

9 May 2024

██████████
Executive Director
Policy & Advice Division
Australian Prudential Regulation Authority

Via email: policydevelopment@apra.gov.au

Dear ██████████

Minor updates to the prudential framework

The Customer Owned Banking Association (COBA) welcomes the opportunity to respond to APRA's consultation on minor updates to the prudential framework.

COBA is the industry association for Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$175 billion in assets and is the fifth largest holder of household deposits. Customer owned banks (i.e. mutual ADIs) account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

Our sector provides competition and diversity in a major bank and investor-owned bank dominated market. COBA members are retail consumer banks that have a wide range of business models and service many different demographics including those originating from employee groups (e.g. essential workers) or specific regional areas. The customer owned banking sector has a long history of putting our customers first.

Key points – APS 330 Public Disclosure

Basel disclosure requirements are primarily designed for large, internationally active banks, however Australia's smallest SFIs which are simple, domestically-focused banks are also captured by these requirements. This includes a number of COBA members.

Proportionality should be used when applying Basel disclosure requirements to small mutual SFIs or further consideration should be given to whether the current SFI threshold is appropriate given the Basel disclosure requirements are designed for larger financial institutions.

Given the absence of MLH-specific disclosures in the Basel standard, APRA needs to provide appropriate guidance for MLH SFIs in complying with liquidity disclosure requirements.

Consideration should be given to whether a more tailored Australian-specific public disclosure regime is more appropriate.

Proposed revisions to APS 330 Public Disclosure

Prudential Standard APS 330 applies to all domestic significant financial institution (SFI) ADIs which is expected to include at least three mutual ADIs. In the SFI context, these domestically-focused ADIs are the smallest SFIs in Australia and APS 330 will explicitly require these COBA members to comply with Basel disclosure requirements that are primarily designed for large, internationally active banks.

In general, COBA members do not exhibit the same level of interconnectedness and complexity of operations as the international banks with whom in mind the Basel disclosure requirements were developed for. The disclosures made by large, internationally active banks are more relevant to the intended public audience than those made by small domestic mutual SFI ADIs which have no external shareholders. Proportionality should be taken into account when imposing disclosure requirements on small SFIs, given the substantial disclosure compliance burden placed on small entities which are not the intended target of the Basel standard. Further consideration could also be given to whether the current SFI threshold is appropriate given the Basel disclosure requirements are designed for larger financial institutions.

In particular, the Australian context captures individually-disclosing SFI ADIs that are subject to the less complex Australian-specific Minimum Liquidity Holdings (MLH) regime rather than the Basel-defined Liquidity Coverage Ratio (LCR) regime. Given the absence of MLH-specific disclosures in the Basel standard, APRA needs to provide appropriate guidance for MLH SFIs in complying with disclosure requirements and will need to develop a specific form for these entities to disclose their liquidity position. It is not appropriate to require MLH SFIs to provide the Basel LCR liquidity disclosures.

Although the global alignment of disclosures is appropriate, given the Basel disclosure requirements focus on large, internationally active banks, consideration should be given to whether a more tailored Australian-specific regime is more appropriate. Where the Basel standard does not align with our local prudential framework or the structure and operation of entities captured by the standard, APRA should maintain control over the type and timing of disclosures to ensure they are fit for purpose, particularly for smaller SFI ADIs. Furthermore, this should be considered in the context of APRA's broader reporting roadmap (to be released soon) to ensure local alignment of disclosures with any new or altered APRA reporting requirements.

Thank you for taking the time to consider our submission. We look forward to continuing our engagement with APRA on this issue. If you wish to discuss any aspect of this submission, please contact [REDACTED], Policy Manager ([REDACTED]).

Yours sincerely

[REDACTED]

[REDACTED]
Chief Executive Officer