

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2016 - 2017

**Division/Agency:** Financial System Division  
**Question No:** 469  
**Topic:** Update on FSI response  
**Reference:** Hansard page 43 (20 October 2016)  
**Senator:** Gallagher, Katy

**Question:**

Senator GALLAGHER: A few of my questions have been answered, so I can cross them off. In relation to the FSI response—and I know Senator Bushby asked a number of questions around this—I am wondering if it is possible on notice to get an update on where you are tracking against the timetable the government outlined. Is that okay?

Mr Lonsdale: Yes.

**Answer:**

In its response to the Financial System Inquiry, the Government outlined that its financial system agenda would be delivered in stages over the coming years. Implementation of the Government's financial system agenda is being progressed consistent with the Government's policy priorities.

To date, the following measures have been either fully implemented or had the relevant legislation enacted:

- Recommendation 6 (Financial Claims Scheme). The Government maintained the ex-post funding structure of the Financial Claims Scheme consistent with the FSI recommendation.
- Recommendation 17 (Interchange fees and card surcharging). In February 2016, the Government legislated to ban excessive credit card surcharging. In May 2016, the Reserve Bank of Australia also finalised its standards on the regulation of interchange fees. The ACCC has enforcement powers under the new framework, which took effect for large merchants on 1 September 2016 and will take effect for other merchants on 1 September 2017.
- Recommendation 34 (Unfair contract term protections for small businesses). In November 2015, the Government legislated to extend unfair contract term protections to small businesses.
- Recommendation 38 (Cyber security). In April 2016, the Government released an updated Cyber Security Strategy.
- Recommendation 41 (Unclaimed monies). In September 2015, the Government legislated to define bank accounts and life insurance policies as unclaimed banking monies only if they are inactive for seven years.
- Additional measure (Over-the-counter derivatives). In May 2016, the Government legislated to remove impediments to facilitate participation in international derivatives markets.

The Government has also progressed a number of other measures to an advanced stage of development:

- Recommendation 9 (Objectives of the superannuation system). On 9 November 2016, the Government introduced legislation into Parliament to articulate a primary objective for the superannuation system.
- Recommendation 10 (Improve efficiency during accumulation). In February 2016, the Government tasked the Productivity Commission (PC) to develop criteria to assess the efficiency and competitiveness of the superannuation system (stage 1) and to develop alternative models for default fund selection (stage 2), ahead of an assessment of superannuation efficiency and competitiveness (stage 3).
  - In September 2016, the PC released an issues paper in relation to stage 2 of its inquiry.
  - In November 2016, the PC released the stage 1 report establishing the criteria and indicators to assess the system.
- Recommendation 11 (Retirement phase of superannuation). Legislation was passed on 23 November 2016 which provides for the development of an alternative set of income stream rules that will apply from 1 July 2017.
  - In December 2016, the Government released a discussion paper exploring key policy issues to facilitate further development of a framework for the retirement phase of the superannuation system.
- Recommendation 12 (Choice of fund). In March 2016, the Government introduced legislation into Parliament; however the Bill was not debated prior to the proroguing of Parliament on 17 April 2016. The Government has publicly announced its intention to progress this recommendation in 2017.
- Recommendation 13 (Governance of superannuation funds). In September 2015, the Government introduced legislation into Parliament. The Bill was before the Senate prior to the proroguing of Parliament on 17 April 2016. The Government has publicly announced its intention to progress this recommendation in 2017.
- Recommendation 18 (Crowdfunding). On 24 November 2016, the Government introduced legislation into Parliament to facilitate the development of a market for crowd-sourced equity funding for public companies and has indicated that it is working on a framework to extend crowdfunding to private companies in the first half of 2017.
- Recommendation 19 (Data access and use). A PC review has been tasked to progress the Government's response. The PC released its draft report on 2 November 2016 with the final report due in March 2017.
- Recommendation 20 (Comprehensive credit reporting). The Australian Competition and Consumer Commission approved a data sharing framework in December 2015 developed by the Australian Retail Credit Association to encourage greater data sharing under the new comprehensive credit reporting regime. The Government will look to progress this recommendation further following the release of the final report of the PC review into data access and use.
- Recommendation 21 and 22 (Product issuer and distributor accountability; Introduce product intervention power). On 13 December 2016, the Government released a consultation paper to progress implementation of these measures.

- Recommendation 24 (Align the interests of financial firms and consumers). Legislation on life insurance remuneration was introduced to Parliament on 13 October 2016. The Bill passed the House of Representatives on 29 November 2016.
- Recommendation 25 (Raise the competency of advisers). On 23 November 2016 the Government introduced legislation into Parliament to mandate professional standards for financial advisers.
- Recommendation 27 (Regulator accountability). In May 2015, the Government announced the reconstitution of the Financial Sector Advisory Council with refreshed terms of reference that include providing advice on the performance of the financial regulators.
- Recommendation 28 and 29 (Execution of mandate; Strengthening ASIC's funding and powers). A review of ASIC's capability has been completed and the recommendations to Government have been accepted. An industry funding model for ASIC has been consulted on and an updated proposals document was published on 7 November 2016.
  - On 20 April 2016, the Government announced a \$127 million package of reforms to strengthen ASIC's surveillance capabilities and ability to combat misconduct.
- Recommendation 39 (Technology neutrality). A public discussion paper regarding company meeting notices has been released as part of the Government's response to this recommendation.
- Additional measure (Client monies). On 1 December 2016, the Government introduced legislation into Parliament to deliver on this measure.

In addition, the Australian Prudential Regulation Authority (APRA) has fully implemented measures on transparent reporting (Recommendation 4), and finance companies (Recommendation 35). It has taken interim action to narrow mortgage risk weight differences (Recommendation 2), ahead of the Basel Committee's finalisation of reforms to the capital adequacy framework.