
Governments and their Inquiries: The outlook for the Australian Financial System (Murray) Inquiry

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Outline

- FSI Background
- Purpose and Potential Outcomes
- The FSI in the larger scheme of things
- Can history guide us - the fate of past inquiries?
- FSI Implementation
- Super Matters

Influencing Financial Sector Development

- Australian approach of broad-ranging, independent reviews of financial sector (Campbell, Wallis, Murray) relatively rare
- Elsewhere lots of inquiries prompted by specific events

Inquiries, Reviews, Committees galore



Process and Outcomes

- Stocktake of situation, test “philosophy”
 - Elicit stakeholder views, gather information
 - Prompt debate and private sector actions
- so
- *Government response only part of outcome*
 - and in broader context of multiple issues under consideration
 - Tax White paper, Competition Policy review, Retirement Incomes review, PJC inquiry into standards in financial services
 - and ongoing international regulatory developments



Previous FSI (and other) Reports

- Campbell (1981), change of government led to Martin Review, but deregulation process already in train
- Wallis (March 1997), Government response (Sept 1997)
- Johnson – “Australia as a financial centre” (2009)
- Henry – “future tax system” (2010)
- Cooper – “super system review” (2010)

FSI Final Report Objectives

- A financial system which is: Resilient; Efficient; Fair
- Strengthen the economy by making the financial system more resilient.
- Lift the value of the superannuation system and retirement incomes.
- Drive economic growth and productivity through settings that promote innovation.
- Enhance confidence and trust by creating an environment in which financial firms treat customers fairly.
- Enhance regulator independence and accountability, and minimise the need for future regulation.

FSI Philosophy – A Pragmatic approach

- What changes from status quo will, on balance of evidence, generate social benefits
 - Not redesigning system from scratch
 - Not assessing against unrealistic ideological ideals
- Competition is an important driver of efficiency and good outcomes, but
 - Financial sector instability is a concern
 - Consumers of financial products lack information, expertise, subject to behavioural biases
- Financial regulation needs to be flexible to accommodate technological change/innovation

Recommendations

- 44 Recommendations, grouped by
- Resilience: Bank capital
 - Super/Retirement
 - Innovation and Technology
 - Consumer Outcomes
 - Regulatory System: regulator powers; accountability; resourcing
 - Other significant matters

Early Government Action

- Resilience/Banking
 - APRA: higher capital, mortgage risk weights
 - No *ex ante* financial claims scheme levy (deposit tax!)
- Regulation
 - ASIC funding and capability review
- Unclaimed monies – revert to 7 years
- Crowd sourced equity funding consultation
- Enhanced register for financial advisers
- RBA/PSB – review of card payments regulation

Super: developments to date

- Government
 - Governance – Board composition
 - 1/3 independent and independent chair
 - “if not why not” re majority of independents
- Industry
 - Objective of Superannuation
 - General support, but
 - (Labour Govt. Charter of Superannuation Adequacy and Sustainability and Council of Superannuation Custodians)
 - CIPRs
 - member engagement – retirement income projections

Super and Retirement

- Efficiency in the accumulation phase
 - Allocation of new members to default funds
 - Recognition of plethora of changes still working through system from MySuper and SuperStream
 - Ensure free choice of fund
 - Leverage and Superannuation
 - Tax, contribution arrangements, age pension
 - *Where most important issues are*
 - *Require politically courageous actions*
 - *Important for ongoing community support of super*
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Thank you
Questions?
