

Abbott suggests sacking bank regulators as ASIC feels the heat

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Former prime minister Tony Abbott has strongly condemned the performance of financial sector regulators, suggesting they should be sacked and replaced by “less complacent” people.

With increasing attention on the apparently inadequate performance of the Australian Securities and Investments Commission (ASIC), Abbott raised the question of what the regulators had been doing as the scandals had gone on.

“We all know there are greedy people everywhere, including in the banks,” he told 2GB on Monday. “But banking is probably the most regulated sector of our economy. What were the regulators doing to allow all this to be happening?”

Abbott said his fear was “that at the end of this royal commission we will have yet another level of regulation imposed upon the banks when frankly what should happen is, I suspect, all the existing regulators should be sacked and people who are much more vigilant and much less complacent go in in their place.”

He said the analogy was, “yes, punish the criminals but if the police are turning a blind eye to the criminals, you’ve got to get rid of the police and get decent people in there”.

Meanwhile Malcolm Turnbull, speaking to reporters in Berlin, defended refusing for so long to set up a royal commission, although he said commentators were correct in saying that “politically we would have been better off setting one up earlier”.

Turnbull said that by taking the course it had the government “put consumers first”.

“The reason I didn’t proceed with a royal commission is this - I wanted to make sure that we took the steps to reform immediately and got on with the job.

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"My concern was that a royal commission would go on for several years – that's generally been the experience – and people would then say, 'Oh you can't reform, you can't legislate, you've got to wait for the royal commissioner's report.'

"So if we'd started a royal commission two years ago, maybe it would be finishing now and then we'd be considering the recommendations ... With the benefit of hindsight and recognising you can't live your life backwards, isn't it better that we've got on with all of those reforms?"

Turnbull dismissed Bill Shorten's call for the government to consider a compensation scheme for victims by saying this matter was already in the commission's terms of reference.

Among the reforms it has made, the government highlights giving ASIC more power, resources and a new chair.

But Nationals backbencher senator John Williams, who has been at the forefront of calls for tougher action against wrongdoing in the financial sector, told the ABC that ASIC has got to be "quicker, they've got to be stronger, they've got to be seen as a feared regulator.

"That is not the situation at the moment," he said.

He had sent a text message to Peter Kell, ASIC deputy chair, a couple of nights ago "and I said, mate, Australia is waiting for you to act".

Asked how the culture within ASIC could be changed, Williams said, "I suppose you keep asking them questions at Senate estimates, keep the pressure on them, keep the message going on with the management of ASIC regularly.

"As I have said to the new boss [chair James Shipton], you've got to act quickly, you've got to be severe, you've got to be feared. If you're not a feared regulator, people are going to continue to abuse the system, do the wrong thing without fear of the punishment".

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He welcomed the increased penalties announced by the government last week.

The chair of the Australian Competition and Consumer Commission (ACCC), Rod Sims, while declining to comment on ASIC, said he agreed with Williams “that you really do have to be feared. And frankly I’d like to think the ACCC is.

“I won’t comment on others but you want people to be really watching out - watch out for the ACCC, watch out that you don’t get caught because if they catch us it’s going to be really dire consequences. And I think we’ve got that mentality,” he told the ABC.

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In an interview on Sky late Monday, Finance Minister Mathias Cormann admitted, “With the benefit of hindsight, we should have gone earlier with this inquiry.” This was in stark contrast with his colleague, Minister for Financial Services, Kelly O’Dwyer, refusing to make the concession when she was repeatedly pressed in an interview on Sunday.

Michelle Grattan owns bank shares.

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