

31 March 2015

Suncorp Bank urges implementation of key FSI recommendations

Suncorp Bank has today lodged a submission to Treasury in response to the Financial System Inquiry (FSI) Final Report, calling on the Federal Government and regulators to address the competitive anomalies in banking for the benefit of Australian consumers.

Suncorp Bank CEO, John Nesbitt, said the FSI laid a blueprint for a strong, more competitive financial system and recommendations on competitive neutrality should be implemented as a matter of urgency.

"Regulatory, funding and capital anomalies mean regional banks are competing with one hand tied behind their backs. A strong, multi-tiered banking sector is critical to long-term sustainable competition," Mr Nesbitt said.

"Regional banks are required to hold more than three times the capital of major banks over like-for-like mortgages. The Murray Inquiry acknowledged that this needs to be addressed. Government and opposition have indicated support for this change. Action is needed now.

"I would ask the Government to prioritise recommendation two. This would improve the system of risk-weighting housing loans by narrowing the gap between small and large banks on risk-weighted capital. We would like to see clarity on this by mid 2015.

"Big banks may call for delays while Basel international proposals are considered. This will take years. There is international precedent for moving outside the Basel timeline and process. The Australian banking system needs rebalancing now."

Suncorp Bank's final submission focused on the policy options in the Final Report that have the potential to address competitive anomalies in the market while maintaining the integrity of the system.

Suncorp Bank's recommendations to Treasury include:

- Fast-tracked implementation of Recommendation 2 – the application of a 25% to 30% risk weighting of mortgage assets on advanced or Internal Ratings Based (IRB) banks;
- Support from Government and APRA for regional banks' aspirations to achieve Basel advanced status, including de-coupling of credit and operational risk (Recommendation 2), as well as considering a staged accreditation approach for mortgage and business books;
- Greater transparency of the ownership structures in mortgage broking and aggregation as outlined in Recommendation 40;
- Acceptance of Recommendation 6 – maintaining the ex post funding structure of the Financial Claims Scheme. We are concerned that a pre-funded 'deposit tax' scheme will disproportionately impact smaller banks, as they rely more heavily on deposits for funding than larger banks. It will also discourage Australians from saving;
- Further consideration of methods to address too big to fail, as outlined in Recommendations 1, 3 and 4. The objective should be to address the funding cost gap between major and non-major banks while maintaining system stability and consumer and investor confidence; and
- A regulatory environment which supports competition and is more coordinated across the regulatory bodies.

Submissions are available at www.suncorpgroup.com.au/media/public-submissions

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