Investment & Financial Services Association Ltd
ACN 080 744 163

6 June 2007

The Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Suite SG.64
Parliament House
CANBERRA ACT 2600

Dear Mr Sullivan

RE: Inquiry into Simpler Regulatory System Legislation

We refer to the inquiry of the Parliamentary Joint Committee into the *Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007* (**Bill**). The following comments on the Bill are limited to matters of direct relevance to IFSA members.

IFSA is a national not-for-profit organisation which represents the retail and wholesale funds management, superannuation and life insurance industries. IFSA has over 140 members who are responsible for investing over $1 trillion on behalf of more than ten million Australians. Members' compliance with IFSA Standards and Guidance Notes seek to ensure the promotion of industry best practice.

The further refinements proposed by the Bill are positive and, our comments are directed at constructive recommendations that will further enhance regulatory and industry efficiency. IFSA supports[1] the stated objective of refining financial services regulation to ensure that the legislative framework operates to ensure a competitively neutral regulatory system that provides uniform regulation, reduces administrative and compliance costs, and removes unnecessary distinctions between products[2].

Item 38 – Annual reports

We support this proposal but question:

1. why it has been limited to annual reports; and

2. why similar amendments have not been made for superannuation fund information either by way of regulation or amendments to section 1017D or 1017DA.

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1 IFSA Media Release of 24 May 2007 – Attachment A.

2 Paragraph 7.27 at page 117 of the Explanatory Memorandum to the Bill.

Annual reports

The bases for industry operations are sophisticated electronic platforms and increasingly electronic communications are becoming the norm. While industry recognises that it clients should be able to access paper documents and communications, electronic communication is more efficient and cost effective.

IFSA's recommends that the proposal be extended to other regulated disclosure documents. In particular for:

1. additional fund information required to be given by superannuation trustees (section 1017DA);

2. ongoing disclosure of significant events and material changes (section 1017B – "significant event notices";

3. periodic statement (section 1017D); and

4. the obligation to give additional information on request (section 1017A)..

Information could be made available on websites and, as far as practicable, hard copies would be sent to members who request them.

We note that the current 'opt out' arrangements under section 316 of the Corporations Act will continue to operate. The requirement under proposed 314(1AB) for notification to members if they do not elect to receive hard copies of annual reports will only apply to members that have not positively elected not to receive the information (see item 233(3)).

It is, however, questionable whether a company, registered scheme or disclosing entity will be taken to have satisfied proposed section 314(1AB) where a member has already elected to receive annual report information electronically under current 314(5). For the avoidance of doubt, we recommend that proposed section 314(1AB) be taken to be satisfied where a member has already elected to receive annual reports electronically under current 314(5) which, together with sections 314(4) and 314(6) is to be repealed by item 40.

The move to facilitate electronic communication to clients has been in transition and gradually introduced over a number of years. The refinements to the law are welcome and industry anticipates that, in the near future, electronic communication will constitute the primary means of communication with clients. This will, however, require amendments to the law and a general rather than piecemeal extension of the ability to use electronic facilities.

Superannuation Fund Information

IFSA recommends that the proposal be extended to superannuation fund information.

Section 1017DA of the Corporations Act permits regulations to contain additional obligations for superannuation trustees to provide information. Regulations 7.9.31 to 7.9.42 are made pursuant to section 1017DA. These regulations set out the

requirements to provide superannuation fund information to product holders (**fund information**). Fund information includes audited fund accounts and information about fund asset allocation.

Additionally, the requirement for ongoing disclosure of material changes under section 1017B ensures that existing holders that fall outside the continuous disclosure regime can receive timely information about any materially adverse changes affecting their investments, such as, though not limited, increases in fees or charges.

There is no compelling reason why fund information and significant event notices cannot be distributed via the published content of a website, similar to that under proposed section 314(1) – (1AE) for Annual Reports. Like Annual Reports, fund information and significant event notices are by and large generally available. The information is not specific to a particular holder. There are no overarching dissimilarities in consumer protection terms affecting the distribution of either document, hard copies will still be available upon request and the conditions.

Item 100 – 761GA Meaning of *retail client* – sophisticated investors

Proposed 761GA is a positive step addressing limitations posed by the current definition of retail investor for the purposes of the product disclosure and financial service requirements of the law. We recommend the following relatively minor amendments to sections 761GA(d) and 761GA(f).

Section 761GA(d)

We recommend that the words “investing in” be deleted. The words may limit the ability of a licensee to, for example, provide group life insurance to an employer or trustee for the benefit of employees. As currently worded, the provision requires the licensee to be satisfied that “the other person (the client) has previous experience in using financial services and investing in financial products”. As neither the employer nor trustee would be taken to be “investing in” the product, there is a possibility that they would be treated as retail clients. The deletion of the words “investing in” does not, in our view, affect the policy or operation of the provision.

Section 761GA(f)

We believe that there is a technical flaw in the operation of new provision in so far as under section 761GA(f) a person will not be treated as a sophisticated investor where they have also received before or at the time of the provision of the product or service a Product Disclosure Statement (761GA(f)(i)), or any other document that would be required to be provided to a retail client (761GA(f)(ii)).

We recommend that the provisions be amended to provide that:

(i) the licensee **is not required to give** the client a Product Disclosure Statement; and

(ii) the licensee **is not required to give** the client any other document that would be required to be given to the client under this Chapter if the product or service were provided to the client as a retail client.

Item 117 Small investments – Statement of Advice not required

Proposed 946AA

This proposal has the potential to create substantial efficiencies for advice businesses and to consumers seeking advice on relatively small amounts. We note that the threshold amount is to be prescribed by regulation and, therefore, that there is an opportunity for the industry to justify a higher threshold than the proposed $15,000 referred to in the Explanatory Memorandum to the Bill[3].

The following comments are made in relation to the scope and operation of the proposed exclusion of the requirement for a Statement of Advice (**SoA**) for small investments.

(1) Firstly, it needs to be recognised in relation to advice on investments below the prescribed threshold, that the SoA is effectively replace by a Record of Advice (**RoA**) which would include a record of the advice and information about remuneration (including commissions and other benefits) and any interests or associations that might be capable of influencing the providing entity in giving the advice. Additionally, clients will continue to receive advisers appropriate advice (section 945A) delivered in a manner that is efficient, honest and fair (section 912A). There is no diminution in investor protection.

(2) ***The prescribed threshold should apply to Superannuation advice.*** Given that superannuation will become the preferred retirement savings vehicle following the commencement of the Simpler Super measures, there does not appear to be any justification for denying low cost and simple retirement planning advice to persons looking at opening a superannuation account.

We note that the exclusion will apply to consolidation of superannuation accounts other than to a new account. There is little to differentiate advice needed for the choice of the consolidated account, to the opening and consolidation in a new account. The SoA threshold should be extended to all superannuation accounts including supplementation of investments where the investment amount is below the prescribed threshold. As stated at (1) above, clients will continue to receive appropriate advice and the provision of a RoA will ensure remuneration (including commission and other benefits) and associations are disclosed.

(3) ***Life risk insurance advice should be included where the value is below a prescribed monetary threshold*** No policy justification is provided for discriminating against life risk insurance that is not provided through a

[3] Paragraph 1.1 at page 21 of Explanatory Memorandum to the Bill.

superannuation product, other than the statement at paragraph 7.19 of the Explanatory Memorandum. Attached to this submission is a copy of an extract from the January 2007 IFSA Submission to the Treasury on the Corporate and Financial Services Regulation review Proposals Paper setting out the policy and factual justification for providing a limited exclusion to the requirement for a SoA for life risk insurance products (**ATTACHMENT B**).

We consider that the IFSA submission adequately addresses any concerns raised[4] and recommend that a modified threshold exclusion from the SoA requirements be introduced for life risk products. The approach taken in proposed section 946AA fails the objective of ensuring a competitively neutral regulatory system by providing uniform regulation, reducing administrative and compliance costs, and removing unnecessary distinctions between products.

It is IFSA's recommendation that proposed 946AA be extended and exempt from the Statement of Advice requirements life risk insurance products:

(1) Where the amount of life insurance cover does not exceed,

a. a lump sum insured of $500,000 for death and/or total and permanent disability cover, and/or

b. lump sum insured of $100,000 for trauma insurance, and/or

(2) Where the total premium in the first year does not exceed $500 for any life insurance cover.

The preferred approach is (1). Alternative (2) could create inconsistent outcomes because a premium may be greater only because, for example, of an individuals smoking status.

We also note that proposed section 946AA(1)(b)(ii) excludes general insurance products from the application of the SoA threshold. As a matter of statutory interpretation it is unclear how the provision interacts with the current SoA exemption provided under regulation 7.7.10 of the Corporations Regulations. We note the contrary statement in the Explanatory Memorandum at paragraph 7.18 on page 124 but question its effectiveness. We suggest that a Note be included beneath the relevant provision indicating that a statement of Advice is not required for certain prescribed general insurance products.

(4) ***The proposed $15,000 (fifteen thousand dollars) threshold needs to be raised to $25,000.*** Industry participants consider that a threshold amount of $25,000 is more appropriate to $15,000 as proposed. One IFSA member, one of the largest financial advice providers in the market has advised that less than 3% of its financial advice business involves transactions of a value less than $15,000. The assumption made in Treasury's estimates at page 127 of the Explanatory Memorandum is that approximately 5% of SoAs are provided in relation to investments of less than $15,000.

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[4] See paragraph 7.6 at page 129 of the Explanatory Memorandum to the Bill.

To facilitate the provision of financial advice to lower net-worth clients over time, there would also be value in subjecting the threshold to regular review.

As stated at (1) above, clients will continue to receive appropriate advice and the provision of a RoA will ensure remuneration (including commission and other benefits) and associations are disclosed.

Item 118 – Situations in which a Statement of Advice is not required

Proposed section 946B(7) is an attempt at addressing, in part, a fundamental problem with the existing definition of "personal advice" in section 766B(3) of the Corporations Act. It applies where the advice provided to the person does not recommend the purchase or sale of products and remuneration is not directly received by the providing entity or associated persons.

The proposal is of limited utility particularly as it is combined with a new obligation to make a record of advice (**RoA**), give the person a RoA, and keep a copy of the RoA. It is unlikely that this requirement will be widely used by financial advisers.

The ROA requirements for the purposes of this section appear, in fact, to be duplicating Financial Services Guide (**FSG**) disclosure requirements of sections 942B(2)(e) and (f) and 942C(2)((f) and (g), as well as regulations 7.7.04 and 7.7.04A. In a situation where no recommendation is made or remuneration received, this duplication is unnecessary and the provision should simply require that the client be provided a record of advice given where requested by the client.

Industry would be concerned if the current situations in which RoAs are used are affected by this proposal, or that the requirement for a RoA in the circumstances contemplated by proposed section 947B(7) are confused with the current rules for use of an RoA.

Where proposed section 946B(7) is used by industry participants, it would be of assistance if the concept of "direct remuneration" was defined given the numerous ways in which advice businesses are structured and different remuneration models operate.

Item 223 – Subsection 1015D(2) , "In-use" notices

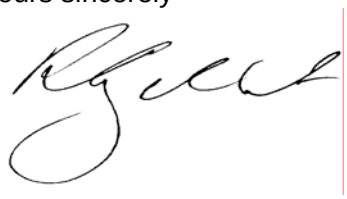
We support the use of an online report and electronic delivery of the "in-use" notice requirements. While the cost to industry is essentially in the preparation of in-use notices rather than delivery, the exclusion of Supplementary Product Disclosure Statements from the requirement to prepare an 'in-use' notice will lessen costs.

However, Industry reaffirms its concern to ensure that the on-line mechanism provides enough flexibility to ensure the practical utility of the system introduced. In this regard we look forward to working with ASIC in the development of the system, relevant electronic forms and guidelines.

Conclusion

IFSA is pleased to assist the Inquiry in its review of the Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007. We would be pleased to provide any further information and comment you may require.

Yours sincerely



Richard Gilbert
Chief Executive Officer

Investment and Financial Services Association 24th May 2007

Media Release

Simpler Regulatory System bill introduced

IFSA CEO, Richard Gilbert has welcomed the introduction of the Simpler Regulatory System Bill into the House of Representatives by the Hon Chris Pearce MP, Parliamentary Secretary to the Treasurer.

"IFSA welcomes the bill and the opportunity we have had to consult with the Government on a range of measures that will be good news for both business and consumers. We greatly appreciate the tireless work of the Hon Chris Pearce during this process", Mr Gilbert said.

"The Bill will enable improved access to financial advice, enhance investor participation, reduce compliance costs and improve business efficiency.

"Some companies report compliance costs with legislation and regulations governing the financial services industry to be as high as 10% to 15% of total operating costs, so any reduction in these costs will eventually trickle down to consumers.

"The replacement of the threshold that requires a Statement of Advice with a Record of Advice for relatively small investments up to $15,000 is a sensible and timely measure that will be of great assistance to smaller investors.

"On the e-commerce front, 'hard copy' annual reports will still be available for people that prefer them, but investors will no doubt welcome the ability of financial services companies to make Annual Reports available on their websites.

"The lifting of the prohibition on investing by managed investment schemes in *unregistered* managed investment schemes will broaden the ability of Australian trustees and responsible entities to participate in attractive commercial overseas offerings that may not be licenced in Australia.

"Exemptions for these types of investments are currently considered by regulators, so this is good news for trustees, particularly those looking at investing in foreign real estate trusts.

We look forward to the smooth passage of this legislation and will continue to work with Government on the remaining issues outside the scope of this current legislative package, such as Statement 146 training requirements and sales recommendations falling under the definition of 'personal' advice", Mr Gilbert concluded.

For further information please call Richard Gilbert on 0417 247 998 or Simon Disney, Senior Manager, Media and Communications on 0408 161 466

ATTACHMENT B

Proposal 1.3

Scope of financial services advice — threshold for requiring a Statement of Advice	
	Introduce a threshold into the Statement of Advice requirements such that a full Statement of Advice would only be required if the advice given is in relation to an investment amount that is above $10,000, except in relation to superannuation. A Record of Advice would need to be kept for advice in relation to amounts smaller than this threshold.

IFSA response

IFSA welcomes this proposal and believes that with some amendment it is capable of providing meaningful relief to advisers and therefore significantly expanding access to robust financial advice.

While the Proposal suggests an investment amount of $10,000 be used as the reference point for the exemption from having to prepare a SoA, IFSA would like to work with Government to develop what it believes is a more meaningful threshold.

Importantly, in arriving at a threshold, IFSA submits that the financial services regime needs to be considered in its entirety such that adequate regard is given to other consumer protection measures under the regime, such as:

- licensing requirements;
- consumer protection powers contained in the *ASIC Act 2001*;
- free access to external dispute resolution bodies;
- pending introduction of compensation arrangements for AFS Licensees that are unable to meet a successful claim for loss suffered as a result of breach of their obligations under Chapter 7 of the *Corporations Act 2001*.

IFSA also proposes that the following two key areas be included in the proposal:

- superannuation and retirement savings accounts; and
- insurance, including life risk insurance and sickness and accident.

Inclusion of superannuation

IFSA believes that superannuation is precisely the area where low cost advice needs to be made readily available, particularly if superannuation is advocated as the pre-eminent retirement savings vehicle.

The exclusion of superannuation is likely to mean that there will not be many situations where the exemption will operate as, rightfully, most personal advice would need to consider superannuation.

Ironically, the proposal may in fact favour recommendations pertaining solely to other eligible investments in place of superannuation.

Additionally, given the retirement savings gap that presently exists in Australia,[5] this is a serious issue that needs to be addressed by the proposal.

If the Government is concerned with the possibility of "miss-selling", IFSA believes that it is significantly alleviated by the proposal's low monetary threshold and by the quality of the regulatory framework underpinning superannuation – with super trustees now required to be licensed by APRA (many also by ASIC) and with advisers also subject to licensing and still subject to the requirement to provide "appropriate" advice – despite not having to prepare an SoA.

IFSA therefore advocates that in the broader interests of ensuring that those who would otherwise be unable to obtain advice in respect of a fundamental part of their financial affairs (planning for retirement), superannuation should be included within the proposal.

Inclusion of life risk insurance

IFSA recommends that the relief under proposal 1.3 should also be extended to include life risk insurance in the following situations:

- if the amount of life insurance cover recommended does not exceed:
    - a lump sum insured of $500,000 for death and/or total & permanent disability cover; and/or
    - a lump sum insured of $100,000 for trauma insurance; and/or
- for any life insurance (i.e. not savings) product, where the total premium in the first year will be less than $500.

The above exemption for life risk insurance would significantly reduce the current compliance costs and perception that life insurance advice is not financially justifiable for smaller amounts of insurance.

In support of this recommendation, we address below some major "myths" associated with life risk insurance and also expand on the policy rationale for extending the proposal in this way.

Life insurance cover among Australian families

- There are over 5,530,000 families in Australia who have dependent children living at home.
- Rice Walker Actuaries estimate that the cover held by those with life insurance through their Superannuation represents 20% of the cover needed.

[5] IFSA estimated the retirement savings gap to be $93 523 per person in 2005. See Retirement Incomes & Long Term Savings Policy Options, 2006 (http://www.ifsa.com.au/public/content/ViewCategory.aspx?id=84).

- When looking at the total population, on average only 4% of those with dependent children have life insurance more than 10 times earnings as recommended by Rice Walker.

- 10% have cover between 6 and 10 times earnings and 26% have cover between one and five times earnings.

- Most worryingly, six in 10 of those with dependent children have not got enough life insurance cover to look after their dependents for more than one year if they were to die.

IFSA's recent consumer research undertaken by TNS shows that although the need for life insurance is understood by most Australians, what is not appreciated is the level of cover required nor do they routinely seek advice. Thus, financial advisers have a critical role to play in addressing the underinsurance that currently exits in Australia.

The Financial Services Reform legislation brought with it the requirement that advisers complete a SoA in a number of situations. Dealer group analysis has determined that it can take anywhere between 5 hours and 12 hours to complete a SoA, depending on the complexity of the proposed financial solution. At a minimum cost of $100 an hour, this would require a minimum premium of $500 just to cover the cost of the SOA.[6]

With other administrative and resource expenses, advisers need to be able to recoup these costs to be in a position to discover and then advise potential clients.

As a consequence, financial advisers inevitability concentrate on the upper end of the markets, and relegate "middle Australia" to the unfortunate position of not receiving their advice.

To encourage qualified financial advisers to actively seek clients, then explain and determine what is adequate cover for them, there is a real need to reduce the costs associated with the provision of the advice. One way to achieve this is for relief to be provided from the SOA requirement under this proposal.

Rationale behind IFSA's proposed threshold

In making its recommendation, IFSA recognises that financial needs vary from person to person. IFSA has therefore developed a threshold which it believes meets an equivalent policy aim relevant to life insurance – that is, defining a threshold that represents an amount of life insurance cover for which the economics of providing advice do not add up such that advice in such cases is not typically available.

Coincidentally, the proposed life insurance threshold also aligns relatively closely with what IFSA believes is a reasonable estimate of the average level of cover that the "typical" Australian family requires. The recent IFSA underinsurance study reveals the following information:

Current average earnings	$ 810.60 per week (Private and Public Sectors – All employees total earnings)[7]

[6] Survey of Genesys dealer group – Poll No 13 – February 2006
[7] Australian Bureau of Statistics - Survey of Average Weekly Earnings, November 2005

Current average mortgage	$122,300[8]
Average level of other debts	$ 7,600[9]
Average number of children per family	Between 1.73 and 1.76 birth rate[10]
Average cost of raising a child	$ 224,000 (from birth to age 20) [11]

On the basis of this information, IFSA believes that the minimum level of life insurance cover would be:

$ 122,300 mortgage
$ 7,600 other debts
$ 392,000 child costs (x 1.75 children)
$ 521,900

This amount would only enable the average Australian income earner to repay debts and cover the future costs of raising children. It does not address other future living expenses. This calculation is therefore very conservative because it assumes that the surviving spouse will be immediately able to return to work which is unlikely to be the case on most occasions.

For simplicity, IFSA therefore believes that for the purposes of this Proposal, the minimum level of life insurance cover should be $500,000.

Similarly, IFSA believes that a minimum amount of trauma cover should also be included. Trauma insurance pays a lump sum in the event that the life insured suffers any one of a list of medical events (including but not restricted to heart attack, stroke, cancer, Multiple Sclerosis and dementia).

The provision of this lump sum allows the life insured to overcome any financial impact (which might be incurred through medical expenses, loss of income and any required apparatus, e.g. wheelchairs) that often accompany such events and thus allow them to concentrate on their medical recovery.

Again for simplicity, IFSA believes that the level of trauma cover should be two years' salary, rounded to the nearest $100,000.

Life insurance cover in superannuation

IFSA believes that there is a common myth about the amount and adequacy of life insurance provided through superannuation.

The TNS consumer research conducted in November 2006 revealed that many Australians believe that they have adequate life insurance cover through superannuation without actually knowing or considering their financial risk.

Some of the comments made by consumers who participated in the research included:

- *"I have super – why would I need to insure"*
- *"I have plenty of cover in my super"*

[8] Australian Bureau of Statistics - Publication 5609.0 – Housing Finance, Australia
[9] Reserve Bank of Australia- Credit and Charge Card Statistics
[10] Australian Bureau of Statistics - Publication 1301.0 – Year Book Australia, 2005
[11] Investor – The Sun Herald – March 5, 2006

- *"The Government will look after things if something happened"*

Although many Australians are covered by life insurance, Rice Walker Actuaries have estimated that the cover held through their superannuation represents 20% of the cover needed. In addition, consumers are usually unaware of the level of cover, or even that they have cover through their superannuation fund.

Research conducted by Mercer Wealth Solutions reported a notable lack of understanding in this area:

> "Mercer discovered that while all respondents said they were a member of at least one superannuation fund, only half (50%) claimed to have a life insurance policy. More than two in five (44%) stated they did not have any life insurance, while a further 6% were not sure."

This is another important reason for consumers to gain access to a financial adviser who will be able to better inform them of their risk exposures in this area.

Life insurance is not complex

The view that life insurance is complex is also a myth. A standard life insurance product, usually referred to as a 'term life' product, pays the insured amount on the death of the life insured. The only exclusion in the product is for suicide within the 13 months of the policy starting.

Importantly, the cost of cover is not out of reach of most Australians, but advice is. When compared with a policy to cover a home which is not considered a complex product, the life insurance product is generally cheaper for a similar level of cover and contains less exclusions. IFSA would be happy to provide specific examples if necessary.

Consequently, when it comes to eligibility to claim under the policy, there is far more certainty with the life insurance product that a benefit will be paid. In fact, there is total certainty in the amount that will be received from the life insurance policy which cannot said to be the same for the homeowners' policy.

Life insurance – meeting the promise

One of the purposes for having life insurance is to have funds available to pay for the immediate expenses facing those members of the family left behind such as funeral expenses and in some cases the cost of daily living.

Superannuation does not meet this need as in many cases the payment of a benefit can take many months. The Superannuation Complaints Tribunal's (SCT) June 2006 quarterly bulletin reports 25% of its open complaints relate to the distribution of superannuation benefits. The 2006 September quarter bulletin reports that 19.6% of new complains relate to distribution of death benefits.

Graham McDonald, Chairperson, SCT writes

> "It remains clear from the number of cases reported in this Bulletin received concerning death benefit distribution that this remains an area of continuing concern to the public. …….. A superannuation death benefit may only be paid to a spouse (including de facto), a child, a person financially dependent on, or in an interdependency relationship with, the deceased or the executor of the estate and, failing any of those listed, the benefit may then be left to any other individual. Superannuation distribution may be by way of a binding nomination, restricted to recipients in the categories outlined, where the particular trust deed provides for it, otherwise the trustee must make a decision in which case the nomination made by the member will be but one guiding factor."

Life insurance held outside of superannuation where the policy owner is not the life insured, can be settled as soon as the death certificate becomes available. This benefit is often overlooked when life insurance is being considered – another reason it is important that consumers receive appropriate advice.

Life insurance and the financial adviser

As an indication, the premium payable to buy $500,000 of life insurance is approximately $400 in the first year. Based on this amount, it is understandable that a financial adviser is not inclined to spend the time or make an effort to seek out and assist a consumer with the compliance burden that goes with providing advice under the current SoA regime.

Therefore, we believe that by including life insurance in the proposal, consumers will have greater access to advice regarding their life insurance needs.

Calculation of the threshold

IFSA notes that the Proposals Paper refers to future investments being taken into account when calculating the threshold. IFSA submits that there needs to be a limit on the timeframe for taking future investments into account, otherwise the threshold will only have very limited application.

IFSA believes that an appropriate timeframe would be any investments the adviser reasonably expects the client will make, based on the adviser's recommendations, within one year of the advice being provided.

IFSA believes that if ongoing contributions are not factored in, then the relief will be of limited use because it will only apply to one-off investments and not the delivery of strategic advice which will typically involve recommendations of ongoing contributions.

Indexation of the threshold

IFSA believes that the threshold should be indexed to ensure that it remains appropriate over time. The method of indexation should ensure, however, that the amount is increased in whole numbers rounded to the nearest say $5,000.

Without some indexation of this threshold, the issue which the proposal is aimed at addressing (access to financial advice for those with a relatively minor amount to invest)

is likely to remain as the threshold will increasingly become immaterial with the effect of inflation.