

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

Submitted By: Mario Andres Munoz Acosta

Email: [REDACTED]

Phone Number: [REDACTED]

Submission for: My Self

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To Commisioner Hayne:

What the Royal Commision has unveiled is indeed very worring. It demonstrates that the financial sector has behaved so poorly, that has systematically endangered the prosperity of current and future generations of Australians. Therefore, I submit to you my answers to the questions posed in the interim report:

- Is the law governing financial servicies entities and their conduct too complicated?

Yes. The nature of vertical and horizontal integration makes the job of regulators too difficult.

- Does it impede effective conduct risk management?

Yes, because it hides potential risks until is too late.

- Does it impede effective regulatory enforcement?

Yes. Complex structures are difficult to understand, as their feedback loops are poorly understood, and the potentials for chain reactions are unknown.

- Is the regulatory regime too complex? Should there be radical simplification of the regulatory regime?

Yes. Simpler rules are more effective, as they minimize loopholes that can be exploited.

- Are APRA's regulatory practices satisfactory? If not, how should they be changed?

No. The fact that we had to have a Royal Commision, and that this Commision has exposed such gross misbehaviour demonstrates the intense conflict of interest, and lack of power of the regulators. APRA should be shielded from interference, and given real persecution powers

and close oversight form Parliament.

- Are APRA's enforcement practices satisfactory? If not, how should they be changed?

No. APRA's behaviour is far from satisfactory. As above, the solution is to make APRA an independent body, with real persecution powers and close oversight form Parliament.

- Do the events that have happened raise any issue about business structures?

Yes. These events demonstrate the extend of conflict of interests, moral hazzards and lack of ethics prevalent in the financial sector. These occur because of the vertical integration of the banks, that create perverse incentives towards fleecing their costumers.

- Do the events that have happened invite consideration of whether structural changes should now be made?

Yes. The most substantial change is to remove vertical integration from the banks, eliminating those incentives.

- Do the events that have happened suggest that manufacturers of financial products should not be permitted to provide, whether by employee or authorised representative, personal financial advice in relation to products of a kind it manufactures?

Yes. There should be no incentive to upsell customers with products that are not needed. Hence, to eliminate such incentives, commercial banking should be separated from other business such as financial advice or insurance.

- Are changes in law necessary?

Yes. Commercial banking should be separated from other financial activities such as investment banking.

- Should the financial services law be simplified?

Yes.

- Should the regulatory architecture change?

Yes.

- Is structural change in the industry necessary?

Yes. The best solution is the current Banking System Reform (Separation of Banks) Bill 2018, introduced on 25th of June.

Thank you for your attention.