



## Progress of implementation of the Royal Commission recommendations

Rec	Title	Description	Progress	Implementation
1.8	Amending the Banking Code to provide protections for people living in remote areas and for those with limited English	<p>The Banking Code will be amended to include specific obligations and provisions to work with customers in remote areas and those with limited English. This includes people who may have difficulty proving their identity.</p> <p>The Banking Code will also be amended so that without prior agreement, banks will not allow informal overdrafts on basic accounts and banks will not charge dishonour fees on basic accounts.</p>	<p>The ABA fully supports this recommendation and has developed specific amendments to the Code, which have been submitted to ASIC and the ACCC seeking approval and authorisation respectively, for these changes. The ABA wrote to ASIC on 14 May 2019 and to the ACCC on 17 May 2019.</p>	<p>These changes will be fully implemented by 1 March 2020. This is subject to regulator approval.</p>
1.10	Definition of 'small business' in the Banking Code	<p>The definition of 'small business' in the Banking Code should be amended, so that it applies to any business or group employing fewer than 100 full time equivalent employees, where the loan applied for is less than \$5M.</p>	<p>The industry is currently collecting data on the operation of the current definition of small business in the Code with an impending review of that definition to take place in January 2021.</p> <p>The Council of Financial Regulators held the view that the definition of the small business should maintain the current borrowing threshold and supported the review of the definition within 18 months of the Code operation, to allow time to gauge the impact the of the changes that began operation on 1 July 2019.</p> <p>Click <a href="#">here</a> for full statement</p>	<p>The review will be conducted in January 2021.</p>



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1.13	Charging default interest on loans secured by agriculture land in drought or natural disaster declared areas.	The Code would be amended to ensure that while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.	The ABA fully supports this recommendation and has developed specific amendments to the Code. The ABA has written to ASIC and the ACCC to approve these changes in the Code.	These changes to the Banking Code will be implemented from 1 March 2020.
1.14	Distressed agricultural loans	<p>When dealing with distressed agricultural loans, banks should:</p> <ul style="list-style-type: none"> <li>ensure that those loans are managed by experienced agricultural bankers; offer farm debt mediation as soon as a loan is classified as distressed; manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst;</li> <li>recognise that appointment of receivers or any other form of external administrator is a remedy of last resort; and cease charging default interest when there is no realistic prospect of recovering the amount charged.</li> </ul>	<p>Our member banks are fully committed to the implementation of this recommendation.</p> <p>Banks are offering early farm debt mediation to customers with distressed loans. Banks also agree that enforcement action is only taken as a last resort, with such action requiring the approval of senior management within banks.</p> <p>ABA member banks are ensuring that all distressed agriculture loans are managed by experienced agriculture bankers, often in partnership with specialist teams.</p>	This is ongoing in all banks.
1.16	2019 Banking Code (enforceable Code provisions)	In respect of the Banking Code that ASIC approved in 2018, the ABA and ASIC should take all necessary steps to have the provisions that govern the terms of the contract made, or to be made, between the bank and the customer or	The ABA supports the implementation of the enforceable codes regime and has made a detailed submission to the Government's consultation on the enforceable codes regime. The ABA has begun the process of identifying provisions in the Code that will be enforceable code provisions under the new regime and will engage with ASIC on those provisions following the implementation of the regime legislation.	As soon as practicable after legislation providing ASIC with these powers (recommendation 1.15) has been enacted.



		guarantor designated as 'enforceable code provisions'.	The Banking Code is currently enforceable by customers – it is monitored by the independent Banking Code Compliance Committee and customers can make a complaint about a breach of the Code to the Australian Financial Complaints Authority.	
5.4	Remuneration of front-line staff	All banks agree to review remuneration systems yearly, with the focus on good customer outcomes in addition to the delivery of tasks.	<p>Our member banks are supportive of this recommendation.</p> <p>As part of implementing the Sedgwick Review (see recommendation 5.5), ABA member banks undertook substantial reviews and subsequently changed their remuneration frameworks, with a focus on good customer outcomes.</p> <p>Building on the implementation of the Sedgwick Review, ABA member banks are in the process of undertaking ongoing regular reviews of their remuneration frameworks and are establishing structured frameworks to test and understand the effectiveness of their remuneration arrangements.</p>	This is ongoing in all banks.
5.5	The Sedgwick Review	Banks should implement fully the recommendations of the Sedgwick Review.	<p>Our member banks are fully committed to implementing the Sedgwick Review. The ABA engaged Mr Steven Sedgwick to complete an interim review of implementation in 2019. This independent review showed that some banks have fully implemented the recommendations, some will complete implementation of by the end of 2019, while other banks will complete implementation in 2020.</p> <p>The ABA will also coordinate a follow up review in 2021 of the impact of the implementation by banks.</p>	By the start of each bank's performance cycle in 2020.



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5.6	Changing culture and governance	Banks should work to assess culture, identify problems, deal with any problems and determine whether the changes made have been effective.	ABA member banks are supportive of this recommendation.  Many banks, including the major banks, have already completed reviews, these banks have also introduced mechanisms for the ongoing tracking of culture to determine whether actions are having the necessary impact.  Those banks that are not as progressed are in the process of a review.	This is ongoing in all banks.
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ENDS

**Contact: Kelly Stevens ph: 0475 741 007**

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