



Corporations Amendment Regulations 2006 (No.)¹

Select Legislative Instrument 2006 No.

I, PHILIP MICHAEL JEFFERY, Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, make the following Regulations under the *Corporations Act 2001*.

Dated 2006

Governor-General

By His Excellency's Command

[DRAFT ONLY – NOT FOR SIGNATURE]

Minister for Revenue and Assistant Treasurer

DRAFT ONLY

1 Name of Regulations

These Regulations are the *Corporations Amendment Regulations 2006 (No.)*.

2 Commencement

These Regulations commence on the day after they are registered.

3 Amendment of *Corporations Regulations 2001*

Schedule 1 amends the *Corporations Regulations 2001*.

Schedule 1 Amendment

(regulation 3)

[1] After regulation 7.6.02

insert

**7.6.02AAA Compensation arrangements if financial services
provided to persons as retail clients
(Act, s 912B)**

- (1) For paragraph 912B (2) (a) of the Act, arrangements mentioned in subsection 912B (1) of the Act are, unless the financial services licensee is an exempt licensee, subject to the requirement that the licensee hold professional indemnity insurance cover that:
 - (a) is set out in summary in the Financial Services Guide of the licensee, and of any authorised representative, prescribed by Division 2 of Part 7.7 of the Act; and
 - (b) complies with subregulation (2).
- (2) For paragraph (1) (b), the cover provided by insurance must be adequate:
 - (a) having regard to the highest possible liability of the licensee that could arise:
 - (i) in connection with any particular claim against the licensee; and
 - (ii) in connection with all claims in respect of which the licensee could be found liable;because of the licensee's membership of a scheme (or schemes) mentioned in paragraph 912A (2) (b) of the Act; and
 - (b) having regard to relevant considerations in relation to the financial services business carried on by the licensee, including:
 - (i) the volume of business; and
 - (ii) the number and kind of clients; and

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- (iii) the kind of business; and
 - (iv) the number of licenses held; and
 - (v) the number of authorised representatives, within the meaning of section 916A of the Act.
- (3) For paragraph 912B (3) (c) of the Act, a matter that ASIC must have regard to, before approving particular arrangements under paragraph 912B (2) (b) of the Act, is whether those arrangements provide coverage that is adequate, having regard to matters of the kind mentioned in paragraphs (2) (a) and (b).
- (4) In this regulation, *exempt licensee* means:
- (a) a company or institution of any of the following kinds:
 - (i) a general insurance company regulated by APRA under the *Insurance Act 1973*;
 - (ii) a life insurance company regulated by APRA under the *Life Insurance Act 1995*;
 - (iii) an authorised deposit taking institution regulated by APRA under the *Banking Act 1959*; or
 - (b) a licensee (*related licensee*):
 - (i) that is related to a company or institution mentioned in paragraph (a); and
 - (ii) in respect of which the company or institution has provided a guarantee, that:
 - (A) ensures payment of the obligations of the related licensee to its retail clients; and
 - (B) is approved in writing by ASIC.

Note A decision to refuse to approve a guarantee is a reviewable decision under section 1317B of the Act.

Note

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003*. See www.frli.gov.au.