



Australian Government

IMPROVING CONSUMER OUTCOMES IN FINANCIAL SERVICES

The Commonwealth has committed an additional \$127 million over four years to better protect consumers.

The Turnbull Government has announced a broad package of reforms to better protect consumers by strengthening the Australian Securities and Investments Commission (ASIC). They aim to equip ASIC with stronger powers and funding to enhance surveillance capabilities, combat misconduct in Australia's financial services industry and bolster consumer confidence in the sector.

This package is the next step in the Government's plan to ensure improved outcomes for Australian consumers and investors, and to support ASIC in its work to address misconduct in the financial sector.

ASIC CAPABILITY REVIEW

In July 2015, the Government established an expert Panel to review the capabilities of ASIC.

The Panel found that many of ASIC's regulatory capabilities are in line with global best practices.

However, the Government also acknowledges that additional measures are required to support ASIC in delivering on its mandate and ensuring it is fit for the future. The Panel found there were aspects of strategy, governance, IT, data infrastructure, management information systems and ASIC's approach to stakeholder engagement that required improvement.

The Government is progressing the five recommendations relating to the Government and welcomes ASIC's Implementation Plan to address the remaining 29 recommendations.

The additional funding will be targeted at:

- deepening the surveillance and enforcement capability of ASIC with a specific focus on investigating financial advice, responsible lending and life insurance;
- enhancing data analytics and surveillance capabilities as well as modernising data management systems; and
- strengthening ASIC's powers.



Australia's financial system is of critical importance to our economy. It touches the life of every individual, family and business. It helps us manage risks, holds our savings, and provides the credit we need to innovate and invest. It is critical that we ensure that the financial system is delivering the right outcomes for Australians.

ENHANCED DATA ANALYSIS

The ASIC Capability Review highlighted the critical role that sophisticated analytics and risk assessment processes can play in identifying and mitigating conduct risk. This is an area where regulators around the world have and continue to make significant investment.

In response to this recommendation, the Government has committed \$61.1 million to enhance ASIC's data analytics and surveillance capabilities as well as modernise ASIC's data management systems. This will ensure that ASIC can take advantage of emerging analytical techniques to better detect financial sector misconduct. It will also improve management information systems to support other work.

SURVEILLANCE FUNDING BOOSTED

The Government will also provide ASIC with \$57 million for surveillance and enforcement on an ongoing basis.

This funding boost will enable ASIC to not only increase but better support surveillance and enforcement particularly in the areas of financial advice, responsible lending, life insurance and breach reporting.

Coupled with better data collection, this funding will increase ASIC's effectiveness in detecting and responding to misconduct and deliver better outcomes for consumers.

The extra funding to ASIC will be offset by increased levies for the financial sector.

ACCELERATED NEW POWERS

To ensure continued confidence in Australia's financial system, the Government will commit an extra \$9.2 million in funding for ASIC and the Treasury to accelerate consideration and implementation of the following measures recommended by the Financial System Inquiry:

- a product intervention power to enable ASIC to respond to market problems in a flexible, timely, effective, and targeted way;
- product distribution obligations for industry to foster a more customer-focussed culture;
- a review of ASIC's enforcement regime, including penalties, to ensure that it effectively deters misconduct; and
- the strengthening of consumer protections in the ePayments Code, which regulates consumer electronic payments and includes a number of consumer protections, to ensure that it keeps pace with emerging technologies.

INDUSTRY FUNDING MODEL FOR ASIC – 'USER PAYS'

As recommended by the FSI, the Government will introduce an industry funding model for ASIC, to commence in the second half of 2017.

Industry funding ensures that the costs of regulation are borne by those entities that have created the need for it, rather than ordinary Australians who already tend to bear the brunt of financial sector misconduct.

Industry funding will also establish price signals to drive economic efficiencies in the way resources are allocated within ASIC and improve ASIC's transparency and accountability.

The Government will consult extensively with industry to refine and settle this funding model.

This package of reforms represents the next step in the Government's considered approach to improving the regulation of Australia's financial services sector to deliver better outcomes for consumers.



IMPROVEMENTS IN HANDLING CONSUMER COMPLAINTS

There are a number of bodies to help Australians resolve disputes with financial services providers. This Government is committed to ensuring that these bodies are working as effectively as possible and delivering the best possible outcomes for consumers and small businesses.

Australia's Financial Ombudsman Service (FOS) is a critical component of Australia's financial sector. FOS helps to deliver fair outcomes for consumers by working to resolve disputes between consumers and their financial institutions quickly and efficiently, and at no cost to complainants.

The Government believes that there would be advantages in extending the FOS's current jurisdiction to include a wider range of small business loans, as well as conducting a review of monetary limits and compensation caps. To facilitate this, we have asked ASIC to work with FOS on an immediate review of FOS's small business jurisdiction under its Terms of Reference.

The Government will also establish a Panel of eminent persons to review the role, powers and governance of Australia's dispute resolution and complaints schemes in effectively serving consumers of financial services and specifically assess the merits of better integrating these schemes to improve the handling of consumer's complaints. This Panel will report back to the Government by the end of 2016.

This package builds on the Turnbull Government's response to the FSI which set out a broad ranging suite of policies to improve our financial system. The Government has already implemented or committed to prioritising a range of measures:

Fully implemented recommendations to:

- extend unfair contract term protections to small business;
- enhance retail consumer protections for unclaimed monies;
- ban excessive payment card surcharging; and
- relax ownership restrictions of the ASX.

Proposed legislation on:

- changes to superannuation governance;
- choice of superannuation fund;
- crowd-sourced equity funding; and
- life insurance remuneration.

Progressed draft legislation to an advanced stage on:

- resilience and collateral protection;
- crisis management;
- professional standards for financial advisers; and
- protection of client monies.

Commissioned reviews on:

- superannuation competitiveness and efficiency;
- data availability and use; and
- Small Amount Credit Contract Laws.

Released a public discussion paper on the objective of superannuation.