

## Box C

# FMI Regulatory Reforms

The FMI regulatory reforms include measures to better equip the Bank to address risks to financial stability, and to support ASIC in the fulfilment of its mandate. The reforms will include a crisis management regime for CS facilities, updated FMI licensing arrangements and enhanced supervisory powers for the regulators.

The Bank will have a key role as the resolution authority for CS facilities under the crisis management regime. It will have the power to intervene in a distressed domestic CS facility in order to ensure that the facility's critical functions continue to operate. The objectives of the regime will be to maintain the overall stability of the financial system and to provide for the continuity of critical CS services. There will be clear triggers for the use of the resolution powers.

The regime will include powers and obligations to allow the resolution authority to prepare for resolution and require providers of critical CS services to operate in a way that is consistent with effective resolution. Key resolution powers will include: giving a direction to a CS facility to take a specified action; appointing a statutory manager; and transferring a facility to new ownership. If necessary for resolution to be effective, these powers may also be used over companies related to the CS facility licensee. The resolution regime will include a \$5 billion standing appropriation that may be

used, with Ministerial approval, to provide temporary funding to support resolution as a last resort; the amount would be recovered afterwards.

The reforms also include changes to licensing arrangements to provide clarity on the factors to be considered by the regulators when deciding whether an overseas operator needs to be licensed, and the grounds under which a licence may be suspended or cancelled. They include reforms to restrict domestic CS facility licences to Australian corporations and to allow limits to be placed on the scope and level of activity of an overseas licensee. ASIC will be given responsibility for licensing decisions, acting in consultation with the Bank in relation to CS facilities.

The reforms will strengthen the supervisory powers of ASIC and the Bank, including information-gathering powers, and will broaden the range of enforcement tools available. This includes streamlining and reallocating existing directions powers in line with each agency's mandate. These reforms will give ASIC and the Bank significantly more capacity to monitor the ongoing conduct of FMIs, identify risks as they emerge, and take appropriate action to prevent those risks escalating. ✖