

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Commonwealth Bank of Australia

CBA54QON: Mr FALINSKI: In this transformation program that you've been undertaking, is there any data or are there any insights that you've gained along the way that you think would be useful in terms of design of public policy and legislation that currently applies to the financial sector?

Mr Comyn: There certainly would be. If you wouldn't mind, if I could just go away and think about what would be most helpful and constructive. But, certainly, there are a number of things that we've learnt. We've worked closely as a team with the board. As I said, it's been a substantial program, and we've shared some of those insights and learnings with regulators. I still believe that there is considerable work to do to become simpler as an organisation in terms of the way we serve our customers. There are many aspects of large financial institutions that aren't simple. By and large people act rationally and follow processes, so there's quite a bit more work that we need to do to make sure that we're simplifying the way that we serve our customers in particular.

Answer: CBA commenced the Remedial Action Plan in June 2018, in response to APRA's Prudential Inquiry in to CBA completed earlier that year.

In implementing the Plan, a key focus has been to simplify our business. There is no doubt that simplicity and clarity create efficiency with fewer mistakes. Government policies, legislation and regulator guidance that reflect this simplicity will benefit consumers as well as the financial system. As Commissioner Hayne observed, there is not necessarily a need for more laws, rather greater clarity and enforcement of existing laws.

A second focus for us has been to foster a culture that is customer-focused, in line with our purpose, which is to improve the financial wellbeing of our customers and communities. Government policies in financial services should also encourage practical outcomes in the interests of consumers. One example surrounds the very significant

opportunity presented by digital banking and consumer data sharing, an area where building and maintaining the trust of consumers will be vital to meeting their expectations, as well as achieving the economic potential of these important reforms. Recent efforts to harmonise regulations to enable digital signatures across jurisdictions are an example where the policy emphasis must be on outcomes for consumers rather than on bureaucratic complexity.

Lastly, we have greatly strengthened our approach to risk, including elevating the importance of non-financial risks and managing them more proactively. This includes a culture of constructive challenge, where our people are encouraged to highlight risks and concerns, even where this means questioning the status quo. A key lesson of this reform process has been to ensure risk controls are substantive in their impact, and that they prompt discussions. We recognise that regulators face a very difficult task in guarding against poor outcomes while also creating and maintaining the conditions for economic activity. In this context, government policies governing risk in financial services institutions should continue to target a substantive approach, emphasising consistent, thoughtful and active attitudes to managing risks in all its dimensions.