It was a great pleasure for Deloitte to deliver the annual Banking Summit last month in association with the Australian Financial Review. The Summit was dedicated to talking about the Banking sector – its role in supporting Australia’s economic recovery by funding business growth, the challenges, opportunities, and how regulators, banks and other stakeholders can continue to make sure customers and users of our banking regime receive the best possible outcomes, every time.

I would like to share with you some of my insights from the Summit in this short blog.

Thank you to all of our speakers and panellists, and to our participants – for attending both in person and virtually.

I look forward to seeing how we can continue to evolve the future of banking.

Regards,

David Myers – National Banking & Capital Markets Leader, Deloitte Australia
2022 Summit Agenda

- Opening remarks
  David Myers, National Banking & Capital Markets Leader, Deloitte Australia

- In Conversation
  Ross McEwan, Group CEO and MD, National Australia Bank

- Panel: Funding the economic recovery

- In Conversation
  Maile Carnegie, Group Executive, Australian Retail, ANZ Bank

- Keynote
  Wayne Byres, Chair, Australian Prudential Regulation Authority

- Panel: Business banking strategy, and servicing the sectors poised to thrive

- In Conversation
  Matt Comyn, CEO, Commonwealth Bank of Australia

- Panel: What will banking look like in 2025?

- Panel: Regulatory priorities and responses

- Panel: The state of the housing market

- Panel: ESG, sustainable financing, and supporting client decarbonisation ambitions

- Keynote
  Gina Cass-Gottlieb, Chair, Australian Competition & Consumer Commission

- Panel: The app economy and expansion of financial services

- Panel: Dynamics in payments
Opening remarks

David Myers
National Banking & Capital Markets Leader, Deloitte Australia

Key Messages

• Ukraine – this is not a banking sector issue or challenge per se, but it impacts humanity and can’t be left unsaid. We all acknowledge what’s happening to Ukrainians and their beautiful country and can’t ignore the broader geopolitical issues at play.

• Climate also dominates the conversation. Enough said. We need to talk less, and do more – not in isolation, but across sectors and in ecosystems with diverse and complementary skills.

• More specifically, Environmental, Social and Governance is becoming increasingly important – everyone thinks about climate and the need to take climate action – and that is absolutely right. But I strongly believe we cannot lose our focus on the S of ESG; Social. Take modern day slavery as an example. Or the fact that there are many Australians across a variety of socioeconomic backgrounds who don’t have access to the same banking capabilities and services the rest of Australians do. Where is the equality in that?

• Then there’s the cost of financial abuse, which mostly affects women (1 in 30 in 2020). We recently published a study that showed it cost financial abuse victims $5.7 billion in 2020, with an additional $5.2 billion cost to the economy. And what can the sector do to improve financial inclusion for everyone in society?

We have every reason to be confident about the future. Banks are resilient and have weathered crises. Remediations have been paid. Disposals have been made. For the most part, the way business is done has been simplified. All of this grit has laid strong foundations for healthy growth trajectories.”
Opening remarks

David Myers
National Banking & Capital Markets Leader, Deloitte Australia

Key Messages

• Meanwhile we’ve witnessed phenomenal growth in digitisation, which is true across the world. Here in Australia customers expect a digital-first experience – with easy access to a human touch when needed.

• Payments and digital currencies are also taking off and challenging the way banks operate, let alone creating new avenues for cyber criminals and unethical behaviour and the need to respond to this. Buy Now, Pay Later has well and truly kicked off in Australia – but the regulator is assessing its appropriateness for all customers.

• Finally, we all see the ‘double whammy’ impact of both increasing interest rates and rising inflation – but what are the consequences to everyday Australians? We need to thread the needle between two mistakes: hurting Australians with interest rates that rise too slowly now – thereby leaving lingering pain on mortgage rates amid a belated clean up later – and raising them too quickly in a way that threatens an unemployment rate that’s at a half century low. Getting that balance right is vital for both the nation and for its banking sector.
In conversation

Ross McEwan
Group CEO and MD, National Australia Bank

Key messages

• The recent election result provided a mandate for greater action on climate. If the industry is working towards net zero by 2050, more clarity on climate policy is critical, which includes a standard for measuring financial emissions. But the heavy lifting can’t all be done by governments, businesses need to step up too.

• There are three areas to focus on – making it easier to do business, attracting workers through migration and addressing the housing affordability. In March, NAB recorded its highest ever month of business lending but customers are telling us there is more that can be done to boost investment. One focus should be cutting the red tape in order to give business owners their time back.

• Businesses are also reporting that it’s difficult to find staff and the skills shortage is something that Australia must address. There are 500,000 fewer temporary migrants and half as many international students in the country compared with 2019, and 400,000 overall job vacancies. NAB currently has 700 technology vacancies.

• There is also the broader challenge of housing accessibility for all. To this end we need nationally consistent state planning rules to allow more homes to be built in inner and middle ring suburbs of major cities, more small infill projects with light Council planning approval, and more rental accommodation.

The shortage of skilled and unskilled labour is something that Australia must address....Restoring migration is critical to easing labour and skill shortages as well as contributing to economic growth. In my mind this is the most important urgent issue that the new government should focus on."
Panel: Funding the economic recovery

Key messages

Anna Bligh | CEO, Australian Banking Association

• During their time in opposition Labor were very consistent in their messaging around the need for them to bring corporate Australia together with the regulators, with treasury and ministers to start to work together. I anticipate we're going to see a government that's reaching out to corporate Australia, a government that is going to be more open to the fact that corporate Australia has had role to play in the transition to a new low carbon economy.

• In terms of business stability, there were less insolvencies in 2021 and they were in 2019. There was still support to business in 2021, so we may see another increase, but the current 90-day arrears rate is sitting at around 1%, where it has sat for years. So, there is some cause for optimism.

• Banks have also worked very assiduously to show they have learned the lessons of the royal commission. There has been a total restructuring over the last four years of what banks do and what they look like. The ABA's survey of consumer sentiment towards banks shows they have climbed their way out of the hole they were in but that is a fragile level of positivity. Their ability to hold on to that will depend on how they deal with customers who find the next 12 to 18 months very stressful.

Alexi Boyd | CEO, Council of Small Business Organisations Australia

• It's a very difficult time for small businesses – some doing really well but a lot are struggling. There is an opportunity for banks to make some tweaks in how they deal with small businesses and it's important for lenders to regroup and look at that relationship. There are areas around worker shortages where government needs to get on board but also some policy areas for banks to reengage with their small business customers.

• There is opportunity for the banking sector to look at ways of understanding small businesses better. Instead of requiring personal collateral for loans they could consider using the same cash flow tools that businesses use. It’s an opportunity for banks to trust businesses.

• Many small businesses are exhausted and many are walking away from successful businesses because they are completely overworked and cannot find workers or deal with supply constraints.

Chris Richardson | Partner, Deloitte Access Economics

• Markets are pricing in about 10 rate rises by mid 2023, taking the cash rate to 3.2%. Entirely plausible that could happen and would be the biggest increase in interest rates in the world in a nation that is more sensitive to interest rates than it used to be and also more sensitive than the rest of the world. If that happens models suggest 15 to 20 per cent of value would be lost out of housing in Australia.

• If rates are raised too hard and fast there also the risk of recession. If the Reserve Bank goes too slow and inflation gets baked in, there is the risk of stagflation - hopefully neither of those mistakes will eventuate. But when you’re starting from where rates are today, do not think that future decades will be like past decades in your sector. One way or another money is going to become more expensive.
Panel: Funding the economic recovery

Key messages

Chris Screen | Group Executive Business Banking, Bank of Queensland

• Business credit for large customers is experiencing double-digit growth, with that growth filtering down into the medium businesses and more recently some of the smaller business.

• There are still the challenges of labour shortages, wage increases, inflation pressures but there are opportunities to expand when costs are going up. Flipside of that is costs can squeeze the margins but overall business customers are doing well with that. We expect fairly strong credit growth to the end of this year and into 2023.

• In terms of sectors specific trends, input costs across the construction industry are significant, underpinning caution in that part of the sector. Healthcare is coming back strongly although the discretionary side of healthcare is a bit patchier. We've seen strong growth underpinning the agriculture sector and with rising interest rates some softening in the housing sector is expected.
FUNDING THE ECONOMIC RECOVERY

**CURRENT DEMAND FOR CREDIT** → FAIRLY STRONG

**CURRENT BUSINESS**
- Some thriving
- Some struggling with debt

**OPPORTUNITY FOR BANKS:**
- Regroup & rebuild relationships

**RBA INTEREST RATE**
- Too fast: recession
- Too slow: stagflation (interest rate gets baked in)

**SECTORS**

**HOUSING**
- Interest rates will affect softening market

**HEALTHCARE**
- Coming back strong, new practices

**CONSTRUCTION**
- Supply chain issues

**NEW GOV'T OPPORTUNITY: REACH OUT!**
- Bring industry & govt together

**CUSTOMER BEHAVIOUR IS CHANGING... RECOVERY WILL NOT MEAN GOING BACK TO HOW IT WAS.**

**BANKS HAVE LEARNED LESSON FROM THE ROYAL COMMISSION... BUT CANNOT TAKE CURRENT POSITION FOR GRANTED.**

**CURRENT CONSIDERATIONS:**
- Expansion
- Equipment
- Interest rates
- Profit margins

**WE'RE EXHAUSTED**

**FIND DATA ON WHO IS WALKING AWAY FROM GOOD BUS**

**UNDERSTAND SMALL BIZ CLIENTS ON AN INDIVIDUAL BASIS...**
- Not just their profit & loss

**GRAPHIC RECORDING BY ZAHRA ZAINAL**
Maile Carnegie  
Group Executive, Australian Retail, ANZ Bank

Key messages

- ANZ recently adjusted its maximum level of debt it’s willing to lend from 9 times to around 7.5 times income but overall ANZ customers are in good shape. As interest rates came down the bank defaulted to keeping the same dollar amount for mortgage repayments (customers could request a change to the lower rate amount). And now over a third of customers are approximately two years ahead on their repayments.

- The bank is also undergoing a rebuild of its underlying foundation technology systems as well as the customer applications that sit on top of that. The decision was made to take a step back and fundamentally rebuild, versus wallpapering over half a century of systems technology. The rebuild should help the bank become more agile to deal with an acceleration in innovation and needing to respond to regulators.

- It should also help with meeting consumer demands for faster speeds to market. For example, to accelerate a home loan approval to minutes from days, there are around 1300 controls, of which the vast majority are manual. Crusting on ineffective controls onto older legacy systems will be much less efficient than organically rebuilding a new system that can enable a whole new way of managing the business.

Starting back in 2016 we started to simplify the bank...Specifically for the retail bank absolutely, the decision to take a step back and say we need to fundamentally rebuild this business, versus wallpapering over...half a century of systems, technology, processes etc was also in response to looking at those medium and long-term trends and saying it just requires a different solution."
Wayne Byres
Chair, Australian Prudential Regulation Authority

Key messages

Housing

• Historically, housing loan portfolios have been low risk, and acted as ballast for the industry through turbulent periods. But that may not be the pattern in the future which is why APRA has been increasingly focussed about the quality of housing lending, and why its proposed new macroprudential framework has a significant focus on measures to constrain housing-related risks.

• APRA expects lending policy changes, coupled with rising interest rates, will see the level of high debt to income borrowing begin to moderate in the period ahead. The faster-than-expected emergence of rising interest rates will have a significant impact on many mortgage borrowers, with pockets of stress likely, particularly if interest rates rise quickly and housing prices fall.

• Of particular note will be residential mortgage borrowers who took advantage of very low fixed rates over the past couple of years and may face a sizeable ‘repayment ‘shock’ (possibly compounded by negative equity) when they need to refinance in the next year or two.

• Overall, the regulator sees the banking industry well placed to weather a more difficult environment and does not expect a deterioration in housing loan portfolios to cause system stability issues.

Climate

• If Australia is to invest in the transition to a low carbon economy consistent with the 2050 net zero emissions target, the banking system needs to play an important role financing that investment. That requires a good understanding of climate-related risks.
Wayne Byres
Chair, Australian Prudential Regulation Authority

Key messages

Climate
• Last year, APRA released a prudential practice guide on the financial risks of climate change and surveyed a group of APRA-regulated institutions to determine whether and how the guidance was being applied. Survey results showed that almost all boards had accepted their responsibility for actively overseeing climate-related risk. And most banks had started to embed climate risk into existing elements of their risk management framework.
• More than two-thirds of surveyed banks were publicly disclosing their approach to measuring and managing climate risks, with almost all aligning their disclosures to the framework developed by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). However, only around half the banks surveyed were currently assessing emissions from their lending exposure.

Innovation and Digitisation
• Australian regulatory framework needs to adjust to new forms of money, payments and finance. Issues high on APRA’s agenda are stored value facilities (SVF) and payment stablecoins; along with new business models, such as aggregator apps and banking-as-a-service.
• APRA’s workplan in this space involves: consulting on requirements for the prudential treatment of crypto-asset exposures by ADIs; and consulting on new and revised requirements for operational risk management, covering control effectiveness, business continuity and service provider management. The draft prudential standard will be released for consultation in the next few months.
• APRA will also be developing and consulting on approaches to the prudential regulation of payment stablecoins. Subject to the development of the broader legislative and regulatory framework – which will depend on the priorities of the new government – APRA hopes to consult on prudential requirements for large SVFs in 2023.
Panel: Business banking strategy, and servicing the sectors poised to thrive

Key messages

Andrew Irvine | Group Executive, Business and Private Banking, National Australia Bank
• The storm clouds are growing. Europe is likely to be in recession later this year. North America might skirt a recession but will have very low growth, as will China, along with high inflation. In that context Australia should do well with the business sector outperforming the consumer sector. We think business demand for credit is going to continue.
• Australia is going to do well over the cycle. The most important thing in any economy is employment and being at almost full employment is a hugely advantageous position for Australia. NAB doesn’t see bad debts getting to a point where it will greatly stress the banking sector.

Michael Vacy-Lyle | Group Executive, Business Banking, Commonwealth Bank of Australia
• There is high credit demand across the economy. Working capital is one of the key drivers of credit demand right now. Working capital cycles are probably 30 per cent longer than what they were because businesses are buying goods earlier and holding onto them for longer. We can do more to help businesses with working capital.
• On the demand side, retail consumer demand is up almost 10% - 3% of that is driven by price increases. Rate increases will have an impact on consumer demand but there is still demand and there is a need for businesses to invest in productive capacity to meet that demand.

Chris de Bruin | Chief Executive, Consumer and Business Banking, Westpac Group
• Consumer sentiment is drifting lower but demand bizarrely stays strong. Business demand is staying strong. There is a bullishness there tempered a little bit by consumer sentiment.
• There are changes in demand patterns for lending. Businesses are innovating really well to sort out their supply chain issues so there might be demand for lending for smaller warehouses closer to the city instead of one large warehouse in the suburbs.
• With regards to ESG, everybody needs to get better at interrogating the supply chain as supply chains have unexpected upstream impacts.
BUSINESS BANKING STRATEGY, AND SERVICING THE SECTORS POISED TO THRIVE

**Credit Demand** is currently high, especially in primary industries.

DRIVERS:
- Working capital cycles
- Consumer demand

**Manufacturing**
- Moving from "just in time" to "just in case".
- Customer demand still high, but smaller loans also in demand to service equipment.

**Property Loans**
- More stock nearby, warehouses.

**Innovation in Business** is happening to address supply chain issues.

**Storm Clouds**
- EU: Approaching recession
- US: Low growth
- China: Finding COVID normal

**Making Better Lending Decisions**
- Use the data we have.

**Bad Debts**
- Australia looking good, but possible pockets of stress, e.g., housing.

**Top of Mind**
- Partner with customers to meet their net zero/ESG targets.

**Usual Time Poor & Busy**
- Have scalable solutions, e.g., linked loans.

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Graphic recording by Zahra Zainal
In Conversation

Matt Comyn
CEO, Commonwealth Bank of Australia

Key messages

• The banking market in the US is very heavily fragmented. It has a different structure to Australia with a much higher fee market. Fundamentally though, Australia and the US share similar views about the importance of investing in technology both in near term and in the long term. Clearly, digital is a foundational capability and part of distribution.

• US banks will chase deposit customers to get wealth management and one of the starkest differences between Australia and the US is that the wealth offerings that are available are very limited. Australia may regret some of the reforms that have come through in wealth management. CBA would be interested in a low cost simple digital proposition in wealth management.

• There is a “long tail of rubbish” in crypto but effective regulation in the space is going to treat it like a financial product. Innovation in crypto is growing. A lot of major luxury brands and serious businesses are developing NFTs.
Panel: What will banking look like in 2025?

**Key messages**

**Angela Mentis | Group Chief Digital, Data and Analytics Officer, National Australia Bank**

- NAB has two focusses. The first one is very much around developing the strategic data and digital capability. That involves better use of data to get an understanding of customers to deliver those personalised experiences. It's making sure that NAB bankers have the right tools and the right insights. It's also investing in digital channels so that bankers are delivering safe, secure personal experiences to customers. And then the second part of that is the supply of digital talent, data talent and design talent into the organisation. NAB has hired about 400 tech and digital workers in the past 10 weeks.

- Partnerships are increasingly important. We are investing a lot in the tech and open API's so that NAB can be well placed for when we're thinking about those partnerships for those right customer segments and those right partners. It will move into more embedded finance scenarios where, for example, we could see consumers (and business customers as well) making payments or buying products through the platforms that we've partnered with.

- NAB is not planning on adding crypto functionality to its banking app in the foreseeable future (or for retail customers) but is quite interested in the underlying blockchain technologies and how it can use those to really solve customer problems.

**Dom Pym | Co-founder, Up**

- Australian banks' banking apps are amongst the best in the world, with a very broad product set and excellent customer experience. For Up, it's about focusing on the customer experience. For example, many institutions are trying to reduce signup times for loans. But there's typically a 30-day settlement period for any loan so any signup process that can happen within 30 days, what's more important is the ongoing relationship with the customer over the life of that loan.

- Gaming is where the young people are. And so it's important that the big banks actually stop and take note and recognise that those type of partnerships, and embedded finance in that space, is a way that you'll be able to get access to that next generation customer. Australian banks should think about having a presence in the metaverse. The value of business in the metaverse is currently being estimated at over $200 billion market and within 10 years is estimated to become a $30 trillion market.
Panel: What will banking look like in 2025?

Key messages

Simon Cant | MD, Reinventure Group

• In the fintech space there are enablers and there’s challenges, and there are fintech’s like InDebted, which is digitising the debt collection process or MX 51, which is transforming payments, or FrankieOne transforming onboarding. And all of these businesses are enabling banks to become better equipped in serving their customers in a cost efficient and digitised, great experience way.

• Companies that are going to be able to steal share away from the incumbents in the banking as a service space are those like Flare HR. For most employees, they wouldn’t regard it as a financial services company, they’d see it as an HR and onboarding platform that they engage with. But one in four new Australian job starters are signing up with Flare and then 20% of them are taking out superannuation through Flare. The cost of acquisition for those customers is next to zero. It’s a pretty potent threat to banking when you can find these adjacent transactions or experiences where financial services is naturally going to be embedded.

• Bitcoin is a genuine contender to be a global reserve currency. It will get less volatile the larger it gets. The US actions to weaponise its financial systems to try and fend off Russia in the sanctions that were taken against it were essentially a one trick pony. Every other major power who considers they may be on the US’ ‘not like’ list has taken note and is starting to think about other places to put their sovereign wealth. A space has been created for something that can be a censure resistant, global reserve currency potentially over the next decade.
WHAT WILL BANKING LOOK LIKE IN 2025?

**Digital Competition**
- Cloud-based Banking
- Talent Supply (Design, Tech)
- Banking Apps (Aus some of the best in the world)
- Focus: Customer Experience
- Fintech can be enablers to banks. Threats come from companies using largest bank networks

**Banking as a Service**
- Partnerships between banks & startups
- Finance as a platform
- Investing in the tech
- Trust in startups are high in young consumers
- How much fun is the customer having in banking?

**Digital Assets**
- Banks & Crypto: “Wait & See”
- Using blockchain to solve customer problems
- Virtual assets first, then spreading to real world

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Graphic recording by Zahra Zainal
Panel: Regulatory priorities and responses

Key messages

Joanna Bird | Executive Director, Financial Services and Wealth, Australian Securities and Investments Commission (ASIC)

- If we do see significant increases in interest rates there will be some borrowers that will get into financial difficulty. And in those circumstances, ASIC would expect the banks to work with those individuals to come up with tailored responses for them to try and arrive at the best outcome or, if necessary, the best exit strategy for an individual borrower. The banks did this during the pandemic and ASIC expects them to apply the same engagement in future periods of difficulty.
- ASIC has issued guidance to try and help the industry understand how the regime plays out in relation to crypto assets. There is a real gap between what the law delivers and what consumers might expect around protections they would have with most consumer products. The only way to overcome that expectations gap is through law reform.
- Superannuation funds need to make sure they’re looking after the interests of their members. As Trustees are a group of people who are responsible for the financial security of large numbers of Australians, a lot is expected in terms of how they are appropriately and fairly dealing with members.
- Dealing with financial scams is a priority for ASIC and the regulator is concentrating on doing what it can to disrupt scams to increase education and guidance. Banks have a particular role to play in this space, as they control a lot of the money that scamsters are trying to get, and they have relations with their customers that put them in a very good place to enable them to disrupt scams.

Therese McCarthy Hockey | Executive Director, Banking Division, Australian Prudential Regulation Authority (APRA)

- APRA regularly uses stress testing which gives it a good sense of the overall system and its capacity, as well as vulnerabilities on a bank by bank basis. APRA has confidence there is a sufficient buffer within the system as it is well capitalised and has good liquidity buffers at present. It is as well set up as it could be, if soured loans go up.
- APRA has written a letter to banks outlining its risk management expectations with regards to Crypto assets. The international Basel Committee on Banking Supervision is currently consulting on the prudential treatment of crypto assets and APRA will be looking to learnings from that. And it’s also working with banks with regard to what they are hearing directly from customers.
- APRA is generally supportive of Financial Accountability Regime (FAR). Learnings from the Banking Executive Accountability Regime (BEAR) have been useful in that while it was a big impost, the banks also appreciated its value and clarity.
Panel: Regulatory priorities and responses

Key messages

Richard Harris | Partner, Gilbert + Tobin

• In the last two or so years, there's been at least 20 cases involving major claims or for penalties against financial services providers, and those cases have produced fines in the order of in excess of $200 million, just in financial services. All of that means that the price of non-compliance is high and it is getting higher.

• Huge amount of room for improvement to come out of the review into the quality of financial advice by Michelle Levy. The key issue will be striking the balance between appropriately protecting consumers, but at the same time, not introducing too much moral hazard into the advice process.
Panel: The state of the housing market

Key messages

Michael Baumann | Executive General Manager, Home Buying, Commonwealth Bank of Australia

- CBA expects the RBA cash rate to rise to 135 basis points by the end of this calendar year and to around 160 basis points by June 2023. But regardless of how high interest rates rise, people will start to roll off all of their fixed rates and into a higher interest rate environment early next year and will need to adjust household spending patterns accordingly.
- We want to prepare them so that it’s actually as little a shock as possible, or not a shock at all, when they are rolling off these low fixed rates. But if the pandemic has showed us one thing, it’s that communicating with our customers really helps.
- CBA is predicting roughly a 10% fall in house prices. But there are other factors such as a potential increase in migration that could also hold prices up.
- The building industry and the construction industry needs to find different ways to actually build homes that are healthier for customers and more climate efficient.

Lisa Claes | CEO, CoreLogic International

- CoreLogic welcomes Labor’s Help to Buy homebuying scheme, and any initiative that enables access to home ownership. The scheme has some peripheral initiatives on the supply side. But the eligibility is quite specific which means it is unlikely to push up demand and prices too much.
- One of the pillars of the Labour Party policy on the supply side is the housing fund of $10 billion dollars. I’d like to see the federal scheme amplified and also mimicked at the local and the state level, fit for purpose, given their particular remit.
- In terms of climate, the days when you just looked at the composition of the building material and its pedigree when you valued a home are long gone. Today you look at factors such as a building’s climatic profile, its hazard propensity etc.

Scott McWilliam | CEO, Resimac

- There has not been a big enough shift in sentiment by borrowers in response to expectations around rising interest rates. After the RBA’s first increase, many borrowers called Resimac to see if they could fix rates and were surprised by how high fixed rates already were.
- Resimac is definitely not expecting a 20% fall in housing prices. There’s a number of forces currently supporting prices, such as a very tight labour market. People don’t sell their houses because they drop in equity, they generally sell their houses to reduce their financial obligations because they may have lost their job or because of other impacts on the family.
- There’s an opportunity for the industry to leverage off this change in behaviour around remote working by building infrastructure and assets in regional parts of Australia, which still allows people to be employed by their existing employer. Employers, banks and government all need to support this.
- The portability of mortgages is as good as its ever been. Expect we will continue to see a heavy refinance market. We’re heading into this tightening cycle in a good position. Weighted average LVRs are something like 60 to 65, meaning borrowers have a lot of equity.
THE STATE OF THE HOUSING MARKET

INTEREST RATES

IMPACT THIS YEAR:
$ REPAYMENTS (fixed rates will roll off)

NEXT YEAR:
ADJUSTMENTS IN SPENDING PATTERNS

FALLING HOUSE PRICES

PREDICTED 10% DROP OVER 18 MONTHS

FACTORS: UNDERSUPPLY, TIGHT LABOUR MARKET, & CREDIT SUPPLY

HOME BUYER EQUITY SCHEME:
- 10,000 SPOTS
- PRICE & INCOME CAPS
- 2% DEPOSIT

$10BIL FROM LABOUR PARTY, BUT MAINLY @ SOCIAL HOUSING

SUPPLY

AMPLIFY THE FEDERAL SCHEME, & MIMIC ACROSS ALL LEVELS OF GOVT

LIFELONG RENTERS

WHAT ARE TODAY'S GEN'S VALUES? OWNERSHIP? NO DEBT?

IS THE AUSTRALIAN DREAM STILL ACCESSIBLE?

THE DESIRE IS STILL STRONG, BUT SUPPLY IN MARKET MUST BE ADDRESSED.

CLIMATE & PROPERTY

CLIMATIC HAZARDS NOW A PORTFOLIO CONSIDERATION

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GRAPHIC RECORDING BY ZAHRA ZAINAL
Panel: ESG, sustainable financing, and supporting client decarbonisation ambitions

Key messages

Anthony Miller | Chief Executive, Westpac Institutional Bank
- Everyone is now aligned about the climate challenges – community, government, businesses etc. But a challenge for banks now is the way we measure and disclose emissions intensity. Banks need to make sure their bankers, risk teams and client coverage people across the entire sector, have the right skills and the knowledge to be able to assess emissions, what the risks are in relation to the plan to reduce those emissions, and how that marries up with the targets that have been set.
- We need to electrify everything that we do in this country. We then need to decarbonise the way power is produced. And that represents a major challenge in terms of the grid and where the grid sits today.
- In the near future, each client will need to demonstrate to us that they have a plan that will realise a net zero collective outcome. They need to be able to show to us in such a way that we can say that’s risk we can accept, and we’ll bank you accordingly.
- Probably within five years, maybe earlier, if you don’t have a plan that stacks up to ensure we get to net zero then you will not be supported, whether that be debt, or equity or support from a bank.

Rochel Hoffman | National ESG M&A Lead, Deloitte Australia
- Some of the large global private equity firms are facing challenges and opportunities. On the one hand, they’ve got their own investors or limited partners who are really starting to place a lot of focus on them to be able to demonstrate how are they thinking quite deeply and thoroughly in relation to climate. But at the same time, they also have a real opportunity to drive change in a quicker and more robust way as well.
- One of the points which always comes up is this issue around data, particularly being in a position to really grow the way we actually measure and assess the emissions. Increasingly, there’s going to be questions for banks around whether you build, buy or partner, with regards to emerging technologies that do more than grab the data that companies are disclosing themselves but also apply a whole load of smarts over the top of it.
- The fact that discussion around HSBC’s Global Head of Responsible Investment, Stuart Kirk’s, comments dismissing the risks of climate change has reached a wider audience also highlight how far the discussion on climate change has moved in the right direction.
Panel: ESG, sustainable financing, and supporting client decarbonisation ambitions

Key messages

Rebecca Mikula-Wright | CEO, Investor Group on Climate Change

• There’s a huge amount of opportunities in the climate transition that we’ve identified through our analysis - $130 billion in new investment and job opportunities to 2030 alone. But this needs to have clear and stable and consistent policy settings. And we need to really hurry up and get that sort of consistency from the Australian market.

• For every dollar invested in the ASX, there’s twice the carbon risk. Australia is a more exposed economy comparatively speaking. And investors have been concerned about this for a really long time now. In the most recent AGM season, companies have been putting climate transition plans to shareholders. For example, Woodside got a record vote against its plan at 49% as investors are not convinced that they have a credible transition plan. Companies need to have a credible plan and if it’s not backed up through their strategies, they will be voted against.

• Australian banks have a really important role to play in this transition. Investors expect the same thing of banks as they do with other companies in their portfolios. Investors need to see the same transparency from the banks in setting net zero targets, being transparent with disclosures and how they lend through their lending portfolio and through their other supply chains as well.

• I think the regulators are doing quite a lot of work to be really clear about what types of mandatory disclosures should come out, and the sooner that can be done that will benefit everybody and enable us to affect this transition very quickly.

Julien Vincent | Executive Director, Market Forces

• People have seen the effects of climate change firsthand – floods and bushfires – and are rightly terrified and we’ve seen that come through in the election. There are multiple, concurrent complex challenges and plenty of opportunity, plenty of risk, but it’s very difficult to engage confidently in a conversation about those different challenges and take bankers, in particular, seriously when we’re not even getting the basics right.

• We need to stop making the problem worse, and these companies need to be told to come back when they're not trying to expand fossil fuels and have a credible transition plan, and they need to not be given more of Australians money from the major banks.
ESG, SUSTAINABLE FINANCING, AND SUPPORTING CLIENT DECARBONISATION AMBITIONS

CHALLENGES

- Transition
- Electrify Everything

PRIVATE CAPITAL CAN DRIVE CHANGE QUICKLY

NEW GOV'T: OPPORTUNITY FOR CLIMATE POLICY RESET

WE ARE LOOKING FOR TRANSPARENCY

INVESTORS ARE CONCERNED...

- Community, Industry, Government
- Measuring Emissions & Performance

Companies Need to Have Credible Transition Plans.

INC. BANKS!

W. RECENT BUSHFIRES & FLOODS

WE NEED TO GET THE BASICS RIGHT

- Not Expanding Fossil Fuel Investment
- Stop Bankrolling Companies That Makes Things Worse.

Global Collaboration Happening: Asset Managers Getting to Net Zero

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GRAPHIC RECORDING by ZAHRA ZAINAL
Keynote: ACCC's priorities and approach to regulating the financial services sector

Gina Cass-Gottlieb
Chair, Australian Competition & Consumer Commission (ACCC)

Key messages

• The ACCC is committed to promoting and protecting competition in the payment services sector, particularly in the face of rapid developments in supply of, and demand for, a new range of payment services such as payment gateways, payment aggregators, mobile wallet providers and payments using crypto-currencies. The ACCC is working with government to ensure that the regulatory framework for payments is designed to facilitate dynamic and innovative markets and good consumer outcomes.

• With the growing deployment of contactless “tap-and-go” technology, the Reserve Bank of Australia has been encouraging financial institutions to provide least cost routing functionality to merchants for contactless debit card payments. As an indication of ACCC’s willingness to take action against those institutions not doing this, on 30 May 2022 the ACCC instituted proceedings in the Federal Court against Mastercard Asia/Pacific Pte Ltd and Mastercard Asia/Pacific (Australia) Pty Ltd (together, Mastercard), for allegedly engaging in anti-competitive conduct commencing in late 2017. That was around the time the Reserve Bank of Australia expressed its support for the least cost routing initiative.

• The ACCC is also about to deliver its fifth report in its Digital Platform Services Inquiry to the Government in September. That report is looking at whether there is a need for a new regulatory framework to address the range of competition and consumer concerns identified in digital platform services markets to date, including in relation to payments in digital ecosystems.

• Market inquiries are an important tool for the ACCC. Its 2019 inquiry into foreign currency conversion services included best practice guidance for suppliers. Monitoring has shown that take-up of that guidance to date has been a success and has improved industry practice for the benefit of consumers.
Keynote: ACCC's priorities and approach to regulating the financial services sector

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Key messages

• Scams are another big focus for the ACCC. Last year Australians reported more than $300 million lost to scams, and already this year we have surpassed $200 million reported lost. As typically only 13% of people report losses to Scamwatch the actual figures are likely to be much higher. A challenge for ACCC and the banking community with regards to scams is ensuring appropriate support to culturally and linguistically diverse communities as they suffer higher losses on average than the overall community. Cryptocurrency scams are another challenge and the ACCC has also instituted proceedings against Facebook's parent company, Meta, for publishing scam advertisements promoting cryptocurrency and other money-making schemes that it alleges amount to false, misleading or deceptive conduct.

• The Consumer Data Right (CDR) gives consumers the right to use the data Australian businesses hold about them for their own benefit and it is critical infrastructure underpinning Australia's future digital economy. With the introduction of multi-sector data sharing from November 2022, the Australian CDR will be the first regime encompassing multi-sector data in the world. CDR obligations are sometimes complex, but the law now provides a data right for consumers and data holders need to meet their legal requirements.

Our role in this sector, for every single regulator in this sector, requires a multifaceted approach, combining strong enforcement action with a proactive approach to identifying issues, understanding deeply the challenges and opportunities facing the industry, and working to raise compliance and best practice across the sector.”
Panel: The app economy and expansion of financial services

Key messages

Melanie Evans | CEO, ING Australia

• Our focus is completely on the customer and how the customer wants to go about doing things. Our research and understanding of consumerland is frictionless, fast and when and how it suits them. One simple change we could make is to make it as easy to change our bank account as it is to port a mobile number in telco land.

• The larger banks have become more digital but they are still very large. They're much more complex than ING. We've made decisions not to go into certain lines of business that we can’t do in digital way or in which we won’t be able to live up to our brand promise. We won't ever look like a big, complex end-to-end commercial bank. We've never called ourselves a neobank. We’re a digital bank that does other stuff.

• If you ask a customer what they want, they don't say they want a super app, they say make my life easy. Even in the regulatory space, there is a fine balance between the ease and simplicity versus competition. There’s a lot of grey in this space but the idea of choice and supermarkets and open architecture can still be part of the app economy. The industry just needs to make sure it can foster competition, choice, and openness without going down the route of vertical integration and conduct issues like has been seen in the industry before.

Matt Baxby | Australia, Revolut

• Choice delivers better outcomes for consumers. Our experience in other markets has been that open banking can drive genuinely lower friction for consumers and offer them more choice.

• We’re in a period of some turbulence but for those fintech’s that are really confident with their business model, the capital will be there. The other thing they have in their favour is that they’re not dragged down by legacy technology.

• People do want their entire financial life brought into one place and that’s the essence of a financial super app. Multiple apps for multiple uses is one strategy. The other is for those services to be brought together. That could be payment and banking services alongside lifestyle features like accommodation booking services.

• Revolut offers crypto in Australia and uptake has been strong. A lot of people were interested in crypto, but they couldn't find a safe or accessible way to access digital currencies. By integrating it with our app and integrating it with services they already understood, and having a pretty seamless onboarding experience, gave them confidence.
Panel: The app economy and expansion of financial services

Key messages

Karl Durrance | MD, Australia and New Zealand, Stripe

• Another thing that we're seeing is not just super apps, but also the continual expansion and proliferation of SAS. And there is this very natural transition of a traditional SAS company starting to offer some form of embedded finance. For example, let's look at Xero. By offering a degree of embedded finance and partnering with us, the impact on their small to medium business customers is that essentially, they get paid faster.

• When it comes down to what customers are asking for, it's those essential macro topics like speed, trust, choice, and if you have a way of delivering that, whether you're a big four, whether you're a technology entrant, I think the value proposition will speak for itself.

• Only about 12% of commerce globally is conducted online. As for what's next, we're going to see a continual shift and investment in the digital economy. Whether that's in the metaverse or whether that's in more traditional use cases, we're just now at the very beginning.
Panel: Dynamics in payments

Key messages

Ethan Teas | Executive General Manager, Payments, Commonwealth Bank of Australia

• The Treasury is currently forming a strategic plan for the Australian payment system. That should focus on safety, because that's intrinsic to payments, and greater coordination across the industry with regulators and all participants. That would help the industry have an orderly transition to modern payments. The industry wants a level playing field but also wants to encourage innovation across the sector.

• We also need to look at the legacy payment infrastructure (for example cheques) and how we can start to wind that down so we can focus on the future infrastructure.

• The new payment platform (NPP) will be able to facilitate account to account payments called PayTo. It’s an exciting new innovation we have in Australia that's somewhat unique and that is high consent. In a banking app you are effectively asked for consent on a payment. The underlying technology and proposition is a real interesting and novel piece of kit for this market.

Nigel Dobson | Banking Services Lead, ANZ Banking Group

• Last year BPAY Group, eftpos and NPP Australia joined together to become Australian Payments Plus (AP Plus). One of the most frustrating things for the owners previously was that there wasn't one person or one group of people that were coordinating across the entities and the operating companies. The intent now is around coordinating it better, investing in it and sequencing that investment so you get the right network effect at the right time for the participants, and you can send certainty to all of those participants, and of course, their customers.

• For the longest time data has been the missing link in financing and loans for cash flow for small business. We've recently launched Go Biz, which allows a customer to consent to a feed from their accounting system – the APSs, Xero, MYOB, Intuit, etc. And we can use that to make a conditional approval for a loan up to about $200,000 for a small business, with a quick turnaround time.
Panel: Dynamics in payments

Key messages

**Samina Hussain-Letch | Head of Payment Partnerships and Industry Relations, Square**

- Square processes thousands of payments data a day which enables it to use intelligent modelling and take a risk based approach to that data to determine which sellers are eligible for a loan. Square found that only one in four small businesses were able to access formal lines of credit. Square looks at the data of sellers to assess how their businesses are running today to see if they’re eligible for a loan. In this way, Square sellers can be approved for a loan the next business day.
- What we have seen from the very recent integration of Afterpay into our Square Australia business is an incredible story of growth. Since the integration for online in February, and recently this month for in person, for online payments, we’ve seen three times the average transaction size of a BNPL transaction versus a non-BNPL transaction and that’s twice as large in the in-person space.

**Chris Patrick | COO, Australia, Zip Co**

- Over the last couple of years, we were the benefactor of tailwinds during COVID. There was a flood to online spending and cyclical lows in arrears in bad debts as a result of the government stimulus that was being pushed into the economy and reducing discretionary spend due to people being in lockdown. This year, we've seen share prices across the tech sector reduce. Volatility on the share market aside, we remain bullish about the opportunity for the BNPL sector globally.
- The incoming financial services minister Stephen Jones said in April that BNPL was operating in an ambiguous regulatory space. He said it was credit and therefore needed some form of regulation. He welcomed the fact that we've adopted an industry code of practice and said that he would let that run for a period of time but ultimately would probably end up mandating that code, which would be a logical next step.
- Open finance will give customers the ability to share their non-bank financial institution information with other financial services providers and other sectors in the economy. It has the potential to greatly increase competition and innovation in this space. The industry needs to take the time to ensure that we get it right. Many non-bank financial institutions will need at least the amount of time that was afforded to the banks during the rollout of open banking to get the policies and processes in place to support that transfer of data.
DYNAMICS IN PAYMENTS

WHAT A STRATEGIC PLAN REQUIRES:
- Safety
- Better coordination
- Balance
- Wind down of legacy payments

BUY NOW, PAY LATER AS A CREDIT PRODUCT
REGULATION SHOULD PROVIDE APPROPRIATE GUARDRAILS, BUT NOT STIFLE INNOVATION

A STRATEGIC PLAN REQUIRES:
- Safety
- Better coordination
- Balance
- Wind down of legacy payments

PAY TWO
EVOLUTION OF DIRECT DEBIT

PAYMENTS DATA
- GoBiz:
  - Quicker loan approvals
- Cash flow lending, using risk-based modelling

PAYMENTS DATA
- Square Loans launched in Aus last year, to great response

PAYMENTS DATA
- Square as a bank in Australia:
  - In USA: being able to provide financial services, supply chain control

CUSTOMER-WISE, WE'LL SEE GROWTH IN NFTS

CONSUMER DATA RIGHT & OPEN BANKING
DATA IS AT THE HEART OF DIGITAL BUSINESS, BUT WE NEED TIME TO GET IT RIGHT.

WE NEED CONTINUED, OPEN DIALOGUE WITH REGULATORS

AUSTRALIAN STABLECOIN
EXTEND? YES
- Tokenising carbon credits
- Cross-border situations

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GRAPHIC RECORDING BY ZAHRA ZAINAL
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