



Media Release

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ANZ response to FSI Interim Report

ANZ today released its response to the Interim Report of the Financial System Inquiry (FSI) addressing a series of key issues affecting the ability of the financial system to continue to support Australia's economic growth aspirations.

ANZ's response has a particular focus on answering questions posed by the Inquiry's Interim Report on financial system stability and resilience, as well as a broad range of other issues including competition, technology, superannuation and consumer outcomes.

ANZ Chief Executive Officer Mike Smith said: "There has been a significant strengthening of the Australian financial system since the GFC including the implementation of Basel 3 reforms and APRA's framework for domestic systemically important banks.

"It is important to address perceptions on the 'too big to fail' issue. Our analysis highlights that additional measures to strengthen the financial system would come at material cost to the economy while providing little in the way of additional benefits to financial system stability," Mr Smith said.

ANZ FSI Interim Report Response: Key Points

Stability and Resilience

- The financial system has been materially strengthened since the GFC and common equity tier one capital ratios for Australian banks now sit at or above the 75th highest percentile compared to global peers.
- Australia's financial system is bolstered by structural protections such as a stable macroeconomic environment, strong independent regulators, prudent risk management by banks, and traditional and conservative banking models.
- The recent strengthening of the system, much of which is already in place, will protect bank viability against an extreme stress event (modelled 1:5,000 probability).
- Efficient, low cost measures can be taken to improve system resilience including robust stress testing and more pre-planning for stress events.
- Should the FSI recommend that further system loss absorbency is required, greater subordinated debt or 'bail-in' of senior debt is a more efficient and effective measure than higher common equity tier one capital.

Competition

- Having strong small banks is as important as having strong large banks. Competitive issues are best managed by smaller banks better quantifying and modelling risks to reduce their capital requirements rather than greater capital imposts on major banks.

A copy of ANZ's response to the Interim Report of the FSI can be found at www.anz.com.

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