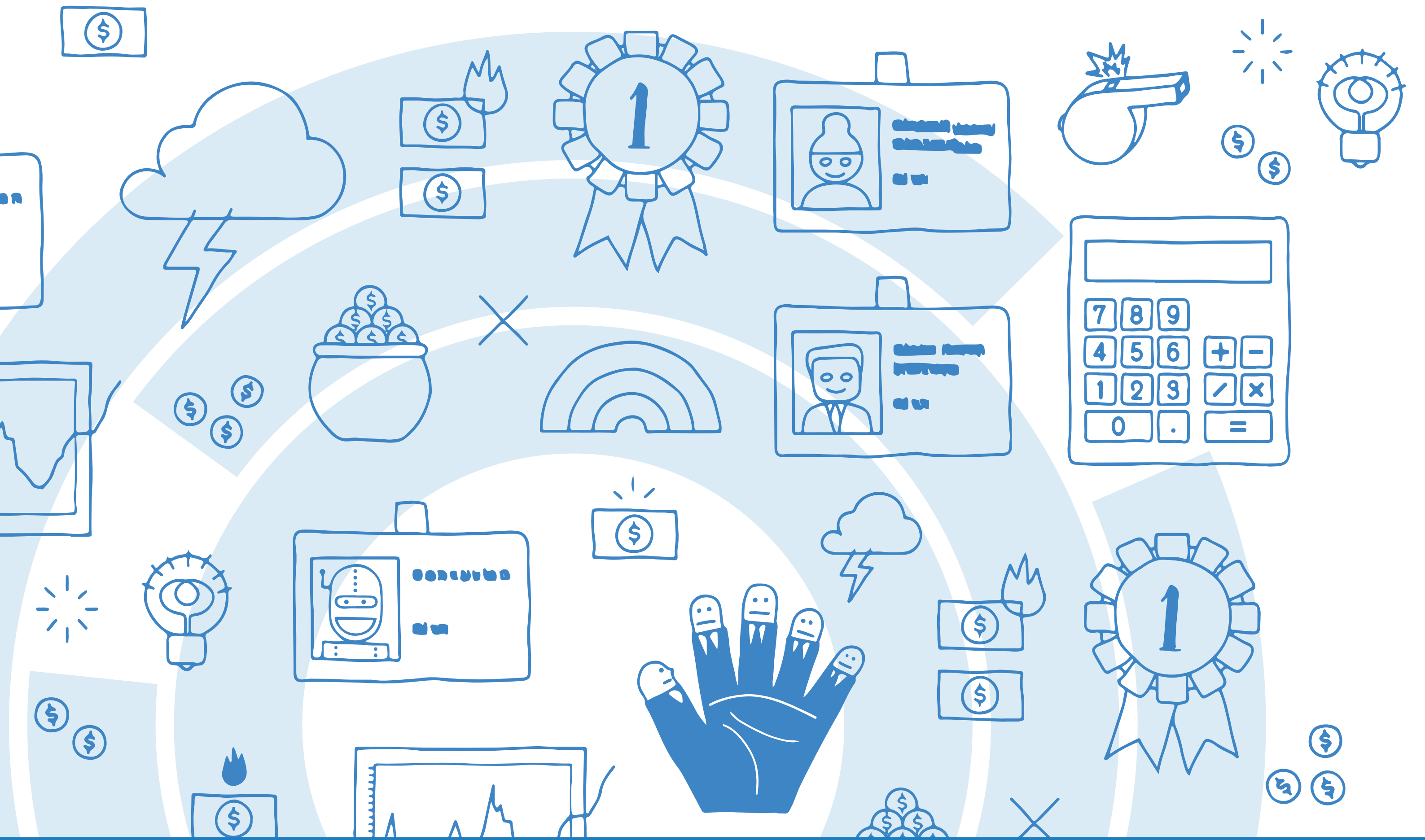
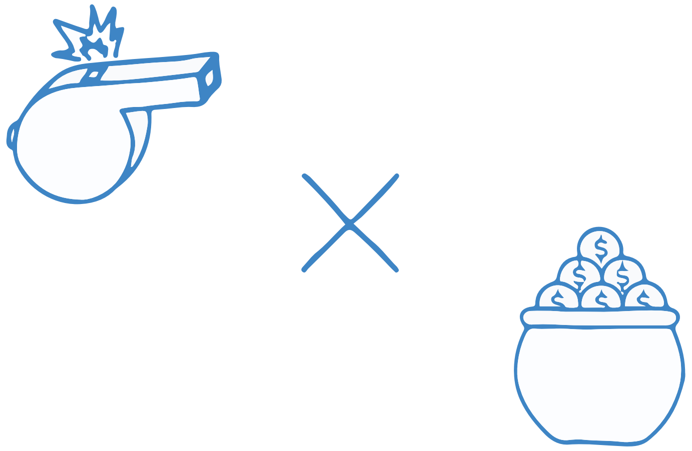


THE BLUEPRINT

FSU's plan for a better finance sector

Finance Sector Union



The finance and banking industry are in the midst of unprecedented disruption brought on by technology and changes in the nature and form of work. In addition to these changes, our sector has also been plagued by scandals over an extended period of time culminating in the appointment of the Hayne Royal Commission in March 2018. The Royal Commission has brought to light a culture of greed and exploitation at the expense of customer service and a risk fueled sales culture that put profits before customers.

The FSU has been pro-active on these issues and whilst there has been some slight progress on conflicted pay models there remains much to be done. The Royal Commission does not lay the blame for this crisis with front-line employees but rather an organisational culture that lacks an ethical and moral foundation. Sector workers are faced with the dilemma of implementing organisational directives and wanting to deliver the best possible service to customers and these things are not always the same as the Royal Commission has shown us.

Now that the Hayne Royal Commission has handed down its final report the task in front of us remains significant. The 76 recommendations do not go far enough to in addressing the poor behaviours and toxic culture that the evidence presented to the commission identified. The finance industry essentially remains self-regulated when it comes to remuneration, culture, and full professionalisation.

Finance sector organisations have introduced various plans as they transition to more technologically based organisations, but we think they aren't getting it quite right. The coming changes to the sector provide an opportunity to shape the future of work so that it is a decent and empowering one for workers. The FSU believes the following guiding principles are the principles around which a future finance sector should be built:

- A fair transition for workers
- A professional and skilled workforce
- An ethical and essential service

The finance sector is spending hundreds of millions of dollars in developing new automated systems and digital platforms and are in the middle of reducing staffing numbers that could reach up to 100,000 in the coming years. That is potentially one in four finance sector jobs lost to automation if we don't have a plan for the industry that manages this change in a sensitive and credible manner. We need to identify:

- The skills needed for the future
- The training needed for the future
- The educational and professional standards required

We must ensure that the use of new technologies and automation does not undermine the conditions of employment and circumvent workers' rights.

These include:

Governance: The role and responsibilities of the Boards of financial service entities — along with their senior management teams — are integral in developing institutions that appropriately balance returns for shareholders, with the provision of financial services and products that are created, delivered and maintained in a professional and ethical manner.

Regulation: The current regulatory regime is such a complex mix of legislative measures, regulatory guides and self-regulatory commitments, that the enforcement of and adherence to these obligations has become glaringly inadequate. A system of enforceable regulations for financial advice should form part of a comprehensive Financial Services Code.

Fairer remuneration through industry sector bargaining: Conflicted pay models based on a culture of sales commissions, product payments and incentives have led to poor work practices and poor service outcomes for customers. The union believes that the definition of conflicted pay should be extended to include all variable pay. It should apply to all staff at all levels – from customer facing staff, to branch managers, area managers, and others who set targets and expectations. Future pay models should be based on the negotiation of industry wide sector bargaining and to do this the Fair Work Act needs to be reformed and the current rules changed.

Is a robot going to take my job?

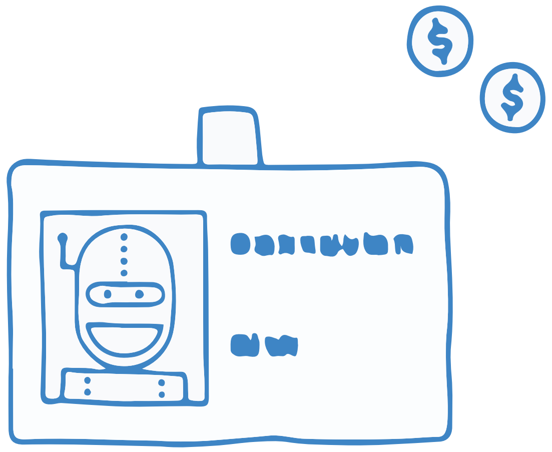
Australian industry has undergone significant change in the last 30 years with whole industries disappearing such as car manufacturing and other industries like textile, clothing, footwear, electricity generation, and mining. As a result of industry restructuring employment in automotive manufacturing dropped from 100,000 in 1973 to virtually zero when Holden closed its last manufacturing plant in 2017. In textiles, clothing and footwear, manufacturing employment fell from 113,000 in 1985 to 49,000 in 2005. Employment fell in the electricity generation sector from 330,000 in 1985 to 154,000 in 2000.

As automation takes hold across the finance sector banks are changing their business model from branches and ATM's to digital, the result being job losses on an unprecedented scale. Branch closures and the loss of front-line service staff will impact in rural and metro areas and with certain customer groups who rely on contact with bank staff. It has been estimated that up to 50,000 Australian bank jobs will be lost in the coming years and another analysis found that 34% of a bank worker's job is susceptible to automation.

Governance

The senior executive team is responsible for the day to day management of your workplace and they in turn are responsible to the CEO who reports to the Board of Directors. These directors are paid significant fees for their expertise in ensuring your organisations is run ethically, fairly, and responsibly. They set executive pay, rubber stamp policy and procedures and theoretically its where the buck is supposed to stop-their role is governance.

You could probably go through your working life without ever meeting a director, yet they ultimately determine your working life. Australia is way behind some European countries when it comes to collaboration between front-line staff and senior management. In countries like Germany and Norway, it is mandatory for companies with 50 workers or more to have workers on their governing boards and/or workers' councils. In California it will become mandatory for public companies to have at least one woman on their boards by the end of 2019.



These workers' councils are a formal direct line to management and who better to communicate what is happening with customers than the people who deal with them every day? It's a fact that people from the same backgrounds dominate boards and they are usually men of similar backgrounds and status. Our governance arrangements will benefit from having people from different back grounds bringing an alternative point of view. Industry super funds have a mixed representative model and are amongst the most successful businesses in the world. Diverse boards are a feature of many European countries including some of the biggest and most well known.

Are our regulators too soft?

ASIC likes to say that the number of breaches they detect and the fines they levy shows the system is working. Another view might suggest that the repeated bad behavior of the finance sector in fact demonstrates the opposite; that financial institutions consider paying fines as part of the cost of the business and are happy to continue to do so. The capacity to bring criminal proceedings to management who engage in serious, willful, and repeated breaches has to be a serious option for ASIC.

The regulators came in for serious criticism in the Royal Commission (RC) and whilst both APRA and ASIC have survived intact and will be given some additional powers there will be a new authority that will have oversight of both organisations. The RC also recommended that voluntary industry codes like the ABAs Banking Code of Practice be made enforceable and applied as law so breaches of these various codes would constitute a breach of law.

A professional sector

Customers need to have confidence that their dealings with a financial services provider is meeting minimum standards of professional conduct. There is an opportunity to professionalise the sector via the development of:

- Agreed industry wide standards
- A regulatory framework containing a set of minimum standards

- An independent professional body to oversee the implementation of professional standards

In the United Kingdom, a number of government regulated functions exist to give customers confidence is the financial system such as:

- A searchable financial service register that contains a public record of firms, individuals and other bodies subject to regulation
- A 'fit and proper' persons test

The gender pay + superannuation gap

In the finance and insurance sector women earn 30% less men and this gap has remained consistent for 30 years. The gender pay gap in the finance industry is consistently amongst the worst performing industries in Australia. Unless we improve the rate at which the gender pay gap is reducing it will be over 100 years from now before we see this gap eliminated.

We know that women are retiring on average with much, much lower balances in their superannuation than men of an equivalent age. This problem is directly associated with women taking on the burden of unpaid caring work, both for small children and elderly parents, that leads to large amounts of time outside the paid workforce.

Family leave

Paid parental leave while on the surface the finance industry has been leading the way in the provision of paid parental leave and came to the party much earlier than other industries, not much has changed with respect to the amounts of leave or the features of our employer schemes in the last 20 years. Increasing the amount of leave available and paying that leave at full replacement wages will increase the number of men taking leave and lead to an improved experience of taking paid parental leave for all workers.

Culture + ethics

At its simplest culture is about the values we prioritise and act upon as individuals and groups. The changes we have spoken about will only stem from a change of organisational culture from top to bottom. Systemic improvements in governance, regulatory mechanisms, professional standards, and an end to conflicted remuneration models mark the beginning of genuine cultural change.

These changes need to be underpinned by a commitment from the sector to engage with the Finance Sector Union in order to rebuild trust and reputation. Presently, too many finance sector organisation will not negotiate or pay lip service when it comes to consultation with the union. This has been to the detriment of the thousands of hard working members who have been instrumental in delivering the massive profits the banks have achieved in recent times.

A best interest + a 'fit and proper' test

The Future of Financial Advice (FOFA) laws introduced the 'best interest' test into law for the first time and we think the 'best interest' should be expanded to include the sale of all financial products. Consumers need reassurance that their dealings with the finance sector are ethical and will have their best interests at heart at all times and a way to do this is via a fit and proper test.

Licensing finance workers

Access to financial services are indispensable tools that we need to build better lives. It's a serious industry that impacts on our lives in significant ways, it is not too farfetched to suggest finance sector workers whose day to day work significantly impacts on customers should be licensed in the same way for example educational and legal practitioners are.

How does this affect me right now?

Finance sector organisations all have their unique plans to handle job losses and workplace change but are they doing enough to prepare their current workforce for the future? Training and education for the jobs of the future must start now otherwise we will see more reactive job cuts. Redundancies are not just expensive but remove highly skilled people from the workplace who take with them years of corporate memory.

Identifying the current skills of staff, the jobs for the future and then looking for the gaps in education and training and developing programs to address these skills gaps is a much more proactive policy. It's also a fact that your gender plays a large part in determining your pay and superannuation outcomes and career progression.

It is clear to us that the sector as a whole needs to be professionalised whether that is via some new form of industry wide accreditation and certification, a fit and proper person test, or a financial service register over seen by the regulator is up for debate. What is also clear is that the status quo is no longer an option neither is returning to business as usual once the glare of the Hayne Royal Commission is off. Self-regulation is not working either and we see the creation of a Financial Services Code that governs the conduct of the sector backed by legislation as the way forward.

The Royal Commission into Misconduct in the banking, superannuation + finance services industry

How does the Royal Commission affect the FSU's Industry Plan?

The Hayne Royal Commission has now handed down its final report that contains 76 recommendations some of which have the potential to reshape parts of the finance sector if fully implemented. Unfortunately, not all recommendations go far enough in providing solutions to outstanding problems remuneration, full professionalisation, and culture. There are however significant changes recommended to:

- Mortgage broking
- Default superannuation funds
- Upfront selling of superannuation and insurance products
- Full implementation of the Sedgewick Review into remuneration
- Financial advisers

Culture

Our industry plan highlights the primary role that culture plays in the finance sector, yet Hayne only has two recommendations that relate to culture and governance. Hayne leaves it up to the individual organisations to review their culture and governance, there is no compulsion or urgency to do so, and he encourages APRA to take on a greater supervisory role within this. It is up to all of us to be vigilant and keep the pressure on the sector. The major political parties have committed to rolling out programs to ensure recommendations for the RC are being implemented by the sector.

Remuneration

Criticisms of remuneration models were prominent in Haynes interim report and yet his recommendations in the final report are disappointing. He recommends full implementation of the Sedgewick review and he suggests banks undertake an internal review of remuneration structures. Hayne also recommends that APRA undertake greater monitoring and that APRA create a more strategic policy environment that ultimately leads to higher standards, greater management of risks, and reducing the risk of misconduct. This will entail APRA rewriting its prudential standards on executive remuneration. Again, however it will be incumbent on the FSU to keep the pressure on APRA and the Banks fight for fair pay and for the elimination of pay models that prioritise sales over customer service.

Professionalisation

Hayne has recommended a number of changes to the mortgage broking industry including:

- Mortgage brokers becoming subject to the same regulation as financial advisers
- Prohibiting trail commissions
- Borrowers paying the broking fee instead of the lender
- These recommendations phased in over three years

The current Government has indicated it may not proceed with Haynes recommendations for mortgage brokers.

The financial advice industry has also been targeted for major changes including:

- A professional discipline regime for advisers that will supplant the disciplinary systems established by professional associations
- Elimination of grandfathered commissions
- There were no specific recommendations in respect to vertical integration so banks can continue to offer financial advice services

These recommendations have the potential to significantly advance the FSUs professionalisation agenda as advisers become part of a formal system of discipline and registration. Consequently, the role of professional associations may reduce over time as voluntary codes of practice are replaced with a new formal disciplinary system.

The finance sector in a post-Hayne Royal Commission environment

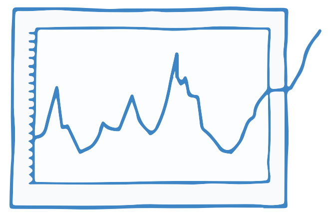
Many of the RC recommendations on first look are uninspiring and underwhelming as the much of the legal and policy architecture sector basically remains untouched with a few exceptions like mortgage brokers. The recommendation that super fund members be allowed one default fund that they are 'stapled' to over their working life also stands out. Instead of recommending radical changes via new laws, new organisations, and a new regulatory regime, Hayne wants the current system, with a few tweaks, to do better. The major parties have indicated that they will subject the sector to stringent accountability requirements to ensure the Hayne recommendations are implemented.

The recommendation to implement the Sedgewick review of remuneration was something the banks had already agreed to and they have been left to their own devices in respect to reforming pay structures, albeit with some beefed up regulatory oversight. It is right to be skeptical about meaningful cultural change over the medium to long term. We may see some short term improvements but there is little to prevent a relapse to past behaviours. Having said that, the RC has an impressive body of evidence in respect to wrong doing and law breaking and a future Government may not need another royal commission to support a case for significant intervention if banks revert to kind.

The Hayne RC was about misconduct and therefore did look at issues such as technological change and a fair transition. The recommendations in respect to mortgage brokers and financial advisers have the potential to further the FSU's vision for the sector in respect to full professionlisation but our agenda for an ethical industry based on reforming the culture of greed, sales before service, and out of control executive remuneration is there to be won.

A fair transition

The concept of a fair or just transition has been developed by the labour movement initially in the energy sector where industries and communities are in the process of restructuring and transitioning from fossil fuel energy generation to a new renewables economy. A fair transition brings together workers, communities, employers and government in social dialogue to drive the concrete plans, policies and investments needed for a fast and fair transformation. It focuses on jobs, livelihoods and ensuring that no one is left behind as industries restructure for the future.



The local scene

Australian industry has undergone significant change in the last 30 years with whole industries disappearing such as car manufacturing and other industries like textile, clothing, footwear, electricity generation, and mining. As a result of industry restructuring employment in automotive manufacturing dropped from 100,000 in 1973 to virtually zero when Holden closed down its last manufacturing plant in 2017. In textiles, clothing and footwear, manufacturing employment fell from 113,000 in 1985 to 49,000 in 2005. Employment fell in the electricity generation sector from 330,000 in 1985 to 154,000 in 2000.

The finance sector is estimated to employ 458,000 workers or 3.4% of the workforce, with Banks and Superannuation funds employing the most people in the sector. The finance sector generates around $140M of GDP per year to the Australian economy and despite the current and projected job losses in the finance sector and the multitude of industry reviews and reports, Government and Industry do not have a coordinated plan that addresses the looming jobs crisis. The sector is also under threat from waves of technological change as more and more functions once performed by people are now being digitised and automated.

An international problem

The Global Financial Crisis, the growth of digitalisation, market changes, and a continuously increasing and complex European Union regulatory regime have created new trends in banking sector employment.

- A total of 440,200 banking sector jobs were lost between 2007 and 2017
- The number of bank branches declined from 244,078 in 2007 to 190,059 in 2016
- The age composition of the workforce shows biggest decreases over time in the 15-24 (38%) and 25-39 (19%) however the 55+ age group has seen a rise of 35%

Internal restructuring is the most reported reason for job cuts and internal restructuring includes:

- Digitisation
- Market forces
- Regulation
- The Global Financial Crisis

New business models

As automation takes hold financial institutions are changing their business models. The banks are closing branches and ATM's as they transition to digital platforms and the likes of AMP divesting themselves of former core business by selling its insurance arm and other financial institutions selling their wealth management arms.

The end result being job losses on an unprecedented scale. Branch closures and the loss of front-line service staff will impact in rural and metro areas and with certain customer groups who rely on contact with bank staff. It has been estimated that up to 50,000 Australian bank jobs will be lost in the coming years and another analysis found that 34% of a bank worker's job is susceptible to automation. The future of work in the finance system is going to be characterised by increased automation and the use of artificial intelligence resulting in greater job losses, fewer staff needed to perform traditional roles, and fewer decisions being made by humans.

Offshoring is the biggest issue facing insurance industry workers right now and research completed by the National Institute of Economic and Industrial Research (NEIR) in 2008 forecast 20,000 finance sector jobs a year being moved offshore, and a follow up report completed by NEIR in 2012 for the FSU confirmed this figure. With more than 20,000 jobs moving off-shore each year they expect between 700,000 and one million jobs to move off-shore in the next three decades. The Big 4 banks have already begun a redundancy program that will see 20,000 jobs disappear in 2018 and beyond.

Genuine consultation on change

Employees and worker representatives should be treated as key stakeholders during times of major change and not after the fact. Meaningful consultation is about giving affected parties the opportunity to influence decision making not being presented with fait accomplis or pre-determined decisions. Genuine consultation also ensures that customers are able to be served through employee's direct experience and knowledge that mitigate potential risks and ensure that resourcing levels and qualified staff compliments do not expose customers to undue risk.

Fair compensation

Compensation programs must be generous and fair and reflect the realities of today's job market with training and re-training schemes focussed on maintaining or getting people back into work as quickly as possible.

Poor workforce planning

For an industry that has and is shedding so many workers over the years that you would think that workforce planning is something the sector should have got right but we still have this paradoxical situation where workers are being made redundant while employers are trying to match new skills. Regular skills auditing is something so obvious and critical, yet finance sector organisations are conducting expensive overseas skill searches without really knowing the capabilities of their local workforces.

Skills for the future

Workers should be retrained before their jobs are disrupted or lost via skills identification programs. Workers who are provided skills for future roles within or external from the finance industry will be better placed to find meaningful ongoing work as the industry changes.

The FSU believes there should be a national skills framework and a national accreditation of qualifications with standards over seen by a tri-partite consisting of workers, industry, and government.

A national skills framework will support employees in identifying avenues for career progression and assist in identifying other employment opportunities. Recognising skills in a transparent manner will assist in developing remuneration frameworks free of conflict and focused on providing good customer outcomes. Industry agreements can provide a transparent and formal structure for recognising skills and qualifications through classification structures.

In some European countries, banks have adopted union ideas to begin skills training funds. Singapore set up an Institute of Banking and Finance, in partnership with the financial industry, government agencies, training providers and trade unions. The institute was set up in the 1970s to foster and develop the professional competencies of the financial industry and is the national accreditation and certification agency for financial industry.

The FSU supports an industry wide system of professional qualifications for recognition of finance workers' skills and experience including:

- Recognition and accreditation of prior learning and experience
- Formal qualifications including certificates, diplomas and degrees
- National accreditation of qualifications, with standards overseen by industry, government and workers

A fair transition for finance sector workers

For the FSU a fair transition in the finance industry has the following core elements:

- Workers and their representatives must be at the centre of any transition process so that they can take part in a genuine consultative process
- Workers must have access to compensation schemes that are fair, generous, and reflect the contribution they have made to the success of their employer organisations
- Training, retraining, and further educations options must be rooted in real world job opportunities
- Planning for the long term between unions, government, and employers so an orderly transition plan can be developed

A professional + skilled workforce

Our labour market is in a bit of a mess. Although the unemployment rate is relatively low insecure work, underemployment, casual and temporary work, sham contracting and labour hire are now features of our system. Another feature is the gender pay gap and in the finance sector this gap sits at 30% and has been at this level for a generation. Corporate profits are at record levels, but the workers share of these profits has never been lower.

Employers are also increasing the use of temporary overseas workers not because there are skill shortages but because it's cheaper to pay these workers. There are 1.3 million workers in Australia on temporary working visas – that is the population of Adelaide our 5th most populous city. Offshoring of finance sector jobs has become a critical issue and again we see jobs that can be performed efficiently and effectively by Australian workers sent overseas because labour is cheaper.

Successive governments have also made a mess of the education and training system. The privatisation of Technical and Further Education (TAFE) system has been a disaster as the system focusses on profit instead of service delivery. According to the Australian Bureau of Statistics there are now 35% less apprentices in training than in 2013.

The speed of digitisation and automation of the finance sector and the structural changes that will come in its wake will mean we will be looking at and working in a very different sector to the one we are now in. Those challenges will require significant forward planning and thinking about the skills required, the training and education pathways, and the portability of qualifications.

Crucially this will need to underpinned by a system of values that will shape ethical banking and finance practices, consumer protection, and support a strong system of regulation. The Hayne Royal Commission has reinforced the already widely held belief that many finance institutions lack an ethical and moral standard and that profit has been pursued at the expense of basic standards of honesty.

A professional finance sector includes leading the way on gender issues such as the pay and superannuation gap and family leave.

The core issues

- Skills for the future/formal qualifications
- Ensuring the professional, ethical and responsible standing of finance workers
- Investing in Australian jobs by ceasing offshoring of jobs
- Professional standards of employees
- Eliminating the gender pay and superannuation gap
- Family leave

Professional standards

Trust in banking is at all times lows and this was the situation before the revelations of the Hayne Royal Commission. Financial services are often an essential service, but it is arguable whether it has matured into a profession as law or accounting. The various voluntary codes that cover the conduct, actions, and expectations of banking have been shown to be inadequate in developing trust and confidence in the sector. Customers need to have confidence that their dealings with a financial services provider is meeting minimum standards of professional conduct.

A good place to work

Financial sector organisations pour a lot of time and resources in to building and maintaining their brands and we have seen the affect the Royal Commission revelations have had on things like reputations and share prices. Being told you work in an industry that is riddled with greed and dishonesty is confronting and we know front-line staff often bear the brunt of unhappy customers. We know that the vast majority of finance sector workers want to genuinely assist customers with sorting out their finance needs and want to be proud of the organisations they work for and want to contribute to an ethical culture built on service and doing the right thing.

Local jobs + jobs for the future

Functions that can be performed by Australian finance workers should be performed in Australia. Essential service functions such as the provision of financial services should not be subject to the lowest bidder as it pertains to critical skills, experience, and professional service provision. Any further offshoring of jobs should cease immediately.

The gender pay gap + superannuation gap

In the finance and insurance sector women earn 30% less men and this gap has remained consistent for 30 years. The gender pay gap in the finance industry is consistently amongst the worst performing industries in Australia. Unless we improve the rate at which the gender pay gap is reducing it will be over 100 years from now before we see this gap eliminated.

We know that women are retiring on average with much, much lower balances in their superannuation than men of an equivalent age. This problem is directly associated with women taking on the burden of unpaid caring work, both for small children and elderly parents, that leads to large amounts of time outside the paid workforce. Combine this with the gender pay gap and our superannuation system is unable to deliver a secure retirement income for a large proportion of women.

Family leave

Paid parental leave while on the surface the finance industry has been leading the way in the provision of paid parental leave and came to the party much earlier than other industries, not much has changed with respect to the quantum of leave or the features of our employer schemes in the last 20 years. Women get better outcomes with respect to reducing the gender pay gap and increasing their retirement incomes when men take on a greater share of the caring responsibilities.

We need to remove the secrecy related to wages as well as applying a gender lens to remuneration outcomes. It's also clear the industry cannot be left to its own devices to solve these issues so to give the sector a move along we believe there should be:

- An industry agreement that guarantees wage transparency
- $450 monthly superannuation threshold
- A more flexible system to make it easier for male parents to take on more caring responsibilities
- A gender unit as part of a new body that oversees the professionalisation of the finance sector

An ethical + essential service

The role of culture

We mentioned a bit earlier that culture is about shared values, attitudes, and behaviors. The overwhelming impression the Hayne Royal Commission has left us with is a finance industry that has fallen short of basic community standards as a result of a rotten work culture and a regulatory environment that has failed to keep the sector honest. The issue that we keep coming back to is culture. The right culture is critical to addressing the systemic issues of governance, pay, sales, regulation, and professionalism.

What has been the basis of this poor culture?

The key drivers for this bad behavior are:

- A sales-driven work culture that puts profit before customers best interests
- Conflicted pay models especially at the senior executive and managerial levels
- A compromised relationship between regulators and the banks
- The failure to consistently prosecute illegal behavior
- Banks refusing to acknowledge the scale of their cultural issues
- Poor governance and oversight by the Boards of Directors

The FSU has said repeatedly that conflicted remuneration models are bad for employees, bad for customers, and bad for shareholders and the Royal Commission has noted that the culture and conduct of the banks was driven by, and was reflected in, their remuneration policies. This has occurred within an environment of self-regulation and unhampered market forces where banks have argued that regulation or policies that set limits on pay restricts their ability to attract the best people.

The banks were supposed to have addressed the issue of performance pay through implementing the recommendations of the Sedgewick Review of remuneration. Although a new model, the balanced scorecard, has been introduced by the Big 4 banks there is still an individual financial performance measure.

A failure of leadership & governance

Good governance and organisational culture are set by the board and implemented by senior and middle management and as Commissioner Hayne pointed out: 'Good culture and proper governance are affected by rules, systems, and practices, but in the end, they depend upon people applying the right standards and doing their jobs properly.' This failure at the top of our financial sector organisations was almost total. The regulators haven't covered themselves in glory either with the suggestion that the relationship between the key regulators and finance sector organisations are too cosy.

Whistleblowers

Many whistleblowers end up leaving the industry after going through a harrowing process and people trying to do the right thing should not have to pay an exacting price to their health and wellbeing.

What have the regulators been doing?

APRA and ASIC have both been accused of not enforcing the law and having too 'cosy' a relationship with the financial sector. Rather than being a tough cop on the beat the banks concluded that ASIC was a regulator that need not be feared. Paying fines for repeated breaches was the cost of doing business given the fines paled into comparison of the profits being made. It hasn't helped that ASIC has had $200 million dollars cut from its budget since 2013 and that this situation has led to fewer cases being prosecuted through the courts, this is compounded when finance sector organisations can and do employ large number of lawyers.

Fairer remuneration + sectoral bargaining

The union believes in simplified and transparent pay models and the most effective way to achieve fairer pay models is the introduction of sectoral collective bargaining. We would rather see workers rely on collective employment terms and realistic pay grades than inter-branch competitions that pit worker against worker via league tables and other staff competition for prizes. Sectoral bargaining establishes a level playing field and ensures competition between companies on the basis of service quality, productivity, and innovation.

There probably isn't an industry that could benefit more from industry bargaining more than the finance industry and an agreement could cover issues such as:

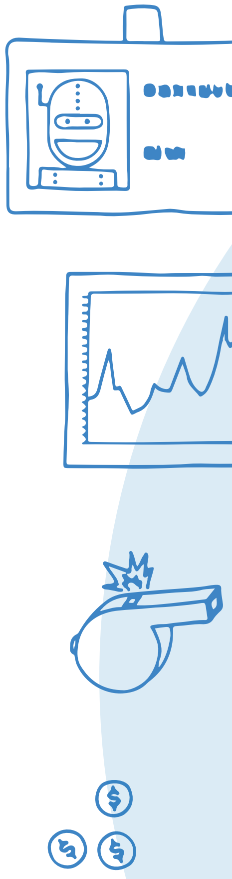
- Uniform rates of pay
- Professional standards
- Education and training
- Ethical service delivery
- Maintaining local jobs
- Eliminating the gender pay gap
- Governance

The banks say that being a 'first mover' on issues such as remuneration reform would put them at a competitive disadvantage, we say that that being a first mover is a competitive advantage particularly in respect to repairing reputational damage and being industry leaders and innovators.

Branch closures

Communities should have access to financial services regardless of their circumstances and location. There should be more stringent obligations on financial institutions to prove that they have undertaken adequate community consultation when closing branches and demonstrate that closing a branch will not adversely impact communities. The FSU has had some success with a moratorium on branch closures during the drought in Queensland and New South Wales, but this is not enough.

We know from the Royal Commission that some banks will risk the bad publicity in closing regional and remote branches because their customers will still maintain their accounts with them. This is very cynical and another example of putting profits before people.



Ethical provision of financial services

It seems self-evident that you should not be charged for services you have not received or that dead people should not be charged fees or that lying to the regulators is the wrong thing to do but these happened continuously. The Royal Commission answer as to why this happened is summed up like this:

> "Too often, the answer seems to be greed: the pursuit of short-term profit at the expense of basic standards of honesty."

Now the Commissioner was quick to point out that the blame was not to be found in front line staff but rather in the upper echelons of management who instituted policies and practices that put profits before service. Now financial institutions obviously exist to make profits but the issue they face into the future is how they are going to make these profits. Is it going to be based on service and competitive products or will they fall back into bad habits once the glare of the Royal Commission is of them?

An essential service?

Banking and other financial services play critical roles in our economy and society and given the size of our country physical access to financial services constitute an essential service in regional and remote areas. We don't have the capacity to opt out of the banking system given the central role in it plays in our lives. Deposits to a certain figure are also guaranteed by the taxpayer. Banks should have community service obligations as a condition of their banking license and in particular around branch closures in regional and remote areas.

A financial services code

Commissioner Hayne has pointed out that adding more regulation is not going to cut it and that there are probably too many, laws, regulations, and voluntary codes of behavior so maybe we need to go back to basics. Perhaps it is time to consolidate the various regulations, codes and self-regulation pieces into one Financial Services Code. The code could be based around a number of clearly articulated principles with no carve outs and no special cases.