

## **Energise 09**

**Chairman's opening address to the IFSA Conference**

**Gold Coast Convention and Exhibition Centre.**

***5<sup>th</sup> August 2009***

Good afternoon Ladies and Gentlemen,

On behalf of the IFSA Board, I'd like to extend a warm welcome to ***Energise 09***.

Can I particularly welcome The Hon Chris Bowen, Minister for Financial Services, Superannuation and Corporate Law; and Minister for Human Services, representing the Government, along with Assistant Treasurer, Senator the Hon. Nick Sherry. Their previous IFSA appearances, along with Prime Minister, Kevin Rudd, have heralded some high-level agenda-setting and future policy directions.

I also extend a hand of welcome to our parliamentarians, including our Shadow Minister the Hon Chris Pearce and regulators who will address the conference later in the proceedings.

This year, again, we have a number of international speakers and delegates from the region, including for the first time six delegates from Indonesian Treasury and Regulatory Agencies. Please join with me and welcome our special guests.

Our annual conference is a highlight of the Australian financial services calendar and it is great to see so many familiar faces back with us again, although as of the 28<sup>th</sup> August, we will be absent one very familiar face - that of Richard Gilbert, who has been with us for over a decade, and who has been the face of IFSA as CEO since 2002 and its Deputy CEO in 1998. I'm sure you'll agree that Richard has done a fantastic job leading IFSA through good times and bad. Please join me in wishing Richard all the best for the future.

I'd now like to introduce Richard's successor. John Brogden.... Please stand up John. I'm sure that John's face is familiar to a great many of you and I'd like you to join me in wishing John all the best in his new role .... as he too takes on responsibility for steering IFSA through the ups and downs of market turbulence and legislative change.

After IFSA's inaugural CEO, Lynn Ralph and then Richard, John is joining a very select club which thus far, since 1998, has had just three CEOs which has greatly assisted the branding and stability of our association.

**Our industry has been tested.**

Delegates, this is not an easy time for representatives of the funds management and life insurance industries. Our very foundations have been stress tested.

However, our regulatory framework and our economy are holding up well, and I trust that the 'stress-gauges' we have in place are never called upon to measure such profound global impact and it's effects... again.

Australian and global financial markets have changed profoundly in the past 24 or so months. And we are still, in a sense, taking events month by month.

At the end of the 2007 financial year, investors in the Australian market were benefiting from their fourth consecutive year of mid to high teens percentage returns. The markets then experienced widespread and rapid deterioration, which left few safe havens for investors.

But as the past few months have shown, and as history is our guide, the markets will recover and indeed those who have been out of the markets will have seen growth of 16% or so in the past couple of weeks pass them by.

### **Keeping the faith**

We must keep the faith and re-energise, because the success of our industry is directly tied to the success of our ten million investors and policy holders. Right now, they need to know that we have faith that a corner has been turned and that liquidity in financial markets is returning to some semblance of normality.

It would have been easy for some - or many - of our 750 delegates to decide to stay at the office and not attend ***Energise***. In spite of the tough times, you

are here supporting your industry association and our values. That sends a strong message to Government and the community that you are in for the long haul and that you are dedicated to a strong industry.

Look around you. We have booked out several hotels, we will be eating outside this venue at local restaurants, we've generated hundreds of cab journeys and helped the hospitality industry here – and the small businesses that support it - through a particularly rough patch.

Tomorrow night's Industry Excellence Award Dinner would also have been a casualty of a non-attendance decision. For those of you who have not been to an IFSA conference before, the Thursday dinner is an event that raises money..... a lot of money, for our community partners, the Inspire Foundation and the Schizophrenia Research Institute - who in turn assist countless other people in need..... across the nation.

To date, we have raised over \$1.5 million for these two organisations alone.... And I hope that when our MC, Ross Greenwood calls on you, that you can dig as deep as your financial controller or spouse will allow.... to enable the important work of these two institutions to continue.

### **Strengthening our resolve**

Ladies and gentlemen, our resolve to maintain a world class investment, wealth management and life insurance industry remains undiminished. In

fact, surveying the financial wreckage around the world, I'm sure you'll agree that in fact, our resolve has been strengthened.

Essentially, fund managers muster - or marshal if you like - the money for our listed companies - and in recent times with some very successful capital raisings.

It has been fund managers with their super fund clients who have stepped forward and given the market the liquidity it needs.

More than ever, it is incumbent on us as an industry to demonstrate to investors the value we bring to growing and protecting their wealth over the long-term.

In relation to the welfare of consumers, we recently released a superannuation member charter. Arguably this charter is the most critical document released by IFSA in its 11 year history.

All of us in this room..... know that as your industry Association, we do not embark on such reforms quickly – or lightly, but of course, we do so in the knowledge that in the long run, investor confidence will be the winner, along with better outcomes for the investors whose money we are entrusted with managing.

**A better deal for consumers**

Let's look to the future. .... Commencing in July next year there will be a fresh approach to the payment for financial advice in superannuation .....and this move will boost consumer confidence in superannuation at a time that it is badly needed.

As has been widely reported both here in Australia .....and internationally, our members have embraced a Super Charter that entails a new approach to the payment for financial advice in super..... along with a range of other reforms.

Predictably, fees and charges were the initial 'headline grabbers' in the hours and days after we launched the Charter in Parliament House, Canberra in June.

The Charter, in fact, has three commitments to super fund members –

- informed choice,
- fairness
- and competition.

And Canberra needs to know how far-reaching these changes truly are. Quite a number of sessions will include discussion on the Charter so please use these to bolster your knowledge on what the future holds.

Obviously, our Super Charter will be closely scrutinised by the Cooper Review which is now well underway and to which we will be making a weighty submission.

It would seem thus far that much of the public discussion on the Cooper Review has been around fees and levels of fees.

IFSA has never had an issue in joining the debate on fees - why?.....because without a doubt .....at each step in the value chain there is genuine competition placing downward pressure on fees.

Our industry, unlike many others is still one of the 'lights on the hill' when it comes to competitive tension, and long may it continue. And that is one of the reasons why we can muster such a large gathering here...almost all of you are here to work through product improvements and better value for consumers, and thereby outsmart your competitors. This has been a hallmark of our industry.

We will stress these points in our submission to the Cooper Review..... as too often in the debate on fees, customer value becomes a casualty.

In weighing up fees we need to consider some of the invaluable features of our industry. Let me list just a few:

- Access to professional funds management and risk protection expertise;
- Daily unit pricing and best practice asset valuation to ensure equity;
- Access to quality systems and customer service facilities where the customer comes first, including a world class dispute resolution scheme at no cost to the customer;
- Access to a range of quality advice mechanisms in an ever complex and challenging economic and financial environment; and
- The security of knowing that you can entrust your money in a company which has high levels of integrity and investor protection.

Ongoing dialogue with the body politic is vital in ensuring that together, we continue to effectively manage a well regulated financial services and retirement savings system. Superannuation remains our predominant long term savings vehicle and in coming months IFSA will be embarking on a number of initiatives to ensure this is well understood.

### **Protecting wealth**

A central plank in any wealth accumulation strategy is life and risk insurance. As we know, Australia is one of the most underinsured nations in the world, ranking 16th for insurance density and penetration.

Sadly, the Victorian bushfires earlier in the year are graphic evidence of this and underinsurance has both an economic and social impact on the community.

This is why IFSA's life insurance members have joined together to address the problem. Through IFSA, the life insurance industry has been working closely and very successfully with a range of community, superannuation and financial planning partners on one of this year's other vital and ongoing IFSA campaigns

**Lifewise** was launched at a function attended by nearly 400 people on 1st May. The campaign is a long term public awareness initiative that aims to educate Australians about the risks they face .....and to arm them with the knowledge they need to make conscious and informed decisions to protect themselves and their families.

This is a community issue.... so from the outset, **Lifewise** hoped to gain the support of a diverse range of interested parties - insurers, super funds, planners, consultants, researchers, customers and community partners, which of course, it now has.

The cornerstone of our campaign is the **Lifewise** website, which includes case studies, an insurance needs calculator, information on how to take the next steps to adequately protect their financial future...and much more.

We'd like to see **Lifewise** and the issue discussed among your networks and ultimately we'd like to see more stakeholders come on board as supporters. Only by continuing to include **Lifewise** in our dialogue and planning process will this campaign really gain the traction it needs to make a dent in Australia's Protection Gap. If you are not already a **Lifewise** supporter, please, download the forms from the website and get on board.

The industry is also committed to working with regulators and government to break down the barriers and reducing the costs of accessing insurance –

IFSA will keep up the fight to get a uniform rate of State stamp duty across the country – and ultimately, the abolition of these 'nuisance taxes'.

### **IFSA's Blue Book on Corporate Governance**

Australia continues to be well regarded in the region for the strength of its corporate governance regime. The application of sound corporate governance practices increases confidence in the integrity and efficiency of the Australian capital market.

IFSA members, both as the custodians and managers of other peoples' money and as institutional investors in their own right are in a position to promote improved company performance that provides positive benefits to all shareholders and the economy as a whole.

Recent market practices and developments have placed corporate governance in the spotlight of the wider community. In response we conducted a review of the industry's corporate governance guidelines and updated IFSA's Guidance Note No. 2 ('the Blue Book') to ensure that IFSA continues to take a leading role in corporate governance.

Today, I am pleased to launch the sixth version of our Blue Book. These guidelines are now available on our website and have been updated to include guidance on various current policy issues and market developments, including:

- Securities lending and vote renting;
- Director and Executive trading, including trading during black-out periods;
- Managing risk management;
- Executive remuneration; and
- ***for the first time***, environmental and social governance.

I would like to take this opportunity to acknowledge the work from IFSA's Investment Board Committee, specifically John Gethin-Jones and Anthony Lane, in producing this high quality document for the good guidance of IFSA's members.

**Growing the pie**

Again, .....looking to the future,..... one area where we have seen a silver lining amidst the market mayhem is in relation to the Government's continued commitment to deliver important measures related to developing Australia as an international financial services centre in the region.

It's worth reflecting on the fact that our industry makes a significant contribution to the economy and the wellbeing of all Australians. Growing our industry offshore will deliver benefits to the economy and strengthen economic and cultural ties with countries in our region.

I think it's important therefore, that we recognise the specific measures the Rudd Government has introduced since coming to Office:

- Established the Australian Financial Centre Forum – a partnership approach between industry and government to advise the Government on measures/strategy in this area.
- Progressively lowered withholding tax from 30% to 7.5% from 1 July 2010.
- Entered into a Mutual Recognition Agreement with Hong Kong.
- Achieved "recognised jurisdiction status" under China's Qualified Domestic Institutional Investor (QDII) regime, allowing Chinese investors to invest in Australia's equity market and in Australian managed funds.

- And in the May Budget, moved to abolish the Foreign Investment Fund regime and clarify that managed funds will now be able to elect to be taxed on capital account.

These are significant policy wins and we congratulate the Government for “staying the course” during such challenging times. Specifically, Minister Chris Bowen, has driven this far-sighted agenda- and Minister, we thank you for all the work you’ve done in terms of improving the domestic environment to encourage exports of financial services.

Ladies and Gentlemen, please show your appreciation.

### **Static goalposts build investor confidence**

I’m reminded of the saying that *“the only constant is change”*... because the IFSA Secretariat has certainly been kept very busy since we were last gathered here for our Conference, responding with detailed submissions to various inquiries looking at – and ultimately proposing changes to - how our industry operates.

Best estimates are that there have been some 20,000 changes to the legislation and regulations affecting super and self-managed super since the early 1980’s.

Continual change gives rise to nervousness among investors... and many in the financial services industry, along with media commentators, have expressed concern about the direction of superannuation policy following the

2009 Federal Budget and the release of the Henry Review *Report on Strategic Issues for the Retirement Income System*.

In evaluating the recommendations of this Review the Government needs to keep a very fixed gaze on each of the three pillars which have underpinned our world class super system.

### **Three strong pillars**

Our 'Three Pillars' retirement income system - built on the foundations of the Super Guarantee, Age Pension and Voluntary Saving is long established, well accepted – and most importantly, embraced by the public. It is imperative..... that any recommendations coming out of the various reviews and inquiries respect each of these three pillars.

Voluntary saving, particularly through superannuation, is integral to delivering adequate retirement incomes, providing Australians with the means to appropriately deal with investment, inflation and longevity risk, achieving sustainable government finances in the context of an ageing population; and reducing reliance on the first and second pillars of Australia's retirement incomes system.

We encourage the Government to consider superannuation as an ideal way for Australians to save for their retirement, to carefully manage taxation incentives and to recognise the importance of competition and innovation in products to service their needs pre- and post-retirement.

## **The \$1.2 trillion question**

Another significant review which forms part of the regulatory landscape is the Parliamentary Joint Committee on Corporations and Financial Services inquiry into the issues associated with recent financial product and service provider collapses.

IFSA has provided a detailed submission to the inquiry which emphasises that the Committee should attempt to answer a fundamental question that we believe goes to the heart of the overall purpose of the inquiry:

***Did the collapses represent a failure of the current legislative and regulatory framework or were they a result of participants operating outside or on the fringes of the current framework?***

Careful consideration of this question will guide the Committee in its deliberations and assist in arriving at recommendations that will genuinely reduce the likelihood of future collapses - as opposed to the introduction of additional layers of regulation that may have little or no impact .....other than to raise the cost of investing for consumers. Indeed, less than a fortnight ago, the Financial Review published an Editorial in a similar vein... and it is to be hoped that this message cuts through.

We look forward to working with the Committee as it continues its inquiry and begins formulating views and recommendations that will impact our industry. I note that the Committee Chair Mr Bernie Ripoll will be addressing delegates at the Friday Breakfast.

In closing, I look forward to hearing from our outstanding line-up of speakers and panellists as we discuss and debate the critical issues over the next couple of days. Enjoy what we have in store for you at ***Energise 09*** and please also take the time to visit the stands and talk to our sponsors. They are here to help you run and build better businesses and to improve your bottom line.

### **Barrie Dunstan Industry Excellence Award**

Before we head off to begin the programme, I have one more important duty. Energetically scrutinising and reporting on industry evolution, change and market mayhem are the members of the Fourth Estate.... The media.... One of whom I'd like to single out for special recognition - the first time that IFSA has done this in relation to the media.

Barrie Dunstan, would you please make your way to the podium.

Barrie has been a journalist for over 50 years. Barrie began his journalistic career in 1955 as a copy boy and then cadet reporter at The Argus in Melbourne transferring to The Herald when it closed. By co-incidence, 1955 was the same year that amendments to the Victorian Companies Act first heralded the arrival of what were then called 'prescribed interests' – as a

distinct investment type. They were to become what we now know as managed funds. In 1958, he joined The Age finance department and became Finance Editor in 1963. He was Finance Editor and, earlier, Business Editor of The Herald in Melbourne between 1968 and 1957, with a short break working as research manager for a Melbourne stockbroker. These days, Barrie Dunstan is still covering the big issues in depth and breaking news as an associate editor and columnist at the Australian Financial Review, where he has been writing on superannuation, investment and funds management topics since 1987. It would be fair to say that Barrie is regarded as one of the leading specialists in superannuation and the world of investment management and perhaps, the elder statesman of Australian business and finance journalism.

Barrie, on behalf of the Board, please accept this Industry Excellence Award as a token of the esteem in which you are held.

I will now hand proceedings to the chair of our first substantive session, Jacinta Munro. Jacinta is the partner who leads KPMG's Investment Management practice in Australia. Over the past 20 years, she has worked with and advised organisations from all components of the wealth management industry.

On a day-to-day basis, Jacinta assists clients to negotiate the challenges of:

- Unit pricing;
- Improving process efficiencies; and
- Optimising product structures

Jacinta has been an active participant in many IFSA initiatives over the years.

Thanks Jacinta.