



Australian Government



Australian  
**Small Business and  
Family Enterprise**  
Ombudsman

11 April 2019

APRA Capability Review Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

**By email: [apracapabilityreview@treasury.gov.au](mailto:apracapabilityreview@treasury.gov.au)**

Dear Sir/Madam

### **APRA CAPABILITY REVIEW**

We welcome the opportunity to provide our input to the APRA Capability Review. In looking forward, and in the light of the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, we note the following areas requiring particular focus:

- In delivering on its statutory mandate, APRA must make changes to support *competition, contestability and competitive neutrality*. Forcing smaller banks to strictly apply inflexible prudential regulations while permitting big banks to effectively self-regulate undermines fair competition. APRA prudential measures must allow lenders to adopt nuanced risk weightings tailored to the maturity and credit history of each small businesses applicant.
- APRA needs to take immediate steps to respond to an environment of growing complexity and emerging risks, including new technologies and new financial service providers. APRA must adopt a more nuanced approach in its prudential measures for risk weightings to address the decline in business lending by the banks. Small businesses are driven to alternate financial service providers that are not captured by regulation. This leaves a small business borrower with no protection from, and no redress against, poor lending conduct.
- To be able to *respond to an environment of growing complexity and emerging risks for APRA's regulated sectors* APRA needs the capability to measure the impact of its regulations on key sectors, in particular the small business sector – a sector which contributes 34.7%<sup>1</sup> of GDP and 43.8%<sup>1</sup> of employment in Australia. This will require that APRA recruit *staff with necessary small business expertise*.

If you would like to discuss this matter further, please contact Jill Lawrence on 02 6121 5312 or at [jill.lawrence@asbfeo.gov.au](mailto:jill.lawrence@asbfeo.gov.au).

Yours sincerely

**Kate Carnell AO**

Australian Small Business and Family Enterprise Ombudsman

<sup>1</sup> ABS\_Catalogue\_No.\_8155\_0\_Australian\_Industry