Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 25 May 1999

FINANCIAL SECTOR REFORM (QUEENSLAND) BILL

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (3.17 p.m.): I move—

"That the Bill be now read a second time."

The purpose of this Bill is to facilitate the transfer of regulatory responsibility from Queensland to the Commonwealth of building societies, credit unions, friendly societies and the Cairns Co-operative Weekly Penny Savings Bank and to repeal laws regarding the uniform State-based scheme for prudential supervision of financial institutions. The Commonwealth, States and Territories have agreed to several reforms to the Australian Financial System. These include—

that building societies, credit unions and the Cairns Co-operative Weekly Penny Savings Bank be treated on an equal footing with banks and that prudential regulation of all deposit-taking institutions be consistent with internationally recognised standards;

that access to electronic settlement accounts with the Reserve Bank be liberalised; and

that friendly societies offering life insurance-type products be supervised in the same manner as life insurance companies under the Life Insurance Act 1995.

To this end, the Commonwealth Government, in consultation with the States, has developed a two-stage reform agenda. The first stage introduced a new organisational framework for the regulation of the financial system from 1 July 1998 and in particular—

established an independent financial regulator, the Australian Prudential Regulation Authority—APRA. APRA is separate from the Reserve Bank and will supervise all financial institutions including banks, insurance companies, building societies, credit unions, superannuation and the life insurance business of friendly societies; and

established a single agency, the Australian Securities and Investments Commission—ASIC—to provide Commonwealth regulation of corporations, financial market integrity and consumer protection in the financial system. These functions were previously performed by the Australian Securities Commission, the Insurance and Superannuation Commission and the Australian Payments Systems Council.

The Reserve Bank continues to be responsible for monetary policy, systemic stability and payments system regulation. These three organisations are accountable for their performance to the Federal Treasurer and the Commonwealth Parliament.

The States and Territories have agreed to transfer to the Commonwealth responsibility for the regulation of certain financial institutions. The proposed reforms will allow building societies and credit unions to better compete with banks and to more easily operate outside their existing State and Territory boundaries, thereby providing consumers with a greater selection of financial service providers and a greater selection of financial products. However, before the Commonwealth legislation can take effect, each State and Territory must introduce and pass complementary legislation that will facilitate the transfer, wind up the current State-based supervisory scheme and amend references to these financial organisations in other State statutes to reflect the new arrangements. These reforms will also provide a single regulatory framework for life insurance companies and friendly societies that will increase contestability of life insurance products.

Across Australia approximately 20 building societies, 237 credit unions and 85 friendly societies will be involved in the transfer. On the transfer date these entities will be deemed to be registered, under the Corporations Law, as a company type that most closely fits their current structure, unless they elect to be registered in a different category prior to transfer. Following the transfer entities will have a transitional period of 18 months to make the necessary changes to their rules to recognise their new status as a company. These proposals represent the next step along the path of financial sector transformation in Australia and will provide a single regulatory regime for deposit-taking institutions, life and general insurance and superannuation. I commend the Bill to the House