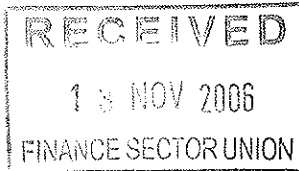


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OFFICE OF THE PRIME MINISTER

CANBERRA



Mr Paul Schroder  
National Secretary  
Finance Sector Union of Australia - National Office  
GPO Box 9893  
MELBOURNE VIC 3001

8 NOV 2006

Dear Mr Schroder

Thank you for your correspondence of 28 September 2006 to the Prime Minister regarding global outsourcing in the finance industry. The Prime Minister has asked me to reply on his behalf.

The Australian Government has put in place a comprehensive and modern regulatory structure for the Australian financial system that covers:

- prudential regulation by the Australian Prudential Regulation Authority;
- company regulation through the Australian Securities and Investments Commission; and
- the protection of personal information through the Privacy Act 1988.

This regulatory structure aims to provide the confidence, stability and integrity to Australia's financial system that is integral to a well functioning economy.

With a sound regulatory system, services provided by Australia's financial institutions and the cost of those services will be primarily driven by the preferences of banking customers. In this respect, I note the comments by the CEO of the Australian Banking Association, Mr David Bell, on 11 October 2006 that, "it is true that no Australian banks have any offshore call centres for their Australian customers" and that where there are instances of Australian banks undertaking the processing of information offshore, "I've been told by our Australian banks that they hold the master files here in Australia." Decisions of this nature will reflect not only competitive pressures in the financial system to reduce the cost of services to customers but also customer preferences as to the nature and quality of service provided by their financial institution.

I note your concern regarding customer details being sent offshore. The *Privacy Act 1988* contains specific restrictions on transfers of personal information to third parties in a foreign country. Transfer is allowed in certain circumstances, including (but not limited to) situations where the person has consented or where protection of privacy principles is secured by another law or a contract. These obligations help to protect Australian customers' personal information. Penalties are prescribed under the Privacy Act for companies which breach the requirements.

In light of the rapid advances in information technology and possible changing community perceptions about privacy, the Australian Government has asked the Australian Law Reform Commission to conduct a review of the Privacy Act to ensure it and other related laws continue to provide an effective framework for the protection of privacy in Australia. The terms of reference for the review are extensive and the first round of community consultations is now complete. The government has asked the Commission to finalise the review by no later than 31 March 2008. Further details on the review can be found on the Internet at:

<http://www.alrc.gov.au/inquiries/current/privacy/index.htm>

I trust this information will be of assistance to you. Thank you again for bringing your union's views to the Prime Minister's attention.

Yours sincerely



Nigel Bailey  
Senior Adviser (Economic)