



AUSTRALIAN BANKERS' ASSOCIATION

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Mr John Salarian
Trans Tasman Study
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003
FAX: 03 9653 2302

Dear John,

Re: Australian Bankers' Association's (ABA) First Submission to the Productivity Commission's Study into Australian and New Zealand Competition and Consumer Protection Regimes

The purpose of this submission is to earmark some issues of interest to ABA member banks regarding harmonisation of Australian and New Zealand consumer and competition laws

As you would be aware, Australian banks own 80% of key banking markets in New Zealand, after the ANZ acquisition of the National Bank of New Zealand. Given this high level of ownership, further integration of regulatory regimes is a welcome objective. ABA has consistently supported policy moves to reduce duplicate and unnecessary regulatory overlap.

ABA Council, which is comprised of Chief Executive Officers of ABA's member banks, wrote to the Australia Treasurer and New Zealand Finance Minister early this year supporting the trans-Tasman agreement to pursue harmonisation of prudential regulation.

Three consumer / competition regulatory issues ABA would like the Productivity Commission to look at

1. One-stop-shop for transactions needing competition clearance. ABA supports a simplified regulatory structure for the clearance of trans-Tasman mergers and joint ventures. The principle should be of a 'one-stop-shop' whereby a commercial transaction application is lodged once.

This could be achieved by establishing a process of joint cooperation between the regulators to consider relevant applications when they were lodged. A joint team could be established with powers of the two organisations delegated to it.

Authorisations. A one-stop-shop should also be available as an option for the authorisation of self-regulatory industry rules covering New Zealand and Australian banks. For example, the ACCC is responsible for approving clearance and settlement rules proposed by the Australian Payments and Clearing Association (APCA). The policy aim should be to allow the clearance of these (and other) rules to be applicable to clearance and settlements of transaction in both Australia and New Zealand.

Market definitions. A member bank has argued that it is essential that the Australian Competition and Consumer Commission (ACCC) and the New Zealand Commerce Commission (NZCC) have a process whereby agreement is achieved on market definitions in the event of a merger impacting trans-Tasman. A one-stop-shop approach would be a vehicle to achieve this.

Both regulators should aim to apply consistent market definitions, particularly given the high-level of integration of the two banking markets, and regulatory structures established to achieve this consistency. Ultimately, consistency between regulatory interpretations will require full harmonisation of competition laws.

2. Government regulation of competition in payments systems. In Australia, payments systems competition is regulated by two bodies – the ACCC and the Payments Systems Board (PSB) - which sits within the Reserve Bank of Australia (RBA). In New Zealand, payments competition is regulated by one regulator, the NZCC. ABA believes the New Zealand approach is, in principle, preferable because it is clearer as to what body has primary authority.
3. Restriction on customer marketing. One ABA member bank has said that Australia's Financial Services Reform Act (FSRA) acts as a restriction on its New Zealand subsidiary's ability to market and offer advice to its customers who have moved from New Zealand to reside (perhaps temporarily) in

Australia. Specifically, the FSRA restricts the New Zealand subsidiary marketing insurance products to one of its home loan customers as the customer is now living in Australia.

Further consultation

We are looking to provide further and more detailed input as the member banks look further into the issues. A number of member banks have indicated that they are intending to consult with the Productivity Commission once the draft report is published.

If you have further questions, please give me a call on 02 8298 0408 or e-mail: nickh@bankers.asn.au.

Regards,

Nick Hossack
ABA