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Issues Paper – Reducing the Regulatory Burden on Business

ING Australia (INGA) welcomes the establishment of the Regulation Taskforce (Taskforce) and would like to thank the Taskforce for the opportunity to put forward options for relieving the "red tape" burden for financial services providers and their customers.

INGA is the fourth largest retail fund manager and life insurer in Australia with over $38 billion in assets under management and 2,000 staff. INGA is a joint venture between the global ING Group, which owns 51%, and ANZ, which owns 49% of the venture.

INGA supports the Investment and Financial Services Association's (IFSA) submission to the Taskforce. INGA would like to draw the Taksforce's attention to the following issues, discussed in further detail in the IFSA submission, which are of particular concern to INGA.

Product Rationalisation

Financial services laws that allow financial services providers to efficiently rationalise out dated products and move customer across to more suitable products with similar or improved benefits will lead to significant cost savings for financial services providers and customers. Current financial services laws make the rationalisation of financial products either too difficult or too expensive, resulting in industry participants and consumers being locked in to outdated technology systems that are increasingly difficult to support. ING supports the new legislative mechanisms developed by IFSA in its recent product rationalisation proposal. This proposal will reduce the complexity associated with administering a large number of products including a reduction in the likelihood of unit pricing and other technical errors.

Anti Money Laundering (AML)

The proposed AML regime will impose a new layer of regulation on the financial services industry that has the potential to rival the financial services reform regime. The government must work in partnership with industry to ensure that the new regime is practical, efficient and effective for both industry and customers.

ING has estimated that the cost of the customer identification component of the government's initial AML proposal (which would have required the identification of all existing customers) would have been $100M for ING alone. Recent consultation between government and industry, led by Minister Ellison, has resulted in agreement that this requirement will not form part of the revised AML regime. This is an example of how pragmatic and efficient outcomes can be delivered when government works closely with industry.

In developing the new AML regime the Government and AUSTRAC must ensure that they do not wind back those matters that have been agreed upon as part of the recent consultation process with Minister Ellison. Further, in designing the risk based regime the Government and AUSTRAC should ensure that the legislative framework allows financial services providers to implement measures that best manage the risk of money laundering for their particular customers, products, distribution channels and business model. A prescriptive approach will be unworkable and will lead to significant unnecessary cost.

Regulatory Complexity and "Over Engineering"

Following are two examples of what we consider to be an increasing propensity for regulators to impose prescriptive regulation via policy guidelines or relief, which goes further than the legislative intention and imposes significant cost at little or no benefit to customers. The following are also examples of where the regulators have interpreted the law in a way contrary to current industry practice and in our view the proper interpretation of the relevant law. These examples highlight the need for extensive consultation with industry prior to changes to regulatory policy, industry practice or amendments to the law.

- ***APRA Draft Circular on Investment Choice***
  Under "investment choice", superannuation fund trustees are able to offer fund members a diverse range of investment options and strategies. This draft Circular would require trustees to monitor individual investment holdings and activities under "investment choice". In our view this goes beyond the trustee's role to determine the suitability of an investment at the fund level. Given the prohibitive compliance and systems costs associated with this proposal trustees are likely to offer a narrower range of investment options, which may lead to a reduction in superannuation savings as members redirect their savings elsewhere. If implemented the Circular would produce significant adverse unintended consequences.

- ***Section 601GA of the Corporations Act 2001***
  Our concern here is with regard to ASIC's interpretation of what constitutes compliance with section 601GA. ASIC's view on this matter represents a

significant policy change and is contrary to the approach employed by ING and other IFSA member companies for over fifteen years. Despite ongoing representations to ASIC on this matter, including the provision to ASIC of a joint opinion of 9 Sydney legal firms operating in this area that "the drafting of section 601GA does not support ASIC's interpretation" of the law, ASIC's recent draft relief will still result in industry incurring significant costs without significant benefit to customers.

Financial Services Reform

We support the work that the Treasury has recently undertaken with respect to the financial service reform refinements process. These refinements are welcomed, however there is still scope for further refinement, particularly with respect to reducing the length of Product Disclosure Statements (PDS').

We would welcome the opportunity to meet with representatives of the Taskforce to discuss these matters further. Please do not hesitate to contact me on (02) 9234 6110 or Michael Callow on (02) 9234 7698 should you wish to arrange a meeting or should you have any queries in relation to these matters.

Yours sincerely

Jenifer Wells
Head of Government and Regulatory Affairs