

20 February 2014

Mr Bede Fraser
Acting General Manager, Retail Investor Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: futureofadvice@treasury.gov.au

Dear Bede

Response to Exposure Draft FOFA Amendments

The Customer Owned Banking Association (COBA) is pleased to provide comments on the exposure draft Corporations Amendment (Streamlining Future of Financial Advice) Bill 2014 and the exposure draft Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014.

COBA is the industry body for Australia's customer owned banking institutions, representing 81 credit unions, seven mutual building societies and 10 mutual banks. Our members are Authorised Deposit-taking Institutions (ADIs), regulated by APRA under the *Banking Act 1959* and Australian Financial Services Licensees and Australian Credit Licensees, regulated by ASIC.

COBA members provide the full range of retail banking services and products to 4.5 million customers. As demonstrated by our sector's market-leading customer satisfaction ratings, customer-owned banking institutions focus on value, convenience and excellent customer service.

COBA welcomes the Government's proposals to simplify FOFA's application to retail banking and to ADI staff providing advice on simple, low-risk products: basic banking products, general insurance and consumer credit insurance (CCI).

Frontline ADI staff advising on these products were never the target the FOFA reforms, as reflected in the modifications and carve-outs applying to ADI staff. However, these modifications and carve-outs have needed some further amendments to make them effective and to remove anomalies.

The Government's proposed amendments will reduce compliance costs for ADIs, avoid unnecessary disruption to ADI staff remuneration arrangements and promote the availability of advice about simple, low-risk products. These outcomes are entirely consistent with the FOFA objectives of improving the trust and confidence of Australian retail investors in the financial services sector and improving access to advice.¹

COBA appreciates ASIC's announcement that it will be taking a facilitative approach to the FOFA reforms until mid-2014 and will not take enforcement action in relation to specific FOFA provisions that the Government is planning to repeal.

COBA supports the proposed new law [**Schedule 1, item 15, subsection 961B(4)**] extending the 'ADI staff' modification of the best interests duty to cover advice about CCI.

COBA supports the proposed new law [**Schedule 1, item 36, section 963D**] extending the 'ADI staff' exemption from the conflicted remuneration to advice about CCI. (We note that draft 963D(c)(iii) says "creditor" instead of "credit".)

COBA supports the proposed new regulation [**7.7A.12EB Performance bonuses based on volume**] intended to provide for when certain performance bonuses based on volume, i.e. balanced scorecard arrangements, are not conflicted remuneration.

Thank you for the opportunity to provide these comments.

Please contact me on 02 8035 8448 or Amber Fitzpatrick, Senior Policy Adviser, on 02 8035 8445 should you wish to discuss any aspect of this submission.

Yours sincerely



Luke Lawler
Senior Manager, Public Affairs

¹ FOFA website <http://futureofadvice.treasury.gov.au/Content/Content.aspx?doc=home.htm>