



SCHOOL OF ACCOUNTING AND CORPORATE GOVERNANCE



Financial Services Legislation and Red Tape

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A significant policy shift occurred in the regulation of the Australian financial services industry when the Financial Services Reform Act (FSRA) became effective. Financial planners have criticized the complexity of the new laws and suggested that the compliance costs far outweigh the benefits envisaged by the policy-makers. The objective in this study was to capture data on the incremental costs of the policy change. The findings suggest that while the intent of the policy-makers in introducing structure to the financial services industry was clear, the incremental cost burden imposed as a direct result of the FSRA was severe. A wealth transfer from the financial services sector to the advisory and education sectors has occurred, and much work remains to be done to alleviate the impact of the incremental compliance cost burden particularly on the small end of the financial services industry.

Comments from Licensees

‘The additional information which has to be sent to clients can not possibly be read by our clients or understood.’

‘The problem with FSR is that it does not stop the ‘crims’ and it does not lead to better advice.’

‘The FSR problem should be looked at from 2 distinct perspectives: (1) a large organisation that manufactures products and has a related company with a sales force (of authorised representatives) who flog the product; (2) a small advisory firm that has a few authorised representatives who are trying to provide a legitimate ongoing service to clients at a reasonable cost and with reasonable efficiency.’



Cost of New Legislation

