

EXPOSURE DRAFT EXPLANATORY STATEMENT

Issued by authority of the Treasurer

Corporations Act 2001

Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Regulations 2020: Hawking of financial products

Section 1364 of the *Corporations Act 2001* (the Act) provides that the Governor-General may make regulations prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The purpose of the exposure draft *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Regulations 2020: Hawking of financial products* (the draft regulations) is to support the exposure draft *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Bill 2020: Hawking of financial products* to implement Recommendations 4.1 and 3.4 of the Financial Services Royal Commission to strengthen the existing prohibitions against the hawking of financial products.

The draft regulations amend the *Corporations Regulations 2001* to remove exceptions to the hawking prohibition which curtail or reduce the effectiveness of the prohibition and ensure that the *Corporations Regulations 2001* continue to operate effectively.

In particular, the draft regulations:

- remove the explicit prohibition of hawking at particular times and on particular days because the amended prohibition against hawking in the draft Bill applies at all times;
- repeal modifications to sections of the Act that are repealed in the draft Bill;
- update some regulations to refer to new provisions in the draft Bill to preserve their operation; and
- repeal the exemption from the prohibition of hawking for litigation funding schemes and arrangements which is now in the draft Bill.

The draft regulations also preserve the operation of regulations relating to the right of return and refund for hawked financial products that were made under the repealed sections of Act but whose effect is retained in draft Bill.

The Regulations are a legislative instrument for the purposes of the *Legislation Act 2003*.

The Regulations commence at the same time as the draft Bill.