



## FINANCIAL SERVICES AND CREDIT QUARTERLY UPDATE

October 2015

### FINANCIAL SYSTEM INQUIRY

#### **FSI** Government responds

On 20 October 2015 the Federal Government announced its response to the Financial System Inquiry Report (the **Murray Report**). The important responses are highlighted as **FSI** in this special issue of the *Financial Services and Credit Quarterly Update*.

Generally the Government agreed with the recommendations in the Murray Report. The main point of disagreement was on the recommendation that limited recourse borrowing arrangements for super funds be prohibited. However the Government has agreed that leverage and risk in the superannuation system should be monitored.

### CONSUMER CREDIT

#### **SACC** review

The Federal Government announced the terms of reference for the review of the small amount credit contract (**SACC**) provisions of the National Consumer Credit Protection Act (the **NCCP Act**) and the review panel, which comprises Danielle Press, Catherine Walter and Stephen Cavanagh.

The review panel released a consultation paper and submissions were due by 15 October. A final report is due to be handed down by the end of the year.

The Government has tacked on to the review of SACCs the matter of consumer leases, and one of the items it has included in the terms of reference is whether the SACC provisions should be extended to consumer leasing. There appears to be a view in some parts of the Government that consumer leasing is too expensive for consumers in the absence of the price controls which apply to loans.

#### **Cost of consumer leasing**

ASIC released a report on the cost of consumer leases on 11 September 2015 (REP 447 *Cost of consumer leases for household goods*). The release of the report is well timed to coincide with the SACC review and is cited in the SACC review consultation paper as evidence that some consumer leases may be more expensive than SACC loans.

The report found from a survey that different lessors charged different amounts for the same goods (ASIC refers to this as “price dispersion”) and that the same lessor would charge different amounts for the same goods for different customer segments (ASIC refers to this as “price

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discrimination"). In particular, ASIC found that Centrelink customers paid more.

The ASIC report conveys ASIC's view that there is something wrong with price dispersion and price discrimination in these circumstances and that there is a likely "market failure" in the consumer leasing market (with the implication that government regulation is therefore required and is able to correct the failure).

There is no analysis of the rate of return for the lessors.

In relation to "price dispersion" ASIC states in its report:

*In a well-functioning market, the gap between prices offered by different suppliers should be small, with consumers favouring lessors who charge lower prices over those charging higher prices. Our analysis indicated that this was not the case and that there was a broad dispersion in the amounts charged by lessors.*

In relation to "price discrimination" ASIC's view is stated as follows:

*The increased price to Centrelink recipients cannot be explained by lessors seeking to cover their credit risk. This is because the Centrepay system largely removes the lessor's credit risk as it processes authorised payments prior to releasing the residual funds to the consumer.*

This statement seems to assume that Centrelink customers cannot control their Centrepay deductions once set up. However under the Centrepay system, the customer can cancel their Centrepay deductions at any time.

ASIC goes on to say in its report:

*Price discrimination in such circumstances ..... indicates a likely market failure and a potential exploitation of a lack of consumer understanding by less financially literate consumers about the real cost of the lease.*

*ASIC's view is that reforms could be considered to address conduct by lessors in charging unreasonably high costs to financially vulnerable consumers such as Centrelink recipients.*

ASIC is clearly sympathetic to further legislation to regulate credit markets in the area of consumer leasing and we expect it will be looking to the SACC review to endorse additional power being given to ASIC in this area.

## Interest only home loans – ASIC review

ASIC also published a report in the last quarter on its review of interest free home loans, REP 445 *Review of interest-only home loans*. The report was spurred by the growth in interest only home loans in recent times: in the December 2014 quarter, interest-only home loans accounted for 43% of all new home loans.

The review surveyed the practices of 11 lenders over the period 2012 to 2014.

ASIC identified some key responsible lending concerns in the report:

- in 40% of the reviewed files, the affordability calculations assumed the borrower had longer to repay the principal by using the full term of the loan to calculate principal repayments, rather than the residual term after the interest only period ended;
- in over 30% of reviewed files, there was no evidence that the lender had considered whether the interest-only home loan met the borrower's requirements; and
- in over 20% of reviewed files, lenders did not consider the borrower's actual living expenses when assessing the loan, and instead relied on expense benchmarks.

ASIC was also concerned that lenders did not always ensure the consumer had sufficient income above expenses (surplus) and noted variable treatment among lenders of volatile and irregular borrower incomes.

ASIC noted that its concerns had broader implications than interest only home loans.

The report includes suggested actions to be taken by lenders. ASIC commented that the lenders surveyed had all advised ASIC that they intended to change.

## COMMERCIAL FINANCE

### Unfair contract terms for small business

The Senate has passed the Bill to extend the unfair contract terms legislation to small business. The Senate amended the original Bill introduced in the House of Representatives. The amendments

increase the maximum monetary value of a small business contract that will be subject to the new controls. In the original Bill a small business contract was defined as one with a value of no more than \$100,000 (or \$250,000 for contracts beyond one year). As amended these amounts have increased to \$300,000 and \$1 million respectively. The requirement that at least one party to the contract has fewer than 20 employees has not changed. The Senate also amended the transition period before commencement from 6 to 12 months.

The amended Bill was returned to the House of Representatives and has now been passed by both houses of the Parliament.

## ABN identifier

An exposure draft of the *Treasury Legislation Amendment (Spring Repeal Day) Bill* was released by Treasury in August for comment. Submissions closed on 28 September 2015. The proposed Bill will amend the Corporations Act and other legislation to provide for the Australian Business Number (ABN) to be the single numerical identifier for companies. This will apply from 1 July 2016.

## E-COMMERCE

### Digital currency – Senate reports

In August the Senate Economics References Committee handed down its report *Digital currency – game changer or bit player*.

The committee concluded that digital currency should be treated as money for the purposes of GST.

The report recommended that further examination of the tax treatment of digital currencies should be included in the taxation white paper process.

The report also recommends that the Australian Government consider establishing a Digital Economy Taskforce to gather further information on the uses, opportunities and risks associated with digital currencies.

In relation to the AML/CTF implications of digital currencies, the report recommends that the AML/CTF statutory review considers applying AML/CTF regulations to digital currency exchanges.

## MPR Guidance Notes

ARNECC is the Australian Registrars' National Electronic Conveyancing Council founded in 2011 to co-ordinate a national approach among the States and Territories to the regulation of electronic conveyancing.

ARNECC publishes Model Participation Rules (MPRs) for States and Territories participating in the national electronic conveyancing system. In September it published a series of guidance notes on the MPRs dealing with:

- client authorisation (obtaining authorisation to represent a transacting party in a conveyancing transaction).
- verifying the identity of a transacting party in a conveyancing transaction.
- providing the certifications required when signing documents.

The guidance notes are published on the ARNECC website.

## FSI Disclosure

The Government will develop legislation to remove any regulator impediments to innovative financial disclosure following current processes led by ASIC and industry to promote innovation.

## FINANCIAL ADVICE

### Changes to Financial Advisers Register

New fees and notification periods apply for the financial adviser and authorised representative registers from 1 October 2015.

Licensees have 30 business days from the effective date of change to notify appointments or updates.

A \$29 fee will apply to update representative details or cease a representative. A \$75 late fee will apply when a notification is less than one month late, and a \$312 late fee will apply when a notification is over a month late.

## FSI Renaming of general advice

The Government has agreed to rename "general advice" to improve consumer understanding.

## **FSI** Ownership structure disclosure

The Government will legislate to ensure that financial advisers and mortgage brokers adequately disclose their relationships with associated entities.

## **FSI** Retail life insurance advice

The Government supports the retail life insurance industry's proposed reforms announced in June 2015. It will consider whether legislation or action by ASIC is also necessary. There will be a Government review in 2018 to assess if the new arrangements for life insurance advice have succeeded. Consideration may then be given to a level commission structure or extending the FOFA provisions to life insurance advice.

## **FSI** Advice competency

Legislation will be introduced to raise the professional ethical and educational standards of financial advisers. The legislation will require advisers to hold a degree, pass an exam, undertake continuous professional development, subscribe to a code of ethics, and to undertake a professional year. An independent, industry funded body recognised in legislation will have the responsibility for developing the new standards.

## FINANCIAL MARKETS

### Offers by foreign companies

ASIC has reissued 6 legislative instruments dealing with foreign scrip offers to Australian investors. These provide relief from the disclosure obligations under the Corporations Act, for example where the foreign company is listed on an approved foreign market or where advertising is aimed at a foreign market and only incidentally published in Australia.

### HFT and dark liquidity

ASIC recently published a report on the impact of high-frequency trading (HFT) on Australian equity and futures markets and dark liquidity on Australian equity markets. ASIC concluded that current levels of HFT and dark liquidity are not adversely affecting the function of Australian markets for businesses and investors.

The report found that the level of HFT in Australia's equity markets has remained steady at around 27% of total turnover and dark liquidity has remained reasonably constant at around 25 to 30% of total equity market turnover. ASIC also found that there has been a shift back to using dark liquidity for its original purpose of large block trades.

### Crowdfunding paper

In August the Federal Government released a consultation paper on crowd-sourced equity funding (CSEF). The period for making submissions has now closed.

The consultation paper announces the Government's CSEF policy for public companies. It also examines ways to increase the ability of small proprietary companies to access finance without having to move into the disclosure and reporting regime of public companies and seeks views on whether the CSEF framework should be extended to proprietary companies.

The key elements of the CSEF framework for public companies include:

- An investment limit for retail investors of \$10,000 per offer in a 12 month period, and a \$25,000 in aggregate CSEF investment limit per 12 month period, to be self-certified by investors.
- Issuers must be incorporated as a public company in Australia, and offers will be limited to certain small enterprises that have not raised funds under existing public offer arrangements.
- Issuers will be able to raise up to \$5 million in any 12 month period.
- Investors will have an unconditional right to withdraw for 5 days after accepting an offer. There will also be additional rights in relation to material adverse changes during the offer period.

### **FSI** Crowdfunding regulation

The Federal Government has committed to developing a regulatory framework to facilitate CSEF through the 2015-16 Budget.

### **FSI** Retail corporate bonds

Legislative amendments will be developed to modernise and simplify disclosure for large corporates issuing simple corporate bonds to the retail market.

## **FSI** Impact investment

The Federal Government will develop legislative amendments to provide greater certainty for private ancillary funds wishing to invest in social impact bonds. A discussion paper will be prepared to explore ways to facilitate the development of the impact investment market in Australia.

## **FSI** Asian Region Funds Passport

In the second half of 2016, legislation will be introduced to establish an Asian Region Funds Passport.

## **FSI** International derivatives markets

Legislation will be developed in the second half of 2015 to support globally coordinated policy efforts and facilitate ongoing participation of Australian entities in international derivatives markets. Legislation will also be introduced to improve protections for client monies held in relation to derivatives.

### FINANCIAL PRODUCTS

## **FSI** Finance company products

The Federal Government has agreed with the Murray Report recommendation that there needs to be a clear differentiation between investment products of finance companies and ADI deposits.

## **FSI** Basic deposit products

Amendments will be made to the definition of “basic deposit product” in the Corporations Act. These will clarify how certain term deposit products are treated under the law.

## **FSI** Product issuer and distributor accountability

The Federal Government will create a targeted and principles-based financial product design and distribution obligation. This will be subject to detailed consultation with stakeholders.

## **FSI** Managed investment scheme regulation

Legislation will be developed to enhance the regulatory framework for managed investment schemes.

### FINTECH

## **FSI** Technology neutrality

Priority areas of legislation and regulation will be amended to be technology neutral. A technology neutrality principle will be embedded into future legislation and regulation making. The Government will consult with the financial sector on priority areas of existing legislation and regulation.

## **FSI** Innovation by committee

The Government will establish an Innovation Collaboration Committee linked with ASIC's Digital Finance Advisory Committee established earlier this year.

## **FSI** Digital identity

The Government will support a national digital identity strategy.

### INSURANCE

## Transition period ends for new GICOP

The new General Insurance Code of Practice 2014 came into effect on 1 July 2014 and the 12-month period for insurers to transition to the new Code ended on 30 June 2015.

## **FSI** Guidance and disclosure in general insurance

The Government will support industry proposals to increase guidance and disclosure in general insurance.

### PAYMENT SYSTEMS

## eftpos access regime

Following a decision of the Payments System Board, the Reserve Bank has revoked the Access Regime applying to the eftpos system. With the establishment of a central hub by eftpos Payments Australia Ltd, the Board judged that suitable access arrangements were now in place so that the Access Regime could be removed.

## Travel money card refunds

ASIC recently reviewed 16 travel money cards from 8 issuers. Following its review, 3 card issuers changed their terms and conditions so that customers will not forfeit their funds on the expiration of the card. All travel money card issuers in Australia now allow for funds to be reclaimed on expiry of the card.

## **FSI** Payments regulation

The Federal Government will support a graduated regulatory regime for payments to support innovation. It will clarify powers held by ASIC and the RBA to ensure that regulators have the power to regulate new payment systems such as digital currencies.

The Government will also ensure that minimum acceptable practices are consistently applied to the payments industry in the interests of consumers. Baseline consumer protections will be mandated in the e-Payments Code.

## **FSI** Interchange fees and customer surcharging

The Federal Government will phase in a legislated ban on surcharges that exceed the reasonable costs faced by merchants in accepting cards. The ACCC will be responsible for enforcing the ban.

## SUPERANNUATION

### Governance reforms legislation introduced

The *Superannuation Legislation Amendment (Governance) Bill* was introduced in mid-September. It will require a minimum of one third independent directors on the board of APRA regulated super funds. The Bill has also been referred to the Senate Economics Legislation Committee, whose report is due on 9 November 2015.

### Super websites – ASIC review

As a result of the Stronger Super reforms, superannuation trustees are required to disclose Transparency Information including executive remuneration and other information about the governance of the super fund. This information must be publicly available on each super fund website.

ASIC recently reviewed superannuation websites to check compliance. ASIC's view was that trustees generally understood what was intended and have made a good effort to comply. In its press release announcing the review, ASIC recommended a number of simple changes to enhance disclosure of Transparency Information on websites.

### SMSF advice – ASIC guidance

On 15 September 2015 ASIC published an overview of compliance issues identified during surveillance of responsible entities and superannuation trustees.

Notable compliance concerns for responsible entities included:

- defective or misleading disclosure and advertising material.
- deficiencies in compliance and governance frameworks.
- in some cases, absence of an appropriate monitoring process to ensure that returns information published by third party data aggregators were consistent with the returns published by the responsible entity.

Notable concerns for superannuation trustees included:

- rollover forms attached to PDSs that may have given members the impression that they had to rollover their existing superannuation accounts into the fund to become members.
- promotion of 'self-managed' investment options which gave the impression that they offered the same level of choice and control as an SMSF.
- promotional material and advertisements that did not contain balanced messages about product risks and benefits.

## **FSI** Borrowing by superannuation funds

In the major point of departure from the recommendations of the Murray Report, the Federal Government has said that it will not prohibit limited recourse borrowing arrangements by superannuation funds. The Government will commission the Council of Financial Regulators and the Australian Taxation Office to monitor

leverage and risk in the superannuation system. They will be required to report back to the Government after 3 years.

## **FSI** Objectives of the superannuation system

The Government will enshrine the objectives of the superannuation system in legislation.

## **FSI** Improving efficiency during accumulation

The Productivity Commission will be responsible for immediately developing and releasing criteria to assess the efficiency and competitiveness of the superannuation system. It will also develop alternative models for a formal competitive process for allocating default fund members to products.

## **FSI** Retirement phase of superannuation

The Federal Government will support the development of comprehensive income products for retirement and facilitate trustees preselecting these products for members.

## **FSI** Choice of funds

The Government has agreed to extend the choice of fund arrangements to more employees, removing deemed choice for certain enterprise agreements and workplace determinations.

## **FSI** Governance

The Government has already introduced legislation requiring superannuation fund trustee boards to have a minimum of one third of independent directors. The Government has also supported APRA requiring board members to acknowledge when a director adds an interest to the conflicts register.

## **FSI** Retirement income projections

The Government will support retirement income projections being published on member statements where practicable and cost-effective.

## PRUDENTIAL REGULATION

### Higher risk weightings for residential mortgages

On 20 July 2015 APRA announced an increase in the amount of capital required for Australian residential mortgage exposures by ADIs accredited to use the internal ratings-based (IRB) approach to credit risk. According to APRA's press release, the effect of the change will be that for those ADIs, the average risk weight on Australian residential mortgage exposures will increase from approximately 16% to at least 25%. This increase addresses one of the recommendations of the Financial System Inquiry to narrow the difference between average mortgage risk weights for ADIs using the IRB risk weight models and those using standardised risk weights. The higher risk weights will come into effect from 1 July 2016.

### Foreign ADIs taking deposits

APRA recently consulted on proposed changes to disclosures by foreign ADIs under the Banking Act. Following the consultation, APRA has made a class order approval which replaces all individual entity approvals with effect from 1 October 2015. There is a 6 month transition period. The class approval provides that a foreign ADI must provide a written disclosure statement to a person before opening an account, transferring an account from another person, or taking an initial deposit. This statement must disclose that deposits are not covered by the financial claims scheme or guaranteed by the Australian Government and do not receive priority ahead of amounts owed to other creditors. The foreign ADI must also disclose that a foreign ADI is not required to hold assets in Australia to cover its deposit liabilities in Australia.

### Banking words – APRA updates guidance

APRA has published a new consent regarding the use of restricted words or expressions under the Banking Act. This replaces the previous consent which was in effect since 2000.

Credit unions and building societies are permitted to use the words "banker" and "banking" only in marketing and branding material to describe their banking activities. They must not use those words as part of a registered corporate, business or trading

name or internet domain name.

Credit unions and mutual building societies may use the expression "mutual banking" in marketing and branding material only.

### **FSI** Loss absorbing and recapitalisation capacity

The Federal Government agrees that steps should be taken to reduce any implicit government guarantee. APRA will have responsibility for implementing the recommended framework for minimum loss absorbing and recapitalisation capacity.

### **FSI** More powers for crisis management

In its response to the Murray Report, the Federal Government agreed that regulatory settings should give regulators clear powers if a prudentially regulated entity or market infrastructure fails. The Government will consult on measures to clarify and strengthen these powers by mid-2016.

### **FSI** Financial Claims Scheme

In its response to the Murray Report, the Federal Government has confirmed that it will not proceed with the bank deposit tax and Financial Stability Fund proposed by the previous Government.

### **FSI** Leverage ratio

The Government has agreed to introduce a leverage ratio to act as a backstop to risk weighted capital provisions. APRA will be responsible for implementing this recommendation.

### **FSI** Cyber security

The 2009 Cyber Security Strategy will be updated, as recommended by the Murray Report. The Government had previously announced a review of the Cyber Security Strategy on 27 November 2014.

## PERSONAL PROPERTY SECURITIES

### Amendments for PPS leases commence

Changes to the Personal Property Securities Act took effect on 1 October 2015. The changes amend the definition of a PPS lease. Leases and bailments of serial numbered goods previously could become a PPS lease and therefore be a deemed security interest if the term was for

more than 90 days. For all other goods, the test was a term greater than one year. The one year test now applies to all goods.

## PRIVACY

### **FSI** Data access and use

The Federal Government will ask the Productivity Commission to review options to improve accessibility to data.

### **FSI** Comprehensive credit reporting

The Federal Government will not legislate for mandatory participation in the comprehensive credit reporting regime, but will continue to support industry efforts to implement the regime.

## AML/CTF

### Statutory review

The current statutory review of the AML/CTF Act will consider whether the regime should be extended to other services including digital currencies and whether non-financial businesses and professions should be regulated under the regime.

### Western Union money transfers

Draft AML/CTF Rules on the Western Union account based money transfer system were released for public consultation by AUSTRAC. The public consultation period was from 21 July to 18 August 2015.

## INSOLVENCY

### **FSI** Corporate administration

The Federal Government will consult on possible amendments to the external administration regime so as to give greater flexibility to businesses in financial difficulty.

## DISPUTES AND ENFORCEMENT

### Visa \$18M exclusive dealing penalty

The Federal Court has ordered a penalty of \$18 million to be paid by Visa Worldwide for engaging in exclusive dealing over currency conversion services in Australia.

Visa was prosecuted by the Australian Competition and Consumer Commission.

The conduct occurred from May to October 2010. During this period Visa Worldwide changed the Visa rules to prohibit the further expansion of Dynamic Currency Conversion services on POS transactions on the Visa network by rival suppliers of currency conversion services, including in Australia.

The Court found that this conduct contravened section 47 of the Competition and Consumer Act.

## Fast Access Finance and Teleloans cases on avoidance structures

Two recent Federal Court cases in Queensland have taken different perspectives on the question of avoidance of the consumer credit legislation.

In *ASIC v Fast Access Finance Pty Ltd* [2015] FCA 1055, ASIC alleged (among other things) that Fast Access Finance (FAF) was engaged in sham transactions to avoid the operation of the NCCP Act.

FAF had a business model under which a customer would sign a contract to purchase diamonds from FAF at \$250 per diamond to be paid by instalments, and at the same time sign a second contract with a third party under which the customer sold the same number of diamonds for a fixed price of \$125 per diamond. The customer received payment into a bank account equivalent to the total sale price of diamonds (\$125 per diamond). The amount received by the customer was in effect the loan and the customer was required to repay twice the amount received to FAF.

ASIC alleged that the credit contract between FAF and the customer included the sales and purchase agreements and the customer's request for a loan and the agreement of FAF to provide the amount requested.

The application of the National Credit Code depended on whether or not a charge was made for the provision of credit. The judge concluded that the additional amount payable by the customer under the transaction was a charge for the provision of credit, and that the Code therefore applied.

It was therefore not necessary for the judge to rely on the concept of pretence or sham because the transaction involved the provision of credit to which the Code

applied. However the judge went on to make comment about the concept of pretence or sham and concluded that the arrangements for the sale of diamonds were a pretence or sham to conceal the true nature of the transaction, which was the provision of credit.

In *ASIC v Teleloans Pty Ltd* [2015] FCA 648, ASIC prosecuted Teleloans Pty Ltd (**Teleloans**) and Finance and Loans Direct Pty Ltd (**FLD**). The two companies had an arrangement where Teleloans provided loan application services and FLD provided loans. Teleloans charged the customer a fee for its services.

Justice Logan found that there was no general anti-avoidance provision in either the NCCP Act or the National Credit Code. He held that there were some particular anti-avoidance measures in section 6(2) of the Code and the presence of these would make it difficult to conclude that some more general doctrine ought to be imported.

## Money3 refunds

ASIC raised concerns with Money3, a payday lender, which was offering a fixed fee loan arrangement. Under the fixed fee loan, only 2 repayments were required for a loan with a term of 16 months. The first repayment of a nominal amount was generally due a week after the loan was taken out, and a much larger secondary payment was due 15 months later, usually more than 90% of the total amount repayable.

ASIC's concern was that the product was likely to be unsuitable for most of the financially vulnerable consumers who obtained it and that the loans were in breach of the NCCP Act responsible lending obligations.

A large fee could be charged if the consumer asked for a variation in the repayment schedule and ASIC was also concerned that consumers may have been misled into thinking that the terms of the loan allowed for flexible repayments.

Money3 agreed to finalise all outstanding fixed fee loans and refund approximately 400 consumers a combined amount of more than \$100,000.

## ASIC policy on recovering its costs

In July ASIC released an information sheet on its power to make orders to recover expenses and costs in relation to investigations conducted by ASIC. To date,

ASIC has rarely recovered its investigation expenses and costs, although it has the power to do so under the ASIC Act and the NCCP Act.

ASIC has reviewed its approach and will now consider making an order for recovery of its investigation expenses and costs where the legislative requirements are met. The factors that ASIC will consider before making an order to recover its expenses and costs will include:

- impecuniosity of the person.
- exceptional hardship to the person.
- the amount recoverable under an order.
- the extent of ASIC's success in the proceedings.
- the likely effect on victims.
- the degree of culpability.
- the degree of cooperation.
- the scope of the investigation.

## ASIC industry funding

On 28 August 2015 the Treasury released a consultation paper on an industry funding model for ASIC. Submissions closed on 9 October 2015.

## FSI Strengthening ASIC powers

The Federal Government has committed to strengthening the enforcement tools of ASIC in relation to the financial services and credit licensing regimes. Legislation will be developed to enable ASIC to approve changes in control of licensees, to consider a broader range of factors when determining whether an applicant meets the fit and proper test for a licence, and to impose conditions on firms to address concerns about internal systems relating to serious or systemic conduct. In 2017, the Government will review ASIC's enforcement regime.

## FSI Product intervention power

ASIC will be given a financial product intervention power which will enable it to modify or ban "harmful" financial products.

## FSI Competition

The Federal Government has announced that it will implement periodic reviews of competition in the financial sector. The Productivity Commission will be responsible for reviewing competition in the financial system by the end of 2017.

Competition will be also included in ASIC's mandate and legislation will be introduced to implement this change.

## FSI Regulator accountability

The Federal Government has indicated that it does not support the creation of a new Financial Regulator Assessment Board. However the Government will reconstitute the Financial Sector Advisory Council with updated terms of reference to include providing advice on the performance of financial regulators.

## FSI Compliance costs on policy processes

The Federal Government has agreed to generally give industry appropriate time to implement regulatory change. However it has not agreed to conduct more frequent post-implementation reviews.

## UNCLAIMED MONEYS

## FSI New law starts 31/12/15

Legislation to amend the unclaimed moneys law has passed the Parliament and will commence on 31 December 2015. The amendments will mean that unclaimed moneys in bank accounts and life insurance policies will be unclaimed only if they are inactive for 7 years.

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