Level 42
120 Collins Street
Melbourne 3000

GPO Box 1472
Melbourne 3001

Telephone +613 8664 2664
Facsimile +613 8664 2666
www.bca.com.au

15 April 2014

Mr David Murray AO
Chair
Financial System Inquiry
GPO Box 89
SYDNEY NSW 2001

sent via email: fsi@fsi.gov.au

Financial System Inquiry

Dear Mr Murray

I am writing to briefly outline the Business Council of Australia's views on priorities for improving the financial system, drawing on relevant work that the Business Council has recently undertaken. You have separately received a number of detailed submissions from several of the BCA's members.

The Financial System Inquiry (FSI) provides a useful opportunity to ensure that the financial system is well placed to support future economic growth.

The relative strength of Australia's capital markets should be considered a national asset and something we look to develop and foster.

This will be best achieved by ensuring that Australia's financial system is:

- internationally competitive
- able to fund the investment that we will need into the future to underpin economic growth
- effectively regulated, without stifling efficiency and innovation.

This was a key focus of the BCA's *Action Plan for Enduring Prosperity*, which was released last year. The plan identifies 93 recommendations across nine policy areas that can deliver prosperity through well-managed growth, including in the policy area of a strong, stable and competitive financial system. I have attached the chapter of the plan relating to the financial system.

Australia's recent period of below-trend economic growth highlights the longer-term challenge for Australia to maintain strong economic growth and rising living standards.

Over the past 50 years, Australia has averaged annual growth of 3.5 per cent, with this success flowing through to substantially increased incomes and a better standard of living. In contrast, the 2010 Intergenerational Report shows that Australia faces average annual growth of around 2.7 per cent over coming decades, without policy change.

The cost of ongoing complacency will very clearly be a lower standard of living for future generations. The extent to which Australia needs bold and comprehensive economic reform should not be underestimated.

The financial system has a key role to play both as a sector in its own right, accounting for around 8 per cent GDP, and as a critical enabling sector for the remainder of the economy.

Based on the BCA's economic action plan, we believe that key priorities in strengthening Australia's financial system should include:

- The federal government placing the highest priority on maintaining Australia's AAA sovereign credit rating – recognising the broader benefits of this to Australia, including through flow-on effects to the credit rating of Australian banks.
- Building diversity and resilience in Australia's sources of capital by:
  - Broadening and deepening Australia's domestic debt market. The government should continue to support the development of a corporate bond market, including by creating a proper risk-free rate curve for participants through the issue of government debt with longer maturities (or encourage the use of the credit swap rate as a substitute). Steps should be taken to develop a standardised set of bond issuance documents, along with measures to improve the ease with which corporate bonds can be listed on the ASX.
  - Addressing the disincentives that arise from the tax treatment of deposits relative to other investments. For example, the Henry tax review recommended providing a 40 per cent savings income discount to individuals for non-business related net interest income and capital gains.
  - Maintaining and facilitating movement of capital into and out of Australia and minimising market distortions. This includes continued support for the free flow of international investments and efforts to improve access to overseas capital and, in particular, Asian and Sharia capital.
  - It may be useful for the inquiry to identify the parameters required by superannuation funds for investing in infrastructure. While the purpose of the superannuation system is to improve the wellbeing of employees in retirement, there may be scope for it to better support economic growth. This may include identifying compatible investment opportunities, such as investment in infrastructure.
- Identifying any opportunities for improving the efficiency of regulation, including:
  - Reviewing Australia's application of international rules to our financial system such as Basel III liquidity reforms to ensure that they are not just operating consistently and effectively, but also balance efficiency objectives in light of our existing robust regulatory structures.
  - Robust regulatory gate-keeping, through rigorous application of Regulation Impact Statements for all significant new regulations in the financial system.
  - Ensuring that oversight and accountability arrangements for regulators are proportionate to their growing powers. For all major regulators, the BCA has previously proposed reinstating the development and publication of Statements of Expectation, a new performance and accountability code in omnibus legislation and establishing an Inspector-General to provide additional oversight.

Two of these areas that have evolved since the last inquiry into the financial system and which warrant particular attention in this inquiry are the nature of regulation and the role of the superannuation system.

Regulation in the financial system

We believe that overall, the regulation of Australia's financial system has been effective, particularly during the global financial crisis. However, the FSI provides the opportunity to determine if there are opportunities to improve the efficiency of the regulatory environment.

First and foremost, it will be important that the inquiry reviews Australia's recent experience in applying international regulation to the financial sector and documents any improvements to systems and processes for applying global rules that the government and regulators could implement.

In an era of increasing global integration and digitisation, the trend towards global rule-setting is only likely to accelerate further. While it is important that Australia maintains high standards of regulatory consistency, the inquiry should also come to a view on whether Australia has got this balance right, including whether there are any risks to efficiency or innovation.

Second, the financial system should be subject to robust regulatory gate-keeping, through detailed Regulation Impact Statements for all significant new regulations. This requires detailed identification of the problem, detailed quantification of business impacts and substantial consultation. If rigorously applied, such processes would avoid poorly conceived and designed regulatory interventions such as the 2011 price signalling laws.

Third, the BCA considers that there is room for considering improvements to the oversight and accountability of regulators in line with the growing responsibilities.

Increasing technical complexity and pressures on government to progress regulatory solutions to problems quickly means that in some instances there may be pressure to delegate more regulation making to regulators and increase their scope of powers for certain matters. For example:

- The Australian Securities and Investments Commission (ASIC) has well over 200 active regulatory guides, describing how ASIC will exercise its powers and how ASIC interprets the law. The significant impact of these documents as part of the regulatory environment is evidenced by the fact that some are subject to Regulation Impact Statements.
- The Memorandum of Understanding between Treasury and the Australian Prudential Regulation Authority (APRA) suggests that APRA has a policy role, although it is one primarily related to the exercise of its powers conferred under the various laws for which it has administrative responsibility.

Delegating detailed technical issues to regulators and legislative instruments brings advantages like greater flexibility change over time, within defined legislative powers. There must, however, also be appropriate checks and balances on these powers.

With this in mind, the BCA has recently called on the government to implement better governance practices including for regulators like ASIC and APRA. This includes reinstating the development and publication of statements of expectation and subjecting major regulators to a new performance and accountability code in omnibus legislation, and establishing an Inspector-General to provide additional oversight of regulators. Statements of Expectation for regulators should clearly articulate national interest priorities, like facilitating economic progress.

We believe that the best way of ensuring a robust and competitive financial sector will be to minimise as far as possible any regulatory impediments along with impediments to funding.

Superannuation system

Superannuation will continue to form an increasingly significant part of the financial system, with $1.7 trillion in assets now expected to grow to $6 trillion by 2037. It will be important for the inquiry to consider how the expansion of the superannuation system will support the economic growth that will be needed to, in turn, deliver higher returns and retirement incomes for superannuation account holders.

One area for the inquiry to explore is the role of the superannuation system in financing Australia’s infrastructure investment needs. For instance, capital markets may need to be developed to better facilitate the matching of the longer-term investment imperatives of professionally managed and self-managed superannuation funds with the infrastructure sector’s needs for cost-effective long-term funding.

The role that superannuation funds will play in the financial system, and in infrastructure investment, will in part depend on any changes in the methods by which benefits are paid to account holders in retirement. It is estimated that around a third of retirees take lump sums from their superannuation, which causes superannuation funds to seek more liquid investments. If instead annuities play a greater role in the system in future, this will lessen the need for liquidity and be likely to increase demand for longer-term investments such as infrastructure assets.

The BCA looks forward to the delivery of the inquiry's draft report and would be happy to meet with the panel in coming months to discuss its work.

Yours sincerely

[signature removed]

Jennifer A. Westacott
Chief Executive

Attachment/s: Business Council of Australia Action Plan for Enduring Prosperity: A Strong, Stable and Competitive Financial System booklet

07 ACTION PLAN FOR ENDURING PROSPERITY

A strong, stable and competitive financial system

Business Council of Australia

About this publication

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

This is a chapter of the Business Council of Australia's *Action Plan for Enduring Prosperity*. The full and summary reports, and a full list of recommended actions put forward in the action plan, are available as separate publications and can be downloaded from the BCA website at **www.bca.com.au**.

 ISBN 978 1 922058 39 3
Business Council of Australia ABN 75 008 483 216

Design: erd.net.au Print: Bambra Press

The Business Council of Australia has developed an action plan for Australia's future with the overarching vision of securing enduring prosperity for all Australians.

We believe Australia's future can be prosperous in every way, but this will depend on maintaining strong economic growth and policies that support businesses to do well.

The actions, decisions and choices we make now will either support or inhibit Australia's prospects.

Our plan identifies nine policy areas that can deliver prosperity through well-managed growth. Across the nine areas, depicted at the end of this booklet, our plan makes a total of 93 recommendations that should be viewed as mutually interdependent actions to restore Australia's competitiveness and lift productivity.

This booklet is focused on one of those nine areas.

Preserving a strong, stable and competitive financial system

What do we have to get right?

A stable and well-regulated financial system helps the economy grow and prosper by spreading risks more efficiently and by facilitating the funding of productive investments. Australia's capital markets have a very solid foundation and will provide a strong underpinning to our future growth prospects. We need to maintain confidence in the financial markets and find the right balance between stability and system resilience on the one hand and competition and productivity in the sector on the other.

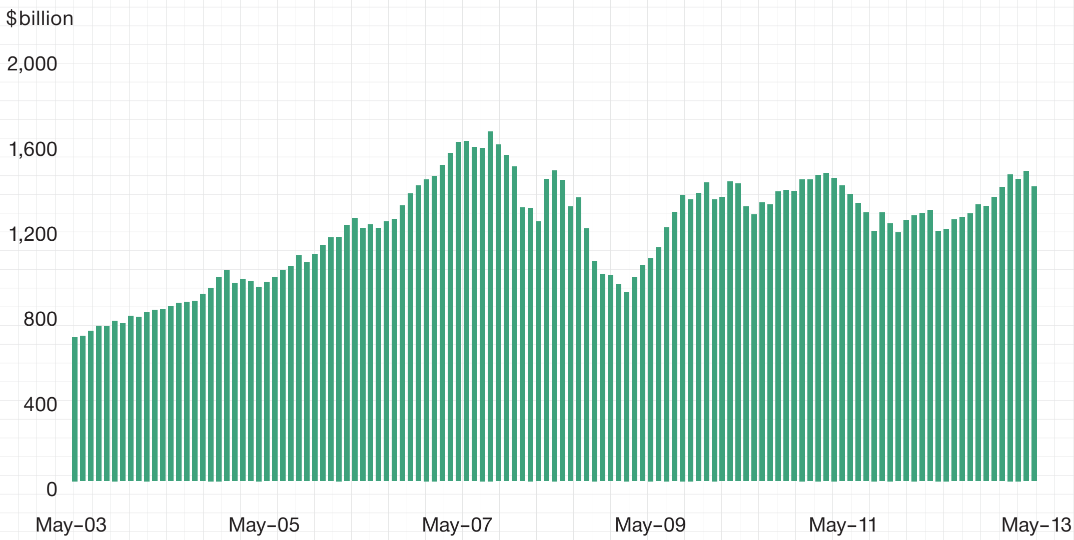
Key facts at a glance

By and large, Australian businesses have effective access to capital. The World Bank ranks Australia second among 31 high-income countries for businesses' ability to access credit.

Australia has one of the top 10 equity markets in the world, with market capitalisation growing considerably over the last decade.

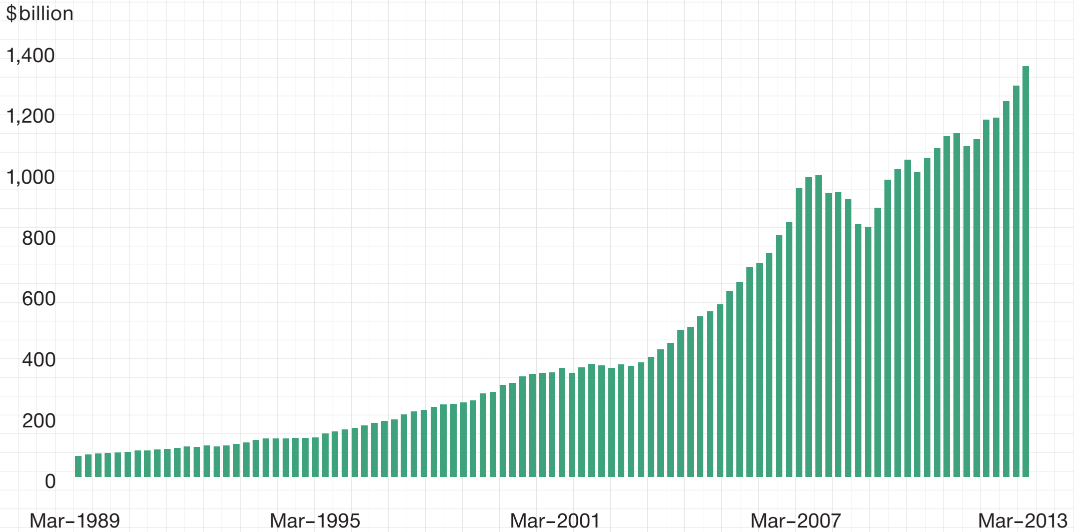
In recent decades, Australia has built up a superannuation savings system that is now worth around $1.3 trillion.

Figure 1: ASX domestic equity market capitalisation



Source: ASX Historical Market Statistics

Figure 2: Superannuation savings



Source: RBA Assets and Liabilities, Superannuation Funds – Outside Life Offices

Why do we need to preserve a strong and stable financial system?

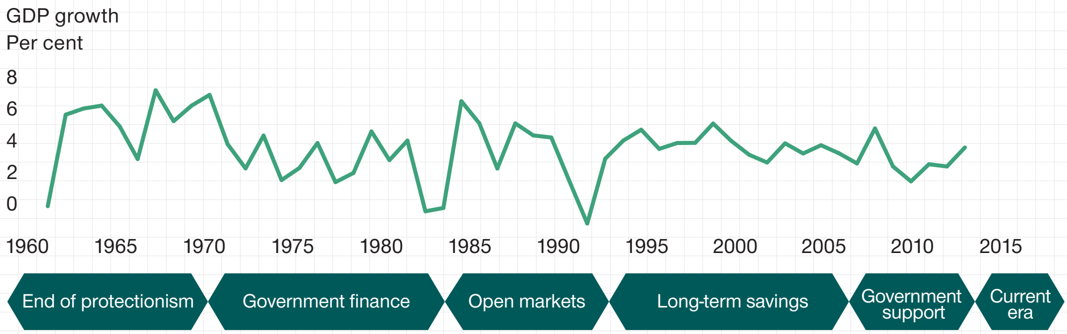
Economic growth demands cost-effective access to capital – both equity and debt – by those institutions, enterprises and individuals who are generating wealth. This capital is needed both for the short term and the long term.

For economic growth to flourish, business, entrepreneurs and investors also need to have confidence in the financial markets, which in turn requires consistency in regulation, security of funds, legal protections and trust in information flows.

The deregulation of Australia's capital markets through the 1980s and beyond improved their competitiveness and the general availability of capital. Australia's capital markets have since matured further to a point where we have the most efficient and competitive 'full-service' financial sector in the Asia–Pacific region.

Our financial sector is characterised by a superannuation savings system worth $1.3 trillion, Australia having a AAA sovereign debt rating, well-capitalised banks, one of the top 10 equity markets in the world, a highly skilled workforce and a first-class regulatory framework that has served us well through the global financial crisis.

Figure 3: Australian capital market interventions, 1960–2012



Key government interventions

Gradual removal of protectionist policies

1960
RBA established as independent entity from Commonwealth Bank of Australia

1961
Introduction of 20/30 rule

1966
AUD introduced and pegged to GBP and USD

1970
Restrictions on bank lending lifted

Growth through infrastructure finance

1971
Australian Industry Development Corporation is established to provide finance to industry

1978
Primary Industry Bank of Australia is established to support the rural sector with development finance

1979
Market-based tender system for Treasury notes (and bonds in 1982)

Move towards market economy

1983
Free float of Australian dollar

Removal of all exchange rate controls

1984
All controls on bank deposit terms and lending rates removed

1985
Foreign banks invited to establish trading operations

Accumulation of wealth

1992
Superannuation Guarantee extended to all employees starting at rate of 3%

2002
Superannuation Guarantee reaches 9%

2006
Future Fund launched

Public finances back to deficit

2008
Government guarantees deposits and allows banks to borrow against Australian AAA rating in response to the global financial crisis

2013
Agreement reached for free exchange of AUD to RMB (to begin in 2014)

Superannuation Guarantee rising to 12%

Source: ABS, 2013b; Booz & Company

Note: the '20/30 rule' refers to Life Insurance and Superannuation having to hold 30 per cent of assets in government securities, two-thirds of which (20 per cent) have to be held in Australian Government securities.

As we stand today, Australia does not face major risks in terms of capital market stability and resilience.

The long-term strength of Australia's economic position, the regulatory priority given to the stability of the capital markets (in particular the banking system), the multiple generations of strong financial institution governance, robust risk-management capabilities and practices in our banks, and relatively consistent, transparent, investor and investee security and protection policies and market conduct laws have all been instrumental to our capital markets' stability and resilience.

Reflecting this, Australian firms are generally able to access bank debt when they require capital. More sophisticated firms can access capital through other vehicles such as public equity, private equity or corporate bonds. At present, Australian banks – which provide capital to the widest range of firms in Australia – also have world-leading credit assessment capabilities which have been developed over a number of decades.

Diversity and resilience

A major lesson relearnt in the last global financial crisis was the value of diversity in sources of capital. Over the last five years our major borrowers, being leading corporates and banks, have significantly diversified their funding sources – reducing their reliance on Australian debt funding and balancing their capital raisings across Europe, the various US debt markets, and some Asian and Middle East markets. We have also seen a handful of Australian corporations with an enterprise value of less than $1 billion access overseas (mainly US) debt markets at a good price and with acceptable covenants.

Despite this positive development Australia's capital market structure is unbalanced in certain areas. There are three specific imbalances in our debt and equity markets that if addressed have the potential to enhance our growth prospects.

First, we have no liquid bond market. We have a very thin government bond market and infant corporate bond market. Less than 10 per cent of all debt issued on the wholesale debt markets was raised by corporates. In fact, New Zealand has a deeper and more liquid bond market than Australia. Over 80 per cent of all debt provided to Australian enterprises is intermediated via the banking system.

Second, there is a lack of longer-dated debt capital, with the majority of debt provided by banks, which are structurally and rationally equipped to support debt up to seven years in duration. However, given maturity mismatches, there is a missing part of the market for longer-dated debt. Players that have longer-term liabilities such as insurance companies, sovereign funds and other long-term investors need to find a way to participate more meaningfully in the market for longer-dated debt.

Third, while the equity markets are generally considered strong, there is a lack of diversity across the risk–return spectrum with only small amounts of venture capital activity compared to other countries. Whether Australia suffers from a lack of early stage funding or lack of entrepreneurial innovation opportunities is unclear but Australia has less venture capital investment than other countries as a proportion of our GDP.

Efficiency

Australian capital markets are reasonably efficient; there are few significant barriers to international capital flows and active competition exists between the major players.

The biggest risk to the continued efficiency of Australia's capital markets is inconsistent or continually changing regulatory requirements. Governments need to legislate and regulate carefully. Consistency and clarity of regulatory intent are essential. Poor regulation simply imposes a significant compliance burden and diverts attention and resources away from other areas of business that are potentially productivity enhancing.

In adopting global regulations we should make sure that while Australia remains in broad step with the rest of the world, we don't get too far ahead of global timelines and unwittingly impose a competitive disadvantage on our own financial players.

What's needed to preserve our strong and stable financial system and make it more competitive?

The strength of our capital markets should be a national asset and something we look to develop and foster. Protecting the strong foundation of our capital markets – stability and system resilience, filling the gaps in diversity and access and continuing to improve efficiency are an imperative.

Maintaining Australia's AAA sovereign credit rating

The strong ratings of our sovereign debt market as well as the strong credit ratings of our banks are key advantages for Australia. However, with a portion of banks' credit rating dependent on the rating of the underlying sovereign debt there are substantial risks for the banks if Australia was to lose its AAA rating. Should this occur, Australian banks and the economy would face slightly higher funding costs and potentially lower availability of funding, which would doubtless reduce their ability to lend to fund growth.

A further consequence of Australia losing its AAA credit rating would be the large losses that Australian banks would have to acknowledge on their holdings of government bonds in their liquidity portfolios.

Australia's AAA credit rating should be preserved at all costs and this underscores the importance of a disciplined approach to fiscal policy outlined elsewhere in this action plan.

Broadening and deepening our domestic debt and equity markets

In terms of further strengthening Australia's financial system, there would be merit in extending the diversity of our capital markets. Action could be taken both in our debt markets and to a lesser extent our equity markets.

In particular, action could be taken to address imbalances that restrict the depth and liquidity in domestic debt markets.

The Australian bond market is smaller than other developed economies. This partly reflects the fact that Australia's corporate bond market is relatively underdeveloped. This issue has been identified as a concern from several quarters for a few years now.

Factors that have been identified as discouraging domestic bond issuance include the traditional reliance on banks to provide most of the borrowing needs of the non-financial corporate sector (albeit with shorter maturities leading to rollover risks) and the fact that larger Australian companies find it relatively straightforward to raise debt in offshore markets at competitive rates (often at lower rates than those offered by banks).

Only large, globally recognised Australian corporates are able to access the corporate bond market. Since the beginning of 2008, some 99 per cent of corporate bonds were issued by companies with market capitalisations of more than $1 billion. Large corporates access the corporate bond market because it offers lower rates and better covenants than those offered by banks.

Limited liquidity also acts as a barrier to investors especially when it comes to smaller or less well-known companies that would like to issue domestically – the shallow markets mean investors are frequently faced with the possibility of having to hold debt to maturity.

Smaller companies are unable to access the corporate bond market in part due to investor reluctance to finance corporate bonds rated below BBB+. In contrast, BBB+ rated companies make up a large proportion of the US bond market.

It is difficult to issue and trade corporate bonds in Australia. There is no standard issuance documentation and the process can be very time consuming. The absence of a proper risk-free rate curve from which to price new issues is also a contributing factor. A long-term yield curve is necessary to accurately price corporate bonds. This could be solved by the issuance of longer-dated government bonds to create a proper risk-free rate or encouraging the use of the credit default swap rate.

In addition, our large local investor base – superannuation funds – has not been focused on fixed interest and debt investments. Their funds have largely been in accumulation phase; our defined contribution long-term savings market is much larger than our defined benefit savings market, which is typically more conservative in its investment approach. We also have the added dimension of dividend imputation, which supports equity yield over bond yield – especially in bank stocks where there is a perception that equity risk is lower.

To address this imbalance, a corporate bond market with simplified issuance processes for smaller companies and sufficient liquidity to encourage the participation of a broad range of retail and wholesale investors is needed.

Strong domestic equity markets

It will be important for Australia to continue to support the development of strong domestic equity markets enabling access for productive businesses along the full risk/return spectrum.

The ASX is among the top 10 exchanges in the world, and there is reasonably good access to listed equity by businesses of all sizes. While there have been a number of recent initiatives to make it easier for smaller companies to raise money on the ASX, relatively few smaller companies are accessing public equity markets. There would be merit in continuing to simplify and lower the cost of entry (particularly for small and medium enterprises) while pursuing high-quality information flows and investor and market liquidity.

A significant factor affecting Australia's equity markets has been the preference of superannuation funds to invest in solid and reputable high-yielding stocks. This has contributed to a significant concentration of investments in the largest Australian companies.

Ensuring our intermediated debt market has adequate access to funds

Australia's banks face certain funding challenges.

Australian banks have traditionally had a high reliance on sourcing their wholesale term funding from offshore, typically raising in excess of $100 billion in any given year.

One important lesson from the global financial crisis was the material risk of an over-reliance on wholesale funding and it was only the introduction of a government guarantee on commercial banks' borrowings that averted a fully blown crisis in Australia.

Australia's banks have significantly reduced their reliance on foreign wholesale funding in recent years, sitting out of offshore markets for extended periods when spreads were wide and credit demand was low. However, our banks remain major players in terms of global issuance.

It is incumbent to further examine our reliance on foreign offshore funding to ensure that our future growth is less exposed to the vagaries of international markets.

As well as expanding the domestic bond market, there would be merit in revisiting the tax treatment of various savings vehicles including on bank deposits. The relatively unfavourable treatment of interest-bearing accounts impacts on the type of saving and investment rather than the quantum of saving and investment. Reforms that better align the tax treatment of different forms of savings can be expected to improve the efficiency of saving decisions, with flow-on benefits in terms of the quality of investment and hence growth. Any such changes, however, would need to be considered in the context of a more comprehensive approach to tax reform.

In the aftermath of the global financial crisis we have seen a shift in banks' sources of funding with a majority of funding sourced through retail deposits and the rest through a mixture of sources including wholesale funding and institutional deposits. The Basel III liquidity requirements are intended to promote higher-quality deposits and or extended deposit maturities. For example, institutional deposits are deemed to have higher run-off reflecting their potential instability at times of financial market stress. To address this issue, banks are either having to increase high-quality deposits, have customers commit funds for lending, or reduce lending. The prospect of banks reducing lending would be an undesirable development as significant amounts of new and replacement lending will be required to support ongoing economic growth.

Maintain regulatory consistency while fostering innovation in capital markets

In the aftermath of the global financial crisis, governments and regulators around the world have been rightly focused on stability in the financial system.

The sector is undergoing change globally with a shift towards more stringent capital requirements and stronger liquidity buffers. Not all proposals from global regulators are necessarily appropriate for Australia. It would be appropriate for Australia to proceed cautiously and with some flexibility in how it implements the Basel III liquidity reforms, recognising the risk of this limiting credit availability in future.

Moreover, at the same time it is important to strike the right balance and not shut down all attempts for further innovation in the financial sector. With a focus of regulators including those in Australia on compliance, progress in gaining approval for some new products and innovations has been slow. For example, financial institutions have identified master trusts and Sukuk bonds as potential sources of capital for the Australian economy but regulators have not had the capacity to fully consider these proposals.

Facilitate movement of capital and reduce market distortions

Consistent with the suggested approach in the chapter on global engagement, Australia should continue to support the free movement of capital and build closer relationships with our Asian trading partners (who are attracted to our strong regulatory system and stable capital markets). Government should encourage international participation in our capital markets and seek opportunities to partner with capital markets in other Asian countries. For instance, many global banks retreated from Australia during the global financial crisis but could be encouraged to restart operations in Australia to boost capital in our markets.

Recommended actions

Action 7.1

The federal government should place the highest priority on maintaining Australia's AAA sovereign credit rating – recognising the broader benefits of this to Australia, including through flow-on effects to the credit rating of Australian banks.

Action 7.2

We should seek to broaden and deepen Australia's domestic debt market. The government should continue to support the development of a corporate bond market, including by creating a proper risk-free rate curve for participants through the issue of government debt with longer maturities (or encourage the use of the credit swap rate as a substitute). Steps should be taken to develop a standardised set of bond issuance documents, along with measures to improve the ease with which corporate bonds can be listed on the ASX.

Action 7.3

As part of comprehensive tax reform, tax biases between different savings and investment options should be addressed.

Action 7.4

It is essential to maintain high standards of regulatory consistency when it comes to Australia's financial markets, while fostering continuing innovation. The Australian Prudential Regulation Authority (APRA) should proceed cautiously and with some flexibility in how it implements the Basel III liquidity reforms in Australia, and high levels of consultation and collaboration should occur between stakeholders when considering further regulatory changes.

Action 7.5

We need to maintain and facilitate movement of capital into and out of Australia and minimise market distortions. This includes continued support for the free flow of international investments and efforts to improve access to overseas capital and, in particular, Asian and Sharia capital.

Action 7.6

Commission a review of the financial services sector to follow on from the Wallis review, including assessment of key structural and technological changes in the financial system and how customers have benefited from them and the effectiveness of the current regulatory model, including APRA and ASIC and the payments system role of the RBA.

Prioritisation and timeline for implementation

The Business Council of Australia *Action Plan for Enduring Prosperity* outlines 93 recommended actions across nine policy areas that we believe will help to set Australia on the right course.

While these recommendations are intended to be actionable, it would not be possible to complete them all simultaneously. Rather, we propose that they be prioritised and implemented in three phases:

Phase One: those actions that should be implemented over the next one to two years, reflecting their capacity to build trust and confidence

Phase Two: those actions whose implementation will help consolidate our economic position over three to six years

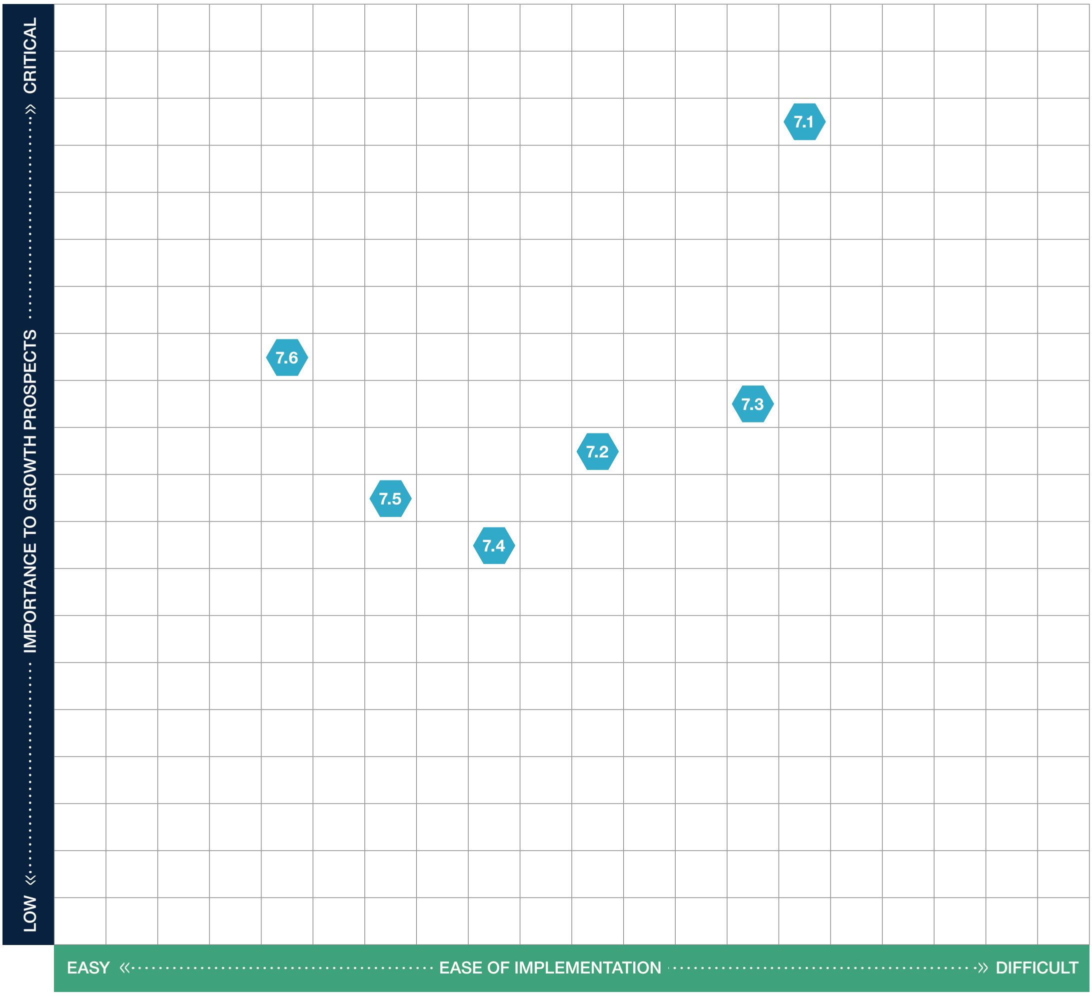
Phase Three: those actions that will see the benefits of reform bear fruit and help to achieve an optimal economic performance over a six to 10-year timeframe.

Some recommendations will be easier to implement and progress than others, and some will have greater significance in terms of their potential influence on Australia's growth prospects. As with much of public policy, a balance will need to be struck in terms of reform effort and payoff.

A suggested approach to the phasing of the recommendations contained in this booklet – and an assessment of their ease of implementation versus their overall importance – follows below.

A STRONG, STABLE AND COMPETITIVE FINANCIAL SYSTEM		PHASE ONE				PHASE TWO			PHASE THREE			
		0	1	2	3	4	5	6	7	8	9	10
7.1	Maintain Australia’s AAA sovereign credit rating	⬢										
7.2	Broaden and deepen Australia's domestic debt markets			⬢	⬢	⬢	⬢					
7.3	Address tax biases between different savings and investment options						⬢	⬢	⬢	⬢	⬢	
7.4	Maintain high standards of regulatory consistency in financial markets		⬢	⬢	⬢	⬢						
7.5	Facilitate movement of capital and minimise market distortions				⬢	⬢						
7.6	Commission a review of the financial services sector		⬢									

A strong, stable and competitive financial system



7.1 Maintain Australia's AAA sovereign credit rating
7.2 Broaden and deepen Australia's domestic debt markets
7.3 Address tax biases between different savings and investment options
7.4 Maintain high standards of regulatory consistency in financial markets
7.5 Facilitate movement of capital and minimise market distortions
7.6 Commission a review of the financial services sector

VISION

Enduring prosperity for all Australians

GOALS AND ASPIRATIONS

A strong economy and full employment

A strong society and improving standard of living

Growing sustainably and using our resources efficiently

RESPONDING TO A CHANGING WORLD: THE CASE FOR CHANGE

Rise of emerging economies

Technology and digitisation

Natural resource consumption

Restructuring of the Australian economy

Growth and ageing of population

THE NINE THINGS WE MUST GET RIGHT

- Tax, fiscal policy and the federation
- Planning for population and cities
- Providing infrastructure
- Realising the potential of people and workplaces
- Rethinking our approach to regulation and governance
- Embracing global engagement
- A strong, stable and competitive financial system
- A coherent and comprehensive energy policy
- Creating the right environment and systems for innovation

PHASES FOR POLICY ACTION

Phase One (1–3 years): Building trust and confidence

Phase Two (3–6 years): Consolidating and growing the economy

Phase Three (6–10 years): Realising our full economic potential and reaping the benefits

MEASURES OF SUCCESS

A strong economy and full employment
Australia to be ranked in the top five in the world for real GDP per capita

A strong society and improving standard of living
Maintain a reasonable distribution of wealth and income

Growing sustainably
Continue to reduce the resource intensity of our overall economic activity

BUSINESS COUNCIL OF AUSTRALIA
42/120 Collins Street Melbourne 3000
T 03 8664 2664 F 03 8664 2666
www.bca.com.au

Business Council of Australia