

Introduction

Background

- 1.1 This is the House of Representatives Standing Committee on Economics' third report for the committee's review of Australia's four major banks.
- 1.2 In November 2016, the committee published its first report, which followed the first round of hearings a year ago in October 2016. The report contained 10 recommendations to reform the banking sector, including calling for new legislation and other regulatory changes to improve the operation of the banking sector for Australian consumers.
- 1.3 In a second report in April 2017, following hearings in March, the committee reaffirmed the 10 recommendations of its first report and made an additional recommendation in relation to non-monetary default clauses.
- 1.4 In the May 2017 Budget, the Treasurer announced that the Government would be broadly adopting nine of the committee's 10 recommendations for banking sector reform, including:
 - a one-stop shop for consumer complaints to be known as the Australian Financial Complaints Authority (AFCA);
 - a regulated executive accountability regime – to be known as the Banking Executive Accountability Regime (BEAR);
 - the establishment of the Financial Sector Competition Unit in the Australian Competition and Consumer Commission (ACCC) to investigate competition issues, including the setting of interest rates;
 - the establishment of an open data regime to give customers power over their own financial information; and

- a simpler regulatory regime for bank start-ups in order to encourage more competition in the sector.
- 1.5 The committee's mandate from the government to review the banking sector is ongoing, and provides an important mechanism to hold the four major banks to account before the Parliament.
- 1.6 The third round of hearings in October 2017 focused on the major banks' progress in implementing the recommendations of the committee and other matters, including those that have emerged since the last round of hearings.

Conduct of the inquiry

- 1.7 The committee held three-hour public hearings with each of the four major banks on 11 and 20 October 2017.
- 1.8 The proceedings of the hearings were webcast over the internet, through the Parliament's website, allowing interested parties to view or listen to the proceedings as they occurred. The transcripts of each of the public hearings are available on the committee's website.
- 1.9 Following these hearings, the committee sent letters to each of the major banks' Chief Executive Officers (CEOs) seeking responses to questions on notice as well as a range of additional information on specific issues of concern to the committee.
- 1.10 The banks' responses to these additional requests, excluding information that was provided on a commercial-in-confidence basis, are available on the committee's website.

Reader guide and structure of the report

- 1.11 Four key issues were identified where the committee made recommendations: dual-network debit cards and tap-and-go payments; the repricing of interest-only mortgages; comprehensive credit reporting; and AUSTRAC procedures. Chapter 2 covers these recommendations.
- 1.12 Chapter 3 provides a summary of other key issues covered during the committee's public hearings.