



The HON. **Joe Hockey** MP
Minister for Financial Services
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Mr Richard Viney
Code of Banking Practice Review
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Dear Mr Viney

I am writing in relation to the review you are undertaking of the Code of Banking Practice. Given the enormous changes taking place in the financial sector, both globally and in Australia, and the impact of change on all sectors of the community, I am strongly supportive of the banking industry undertaking a review.

You may be aware that the Government has recently responded to the House of Representatives Standing Committee on Economics, Finance and Administration report *Regional Banking Services: Money too far away* (the “*Hawker Report*”). The Report, and the Government’s response, deal with a number of issues that are relevant to aspects of the Code of Banking Practice. Accordingly, I have attached a copy of the Government response to assist you in your review.

The Report fundamentally deals with the difficulties that rural and regional communities can have in accessing banking services and the consequences of the closure of bank branches. Despite branch closures, technological change and the availability of electronic banking channels such as the telephone, ATMs, EFTPOS, and the Internet are rapidly expanding points of access to banking services. The Government agrees that it would be inappropriate to force the retention of traditional banking infrastructure as it is likely to constrain innovation and competition, and in the long run is unlikely to be in the interests of the communities concerned. Nevertheless, I also believe that financial institutions that neglect their branch networks are likely to risk customer attrition and it is in their own interests to maintain adequate face to face banking facilities.

Moreover, the Government is supportive of the thrust of the Hawker Committee's recommendation that the financial services industry should develop a protocol which provides a guideline of the minimum standards of service delivery in the event of closure of regional and remote branches. This would provide rural communities with greater opportunity to be consulted about proposed changes and for alternative arrangements to be arranged. The Hawker Report made a specific recommendation that new provisions be included in the Banking Code of Practice which relate to branch closures. However, I believe that such a protocol also has relevance to other types of deposit taking institutions. Shortly, I will therefore be writing to the Australian Bankers’ Association and other relevant industry associations to facilitate discussions on this matter.

More broadly, I would like to make the observation that there is community concern regarding the imposition of some bank fees and charges. This is particularly the case for customers who are essentially obliged to operate accounts so that they can receive payments. These sorts of issues are also touched on in the Hawker Report.

The Government accepts that as part of the normal commercial arrangements between a financial service organisation and its customer, it may be necessary to impose fees or charges to cover the

economic cost of providing services. However, it is important that fees are economically justified, especially as technological developments reduce the cost of handling transactions.

The Government also considers that it is important for each financial service organisation to make its fees and charges structure clear to its customers. As you know, the Financial Services Reform Bill, which I expect to introduce into the Parliament by the end of this year, proposes a legislative framework for disclosure in relation to all financial products, including deposit accounts. However, I believe that a valuable role remains for the Code of Banking Practice, including promoting good industry practice that exceeds legal requirements for the disclosure of fees and charges.

I wish you well in completing the review of the Code.

Yours sincerely

Joe Hockey