

Ms Hind Kourouche

Thursday, 27 March 14

The Hon. Joe Hockey MP
Treasurer of the Commonwealth of Australia
Mr David Murray AO Chair Financial Systems Inquiry
Professor Kevin Davis
Mr Craig Dunn
Ms Carolyn Hewson AO
Dr Brian McNamee AO

Ref: Response to the Financial System Inquiry announced by The Treasurer 20/12/13

Dear The Hon. Joe Hockey MP, Mr David Murray AO Chair of the Financial System Inquiry and Panel Members Professor Kevin Davis, Mr Craig Dunn, Ms Carolyn Hewson AO and Dr Brian McNamee AO

I am proud to submit my response to the Terms of Reference for the Financial System Inquiry announced by Mr Joe Hockey MP on 20 December 2013.

The field of economics is one of my passions and I present the document with regard to terms of reference and developments since the Stan Wallace Financial System Inquiry.

The globalisation of technology has united consumers to an abundant source of products and services and this has given power to the consumer in that they have an opportunity to manage their money in their own time and in their own process supported by the technology.

Information is readily available and accessible and a consumer will have their financial impact statement on time any time, any where, the information will be presented at the request of the consumer and that should secure new opportunities to avoid concepts such as money sitting idle, somewhere, anywhere, because the access to information means the consumer has the innate ability to manage their money as they learn and grow along with the industry.

The consumer will be able to evaluate systemic risk, manage that risk, be innovative in the way they wish to manage their money, working to their own process that will provide more hand-on approach with confidence. Banking will be available at the demand of customers.

This is indeed an exciting time for Australia's Financial development because the scope of the work accounts more than moderately the perspective of the customer, and that is power.

Please don't hesitate to contact me with any questions. I offer any form of help or assistance in the process of the Financial Systems Inquiry.

Thank you, Ms Hind Kourouche CPA -

Bio for Hind Kourouche

- 1987 Bachelor of Economics Macquarie University
- 1989 - current Australian Society of CPA's
- 2003-2012 Australian Institute for Company Directors
- Over twenty years Financial Management experience in IT, Banking & Compliance
- Experience in other industries including Finance, Gas, Education, Retail
- Reporting to Board, Prudential bodies, Heads of Government, CEO's, CFO's, CIO's
- Service Delivery Management, Project Management and Business Development, Consultant
- Completion of two leadership professional programs in USA and France
- International work in Hong Kong and Singapore deploying PM methodology
- Consultant to Federal and International Governments Agencies
- Writing skills for various media including press, authorities, agencies, corporations
- Pioneered the Multicultural Marketing Awards

Mission - Hind Kourouche

To participate to the Australian Financial System Inquiry Terms of Reference, announced by the Treasurer The Hon. Joe Hockey MP, Treasurer of the Commonwealth of Australian, as the inquiry invites submissions from any persons domestically or internationally.

With respect, I present to the panel my contribution to the Financial System Inquiry based on my knowledge, education, research, experience and interest to contribute to the debate for Australians Financial System Inquiry, my vision for a system that is built on functionality, security, integrity and accountability.

I would be delighted to be invited to participate in any economic activity pertaining to the development of this program and avail myself to appearing at presentations of speakers on this same topic and to assist in the process.

Background to Financial System Inquiry

The Financial System Inquiry final terms of reference was announced 20 December 2013 with the Treasurer confirming the appointment of four members to serve on the Inquiry panel which is being chaired by Mr David Murray AO and members include Professor Kevin Davis; Mr Craig Dunn; Ms Carolyn Hewson AO; Dr Brian McNamee AO.

I congratulate the panel members and Mr David Murray AO Chair.

Since the Wallis Report on the Australian Financial System reviewed in 1997, the appearance of the Australian dollar has changed; the value of the Australian dollar has improved traded on the high end and considered one of the elite currencies making local commodities costly and priced higher; the currency is competitive in the exchanges of currencies and hence has become more attractive by importers but not exporters, influencing the balance of payments in the trade of commodities and services; despite this the Australian Financial System has proven to be confident in the face of financial turbulence impacted on its various factors such as downturns in the economy and the financial system framework with the position of the Reserve Bank of Australia has also proven a solid methodology for Australia's financial system's standing in the global economy.

The terms of reference are succinct to produce a state of the art competitive and well rounded financial system which forms a basis to shape the present and future of Australia's financial system industry and the level of confidence in its development.

The Terms of Reference are stated in Attachment B: Terms of Reference with the Objective defined as 'The Inquiry is charged with examining how the financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth. Recommendations will be made that foster an efficient competitive and flexible financial system, consistent with financial stability, prudence, public confidence and capacity to meet the needs of users'

Terms of Reference: The Hon. Joe Hockey MP Treasurer of the Commonwealth of Australia and the Panel Chair Mr David Murray and Panel members

Terms of reference

1. *The Inquiry will report on the consequences of developments in the Australian financial system since the 1997 Financial System Inquiry and the global financial crisis, including implications for:*
 1. *how Australia funds its growth;*
 2. *domestic competition and international competitiveness; and*
 3. *the current cost, quality, safety and availability of financial services, products and capital for users.*

The Australian Financial System Inquiry is an inquiry into the financial management of the prosperity of Australia. All transactions occur for two types of trades, products and services. The trade consists of two or more parties exchanging service or property/commodity/products for a price. The price component can take various forms on most occasions it is money. The Australian Financial System Inquiry is timely with the internet providing the framework for domestic banking that is efficient, easy to use, timely, secure and predictable. The ongoing Financial system needs to be accessible, fair and safe.

The financial management of the wealth of the nation is a tremendous responsibility. In the global economy whereby there are sectors in industry which hold tremendous wealth, these skew the sectors and industry transmuting their funds into power. The program for a future Australian Financial System Inquiry in my opinion needs greater regulation as to the following:- Any organisation trading as a Bank must be a holder of a Banking Licence. And I strongly support independence between superannuation companies and banks. Also I seek stronger government regulation as to the trades of instruments which are foreign to most people not in the banking sector.

Australian Financial system must question the unkept systems of Banks, Financial Institutions, Non-Bank Financial Intermediaries, and all other organisations introducing Banking into their products and services. The process of reporting must require more detail and the consumers empowerment must be the end goal.

Protection of nations wealth, means the health and wealth of its individual constituents. The content of my paper shared with the panel, comes from my experience and own professional analysis of my exposure to the Australian Financial System in Australia and abroad. I determine a stronger more robust Financial System that oversees all transactions, this will be good for the nation and the security of its wealth but also this will create jobs.

I determine that regulators focus on financial activities of Insurance companies and Superannuation companies applying strong regulation on these institutions and removing their dependency on Banks, again this will create a large amount of domestic jobs and more accountability and call on the corporate to provide corporate social responsibility as part of their ongoing goals and objectives that can be measurable.

Transactions that create exchanges of money, means that an ever expanding economy reflects the growth at the micro economic level of the movements of the community. Utilising Fiscal policy has been positive in Australia, influencing the stability of the Australian economy and currency. There are so many tools and instruments that the financial industry has to utilise for best decision making. The process of Monetary Policy makes way for consumer spending which aligns itself with an esteemed economy and community, both Monetary and Fiscal Policy should continue to be the sole responsibility within the ambit of RBA in conjunction with the Government as conjecture.

My view is that the focus of a new Financial System inquiry, in moving forward must be on the distribution of the wealth held by large corporates to the account holders, as they ultimately own them i.e customers. It is a good time to clean up the systems that engage the economies funds and to allocate rightfully and fairly the money owing to consumers.

There should also be a cap as to the profits of Banks, the figures Banks are making in profit EBITA for six months are enormous whilst other parts of the economy are experiencing closure, loss or fear of poverty. In this new financial inquiry I hope to see a conscious management of all institutions that seek to serve consumers in banking roles and due to the components of e-commerce, and online trading and online purchases, the process for gathering information about a persons account details and their transaction details implies risk and even greater risk for the lower socio-economic community.

In essence, the role of the future of the Financial System Inquiry is to step beyond the 'normal' regulations to extend warrant to preserve the safety, security and funds of the consumer i.e the single person, the married person, the elderly person, the youth, the widows and all of the community members should feel security in the transacting over the internet in purchases or banking. Security appears to be only for corporates and organisations, this view needs to change.

The role of the Australian Financial System should be to preserve not just the identity of the individual, but also their funds, to preserve the balance of gap between the rich, richer, richest and the elite by ensuring that safe measures are taken in every single transaction no matter how big or small. The management of the internet in transacting is also important as more and more transactions are occurring in this way. There is risk involved in reliance on the internet. This year the internet celebrates 25 years. The framework is set and the products and services both domestically or internationally can be either legitimate or bogus. In the latter regard, consumers must be empowered to alter a payment made on credit card as soon as they learn of the assessment of their product is not legitimate. This support comes from contacting banks and canceling transactions, that must be a reality that consumers hold this right and the financial system allows time to release funds in a 24 hour period or more, as defined to give the consumer more time to cancel transactions. As most citizens use internet due to its speed, access to banking at all and ongoing times and comfort for tools like BPAY that give consumers choices.

Whilst internet banking takes all forms of transactions, banks engaging in large instrument transactions as a part of their daily business operations should be required to lodge with the RBA extensive detail of these transactions, to ensure the accuracy of the information, upon which our balance of payments is based on and our standing of financial confidence is based on.

We need to remove the concept that opportunity belies to those already wealthy and make it open in fairness to any one interested to examine and to learn about these opportunities, there needs to be accessibility to these transactions. Tariffs and barriers to trade can become more flexible in attracting new transactions and new persons to engage in the industry, to remove the stigma of unreachable goals and make new talent able to access these systems with ease. More information at 360 degrees of transactions is more suitable to an economy that will be handled by computers. More cross-check information should be offered by financial information and data to make checking and audit easier. However, despite a more regulated industry, the consumer must retain overall power in their own management of all of their transactions, the role of the government, the RBA, ABA, APRA is to preserve the integrity of the financial system with transparency and clarity and accountability.

The RBA does well as the highest form of authority in the Australian Financial System. More attention needs to be placed across all sectors as all of these sectors are engaging in online and e-commerce transactions. There is a front end to the transaction i.e the consumer and back end i.e. the receiver and the quality of the transaction belies the receiving of product or service for cash, in its various forms of cash, transfers, deposits, or other forms such as certificates of bills and bonds, Treasury notes and anything that has intrinsic value for the trade. It is a mammoth task ahead in the development of a financial system that is in the ethernet, however, I determine that we need more regulation and more regulators to oversee the sectors.

Australia funds its growth firstly through the maturity of its population, and employment. This creates positive energy and synergy as youth and mature adults prepares Australia for ongoing prosperity and security, prepare for developing a framework and a platform for their new families and as a consequence from the happiness factor, new funds are created, a healthy and prosperous nation is ongoing and continuously developed and as families own their family homes, first or second, investment opportunities are also abound. Indeed the taxation system is a solid system in the way Australia funds its internal growth. This is a means to an end, the taxpayer works to prepare for their security, their investment into the economy is a consequence of the taxation system which aids all forms of taxation including, payroll, either PAYE and small business, corporations, CGT, FBT, Sales Tax, Commodities Tax, Trading Tax, International Treaties Tax, Building Tax, Property Tax.

A Tax on Currency is a viable proposition as the Australian dollar is fluctuating in the higher end of the global spectrum and a currency tax on foreign investors will do well to aid the local/domestic economy whilst easing up on local residents v's foreign residents. The living standards of local and foreign are equipped with the services the government offers including health, medicare, travel, transport, living, meal, consumption and luxury. All of these items include expenditure, the domestic economy is stated at par, i.e. the valuation of the Australian dollar of receiving is the same as paying. The foreign currency consumer is one that can provide a further cap towards the financial economy via their expenditure into the local economy, this is not simply about foreign exchange, rather it is about providing an Australian Financial System that warrants the transparency, safety and

security of a local market that is encouraging of expenditure on commodities and services through the quality of the market's trade.

Australia also funds its growth as a consequence of expenditure for health, property, commodities, services, manufacturing, retail, wholesale, farming, education and industry. In the interest of these sectors, the stability factor that encourages Australians to fund its growth is the strength and viability of the Australian Financial System instilling confidence in the exchanges of goods and services for money.

Australia's marketing of its newest services and products has been an upsurge in insurance products. The economy has been escalated with insurance adds driving daily into the consumers minds and hearts insurance on their pets, on their homes, vehicles, health, their money, body parts, services, income protection, and now even when they pass, the insurance companies are relentless in insurance and this can be a situation whereby the insurance companies are collecting revenue for the ease of collection in terms of the initial documentation required to create a policy, these policies are usually encouraged by 'over the phone' rather than face to face, without even a financial advisor present, and I am concerned that unless the Governments' Australian Financial System addresses the collection of revenue for Insurance, the claims on the these policies is very difficult to harvest and I am concerned that 'Australian's will eventually need insurance on their insurance policy' so that when a claim is made, it is in fact paid out.

The collection of so much money being transferred through credit/debit cards, by 'over the telephone' service is way above the claims payouts, and hence the money collected is skewed in the insurance economy and I believe the government must look into transparency of this sector as it is one to fund the growth of Australia, because it can create jobs, protect wealth and I fear that unless it is regulated, within a framework of accountability, these companies will become financiers that will trade as if they have the same functionality as a bank and may apply as many fees as possible. Also an audit of these insurance company systems should protect the identity and information of their members so that premiums, upgrades, comments are not lost and their entitlements are intact should a pay out be required.

The RBA should maintain its role to release Banking licences. The opportunity for smaller banks and financial institutions is good for competition, however, the licences should clearly state the purpose of the business and an approval of all the products being offered why? Because these are financial products. Hence more regulation is required for companies that offer financial and banking products, including systems that provide reporting and accounting systems, processes, transaction figures and all product trades.

These insurance products are very costly premiums in the spectrum of pricing and regular expenses, and I would encourage they are regulated by a Tribunal, for example by a Tribunal that exercises responsibilities like IPART. I

I am deeply concerned that insurance companies are taking the advantage of vulnerable consumers concerned about their health and their working capacity, retirement Australians concerned about their homes and families and all emerging, new, existing insurance companies must be under a strict regulator. Their product pricing is way over exaggerated for what they offer, because the geographical factors are often exaggerated and there is too much documentation with fine print, people pay with their heart on their sleeves for the protection, whilst fearing something happening and praying that something bad will not, in fact happen, so that they will not need to rely on a claim of their policy. When there is a

situation that befalls them and they need to access that money, the government must be the first point of contact for this as the trustee and lawyers can lack objective and on their bias project behaviours which contradict professional conduct, and this behavior is not the process to build a secure and stable financial system and prosperous communities.

I strongly suggest that a regulator as well as a separate commission for insurance is established to monitor the activities of these companies, as they draw a finer line between their services and products, offering insurance policies and turning the opportunities into credit cards, as e.g we saw this with Australia Post. The Government must keep a clear benchmark between all types of services. There should not be a streamline of financial services because this will blur the transactions and make it unclear what the products and services and commodities are. These are new challenges for the government and an Australian Financial System into the new technological generation where investment of purchases are made online and through web pages all over the world the consumer must have quick and efficient access to financial institutions to be empowered to change their mind with regards to all purchases as there already exists in the current electronic economy many scams.

The structure of financial systems, currencies, products, services, transaction details, taxes, delivery costs, return policy, safety of identity are all aspects that warrant the consumer greater authority over their own activity. In essence, a vision is to remove the credit card, to embark on a safety net of a financial buffer that offers the consumer their own mini finance volt in which the consumer can manage themselves at little interest costs passed onto the consumer and the banks and insurance companies and post office and other similar infrastructure should be investing back into the economy giving of their profits back to eliminate all forms of domestic fear of poverty.

Only the government can regulate such a deed and I stress a more uniform, consistent across the board of all industry regulation, a treaty of prices that are indexed for consumers, by age, e.g. mums and dads, youth, women, men, business, organisations etc. and in that index a measure of profits can be determined but it is unfair to expect the corporations to pay same fees as mums and dads.

Banks need to be challenged so that they do not become so big that they take over the government and the economy. There should be something concerning about banks making 6-8 billion profit in six months, why? Because these are the much needed monies of many mums and dads and the many men and women struggling in the downswing of the Australian economy. Australia has its own financial identity, we can no longer rely on conservative Keynesian approach when demands from global financial systems are an integral part of our network and trading.

Nor can we encourage capitalism unless it is implicitly contributing back into the economy. It concerns me that there are a few banks dominating the domestic economy. And with a lapse of reason, despite the restrictions placed on big banks merging, there may be at some point in the future, banks will come to own most of Australian assets, there should be a rule of thumb, in that government needs to increase its services as watch dog in the areas of Treasury, for all derivative products in an indexed process, e.g. 5 million, ten million, ...300 million and so on and transparency in the actions taken by the large banks supporting the elite and a rule of law that is equitable and within the framework of standards as established by the regulators.

Rather than encouraging such enormous profits, the banks should be a vehicle to return money back into the economy, as e.g. Banks should be more active in funding infrastructure in partnership with government, not the taxpayer, and for those companies that are defaulting such as Qantas, Banks should be the bearer of the burdens, as well as a change of board members to incorporate bank resources as it is in their interest to know that the investment is returning even greater reward. Overall the bank should focus less on taking money from the mums and dads, invest back into the economy investing in infrastructure, at little cost.

Corporations are the ones to be the target of indexing of taxing and for ways to fund growth into Australia.

Consumers domestically and in this new golden age should be considered as partners with government; This is the same principle as seen between corporations and banks. The focus is on fairness and opportunity for all. Encouraging a functional and active resourceful economy based on sharing greed of the corporations back into the benefit of the society which made the banks and insurance companies rich. At the moment these new and emerging economies of scale has led a shift towards a skewed market that utilises all forms of technology where the cost price and the sale price of a service or product is not scaled to the service or product.

The Superannuation Insurance scheme is a distorted financial system mess and needs to be cleaned out. Again, there is too much power given to the insurance agencies for superannuation, it is their administrative responsibility to ensure that the rightful persons receives their entitlement. The government provides the financial platform for superannuation, but these funds are either wasted as management or service fees, deterioration of foreign currency, property or other investment portfolio. And when the person needs this money, the trustee provides unreasonable demands for many forms that are almost impossible to answer correctly as e.g small business close or are taken over by bigger businesses and people move jobs frequently. So the situation is that superannuation is a financial mess and a disaster for those people that really need it and the government should review the trustee forms, perhaps seek to have a register of those seeking to receive their insurance superannuation and income protection, and furnish as little report as possible, necessitate medical reports, (these should be done by doctors for free) and the process should be swift and simple and easy. Rather the Trustee is taking on the role of dictator during these times and it makes the industry appear to be deceptive and unwilling to honor their contract.

The superannuation system that is embedded in the financial system needs a regulator and tribunal and the government to keep a strict regulation on their reporting and responsibilities beginning with placing the onus on the superannuation fund to take steps to make sure all of their records are up to date, including their responsibility to advise the ATO of all policies and whom they belong to so that the information is not lost as these big finance houses, like superannuation, are embedded in the banks, e.g MLC belongs to NAB, and are not independent. There is room for much error and opportunities for mismanagement, loss of data, and those that really need the assistance are not able to access their funds as they should.

Government needs to keep superannuation funds separate to banks. The money raised through superannuation should first be recorded by the ATO as the policy is established, the money should be collected by the view of the government and then transferred to the superannuation fund. These monies then can be invested as the policy holder suggests.

Power must be taken back by the consumer in the new financial system with ease to access these money which serve their purpose, otherwise, those that need to terminate their policy can be refused by the regulator and these processes take a very long time, usually at the lack of transparency of the superannuation fund, the new financial system must look at the billions sitting in banks reserve accounts that belong to consumers. It is much better to remove the nexus between the superannuation funds and the banks.

In the sphere of financial products, the reason I am suggesting more governance and regulation is because the nature of these products is generally interest to purchase funds, timing, shifts and movements in currency, all of the innate factors of financial products is financial services and money making money, as e.g gearing funds are a savings plan whereby the interest recovers the interest debt and the investment accrues over time to make financial growth. These products vary from commodity sales e.g retail products.

Within the Treasury products of a financial institution, once any organisation bank or otherwise begins to gather and collect cash from the public in the name of policy or account holder, they can begin to invest in off-balance sheet and contingencies that exist in the balance sheets. There is large sums of investments made that are not reported and for the benefit of corporations. The power of the government in this area is important and should receive more regulated reports e.g Form D, Large Off Balance Sheet Transactions, Contingencies, Bills, T-Notes, Trades etc.. there needs to be a more accountable and careful review of trades, movements daily, weekly and monthly, to protect Australia's financial resources. These are monies that make our economy prosperous and belong to the people of the nation. A healthy and wealthy nation is prosperous globally and attracts the worlds money.

The international and remote banking including farming and manufacturing should be harnessed and developed further providing access to real funds and also to not sell Treasury products like hedge financing if the farmers do not understand these options or instruments, there should be a signature sought to secure that these investor/farmers fully understand the risks in these financial instruments to take real advantage of opportunities for growth, domestically and globally. Remote access to internet, banks, financial institutions, government assistance, security and efficiency provided to the manufacturing and farming, gas and oil and remote industries secures them power to understand the financial aspects of their work and life and this means big business but the winners should not be the banks rather the consumer, I am referring to complaints made by the Foreign Currency Borrowers Association to Mr Stan Wallis during the last financial system inquiry.

The Financial System inquiry must address the Non-Bank Financial Intermediaries (NBFIs) and place strong analytical and reporting requirements because services of a banking nature, managing the growth of company funds is a big responsibility and needs government to regulate these institutions in licencing, fees, reporting, regulating their board and shareholders, and investors, to protect the account holder.

This must be instilled in the Australian Financial System of the future a strong government drive for protection, analysis, management, reporting, regulation and a Tribunal for the various pricing and the various Financial industries within the banner of the Finance Industry as e.g Banks should trade arms length with Superannuation, and government must be on top of every account, must be traceable and accountable. The performance of such a system requires fairness, good faith, effectiveness and efficiency.

2. The Inquiry will refresh the philosophy, principles and objectives underpinning the development of a well-functioning financial system, including:
 1. balancing competition, innovation, efficiency, stability and consumer protection;
 2. how financial risk is allocated and systemic risk is managed;
 3. assessing the effectiveness and need for financial regulation, including its impact on costs, flexibility, innovation, industry and among users;
 4. the role of Government; and
 5. the role, objectives, funding and performance of financial regulators including an international comparison.

For Point 1, please refer above content.

With regards to the financial risk the prospect of an index will furnish a relevant computerised calculation that will determine risk based on factors such as who is making the trade and who is receiving the transaction and the exchange of the goods and services for payment and that payment is then allocated appropriately and systematically to the relevant authorised agencies such as the ATO. The data must be up to date and relevant to the timing of the transaction, hence this means that the forms required online must include identification factors including dates, names etc. But not so rigid that a simple transaction is delayed.

The issue of the management of the financial risk and systematic risk is a role for the actuaries and the economists and the accountants. These are the saving graces of any economic advancement and an oversupply of jobs is more adequate to a government agency than an undersupply. More jobs in this regard for greater impact on safety, security, management.

In assessing the effectiveness of a Financial System and a review of its costs innovation industry among users, I would say that at present the whole financial sector is mismanaged and there is a lot of wealth held by financial institutions that actually belong to families and there should be regulation to correct the wrong and return these monies to their rightful owners. I believe a Tribunal under the governance of the RBA will be a useful tool going forward.

There should be a strong investment in the development of a Financial System that seeks to look closely into the emerging markets of Insurance Companies, before they settle that the economy and community is aware that they are being regulated to safeguard their consumer and this gives consumer confidence also. Payouts need to be made easier so that people live, not simply survive.

This is the responsibility of the government, to encourage the people of Australia to live, with access to all services equally across the board. The inclusion of innovation and industry can be streamlined and economies of scale apply here, however, I would prefer to see more investment into regulation of all sectors pertaining to receiving cash from any consumer, be it retail, wholesale, marketing, internet, education, not-for-profit, all entities that incur the process of transacting a product or service in exchange for money, those pertaining to growth of wealth and security are also to be regulated the option to not stifle progress but rather, so that when the consumer seeks their entitlement it is actually preserved and available and easily accessible because the work of preparing the paperwork has already been done along the way.

This element removes years of loss of superannuation and insurance. This is the role of government to align the recipient with the cash of the legitimate entitlement of the investor or the insured. More regulation on the corporates including more encouragement and resources of complaints and handling these complaints.

I believe that there should be a restriction or a form of indexing on corporations that appear to become extremely profitable because they are the ones that are growing the economy, at a level of corporations, not at the level of the household and this is an inconsistency that will cause greater grievance. For example, the more funds managers and banks and other financial institutions invest into property domestically and globally, the more prices are being forced up. Access to this sort of information is limited and the government must regularly seek out this data and make it available to all consumers. The gap is not just with the rich and less rich, but the gap is widened between the corporations and the consumer, i.e the household. This is a serious issue and unless it is resolved with regulation, the government will lose all of its assets via sell off as its home grown banks and insurance agencies and financial intermediaries are so large, affordability is not an issue for them and domination is key to their eternal prosperity. The imbalance leaves great gaps in the structure of the financial economy and the system must account for all such transactions and review these and assess the likelihood of the imbalance of payments the skewed economy and industry driven by a force that is about greed not fairness.

France has a good model for its management of its currency. There is a head department for the monitoring and management and disbursement of currency, creation, drive and progress of currency, linked to the economic principles and the principles that drive an esteemed community. The education of the process of the movement of money needs to not only drive home from media reports but there should be also ongoing platforms for education such as television shows that drill into money channels, valuations, movements, opportunities, wealth creation and in this there should also be accessibility for these opportunities without tariffs for first time investors.

The role of the government is to oversee, to increase departments and divisions, to introduce new departments for insurance including all forms of claims, to give even greater powers to the RBA, and to ensure greater reporting from APRA. To engage more guidelines on efficiency of payments for superannuation and insurance, to pay out, the government must be the initial contact of all of these claims to protect the consumer. The greater regulation means more jobs and the performance must be one of accuracy, efficiency and forensic analysis of data, that is vigorous and warrants fund managers that manage their clients, including to oversee claims and releases of funds to their rightful owners.

My point of determination, is that in this global financial economy of ease of transfers of money to and from, for products and services, the consumer needs legitimacy of protection by the government and that the government needs to employ and deploy analysts to be on top of activities of their designated corporations and act as an authority to safeguard and protect the consumer.

3. The Inquiry will identify and consider the emerging opportunities and challenges that are likely to drive further change in the global and domestic financial system, including:

1. the role and impact of new technologies, market innovations and changing consumer preferences and demography;
2. international integration, including international financial regulation;
3. changes in the way Australia sources and distributes capital, including the intermediation of savings through banks, non-bank financial institutions, insurance companies, superannuation funds and capital markets;
4. changing organisational structures in the financial sector;
5. corporate governance structures across the financial system and how they affect stakeholder interests; and
6. developments in the payment system.

I have described this in Point 2 above. I see the government matching the wrath of a free trading economic system with even more regulation, the organisational chart that heads up currency, NBFIs, Banks, Insurance, Trades of Indexed Corporations e.g. trading transactions online.

The internet changes financial activities in that scams that exist and other forms of products developing in the name of education and prosperity dispel organised education and target the dollar. With these associations gathering momentum, and investors taking to the internet, they have one target in mind, the pockets of the people on the other side of the computer. With so much marketing and monitoring data available, forensic evidence in the wrong hands could mean a problem with the stability and security of the internet in transacting funds, payments of funds and activities of payment.

There needs to be scrutiny for these activities to protect once again, our domestic funds and our domestic identity and domestic currency.

The role of more regulators is to manage emerging markets, with safety and security, measuring performance and accuracy, oversee fair trading and exchanges, ensuring the consumer is protected. Though the department of Fair Trading plays a role in the consumer rights, a determination on the funds management of consumers and so with each financial organisation, there is a regulator manager overseeing their own industry and reporting on those. I trust in these turbulent and ever changing times of developing systems and e-commerce transaction, complaints are only going to expand and the government's role is to secure our Financial system.

The RBA determines the highest form of policy implementation and observation of licences, bills, acts and trades the conduct and manages all regulators and plans ahead.

Department for currency manages risk of huge speculations of drops and highs and keeps the currency afloat warning industry of upcoming fluctuations including farming, wheat, meat, building materials, trade, export, imports, complaints.

An industry ombudsman for Insurance only to protect consumers and oversee the payment of all claims in a safe and secure and timely and efficient manner.

An industry ombudsman for Banks, data collection of large instrument trades, profit announcements, indexing profits and overseeing purchases that may override the banks powers of a fair and equitable system.

An industry ombudsman for NBFIs - reflection as Banks

An industry ombudsman for those large institutions pertaining to expand services into a Banking environment e.g. Postal Services with strict guidelines for activities and examination of banking products and clarity of the lines of products that are postal and banking products should be confined to banking corporations for better management of Australia's financial system.

All of these governing bodies will provide economies of scale with the RBA, APRA and the industry ombudsman will also review all internal reporting requirements which can be even more conservative than financial reporting guidelines of government.

The Financial System ombudsman select needs to prepare to receive all complaints for any form of financial transaction including claims on insurance companies, insurance claims for TPD, claims must be efficiently processed and the Trustee must be a separate entity to safeguard the consumer and remove bullying tactics by corporations at the time when they have to pay. Complaints on delays, trading without fairness, competitiveness should only be for corporations to keep fees low and processing rates high. The consumer must not be taken advantage of in the Financial System and the inquiry should extend the opportunity to ensure a 360 degrees concept of procedural fairness to the consumer.

With an accessible, strong and stable and secure and transparent and accountable and accurate financial system, the owners of the transaction will be esteemed and will be living, not surviving.

WALLIS

The Wallis Financial System Inquiry, was introduced in 1997 by former Treasurer the Hon. Peter Costello MP. The report did provide a structure designed to improve efficiency and competitiveness of the Australian Financial System whilst preserving its integrity, security and fairness.

It also incorporated the needs of the internet, including globalisation, technological change and the needs of business and consumers.

The reform was delivered under the Corporate Law Economic Reform Program driving Australia's leading business in the Asia Pacific region.

The Wallis Financial System framework was based on financial stability, a safe and reliable payment system, price stability objectives of monetary policy regulated under the RBA.

A second goal is the provision of a specialised regulation on conduct, disclosure, dispute resolution for financial service providers and financial markets pursued by the Australian Securities and Investment Commission (ASIC) based on the Australian Securities Commission (ASC).

The third objective was the prudential supervision of those parts which require intense regulation for safety and stability reasons, hence the development of a single prudential regulatory authority.

APRA designated the independent regulator but subject to the RBA is subject to an overriding policy determination power of the Treasurer in the very rare event of unreconciled disagreement with the Government of the day.

APRA is accountable to the Government and Parliament per Commonwealth Authorities and Companies Act 1997. APRA may also be referred by Parliament to a Committee such as the House of Representative Standing Committee on Financial Institutions and Public Administration for detailed examination as well as appearing before Parliament on request.

APRA is determined by a nine member board, appointed in accordance with the Remuneration Tribunal. To ensure close relations between APRA, RBA and ASIC, two of the APRA board members will come from the Reserve Bank and one from ASIC.

APRA became fully operational at the Commonwealth level on 1 July 1998 with headoffice in Sydney. A single regulator, APRA was able to provide flexible, efficient, coordinated and consistent regulation across the financial sector and achieved regulatory excellence. Apart from providing licencing, APRA also furnished financial standards based on its own policy making capacities within the framework of laws established for it. Hence APRA is adaptable and responsive to the changes occurring in the financial system and its work has been committed to financial safety, efficiency, competition, contestability and competitive neutrality.

The bill for Retirement Savings Account was released in 1998.

The Life Insurance Supervisory Levy Imposition Bill in 1998.

The General Insurance Supervisory Levy Imposition Bill in 1998.

The Financial Institutions Supervisory Levies Collection Bill in 1998.

The Financial Sector Reform Bill 1998 sought to include the establishment of ASIC based on the old Australian Securities Commission. Amendment to the Banking Act to establish the new regulator APRA. The establishment of the Payments System Board within the RBA. Splitting of responsibilities for relevant insurance and superannuation between APRA and ASIC and transitional provisions relating to the establishment of the new regulatory bodies and the associated regulatory reforms.

The Australian Securities and Investment Commissions is focused on consumer protection and market integrity regulator across the financial system. Globalisation and technological advancements and innovations in financial products and distribution mechanisms results in an increasing incidence of regulatory gaps and inconsistencies which are not conducive to efficient competition in financial markets. This enabled ASIC to be the single entity to protect consumer functions supported by industry and groups hence close cooperation between ASIC and the Australian Competition and Consumer Commission.

The abolishment of the Insurance and Superannuation Commissioner by the Bill of the time, marginalised the services to the protection of consumers.

I recommend the Insurance and Superannuation Commissioner be reinstated with more grit to resolve industry issues and mismanagement and working with other government departments such as the ATO and industry and business. I also suggest to return to these commissioners both prudential and market integrity and disclosure requirements; This currently resides with the split between the two regulators, APRA and ASIC. This restructure to reinstate the Insurance and Superannuation Commissioner will free up

resources much needed to delve into the relevant industry and customer concerns and management of the existing financial system.

Banking Act 1959 Amendments in 1997 include:

- establish single licencing and prudential regulatory regime for deposit taking institutions by providing authorities under the Act to be issued both to banks and non bank deposit taking institutions.
- strengthen and clarify depositor protection powers
- facilitate the regulation and hence use of non-operating holding company structures by financial conglomerates containing a bank or deposit taking institutions and
- strengthen the regulatory powers of APRA as the prudential regulator giving it powers to make standards and enforce directions broadly similar to those now provided under the Financial Institutions Code.

The single licence regime facilitates increased effective competition, reduces regulatory inconsistencies between institutions conducting essentially the same deposit-taking business and improve efficiency. Consumers did benefit from increased choice, improved quality and lower cost products and services.

The three ingredients that have ensured financial stability and depositor protection are:

- strong prudential regulation to lessen risk
- effective intervention to prevent or manage a crisis and
- depositor preference to ensure confidence

Intervention powers to manage a crisis can be improved to allow the regulator to employ an administrator if required. Hence empowering APRA to take control in a crisis and also capacity to act in a preventive capacity e.g takeovers. Such intervention powers allowed APRA to initiate a wind-up of an institution that is insolvent and unable to be restored within a reasonable time, preventing further losses from accruing, hence is in the best interest of depositors.

Payment System Board

The bill introduced legislation amending the Reserve Bank Act 1959 to establish Payment System Board (PBS) within the RBA. These powers of the PBS and RBA Chair give powers that confer under the Payment Systems and Netting Bill and the Payments Systems Regulation Bill introduced 1998.

Other amendments prevented excessive compliance for building societies and credit unions and the bills amend the Financial Corporation Act 1974 to exempt these institutions from the date reporting requirements under that Act when they are regulated under the Banking Act 1959.

And the Bill provided the repeal of certain acts including the Banks (Shareholdings) Act 1972 which was replaced by the consolidated Financial Sector (Shareholdings) Bill introduced and the Insurance Superannuation Commissioner Act 1987 consequent to the establishment of APRA.

I determine a new framework is required for superannuation and insurance in light of the complex technological age and volume and wealth contained.

The payments system covers payment instructions, is systemic and works, delivers cash, cheques, smart cards, their delivery in the exchange or clearing of payment messages,

and final settlement of value between intermediaries providing payment services. The Bill 1998 proposed a new regulatory framework for the payments system providing powers to the RBA to enable it to undertake more direct regulation by designating payment systems as subject to the law where it is considered in the public interest to do so. The Bill also provides that it may be subject to the imposition of rules of access for participants on commercial terms, the determination of standards, the giving of enforceable directions, or the voluntary arbitration of disputes on technical standards taken in conjunction and consultation with the private sector.

I determine a review of this framework and suggest that on any arbitration of disputes of a technical nature, the arbitration is done in an independent capability though timing may be an issue, but the clarity of independent examination will serve the public further.

In conclusion, it was a delight to review and examined the subject matter for Financial System Inquiry and wish the Chair Mr David Murray AO and the Panel great success.