



CODE OF BANKING PRACTICE

Q) How was the Code developed?

A) Extensive consultation with key stakeholders and community representatives occurred prior to the drafting of the document.

Representatives from banks came together to form the Industry Code Working Group, which met more than 20 times, over 100 hours.

Q) What is the new Code based on?

A) An independent review was conducted by Mr Phil Khoury beginning July 2016 with his report delivered in early 2017. The new Code was developed nine months after receiving that report.

Note: Mr Khoury is a former regulator (ex-ASIC) and for the past 17 years he has been a consultant working in governance effectiveness and in regulatory and self-regulatory advice.

The review of the Code was announced on 21 April 2016. Mr Khoury's review took approximately 7 months and included consultation with various stakeholders, including consumer representatives, regulators and all sides of politics, to identify what initiatives would make a difference and deliver better customer outcomes.

Q) When did the review begin?

A) The Code of Banking Practice was reviewed every five years. The latest review began in 2016 and was completed late 2017 when it was submitted to ASIC for approval. Preliminary work including planning began in 2016, with drafting commencing in early 2017.

Q) Was this done in response to the Royal Commission?

A) No, the Code is regularly reviewed and the current review began in 2016.

Q) Is the Code formally recognised by regulators?

A) Yes, in an historic move ASIC approved the Code. It is the first finance sector industry Code to be approved by ASIC.

Q) How is this version different to previous Codes?

A) The new Code is stronger, broader and written in simple to understand language. It has been completely rewritten to better meet community expectations and service the needs of consumers. It is now divided into ten key sections which aligns with the cycle of customer experience.

Q) Was the last Code not consumed focussed or strong enough?

A) Consumer standards and expectations have changed considerably over the past five years. The new Code better reflects those standards and expectations.

Q) What new sections have been included in this Code?



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A) The new Code has been broken into ten key parts, including a new dedicated section on small business lending and one on inclusive and accessible banking.

Q) How does the Code define a small business?

A) The definition is based on three things;

- Turnover of less than \$10 million AUD
- Number of employees – less than 100
- Total credit facility threshold of \$3 million AUD or less

This covers 98 percent of all business lending by Australian banks.

Q) What other changes can people expect?

A) The new Code is more transparent around products and services and demonstrates a more prominent commitment to ethical behaviour. It also includes things such as a four-day cooling off period on consumer credit insurance, small business contracts that are written in plain English, and the right to close a credit card account online.

Q) When will it be implemented?

A) ABA member banks will need to implement the Code by July 2019. It is expected that some banks will be compliant earlier.

Q) Is it enforceable?

A) Yes, the Banking Code Compliance Committee (BCCC) will monitor and oversee compliance with the Code including imposing sanctions.

Q) What is the role of the BCCC?

A) They will monitor Code compliance, investigate any alleged breaches of the Code, make findings and recommendations relating to breaches and apply sanctions. They are also responsible for regular reporting.

Q) Who is on the BCCC?

A) Members of the BCCC are appointed for three years. The Committee is comprised of an independent chairperson - appointed jointly by the Australian Financial Complaints Authority (AFCA) and the ABA. A consumer representative – appointed by consumer representatives on the Board of AFCA; and a banking representative – appointed by the ABA.

In addition, for the first time, the BCCC will appoint, a person, or panel of persons with expertise in small business and or agribusiness as required.

Q) What are the penalties for systemic or serious Code breaches?

A) The BCCC has the following sanction powers:



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- Requiring the bank to rectify or take corrective action on the breach identified
- Requiring a bank to undertake a compliance review of our remediation actions
- Formally warning a bank
- Requiring a bank to undertake a staff training program on the Banking Code
- Naming a bank in the BCCC annual report or website; and
- Reporting serious, systemic and ongoing instances where a bank has been non-compliant to ASIC.

Q) Is the Code voluntary?

A) Yes, but for the first time, banks with a retail presence in Australia will be required to be signatories to new Code if they wish to be members of the Australian Banking Association. Retail banks that do not sign up to the Code will not be admitted as members of the ABA.