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October 7, 2022

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By upload.

Dear Sir/Madam

**Financial Accountability Regime (FAR) Bill 2022 and
Financial Services Compensation Scheme of Last Resort (CSLR) Bill 2022**

The Australian Financial Markets Association (AFMA) represents the interests of over 120 participants in Australia's wholesale banking and financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, and traders across a wide range of markets and industry service providers. Our members are the major providers of services to Australian businesses and retail investors who use the financial markets.

AFMA writes to note that our positioning on the Bills is unchanged since the last time similar Bills were introduced to the Parliament in 2021. We:

- Note the already strong penalty regime for individuals in the FAR Bill;
- Oppose the introduction of measures that would put employees who were Accountable Persons at risk of heavy penalties where there was no intent, and for actions potentially beyond their control;
- Oppose the extension of the CSLR regime to Managed Investment Schemes (MISs) potentially transferring downside risks from a wide range of investments and speculative ventures to participants in the scheme.

Please refer to our previous submission for further details on these listed matters.

In addition to the above, AFMA supports the scope of the current FAR Bill as it is aligned with the Royal Commission's recommendations. The FAR is a heavy regulatory burden for firms and should not be

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extended beyond those firms already within scope due to their ADI status, as these firms will have the scale to absorb the burden.

Extension of FAR to entities solely regulated by ASIC would bring thousands of small and medium enterprises into scope and would be an unwarranted and substantial regulatory burden for these firms, contributing significantly to the already excessive red tape they face. The regime's extensive requirements would detract from the attractiveness of the business environment.

The industry is preparing for implementation of the FAR scheme and we note for BEAR firms the scheme starts 6 months from receiving Royal Assent. It remains the strong preference of the industry to have a 12-month implementation period. The industry is preparing but typically does not fully commit to implementation detail until it is clear of potential changes in Parliament. We note that APRA does the same with final changes to their Remuneration standard.

We thank the Committee for the opportunity to provide comment to the consultation on these Bills.

We would be pleased to provide further information to any questions the Committee might have.

Yours sincerely

A handwritten signature in black ink that reads "Damian Jeffree". The signature is written in a cursive, slightly slanted style.

Damian Jeffree

Senior Director of Policy