

14 August 2017

Manager
Banking, Insurance and Capital Markets Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600
By email useofbank@treasury.gov.au

Dear Sir/Madam

Reducing barriers to new entrants to the banking sector - removing restrictions on the use of the term 'bank'

The Australian Bankers' Association (**ABA**) appreciates the opportunity to provide comments on The Treasury's consultation on *Reducing barriers to new entrants to the banking sector – removing restrictions on the use of the term 'bank'*.

With the active participation of its members, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

The ABA strongly supports reforms which will enhance competition without triggering unintended consequences. Banks, as authorised deposit-taking institutions (**ADIs**), play a critical role in the financial system, including through their deposit-taking, payments and lending activities. ADIs enjoy a privileged position of trust, with prudential regulation designed to provide consumers with confidence in the safety of their deposits. In reducing barriers to entry it is therefore critical that APRA has a clear power to prohibit certain ADIs which do not have the ordinary characteristics of banks from utilising the term 'bank'. The proposed APRA powers to make a determination to deny the use of the term where serious or unusual circumstances warrant should be express and absolute.

There are a number of smaller ADIs which are prudentially regulated by APRA who will benefit from the use of the term bank, however the reforms must not weaken APRA's ability to promote financial system stability in Australia.

Yours faithfully

Signed by

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