

Labor pledges royal commission into bank behaviour

Written by The Conversation USA

Opposition Leader Bill Shorten has promised a Labor government would set up a royal commission into misconduct in the banking and financial services industry.

Shorten said public confidence in the sector had taken “hit after hit” in recent years, which have seen a string of revelations about bad behaviour.

“Many Australians have suffered through the decisions of banks and financial institutions,” he said. Retirees had lost their savings, small businesses had lost their livelihood, families had lost hundreds of thousands of dollars and insurance beneficiaries had been denied justice and legitimate claims.

“There are literally tens of thousands of victims, if not more. And today I say enough is enough. This string of scandals has to stop.”

Shorten called on the government to establish a royal commission, but said that if it would not act, a Labor government would.

Prime Minister Malcolm Turnbull this week strongly lectured bankers on the need for improved ethics but the government has ruled out a royal commission.

Earlier on Friday Treasurer Scott Morrison accused Shorten of engaging in a “reckless distraction” that put at risk confidence in the banking system. “What sort of message do you think Bill Shorten saying there needs to be a royal commission into the banks sends to the international community about confidence in the Australian banking system?”

Morrison said Shorten was seeking to “distract attention from his defence of corrupt practices in the building and construction industry”. There was already a “tough cop on the beat” to address the issues in the finance sector, Morrison said.

Labor pledges royal commission into bank behaviour

Written by The Conversation USA

Shadow Treasurer Chris Bowen said the royal commission would look at:

-

how widespread instances of illegal and unethical behaviour were in the industry;

-

how the financial services industry institutions understood and gave effect to their duty of care to consumers;

-

how the culture, ethical standards and business structures of Australia's financial institutions affected the behaviour of their employees and their operation in financial markets;

-

whether Australia's regulators were well equipped to identify and prevent illegal and unethical behaviour in the sector, compared with experiences overseas; and

-

any other issues that came to light during the inquiry.

Detailed terms of reference would be drawn up in government. The inquiry had been costed at A\$53 million over two years, Bowen said.

The inquiry would cover banks, insurance providers, and superannuation funds, but Bowen made it clear it would not be an inquiry into broader corporate Australia.

Asked whether this was tit for tat after the trade union royal commission, Shorten said: "No, this is a much bigger issue than some of those matters in terms of industrial relations."

Among those calling for a royal commission have been two government backbenchers, John Williams and Warren Entsch.

Speaking shortly before Labor's announcement, Williams told Sky he thought a royal commission would eventually come and he hoped it came sooner rather than later.

Immigration Minister Peter Dutton said "a stunt a day" until the election could now be expected from Shorten.

Australian Bankers' Association chief executive Steven Münchenberg said Labor had failed to explain what a royal commission would add, above and beyond what was being done to address the problems that had occurred. Many of the incidents had occurred a number of years ago, and since then a lot of regulation had been added.

Münchenberg said international investors were going to be asking what was wrong with the Australian banking system that required a royal commission.

ACTU secretary Dave Oliver said the banking and financial sector "has lurched from scandal to scandal, eroding public confidence in what should be the foundation of all economic activity in this country.

"There is mounting evidence of systemic corruption, poor governance and a lack of accountability" in the sector. "A royal commission would get to the bottom of those issues and renew trust," Oliver said.

Business Council of Australia chief executive Jennifer Westacott said setting up a royal commission when there was already robust regulatory oversight "risks undermining confidence at a critical time in the economic cycle, and could have a serious impact on investment and growth".

Labor pledges royal commission into bank behaviour

Written by The Conversation USA

“While the culture in some parts of the industry needs to be improved, we should be extraordinarily cautious about overstating the nature or extent of poor conduct in a way that implies systemic failure across the sector,” she said.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

Read more <http://theconversation.com/labor-pledges-royal-commission-into-bank-behaviour-57490>