

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2015 - 2016

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

**Question:** AET 76

**Topic:** Issue of banking licence to Wide Bay Australia

**Reference:** Hansard page no. 125 - 10 February 2016

**Senator:** Ketter, Chris

**Question:**

**Senator KETTER:** I am going to move on to a specific case of the issuing of a banking license to Wide Bay Australia, a building society. The reason for my interest here is that there was a statement issued by ASIC in February 2015 indicating that Wide Bay had failed to properly assess the suitability of customers for home loans referred to it by a company called Financial Technology Securities, which it had a 25 per cent stake in. There was a spike in repossessions—up to 61 in 2014—so ASIC issued a statement indicating that Wide Bay had failed to properly assess the suitability of customers for the home loans. We then found that, three weeks later, APRA approved Wide Bay for a banking license, allowing it to become Auswide Bank from 1 April. Do you work with ASIC on issues relating to financial advice and the links between financial institutions?

**Mr Byres:** As a general point, there is a high degree of coordination between APRA and ASIC, including information sharing of matters where ASIC and APRA might have an interest in a particular regulated institution. I am not familiar with the facts of that specific case, but it is not clear to me what—effectively, all Wide Bay did was change its status. It was an ADI, an authorised deposit taker, under the act. After the event, it is an authorised deposit taker under the Banking Act. It was simply a question of whether they met the criteria to use the word 'bank' in their business name, and they do, so it is a fairly automatic process—if you meet the criteria, you can use the word 'bank'.

The fact that there may be issues that ASIC had identified that required rectification would not in and of itself be, in any way, a reason to stop that process proceeding. It was an application process that probably would have been in train for a little while. I am quite confident that the relevant agencies, and more to the point the relevant staff within the two agencies, were aware of the respective issues. I am not familiar enough with the case to give you much more of a specific answer.

**Senator KETTER:** Have you received any advice or correspondence from ASIC about why, in February 2015, they—

**Mr Byres:** Sorry, you would like us to take that—

**Senator KETTER:** If you are not in a position to tell me, yes, I would ask if you would take that on notice.

**Mr Byres:** Yes.

**Senator KETTER:** If you did receive that correspondence, did you advise ASIC that you were granting a banking licence to Wide Bay?

**Mr Byres:** As I said, it is not a banking licence. It is just approval to use the word 'bank'. Yes, we will come back to you with the details of the correspondence.

**Answer:**

The Australian Prudential Regulation Authority (APRA) and ASIC have a Memorandum of Understanding (MOU) under which certain information regarding financial institutions is routinely shared.

APRA had been engaging with both ASIC and Wide Bay Australia Ltd for some time regarding the matters raised by ASIC, prior to the February 2015 media release. Similarly, APRA was cognisant of the actions taken by Wide Bay Australia Ltd to address ASIC's concerns. As previously explained, the fact that there may be issues that ASIC had identified that required rectification would not in and of itself be a reason to stop Wide Bay's application proceeding.

Before granting approval for Wide Bay Australia Ltd to use the restricted word 'bank' Wide Bay Australia Ltd was required to meet APRA's expectations in this regard. Prior to February 2015, APRA also advised ASIC that Wide Bay Australia Ltd had been informed that APRA had no objection to Wide Bay Australia Ltd registering its new corporate name with ASIC.