

Dickson, Tom

From: Dickson, Tom
Sent: Friday, 15 October 2010 12:17 PM
To: Anderson, John; Burston, Matthew; Deitz, Andrew; Douglas, Justin; Kljakovic, Marian; Loan, Nick; Lonsdale, John; Preston, Kate; Spear, Luke; Walker, Caroline; Watson, Genevieve; MG FSD Funding Markets Unit
Subject: Competitive and Sustainable Banking (3).docx ~~SEC-PROTECTED: CABINET IN-CONFIDENCE~~
Attachments: Competitive and Sustainable Banking (3).docx
Categories:
Security Classification: ~~Cabinet In Confidence~~

Colleagues, this is the latest version of the measures in the SCB.

The intention is to circulate a revised letter to the PM to you all shortly. Some additional background material (one or two paragraphs) for that letter will be required. Genevieve and I will be in touch with some further guidance.

Tom

COMPETITIVE AND SUSTAINABLE BANKING

Proposal to announce Government's *intention* to introduce the following reform package, subject to comprehensive engagement and consultation with the banking industry and consumer groups.

Approval for announcement to be sought from PM by exchange of letters with DPM, with any elements requiring Cabinet approval to come back for final decision following consultation.

CONSUMER MEASURES

- Ban exit fees so they no longer apply after 12 months of a mortgage written from 1 July 2011.
 - Builds on unfair contract terms law introduced on 1 July 2010 (mortgage exit fees)
- Compulsory one-page mortgages term-sheet (including comparison) and standard definitions
- ACCC powers to investigate price signalling (e.g. out-of-cycle price rises)
- Allow Authorised Deposit Taking Institutions (ADIs) to call themselves Authorised Banking Institutions (ABIs) - to show mutuals are just as safe as big banks
- Launch new ASIC consumer financial literacy website

SUSTAINABILITY (FUNDING) MEASURES

- Confirm Financial Claims Scheme is permanent feature of the Australian financial system
- Confirm third tranche RMBS support – size to be determined - potential small biz allocation
- Confirm alternative liquidity arrangements for Australia - structurally support RMBS market
- Revitalise Australian RMBS market - bullet structure (inclusion in UBS index)
- Foster development of the corporate bond market
 - Examine listing CGS on ASX (encourage retail bond ownership, pricing benchmark)
 - Retail investor education program on benefits of holding fixed income products
 - Reduce corporate bond red tape (disclosure requirements, examine directors' prospectus liability)
- Examine covered bonds – cheaper, longer term, stable and diversified funding (link to liquidity)
- Tax measures: further reform on bond and deposit interest income, interest withholding tax

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Sub-paragraph 22(1)(a)(i)
(not relevant to request)

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