



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

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Revisions to the capital framework for authorised deposit-taking institutions

The Australian Small Business and Family Enterprise Ombudsman's has recently become aware of APRA's responses to submissions it received on proposed revisions to the capital framework for authorised deposit-taking (ADI) institutions.

Small businesses remain the main economic driver for the Australia economy. Small businesses generate 35 per cent of Australian GDP while directly employing 2.2 million people or 44 per cent of the Australian workforce. Furthermore, since 2016 the number of Australian small business has increased 5.5 per cent and now accounts for 59 per cent of all exporters¹.

Despite these significant achievements, small businesses with strong cash flow profiles continue to face significant challenges to funding business operations with ADIs often charging high interest rates despite security being provided in support of the loan or other financing product.

ASBFEO is pleased to note the proposed changes in this report that will support Australian small business. ASBFEO strongly endorses APRA's adoption of an 85 per cent (previously 100 per cent) risk weighting for unsecured lending to small to medium size enterprises. ASBFEO believe the adoption of this weighting will encourage ADI's to increase lending to small businesses at more competitive pricing.

To further increase small business opportunities, ASBFEO strongly encourages APRA to go further and adopt the Basel III recommended 75 per cent risk weight for unsecured lending. In addition to bringing Australia in line with international standards, adopting a risk weighting level no greater than the Basel III recommendation will encourage further economic growth through Australian small business operations.

Yours sincerely,

[REDACTED]
Australian Small Business and Family Enterprise Ombudsman

¹ *Small Business Counts – Small Business in the Australian Economy (July 2019)*