

# Forces for Change

In Part One, the Inquiry presents its findings on the forces for change in the financial system and the broad nature of the business and market responses.

The financial system is undergoing continuous and rapid change, which is primarily driven by three interlinked forces:

- changing customer needs;
- new technologies and skills; and
- changes to regulation across a broad spectrum.

These factors are described in Chapters 1, 2 and 3 respectively.

These drivers affect the way markets, businesses and regulators interact with customers and with one another. Many responses are the result of a complex combination of all three forces. For example, the globalisation of the Australian financial system at the wholesale level is driven by corporate customers' demands for global capabilities, by technological developments which make cross-border transactions easier and by wide ranging changes in the regulatory framework which have exposed the economy to international influences.

While it is impossible to predict precisely how these ongoing responses will evolve over time, a broad understanding of their key features is important in considering the development of a more effective regulatory framework for the financial system.

The major themes in the business and market responses to these forces for change are set out in Chapter 4, which examines how they are changing the financial landscape.



