

## Media Release

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## Another tough year ahead for the banking and securities industry: global Deloitte report

**3 March 2010:** It will be another tough year for the global banking and securities industry according to a report released by global professional services firm Deloitte.

The Deloitte report highlights five major trends impacting the banking and securities industry globally:

- the impact of new regulations on financial firms' business models
- the challenge of core IT systems and data aggregation
- continued improvements in corporate governance and risk oversight, especially at board level
- playing out banks' exposure to distressed assets and
- seeking growth in weak markets.

“These trends are also present to differing degrees in the Australian banking market,” said Deloitte banking partner Paul Wiebusch. “Uncertainty about the outcome of proposed changes to the regulatory environment was a recurring theme in the recent trading updates from Australia’s banks.

“Although most banks are now talking about impairment losses having peaked, there is a heightened appreciation of the uncertainty of the pace of recovery and of the risk to emerging confidence from aftershocks like that in Greece and before that, Dubai,” Wiebusch said.

### **New regulations**

Globally new regulations in 2010 are expected to tighten capital, liquidity, and risk management rules, with legislation on new systemic risk procedures, and with a proposal to streamline regulatory agencies and procedures.

Australia has already started down the regulatory path with proposed changes to consumer credit law. There are also the Council of Australian Governments' (COAG) harmonisation initiatives, and the proposed reforms of the financial planning industry recommended to Parliament by Bernie Ripoll.

Business also needs to understand the potential impact of the much anticipated Henry Tax Review, the Cooper review of the superannuation industry, and the recommendations of the Johnson Report, which were aimed at developing Australia as a leading Asia Pacific financial services centre.

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“Financial institutions will need to allocate time and resources to both understand the potential impact of regulatory changes and meet new regulatory obligations,” Mr Wiebusch explained.

“As well as the impact of new regulations, banks and other financial institutions can expect to see regulators actively applying their existing powers to monitor and oversee the industry,” Mr Wiebusch added.

### **Meeting the challenge of core systems and data integration**

“Investment in technology infrastructure, and data aggregation and integration are two other critical global trends playing out in Australia.

“The two important factors driving this significant investment are the technology required to rationalise fragmented systems and deliver a better customer experience - Australian banks are currently at different points on this path – and the investment in improving banks’ data assets,” said Wiebusch.

“As banks prioritise investments in data integration and data governance they are establishing clearer ownership, accountabilities and quality metrics for their critical data assets,” he said.

“This leads to improved risk management reporting – improved compliance with existing regulatory and governance requirements - as well as ensuring that organisations can comply with any new regulatory reporting requirements.

“In particular it will deliver an improved ability to use this data to drive a better customer experience and deeper, more profitable, customer relationships,” Wiebusch explained.

To support this trend Deloitte has also invested in additional resources, including the recent acquisition of Pathfinder Solutions, to boost its analytics and information management practices that are now the largest in Australia.

“The need to integrate and aggregate data, to be able to obtain a more comprehensive view of the risks being managed, is a priority for 2010,” Wiebusch said.

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