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Australian Prudential Regulation Authority
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To whom it may concern

Consultation on the APRA Points of Presence

Bendigo and Adelaide Bank welcomes the opportunity to provide input into the Australian Prudential Regulator Authority (APRA) consultation on the data it collects and publishes on physical banking service channels in Australia (Points of Presence).

Our Bank considers that a more expansive collection of banking presence will provide a better overall picture of how Australians continue to access their banking services, aside from traditional physical branches.

The APRA Points of Presence data has been an important driver in ensuring there is transparency around the location and number of physical branches across Australia.

Unfortunately, this has not kept pace with how customers conduct their banking. Over the past five years, we have seen a rapid shift for immediate and accessible banking services delivered through digital channels, such as online banking or via an app. Our Bank considers that improvements to the APRA Points of Presence statistical intake will future proof the statistical collection and ensure it better reflects the myriad of banking channels available to customers in today's online environment.

We are pleased to be able to contribute to the APRA Points of Presence consultation and to ensure that the data collecting continues to keep pace with how customers access their banking services.

A summary of our recommendations

- **Recommendation 1:** Expand the APRA Points of Presence data collected to include digital information, showing the uptake of digital users across metro, regional and remote locations.

- **Recommendation 2:** Expand the APRA Points of Presence information to include non-fixed address banking services, including a better representation of mobile relationship managers and business bankers who provide services without a fixed location.
- **Recommendation 3:** Expand the reporting population to include non-ADIs.
- **Recommendation 4:** Encourage the development of a methodology financial services institutions can more readily reproduce themselves for APRA Points of Presence data.
- **Recommendation 5:** Reconsider the format that the APRA Points of Presence information is presented to allow greater accessibility.
- **Recommendation 6:** Consider increasing the frequency of the release of the APRA Points of Presence reports.

Yours sincerely



1. About Bendigo and Adelaide Bank

Bendigo and Adelaide Bank is an ASX200 company with 8,000 employees who support over 2.3 million customers around Australia to achieve their financial goals. Our Bank has assets under management of more than \$90 billion, a market capitalisation of over \$5 billion and more than 110,000 shareholders across Australia. Bendigo and Adelaide Bank Group is the corporate entity for a network of brands including, Bendigo Bank, Rural Bank and Up.

Our Bank is the only regionally headquartered ASX listed financial institution with more than half our branches situated in rural or regional settings. Our vision is to be Australia's bank of choice, and we believe our success as one of Australia's biggest banks is driven by our purpose – to feed into the prosperity of our customers and communities, not off it.

2. The purpose of the APRA Points of Presence

When the APRA Points of Presence data was introduced, the Australian economy largely operated in cash and most customers did their banking through physical branches with retail purchases made in person. At that time, the purpose of data collection was to capture the number of bank and payment access points through identifying fixed addresses. This was reflective of the habits of customers at that time, who mostly engaged through face-to-face banking.

Our Bank is a strong believer in providing transparency to customers and customers are well-aware of how to access their banking services. Noting this, the APRA Points of Presence report remains an important tool to ensure that customers have available information on how to access banking services. This provides a ripe opportunity to update the statistical collection of data to ensure it captures the different ways to doing banking and keeps pace with changing customer habits.

3. Changing customers habits

There continues to be a rapid shift in the way customers are doing their banking, whether it be through digital or other face-to-face means.

The Regional Banking Taskforce Final Report identified that 80 percent of customers in regional areas conduct their banking online (either on the internet or via a mobile banking app).¹ This is in line with our experience.

The banking habits of our more than 2.3 million customers reflect a desire to have fast, accessible, and tailored digital and self-service solutions to complete their basic

¹ Commonwealth Treasury, *Regional Banking Taskforce – Final Report*, 30 September 2022, <https://treasury.gov.au/publication/p2022-260600>.

transactional banking as well as the ability to talk to a real person when embarking on more complex financial interactions.

Consequently, we have seen a significant reduction in the number of customers visiting our branches to conduct their banking. We know that only five percent of our customers use a branch weekly with most transactions being simple deposits or withdrawals.

Our Bank has also seen a rapid switch to digital banking with more than 60 percent of our customers utilising e-banking to undertake their daily banking. Our customers are highly engaged digital users with nearly a million customers logging on in the past three months.

Over a five-year period from October 2018 to October 2022, we saw a 45 percent increase in e-banking activity. This is not just young people; we know that customers across all age groups are using internet banking (either via an app or through internet banking).

Further, our digital channels account for nearly 10 per cent of settled home loans, including Bendigo Bank's product BEN Express, subsidiary Up, and Tic:Toc. In fact, our digital channels account for 25 per cent of digital mortgages in Australia.

We consider that the APRA Points of Presence data could include other channels, such as recording the different channels that customers obtain banking products, including branches, mobile relationship managers and business bankers. It may also be useful to record digital information to reflect this rapidly growing desire to conduct banking through online channels. We consider that this may include showing the vast uptake of digital users across metropolitan, regional and remote locations.

Recommendation 1: Expand the APRA Points of Presence data collected to include digital information, showing the uptake of digital users across metropolitan, regional and remote locations.

Recommendation 2: Expand the APRA Points of Presence information to include non-fixed address banking services, including a better representation of mobile relationship managers and business bankers who provide services without a fixed location.

4. Expand the population to include non-ADIs

It is a well-observed trend that since the mid-2020s there has been a significant decline in the use cash for day-to-day transactions.² The Reserve Bank Consumer Cash Payments survey showed cash was the dominant form of payment in 2007, with 70 percent of transactions made in cash. This declined to 27 per cent of consumer payments in 2017.³

This trend has coincided with an increase in the use of 'tap mobile' for, including EFTPOS and digital banking for online shopping. Cards have now overwhelmingly become the dominant retail payment method as customers continue to experience the convenience in their use. The dominance of these payment options is evidenced through the Treasurer's announcement of the Strategic Payments Roadmap, which draws out the prominence of these payment facilities and the Reserve Bank's announcement of greater supervision of card payment providers and its recognition and support in the development of Australia's fast payments system.⁴

With the increase of this payment service, there has been a rapid increase in the prominence of non-Authorised Deposit Institutions (ADI) who provide electronic payment services such as Square and Tyro (who offer payment terminals) have risen to prominence with most of the users of these terminals being small businesses who rely on technology companies to facilitate customer payments through the use of mobile wallets.

By limiting APRA Points of Presence reporting to only ADIs, it captures a narrow subset of how customers undertake their business and retail banking today. Instead, our Bank recommends expanding APRA's jurisdiction to include non-ADIs in population reporting. This would allow APRA to capture points of access to banking outside traditional methods, such as Square or Tyro terminals.

Recommendation 3: Expand the reporting population to include non-ADIs.

5. Remoteness Data

The APRA Points of Presence data uses the Australian Statistical Geography Standard (ASGS) classification system of geographical regions. This is difficult to replicate internally as it requires geo-statistical data that our Bank does not have the capability and resourcing to recreate internally. This means the way we categorise remoteness for our internal needs is slightly different to that of APRA. For the sake of consistency, we encourage the development of a methodology financial services

² Guttman, Livermore and Zhang, The Cash-use Cycle in Australia, Reserve Bank of Australia, 16 March 2023, <https://www.rba.gov.au/publications/bulletin/2023/mar/the-cash-use-cycle-in-australia.html>

³ Reserve Bank of Australia, *Consumer Cash Payments Survey 2019*, <https://www.rba.gov.au/payments-and-infrastructure/consumer-payments-survey/>

⁴ Ellis Connolly, 28 March 2023, 'The Shift to Electronic Payments – Some Policy Issues', AFR Banking Summit, <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

institutions can more readily reproduce themselves to ensure consistency across these data points.

Recommendation 4: Encourage the development of a methodology financial services institutions can more readily reproduce themselves for APRA Points of Presence data.

6. Rethinking APRA Points of Presence Data

The APRA Points of Presence statistical data is presented in a consistent format for all banking providers. The data allows customers to interpret and analyse the data themselves, but our Bank considers that the reframing of the presentation of the data could make the information easier to understand, thereby making it more useful for the audience.

Our Bank recommends that APRA undertake analysis on the data to better showcase the alternative banking channels available to customers. It would also increase accessibility for individual customers to understand the different banking channels that they are able to access around them.

There could also be benefit in increasing the frequency of these reports. This would eliminate concerns about digital banking information being quickly out of date. Our Bank considers a six-month frequency would allow enough cadence for the data to provide an accurate point-in-time snapshot of digital and non-digital banking services and access to payment channels.

Recommendation 5: Reconsider the format that the APRA points of presence information is presented to allow greater accessibility.

Recommendation 6: Consider increasing the frequency of the release of the APRA Points of Presence reports.