

21 May 2021

The Honourable Ben Morton MP  
Assistant Minister to the Prime Minister and Cabinet  
Parliament House  
Canberra

Submitted via website.

Dear Assistant Minister,

### **Consultation on the Draft Regulator Performance Guide**

COBA welcomes the opportunity to comment on the Draft Regulator Performance Guide.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). Collectively, our sector has \$146 billion in assets, 10 per cent of the household deposits market and more than 4.5 million customers. Our members range in size from less than \$200 million in assets to around \$15 billion in assets – all significantly smaller than most of our ASX listed bank peers. Customer owned banking institutions deliver competition, choice and market leading levels of customer satisfaction in the retail banking market.

### **Our sector's difference**

Our point of difference is our ownership model – our customers are also the owners of our institutions. This model removes the motive to undertake the 'profit before people' behaviour examined in the recent Banking Royal Commission. Our customers and owners are the same – we are mutually owned. Our model better aligns the incentives of customers and their bank and reduces the risk that the bank's purpose will create issues that drive the need for more regulation.

### **Increasing regulatory accountability**

COBA supports the Government's commitment to improve the accountability and transparency of regulator performance. Ensuring efficient and effective regulators is crucial for the operation of the Australian economy. This outcome is particularly critical in financial services which is one of the most heavily regulated sectors and a part of the economy that touches the lives of all Australians.

#### *Individual regulator accountability*

COBA welcomes measures that increase individual regulator accountability such as the revamped Regulator Performance Guide. COBA is also a strong supporter of the Government's Bill to establish

Suite 403, Level 4, 151 Castlereagh Street,  
Sydney NSW 2000

Suite 4C, 16 National Circuit,  
Barton ACT 2600

the Financial Regulator Assessment Authority which will oversee the efficiency and effectiveness of APRA and ASIC.<sup>1</sup>

#### *Collective accountability of cumulative regulation*

While regulators are improving in their individual consideration of the impacts on regulated communities and markets of their regulatory decisions, there is no big picture assessment of the impact of the cumulative regulatory burden. COBA provides more information on how this regulatory coordination can be improved in Attachment A.

#### *An end-to-end approach of regulatory efficiency*

While improving regulator performance can increase efficiency and lower costs, ultimately it is the legislative regimes that regulators must enforce that matter most. Suboptimal regulatory regimes bring inefficiency and unnecessary costs. Shortcuts and haste in designing and legislating policy cannot be fixed by improving regulator performance. The key is adequate assessment of the impact of proposed measures and this requires consistent and rigorous application of Regulation Impact Statement (RIS) processes. COBA discusses this later in this submission.

### **Why reducing regulatory burden is important**

Regulatory interventions divert scarce resources away from other priorities, such as investment in product innovation, better service and sharper pricing. Every dollar or resource that a customer-owned bank must spend on regulatory compliance is a dollar or resource lost to product development, better customer service or capital to underpin lending to their communities. The current tsunami of regulatory change is also increasing operational risk in financial services because so many resources must be allocated to preparing for, implementing and maintaining compliance with these new requirements. Regulatory change programs now comprise a significant proportion of investment budgets.

This sentiment is not just limited to smaller banks such as customer-owned banks. UK Finance states that: “Even the best-resourced firms have only so much financial, technical and strategic capacity to deliver and oversee change while managing the resilience of the system.”<sup>2</sup>

An excessive regulatory compliance burden reduces our members’ capacity to grow, promote the customer-owned model and apply competitive pressure in the retail banking market. This burden is ultimately felt by consumers in terms of choice, service and price and the chilling effect on innovation.

Regulatory burden is a function of many factors including but not limited to regulator performance, poorly communicated regulation and poorly designed and unjustified regulation.

---

<sup>1</sup> [COBA Media Release - Regulator accountability back in focus but whole-of-system approach needed](#)

<sup>2</sup> UK Finance represents the UK financial services sector and counts globally significant banks amongst its membership – banks that dwarf Australia’s major banks.

## How our sector is regulated

Retail banking is highly regulated with multiple regulators with varying and sometimes overlapping mandates. The customer owned banking sector is regulated by the same financial regulators as the major banks, including but not limited to:

- APRA as the banking regulator
- ASIC as the consumer protection and conduct regulator
- RBA as the payments system regulator
- Treasury as the Government's chief financial policymaker
- AUSTRAC as the financial crime regulator, and
- ACCC as the competition and Consumer Data Right regulator.

Given that our sector is collectively the fifth largest bank in terms of mortgages in Australia, COBA engages frequently with financial regulators at all levels, from senior leaders to policy and supervision teams. Given our strong relationship with our regulators, COBA regularly contributes to the review of self-assessments of Regulator Performance Assessments of key financial regulators APRA and ASIC. COBA also engages with the RBA in its capacity as a chair of the Council of Financial Regulators and as payments system regulator and central bank. As such, COBA highly values its relationships and positive interactions with its key regulators on behalf of its member organisations.

### **Principle 1: Continuous improvement and building trust: regulators adopt a whole-of-system perspective, continuously improving their performance, capability and culture, to build trust and confidence in Australia's regulatory settings.**

COBA strongly supports this principle. Given that regulated entities are expected to undergo continuous improvement by regulators, regulators must also be continually improving to build trust in our regulatory settings. It is also critical that regulators continually improve their performance and the efficiency in how they execute their mandates given that many financial regulators are now funded by industry levy arrangements. For example, it is proposed that for 2021-22, APRA receives around 25 per cent more funding to supervise and regulate ADIs.<sup>3</sup> Whether funds are provided from industry or by the taxpayer, it is critical that they are used as efficiently as possible.

As noted above, COBA has long-supported increasing individual regulator accountability.<sup>4</sup> Initiatives such as the Financial Regulator Assessment Authority and its mandate to regularly conduct capability reviews of APRA and ASIC will support continuous improvements in performance, capability and culture.

COBA strongly supports the idea that regulators must take a "whole of system" approach. Australia's financial regulators have demonstrated that they can do this during COVID-19 (See Example 1). However, COBA proposes that our regulators build on this success and introduce institutional arrangements through a regulatory initiatives grid to encourage more coordination and discussion at the Council of Financial Regulators (CFR) (See Attachment 1). COBA also notes that legislation, regulation and guidance on the same policy area (e.g. the Financial Accountability Regime) can come from multiple regulators or policymakers. While COBA recognises regulators are now better

---

<sup>3</sup> [Proposed Financial Institutions Supervisory Levies for 2021-22 \(May 2021\)](#)

<sup>4</sup> COBA has been calling for this since the 2014 Financial System Inquiry.

coordinating the content of these processes (i.e. the rules on the same thing do not contradict each other), they must also coordinate the timing of these processes to increase the efficiency through which regulated entities can implement these complex projects (i.e. the different type of rules on the same thing are put out in the right order and at the right time to minimise burden on industry).

COBA agrees that: “Best practice requires that regulators consider, and aim to improve on, the combined regulatory burden of Governments on businesses and the community”. While regulators are starting to consider the individual impacts of their regulatory decisions, it is unclear how the cumulative regulatory burden is considered.

COBA suggests that example performance metrics include ‘engagement with sector domestic regulators’. This would support greater engagement between domestic regulators whose decisions impact the same or similar regulated population.

COBA also supports Guide’s view that regulators “take a broad perspective of the regulatory environment and conduct environmental scans and consider best practice examples from other jurisdictions and other regulatory systems that can be implemented.” Many other regulatory systems such as the United Kingdom and New Zealand have developed initiatives that could be introduced or at least considered in Australia.

### **Example 1: A whole of system regulatory pause from financial regulators**

As the onset of the COVID-19 crisis hit our shores, Australia’s financial regulators, through the Council of Financial Regulators, acted swiftly to provide support for the financial system and to prioritise regulatory initiatives into the ‘must haves’ versus the ‘nice to haves’ at the time.

“Given the disruption being caused by COVID-19, Council members are examining how the timing of regulatory initiatives might be adjusted to allow financial institutions to concentrate on their businesses and assist their customers.”<sup>5</sup>

As a result, the CFR and its agencies paused or delayed several regulatory initiatives to support banks to re-prioritise their resources to support their customers. They also flagged that they would consider the circumstances under which lenders were “acting reasonably” when administering laws and regulations.

In doing this, these regulators, collectively took adopted a “whole-of-system perspective” which despite pushing back previously planned regulatory changes and providing flexibility around existing regulations, managed to maintain trust and confidence in Australia’s financial system at a critical juncture for our economy.

### **Principle 2: Risk-based and data-driven: regulators maintain essential safeguards, using data and digital technology to manage risks proportionately to minimise regulatory burden and to support those they regulate to comply and grow.**

COBA strongly supports the use of risk-based and data-driven regulatory approaches to manage risks proportionately to minimise regulatory burden.

---

<sup>5</sup> [Statement by the Council of Financial Regulators – March 2020](#)

### *Risk-based regulation and supervision*

COBA supports proportionate regulation — i.e. regulation that is proportionate to the risks. COBA has outlined our principles of proportionate regulation that assist with risk-based regulation (see Example 2).

In the current environment of significant regulatory change, the cost and impact of regulation has materially increased for COBA members. As the consultation paper outlines, “regulation is not a one-size-fits all activity” and COBA has consistently advocated for a proportionate and equitable approach to regulation for our sector’s credit unions, building societies and mutual banks. It is a critical function of COBA members to be vigilant about the effectiveness and efficiency of regulators given the significant impact this has on the day-to-day and long-term running of the ADI.

#### **Example 2: COBA Principles of Proportionate Regulation**

Our eight principles of Proportionate Regulation are:

1. Recognise that regulatory costs can affect competition and are ultimately borne by customers.
2. Avoid a one-size-fits-all approach to regulation.
3. Ensure regulation is tightly targeted at a clearly defined problem or regulatory objective and seek to minimise regulatory costs.
4. Recognise the impact of the cumulative regulatory cost burden, particularly on smaller banking institutions.
5. Positively consider banking institutions’ size, risk profile and complexity when designing and implementing new regulation.
6. Allow smaller banking institutions at least 12 months extra time to comply with significant new measures.
7. Recognise that for the same regulatory proposal, economies of scale could potentially result in costs outweighing benefits for smaller banks but the benefits outweighing costs for larger banks.
8. Accommodate different models, such as the customer-owned model, particularly where the model itself can mitigate risks that are otherwise addressed by regulation.

### *Data-driven regulation and supervision*

COBA supports in principle that regulators increase their data-driven approach. However, this must be balanced with the burden that data requests have on industry.

The financial sector is subject to significant regulatory and statistical reporting requirements, mainly from APRA. A large COBA member notes that it has 80 reporting forms due to APRA in August.

In addition, banks are subject to ad-hoc requests for data from APRA and ASIC. The way data is collected is also changing. While we support these shifts that will eventually reduce reporting burden, they increase the reporting burden during the transitional and establishment periods (see Example 3). COBA members note that data requests can appear uncoordinated between regulators and even within regulators.

Other COBA members have noted the potential for banks to report management data in a 'data dump' to regulators and have regulators manipulate this data for regulatory, supervisory and statistical purposes. While untested, developments in this area could potentially reduce reporting burden as banks would no longer need to create data points that are not useful to the bank (i.e. data that is only useful for regulatory reporting).

### **Example 3: A cautious approach to data-driven supervision**

In October 2020, APRA proposed a shift in how it expects to collect and use data from ADIs. This first proposal was to collect loan-level data for credit risk management reporting. For the smallest ADIs, this would be thousands of loans and for the major banks, millions of loans. This is quite a significant change from a form-based approach where ADIs report aggregated data to APRA.

*APRA is designing new data collections which are based on data models that can be used for multiple purposes. Future collections, including this one, will move away from form-based returns to concept-dimension models, which allows the data collection to be changed or extended without wholesale redevelopment. By collecting data at a granular level, APRA aims to reduce the regulatory data burden on the industry, by minimising duplication of data collections and reducing the number of ad-hoc data requests in future.<sup>6</sup>*

While COBA supports measures that reduce burden, this proposed request for more data is a significant change given the current environment. COBA suggests that such changes, including changes to regulators' individual data strategies, be flagged and communicated with industry well in advance. While this shift is expected to reduce long-run reporting burden (i.e. recurrent burden), it is likely to create a large short-run implementation burden. This needs to be considered in implementation.

To APRA's credit, APRA has closely and continuously engaged with industry on understanding issues to implement this proposal. As a result, APRA is reconsidering its approach and expects to work more closely with industry over the next year or so to determine how to implement this significant data collection change.

### **Principle 3: Collaboration and engagement: regulators are transparent and responsive, implementing regulations in a modern and collaborative way.**

COBA strongly supports this principle. It is critical that regulators engage with regulated entities about their requirements and regulatory approach. COBA notes that APRA has significantly increased its transparency and responsiveness when dealing with regulated entities and their industry associations.

---

<sup>6</sup> [Letter to ADIs: Proposed reporting standard ARS 220.0 Credit Exposures and Provisions](#)

COBA agrees that the current example measures of success - number of workshops and approach satisfaction are appropriate measures. However, COBA also suggests that regulators could utilise query-response time standards as another performance measure.

COBA members have noted significant concerns about the implementation of the Consumer Data Right (CDR) (see Example 4). COBA acknowledges that with the transition of CDR policy responsibility to the Treasury and increased liaison with ACCC and DSB that liaison and responsiveness have improved.

#### **Example 4: Implementation of the Consumer Data Right**

An example of the significance of this principle is the context of Open Banking and the implementation of the Consumer Data Right regime.

The regime is novel, highly-technical, complex and elaborate, with multiple regulators and multiple layers of requirements: legislation, rules and regulations, standards and testing and onboarding processes. The sequencing and timing of the rules and standards has not been optimal and late changes have been made to rules.

The three regulators (ACCC, OAIC and a Data Standards Body) administer:

- 110 pages of legislation, with a 92-page explanatory memorandum
- 127 pages of CDR rules, with a 69-page explanatory statement
- 203 pages of OAIC privacy safeguard guidelines
- data standards and customer experience standards and associated guidelines, and
- the Conformance Test Suite.

As the ACCC and OAIC noted in their May 2020 CDR Compliance and Enforcement Policy: “The CDR is a significant economy wide reform and we recognise that there may be a period of transition for CDR participants to ensure their systems and processes fully meet their obligations under the CDR regulatory framework.” Banking institutions also must manage the interplay of their CDR obligations with their obligations under APRA’s prudential standards, as AFSL and ACL holders, as reporting entities under AML/CTF, as subscribers to the ePayments Code and as trusted providers of essential services to their customers.

In March 2021, the ACCC and Treasury outlined a shift in regulatory policy responsibilities from the ACCC to Treasury.

“Senator Jane Hume, Minister for Superannuation, Financial Services and the Digital Economy has taken over from the ACCC as Consumer Data Right (CDR) rule-maker from 28 February. With this shift, accountability for development and advice on the rules and for assessing future sectors moves from the ACCC to Treasury, along with overarching leadership and responsibility for the Consumer Data Right program. The functional reallocation, which also includes the transfer of the Data Standards Body (DSB) from CSIRO to Treasury, will support a streamlined and unified approach to the development and implementation of Consumer Data Right policy, rules and standards.”

“To reflect the shift in accountabilities, members of the ACCC Rules, Framework Development and Communications teams will move to Treasury. Treasury will develop a whole of CDR Program Management Office, and the DSB will commence discussions with the ACCC in relation to the DSB setting standards for the Register as well as data standards.”

“The ACCC will continue to be responsible for accreditation of data recipients, registration and on-boarding of data holders and data recipients, compliance and enforcement (together with the Office of the Australian Information Commissioner (OAIC)), for designing, developing and running the Register & Accreditation Application Platform (RAAP) that supports secure sharing of data between participants, and for the Conformance Test Suite for participants.”

In COBA’s view, these changes are recognition that implementation of the CDR has been flawed.

### **Future Consumer Data Right direction**

Any proposal to add further complexity and compulsion to the CDR regime should be considered against the following principles:

- first allow the market to meet consumer needs
- protect consumer confidence in the safety and security of their data and funds
- regulatory costs affect competition and are ultimately borne by consumers
- avoid a one-size-fits-all approach to regulation
- ensure regulation is tightly targeted at a clearly defined problem or regulatory objective and seek to minimise regulatory costs, and
- recognise the impact of the cumulative regulatory cost burden, particularly on smaller banking institutions.

### **Impact of regulation and legislative regimes on regulatory performance**

While improving regulator performance increases the efficiency in which they administer regulation, the legislative regimes that regulators must enforce can also create poor regulator performance and inefficiencies irrespective of the regulator’s competency. Shortcuts and haste in designing and legislating policy cannot be fixed by improving regulator performance.

As noted above, the key is adequate assessment of the impact of proposed measures, and this requires consistent and rigorous application of Regulation Impact Statement (RIS) processes. Various measures recommended by the Financial Services Royal Commission have been legislated without a RIS. The relevant Bill’s<sup>7</sup> Explanatory Memorandum states that: “The Financial Services Royal Commission Final Report has been certified as being informed by a process and analysis equivalent to a Regulation Impact Statement for the purposes of the Government decision to implement this reform.”

---

<sup>7</sup> Financial Sector Reform (Hayne Royal Commission Response) Bill 2020



COBA does not agree that the Royal Commission report can be a substitute for a RIS. The legislation introduced significant new obligations on banks in relation to breach reporting and new restrictions on product sales and interactions with customers among other measures. The impact of these measures was not subject to a RIS and the very substantial Bill, with its multiple schedules, was not even referred to a Senate Committee for review.

COBA provides another example (Example 5) below where the Government failed to provide a RIS for the extension of the design and distribution obligations (DDO) to consumer credit. This was a massive expansion of the DDO regime that was not subject to a consultation process.

### **Example 5: Lack of regulatory impact statement for DDO & consumer credit**

There was no public assessment or regulatory impact statement done on expanding the DDO regime at the last minute to cover home loans and other consumer credit products.

The amendments to expand the regime to include credit were rushed through under a guillotine – debate in the Lower House on the amendments lasted about nine minutes, while debate in the Senate lasted for about one minute. Despite the significant expansion in the scope of the DDO regime effected by the amendments, no public consultation or cost-benefit analysis was undertaken.

It appears many MPs held the view that the amendments would operate to implement recommendations made by the Financial Services Royal Commission. It is important to clarify that Commissioner Hayne did not recommend this policy.

The Royal Commission Final Report noted: “The design and distribution powers do not now extend to credit products. More significantly for present purposes, those powers do not extend to financial products that are not regulated by the Corporations Act, but are regulated by Division 2 of Part 2 of the ASIC Act. The product intervention powers have a broader reach, but nonetheless do not extend to all ASIC Act products. It is not apparent why the powers should not extend, as ASIC has requested, to all financial products and credit products within ASIC’s regulatory responsibility.” Commissioner Hayne asked a question about whether there was a case to extend the DDO but did not recommend that extension.

The Commissioner’s question is answered, in our view, by considering the genesis of the DDO, i.e. the Financial System Inquiry (FSI) final report. The FSI, in supporting a DDO proposal, focussed on addressing detrimental consumer outcomes from large scale financial investment failures, and poor advice associated with complex financial products. There was absolutely no focus on credit products or basic banking products.

Thank you for the opportunity to provide these comments. If you wish to discuss any aspect of this submission, please contact Mark Nguyen ([mnguyen@coba.asn.au](mailto:mnguyen@coba.asn.au)) or Luke Lawler ([llawler@coba.asn.au](mailto:llawler@coba.asn.au)).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Lawrence', with a stylized flourish at the end.

**MICHAEL LAWRENCE**  
**Chief Executive Officer**

# Attachment A: Background Paper

## A whole-of-system approach to regulatory change

COBA is calling for all financial regulators<sup>8</sup> to improve regulatory coordination by:

### Recommendation 1

Piloting a regulatory initiatives grid like that seen in the United Kingdom to assist regulators and policymakers to coordinate regulatory change and assist industry to plan and map out responses for regulatory change. This would be developed in consultation with the financial services sector.

### Recommendation 2

Increasing the coordination of regulatory initiatives at Council of Financial Regulators level to minimise burden on industry.

## Summary

Existing regulation of financial services is labyrinthine and complex (Figure 1). Activities such as the ALRC review<sup>9</sup>, individual regulator initiatives and changes such as the responsible lending simplification reforms will help reduce the burden of the existing regulation. However, these initiatives will not address the cavalcade of new regulation from a menagerie of different regulators, policymakers and Parliament (Figure 2).

While regulators are now increasingly becoming more aware of the “should we” (decision for new regulation), the “how we” (proportionate new regulation) and the “when we” (timing of new regulation) of new regulation at an individual level, it is not clear as to what level of coordination there is between regulators and policymakers as a collective. All these decisions must be considered at a ‘whole of system’ level as financial services companies are subject to regulation to many different sources.

A whole-of-system approach to financial sector regulatory change is needed to ensure that any regulatory change is proportionate, orderly and coordinated. This will reduce the impact that any necessary regulatory change has on financial system competition and efficiency and on customers in terms of cost and opportunity cost.

---

<sup>8</sup> Starting with RBA, APRA, ASIC, ACCC, AUSTRAC and Treasury.

<sup>9</sup> [Review of the Legislative Framework for Corporations and Financial Services Regulation](#)

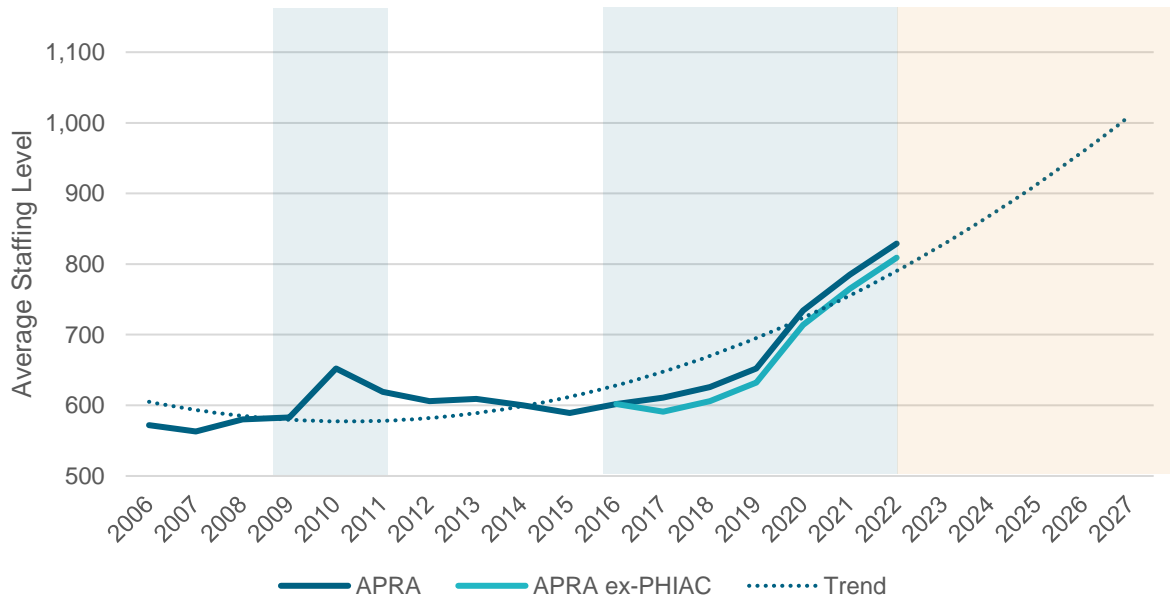
## Background

### A tsunami of regulatory change

A decade ago, financial services regulation, while complex, did not have the same pace and volume of regulatory change. While banking was subject to increasing consumer and prudential regulation, since then a global financial crisis, various inquiries, a Royal Commission, exponential technological change and a global pandemic have created wave after wave of regulatory change.

The depth and breadth of financial regulator mandates are relentlessly expanding. Regulators, consumers and other stakeholders expectations of banks only continue to grow. While APRA is putting the finishing touches on its credit risk capital framework, i.e. 'traditional' banking regulation, it is now also consulting on climate change guidance, increasing supervisory intensity on cybersecurity, piloting new data collection methods and expanding its GCRA<sup>10</sup> work. ASIC's mandate is also expanding with continually increasing consumer protection regulation, piloting new data reporting requirements and activity in the GCRA space as well. It is also expected to assume new responsibilities under the upcoming Financial Accountability Regime. The ACCC is now the regulator of Australia's complex, new and continuously evolving Consumer Data Right (CDR) regime. Regulators such as the RBA, ATO and AUSTRAC are also increasing their activity. The significant community interest in financial services has led to a deluge of inquiries, each with their own set of potential improvements to the system. Regulator mandates are increasingly starting to overlap into each other's jurisdiction such as in the GCRA and lending space.

### Increasing regulator resourcing – a proxy for regulatory change<sup>11</sup>



Regulator staffing growth matches this 'on paper' growth in regulation. Regulators are getting more resources and, consequently, regulated firms are spending more time interacting with regulators. The

<sup>10</sup> Governance, Remuneration, Culture and Accountability.

<sup>11</sup> Data from Treasury Portfolio Budget Statements. Note post-2016 adjusts for APRA's acquisition of private health insurance supervision (estimated 20 ASL).

information collected by regulators is increasing and will continue to increase with new technology. This tsunami of regulatory change is increasing operational risk in financial services and regulatory change programs now comprise a significant proportion of regulated entity's investment budgets. This sentiment is not just limited to smaller banks such as customer-owned banks. UK Finance states that: "Even the best-resourced firms have only so much financial, technical and strategic capacity to deliver and oversee change while managing the resilience of the system." UK Finance represents the UK financial services sector and counts globally significant banks amongst its membership – banks that dwarf Australia's major banks.

This compulsory investment is crowding out funds that could also be used for customer, innovation, digital and growth initiatives. The 'drop-dead dates' for regulatory projects are pushing higher value projects aside.

Regulators and policymakers as a collective must work together to ensure that this change is proportionate, orderly and coordinated – as an armada of ships sailing in the same direction.

## UK moves to coordinate regulation in a flood of new regulation

In their 2020 Budget, the UK Chancellor of the Exchequer announced a proposal to improve regulatory coordination through the introduction of the Financial Services Regulatory Initiatives Forum and the Regulatory Initiatives Grid.

### 2.270 Regulatory Coordination

The Financial Services Future Regulatory Framework Review was announced at Mansion House 2019, with the first phase launching a call for evidence on regulatory coordination in July. The government is publishing a response to the call for evidence alongside Budget and setting out the next steps in the review. This response announces a new forum, bringing together government and regulators, to provide industry with a forward-look of upcoming regulatory initiatives. This forum will be made up of the Bank of England, Prudential Regulation Authority, Financial Conduct Authority (FCA), Payment Systems Regulator and Competition and Markets Authority, with HM Treasury as an observer member.<sup>12</sup>

## The Regulatory Initiatives Grid – charting a clear course for regulators and industry

As part of the Forum's work, they successfully piloted a Regulatory Initiatives Grid ("the Grid") over the COVID year (see Figure 3). The Grid sets out financial services regulators' planned regulatory workplan over the next two years in one document. The grid outlines key milestones for various financial services regulation, supervisory and data initiatives. It also classifies them according to perceived operational impact on firms and flags any that may be of interest to consumers. The Grid allows regulators to better consider the cumulative impact and timing of regulation.

The Grid's development has been an iterative process with financial sector stakeholders and continual calls for feedback. For example, "In response to the feedback received in the Call for Evidence that consultations, data requests and new requirements all contribute to the administrative burden on firms, the Grid will include all publicly announced supervisory or policy initiatives that will, or may, have a

<sup>12</sup> [UK 2020 Budget: Delivering on our promises for the British People, Page 100](#)

significant operational impact on firms.” The evolution of the grid has been impressive and now includes an online dashboard and a spreadsheet.

While COBA greatly appreciates recent moves by regulators and policymakers to increase transparency of their workplans,<sup>13</sup> these individual workplans without demonstrated consideration of broader regulatory change do not deliver the most efficient outcomes. COBA accepts that regulators do endeavour to coordinate this change, e.g. via discussion at the CFR of big ticket items, but industry needs transparency about this coordination.

COBA produces a Regulation Outlook document as an internal member product to assist our members to navigate this change, particularly with respect to contributing to upcoming regulatory consultations (see Figure 4), and many professional services firms and industry associations do the same. However, while these products address the industry ‘roadmap’ need from a visibility perspective, it does not address the need for greater regulatory and policymaker coordination.

### Financial Services Regulatory Initiatives Forum – coordinating regulatory change

This UK Forum was launched in 2020 to strengthen regulatory coordination between members. It is made up of representatives of the Bank of England, Financial Conduct Authority, Prudential Regulation Authority, Payment Systems Regulator, the Competition and Markets Authority, the Information Commissioner’s Office, The Pensions Regulator and the Financial Reporting Council. HM Treasury is an observer member.

“The existence of the Forum has prompted a clearer focus on coordination of those initiatives at an early stage in their development – including identification of opportunities for joint work and de-duplication.”<sup>14</sup>

Australia’s CFR already plays a similar role to the Forum. The CFR is the coordinating body for Australia’s main financial regulatory agencies. Our proposed whole of system approach to regulation clearly fits into the CFR’s “effective and efficient regulation” objective.

In arguing for an ‘air traffic control’ approach to regulatory coordination, UK Finance outlines Australia’s CFR as an established mechanism to improve coordination of financial services regulation.<sup>15</sup> COBA agrees with this view and the CFR is well placed to coordinate regulatory change and assist in providing time and space for larger regulatory projects.

---

<sup>13</sup> Example: see [APRA’s Policy and Supervisory Priorities](#), [ASIC’s Corporate Plan](#) and [Treasury’s Royal Commission roadmap](#)

<sup>14</sup> [Regulatory Initiatives Grid - May 2021](#)

<sup>15</sup> [UK Finance, UK Finance Response: Call for Evidence: Regulatory Coordination: Page 30](#)

Figure 1: The complicated web of Financial Services regulation – ALRC

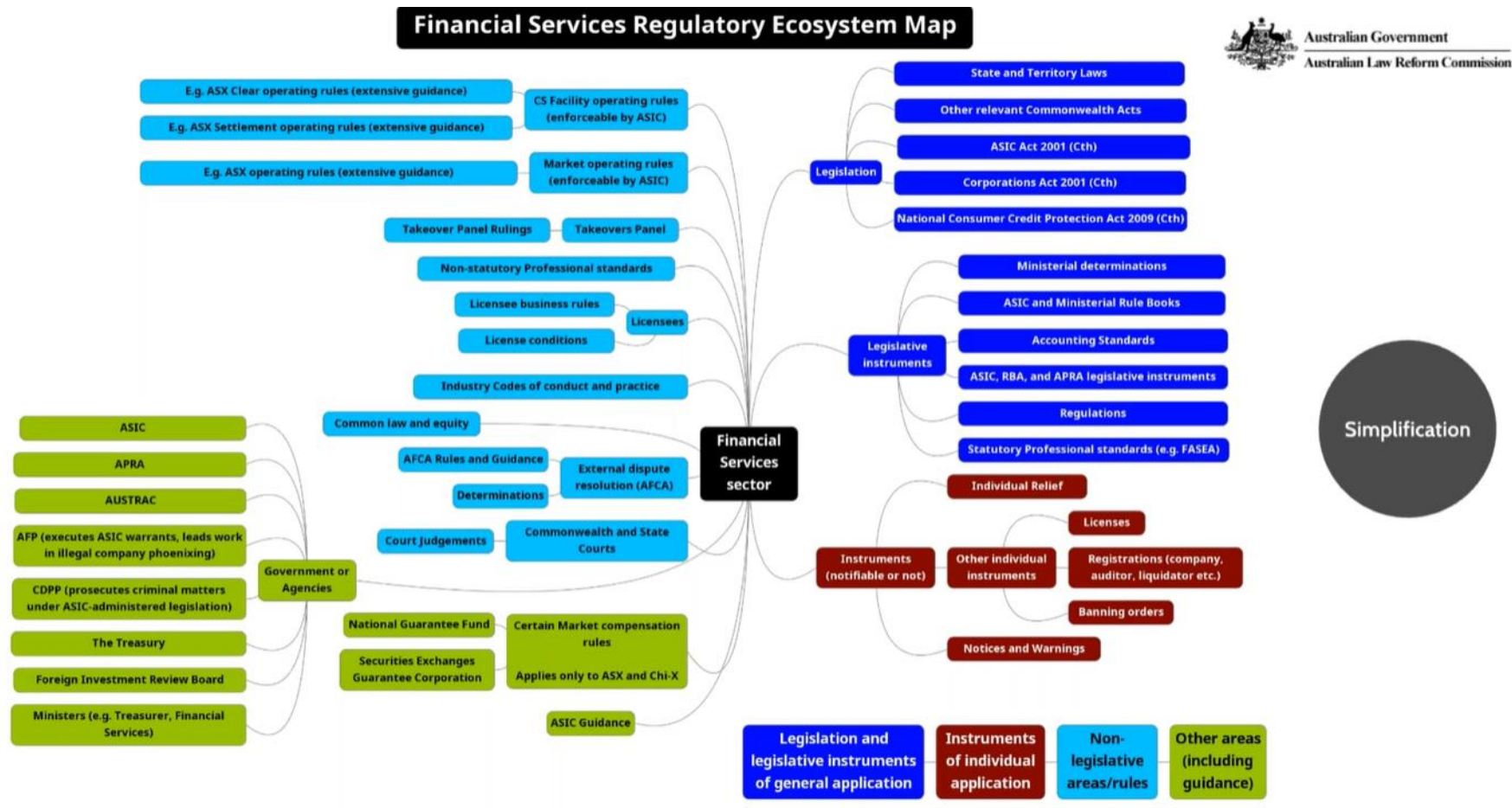
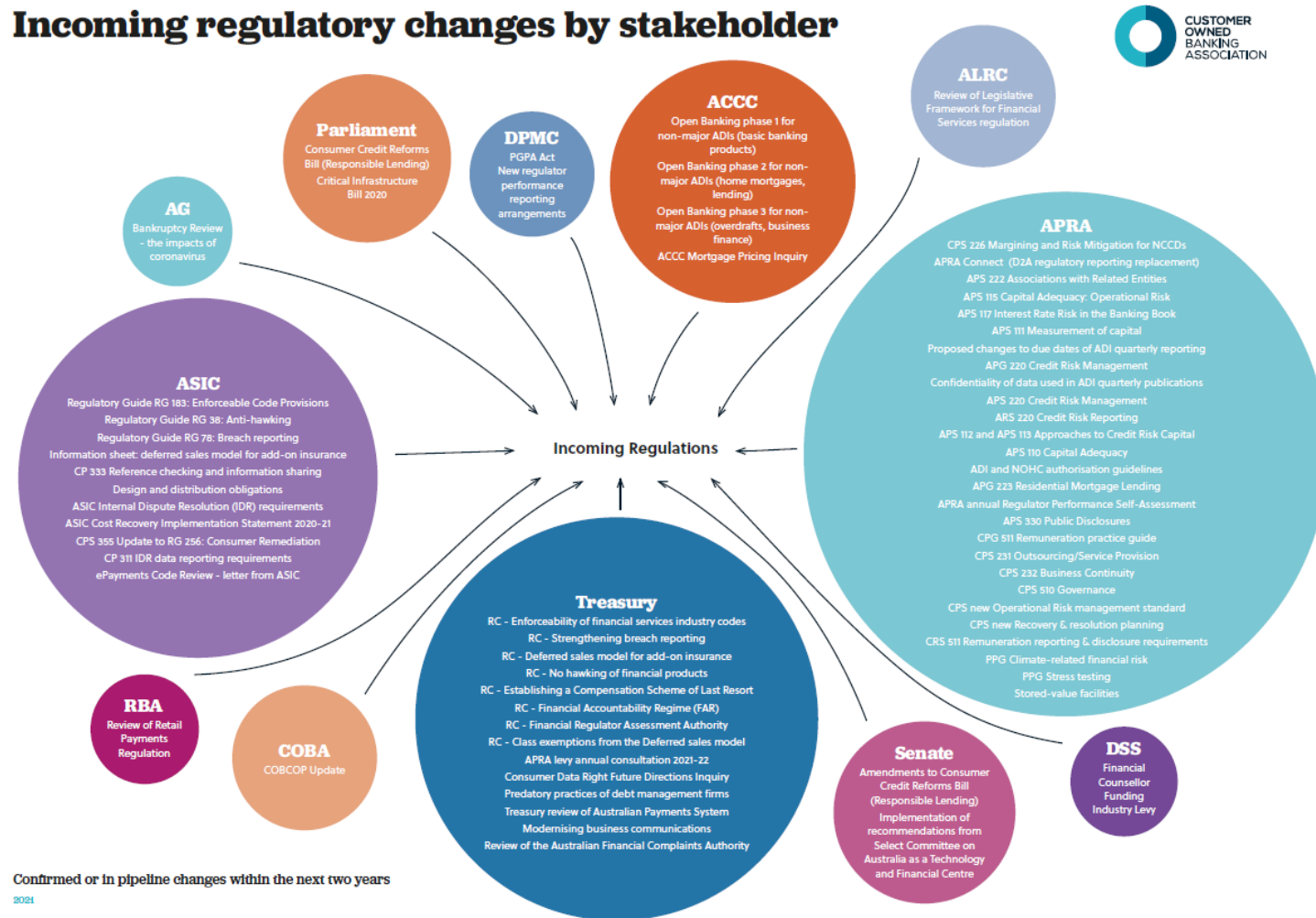


Figure 2: The incoming tsunami of regulatory change – COBA external product






**Figure 3: UK Regulatory Initiatives Grid Example – better practice regulator product**

### Multi-sector

Lead	Initiative	Expected key milestones	Indicative impact on firms	Apr Jun 2021	Jul Sept 2021	Oct Dec 2021	Jan Mar 2022	Apr-Sept 2022	Post-Sept 2022	Consumer interest	Timing updated	New updated
<b>Environmental, Social and Governance (ESG)</b>												
FRC	<b>Signatories to the UK Stewardship Code 2020</b> The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Signatories must submit to the FRC a Stewardship Report explaining how they have applied the Code's Principles in the previous 12 months, demonstrating the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	Announcement of first tranche of signatories to the code in Q3, 2021. Deadline for applications to second round in Q4 2021.	L			E				●		●
BoE/ PRA	<b>2021 Biennial Exploratory Scenario</b> A stress test of the resilience of the largest UK banks and insurers to different possible climate pathways.	The Bank restarted the Climate BES in November 2020. 8 June 2021: Official launch - scenarios published Mid-October 2021: Participants' initial submissions due January 2021: Bank to announce decision on running a second round Q1 2022: Results published (in the event of a second round, the Bank will publish results in May 2022)	H	E								●
BoE/ FCA/ HMT	<b>UK green taxonomy</b> As set out in on-shored regulation, the UK will develop Technical Screening Criteria to define what economic activities are environmentally sustainable.	Technical Screening Criteria to be finalised by end-2022	H									●

**Key**  
 Indicative impact on firms: H - high L - low U - unknown E Formal engagement planned  Key milestone

**Figure 4: COBA Regulation Outlook – internal COBA member product**

 <b>Regulation Outlook</b> <span style="float: right;"><a href="#">Link to COBA Staff Directory</a></span>									
Note this table outlines key retail banking regulation changes that are confirmed or regulatory proposals that are currently under consultation or will be in the near future. Last updated 19 May 2021									
Name	Info	Stakeholder	COBA Contact	Sub	Status	Notes	Sub due	Finalise	Commencement date
Open Banking phase 1 for non-major ADIs (basic banking products)	<a href="#">Link</a>	ACCC			Finalised		NA	NA	1 Jul 21
APRA Connect (D2A regulatory reporting replacement)	<a href="#">Link</a>	APRA			Finalised	Entity information in first	NA	NA	30 Sep 21
RC - Strengthening breach reporting	<a href="#">Link</a>	Treasury		<a href="#">Here</a>	Finalised	Legislation passed, expected ASIC RG update	NA	NA	1 Oct 21
Design and distribution obligations	<a href="#">Link</a>	ASIC Treasury			Finalised	Legislation passed, ASIC released guidance RG 274	NA	NA	5 Oct 21
RC - No hawking of financial products	<a href="#">Link</a>	Treasury		<a href="#">Here</a>	Finalised	Legislation passed, expected ASIC RG update	NA	NA	5 Oct 21
CPS 226 Margining and Risk Mitigation for NCCDs		APRA			Finalised		NA	NA	From 1 Sep 21
RC - Deferred sales model for add-on insurance	<a href="#">Link</a>	Treasury			Finalised		NA	NA	5 Oct 21
ASIC Internal Dispute Resolution (IDR) requirements	<a href="#">Link</a>	ASIC			Finalised	ASIC released guidance RG 271	NA	NA	5 Oct 21
Open Banking phase 2 for non-major ADIs (home mortgages, lending)	<a href="#">Link</a>	ACCC			Finalised		NA	NA	1 Nov 21
APS 222 Associations with Related Entities		APRA			Finalised	Also ARS 220	NA	NA	1 Jan 22
Open Banking phase 3 for non-major ADIs (overdrafts, business finance)	<a href="#">Link</a>	ACCC			Finalised		NA	NA	1 Feb 22
APS 115 Capital Adequacy: Operational Risk		APRA		NA	Finalised	Not expected to apply to most COBA members.	NA	NA	1 Jan 23
Proposed changes to due dates of ADI quarterly reporting	<a href="#">Link</a>	APRA		<a href="#">Here</a>	Finalised	APRA responded	7 Feb 20		
RC - Financial Regulator Assessment Authority	<a href="#">Link</a>	Treasury		<a href="#">Here</a>	Finalised	Legislation introduced in the House	28 Feb 20		1 Jul 21 or RA
Consumer Data Right Future Directions Inquiry	<a href="#">Link</a>	Treasury		<a href="#">Here</a>	Finalised	Final report published, awaiting Government response	21 May 20	23 Dec 20	NA
APS 117 Interest Rate Risk in the Banking Book		APRA		<a href="#">Here</a>	Consultation	May not be applicable pending ADI capital consultation.	24 Jan 20	???	2022