

3 December 2013

John Lonsdale
Head of Secretariat
Financial System Inquiry
The Treasury, Commonwealth of Australia
Treasury Building
Langton Crescent
Parkes ACT 2600

Dear John,

The Centre for International Finance and Regulation (CIFR) is pleased to provide brief comments on the draft Terms of Reference relating to the recently announced Financial System Inquiry (“Inquiry”). We understand that the Secretariat is open to receipt of comments on the draft Terms of Reference for a short period of time.

In terms of background, CIFR is a \$41 million research and education Centre launched in late 2011. CIFR represents a consortium of six universities: The University of New South Wales, The University of Sydney, Macquarie University, the University of Technology Sydney, The University of Melbourne and The Australian National University; and two research centres: Capital Markets Cooperative Research Centre (CMCRC) and the Securities Industry Research Centre of Asia Pacific Limited (SIRCA). CIFR is principally funded by the Commonwealth Government and NSW Government, and represents a strategic link between academia, financial regulators, policy makers and industry. Our operations involve academics from our university partners in undertaking critically important research in the financial regulation space, as well as leading educational activities for the benefit of our stakeholders. Our Centre was established by Government in response to the recommendations of the 2010 Johnson Report (*Australia as a Financial Centre*).

CIFR is well placed to provide academic contribution to the Inquiry, by coordinating among our network of distinguished scholars in the finance and regulatory domain. Indeed, we have already funded 41 projects since 2012, involving over 100 researchers, domestically and internationally, and representing more than \$8 million cash (plus \$9 million in-kind). We have further funding that will be invested into high impact research projects that are relevant to financial regulators and the financial industry more broadly.

We support the broad terms of reference. We would hope that the Inquiry can review the architecture of the financial system in such a way that promotes efficiency, competition, innovation, integrity, and financial stability. In addition, our hope is that the Inquiry would enable Australia’s strengths as a highly regarded and stable financial system to enable our domestic sector to develop opportunities in providing products and services internationally. This is particularly the case in the funds management sector, where Australia has significant expertise and a track record in providing investment services to clients.

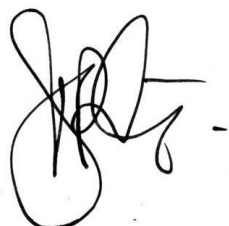
We would encourage the Inquiry to consider whether the superannuation sector, now \$1.6 trillion and growing exponentially, is best served by having regulation of its activities split between two regulators (Australian Prudential Regulation Authority and the Australian Tax Office), and whether regulation might be more optimally achieved by having a single regulator.

We also ask the Inquiry to consider including in the Terms of Reference consideration of all data that is currently captured in the financial system, by regulators and others, and whether such data is complete or could be better designed (and shared between regulators). If the Inquiry is able to establish an inventory of all data that is captured, and assess whether such data helps to promote a more efficient and healthy financial system, then this could be of significant importance and benefit. It could also help organisations, including CIFR, in undertaking more targeted and high value research that leads to new and significant public policy contributions.

Lastly, CIFR was established so that our researchers could make significant scholarly and educational contributions to better equip financial regulators and industry stakeholders. Accordingly, we would advocate that the Inquiry consider what independent entities or structures (like CIFR) are required to achieve a financial system that is vibrant, stable, innovative and contributes to effective financial regulation.

We look forward to assisting the Secretariat in whatever role we can play in the Inquiry. I will follow up soon with a phone call to discuss this further.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'D. Gallagher', with a horizontal line extending to the right.

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CC: Mr Peter Mason, Chairman, CIFR

CC: Professor Fred Hilmer, Vice Chancellor, The University of New South Wales, and Board member, CIFR