

21 November 2017

Committee Secretary  
Senate Economics Legislation Committee  
Parliament House  
Canberra ACT 2600  
[economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Committee Secretary

**Inquiry into the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Bill 2017 [Provisions]**

Thank you for the opportunity to provide a supplementary submission.

The Committee Chair put the following question on notice to COBA: *Can COBA provide an estimate for the average cost of implementing the BEAR across its member organisations?*

**Larger mutual ADI estimates**

COBA provides the following cost estimates from our largest members. These are high level estimates given the uncertainty about APRA's requirements.

COBA believes that these estimates are likely to be appropriate for the largest 15 mutual ADIs. This leads to a total implementation cost of around \$4.5 million for the largest mutual ADIs, or \$300,000 per ADI.

**Table 1: Estimated BEAR costs for the largest COBA members**

	ADI 1	ADI 2	ADI 3	ADI 4	ADI 5
<b>Implementation</b>					
Staff Costs	\$410,000	\$260,000	\$150,000	\$260,000	\$128,000
Staff Level	3.8 FTE	2 FTE	1.5 FTE	1.8 FTE	-
Duration	12 months	6 months	6 months	6 months	-
Consultancy	\$50,000	\$40,000	\$50,000	\$100,000	\$50,000
Total	\$460,000	\$300,000	\$200,000	\$360,000	\$178,000
<b>Ongoing</b>					
Staff Costs	\$150,000	\$100,000	\$100,000	\$120,000	\$125,000
Staff Level	1.5 FTE	1 FTE	1 FTE	1 FTE	1 FTE
Other		\$65,000	-		
Total	\$150,000	\$165,000	\$100,000	\$120,000	\$125,000

COBA notes that following:

- FTE estimates cover total resourcing across a wide number of roles and business units - Company Secretary, Senior Executive Group, Human Resources, Project Office, Risk and Legal areas.
- Most of these COBA members have only costed for the immediate 6 month implementation task and any estimates would need to be adjusted upwards as APRA develops the BEAR through 'trial and error' beyond the proposed start date of July 2018
- These figures exclude costs related to remuneration deferral provisions. COBA expects few mutual ADI executives to be in scope due to the proposed exemption for small amounts of variable remuneration. However, mutual ADIs may need further assurance that they meet any remuneration obligations.

#### **Smaller mutual ADI estimates**

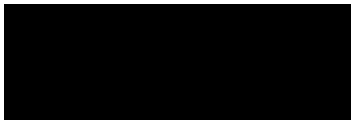
Given the timeframe, we are unable to provide detailed costings for the smaller COBA members. These costs are likely to be lower than those provided above due to simpler businesses, smaller executive teams and therefore fewer accountable persons. There are around 60 smaller mutual ADIs.

COBA conservatively estimates that the implementation costs for an individual smaller mutual ADI would be between \$25,000 and \$50,000. This is based upon on the consultancy costs provided by the larger mutual ADIs. In aggregate, this would be \$1.5 million to \$3 million for smaller ADI implementation costs (60 ADIs).

#### **Mutual ADI sector**

Based on these estimates, the total implementation cost of the BEAR across the mutual ADI sector is likely to be between \$6 million and \$7.5 million.

Yours sincerely,



**Luke Lawler**  
**Director - Policy**