

House of Representatives Economics Standing Committee

Shayne Elliott Opening Statement

11 October 2017

Thank you for the chance to speak to the Committee again.

I want to briefly address four topics:

1. Our view of the economy;
2. Our response to these economic conditions;
3. The significant improvements we are making for customers and the community; and
4. Our commitment to anti-money laundering laws

First, the economy.

Jobs underpin the health of our community and our economy.

Since March, it is pleasing to see good employment growth. The ANZ job ad series is up 7% in five months and trend employment is up 2.6% over the year.¹ I do note, however, that underemployment is of concern.

Mining jobs are growing again, and there is strong growth in tourism, health and other service sectors. Private investment has increased, assisted by growth in public spending and infrastructure activity.

Some regional areas that have borne the brunt of the mining downturn appear to be stabilizing and improving.

When averaged across the country, house price growth is moderating.

Household debt has increased a little and at a faster rate than wages. As debt has increased, however, so have savings.

¹ ABS Labour Force catalogue 6202.0, 14 Sept 2017, trend employment to Aug 2017.

We agree with the Council of Financial Regulators that this is something to watch. The ability for households to withstand economic shocks has diminished a little.

That brings me to my second point on how we are responding to these conditions.

We think it has been prudent to tighten home loan standards and encourage customers to pay down debt at a faster rate.

We've done this by reducing our rates for people paying off their loans and removing fees for people moving from interest only to principal and interest repayments.

Our price and policy changes have taken into account portfolio risk, the competitive environment and our capital and regulatory requirements.

Pleasingly, about 38% of our home loan customers are repaying principal faster than required. Having said that, I do acknowledge that some customers are doing it tough. This is generally due to job loss, reduced income, family breakdown or illness.

We work closely with people in these situations to reschedule payments, reduce interest rates and even grant repayment holidays.

On the business side, credit growth remains low. I am optimistic, however, that this will improve as more businesses build confidence to invest.

In particular, I am encouraged by our customers' interest in expanding offshore.

This year, we have taken 62 business customers to Asia to help their export income, and there is strong interest in our "Be-Trade-Ready" website.

I would now like to turn to our customer-focused reform work.

We have acknowledged that we must do better as an industry. I am determined for ANZ to lead the way by building a bank our customers, our staff and the community are proud of.

I accept we have much to do but we have achieved a lot in a short period.

In August, I wrote to all of our people about the "ANZ way", a guide to the way we work and our promises to customers.

I wanted to make it clear that we will raise standards in everything we do, going beyond merely complying with the law.

Colin Neave, our Customer Fairness Advisor and the former Commonwealth Ombudsman, has strengthened our approach to customer remediation. We will publish principles to assure our customers that ANZ will quickly acknowledge and compensate any failures.

We are changing how we pay people, including through new scorecards that emphasize good customer outcomes. We are taking the spirit of the Sedgwick review beyond its focus on branch staff.

With industry, we are working through the Sedgwick and ASIC home loan broker recommendations and we have strengthened the governance of our broker channel.

We are also working with the industry to include new consumer protections in a shorter and simpler Banking Code of Practice.

To deliver better quality financial advice, we are doing more audits using data analytics and providing better training. If we don't get our advice right, a dedicated 'Advice Review Team' examines this and compensates customers.

The new ABA reference checking protocol is making it difficult for advisers with proven conduct issues to move from firm to firm.

There is, however, a risk of these advisers joining firms outside the protocol. We urge Parliament to close this loophole.

As we discussed in March, ANZ is supporting reforms recommended by this Committee. We can see real benefit from the Banking Executive Accountability Regime and have started our implementation planning.

We are working to make open data a reality by setting out a deliberately simple and safe form of open banking for the Government's Independent Review. Our suggestions provide a pathway for open data across the economy that could drive innovation.

We will start sharing comprehensive credit data next year.

We look forward to the commencement of the “one stop” Australian Financial Complaints Authority next year.

We are engaged with the Productivity Commission’s review into financial system competition and support making it easier for new and smaller banks. We encourage the Government to look at reforms that will drive safe financial innovation, such as digital identity.

I would finally like to comment on anti-money laundering.

Action against financial crime is in everyone’s interests.

ANZ works closely with Government to detect and disrupt those who seek to break our laws. It is our responsibility to ensure we only open accounts for people we know and trust. We also need to report cash transactions of \$10,000 or more, all international funds transfers and any matters that raise concern.

Each year, we report millions of transactions to AUSTRAC.

AUSTRAC has advised us that it has found no evidence of non-compliance concerning ANZ’s ATMs.

To recap before taking your questions:

- Stronger economic conditions are helping communities and reducing financial system risk
- At a time of low wages growth and higher levels of debt, we are encouraging less risky forms of lending
- We are deeply committed to customer-focused reforms as they help people and communities thrive.

Thank you for your time.