

Contact: Paul Doyle

Contact phone: [REDACTED], [REDACTED]

22 May 2023

Dear Naomi Menon and Sam O'Connor,

**Re: Commonwealth Bank of Australia and Ors application for authorisation AA1000640 - interested party consultation**

On 2 May 2023, BDO received the Interested Party consultation letter to invite comment on the application for authorisation from the Commonwealth Bank of Australia, Westpac Banking Corporation, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, and Macquarie Bank Limited (the Applicants).

The Applicants are seeking authorisation under the Competition and Consumer Act 2010 (Cth). Authorisation would give them legal protection from competition laws to make and give effect to agreements and arrangements to establish a voluntary industry-wide program for participating mortgage lenders to jointly procure assurance reviews of the compliance systems and standards of participating mortgage aggregators (**the Aggregator Assurance Program**). The Applicants are seeking authorisation for 5 years.

The Applicants have also requested interim authorisation to allow them to take certain preparatory steps to establish the **Aggregator Assurance Program** prior to the ACCC's final determination in relation to the substantive application for authorisation.

BDO has outlined in this submission the likely public benefits, effects on competition and any other public detriment that may result from the proposed conduct.

BDO has a breadth of experience in providing Audit and Assurance reviews to a wide range of clients across the globe in over 164 countries. In Australia, our Audit and Assurance Partners have deep experience with Financial Services Reform and changing regulatory environment and the prudential standards and obligations that apply to all APRA-regulated entities in the banking, insurance, and superannuation industries.

**Assurance Service Providers (ASP)** like BDO play a vital role in compliance with the APRA regulatory regimes and others that govern these industries by providing independent assurance reviews and reporting their findings. In our experience, this has undoubtedly led to improved compliance by entities' conduct and has led to clear public benefit particularly where customer remediation has been implemented, with Assurance Service Providers also providing independent assurance reviews over the remediation programs (although these subsequent actions by a lender in response to an Assurance Review is not dealt with by this Program).

BDO acknowledges that there are clear public benefits as the **Aggregator Assurance Program** will increase efficiency and minimise duplication by reducing the number of reviews conducted for lenders. By reducing



this duplication BDO believes this may also lead to higher quality reviews with greater consistency in the findings and greater comfort in the reporting, governance, and oversight of aggregators to regulators, and to internal and external auditors. BDO also expects the **Aggregator Assurance Program** will also uplift the assurance standards and oversight for some non-applicant lenders, particularly where the ASP has a high level of independence.

The competitive opportunity for the supply of the assurance services by firms competing in the tender process, and with the appointment of a single ASP, clear cost savings and efficiencies and audit quality will result. BDO believes superior outcomes for cost savings, efficiencies and quality will be achieved if the competitive tender process includes a greater number of ASPs beyond those noted as ASP interested parties in the application for the **Aggregator Assurance Program** (i.e., PwC, EY, KPMG, Deloitte). This will in turn give the Applicants access to other potential ASPs for consideration, which may also offer more competitive pricing.

BDO supports the opinion of the Applicants that the Program will reduce disruption from multiple Assurance Reviews and will provide an avenue for substantial savings in time and commitment by participating aggregators, creating economies of scale for non-applicant lenders. This may extend further to other assurance services being obtained beyond the standard assurance framework as they will be able to contract any specific assurance services it requires from the ASP.

To bring about the public benefit as soon as practicable, BDO supports the request for Interim Authorisation to take certain preparatory steps before final determination.

- (a) Execute the UJV agreement and appoint the Operating Committee, and invite non-applicant lenders and aggregators to consider joining the Program;
- (b) The Operating Committee to initiate the RFP to potential assurance firms and prospective ASP's *including BDO and other non-Big 4 assurance providers* by issuing a public request for proposals; and
- (c) The Operating Committee to consider and assess the proposals received from eligible assurance firms.

For the reasons set out above, BDO supports the Interim Authorisation requested by the Applicants as the **Aggregator Assurance Program** is likely to work in the public interest to provide better compliance, and improved oversight and reporting and recommended by the recent Royal Commission and other recent regulatory and industry changes.

Yours sincerely,

Tim Aman

Global Leader, Fintech  
National Leader, Financial Services  
Partner in Charge, Audit - NSW