HSBC

HSBC Bank Australia Limited

Submission to the Productivity Commission on its
Draft Report into Competition in the
Australian Financial System

20 March 2018

E2.121771

HSBC in Australia

In Australia, HSBC conducts its business out of two entities, being HSBC Bank Australia Limited (**HBAU**) and The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (**HBAP**). HBAU is incorporated in Australia and is a regulated authorised deposit taking institution within the meaning of the *Banking Act* 1959 (Cth). HBAP is incorporated in Hong Kong and is registered in Australia as a foreign ADI within the meaning of that Act. We will refer to HBAU and HBAP individually and together HSBC Australia.

HSBC Australia is part of the HSBC Group. The HSBC Group has around 3,900 offices in 67 countries and territories, with our headquarters in London. HSBC Australia operates through four "global businesses", being *Retail Banking and Wealth Management* (which provides banking and wealth management services to retail customers, notably mortgages, credit cards and deposit taking), *Commercial Banking* (which offers a range of financial products and services to corporate clients, typically with complex and multi-country needs), *Global Banking and Markets* (which offers tailored financial products and services to government, large corporate and institutional clients) and *Global Private Banking* (which provide services to a small number of private clients referred to overseas HSBC offices).

Draft Recommendations

HSBC is supportive of any recommendations which have the effect of furthering competition, improving consumer outcomes, the productivity and international competitiveness of the Australian financial system and economy more broadly, and supporting ongoing financial system innovation, while balancing financial stability objectives.

We comment on each draft recommendation as follows:

DRAFT RECOMMENDATION	COMMENTS
Draft recommendation 4.1	We are supportive in principle.
Draft recommendation 7.1	We believe that further clarification on the objectives of this draft recommendation and the in-scope entities is required.
Draft recommendation 7.2	We are supportive in principle.
Draft recommendation 8.1	We are supportive in principle but we believe that the duty of care obligation should extend to all mortgage aggregators rather than limited only to those which are lender owned. This will ensure that all mortgage aggregators operate on a consistent landscape and the outcome would be in the interest of consumers.
Draft recommendation 8.2	We are supportive in principle.

Draft recommendation 8.3	We are supportive in principle.
Draft recommendation 8.4	We are supportive in principle.
Draft recommendation 8.5	We are supportive in principle.
Draft recommendation 9.1	We are currently actively participating in APRA consultation ("Revisions to the Capital Reform") which proposes different risk weights for SME lending. We suggest that the Commission take into account the outcome of that consultation prior to finalising its recommendation.
Draft recommendation 10.1	We are supportive of any recommendations which deliver better outcomes for consumers.
Draft recommendation 10.2	We are supportive in principle.
Draft recommendation 10.3	We are supportive of any recommendations which deliver better outcomes for consumers. We question however, whether the banning of interchange fees would deliver such an outcome. Interchange fees has been tested in other jurisdictions (including for example in the UK, EU and Singapore) and has generally been found to be an efficient and practical way of recouping costs associated with the use of the system. Without the current framework for interchange fees, the likely outcome would be the need for bilaterally negotiated arrangements between parties. This would require each bank to put in place a large number of bilateral arrangements, which depending on the number of arrangements required, would be a less efficient and impractical approach and will also potentially increase costs. In addition, for corporate card programs, the absence of interchange fees would in our view, likely lead to a refinement of the services provided by banks to corporates and to a reduction in innovation by banks.
Draft recommendation 10.4	We are supportive of any recommendations which deliver better outcomes for consumers.
Draft recommendation 10.5	We are supportive of any recommendations which deliver better outcomes for consumers.

Draft recommendation 11.1	This is currently not applicable to HSBC Australia's business. As such, we do not have any comments on this at this stage.
Draft recommendation 11.2	This is currently not applicable to HSBC Australia's business. As such, we do not have any comments on this at this stage.
Draft recommendation 11.3	This is currently not applicable to HSBC Australia's business. As such, we do not have any comments on this at this stage.
Draft recommendation 12.1	We are supportive in principle.
Draft recommendation 13.1	We are supportive in principle.
Draft recommendation 14.1	This is currently not applicable to HSBC Australia's business. As such, we do not have any comments on this at this stage.
Draft recommendation 15.1	We are supportive in principle.
Draft recommendation 16.1	We are currently actively participating in APRA consultation ("Revisions to the Capital Reform") which proposes different risk weights for residential mortgages. We suggest that the Commission take into account the outcome of that consultation prior to finalising its recommendation.
Draft recommendation 17.1	We are supportive of the objective of a regulator being given a mandate to take the lead on matters of competition in the financial system.
Draft recommendation 17.2	We are supportive of the objective of transparency of regulatory decision making.
Draft recommendation 17.3	We are supportive in principle.