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## Sword of Damocles hovers on PM

Come Thursday a royal commission or commission of inquiry into the scandal-ridden banking

sector will be a genuine live issue in Federal Parliament.

From that point, the sword of Damocles will dangle precariously over Prime Minister Malcolm Turnbull's head, waiting for the right moment to fall.

All it will take is one more Coalition MP in the lower house to cross the floor. Tick-tock, tick-tock.

The clock was set on Tuesday when a bill was tabled in the Senate with the backing of a majority of the upper house.

The bill's signatories include Greens senator Peter Whish-Wilson, independents Derryn Hinch and Jacqui Lambie, Nick Xenophon and One Nation senators Pauline Hanson and Malcolm Roberts.

Nationals senator John Williams has agreed to cross the floor, while the Labor Party is also on board. It is now a waiting game.

Ironically, it seems almost everyone – including the banks – think that a royal commission or judicial inquiry is inevitable.

As Senator Whish-Wilson says in a second-reading speech, “trust has broken down and it urgently needs to be repaired”. Senator Whish-Wilson didn't gild the lily.

He said the various scandals have revealed issues that go to the stability of the Australian financial system and the performance and resilience of the Australian economy.

The bill seeks to appoint a commission to establish the “causal factors for this misconduct, including misaligned incentives, culture, inadequate regulation and regulatory power, and ‘moral hazard’ extending from government guarantees”.

The Coalition, for its part, is trying to prosecute the argument that self-regulation, beefed-up regulatory powers and bank bosses fronting Parliament twice a year will fix these deep-seated problems.

However, as each day goes by and more and more scandals emerge, their arguments are looking increasingly hollow and people are questioning what they are afraid of.

One only needs to look at the growing use of “independent” experts' reports that are being used to get companies off the hook. The companies set the terms of reference and pay for the report. Their findings don't fool anyone.

They are essentially guns for hire that are constrained in their investigations by the terms of reference.

And the appearances by the bank bosses only served to prove that a holistic examination of the culture inside the financial system is needed and past behaviour addressed.

Despite all the protestations by the banks that the behaviour is down to a few bad apples, if a list of the scandals of the past few years were made, it would show that this is system failure.

Yet not one senior executive has been punted from their job. Where are the boards on this? The guardians of the social licence?

ASIC sometimes uses enforceable undertakings as punishment for wrongdoing, but given the lack of transparency in enforceable undertakings, it is hard to know how effective they are.

Each of the banks' bosses has done a number of variations on the theme of mea culpas.

But if change is to occur, it will require more than a few mea culpas, self-regulation, Senate inquiries and reviews conducted by bank-funded independent experts.

There needs to be accountability. Heads need to roll, remuneration needs to change, a proper compensation scheme needs to be rolled out and banks need to reset their culture.

The terms of reference are wide ranging, which is as it should be.

National senator John Williams will cross the floor to support a bill that he says is necessary. Senator Williams has long supported a royal commission into the banks.

Now he wants it opened up to include life insurance.

The sort of evidence spilling out of the life insurance sector has toughened his stance on the need for a royal commission or commission of inquiry.

The inquiry into the \$44 billion life insurance industry was called in response to the CommInsure scandal in March 2016 that exposed wrongdoing in Commonwealth Bank's life insurance division, including the sale of life insurance policies that had decade-old medical definitions, allegations of file tampering and the denial and delaying of legitimate claims for profit.

“More evidence will come out in the future that I think needs further investigation,” he said.

The bill proposes a single commissioner, who is a former judge, who has the powers to compel witnesses and the production of evidence. This is light years away from the various Senate and parliamentary inquiries, which are limited by resources, time and powers.

The second reading of the bill concludes with a line that the Turnbull government would do well to think about: “This bill reiterates that the Australian people are the masters of the broader economy. We are not its servants.”