

## Media release

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# More to come on banking reform?

The Government's announcement of its much anticipated banking reform package is only a small step on the long journey towards a better deal for the customers of Australia's banks, according to The Australia Institute.

Executive Director Dr Richard Denniss said there were some obvious benefits for consumers in the package but that it failed to pack a punch in reining in the big banks.

"There is no doubt that making it a bit easier for people to find out how much they are being gouged and a bit easier to switch to an institution that may gouge a bit less is a start," said Dr Denniss. "However, there is also no doubt that if this package of reforms was introduced in full tomorrow it would have virtually no impact on the excessive profits received by the big banks."

"We need to be clear about how we are going to measure the success of the Government's proposed reforms. It is the excessive profits of the banks that started this debate and, as a result, the only yardstick by which we should measure the effectiveness of the Government's response should be a significant reduction in those profits.

"The question the Treasurer must answer is, what does he think will happen to the banks' profits next year?"

In its submission to the *Competition within the Australian banking sector* inquiry The Australia Institute proposed a number of more fundamental reforms including that the Government:

- Cap fees to just cover the banks' costs
- Remove tax deductibility of bank advertising that is not genuinely informative
- Monitor interest rates so that they reflect objective risk assessments
- Examine the possibility of structural separation between deposit takers and lenders.

There is also a case for capping the remuneration of senior banking executives and linking their bonus payments to satisfaction on the part of all stakeholders, not just shareholders.