



19 June 2014

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Dear Ashly

### **ASIC's deregulatory initiatives**

CPA Australia represents the diverse interests of more than 150,000 finance, accounting and business professionals in 121 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders.

We are of the view that the Australian economy and businesses are at a tipping point. The global economy, and the high cost of doing business in Australia is hampering our international competitiveness. We all share the challenge to identify and remove obstacles to business growth to unlock our future economic potential. Against this background, we welcome the opportunity to contribute to ASIC's deregulatory initiatives.

The following are examples of not only areas where ASIC can reduce unnecessary regulatory burden but also actions ASIC can take to reduce the possibility of further unnecessary regulatory burden. We see ASIC and the government's regulatory reduction target as an ongoing effort and therefore we will continue to consider other options to reduce burden and share these ideas with you as they emerge.

### **Overarching comments**

New regulations should be shaped by the following core principles:

- Government intervention in the operation of markets should be avoided unless there is a significant market failure, and the cost of the proposed regulation does not exceed its benefit.
- Regulation should be a last resort; that is it should only be considered if there is significant evidence of a problem, other remedies to the problem are ineffective (such as issuing best practice guidance for licensing financial advisers providing personal advice to clients on establishing or switching to an SMSF), and the proposed regulation is limited to specifically addressing the identified problem.

### **Greater consultation with the financial planning industry**

CPA Australia believes it is imperative that ASIC reinvigorates its working relationship with the industries it regulates. Such consultation provides ASIC a very useful platform to test ideas for new regulations before they are exposed to public consultation, decreasing the risk that unnecessary regulation proceeds. Such consultation can also be used as a source of intelligence to identify potential areas of risk.

Previously ASIC consulted regularly with financial services industry associations. This provided a forum for both parties to discuss issues, flag new concerns and seek clarification on specific topics. The model was replaced with the Financial Services Consultative Committee, which provided an open forum for representatives of the financial services sector to discuss general financial services issues.

This committee has however not met for a number of years. Therefore, there is currently no ongoing formal contact between ASIC and the financial planning industry.

CPA Australia recommends that ASIC reactivate the Financial Services Consultative Committee, and for this committee to at least meet every six months. If this committee is to assist ASIC with its deregulatory initiatives, the charter of this committee must include ASIC sharing with external representatives on a confidential basis, policy ideas and draft discussion papers for feedback before they are released to the public.

ASIC should also separately establish a panel of AFSL holders who represent the diversity of the AFSLs held in the industry. This will enable a more proactive approach to monitoring and surveillance and provide a closer connection to what is happening in the industry.

### **Regulation of auditors**

CPA Australia supports the initiative of clarifying and improving efficiency around the audit resignation process as mentioned in the report. To potentially further reduce regulatory burden, we recommend that ASIC consider:

- how the auditor registration process could be improved including a review of the efficiency of the current process, and
- how the outcomes of the audit inspection program could be released on a more timely basis (currently 18 monthly cycle with six month delay on releasing report) and a review of the regulatory burden and benefits arising from that program.

In making these recommendations, we recognise ASIC's effort over the past year to strengthen engagement and communication with the audit profession and we look forward to continuing to improve this engagement and collaboration toward a constructive focus on audit quality.

Should you have any queries on this submission, please contact Gavan Ord on (03) 9606 9695 or [gavan.ord@cpaaustralia.com.au](mailto:gavan.ord@cpaaustralia.com.au)

Yours faithfully



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