

Senate Select Committee on Australia as a Technology and Financial Centre

ANSWERS TO QUESTIONS ON NOTICE

Division/Agency: Australian Prudential Regulation Authority
Question No: APRAQON01
Topic: CFR work on de-banking and stablecoins

Question:

Would APRA please provide an update on the CFR work on de-banking and stablecoins.

Answer:

Debanking

As set out in the CFR's response to the Committee's letter of 23 September 2021, the CFR established a working group in June 2021 to explore the underlying causes of debanking and examine possible policy responses.¹ The focus of this work is payments and other financial services providers, including international money transfer and fintech firms. The members of the CFR working group include APRA, ASIC, the Reserve Bank, the Treasury, the ACCC, AUSTRAC and the Department of Home Affairs. Treasury is the chair of the working group.

This CFR working group follows on from the taskforce previously established in response to the ACCC's Foreign Currency Conversion Services Inquiry. The members of that taskforce were Treasury, the ACCC, the Department of Home Affairs and AUSTRAC. APRA understands that taskforce was paused in 2020 due to the prioritisation of COVID-related work. The CFR working group remit is broader in scope than the prior taskforce which was specifically focussed on international money transfers.

As noted in the CFR's letter, the CFR working group is in its early stages and it will be some time before preliminary conclusions are reached. The CFR working group will continue to explore these issues and potential policy options that could address or mitigate them. At this time a deadline for completion of this work has not been set.

Stablecoins

A CFR Distributed Ledger Technology (DLT) Working Group was established in December 2015. The purposes of this working group include to assess regulatory risks, and any emerging financial system risks associated with distributed ledger technologies. It is considering developments relating to central bank digital currencies, crypto-assets and decentralised finance.

In March 2021, a dedicated CFR Stablecoins Working Group was established as an offshoot of the CFR DLT working group. This decision was made in the context of international developments in order to more closely assess risks that could potentially be presented by stablecoins, including a significant global stablecoin arrangement or a domestically issued AUD-backed stablecoin.

The CFR Stablecoins Working Group performed an initial assessment and analysis of key risks, existing significant stablecoin arrangements, international regulatory developments/proposals and the existing regulatory framework in Australia and how it could apply to stablecoin arrangements. In relation to APRA's mandate, the key policy issues are the threshold at which a particular stablecoin

¹ See the Quarterly Statement of the Council of Financial Regulators - June 2021 available at <https://www.cfr.gov.au/news/2021/mr-21-03.html>

arrangement potentially raises financial safety and/or financial stability considerations, and the appropriate regulatory framework in such case.

The CFR has since agreed to refocus some working group activities in order to prioritise work considering regulatory arrangements across the spectrum of crypto-assets, including stablecoins. Post release of the Farrell review, Treasury will assume the role of Chair.