

MEDIA RELEASE 19 OCTOBER 2022

## Wayne Byres – Some Reflections for the Future

APRA Chair Wayne Byres used his final public speech at a FINSIA lunch to highlight the work the prudential regulator has been carrying out to reinforce lending standards.

Mr Byres – a Senior Fellow at FINSIA who is bowing out after eight years in charge at the Australian Prudential Regulation Authority – made a wide-ranging speech to reflect on themes that have dominated his tenure.

Drawing on the housing market, which he described as a ‘constant feature’ and ‘Australian obsession’, he highlighted how the prudential regulator had been working ‘behind the scenes’ to reinforce lending standards.

“Australia now finds itself in an environment we all knew would eventually come: one of rising interest rates and falling house prices,” he told the audience.

“Both are occurring sooner, and at a faster rate, than most people anticipated a year ago. When things shift suddenly and unexpectedly, as they have, not everyone finds it easy to manage.

“Borrowers with only a small equity buffer and/or high levels of leverage relative to their income will be particularly challenged.

“Borrowers currently on very low fixed rates face a significant repayment shock in the future. The existence of some borrowers in difficulty is not a sign of weak lending standards.

“After all, a bank that does not make a bad loan will be a bank that denies credit to many good customers.

“Banks will need to work with hardship cases sensibly. But prudential regulation is designed to ensure that downturns can be weathered.

“In Australia, the banking system is in good shape to weather the adjustment, and – notwithstanding there will be pockets of stress within loan books – there is no sense it will threaten the soundness or stability of the system.”

Mr Byres, who has often remarked how banks need to be “unquestionably strong”, also discussed Capital, Competition, the intense changes to Superannuation and Community Expectations.

During his remarks around the latter, he admitted that the Regulators like APRA could not get it right all the time and pointed out that consumers also need to have a level of responsibility.

“It is important that a degree of caveat emptor remains in the design of the financial system,” he noted.

“I have made this point before – perhaps unwisely, during the middle of the Royal Commission – but I repeat it because it is important.

“No one wants a financial system that resembles the Wild West. Laws and regulators protect the community by reducing the probability of bad outcomes and limiting the impact when they occur.

“But there are limits to what can be achieved. Consumers of financial services still need to take a degree of responsibility for their decisions. Indeed, there are benefits to stability, competition and efficiency when they do.”

FINSIA CEO and Managing Director Yasser El-Ansary F FIN thanked the outgoing APRA Chair, commenting: “Today, as with all the many FINSIA events Wayne has contributed to, I am confident members have not only enjoyed networking but gone away learning important lessons about our industry and the broader community we serve.”

[Read the full speech here](#)



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