

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Mobile Payment and Digital Wallet Financial Services

2021 - 2022

Division: Financial System Division
Topic: Council of Financial Regulators recommendations
Reference: Spoken p.40 (27 July 2021)
Senator: Julian Hill

Question:

Mr HILL: Is there an explanation Treasury can give of the failure over multiple years and over multiple inquiries to regulate or develop a new class of regulation for stored-value products? I refer to the 2014 inquiry, I think it was the Murray inquiry; the 2018 Productivity Commission inquiry; the 2019 advice to government from the Council of Financial Regulators; and the 2020 advice to government from the Council of Financial Regulators—seven years, and all saying that there's a regulatory gap and that action is needed to provide some regulatory cover for stored-value facility providers that are not approved deposit-taking institutions. What's the time line in which we could expect action on this?

Ms Luu: The Council of Financial Regulators are currently working on the reforms that the government agreed to for stored-value facilities. This will take some time to progress. As you'd expect, some of it may involve legislative change.

Mr HILL: It has been seven years since we got the first recommendation. Can you give us any more precision than 'some time'?

Ms Luu: Not on the matters that would have to be agreed to by government. I'm not sure whether any of my colleagues here want to talk to any of the recommendations that [inaudible]—

Mr HILL: Let me ask it another way. You just told us that the Council of Financial Regulators are doing some work after the government made another announcement. I understand that you can't pre-empt the timing of government decision-making, but how long might the Council of Financial Regulators take to do this next bit of work?

Ms Luu: I'd have to take that on notice. There are 11 recommendations in that review. I wouldn't be able to talk to the [inaudible] each one of those recommendations and the timing.

Answer:

The Report on the Regulation of Stored-value Facilities in Australia: Conclusions of a Review by the Council of Financial Regulators was released by Government in November 2020. This followed the Government's 2020-21 Budget announcement that it would introduce a new regulatory framework for stored-value facilities, in line with the report's recommendations.

Council of Financial Regulators agencies are working through further policy detail underpinning the proposed reforms. Some of the proposed reforms will require legislation or legislative change.

In accordance with recommendation 8 of the Report, the Australian Prudential Regulation Authority (APRA) has been reviewing its existing purchased payment facility prudential

framework. APRA has committed to the publication of the draft new prudential standard for large stored-value facility providers for consultation in the second half of 2021.