

[CREST]

AUSTRALIAN SENATE

ECONOMICS LEGISLATION COMMITTEE

CONSIDERATION OF LEGISLATION  
REFERRED TO THE COMMITTEE

*FINANCIAL LAWS AMENDMENT BILL 1996*

MAY 1997

**Parliament of the Commonwealth of Australia**

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Commonwealth of Australia

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# Senate Economics Legislation Committee

## *Core Members*

Senator Alan Ferguson (Chairman)	(Liberal Party - SA)
Senator the Hon. Nick Sherry (Deputy)	(Australian Labor Party - TAS)
Senator Grant Chapman	(Liberal Party -SA)
Senator the Hon. Peter Cook	(Australian Labor Party - WA)
Senator Andrew Murray	(Australian Democrats - WA)
Senator John Watson	(Liberal Party - TAS)

Senator Crane substitutes for Senator Watson on matters covered by the Industrial Relations portfolio.

## *Participating Members*

Senator E. Abetz	(Liberal Party - TAS)
Senator M. Bishop	(Australian Labor Party - WA)
Senator R. Boswell	(National Party of Australia - QLD)
Senator B. Brown	(Australian Greens - TAS)
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Senator K. O'Brien	(Australian Labor Party - TAS)
Senator C. Schacht	(Australian Labor Party - SA)

## *Secretary*

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# Financial Laws Amendment Bill 1996

## BACKGROUND TO THE INQUIRY

The Financial Laws Amendment Bill 1996 was introduced in the Senate on 10 February 1997 after having been passed by the House of Representatives on 5 February 1997.

On 6 February 1997 the Senate Selection of Bills Committee Report No. 1 of 1997 referred provisions of the Bill to the Economics Legislation Committee for examination and report by 14 May 1997. As reasons for referral of the Bill, the Selection of Bills Committee Report stated "significant matters of prudential supervision". The Selection of Bills Report also listed as possible interested parties to the Bill, the Treasury and Insurance and Superannuation Commission.

The Committee did not receive any submissions to its inquiry and, as a consequence of this, did not conduct a public hearing.

## EFFECT OF THE BILL<sup>1</sup>

The Financial Laws Amendment Bill 1996 is an omnibus Bill amending insurance, banking and superannuation legislation. The Bill repeals the *Insurance (Deposits) Act 1932* and amends the following thirteen Acts: the *Banking Act 1959*; the *Banks (Shareholdings) Act 1972*; the *Financial Corporations Act 1974*; the *Financial Corporations (Transfer of Assets and Liabilities) Act 1993*; the *Insurance Act 1973*; the *Insurance Acquisitions and Takeovers Act 1991*; the *Insurance (Agents and Brokers) Act 1984*; the *Insurance Contracts Act 1984*; the *Insurance Laws Amendment Act 1994*; the *Insurance Supervisory Levies Collection Act 1989*; the *Life Insurance Act 1995*; the *Reserve Bank Act 1959*; and the *Superannuation Industry (Supervision) Act 1993*.

The main purpose of the amendments is to improve information sharing between the Reserve Bank of Australia (RBA) and the Insurance and Superannuation Commission (ISC) and between those organisations and other domestic and overseas financial regulators. The Bill also makes miscellaneous technical refinements to insurance laws to enhance the efficiency and effectiveness of their operation.

In particular the amendments set out in the Bill enhance the information sharing provisions of legislation administered by the ISC and RBA. The amendments aim to improve the prudential supervision of banks, superannuation funds and insurers by enabling the ISC and RBA to move quickly to exchange information to prevent and/or manage a crisis situation arising in a financial conglomerate in Australia. The proposed information sharing amendments are consistent with international best practice in financial regulation. Administrative arrangements will ensure commercial-in-confidence information is suitably protected.

The Bill repeals the *Insurance (Deposits) Act 1932* and makes minor amendments to insurance legislation. The amendments relate, inter alia, to minor adjustments to the balance of the respective interests of consumers and insurers under insurance contracts, improving

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<sup>1</sup> Drawn from the *Financial Laws Amendment Bill 1996*, Explanatory Memorandum.

supervision of insurance companies, by, among other things, giving the Insurance and Superannuation Commissioner power to exercise some prudential control over related companies of insurance companies, removing drafting errors and technical difficulties, and providing statutory backing to the industry based Code of Practice.

The Bill also includes numerous amendments that update the Principal Acts, including making the wording of provisions gender inclusive; updating provisions that create offences in line with current Commonwealth criminal law policy; deleting obsolete references to Papua New Guinea; and updating definitions by reference to the *Corporations Law*.

The Bill also amends the *Financial Corporations (Transfer of Liabilities) Act 1993* to extend by two years the deadline by which foreign bank subsidiaries or money market corporations can apply for, and convert to, branch banking status and qualify for the concessional taxation and other treatment provided for under the Principal Act.

## **ISSUES RAISED IN EVIDENCE**

As the Committee did not receive any submissions in respect of the Financial Laws Amendment Bill, no formal evidence was presented to this inquiry. The Secretariat did receive a small number of telephone calls from representatives of banking and insurance organisations expressing support for the Bill.

## **RECOMMENDATION**

The Committee recommends that the bill be passed.

Senator Cook dissents from the majority recommendation and will state his reasons during the second reading debate on the Bill.

Senator Alan Ferguson  
Chairman