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Suncorp Bank calls for competitive neutrality in banking to support consumer choice

Suncorp Bank today launched its submission to the Financial System Inquiry, recommending a range of measures to level the competitive playing field in banking.

Suncorp Bank CEO, John Nesbitt, said the relative stability of the Australian banking system provided the ideal backdrop against which to test the status quo and consider whether the settings were right to deliver better outcomes for consumers and the economy into the future.

“Ensuring the foundations of the financial services industry are fit to drive meaningful and enduring competition is critical. Competition is the best driver of efficiency and efficiency is the best way to ensure benefits for customers,” he said.

“Any genuine desire to improve competition must recognise the un-level playing field that exists between major banks and others when it comes to capital, funding and regulatory imposts.

Mr Nesbitt said the competitive anomalies were created by three key factors:

- Advanced accreditation allows the major banks to hold less capital than is required by the regional banks over mortgage portfolios with the same risk profile and regulatory framework;
- The implicit guarantee of the major banks affords them credit rating upgrades which gives them access to greater funding sources at lower cost; and
- A regulatory framework that has a disproportionately high impact on smaller institutions.

Suncorp Bank has made recommendations for the consideration of the Inquiry Panel including:

- A flat 20% risk weighting on the mortgage assets of regional banks operating under the standardised approach;
- A clear and stepped approach to advanced accreditation with credit, operational and market risk models de-coupled and capital relief provided at each stage;
- Greater transparency of the ownership and incentive structures in mortgage broking and aggregation;
- A range of measures to support bank funding including an increased cap on covered bonds and stimulation of the fixed interest investments market through superannuation;
- Capital, regulatory and taxation support to improve lending for SMEs and agribusiness; and
- A regulatory environment which: supports competition; is more coordinated across the regulatory bodies; considers the impacts of shadow banking; and is agile given the pace of technological change and consumer preferences.

Mr Nesbitt said regional banks played an important role in the economy, in rural and regional Australia and within the financial services industry.

“The second-tier traditionally brings choice, balance and competitive tension to the market but events since the GFC have challenged this,” he said.

“The GFC resulted in a significant shift in market dynamics and handed power to the major banks. Subsequent regulatory and legislative attempts to spur competition have not delivered desired outcomes.

“Continued concentration of market power is inconsistent with the fundamental principles of stability, competition and efficiency.

“We are not asking for handouts or special treatment. Regional banks do not need subsidies and Suncorp Bank does not advocate taxpayer-funded intervention in financial services. Such intervention distorts the market as is evidenced with the existing capital and funding advantages afforded the largest banks in Australia.”

Mr Nesbitt said while regional banks strived to deliver a competitive offering, greater competition would be achieved across more segments of the market for the benefit of consumers if competitive anomalies were addressed.

Links:

[Suncorp Bank submission](#)

[Regional bank submission](#)

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About Suncorp Bank:

Suncorp Bank is part of the Suncorp Group which includes leading general insurance, banking, life insurance, superannuation and investment brands in Australia and New Zealand. The Group has 15,000 employees and relationships with nine million customers. It is a top-20 ASX listed company with more than \$93 billion in assets.