



## MEDIA RELEASE

### **AFMA's Financial System Inquiry Submission**

**31 March 2014**

The Australian Financial Markets Association (AFMA) has today made a submission to the Financial System Inquiry (Inquiry) being chaired by Mr David Murray AO.

The forward looking nature of the Inquiry gives it an important role in helping to shape the financial system so it most effectively supports the future development of the Australian economy.

AFMA's submission to the Inquiry is based on three core propositions:

1. A strong economy is reliant on a well-functioning financial system, including efficient wholesale banking and financial markets;
2. Well-functioning wholesale banking and financial markets depend in part on good regulation, which is the outcome of capable regulators implementing objectives based on well-substantiated government policy positions; and
3. The financial system requires regulatory and tax policy settings that will support its further development.

Australia's financial system and regulatory structure have performed well in supporting economic growth since the last major inquiry into the system, including throughout the Global Financial Crisis. Nonetheless, we can learn from the lessons of the rapid and substantial regulatory reform of recent years.

AFMA's submission looks to the future by identifying steps to enhance the policy and regulation process in a more complex and globalised financial world, with the objective of promoting further development of the financial system in line with the needs of the economy.

As a first step, the Government must give a clear strategic sense of how it wishes to see the financial system develop and what policies it will prioritise to achieve its objectives in this regard.

Within this policy framework, regulation should be supportive of financial system development to meet the needs of the economy, while promoting financial stability and markets that are secure and fair. This outcome will depend on there being a sound policy development capability within government and effective regulation that is based on clear policy guidance and accountability.

Specific areas AFMA identifies for consideration by the Inquiry as it takes its work forward include:

- The increasing impact of international regulatory standards and foreign regulation on the Australian financial system;
- Better alignment of tax and financial system development objectives;
- The potential to develop a vibrant domestic corporate bond market;
- The evolving nature of retail financial markets and measures to improve their operation; and
- Improving Australia's competitiveness as a location to conduct financial services business and greater financial integration with the growing Asian economy.

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**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.