



AICM Submission to the Financial Services and Credit Reform Green Paper

The Australian Institute of Credit Management (AICM) welcomes Senator Nick Sherry's Green Paper on Financial Services and Credit Reform. The Green Paper represents a significant step forward in regard to nationally consistent regulation for most financial services products in Australia.

In particular AICM supports the following aspects of the Green Paper.

Reform of the Uniform Consumer Credit Code (UCCC)

As stated in the Green Paper the current arrangements concerning the UCCC, whilst representing an appropriate solution at the time of implementation, are not able to respond with the speed with which new products enter the market place. The process for amending the UCCC is cumbersome and slow and more importantly open to potential variation at the state level as evidenced by the nuances introduced by the Western Australia arrangements. A nationally consistent regime would minimise compliance costs, enabling clarity for consumers and providers and compliment the reforms being proposed in the Personal Properties Securities consultative bill introduced by the Attorney-General in May 2008.

However AICM would express concern that there seems to be an intention to only bring mortgages within the proposed national regime to the exclusion of other types of consumer credit such as credit cards, car loans and personal loans. The conclusion that bringing all consumer credit within the national regime would incur transactional and ongoing costs appears to be unsubstantiated as the costs to business and government of maintaining a number of regulatory standards would also be significant especially for organisations that operate in more than one state and/or territory.

A dual regulatory system could contribute to non-compliance as companies would have to ensure that their policies and procedures embrace all requirements rather than be confident that their compliance systems accord with a single regulatory framework. In addition, a dual regulatory system could potentially facilitate the operation within a state or territory of undesirable practices by unscrupulous providers, the very situation that has been identified as needing to be addressed.

Margin Loans Reform

AICM supports the second reform option to bring margin loans within the *Corporations Act 2001 (Cth)*. The regime already established in Ch 7 'Securities' is appropriate. The introduction of this reform would be facilitated for many companies as they would already have in place compliance regimes in relation to other financial products.

Debentures Reforms

As identified in the Green Paper recent events such as the Westpoint collapse left many investors significantly disadvantaged. The use by such companies of the current regulatory loophole enables them to avoid compliance and disclosure requirements.

The Green Papers recommendation that the regulation of promissory notes either as debentures or financial products, under the Corporations Act is supported in particular the proposal to remove the threshold within the definition of debentures in the *Corporations Act*. This straight forward yet effective amendment would enhance the operation of these financial products.

AICM also supports the recommendation that debenture issuers be licensed thus ensuring a consistency of operation and compliance procedures.

AICM also supports the licensing of trustees together with a review of their duties. Trustees play a significant role in the securities market and as such should be properly resourced and supported. These reforms would also contribute to enhancing consumer confidence in debenture products.

Other Credit Products

As stated above AICM does not support the reform proposal that credit products other than mortgages should remain with state and territory regulation.

One consistent national consumer regulatory system would be of major significance contribute to microeconomic reform, fundamental Australia's economic success.