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asfa
the voice of super

19 April 2013

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia
Sent via e-mail to: richard.grant@aph.gov.au

Dear Sir/Madam,

INQUIRY INTO CORPORATIONS AMENDMENT (SIMPLE CORPORATE BONDS AND OTHER MEASURES) BILL 2013

Thank you for the opportunity to provide comment in relation to *Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013* ("Bill").

The Association of Superannuation Funds of Australia (ASFA) welcomed the Government facilitating the improved trading of retail corporate bonds as per Schedule 1 of the Bill; ASFA's comments on Schedule 1 were set out in our previous submission to Treasury lodged on 15 February 2013.

ASFA also welcomes the Government's intention to define the terms 'financial planner' and 'financial adviser' and to restrict the use of these terms and terms of like import in accordance with Schedule 2 of the Bill.

ASFA agrees that that this measure supports the Future of Financial Advice (FOFA) reforms by empowering consumers of financial services to identify genuine providers of financial product advice.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds (SMSFs) and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General Comments

The *Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013* (the Bill) amends the *Corporations Act 2001* (the Corporations Act) to facilitate improved trading of retail corporate bonds in Australia and place restrictions on the use of the terms 'financial adviser' and 'financial planner'.

As per our previous submission dated 15 February 2013, ASFA anticipates that the reforms will streamline the corporate bond investments process and lead to a marginal impact on the depth of the liquidity pool of buyers in the corporate market. In short, the attractiveness for a corporate to issue to retail investors will depend on the range of funding options that they have available to them. Corporates will seek to issue where the yield is more favourable to them. In the case of large corporates that are listed on the ASX, they already have the capacity to issue in international markets where yields are competitive.

ASFA considers that the additional issuance in the Australian market to retail investors will be marginal compared to the overall size of wholesale markets. In practical terms, it is therefore not expected that the Government's reforms will significantly increase the depth and liquidity of the domestic corporate bond market.

APRA regulated superannuation funds principally operate in the wholesale institutional market. The most common structure for superannuation funds is that they operate through investment managers that have the capability to source investments on a global basis. Superannuation funds will continue to seek yield where the returns are most favourable and will continue to utilise wholesale markets as the principal means of meeting their fixed interest investment needs. As such superannuation funds will be largely unaffected by the Government's reforms.

Recommendations

ASFA recommends that the Bill be legislated in its current form.

ASFA further recommends that Treasury continue to engage with ASFA with respect to the fixed interest market place and the broader vision for Australia's financial and economic framework.

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Should you have any further queries with respect to this, please do not hesitate to contact Chris Donohoe on (02) 8079 0824 or 0410 425 634 or via cdonohoe@superannuation.asn.au.

Yours sincerely

Pauline Vamos
Chief Executive Officer