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ADI Points of Presence Review

APRA's review of its Points of Presence data collection and publication aims to determine:

- who uses the Points of Presence data;
- what users expect and need from the Points of Presence data; and
- how information could best be provided to meet the needs of users.

I represent a significant user group, the media. As a journalist reporting on bank closures in regional Australia I have been routinely directed to the APRA Authorised Deposit-Taking Institutions Points of Presence (ADIPOP) database by banks when asking questions about their branch footprints.

It is standard procedure for banks to use this data as a way of deflecting questions about where their branches are located and any changes to their overall footprints.

However, the ADIPOP database does not answer these questions or provide enough information to allow for meaningful and accurate reporting.

Due to this I found it necessary to put together my own data, which is when I also found out that the data not only lacked transparency, it was also wrong in statistically significant numbers.

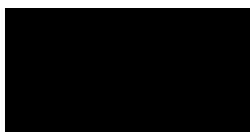
When it comes to what I need and expect as a user of this database, the number one thing would be that the data is accurate and the publication of data is managed diligently and in accordance with the ethical standards expected of public servants. APRA has failed on both counts.

The second thing I would expect is that it be fit for purpose.

The database was set up at the request of a government committee that recognised that Australia needed a way of monitoring bank activity, particularly in regional areas. All those politicians – which included Prime Minister Anthony Albanese – wanted was to be able to easily see what financial services a community had access to. They did not spell out that it would be important to include the name of the financial institutions located in each town because who would envisage that sort of important information could possibly be left out – but it has. I think it is a really important question for this inquiry to ask why.

In regards to how information could best be provided to meet the needs of users I have already addressed this question in a submission to the senate inquiry into regional bank closures so will include that document in full as part of this submission.

Regards,



SUBMISSION: INQUIRY INTO BANK CLOSURES IN REGIONAL AUSTRALIA

Dear Senators,

I wish to specifically address point (d) in this inquiry's terms of reference:

The effectiveness of government banking statistics capturing and reporting regional service levels, including the Australian Prudential Regulation Authority's authorised deposit-taking institutions points of presence data.

SUMMARY

If it is agreed that banks are an essential service, and that the reasons the Federal Government decided through previous inquiries that it was necessary to track bank service provision are still relevant, then it is important that APRA continues to publish points of presence data.

For the above reasons it is also essential that the service channel classification system set out under legislation continues to recognise that face-to-face cash service is the pillar of what constitutes a bank branch.

As a user of APRA's database, the only changes I would like to see are greater transparency of bank locations, incorporation of BSB identification numbers and substantial improvement in APRA's management of this important resource.

On this last point, APRA needs to ensure the data it is publishing is accurate – which it has not been historically and is not currently – and that in managing the database, it meets the ethics and integrity standards set out in the Public Service Act 1999.

APRA has been given the role of administering what is supposed to be an accurate record of bank locations in Australia by the government, not the banks, and needs reminding of this.

BACKGROUND

There are only two ways to track banks in Australia.

One is through the Australian Payments Network, an industry association for the payments system that maintains BSB number records of bank branch sites, the other is the government's authorised deposit-taking institutions points of presence data administered by the Australian Prudential Regulation Authority (APRA).

The BSB system does not differentiate between metropolitan and regional banks and is becoming less effective in capturing branch footprints due to newer banks adopting universal BSB numbers. In the past however, it has been the only way to accurately track bank locations.

The authorised deposit-taking institutions points of presence (ADIPOP) database was established at the request of the 1999 Hawker inquiry into regional bank closures to provide a source of truth on bank service levels in Australia.

The Hawker committee was hampered by lack of information on banking services, stating in its final report “Money Too Far Away” that the statistical information that was available at that time was of limited use in compiling a picture of service delivery. It recommended federal government ministers working with state colleagues be tasked with putting together a more comprehensive collection of data. The job ended up with APRA, which was none too happy about it, claiming the work was not part of its remit. There was no getting out of it though, and despite a refusal to be involved in any form of data analysis that stands to this day, the first “Authorised Deposit-taking Institutions Points of Presence” data was published in 2001.

The system works as follows. By the end of June each year, every “deposit-taking institution” must report every service delivery channel site it has to APRA under requirements set out under the Financial Sector (Collection of Data) Act 2001. A reporting standard tied to the legislation sets out the specifics, including definitions for the service channels. The current reporting standard is ARS 796, which in 2016 replaced its predecessor ARS 396 (2008) when APRA did a re-jig to simplify the reporting process after an industry consultation.

Subsequently, APRA has been releasing its annual points of presence data in a new format. This format includes geo-coordinates for each site (rather than an address so locations are not visible) and banks now report just three service channels: branches, other face-to-face and ATMs.

Each year since 2017, the previous year’s data can also be viewed in the latest spreadsheet. (The 2022 data release, for example, included data back to 2017.)

Any significant revisions of data from year-to-year are detailed in the “important notices” tab in the spreadsheet.

Under the Act, false or late reporting of information attracts substantial fines (up to 50 penalty units for each instance).

A USER’S EXPERIENCE

As a journalist, I represent one of the main user groups of ADIPOPOP data.

It has been my experience when reporting on the issue of bank closures to be directed to APRA when asking any bank for information on their branch networks and service levels.

I have found the database to be of limited use when trying to provide readers with meaningful scrutiny and analysis of bank activity and service levels in general, but particularly in regional areas.

There are a number of reasons for this:

- Bank locations are masked, so unless the user goes through the 12,000-plus entries and drops the geo-coordinates into a search engine one at a time, or buys expensive mapping software, the question of where banking institutions have services located can never be answered;
- Only numbers are provided across two tables – how many services a location has in one, how many services an institution has in broad geographical classifications in the other;
- The largest regional cities are grouped with metropolitan data; and
- Smaller towns are often grouped into local government areas, meaning that the places that have been the first to lose all banking services have not been visible.

Being able to use the database to find out where banks are located, identify communities that are the most vulnerable to complete loss of banking services and see where services have been lost could be considered key requirements of the initial brief that APRA has never met.

From a reporting perspective, this means journalists have never been able to use this data for anything more than looking at changes in numbers of services from year to year.

Locations can be searched for (if included in the list) but the names of the institutions in those places are not revealed, just numbers of services in the three service channel listings (branches, other face-to-face and ATMs) and Bank@post agencies.

From a government perspective, the ADIPOP database is likely to be needed in two scenarios: inquiries like this and during emergency situations when responses require knowledge of essential services in communities.

Situations referenced frequently in submissions to the Regional Banking Taskforce in 2021 included fire, flood and cyclone emergencies when communities were cut off for weeks on end.

Access to cash and face-to-face banking services would have been critical in these situations but the ADIPOP database could not have been used to identify the banks in any of those places. (If they were lucky enough to still have one.)

INACCURATE DATA - HISTORIC

Because of the masking of bank locations, users of the ADIPOP database have always had to simply trust the accuracy of the numbers.

It was only through basic journalistic curiosity that I discovered APRA had been publishing statistically significant errors every year since the first edition of its ADIPOP data was released in 2001.

Questioning led to a further revelation that APRA does not verify the information provided to it by the banks before publication.

The errors related to banks falsely reporting that sites offered full branch services when they did not. Specifically, that they offered face-to-face service that accepts cash and other deposits (including business deposits) and provides change.

In simple terms, cash service from a teller.

I discovered hundreds of Rural Bank/Bendigo and Adelaide Bank sites had been incorrectly reported as offering full branch services every year since 2001 and more than 100 Rabobank sites since 2008.

Through my efforts these errors were corrected over the 2021 and 2022 editions of the ADIPOP data, but this does not change the situation that every media story, every government report, every business plan that has quoted APRA data between 2001 and 2021 – two decades – has been inaccurate.

And these are not small numbers.

For Bendigo and Adelaide Bank, the correction of this data meant its branch network rising and falling by 40 per cent. For Rabobank, 100 per cent of its branch network (metro and regional) has been removed from APRA's branch lists.

In total, the difference between regional branch numbers in 2020 and the edition of the ADIPOP data when all errors had finally been corrected in 2022 was 15 per cent.

The branch figures contained in the Regional Banking Taskforce issues paper and final report – which were published between the first and second lot of corrections being made – are out by six per cent.

Where this starts to get into some seriously shaky ground in terms of propriety is that APRA has failed to:

- fully disclose that the errors were there in the first place; and
- that they have been corrected.

To make the situation even worse, historical data has also been altered in secret.

As it stands, the branches have just disappeared from APRA's lists and anyone comparing data published before the errors were identified to that in 2022 will see significantly inflated branch closure numbers.

When the only useful service the ADIPOP database provides is a comparison of numbers from year to year, this is a serious problem.

INACCURATE DATA - CURRENT

The uncovering of the historic classification errors in the ADIPOP database has caused an additional headache for APRA.

While the historic errors related to bank sites that had never offered full branch services, the correction of the data has drawn attention to banks that once offered full service but have decided to withdraw a critical element of what enables them to call sites a "branch" in government data: *tellers providing cash service*.

All of the big four banks are moving down this track but are still reporting sites to APRA as offering full branch service in what is a very clear breach of the legislation.

That this is in fact a breach was confirmed by former APRA chairman Wayne Byres during Senate Estimates in April last year and reiterated by the Treasurer Jim Chalmers' office in a letter to me in July.

The issue coming to a head in Senate Estimates when raised by Senator Malcolm Roberts meant two National Australia Bank branches in Geelong and Waurin Ponds that had removed teller service and were directing customers to ATMs instead were forced to reclassify their sites as "other face-to-face" in the 2022 ADIPOP data.

The Geelong and Waurin Ponds branches were the only ones mentioned in Parliament by Senator Roberts but I supplied both APRA and Dr Chalmers with a list of another 25-plus NAB, ANZ, Commonwealth and Westpac sites with identical service models (ie, had removed tellers and were directing customers to ATMs). A number of these had been falsely reporting those sites as offering full branch services to APRA for a number of years.

In full knowledge of this, APRA allowed all to continue reporting these sites as providing full branch services in the 2022 ADIPOP data (while stripping two foreign banks of branch status for failing to meet the same reporting standard criteria).

When questioned as to why it knowingly published incorrect data, APRA issued a statement saying that it was choosing to interpret the legislation in a way that contradicted what Mr Byres told parliament and Dr Chalmers had stated to me. Their interpretation also ignored the precedent it had set by the downgrading of the two NAB branches.

APRA concluded its statement saying it would be using a review recommended in the Regional Banking Taskforce final report as an opportunity to re-look at the definition of a bank branch.

(I am still investigating whether this recommendation (7) was added to the final report by either the banks sitting on the taskforce or the new government as a way of making the data error headache disappear.)

As a user of this database for the purpose of which it was intended, I can categorically state that changing the legislated definition of a branch is not necessary.

There is already a service channel that adequately describes what is on offer at tellerless/cashless sites and a precedent has already been set by listing two branches downgraded to tellerless sites to "other face-to-face", showing the system works.

Currently, if a bank site does not have face-to-face teller service but there is an ATM on site, the bank reports the two service channels as “other face-to-face” and “ATM”.

Going forward it will become more and more important to keep these service channels separate due to banks using third parties to supply ATM services. This is already happening and the practice is growing.

The community, as demonstrated in submissions to the Regional Banking Taskforce, has a clear view of what services are expected from a bank branch and this very definitely includes cash from a teller.

The expectation that the government – as a representative of the people and not the banks – should maintain this line in official records is not an unreasonable one.

If APRA does attempt to change the legislated definition of a branch to remove the requirement that they provide face-to-face cash service, I urge you to consider the following:

- Cash is not on the way out. According to the Reserve Bank there is more cash in circulation in Australia than at any point in our history. Any claims otherwise by the banking industry are tainted with their own agendas to move away from the very thing that makes them a bank;
- The loss of the ability to deposit and withdraw all denominations of notes and coin is the critical service that has the most impact when a community loses a bank branch, so government data needs to continue to differentiate between service channels where face-to-face cash service is available and where it isn't;
- Face-to-face cash service is needed now more than ever due to its role in helping to prevent scams (stand in any bank queue and listen to the questions tellers ask vulnerable people asking to withdraw large sums);
- Not providing face-to-face cash service is a breach of the Banking Code of Practice's overarching principle to provide accessible and inclusive service in a fair and ethical manner for too many reasons than is possible to list here. Its removal should not be endorsed by the government by allowing banks to continue to report tellerless/cashless sites as branches in official data; and
- If cash is being provided on a bank site by a third party, and banks continue to engage in restriction of trade by debanking third party competitors, the government could be seen to be enabling the behaviour by not separating the two business entities in government records.

APRA BEHAVIOUR

While this is not an inquiry into APRA behaviour, I believe it is important to include information on possible breaches of the Public Service Act's ethics and integrity standards as background for the senators when considering APRA's future role in collection and reporting of banking statistics.

I have written extensively on this and the links are provided below, so I will try to be as succinct as possible in explaining what has happened.

I discovered classification errors in APRA's ADIPOP database, some of which dated back to its inception two decades earlier.

Sometime after the publication of my story in May 2021, APRA corrected a large cohort of the errors on the quiet and the sites (Bendigo and Adelaide Bank/Rural Bank) appeared correctly classified in the next release of ADIPOP data in October 2021.

I didn't notice immediately that the corrections had been made and in the meantime, the issue of cashless banks, which was related to the classification issues, cropped up and the matter was raised in the April 2022 Senate Estimates by Senator Malcolm Roberts.

Senator Roberts asked then APRA chairman Wayne Byres if he was aware of the errors I had written about and he denied knowledge, saying he did not think there were any problems with the database. Current APRA chairman John Lonsdale was also given an opportunity to comment and made no admission.

Soon after, through a random audit of the 2021 APRA data, I discovered the errors had been corrected but the revision was not noted as it should have been in the important notices section. I continued to look through the data and went on to check previous years that were included under the 2021 section.

Nothing was adding up and I became quite distressed because it was looking as if I had got my story wrong. (I had won a number of major awards for this work.)

Fortunately, I had downloaded the previous years' data when it was first released and discovered this as I had reported.

This meant that APRA had altered the historic data in the 2021 publication without disclosing what it had done, leaving no one the wiser that there was any difference between the original data and what was in the 2021 publication.

At the time Mr Byres was being asked in parliament whether he was aware of any errors in his database, this extensive body of work had already been completed.

Having worked in government myself, I am quite sure that if a journalist had exposed hundreds of errors in official records and a decision had been made to not only amend the current release of data but also alter historic records, the chairman would have been aware of it.

APRA has ignored my questions about:

- the changes to the Bendigo and Adelaide Bank data;
- whether Mr Byres misled parliament by denying any knowledge of errors in the database; and
- other incorrectly classified bank sites APRA has allowed to be classified incorrectly.

Instead of answers, I was sent a "holding statement" (title revealed through an FOI request) saying APRA would be reviewing the definition of a branch as per a recommendation in the Regional Banking Taskforce final report and that no further comment would be provided.

APRA can keep me "on hold" for as long as it likes but it won't change the pickle of a situation it is currently in.

The fact remains it has been caught out trying to cover-up information that was embarrassing to the agency and failing to enforce the legislation it has been entrusted to administer (except in circumstances when it was publicly called out by a Senator).

It has also been shown to have actively participated in allowing to banks to make false reports to the government.

This behaviour has caused confusion, corrupted the ADIPO database and led to inaccurate reporting of the issue of regional bank closures.

The public record needs to be corrected.

Stories covering this issue

[Banking regulator fixes long-standing errors but data doesn't add up](#)

[APRA's clean-up of bank data errors leaves statistics in chaos](#)

[Open letter to the Attorney General, Mark Dreyfus](#)

OTHER ISSUES

Closure notification: Banks are regarded as an essential service during times of crisis (note that they were required to remain open during Covid lockdowns) because they keep the wheels of the economy turning through the provision of cash and other services.

Despite this, bank branches are removed from communities – in many cases the last bank in a town – without the banks having to notify a soul other than their customers by law.

Word just gets out, either through upset customers contacting the media or through the union representing employees, which has a memorandum of understanding with the banks for the purpose of assisting staff through the process. There is no requirement for the union to make any formal announcements about closures but as the banks have agreed to allow it to release the information after a certain amount of time has passed, the media has come to rely on this as the primary source of closure notifications.

The banks make no announcements and are not required to inform the government or banking regulator.

Some local governments and MPs are told once the decision has been made but this is only through the completely unenforceable “branch closure protocol” tied to the Banking Code of Practice. [As fact checking of NAB’s evidence to the first hearing of this inquiry showed](#), the process is hit and miss and basically just an “FYI”.

The only way to track closures once they have occurred is through the BSB system managed by the Australian Payments Network (APN). The APN releases monthly updates of its records but it is a tortuous process to unpick the information because the banks differ in the amount of information they disclose. Newer banks are also adopting universal BSB numbers, which makes their branch networks almost impossible to track.

While the original brief for the statistics that eventually became APRA’s ADIPOP database was to record both open and closed branches and agencies, this information is not available from APRA.

I believe it should be.

I also believe APRA has a role to play in ending the messy situation that occurs when a bank decides to close a branch.

Due to the importance of a bank branch in a community, a bank should be required under the terms of its licence to notify the government when it has decided to close a branch or remove an ATM.

The decision to close should be released to the public immediately and APRA is the logical authority to manage this process.

Saving the BSB system: The importance of BSB numbers needs to be recognised and the practice of issuing individual IDs for all sites, rather than universal numbers, reintroduced.

Although a little trickier to bring about due to its origins under the Cheques Act, the numbers are the only true way of tracking Australia’s bank branches (past and present) and as such are a vital resource.

[The Australian Payments Network – BSB numbers](#)

Other errors: I have seen evidence that the errors I have uncovered in the APRA data are only the tip of the iceberg and that there are minor and foreign banks that either do not provide any form of cash on site or routinely direct customers to ATMs that have been misreporting service channels for years.

Co-located sites: Westpac has been closing branches of Westpac and other brands it owns and moving services into other brand premises in the same locations, calling these sites “co-locations”. The sites operate as one branch but APRA is allowing Westpac to still claim two branches at the one site.

RECOMMENDATIONS

1. No changes be made to the service channel classifications as set out in ARS 796 - Financial Sector (Collection of Data) Act 2001
2. Physical site addresses be added to ADIPOP data in place of (or in addition to) geo-coordinates
3. BSB numbers to be included with ADIPOP branch data
4. Regional and metropolitan areas to be more clearly defined in ADIPOP database
5. Grouping of smaller towns in local government regions to cease and all locations with banking services (including Bank@post) be listed individually
6. Location and institution ADIPOP data to be correlated so it is possible to see which service providers are in what locations
7. Multiple brands of same owner located at one site to be listed as single branches
8. A record of closed or removed services to be retained in the ADIPOP database
9. APRA to be required to verify the ADIPOP data before publication
10. An audit of all deposit-taking institutions' branches be undertaken to determine whether face-to-face cash service is being provided or if customers are being directed to ATMs instead
11. Owners of ATMs (if not the ADI) to be identified in ADIPOP data
12. Universal BSB numbers to be replaced with individual IDs to assist in the identification and tracking of banks as an essential service
13. Branch closure decisions to be reported to APRA and released to the public immediately
14. APRA's handling of corrections to Bendigo and Adelaide Bank/Rural Bank data to be referred to the Attorney General's Department and/or Treasury for investigation.

FINAL COMMENT

Due to the inadequacies of APRA's ADIPOP database, [I had to collate my own records](#) to be able to report accurately and with insight on the issue of regional bank closures.

It took a year to put together the maps and it is a time-consuming process to keep them up-to-date.

Without my own data however, I would not have been able to report on bank closures to the depth that I have, leading to a point where my records were the trigger for the first Senate inquiry on the issue in 20 years.

I do not want to have to continue counting banks indefinitely, however.

The information I publish should be available through the APRA ADIPOP database. With the amendments I have suggested, it could finally do the job the Hawker committee intended it to, and more.

What is not as easy to fix is the lack of transparency, due diligence and willingness to hold banks to account that APRA has displayed in the management of this important resource.

Without improvement in this respect, APRA data can't be trusted.

Regards

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