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The Secretary
House of Representatives
Standing Committee on Economics,
Finance and Public Administration
Parliament House
Canberra ACT 2600

Dear Sirs

We refer to the letter of 25 July 2001 inviting submissions to the Committee's inquiry into APRA's prudential supervision of banks.

Citibank operates in Australia under two separate banking authorities, one held by Citibank Limited and the other by Citibank, N.A. The authority held by Citibank, N.A. is subject to the following restriction: that it shall not accept initial deposits (and other funds) from sources other than

incorporated entities
non-residents
its own employees

which are less than \$250,000.

The practical effect of that restriction is that, to offer a retail banking service, the authority for Citibank Limited must be retained.

The consequence of that is that the Citibank group pays two separate levies to APRA.

There are two submissions we wish to make in relation to that situation, namely –

- (1) While it is now possible for a foreign bank to apply for the grant of a branch banking licence, it is not possible for a foreign bank to cover the whole of the customer base unless it establishes a locally-incorporated subsidiary in which to accept retail deposits. A locally-incorporated bank is not so constrained. We submit that an equitably-based system of levy assessment would recognise that that asymmetry is a result, solely, of the demands of the system of regulation; would treat the branch and local operations as part of a whole; and impose a single levy.
- (2) While some relief was granted to branch banks as a result of the review of the levy system completed in May 2000, in that the levy on those banks was set at a rate equal to one-half of the rate for domestic ADIs, that rate is still 50% higher than, for example, the rate charged to branches in U.K. for European-authorized institutions. In these circumstances, we submit that the substantially lower regulatory burden that foreign banks represent has not been given proper recognition.

Citibank is a member of the International Banks and Securities Association of Australia. We have seen a draft of the submission which that Association intends to make, and endorse in principle the matters raised in that submission.

Yours faithfully



Shayne Elliott