

8 July 2014

Mr. David Murray AO  
Chair  
Financial Systems Inquiry  
GPO Box 89  
SYDNEY NSW 2001

Dear Mr Murray,

### SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY

The Regional Policy Advisory Committee (RPAC) is the Victorian Government's independent advisory committee on issues in regional and rural Victoria. RPAC has an interest in the findings of the Financial Systems Inquiry (FSI), particularly concerning access to capital in regional areas and the specific financial service needs in regional areas.

RPAC has a great interest in reviewing the interim report of the FSI, which I believe is due in mid-2014.

Of particular concern to RPAC is the lack of secondary lenders in regional Victoria. This issue is highlighted by the recent decision of the Australian Securities and Investment Commission (ASIC) and The Trust Company to wind up the affairs of Gippsland Secured Investments (GSI), following the high profile failure of Banksia Securities and several other secondary lenders in regional Victoria.

This conjunction of closures of secondary lenders has raised concerns within regional Victoria about access to credit. Smaller secondary lenders are a key source of credit in regional Victoria, particularly since the major banks scaled back regional operations following deregulation of the banking sector.

RPAC recognises the need for stringent regulation in the financial sector, particularly in light of the aforementioned closures of Gippsland Secured Investments and Banksia Securities. However, it is important to recognise the substantial differences between the metropolitan and regional markets, and the need for smaller secondary regional

lenders in light of the apparent reluctance of the major banks to lend to regional businesses. There is a significant risk that, if the recommendations of the FSI do not take into account the specific characteristics and requirements of regional areas, any changes will stifle regional economic development through lack of access to finance.

To highlight the overall concern with the disproportionate impact that regulatory changes can have on regional and rural areas, and to also highlight work that has been done in this field, we would like to draw your attention to *Thinking Regional and Rural: Guidelines for Assessing Regional and Rural Impacts of Government Policy and Legislation*.

These guidelines were developed by RPAC to assist policy makers to identify any unanticipated and disproportionate impacts that policy and legislation could have in regional and rural Victoria. *Thinking Regional and Rural* is endorsed by the Victorian Government, and was launched by the Minister for Regional and Rural Development, the Hon Peter Ryan MLA, on 23 April 2013.

An electronic version of *Thinking Regional and Rural* can be found on our website, [www.rdv.vic.gov.au/rpac](http://www.rdv.vic.gov.au/rpac), along with an online tool to assist policy makers to apply these guidelines to their work.

We strongly recommend that you consider the principles in *Thinking Regional and Rural* to ensure that the changes you recommend to Australia's financial systems do not have a disproportionate impact on regional and rural Australia.

We will continue to investigate the particular impacts of changes in the Australian financial services sector on regional Victoria, and will communicate any identified issues with you.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian McClelland'.

Ian McClelland  
Chair, Regional Policy Advisory Committee