



House Economics Committee releases report on competition in the banking and non-banking sectors

The House of Representatives Economics Committee called on the Commonwealth Government to continue monitoring the residential mortgage-backed securities market and review the adequacy of current investment levels in light of future market developments.

“The global financial market has been extremely volatile over the past year. A number of governments have implemented financial stability packages in an attempt to stabilise their financial systems. The average Australian household has also been doing it tough with the rise in interest rates, combined with increasing petrol and grocery prices, earlier this year,” Committee Chair Craig Thomson said today.

“Fortunately, the Reserve Bank of Australia has reduced the official cash rate and the world price of oil is currently falling. The banks have passed on some of this rate cut but not all. For commercial rates to fall further the cost of funding needs to decrease and competitive pressures within the market place need to be more effective.”

Mr Thomson added, “The government is currently taking positive steps to increase liquidity both for the banking and non-banking sectors. There is still some uncertainty as to how long the recent downturn in the global financial market will last and the government should therefore continue to monitor market developments”.

The committee also recommended that government examine a range of other proposals that could provide additional liquidity, including expanding the RBA’s repurchase agreements by extending their term to maturity even further and allowing Authorised Deposit-Taking Institutions to issue covered bonds.

To promote a more efficient sector and enhanced consumer protection for borrowers, the report contains a further seven recommendations including that:

- government review the current adequacy of the Trade Practices Act to extend the Australian Competition and Consumer Commission’s powers;
- government implement the findings of the Australian Law Reform Commission’s report recommendations on reforming Australia’s credit reporting system;
- government review the account switching package in 12 months time and that consideration be given to including card schemes in the package;
- government consider mechanisms for making entry and exit fees more transparent and for addressing unfair entry and exit fees;
- government consider the feasibility of regulating unsolicited credit card limit increases;
- the Australian Securities and Investments Commission (ASIC) includes a glossary of standardised financial terms and Treasury develop a standardised key facts document for mortgage products to help consumers to compare financial products; and
- government make it compulsory for all credit providers to be a member of an external dispute resolution scheme approved by ASIC.

An electronic copy of the report is available online at: <http://www.aph.gov.au/economics>

Hard copies of the report are available from the committee secretariat. To obtain a hard copy please email economics.reps@aph.gov.au or phone (02) 6277 4209.

For media comment: please contact the Committee Chair, Mr Craig Thomson MP, on (02) 4351 1223 (Electorate Office) or (02) 6277 4460 (Parliament House).

Further information: contact the Inquiry Secretary on (02) 6277 4209, email economics.reps@aph.gov.au or visit the Committee’s webpage at <http://www.aph.gov.au/economics>