Treasurer Scott Morrison has warned Australian banks not to pass on to customers the $121 million user-pays charge imposed on them to finance a strengthened Australian Securities and Investments Commission (ASIC).

The banks will pay for almost all the $127 million four-year package, which the government hopes will take the sting out of Labor's promise that it would set up a royal commission.

But Opposition Leader Bill Shorten said the issues were not just matters of the law but the culture.

The government will provide $61.1 million to boost ASIC's technology to boost its surveillance capabilities. "In the 21st century economy, you need a tech cop on the beat," Morrison said.

Another $9.2 million will go to ASIC and Treasury to ensure they can implement appropriate law and regulatory reform.

ASIC will get a further $57 million for the ongoing cost of increased surveillance and enforcement in the areas of financial advice, responsible lending, life insurance and breach reporting.

The measures follow a capability review of ASIC initiated by the government in July.

Among other changes, an extra ASIC commissioner will be appointed with experience in the prosecution of crimes in the financial services industry.

The government is accelerating the implementation of recommendations from the Murray review of the financial system for increased penalties and greater powers for ASIC to intervene on financial products.

ASIC’s employment practices will be exempted from the public service act, so it can recruit from the market people with experience in the sector.

The government will recommend that the financial services ombudsman changes its thresholds to provide greater access for treatment of claims and compliance.

An “eminent panel” will examine bringing together forums to have a “one stop shop” for consumer complaints.

Morrison told a joint news conference with Assistant Treasurer Kelly O'Dwyer that the banks would pay an additional $121 million to increase the resources of ASIC.

ASIC would also be moved to a full user-pays funding model. “No longer will it be the case that taxpayers will be hit to fund this regulator, this enforcement authority, this cop on the beat. Those whom it’s enforcing the regulations and rules on, will pay the price for that,” he said.

Asked whether the banks would not just pass on the impost in higher fees and charges, Morrison said the levies were “easily digestible by the banks”. He would be “furious” if the banks sought to pass the cost on and they had that message from him.

The term of ASIC chairman Greg Medcraft, which is expiring, has been extended - but only for 18 months to oversee the implementation of the reforms.

Making his pitch for reforming ASIC rather than having a royal commission, Morrison said: “What I have outlined today is a serious action plan. … This is what practical, effective targeted government looks like and that’s how we are responding to these issues of real concerns to Australians.”

He said Shorten “wants to spend your money to fund his political exercise which won’t get outcomes for people – it will just get a political outcome for Bill Shorten”.

O'Dwyer denied that the government previously tried to wind back consumer protections in the financial sector. “That’s simply not correct,” she said.

The Abbott government introduced regulations to water down the Labor government’s Future of Financial Advice (FOFA) reforms. But later these were disallowed by the Senate.

Shadow treasurer Chris Bowen said the package was “nothing more a political fix” to try to avoid a royal commission. “It’s a plan to hobble through an election.”

Responding to the government’s announcement Westpac said “The measures announced today by the government will play an important role in ensuring customers can be confident in our banking system.

“In line with our submission to the financial system inquiry, Westpac supports a user pays model for ASIC.”

Australian Bankers' Association chief executive Steven Münchenberg said: “We support the introduction of a new industry funding model for ASIC" adding that it was “important that contributions are transparent and that the amount of fees levied matches the level of regulation and resources required for ASIC”.

He said that the banking industry supported, in principle, the product intervention power for ASIC to bolster consumer protections. “However, we need to be wary of any action that may have unintended consequences and adversely impact on product innovation or consumer choice.”

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.

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