



FSU Submission:

Senate Standing Committees on Economics in relation to the Banking Executive Accountability Regime



FINANCE SECTOR UNION

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Introduction

The Finance Sector Union of Australia (**FSU**) is pleased to provide a submission on the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Bill that was introduced into the House of Representatives on 19 October 2017.

As set out in our previous submissions to Treasury dated 16 August 2017, FSU is supportive of the rationale for the Banking Executive Accountability Regime and the FSU firmly supports the objective of these reforms. The finance industry is currently experiencing a trust deficit with its workers, its shareholders and the community at large.

The accountability of senior executives and directors for the continued poor conduct and outcomes that are occurring throughout the finance industry are key to rebuilding trust and confidence across the sector.

Background

It has been the Finance Sector Unions experience that there are significant cultural issues within banks that mitigate against the effectiveness of accountability, disclosure and enforcement regimes.

This culture can manifest in excessive pressure to meet targets on the staff below. Too often, relatively junior staff are held to a higher account than their managers, and bear the punitive action that arises. The public record is replete with examples of individuals being subject to disciplinary procedures, whilst senior management is not held to account for broader and systemic poor practice.

It is a matter of public record that the Chief Executive Officers of large banks support the principles of greater accountability and transparency in order to minimise reputational risks. For those bank employees engaged directly in customer service and support, our experience is that they have an admirable collective commitment to quality service and customer satisfaction.

However, the experience of the Finance Sector Union is that the transmission and execution of improved culture at the high to senior manager levels needs serious improvement. In many cases, individuals have risen through the ranks of an incentives based industry over a period of decades. A "whatever it takes" culture remains pervasive in some entities, and flies beneath the radar of very senior executives.

Commentary

Over the recent past the Federal Government has established a range of inquiries and reviews aimed at creating greater scrutiny of the finance sector. In addition, the prospect of Royal Commission into the banking sector remains a live consideration. The introduction of the BEAR is one of several different regimes being implemented to address issues of accountability and conduct across the industry.

Alongside APRA's Banking Executive Accountability Regime, ASIC are consulting over a process for Banning Senior Managers and ABA member banks have rolled out a Conduct Background Check process for Financial Planners from March 2017 and a further Conduct Background Check process for other employees that has been rolled out between July and October 2017.

This rapid roll out of accountability systems is likely to lead to convoluted of outcomes and is unlikely to lead to a situation of rebuilding the necessary trust across the industry.

It is of significant concern to the FSU that by pursuing ad hoc reforms that are developed and implemented in isolation of each other, systems designed to ensure accountability and improved culture will do neither. In fact a disparate system with different regulatory oversight runs a risk of failing in the prime objective of BEAR and other accountability regimes.

Furthermore at this time only BEAR provides for genuine transparency and administrative appeals processes. It is possible that by only providing an administrative appeals process to executives through BEAR, a cultural and accountability divide is created between executives and frontline workers, who do not have such an appeal process and are therefore potentially exposed as scapegoats for poor outcomes.

This is highlighted by Westpac CEO Brian Hartzler when he outlined in the Australian Financial Review that he believes that as part of the Banking Executive Accountability Regime that executives should have access to a more substantive appeals process and that it is "over the top" that a persons career could be terminated without one.¹

The FSU notes that these same mechanisms are not afforded to frontline workers through the ABA Conduct Background Check Process and that employers have not seen it to be "over the top" that a finance worker could lose their career without a substantive appeals process.

¹ AFR - Thursday, 12 Oct 2017 - Page 19

Recommendations

1. The FSU recommends that, although well intentioned, the proposed BEAR will further enforce the cultural divide of accountability between frontline workers and banking executives and therefore implementation of the BEAR should be considered in line with all other accountability measures across the industry.
2. That all Executives, Senior Managers and employees across the finance industry be accountable to a regulatory and compliance regime that must be:
 - I. Proportionate to risk
 - II. Easy to understand, for consumers, businesses, the sector and employees, agents and contractors
 - III. Independent and transparent
 - IV. Have clear lines of accountability
 - V. Be subject to regular review
 - VI. Provide for administrative fairness
3. That any administrative fairness and appeal mechanisms for BEAR are mandated as standard for all accountability and conduct processes across the industry.

For further information, please contact FSU National Secretary Julia Angrisano on [REDACTED] or [REDACTED]

Yours sincerely

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