

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

26 February 2014

**Question: AET 1651 – 1664**

**Topic: Future of Financial Advice reforms**

**Written: Received from Committee – 6 March 2014**

**Senator WONG asked:**

- 1651. Can you describe the extent of the involvement Treasury has had with ASIC in consulting on the proposed changes to FoFA?
- 1652. Did they flag any concerns about the proposed changes to the Best Interests Duty and changes to conflicted remuneration?
- 1653. To be specific did ASIC flag any concerns with their ability to enforce the proposed changes? (implementation not policy)
- 1654. Prior to the release of the exposure draft legislation and regulations did Treasury receive any submissions from industry about specific drafting changes to the existing laws (by this I mean suggested amendments to the law not general commentary on policy matters). If so who provided such submissions?
- 1655. Can you explain in more detail how the estimated cost savings to businesses in the options stage RIS were calculated?
- 1656. Who in the industry was approached, and what information was sought?
- 1657. How was the information verified?
- 1658. Will these savings be passed on to consumers, retained by the businesses, or flow back to shareholders? How will this be monitored, and will it be enforced?
- 1659. Are there any potential consumer costs from the measures?
- 1660. Wouldn't such potential costs be important for decision makers?
- 1661. A number of the proposed measures re-permit currently prohibited remuneration (eg: general advice, commissions on group risk in super, extending grandfathering) – has Treasury estimated what the value of these might be worth?
- 1662. Who would pay for these remuneration streams? What is the incidence (shareholders? consumers?);
- 1663. All things being equal would the availability of these (currently prohibited) revenue streams increase or reduce prices for consumers?
- 1664. For investment products would they tend increase or reduce investment returns?

**Answer:**

- 1651. Treasury has regular engagement with the Australian Securities and Investments Commission (ASIC) on all Corporations Law matters, including the Future of Financial Advice amendments.

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates

26 February 2014

1652. The Department's discussions with ASIC formed part of its advice to Government.
1653. See response to Question 2.
1654. The exposure draft legislation and regulations that were released publicly on 29 January 2014 were drafted by the Office of Parliamentary Counsel on instructions from the Department and reflected the Government's election commitment to amend the Future of Financial Advice provisions. Stakeholders were provided with an opportunity to comment on the draft provisions as part of the consultation process.
1655. The *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement* contains information on how the estimated cost savings to business were calculated (see pages 19 to 22).
1656. The *Future of Financial Advice Amendments – Options-stage Regulation Impact Statement* was publicly released on 13 January 2014. This enabled all stakeholders to provide feedback; this feedback was subsequently incorporated into the *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement*.
1657. The *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement* contains detail on how the information obtained from industry stakeholders was verified (see pages 19 to 22).
1658. The *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement* contains information on the passing-on of cost savings to consumers (see page 21).
1659. The costs and benefits of the Future of Financial Advice amendments for consumers are contained in the *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement* (see pages 22 to 38).
1660. The Government considered these costs in developing the package of changes contained in the Corporations Amendment (Streamlining Future of Financial Advice) Bill 2014.
1661. Revenue streams were not specifically reviewed. The costs and benefits of the Future of Financial Advice amendments for both the financial services industry and consumers are contained in the *Future of Financial Advice Amendments – Details-stage Regulation Impact Statement*.
1662. See response to Question 11.
1663. See response to Question 11.
1664. See response to Question 11.