

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 369

Topic: Regulation of Banks

Hansard Page: Written

Senator EGGLESTON asked:

1. There are currently proposals to tighten the global regulation of banks. These include tighter risk management, higher liquidity requirements, and higher capital allocations, to name a few. The Australian banking system weathered the GFC better than almost any country, and it would appear our financial regulation was up to the task. In that case, what is your view on the need for heavier financial regulation in Australia? Could adopting heavier global standards have detrimental impacts on the amount and cost of lending by banks?

Answer:

There are currently rules being developed internationally through the G20 and other international bodies to strengthen the global financial system post-global financial crisis. Australia is playing a key role in this process as a G20 member. These international rules will not be finalised until the G20 Leaders meeting in November 2010.

Australian regulators and the Treasury are currently working on the international reform process, including engaging with relevant international bodies to ensure that any reform measures are compatible with Australia's domestic circumstances.