

7 October 2022

Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: FAR@treasury.gov.au

Dear Secretariat

Financial Accountability Regime Minister Rules 2022

COBA appreciates the opportunity to provide comment on the draft Financial Accountability Regime (FAR) Minister Rules 2022.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). Collectively, our sector has \$155 billion in assets. Customer owned banking institutions 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.

Accountable persons responsibilities

COBA's members are currently subject to the accountable persons responsibilities under the Banking Executive Accountability Regime (BEAR). The responsibilities provided for in the FAR Minister Rules largely align with these. While there are additional responsibilities in the FAR Minister Rules compared to the BEAR, COBA does not expect these to be too difficult for our members to comply with.

We note that the Financial Accountability Bill 2022 (Cth) and the FAR Minister Rules will commence six months after the Bill receives Royal Assent. Assuming that no further changes or additions are made to the accountable persons responsibilities currently listed in the Minister Rules we expect that our members will be able to implement the changes within this timeframe.

Enhanced disclosure obligation threshold

COBA supports the intention of the FAR framework to create a tiered compliance model between the 'core' and 'enhanced' disclosure obligations so that smaller ADIs will have a lower regulatory burden. Creating a tiered system recognises the cost impacts that regulation can disproportionately have on our members compared to the larger banks and does so in a manner that does not create any material accountability risks.

The major outstanding issue for COBA is the setting of the threshold for this tiered compliance model at a total asset size of \$10 billion. COBA believes that the appropriate amount for the threshold is \$20 billion.

Setting the threshold at \$20 billion of total asset size more accurately captures the point when smaller ADIs become larger and more complex ADIs. A \$20 billion threshold will also help create consistency between the FAR and other banking obligations. This is because it would align with APRA's \$20 billion

threshold for its simplified capital framework for smaller, less complex ADIs and its threshold for significant financial institution status under the remuneration standard CPS 511.

COBA has several members that sit around the \$10 billion asset size. Increasing the threshold to \$20 billion would ensure that more of these smaller banks are exempted while also having room to grow further before becoming subject to the higher compliance costs.

If you wish to discuss any aspect of this submission, please contact Robert Thomas (RThomas@coba.asn.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Lawrence', with a stylized flourish at the end.

MICHAEL LAWRENCE
Chief Executive Officer