25 November 2005

Regulation Taskforce
PO Box 282
BELCONNEN ACT 2616

Dear Sir

AMP Submission to the Regulation Taskforce

AMP welcomes the Government's initiative to establish the Regulation Taskforce, and is pleased to provide the following submission for the Taskforce's consideration.

The AMP Group of companies comprises a diverse range of entities. AMP has a life insurance company, a general insurance company, a superannuation trustee company, a bank and an investment management company and as such is subject to regulation across a broad range of the financial services landscape.

Many of the points raised in our submission do not fall neatly into the Committee's terms of reference. The nature of our submission is high level and focuses on the fundamental regulatory issues that are concerning to us. Nevertheless, we do offer some examples of regulatory burden and overlap that could be immediately addressed by the Taskforce.

We would be pleased to elaborate on any of the issues, either with officials from the Taskforce or at one of the three proposed roundtables.

In addition to our own submission, AMP fully supports and endorses the views that are outlined in the Investment and Financial Services Association (IFSA) submission to the Taskforce.

The key issues that AMP considers the Taskforce should address include:

The focus and culture of the regulators

1. The focus and culture of the regulator is often as important as the regulations themselves. **Frequently, the legislation and regulations are expanded on or interpreted by regulators into guidelines, circulars and policy statements, which often go beyond the intent of the original laws and stray into policy-making functions.** In a number of cases this activity has been undertaken with little or no industry consultation, resulting in tension between the regulators and industry as well as creating an uncertain environment in which to conduct business. Developing policy is not the role of regulators. Public policy must remain with the Parliament and the Executive.

Some relevant examples are set out in **Attachment 1**.

2. **The level of industry experience of management and staff within some regulators needs to improve.** Currently, employees within the regulators are often professionally qualified but have little or no industry practice in the area being regulated. In many instances, the regulators' understanding of how the industry operates in practice comes through 'investigations' which are costly and time consuming for individual businesses to comply with. By way of example, see **attachment 2**. Some regulators are governed by the Public Service Act, which limits their capacity to match the employment conditions offered in the private sector and therefore attract experienced staff.

   A lack of industry experience, coupled with more often than not a strong legal workforce, results in the regulators often being intent on governing the industry on a very strict legal interpretation of the regulations (form over substance), which can be at odds with the purpose and intent of the regulations. Thought needs to be given to seeking out executives with extensive industry experience to take on the senior roles within the regulators. By way of example, see **attachment 2**.

   Improving the culture and industry expertise within the regulators may come about if the overriding mandate of the regulators included a requirement to interpret and enforce the laws with consideration being given to the economic costs and the commercial implications to industry. As a consequence, the focus of the regulators would shift from implementing the law on a narrow legal basis to one where consideration is given, among other aspects, to the wider economic implications and the intentions of the law. The diversity and skill set required by the regulators would change to include other professions including economists, accountants and actuaries and, most importantly, those with industry experience and commercial backgrounds. Allowing regulators to operate outside of the Public Service Act would also help attract staff with industry experience.

Implementing regulation efficiently

3. **The Explanatory Memoranda (EM) associated with both legislation and regulations need to be very clear about the intent of the policy so the regulators have a clear mandate about what they should and should not focus on. The EM should also make sure that the commercial outcomes are clear to all parties.** Clearly identifying these will ensure regulators take commercial issues into consideration when regulating the industry. This will assist the industry and the regulators interpret the law and deliver on the Parliament's intentions. This is especially important with principles based regulation. Without this certainty, the industry may find it preferable to revert to prescriptive regulation.

4. **To ensure that regulation is implemented efficiently, two suggestions are put forward for the Taskforce's consideration. The first is specific to ASIC and involves the implementation of an upfront ruling process where ASIC would be encouraged to provide private rulings to companies in advance of them undertaking certain activities.** Unlike

other regulators such as the ATO and the ACCC, ASIC has not implemented a rulings process. As a result, industry has been overly cautious when implementing new regulations such as FSR, which has contributed to lengthy Product Disclosure Statements and Statements of Advice. A rulings process would be beneficial to industry and to ASIC.

The second suggestion is to instigate an administrative appeals process – where industry (and even the Government) could appeal against a regulator's policy statement or guidelines where they are believed to be inconsistent with the relevant law or regulation and associated EM. The existing legal processes to address such issues are too cumbersome and costly. Financial planners requirement to ensure that the "to" fund is more appropriate than the "from fund" before recommending that the 'to' fund is appropriate for their needs is a good example as set out in **Attachment 3.**

5. **It should be standard practice that whenever significant new regulation is introduced, that a post-implementation review be undertaken to assess its impact on business and consumers and to assess whether or not the intent of the Government's policy is being met.** A relevant example is set out in **Attachment 4**.

Accountability of regulators

6. **The present accountability processes of the regulatory agencies need to be strengthened.** With respect to ASIC and APRA, one option might be to expand the size of the ASIC and APRA Boards from three members to a Board of six or seven members, including independent directors and industry representatives. Another option might be to appoint an Inspector General for these regulators, similar to that which exists for the ATO. The present arrangement whereby the regulators are only accountable to the Parliament through the oversight committee process is heavily reliant on individual members of the committee to be wholly effective, and lacks industry input.

7. **There should be agreement between government and regulators as to how regulators use the media. Some regulators have a tendency to use the media to selectively inform the market on specific matters.** Serious reputational damage can be done to businesses and individuals if names or facts are released prior to any prosecution. The fundamental principle that people are innocent until proven guilty should be maintained and the names of companies or individuals should not be made public unless people are charged or enforcement action has been taken. This has not always been the case in the past. Also, continued public criticism of an industry without first working in cooperation with the industry to address the regulatory concerns can be harmful and unfair. The questions asked of ASIC during the Joint Committee on Corporations and Financial Services hearing with reference to the statutory oversight of ASIC on Wednesday, 9 November 2005 are a good indication of some of the industry's concerns in this area.

8. **There is a lack of transparency with respect to the calculation of industry levies.** The resources required by the regulators will continually

vary depending upon the tasks at hand. It is therefore crucial that, in the event that workloads diminish, this is reflected in the levies themselves. If this does not happen, there could be a tendency for the regulators to undertake unnecessary activity merely because the resources are available. This approach should also apply where taxpayers provide funding.

Regulations – harmonisation and reducing the regulatory burden

9. **Key regulators need to share information and harmonise their standards so companies do not have to comply with different standards for different regulators unless the higher standard can be justified.** Relevant examples are set out in **Attachment 5**.

10. **AMP supports the 'twin peaks' approach of financial services regulation, with APRA and ASIC being separate regulatory bodies with distinctive roles – ASIC regulating market conduct and APRA being the prudential regulator.** AMP does not believe that a merger of the two will improve the efficiency of regulation, but rather improved sharing of entity information between the two agencies, the types of reforms covered above as well as harmonisation of regulatory requirements could be used to achieve significant efficiency gains. A merger of the two regulatory bodies is more likely to lead to the situation where too much power resides in a single regulator, which itself, is torn internally between its market conduct, consumer protection and prudential supervision responsibilities.

11. The Office of Regulation Review (ORR) was established some eight years ago to promote the objective of effective and efficient legislation and regulations, and to do so from an economy-wide perspective with particular reference to small business. However, since its inception the level of regulation that both small and large businesses must comply with has increased significantly. The ORR does not seem to have been effective in reducing regulation. **The Taskforce's Review is an opportunity to examine the role, function and modus operandi of the ORR.** In particular, it presents an opportunity to establish an ongoing and sustainable process to ensure that the regulatory load does not further increase.

Outdated and inconsistent regulation

12. **The Foreign Acquisitions and Takeovers Act 1975 and the Superannuation Industry (Supervision) Act 1993 need review.** The FATA is a poorly worded Act supplemented by a range of policy statements from the FIRB and as a result is very difficult to interpret. The Act results in additional costs and uncertainty for business. The SIS Act on the other hand is outdated and has not kept pace with the way the superannuation market has developed and the desire for increased member choice. Both Acts need to be updated. There are also issues around the outdated and inconsistent treatment of listed managed investment schemes with companies as set out in **Attachment 6**.

AMP also notes that the implementation of the recommendations of the Uhrig Report is still under way. The Uhrig recommendations, if implemented rigorously, could be

very effective in the battle against increasing regulation. It may be appropriate to further examine the regulatory burden in a post-Uhrig environment.

Finally, there is one specific measure that AMP wishes to draw to the Taskforce's attention. This relates to a series of measures needed to facilitate product rationalisation of managed investments, superannuation and life insurance policies. Currently, there are a number of regulatory impediments to consolidating these products and the details are provided at **Attachment 7**.

Once again, we are grateful for the opportunity to contribute to this important review. Should you wish to discuss any matter further, please do not hesitate to contact AMP Group General Counsel, David Cohen on (02) 9257 5669.

Yours faithfully

Andrew Mohl
Managing Director and Chief Executive Officer

Attachment 1

Interpretations of the laws by regulators and consultation with industry

A. APRA draft circular on investment management and investment choice

Based on the introduction of choice of fund, APRA has re-drafted its circular on superannuation trustee responsibilities concerning the management of investments and investment choice. If implemented, the APRA circular will require trustees to ensure that individual members hold a diversified portfolio of assets. In practical terms, trustees will be required to monitor individual investment strategies and limit the opportunity to invest in single sector investments and direct shares. Generally, trustees currently do not monitor the specific investment choices made by individual members. The new draft circular is at odds with industry understanding and interpretation of the Superannuation Industry (Supervision) Act 1993 (SIS) relating to member investment choice, as well as longstanding industry practice. It will also mean public offer funds are placed at a competitive disadvantage to DIY superannuation funds, which are not regulated by ASIC and will not be required to comply with the APRA circular.

Since the SIS Act was introduced in 1993, the superannuation industry has changed significantly with more and more retirement savings now being invested through public offer superannuation funds, which offer a significant amount of investment choice. SIS was originally designed with stand-alone corporate funds, public sector and industry funds in mind where investment choice was limited mainly to diversified (balanced investment) options.

APRA suggests that s52 of the SIS Act means that trustees should have regard to individual investment strategies, and therefore, monitor and limit exposure to undiversified investments. The industry on the other hand, believes that this view is inconsistent with industry practice adopted since the enactment of the SIS Act, and has legal advice that APRA's interpretation of the law in not correct. Whatever the proper legal view, arguably some aspects of the SIS Act are outdated and have not kept pace with the industry developments or market practices over the last 15 years.

With the introduction of choice of fund, APRA's interpretation of the law will place very unreasonable burdens on trustees to monitor individual members' investment strategies. This is contrary to the principles underlying choice, which provide that individual consumers have the right to determine what is in their best interests and how their retirement savings should be invested.

Industry and APRA are still in negotiations over this issue.

B Section 601GA of the Corporations Act 2001

As identified in the IFSA submission to the Taskforce, this is an example of ASIC adopting an interpretation of a provision in the Corporations Act 2001 that is not consistent with either the original intent of the Managed Investment Scheme provisions or their operation since 1 July 1998.

In April 2004, ASIC advised IFSA that it had received a number of applications from law firms acting on behalf of responsible entities requesting registration of their newly conceived funds. ASIC had formed the view that the constitutions of many of those funds did not comply with the relevant requirements of the Corporations Act 2001 and ASIC Policy Statement 134.19 and 134.25.

The action by ASIC caused significant disruption and uncertainty, forcing many issuers to put on hold plans for new products. That disruption occurred as a direct result of the procedures adopted by ASIC in implementing its 'revised' administration of s601GA (under PS 134), without prior warning or consultation with industry. It was made clear at the time that ASIC's action had not stemmed from any concern about actual conduct on the part of the industry in regard to transaction costs.

The news that ASIC had changed its view as to what constitutes compliance with section 601GA came as a complete surprise to industry. The transaction cost allowance clauses employed by IFSA member companies had been in use for many years and complied with IFSA industry standards. ASIC's actions represented a significant policy change.

Post 28 April 2004, IFSA members have had a number of meetings with ASIC concerning their interpretation of section 601GA. On 2 December 2004, IFSA provided to ASIC a joint opinion of 9 Sydney legal firms operating in this area concluding that "the drafting of section 601GA does not support ASIC's interpretation" of the law.

The issue is still unresolved as at 9 November 2005, although as a compromise, ASIC has proposed draft relief, the terms of which are currently being reviewed. In its current form the ASIC relief would result in IFSA members incurring significant additional cost and involve implementing a new compliance and reporting regime without any demonstrable benefit to customers.

AMP's and other IFSA members' experience in this matter, further reinforces the need for extensive consultation prior to any proposed changes to regulatory policy or interpretation of the law and associated industry practice. We believe this can best be achieved by amendment to the ASIC Act to embody in ASIC's charter the requirement for the regulator to have regard to economic cost and commercial implications for industry.

Attachment 2

Putting those with industry experience into key regulatory positions

A. Regulatory investigations - ASIC

Just in the last 12 months ASIC has conducted three significant investigations into the industry (employer superannuation, regional surveillance and superannuation switching) each of which has taken up a significant amount of resources within AMP.

In these investigations, we are often asked for materials that have been provided under a previous investigation. Notices are issued under the relevant legislation, so that inadequacies in drafting have led to ongoing negotiation to settle the terms of each notice and the timeframe that might be achievable within the range allowed by the regulator.

Employer Superannuation Campaign

In relation to the 'Employer Superannuation' campaign, which is a Notice we are in the process of responding to:

- ASIC was aware that AMP was subject to other ASIC notices and that we were already attending to collecting documents and preparing responses. ASIC's solution was to serve another AMP Group entity, notwithstanding that we had made them aware that we use common resources to comply with each notice served on a company in the Group and that those resources were already stretched complying with other ASIC notices.
- It has involved resources from many different parts of the business including Legal, Trustee Services, Compliance, Corporate Super Distribution and different AFS Licensee operational areas and the individual planner practice groups identified in the Notice.
- Approximately 1000 people have been involved in providing responses, since the terms of this Notice required us to write to all the planners who are authorized representatives of one of our licensed entities, Hillross.
- So far as the process of information and documentation gathering is concerned, it has involved two of the licensed entities in the AMP Group. For the distribution and advice licensee, it has required letters to be written to all planners, discussions with many of them, the collating of the requested information by the planners and the gathering, recording and checking of that documentation when it is received from the planners, to say nothing of the follow ups that may be necessary.
- To date, approximately 100 hours has been spent by staff collating information and providing responses and we anticipate that approximately 250 hours may have to be spent by staff across our business to respond to this Notice. We have no way of estimating the time that will be spent by Planners and their staff responding to our requests for information and documentation in order to respond to the Notice. The estimated cost in staff and planner time may exceed $65,000, but the hidden cost is in the lost opportunity for those staff and planners to be engaged in their usual business activities. It seems to us that ASIC does not have an appreciation for the time and resources required of business in responding to ASIC's notices.

Some additional comments that we observed during the other investigations were as follows:

Regional Surveillance

Again, the Notice required the production of both general information about the licensee (such as our professional Standards Manual, Monitoring and Supervision Policy etc), together with information from each of the 15 planners nominated in the Notice on matters ranging from clients whom the planners had provided advice to in the period since January 2004 to commission received in the period.

Some of the information (particularly the general information) had been the subject of past ASIC notices.

Super Switching

This campaign was particularly onerous on AMP due to the fact that ASIC issued multiple notices to provide information.

- The initial notice asked us to provide details where switching between super products had occurred for a defined period in respect of authorized representatives with surnames beginning with A-D. This was wide ranging as it covered about 600 Corporate and individual authorized representatives for one of our advice licensees, AMP Financial Planning.
- There was an enormous cost associated with collating information sought by the Notice from the 600 planners identified, apart from the deflection from their business activities of each planner over the two week period involved.
- The next notice selected 12 planners with some 15 clients where we had to provide the fact finder, Statement of Advice (SOA) and file notes applicable to the advice on super switching. This was more an administrative task but again was time and cost consuming for both staff and planners.
- The next notice specified five planners, widened the time period, and involved providing copies of fact finders, SOA's and file notes for all advice on super switching. This was administrative but extremely labour intensive.

B. Employing those with industry experience in the regulators

In very few cases are people with a thorough knowledge of the relevant industry or those with a commercial background, put into key positions within the regulators or appointed to regulatory boards.

This comes at a high cost to the industry and the regulator, as there is a very steep learning curve for those in the regulatory positions to get a thorough understanding of the industry and in fact, keep abreast of market developments. Secondments of staff between the industry and regulators are of great benefit and should be encouraged.

AMP is aware of ASIC's interest in recruiting industry experience and has worked with ASIC in an attempt to bring this about. However, the need for greater industry experience within all levels of ASIC (particularly within the senior ranks) remains

unsatisfied, in part due to the restricted remuneration able to be offered by ASIC in comparison to industry levels.

Another example of this relates to the composition of the Life Insurance Actuarial Standards (LIAS) Board within APRA. The LIAS Board develops standards for the life insurance industry relating to the actuarial techniques to apply in the valuation of liabilities and the determination of capital requirements for life insurance policies.

The LIASB comprises a chairperson and five members including one Government member, all of whom are actuaries, and one member from outside the actuarial profession. While many of these Board members have industry experience, not one representative is currently working for a life insurance company. This has lead to the current state of play where the proposed revisions for a number of the Actuarial Standards are at odds with the industry.

Attachment 3

Post-implementation review of regulation

The introduction of Financial Services Reform (FSR) provides a good example of where a post implementation review should be conducted. The FSR Act and regulations implement the findings of the Financial Services Inquiry (FSI). The aim of the FSI was to harmonise product and advice regulation across the financial sector to remove the many inefficiencies that existed, with the desired result being increased competitiveness of the industry.

While there has been significant harmonisation of the regulations across the financial services sector, the overall cost of implementation and ongoing cost of compliance in some areas has been significant, to the point where for example, the increased standards for giving advice has come at the expense of consumers being able to access cost effective financial planning.

Take for example the comments made by planners from AMP Financial Planning during the course of a recent ASIC surveillance program. They said that FSR in the replacement product area is preventing those clients without much money to invest from getting any advice at all. One of the planners explained that he has turned away a client for the first time in 16 years. The client walked in off the street into his office and had around $10,000 in four separate superannuation funds and came to him for consolidation advice. The planner had to say that he could not help because he would need to devote around 12 hours to do a fact find, research the products and then explain all the issues to the client and his maximum fee for this work would be around $400. It was not profitable business for him. The client said that this planner was the third planner to tell him this.

There must be a proper balance between the implementation of regulation and meeting the objectives of the overall policy. In the case of financial advice, the regulations must ensure financial planners can give quality advice to optimise their clients' savings, but it should not preclude financial planners giving advice to lower and middle-income earners to encourage greater saving.

A post implementation review of the regulations would identify the actual costs and benefits of the regulations and assess where these are significantly different from the initial projections. It would also identify whether or not the intent of the policy is being met from which proposed changes can be made.

Attachment 4

The need for an administrative appeals process

A good example of where an administrative appeals process would be very helpful relates to 'reasonable' basis of advice obligations and disclosure obligations of financial planners when recommending a switch between superannuation funds.

There is significant disagreement between the industry and ASIC as to what the requirements are under the law. The industry believes that the law requires planners to ensure they provide appropriate advice, not best advice. This means a planner is not required to ensure that the product recommended to the client is the most appropriate to the client. The planner is also required to enquire with the client about their existing investments in order to determine if there is a reasonable basis for recommending the 'to' fund to the client. The industry does not agree with ASIC that there is an obligation to advise about the 'from' fund or that a planner should only recommend to 'to' fund, which has been determined to be appropriate to the client, where it is more appropriate to the client than the 'from' fund.

ASIC confuses the obligation to ensure advice provided is appropriate and the obligation under s 947D to provide prescribed information relating to the impact of a switch (being the costs, loss of benefits and other significant consequences) where the planner is recommending the client move out of the 'from' fund and move into the 'to' fund.

ASIC also classifies a redirection of superannuation contributions from the existing fund to a new fund as a "switch", where as the industry does not agree with this definition. Only a transfer of funds from the existing account to an alternative fund should be considered as a switch.

As a result of circumstances like this, it creates a high level of uncertainly for business to operate within and reduces the commercial opportunities.

Attachment 5

Sharing information and harmonisation of regulations

Breach Reporting obligations

Under the FSR (financial services) licensing conditions and the RSE (superannuation) licensing conditions, ASIC and APRA respectively have different breach reporting definitions and reporting processes. This means many financial institutions have double the regulatory requirements. In addition, the information required by each regulator when considering FSR and RSE licensing applications is substantially similar, yet applicants are not permitted to provide to one regulator the information already supplied to the other regulator. Nor do the two regulators appear to exchange the information.

Industry has repeatedly sought consistency in like requirements under both the RSE and FSR licensing regimes. Notwithstanding the plea, no action has been taken.

Section 29JA of the Superannuation Industry (Supervision) Act 1993 (SIS Act) requires a RSE licensee to report any breach of its license conditions, its risk management strategy and risk management plans and certain regulatory provisions. The provision does not include any concept of "significance" or "materiality" and is, therefore, not consistent with the breach reporting requirements imposed on an AFSL holder who may also be holder of an RSE license. An AFSL holder is required to report "significant" breaches of the SIS Act (see regulation 7.6.02A of the Corporations Regulations) to ASIC under section 912D of the Corporations Act and all breaches under 29JA of the SIS Act.

The introduction of the obligation on AFSL holders to report 'significant' breaches has itself increased administrative costs, but the materiality threshold test in s.912D of the Corporations Act means that there is a balance that will not exist under the proposed APRA licensee breach reporting regime.

In addition, for those with diverse businesses like AMP, there is an additional cost associated with setting up training, processes, practice and procedure and compliant systems if different tests are adopted for each different licensing regime.

Responsible Officers

By way of another example, there is inconsistency in the definition of a 'responsible officer' under the Corporations Act 2001 and under the SIS Act. As a result, it is not uncommon to have a different set of responsible officers for each of the AFSL holders and RSE licences.

The requirements relating to the appointment and ongoing review of the responsible officers also vary between the regulations. For the AFSL, the responsible entity must ensure that the responsible officer is of good fame and character and meets knowledge and skills requirements of ASIC Policy Statement 164. APRA, on the other hand, requires responsible officers to meet the Fit and Proper Operating Standard under SIS. Although the Fit and Proper Operating Standard is similar to the AFSL requirements, it is sufficiently different to require another analysis to be

conducted of the responsible officers who are already a responsible officer under AFSL. Each regulator has adopted different standards and tests.

A common definition of ‘responsible officer’ and an integrated standard on the level of fitness and propriety that responsible officers should meet on appointment and on an ongoing basis would be consistent with Wallis principles.

Attachment 6

The unequal treatment of listed managed investment schemes with companies

As a general conceptual issue, the managed investments regime has been drafted on a "lowest common denominator" approach. It quite properly seeks to impose protections and safeguards that are appropriate for smaller and more novel schemes. However as the regime applies uniformly to all schemes, it often contains restrictions which are inappropriate for listed managed investment schemes and wholesale schemes that are not required to be registered but are nevertheless registered. Although there are some exceptions to the uniformity of application (such as those contained in Class Order 05/26), these exceptions are more "one offs" and have not been implemented on a consistent conceptual basis.

Listed managed investment schemes, although traded on the ASX in the same manner as listed companies, are restricted in relation to capital raising and permitted investments and so are disadvantaged in comparison to listed companies. Although Class Order 05/26 sought to address the disadvantages, a number of areas were not dealt with such as placements of securities with related entities and underwriting by related entities. In addition, s601FC(4) of the Corporations Act imposes restrictions on the investments which a managed investment scheme may make. These restrictions do not apply to companies or superannuation funds and fail to reflect the development of managed investment schemes as widely used investment vehicles.

Attachment 7

Product rationalisation

As a result of microeconomic reform, financial services reform and the introduction of compulsory superannuation within the last two decades, the financial services industry in Australia has been the subject to significant legislative reforms and technological changes in both administration and delivery of investment services to clients. A legacy of this long history of legislative change, industry innovation and merger and acquisitions is an increase in the number of financial products that are closed to new investors which generally operate on old computer systems which are increasingly difficult to support.

Increasingly, legislation introduced over the last few years has been designed primarily for contemporary product offerings (including managed funds) and is not always directly applicable to older life products. Therefore the cost of compliance is often higher e.g. fee disclosure on capital guaranteed products.

The closed products are on older (legacy) systems and are only supported by a few key people, also making the cost of change high. This also leads to a high dependency on a few resources to implement changes, which can increase the potential for errors.

While the superannuation and life insurance regimes do contain mechanisms enabling product rationalisation, the respective regimes[1] tend to involve lengthy and costly processes that in fact inhibit product rationalisation.

While the Financial Services Reform legislation was designed to better protect investors and equip the Australian financial services industry compete in the 21st century, it is now an appropriate time to continue those reforms and to introduce a single legislative mechanism to enable financial product providers to rationalise their operations to more efficiently meet the needs of investors. It is highly desirable that the law be amended to introduce a legislative neutral mechanism to allow financial product rationalisation.

Reform in this area would be a continuation of Government policy to modernise Australian financial laws. Such a reform would build on the recent financial services reforms and will enable operators in the financial services industry to utilise their resources more efficiently in order to better service their clients.

[1] Successor Fund Regime under Part 18 of the *Superannuation Industry Supervision Act 1993* and Part 9 of the *Life Insurance Act 1995*.