

Opening Address by Ian Govey AM, Chair BCCC, Banking Forum, 17 October 2022, Sydney

1. Welcome to Country

Thank you, Uncle Alan Murray, for opening our Forum with your warm welcome to Country.

I would also like to acknowledge the Traditional Custodians of the land that we are gathered on today, the Gadigal people of the Eora Nation, and pay my respects to their Elders past and present.

2. Welcome to the BCCC 2022 Forum

Welcome, everyone, to the BCCC 2022 industry Forum.

It's fantastic to come together again for this event after a two-year break. In keeping with the times, this year's Forum is a hybrid event: in addition to the many people we have here in this great Commonwealth Bank of Australia (CBA) conference room, a large audience is joining us online.

No matter which part of the audience you're in, we hope you get a lot out of what promises to be a stimulating day.

I would like to extend a very real thank you to the CBA for hosting this year's Forum, in particular, to the CBA events team that has been working closely with our BCCC team to make the day happen. We are immensely grateful to you.

3. Theme for the day

The theme for the Forum is 'keeping customers at the core'. We have a full agenda with topics that will explore this theme in depth and, importantly, will offer new perspectives and ideas on the issues faced in customer-focused banking.

With industry professionals, peak bodies, regulatory bodies and consumer advocates all sharing thoughts and ideas, we hope the day delivers key insights and ideas that will assist in delivering great outcomes for customers.

4. Key messages

With the examples of good practice we will hear, hopefully today will also provide moments to reflect on where improvements can be made. In part, that is what a Forum like this is for!

We know banks have been working to restore the trust and confidence that was lost as a result of the conduct uncovered through the Royal Commission into Banking. Banks' recent responses to support consumers during the pandemic, and in the wake of environmental disasters, as well as improvements to systems and training in light of the Royal Commission recommendations, have no doubt gone a long way to restoring community confidence. That said, while there are things the industry can be proud of, there is clearly room for improvement. It's important the post-Royal Commission commitment and momentum is maintained.

My experience with regulation over many years is that once the immediacy of industry problems fades, calls are made to wind back measures that were introduced - in the case of banking, in the context of the Royal Commission. This is a risk that needs to be avoided.

A well-resourced BCCC operating with a strong Code is an important part of the regulatory framework. As a creature of the banking industry, our self-regulatory role benefits consumers. However, it also benefits banks, not only in terms of reputation but also the broader business. Our recent reports, including the Report on banks' compliance with the Code for July to December 2021, as well as our reports on Guarantees, direct debits and dealing with vulnerability, have all highlighted areas where systemic improvements have been - and still are - needed.

A recent article in the Australian Financial Review on the amount of remediation paid by the financial industry to customers in the last six years is a timely reminder both of the further work to be done, and of how much inappropriate conduct is costing.

The value the BCCC brings, as the independent monitoring and oversight body, is that we sit in a privileged position to shine a light on industry and share examples of good and not so good practices. This helps banks to learn collectively from each other's problems and challenges, and address risks faced in their organisations.

I want to acknowledge the valuable role played by my fellow Committee members, Anne O'Donnell, our industry representative, and Cat Newton, our consumer representative. I also want to acknowledge the essential support provided by the Code team, led by Prue Monument, which supports our work. Our independent monitoring role and the benefits of a self-regulatory model, like the Code, are, we believe, a critical part of the broader consumer protection environment. We take our stewardship role of the BCCC very seriously.

Looking forward - challenges remain. The long-term impacts of COVID-19 remain uncertain. The current financial climate with rising interest rates, high inflation and rising energy prices

is placing a strain on Australian households. A recent article in the Australian Financial Review warned of these factors and what it referred to as the 'fixed-rate cliff'.

We're pleased to hear that many banks are already proactively identifying consumers most at risk and engaging early. It is more important than ever to keep customers and good customer outcomes at the core of your daily work, your culture and your strategy.

Community expectation of transparency and effectiveness in corporate Australia is higher than ever. Australians expect corporate organisations to create broader long-term value for the communities they serve. Environmental, Social and Governance Plans (ESGs) continue to be developed and refined. When we look at ESG plans across subscribers we see commitments such as:

'build trust and making a meaningful contribution to the communities we serve'

'delivering the right outcomes for customers and supporting those experiencing vulnerability being critical to achieving our purpose'

'keeping pace with the expectations of our customers, employees and the community, behaving responsibly and maintain high standards of conduct'.

The Code sets out the high standards banks have promised that the community can expect when providing Australians with fair and responsible lending practices and services. It is a commitment to go the extra mile, to respond to emerging issues and the changing needs of its customers.

The Code and banks' compliance with the Code are central to the ESG commitments. Fair and responsible banking practices are at the very foundation of ESGs.

Mike Callaghan noted last year in his review of the Code (commissioned by the ABA) that *'where the Code is viewed as central to outlining the customer outcomes that will facilitate the bank's ongoing success, this is more likely to contribute to a proactive culture of compliance within the bank'.*

Like any element of an ESG plan, the Code must not become an exercise in administrative box-ticking. It should be a central element in fostering an organisational culture that keeps customers at the core of its business. Having the right culture is the key to having a good business in any industry. We will be following up on our recent reports over the coming months to check on the progress made on the systemic issues we identified. As we hear from our guest speakers and panel discussions today, I hope the bank representatives will take the opportunity to consider what more your organisation can be doing to improve and

develop your customer-centric approach - through your governance, compliance framework and culture.

5. Code review, BCCC review

I want to say a little more about the Callaghan review of the Code I mentioned a moment ago. This review provides an important and timely opportunity for banks to strengthen their commitment and accountability to consumers and the broader community.

It recommended a range of improvements to the way banks can help safeguard and protect banking customers above and beyond what is set out in the law. I don't think anyone expected 116 recommendations and we appreciate the ABA and its members have had a lot to work through.

We welcome the ABA's consultation to date on the approach to be taken and look forward to seeing the improvements in due course.

As you know, the BCCC itself was the subject of a separate independent review conducted by Phil Khoury and we have been busy in preparing and implementing our response to the recommendations.

This review made a total of 19 recommendations.

Our response is focussed on improving our approach to operate more efficiently while maintaining a high quality, trusted program of compliance monitoring that delivers real value for Code subscribers, consumers and the broader community. Prue Monument will speak shortly about the review in more detail, as well as our response to it and the many opportunities it presents.

6. Our current focus and priorities

Late last year, for the first time, we conducted an open consultation with stakeholders on our compliance priorities. We draw on a wide range of information and intelligence in determining our priority focus areas. The various views from stakeholders added to that rich picture which ultimately helped us focus our resources on the most important or significant issues. The call for follow-up work was a common theme, particularly in those areas the BCCC had previously identified areas for improvement.

This year we are following up on our guarantees inquiry to ensure improvements have been made to assessment and disclosure processes - ensuring customers are fully informed prior to guaranteeing a loan. Next month we will commence a follow-up to our inquiry into vulnerability. We are keen to see how the findings of our initial inquiry were received in

practice and what changes have been made as a result of our recommendations. We recognise that work to identify and support customers experiencing vulnerability continues to evolve and is not without its challenges.

This follow-up is particularly important given the current economic pressures and potential for increased hardship and vulnerability in the community.

We will also finalise our inquiry on deceased estates. Our work on this has been thorough and our insights so far indicate breaches of obligations in this area continue to be a serious issue. We look forward to concluding the inquiry and, as with all our inquiries, to shining a light on what is working well and offering important recommendations for improvements.

We look forward to hearing your views again when we consult on our 2023-24 priorities - which is fast approaching.

There is certainly a busy and interesting period ahead for all of us.

However, back to our focus for today.

We have an excellent line-up of speakers whose collective experience and knowledge will give everyone plenty to take away.

Thank you again for joining us and enjoy the Forum.