

What We Heard

ASIC

1. ASIC expectations of the industry:
 - Get the BNPL Code right – address potential consumer harms & make sure Code has teeth
 - Comply with DDO by 5 October
 - Cyber-resilience – invest resources into cyber security
 - Embed customer-centricity – work on issues upfront so remediation and enforcement is less important (relevant for DDO and PIP... and RLO)
2. Vulnerable customers – treat customers fairly – consumers and businesses
3. Facilitative compliance – conciliation and invitation to work with industry & make COVID-19 behaviour BAU

What does this mean for us?

1. Industry practices – disclosure, individual customer engagement, tailored hardship assistance, what is the impact for data and record keeping practices?
2. Self-regulation – not just BNPL Code, do we need to fast-track development of other codes members have asked for?
3. Engagement – maintaining and elevating dialogue and exchange with key stakeholders (e.g. ASIC, AFCA, ASBFEO, etc)

What We Heard

RLO and DDO

1. RLO – core obligations for ADIs and non-ADIs will largely be the same & consumer advocates lobbying to stop the proposed legislation & focus on ‘customer outcome’
2. DDO – RG 274 has been published & TMD is not a PDS (or T&Cs)

What does this mean for us?

1. RLO – opportunity (managing the book at a portfolio level) & risk (getting it wrong at the individual level), how does the industry make the process easier and more efficient without risking losing the debate and things become more complex?
2. DDO – significant compliance program to embed adhoc and periodic reviews, holistic understanding of customer-centricity. When should FIs commence discussions with distributors? How do FIs leverage existing data? How do we avoid a replay of PDS/fee disclosure template drama? (We need to keep an eye on overseas developments, e.g. MIFID)
3. Engagement – keeping close to APRA and ASIC (proportionate, scalable regulation), what data and stories do we need?

What We Heard

APRA

1. APRA expectations of the industry:
 - Financial system resilience – monitor repayment patterns & use data to understand leading indicators/trends
 - Cyber-resilience – invest resources into cyber security
 - Embed customer-centricity – fostering good culture is a challenge for regulators and industry ('things aren't fundamentally broken', but overall critical to managing operational risk)
2. Strong financial system – crisis = 'shock and recovery' (capital and liquidity is good, provisioning increased as needed)
3. Facilitative compliance – collaboration & hard and fast decision-making

What does this mean for us?

1. Industry practices – counter cyclical buffers – for ADIs, but how does this translate for non-ADIs?
2. GCRA – remuneration practices focused on longer-term objectives, what are meaningful non-financial metrics?
3. Engagement – maintaining and elevating dialogue & targeted discussion about 'whole of financial system' approach

What We Heard

AFCA

1. AFCA expectations of the industry:
 - Genuine customer-centricity – work on issues upfront so remediation and compensation is not necessary (respectful, transparent, honest)
 - Invest in complaint handling – timeliness of responses, employee training
 - Communication between FIs and AFCA and FIs and customers
2. Interconnectivity between IDR (RG 271) and EDR – financial difficulty complaints increased (87% resolved)
3. Streamline engagement and improve AFCA member experience – enhanced data analytics and portal navigation & new member engagement charter

What does this mean for us?

1. Industry practices – ‘fairness’, what does this mean and how can ‘judgement’ be made ‘consistent’? What lessons can inform industry-level action on shorter timeframes? Is further work needed on 'definitions'?
2. Engagement – closing the gaps, can we use ‘self-regulation’ and industry-level dialogue to bring us closer together? What do FIs need to do differently directly? How does AFCA need to be engaged to ensure alignment with RG 271 and industry practices?

What We Heard

Hardship and Collections

1. Hardship – KYC, which means genuinely understand their circumstances and utilise external information
2. Collections – automation (engagement, decision, processes) is fundamental to enhancing the customer experience
3. Customers – treat all customers 'fairly', identify and be emphatic to 'vulnerable customers'

What does this mean for us?

1. Hardship – For systems, do we know what regulators expect? For processes, how do lenders move customers into making repayments? What is the role of external data providers, other sources (i.e. CCR and screen scraping) and/or 'alerts' of vulnerability? What does forbearance mean for portfolio management and financing arrangements?
2. Collections – data is key to customer segmentation, how do lenders focus systems on behaviours and the control environment? (ASIC/ACCC debt collection guidelines recently re-published)
3. Engagement – culture and conduct will be key, the industry is on notice (act now), which stakeholders should we be engaging more with right now?

What We Heard

AUSTRAC

1. AUSTRAC expectations of the industry:
 - Financial system resilience – monitor repayment patterns (irregular) & use data to understand leading indicators/trends
 - Cyber-resilience – invest resources into cyber security
 - Comply with AML/CTF obligations – prioritise & don't 'set and forget'
2. Significant increase in reporting – ok, but why? (higher levels of compliance, higher levels of transaction activity, higher levels of potential criminal activity (SMRs), etc)
3. Enhanced outreach – invitation to engage (specifically and generally) & watch this space (more to come)

What does this mean for us?

1. Industry practices – streamline compliance systems, document risk assessments, review assurance procedures, update KYC processes. (Check out the SMR guidance)
2. Governance – role of Boards and senior executives, what changes are needed to ensure risks are identified and reported internally (escalation of risks and actions)?
3. Engagement – identifying the right level of industry dialogue, such as helping with broader understanding of typologies?

What We Heard

Top 3 Priorities

1. **Genuine customer-centricity** – monitor repayment patterns, work on issues upfront (efficiently, honestly, fairly), automation and alerts (data)
2. **Focus on compliance** – governance (alignment), risk assessment (escalation), cyber resilience (critical infrastructure -> transactions)
3. **Get serious about collaboration, coordination and cooperation** – engagement ('GSD')

They said:

- 'Get comfortable in the discomfort'
- 'We can't do everything'
- [don't want] 'Feeling of stuck in a process of processes'
- 'Don't set and forget'
- 'Damned if you do, damned if you don't'
- 'Vulnerability can happen to anyone'