

RECOMMENDATIONS

■ Banking

Mortgage brokers must act in the best interests of borrowers. This is a new duty that would carry a civil penalty; Mortgage broker commissions should be banned over a period of two to three years, first by banning trail commissions on all new loans and then all other commissions (the government is hedging on this idea); Mortgage brokers should be subject to the same laws that apply to financial advisers who give personal advice; Retail car dealers should be brought into the credit act.

■ Financial advice

All ongoing fee arrangements must be renewed once a year by the client; Financial advisers must disclose their lack of independence to clients; Grandfathered commissions should be "repealed as soon as is reasonably practicable"; All financial advisers who provide personal financial advice to retail clients should be subject to a single, central disciplinary body.

■ Superannuation

Super trustees should be prohibited from "assuming any obligations other than those" related to being the trustee of the fund; Deduction of advice fees from a MySuper account should be prohibited; Hawking of super products should be banned; Employees should have only one default super fund; Super trustees should be banned, under a new civil penalty provision, from "treating" employers in order to have their fund nominated as a default fund; The bank executive accountability regime (BEAR) should be extended to super trustees.

■ Insurance

The cap on life insurance commissions should "ultimately be reduced to zero"; The exemption of commissions on general and consumer credit commissions should

also be reviewed; The hawking of insurance products should be banned; The exemption for the sale of funeral insurance should be removed; ASIC should impose a cap on the amount of commission that can be paid to car dealers for the sale of add-on insurance; The unfair contract terms in the ASIC Act should apply to insurance contracts; Claims handling will be considered a financial service.

■ Remuneration, governance

APRA should aim to ensure sound management of misconduct, compliance and other non-financial risks in its supervision of bank remuneration systems; APRA should set limits on the use of financial metrics in connection with long-term variable remuneration; Banks should review at least once a year the design of remuneration for front-line staff.

■ Regulators

The twin peaks model of financial regulation be retained; ASIC should adopt an approach to enforcement that takes "as its starting point, the question of whether a court should determine the consequences of a contravention"; ASIC should use infringement notices principally for administrative failings and rarely as an enforcement tool where the infringing party is a large corporation; ASIC should be given the power to enforce all provisions in the SIS Act that are, or will become, civil penalty provisions; ASIC and APRA should jointly administer the BEAR Act, which should be amended to require executives to deal with regulators in an "open, constructive" way; BEAR should be extended to all APRA regulated entities, including super trustees, and to the regulators; A new oversight authority for APRA and ASIC, independent of government, should be established to assess the "effectiveness of each regulator".