



Australian
Banking
Association

The New Banking Code of Practice

Anna Bligh

Chief Executive

Australian Banking Association

Vodafone National Small Business Summit 2018

31 August 2018





Overview

Banks & Small Business

- We need each other!
- As of March 2018 there are over **one million** small businesses with loans, totalling \$282 billion
- In 2016-17 alone there was **260,000** loans issued by Australian banks.





**What's in the new Code
for Small Business?**

The New Code

- Thorough and independent review
- Completely rewritten
- Extensive consultation with stakeholders, including consumer groups and regulators
- Approved by ASIC
- Implemented fully by July 1, 2019



New dedicated chapter on small business

How have we defined small business?

- Has an annual turnover of less than \$10m;
- Has fewer than 100 full-time equivalent employees; and
- Has less than \$3 million total debt to all credit providers



Number of business customers

	% Less than \$3m	% \$3m to \$5m	% \$5m and over
Major banks	98.0 %	0.8 %	1.2 %
Other banks	97.8 %	0.9 %	1.3 %
All banks	98.0 %	0.8 %	1.2 %



Value of business loan exposures

	% Less than \$3m	% \$3m to \$5m	% \$5m and over
Major banks	22.5 %	5.3 %	72.2 %
Other banks	49.6 %	8.2 %	42.0 %
All banks	23.8 %	5.4 %	70.8 %



New dedicated chapter on small business

- Simplify loan contracts
- Increase notice period of decision to vary or not extend loan from 10 days to 3 months
- Provide small business more time to arrange alternative finance if a facility is not going to be renewed



Fewer non-monetary covenants

- Non monetary covenants now limited to lawful requirements for business operations (eg a liquor licence for a pub)
- No financial indicator covenants (eg LVR) other than for property development and specialised lending (eg Margin Lending)
- Explained in plain English



New Guidelines on administrators and valuers

New provisions on the appointment and use of:

- External property valuers
- Investigative accountants
- Insolvency practitioners
- Voluntary administrators



Code is enforceable

- Australian Financial Complaints Authority
- Code forms part of contract and therefore legally enforceable
- Code sets benchmark across industry



Independent monitoring of the Code

New Banking Code Compliance Committee to:

- Monitor & investigate
- Make findings
- Apply sanctions (if needed)

Sanctions can include:

- Publicly naming a banking
- Rectify the issue for the customer
- Refer to ASIC if warranted



The Future for Small Business Banking



Future banking – The New Payments Platform

- Ending the ‘3 day wait’
- Roll out has started
- Small business can get paid instantly – helping with cash flow



The Royal Commission

It's in everyone's interest that
we build a better banking system





Questions



Australian Banking
Association

For more information:
www.ausbanking.org.au

About the ABA

With the active participation of 24 member banks in Australia, 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.