

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

Division/Agency: Australian Prudential Regulation Authority

Question No: APRA01QW

Topic: Regulatory Burden

Question:

Could you provide information regarding the duplication of regulation and guidelines between APRA and ASIC both before and after the proposed changes

Answer:

At present, authorised deposit-taking institutions (ADIs) and non-ADI lenders are subject to the responsible lending obligations applying to specific types of loans set out in the *National Consumer Credit Protection Act 2009* (Credit Act). These provisions are administered by ASIC, which has also issued guidance to industry on their operation.

ADIs also need to comply with APRA's prudential requirements for managing credit risk, which includes credit loans also covered by the responsible lending obligations. *Prudential Standard APS 220 Credit Risk Management* sets out APRA's requirements of sound lending practices. It is supported by guidance, *Prudential Practice Guide APG 220 Credit Risk Management* and *Prudential Practice Guide APG 223 Residential Mortgage Lending*.

Under the proposed reforms, the responsible lending obligations in the Credit Act would no longer apply to ADIs, except for small amount credit contracts and consumer leases. ADIs would continue to be subject to APRA's prudential requirements, which would remain largely unchanged.

The Government also intends to adopt APRA's expectations of sound ADI lending practices for non-ADIs (as outlined in APS 220) to ensure there is consistency between the standards applied to ADIs and non-ADIs. These provisions would be administered by ASIC.