

Frydenberg outlines financial sector reform timetable

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Treasurer Josh Frydenberg has issued a timetable for the government's dealing with the recommendations from the royal commission into banking, superannuation and financial services, which aims to have all measures needing legislation introduced by the end of next year.

The opposition has accused the government of dragging its feet on putting into effect the results of the inquiry, which delivered its final report early this year.

"The need for change is undeniable, and the community expects that the government response to the royal commission will be implemented swiftly," Frydenberg said in a statement on the timetable.

Frydenberg said that in his final report Commissioner Kenneth Hayne made 76 recommendations – 54 directed to the federal government (more than 40 of them needing legislation), 12 to the regulators, and 10 to the industry. Beyond the 76 recommendations, the government had announced another 18 commitments to address issues in the report.

The government had implemented 15 of the commitments it outlined in responding to the report, Frydenberg said. This included eight out of the 54 recommendations, and seven of the 18 additional commitments the government made. "Significant progress" had been made on another five recommendations, with draft legislation in parliament or out for comment or consultation papers produced.

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Frydenberg said that, excluding the reviews to be conducted in 2022, his timetable was:

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by the end of 2019, more than 20 commitments (about a third of the government's commitments) would have been implemented or have legislation in parliament

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by mid 2020, more than 50 commitments would have been implemented or be before parliament

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by the end of 2020, the rest of the commission's recommendations needing legislation would have been introduced.

When the Hayne report was released early this year, the government agreed to act on all the recommendations.

But one recommendation it has notably not signed up to was on mortgage brokers.

Hayne found that mortgage brokers should be paid by borrowers, not lenders, and recommended commissions paid by lenders be phased out over two to three years.

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The government at first accepted most of this recommendation, announcing the payment of ongoing so-called "trailing commissions" would be banned on new loans from July 2020. Upfront commissions would be the subject to a separate review. Four weeks later in March Frydenberg

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announced the government wouldn't be banning trailing commissions after all. Instead, it would review their operation in three years.

Releasing the timetable, Frydenberg said the reform program was the "biggest shake up of the financial sector in three decades" and the speed of implementation "is unprecedented".

"It will be done in a way that enhances consumer outcomes with more accountability, transparency and protections without compromising the flow of credit and competition," he said.

He undertook to ensure the opposition was briefed on each piece of legislation before it came into parliament.

"This will begin with the offer of a briefing by Treasury on the implementation plan. Given both the government and opposition agreed to act on the commission's recommendations, we expect to achieve passage of relevant legislation without undue delays," he said.

He said the industry was "on notice. The public's tolerance has been exhausted. They expect and we will ensure that the reforms are delivered and the behaviour of those in the sector reflects community expectations."

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

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