Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency:	Australian Securities and Investment Commission
Question No:	111
Topic:	Product intervention powers
Reference:	Hansard page 13 (31 May 2017)
Senator:	Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: I want to go to your focus on consumer outcomes. You talked about product intervention powers, which is obviously a very significant new addition to your arsenal. You have made some fairly strong comments—and I would expect that from you as a regulator—about using product intervention powers within banks. Would you care to expand on how you might see it working?

Mr Medcraft: Peter, do you want to comment on this?

Mr Kell: Yes. We strongly supported a product intervention power during the financial system inquiry, so we are obviously pleased to see that proposal move forward. And there has recently been consultation around a particular model for the product intervention power that has been put out by Treasury.

Senator WHISH-WILSON: How far away do you think we are from getting some legislation on this—or potentially regulations?

Mr Kell: I would have to take that on notice and get that to government in terms of the time frame. But I know it is a priority area. The first issue is about how we might use it. We see it as being a valuable addition to our toolkit that would allow us to step in where there is significant risk or detriment to consumers as a result of the design of products right across the areas we regulate. At times, it has been suggested that this would be about banning products. I think that would be an exceptional and relatively unusual use of the power. In many other cases, it might be just requiring a modification to the way the product is sold, or to aspects of its design, to ensure that risks are reduced for consumers. So we see it as being quite valuable. An example is that we have recently been looking at flex commissions through car dealerships, where the finance company pays a higher rate to the dealer if they manage to convince the consumer to pay a higher interest rate—which obviously results in significantly poor outcomes for the most vulnerable and least financially experienced consumers. It took us a very long time to deal with that—

Answer:

The time frame for the release of legislation on the product intervention power is a matter for Government.