HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (FOURTH REPORT)

Commonwealth Bank of Australia

CBA10QW: On 10 February 2017 CBA made a submission to the Sedgwick Review. Accompanied with that submission was a covering letter signed by former CEO Mr Ian Narev. In that letter Mr Narev stated that:

"We [CBA] would support elevated controls and measures on incentives related to mortgages that are consistent with their importance and nature of the guidance that is provided. For example, the de-linking of incentives from the value of the loan across the industry, and the potential extension of regulations such as Future of Financial Advice (FoFA) to mortgages in retail banking."

Do you still support such measures?

Answer: Commonwealth Bank supports strong controls to ensure that when customers take out home loans they are well supported, and that any guidance they receive is aligned with their interests.

Commonwealth Bank has acknowledged publicly that the use of upfront and trailing commissions for third-parties that are linked to loan size can potentially lead to poor customer outcomes.

CBA has publicly expressed the view several times, including this year in responses to the Royal Commission, that there could be merit in discontinuing the practice of volume based commissions, but care needs to be taken to implement any change in a way that does not adversely impact customers, or legitimate business interests.

CBA has taken action to introduce new, and improve existing, accreditation standards, and has heightened monitoring and oversight of Head Groups, through its participation in the Combined Industry Forum (CIF). These reforms are complex and impact many businesses and individuals throughout the industry, meaning they should be implemented in a reasonable timeframe to ensure all stakeholders understand their roles and responsibilities.