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Association of Building Societies and Credit Unions

Abacus
Australian Mutuals

25 November 2011

Mr Tim Bryant
Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Parliament House
CANBERRA ACT 2600

corporations.joint@aph.gov.au

Dear Mr Bryant

Corporations Amendment (Future of Financial Advice) Bill 2011

Thank you for inviting Abacus – Australian Mutuals to contribute to the Committee's inquiry into the *Corporations Amendment (Future of Financial Advice) Bill 2011*.

Abacus is the industry body for credit unions, building societies, mutual banks and friendly societies. Our customer-owned banking institutions serve 4.6 million members and hold $83 billion in assets. Our sector's market leading customer satisfaction ratings prove the effectiveness of the mutual business model.

Abacus supports the objectives of the Future of Financial Advice reforms and we support the measures introduced in the *Corporations Amendment (Future of Financial Advice) Bill 2011*:

- a requirement for providers of financial advice to obtain client agreement to ongoing advice fees and enhanced disclosure of fees and services associated with ongoing fees; and
- enhancement of the ability of ASIC to supervise the financial services industry through changes to its licensing and banning powers.

Abacus agrees with the case for reform given that "in some situations clients of advisers that pay ongoing fees for financial advice receive little or no service" and that some clients "are unaware of the precise magnitude of those fees or they continue paying ongoing fees as a result of their own disengagement."[1]

Given the impetus for the FOFA reforms and the findings of the 2009 PJC inquiry, Abacus agrees with the case for enhancing ASIC's powers. We note that these powers will continue to be subject to section 915I of the *Corporations Act 2001* which sets out special procedures for APRA-regulated bodies.

[1] Explanatory Memorandum. *Corporations Amendment (Future of Financial Advice) Bill 2011*

Second tranche Bill

It is the second tranche FOFA Bill, introduced into Parliament yesterday, that is of most interest and concern to us.

We are concerned that measures introduced in the second tranche FOFA Bill, the *Corporations Amendment (Further Future of Financial Advice Measures) Bill 2011*, are inconsistent with the overall FOFA objective of "facilitating access to financial advice, through the provision of simple or limited advice."

At this stage, we are continuing to analyse the second tranche Bill, focusing on the particular arrangements for basic banking products. The application of the new 'best interests duty' to advisers on basic banking products is critically important in determining the likely future availability of advice to consumers about simple products.

Measures introduced in both the first and second tranche Bills are due to commence on 1 July 2012.

The Committee will not be reporting on the first tranche Bill until 29 February 2012 with an unknown timetable for any inquiry into the second tranche Bill. Given the sittings calendar for 2012, this means the full FOFA package is unlikely to be passed in time to allow for a reasonable transition period for industry to prepare to implement the new regime by 1 July 2012.

For the Committee's information, 1 July 2012 is also the commencement date for a new regulatory regime for credit card providers, proposed further reforms to consumer credit laws currently before Parliament, and a new transaction account switching regime. These reforms each impose significant regulatory compliance and implementation cost burdens on Abacus member organisations.

Please contact me or Luke Lawler, Senior Manager, Public Affairs, on to discuss any aspect of this submission.

Yours sincerely

MARK DEGOTARDI
Head of Public Affairs