FAIRER BOLDER STRONGER

LABOR'S RESPONSE TO THE ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

Labor

Labor will **act faster and go further** than Scott Morrison and the Liberals to implement the recommendations of the Banking Royal Commission. Labor **will implement 75 recommendations** of the Royal Commission **in full**.

This stands in stark contrast with the **Liberals,** who are hiding behind weasel words and **delaying, watering down or rejecting at least 15 recommendations** to protect their mates in the top end of town.

Labor is **enhancing accountability** for banks, peak bodies and regulators for a **further 23 recommendations** to ensure that they are **implemented in full, as soon as possible**.

Labor will act faster and more comprehensively than the Liberals.

Labor is **prepared to enact a tranche of Commissioner Hayne's recommendations before the election** if Scott Morrison ends his protection racket for the big banks and calls Parliament back for extra sitting weeks in March.

Labor has already tabled three bills in the Parliament to give effect to five of Commissioner Hayne's crucial recommendations that will protect consumers and end the rorts and rip offs.

Labor will take decisive action to establish a comprehensive victim compensation package. More victims will have the opportunity to pursue a just outcome, and all consumers will benefit from very significantly **increased AFCA compensation caps** going forward.

The fact is that Scott Morrison never wanted the Royal Commission. He described it as a 'populist whinge', he voted against it 26 times and now his government is deliberately going slow on the implementation of its recommendations. For 600 days, while Labor pushed for this Royal Commission, the Liberals fought for the banks to get a $17b tax handout.

The Liberals simply cannot be trusted to get this task right. Their response is full of weasel words, smoke and mirrors. Their heart just isn't in it.

Labor is being crystal clear - we will implement 75 recommendations in full. The single remaining recommendation - Recommendation 1.3 - will be implemented in a manner that will achieve the objectives set out by Commissioner Hayne.

Labor will still achieve the objective of ending conflicted remuneration in mortgage broking, but we will do so in a manner that does not harm competition in the mortgage market.

Labor has listened to experts including the Productivity Commission and the Governor of the Reserve Bank of Australia, and we recognise that moving to a customer-pays model in mortgage broking poses real risks to competition in the banking sector. Labor notes that in Recommendation 1.4, Commissioner Hayne was clear that there could be competition impacts if Recommendation 1.3 was fully implemented hastily.

Labor will:

- Introduce a best interests duty for brokers
- Ban trail commissions for brokers
- Ban payment of any other incentives to brokers by lenders
- Cap commissions at a fixed percentage of loan size so that banks can't offer brokers incentives to choose their products
- Regulate that a commission can only apply to the amount drawn down by the borrower, not the total loan amount.

It is not good enough for the Liberals to wash their hands of so many recommendations and leave implementation up to industry.

Labor will keep industry and regulators accountable for implementation of these recommendations through the following mechanisms by requiring:

- Major companies, industry bodies, APRA and ASIC, to **publicly report to the Royal Commission Implementation Taskforce** about their progress in implementing recommendations **every 6 months**;
- The ABA, the four major banks, APRA and ASIC to develop Royal Commission **implementation plans by 1 August 2019** and **submit them** to the **Royal Commission Implementation Taskforce**
- The four major bank CEOs and the Australian Banking Association (ABA) to **report to the House of Representatives Economics Committee** on the progress of their banks in implementing the recommendations of the Royal Commission every 6 months.

Labor called for this Royal Commission, Labor fought for this Royal Commission, and Labor will work day and night to ensure that we deliver the reforms recommended by the Royal Commission. Scott Morrison and the Liberals simply cannot be trusted to stand up to the big banks.

Bill Shorten
Leader of the Opposition

Chris Bowen
Shadow Treasurer

Clare O'Neil
Shadow Minister for Financial Services

Labor Response to Recommendations

Recommendation	Government Response	Labor Response
Recommendation 1.1 — The NCCP Act The NCCP Act should not be amended to alter the obligation to assess unsuitability.	The Government **agrees** to this recommendation and the Commissioner's findings that 'not unsuitable' remains the appropriate standard for responsible lending obligations within the *National Consumer Credit Protection Act 2009* (NCCP Act).	Labor **agrees** to this recommendation, and **notes** the Commissioner's observations regarding the potential for future clarification of the verification requirement in section 130(1)(c) of the *National Consumer Credit Protection Act 2009* (NCCP Act).
Recommendation 1.2 — Best interests duty The law should be amended to provide that, when acting in connection with home lending, mortgage brokers must act in the best interests of the intending borrower. The obligation should be a civil penalty provision. **Recommendation 1.5 — Mortgage brokers as financial advisers** After a sufficient period of transition, mortgage brokers should be subject to and regulated by the law that applies to entities providing financial product advice to retail clients.	The Government **agrees** to introduce a best interests duty for mortgage brokers to act in the best interests of borrowers. The best interests duty will not change the responsible lending obligations for broker originated loans, consistent with the Government's response to Recommendation 1.1 above. The Government also **agrees** that a breach of the best interests duty should be subject to a civil penalty. The Government **agrees**, following the implementation of the best interests duty, to further align the regulatory frameworks for mortgage brokers and financial advisers. This also responds to the Productivity Commission's report *Competition in the Australian Financial System*, which also recommended imposing a best interests duty on mortgage brokers and a review of the feasibility of enabling financial advisers to also act as mortgage brokers.	Labor will **fully implement** these recommendations. Labor will introduce a duty for mortgage brokers to act in the best interests of borrowers as a matter of priority. This obligation will be a civil penalty provision. Labor will consult with stakeholders to establish a clear timeline to further align regulation of mortgage brokers with regulation of financial advisers providing financial product advice to retail clients. The reforms introduced to implement these recommendations will enhance, and not derogate from, brokers' existing obligations to their clients under the *National Consumer Credit Protection Act*.

Recommendation 1.3 — Mortgage broker remuneration The borrower, not the lender, should pay the mortgage broker a fee for acting in connection with home lending. Changes in brokers' remuneration should be made over a period of two or three years, by first prohibiting lenders from paying trail commission to mortgage brokers in respect of new loans, then prohibiting lenders from paying other commissions to mortgage brokers.	The Government **agrees** to address conflicted remuneration for mortgage brokers. The Government recognises the importance of competition in the home lending sector and will proceed carefully and in stages, consistent with the recommendation, with reforms to ensure that the changes do not adversely impact consumers' access to lenders and competition in the home lending market. From 1 July 2020, the Government will prohibit for new loans the payment of trail commissions from lenders to mortgage brokers and aggregators. From that date, the Government will also require that the value of upfront commissions be linked to the amount drawn-down by borrowers and not the loan amount, and ban campaign and volume-based commissions and payments. The Government will additionally limit to two years the period over which commissions can be clawed back from aggregators and brokers and prohibit the cost of clawbacks being passed on to consumers. The Government will also ask the Council of Financial Regulators, along with the Australian Competition and Consumer Commission (ACCC), to review in three years' time the impact of the above changes and implications for consumer outcomes and competition of moving to a borrower pays remuneration structure for mortgage broking, as recommended by the Royal Commission, and any associated changes that should be made to non-broker facilitated loan. This also responds to recommendations of the Productivity Commission's report *Competition in the Australian Financial System* dealing with the remuneration of mortgage brokers.	Labor will **implement reforms to address conflicted remuneration** through the following stages: 1) Prohibit trail commissions from lenders to mortgage brokers and aggregators on new loans from 1 July 2020. 2) Regulate a flat, upfront commission for mortgage brokers that will eliminate the conflict of interest that comes from different lenders offering different commissions. 3) Regulate that a commission can only apply to the amount drawn down by the borrower, not the total loan amount. 4) Limiting to two years the period over which commissions can be clawed back from aggregators and brokers, and prohibit clawbacks from being passed on to consumers. 5) Ban campaign and volume-based commissions and payments and other incentives being offered to brokers by lenders. 6) The Council of Financial Regulators, along with the Australian Competition and Consumer Commission (ACCC), will review in three years' time the impact of the above changes and implications for consumer outcomes and competition of moving to a borrower pays remuneration structure for mortgage broking, as recommended by the Royal Commission, and any associated changes that should be made to non-broker facilitated loans.
Recommendation 1.4 — Establishment of working group A Treasury-led working group should be established to monitor and, if necessary, adjust the remuneration model referred to in Recommendation 1.3, and any fee that lenders should be required to charge to achieve a level playing field, in response to market changes.		

Recommendation 1.6 — Misconduct by mortgage brokers ACL holders should: • be bound by information-sharing and reporting obligations in respect of mortgage brokers similar to those referred to in Recommendations 2.7 and 2.8 for financial advisers; and • take the same steps in response to detecting misconduct of a mortgage broker as those referred to in Recommendation 2.9 for financial advisers.	The Government **agrees** to apply information sharing and reporting obligations to Australian Credit Licence (ACL) holders in respect of misconduct by mortgage brokers, including requiring licensees to make whatever inquiries are reasonably necessary to determine the nature and full extent of misconduct, and, where there is sufficient information to suggest that a broker has engaged in misconduct, to inform affected borrowers and remediate those borrowers promptly. It is essential that where misconduct is identified, the perpetrators of such misconduct are disciplined and prevented from simply avoiding consequences by moving from one licensee to another.	Labor will **fully implement** this recommendation. One of the key issues exposed by the Royal Commission was the delay in acting to stamp out misconduct once it was identified internally within financial services companies. These obligations are simple, common sense reforms that should be legislated as a matter of priority.

Recommendation 1.7 — Removal of point-of-sale exemption The exemption of retail dealers from the operation of the NCCP Act should be abolished.	The Government **agrees** to remove the point-of-sale exemption. The Government recognises that this change may impact on many businesses and will carefully consider how these reforms are implemented to ensure balance is achieved between consumer protection and access to products and services. The Royal Commission identified that the provision of inappropriate loans and other financial products has led to consumers experiencing financial hardship. Removing the point-of-sale exemption will require third party vendors, as well as lenders, to only recommend loans that are not unsuitable for the borrower. This also responds to the recommendation of the Productivity Commission's report *Competition in the Australian Financial System* to review the current exemption of retailers from the NCCP Act.	Labor will **fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019. **Labor has already tabled a Bill in the Parliament** to give effect to this recommendation.

Recommendation 1.8 — Amending the Banking Code The ABA should amend the Banking Code to provide that: • banks will work with customers: – who live in remote areas; or – who are not adept in using English to identify a suitable way for those customers to access and undertake their banking; • if a customer is having difficulty proving his or her identity, and tells the bank that he or she identifies as an Aboriginal or Torres Strait Islander person, the bank will follow AUSTRAC's guidance about the identification and verification of persons of Aboriginal or Torres Strait Islander heritage; • without prior express agreement with the customer, banks will not allow informal overdrafts on basic accounts; and • banks will not charge dishonour fees on basic accounts.	The Government **supports** the Australian Banking Association (ABA) acting on this recommendation.	Labor **expects** the Australian Banking Association (ABA) to implement this recommendation by **1 October 2019**, noting the importance of these measures to protect consumers, and the clarity of the Commissioner's recommendation. The ABA code has recently been reviewed, and these simple but important amendments should be incorporated swiftly. Labor **expects banks to immediately cease charging dishonour fees** on basic accounts and calls on all banks to voluntarily cease the practice prior to these changes to the code. The **ABA and banks** will be required to report to the Royal Commission Implementation taskforce every 6 months about implementation of this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 1.9 — No extension of the NCCP Act The NCCP Act should not be amended to extend its operation to lending to small businesses.	The Government **agrees** to this recommendation and the Commissioner's findings that extending the responsible lending obligations in the NCCP Act would likely increase the cost of credit for small business and reduce the availability of credit. The Government is committed to ensuring access to affordable credit for small businesses.	Labor **agrees** not to extend the NCCP Act to cover lending to small businesses.

Recommendation 1.10 — Definition of 'small business' The ABA should amend the definition of 'small business' in the Banking Code so that the Code applies to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than $5 million.	The Government **supports** the ABA acting on this recommendation.	Labor **expects** the ABA to implement this recommendation **by 1 October 2019**, noting the ease of implementation and the clarity of the Commissioner's recommendation. Labor **expects** ABA members to **immediately** begin to implement this definition to their internal and external dispute resolution processes. The **ABA and banks** will be required to report to the Royal Commission Implementation taskforce every 6 months about implementation of this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 1.11 — Farm debt mediation A national scheme of farm debt mediation should be enacted.	The Government **agrees** to establish a national farm debt mediation scheme. A national scheme would assist lenders and borrowers to agree on practical measures that may lead to the borrower being able to address financial difficulties that have caused the loan to become distressed. The Government further supports mediation occurring soon after the loan becomes distressed and not as a last measure prior to the lender taking enforcement action.	Labor will **fully implement** this recommendation in consultation with farmers, State and Territory Governments and existing farm debt mediation schemes. Labor **will ensure** that the new national farm debt mediation scheme offers sufficient hardship support to farmers in financial distress so as to give them every opportunity to remain on the land. Labor **will ensure** that the new national farm debt mediation scheme keeps lenders accountable for their obligations to farmers, including new obligations imposed by Recommendations 1.12, 1.13 and 1.14.

Recommendation 1.12 — Valuations of land
 	
APRA should amend Prudential Standard APS 220 to:
• require that internal appraisals of the value of land taken or to be taken as security should be independent of loan origination, loan processing and loan decision processes; and
• provide for valuation of agricultural land in a manner that will recognise, to the extent possible:
  ○ the likelihood of external events affecting its realisable value; and
  ○ the time that may be taken to realise the land at a reasonable price affecting its realisable value.
	The Government **supports** the Australian Prudential Regulation Authority (APRA) acting on this recommendation.	Labor **will ensure** that APRA acts on this recommendation by **1 January 2020**.

Recommendation 1.13 — Charging default interest The ABA should amend the Banking Code to provide that, while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.	The Government **supports** the ABA acting on this recommendation.	Labor **expects banks to immediately implement this recommendation by 1 July 2019.** Labor **expects** the ABA to implement this recommendation by incorporating it into the Banking Code **by 1 October 2019**. The **ABA and banks** will be required to report to the Royal Commission Implementation taskforce every 6 months about implementation of this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 1.14 — Distressed agricultural loans When dealing with distressed agricultural loans, banks should: • ensure that those loans are managed by experienced agricultural bankers; • offer farm debt mediation as soon as a loan is classified as distressed; • manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst; • recognise that appointment of receivers or any other form of external administrator is a remedy of last resort; and • cease charging default interest when there is no realistic prospect of recovering the amount charged.	The Government **supports** banks acting on this recommendation.	Labor **expects banks to swiftly** ensure they are compliant with this recommendation, and will ensure that the new national farm debt mediation scheme established under recommendation 1.11 holds lenders accountable for their compliance with this recommendation. The **ABA and banks** will be required to report to the Royal Commission Implementation taskforce every 6 months about implementation of this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 1.15 — Enforceable code provisions • The law should be amended to provide: • that ASIC's power to approve codes of conduct extends to codes relating to all APRA-regulated institutions and ACL holders; • that industry codes of conduct approved by ASIC may include 'enforceable code provisions', which are provisions in respect of which a contravention will constitute a breach of the law; • that ASIC may take into consideration whether particular provisions of an industry code of conduct have been designated as 'enforceable code provisions' in determining whether to approve a code; • for remedies, modelled on those now set out in Part VI of the Competition and Consumer Act, for breach of an 'enforceable code provision'; and • for the establishment and imposition of mandatory financial services industry codes.	The Government **agrees** to amend the law to provide the Australian Securities and Investments Commission (ASIC) with additional powers to approve and enforce industry code provisions. The Government will establish an approved codes regime that includes 'enforceable code provisions' and implements the ASIC Enforcement Review recommendations. The regime will provide that a breach of an enforceable code provision will constitute a breach of the law. The law will also be amended to provide for remedies that may follow from such a breach. The Government continues to support and encourage industry to develop voluntary codes that go beyond the requirements in the law. The Commissioner notes the benefits of voluntary codes in harnessing the views and collective will of industry.	**Unlike the Government, Labor will fully implement this recommendation.** Labor will **amend the law** to ensure that the enforceable code regime recommended by the Commissioner is established in full, including **remedies as recommended**, the power for **ASIC to take into consideration** whether codes presented to it are **appropriately enforceable**, and the power for Government to establish **mandatory industry codes** where industry does not present a sufficiently enforceable and comprehensive code. **The Government has failed to commit to implementing the key aspects of this regime.** **Only Labor will fully implement this recommendation.**

Recommendation 1.16 — 2019 Banking Code In respect of the Banking Code that ASIC approved in 2018, the ABA and ASIC should take all necessary steps to have the provisions that govern the terms of the contract made or to be made between the bank and the customer or guarantor designated as 'enforceable code provisions'.	The Government **supports** ASIC and the ABA acting on this recommendation following the implementation of Recommendation 1.15.	Labor **expects the ABA to present a code to ASIC** revised as recommended by the Royal Commission **within 6 months** of the establishment of the enforceable code regime described in Recommendation 1.15.

Recommendation 1.17 — BEAR product responsibility After appropriate consultation, APRA should determine for the purposes of section 37BA(2)(b) of the Banking Act, a responsibility, within each ADI subject to the BEAR, for all steps in the design, delivery and maintenance of all products offered to customers by the ADI and any necessary remediation of customers in respect of any of those products.	The Government **supports** APRA acting on this recommendation. The Government has **also agreed** to extend the Banking Executive Accountability Regime (BEAR) to other APRA-regulated entities in its response to Recommendation 6.6.	Labor expects APRA to consult and then **fully implement** this recommendation.

Recommendation 2.1 — Annual renewal and payment The law should be amended to provide that ongoing fee arrangements (whenever made): • must be renewed annually by the client; • must record in writing each year the services that the client will be entitled to receive and the total of the fees that are to be charged; and • may neither permit nor require payment of fees from any account held for or on behalf of the client except on the client's express written authority to the entity that conducts that account given at, or immediately after, the latest renewal of the ongoing fee arrangement.	The Government **agrees** to require advisers to seek annual renewal, in writing, of ongoing fee arrangements; to require advisers to record, in writing, the services that will be provided and the associated fees; and mandate the client's express written authority for the payment of fees from any account held for or on behalf of a client given at, or immediately after, the latest renewal of the ongoing fee arrangement. These requirements will apply for all clients. Currently, financial advisers are only required to seek clients' agreement for ongoing fee arrangements for new clients after 1 July 2013. The Royal Commission has highlighted problems with clients being charged fees for services that have not been provided. This is mostly associated with clients in ongoing fee arrangements. These changes will help ensure clients actively consider whether they are deriving benefits from ongoing fee arrangements.	Labor **will fully implement** this recommendation. Labor **notes** the observations of the Commissioner that banks and other companies that systemically charged fees for no service could be charged with dishonest conduct under s 1041G(1) of the *Corporations Act 2001*. Labor moved amendments to the *Treasury Laws Amendment (Strengthening Corporate and Financial Penalties) Bill 2018* to increase maximum penalties for dishonest conduct to 15 years, an increase of 5 years on the existing maximum sentence. Labor was pleased that the Parliament adopted Labor's amendments to strengthen penalties for this offence and other serious corporate offences.

Recommendation 2.2 — Disclosure of lack of independence The law should be amended to require that a financial adviser who would contravene section 923A of the Corporations Act by assuming or using any of the restricted words or expressions identified in section 923A(5) (including 'independent', 'impartial' and 'unbiased') must, before providing personal advice to a retail client, give to the client a written statement (in or to the effect of a form to be prescribed) explaining simply and concisely why the adviser is not independent, impartial and unbiased.	The Government **agrees** to require advisers to provide a written statement to a retail client explaining why the adviser is not independent, impartial and unbiased before providing personal advice, unless the adviser is allowed to use those terms under section 923A of the *Corporations Act 2001* (Corporations Act).	Labor will **fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019.

Recommendation 2.3 — Review of measures to improve the quality of advice In three years' time, there should be a review by Government in consultation with ASIC of the effectiveness of measures that have been implemented by the Government, regulators and financial services entities to improve the quality of financial advice. The review should preferably be completed by 30 June 2022, but no later than 31 December 2022. Among other things, that review should consider whether it is necessary to retain the 'safe harbour' provision in section 961B(2) of the Corporations Act. Unless there is a clear justification for retaining that provision, it should be repealed.	The Government **agrees** to a review in three years' time on the effectiveness of measures to improve the quality of advice. The Government has introduced reforms to enhance the quality of financial advice, in particular, the reforms to increase the educational, training and ethical standards of financial advisers. It also has legislation before the Parliament to ensure that financial products are appropriately targeted and to give ASIC the power to intervene before a consumer suffers harm. It is appropriate to undertake a review of these reforms, and earlier reforms such as the Future of Financial Advice, to ensure that they are working effectively and improving the quality of advice.	Labor will **fully implement** this recommendation. **Unlike the Government**, **Labor will** repeal the 'safe harbour' provision in section 961B(2) of the *Corporations Act* unless the review identifies a clear justification for retaining it.

Recommendation 2.4 — Grandfathered commissions Grandfathering provisions for conflicted remuneration should be repealed as soon as is reasonably practicable.	The Government **agrees to end grandfathering** of conflicted remuneration effective **from 1 January 2021**. Grandfathered conflicted remuneration can entrench clients in older products even when newer, better and more affordable products are available on the market. Grandfathering has now been in place for over five years, providing industry with sufficient time to transition to the new arrangements. It is therefore now appropriate for grandfathering to end. The Government is also committed to ensuring that the benefits of removing grandfathering flow to clients. **From 1 January 2021**, payments of any previously **grandfathered conflicted remuneration still in contracts will instead be required to be rebated to applicable clients** where the applicable client can reasonably be identified. Where it is not practicable to rebate the benefit to an individual client because, for example, the grandfathered conflicted remuneration is volume-based so it is not able to be attributed to any individual client, the Government expects industry to pass these benefits through to clients indirectly (for example, by lowering product fees). To ensure that the benefits of industry renegotiating current arrangements to remove grandfathered conflicted remuneration ahead of 1 January 2021 flow through to clients, **the Government will commission ASIC to monitor and report** on the extent to which product issuers are acting to end the grandfathering of	Labor will **fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019**.** Labor **will not delay** like the Government. In accordance with the Commissioner's explicit recommendation that this reform be enacted "as soon as is reasonably practicable", Labor will end grandfathering of conflicted remuneration **effective from 1 January 2020.** Labor is also committed to ensuring that the benefits of removing grandfathering flow to clients. **From 1 January 2020**, payments of any previously **grandfathered conflicted remuneration still in contracts will instead be required to be rebated to applicable clients** where the applicable client can reasonably be identified. Where it is not practicable to rebate the benefit to an individual client because, for example, the grandfathered conflicted remuneration is volume-based so it is not able to be attributed to any individual client, Labor expects industry to provide fee relief or other benefits to the relevant cohort commensurate with the overall benefit obtained by the payer of the commission as a result of it ceasing. To ensure that the benefits of industry renegotiating current arrangements to remove grandfathered conflicted

	conflicted remuneration for the period 1 July 2019 to 1 January 2021 and are passing the benefits to clients, whether through direct rebates or otherwise. This also responds to the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* which also recommended ending grandfathered trailing commissions.	remuneration ahead of 1 January 2020 flow through to clients, **Labor will commission ASIC to monitor and report** on the extent to which product issuers are acting to end the grandfathering of conflicted remuneration for the period 1 July 2019 to 1 January 2020 and are passing the benefits to clients, whether through direct rebates or otherwise. **Labor has already tabled a Bill in the Parliament** to give effect to this recommendation.

Recommendation 2.5 — Life risk insurance commissions When ASIC conducts its review of conflicted remuneration relating to life risk insurance products and the operation of the ASIC Corporations (Life Insurance Commissions) Instrument 2017/510, ASIC should consider further reducing the cap on commissions in respect of life risk insurance products. Unless there is a clear justification for retaining those commissions, the cap should ultimately be reduced to zero.	In 2017, the Government enacted reforms to life insurance remuneration that capped the commissions a financial adviser would receive for providing advice in relation to the purchase of a life insurance product. As part of these reforms, the Government announced that ASIC would conduct a review in 2021 to consider whether the reforms have better aligned the interests of advisers and consumers. If the review does not identify significant improvement in the quality of advice, the Government stated it would move to mandate level commissions, as was recommended by the Financial System Inquiry. The Government **supports** ASIC conducting this review and considering the factors identified by the Royal Commission when undertaking this review.	Labor will **ensure** that ASIC conducts a review of life insurance commissions. This review will also consider other exemptions to the ban on conflicted remuneration identified in recommendation 2.6. **Unlike the Government, Labor will fully implement** this recommendation by ensuring that ASIC considers whether there is any clear justification for retaining life insurance commissions. If there is no clear justification for retaining life insurance commissions, Labor will ban them.

Recommendation 2.6 — General insurance and consumer credit insurance commissions The review referred to in Recommendation 2.3 should also consider whether each remaining exemption to the ban on conflicted remuneration remains justified, including: • the exemptions for general insurance products and consumer credit insurance products; and • the exemptions for non-monetary benefits set out in section 963C of the Corporations Act.	The Government **agrees** to review the remaining exemptions to the ban on conflicted remuneration in the course of its review in three years' time on the effectiveness of measures to improve the quality of advice.	Labor will **fully implement** this recommendation.

Recommendation 2.7 — Reference checking and information sharing All AFSL holders should be required, as a condition of their licence, to give effect to reference checking and information-sharing protocols for financial advisers, to the same effect as now provided by the ABA in its 'Financial Advice — Recruitment and Termination Reference Checking and Information Sharing Protocol'.	The Government **agrees** to mandate the reference checking and information-sharing protocol for financial advisers for all Australian Financial Services Licence (AFSL) holders. This recommendation will build on the Government's work to date to remove advisers who have engaged in misconduct from the industry, particularly, through the establishment of the Financial Advisers Register and the reforms to increase the educational, training and ethical standards of financial advisers. Facilitating licensees to undertake reference checks will make it even more difficult for advisers who engage in misconduct to find alternative employment in the industry.	Labor will **fully implement** this recommendation.

Recommendation 2.8 — Reporting compliance concerns All AFSL holders should be required, as a condition of their licence, to report 'serious compliance concerns' about individual financial advisers to ASIC on a quarterly basis.	The Government **agrees** to mandate reporting of 'serious compliance concerns' about individual financial advisers to ASIC on a quarterly basis. The Royal Commission has highlighted concerns around the current reporting of breach information to ASIC with firms failing to report significant breaches to ASIC in a timely manner. The Government has **also agreed**, in its response to Recommendation 7.2, to strengthen the obligations to report breaches to ASIC. The Government will implement this recommendation as part of strengthening the breach reporting requirements.	Labor will **fully implement** this recommendation.

Recommendation 2.9 — Misconduct by financial advisers All AFSL holders should be required, as a condition of their licence, to take the following steps when they detect that a financial adviser has engaged in misconduct in respect of financial advice given to a retail client (whether by giving inappropriate advice or otherwise): • make whatever inquiries are reasonably necessary to determine the nature and full extent of the adviser's misconduct; and • where there is sufficient information to suggest that an adviser has engaged in misconduct, tell affected clients and remediate those clients promptly.	The Government **agrees** to require all AFSL holders to make whatever inquiries reasonably necessary to determine the nature and full extent of an adviser's misconduct (when the licensee detects misconduct) and inform and remediate affected clients promptly. This recommendation will be reinforced by the Government announcement to provide ASIC with a new directions power as part of its response to the ASIC Enforcement Review.	Labor will **fully implement** this recommendation.

Recommendation 2.10 — A new disciplinary system The law should be amended to establish a new disciplinary system for financial advisers that: • requires all financial advisers who provide personal financial advice to retail clients to be registered; • provides for a single, central, disciplinary body; • requires AFSL holders to report 'serious compliance concerns' to the disciplinary body; and • allows clients and other stakeholders to report information about the conduct of financial advisers to the disciplinary body.	The Government **agrees** to introduce a new disciplinary system for financial advisers. The Government is committed to the professionalisation of the financial advice industry. A new disciplinary regime as recommended by the Royal Commission further builds on the Government's earlier reforms in this area that introduced mandatory educational requirements and required advisers to pass an entrance exam, comply with a code of ethics, and meet ongoing professional development requirements. The new disciplinary system will bring financial advisers into line with other professions — such as lawyers, doctors and accountants — where individual registration is standard practice. This disciplinary system for financial advisers will operate concurrently with the existing AFSL regime and ASIC will retain the powers it has under the current regulatory framework, including the power to commence investigations and undertake enforcement action.	Labor will **fully implement** this recommendation. Labor will begin a consultation process as soon as possible, including financial advisers, consumer groups, regulators and other stakeholders, to develop the recommended disciplinary regime. This disciplinary regime will have, at a minimum, the features recommended by Commissioner Hayne.

Recommendation 3.1 — No other role or office The trustee of an RSE should be prohibited from assuming any obligations other than those arising from or in the course of its performance of the duties of a trustee of a superannuation fund.	The Government **agrees** to address the risks associated with dual regulated entities by prohibiting trustees of a Registrable Superannuation Entity (RSE) assuming obligations other than those arising from, or in the course of, its performance of the duties of a trustee of a superannuation fund. The work of the Royal Commission has indicated that the conflicts of interests that arise between the interests of superannuation members and members of managed investment schemes are difficult to manage where an entity acts as a trustee for both the superannuation fund and the managed investment scheme.	Labor will **fully implement** this recommendation.

Recommendation 3.2 — No deducting advice fees from MySuper accounts Deduction of any advice fee (other than for intra-fund advice) from a MySuper account should be prohibited.	The Government **agrees** to prohibit the deduction of any advice fees from a MySuper account (other than for intra-fund advice).	Labor will **fully implement** this recommendation.

Recommendation 3.3 — Limitations on deducting advice fees from choice accounts Deduction of any advice fee (other than for intra-fund advice) from superannuation accounts other than MySuper accounts should be prohibited unless the requirements about annual renewal, prior written identification of service and provision of the client's express written authority set out in Recommendation 2.1 in connection with ongoing fee arrangements are met.	The Government **agrees** to limit deductions of advice fees levied on non-MySuper superannuation accounts consistent with the Government's response to Recommendation 2.1, which will require ongoing fee arrangements to be renewed annually in writing by the client, and prevent fees being deducted from the client's account without the client's express written authority.	Labor will **fully implement** this recommendation.

Recommendation 3.4 — No hawking Hawking of superannuation products should be prohibited. That is, the unsolicited offer or sale of superannuation should be prohibited except to those who are not retail clients and except for offers made under an eligible employee share scheme. The law should be amended to make clear that contact with a person during which one kind of product is offered is unsolicited unless the person attended the meeting, made or received the telephone call, or initiated the contact for the express purpose of inquiring about, discussing or entering into negotiations in relation to the offer of that kind of product.	The Government **agrees** that hawking of superannuation products should be prohibited, and the definition of hawking should be clarified to include selling of a financial product during a meeting, call or other contact initiated to discuss an unrelated financial product. The Royal Commission heard evidence of consumers being sold superannuation products in an unsolicited manner which may have led superannuation members to choose products that were not in their best interest.	Labor will **fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019. **Unlike the Government, Labor will not allow** sale of "related" products to consumers, which would create a new loophole to be exploited. Instead, consistent with Commissioner Hayne's recommendation, Labor will restrict sales of products during meetings or telephone calls to the "type of product" a consumer has enquired about. **Only Labor will fully implement this recommendation.**

Recommendation 3.5 — One default account A person should have only one default account. To that end, machinery should be developed for 'stapling' a person to a single default account.	The Government **agrees** that a person should have only one default account. This also responds to the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* which recommended members without an account only be defaulted once. This builds on the action the Government has taken to address the stock of unintended multiple accounts through the Protecting Your Super Package, which includes the automatic consolidation of low-balance inactive accounts, capping fees for low-balance accounts and preventing inappropriate account erosion by ensuring members receive insurance policies that are suitable for them and represent value for money.	Labor will **fully implement** this recommendation.

Recommendation 3.6 — No treating of employers Section 68A of the SIS Act should be amended to prohibit trustees of a regulated superannuation fund, and associates of a trustee, doing any of the acts specified in section 68A(1)(a), (b) or (c) where the act may reasonably be understood by the recipient to have a substantial purpose of having the recipient nominate the fund as a default fund or having one or more employees of the recipient apply or agree to become members of the fund. The provision should be a civil penalty provision enforceable by ASIC.	The Government **agrees** to amend the *Superannuation Industry Supervision Act 1993* to facilitate enforcement of this provision.	Labor will **fully implement** this recommendation. Labor **notes** that this recommendation will be implemented if the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2017* passes the House of Representatives as amended in the Senate. Labor **notes** that this clearly demonstrates that despite the Government's continued delay and obfuscation, it is possible to legislate to implement Royal Commission recommendations prior to the election.

Recommendation 3.7 — Civil penalties for breach of covenants and like obligations Breach of the trustee's covenants set out in section 52 or obligations set out in section 29VN, or the director's covenants set out in section 52A or obligations set out in section 29VO of the SIS Act should be enforceable by action for civil penalty.	The Government **agrees** that trustees and directors should be subject to civil penalties for breaches of their best interests obligations. Both ASIC and APRA should have powers to enforce the civil penalty provisions. The Government has already introduced the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2017 into Parliament to establish civil penalties for directors for breaches of the best interests duty and **will amend** this Bill to extend civil penalties to trustees.	Labor will **fully implement** this recommendation. Labor **notes** that this recommendation will be implemented if the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2017* passes the House of Representatives as amended in the Senate. Labor **notes** that this clearly demonstrates that despite the Government's continued delay and obfuscation, it is possible to legislate to implement Royal Commission recommendations prior to the election.

Recommendation 3.8 — Adjustment of APRA and ASIC's roles The roles of APRA and ASIC with respect to superannuation should be adjusted, as referred to in Recommendation 6.3.	The Government **agrees** to this recommendation, consistent with the Government's response to Recommendation 6.3 which sets out the general principles for adjusting the roles of APRA and ASIC. This also responds to the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* which recommended clarifying the regulators' roles and powers, including their respective areas of focus.	Labor will **fully implement** this recommendation.

Recommendation 3.9 — Accountability regime Over time, provisions modelled on the BEAR should be extended to all RSE licensees, as referred to in Recommendation 6.8.	The Government **agrees** to this recommendation, consistent with the Government's response to Recommendation 6.6 about extension of the BEAR regime.	Labor will **fully implement** this recommendation.

Recommendation 4.1 — No hawking of insurance Consistently with Recommendation 3.4, which prohibits the hawking of superannuation products, hawking of insurance products should be prohibited..	The Government **agrees,** consistent with the Government response to Recommendation 3.4 (about the hawking of superannuation products), that hawking of insurance products should be prohibited, noting, for example, that the Royal Commission did not propose restricting the ability of insurers to contact policy holders in relation to existing policies. The definition of hawking will be clarified to include selling of a financial product during a meeting, call or other contact initiated to discuss an unrelated financial product. The Royal Commission heard evidence of vulnerable consumers being sold insurance products through unsolicited phone calls where pressure selling tactics were used, resulting in consumers purchasing a product that they did not want or need.	**Labor will not allow** sale of "related" products to consumers, which would create a new loophole to be exploited. Instead, consistent with Commissioner Hayne's recommendation, Labor will restrict sales of products during meetings or telephone calls to the "type of product" a consumer has enquired about. **Only Labor will fully implement this recommendation.**

Recommendation 4.2 — Removing the exemptions for funeral expenses policies The law should be amended to: - remove the exclusion of funeral expenses policies from the definition of 'financial product'; and - put beyond doubt that the consumer protection provisions of the ASIC Act apply to funeral expenses policies.	The Government **agrees** to remove the exemption for funeral expenses policies from the definition of financial products for the purposes of the Corporations Act and ensure that it is clear that the consumer protection provisions of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) apply to funeral expenses policies. The Royal Commission has uncovered evidence of the significant harm that can be caused to vulnerable consumers through the poor sales practices adopted by some funeral expense policy issuers. The Government has introduced the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 into Parliament and consulted on related Regulations. The proposed Product Intervention Powers (PIP) will enable ASIC to intervene in the sale of funeral expenses policies where there is a risk of significant consumer harm. The Government **will also** restrict the ability of firms to use terms such as 'insurer' and 'insurance' to only those firms that have a legitimate interest in using terminology regarding insurance (for example APRA-regulated insurers, brokers and other distributors) to avoid any confusion for consumers as to the nature of the products they are purchasing.	Labor will **fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019. **Labor has already tabled a Bill in the Parliament** to give effect to this recommendation. Labor **will also** restrict the ability of firms to use terms such as 'insurer' and 'insurance' to only those firms that have a legitimate interest in using terminology regarding insurance (for example APRA-regulated insurers, brokers and other distributors) to avoid any confusion for consumers as to the nature of the products they are purchasing. Labor **is pleased** that the Government has changed its position and accepted Labor amendments to the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018* to include ASIC Act products and credit products. That Bill **could be passed if** the **Parliament was permitted to sit in March 2019**.

Recommendation 4.3 — Deferred sales model for add-on insurance A Treasury-led working group should develop an industry-wide deferred sales model for the sale of any add-on insurance products (except policies of comprehensive motor insurance). The model should be implemented as soon as is reasonably practicable.	The Government **agrees** to mandate deferred sales for add-on insurance products and has tasked Treasury to develop an appropriate deferred sales model. A deferred sales model would require consumers to separately engage with the insurance product that is being purchased rather than considering it at the same time as purchasing a typically much more expensive product. The Government has also introduced the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 into Parliament. The Design and Distribution Obligations (DDOs) and the PIP seek to promote the provision of suitable financial products to consumers and to enable ASIC to proactively reduce the risk of consumer detriment from unsuitable products. These regimes will assist in preventing consumer detriment resulting from poor design or inappropriate distribution practices such as those in the design and sale of add-on insurance products. ASIC has agreed to consider the Royal Commission's findings and recommendation in relation to the sale of add-on insurance in its administration of the DDOs and potential use of the PIP. This also responds to the recommendation of the Productivity Commission's report *Competition in the Australian Financial System* to mandate a deferred sales model for all sales of add-on insurance by car dealerships.	Labor **will fully implement** this recommendation. Labor **will ensure** that ASIC continues to roll out a deferred sales model for add on insurance in car yards, and that a suitable model is rolled out to all other add on insurance products as soon as practicable. Labor **will ensure** that as part of this process, the sale of extended warranties and dealer issued warranties is not unduly incentivised, and that similar consumer protections apply to these products as an anti-avoidance measure.

Recommendation 4.4 — Cap on commissions ASIC should impose a cap on the amount of commission that may be paid to vehicle dealers in relation to the sale of add-on insurance products.	The Government **agrees** to provide ASIC with the ability to cap commissions that may be paid to vehicle dealers in relation to the sale of add-on insurance products. The value of the commissions paid in relation to add-on insurance products sold through vehicle dealers has significantly exceeded the amounts paid out to consumers through claims. High levels of commissions have contributed to poor consumer outcomes. Providing ASIC with the ability to cap commissions will ensure an appropriate cap is set and varied if required in response to any future concerns.	Labor **will fully implement** this recommendation, and will consider whether additional protections are required to protect consumers from low value insurance policies and warranties.

Recommendation 4.5 — Duty to take reasonable care not to make a misrepresentation to an insurer Part IV of the Insurance Contracts Act should be amended, for consumer insurance contracts, to replace the duty of disclosure with a duty to take reasonable care not to make a misrepresentation to an insurer (and to make any necessary consequential amendments to the remedial provisions contained in Division 3).	The Government **agrees** to amend the duty of disclosure for consumers in the *Insurance Contracts Act 1984* to ensure that obligations for disclosure applied to consumers do not enable insurers to unduly reject the payment of legitimate claims. The duty of disclosure is important to ensure that insurers are able to appropriately price the risks being underwritten through limiting the risk of fraud and misleading disclosures. However, the current requirements fall short of adequately safeguarding consumers against having their claims declined where they may have inadvertently failed to disclose their past circumstances or because insurers have failed to ask the right questions	**Unlike the Government, Labor will fully implement** this recommendation. Labor will not just amend the existing duty of disclosure as the Government has proposed to do. Labor will actually follow through on the Royal Commission's recommendation to *replace* this duty *with* a duty to take reasonable care not to make a misrepresentation to an insurer. The Government is choosing insurance companies over customers. Commissioner Hayne recommends a clear change in the nature of the duty, but the Government is using weasel words to back away from making this important reform. **Only Labor will fully implement this recommendation.**

Recommendation 4.6 — Avoidance of life insurance contracts Section 29(3) of the Insurance Contracts Act should be amended so that an insurer may only avoid a contract of life insurance on the basis of non-disclosure or misrepresentation if it can show that it would not have entered into a contract on any terms.	The Government **agrees** to amend the *Insurance Contracts Act 1984* to ensure that insurers only avoid a contract of life insurance on the basis of non-disclosure or misrepresentation if it can show that it would not have entered into a contract on any terms. Consistent with the Government's response to Recommendation 4.5 above, while appropriate disclosure is important to ensure that insurers are able to appropriately price the risks being underwritten, it is essential that appropriate safeguards are in place to avoid consumers having their claims declined where they may have failed to disclose a matter that would not have had any real bearings on the likelihood of them being offered insurance or the price of the insurance.	Labor **will fully implement** this recommendation.

Recommendation 4.7 — Application of unfair contract terms provisions to insurance contracts The unfair contract terms provisions now set out in the ASIC Act should apply to insurance contracts regulated by the Insurance Contracts Act. The provisions should be amended to provide a definition of the 'main subject matter' of an insurance contract as the terms of the contract that describe what is being insured. The duty of utmost good faith contained in section 13 of the Insurance Contracts Act should operate independently of the unfair contract terms provisions.	The Government **agrees** to extend the unfair contract terms provisions to insurance contracts, consistent with its response to the 2017 Senate Economics References Committee Inquiry into the General Insurance Industry. Insurance contracts are excluded from the industry-wide unfair contract provisions in the ASIC Act. Removing this exemption will ensure that standard form insurance contracts offered to consumers and small businesses on a 'take it or leave it' basis cannot include terms that are considered unfair. Consultation with industry on this policy occurred between June and August 2018.	**Unlike the Government, Labor will fully implement** this recommendation. The **Government has not committed** to accept the Royal Commission's recommended definition of 'main subject matter'. **Labor will implement** the Royal Commission's recommended definition of 'main subject matter', a crucial element of this recommendation. **Only Labor will fully implement this recommendation.**

Recommendation 4.8 — Removal of claims handling exemption The handling and settlement of insurance claims, or potential insurance claims, should no longer be excluded from the definition of 'financial service'.	The Government **agrees** to remove the exemption for the handling and settlement of insurance claims from the definition of a financial service. Inappropriate claims handling practices can cause significant consumer detriment as highlighted through the Royal Commission's round six hearings into insurance.	Labor **will fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019. **Labor has already tabled a Bill in the Parliament** to give effect to this recommendation.

Recommendation 4.9 — Enforceable code provisions As referred to in Recommendation 1.15, the law should be amended to provide for enforceable provisions of industry codes and for the establishment and imposition of mandatory industry codes. In respect of the Life Insurance Code of Practice, the Insurance in Superannuation Voluntary Code and the General Insurance Code of Practice, the Financial Services Council, the Insurance Council of Australia and ASIC should take all necessary steps, by 30 June 2021, to have the provisions of those codes that govern the terms of the contract made or to be made between the insurer and the policyholder designated as 'enforceable code provisions'.	The Government **supports** the Financial Services Council, the Insurance Council of Australia and ASIC acting on this recommendation, following the implementation of the Government response to Recommendation 1.15 about ASIC's powers to approve codes with enforceable provisions. This responds to the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* which recommended a binding and enforceable superannuation insurance code of conduct, which would thereafter become a condition of holding an RSE licence.	**Unlike the Government, Labor will fully implement this recommendation.** Labor will **amend the law** to provide for ASIC to consider whether there are sufficient enforceable provisions of industry codes and for the establishment and imposition of mandatory industry codes where industry does not, in the opinion of ASIC and the Government, establish a sufficiently robust code voluntarily. **The Government has failed to commit to these essential components** of the recommendation. **Only Labor will fully implement this recommendation.** Labor **expects** the FSC, ICA and ASIC to take the steps recommended by the Royal Commission no later than 6 months after the enforceable code regime is established.

Recommendation 4.10 — Extension of the sanctions power The Financial Services Council and the Insurance Council of Australia should amend section 13.10 of the Life Insurance Code of Practice and section 13.11 of the General Insurance Code of Practice to empower (as the case requires) the Life Code Compliance Committee or the Code Governance Committee to impose sanctions on a subscriber that has breached the applicable Code.	The Government **supports** the Financial Services Council and the Insurance Council of Australia acting on this recommendation.	Labor **expects** the FSC and ICA to act on this recommendation immediately, with the new provisions to commence no later than **1 January 2020.**

Recommendation 4.11 — Co-operation with AFCA Section 912A of the Corporations Act should be amended to require that AFSL holders take reasonable steps to co-operate with AFCA in its resolution of particular disputes, including, in particular, by making available to AFCA all relevant documents and records relating to issues in dispute.	The Government **agrees** to place an obligation on AFSL holders to take reasonable steps to co-operate with the Australian Financial Complaints Authority (AFCA) in the resolution of disputes. It is important that AFSL holders fully co-operate with AFCA in the resolution of a dispute, including making available to AFCA all relevant documents and records relating to the issues in dispute.	Labor **will fully implement** this recommendation and believes that **this could be accomplished before the May 2019 election** if the Parliament was permitted to sit in March 2019. **Labor has already tabled a Bill in the Parliament** to give effect to this recommendation.

Recommendation 4.12 — Accountability regime Over time, provisions modelled on the BEAR should be extended to all APRA-regulated insurers, as referred to in Recommendation 6.8.	The Government **agrees** to this recommendation, consistent with the Government's response to Recommendation 6.6 about the extension of the BEAR regime to all APRA-regulated entities.	Labor **will fully implement** this recommendation

Recommendation 4.13 — Universal terms review Treasury, in consultation with industry, should determine the practicability, and likely pricing effects, of legislating universal key definitions, terms and exclusions for default MySuper group life policies.	The Government **agrees** to review the merits of legislating universal key definitions, terms and exclusions for default insurance cover within MySuper products.	Labor **agrees** to review the merits, including practicability and likely price impacts, of legislating universal key definitions, terms and exclusions for default insurance cover within MySuper superannuation products..

Recommendation 4.14 — Additional scrutiny for related party engagements APRA should amend Prudential Standard SPS 250 to require RSE licensees that engage a related party to provide group life insurance, or who enter into a contract, arrangement or understanding with a life insurer by which the insurer is given a priority or privilege in connection with the provision of life insurance, to obtain and provide to APRA within a fixed time, independent certification that the arrangements and policies entered into are in the best interests of members and otherwise satisfy legal and regulatory requirements.	The Government **supports** APRA acting on this recommendation.	Labor **expects APRA** to implement this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 4.15 — Status attribution to be fair and reasonable APRA should amend Prudential Standard SPS 250 to require RSE licensees to be satisfied that the rules by which a particular status is attributed to a member in connection with insurance are fair and reasonable.	The Government **supports** APRA acting on this recommendation.	Labor **expects APRA** to implement this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 5.1 — Supervision of remuneration — principles, standards and guidance In conducting prudential supervision of remuneration systems, and revising its prudential standards and guidance about remuneration, APRA should give effect to the principles, standards and guidance set out in the Financial Stability Board's publications concerning sound compensation principles and practices. Recommendations 5.2 and 5.3 explain and amplify aspects of this Recommendation.	The Government **supports** APRA acting on this recommendation.	Labor **expects APRA** to implement this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 5.2 — Supervision of remuneration — aims In conducting prudential supervision of the design and implementation of remuneration systems, and revising its prudential standards and guidance about remuneration, APRA should have, as one of its aims, the sound management by APRA-regulated institutions of not only financial risk but also misconduct, compliance and other non-financial risks.	The Government **supports** APRA acting on this recommendation.	Labor **expects APRA** to implement this recommendation. Labor **notes** that there is significant public interest in this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 5.3 — Revised prudential standards and guidance In revising its prudential standards and guidance about the design and implementation of remuneration systems, APRA should: - require APRA-regulated institutions to design their remuneration systems to encourage sound management of non-financial risks, and to reduce the risk of misconduct; - require the board of an APRA-regulated institution (whether through its remuneration committee or otherwise) to make regular assessments of the effectiveness of the remuneration system in encouraging sound management of non-financial risks, and reducing the risk of misconduct; - set limits on the use of financial metrics in connection with long-term variable remuneration; - require APRA-regulated institutions to provide for the entity, in appropriate circumstances, to claw back remuneration that has vested; and - encourage APRA-regulated institutions to improve the quality of information being provided to boards and their committees about risk management performance and remuneration decisions.	The Government **supports** APRA acting on this recommendation	Labor **expects APRA** to implement this recommendation. Labor **notes** that there is significant public interest in this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 5.4 — Remuneration of front line staff All financial services entities should review at least once each year the design and implementation of their remuneration systems for front line staff to ensure that the design and implementation of those systems focus on not only what staff do, but also how they do it.	The Government **supports** all financial services entities acting on this recommendation.	Labor **expects all financial services entities** to have established this annual process by **1 January 2020.** The principles underpinning the review of "how they do it" should focus on ensuring ethical, lawful behaviour that genuinely prioritises customers. **Financial services entities** will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 5.5 — The Sedgwick Review Banks should implement fully the recommendations of the Sedgwick Review.	The Government **supports** banks fully implementing the recommendations of the Sedgwick Review.	Labor **expects** all banks to fully implement the recommendations of the Sedgwick review **by the date set down in that review (i.e. no later than 2020).** **Banks** will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 5.6 — Changing culture and governance All financial services entities should, as often as reasonably possible, take proper steps to: - assess the entity's culture and its governance; - identify any problems with that culture and governance; - deal with those problems; and - determine whether the changes it has made have been effective.	The Government **supports** financial entities acting on this recommendation.	Labor **expects** financial services entities to act on this recommendation. **Banks** will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation. The **ABA and the CEOs of the four major banks** will be required to report to the House Economics Committee every 6 months about implementation of this recommendation.

Recommendation 5.7 — Supervision of culture and governance In conducting its prudential supervision of APRA-regulated institutions and in revising its prudential standards and guidance, APRA should: - build a supervisory program focused on building culture that will mitigate the risk of misconduct; - use a risk-based approach to its reviews; - assess the cultural drivers of misconduct in entities; and - encourage entities to give proper attention to sound management of conduct risk and improving entity governance.	The Government **supports** APRA acting on this recommendation.	Labor **expects APRA** to implement this recommendation. APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 6.1 — Retain twin peaks The 'twin peaks' model of financial regulation should be retained.	The Government **agrees** to retain the 'twin peaks' model of financial regulation where responsibility for conduct and disclosure regulation lies primarily with ASIC and responsibility for prudential regulation with APRA. There is a strong rationale for retaining the twin peaks structure: conduct and prudential regulation involve necessarily different functions that are most efficiently met when they are the responsibility of separate but mutually supporting regulators.	Labor will **fully implement** this recommendation.

Recommendation 6.2 — ASIC's approach to enforcement ASIC should adopt an approach to enforcement that: • takes, as its starting point, the question of whether a court should determine the consequences of a contravention; • recognises that infringement notices should principally be used in respect of administrative failings by entities, will rarely be appropriate for provisions that require an evaluative judgment and, beyond purely administrative failings, will rarely be an appropriate enforcement tool where the infringing party is a large corporation; • recognises the relevance and importance of general and specific deterrence in deciding whether to accept an enforceable undertaking	The Government **supports** ASIC acting on this recommendation. The adoption of the Royal Commission's recommendation will build on changes already underway within ASIC, both with its recent shift to a 'why not litigate' stance, and recommended changes to its policies, processes and procedures put forward by its recent internal review of enforcement.	Labor **expects ASIC** to implement this recommendation. Labor notes that the Liberals have **left ASIC with a funding shortfall of $113 million over the next four years**, which will impact ASIC's capacity to implement this recommendation. ASIC will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

and the utility in obtaining admissions in enforceable undertakings; and • separates, as much as possible, enforcement staff from non-enforcement related contact with regulated entities.		

Recommendation 6.3 — General principles for co-regulation The roles of APRA and ASIC in relation to superannuation should be adjusted to accord with the general principles that: - APRA, as the prudential regulator for superannuation, is responsible for establishing and enforcing Prudential Standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by superannuation entities APRA supervises are met within a stable, efficient and competitive financial system; and - as the conduct and disclosure regulator, ASIC's role in superannuation primarily concerns the relationship between RSE licensees and individual consumers. Effect should be given to these principles by taking the steps described in Recommendations 6.4 and 6.5.	The Government **agrees** that the roles of APRA and ASIC in superannuation should be adjusted to align with the general principles of the twin peaks model, whereby APRA is the prudential regulator and responsible for system and fund performance, including for licencing and supervision, and ASIC is the conduct and disclosure regulator. The Government **agrees** that both ASIC and APRA should have stronger powers to enforce provisions that are civil penalty provisions and other provisions relating to conduct that may harm a consumer. Regulators' responsibilities under the *Superannuation Industry (Supervision) Act 1993* will be shared in a way that aligns with ASIC and APRA's mandates. This also responds to the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* which recommended clarifying the regulators' roles and powers, including their respective areas of focus	Labor will **fully implement** these recommendations. Labor supports the principle that ASIC should be the primary conduct regulator, and be empowered to take actions necessary to regulate the conduct and disclosure between RSE licensees and individual consumers. Labor will consult with ASIC, APRA and industry to develop legislation to give the principles in these recommendations full effect, and to ensure that there is a commitment from ASIC and APRA to this newly clarified co-regulatory arrangement in superannuation. ASIC and APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing these recommendations.

Recommendation 6.4 — ASIC as conduct regulator Without limiting any powers APRA currently has under the SIS Act, ASIC should be given the power to enforce all provisions in the SIS Act that are, or will become, civil penalty provisions or otherwise give rise to a cause of action against an RSE licensee or director for conduct that may harm a consumer. There should be co-regulation by APRA and ASIC of these provisions.	See previous page.	See previous page.
Recommendation 6.5 — APRA to retain functions APRA should retain its current functions, including responsibility for the licensing and supervision of RSE licensees and the powers and functions that come with it, including any power to issue directions that APRA presently has or is to be given.		

Recommendation 6.6 — Joint administration of the BEAR ASIC and APRA should jointly administer the BEAR. ASIC should be charged with overseeing those parts of Divisions 1, 2 and 3 of Part IIAA of the Banking Act that concern consumer protection and market conduct matters. APRA should be charged with overseeing the prudential aspects of Part IIAA.	The Government **agrees** to extend the BEAR to all APRA regulated entities, including insurers and superannuation RSEs. Further, the Government will introduce a similar regime for non-prudentially regulated financial firms focused on conduct. The Royal Commission has demonstrated that serious governance and accountability failings extend beyond Authorised Deposit-taking Institutions and beyond prudential matters. The Government is committed to ensuring that senior individuals who operate in the financial sector conduct themselves in an appropriate manner and face consequences where they fail to meet these standards. The new ASIC-administered accountability regime will apply to AFSL and ACL holders, market operators, and clearing and settlement facilities. Like the BEAR, individuals with specified functions (including senior executives) will be registered and have explicit obligations related to the conduct of the entity. Financial entities will also have an obligation to deal with APRA and ASIC (as the case may be) in an open, constructive and co-operative way. Treasury will consult on how this new ASIC-administered accountability regime will be implemented, including any practical changes	Labor will **fully implement** these recommendations. Labor will enhance the BEAR regime as recommended, and will extend the BEAR regime to all APRA-regulated financial services institutions. ASIC and APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing these recommendations.
Recommendation 6.7 — Statutory amendments The obligations in sections 37C and 37CA of the Banking Act should be amended to make clear that an ADI and accountable person must deal with APRA and ASIC (as the case may be) in an open, constructive and co-operative way. Practical amendments should be made to provisions such as sections 37K and 37G(1) so as to facilitate joint administration.		
Recommendation 6.8 — Extending the BEAR Over time, provisions modelled on the		

BEAR should be extended to all APRA-regulated financial services institutions. APRA and ASIC should jointly administer those new provisions.	to support proper administration of the respective regimes	

Recommendation 6.9 — Statutory obligation to co-operate The law should be amended to oblige each of APRA and ASIC to: - co-operate with the other; - share information to the maximum extent practicable; and - notify the other whenever it forms the belief that a breach in respect of which the other has enforcement responsibility may have occurred.	The Government **agrees** to remove barriers to information sharing between the regulators and require APRA and ASIC to co-operate, share information and notify each other of relevant breaches or suspected breaches, as appropriate. Improvements to informal and formal communication, co-operation and collaboration between the two regulators are critical. This should include efficiently sharing information and intelligence and working together on enforcement and investigation activities.	Labor will **fully implement** this recommendation. Labor will amend the law to create a positive obligation for APRA and ASIC to cooperate in the manner recommended.

Recommendation 6.10 — Co-operation memorandum ASIC and APRA should prepare and maintain a joint memorandum setting out how they intend to comply with their statutory obligation to co-operate. The memorandum should be reviewed biennially and each of ASIC and APRA should report each year on the operation of and steps taken under it in its annual report.	The Government **supports** ASIC and APRA continuing to work together to update their existing memorandum of understanding to ensure that it clearly sets out how they will comply with their statutory obligation to co-operate.	Labor will **fully implement** this recommendation. ASIC and APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 6.11 — Formalising meeting procedure The ASIC Act should be amended to include provisions substantially similar to those set out in sections 27–32 of the APRA Act — dealing with the times and places of Commissioner meetings, the quorum required, who is to preside, how voting is to occur and the passing of resolutions without meetings.	The Government **agrees** to amend the ASIC Act to include provisions dealing with the places of Commissioner meetings, the quorum required, who is to preside, how voting is to occur and the passing of resolutions without meetings.	Labor will **fully implement** this recommendation. Labor **will amend** the law to specify that ASIC Commissioner meetings must occur in a manner similar to the requirements in sections 27-32 of the APRA Act. Labor **expects** ASIC to act on this recommendation immediately. ASIC will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 6.12 — Application of the BEAR to regulators In a manner agreed with the external oversight body (the establishment of which is the subject of Recommendation 6.14 below) each of APRA and ASIC should internally formulate and apply to its own management accountability principles of the kind established by the BEAR.	The Government **agrees** that APRA and ASIC should be subject to an accountability principles consistent with the BEAR. The Government notes that the Financial Conduct Authority in the UK has adopted a similar regime to enhance its own internal accountability.	Labor will **fully implement** this recommendation. The public expects high standards of probity, independence and ethical conduct from regulators. ASIC and APRA will be required to report to the Royal Commission Implementation Taskforce every 6 months on the progress of implementing this recommendation.

Recommendation 6.13 — Regular capability reviews APRA and ASIC should each be subject to at least quadrennial capability reviews. A capability review should be undertaken for APRA as soon as is reasonably practicable.	The Government **agrees** to conduct regular capability reviews going forward and to a capability review of APRA commencing in 2019, chaired by Mr Graeme Samuel AC. The capability review will build on the recently completed International Monetary Fund's Financial Sector Assessment Program, which included an assessment of APRA's policy and supervisory framework for banks and insurers. This also responds to the recommendation of the Productivity Commission's report *Superannuation: Assessing Efficiency and Competitiveness* to conduct a capability review of APRA.	Labor will **fully implement** this recommendation, with at least quadrennial capability reviews of both ASIC and APRA. Labor will support the capability review of APRA being commenced by Mr Graeme Samuel AC.

Recommendation 6.14 — A new oversight authority A new oversight authority for APRA and ASIC, independent of Government, should be established by legislation to assess the effectiveness of each regulator in discharging its functions and meeting its statutory objects. The authority should be comprised of three part-time members and staffed by a permanent secretariat. It should be required to report to the Minister in respect of each regulator at least biennially.	The Government **agrees** to create an independently-chaired oversight body to report on the performance of ASIC and APRA. The Royal Commission noted that while regulators are subject to a number of accountability mechanisms, an independent assessment of their strategic performance against their overall mandate was lacking. Having a dedicated oversight body will allow for better assessment of regulators' sustained performance and improve the effectiveness of other accountability mechanisms. The Government is committed to maintaining the independence of the financial system regulators. Accordingly, this body will not have the ability to direct, make, assess or comment on specific enforcement actions, regulatory decisions, complaints and like matters. The Financial Sector Advisory Council will be disbanded given the establishment of this new body and consideration will be given to streamlining other accountability mechanisms.	Labor will **fully implement** this recommendation. Labor will establish a new independently-chaired oversight body for APRA and ASIC, and will require reports to be given to the Minister about each regulator at least biennially. Labor will establish clear principles through which this oversight authority will assess the strategic performance of the regulators. In relation to ASIC, one of these principles will be to assess and evaluate the extent to which ASIC is successful in using litigation and other regulatory action to deter misconduct and seek to punish those responsible when misconduct does occur.

Recommendation 7.1 — Compensation scheme of last resort The three principal recommendations to establish a compensation scheme of last resort made by the panel appointed by government to review external dispute and complaints arrangements made in its supplementary final report should be carried into effect.	The Government **agrees** to establish an industry-funded, forward-looking compensation scheme of last resort (CSLR). The scheme will be designed consistently with the recommendations of the Supplementary Final Report of the Review of the financial system external dispute resolution framework (Ramsay Review) and will extend beyond disputes in relation to personal financial advice failures. For there to be confidence in the financial system's dispute resolution framework, it is important that where consumers and small businesses have suffered detriment due to failures by financial firms to meet their obligations, compensation that is awarded is actually paid. The CSLR will operate as a last resort mechanism to pay out compensation owed to consumers and small businesses that receive a court or tribunal decision in their favour or a determination from AFCA, but are unable to get the compensation owed by the financial firm — for example, because the firm has become insolvent. The CSLR will be established as part of AFCA. The Government also **agrees** to fund the payment of legacy unpaid determinations from the Financial Ombudsman Service and Credit and Investments Ombudsman. The Ramsay Review found that there was a strong case for these determinations to be paid. The Government **will also** require AFCA to consider disputes dating back to 1 January 2008 — the period looked at by the Royal Commission, if the dispute falls within AFCA's thresholds as they stand today. This will ensure that consumers and small businesses that have suffered from misconduct but have not yet been heard will be able to take their cases to AFCA. Consumers and small businesses will have twelve months from the date that AFCA commences	Labor will **fully implement** this recommendation. Labor will establish an industry-funded, prospective Compensation Scheme of Last Resort (CSLR) consistent with the recommendations of the Ramsay Review, but will extend this scheme to all financial service providers, not just financial advisers. Labor will **also establish a more comprehensive retrospective compensation scheme** than the Government. Labor's scheme will cover **more victims** and will be **entirely independent of AFCA**. Labor's scheme will be able to **award compensation** up to the new, **higher AFCA compensation caps** announced by Labor. **Unlike the Government**, Labor will require AFCA members, not taxpayers, to contribute to the payment of outstanding unpaid EDR determinations, **saving taxpayers $30 million.**

	accepting legacy disputes to lodge their complaint with AFCA. The Government **will further** strengthen regulatory oversight and transparency of remediation activities through increasing the role of AFCA in the establishment and public reporting of firm remediation activities. The Government **will also** provide a new directions power to ASIC, consistent with the recommendations of the ASIC Enforcement Review in the response to Recommendation 7.2. The new directions power provides ASIC with the ability to direct firms to undertake remediation activities.	

Recommendation 7.2 — Implementation of recommendations The recommendations of the ASIC Enforcement Review Taskforce made in December 2017 that relate to self-reporting of contraventions by financial services and credit licensees should be carried into effect.	The Government **agrees** to implement the outstanding ASIC Enforcement Review recommendations to improve the breach reporting regime. The Government **also agrees** to provide ASIC with powers to give directions to AFSL and ACL holders consistent with the recommendations of the ASIC Enforcement Review. The ASIC Enforcement Review Taskforce also made recommendations relating to the enforceability of industry codes, which is covered by the Government's response to Recommendation 1.15.	Labor will **fully implement** this recommendation by legislating the relevant recommendations of the ASIC Enforcement Review Taskforce.

Recommendation 7.3 — Exceptions and qualifications As far as possible, exceptions and qualifications to generally applicable norms of conduct in legislation governing financial services entities should be eliminated.	The Government **agrees** to simplify the financial services law to eliminate exceptions and qualifications to the law, where possible. The Government also **agrees** to identify the norms of behaviour and principles that underpin legislation as part of the legislative simplification process. The Royal Commission has noted that over-prescription and excessive detail can shift responsibility for behaviour away from regulated entities and encourage them to undertake a 'box-ticking' approach to compliance, rather than ensuring they comply with the fundamental norms of behaviour that should guide their conduct. A clearer focus on those fundamental norms in the primary legislation and subordinate instruments will improve the regulatory architecture and ensure that the law's intent is met.	Labor will **fully implement** this recommendation. After legislating to remove exceptions and qualifications specified in other recommendations of the Royal Commission, Labor will consider whether remaining exceptions and qualifications should remain, and remove them as far as possible.
Recommendation 7.4 — Fundamental norms As far as possible, legislation governing financial services entities should identify expressly what fundamental norms of behaviour are being pursued when particular and detailed rules are made about a particular subject matter.		

Additional Measures

Measure	Government Response	Labor Response
Additional Measure — Federal Court jurisdiction in relation to corporate crime	The Government **will expand** the Federal Court's jurisdiction in relation to corporate crime. The Royal Commission has emphasised that effective deterrence through judicial decisions relies on the timely institution of proceedings and punishment of misconduct. The Government agrees, and has already provided an additional $70.1 million to boost ASIC's enforcement capabilities and supervisory approach and $41.6 million to the Commonwealth Director of Public Prosecutions (CDPP) to prosecute briefs from ASIC. Extending the Federal Court's jurisdiction will boost the overall capacity within the Australian court system to ensure the prosecution of financial crimes does not face delays as a result of heavy caseloads in the Courts. The Federal Court has considerable expertise in civil commercial matters and is well-positioned to accommodate the conferral of a greater corporate criminal jurisdiction, which will help to increase the speed with which such matters are dealt with.	Labor **supports the expansion** of the Federal Court's jurisdiction in relation to corporate crime. Labor moved amendments to the *Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Bill 2018* which have successfully passed the Senate. These amendments would increase the maximum civil penalty to $525m, and increase the maximum sentence for the most serious corporate crimes from 10 to 15 years. Labor has committed $25m in additional funding to the Commonwealth DPP to fund additional corporate criminal prosecutions. Labor will ensure that ASIC has the resources necessary to undertake the volume of enforcement action required to deter misconduct and punish offenders.

Additional Measure — Funding for Financial Counselling	The Government **agrees** with the suggestion by Commissioner Hayne that there is a need for predictable and stable funding for the legal assistance sector and for counselling services. Financial counselling services play an important role in supporting consumers and the challenges faced by parties delivering these services include increasing demand, inconsistent and short term grant-based funding streams and fragmented delivery across jurisdictions. The Government will review the co-ordination and funding of financial counselling services. This immediate review will be led by the Department of Social Services, in consultation with Treasury and the Department of the Prime Minister and Cabinet. The review will consider gaps and overlaps in current services and the adequacy of, and appropriate delivery models for, funding.	Labor **will** deliver stable, long-term funding for financial counselling and financial services specialist community legal centres. Labor **notes** Commissioner Hayne's comments about the importance of financial counselling and consumer community legal centre assistance in ensuring fairness in financial services: *"The legal assistance sector and financial counselling services perform very valuable work. Their services, like financial services, are a necessity to the community."*

Additional Measure — Extension of legislation for PIP/DDO	The Government **agrees** with the suggestion by the Commissioner to extend the proposed DDOs to apply to NCCP Act products and ASIC Act products and the ASIC PIP to apply to ASIC Act products. The extension of the DDOs will benefit consumers by ensuring issuers of credit products and ASIC Act financial products identify in advance which consumers their products are suitable for, and direct sales to that target market, rather than promoting products to all consumers. These obligations will complement responsible lending obligations that apply to those offering credit. The extension of the PIP to all ASIC Act products will empower ASIC to intervene in relation to a wider range of products, where ASIC identifies detriment or potential detriment to consumers. The Government recognises that the extension of the DDOs may have a significant impact on many businesses and will carefully consider how these reforms are implemented.	Labor **will fully implement** this recommendation by extending the DDOs to NCCP Act products and ASIC Act products and the PIPs to ASIC Act Products. Labor has circulated amendments in the House of Representatives to the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018* to extend the DDOs and PIPs to ASIC Act products and the DDOs to NCCP Act products. Labor calls on the Government to support these amendments and bring the legislation on for debate as a matter of urgency. **These measures could easily be passed into law before the May 2019 election** if the Parliament was permitted to sit in March 2019.

Additional Measure — Superannuation binding death benefit nominations for indigenous people	The Government will consult with Aboriginal and Torres Strait Islander peoples and relevant representative bodies as well as the superannuation industry about difficulties in using binding death benefit nominations.	Labor supports this measure.

Additional Measure — Review of the effects of vertical and horizontal integration in the financial system	The Government **agrees** that understanding the longer term market implications of integration is an important component of promoting competition in the financial system, and **supports** the ACCC considering integration issues where they are identified as part of its market studies work. This also responds to the Productivity Commission's report *Competition in the Australian Financial System* which recommended that the ACCC should undertake five yearly market studies on the effect of vertical and horizontal integration on the financial system.	**Unlike the Liberals**, Labor **will implement** Commissioner Hayne's recommended action regarding vertical integration. Labor **will** require the ACCC to undertake 5 yearly market studies on the effect of vertical and horizontal integration in the financial system. The first of these reviews will be undertaken during Labor's first term in office if a Shorten Labor Government is elected in May 2019. **Only Labor will properly implement this recommendation.**

Additional Measure – Improvements to the Australian Financial Complaints Authority	None	Labor **will** deliver a range of improvements to the Australian Financial Complaints Authority (AFCA). Labor **will substantially increase AFCA compensation caps**, **quadrupling** the compensation cap for consumers and **doubling** the compensation cap for small businesses. Labor **will** remove the AFCA **sub-cap on non-financial loss**, recognising the serious non-financial impacts of financial service provider misconduct. Labor **will** require AFCA to report the names of financial firms in published determinations where AFCA finds in favour of the customer. Labor **will** increase Parliamentary oversight of AFCA by requiring AFCA to report to the House Economics Committee about its activities and any systemic issues it has observed.

Additional measure – Whistleblowing	None	Labor **has announced** a comprehensive Whistleblowers package. Labor **will:** • Set up a Whistleblower Rewards Scheme; • Establish a Whistleblower Protection Authority; • Overhaul our whistleblowing laws with a single Whistleblowing Act; and Fund a special prosecutor to bring corporate criminals to justice.

Additional measure – Accountability mechanisms	None	Labor has announced a series of **accountability mechanisms** to ensure that regulators, companies and peak bodies comply with the recommendations of Commissioner Hayne. Labor will: 1) Require major companies, industry bodies, APRA and ASIC, to **publicly report to the Royal Commission Implementation Taskforce** about their progress in implementing recommendations every 6 months; 2) Require the ABA, the four major banks, APRA and ASIC to develop Royal Commission **implementation plans by 1 August 2019** and submit them to the Royal Commission Implementation Taskforce; and Require the four major bank CEOs and the Australian Banking Association (ABA) to **report to the House of Representatives Economics Committee** on the progress of their banks in implementing the recommendations of the Royal Commission every 6 months.

Additional measure – Penalties for corporate offences	None	Labor moved amendments to the *Treasury Laws Amendment (Increasing Corporate and Financial Sector Penalties) Bill 2018* to: 1) increase the cap on civil penalties for corporations from the Government's proposed cap of $210m to a higher cap of $525m; and 2) increase the maximum sentence for the most serious corporate crimes to 15 years' imprisonment. **Labor's amendments** were **successfully carried** through the Parliament, and Labor is proud to have strengthened penalties for corporate misconduct.

Additional measure – Access to Justice Senate inquiry	None	Labor **will consider** reforms to improve access to justice in financial services disputes for consumers and small businesses. Labor **called for** and **will participate actively** in the Senate inquiry into access to justice in financial services.

Additional measure – Reforms to regulation of other financial service providers	None	Labor **called for** and **has been at the forefront of** the Senate inquiry into credit and financial services targeted at Australians at risk of financial hardship. Labor Senators will be making a range of recommendations about regulation of financial service providers covered by this inquiry, and Labor **will make further announcements** about these recommendations in due course.

Additional measure – New civil enforcement body	None	Labor **notes** that Commissioner Hayne considered the establishment of a specialist civil enforcement agency. Labor **agrees** that it is not currently necessary for a specialist civil enforcement agency to be created. However, as Commissioner Hayne recommends, Labor will closely monitor ASIC's progress in reforming its enforcement function. If it becomes apparent that ASIC is not sufficiently enforcing laws within its remit, Labor will consider establishing a specialist civil enforcement agency.