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Mr John Lonsdale
Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
PARKES ACT 2600

Email: fsi@treasury.gov.au

Dear Mr Lonsdale,

Financial System Inquiry – Draft Terms of Reference

Thank you for the opportunity to comment on the Draft Terms of Reference (“the Draft Terms”) for the Financial System Inquiry, issued on 20 November 2013.

The ABA and its member banks welcome the Inquiry, and look forward to opportunities to contribute to the Inquiry’s deliberations. Our focus will be on ensuring Australia has the best financial system to meet its future needs. This means having a banking system that meets the needs of household and business customers, investors, employees and the broader community.

The Draft Terms are broad, clearly expressed and forward looking, and are consistent with the industry’s thinking on the scope and direction of the Inquiry.

We have two suggestions for your consideration. In his speech announcing the Inquiry, the Prime Minister spoke of “greater efficiency in the use of capital”, and the Draft Terms refer to capital in several places. We have assumed that in Term 3.3 for example that “capital” should be read as including funding, but for the avoidance of doubt, that Term could be amended to “changes in the way Australia sources and distributes capital, including debt funding...”.

Safety and security are critical issues in banking, and we believe consideration of these issues by the Inquiry is needed to ensure we have the best possible banking system. Our second suggestion is for a new Term, which could be added after Term 4.2: (4.3) “ensure that the safety and security of the Australian financial system is preserved, for the benefit of all customers and providers”.

Yours sincerely,

Steven Münchenberg