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Australia

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General Manager, Regulatory Affairs and Licensing
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APRA

By email: licensing@apra.gov.au

Response to Discussion Paper and Information Paper: ADI's - New Entrants March 2021

Revolut Payments Australia Pty Limited (RPA) welcomes the opportunity to provide feedback on APRA's discussion paper.

Background:

RPA is a subsidiary of Revolut Ltd (UK), the parent company of the Revolut group (Revolut). Globally, Revolut is a digital challenger financial services organisation that launched in 2015 initially offering a prepaid electronic wallet, focussed on providing better exchange rates and international transaction fees than competitors in the UK and Europe.

Revolut has since expanded and currently operates in more than 35 countries serving more than 15 million customers with almost 2500 employees providing a variety of financial services through a constantly evolving financial "super - app". Revolut holds a bank licence in the European Economic Union, and is currently applying for banking licences in the UK and US.

In Australia, RPA secured its Australian Financial Services Licence in April 2020 and launched publicly in August 2020. RPA is not a bank in Australia but has been in discussions with APRA and notified its intention to lodge an ADI application.

Submission

RPA supports the introduction of more detailed guidance to prospective applicants. We make some more detailed observations below in respect of some particular provisions but we would like to express

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our support in general for the three key elements within the guidance which relate to new direct applicants, being:

- reduced starting capital and new ongoing capital requirements;
- a need to establish the ability to publicly launch asset products quickly after receiving ADI status; and
- a requirement for an exit plan detailing the planning for return of customer deposits in the event of business closure.

In respect of some of the detailed provisions of the information paper we make the following comments:

Page 16 : Launching products

It would be useful for APRA to provide some more guidance on the expected size of a “limited launch” and how that might vary depending on the product offering (e.g. home lending vs credit cards). For example what is a reasonable number of customers, monthly cycles and credit amounts.

Page 17 - Limits to prepaid cards

While this is expressed to only relate to the restricted pathway, we question the necessity for these restrictions for applicants who are AFSL holders and are subject to the current regulatory framework for holders of stored value (including the current $10m limitation in stored value and requirements and approvals needed to exceed that amount.) Would it be APRA’s intention that businesses that wished to build larger prepaid card businesses would not be precluded from doing so if they apply through the direct route?

Pages 25 -30 Capital

Some clarity on APRAs preferred approach to operational risk RWAs would be useful to facilitate a more holistic discussion on capital requirements.

Separately, we appreciate APRA is seeking to balance the capital required for a new ADI both in dollar terms and as a percentage of RWAs. However, a moving capital requirement based not only on a growing balance sheet but a varying methodology in any given month based on one of three alternatives may become challenging to monitor and manage. The RWA approach, subject to a floor defined in dollar terms, would in our view be less complex for applicants .

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Page 32 - 3.2.4 Deposit Restrictions

We have some reservations about the guidelines on deposit restrictions. While these may be powers that APRA already has, we expect that the express provision within the guidelines suggests that APRA may be more likely to use these interventions in the future. If that is the case then we urge caution and would hope that in depth discussions and analysis would be held with any new ADI before such limitations were imposed.

In particular :
- Where the limitations applied at the outset the limitation may prevent the ADI fulfilling its business plan with consequences on profitability, the ability to compete on a level playing field with incumbent banks and on the attraction of new capital.
- Where the limitations are imposed after the ADI has commenced operations (e.g. due to a perceived risk to deposits) the consequence may be to worsen the financial position of the ADI to the detriment, rather than benefit of all its customers - in particular where the ADI is relying on increasing deposits to fund an increasing loan book.

We would be happy to discuss any of these issues further should APRA wish to do so.

Yours Sincerely

[redacted]

Chief Compliance Officer