

# Commonwealth Bank

Commonwealth Bank of Australia  
ACN 123 123 124

Government and Industry Affairs

Level 5  
48 Martin Place  
Sydney  
New South Wales 1155

GPO Box 2719  
Sydney  
NSW 1155

Telephone 9378 5964  
Facsimile 9378 2344

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Financial Services and Credit Reform  
Green Paper  
Corporations and Financial Services Division  
Treasury  
Langton Crescent  
PARKES ACT 2600



Dear Sir/Madam

The Commonwealth Bank ("the Bank") is encouraged by, and supportive of, the Government's proposal for a national approach to the regulation of consumer credit outlined in the Financial Services and Credit Reform Green Paper ("Green Paper"). We also commend the Government's general commitment to deregulation.

The Bank has had input into, and supports, the submission prepared by the Australian Bankers Association (ABA) on the Green Paper. However, we also make the following additional comments on the paper.

The Bank supports the proposal to adopt a national regulatory approach to mortgages (Option 3 in the Green Paper) and we encourage the Government to take this opportunity to assume responsibility for all forms of consumer credit and associated finance broker regulation. The Australian Securities and Investments Commission (ASIC) should be the sole regulator in this field (Option 2 in the Green Paper).

Currently the Bank has over 9 million customers, 2.7 million credit card customers and in excess of 1 million home loan customers and we can see no reason why any customer should be afforded a different level of protection or service than another on the basis of their State or Territory residence.

The migration of current responsibilities from the States and Territories to the Federal Government would result in the removal of overlapping regulation and provide benefits for both consumers and the consumer credit industry. Domestic and international reviews all point to the advantages that could be gained by moving to a single national regulatory regime.

Earlier this year the Organisation for Economic Co-operation and Development (OECD) highlighted the need for regulatory reform in Australia. The OECD "Going for Growth" report found that Australia ranked last amongst 30 OECD countries when it came to the harmonisation of regulations across internal jurisdictions.

The Productivity Commission's (PC's) Review of Australia's Consumer Policy Framework dated 30 April 2008 stated that "The increasingly national nature of consumer markets; the gradual — but now substantial — shift away from the largely consistent generic consumer law agreed to in the 1980s; and the often ineffectual processes to facilitate timely policy change; together mean that the current framework has become more costly for consumers and businesses, with few or no counterbalancing benefits." The Commission called for a more nationally coherent policy framework with responsibility for the framework resting with the Australian Government.

In addition, the Business Regulation and Competition Working Group outlined in its Implementation Plan Summary that it would develop a national approach to improve the consumer policy framework, including legislative and regulatory structures, drawing on the final report of the Productivity Commission. It called for removal of inconsistencies in consumer policy across jurisdictions and remove overlaps and gaps between Commonwealth and State and Territory operational responsibilities.

As explained in the ABA submission, migration to a single Commonwealth regulatory regime for consumer credit could potentially be costly and complex. We recommend that the Commonwealth re-enact the Uniform Consumer Credit Code (UCCC) as a Commonwealth Statute to reduce cost and confusion for consumers. We do not support any proposal to incorporate consumer credit regulation into Chapter 7 of the Corporations Act (FSR).

Following on from a migration to a single national regulatory regime, it is our view that ASIC should be the sole regulator of consumer credit, replacing State and Territory agencies. This would simplify the regulatory regime for both consumers and industry in that they would only need to liaise with one regulator for all matters relating to consumer credit.

The Federal Government now has a unique opportunity to undertake historic reform of the credit industry and create a seamless regulatory framework for all forms of consumer credit and finance broking regulation. We look forward to working with Government to achieve this outcome.

Thank you for the opportunity to comment on the Green Paper. We trust that these comments will assist you to make considered and informed decisions about the future of credit regulation for the benefit of our customers.

Yours faithfully

(Signed)

Ross McEwan  
Group Executive  
Retail Banking Services  
Commonwealth Bank of Australia