



CSFI/PwC Banking Banana Skins 2008

Regional breakdown: Australia

Banking Banana Skins 2008 (previous rankings in brackets)

World		Australia	
1	Liquidity (-)	1	Liquidity
2	Credit risk (2)	2	Credit spreads
3	Credit spreads (-)	3	Credit risk
4	Derivatives (3)	4	Equities
5	Macro-economic trends (14)	5	Derivatives
6	Risk management techniques (10)	6	Interest rates
7	Equities (12)	7	Macro-economic trends
8	Too much regulation (1)	8	Risk management techniques
9	Interest rates (5)	9	Hedge funds
10	Hedge funds (7)	10	Too much regulation
11	Fraud (11)	11	High dependence on technology
12	Commodities (4)	12	Currencies
13	Currencies (13)	13	Rogue trader
14	Rogue trader (27)	14	Fraud
15	High dependence on technology (6)	15	Corporate governance
16	Corporate governance (8)	16	Retail sales practices
17	Management incentives (26)	17	Commodities
18	Emerging markets (9)	18	Payment systems
19	Back office (24)	19	Management incentives
20	Retail sales practices (22)	20	Back office
21	Conflicts of interest (16)	21	Emerging markets
22	Political shocks (15)	22	Political shocks
23	Business continuation (21)	23	Money laundering
24	Money laundering (18)	24	Conflicts of interest
25	Environmental risk (25)	25	Business continuation
26	Banking market over-capacity (17)	26	Environmental risk
27	Payment systems (29)	27	Banking market over-capacity
28	Merger mania (19)	28	Merger mania
29	Too little regulation (30)	29	Too little regulation
30	Competition from new entrants (28)	30	Competition from new entrants



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Regional breakdown: Australia (cont)

Australia vs The World

There were 15 responses from Australia, all from bankers.

The Australian response was in line with the world response, showing a concern with current business conditions and immediate market/credit risks, particularly liquidity and the challenge of unwinding complex derivative positions. The top ten risks were identical, if in a slightly different order. Lower down the batting order, concerns with the business environment and operational risk issues were also broadly similar. However the general tone of the response was more upbeat than Europe and North America with the feeling that Australia could be spared the worst of the turmoil hitting the Northern Hemisphere.

The most marked divergences included:

Higher concerns:

- Equities: possibly reflecting the feeling that the share market is over-priced
- Interest rates: a concern with monetary movements
- High dependence on technology: a local concern?
- Payments systems: strikingly higher than elsewhere; again, a local concern?

Lower concerns

Macro-economic trends: a general feeling that while Australia cannot escape unharmed, the shocks may be less severe

Commodities: the high place in the global rankings reflected concern over rising prices which may be less of an issue for a commodity producer.

Preparedness

How well prepared do you think your own and other institutions are to handle the risks you have identified?

Australia gave an exceptionally bullish reply to this question, with just over half of respondents believing that banks were well prepared, against a global response of only 24 per cent, with none believing that banks were poorly prepared.

%	World	Australia
Well	24	53
Mixed	72	47
Poorly	4	0