

# Bank inquiry bad for business: Bligh

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The nation's banks have argued against a royal commission or commission of inquiry even as the prospect seems more likely.

*The Australian* yesterday revealed the big four banks have created contingency plans, including the establishment of separate internal teams to handle the preparations and conduct of a potential inquiry.

Australian Bankers Association chief executive Anna Bligh said the renewed calls for a royal commission failed to recognise banks were undergoing the greatest program of reforms seen in decades.

A commission could affect international confidence in Australian banks, and the price and availability of funding in international markets, she said.

"Banks remain under intense scrutiny with more than 10 reviews and inquiries under way," she said. "A weakened Australian banking

system would be bad news for Australian customers. Populism may be easy politics in the short term, but it could spell long-term problems for everyday Australians."

A National Australia Bank spokeswoman said the lender did not think a royal commission or commission of inquiry was necessary as "the banking industry is well

regulated and well governed".

Any issues were being addressed through "existing frameworks as well as industry and government-led reforms".

Shares in the big four banks closed lower yesterday as the threat of an inquiry across the sector grew. NAB closed down 0.2 per cent, ANZ was off 0.6 per cent, Commonwealth Bank was down 0.4 per cent, and Westpac finished 0.1 per cent lower.

Brian Johnson, a veteran banking analyst for Hong Kong-based stockbroking firm CLSA, warned investors that the pressure of a royal commission would keep a lid on the "previously unfettered pricing power" of the banking sector.

He said previous royal commissions had discovered issues well beyond their initial remit.

"In fact we don't think you can rule out the government reversing its anti-bank royal commission stance given the tidal-wave shift towards the politics of 'populism' and continuing transgressions by banks," Mr Johnson said in a note to clients. "It's hard to see any government standing in the way of a bill that has passed both houses of parliament," he said.

Some analysts expect the government could launch its own royal commission bill with tighter terms of reference, which could

limit the fallout on the banking sector.

*The Australian* understands the government has already developed several plans to counter a royal commission in the event a push by disgruntled Nationals MPs to establish an inquiry is successful.

"There are obviously contingencies, but we don't think (senator Barry O'Sullivan's bill) will get

to that," one Coalition source said. "The government would be silly to not be thinking what the scenarios are, but we're confident enough that the scenario will be as normal."

While a private member's bill from Greens senator Peter Whish-Wilson for a commission of inquiry passed the Senate earlier this year, it failed to gain the necessary support to reach debate in the House of Representatives, after outspoken Nationals MP George Christensen did not cross the floor.