

## **RBC Dexia: Australian Financial Reforms for Transparency, Efficiency and Global Competitiveness Face Tough Political Climate**

**Sydney, October 28, 2010** – Australia's proposed financial reforms are likely to increase transparency, investor confidence and efficiency, as well as competitiveness, say asset managers, private wealth managers, insurers and other Australian market participants surveyed by RBC Dexia in a report released today. But the ultimate success of the reforms remains in question, given their size and complexity and the challenges of the current political situation.

RBC Dexia surveyed a range of financial institutions active in Australia on the expected impact of the Super System Review (Cooper Review) on superannuation; the Future of Financial Advice Reforms on the retail investment and financial adviser markets; the Future Tax System Review (Henry Review) on taxation and the Australian Financial Centre Forum's report on the region (Johnson Report).

David Travers, Managing Director of Australia for RBC Dexia Investor Services commented "The respondents to the survey have made their voice heard on the potential of these reforms to improve Australia's financial system. The question raised is when, and perhaps whether, they will come to pass. It would appear to be a missed opportunity for Australia if the present political landscape thwarted the drive for change."

### **Benefits of reform**

The most important single benefit was seen as increased transparency (28%), followed by increased investor confidence (21%) and increased efficiency (19%). One in ten (11%) nominated better value services being provided to end consumers. All the reform packages, most notably the Cooper Review and the Future of Financial Advice Reforms, focus heavily on these areas.

The various planned reforms and reviews are partly designed to boost competition, both within the Australian market and internationally, through specific initiatives such as the Johnson Report. A clear majority of 65% thought that the reforms would make the Australian finance industry more competitive locally, while 56% thought it would become more competitive internationally.

Fund management companies are likely to be the greatest beneficiaries of the Johnson Report. Just over half of our poll respondents (52%) felt that fund managers would be the key beneficiaries of these recommendations, with the proposed IMR and Asia-Pacific Funds Passport clearly aimed at this audience. However, the balance nominated other financial sectors (e.g., banking, insurance, custody) or was uncertain, suggesting that the Johnson Report will have broad impact across the financial industry.

## **Impact from Asia**

Some respondents saw the overall impact of the proposed reforms on inbound and outbound investment as broadly positive (35% for inbound, 34% for outbound), while around 40% saw no impact and the remainder were unsure. Respondents who did see an external impact on either inbound or outbound investment noted that this impact would likely come from Asia.

"Australia has been working to build its business ties within the wider Asia-Pacific region for some years and, as our poll indicates, Asia still looks the most likely source of both inbound and outbound investment business," added Travers.

## **Barriers to reform**

Respondents were asked what they thought would be the greatest barrier to the implementation of these reforms. The greatest barrier seen today is the complexity of regulation (31%). One in four (24%) were concerned about the sheer volume of the reforms involved, while one in seven (14%) worried that there might be industry opposition.

The survey shows that an overwhelming majority of Australian asset managers (94%) believe the Cooper Review will have the most significant impact on the Australian market, probably because its primary focus is on superannuation provision, which is mandatory in Australia and therefore of huge importance. The Future of Financial Advice Reforms and the Henry Review are also seen as significant by a clear majority, rated as significant by 81% and 75%, respectively.

## **Methodology**

RBC Dexia surveyed a range of financial institutions active in Australia to understand the key trends and challenges facing the market. The survey was conducted during a three-week period from August 4 to 25, 2010 and the results reflect feedback from 63 respondents operating in Australia.

The greatest proportion of respondents (46%) were asset managers. Others represented service providers (19%), Superfund managers (7%), private wealth managers (5%), insurance companies (3%) and consultants (3%), while 11% represented organisations which offered a range of financial services and 6% other organisations with an interest in the financial services industry. A significant 63% of our respondents were handling assets under management worth AUD\$1 billion or greater.

## **About RBC Dexia Investor Services**

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,400 professionals in 15 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management practices.

Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.4 trillion in client assets under administration.

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