



**ASIC**  
Australian Securities &  
Investments Commission

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeover Panel and the Corporations Legislation
<b>Question No.</b>	067
<b>Topic</b>	Hybrid Capital bonds
<b>Reference</b>	Spoken, 3 November 2023, Hansard pages 19 and 20
<b>Committee member</b>	Senator Deborah O'Neill

## Question

CHAIR: In September 2023, APRA sought stakeholder feedback on improving the effectiveness of hybrid capital bonds, through a discussion paper. Has ASIC made a submission or any other contribution to the APRA consultation?

Mr Longo: We're aware of that piece of work. Through our membership on the Council of Financial Regulators—

Ms Chester: Our involvement has been through the Council of Financial Regulators. APRA consulted with the Council of Financial Regulators before putting out that paper for consultation.

CHAIR: So nothing in writing?

Ms Chester: We might take that on notice.

Mr Longo: There might have been, at team level, some written communications between our staff and APRA staff, but APRA certainly led on that topic.

Ms Chester: We just shared some of the insights we had, based on our work around design and distribution obligations for these products.

CHAIR: If you could provide a copy of any documentation to the committee, it would be appreciated. What consumer protection issues arise from the high-level involvement of retail investors currently? How would that change under APRA's proposals?

Mr Longo: My understanding is that it's about whether that particular security will be withdrawn from retail distribution altogether. That goes to the heart of it, doesn't it? That's really the issue: whether it's a security that ought to be offered to retail investors, because of its higher risk and complexity.

CHAIR: Has ASIC advanced a view?

Ms Chester: Our view was really informed around the implementation of design and distribution obligations. We made it clear that that was going to be a step change for the providers of these products. Indeed, they moved to a model where personal financial advice would have to be given to the investor before they could invest in them, such that they could not then be subject to the design and distribution obligations.

## Answer

ASIC has had some correspondence with APRA in relation to the AT1 discussion paper both prior to, and during the consultation phase. ASIC was provided a draft consultation paper by APRA and provided APRA comments on matters including the application of design and distribution obligations. We have had additional discussions with APRA about the design and distribution obligations during the consultation period.

As described by Chair Longo, hybrids are widely acknowledged to be high risk products and one of the issues being considered by APRA is their availability to retail investors. We will be interested in understanding APRA's position after they have analysed the feedback, and we will readily participate in any further discussions. ASIC has not provided a formal submission.