

# Chapter 1

## Introduction

### Conduct of the inquiry

1.1 On 9 May 2007 the Parliamentary Joint Committee on Corporations and Financial Services resolved to inquire into the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007 upon its introduction in the House of Representatives. A package of three bills was subsequently introduced in the House on 24 May 2007.<sup>1</sup>

1.2 The inquiry was advertised in the *Australian* newspaper and on the internet. The committee agreed to a closing date for submissions of 6 June 2007, and a reporting date of 19 June 2007 to enable consideration of the bill by the Parliament in the June sittings. A list of submissions appears at Appendix 1.

1.3 The committee held one public hearing in Canberra on 13 June 2007. Witnesses who appeared before the committee are listed at Appendix 2. The Hansard transcript of the hearing is available at <http://www.aph.gov.au/hansard>.

### Background and purpose of the bill

1.4 The proposals contained in the bills include the latest round of Financial Services Reform (FSR) refinements. The bills will implement most of the proposals included in the Corporate and Financial Services Regulation Review *Proposals Paper* released by the Parliamentary Secretary to the Treasurer, the Hon Chris Pearce MP, on 16 November 2006.<sup>2</sup> The paper contained 35 detailed proposals designed to strengthen consumer protection, minimise compliance costs for business, remove regulatory overlap, facilitate access to capital and enhance the accountability of regulators.

1.5 The government invited public comment on the proposals paper and received over 100 submissions from industry organisations, consumer representatives, academics and individual practitioners. It also consulted widely with industry and consumer organisations on the issues raised in the paper. The overall response to the proposals was positive.

1.6 There are four key objectives of the bills, including

- improving access to financial advice by reducing costs and enabling financial service providers to communicate more effectively;

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1 Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007; Corporations (Fees) Amendment Bill 2007; Corporations (Review Fees) Amendment Bill 2007

2 Corporate and Financial Services Regulation Review, *Proposals Paper*, November 2006

- enhancing investor protection by encouraging greater employee ownership of companies and providing opportunities for suitable investors to engage in more sophisticated financial investments;
- improving business efficiency; and
- reducing compliance costs.<sup>3</sup>

1.7 The Simpler Regulatory System Bill includes the government's response to a number of recommendations of the *Rethinking Regulation* report of the Banks Regulation Taskforce of January 2006.<sup>4</sup> This has resulted in initiatives relating to the use of the internet for financial reporting, financial reporting thresholds for proprietary companies, reporting requirements for executive remuneration, and fundraising requirements for employee share schemes.

1.8 Due to the short time-frame for this inquiry, evidence received by the committee focused on a narrow range of issues that are of continuing interest to industry stakeholders. This report in particular reflects these concerns. The remainder of this report is divided into two chapters. Chapter 2 describes the main provisions of the bill that relate to financial services regulation, company reporting obligations, auditor independence, corporate governance, fundraising, takeovers and compliance. Chapter 3 examines a number of issues raised in evidence, in particular industry concerns over the financial services regulation provisions relating to statements of advice, the threshold for requiring a statement of advice and the definition of sophisticated investor.

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3 'Pearce delivers consumer benefits & drives reduction in red tape', Media Release No. 021, 24 May 2007

4 *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*, January 2006