

Discretionary Mutual Funds and the National Guarantee Fund

The Senate Standing Committee on Economics is conducting an inquiry into the provisions of the Financial Sector Legislation Amendment (Discretionary Mutual Funds and Direct Offshore Foreign Insurers) Bill 2007 and the Corporations (National Guarantee Fund Levies) Amendment Bill 2007.

The Financial Sector Legislation Amendment (Discretionary Mutual Funds and Direct Offshore Foreign Insurers) Bill 2007 strengthens the requirement that anyone conducting a general insurance business in Australia must be authorised and regulated by APRA. APRA will have the power to investigate insurance businesses where it has a reasonable belief they are not properly authorised, and to apply for a Federal Court injunction to stop the entity from acting illegally. DMFs, which provide risk management tools as an alternative to insurance, will not be subject to prudential regulatory oversight. The bill does require these funds to disclose to all their clients the key characteristics of their product and to be subject to compulsory data collection.

The National Guarantee Fund is the compensation scheme for the Australian Securities Exchange. It is administered by the Securities Exchange Guarantee Corporation (SEGC) which currently has the discretion to levy market participants without any cap on annual payments. The Corporations (National Guarantee Fund Levies) Amendment Bill 2007 imposes a cap on the levies payable in a financial year.

The committee is to report to the Senate on 31 July 2007.

The Committee invites written submissions, which should be sent to:

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

The closing date for submissions is Monday, 9 July.

The Committee requests that where possible, submissions should also be provided by email to economics.sen@aph.gov.au, preferably as MS Word or RTF format documents. Notes to assist in preparing submissions are available from the website http://www.aph.gov.au/senate/committee/wit_sub/index.htm.

Once the Committee accepts your submission, it becomes a confidential committee document and is protected by Parliamentary Privilege. You must not release your submission without the Committee's permission. If you do, it is not protected by Parliamentary Privilege. At some stage during the inquiry, the Committee normally makes submissions public. Please indicate if you want your submission to be kept confidential.

Inquiries from hearing and speech impaired people should be directed to the Parliament House TTY number (02 6277 7799). Adobe also provides tools for the blind and visually impaired to access PDF documents. These tools are available at: <http://access.adobe.com/>. If you require any special arrangements in order to enable you to participate in a committee inquiry, please contact the Committee Secretary.

If you need any further information, consult the Committee's website at http://www.aph.gov.au/senate/committee/economics_ctte/inquiries.htm or contact the Committee Secretary on (02) 6277 3540 (phone), (02) 6277 5719 (fax); or by email to economics.sen@aph.gov.au or by writing to the above address.