



## Second interim report proposes a simpler model for financial services legislation

Today the Australian Law Reform Commission's (ALRC's) second [Interim Report](#) in its three year review to reduce complexity in corporations and financial services legislation was tabled in Parliament by the Attorney-General of Australia, the Hon Mark Dreyfus KC MP.

Interim Report B contains proposals for an alternative legislative model that aims to be more coherent and principled, to accommodate change, and to make the law easier to navigate.

The ALRC's proposed legislative model combines existing legislative tools with a more principled approach to legislative design.

The ALRC anticipates the reform ideas in Interim Report B would offer considerable benefits to consumers, industry, and regulated entities with a shorter, clearer, and more navigable legal framework that should significantly reduce compliance costs.

Interim Report B contains 6 recommendations, 16 proposals, and 2 questions.

The ALRC is seeking submissions from the public in response to the proposals and questions **by 30 November 2022**. Submissions and further consultations will help the ALRC to formulate its ultimate recommendations at the conclusion of the inquiry.

To demonstrate the potential for substantial reduction in the length and complexity of financial services regulation the ALRC has also published Prototype Legislation. A 66% reduction in length is achieved when the proposed model is applied to select parts of the *Corporations Act*. That is a reduction of more than 24,000 words. Adding delegated legislation, the ALRC's Prototype Legislation is one third shorter than the current legal regime for financial services.

These reductions can be achieved without changing the substantive effect of the law — there is no diminution of existing consumer protections under the ALRC's legislative model. At the same time, the proposed model is no less flexible and enables tailoring for particular industry sectors.

The ALRC's proposed legislative model is made up of three elements:

- a de-cluttered *Corporations Act*, containing key obligations and offences;
- a Scoping Order, containing exclusions and exemptions; and
- thematic rulebooks, which enable the prescriptive detail to be organised in a more coherent and navigable way.

Interim Report B demonstrates that many aspects of existing complexity in the legal regime for corporations and financial services are unnecessary. The ALRC's proposals seek to promote the rule of law — the law should be accessible and knowable.

President of the ALRC, the Hon Justice SC Derrington, said the groaning complexity in the law regulating corporations and financial services comes at a significant cost to industry and ultimately consumers.

“That complexity is steadily increasing — the *Corporations Act* has grown 597 pages since the ALRC's Inquiry commenced.”

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“To be fit for purpose, the legislative framework must reflect the dynamic nature of the financial services sector and its significant contribution to the Australian economy. In addition, the regulatory framework must meet the needs of consumers of financial products and services trying to understand their legal entitlements,” Justice Derrington said.

The Inquiry is part of the Government’s response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released in February 2019. A third interim report is due in August 2023, with the final report due by 25 November 2023.

### **About the Australian Law Reform Commission**

The Australian Law Reform Commission (ALRC) is an independent Australian Government agency that provides recommendations for law reform to Government on issues referred to it by the Attorney-General of Australia.

ENDS

ALRC President the Honourable Justice SC Derrington and ALRC Special Counsel Dr Andrew Godwin are available for interview.

*Financial Services Legislation: Interim Report B* (ALRC Report 139) and Summary Report:  
<https://www.alrc.gov.au/publication/fsl-report-139/>

Financial Services Legislation Inquiry: <https://www.alrc.gov.au/inquiry/review-of-the-legislative-framework-for-corporations-and-financial-services-regulation/>

Financial Services Legislation Inquiry Terms of Reference:  
<https://www.alrc.gov.au/inquiry/review-of-the-legislative-framework-for-corporations-and-financial-services-regulation/terms-of-reference/>

Further information on the work of the ALRC: <https://www.alrc.gov.au/>

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