



Media Release

Senator Mathias Cormann

Shadow Assistant Treasurer

Shadow Minister for Financial Services and Superannuation

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FOFA changes breach best practice regulation requirements

Bill Shorten's Future of Financial Advice changes currently before Parliament breach the government's own best practice regulation requirements.

The admission came from Treasury in evidence before Senate Estimates:

SENATOR CORMANN

The regulatory impact statement for what is now before the Parliament; have you had some feedback from the Office of Best Practice Regulation about the regulatory impact statements in relation to the future financial advice changes?

MR MURPHY

Well, no we won't be doing an analysis.

SENATOR CORMANN

So you haven't had any feedback from the Office of Best Practice Regulation?

MR MURPHY

Yeah, well, we, um, were found to be in breach of the requirements.

SENATOR CORMANN

You were found to be in breach of the requirements?

MR MURPHY

Yes, Senator.

SENATOR CORMANN

So that was non-compliance with best practice regulation requirements?

MR MURPHY

Yes.

Mr Murphy confirmed that the damning assessment included Bill Shorten's controversial Opt-In proposal, under which he wants to force consumers to re-sign contracts with their financial advisers on a regular basis.

"Opt-In will unnecessarily increase red tape and push up the cost of financial advice," Shadow Financial Services Minister Mathias Cormann said.

The government's Office of Best Practice Regulation found that proposed changes like the Opt-In proposal "were not assessed as adequate for the decision-making stage".

They further found that the FOFA proposal was "non-compliant with the Australian Government's best practice regulation requirements".

"When it comes to the financial advice, Bill Shorten clearly wants to make Australia the world champion in red tape," Senator Cormann said.

"The comprehensive government-sponsored Ripoll inquiry investigating financial products and services in Australia in the wake of the Storm Financial collapse never recommended such a move.

"The Ripoll Inquiry's first and most important recommendation was to introduce a strengthened best interest duty.

"Bill Shorten has scrapped the best interest duty provisions from the FOFA legislation now before Parliament after including it in the exposure draft of the legislation as late as August this year.

"Minister Shorten's zig-zag approach on FOFA is creating unnecessary uncertainty for financial advisers and consumers.

"Over the past year we've had the proposal from Bill Shorten in April to ban commissions on all risk insurance inside super, only to see him back down – sensibly – in August.

"We've had the Best Interest Duty in and then out of the legislation.

"We had the last minute change – after two years of consultation – to annual disclosure requirements.

"The only thing left in the FOFA legislation is what Bill Shorten's friends in the union dominated industry super fund movement want him to do.

"When it comes to the financial services industry, Bill Shorten is deeply conflicted and it shows," Senator Cormann said.

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