



MEDIA RELEASE

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FSC Statement on the Financial System Inquiry Report

The Financial System Inquiry released today by the Government lays the foundation for a strong and efficient financial system for Australia.

John Brogden, CEO of the Financial Services Council (FSC) said: "The FSC supports the emphasis on the need for greater competition and transparency in superannuation and for improvements to retirement incomes policy."

"The FSI has outlined sensible and strong reforms the majority of which we have advocated and support," Mr Brogden said.

Superannuation

Choice of fund

"The FSI strongly endorses the principal of a consumers' right to choose their superannuation fund. This must be a foundation of superannuation in compulsory system."

The report states "...everyone should be able to choose the fund that receives their Superannuation Guarantee contributions."

"The FSC will recommend to the Government that this be applied across the industry," Mr Brogden said.

Governance of superannuation funds

Mr Brogden also said: "Superannuation Boards must be independent and free of vested interests from unions and other bodies. We strongly support the recommendation to require public offer superannuation funds to have a majority of independent directors and an independent chair.

"This is already a standard required of Australia's retail superannuation funds who are members of the FSC.

As the FSI states: "Including independent directors on Boards is consistent with international best practice on corporate governance."

Fees and default superannuation

"Fees are already coming down in superannuation," Mr Brogden said.

"Research by Chant West in 2014 shows the average fees for MySuper funds are already 85 basis points (0.85%)."

"Fees can come down further through increased competition."

"However the FSI fails to recognise that maintaining the Fair Work Commission closed shop in default super will stymie competition and further reduction in fees."

Retirement Incomes

Retirement products

“The FSC strongly supports the FSI’s recommendation that superannuation funds are required to select an income product for their default members at retirement.”

“Australia must have a comprehensive retirement outcomes policy, not simply a superannuation accumulation policy.”

Financial Advice

Adviser Competency

“The FSC has consistently advocated for increased competency standards for financial advisers. We support this recommendation. However we await the Parliament’s current inquiry into competency and education standards.”

Public Register for Financial Advisers

“The FSC strongly supports a clear and transparent register for financial advisers.

Relabelling General Advice

“The FSC recommended to the FSI that “General Advice” should be relabelled to “General Information” to help provide greater consumer clarity. We are pleased our recommendation has been adopted.”

Powers to ban individuals

“The FSC supports increased powers to allow ASIC to ban individuals from managing a financial services business. This will ensure that ASIC can remove people from the industry who fail consumers.”

Taxation

“We support the FSI’s recommendation for the Government’s Tax White Paper to consider taxation of financial services.”

Financial Services Trade

The FSI recommends changes to the Managed Investment Schemes sector, including strengthening regulators’ focus on competition in the financial system, and identifying barriers to cross-border provision of financial services.

“The FSC welcomes the recommendation to strengthen regulators focus on competition including identifying barriers to cross-border provision of financial services. We are disappointed that the report does not elaborate further on international competitiveness of funds management,” Mr Brogden said.

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.2 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.