
The Parliament of the Commonwealth of Australia

Review of the Australian Securities and Investments Commission Annual Report 2016

House of Representatives
Standing Committee on Economics

December 2017
Canberra

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Chair's foreword

On 14 September 2017, the Australian Securities and Investments Commission (ASIC) appeared before the committee, as part of the review of ASIC's 2016 Annual Report.

The committee examined issues regarding ASIC's surveillance and enforcement activities, the regulatory framework, and risk management. This included statements made by the four major banks in relation to interest rate rises, the new Australian Financial Complaints Authority (AFCA), competition in the banking sector, and the Banking Executive Accountability Regime (BEAR).

The committee noted recent media statements released by the major banks in relation to interest rate increases, following an announcement by the Australian Prudential Regulation Authority (APRA) instructing banks to limit the flow of new interest only lending to 30 per cent of new residential mortgage lending. The committee expressed concern about banks claiming that interest rate rises were solely due to regulatory changes, and asked ASIC if they would be concerned by disproportionately larger increases than could be justified by the particular regulatory changes.

ASIC noted that it would be concerned if banks were making misleading statements. ASIC stated that this issue goes to whether the public justification for the interest rate rises were inaccurate, false or misleading, and therefore in breach of the ASIC Act. Finally, ASIC noted that it would be working with the ACCC as the competition regulator examines the factors that have contributed to interest rate settings.

In relation to AFCA, ASIC noted that it was very supportive of the creation of a single authority for dispute resolution, and greater transparency on internal dispute resolution by financial firms. ASIC stated that they are working closely with Treasury and other stakeholders to prepare for the new authority. ASIC commented that AFCA will bring greater consistency to the decision making related to consumer complaints.

ASIC has also undertaken significant work to prepare for the implementation of the industry funding model, including communication and consultation with regulated entities. The committee noted ASIC's preparations for the model, and will monitor the implementation at future hearings.

The committee will continue to monitor ASIC's performance, particularly in relation to the Government's new banking and financial services initiatives, and will maintain scrutiny of ASIC in relation to its surveillance and enforcement activities. This includes ASIC's investigations into the life insurance industry and the banking sector.

On behalf of the committee, I thank the Chairman of ASIC, Mr Greg Medcraft, and other representatives of ASIC for appearing at the hearing on 14 September 2017.

The committee notes that this was the last time that Mr Medcraft will appear before our committee in his capacity as Chairman of ASIC. On behalf of the committee, I thank Mr Medcraft for his six years of service to the nation as Chairman of ASIC. We wish Mr Medcraft every success in the future.

David Coleman MP
Chair



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Membership of the Committee

Chair	Mr David Coleman MP
Deputy Chair	The Hon Matt Thistlethwaite MP
Members	Mr Adam Bandt MP Ms Julia Banks MP Mr Scott Buchholz MP Mr Trevor Evans MP Mr Kevin Hogan MP Mr Craig Kelly MP Mr Matt Keogh MP Ms Madeleine King MP

Committee Secretariat

Secretary	Mr Stephen Boyd
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Terms of reference

The House of Representatives Standing Committee on Economics is empowered to inquire into, and report on, the annual reports of government departments and authorities tabled in the House that stand referred to the committee for any inquiry the committee may wish to make. The reports stand referred in accordance with the schedule tabled by the Speaker to record the areas of responsibility of the committee.



Abbreviations

ACCC	Australian Competition and Consumer Commission
AFCA	Australian Financial Complaints Authority
ANZ	Australia and New Zealand Bank
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
AUSTRAC	Australian Transaction Reports and Analysis Centre
BEAR	Banking Executive Accountability Regime
CBA	Commonwealth Bank of Australia
NAB	National Australia Bank
PDS	Product Disclosure Statement
RG 97	Regulatory Guide 97