

s 22

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**From:** CAMERON, Michael <Michael.CAMERON@s 22 >  
**Sent:** Monday, 27 March 2017 10:16 PM  
**To:** O'Dwyer, Kelly  
**Cc:** Antioch, Gerry; Lonsdale, John; Brown, Diane  
**Subject:** FSAC Minutes | 20 March 2017  
**Attachments:** Minutes - FSAC meeting - 20 Mar '17 - DRAFT.DOCX

Dear Minister,

Attached is a copy of the draft minutes from the FSAC meeting last Monday, 20 March 2017.

Regards,  
Michael

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s 22

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**From:** CAMERON, Michael <Michael.CAMERON@s 22>  
**Sent:** Tuesday, 28 March 2017 11:56 AM  
**To:** Gaetjens, Philip  
**Cc:** s 22 ; s 22 ; Lonsdale, John; Brown, Diane  
**Subject:** FSAC Minutes | 20 March 2017  
**Attachments:** Minutes - FSAC meeting - 20 Mar '17 - DRAFT.DOCX

Dear Philip,

Attached is a copy of the draft minutes from the FSAC meeting last Monday, 20 March 2017.

If you could see that the Treasurer receives a copy please.

Regards,  
Michael

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s 22

## MINUTES OF THE MEETING OF THE FINANCIAL SECTOR ADVISORY COUNCIL

Sydney – 20 March 2017

## Members Present

Michael Cameron (Chair), Sarah Rennie, Karl Morris, Heather Zampatti, Mike Hirst, Brett McKeon, Lisa Gray (via teleconference), Brian Hartzer (via teleconference)

Apologies: Craig Meller

## Others present

§ 22 (guest of the Chair), John Lonsdale (Treasury), Diane Brown (Treasury), Kate Phipps (Treasury), § 22 (Treasury), § 22 (Treasury), § 22 (Treasury)

## Welcome and ordinary business

The meeting opened with an observation that it had been a tumultuous period globally since the November 2016 Meeting and that this underscored the value of having a robust domestic financial system. It was remarked that the Financial Sector Advisory Council ('the Council') can play an important role in the development of domestic financial sector policy.

The location of the July 2017 meeting of the Council was tentatively set for Suncorp's Sydney offices.

Members discussed the process for communicating the views of the Council to Government. To expedite the process, it was agreed that draft minutes be circulated to the Chair shortly after each meeting for the Chair's clearance and that the minutes would then be provided to Minister O'Dwyer in draft form. Members would have the opportunity to formally agree the minutes at the following meeting. The Chair may also, from time to time, take the opportunity to contact the Minister to give a brief update of outcomes following Council meetings.

## Priority issues for FSAC

Members discussed the key policy issues the Treasury has identified for the Council's forward work program. It was noted that assessing the performance of the financial regulators was emerging as a major stream of work for the Council.

Treasury gave a brief summary of the key policy issues and its thoughts on how the Council could take its consideration of those issues forward. Discussion of the product intervention power and distributor obligations was deferred to later in the meeting.

On “Unquestionably strong capital” it was noted that, since APRA has announced its intention to consult during 2017 (irrespective of progress on final capital standards by the Basel Committee on Banking Supervision), the issue could be a standard discussion topic at Council meetings over the course of the year.

s 47C & 47E(d)


s 47C & 47E(d)

On “**Data availability and use**” – which has the potential to drive significant gains in competition and efficiency – it was noted that it was currently an open question whether the Government would proceed with a whole-of-government approach or proceed, as the UK has done, with just the financial sector. This policy issue would be discussed in detail at the upcoming July meeting of the Council, by which time the Productivity Commission’s final report would be available.

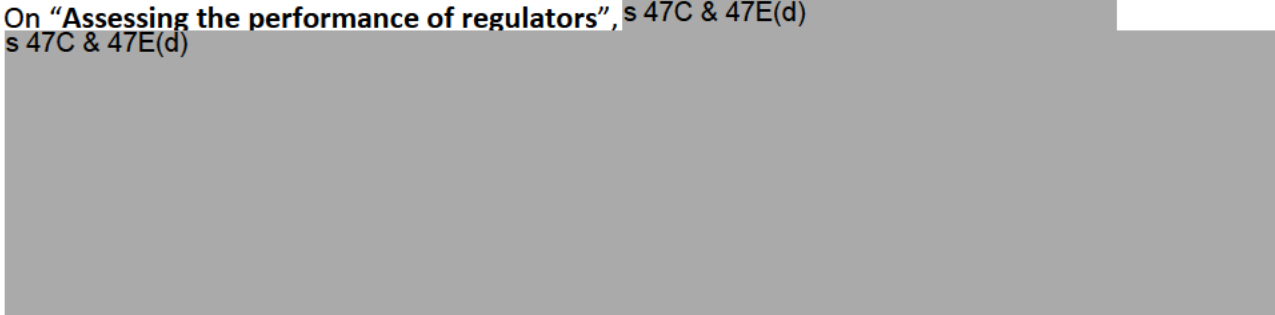
On “**Competition in the financial system**” it was noted that some measures in the Government’s agenda had been actioned but that there was lots of work to do on, for instance, technology neutrality and support for FinTech. APRA’s attendance at the luncheon for this meeting provided an opportunity for Members to discuss the regulator’s approach to meeting its competition objective.

s 47C & 47E(d)


s 47C & 47E(d)




On “Assessing the performance of regulators”, s 47C & 47E(d)  
s 47C & 47E(d)



s 47C & 47E(d)



Treasury presented on the **Product intervention power and distributor obligations** and noted that the Government’s formal consultation period had just closed and that policy details would be finalised during the course of 2017. s 47C & 47E(d)  
s 47C & 47E(d)



s 47C & 47E(d)

## Current conditions, emerging trends and opportunities

s 47E(d)

s 47E(d)

Noting the recent tick-up in measured unemployment, some Members expressed concern over the potential for rapid technological change to displace a lot of “white collar” jobs over the coming years and that this warrants a greater public policy focus.

Members discussed the higher-than-usual levels of uncertainty over the outlook for the global economy and financial markets, and remarked that institutions were spending a lot of time thinking about how to best operate in that environment. Members noted anecdotal reports of asset managers lowering their long-term return objectives and discussed associated implications for super fund returns and retirement incomes.

s 47C & 47E(d)


## Luncheon discussion with APRA

Council Members were joined for a luncheon discussion by the APRA Members: Mr Wayne Byres (Chairman); Helen Rowell (Deputy Chairman); and Mr Geoff Summerhayes (Member).

In its opening remarks, APRA outlined its current work priorities. On banking and prudential policy, priorities were developing “unquestionably strong” requirements and managing risks relating to the housing market. On insurance, priorities were dealing with complexity and legacy issues in life insurance and aligning risk management standards in health insurance (a new responsibility for APRA) with APRA’s existing standards. On superannuation, priorities were raising governance standards and improving culture and accountability.

On its approach to competition, APRA noted that it has a legislative mandate to pursue safety and stability in the context of achieving competition and efficiency. In other words, its mandate was not to achieve stability at all costs. APRA said it viewed competition through two key dimensions: at the product level (e.g. housing versus small business lending); and through a competitive neutrality lens (i.e. is there a level playing field).


In terms of specific pro-competition measures, APRA announced that it was overhauling its bank licensing process to better deal with applications from non-conventional business models. It was also looking at how APRA could share more of the data it collects with the public. s 47C & 47E(d)




On “unquestionably strong”, APRA noted that it had been holding off until the Basel Committee reached agreement on a new capital framework. But, given delays in that process, it now no longer made sense to wait. It will be looking to put out more information around the middle of 2017 on its interpretation of what “unquestionably strong” means. It would be defining “unquestionably strong” in a much broader sense than just capital adequacy. Once agreement was reached on the aggregate definition, negotiations on the technical details of how this would be operationalised could take into 2018.

In response to questions from Members, APRA noted that it was conscious of not setting capital requirements so high that banks could not earn returns that cover their cost of capital through the cycle. It was also conscious of the risk of driving more activity into the unregulated “shadow banking” sector, but noted that, in the context of previous increases in capital requirements, the regulated sector had actually become more dominant.

s 47C & 47E(d)



s 47C & 47E(d)





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**From:** CAMERON, Michael <Michael.CAMERON@s 22 >  
**Sent:** Monday, 17 July 2017 7:01 PM  
**To:** O'Dwyer, Kelly  
**Cc:** Lonsdale, John  
**Subject:** FSAC Meeting Minutes July 2017  
**Attachments:** Minutes - FSAC meeting - 11 Jul 2017.docx; Minutes - FSAC meeting - 11 July 2017.pdf

Dear Kelly,

I hope you are well.

Attached is a copy of the draft minutes from the FSAC meeting held on 11 July.

Kind regards  
Michael

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# Financial Sector Advisory Council

## MINUTES OF THE MEETING OF THE FINANCIAL SECTOR ADVISORY COUNCIL

Sydney – 11 July 2017

### Members Present

Michael Cameron (Chair), Sarah Rennie, Heather Zampatti (via teleconference), Mike Hirst, Brett McKeon, Lisa Gray, Craig Meller

Apologies: Brian Hartzler, Karl Morris

### Others present

§ 22 (guest of the Chair), John Lonsdale (Treasury), Kate Phipps (Treasury), Julie Greenall-Ota (Treasury), § 22 (Treasury)

### Welcome and ordinary business

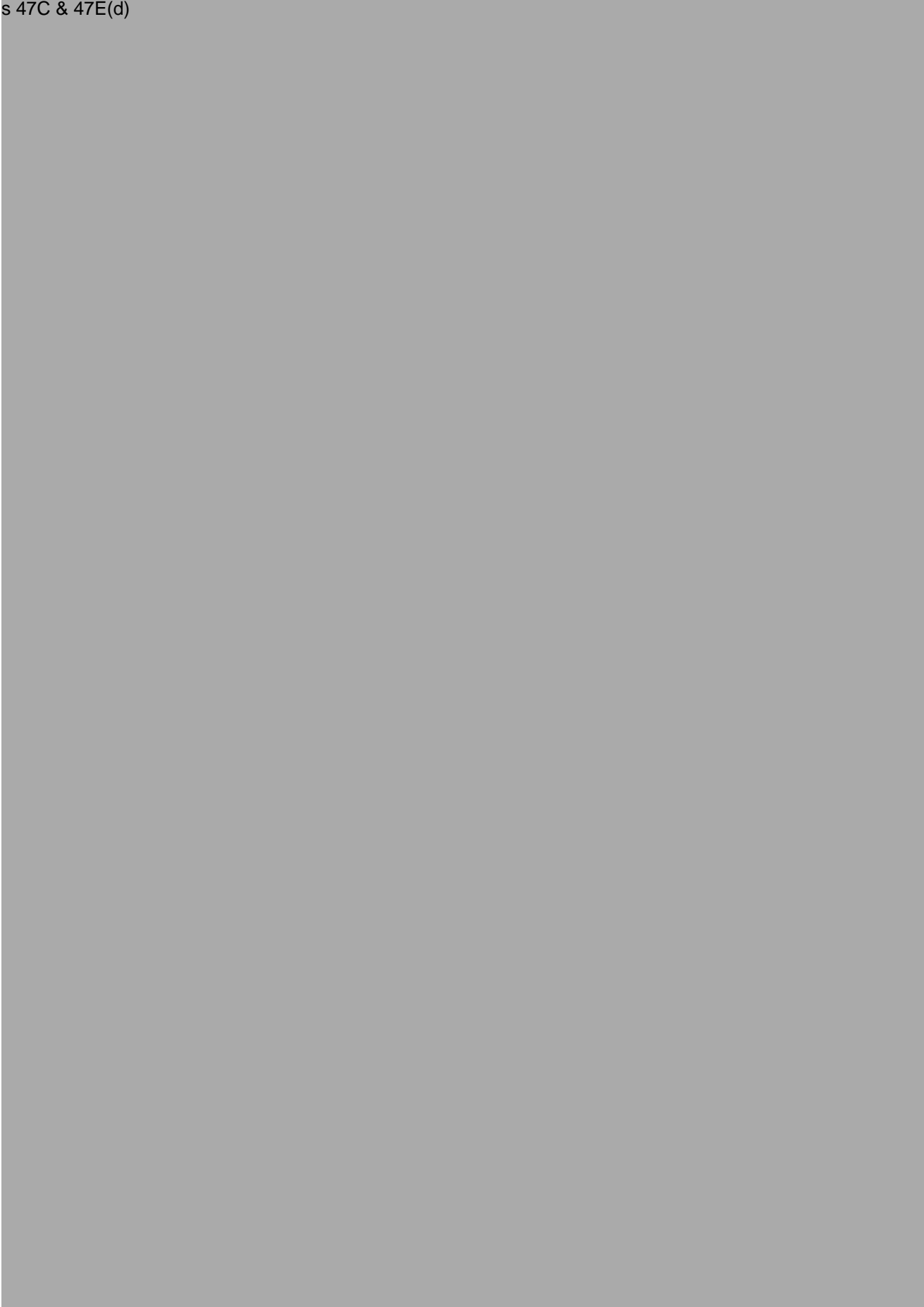
The meeting opened with an observation that there had been a lot of policy developments since the last meeting including the Major Bank Levy, the Banking Executive Accountability Regime and the introduction of a new dispute resolution body. It was remarked that the regulators would have a significant role to play in relation to these policies, increasing the significance of FSAC's work on regulator performance.

Members approved the Minutes from the March 2017 meeting including the one change<sup>s</sup> § 47C & 47E(d)

It was noted that the Minister has confirmed her availability to attend FSAC's 20 November 2017 meeting. The likely location of the November meeting was the Boardroom at the Commonwealth Parliamentary Offices in Melbourne.

§ 47C & 47E(d)

s 47C & 47E(d)



s 47C & 47E(d)

### **Priority policy issues**

Treasury provided a brief overview of the Government's financial system agenda and the Government's work in relation to data availability and open banking.

s 47C & 47E(d)

On the issue of comprehensive credit reporting, members noted that it was highly unlikely that lenders would be voluntarily reporting transaction history covering at least 40 per cent of accounts by 31 December 2017.

### **Current conditions, emerging trends and opportunities**

Members provided a range of views on current market conditions including:

s 47C & s 47E(d)

- a structural shift towards more passive/quantitative investing away from investing based on fundamentals. Members considered that this might have been a product of the low volatility in recent times and there may be a trend toward more active investment if market volatility returns. Members also noted a key interest in movements in interest rates and the dollar over the next 12 month; and

s 47C & 47E(d)

s 47C & 47E(d)

## Luncheon discussion with ASIC

FSAC was joined for a luncheon discussion by Mr Greg Medcraft (ASIC Chairman).

In his opening remarks, Mr Medcraft outlined ASIC's strategic framework and its top 5 long term challenges. These long term challenges were:

- aligning conduct in a market-based system with investor and consumer trust and confidence;
- digital disruption and cyber resilience;
- structural change in the economy;
- complexity driven by financial innovation; and
- globalisation.

Mr Medcraft noted ASIC had been investing significant resources into behavioural economics with a focus on data analytics. ASIC had been undergoing a regulatory transformation process particularly with its "One ASIC" programme that seeks to consolidate all of ASIC databases to improve its data capability. s 47C & 47E(d)

s 47C & 47E(d)


Going forward, ASIC was focused on the implementation of the product intervention power, the design and distribution obligations, the outcomes of the enforcement review and the introduction of a competition mandate.

Mr Medcraft also outlined what ASIC had achieved in relation to cutting red tape and promoting innovation. Mr Medcraft noted that ASIC had implemented \$446 million in red tape cost savings. In addition, 180 entities had accessed ASIC's innovation hub for assistance.

Mr Medcraft indicated that ASIC had implemented all of the recommendations of the Capability Review (save for the one relating to its statement of expectations). ASIC had taken a constructive approach to the Capability Review and saw it as an opportunity to get additional funding and powers.

s 47C & 47E(d)

s 47C & 47E(d)



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**From:** CAMERON, Michael <Michael.CAMERON@s 22 >  
**Sent:** Thursday, 30 November 2017 2:44 PM  
**To:** O'Dwyer, Kelly  
**Cc:** s 22 Lonsdale, John  
**Subject:** FSAC Minutes  
**Attachments:** Minutes - FSAC meeting - 20 Nov '17.pdf

Dear Minister,

Thank you for attending the last meeting of the FSAC for the year, it was good to discuss the work that we have been doing, and to have your input.

I am pleased to now provide you with the Minutes of the November meeting.

All the best for the holiday season and I look forward to seeing you in the new year.

Regards,  
Michael

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# Financial Sector Advisory Council

## MINUTES OF THE MEETING OF THE FINANCIAL SECTOR ADVISORY COUNCIL

Melbourne – 20 November 2017

### Members Present

Michael Cameron (Chair), Sarah Rennie, Heather Zampatti, Brett McKeon, Lisa Gray, Karl Morris

Apologies: Brian Hartzler, Craig Meller, Mike Hirst

### Others present

s 22 (Suncorp), John Lonsdale (Treasury), Diane Brown (Treasury), s 22 (Treasury)

### Welcome and ordinary business

The meeting opened with an observation that it had been 12 months since the inaugural meeting of the Council and that the Council had now settled in to its role.

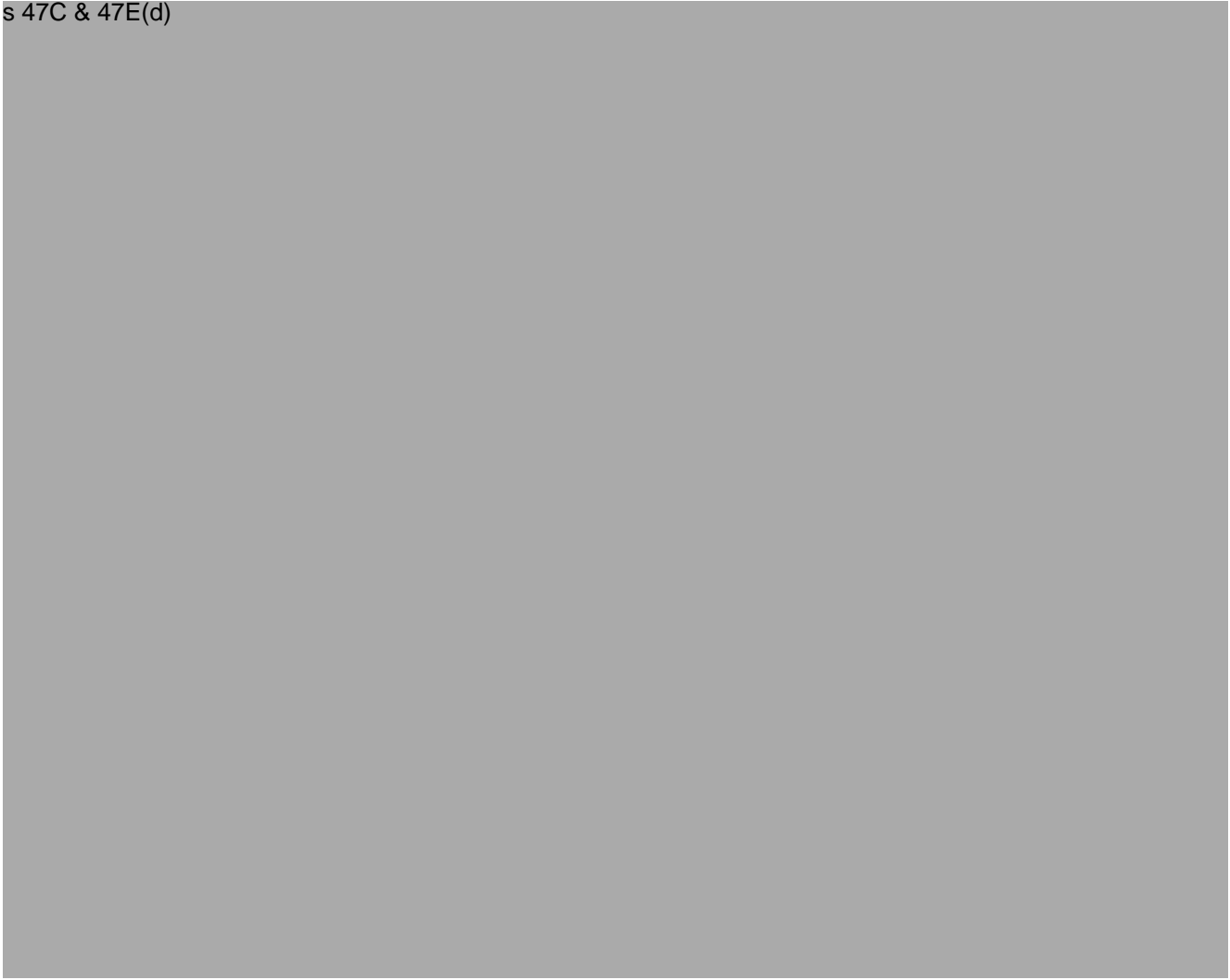
Members agreed to the minutes from the July 2017 meeting noting the change from Treasury. Members also agreed to the meeting dates for 2018 and for the first two meetings to be hosted by Suncorp in Sydney. Members also agreed to the November meeting being hosted by Victorian Funds Management in Melbourne.

### Assessing Regulator Performance

Members discussed next steps in relation to finalising the report on assessing regulator performance. s 47C & 47E(d)  
s 47C & 47E(d)



s 47C & 47E(d)




**Priority policy issues**

Treasury provided a brief overview of the Government financial system agenda and members were asked which issues they would like to focus on in 2018.

Members indicated an interest in the three reviews into the financial system being undertaken by the Government (PC inquiry on Competition in the Australian Financial System, the Ramsay Review and the Review into Open Banking).

Members requested that Treasury provide an item on superannuation issues (including adequacy, contribution rates, governance and consolidation), and on financial literacy.

s 47C & 47E(d)



## **Current conditions, emerging trends and opportunities**

Treasury provided members with an overview of domestic and international economic conditions. Members provided a range of views on current market conditions including:

- the impact of technological change in the financial sector: members noted that technological change (for example, AI and robotics) is ramping up very quickly in the financial sector. This was having a direct impact on employment in the sector as well as employee wellbeing;
- housing affordability: members had a discussion about the appropriate response to housing affordability. The Government was focused on ensuring that capital can flow efficiently around the economy and that most of the constraints were supply (rather than demand) based;
- consumer spending and distressed credit: members noted the increasing levels of household debt as a proportion of GDP. There was some evidence on this starting to have an impact on consumer spending – in particular, there was a higher level of non-payment on utility bills in regional areas; and
- s 47C & 47E(d)

## **Luncheon discussion with the Minister**

FSAC was joined for a luncheon discussion with Minister O’Dwyer.

The Chair of FSAC provided opening remarks outlining the activities of FSAC over the past year, including FSAC’s work on providing feedback on key policy issues and assessing the performance of the regulators.

Members then discussed with the Minister issues associated with the performance of the regulators, competition in the financial sector, and financial literacy.

## ASSESSMENT OF REGULATOR PERFORMANCE

s 47C & 47E(d)

### INTRODUCTION

Under its Charter, one of FSAC's functions is to provide industry views to Government on the performance of the financial regulators (Australian Securities and Investments Commission, Australian Prudential Regulation Authority and Payments System Board) in delivering their statutory mandates.

FSAC was formally reconstituted in November 2016 and has met four times. This is the first report of FSAC formally outlining its views on the performance of the regulators and represents FSAC's work since the first meeting of the reconstituted body in November 2016.

It should be noted that this report only reflects the views of the nine members of FSAC, which are not necessarily reflective of the regulators' overall regulated population. In addition, the report does not purport to take into account the views of the regulators' wider stakeholder base, including consumer representatives and policy makers.

FSAC's focus to date has been on the performance of ASIC and APRA. As such, the views expressed in this report relate primarily to ASIC and APRA rather than the PSB. Throughout the rest of this document, the term financial regulators should be taken to refer to APRA and ASIC unless otherwise indicated. FSAC proposes to give consideration to the PSB's activities in 2018.

FSAC has established procedures in place to manage any conflicts of interest. It is noted that members are appointed to the Council in a personal capacity, not as representatives of their employers.

FSAC members include:

(Chair) Mr Michael Cameron, CEO and Managing Director, Suncorp;

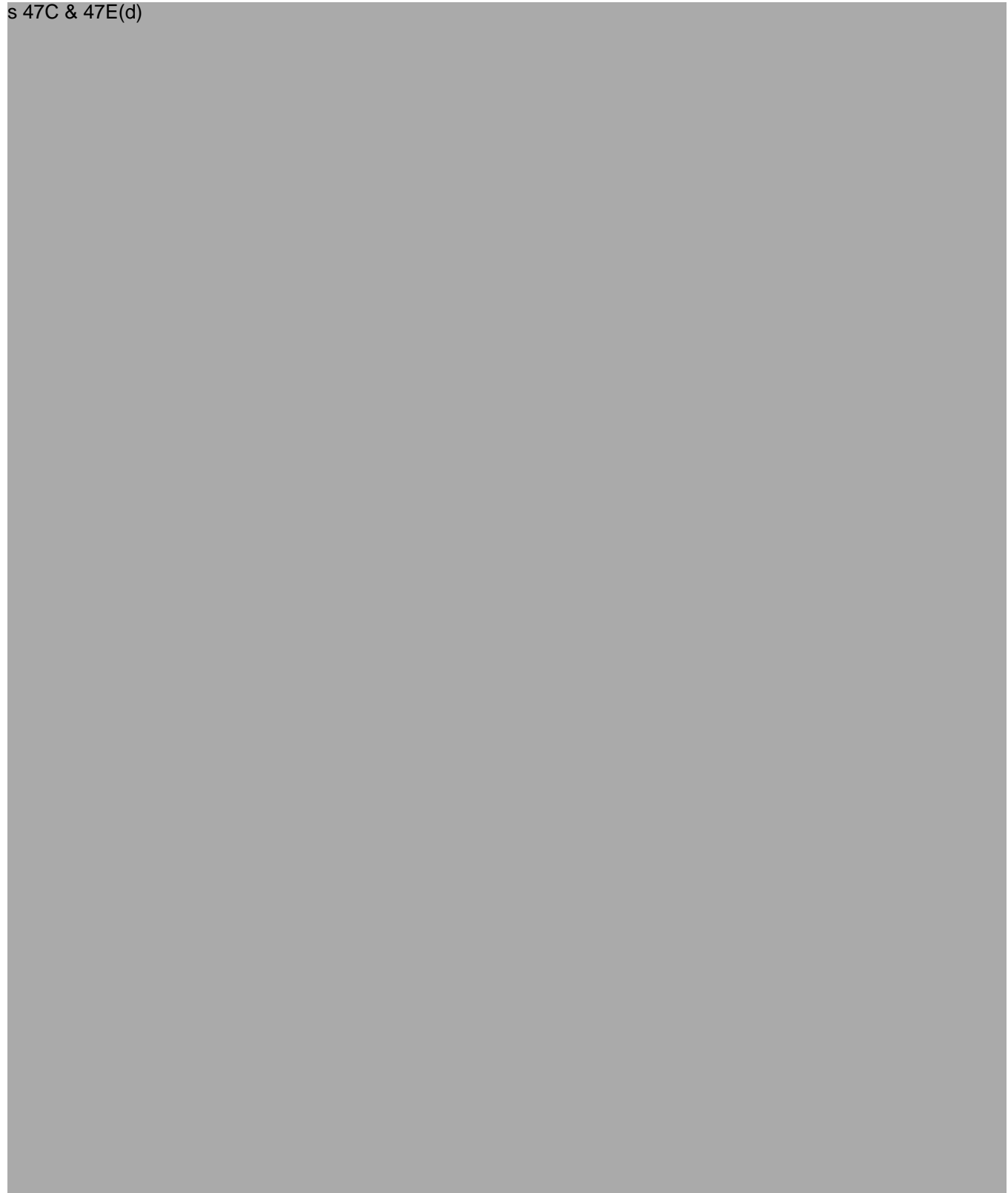
Ms Sarah Rennie, Managing Director Equity Capital Markets, Goldman Sachs;

Mr Brian Hartzler, Managing Director and Chief Executive Officer, Westpac;

Mr Craig Meller, Chief Executive Officer, AMP;

Ms Heather Zampatti, Head of Wealth Management, Bell Potter Securities;  
Mr Brett McKeon, Managing Director, Australian Finance Group;  
Mr Mike Hirst, Chief Executive Officer, Bendigo and Adelaide Bank;  
Ms Lisa Gray, Chief Executive Officer, Victorian Funds Management; and  
Mr Karl Morris, Executive Chairman, Ord Minnett.

s 47C & 47E(d)





s 47C & 47E(d)

