

4. Developments in the Financial System Architecture

Now that the reforms to global bank capital and liquidity standards, known as Basel III, have been finalised, recent efforts by a number of international regulatory bodies have focused on developing a policy framework for systemically important financial institutions (SIFIs), particularly those that are systemically important from a global perspective (so-called G-SIFIs). In July, the Basel Committee on Banking Supervision (BCBS) released a consultation paper on its proposed methodology for identifying a set of globally systemic banks (G-SIBs), with the view that these institutions should be required to have higher capital than the Basel III minimum, given the greater cost their failure would likely impose on the global financial system. At the same time, the Financial Stability Board (FSB) released a consultation paper on measures to improve resolution regimes for all SIFIs. The FSB's aim is to enhance the capacity of authorities to resolve distressed SIFIs without disrupting the wider financial system or exposing taxpayers to losses. These two initiatives are part of the overall policy response by the G-20 and international regulatory bodies to address the 'too big to fail' problem.

There has also been progress over the past six months in the work being guided by the FSB on: reforming over-the-counter (OTC) derivatives markets; developing policy frameworks for shadow banking activities; and, to a lesser extent, developing macroprudential policy frameworks. Domestically, the Australian Prudential Regulation Authority (APRA) has recently issued a consultation paper on the implementation of the Basel III capital reforms in Australia and is proposing that authorised

deposit-taking institutions (ADIs) meet a number of the main measures two or three years earlier than required under Basel III. The Government has recently announced changes to the Financial Claims Scheme (FCS), in particular regarding the size of the deposit guarantee cap. The key changes were informed by a review conducted by the Council of Financial Regulators (CFR). The Government has continued to develop a policy framework and legislative changes that will enable ADIs to issue covered bonds in Australia. These and other items on the financial regulatory agenda are outlined below.

The International Regulatory Agenda and Australia

Systemically important financial institutions (SIFIs)

The BCBS' consultation paper 'Global Systemically Important Banks: Assessment Methodology and the Additional Loss Absorbency Requirement' sets out its proposed methodology for identifying and ranking G-SIBs, and for determining the size of, and instruments to be used for, the additional loss absorbency (capital) that those banks will be required to hold (above the new Basel III minimum). The BCBS' proposals were developed in close co-operation with the FSB and, along with the resolution measures proposed by the FSB, seek to deal with the cross-border negative externalities created by G-SIBs. With these proposals, the BCBS aims to reduce the probability of G-SIBs failing by enhancing their capital positions. To support this aim, it is developing an international standard to

ensure that this additional capital requirement is applied consistently across countries in which G-SIBs are headquartered.

The BCBS is proposing that G-SIBs be required to hold additional common equity Tier 1 capital ranging from 1 to 2.5 per cent of their risk-weighted assets, depending on the degree of a bank's systemic importance. An additional 1 per cent capital surcharge (for a total of 3.5 per cent) would be applied as a disincentive to any G-SIB that became noticeably more important to the system than the currently highest-ranked G-SIB. It is planned that these higher capital requirements will be introduced in parallel with the Basel III capital conservation and counter-cyclical buffers – that is, starting on 1 January 2016 and becoming fully effective on 1 January 2019. The FSB and several other international bodies are currently undertaking an assessment of the macroeconomic impact of the additional capital requirement; preliminary results indicate that a 1 percentage point increase in capital applied to G-SIBs would dampen growth only very marginally over either a four- or eight-year implementation period.

The BCBS' proposed assessment methodology for G-SIBs is an indicator-based approach comprising five components: size, global (cross-jurisdictional) activity, interconnectedness, substitutability and complexity. To these indicators is added a supervisory judgement overlay, which uses ancillary quantitative indicators as well as qualitative information. Based on end 2009 data, applying the assessment methodology together with the supervisory judgement overlay, the BCBS identified and ranked 28 G-SIBs. This number is likely to evolve over time as banks change their behaviour in response to the incentives provided by the framework, or as new globally systemic banks are identified (for example, from emerging markets). The BCBS has committed to addressing certain data quality issues and to re-running the assessment methodology using updated data well in advance of the implementation date. Several Australian-owned banks were included

in the initial list of 73 banks from 17 BCBS member countries that were assessed using the indicator approach, and from which the 28 G-SIBs were identified. The sample of 73 banks will be reviewed periodically, while the assessment methodology itself will be reviewed every three to five years in order to capture banking sector developments and any improvements in the methods for measuring systemic risk. The Reserve Bank of Australia (RBA) and other CFR agencies will continue to contribute to the BCBS' work as it finalises these policies, taking into account the public feedback globally on its consultation paper.

As part of a workstream on reducing information gaps revealed by the global financial crisis, the FSB is also developing a draft reporting template for large global banks. It is intended that this will cover data relating to the above indicators of systemic importance, as well as data capturing measures of systemic risk. The template will be subject to a consultation process to provide additional information on the costs and benefits of alternative data collection options, as well as on the legal and confidentiality aspects of data collection and sharing. This will guide the FSB's decision on the final form and implementation of the data template. The RBA is participating in the development of this template.

In addition to banks, the G-SIFI policy framework will cover insurers. The International Association of Insurance Supervisors (IAIS) is developing a provisional methodology and set of indicators for assessing the global systemic importance of insurers, as input to the initial determination by the FSB and national authorities of G-SIFIs. The indicators are likely to be similar to those used to identify G-SIBs (such as size, global activity and interconnectedness), but also contain certain indicators specific to the insurance sector and may have a different emphasis. A progress report by the IAIS on this methodology was reviewed by the FSB in July. The IAIS has commenced work on collecting data to see how the methodology would apply in practice.

A key feature of the FSB's work on SIFIs has been a distinction between institutions that are systemically important in a global context and those that are important only in a domestic context (so-called D-SIFIs). To date, the focus has been on identifying and developing policies for G-SIFIs. This priority has been appropriate given the concern that the failure of one of these institutions would likely cause significant dislocation in the global financial system and adverse economic consequences across a range of countries. Both the FSB and the G-20 have stated their intention that, once the policy framework for G-SIFIs is agreed, attention will turn to policies relevant for D-SIFIs.

The FSB's consultation paper 'Effective Resolution of Systemically Important Financial Institutions' presents a far-reaching plan to improve resolution regimes, thereby improving the capacity of authorities to resolve failing SIFIs. This is motivated by the experience during the crisis which showed that many national resolution regimes could not effectively manage the failure of a large institution in an orderly manner.

The FSB's proposed recommendations comprise four broad components:

- strengthening of national resolution regimes by giving a designated resolution authority a broad range of powers and tools to resolve a financial institution that is no longer viable and including these in a new international standard;
- introducing cross-border co-operation arrangements, to enable resolution authorities to act collectively to resolve specific cross-border institutions in a more orderly and less costly way;
- improving resolution planning by firms and authorities based on *ex-ante* resolvability assessments that should inform the preparation of 'recovery and resolution plans'; and
- removing obstacles to resolution arising from complex firm structures and business practices, fragmented information systems, intra-group transactions, reliance on service providers and the provision of global payment services.

Australia will continue to engage with international bodies in reviewing developments in these areas. In particular, the RBA, in conjunction with the other CFR agencies, will review Australia's response to emerging international views about the need for standards to be developed in these areas.

Supervisory intensity and effectiveness

The FSB is continuing to co-ordinate efforts to enhance supervisory intensity and effectiveness (SIE) across both the banking and insurance sectors. The FSB recently reviewed the progress being made by national authorities to address SIE, including their self-assessments against the Basel Core Principles for Effective Banking Supervision (BCPs) covering mandates, powers, resources and independence of supervisory agencies. The FSB also considered the changes national authorities are making to improve their supervisory methods based on a survey by the BCBS of its members.

APRA undertook the self-assessment, and concluded that the Australian legislative framework provides APRA with clear responsibility for prudential supervision of banks and banking groups and with sufficient independence, powers and flexibility to undertake this supervision in an effective manner. In relation to insurers, APRA is required to undertake a self-assessment against the IAIS Insurance Core Principles and Methodology by March 2012.

By the end of 2011 the FSB will review whether further steps should be taken to implement or complement the recommendations for enhanced supervision set out in its November 2010 report on SIE (which was discussed in the March 2011 *Review*). One of these recommendations related to improving supervisory standards to reflect the complexity of financial institutions and the system more generally. The relevant standard setters are undertaking reviews of their core principles and will address the SIE recommendations as part of that process. The BCBS intends to issue a paper for consultation on revised BCPs in December 2011; the IAIS is also expected to release its revised Insurance Core Principles later this year.

Implementation of Basel III capital and liquidity reforms

As discussed in recent *Reviews*, the BCBS has issued new standards relating to global bank capital and liquidity. These changes set out internationally agreed minimum requirements for higher and better-quality capital for banks and other deposit-taking institutions, better risk coverage and a new (non-risk-based) leverage ratio. It also includes measures to promote the build-up of capital that can be drawn down in periods of stress. On the liquidity side, the proposals will involve major changes to banks' liquidity risk management policies, in particular introducing internationally agreed minimum quantitative requirements for a bank's short-term and long-term liquidity risk management.

The work on Basel III has now turned to the implementation of the standards, which according to the BCBS' timetable will occur progressively over an extended period starting from 2013 and will mainly involve actions by national authorities. For example, the new minimum capital requirements are not required to be fully implemented until 1 January 2015 (or until 2019 for the capital conservation buffer). Further, the new liquidity requirements, the liquidity coverage ratio and the net stable funding ratio, are not scheduled to come into effect until 1 January 2015 and 1 January 2018,

respectively. Despite this extended phase-in period, countries have commenced announcing their plans for implementing Basel III.

APRA has indicated that, as a member of the BCBS, it fully supports the Basel III framework and has recently issued a consultation paper on the implementation of the Basel III capital reforms in Australia. APRA considers that ADIs are well placed to meet the new global minimum capital requirements and will be able to do so without the need for a lengthy phase-in period. Accordingly, APRA is proposing that ADIs meet a number of the main measures two or three years earlier than required under the Basel III rules (Table 4.1). In addition, APRA is not proposing to make use of the five-year phase-in allowed for the changed treatment of deductions from common equity Tier 1 (CET1) capital: APRA is proposing to require deductions to be applied fully from 1 January 2013. APRA intends to adopt the Basel III timing in implementing the other main measures, that is: the phasing out of instruments that no longer qualify as Tier 1 and Tier 2 instruments; the introduction of the leverage ratio; and the introduction of the counter-cyclical capital buffer. APRA has also been working closely with the Reserve Bank on the details of the RBA's committed liquidity facility, and is preparing a consultation paper on the implementation of the Basel III liquidity reforms in Australia that is expected to be released in coming months.

Table 4.1: Transition to Basel III Capital Requirements in Australia

At 1 January	2013		2016	
	per cent of risk-weighted assets		per cent of risk-weighted assets	
	Basel III	APRA	Basel III	APRA
Minimum CET1	3.5 ^(a)	4.5	4.5	4.5
Conservation buffer	–	–	0.625 ^(b)	2.5
Minimum Tier 1	4.5 ^(a)	6.0	6.0	6.0
Minimum total capital + Conservation buffer	8.0	8.0	8.625 ^(b)	10.5

(a) Fully phased in on 1 January 2015

(b) Fully phased in on 1 January 2019

Source: APRA

Some other countries have also committed to a more rapid implementation timetable and/or stricter requirements than those set by the BCBS. For example, the Monetary Authority of Singapore (MAS) recently announced a two-step process to increase the capital requirements for its locally incorporated banks. First, it will require them to meet the new Basel III minimum requirements two years ahead of the BCBS timeline: that is, they must hold common equity of 4.5 per cent of risk-weighted assets and Tier 1 capital of 6 per cent from 1 January 2013. Second, even higher requirements will apply from 1 January 2014, with the ratios ultimately increasing to 6.5 per cent and 8 per cent, respectively, by 1 January 2015. The MAS considered that the capital requirements for locally incorporated banks needed to be set higher than the Basel III minimum requirements because each of the locally incorporated banks is systemically important in Singapore and has a substantial retail presence. The China Banking Regulatory Commission has also announced that Chinese banks will be required to meet the new Basel III minimum capital requirements ahead of schedule and that systemically important banks in China will be subject to an additional capital charge of 1 per cent of risk-weighted assets, taking the minimum total capital ratio (including the conservation buffer) for these banks to 11.5 per cent.

The recent recommendations of the UK Independent Commission on Banking (ICB) also go further than the Basel III minimum requirements for UK retail banks. The ICB proposed the ring-fencing of UK retail banking operations within independent subsidiaries. For the large ring-fenced banks, defined as those banks that have a risk-weighted assets-to-GDP ratio of at least 3 per cent, the ICB proposed that by 2019 they should hold common equity of 10 per cent of risk-weighted assets and have primary loss-absorbing capacity (made up of capital and bail-in instruments) of at least 17 per cent. For the ring-fenced banks with a risk-weighted assets-to-GDP ratio of 1 to 3 per cent, it is proposed that they hold common equity of 7 to 10 per cent of risk-weighted assets and have primary loss-absorbing capacity of between 10.5 and 17 per cent.

The European Union announced proposals to implement Basel III through its fourth capital requirements directive, largely following the BCBS proposals in terms of the minimum capital ratios and implementation timetable. However, the EU proposals as published include a 'maximum harmonisation' rule, that is, a common Pillar 1 minimum requirement across members, to help ensure a level playing field and to discourage the practice of regulatory arbitrage whereby banks could relocate to those jurisdictions with the lightest regulatory burdens. There are exceptions to this rule, such as Pillar 2 capital add-ons, which may provide national regulators with additional flexibility if desired.

Shadow banking

The FSB is continuing its work to strengthen the oversight and regulation of the shadow banking system. This refers to non-bank financial institutions (such as securities firms and hedge funds) that engage in bank-like activities and hence are in the credit intermediation chain, but which are not subject to the same prudential regulation as banks. The FSB has focused its work in two areas: clarifying the scope of the shadow banking system and setting out potential approaches for monitoring it; and developing policy recommendations to address the systemic risk and regulatory arbitrage concerns posed by the shadow banking system. Monitoring and data-gathering will be aimed broadly at covering all activities and entities within which shadow banking-related risks might arise. In contrast, policy action would be focused more narrowly on the subset of non-bank credit intermediation that could pose systemic risks, and in particular focusing on key risks, namely maturity/liquidity transformation, flawed credit risk transfer and leverage. The Reserve Bank is represented on an FSB task force dealing with these shadow banking issues. As part of this work, the RBA provided information and data on Australia's shadow banking system, which is relatively small.¹ The FSB recently conducted a further data and

¹ For more information, see RBA (2010), 'Box B: The Shadow Banking System in Australia', *Financial Stability Review*, September, pp 36–38.

information-sharing exercise as a step toward evaluating and adjusting its proposed frameworks. This could lay the basis for data collection and assessment by the FSB of global trends and risks in shadow banking from 2012 onwards. In international discussions on these issues, the RBA has been keen to ensure that the regulatory response to shadow banking systems is proportionate to the risks they pose, and that these will vary across countries, including in accordance with the size of each country's shadow banking system. The FSB will elaborate on its high-level recommendations regarding shadow banking in a report for the G-20 in October.

In future work, the FSB is planning to assess the case for additional regulatory action in four areas: banks' interaction with shadow banking entities; money market funds and other shadow banking entities (such as finance companies and conduits); securitisation; and securities lending and repos. The FSB has decided to set up dedicated workstreams to focus on each of these areas, with the work either being undertaken by the relevant international standard-setting bodies or under FSB guidance. The workstreams will report their progress as well as proposed policy recommendations to the FSB by July 2012 (or end 2012 for securities lending/repos).

OTC derivatives markets

The FSB, along with relevant standard-setting bodies, is continuing to oversee work on reforming OTC derivatives markets. Much of the current work in this area is the responsibility of national authorities. The FSB's role has been to help ensure previously agreed G-20 commitments are implemented in an internationally consistent and non-discriminatory manner, in order to meet key deadlines. Recent discussions at the FSB have noted that, although implementation is still in its early stages, many jurisdictions may not meet the key deadlines without substantial steps being undertaken. The FSB is continuing to monitor developments through its OTC Derivatives Working Group as implementation progresses, and will identify any further emerging

inconsistencies that would need to be addressed by authorities.

One of the G-20 commitments is that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs) by end 2012. In order to accelerate domestic progress on the commitment to central clearing, the Reserve Bank, on behalf of the CFR, recently issued a discussion paper 'Central Clearing of OTC Derivatives in Australia'. The paper discussed the evolving global landscape for OTC derivatives and central clearing, the Australian market for OTC derivatives and several issues that need to be considered if central clearing in the domestic market is to be established. This work is required, in part, because of the substantial reforms in this area underway in many offshore jurisdictions which will change the international environment for central clearing and will give important impetus to the use of central clearing services by Australian banks. A key question is whether Australian dollar-denominated interest rate derivatives should be centrally cleared through an Australian-domiciled CCP. The consultation represents an important step in developing an appropriate Australian regulatory framework. Another impetus to Australian banks using central clearing will come from the implementation of Basel III, which includes higher capital requirements for non-centrally cleared derivatives contracts compared with those cleared centrally.

Macroprudential policy frameworks

The Bank for International Settlements (BIS), FSB and International Monetary Fund (IMF), have continued their joint work identifying best practices for macroprudential policy frameworks. The three bodies are expected to submit a joint progress report to the November 2011 G-20 Summit, outlining advances in the state of knowledge and covering national and international progress in developing these frameworks. This work is at a preliminary stage compared with most of the other regulatory

initiatives. As such, much of it is focused on exchanging experiences in order to advance the policy debate.

The BIS, FSB and IMF have facilitated these discussions, including between national authorities, over the past year. The Reserve Bank has contributed to these discussions and in doing so several points have been emphasised, drawing mostly on the Australian experience.

- Macroprudential policy can be regarded as a subset of financial stability policy. If the financial stability framework is effective and there is strong inter-agency co-operation and co-ordination, separate governance arrangements for macroprudential policy are not necessary.
- Some of the advocacy of separate macroprudential policy is based on a lack of recognition as to how prudential supervisors do their work. Many are not solely microprudential in outlook, focusing only on individual institutions' adherence to regulations; they can and do take account of system-wide, or macroprudential, considerations.
- Ideally, both microprudential and macroprudential policies and responsibilities should be integrated. More generally, most macroprudential tools being discussed are essentially normal prudential tools used for macroprudential purposes, which also means a clear distinction between macro- and microprudential policy is impractical.
- Tools that have been adopted in emerging markets, and which are now being characterised as macroprudential, might not be effective in countries with more advanced and flexible financial systems.

Some jurisdictions have recently established new bodies to oversee financial stability issues and in particular macroprudential policies. This has typically been in countries where weaknesses in existing co-ordination arrangements became evident

during the global financial crisis. Other countries, such as Australia, already have strong regulatory co-operation and financial stability oversight arrangements; in Australia's case this is through the CFR and the relevant mandates of the four CFR agencies.

FSB peer review process

The FSB is nearing completion of a country peer review of Australia, which has been underway this year. The review is part of an FSB program that examines all of its members' financial sectors, especially their progress in meeting IMF Financial Sector Assessment Program (FSAP) recommendations. The review of Australia focused on Australia's follow-up to relevant recommendations from the 2006 FSAP and features of the financial landscape that supported Australia's relatively strong performance during the recent crisis. Along with other CFR agencies, the Reserve Bank contributed material to inform the review, the report of which is expected to be published by the FSB shortly.

In separate FSB peer reviews, the Reserve Bank was represented on an expert team reviewing mortgage lending practices and is also part of a follow-up group developing an international principles-based framework for sound mortgage lending practices. The Australian Treasury is participating in a follow-up thematic cross-country review of financial sector compensation practices to assess country progress since a 2010 review. A thematic cross-country review of deposit insurance systems is also underway.

FSB regional consultative groups

As part of its outreach program, the FSB recently established regional consultative groups bringing together financial sector authorities from FSB member and over 60 non-member jurisdictions to exchange views on vulnerabilities affecting regional and global financial systems and on current and potential initiatives to promote financial stability, and the implementation of these initiatives. Six groups

have been established covering the Americas, Asia, the Commonwealth of Independent States, Europe, the Middle East and North Africa, and Sub-Saharan Africa. The FSB recently finalised the operational framework for the six groups and their first meetings will take place later in 2011. Australia is included in the Asian grouping and the RBA, along with the Australian Treasury, will participate in these meetings as required.

Domestic Regulatory Developments

Financial Claims Scheme

The CFR continues to review Australia's financial crisis management arrangements to ensure they take account of international experiences and developments. One aspect of this work over the past year has been reviewing issues related to the FCS. The FCS protects depositors by providing them with certainty that they will recover their protected deposits in the event that an ADI becomes insolvent. It also provides depositors with quick access to the deposit funds covered by the Scheme. The FCS was introduced in October 2008 at the height of the global financial crisis, so some of its features were set to address the particular concerns over global financial stability at that time. When it was introduced, the Government committed to reviewing a number of the Scheme's settings by October 2011. In order to support this review, the CFR undertook an assessment of whether the current structure of the FCS is suitable for the post-crisis environment. Its advice informed the Government's revised arrangements, which were subject to a public consultation process prior to their finalisation in September. The main feature of the revised arrangements for the FCS is a reduction in the level of the cap to \$250 000 per person per ADI from 1 February 2012. The Government also intends to make legislative changes to the existing framework to improve the effectiveness of the FCS, including: removing coverage of foreign branches of Australian-incorporated ADIs; enabling an additional payment option which allows APRA to

transfer deposits to a new institution; establishing a 'look-through' mechanism for pooled trust accounts; and enabling the Treasurer to activate the Scheme earlier than the point of winding up.

Financial market infrastructure

In April, the CFR was asked by the Government to examine a number of issues relating to financial market infrastructure regulation. In particular, the Government asked the CFR for advice on measures which could be introduced to ensure Australia's regulatory system for such infrastructure continues to protect the interests of Australian issuers, investors and market participants, including under a scenario where key infrastructure such as an exchange or CCP is part of a foreign-domiciled group. The issues to be addressed include the adequacy of oversight, powers of direction, and crisis management arrangements for market operators and clearing and settlement facilities. It is anticipated that a consultation paper seeking stakeholder views on these issues will be released later this year.

Following the finalisation by the Australian Securities and Investments Commission (ASIC) of the regulatory framework for competition between markets trading equities, Chi-X Australia (Chi-X) was granted a market licence by the Minister for Financial Services and Superannuation in May 2011. Chi-X plans to offer an alternative platform for trading in ASX-listed equities and, on launch, its trades will be cleared and settled by the ASX facilities.

A new derivatives exchange, the Financial and Energy Exchange (FEX), has also applied for a market licence. FEX plans to offer trading in commodity, energy and environmental derivatives, and has contracted LCH.Clearnet Limited (LCH) to provide clearing and settlement. LCH is a London-based CCP that clears equities and derivatives for a number of exchange-traded and OTC markets overseas. It is regulated and supervised by the UK's Financial Services Authority. In order to clear for FEX, LCH has applied for an Australian clearing and settlement facility licence.

Covered bonds

As foreshadowed in the March 2011 *Review*, following public consultation, the Government has recently introduced legislation into Parliament permitting ADIs to issue covered bonds, which are debt instruments that are backed by a segregated pool of high-quality assets. The legislation provides for issuance of covered bonds to be limited by a cap placed on the value of the cover pool of assets, with the cap to be set at 8 per cent of an ADI's assets in Australia. This cap prevents covered bondholders having claim over more than 8 per cent of an ADI's assets in Australia at the point of issuance of covered bonds, which has the effect of limiting the subordination of unsecured creditors such as depositors in the event an ADI is wound up. To ensure adequate security for covered bondholders, the ADI would be required to maintain the cover pool of assets so that the value of these assets is sufficient to meet 103 per cent of the face value of the outstanding covered bonds. This may involve the ADI transferring additional assets to the cover pool and/or replacing assets in the cover pool over time. Under the legislation, APRA would have certain powers relating to covered bonds, including the power to set prudential standards with respect to the issuance of covered bonds by ADIs, and to disallow the issuance of covered bonds in certain circumstances.

Financial advice

The Government has recently released draft legislation to amend the law regulating the provision of financial advice. The underlying objectives of the changes are to improve the quality of financial advice, better align the interests of the adviser with the client and reduce conflicts of interest. The reforms also focus on facilitating access to financial advice, through the provision of low-cost 'simple advice'. The draft legislation includes:

- an obligation for financial advisers to act in the best interests of their clients and to place the

interests of their clients ahead of their own when providing personal advice to retail clients;

- a requirement for providers of financial advice to obtain client agreement to ongoing advice fees and enhanced disclosure of fees and services associated with any ongoing fees; and
- changes to ASIC's licensing and banning powers in relation to the financial services industry.

In addition, draft legislation is expected to be released for consultation shortly relating to the proposal to ban conflicted remuneration, including commissions, volume payments and soft-dollar benefits.

Advertising of financial products

ASIC is currently developing best practice guidance for the advertising of financial products and financial advice in order to better inform investors and consumers of financial services in making financial decisions. In August, ASIC released for consultation proposals on guidance to assist promoters and publishers of financial products and financial advice services in presenting advertisements that are accurate and balanced. It is proposed that the guidance would apply to both general and personal financial product advice and all types of financial products, including: investment products; risk products; non-cash payment facilities; and credit facilities. There is less of a focus on credit facilities initially, with additional guidance for credit providers and providers of credit services under the *National Consumer Credit Protection Act 2009* to come at a later date.

The proposals are intended to complement existing ASIC guidance on general financial product disclosure statements and prospectus disclosure obligations, as well as the disclosure guidance that ASIC currently provides for certain financial products due to their risky or complex nature, such as debentures, mortgage schemes and unlisted property schemes. ↗

