

# Bank break-up 'not in national interest'

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The independent chairman of the federal government's Financial System Inquiry, David Murray, said the Greens' policy to "break up the banks" is not in the national interest and will make the economy more vulnerable to external shocks.

As Opposition Leader Bill Shorten used Labor's campaign launch on Sunday to reiterate calls for the banks to face a royal commission, Mr Murray writes in Monday's *The Australian Financial Review* that any recommendation for banks to sell their wealth operations would stifle their ability to access international debt markets to fund the economy and may harm competition.

"Breaking up the major banks could reduce competition in some segments and would not necessarily increase it in banking. The more important issue, however, is the soundness of the system and vulnerability of the economy," Mr Murray says.

"Breaking up the major banks would be prudentially unsound and not in the national interest."

Treasurer Scott Morrison ramped up pressure on Labor and Greens' financial services policies on Friday, describing them as "reckless" because they are "purely motivated by political opportunism".

In justifying his call for a royal commission into the banks, Mr Shorten on

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ence on pricing mortgages.

The issue of bank "vertical integration", which refers to them operating across a broad range of financial services including insurance and financial advice, would be investigated by a royal commission because Mr Shorten said he was concerned about the pressure on bank staff to cross-sell products.

While shadow treasurer Chris Bowen has said it is not wise to preempt a royal commission's findings on the banking industry structure, the Greens this month called for it to not only examine the "problems caused by vertical integration, but make clear recommendations on how the banks could be regulated such that they would have to divest their insurance and financial advice arms".

The big banks' wealth divisions account for around 10 per cent of their revenues, or around \$10 billion of revenue, or \$3 billion of profit, each year for each of the big four.

Mr Murray said forcing wealth units to be sold could restrict access to international fundraising markets because only banks "of sizeable scale, strong balance sheets and track records of sophisticated management can maintain access to foreign markets".

"To break up the major banks would risk access to debt markets and stifle funding of the economy," he said. "For these reasons, continuation of the 'four pillars' policy and renewed emphasis on competition, as recommended by the FSI, is the best course."

Treasurer Scott Morrison renewed his attack on Labor and the Greens financial services policies on Friday, saying neither party understands the sector.

"They are quick to engage in populist sentiment around these issues without any regard to the impacts that will have on how the sector operates, the impact on customers, in particular, and the stability of the system," Mr Morrison said.

The Treasurer said it was "bizarre" that Labor and the Greens "would want to talk down the stability of our financial system with the way they have engaged with these issues".

"It is reckless because it is purely motivated by political opportunism," he said.

Mr Murray's opinion article also provides a rebuke to Greens senator Peter Whish-Wilson, who said this month the financial system inquiry had squibbed it by not making strong recommendations about vertical integration even though concerns had been raised.

He said this was because Mr Murray was among the architects of vertical integration, so was not eager to tear it down. But Mr Murray rejects this, saying "elements of structural change were raised in the FSI but none were compelling".

"The banks' presence in financial services, so-called 'vertical integration', is not unusual around the world and only adds to competition and efficiency.

"Proposals such as ring-fencing and moving credit creation from banks to the government were either irrelevant to Australia's circumstances or unworkable."

Mr Morrison called on Labor to produce the terms of reference for its banking royal commission before the election. "We still haven't seen the terms of reference for this thing," he said on Friday.

"There was a little list that Bill Shorten jotted in the back of the car one day and he keeps adding things to it or taking it away.

"But it is not a serious proposal, it is not a formal proposal - there is still no terms of reference. It is just reckless opportunism."

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## Murray rejects bank break-up argument

Sunday pointed to the corporate regulator's case against three of the big four for allegedly "rigging the interest rates of Australians trying to save for a home, pay off a mortgage or plan for their retirement".

This is despite Mr Murray recently rejecting that analysis because it is the cash rate - set by the Reserve Bank of Australia - that has the greatest influ-