

5 July 2017

Manager, Financial Services Unit
Financial System Division
The Treasury
PARKES ACT 2600

By email: consumercredit@treasury.gov.au



Dear Sir / Madam

ASIC review of mortgage broker remuneration

Thank you for the opportunity to provide a submission on ASIC's *Review of mortgage broker remuneration (Report 516)*.

In addition to this letter, the Commonwealth Bank Group (**CBA**) has contributed to and supports the Australian Bankers' Association (**ABA**) submission in response to this consultation.

As noted by ASIC in Report 516, the ABA initiated an independent review of product sales commissions and product based payments in retail banking (the **Retail Banking Remuneration Review**). This review was conducted by Mr Stephen Sedgwick AO and concluded on 19 April 2017 with the release of a final report containing 21 recommendations.

The industry, including the Commonwealth Bank¹, has supported the Retail Banking Remuneration Review's final report and committed to implementing the recommendations. Given the wide-ranging nature of the reforms and other regulatory initiatives currently underway, implementation will require consideration of a transition period for some measures. This is recognised in the Review's final report and is necessary to provide adequate time for further consultation with impacted stakeholders.

Remuneration (ASIC proposals 1, 2, 3 & 6)

A number of the recommendations in the Retail Banking Remuneration Review also relate to ASIC's remuneration-related proposals in Report 516.

It is important that the industry's approach to implementing the Retail Banking Remuneration Review is factored into the government's response to ASIC's Report 516. We note and support the comments in the ABA's submission regarding a self-

¹ <https://www.commbank.com.au/guidance/newsroom/CBA-to-implement-all-sedgwick-review-recommendations-201704.html>

regulatory model, however it is important that the frameworks responding to both the Retail Banking Remuneration Review and Report 516 be aligned, and that a consistent approach across the industry is achieved. CBA considers that further consideration about the most appropriate regulatory or legislative mechanism, including regulatory guidance from ASIC, may be helpful in this respect.

Disclosure and reporting (ASIC proposals 4 & 5)

ASIC's Report 516 also includes proposals on the disclosure of ownership structures and public reporting of activity.

CBA has welcomed initiatives to enhance industry transparency. This includes proposals to further support clear disclosure of ownership structures across the industry.

However, the basis for further change should have regard to the effectiveness of existing regulated disclosures, including Financial Services Guides and other marketing materials. CBA currently discloses ownership structures throughout the customer experience, including via our marketing collateral, our external websites and loan documentation. We would welcome the opportunity to present Treasury our current approaches to these disclosures.

In addition, consideration of future changes to disclosure should include consumer testing on the appropriateness of the current settings, and any possible future changes.

The development of an enhanced public reporting regime should have regard to the nature of any commercially sensitive data. There may be some instances where data should remain private and more suitable to inform the regulator's supervisory activities. In order to determine whether the information should be made public, we welcome separate detailed consultation on the nature of the reporting and whether there are any commercial or customer sensitivities. Prior to finalisation, further consumer testing on the publication of particular data may also be necessary.

Thank you for the opportunity to comment on the proposals outlined in ASIC's Report 516. CBA remains committed to making changes that deliver better customer outcomes and looks forward to further working with the government on implementing these initiatives underway.

For further information in relation to any of the matters raised in this letter, please contact Mr. Matthew Dawson (General Manager, Distribution Strategy & Execution).

Yours sincerely

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Commonwealth Bank of Australia