

## OVERVIEW

The financial services regulatory framework was substantially amended by the introduction of the *Financial Services Reform Act 2001* (now contained in Chapter 7 of the Corporations Act 2001), which came into full effect on 11 March 2004.

The introduction of harmonised financial services licensing, conduct and disclosure requirements has produced significant benefits for consumers through the promotion of consistent basic standards across the financial services industry.

The Government has consulted with a broad cross section of the community to gauge the overall effectiveness of the new regulatory regime since its implementation, with particular consideration paid to whether the financial services reforms have achieved the Australian Government's objectives. Overall, there is support for, and satisfaction with, the reforms.

However, in light of stakeholders' day-to-day experience with the legislation, it became clear that some aspects of the regulation of financial services would benefit from refinement to improve their practical operation.

The intention underlying the draft regulations on the refinement proposals is to:

- ensure that consumers receive information that is relevant to their needs;
- reduce the compliance burden on industry; and
- clarify the intent of the legislative and regulatory framework that applies to the financial services industry.

A main area of concern relates to the amount and detail of information provided to consumers through financial services disclosure. In particular, it is felt that the content requirements for the various disclosure documents are resulting in the production of excessively lengthy and complex documents (or, in the case of oral disclosure, excessively lengthy verbal 'scripts'), which are difficult to reconcile with the legislation's requirement that information be presented to consumers in a 'clear, concise and effective' manner. The draft regulations are therefore designed to achieve more effective written and oral disclosure (see Proposals 1, 2, 3, 4, 6 and 7).

In addition, the draft regulations are also designed to address specific practical problems that have been encountered in the areas of:

- Retail / wholesale client distinction (Proposal 8)
- Provision of secondary services (Proposal 9)
- General advice definition (Proposal 10.1)
- Jurisdictional issues (Proposal 11)
- Authorised representatives (Proposal 12.1)