



05 December 2013

Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
Parkes ACT 2600

By email: fsi@treasury.gov.au

Dear Committee members

Financial System Inquiry – Draft Terms of Reference

The Institute of Chartered Accountants in Australia (Institute) welcomes the opportunity to comment on the terms of reference of the Financial System Inquiry.

The Institute is the professional body for Chartered Accountants in Australia and members operating throughout the world.

Representing more than 73,000 current and future professionals and business leaders, the Institute has a pivotal role in upholding financial integrity in society. Members strive to uphold the profession's commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest.

Chartered Accountants hold diverse positions across the business community, as well as in professional services, government, not-for-profit, education and academia. The leadership and business acumen of members underpin the Institute's deep knowledge base in a broad range of policy areas impacting the Australian economy and domestic and international capital markets.

The Institute was established by Royal Charter in 1928 and today has more than 61,000 members and 12,000 talented graduates working and undertaking the Chartered Accountants Program.

The Institute is a founding member of both the Global Accounting Alliance (GAA), which is an international coalition of accounting bodies and an 800,000-strong network of professionals and leaders worldwide; and Chartered Accountants Worldwide, which brings together leading Institutes of Chartered Accountants in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support, develop and promote over 320,000 Chartered Accountants in more than 180 countries around the world.

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General Comments

The Institute strongly supports the two key deliverables set for the Inquiry namely positioning the financial system to best meet:

- Australia's evolving needs
- Support Australia's economic growth as the Institute considers that this will enable adequate consideration should be given to areas including:
 - protecting and enhancing the retirement savings and investment returns of our aging population
 - encouraging the growth of small and emerging businesses through facilitating the efficient and effective access of capital to entrepreneurs.
 - improving the fairness, efficiency and effectiveness of the taxation system by considering the role and impact of taxation on Australia's capital markets

Specific Comments

The Institute is pleased to note the reference in item 3.2 to international integration, including international financial regulation.

There is an increasing proportion of Australia's retirement savings pool likely to be invested in regional capital markets. This, coupled with the country's much greater economic integration with Asia, increases the risk of contagion to Australia should there be adverse developments in regional capital markets. Consequently, in considering the integration of international financial regulation the Institute recommends the Committee consider how the integrity of regional capital markets might be enhanced potentially through:

- the avoidance of regulatory arbitrage, and
- through strengthening inter-jurisdictional monitoring and enforcement in areas such as independent audit oversight.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact me directly via email at: lee.white@charteredaccountants.com.au; or by telephone on 02 9290 5598

Yours sincerely



Lee White
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