

ASISU

THE MIDDLE ROAD

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23<sup>rd</sup> March 2011

An Australian perspective:  
The regulatory reform agenda  
and the role played by the  
Financial Services Council



## AGENDA

- Australian economy
- The funds management and life insurance industry
- Financial Services Council
- Recent reform agenda
- Current reform agenda
- The FSC's role in market reform



## ECONOMIC DATA

- ❑ Australia's GDP for 2010 was \$1.3 trillion
- ❑ The GDP growth for the year to December was 2.7%
- ❑ Unemployment at 31 December was 5.0% and slowly declining
- ❑ The inflation rate for 2010 was 2.7%
- ❑ The Reserve Bank cash rate is currently 4.75%



# THE AUSTRALIAN FUNDS MANAGEMENT AND LIFE INSURANCE INDUSTRY

- ❑ A\$1.8 trillion under management
- ❑ A\$75,000 per capita savings
- ❑ 9% mandatory pensions contributions
- ❑ Funds flows into pensions are about A\$100 billion per year
- ❑ Mainly a Defined Contributions pension market
- ❑ Financial Services is 10.6% of GDP and is the largest and fastest growing sector



## FSC STRUCTURE

- ❑ 140 members managing 90+% of Australia's AUM
  - 90 'full' members and 60 'supporting' members
- ❑ Formed in 1998 from 3 industry associations – joined by a 4<sup>th</sup> in 2002
- ❑ 75% of distribution is owned by FSC members



## RECENT REFORM AGENDA

- Floated currency and opened financial services sector to global competition
- Commonwealth Corporations Law – with a single regulator
- Mandated pensions system introduced
- 9 corporate law economic reforms introduced
- Managed Investments Act
- Financial Services Reform Act
- ‘Choice of Administrator’ and ‘Investment Choice’
- 1/3 rd pension flows into ‘self-managed’ funds



## CURRENT REFORM AGENDA

- Future of Financial Advice
- Increasing the mandatory pension contributions to 12%
- The Cooper Review – Introducing efficiency and some structural reforms into the pensions sector



## EXAMPLES OF FSC ROLE IN REFORM

- Banning Commissions
- Lifewise Campaign [[www.lifewise.org.au](http://www.lifewise.org.au)]
- Retirement Savings Gap
- Australia as a Financial Services Centre



## PRINCIPLES – CONSUMER CONFIDENCE

- Knowing how much is being paid for advice
- Agreeing in writing with the arrangement
- Being empowered to turn off payments – without question



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The ASISU logo consists of the letters 'ASISU' in a white, bold, sans-serif font, centered within a dark purple rounded rectangular shape.The THE MIDDLE ROAD logo features the text 'THE MIDDLE ROAD' in a white, bold, sans-serif font. The word 'MIDDLE' is significantly larger and more prominent than 'THE' and 'ROAD'. The text is contained within a dark purple speech bubble shape that overlaps with the ASISU logo above it.

THANK YOU

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23<sup>rd</sup> March 2011