

Chairman's Speech- 2008 Parliamentary Cocktails

Mr President, Mr Speaker, Senators, Members and distinguished guests,

Thank you all for being here tonight. I understand that the longest speech in the Australian Parliament was delivered 99 years ago by the Member for Gwydir, William Webster, and that he spoke for 10 hours and 57 minutes.

You'll be relieved to hear that mine will be noted for its brevity.

Treasurer, on behalf of the IFSA Board, I thank you for your thoughtful observations and kind remarks. We express our appreciation for the work that the Rudd Government has already undertaken to help grow our industry, both domestically and internationally – and as flagged in your pre-election platform, *'Engaging with the Global Economy'*.

I also greatly appreciate your acknowledgement of our Headland Statement on Regulation which I will outline at the conclusion of these remarks.

Ladies and Gentlemen, tonight is a special occasion. Special not because this is our 10th Annual Parliamentary Function and our 11th year of operation as an Association, but because it is the first time we have had a Labor Minister address this particular function.

Australia's superannuation system is now recognised as world class. We saw the Hawke and Keating governments establish the super guarantee, the

Howard/Costello government continued the development and reform process - and we see indications that the Rudd/Swan government will keep the system strong.

According to a report just a couple of weeks ago in *Money Management*, Australia now leads the world in terms of its preparedness to meet the challenges of an ageing population, according to research conducted by Program director and senior fellow at the US-based Centre for Strategic and International Studies, Richard Jackson.

Dr Jackson was reported as telling the Metlife Media Symposium in New York that the former Hawke/Keating Labor Government's decision to pursue the superannuation guarantee had paid dividends for Australia in terms of its capacity to handle an ageing population.

The Rudd Government's engagement with our industry has, so far, been informed, balanced and pragmatic. It certainly helps to have a few 'old hands' like Senator Sherry on board, who are in a sense, the institutional memory of the Labor Party when it comes to superannuation and corporate law - and a link to the architects of our retirement savings system.

We have experienced some very tough market conditions in the last few quarters – indeed the worst conditions since 2001-2 - when investors last experienced negative returns.

Market downturns are always unsettling for investors, many of whom may not have been through such stormy weather before. To this end, IFSA is meeting with other superannuation stakeholders to discuss how we might work together to maintain investor confidence during a period when most will be experiencing negative or very slender super returns.

Participants include senior representation from ASX, AIST, ASIC, ASFA, FPA, and the Industry Super Network. So as you can see, this is effectively a cooperative 'whole of industry' response to manage investor expectations.

The markets may continue to be volatile, but they will recover - as history is our guide - and the superannuation and managed funds systems will grow on to contribute to a strong national economy that will deliver improved opportunities so that investors can achieve personal financial independence.

This is done through good wealth management... which encompasses saving, financial advice, investor education and life insurance.

It is in the area of life insurance where we have a fundamental weakness. Put simply, too many Australians have anything like adequate life insurance.

Our industry has therefore embarked upon an industry-funded initiative to raise awareness about the issue of underinsurance – and this is something that you will be hearing a lot more about in coming months.

I should add at this point that our Secretariat will provide a briefing for any Senator or Member who would like an overview as to how life and risk insurance can be made more affordable for consumers.

Moving along, tonight is a special occasion for another reason.

We know that legislation and oversight of regulation is, after all, the core business of this Parliament – and *our* core business is growing wealth.

So we've been doing some considerable thinking.....

It's not every day that we have the chance to get up close and personal with our elected representatives - and ever-ready to seize an opportunity - IFSA's Regulatory Affairs Board Committee suggested that tonight might be a suitably auspicious occasion to leave you all with a copy of our Headland Statement - *'Towards a more efficient regulatory system: 2008-2011'*, which is now also available on the IFSA website.

We believe the seven recommendations contained within this Headland Statement - and our **2006** Regulatory Headland Statement - to the extent that they have not been adopted - are necessary for an effective and efficient regulatory system.

IFSA acknowledges that there have been significant improvements in regulator consultation. and the appointment by ASIC of a Chief Economist is a

positive step towards the implementation of a more rigorous risk/benefit based approach to the regulation of financial services.

Another positive, consultative development from the current Government, is the establishment of Advisory Panels to provide industry policy and technical input for specific reform proposals.

The Headland Statement reaffirms IFSA's position on the 'twin regulatory peaks' model - separating prudential regulation by APRA - from market regulation and consumer protection by ASIC. There is, in our view, a logical division in the current regulatory arrangements.

However, this Headland Statement identifies a number of issues and areas of operation that we believe are fundamentally important to the financial services industry and to its customers.

For example, industry data or information both collected and provided should be 'fit for purpose', readily interpreted and presented objectively. Industry data is also a key element in ensuring that markets operate effectively.

'Disaggregation of interests' is another legislative area that we believe is overdue for amendment.

The current takeover provisions of the law - and the 20% takeover threshold need, in our view, to be amended to facilitate market efficiency and to remove legal impediments that *restrict* the potential financial returns to investors in Australian managed funds.

Given the projected growth in superannuation savings in Australia, investment opportunities in Australian listed assets will become increasingly limited and entities, including fiduciary entities will increasingly look to alternative asset classes and foreign investment opportunities.

We maintain that the law currently operates in a manner that is detrimental to: productive commercial activity, the interests of members in Australian superannuation funds, managed investment schemes, life insurance companies and, the economy generally.

The annual cost of lost opportunity arising from the impact of the 20% threshold runs into many millions of dollars and this cost will only grow as the managed funds sector itself grows.

I commend the Headland Statement to you – it is a good read.

I especially thank all the Parliamentarians and public servants for their diligent work over the past 12 months.

In conclusion, ladies and gentlemen I thank you for being here this evening to hear the Treasurer and trust that you find this publication a useful and informative document

Goodnight.