30 April 2021

General Manager, Regulatory Affairs and Licensing, Policy and Advice Division
The Australian Prudential Regulatory Authority
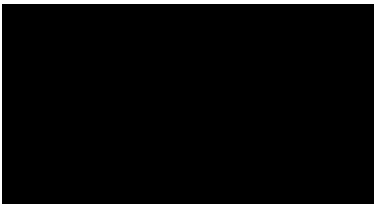By email: Licensing@apra.gov.au

Dear ▮▮▮▮▮▮▮▮

APRA's approach to new entrant authorised deposit-taking institutions (ADIs)

Thank you for the opportunity to comment on APRA's Information Paper: *ADIs: New entrants – a pathway to sustainability* (the **Information Paper**) and APRA's Discussion Paper: *Approach to new entrant ADIs* (the **discussion paper**). The Australian Banking Association (**ABA**) advocates for a strong, competitive, and innovative banking industry that delivers excellent and equitable outcomes for customers. The ABA promotes and encourages policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

The ABA welcomes an updated approach to new entrant ADIs focusing on sustainability. Providing pathways for restricted entry promotes competition through innovation amongst ADIs. Recent entrants such as 86400 and Volt have brought to market important innovations that have since been adopted by larger banks benefiting a greater number of customers. The recent orderly 'wind-up' of Xinja, while not raising wider financial stability concerns across the industry, demonstrates the effectiveness of the restricted licence pathway but also to the need for new entrants to have a greater focus on sustainability as part of their plans to compete and innovate.

The ABA agrees with APRA that an important balance needs to be made between supporting entities to both enter and thrive in the banking sector, while ensuring financial stability and protecting the interests of depositors. The ABA also agrees that APRA must also prepare for the possibility that a new entrant may not ultimately be successful. This is consistent with APRA's objective of maintaining a low incidence of failure of regulated entities while not impeding continued improvement in efficiency or hindering competition.

Yours sincerely

Policy Director