



30 April 2014

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

Via email: economics.sen@aph.gov.au

Dear Committee Secretary

Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014

The Customer Owned Banking Association (COBA) is pleased to provide comment on the Corporations Amendment (Streamlining Future of Financial Advice) Bill.

COBA is the industry body for Australia's customer owned banking institutions, representing 81 credit unions, seven mutual building societies and 10 mutual banks. Our members are Authorised Deposit-taking Institutions (ADIs) regulated by APRA under the *Banking Act 1959*. They are Australian Financial Services and Australian Credit Licensees, regulated by ASIC. COBA members provide the full range of retail banking services and products to more than 4 million customers.

As demonstrated by our sector's market-leading customer satisfaction ratings, customer-owned banking institutions focus on value, excellent customer service and giving back to the communities in which we operate.

COBA welcomes the Government's proposals to simplify the application of the FOFA reforms to retail banking and ADI staff providing advice on simple, low-risk products: basic banking products, general insurance and consumer credit insurance (CCI). These products are categorised as 'Tier 2' in ASIC's training policy for advisers, set out in Regulatory Guide 146.

Frontline banking staff advising on these products were never the target the FOFA reforms, as reflected in the modifications and carve-outs applying to ADI staff. However, these modifications and carve-outs need further amendment to make them effective and to ensure practical application is possible.

Overall the Government's proposed amendments in relation to basic banking products will reduce compliance costs for banking institutions, avoid unnecessary disruption to staff

remuneration arrangements and promote the availability of advice about simple, low-risk products. These outcomes are entirely consistent with the FOFA objectives of improving the trust and confidence of Australian retail investors in the financial services sector and improving access to advice.¹

COBA seeks consistent treatment for simple low risk products, specifically:

- the basic banking product exemption from the ban on conflicted remuneration, and
- the basic banking modification of the best interests duty.

Conflicted remuneration – basic banking product exemption

COBA considers that the Bill successfully clarifies the parameters for conflicted remuneration in relation to basic banking products via Amendment 16 (subsections 961J(2) and (3)).

Consumer credit insurance (CCI) is classified as a Tier 2 product and it is appropriate that it is brought into line with other Tier 2 products. COBA therefore supports this amendment.

Best interests duty – basic banking products and CCI

COBA has argued for consistent advice requirements for all Tier 2 products. We submit that further amendments in relation to the treatment of CCI under the best interests duty are required to bring it into line with other Tier 2 products.

COBA considers that the modified best interests duty which applies to advice given by banking staff about basic banking products and general insurance products should also apply to advice on CCI.

In its current form, the Bill makes banking staff giving personal advice about basic banking products and general insurance products (Tier 2) subject to the modified best interests duty only, even if they also give personal advice about CCI. However, personal advice about CCI itself continues to be subject to the full best interests duty (see Bill Amendment 12 (subsections 961B(3) and (4))).

COBA seeks the extension of the modified best interests duty to include CCI. CCI is a relatively straightforward product designed to protect consumers in times of difficulty. Bringing the best interests duty requirements for advice about CCI into line with those for other Tier 2 products will reduce red tape, ensuring consistent regulatory treatment for similar products.

Thank you for the opportunity to provide these comments.

¹ FOFA website <http://futureofadvice.treasury.gov.au/Content/Content.aspx?doc=home.htm>

Yours sincerely

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