

Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026

Economics Legislation Committee

Submitter:

Michael Sanderson

Advisor to Bank Reform Now (14K followers)

Foundation member to 'Bank Warriors'



This submission opposes the bill in its present form because it has not been shown to satisfy the paramount test of the 'good public purpose'.

Good public purpose as the paramount question

The first and paramount question is not whether the proposed structure is tidier, more coherent, or more modern. It is whether the legal and regulatory architecture serves good public purpose. In this context, that means asking whether finance is being directed toward productive use, social utility, resilience, transparency, and accountability in substance. If that is not the paramount purpose, what is. On the present statutory and policy materials, the operative purposes appear narrower and more technocratic. They are the provision of useful and comparable information, clear standards, lower cost of capital, overseas competitiveness, investor confidence, and a more flexible external reporting architecture, including for sustainability standards. Those are not trivial aims, but they are not the same as good public purpose.

The inquiry before the committee

This inquiry is formally directed to the Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026, which would merge the Financial Reporting Council, the Australian Accounting Standards Board, and the Auditing and Assurance Standards Board into External Reporting Australia. The Senate referred the bill to the Economics

Legislation Committee on 5 March 2026, with submissions closing on 27 March 2026 and a report due on 24 April 2026. The Parliamentary Library digest identifies governance design, ministerial appointment power, associate members, and conflicts of interest in appointments to the proposed Governing Council as central issues raised by the bill.

Those matters are relevant, but they are not the whole public purpose question. They go to machinery, governance, and safeguards. They do not exhaust the prior question of whether the broader architecture of finance and reporting is serving durable public value.

Reporting is not the main illness

Reporting is not the main illness. It is part of the diagnostic apparatus. It can improve visibility, comparability, and assurance. It can make concealment harder and disclosure more coherent. It can expose some risks earlier and discipline some forms of misstatement. But it does not by itself determine whether the financial sector is allocating credit to productive investment rather than property inflation, supporting regional and household resilience rather than extracting fees from fragility, or serving the broader community rather than prioritising private balance sheet advantage and short horizon return.

The present bill is therefore a bill about who writes and administers the reporting rules. It is not a redesign of finance itself. The bill materials present it as a merger of reporting institutions and a new architecture for core financial reporting and sustainability standard setting, not as a broader restructuring of the financial sector. That is precisely why the committee should be careful not to confuse institutional rearrangement with structural cure.

What the speeches reveal

On the material presently before the committee, that larger distinction has not been squarely grasped in the parliamentary speeches. Government speakers have framed the bill as a major institutional reform concerned with integrity, trust, confidence, and a more coherent sustainability standard setting framework. Opposition commentary has framed it more as the abolition of longstanding bodies and a restructuring that warrants caution and scrutiny. The Parliamentary Library digest likewise shows that the parliamentary contest has so far centred chiefly on governance mechanics, appointments, and conflicts.

Those are legitimate matters, but together they suggest that both supporters and critics are debating the machinery of reporting more than the social purpose of the financial sector itself. The debate remains largely at the level of administrative design,

institutional arrangement, and procedural safeguards, rather than the deeper question of whether finance is serving production, resilience, and durable public value.

Why the ASIC report matters

That narrower focus is reinforced by the July 2024 Senate Economics References Committee report into ASIC investigation and enforcement. That report is not about this bill and does not directly decide whether the Financial Reporting Council, the Australian Accounting Standards Board, and the Auditing and Assurance Standards Board should be merged. Even so, it is relevant because it speaks to a broader institutional question that this inquiry cannot sensibly ignore, namely whether concentration of functions in a single body necessarily serves public purpose.

The report states that ASIC has comprehensively failed to fulfil its regulatory remit and recommends that the Australian Government strongly consider separating its functions between a company's regulator and a separate financial conduct authority. It says ASIC's remit has become too broad, that its scope and complexity have outgrown its abilities, and that Australia should consider other models, or even new entities, to administer parts of the law. It also argues that assigning key regulatory functions to special purpose bodies may improve public benefit rather than persisting with a lone, capacity constrained, monolithic regulator.

That does not prove that the proposed merger in this bill is wrong. But it does caution against any easy assumption that amalgamation is inherently superior to functional separation. In an adjacent part of Australia's corporate and financial regulatory architecture, a Senate committee has expressly concluded that excessive breadth, concentration of functions, and accumulated structural burden may contribute to failure, weak accountability, and diluted focus. If over concentration is being treated elsewhere as a reason to consider separation, then consolidation in this bill requires a stronger demonstration of necessity, proportionality, and public benefit than administrative neatness alone.

The analogy should still be framed with discipline. ASIC is an enforcement and conduct regulator with a uniquely broad remit, whereas this bill concerns the institutional architecture of standard setting for external reporting. They are not the same kind of body and the case for separation in one context does not mechanically establish the case against merger in another. Even so, the report remains relevant because it reinforces a broader principle of public administration. Structural concentration is not an end in itself. Public purpose may sometimes be better served by sharper functional focus, clearer lines of responsibility, and specialised bodies with narrower mandates. That is a live caution for this inquiry.

The central limit of reporting reform

The ASIC report strengthens a broader cautionary proposition. Institutional redesign should not be presumed to generate public purpose simply because it looks cleaner on paper. Trust must be earned by conduct, accountability, transparency, and demonstrable public benefit in operation.

That is the central limit of reporting reform. A strong reporting regime is worth preserving and improving. Robust accounting standards, auditing standards, assurance standards, and sustainability disclosure standards can illuminate what powerful institutions are doing and reduce the scope for arbitrary or misleading claims. But they should not be mistaken for structural reform. A system can be well reported and still be poorly ordered. It can generate clean disclosures while channelling credit into speculation, tolerating concentration of market power, externalising ecological and social costs, and socialising downside risk while privatising gain. Good reporting may reveal those tendencies more clearly. It does not by itself reverse them.

A good public purpose approach would therefore support strong reporting, audit, and assurance while refusing to confuse those functions with a broader public interest settlement. The real question is whether finance is being treated as a servant of production, resilience, stewardship, and social utility, or as an end in itself.

Indirect relevance to Commonwealth financial reporting

The bill is not directly a reform of Commonwealth financial reporting under the Public Governance, Performance and Accountability framework, but it does have an indirect and important connection to it. That is because Commonwealth entities and whole of government reporting rely on Australian Accounting Standards, including AASB 1049, which the Department of Finance says is used for budget papers, final budget outcome reporting, monthly financial reporting, and Commonwealth annual financial statements. The present bill would move the accounting standard setting function now performed by the Australian Accounting Standards Board into External Reporting Australia, so while it does not rewrite the federal government's reporting rules itself, it would change part of the standard setting architecture that underpins federal government financial reporting.

Position on the bill

For the reasons above, this submission is against the bill in its present form. That position is not based on hostility to rigorous external reporting, or to accounting, audit, assurance, or sustainability disclosure as such. It is based on the view that the proposed merger has not been shown to be necessary, proportionate, or responsive to the deeper structural problems that most affect good public purpose in the financial system.

Broader financial sector reform may properly be noted in this inquiry as context, caution, and perspective, even if it is not the immediate subject of the bill. What remains squarely within scope is to submit that Parliament should not overstate what this bill can achieve, should not confuse institutional consolidation with structural cure, and should not mistake a cleaner reporting architecture for meaningful reform of finance itself.

This bill may alter the architecture of reporting. It has not been shown to answer the more important question of whether the system within which it sits is organised for the ‘good public purpose’.

Reference Source List

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- Senate Standing Committee for the Scrutiny of Bills, *Scrutiny Digest 3 of 2026*.
- Senate Economics References Committee, *Australian Securities and Investments Commission investigation and enforcement*, report, July 2024.

Parliamentary Speeches

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- House of Representatives Hansard, Pat Conaghan MP, *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*, second reading speech, 3 March 2026.
- House of Representatives Hansard, Ali France MP, *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*, second reading speech, Federation Chamber, 4 March 2026.
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- Senate Hansard, Senator Anthony Chisholm, *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*, second reading speech, 11 March 2026.