

## Gerd Schenkel

Director

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**Australian Prudential Regulatory Authority**

[Licensing@apra.gov.au](mailto:Licensing@apra.gov.au)

Bondi Beach, 18 October 2017

SUBMISSION re. "Phased licensing for authorised deposit-taking institutions"

Dear Sir or Madam -

I am pleased to present the following comments re. the above consultation process:

1. It is broadly accepted that the concentrated nature of our banking system in Australia has had two effects: firstly, it has provided extraordinary stability over the long term (incl. the Global Financial Crisis); secondly, it has led to a relative lack of competition, and therefore to higher costs for banking customers
2. The government's efforts in stimulating competition in the banking market is welcome
3. We recognise that APRA is facing a difficult position: on one hand, protecting borrowers remains paramount; on the other hand, current licensing processes and conditions prohibit new entrants and, thus limit competition
4. In our opinion, APRA's consultation paper re. a "restricted ADI licensing regime" falls short of the objective: a restricted license, as presented, does not provide sufficient certainty, time or ability to scale for new entrants to raise the required capital in order to get ready for an unrestricted license. This sort of restricted license seems to be a distraction for start-ups, rather than a hurdle worth mounting.
5. Instead, we propose the following: create a class of depositor which is "sophisticated" (akin to the class of "sophisticated investor" as defined in the Corporations Act) and therefore requires less protection than a "retail" depositor; issue restricted licenses where a deposit taking institution may accept deposits only from "sophisticated" depositors, perhaps defined as a person with a minimum of \$500,000 of net investable assets and a minimum deposit of \$100,000; these deposits would not be covered by the deposit guarantee scheme

I trust this information is a valuable input to the consultation process and remain with best regards,

A handwritten signature in blue ink, appearing to read "Gerd Schenkel", is written in a cursive style.

Gerd Schenkel, Director