# EXPOSURE DRAFT EXPLANATORY STATEMENT

## Issued by authority of the Treasurer

*Corporations Act 2001*

*Financial Sector Reform (Hayne Royal Commission Response – Protecting Consumers) (Ongoing Fee Arrangements) Regulations 2020*

Section 1364 of the *Corporations Act 2001* (the Corporations Act) provides that the Governor-General may make regulations prescribing matters required or permitted by the Corporations Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Corporations Act.

These regulations support the operation of the *Financial Sector Reform (Hayne Royal Commission Response – Protecting Consumers (2020 Measures)) Act 2020* (the Act) by providing the record keeping compliance requirements for fee recipients. T

The Act implements Recommendation 2.1 of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry which requires ongoing fee arrangements to be renewed annually by clients, provides for an enhanced fee disclosure regime and requires written consent from clients to be renewed annually for ongoing fee arrangements.

Details of the Regulations are set out in Attachment

The Regulations are a legislative instrument for the purposes of the *Legislation Act 2003*.

The Regulations commenced on 1 July 2020.

**ATTACHMENT**

**Details of the *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers) (Ongoing Fee Arrangements) Regulations 2020***

Section 1 – Name of the Regulations

This section provides that the name of the Regulations is the *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers) (Ongoing Fee Arrangements) Regulations 2020* (the Regulations).

Section 2 – Commencement

Schedule 1 to the Regulations commence immediately after the commencement of Schedule # to the *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Act 2020*.

Section 3 – Authority

The Regulations are made under the *Corporations Act 2001* (the Act).

Section 4 – Schedule

This section provides that each instrument that is specified in the Schedule to this instrument will be amended or repealed as set out in the applicable items in the Schedule, and any other item in the Schedule to this instrument has effect according to its terms.

Schedule 1 – Amendments *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers) (Ongoing Fee Arrangements) Regulations 2020*

**Item 1**

This item amends subregulation 7.7A.11(2) to ensure that subsection 962H(2A) in the Actdoes not apply in relation to regulation 7.7A.10, which deals with arrangements that are not ongoing fee arrangements.

**Item 2**

This item amends Division 3 of Part 7.7A in the regulations to outline the compliance records required to be kept by fee recipients under section 962X of the Act.

**Item 3**

This item amends the regulations to made a breach of subsection 962U(3) of the Act a civil penalty provision that is subject to an infringement notice.