

Monday 4 February 2019

STATEMENT ON THE FINAL REPORT OF THE ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

FSC CEO SALLY LOANE

“The Financial Services Council welcomes the release of the Royal Commission’s Final Report.

“Financial services is Australia’s largest industry sector, employing 450,000 people and managing almost \$3 trillion of consumers’ savings.

“It must be free of misaligned incentives, mismanagement and poor governance, and focused solely on protecting the savings and growing the wealth of all Australians. Our financial services system must also be efficient and competitive.

“With the release of the final report and the Government’s response, we can now move even faster to repair the sector’s damaged reputation and ensure that consumers are able to trust each and every one of the people, products and services in our sector.

“Today all of us have an opportunity to rebuild the trusted relationship and the ties between financial services and the community that were once a bedrock of Australian life.

“We acknowledge it will take significant time and effort, and cultural change to effect thorough reform.

“Now we need to get on with the task of strengthening Australia’s financial services industry for the future so that we never end up in this situation again.”

The FSC strongly endorses the following recommendations, including:

- A person should be defaulted once into a superannuation account (rec 3.5)
- Retention of the twin peaks regulatory model (rec 6.1)
- Greater clarity around the co-regulation of superannuation by APRA and ASIC (rec 6.3)
- Industry wide reference checking of financial advisers (recs 2.7); and
- Regular reporting of serious compliance concerns to ASIC; and
- Entities having a stronger focus on culture and governance (recs 5.6, 5.7)

There are a number of recommendations and Government proposals which require further consideration and discussion with government and regulators. These include:

- An industry funded Compensation Scheme of Last Resort (Rec 7.1) This will only work if the underlying licensing system is strengthened to ensure licensees meet their obligations. It is critical that priority be given to addressing these issues before setting up a compensation scheme of last resort; We support stronger professional indemnity and capital requirements for licensees. These should be in place before any further consideration of a compensation scheme of last resort. If this is not done it may even encourage inadequate products and services coming into the market that lead to poor consumer outcomes.
- Extension of the BEAR regime to all APRA regulated financial services institutions and extending it to non-prudentially regulated financial services firms (rec 6.6). While we agree with the Commission that there should be appropriate consultation, we would like to see how BEAR works for ADIs in practice before we consider any extension to the existing regime.

“The FSC will continue to consider the report in the coming days.”

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About the Financial Services Council

The Financial Services Council (FSC) is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world.