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HD **Moore’s warning for Murray**

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EXCLUSIVE MACQUARIE Group chief executive Nicholas Moore has urged the Murray inquiry and regulators to closely consider the cost of new regulation and warned that the trade-off could **lead** to lost opportunities for the nation and poorer services to customers.

Ahead of the inquiry’s final report and the G20 next month, Mr Moore broke his silence on the regulatory storm engulfing the banking sector by saying it was crucial to “really go out of our way” to determine the cost of new rules and whether “untested” measures being mulled globally were appropriate.

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In one of his first interviews outside the group’s results, Mr Moore also called on government and the private sector to take greater advantage of the best debt funding conditions in recent history to invest in growth-enhancing infrastructure.

The comments ramp up a push from business for infrastructure investment to spur the sluggish economy and long-term growth, with then-NAB chief Cameron Clyne last year lashing the “immature’’ debate on debt and the government’s “lazy” balance sheet.

“As the economy in Australia transitions away from **mining** investment, we are at the same time in a low-cost-of-capital environment, which presents a good window for infrastructure opportunities,” said Mr Moore, who is part of the B20 business group driving policy for the G20 in Brisbane.

The comments came as Treasurer Joe Hockey sought **firm** support from business for a new global infrastructure centre to drive down the cost of building major projects.

Macquarie also last week joined the Global Infrastructure Facility, a body pushing greater collaboration between the public and private sectors to help infrastructure projects attract long-term capital.

With a recent spike in volatility and concerns that growth is flatlining, Mr Moore said a positive for the economy was the Reserve Bank’s handling of the transition away from **mining** investment-led growth to industries such as construction.

While the RBA has come under criticism from some economists for its interest rate movements after the crisis, Mr Moore backed the central bank to handle the end of the biggest terms of trade boom in the country’s history.

“I think they have been ahead of the curve in terms of the way they’ve thought about the economy through this period and the way they’re thinking about it coming out,” he said.

“Clearly we had a very strong **mining** focus and now it’s more on to the city-building ... it looks OK. (The RBA) is very conscious of the change taking place.” Mr Moore, who increased Macquarie’s offshore earnings since becoming CEO in 2008, added that the resurging US economy was also the reason for optimism and opportunities remained in Asia despite a slightly slower **China**.

But echoing the CEOs of the big four retail banks, Mr Moore pushed against another wave of major regulation from the Murray inquiry and G20, arguing it inevitably came with a cost.

According to UBS analysis, consumers could be slugged an extra $3 **billion** a year if the David Murray-led inquiry hit the big four retail banks with sharply higher common-**equity** tier-one and mortgage capital requirements.

Macquarie's compliance bill tripled in three years to about $320 **million** last year, excluding indirect costs.

"That number is increasing. That's a cost to us and we can identify there's a bigger cost out there in terms of the greater financial sector," Mr Moore said.

"The harder cost to calculate is what's the impact of that in terms of opportunities that aren't being addressed or people who aren't being serviced or all those sorts of very difficult issues.

"Regulation has its benefits. It has its costs and it's for every country around the world, every jurisdiction, to actually work out the balance between the cost versus the benefits." While backing work on the trade-off by the Productivity Commission, Mr Moore said there remained confusion around mooted rules to "ringfence" safe retail **operations** from riskier investment banking arms and "bail-ins" of debt holders when lenders collapsed.

ANZ boss Mike Smith also warned against "jumping the gun" and "one-size-fits-all" rules to better protect taxpayers against "too big to fail" banks, a major issue for the G20 and Murray inquiry.

Mr Moore said: "There is a trade-off and, particularly with a lot of the regulation, people are talking about how it is untried, untested and the fact everybody in the world is doing it is not necessarily the standard one should use.

"All these expressions, you just don't know what they mean.

"What do you mean by ringfencing?

"There are different interpretations, jurisdiction by jurisdiction." The inquiry is the first in 17 years and will report to government next month. In its submission to the inquiry, Macquarie argued that Australia did not need ringfencing because banks were not as complex as in other markets, there would be "material" costs and clients might suffer when they wanted services "across the divide".Macquarie is also exposed to any changes to rules governing the risk weighting of mortgages and the trend of rising total capital levels for banks globally.

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