

ADDRESS TO OPEN BANK OF NEW YORK MELLON'S FIRST AUSTRALIA BANK BRANCH

SYDNEY

29 SEPTEMBER 2009

Good evening and thank you John [*McGee, Managing Director, BNY Mellon*].

I'm delighted to have been invited to open the first Australian branch for the Bank of New York Mellon.

BNY Mellon has been doing business in Australia for many years, but has now decided to branch out, as it were, and been granted a licence to do so.

I welcome BNY Mellon's move to expand here for two important reasons.

It is another sign the international banking system is returning to some sort of business as usual and it is a real vote of confidence in the Australian financial market.

It is also recognition of the key role Australia plays in the fast-growing Asia-Pacific region.

I understand the new branch operation will offer banking services including deposit-taking and investment facilitation, inter-bank lending and intraday credit facilities and other financial services activities.

The Bank of New York Mellon certainly has an impressive pedigree.

It is a union of two premier companies, formed in July 2007 through a merger between The Bank of New York Company and the Mellon Financial Corporation of Pittsburgh.

The name Mellon is well-known in America as the family behind the Mellon National Bank and the driving force behind much of the United States' mass production revolution.

The Mellon Bank was directly involved with founding a roll-call of household names including US Steel, Alcoa, Westinghouse, Heinz and General Motors.

Indeed just last week, our Prime Minister and Treasurer were at the Carnegie Mellon University in Pittsburgh as part of the G20 Summit.

With an equally impressive lineage, the Bank of New York was founded in 1784, making it the oldest bank in the United States. Eight years later, it was the first corporate stock to be traded on the New York Stock Exchange.

Today, BNY Mellon is a global financial services company, operating in 34 countries and serving over 100 markets. This financial powerhouse has \$20.7 trillion in assets under custody or administration and \$926 billion under management.

BNY Mellon's is one of the few international financial institutions to weather the global financial crisis relatively unscathed.

Recognising this, in October 2008 the US Department of the Treasury selected BNY Mellon to provide a range of services to support the US Government's Troubled Asset Relief Program.

Australian economy and outlook

The Australian economy too, is weathering the storm better than other advanced economies.

It was inevitable that we would feel the effects of the global financial crisis and the global recession on our shores.

We have seen unemployment rise and government revenues hit hard.

While most other advanced economies have experienced deep contractions in output and employment over the past year, the Australian economy has continued to grow.

Our latest GDP figures released earlier this month show that Australia has the strongest growth of any of the world's advanced economies - 0.6 per cent over the past year.

Australia is the only advanced economy to have recorded positive growth and the only one not to experience recession.

This resilience is due to several factors.

The underlying strength and resilience of the Australian economy has been boosted by three waves of timely, targeted and temporary economic stimulus measures which offset the worst of the crisis.

Fiscal stimulus has worked hand in hand with monetary policy to support activity and jobs.

Treasury estimates that, without the Government's economic stimulus injections, GDP would have fallen by 1.3 per cent over the past year.

But instead, with the economic stimulus, it grew by 0.6 per cent.

As of today, Australia has the strongest growth of any of the world's 33 advanced economies.

And we have lower deficits and lower debt than any of the major advanced economies.

Our banking system is among the strongest and best-regulated in the world. These advantages have allowed our banking system to remain stable throughout the crisis.

And our housing sector does not face the same problems of oversupply and falling prices seen in other countries.

We are also well placed in the fastest growing region in the world.

But while we have outperformed other major advanced economies, we know the global economy remains fragile.

International engagement, future of financial services sector

This is why we are actively working at the international level to stabilise the world economy through coordinated stimulus.

And the forum that has stepped up to the plate is of course the G20.

You are all no doubt aware that the G20 Leaders' Meeting in Pittsburgh occurred last week, attended by our Prime Minister Kevin Rudd. The meeting was historic in its outcomes, confirming as it did the G20 as the new global economic decision-maker, overtaking the G8 as the world's truly representative economic process.

Most importantly, it is a process in which Australia has a seat at the top-table.

Australia will continue to argue for flexibility and a commonsense approach in our dealings with international forums.

Australia's financial system is fundamentally in good shape and in many areas we have already implemented the changes recently agreed on globally.

We are already moving forward with sensible reforms to reign in excessive executive termination payments and tomorrow our Productivity Commission will deliver its draft thinking on broader executive pay issues.

Further, APRA's work on executive pay and the financial sector set the standard of international thinking on the issue that led to the G20 outcomes last week.

Australia was one of the first major jurisdictions to move to upgrade the regulation of credit rating agencies. The Rudd Government has acted decisively to shift all remaining State responsibilities in financial services regulation to the national level, establishing a single, standard and uniform regime.

Right now, we are focused on meeting the challenges that lie ahead.

But this is also the time to seek out opportunities.

The potential growth of the financial services sector is a prime opportunity for Australia.

As the world starts to emerge from the crisis, investors will be looking for safe havens for investment.

They will be looking for countries which have withstood the current economic crisis well.

Countries which have a sound regulatory system.

Countries such as Australia.

We need to capitalise on this opportunity.

Financial hub

The Rudd Government is supporting the development of Australia as a leading financial services centre in the Asia-Pacific.

We already have considerable competitive advantages.

We have a strong and sophisticated financial services industry.

We have a strategic location within the Asian time zone.

We have a stable and well-regulated business environment, a highly skilled and multilingual workforce, and an advanced business infrastructure.

Since gaining office in December 2007, we have implemented taxation and regulatory reforms to improve the international competitiveness of the Australian financial services sector.

The reduction in the withholding tax on distributions to offshore residents from managed funds was just a start.

The latest round of reforms was included in this year's Budget. These included our decision to abolish the Foreign Investment Fund rules and instigate substantial reform of the controlled foreign company rules.

These reforms will help enhance Australia's position as a leading financial services centre in the region.

I have been speaking widely to the financial sector and they've confirmed with me that they would like this repeal of the Foreign Investment Fund rules legislated as quickly as possible to provide added certainty.

I can confirm tonight my intention to have the repeal of the FIF rules legislated very early in the next calendar year.

The reform of the regulation of managed investment trusts is another key area of concern.

I can also confirm tonight that I have now received the Board of Taxation's review into managed investment trusts and am considering its recommendations.

I can certainly say that the Board has done an exceptional job and the Government will be responding in the near future.

More broadly on the financial services hub concept, the Government has established the Australian Financial Centre Forum.

The Forum has been tasked with progressing the Government's initiative to position Australia as a leading financial services centre in the region.

The Government is looking to the financial services industry to develop, in partnership with the Government, a set of policy proposals for taking full advantage of the opportunities that will emerge as the global economy starts to recover.

The banking industry has already played an active role in the Australian Financial Centre Forum.

Australia is increasingly seen as an attractive location for financial services business in general and banking in particular.

The opening of the Bank of New York Mellon's first Australian branch today is ample evidence of this.

Importance of foreign banks setting up operations within Australia

Foreign banks play an important role in Australia's banking system.

They improve competition and choice in the banking sector.

Foreign banks have been at the forefront of introducing leading-edge banking services. They have also provided Australian consumers with improved access to international capital markets.

This is why the Government welcomes the decision by BNY Mellon to open a branch here in Australia.

This is a vote of confidence in the Australian economy.

An endorsement of Australia's strong banking and funds management industries.

And recognition of the growing importance of our role as a leading base for providing financial services in the Asia-Pacific region.

Conclusion

In conclusion, I would just like to say welcome aboard!

We look forward to working with BNY Mellon as, together, we create a more prosperous future.

Thank you.