

21<sup>st</sup> May, 1999

David Hawker  
Chairman  
House of Representatives Standing Committee  
On Economics, Finance and Public Administration  
Parliament House  
Canberra ACT 2600

Dear Mr Hawker

**Inquiry into the International Financial Market Effects on Government Policy**

I refer to your letter dated 12 May 1999 regarding writing a submission. The Financial Planning Association of Australia (FPA) is the peak professional organisation for the financial planning industry in Australia, with over 10,000 members in 31 chapters throughout the country. The FPA promotes improved quality of financial advice for consumers and high standards of ethical and professional behaviour amongst its members.

The FPA is dedicated to promoting the importance of financial planning and self-provision in retirement to Australians generally. It represents the interests of thousands of financial planning professionals and licensed securities dealers.

I must advise that although we retain a general interest in the subject of International Financial Markets and are keen to see free and open access to them and for Australian financial institutions to be able to compete internationally we are not in a position to make a submission to your committee at this time. However if your committee believes that the FPA can be of help to the committee in the future then we will be only to glad to be of support.

I would like to state that the FPA believes that the Government not only target the highest possible rate of economic growth. This is why the FPA is an enthusiastic supporter of tax reform.

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Regarding the specific issues upon which you requested comment :

**Globalisation**

If by globalisation the committee means greater inter-country trade then the committee will undoubtedly gain evidence that this was higher before the First World War than it is presently. For a country such as Australia which has a significant amount of international trade it is axiomatic that greater not less international trade is better for the country and therefore for all Australians.

**Hedge Funds**

The FPA is not in a position to comment on Hedge funds. From a distance it appears they only took advantage of countries that possessed poor economic fundamentals and therefore sold overpriced assets.

**Gearing**

The committee shouldn't target gearing as the problem. Rather the committee should concentrate on prudential requirements of financial institutions that lend large amounts of money to entities that possess little equity or lack the ability to repay. It would seem better to examine the lending practises of the senior management and the boards of institutions which approve these loans.

I trust these comments are helpful to the committee.

If the FPA can help you further in your inquiry then please contact Homer Paxton on (02)92998300 or by e-mailing him at [homer.paxton@fpa.asn.au](mailto:homer.paxton@fpa.asn.au).

Yours sincerely

Michael F McKenna  
Chief Executive  
Financial Planning Association of Australia Limited