



Australian Government

RESTORING TRUST IN AUSTRALIA'S FINANCIAL SYSTEM

**Financial Services Royal Commission
Implementation Roadmap**

August 2019

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FOREWORD

On 4 February 2019, I released *Restoring trust in Australia's financial system*, the Morrison Government's comprehensive response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. In it, the Government committed to take action on all 76 of the Royal Commission's recommendations and, in a number of important areas, go further. It represents the largest and most comprehensive corporate and financial services law reform package since the 1990s.



Of the Royal Commission's 76 recommendations, 54 were directed to the Government, 12 to the regulators and 10 to the industry. Of the 54 recommendations directed to the Government, over 40 require legislation.

In addition to the Commission's 76 recommendations, the Government in its response announced a further 18 commitments to address issues raised in the Final Report.

The Government has implemented 15 of the commitments it outlined in response to the Royal Commission's Final Report. This comprises eight out of the 54 recommendations that were directed to the Government and seven of the 18 additional commitments the Government made as part of its response. Significant progress has also been made on a further five recommendations with draft legislation either introduced to the Parliament, released for comment or detailed consultation papers issued.

The Government's implementation timetable is ambitious. Excluding the reviews that are to be conducted in 2022, under the Implementation Roadmap by mid-2020, close to 90 per cent of our commitments will have been implemented. By the end of 2020 remaining Royal Commission recommendations requiring legislation will have been introduced.

In this Implementation Roadmap, we set out how we will deliver on the remaining Royal Commission recommendations and additional actions committed to. This will provide clarity and certainty to consumers, industry and regulators on the roll out of the reforms.

Of course, the Government's actions alone will not be sufficient to address the widespread misconduct identified by the Royal Commission. Individual firms must make the changes needed to their culture and remuneration practices to put consumers at the core of their business. I expect industry to also align with the urgency and priority the Government is giving to its implementation task.

The Government will ensure that key firms in the financial sector continue to address the issues identified by the Royal Commission. At the request of Government, the House of Representatives Standing Committee on Economics will inquire into progress made by major financial institutions, including the four major banks, and leading financial services associations in implementing the recommendations of the Royal Commission. As previously announced, we will also establish an independent review in three years' time to assess the extent to which changes in industry practices have led to improved consumer outcomes.

The Government is delivering lasting change in the financial sector to ensure public confidence is restored.

The Hon Josh Frydenberg MP
Treasurer

AN IMPLEMENTATION ROADMAP

The Government's comprehensive reform agenda

The Government's response to the Royal Commission, *Restoring trust in Australia's financial system*, committed the Government to taking action on all 76 recommendations of the Royal Commission.

Of the 76 recommendations, 54 were directed to Government. 18 further commitments were made by the Government based on comments and observations in the Royal Commission's final report.

The response represents a comprehensive package of reforms to:

- strengthen and expand protections for consumers, small businesses and those in rural and remote communities;
- ensure we have strong, effective regulators;
- enhance the accountability of financial firms, their senior executives and boards; and
- further improve remediation and redress for consumers and small businesses harmed by misconduct.

In addition to the recommendations the Government will progress, 12 recommendations require action by the regulators — the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) — and 10 recommendations require action by industry.

Significant progress has already been made

Upon releasing the Government's response, we immediately began taking action to implement our reform agenda. To date, the Government has implemented 15 commitments and has progressed publicly the implementation of another five commitments (Table 1).

TABLE 1: GOVERNMENT ACTIONS TO DATE

Stage	Recommendation or commitment
Completed	<p>Recommendation 3.6 — No treating of employers</p> <p>Recommendation 3.7 — Civil penalties for breach of covenants and like obligations</p> <p>These changes were implemented as part of the <i>Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Act 2019</i>, which received Royal Assent on 5 April 2019.</p>
	<p>Recommendation 4.11 — Require financial firms to cooperate with the Australian Financial Complaints Authority (AFCA)</p> <p>On 4 April 2019, regulations were made requiring all compulsory AFCA members to take reasonable steps to cooperate with AFCA in the resolution of disputes.</p>
	<p>Recommendation 4.13 — Undertake a review of the merits of universal terms for MySuper products</p> <p>From 28 March to 26 April 2019, the Government consulted on a consultation paper: <i>Universal terms for insurance within MySuper</i>. The Government is considering its response to the outcomes of those consultations.</p>
	<p>Recommendation 6.13 — Regular Capability Reviews — undertake an APRA capability review</p> <p>The Government committed to regular capability reviews, commencing with an APRA Capability Review led by Graeme Samuel AC (Chair), Diane Smith-Gander and Grant Spencer in March 2019. On 17 July 2019, the Government released its response to the Capability Review, agreeing to take action on all five of the recommendations directed to it. APRA also released its response, indicating support for all 19 of the recommendations directed to it.</p>
	<p>Additional commitment in response to Recommendation 2.4 — Direct ASIC to undertake grandfathering review</p> <p>On 22 February 2019, the Government directed ASIC to monitor and report on industry actions from 1 July 2019 to 1 January 2021 (the period leading up to the end of grandfathered conflicted remuneration for financial advisers).</p>
	<p>Additional commitment in response to Recommendation 7.1 — Payment of unpaid external dispute resolution (EDR) determinations</p> <p>On 4 April 2019, regulations were made to enable the payment of unpaid determinations made under the Financial Ombudsman Service (FOS) Terms of Reference and the Credit & Investments Ombudsman (CIO) Rules.</p> <p>The Department of Industry, Innovation and Science is administering the payments of unpaid EDR determinations through the Business Grants Hub.</p>
	<p>Additional commitment in response to Recommendation 7.1 — Expanding AFCA’s remit to consider past disputes</p> <p>On 20 February 2019, the Government extended AFCA’s remit to consider financial complaints dating back to 1 January 2008, providing expanded access to redress for consumers and small businesses harmed by financial misconduct. AFCA commenced receiving legacy complaints from 1 July 2019.</p>

Stage	Recommendation or commitment
Completed (continued)	Additional commitment — Extend legislation for the Product Intervention Power and Design and Distribution Obligations to additional products The Government extended the Product Intervention Power and Design and Distribution Obligations legislation so that it applied to credit and <i>Australian Securities and Investments Commission Act 2001</i> products. The legislation received Royal Assent on 5 April 2019.
	Additional commitment — Commence a review of financial counselling On 7 February 2019, the Government commissioned a review of the coordination and funding of financial counselling services, led by Louise Sylvan AM. That review has now been completed and the Government is considering its response.
	Additional commitment — Consult on superannuation binding death benefit nominations for Indigenous people From 29 March to 24 May 2019, the Government consulted on a discussion paper: <i>Superannuation binding death benefit nominations and kinship structures</i> . The Government is considering its response to the outcomes of those consultations.
	Additional commitment — Review of the effects of vertical and horizontal integration in the financial system The Australian Competition and Consumer Commission now considers integration issues in the financial system where they are identified as part of its market studies work.
Completed (no action required)	Recommendation 1.1 – No change to the National Consumer Credit Protection Act 2009 (NCCP Act) The Government agreed not to amend the NCCP Act obligation to assess unsuitability of credit contracts.
	Recommendation 1.9 – No extension of the NCCP Act to small business lending The Government agreed not to extend the NCCP Act to small business lending.
	Recommendation 6.1 – Retain twin peaks The Government committed to retain the twin peaks model of financial regulation.
In progress	Recommendation 1.11 — Implement a national farm debt mediation scheme On 9 February 2019, the Government and the states and territories agreed to continue moving towards a national farm debt mediation scheme, building on earlier work undertaken by senior officials from the Commonwealth (Department of Agriculture), states and territories.
	Recommendation 1.15 — Make provisions of industry codes enforceable On 18 March 2019, the Government released a consultation paper: <i>Enforceability of financial services industry codes</i> . The paper sets out a series of questions that will inform the development of legislation to enact the Government's commitment to implement Recommendation 1.15. Consultation closed on 12 April 2019.
	Recommendation 2.4 – Ending grandfathered commissions for financial advisers The Government introduced legislation on 1 August 2019 to end grandfathered commissions by 1 January 2021 and require rebating of commissions to retail clients. The Government has also consulted on draft regulations, which outline the requirement for financial product manufacturers to pass through to their retail clients the benefits of any previously grandfathered conflicted remuneration still in contracts after 1 January 2021.

Stage	Recommendation or commitment
In progress (continued)	<p>Recommendation 4.7 — Extending unfair contract terms to insurance contracts</p> <p>On 30 July 2019, the Government released exposure draft legislation to extend the unfair contract terms regime to insurance contracts. Consultation closes on 28 August 2019.</p>
	<p>Recommendation 4.8 — Removal of claims handling exemption</p> <p>On 1 March 2019, the Government released a consultation paper: <i>Insurance Claims Handling</i>. This paper looks at the removal of the exemption for insurance claims handling from the definition of ‘financial service’ under the <i>Corporations Act 2001</i>. Consultation closed on 29 March 2019.</p>

The Government also, in the 2019-20 Budget, provided a record level of funding to the financial regulators. ASIC received funding of \$404.8 million (an increase of 25 per cent on average in its annual budget over the forward estimates compared to 2017-18) and APRA received funding of more than \$151.7 million (an increase of 30 per cent on average in its annual budget over the forward estimates compared to 2017-18).

This additional funding will enable our financial regulators to strengthen and intensify their enforcement and supervision activities, and take on expanded responsibilities, as recommended by the Royal Commission.

Both ASIC and APRA have committed to act on the Royal Commission recommendations directed to them and have publicly announced their planned actions for each recommendation and the matters referred to them for investigation.¹

In the 2019-20 Budget, the Government also committed funding to the following Royal Commission recommendations to:

- provide compensation to consumers and small businesses who had existing unpaid EDR determinations from FOS and CIO;
- design and implement a forward-looking, industry-funded, compensation scheme of last resort;
- assist AFCA to extend its remit to enable it to consider legacy complaints dating back to 1 January 2008;
- undertake an APRA Capability Review;
- undertake a Financial Advice Review; and
- establish a financial regulator oversight authority.

As the Government progressively implements its response to the Royal Commission, it will continue to assess the resourcing needs of the regulators and, where appropriate, provide additional funding to support their policy-related work, and supervisory and enforcement activities.

1 ASIC update on implementation of Royal Commission recommendations, available at: <https://download.asic.gov.au/media/5011933/asic-update-on-implementation-of-royal-commission-recommendations.pdf>

APRA update on implementation of Royal Commission recommendations, available at: <https://www.apra.gov.au/media-centre/media-releases/apra-provides-six-monthly-update-royal-commission-recommendations>

Financial Services Reform Taskforce

To support efficient and effective implementation of the Government's response, the Treasury Royal Commission Taskforce has continued as the Financial Services Reform Taskforce.

The Government has provided \$12.1 million to Treasury and the Office of Parliamentary Counsel (OPC) for implementation-related work in the 2019-20 Budget and will now provide an additional \$9.3 million to Treasury and OPC. The additional funding will support the delivery of the Government's ambitious plans for the implementation of the Royal Commission recommendations.

The additional funding also includes resourcing for Treasury to begin the longer term task of considering how to simplify the law, consistent with recommendations 7.3 and 7.4 of the Royal Commission.

Implementation Steering Committee

A Financial Services Reform Implementation Steering Committee (ISC) has also been established, consisting of senior executives of the Treasury, ASIC, APRA and OPC, with participation from other agencies as required.

The ISC's role is to ensure that reforms and regulator efforts are effectively co-ordinated and risks to implementation are addressed promptly as they arise. The ISC also reports to the Government on progress in implementing the Government's reform agenda.

The Government's implementation plan

In its comprehensive response to the Royal Commission, the Government committed to take action on all 76 recommendations of the Royal Commission and made 18 additional commitments.

A table outlining indicative timelines for implementation of recommendations and additional commitments requiring Government action is at **Appendix A** and regulator action is at **Appendix B**.

In progressing the design and implementation of the reforms, the Government will look to do so in a way that is consistent with the Royal Commission's recommendations that, as far as possible:

- exceptions and qualifications to generally applicable norms of conduct be eliminated; and
- legislation applying to financial services firms expressly identify what fundamental norms of behaviour are being pursued.

Strengthening protections for consumers, small businesses and rural and regional communities

All Australians have the right to be treated fairly in their dealings with their financial firms. This is critical to ensuring that Australians can confidently engage with, and have trust in, the financial system.

The Government is taking action to address conflicts of interest and better align the interests of firms and consumers, including where consumers use an intermediary such as a financial adviser or mortgage broker. The Government is also implementing reforms to ensure that consumers are treated fairly in their dealings with the financial sector.

Key measures include ending the grandfathering of financial adviser conflicted remuneration, creating a best interests duty for mortgage brokers, reforming mortgage broker remuneration, and progressing consumer protections relating to insurance and superannuation.

Ensuring strong and effective financial system regulators

It is critical that our regulators have the resources and powers they need to strengthen and intensify their approach to enforcement and supervision, and take on expanded responsibilities to address and deter misconduct in our financial sector. Co-operation between ASIC and APRA will be required, including in improving how they share information, and the regulators have already begun the necessary work.

A key measure is to improve the regulation of the superannuation sector by expanding ASIC's role to make it the primary conduct regulator for superannuation.

To ensure that our regulators can identify and take appropriate action in relation to misconduct, the Government is reforming breach reporting arrangements as recommended by the ASIC Enforcement Review. These changes will be done together with the Royal Commission recommendations to require financial services and credit licensees to increase information-sharing and reporting obligations and take action to detect misconduct and, where appropriate, remediate customers for misconduct by financial advisers and mortgage brokers. The Government will also implement the other recommendations of the Enforcement Review relating to banning, licensing, search warrants, access to telecommunications intercepts and providing ASIC with a directions power.

The Government will establish a financial regulator oversight authority to ensure that ASIC's and APRA's effectiveness in delivering on their mandates is subject to consistent and ongoing independent assessment. The authority will undertake an assessment in three years' time of the effectiveness of the changes made by the regulators following the Royal Commission.

The Government will also provide ASIC and APRA with updated Statements of Expectations, reflecting the Royal Commission's findings and recommendations and the Government's response.

Enhancing accountability

Restoring trust in our financial system will require lasting change in the culture, governance and remuneration practices of financial firms. Boards and executives in these firms will need to drive this change — and the Government is committed to holding them accountable if they fail to act.

A key measure is to extend the existing Banking Executive Accountability Regime (BEAR) to all APRA-regulated entities, including insurers and superannuation funds. This will ensure the senior executives and directors of these entities are held to the same heightened standards of accountability imposed on banks and their senior leadership. The Government will also extend the accountability regime to a broader range of conduct and non-prudentially regulated entities to be administered by ASIC.

The Government is also creating a new disciplinary system for financial advisers that will include a single, central disciplinary body. The new body will be responsible for the registration, monitoring and sanctioning of financial advisers. This Royal Commission recommendation builds on the Government's professional standards reforms to raise the educational, training and ethical standards of financial advisers. The Government will proceed with monitoring of the Code of Ethics introduced as part of those reforms, which require financial advisers, from 15 November 2019, to subscribe to a code monitoring body that will enforce the Code of Ethics from 1 January 2020.

The Government committed more than \$35 million in the 2019-20 Budget to enable the jurisdiction of the Federal Court of Australia to expand to include corporate crime. The funding will support the appointment of two additional judges, additional registry and support staff as well as the construction of new court facilities for the hearing of criminal proceedings. This will ensure that those who engage in financial sector criminal misconduct are prosecuted and face the appropriate punishment for their actions in a timely manner.

Further improving consumer and small business access to redress

The Government is committed to ensuring consumers and small businesses can access redress when they suffer from financial sector misconduct. For too long, consumers and small businesses have missed out on, or experienced substantial delays in getting, the compensation to which they are entitled.

A key measure is the establishment of a compensation scheme of last resort to ensure that awards of compensation made to consumers or small businesses for misconduct are paid, with the scheme to be established by no later than December 2020 to cover unpaid determinations made under AFCA's rules after 1 November 2018. The Government is also working to strengthen the regulatory framework around firm remediation processes by giving additional powers and responsibilities to ASIC and AFCA.

The Commonwealth, states and territories have agreed to move towards a national farm debt mediation scheme. Work on this scheme is already underway.

Keeping industry accountable

The Government expects that firms and industry associations will implement the Royal Commission recommendations directed to them. These recommendations will:

- provide greater protections for bank customers, including vulnerable consumers, small businesses and farmers;
- allow for greater sanctions to be imposed following a breach of an industry code of conduct; and
- ensure firms regularly review, and address any issues with, their culture, governance and remuneration systems.

Industry implementation is outlined in **Appendix C**.

In the previous parliamentary term, the Government put in place parliamentary scrutiny of the four major banks by asking the House of Representatives Standing Committee on Economics to inquire into and report, at least annually, on Australia's four major banks. The Committee held five rounds of hearings, including a final round in March 2019.

To ensure transparency in relation to the actions being taken by industry and that they are held accountable for their actions, following a request by the Government, the House of Representatives Standing Committee on Economics will inquire into progress made by financial institutions, including the four major banks, and leading financial services associations in implementing the recommendations of the Royal Commission.

As announced in *Restoring trust in Australia's financial system*, the Government will also establish an independent review in three years' time to assess the extent to which changes in industry practices have led to improved consumer outcomes and the need for further reform.

APPENDIX A: GOVERNMENT IMPLEMENTATION PLAN

In this table, timelines are set out for Government actions, including for introduction of legislation where relevant.

Legislation to be consulted on and introduced by end-2019
Measures to improve consumer protections
<ul style="list-style-type: none"> • Recommendation 1.2 – Mortgage broker best interests duty • Recommendation 1.3 – Mortgage broker remuneration (consistent with the Government’s response) • Recommendation 2.4 – Ending grandfathered commissions for financial advisers (legislation introduced on 1 August 2019) • Recommendation 4.2 – Removing the exemptions for funeral expenses policies • Recommendation 4.7 – Application of unfair contract terms provisions to insurance contracts • Recommendation 4.8 – Removal of claims handling exemption for insurance
Measures to strengthen financial regulators
<ul style="list-style-type: none"> • Additional Commitment – ASIC’s search warrants powers (ASIC Enforcement Review) • Additional Commitment – ASIC’s telecommunications interceptions powers (ASIC Enforcement Review) • Additional Commitment – ASIC’s licensing powers (ASIC Enforcement Review) • Additional Commitment – ASIC’s power to ban people in the financial sector (ASIC Enforcement Review)
Legislation to be consulted on and introduced by 30 June 2020
Measures to improve consumer protections
<ul style="list-style-type: none"> • Recommendation 1.7 – Removal of point-of-sale exemption • Recommendation 1.15 – Enforceable code provisions for industry codes of conduct • Recommendation 2.1 – Annual renewal and payment for financial advice • Recommendation 2.2 – Disclosure of lack of independence of financial advisers • Recommendation 3.1 – No other role or office for trustees of Registrable Superannuation Entities (RSE) • Recommendation 3.2 – No deducting advice fees from MySuper accounts • Recommendation 3.3 – Limitations on deducting advice fees from choice superannuation accounts • Recommendation 3.4 – No hawking of superannuation products • Recommendation 4.1 – No hawking of insurance products • Recommendation 4.3 – Deferred sales model for add-on insurance • Recommendation 4.4 – Cap on commissions paid to vehicle dealers for sale of add-on insurance products • Recommendation 4.5 – Duty to take reasonable care not to make a misrepresentation to an insurer • Recommendation 4.6 – Limiting circumstances where insurers can avoid life insurance contracts • Recommendation 4.8 – Removal of claims handling exemption • Additional commitment in response to Recommendation 4.2 – Restricting use of the term ‘insurer’ and ‘insurance’

Legislation to be consulted on and introduced by 30 June 2020 (continued)**Measures to strengthen financial regulators**

- Recommendation 1.6 – Reference checking and information sharing for mortgage brokers
- Recommendation 2.7 – Reference checking and information sharing for financial advisers
- Recommendation 2.8 – Licensee obligations to report compliance concerns
- Recommendation 2.9 – Licensee obligations where misconduct by financial advisers
- Recommendation 3.8 – Adjustment of APRA's and ASIC's roles in superannuation
- Recommendation 6.3 – General principles for ASIC and APRA to co-regulate superannuation
- Recommendation 6.4 – ASIC as conduct regulator for superannuation
- Recommendation 6.5 – APRA to retain current functions for superannuation
- Recommendation 6.9 – Statutory obligation for APRA and ASIC to co-operate and share information
- Recommendation 6.14 – A new oversight authority for APRA and ASIC
- Recommendation 6.11 – Improving ASIC's Board meeting procedures
- Recommendation 7.2 – Implementing the ASIC Enforcement Review Taskforce's recommendations to improve the breach reporting regime
- Additional commitment in response to Recommendation 7.2 – Implementing the ASIC Enforcement Review Taskforce's directions power recommendations

Legislation to be consulted on and introduced by end-2020**Access to redress and new disciplinary body**

- Recommendation 2.10 – A new disciplinary system for financial advisers
- Recommendation 7.1 – Compensation scheme of last resort

Measures to strengthen financial regulators – executive accountability regime

- Recommendation 3.9 – Extending the Banking Executive Accountability Regime (BEAR) to RSE licensees
- Recommendation 4.12 – Extending the BEAR to APRA-regulated insurers
- Recommendation 6.6 – Joint administration of the BEAR
- Recommendation 6.7 – Statutory amendments to facilitate co-regulation
- Recommendation 6.8 – Extending the BEAR to all APRA-regulated financial services institutions.
- Additional commitment – extension of the executive accountability regime to non-prudentially regulated financial entities to be administered by ASIC.

Reviews in 2022

- Recommendation 1.4 – Council of Financial Regulators and the Australian Competition and Consumer Commission review of changes to mortgage broker remuneration and operation of upfront and trail commissions
- Recommendation 2.3 – Review of measures to improve the quality of financial advice – Consistent with the Royal Commission recommendations, the review will examine all exemptions from the ban on conflicted remuneration, including for general insurance, consumer credit insurance, timeshare and stockbroking remuneration, and stamping fees
- Recommendation 2.6 – Review of each remaining exemption from the ban on conflicted remuneration. This review will occur as part of the review of measures to improve the quality of financial advice (recommendation 2.3)
- Additional commitment – Independent inquiry into changes in industry practices
- Additional commitment – Assessment of the effectiveness of changes made by the regulators following the Royal Commission by the (to be established) financial regulator oversight authority

Other measures

- Recommendation 1.11 – A national farm debt mediation scheme – The Government is working with states and territories through the Agriculture Ministers' Forum (AGMIN) to progress work on the establishment of a national farm debt mediation scheme
- Recommendation 1.5 – Regulating mortgage brokers as financial advisers – This recommendation will be progressed following the review of financial advice reforms (recommendation 2.3), given that review may recommend changes to the regulation of financial advisers
- Recommendation 3.5 – One default superannuation account – Implementation of this recommendation will be considered in the context of the findings and recommendations of the Productivity Commission's report Superannuation: Assessing Efficiency and Competitiveness
- Additional commitment in response to Recommendation 7.1 – Increasing AFCA's role in remediation programs – legislation to be introduced by mid-2021
- Additional commitment – Extension of Federal Court jurisdiction in relation to criminal corporate crime – legislation to be introduced by mid-2020

APPENDIX B: REGULATOR IMPLEMENTATION PLANS

Recommendation	Regulator action
ASIC	
Recommendation 2.5 – Life insurance commissions review	ASIC will include the factors identified by the Royal Commission in undertaking its post implementation review of the 2017 life insurance reforms. ASIC's review will take place in 2021.
Recommendation 6.2 – ASIC's approach to enforcement	ASIC has established an Office of Enforcement within ASIC. The purpose is to strengthen ASIC's enforcement culture and effectiveness, and to implement a single enforcement strategy for ASIC. The Office will lead the application of ASIC's 'why not litigate' enforcement approach.
Recommendation 6.10 – Co-operation memorandum	APRA and ASIC are reviewing the cooperation and coordination arrangements between the two agencies, including revising the existing Memorandum of Understanding. This review is expected to be completed before the end of 2019.
Recommendation 6.12 – Application of the BEAR to regulators	ASIC will implement this recommendation in anticipation of the Government's establishment of a financial regulator oversight authority. ASIC will develop and publish accountability statements before the end of 2019.
Additional commitment in response to Recommendation 2.4 – End of Grandfathered commissions	ASIC will monitor and report on the extent to which product issuers are acting to end the grandfathering of conflicted remuneration in the period 1 July 2019 to 1 January 2021, as directed by Government.
APRA	
Recommendation 1.12 – Valuation of land	On 25 March 2019, APRA released for public consultation proposed revisions of <i>Prudential Standard APS 220 Credit Quality</i> . Consultation closed on 28 June 2019. APRA intends to finalise the standard in the second half of 2019 with a view to it becoming effective from 1 July 2020.
Recommendation 1.17 – BEAR product responsibility	On 28 June 2019, APRA released for consultation a proposed heightened product accountability regime, which requires ADIs to identify and register accountable persons to hold end-to-end product responsibility for each product the ADI offers to its customers. APRA will aim to release a draft schedule with the proposed product responsibility requirements for further consultation in October 2019, and the final legislative instrument in December 2019. APRA expects to implement the new requirements by 1 July 2020.
Recommendation 4.14 – Additional scrutiny for related party engagements Recommendation 4.15 – Status attribution to be fair and reasonable	APRA has completed and published a post-implementation review of the superannuation prudential framework, and will address these recommendations as part of the implementation of the findings of that review. Consultation on revised standards will take place throughout 2020.

Recommendation	Regulator action
APRA (continued)	
<p>Recommendation 5.1 – Supervision of remuneration (principles, standards and guidance)</p> <p>Recommendation 5.2 – Supervision of remuneration (aims)</p> <p>Recommendation 5.3 – Revised prudential standards and guidance</p>	<p>On 23 July 2019, APRA released a discussion paper and draft prudential standard to strengthen remuneration practices across all APRA-regulated entities. Consultation on the proposed reforms will take place until late October 2019.</p>
<p>Recommendation 5.7 – Supervision of culture and governance</p>	<p>Issues of culture and governance are priority areas for APRA. APRA is reviewing its program of work to enhance its regulatory and supervisory approach in these areas, following the Government’s announcement of additional funding as part of the 2019-20 Budget.</p> <p>APRA intends to publish a statement of its approach by the end of 2019.</p>
<p>Recommendation 6.10 – Co-operation memorandum</p>	<p>APRA and ASIC are reviewing the cooperation and coordination arrangements between the two agencies, including revising the existing Memorandum of Understanding. This review is expected to be completed by 2019.</p>
<p>Recommendation 6.12 – Application of the BEAR to regulators</p>	<p>APRA will implement this recommendation in anticipation of the Government’s establishment of the external oversight authority. APRA is expecting to develop and publish accountability statements before the end of 2019.</p>

APPENDIX C: INDUSTRY IMPLEMENTATION

Recommendation	Relevant stakeholders	Timing
<p>Recommendation 1.8 – Amending the Banking Code</p>	<p>Australian Banking Association (ABA), individual banks</p>	<p>The ABA has announced the amended Banking Code, incorporating recommendations 1.8 and 1.13, will be implemented by March 2020.</p> <p>The Government welcomes the Customer Owned Banking Association taking action to review its Code of Practice.</p>
<p>Recommendation 1.10 – Definition of small business</p>	<p>ABA</p>	<p>The Government notes the view of the Council of Financial Regulators that maintaining the current definition of small business, with an independent review to be undertaken 18 months after commencement of the new Banking Code on 1 July 2019, would be appropriate to understand and manage any risks to business access to finance.</p>
<p>Recommendation 1.13 – Charging default interest</p>	<p>ABA, individual banks</p>	<p>See recommendation 1.8.</p>
<p>Recommendation 1.14 – Distressed agricultural loans</p>	<p>Individual banks</p>	<p>The Government expects that banks will implement recommendation 1.14 as soon as possible.</p>
<p>Recommendation 1.16 – 2019 Banking Code</p>	<p>ABA</p>	<p>The Government expects the ABA to work co-operatively with ASIC to have the relevant provisions of the Banking Code approved as 'enforceable code provisions' as soon as practicable after legislation providing ASIC with these powers (recommendation 1.15) has been enacted.</p>
<p>Recommendation 4.9 – Enforceable code provisions</p>	<p>Financial Services Council (FSC), Insurance Council of Australia (ICA)</p>	<p>The Government expects the FSC and ICA to work co-operatively with ASIC to have the relevant provisions of their codes approved as 'enforceable code provisions' as soon as practicable after legislation providing ASIC with these powers (recommendation 1.15) has been enacted.</p>
<p>Recommendation 4.10 – Extension of the sanctions power</p>	<p>FSC, ICA</p>	<p>The Government expects the FSC and ICA to strengthen sanctions powers in their codes as soon as possible.</p>
<p>Recommendation 5.4 – Remuneration for front line staff</p>	<p>All financial services entities</p>	<p>The Government expects all financial services entities to monitor remuneration arrangements on an ongoing basis, as recommended.</p>

Recommendation	Relevant stakeholders	Timing
<p>Recommendation 5.5 – The Sedgwick Review</p>	<p>ABA member banks</p>	<p>The Government expects that banks will implement the recommendations of the Sedgwick Review relating to staff remuneration as soon as possible.</p>
<p>Recommendation 5.6 – Culture and governance</p>	<p>All financial services entities</p>	<p>The Government expects all financial services entities to monitor culture and governance on an ongoing basis, as recommended.</p>