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**FSC OPINION: Royal Commission an unnecessary use of time and resources**

By Sally Loane

The financial services sector has been under intense scrutiny in recent years. Since the GFC in 2009, there have been no fewer than 15 reviews and inquiries into the superannuation, financial advice, trustee and life insurance sectors. Some of these, like the Senate's Scrutiny of Financial Advice Inquiry, are ongoing and have been widened to consider additional terms of reference.

Right now, ASIC is undertaking five concurrent reviews into financial services. Multiple layers of constant regulatory and legislative change are being managed by our "twin peak" regulators ASIC and APRA, which, combined with the might of the ACCC, have equal or stronger powers than a Royal Commission.

Is there a sector under more scrutiny and regulation than Australia's financial services?

Nothing comes close.

And for good reason. As the Prime Minister said, our banks and our financial services sector operate under a social license which is underwritten by public confidence and trust.

The sector, which includes all retail banks, retail and industry superannuation funds, life insurance companies, funds management companies, trustee companies, financial advice licensees and financial advisors, is the largest in the national economy, contributing to 9 per cent of growth, edging out mining and employs 451,000 people. It manages \$2.6 trillion worth of funds – the world's fourth largest pool of contestable funds. Critically, the sector manages our savings and grows our collective and individual wealth. It provides expertise and products which touch the lives of every Australian, many times every day.

It absolutely must be held to account.

The plethora of recent and current reviews and inquiries have been both wide-ranging and very specific. Some target specific industries – for example, life insurance, where following one ASIC review the FSC is leading the sector towards robust self-regulation and a Code of Practice. ASIC is currently undertaking a broader review of insurance claims practices. Some are root and branch examinations of the entire sector, such as the recent Financial System Inquiry (FSI), and the earlier Cooper review into super.

Many have led to important legal reforms giving consumers proper protection against poor behaviour. The Future of Financial Advice legislation has ended investment commissions for advisers. Other reforms include a statutory best interest duty for financial advisers, clearer disclosure of ongoing fee arrangements and higher educational and professional standards.

The Ripoll Inquiry and the FSI recommended strengthening the corporate regulator powers. ASIC has been given increased powers to suspend or cancel a financial services license if it views an Australian Financial Services License holder is unlikely to comply with the law, and following FSI recommendations the Government will further strengthen the regulators toolkit and give ASIC the power to ban individuals from managing financial services firms. To be fully effective as a corporate

regulator ASIC also needs to use its existing powers to undertake effective monitoring and enforcement and it must be properly resourced. The review of funding for ASIC is well underway, an initiative the FSC wholeheartedly supports.

A Royal Commission, now ALP policy, is something quite different. Principally a fact-finding mission, it would target issues which pre-date the outcomes of the current and recent reviews which have already led to law reform and better consumer protections.

We don't know how far Bill Shorten's Royal Commission will go – if the ALP is elected – or how any sectors across the vast financial services industry it will examine.

A Royal Commission is an unnecessary use of time and resources. The man who has done more than anyone, over decades, to guide Australian business on the importance of doing the right thing, agrees. The executive director of The Ethics Centre, Dr Simon Longstaff, has been reported as saying that a Royal Commission is unwarranted because between them, ASIC, APRA and the ACCC have all the powers of such an inquiry. Best practice, he says, would be for regulators to continue working on encouraging bank boards and managers to develop ethical cultures.

The FSC will continue to actively promote best practice in financial services by setting self-regulatory standards and enforcing these standards as a condition of membership. One example of this is our standard for strong governance of super funds which mandates a majority of independent trustees on members' boards, an important reform that protects consumers from conflicts of interest.

We do understand that trust in the work our members do to grow people's wealth and retirement savings, and insure their lives must be paramount. We understand the requirement of a social licence to operate. Where it fails, we have robust regulators, strong laws, multiple systems of scrutiny and a free media which all do their job every day to ensure that wrongs are discovered and put right.

*Sally Loane is the CEO of the Financial Services Council, whose members include superannuation, life insurance, trustees, financial advice licensees and funds management companies. She is a signatory to The Ethics Centre's Banking and Finance Oath.*