



MEDIA RELEASE

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FSC Statement on the Government's Response to the Financial System Inquiry

Australia's peak financial services body, the Financial Services Council, welcomes the government's response to the Financial System Inquiry released today by Treasurer, Scott Morrison and Assistant Treasurer, Kelly O'Dwyer.

Sally Loane, CEO of the FSC said: "The government's recommendations for financial advice, life insurance and superannuation will lay a strong blueprint for future generations in the accumulation of wealth for their retirement.

"These are critical reforms which will strengthen financial services and deliver positive outcomes for consumers."

Superannuation

Ms Loane said: "We welcome the government's commitment to allow all Australians to choose the super fund which will best suit their needs. This will inject much needed competition in the industry and will lead to lower fees."

Allowing all MySuper providers to compete in the default superannuation market supports the recommendations outlined in the 2010 Cooper review.

Chant West analysis shows that average MySuper fees are 0.92%. A number of FSC member companies have very low fees in their default MySuper options, such as Bendigo MySuper at 0.65% and ANZ MySuper at 0.60%.

"Consumers are not able to benefit from these competitive options under the current rules," Ms Loane said.

"We broadly support the government's intention to put choice and competition at the centre of superannuation reforms."

Financial Advice

Sally Loane said: "The FSC supports the government's adoption of a high benchmark for the financial advice sector."

"The reforms will require financial advisers to have a degree, pass an exam, undertake ongoing professional development, subscribe to a code of ethics and to complete a professional year. We support the establishment of an independent body recognised in legislation to develop the new standards."

"Further consultation will be conducted to consider appropriate transitional arrangements for existing advisers."

“The bar has now been set for the financial advice sector to evolve into a profession. High quality outcomes for consumers must be the focus for advice and for maintaining consumer confidence in the financial advice industry,” Ms Loane said.

Life insurance

Sally Loane, said: “We are pleased the government has continued to lead reform of the advised life insurance sector and will progress the industry reform proposal released on 25 June.”

“When implemented, this package of reforms, which includes reduced commissions, extension of clawbacks to three years and the introduction of an industry-wide reporting regime, will substantially benefit consumers. The FSC’s life insurance Code of Practice, which is under development, will complement the package and provide further consumer protections.”

“These reforms will be reviewed in 2018 and if they don’t achieve the consumer outcomes, the government has committed to considering more stringent measures,” Ms Loane said.

“We also welcome the government’s commitment to introduce a rationalisation mechanism for legacy life insurance products. It is a timely reform that will help reduce barriers for consumers accessing contemporary products and will reduce industry costs.”

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 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 third 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.