



Australian Government

Department of the Prime Minister and Cabinet Office of Best Practice Regulation

Reference: 16231
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Jenny Wilkinson
Acting Executive Director
Markets Group
The Treasury

Dear Ms Wilkinson

Details-Stage Regulation Impact Statement – Future of Financial Advice (FOFA) Amendments

Thank you for forwarding the details-stage Regulation Impact Statement (RIS) for the above proposal for final assessment on 6 March 2014. I note that you have formally certified the details-stage RIS as required by the best practice regulation requirements.

The OBPR assesses details-stage RISs for consistency and adequacy – consistency relates to following the prescribed process and adequacy relates to the quality of the analysis. I note our comments of 19 February 2014 on the initial draft have been appropriately addressed, as you confirmed in your letter certifying the final version of the RIS.

Treasury has been consistent with the RIS guidelines, having twice provided a certified details-stage RIS (addressing all seven elements) to the OBPR for the two-pass assessment before the decision-maker considers the RIS.

The details-stage RIS is adequate as it does not contain obvious errors and has a degree of detail and depth of analysis that is commensurate with the magnitude of the problem and the size of the potential impact of the proposal. The Office of Best Practice Regulation (OBPR) considers that the RIS is a category 'B' RIS, reflecting that the issue is of reasonable significance in the broader economy with measurable competition impacts. As the proposal is of 'B' level significance a post-implementation review is required to be completed within five years of implementation of the amendments.

The estimated regulatory cost savings of \$198.4 million have been agreed with the OBPR.

The problem outlined in the RIS relates to the cost-effectiveness and ongoing relevance of the original Future of Financial Advice (FOFA) reforms. I note that the objectives outlined in the RIS are to remove unnecessary regulatory burdens; reduce regulatory overreach; and maintain consumer protections in line with the original FOFA objectives.

I note that as this proposal is an election commitment only one option – implementing the relevant recommendations of the Parliamentary Joint Committee inquiry into FOFA – has been considered.

The RIS provides a balanced assessment of the likely costs and benefits and risks of repealing some of the original FOFA measures. In particular, the RIS notes that these measures will provide significant cost savings to industry and that this is likely to result in lower prices to consumers of financial advice.

I note the RIS analyses the risk that some consumers may receive lower quality or inappropriate financial advice given their personal circumstances. However, I note that it is considered that the remaining elements of FOFA, along with other general regulations, are likely to mitigate these concerns.

The RIS notes that financial advice providers are generally supportive of the measures and that consumer groups are generally opposed to the measures. The RIS provides a balanced assessment of these views. I note that the RIS concludes that the benefits of the amendments outweigh the costs.

Consistent with the best practice regulation requirements I note an option-stage RIS was prepared; certified at the Deputy Secretary level; and published.

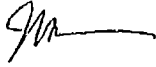
The Government's *Best Practice Regulation Handbook* (June 2013), at paragraph 6.4, requires that for legislation which is tabled in the Parliament, a copy of the RIS must be included in the explanatory memorandum (for primary legislation) or the explanatory statement (for legislative instruments). Please ensure that your officers provide the OBPR with a copy of (or link to) the explanatory memorandum or explanatory statement when these are made public.

Additionally, the Office of Best Practice Regulation (OBPR) maintains a RIS website and the Government requires that details-stage RISs be posted within 5 business days of a regulatory decision being publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the details-stage RIS in *Microsoft Word .doc* format in a form meeting the Australian Government's *Web Content Accessibility Guidelines*. We suggest liaising with your web services team to ensure these guidelines are met. The OBPR should be consulted if the details-stage RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published details-stage RIS.

The website provides a public comment facility on RISs posted on the site. The OBPR moderates this facility for offensive content but does not moderate debate.

Please retain this letter as a record of the OBPR's advice. Our reference number for this issue is 16231. If you have any further queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JM', followed by a horizontal line.

Jason McNamara
Executive Director
Office of Best Practice Regulation
7 March 2014