

Question No: 013
Topic: Remediation
Committee Member: Senator O'Neill
Reference: Hansard pages 18 and 19

Question

On notice, can you provide a brief on the impediments that you articulated exist in the system at the moment? You've indicated less than a third of \$2.9 billion, that you think is going to come through, has already gone out—\$829 million. Could you provide a reasonably detailed outline of where you think that \$2.9 billion is owed and where the \$829 million has gone back? Finally, could you give me an indication when you expect to get the directions power and what's holding it up?

Answer

ASIC has been working with APRA, ATO, Treasury and financial institutions to test opportunities to fast track payments made to consumers under FFNS (fee for no service) financial advice remediations. The financial institutions referred to a number of impediments that contributed to the protracted timeframes for the FFNS (fee for no service) financial advice remediations, including:

- (a) The age of the FFNS conduct (and impact on locating client files and information);
- (b) The consequential difficulty in identifying and making payments to clients (especially former clients); and
- (c) Specific payment and taxation requirements unique to remediating within the superannuation system.

In terms of the remediations that ASIC's various stakeholder teams are monitoring, Table 1 outlines the amount of remediation monies returned and expected according to each sector. Note that many of the remediations are in the development phase of which ASIC has varying levels of oversight, meaning once completed the amount returned upon finalisation may differ significantly.

Table 1: Breakdown of active ASIC remediations by sector

Sector	\$ returned	further \$ expected	\$ expected (total)
Credit & banking	\$173.3mn	\$58.575mn	\$231.87mn
Financial advice/wealth	\$493.8mn	\$2.675bn	\$3.169bn
Insurance	\$161.2mn	\$256.6mn	\$417.828mn
Totals	\$828.3mn	\$2.99bn	\$3.81bn

ASIC's Directions power

In its response to the recommendations of the Financial Services Royal Commission, the Government committed to introducing legislation to implement the recommendations of the ASIC Enforcement Review Taskforce, including providing ASIC with the power to give directions to Australian financial services and credit licensees.

On 8 May the Government announced that legislation implementing the Financial Services Royal Commission would be deferred for introduction by December 2020 in the Spring Parliamentary Sitzings.

The timing of introduction of legislation providing ASIC with a Directions power is a matter for Government.