to small business' access to credit.

Treasury will continue to seek the views of small business as part of the Phase Two consultations.

Once again, I thank you for your letter and look forward to the release of the Committee's report. Please do not hesitate to contact me if you require any further information.

Yours sincerely



Geoff Miller  
General Manager  
Corporations & Financial Services Division  
The Treasury



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## **Australian Prudential Regulation Authority**

Public Hearing 11 March, 2011

Proof Hansard, p. 45

Topic: Regulatory Framework

CHAIRMAN—It is a complex area, but I ask APRA, as the regulator, perhaps to consider that and write to the committee with some thoughts—if this is just not possible, fair enough—on whether there is some consideration of how regulation works on the treatment of specific financial arrangements.

Mr Johnson—You are looking at something similar to the hardship loans that the LGA has put in place?

CHAIRMAN—Yes, that is one example....

I have heard of—and as I said this is anecdotal, but I know there are such cases—of a business which was operating well, was viable and managing itself although things might have been tight, for which their bank, having reassessed a number of things and suggested a number of courses of action, actually created a problem resulting in the business failing because the new terms and conditions just were not possible to meet.

Mr Byres—I think we certainly understand the issue. The challenge is what to do about it because, as I said, what is someone's reasonable risk based pricing is someone else's unreasonable request and excessive margin. They are often in the eye of the beholder, but I understand the issue and we will have a think about it.

CHAIRMAN—Can you take it on board?

Mr Byres—Yes.

Australian Prudential Regulation Authority

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APRA

8 April 2011

Committee Secretary  
Parliamentary Joint Committee on Corporations  
and Financial Services  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Sir

#### ACCESS FOR SMALL AND MEDIUM BUSINESS TO FINANCE

During APRA's appearance before the Committee's hearing on 11 March 2011, the Committee asked APRA officers to consider if the regulatory framework could or should be amended in respect of how authorised deposit-taking institutions (ADIs) renegotiate loan arrangements with small and medium enterprise borrowers.

As our officers noted at the hearings, APRA's primary objective is to ensure that ADIs manage the risks associated with their lending activities on an ongoing basis, and take appropriate measures to address these risks as they change. In some cases, these measures may involve the renegotiation of loan arrangements of the risks associated with an ADI's exposure to a particular borrower are assessed to have increased. This is simply prudent banking and APRA does not see a role for prudential regulation in this area.

APRA's mandate does not extend to consumer protection or business conduct issues and, hence, it does not intrude into dealings between an ADI and its customers. These matters are the domain of the Australian Securities and Investments Commission (ASIC).

The most appropriate forum for the resolution of disputes of the type the Committee alluded to during APRA's appearance appears to largely exist in the form of the Financial Ombudsman Service (FOS). The FOS was established to independently resolve disputes between consumers – including small businesses – and member financial services providers. It is approved by ASIC under Regulatory Guide 139 and operates as the primary consumer external dispute resolution scheme in the financial sector.

Yours sincerely

Thea Rosenbaum  
Secretary



