



CUSTOMER OWNED BANKING
CODE COMPLIANCE COMMITTEE

ANNUAL REPORT

2023-24



About this Report

This Annual Report presents the highlights and impact of the work of the **Customer Owned Banking Code Compliance Committee (COBCCC)** for the 12 months from 1 July 2023 to 30 June 2024.

It features the work we undertook in monitoring compliance with the **Customer Owned Banking Code of Practice (the Code)**, promoting good practices in the customer owned banking industry, and improving outcomes for consumers.

We acknowledge the traditional custodians of the different lands across Australia and pay respect to elders past and present.

Note: In this report, we use the simple acronym COB to refer to the customer-owned banking institutions and credit unions that subscribe to Code.

Chair's Message



It is a pleasure to present the 2023-24 Annual Report of the COBCCC.

COBs reported to us that our efforts had a tangible impact on the ease and effectiveness of breach identification and reporting in 2023-24.

But while we made significant strides encouraging better reporting from COBs, we recognise there is still more to be done to assist them in providing accurate and complete data to us.

Our work is about more than just monitoring compliance with the standards set out in the Code of Practice; it includes education, guidance and sharing good practices that will help to drive improvement across the industry. Our Annual Report 2023-24 provides an overview of these activities.

Our targeted efforts to improve reporting have yielded results: the increases in reported breaches and complaints point to enhanced frameworks in COBs and better support for staff in identifying and reporting breaches.

Effective frameworks are crucial; they ensure that there is a greater likelihood that breaches are recorded, analysed and remedied, reducing harm to customers. High-quality data collection and reporting are the bedrock of effective compliance and risk management in customer-owned banking.

The 2022 Code, having been in effect now for more than a year, has strengthened accountability in the industry, delivering positive outcomes for customers.

Looking ahead, we will focus on improving data quality and refining our approaches to monitoring compliance with the Code. We will take a more proactive approach, requiring COBs to demonstrate their efforts to improve practices in line with Code requirements. We will also focus our priorities on concerns of non-compliance that pose the most significant risk to customers, especially vulnerable customers.

I want to thank my fellow Committee members, Cindy Hansen and Philip Cullum, for their invaluable insights and contribution to our work throughout the year. My gratitude also to the CEO of the Customer Owned Banking Association (COBA) Mike Lawrence, Chair Elizabeth Crouch, and their team, as well as the CEO and Chief Ombudsman of the Australian Financial Complaints Authority (AFCA) David Locke and his team for their collaborative support and engagement during the year.

Lastly, thanks to our dedicated Code Team for their extraordinary hard work and support. Together, we are making a real difference.

Jocelyn Furlan

Independent Chair

Customer Owned Banking Code Compliance Committee



Snapshot of 2023-24



Annual Data Report

– published May 2024

Comprehensive analysis of the breach and complaints data provided by COBs.

The Data Report identifies trends and offers valuable insights into compliance with the Code across the industry.



Benchmark Report

– provided to COBs November 2023

A report that offers each COB a benchmark against which it can measure its performance and compare with other COBs.

It provides a valuable chance to consider their compliance in a wider industry context.

57

COBs subscribed to the Code



COBs reporting **zero breaches** dropped from

13 to 4



4,624

self-reported breaches of the Code were analysed, up 82% from the previous year (2,544). **This is the highest number since the inception of the Code in 2010.**

We analysed 45,844 self-reported complaints from COBs, up

↑ 25% ↑

on the previous year

We responded to

46

requests for clarification on code obligations



We received

9

allegations of Code breaches

7

did not progress to a formal investigation

2

remain under investigation





Multi-channel Engagement Strategy

Targeted engagement strategy to improve breach and complaints data identification and reporting among all COBs.



Project to Streamline Breach Reporting

Identifying and implementing improvements to the data collection process to enhance reporting efficiency for COBs.



Bank@Post project

Ongoing work with the Banking Code Compliance Committee on monitoring Code compliance with banking services delivered through Bank@Post.



The Code

ABOUT THE CODE

The Customer Owned Banking Code of Practice sets out obligations that promote high standards of ethical conduct and customer service for COBs.

It aims to strengthen consumer protection by ensuring COBs operate with transparency, accountability and a focus on consumer interests and needs. The Code also helps to build a relationship of trust with consumers.

COBs make a choice to subscribe to the Code, and doing so is a commitment to good practices and service delivery that is fair and reasonable.

The Code is owned and published by the COBA and is an important part of the national consumer protection framework and customer owned banking regulatory system.

SELF-REGULATION

The Code is a fundamental element of successful self-regulation.

Self-regulation involves the industry setting its own standards of conduct and enforcing these standards through breach identification, reporting, and remediation.

This model allows the industry to demonstrate a commitment to ethical and responsible behaviour, helping to build trust with customers. It also reduces the need for costly and time-consuming regulatory intervention.

THE INDUSTRY

Our work monitoring the Code is crucial to the success of the self-regulatory model working to its full potential.

The industry we monitor comprises of 57 COBs that subscribe to the Code, operating out of 663 branches across Australia. The COBs that subscribe to the Code service 4.2 million customers – about 16% of the Australian adult population – and manage 9.1 million accounts.

SIZE BREAKDOWN OF COBs

Size Category	Assets Threshold	Number of COBs
AA	Over \$5b	9
A	\$2b to \$5b	7
B	\$1b to \$2b	14
C	\$500m to \$1b	7
D	\$200m to \$500m	11
E	Under \$200m	9



Our Role

We were established to monitor compliance with the Code to help encourage best practice and improve customer outcomes.

Our role includes:

- › monitoring and overseeing compliance with the Code
- › collecting and analysing data
- › identifying areas for improvement
- › providing guidance
- › investigating possible breaches of the Code
- › using sanctions and direction powers where fair and appropriate
- › publishing findings of inquiries
- › engaging with stakeholders

For the purpose of monitoring and overseeing Code compliance, in addition to requiring COBs to provide reports about breaches and complaints, we conduct environmental scans and undertake investigations to assess risk areas.

We also have the power to issue determinations and impose sanctions when fair and appropriate in the circumstances.

In addressing issues, our first step is to work with the COB to rectify what has gone wrong, support its compliance with the Code by providing guidance, and pursue better outcomes for customers.

Our work is supported by the Code Team which provides monitoring, operational and administrative services. The Code Team works within the AFCA with Code Teams that support four other code compliance committees.

This arrangement allows the Code Team to learn from other code committees and teams, share insights and information about compliance, and improve our own practices.

Our Activities

Our work in 2023-24 was driven by our core purposes:

- › assessing compliance with the Code
- › highlighting risks and good practices
- › guiding COBs on improving compliance and outcomes for customers.

CODE BREACH ALLEGATIONS AND INVESTIGATIONS

In monitoring compliance with obligations in the Code, we carefully consider information from our data analysis, a range of key stakeholders, and public sources. Any member of the public can raise allegations of Code breaches.

Each concern undergoes a thorough assessment process. However, not all concerns result in formal investigations.

In 2023-24, we received nine concerns relating to alleged Code breaches.

Of these, following our careful assessment, seven did not advance to formal investigations. Two concerns we received in 2023-24 remain under investigation. These concerns relate to COBs:

- › Failing to provide appropriate services to customers experiencing vulnerability and financial difficulties concerning paragraph 141 of the Code.
- › Imposing high fees and charges on low-income earners concerning paragraphs 21 to 24 of the Code.

Our investigations work underscores our commitment to ensuring COBs uphold the standards of the Code and ensure customer interests are being protected.

ENGAGEMENT STRATEGY

To enhance breach identification and reporting, we implemented a comprehensive, multi-channel engagement strategy. This initiative included:

- › Presentations and case studies: We presented our analyses and case studies at key industry events, supported by a breach data analysis project for which we engaged Deloitte.
- › Direct engagement: We engaged with COBs that were under-reporting or not reporting breaches to understand their challenges and provide practical suggestions for improvements.
- › Feedback and guidance: We provided all COBs with feedback on their breach and complaints data to address issues with data quality and improve reporting practices.
- › Collaboration: We collaborated with Deloitte for analysis of de-identified breach data and providing insights on reporting to the industry.
- › Improved communication: In collaboration with COBA, we updated our distribution lists to ensure our work was being received by people in senior management positions throughout the industry.

In aiming to address under-reporting and to improve the breach reporting process, our engagement strategy yielded some positive results. Addressing under-reporting and non-reporting is crucial for the effectiveness of the Code and the self-regulatory model.

Under-reporting suggests the need for improved frameworks, systems, and processes within COBs. Persistent under-reporting undermines community confidence in the Code of Practice and in the services of COBs. Effective compliance frameworks are essential for identifying and addressing breaches and complaints, leading to better consumer outcomes.

The number of COBs reporting zero breaches fell from 13 to 4, and reported breaches increased by 82%, from 2,544 to 4,624. This demonstrates the positive impact of our efforts.

Importantly, when COBs identify breaches quickly and report them accurately, they can address the issues they uncover, leading to better practices and better outcomes for customers.

COBs have expressed appreciation for our guidance materials and direct engagement. We expect further improvement in reporting from COBs in the coming reporting period.

STREAMLINED BREACH REPORTING

To reduce the administrative burden on COBs while ensuring high-quality data, we focused on making breach reporting easier and more efficient. Our efforts included:

- **Enhanced engagement:** We engaged with COBs through meetings, webinars, and focused reporting discussions to better understand key issues and inform improvements to breach reporting processes.
- **System improvements:** We improved our internal systems to accept complaints data in the format used by the Australian Securities and Investments Commission (ASIC), streamlining the reporting process for COBs and enhancing data comparability and analysis.
- **Data collection and analysis:** We collected, verified, and analysed data on 4,624 breaches and 45,844 complaints, which provided richer insights into industry compliance.
- **Reporting:** We produced individual Benchmark Reports for all Code subscribers and published the 2022-23 Annual Data Report.

Recognising the range of obligations that COBs are required to meet, we aimed to streamline reporting. This has helped to ensure COBs can quickly and easily provide high-quality information without an unnecessary burden.

Aligning elements of our Annual Compliance Statement and data collection with other organisations such as ASIC and making efforts to avoid duplicated requests for data further supports this goal. Effective breach reporting is essential, and this approach will incentivise good reporting practices.

Improved breach reporting will lead to more meaningful insights that will support improvements in the industry and reduce the likelihood of consumer detriment.

Key focus areas we identified through our analysis of self-reported breach data include:

- **Responsible lending:** Breaches related to the obligation to exercise the care and skill of a diligent and prudent banker. Issues included the failure to provide clear information about interest rates, fees, and charges.
- **Inadequate training:** Breaches often resulted from processes and procedures not being followed or manual error, highlighting the need for better training and oversight.

In the context of rising living costs, these breaches are concerning. In the coming period, to ensure compliance with critical obligations, we will continue to monitor these areas closely and engage with COBs.

"Thank you for the opportunity to provide feedback on the 2024 Annual Compliance Statement changes. We're pleased to see the breadth and depth of the changes that have been made in response to member feedback, and we support the changes made. The changes appear to be the most comprehensive, positive amendments I've experienced during my time in the customer owned banking sector."

COB representative

BANK@POST PROJECT

In collaboration with the Banking Code Compliance Committee (BCCC), we have been examining how banks and COBs comply with their Code obligations when they contract with Australia Post to deliver banking services through Bank@Post.

It is the responsibility of a COB to ensure a third-party provider such as Australia Post meets relevant Code obligations for the services it delivers on behalf of the COB.

Following our engagement, COBA committed to coordinating with COBs in relation to Bank@Post and developing an implementation plan to ensure compliance.

We emphasised the need for COBs to:

- Demonstrate the mechanisms used to identify and report Code breaches for Bank@Post services, particularly regarding obligations in relation to vulnerability and accessibility.
- Promote and raise awareness of the Code among Bank@Post staff and customers.
- Ensure Bank@Post staff are adequately trained on the Code obligations.

With more than 16 million Bank@Post transactions in 2023-24 (an increase of 7% from 2022-23), it is critical that COBs have processes and procedures in place to ensure they can meet their obligations when some of their functions are outsourced to Bank@Post.

The project remains ongoing, and we will continue our work in this area, coordinating with the BCCC and COBA to pursue improved practices.

Engagement

We engage with stakeholders to analyse the customer owned banking environment, share knowledge and best practices, and to deliver the best outcomes for the industry and customers. Engaging with stakeholders was a vital part of our work and success in the past year.

INDUSTRY ENGAGEMENT

Our industry engagement was comprehensive in 2023-24. We provided important guidance, support and insights to COBs and maintained strong working relationships with industry bodies.

Engagement included:

- A webinar on the Annual Compliance Statement to support COBs improve their submissions.
- Four presentations to key industry stakeholders to share findings and learnings from the breach and complaints data.
- Direct engagements with COBs to provide guidance and verify breach and complaints data.
- Forty-six responses to stakeholders to clarify issues and provide information about compliance with the Code.
- The Small Australian Mutuals Network (SAM) Conference at the Gold Coast in September 2023, where our Chair Jocelyn Furlan presented.
- The Financial Review Banking Summit 2024 'Next decade of challenge' in Sydney in March 2024.
- COBA's Annual Reception for Regulators in Sydney in March 2024.
- COBA's CEO & Directors Forum on findings and learning from the 2023-24 breach and complaints data in Sydney in March 2024, where our General Manager Prue Monument presented.
- The Mutuals Audit & Governance Professionals Institute (MAGPI) Conference in Brisbane in June 2024, where our Chair Jocelyn Furlan presented.

We also attended several key industry functions, delivering presentations at some events. We attended:

- The Mutual Group Compliance Round Table on the Code in August 2023, where our Senior Manager Daniela Kirchlinde co-presented with Deloitte.
- COBA's Conference 'Lead with Purpose' at the Gold Coast in September 2023.

"On behalf of COBA I would like to extend our sincere appreciation for your participation as a speaker at this year's CEO and Director Forum. Your insights and expertise contributed significantly to the success of the forum and made it an informative and valuable experience for our attendees, who have shared with us their positive feedback."

COBA CEO

CONSUMER ADVOCATE ENGAGEMENT

Financial Counsellors and Consumer Advocates have important insights and experiences from their front-line work with consumers, particularly vulnerable consumers.

The insights we get from this engagement helps us to refine our compliance monitoring activities to better protect consumer interests and ensure that measures are effective and practical.

We had several key meetings with consumer advocates across the 2023-24 year. We met with:

- CEO of the Consumer Action Law Centre (CALC), Stephanie Tonkin, for strategic discussions on issues customers have when dealing with COBs.
- The Banking Code Compliance Committee's Small Business an Agribusiness Panel for strategic discussions on issues confronting Small and Medium Enterprises (SMEs) when dealing with COBs.
- Financial Counsellors from Uniting Communities, Good Shepherd, Lifeline Australia and Financial Counselling Australia (FCA) on concerns regarding vulnerable customers and financial hardship applications.
- AFCA's Consumer Advisory Panel (ACAP) to hear from Financial Counsellors and Consumer Advocates on known or emerging issues facing consumers.

We also attended several important forums:

- The Financial Counsellors Association of NSW (FCAN) Conference in regional NSW (Blue Mountains) in August 2023.
- The Financial Counselling Victoria (FCVic) Conference in regional Vic (Lorne) in October 2023.
- The Financial Counsellors' Association WA (FCWA) Conference in Perth in October 2023.
- The Financial Counselling SA & NT (SAFCA) Conference in Adelaide in November 2023.
- The FC Vic Summit 'The Changing Face of Hardship' in Melbourne in March 2024.
- The Financial Counsellors' Australia (FCA) Conference, Perth WA in May 2024.

REGULATORY ENGAGEMENT

We met with regulatory bodies to share insights from our work and explore opportunities for collaboration in addressing common issues that we face.

Our engagement provides critical guidance, support and clarification, ensuring that we are operating effectively and avoiding duplication in oversight.

We had several key meetings with government agencies and other bodies in the regulatory environment in the 2023-24 year. We met with:

- ASIC's Banking team on relevant regulatory issues for COBs.
- AFCA's Lead Ombudsman and Senior Leads for banking matters and systemic issues.
- Chairs of other Code Compliance Committees on issues relevant to monitoring Code compliance.
- The Australian Retail Credit Association (ARCA) concerning operations of its two industry codes:
 - » The Privacy (Credit Reporting) Code.
 - » The Principles of Reciprocity and Data Exchange (PRDE).
- The Australian Prudential Regulation Authority (APRA) and ASIC Credit, Banking and Payment Providers Standing Committee Meeting (APRA/ASIC CBPPSC) on joint responsibilities regarding prudential regulation and conduct regulation.

We also attended the ASIC Forum 'Navigating Disruption' in Melbourne in November 2023.

Looking Ahead

Our monitoring work in the year ahead will continue to prioritise non-compliance that has the greatest impact on customers, particularly vulnerable customers and customers experiencing financial hardship.

We will continue to review and refine our approach to inquiries and investigations to ensure we are targeting the most serious matters.

BANK@POST

Our ongoing work with the BCCC will be a focus in the coming reporting period.

We will engage with COBA to ensure COBs comply with existing Code obligations when delivering services through Bank@Post and measure progress on its action plan.

As we monitor progress, we will consider further action on issues that arise as the project develops.

APPROACH TO MONITORING AND OVERSIGHT

In refining our approach to inquiries and investigations, we will ensure part of our focus is on proactive monitoring and investigations in the year ahead. We will prioritise our efforts according to risk of harms or detriment to customers, particularly vulnerable customers.

Importantly, this work will include providing early insights, education, and guidance to improve industry practices. Through better practices, we expect to see better outcomes for customers.

The self-regulatory model is flexible and adaptive, and provides great benefits, but its success requires proactive monitoring of compliance. Our refined approaches to inquiries and investigations will include expanded tools for proactive monitoring and a greater focus on identifying issues early and taking action where appropriate.

ANNUAL COMPLIANCE STATEMENT PROGRAM

Improving breach identification and reporting remains a key focus and will underpin a significant part of our work in the coming year.

We will continue enhancing data quality and consistency, engaging directly with COBs that have reported zero or low breaches.

With plans to improve the way we collect and use data, including enhanced analytics capabilities, we expect to be able to provide timely and meaningful insights into compliance with the Code. This will help COBs improve their practices and help us improve our proactive monitoring of industry compliance.

Accurate data helps the industry focus its attention on areas that need improving, which results in better customer services. We expect continued improvement in breach reporting which will allow us to provide more meaningful insights to industry.

The Committee

As a Committee, we comprise of three members: an Independent Chair, an Industry Representative and a Consumer Representative. In 2023–24, we met formally four times.



JOCELYN FURLAN

Chair

Appointed: 19 February 2019

Term expires: 18 February 2025 (final term)

Jocelyn is a non-executive director of Financial Counselling Australia, Perpetual Superannuation Ltd and the Mother's Day Classic Foundation. She is the Chair of the Board of Strathcona Girls Grammar School. She is also a Principal of Furlan Consulting.

Jocelyn was the Chairperson of the Superannuation Complaints Tribunal for eight years from 2007 until March 2015. Since April 2015 she has provided consulting services, principally in the area of dispute resolution, including to the Commonwealth Bank of Australia's financial advice remediation programs.

Jocelyn has more than 30 years' experience in superannuation and remains passionate about empowering Australian consumers in their financial affairs. She holds degrees in both law and commerce, is a Fellow of the Australian Institute of Company Directors (AICD) and a member of numerous superannuation industry associations.



CINDY HANSEN

Industry Representative

Appointed: 1 January 2020

Term expires: 31 December 2025 (final term)

Cindy is the Chief Strategy and Transformation Officer for Qudos Bank and has more than 25 years' experience in the financial industry, specialising in legal, compliance, governance and strategy in retail banking and consumer finance.

She holds voluntary positions in the mutual and financial services sectors, including as an Elected Councillor for HCF and a Director of the Australian Finance Industry Association (AFIA). She served as a member on the FINSIA Retail and Business Banking Industry Council between 2014 and 2022.

Cindy holds a law degree, a graduate diploma in finance and investment, and is a graduate of the AICD. She is proud to be a signatory to the Banking & Finance Oath.



PHILIP CULLUM

Consumer Representative

Appointed: 29 February 2020

Term expires: 28 February 2026 (final term)

Philip is an experienced regulator and consumer advocate, based in Melbourne. He set up Consumer-wise Consulting, working on strategy, policy, engagement and governance. He is a member of the Boards of the Financial Basics Foundation (Chair), Clean Energy Council and Consumer Action Law Centre.

He is also a member of the expert panel at the financial ombudsman AFCA and chair of the Customer Advisory Panel for the energy networks Powercor, Citipower and United Energy. He is a graduate of the AICD.

He previously worked at the Australian Energy Regulator, the Australian Competition and Consumer Commission and the UK energy regulator Ofgem. In the UK he also held senior roles at three consumer organisations and worked as an associate partner at Accenture. He was a member of advisory committees in financial services, food safety, aviation and water, as well as cross-sectoral bodies advising UK ministers on better regulation.

The Code Team

The Code Team operates within AFCA and comprises the General Manager, Deputy General Manager, and staff dedicated to our monitoring and administration services.



PRUE MONUMENT

**General Manager,
Code Compliance and Monitoring**

Prue leads the strategic direction and operational management of the Code Team, ensuring delivery of compliance and monitoring functions for five Code of Practice in banking and insurance industries.

Prue previously worked at the Tertiary Education Quality and Standards Agency (TEQSA) as Executive Director Quality Assurance & Regulatory Operations. In this role she was responsible for all of TEQSA's compliance monitoring, investigations, risk analysis and enforcement, and oversaw Australian Higher Education providers' compliance with the National Code of Practice.

Prue was previously Director of Compliance at the Australian Charities and Not-for-profit Commission where she was responsible for all compliance, investigations and intelligence work. She has previously held senior roles in the Department of Immigration and Border Protection including as National Manager of the Allegations Assessment Team and postings in Beirut and Shanghai. Prue has an Executive Masters in Public Administration and rich experience in regulation and self-regulation as well as complex stakeholder relationships.



RENE VAN DE RIJDT

Deputy General Manager

René van de Rijdt has worked in the Code team since 2017, initially as the Code Compliance Investigations Manager, and at AFCA and its predecessor schemes since 2011.

René has a background in law and external dispute resolution and holds a Bachelor of Law from Monash University and a Bachelor of Planning and Design from the University of Melbourne.



DANIELA KIRCHLINDE

Senior Manager, Code Compliance

In addition to this role, Daniela manages compliance for the Insurance Brokers Code of Practice.

Prior to this role, Daniela worked as Complaints and Compliance Manager at AFCA and its predecessor schemes from 1995.

Daniela has a background in dispute resolution and broad insurance industry experience in Australia, England and Germany. She holds a Bachelor of Commerce from the Cologne University (Germany) and a Graduate Diploma in Finance and Investment from the Australian Securities Institute Melbourne.

Finances

Our financial details for the period 1 July 2023 to 30 June 2024.

	30 June 2023	30 June 2024
Staff Expenses	Based on 2.5 FTE ¹	Based on 2.5 FTE
Gross salaries (including Committee remuneration), leave provisions, Super, training and recruitment	\$452,815	\$466,210
Operating Expenses		
Professional Assistance	\$16,846	\$65,885 ²
Communications, Stakeholder Relations & Travel	\$22,801	\$25,273
Technology	\$23,035	\$21,952
Occupancy and Office Costs	\$30,742	\$33,705
Total Staff and Operating Expenses	\$546,239	\$613,025
Total Funding from COBA	\$560,725	\$615,689
Annual Surplus / (Deficit)	\$14,487	\$2,664
Closing Operating Reserve	\$63,344	\$66,008

¹ FTE – full time equivalent staff.

² Includes one-off funding for a targeted communications campaign in 2023-24.

