



4 March 2019

Mr Mark Fitt
Committee Secretary
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Mr Fitt

Inquiry into the Australian Business Securitisation Fund Bill 2019

Thank you for the opportunity to comment on the draft Bill relating to the establishment of the Australian Business Securitisation Fund (ABSF).

As noted, the Fund aims to boost competition outside the major banks by increasing the supply of affordable capital for small lenders to build their pool of capital and provide more lending products to the SME market. Our Bank supports this type of initiative, and particularly one that creates greater competition within the industry. For a long time, we have called for a levelling of the playing field between the major banks and the rest of the industry.

It is important to note, our Bank has a strong appetite to increase its balance sheet lending to the SME market. We continue to increase the number of local specialists who are dedicated in assisting the SME community. The Bank also continues to enhance its product suites and systems to ensure the solutions offered continue to appeal to our existing and prospective customer base.

However, we also acknowledge that banks in general continue to take a cautious approach post the financial crisis and the recent Royal Commission in lending to SMEs, and particularly to new and emerging businesses. We would observe this cautious approach is primarily due to a lack of a credible trading history and our appropriate role in evaluating character, capital and capacity as a prudent and diligent banker should.

This cautious approach has seen a growth in the non-ADI sector, and a growth that has only accelerated in recent years, resulting in a significant portion of mortgages originating outside of the regulated sector. Non-ADI mortgage portfolios are growing five times faster than regional and major banks. There is limited regulatory oversight of non-ADIs compared to ADIs.

An unrestrained largely non-regulated sector of the banking industry is a distortion in the competitive landscape and may result in negative outcomes for customers, businesses, the banking industry and the broader Australian economy.

Whilst APRA has the powers to regulate the non-ADI sector, it has not exercised these beyond data collection. Recent growth and the potential new pool of capital would indicate this sector has become material and warrants oversight.

Whilst we recognise the ABSF is geared towards assisting some lenders in access to funding that would have been a constraint, we don't see that this will be an issue for our Bank. Instead it is the relative cost of capital due to the disparate risk weightings that creates an uneven playing field.

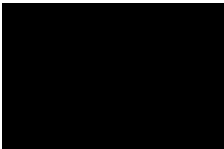
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Finally, the Bank reconfirms the importance of competition within the industry. Healthy competition benefits consumers and assists in the removal of inappropriate practises within the banking industry.

If you would like to discuss any of the issues raised in this letter, please do not hesitate to contact the Bank through [REDACTED]

Yours sincerely



Chris Bone
Head of Industry Relations
Bendigo and Adelaide Bank