

AFR Banking & Wealth Summit

5 April 2017

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****CHECK AGAINST DELIVERY****

- Good morning, thank you Michael Stutchbury and the Australian Financial Review for the invitation to be here.
- I regard this as a really good opportunity for me very early on to share some early impressions with you and to set the framework for what I regard as a very challenging but potentially very rewarding opportunity ahead in this position.
- Throughout the advertising for this summit the AFR has used the tagline: In banks we trust?
- In whom do we trust?
- We all know that trust in our banking system as an industry is in decline and the ABA has done research that confirms that here in Australia.
- This needs to be seen in a wider context in which trust in major institutions in Australia is falling.
- In Edelman's 2017 Trust Barometer for Australia, we saw the most significant declines across all four institutions – government, media, corporate and non-government organisations.
- The trust gap is widening between 'informed' public (high income, university education; engaged with news) and 'mass' public.
- The findings in the Australian context are very much consistent with the global index for 2017.
- Globally what the survey has found is the largest ever drop in trust across business, government and media in the history of the survey.
- In two-thirds of countries surveyed, less than 50% trust in mainstream institutions.
- The trust gap between the 'informed' public and 'mass' public is also widening, and is most evident in western economies such as the United States, United Kingdom and France.
- Edelman has called the survey results for 2017 an implosion of trust.
- This is due to the belief that mainstream institutions have failed to protect consumers from the impacts of globalisation and technology change.
- We can see this in Brexit, Trump and, in Australia, the increasing mistrust of mainstream political parties.
- Given this profound and fundamental shift in trust in institutions here and globally, it is not surprising banks are under an unprecedented level of pressure and scrutiny.
- An implosion of trust leads to an explosion of scrutiny.



- Australia has one of the strongest and most stable banking systems in the world – it is one of our truly world class sectors and is envied by many in the global finance industry.
- However, in this new operating environment, it is not enough to have a banking system that is the envy of the world, you also need to enjoy the trust and respect of the broader public. Erosion of trust leads to erosion of strength.
- Australians have lost trust in banks' ability to balance the interests of customers and shareholders.
- Politicians and regulators have responded to this erosion with an unprecedented level of scrutiny.
- There have been 20 plus reviews into various aspects of Australia's banking system from the emergence of the GFC in 2008 to 2016.
- In the past year or so another 17 inquiries, reviews or investigations have commenced.
- These reviews have generated hundreds of recommendations – many of which overlap, while others are contradictory.
- The pressures and rate of change will continue to escalate for banks.
- We're seeing the largest transfer of power from institutions to consumers in human history.
- Consumers are not going to give that power back.
- Every ounce of respect has to be earned. It is no longer baked into the fabric of the institution.
- It's a time when technology change is opening up opportunities to consumers but also has eroded the human face of banking.
- A wave of millennials are entering the market with vastly different expectations.
- Entirely new kinds of companies are entering the sector.
- Banks don't underestimate the complexity of what lies ahead.
- They understand there will be significant ongoing scrutiny from governments and regulators and the public.
- Change now is necessary but will be painful – banks will need to change the way they look and act on all fronts.
- It's a daunting backdrop to take up the reins of the banking industry association.
- I decided to take on the role with full understanding of the magnitude of what the banking industry needs to do.
- I wouldn't have accepted the role unless I had full confidence that the industry's leadership was committed to making meaningful change.
- The recruitment process was as much about me eyeballing the leadership as them eyeballing me.
- My role is one of change agent – I have a long career of managing major upheaval.
- I know it is complex, that it needs both urgency and careful rigorous thought and it takes time.
- The similarities of the role in politics are multiple – bringing numerous stakeholders with competing interests together. Harmonising their collective energies around one goal and focusing on implementation.



- Banking is a complex environment with many competing priorities, even within the ABA's own membership.
- As well as effectively responding to the plethora of inquiries and recommendations confronting them, banks need to help set the industry agenda in ways that are interesting, exciting and compelling.
- I need to unite people; set aspirational and inspirational goals; decide what the industry's priorities are; and put resources behind them.
- I understand the power of bipartisan support and will focus on working with stakeholders across the political divide to get things done.
- A strong banking sector is critical to Australia's economic prosperity – especially when our economy is in transition – but it needs to operate in a way that meets community expectations.
- A strong social licence to operate is just as critical as financial and prudential strength.
- Banks are listening to customers and taking action across a broad front – I want to expand that agenda.
- Some have criticised banks for taking too long to change and, personally, I would like to see the pace of change accelerate.
- One of my first priorities is to identify reforms and recommendations that can be implemented quickly and will make a meaningful difference for customers.
- The reality is, however, that these are complex issues and we need to ensure change is coordinated effectively.
- Banks are delivering a far-reaching reform program to improve the level of service to their customers.
- The ABA's Better Banking reforms include:
 - The Khoury Review – which has delivered 99 recommendations. It will result in a new Code of Banking Practice that is easier to understand and provides better protection to customers – we're aiming for the new Code to be in place by the end of 2017.
 - The Sedgwick Review – removing or changing payments and bonus schemes that reward or incentivise poor customer outcomes – final report due this month (April).
 - A new IT platform that will allow banks to introduce real-time payments and transfers.
 - Making it easier for customers to switch banks.
- It is not enough to say that you are changing, there must be evidence of change for people to believe it.
- Once customers can see, feel and touch the changes that are being made, then banks can start to recover the trust they have lost.
- In recognition that actions speak louder than words, I want to speak about two specific reforms and their practical benefits.
- First, the appointment of customer advocates.
- Twelve months ago, one bank had a dedicated customer advocate, now 17 banks have them in place.
- Customer advocates report to banks' executive leadership teams and offer an alternative channel for customers unsatisfied with a bank's response to an issue.



Strong banks – strong Australia

- They are not only charged with assisting customers to navigate banks' internal structures to get complaints resolved, but also to be proactive about finding ways to support all customers.
- As an example, since being established, the customer advocacy team at one of the major banks has developed a tool that helps its employees better detect and proactively support customers in vulnerable circumstances.
- Over the last couple of years, we have seen the importance of whistleblowers in uncovering issues within banks.
- In December 2016, the ABA released Guiding Principles to help banks ensure their whistleblower policies meet the highest standard.
- This means, among other things, the whistleblower policy is endorsed by the board of the bank, is monitored for effectiveness, and there is zero tolerance of retaliation against whistleblowers.
- Best practice policies should ensure anonymity for whistleblowers if they want it and allow them to approach regulators directly at any stage of the process.
- Training should be mandatory for all employees while there should be additional training for senior executives and others involved in the whistleblowing process.
- All of the major banks now have new whistleblower policies in place that reflect the Guiding Principles. They are starting the internal communications and training needed to support these changes.
- Other banks will have their new whistleblower policies in place by 30 June 2017.
- These are just some of the changes banks are making.
- We're also looking at credit card reform, better support for small business and farmers, and new financial hardship programs to support customers in difficult circumstances.
- My immediate priorities are:
 - How to accelerate reforms without compromising care and rigour?
 - Looking at which reforms to prioritise to deliver tangible benefits to customers.
 - How to translate the massive reform agenda to a cynical and untrustful public?
 - How to measure success?
- In the longer term, how to leapfrog the incremental to surprise and delight customers.
- Earning the trust of the Australian community will be tough and it is going to take time.
- Banks understand that they are swimming against the tide of powerful global forces and this can be exhausting and dispiriting.
- None of us can afford for the banking industry to give up on its goal of winning back trust, as this will be integral to all sectors in the new environment we all operate in.
- Imagine what success would look like? Imagine if banks reversed a global trend? Imagine if Australia's banks became the positive outlier in the Edelman Trust Barometer.
- With a job description that requires reversing a powerful global trend, I will need to work with all of you to succeed. I look forward to working with you all.

ENDS