



Australian Banking Association

23 June 2023

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Australian Prudential Regulation Authority
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Dear [REDACTED]

ADI Points of Presence Review

The Australian Banking Association (ABA) welcomes the Australian Prudential Regulation Authority's (APRA) review of their Points of Presence (PoP) statistical collection. A more expansive collection which shows a comprehensive picture of how the population banks would provide end users with a clearer understanding of contemporary banking in Australia.

The way people in Australia bank is changing and the PoP should reflect this. No longer do the majority of customers go into branches to pay bills or deposit salaries. Most banking interactions now take place online: payments are increasingly digital, accounts can be opened online and cards can be cancelled and re-ordered within apps. More than 99 per cent of customer interactions with their bank take place online, within app, over the phone or via a chatbot.

In the late 1990s, when the House of Representatives first recommended a statistical collection on access to banking, the Australian economy was largely cash-based. Australians primarily did their banking at branches and most retail purchases were made in person. At that time it made sense to capture the number of bank and payment access points in terms of fixed addresses.

Despite this, the very first PoP statistical release was not limited to fixed location services as they are now. The June 2002 PoP dataset included non-fixed banking services such as mobile lenders and many other services such as internet telephone banking. The 2015 review of the PoP streamlined the data collection "to provide users with the most relevant information on the ADI points of presence in Australia". The intention was to reduce burden on industry by limiting the data collection to those elements which were of most relevance.

While this made sense at the time, the result of this approach is a limited, and somewhat inaccurate, view of banking services in Australia. In the 21st century we need to re-think the notion of how we define a physical point of presence. While digital banking may seem like an ethereal notion to include in the conceptual framework of the points of presence data collection, each mobile phone, laptop or other device that is utilised to access banking services is itself a physical access point which is built upon technological infrastructure that requires substantial physical, financial and human resourcing to maintain and improve.

Given this, the ABA supports expanding the current collection to include a greater number of bank access points (including digital) as well as a larger number of reporting entities (including non-ADIs). We also recommend expanding the definitions of 'branch' used in the current category of data collection and reporting. The frequency of collection should remain on an annual basis, in order not to increase the burden on banks substantially.

The ABA would be pleased to provide further information in respect to matters raised in this submission. For any queries, please contact [REDACTED] at [REDACTED] who will be able to direct your query.

Yours faithfully

[REDACTED]

[REDACTED]

Appendix 1: Recommendations to modernise Points of Presence

Australian banking has undergone a significant shift in recent decades. Banking is increasingly becoming a digital experience. Online banking has been available to bank customers since the early 2000s, while most banks introduced banking apps over the past decade. Several banks have even entered the retail banking market despite offering digital-only services.

Despite the increasing popularity of digital banking, these access points are not currently captured in the APRA PoP data collection. By reporting only physical points of presence such as branch, ATM, Eftpos and other face-to-face services, the current PoP increasingly paints a picture of how Australians no longer bank, rather than how they bank.

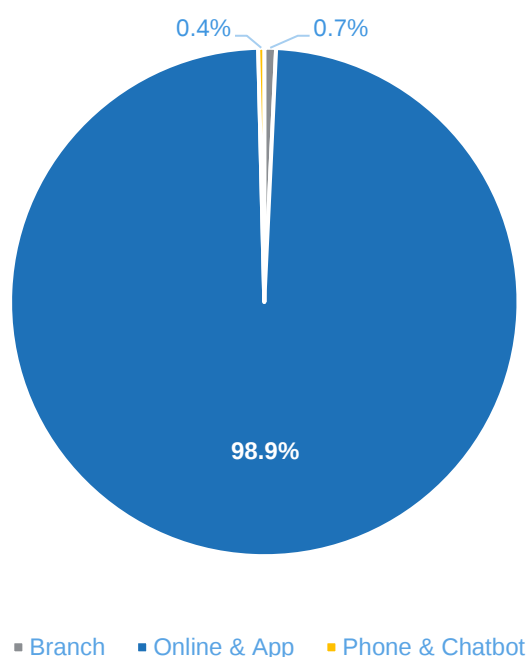
This appendix outlines three recommendations to modernise the Points of Presence data collection:

1. Alter the definitions used in the current collection
2. Expand the reporting population to include non-ADIs
3. Expand the collection to include other banking channels

Background: The shift to digital banking

A recent survey of ABA members¹ found that in 2022 just 0.7 per cent of bank interactions took place in branches. The remaining 99.15 per cent took place through online banking, bank apps, phone and chatbots.

Figure 1: Branch and non-branch interactions, Four majors, 2022, %



Source: Accenture, 2023

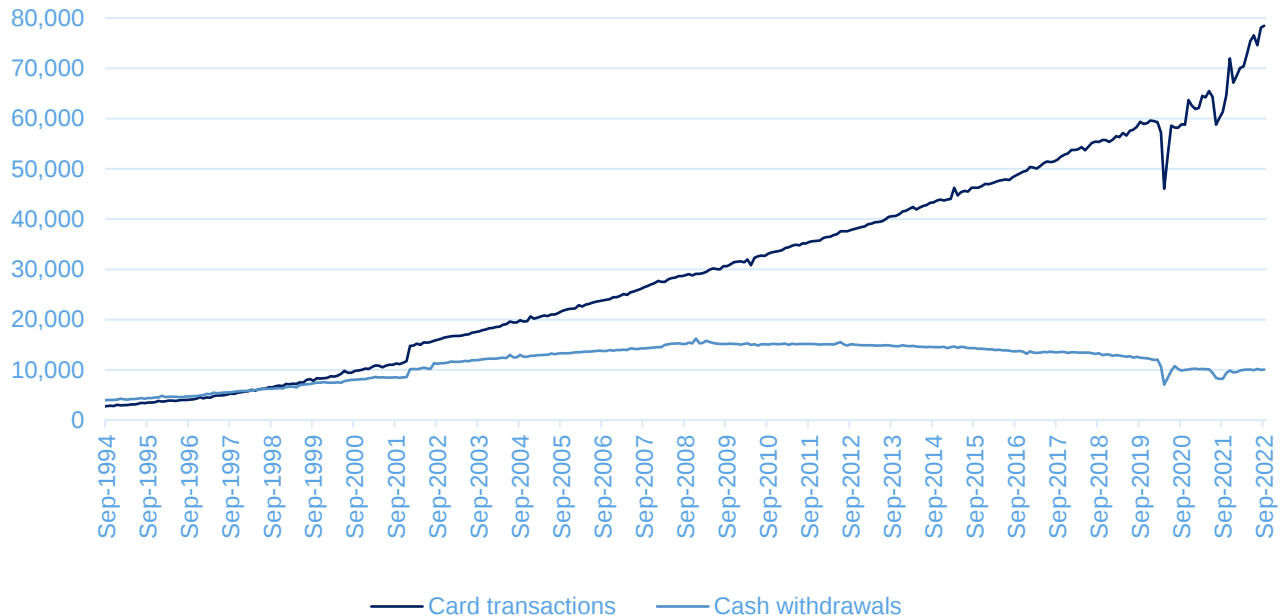
This move away from branches as the primary location in which banking activity takes place is a long-term trend and is reflective of the overall shift away from physical banking activities, such as making payments by card instead of cash.

¹ The ABA member survey was conducted in May 2023 with ANZ, CBA, NAB and Westpac. More insights from the survey can be found at: Accenture (2023) *Bank On It*, <https://www.ausbanking.org.au/wp-content/uploads/2023/06/Bank-On-It-%E2%80%93-Customer-Trends-2023.pdf>
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In the mid-1990s cash withdrawals exceeded the value of transactions made on debit or credit card. This changed in March 1998 as using cards to make payments became more common, Figure 2. The introduction of 'tap and go' technology and the introduction of pins for credit cards removed friction and further facilitated the popularity of card payments.

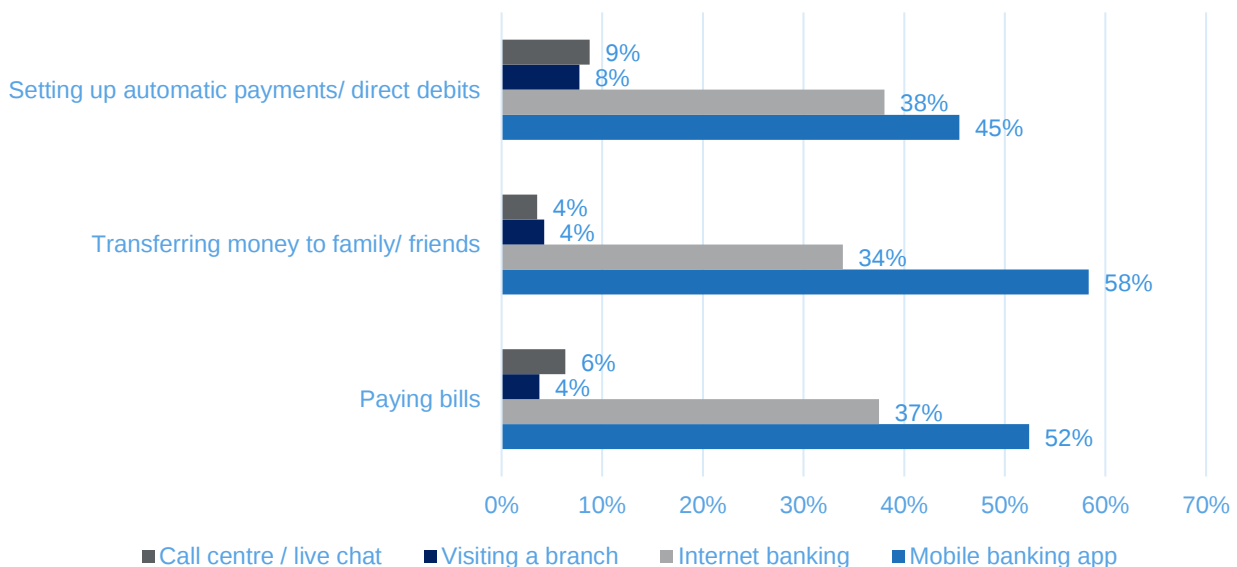
Figure 2: ATM cash withdrawals and Card transactions, September 1994 – (most recent), \$m



Source: RBA, ATMs – Seasonally adjust series (C4); Credit and charge cards – Seasonally adjusted series (C1), Debit cards – Seasonally adjust series (C2); ABA analysis

Most Australians report that digital channels are preferred for everyday banking tasks. Four in five Australians (83%) report preferring to set up automatic payments and direct debits via internet banking or a mobile banking app. A further nine in ten Australians who pay bills and transfer money to family and friends reporting they prefer to do so via internet banking or a mobile banking app, 89% and 92%, respectively, Figure 3.

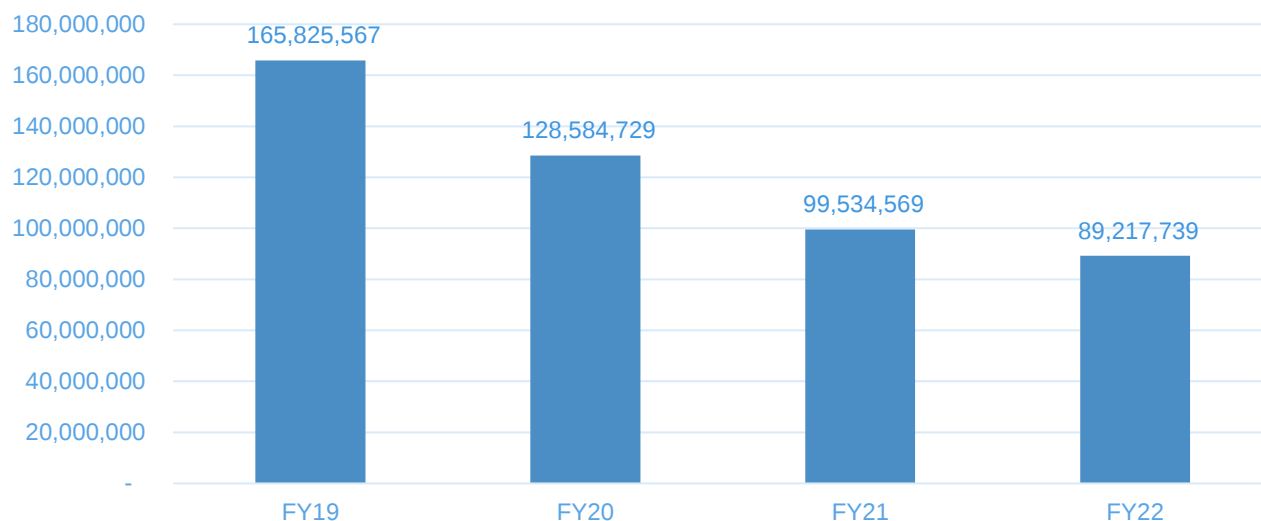
Figure 3: Preferred channel for banking activity, March 2023, %



Source: RFi Global; ABA analysis

The increasing popularity of online banking has contributed to a significant decline in foot traffic at bank branches. Between 2019 and 2022, the number of branch interactions declined by 46 per cent for SME and retail customers, Figure 4. This decline exceeds the proportion of branch closures that occurred over the same period, which was 13.7 per cent.² This suggests that the decrease in retail branch interactions has not been driven by the lack of availability of branches, but by changing customer behaviours.

Figure 4: Branch interactions, Retail and SME customers, 2019 -2022, N



Source: ABA Member Survey, 2023

This change in the way Australians bank has resulted in the APRA PoP data collection capturing banking services which do not reflect the overwhelming way that people in Australia are choosing to bank. This issue was considered by Treasury's Regional Banking Taskforce inquiry. It found:

"[The PoP publication] currently provides helpful information on the decline in physical points of presence over time. However, the report does not include data on banking services provided online or via mobile banking applications, a key issue in an increasingly digital world.

To better understand and plan the transition away from branches, it is important to know what banking options are available and where (including virtual options)."

The ABA supports recommendation 7 of the Regional Banking Taskforce final report which called for the PoP to 'better capture indicators on how banking services are accessed'. An expanded collection which captures a greater breadth of banking services, alongside an expanded scope of reporting entities would provide a more accurate representation of the points of presence of contemporary banking.

Recommendation 1: Alter the definitions used in the current collection

There are currently four categories under which data is collected and published in the PoP: branches, ATMs, Eftpos and other face-to-face. For a banking service to be considered a bank branch, the branch must do all of the following:

- accept cash and other deposits (including business deposits) and provide change;
- facilitate the keeping of accounts for customer access, including the provision of account balances;
- allow customers to open and close accounts;

² APRA, Points of Presence, June 2022.

- d) facilitate or arrange the assessment of the credit risk of existing and potential customers;
- e) offers additional services in the one establishment such as financial services, business banking and specialist lending, if these are generally available from the ADI.

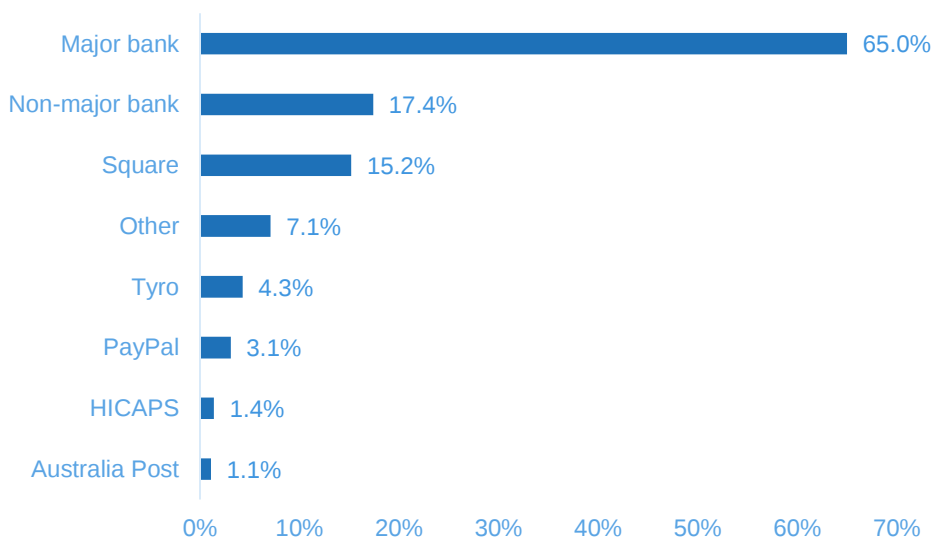
Other face-to-face points of presence mostly consists of Bank@Post services. Bank@Post accounted for 3,525 or 79 per cent of the 4,455 'other face-to-face' offerings in the June 2022 PoP database. Given the dominance of Bank@Post in this category we recommend that it is defined as a category in itself. This would limit confusion as to what is included as 'other face-to-face'.

Another way of limiting the confusion of the 'other face-to-face' category is to include ADI branches that are staffed, without offering the 'traditional' teller service, or do not provide change despite offering many of the other services in the current definition. The current requirements for a service being captured as a branch are reflective of the ways Australians once banked, and not how they bank now. For example, provision of change is no longer as essential as it once was, as merchants increasingly accept online payments and Australians increasingly make retail payments with credit and debit cards. In 2022 just 13 per cent of consumer payments were made with cash, down from 70 per cent in 2007.³

One way of managing these differences is to clearly report the different services provided by each of the points of presence. For example, ATMs are no longer simple cash withdrawal machines. Smart ATMs offer further functionality such as taking deposits or cheques. Some allow customers to remove cash through digital withdrawals. Some ATMs operate on a fee-free network. The data collection and reporting would benefit from sub-categories included in all points of presence.

We also recommend expanding the category of 'Eftpos' to 'Point of Sale terminals' (PoS terminals). New entrants into the payments market mean there are a number of non-ADI providers who now provide this service to retail merchants. Major and non-major banks still constitute 83.4 per cent of PoS terminals for SMEs. However the rapidly changing nature of the payments market could result in a market skewed even more greatly towards non-ADIs and a Points of Presence collection which is no longer reflective of the PoS market, much like ATMs (discussed in the following section).

Figure 5: Market share of Point of Sale terminals for SMEs, 6-months to April 2023, %



Source: DBM Atlas, Merchant facility product penetration;

Note: Based on a survey of 3,292 SMEs with a turnover up to \$40m;

Broadening the Point of Sale category beyond Eftpos terminals will have two additional consequences. The first includes needing to expand reporting entities, this is covered in recommendation two. The

³ RBA, Consumer payment behaviour in Australia, 2022. <https://www.rba.gov.au/publications/bulletin/2023/jun/consumer-payment-behaviour-in-australia>.

second is that in altering the categorical definitions it is essential that APRA is clear about the different services offered by each provider.

For example, while customers can withdraw cash from Eftpos terminals, they are unable to do so with other Point of Sale terminals. Similarly, while some branches offer a full suite of services to customers, others are more limited although should be captured as branches in the collection. A full list of bank services offered by different channels is provided as a second attachment to this document, as an example of how APRA could report on different services.

Recommendation 2: Expand the reporting population to include non-ADIs

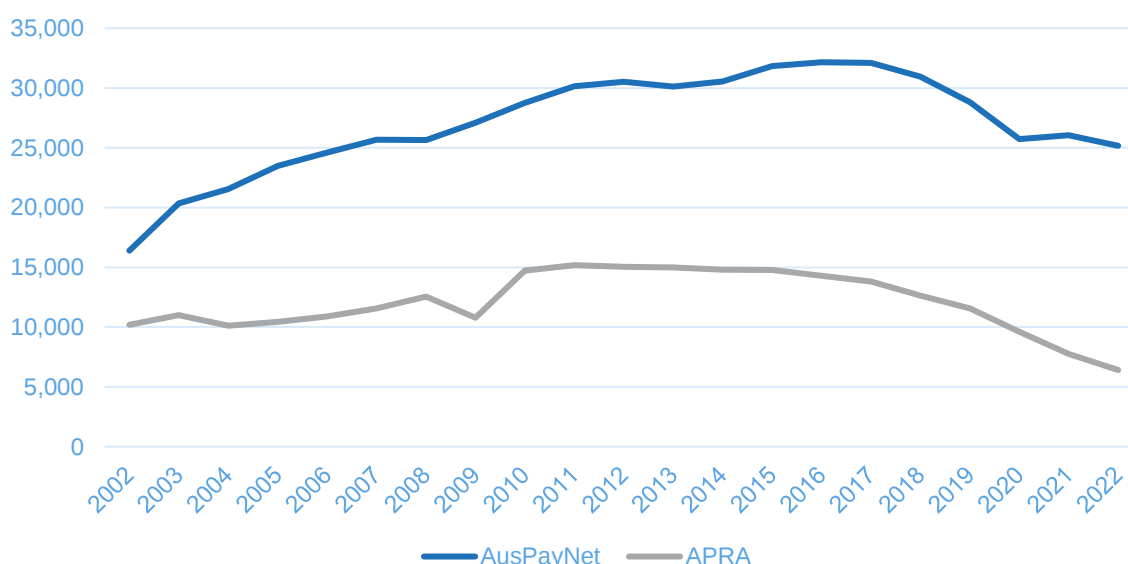
According to the current PoP collection “a total of 141 ADIs operated in Australia [in FY22], and 123 ADIs to which the reporting standards applied submitted data as at 30 June 2022. Australia Post [was] the only non-ADI entity included in [the] publication.”

When the PoP collection was first developed in the early 2000s, ADIs provided the majority of banking and payment services. While the market had changed by the time of the last review in 2015, with a broader array of non-ADIs offering banking and payments, the market continued to be dominated by ADIs.

In the eight years since the last review, the market has substantially changed with many new entrants providing a variety of banking services. Merchants now use non-eftpos terminals to accept payments, many more non-ADI ATM providers dispense cash, and technology companies facilitate payments through mobile wallets. As demonstrated in Figure 5, above, limiting reporting entities to ADIs captures only a fraction of the payments market.

The need to capture more market participants is further illustrated by comparing data published by the Australian Payments Network (AusPayNet), with data from the Points of Presence collection. AusPayNet is an industry association representing payment providers (including ADIs). AusPayNet collects and publishes data from their members on ATMs and Eftpos terminals. AusPayNet reports that in June 2022 there were 25,168 ATMs. This is roughly four times the number reported in the Points of Presence June 2022 publication (6,412).

Figure 6: ATMs, By data collector, 2002 – 2022, N



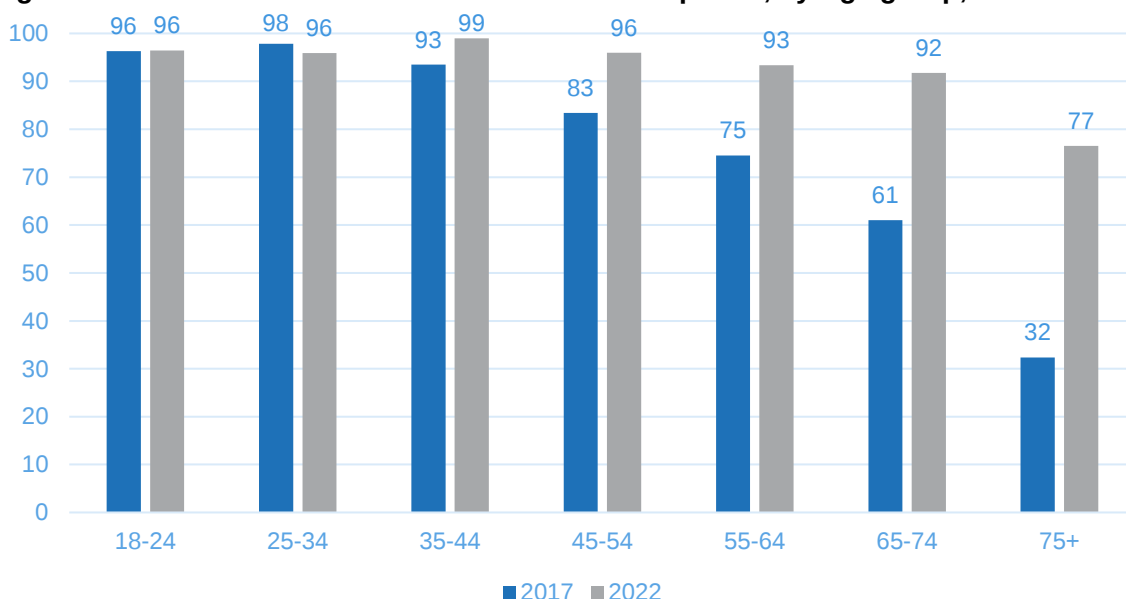
Source: APRA Points of Presence; AusPayNet ATM statistics; Analysis by ABA

Recommendation 3: Expand the collection to other banking channels

As Australians shift to digital banking, the narrow definitions used in the current PoP collection no longer reflect what it means to bank in Australia. Most Australians have access to digital banking 24 hours a day, 7 days a week, making banking more convenient than ever before.

In June 2022, 93.2 per cent of Australians reported having home internet access, up from 90.5 just the year before.⁴ While 94.2 per cent of Australians reported having an internet enabled mobile phone, up from 83.9 per cent in June 2017. Internet connected mobile phone devices are common among all age groups, with a huge growth in usage among older age groups over the past five years, Figure 7.

Figure 7: Devices connected to the internet: Mobile phone, by Age group, 2017 & 2022, %



Source: ACMA, How we use the internet; Analysis by ABA

The popularity of digital banking has led to Australian banks providing greater banking services online. Across the four major banks there are now 31.8 million registered users of online banking, with more than 5.6 billion online logins in 2022 (this equates to 136 logins per customer each year). Banking through banks apps is also popular, with more than 6.2 billion logins in 2022 (151 per customer each year). In comparison there were only 90 million interactions that occurred in branches which means just 2 per customer each year, and a further 34 million that occurred by phone and 11.8 million through chatbots.⁵

APRA's Points of Presence would benefit from capturing digital banking alongside physical banking access points. While it is not feasible to expand the current database to include unique digital access points nor their geo-location information, it is possible to expand the summarised tables to include this information to illustrate the breadth of banking services available to Australians alongside their physical counterparts.

To do this, we recommend publishing an additional table in the as part of the Points of Presence reporting. To maintain commercial confidentiality, and to ensure a data collection that is clear and comparable across ADI's, the data published should be at a high level. We propose metrics such as unique app logins or online logins over a 12-month period would allow for the most comparability.

⁴ ACMA, How we use the internet, 2022, Accessibility file. <https://www.acma.gov.au/publications/2022-12/report/communications-and-media-australia-how-we-use-internet>

⁵ See: Accenture (2023) *Bank On It*, <https://www.ausbanking.org.au/wp-content/uploads/2023/06/Bank-On-It-%E2%80%93-Customer-Trends-2023.pdf>

The table could look similar to the one produced below. Please note that the terminology used in the table has not been endorsed by banks and would still require further consultation to define.

Key Statistics

	Year end			
	Jun 20xx	Jun 20xx	Jun 20xx	Jun 20xx
	Digital level of service			
Digital Points of Presence				
Example: Unique app logins	#	#	#	#
Example: Unique online logins	#	#	#	#

'Unique logins' (whether app or online) would be defined by a single customer having logged in to use the service once in the reporting period. For example, a customer who has logged in weekly over a year period would be counted once. This would refine the 'point of presence' to that customer's unique access point and would create a clear delineation between customer usage and points of presence. This approach would involve some double counting, as most unique app users will be using both online and app logins. Therefore this would not be counting number of customers, but the number of ways in which customers access digital banking.

The introduction of digital points of presence removes the restriction from the current conceptual framework of points of presence from those with fixed addresses to other physical devices which are moveable. It acknowledges that devices such as mobile phones and laptops are access points to banking infrastructure where customers conduct banking activities. These physical assets are entry points to technological infrastructure that involve ongoing maintenance, investment and human resourcing to ensure their upkeep and enhance their features.

There are other ways that Australians bank that are not covered by expanding the collection to the recommended digital access points. Phone banking, chatbots, mobile bankers are also methods through which Australians currently access banking services. These categories are more difficult to capture as it is not simple to collect unique customer usage. For this reason, alongside the large, and growing, coverage of app and online banking, we recommend only expanding the collection to these additional data elements.



Appendix 2: Banking services offered by channel

	Bank Branch	Point of Sale: Eftpos	Point of sale: Non-Eftpos	ATM	Bank@Post	Bank internet	Bank app
General							
KYC check	✓						
Lending services							
Apply – Mortgage	✓					✓	✓
Apply – PL	✓					✓	✓
Apply – CC	✓					✓	✓
Apply – margin lending account	✓					✓	✓
Apply – small business loan	✓					✓	✓
Apply – other loan	✓					✓	✓
Query – loan	✓					✓	✓
Complaint – loan	✓					✓	✓
Repayment on loan	✓					✓	✓
Close loan account	✓					✓	✓
Deposit services							
Open deposit account	✓					✓	✓
Close deposit account	✓					✓	✓
Transact deposit account - EFT	✓	✓	✓		✓	✓	✓
Deposit cash to deposit account	✓				✓		
Deposit cheque to deposit account	✓				✓		
Withdraw cash	✓	✓		✓	✓		
Query deposit account	✓					✓	✓
Complain about deposit account	✓					✓	✓