

# House of Representatives Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

Review of the APRA Annual Report 2021

Tuesday, October 11 2022

**Division/Agency:** Australian Prudential Regulation Authority

**Question No:** APRA01QON

**Topic:** Retail payment systems

**Reference:** Spoken, Hansard pg 10

**Member:** Andrew Charlton, MP

### Question:

**Dr CHARLTON:** Thank you all for your time today. I wanted to ask you some questions about changes in the payments system and the implications of those changes for system stability. Maybe I will start with a couple of questions about the role of some new players in the payments system. What share of retail payments are currently constituted by Apple and Google?

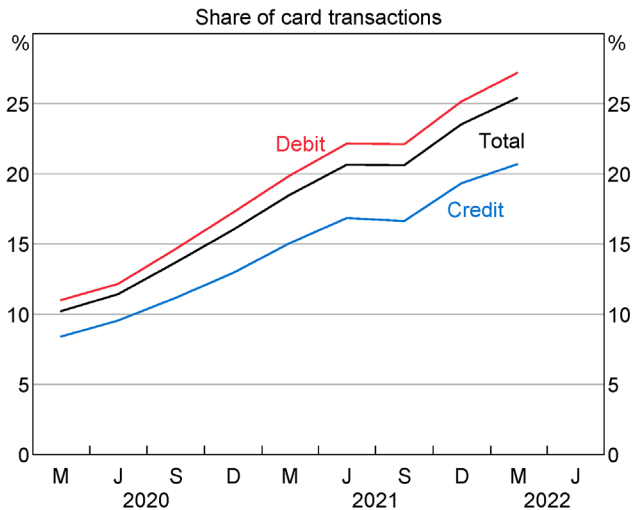
**Mr Byres:** I'd have to say I don't know the answer to that question. The Reserve Bank collects and publishes those stats though. So, if you allow us to take the question on notice, I'm sure we can find the answer and get back to you. But, just to be clear, it's not something that at this point we have any responsibility for, and we don't collect data. The bank does that in its role as payments system regulator, so we can find that answer and we can respond on notice.

### Answer:

APRA does not collect this data, however we are advised by the RBA that it has recently begun collecting data on mobile wallet use in Australia from major card issuers.

According to the RBA's recent Payments Systems Board report (available here: <https://www.rba.gov.au/publications/annual-reports/psb/2022/the-evolving-retail-payments-landscape.html>), the share of debit and credit card transactions made via mobile wallets more than doubled between the March quarter of 2020 and the March quarter of 2022, from 10 to 25 per cent (as depicted in the graph below). Data on Apple and Google's respective shares of mobile wallet transactions is not publicly available. The RBA has informed APRA that disaggregated data by wallet provider (e.g. Apple Pay, Google Pay, Samsung Pay) given to the RBA by issuers is commercially sensitive 'protected information' within the meaning of the Reserve Bank Act.

### Mobile Wallet Transactions



Source: RBA

**Division/Agency:** Australian Prudential Regulation Authority  
**Question No:** APRA02QON  
**Topic:** PHI Visa requirements  
**Reference:** Spoken, Hansard pg 16-17  
**Member:** Tania Lawrence MP

**Question:**

**Ms LAWRENCE:** One last question. I have constituents in my electorate who, by the nature of their visa conditions, are required to take out health insurance. I have quite a strong migrant population. There doesn't seem to be a huge number of service providers they can select from. What they have been telling me is that the insurance coverage has perhaps got more exclusions than inclusions, so they're basically having to pay the premium but they're also facing quite a degree of out-of-pocket expenses as a consequence of having to access the private healthcare system, not being able to access Medicare. Is APRA looking at, again, fit-for-purpose policies, particularly where it's a mandatory requirement for people to have to take out cover coming into Australia?

**Mrs Rowell:** We have not had a specific focus on that particular category of health insurance policies. We would be happy to take it on notice and provide some information on our perspective on that.

**Ms LAWRENCE:** Thank you very much. I appreciate that. Thank you for your time.

**Answer:**

As the prudential regulator, APRA is responsible for making sure that insurers have the financial capacity to pay policyholder obligations.

The health insurance requirements for overseas migrant visitors and students and aspects of access to health services are a matter for Government. APRA assesses how the insurers it supervises are managing the risk of a failure to meet their obligations in the context of these requirements and the policy terms and conditions established by each insurer.

APRA does not assess the individual features of policies for fitness of purpose.

**Division/Agency:** Australian Prudential Regulation Authority  
**Question No:** APRA03QW  
**Topic:** Small business access to finance  
**Reference:** Written, 24 October 2022  
**Member:** Bert van Manen, MP

**Question:**

**Mr van Manen, MP:** What work is APRA undertaking with the banking and finance sector to ensure that small business continues to have adequate access to finance?

**Answer:**

APRA recognises the critical importance of access to finance for credit-worthy small businesses. Data published by the Reserve Bank of Australia indicates that annual credit growth for small businesses reached 1.8 per cent as at the end of August 2022, which was the first period of annual growth since September 2020.

There are a number of factors which influence access to finance. These include authorised deposit-taking institutions commercial strategies and credit policies, borrower-demand, economic conditions, cost of funds and regulatory requirements. Ultimately it is a commercial decision for ADIs as to whether they decide to lend to individual small businesses.

Broadly speaking, APRA does not seek to use the prudential framework to incentivise specific types of lending. APRA's general approach is to ensure that banks understand and manage the risks to which they are exposed, and hold appropriate capital in reserve for potential losses.

APRA's capital framework is designed to allocate higher capital requirements for higher risk lending, and lower requirements for lower risk. APRA has recently updated the framework, which becomes effective from 1 January 2023. As part of this update, APRA has slightly reduced capital requirements for small business lending, in line with the international framework set out by the Basel Committee for Banking Supervision. We expect this to have a moderate positive impact on small business lending over time as banks gradually adapt to the new framework.