03 October 2017

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Madam/Sir,

SMSF ASSOCIATION SUBMISSION ON PUTTING CONSUMERS FIRST – ESTABLISHMENT OF THE AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY

The Self Managed Super Fund Association (SMSFA) welcomes the opportunity to make a submission to the Senate Inquiry into the Treasury Laws Amendment (Putting Consumers First – Establishment of the Australian Financial Complaints Authority) Bill 2017

Inquiry into the Treasury Laws Amendment (Putting Consumers First—Establishment of the Australian Financial Complaints Authority) Bill 2017

- **The Bill will amend the *Corporations Act 2001* and other Commonwealth Acts to introduce a new external dispute resolution (EDR) framework and an enhanced internal dispute resolution (IDR) framework for the financial system.**

- **It will establish the Australian Financial Complaints Authority (AFCA), which will resolve disputes about products and services provided by financial firms. The AFCA scheme will replace the Superannuation Complaints Tribunal and the existing EDR schemes approved by the Australian Securities and Investments Commission (ASIC).**

- **The enhanced IDR framework will require financial firms to report their IDR activities in accordance with ASIC requirements and allow ASIC to publish information it receives under new reporting requirements. This will allow ASIC to improve transparency about the performance of financial firms in relation to their IDR activities.**

We support the creation of the Australian Financial Complaints Authority (AFCA) as a single complaint body for financial services. We believe this will result in a more efficient complaints framework for industry, consumers and regulators.

While we support the change, we do hold some concerns that costs for advisors who currently subscribe to the Financial Ombudsman Scheme (FOS) or the Credit and Insurance Ombudsman (CIO) may rise depending on the fees levied by the AFCA. We urge Government to pay careful consideration to this aspect of creating the AFCA when approving the new body.

We believe that the legislation should include reference to ongoing costs for members of the new EDR scheme to ensure that fees are maintained at a reasonable level (for example, not increased above current levels paid to FOS or CIO). This is especially relevant as financial advisors and licensees will face increased costs in the immediate future through ASIC cost-recovery levies and the new education and ethical framework for financial advisors.

We are wary of increased financial costs to advisors depending on the fee structure of the AFCA. We believe the Minister should ensure that during the selection process of the company that will form the AFCA, that industry fees are a key consideration and should be constrained to existing levels (e.g. FOS or CIO fees). Ensuring that fees for the new EDR body are constrained is especially important given the increased costs facing financial advisors as mentioned above.

In addition, there will be regulatory compliance costs of:

- Training for advisors to understand the new EDR scheme.
- Changing disclosure requirements and documentation for clients.
- Sharing of internal dispute resolution information with ASIC for licensees.

As the new framework will involve a shift to a single EDR scheme, there will be enhanced oversight and monitoring by ASIC. ASIC will have a new power to issue regulatory requirements that AFCA, in operating the scheme, must comply with.

Accordingly, we believe the legislation should require that ASIC consults with the financial advice industry and relevant stakeholders before issuing new regulatory requirements that AFCA must comply with. This will ensure that any changes to the new EDR scheme will be informed by the views of those subject to the EDR scheme and reduce the possibility of unintended consequences.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

John L Maroney

John Maroney
Chief Executive Officer
SMSF Association

ABOUT THE SMSF ASSOCIATION

The Self Managed Super Fund (SMSF) Association is the peak professional body representing the SMSF sector which is comprised of over 1.1 million SMSF members who have $696 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.