



Head of Secretariat  
Financial System Inquiry  
The Treasury  
Langton Crescent  
PARKES ACT 2600

**By email:** [fsi@treasury.gov.au](mailto:fsi@treasury.gov.au)

5<sup>th</sup> December 2013

Dear Sir / Madam

**RE: Financial System Inquiry: Draft Terms of Reference**

The Financial Planning Association of Australia (FPA) welcomes the opportunity to provide comments on the draft Terms of Reference for the Financial System Inquiry. The Inquiry follows a raft of legislative changes which have had a significant impact on the financial services industry, and particularly on the financial planning profession. As such, we welcome the proposal of a 'root and branch' review of Australia's financial system, and look forward to engaging closely with Treasury and the government on the Inquiry.

We support the broad scope of the draft Terms, which offers the foundations for a critical examination of Australia's financial framework. Notwithstanding the fact that we endorse the Inquiry and the draft Terms, the FPA would like to offer our perspective on the scope of the Inquiry.

**Regulatory strategy and design**

An important aspect of any financial system is its regulatory design. The practical and philosophical underpinnings of a regulatory model will have a defining impact on the cost, efficiency, and outcomes of financial regulation. The FPA notes the significant academic literature on self-regulatory, co-regulatory, and enforced self-regulatory models, as well as the wealth of overseas experience with Self-Regulatory Organisations (SROs) in the United Kingdom and in North America. Our view of the Terms of Reference is that they encourage Treasury and the government to consider how these regulatory structures can improve Australia's financial system.

In particular, the Inquiry should consider the role and implementation of SROs in Australian financial regulation. Without recommending particular policy options at this early stage of the Inquiry, it is important and timely to reconsider the role of SROs, as depending on their scope, structure, and responsibilities, they can deliver different economic, social, and cultural outcomes. Their most valuable characteristic is their potential to develop and promote ethics, professionalism, and transparency – all of which would serve the financial sector and the national interest.



## The “end users” of financial regulation

The Terms of Reference also make several references to “users” or “end users” of the financial system. The concept of the “end user” of Australia’s financial system is enigmatic and highly value-laden. Depending on who is designated as the end user (e.g. market analysts, high net worth investors, retail investors, superannuation fund members, etc.) there will exist a different perception of the purpose and function of the Australian financial system, as well as the means and purpose of financial regulation. We strongly recommend that the Terms of Reference include some guidance on who the Inquiry considers to be the “end user” of the Australian financial regulatory system.

The Inquiry may not have one particular user in mind, and does seem to contemplate the competing interests of stakeholders in our financial system. It is important that the Inquiry consider the nature of the Australian financial system from a social and cultural perspective as well. This is especially true given that the Inquiry will recommend policy options that “support individuals and businesses to be reasonably able to manage their finances by understanding risks and rewards in the financial sector.” Financial literacy and citizenship does involve an understanding of risk and responsibility, but also encompasses consumer engagement, and the notion that Australia’s economic health and markets are a joint venture between consumers and the financial sector. The Terms of Reference should therefore canvass the broader social and cultural implications of financial regulation for all end users of the financial system, as well as measures to improve financial participation and citizenship.

Thank you for taking the time to consider our submission. If you have any questions regarding the FPA’s submission, please contact me on 02 9220 4500 or [mark.rantall@fpa.asn.au](mailto:mark.rantall@fpa.asn.au).

Yours sincerely,

**Mark Rantall**  
CEO  
Financial Planning Association of Australia<sup>1</sup>

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<sup>1</sup> The Financial Planning Association (FPA) represents more than 10,000 members and affiliates of whom 7,500 are practising financial planners and 5,500 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first “policy pillar” is to act in the public interest at all times.
- We banned commissions and conflicted remuneration on investments and superannuation for our members in 2009 – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Professor Dimity Kingsford Smith, dealing with investigations and complaints against our members for breaches of our professional rules.
- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 24 member countries and the 150,000 CFP practitioners that make up the FPSB globally.
- We have built a curriculum with 17 Australian Universities for degrees in financial planning. As at the 1<sup>st</sup> July 2013 all new members of the FPA will be required to hold, as a minimum, an approved undergraduate degree.
- CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.