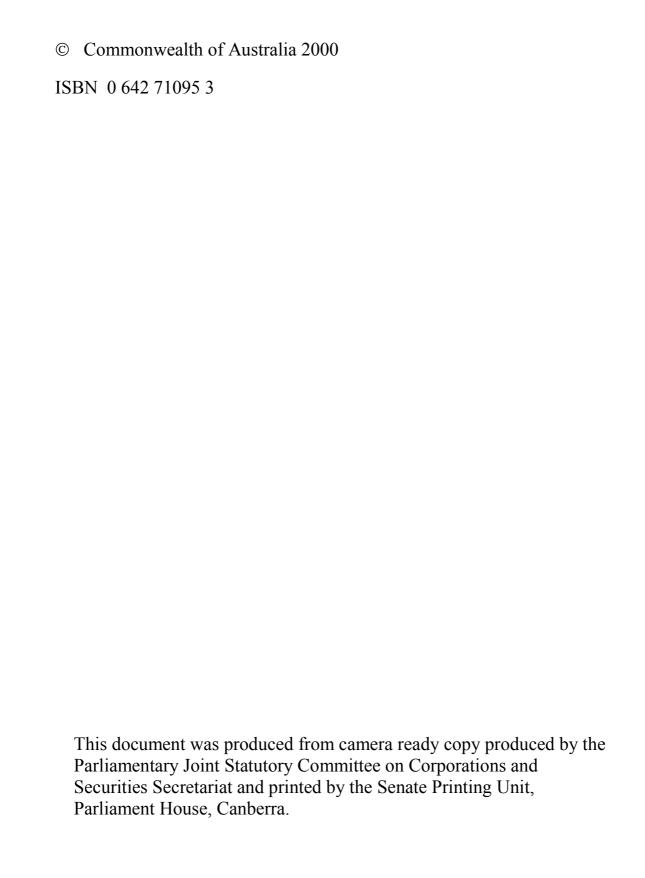
The Parliament of the Commonwealth of Australia

REPORT ON THE DRAFT FINANCIAL SERVICES REFORM BILL

PARLIAMENTARY JOINT STATUTORY COMMITTEE ON CORPORATIONS AND SECURITIES

AUGUST 2000



MEMBERSHIP OF THE COMMITTEE

Senator Grant Chapman, (Chairman)

Mr Bob Sercombe, MP, (Deputy Chairman)

Senator Stephen Conroy

Senator Barney Cooney

Senator the Hon Brian Gibson

Senator Andrew Murray

Ms Julie Bishop, MP

Mr Ross Cameron, MP

Mr Kevin Rudd, MP

Dr Andrew Southcott, MP

Committee Staff

Mr David Creed, Secretary Mr M R Priestley, Principal Research Officer Mr Peter Crawford, Principal Research Officer Mrs Judith Wuest, Executive Assistant

DUTIES OF THE COMMITTEE

Section 243 of the *Australian Securities and Investments Commission Act 1989* sets out the duties of the Committee as follows:

The Parliamentary Committee's duties are:

- (a) to inquire into, and report to both Houses on:
 - (i) activities of the Commission or the Panel, or matters connected with such activities, to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; or
 - (ii) the operation of any national scheme law, or of any other law of the Commonwealth, of a State or Territory or of a foreign country that appears to the Parliamentary Committee to affect significantly the operation of a national scheme law;
- (b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; and
- (c) to inquire into any question in connection with its duties that is referred to it by a House, and to report to that House on that question.

TABLE OF CONTENTS

Membership of the Committee			
Duties of the Committee			
Table of Contents	vi		
CHAPTER ONE	1		
CONDUCT OF THE INQUIRY	1		
CHAPTER TWO	3		
BACKGROUND TO THE DRAFT BILL	3		
OUTLINE OF THE BILL	4		
Objects of Chapter 7 of the Corporations Law	4		
Key definitions	5		
Definition of Financial Product	5		
Licensing of financial products markets	6		
Licensing of clearing and settlement facilities	6		
Compensation arrangements	6		
Licensing of providers of financial services	6		
Disclosure and other conduct requirements for licensees	7		
Financial product disclosure	8		
Title to securities and other matters	9		
CHAPTER THREE	11		
GENERAL SUPPORT FOR DRAFT BILL IN SUBMISSIONS	11		
Policy and drafting clarification of aspects of the draft Bill	13		

CHAPTER FOUR	15	
ISSUES ARISING FROM THE DRAFT BILL	15	
Introduction	15	
Adverse effects of the draft Bill on the delivery of financial services in rural and regional areas The information economy and e-commerce	15 18	
Australia as an international financial centre	20	
The impact on small business	22	
Co-regulation and the position of professional bodies	23	
Proper recognition of corporate structures and the definition of retail/wholesale client	24	
CHAPTER FIVE	27	
CONCLUSIONS AND RECOMMENDATIONS	27	
Final Bill should be passed	27	
Adverse effects of the draft Bill on the delivery of financial services in rural and regional areas The information accommy and a commerce	27 28	
The information economy and e-commerce Australia as an international financial centre	29	
The impact on small business	29	
Co-regulation and the position of professional bodies Proper recognition of corporate structures and	29	
the retail/wholesale client definition	30	
Start date of the bill	30	
FURTHER COMMENTS		
Labor Senators' and Members' minority report	31	
APPENDICES		
1. Submissions received by the Committee	35	
2. Witnesses at hearings	37	