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Mr David Murray AO
Chairman
Financial System Inquiry
The Treasury
Langton Crescent
PARKES ACT 2600
Lodged via www.fsi.gov.au

Dear Mr Murray

Thank you for the opportunity to provide Cisco Systems Australia's interim submission to the Financial System Inquiry.

As a trusted, world class, technology partner to the stakeholders within the Australian financial system and the wider global financial community, Cisco is well positioned to observe the impact of technology on the banking system.

Our work with the Australian financial community has given us unique insight into the dependencies between stability, innovation, competition, cyber security, trust and consumer confidence that exists in the marketplace.

Cisco's observation is that technology, already a major contributor to the stability and efficacy of the global financial system, is set to become the platform for future growth opportunities, particularly in the Asia-Pacific region.

Recent Cisco research on the Internet of Everything identified that globally there is USD \$115B of 'value at stake' across the financial services vertical. Value at stake is the potential bottom-line value (higher revenues and lower costs) that could be created or will migrate among companies and industries based on their ability to harness the power of the internet of everything.

Further, Cisco's Internet Business Solutions Group predicts that some 25 billion devices will be connected by 2015 and grow to 50 billion by 2020. The World Economic Forum have also highlighted that this interdependence introduces new vulnerabilities and opportunities for systemic failures that could cascade in unexpected directions. This growing hyper-connectivity raises the prospect of disruptions that could have far reaching system wide impact on the Australian Financial Services sector.



With the size of this value at stake, it is inevitable that financial service providers will seek to drive business innovations across their operations and in the services they provide to their customers by using internet networks and other innovations.

With the move towards increased services delivered via networks and mobile platforms comes increased risks and one of the major risk focus areas for financial services institutions and their customers is cyber security. This will continue to increase as technology continues to drive further innovations in customer services delivered via virtual and mobile platforms.

Cyber security risk was recently identified by a former cyber security adviser to US Presidents Bush and Obama, Melissa Hathaway, as being a major systemic risk that could impact significantly on GDP growth.

It is therefore important that the Inquiry consider the impact of the digital economy on the financial services sector in the context of potential systemic risk (ToR 2.2) and as an emerging challenge and opportunity (ToR 3.1).

The submission attached to this letter was written by Gary Blair, an experienced financial services consultant and Adjunct Professor at Edith Cowan University's Security Research Institute, in consultation with Cisco. It discusses key areas of focus for the Financial System Inquiry including recognition of the role of cyber security in mitigating threats and facilitating opportunities, the adoption of cloud computing platforms to drive innovation and the need to invest in skills and education.

Given Australia's current strong reputation as a robust and trusted financial systems player, it has the opportunity to become the Switzerland of Asia for highly secure and trusted banking and financial services. Just as the Swiss built on a tradition of trusted banking to capture one-third of all worldwide funds held outside their country of origin, which in 2007 represented 2.7 Trillion dollars, Australia is uniquely positioned to monetize the trust dividend that is emerging in the global financial services marketplace.



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We are pleased to be able to provide insights and recommendations contained in the appendix to this letter and would be happy to provide further input.

Yours sincerely

Ken Boal
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