

Murray Committee enquiry second submission

By: William V. Schlusser, professional engineer

Date 25. August 2014

I am an intensive consumer of Banking facilities such as deposits of salary earnings, international transfer of funds, savings and mortgage activities, and all other activities performed by ordinary citizens in their daily routines.

It is from this perspective that I make the following comments that ought to be taken into account when deciding how to re-fashion the financial sector of the Australian economy.

1. Banks,

Banks must only perform customer financial transactions never trade on their own account as is the practice now. If they do so they shall be called a financial institution but shall not be called a bank. Banking activities should be "boring" not exciting as is the case now. All other activities derive from this attitude. Derivative trading and similar activities are to be delegated to financial institutions.

2. Interest of consumers

Banks are private companies that seek to maximise the returns to their shareholders. That is in direct conflict with the interests of most bank customers who require safety and minimum risk as a first priority. Banks should have the interest of their customers as their first priority.

That requires that Government must control the activities of these companies to minimise risk to the assets of the customers in the custody of the banks.

3, Financial advisors

Financial advisors should have no affiliation with any entity selling equities such as insurance and other financial instruments. Their advice shall be remunerated by fees not commissions.

4. Technology

Technology makes banking transactions a routine business. As such banks so far have failed to embrace this technology and have failed to make their operations much more productive with consequent cost reductions that need to be past on to their customers.

There is a huge gap what should be done in the existing technology sphere compared with what banks and other institutions have actually implemented. Huge real cost reductions are possible.

For 2 examples of many look at : 1. Fees of AUD 22.- for any international money transfer are ridiculous in the face of the cost of actual transfers via the Swift system. 2. ATM fees overseas in non proprietary ATMs are exorbitant and are higher than the old traveller's cheques fees were in the past There are no ANZ bank or Commonwealth bank or any other Australian Bank ATMs in most of the countries in the world!

5. Forward looking trends:

1. The high cost of administration of super funds is a huge drain on the owners of these funds. Costs can and must be reduced.

2. Technology application must lead to drastically reduced fees for all money transactions.

3. Competition for customers among banks must be real not fictitious as at present. Why only 4 large banks, why not 20? Where are the co-ops disappeared to?

Banking in essence is dealing with one commodity only, money. Therefore banking business is not complicated, but many parties are interested to make banking appear so.