

1999

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THE SENATE

**FINANCIAL SECTOR REFORM (AMENDMENTS AND TRANSITIONAL PROVISIONS)
BILL (NO. 1) 1999**

SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Amendments to be Moved on Behalf of the Government)

(Circulated by authority of the Minister for Financial Services and Regulation,
the Hon J.B. Hockey, MP)

1**Outline**

1.1 The Financial Sector Reform (Amendments and Transitional Provisions) Bill (No. 1) 1999 ('the Bill') was introduced into the House of Representatives by the Minister for Financial Services and Regulation, the Honourable J.B. Hockey, MP, on 11 March 1999. The Bill forms a part of the second stage of legislation to implement the Government's response to the recommendations of the Financial System Inquiry as announced by the Treasurer, the Honourable P.H. Costello, MP, in the House of Representatives on 2 September 1997.

1.2 The amendments to be moved on behalf of the Government:

- amend section 11 of the *Banking Act 1959* so that APRA may not exempt an authorised deposit-taking institution (ADI) from the need to seek the Treasurer's prior consent under section 63; and
- ensure that when an (ADI) seeks to engage the Transfers of Business mechanism, approval is required under section 63 of the *Banking Act 1959*, as well as for the transfer itself.

Financial Impact Statement

1.3 The amendments will not have any financial impact.

2

Notes on Amendments to Clauses

Amendment (1) – Commencement of Item 53 of Schedule 2

2.1 This amendment repeals the commencement provision associated with item 53 of Schedule 2, contained in paragraph 3(2)(b), as this item is being repealed by amendment (7).

Amendments (2), (3), (4), (5) and (6) – Section 11 – restricting scope of orders

2.2 These amendments will ensure that APRA's powers to exempt a person from the need to comply with all or specified provisions of the *Banking Act 1959* will not extend to section 63 of that Act, which provides that a person must seek the Treasurer's prior approval before disposing of or restructuring the business of an ADI.

Amendment (7) – Section 63 of the Banking Act 1959

2.3 This amendment will ensure that an ADI must seek the Treasurer's prior consent under section 63 of the *Banking Act 1959* before entering into a transfer of business to be effected under the proposed *Financial Sector (Transfers of Business) Act 1999*.