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FSC Policy Update - Issue 84 - 27 February 2025

Welcome to Issue 84 of the FSC Policy Update. This article outlines legislative and regulatory developments in the superannuation, investments, financial advice, tax, technology and innovation sectors, plus more. Learn about what's impacting the financial services industry below.

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PARLIAMENT, LEGISLATION AND REGULATION

FSC 2025 Election Policy Priorities

The FSC released its [2025 election policy priorities](#). The FSC's proposed policy priorities call on both sides of politics to pursue a pro-growth, productivity enhancing agenda for the financial services sector. Our election priorities centre around 12 financial services specific policy recommendations under three headings:

- Commit to forming a red tape 'razor gang' responsible for slashing inefficient regulation;
- Undertake a holistic and evidence-based review of the tax system, instead of piecemeal tinkering with superannuation taxes that undermines consumer confidence in the system; and
- Boost productivity and growth through implementing simple tax and funds management regulatory changes that will enhance Australia's global competitiveness.

Modelling commissioned by the FSC indicated that adopting these policy recommendations would deliver \$2 billion in financial services exports, an extra \$1.7 billion per year in economic growth, and an \$800 million-a-year increase in the sector's productivity.

Related to this, the FSC has begun a stream of work, identifying further opportunities for red tape reduction and regulatory simplification. See a further update under 'Legal, Tax and Cross Portfolio'.

For more information, please contact [Chaneg Torres](#).

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ASIC key issues outlook

ASIC has released its [key issues outlook](#) for 2025 which sets out a distilled version of the 2025 priorities previously set out in its [corporate plan](#) and [enforcement priorities](#) publications.

Key issues relevant to members include:

- **Private markets:** The note flags an increasing focus on surveillance work across private markets, including a review of "the governance processes and practices

of a sample of responsible entities of retail private credit funds, including their asset valuation and liquidity management practices.”

- **Superannuation:** “Superannuation members being let down by their fund and trustee. ASIC will publish findings from a review of member services and will not hesitate to take enforcement action where appropriate.”
- **Advice:** “Unsuitable superannuation advice resulting in adverse consumer outcomes”. ASIC notes high volumes of superannuation inflows into high risk investments and notes “ASIC also has a current surveillance underway assessing the quality of financial advice to establish SMSFs.”
- **Technology:**
 - “Consumer losses through fraud and scams, driven by increasing sophistication and the use of technology”
 - “Cyber-attacks, data breaches, and internal system failures undermining market confidence and causing financial loss”
- **ASX:** “Impact of ASX’s CHESS replacement on Australian markets ... ASIC, in partnership with the RBA, will continue to focus on ASX maintaining resilience, reliability and integrity of its clearing and settlement operations as the replacement project progresses, and that it appropriately manages associated risks.”
- **ESG/climate:** “Poor quality climate-related financial disclosures leading to misinformed investment decisions”.

For more information, please contact [Jack Morgan](#).

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Parliament Joint Committee on Corporations and Financial Services: Wholesale investor/client test inquiry

The [report](#) into the parliamentary inquiry into the wholesale investor and client tests has now been released.

Pleasingly, the recommendations are substantially aligned with the FSC’s position:

- The committee was **not** persuaded that the thresholds for the asset, income or product value limbs should be increased (although it did recommend that they be reviewed periodically) [see pages numbered 46 to 49];
- The committee **did** support an overhaul of the sophisticated investor limb to shift it onto more objective criteria [see pages numbered 49 to 50]; and

- The committee reached **no settled view** on an accounting-sector led proposal for existing accountant's certificate arrangements to be overhauled or abolished [see pages numbered 50 to 51].

For more information, please contact [Jack Morgan](#).

Senate Economic References Committee Releases Third Interim Report for Inquiry into Consumer Experiences in Superannuation

The Senate Economic References Committee released its [third interim report](#) for its inquiry into *Improving Consumer Experiences, Choice, and Outcomes in Australia's Retirement System*.

This report focusses on superannuation fund governance arrangements focussing on recent ASIC legal action and APRA expense reporting.

The key recommendations of the report are that:

- A requirement be introduced for superannuation trustee boards to have a majority of independent directors, and an independent Chair.
- Director competency rules be introduced, which would mandate, at a minimum, relevant experience requirements that would apply to the chair of a superannuation trustee board.
- Superannuation funds be required to maintain and make public a skills matrix for the purposes of conducting the Fit and Proper process for the appointment of directors.
- The Australian Prudential Regulation Authority (APRA) be empowered with an adjudicable pathway to remove a trustee where an assessment is made that a material conflict of interest exists.
- The Government introduce new mandatory reporting requirements on the Australian Prudential Regulation Authority (APRA) to report on Best Financial Interest Duty (BFID) decisions of super funds, to align with existing APRA standards.
- That the Government introduce legislation which would require all superannuation funds to maintain adequate funding, raised by the shareholders separate from members' assets, to meet the various costs to which they may be liable, including fines for trustee misconduct and compensation payments resulting from misadministration. This funding should not be provided for, directly or indirectly, by members' funds and must come from the shareholders.

- That the government work in an expedient fashion to develop mandatory insurance service standards for superannuation funds. These standards should be developed in consultation with consumer advocates, regulators and industry stakeholders.

The Committee has an extended due date of 30 June 2025 to release its final report. The committee's [first](#) and [second](#) interim reports, focussing on housing provision through superannuation can be accessed at the links provided.

The FSC will continue to monitor the activity of the Committee and report back to members.

For more information, please contact [Kirsten Samuels](#).

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Scam Prevention Framework Legislation Passes Parliament

The Government has passed its Scam Prevention Framework [legislation](#) through both houses of Parliament. The legislation enables Australia's scam prevention framework, which focuses on harm minimisation in preventing and disrupting scams, as well as better sharing of information between organisations.

The legislation will be underpinned by industry specific codes, with consequences expected for organisations that do not meet their obligations.

The Framework only applies to designated industries, with the Minister vested with the power to determine which industries are designated. In the first instance, only banking, telecommunications, and digital platforms (social media) will be designated. However, the Government has flagged plans to designate superannuation in the next wave of designations.

The FSC will continue to work with members and Government as the scam legislation framework is uplifted.

For more information, please contact [Kirsten Samuels](#).

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Tax on High Superannuation Balances Fails to Pass Parliament

The *Better Targeted Superannuation Concessions Bill*, which proposed an additional tax on superannuation balances above \$3 million, failed to secure sufficient support to pass the Senate, in what may be the final sitting period before the 2025 federal election. If the Government decides to go full term and hand down a March budget, there is a slim chance the Government could re-prosecute the Bill then. It is more likely that the Government will have to take the policy to the election and attempt to pass it through the new parliament if they are successful.

The Coalition has committed to “protect Australians’ retirement savings” from unfair new taxes if they were to be successful at forming Government at the next election.

Please contact [Aidan Johnson](#) if you would like any further information.

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SUPERANNUATION

Government Announces Consultation on Customer Service Codes

The Government has announced that it will begin consultation on potential regulation or industry codes for customer service standards. The initial focus of this work will be around death benefits, insurance claims, and communications between funds and their members during this process.

The FSC will be engaging with the Government on this matter, in anticipation of a public consultation mid-year.

For more information, please contact [Kirsten Samuels](#).

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Government Releases Response to Retirement Phase Consultation

The Government has released its [response](#) to the Retirement Phase consultation that commenced in December 2023.

The key features of the response are:

- **Enhanced independent guidance:** The Government will expand and refresh the resources on the Moneysmart website, with a view to providing easy access to independent, reliable information on superannuation and retirement options. ASIC will also lead a consumer education campaign to raise awareness amongst people approaching retirement and in retirement. This is expected to start rolling out in the first half of 2025.
- **Better retirement products:** The Government has flagged improvements to the innovative income stream regulations to support innovation in quality retirement products. The changes include allowing funds to offer product features such as money back guarantees and instalment payments instead of an upfront lump sum. The updated regulations will commence from 1 July 2026, with consultation on draft regulations ahead of this.
- **Best practice principles:** The Government intends to create a new set of voluntary best practice principles for designing modern, high-quality retirement income products. Consultation on draft principles to begin in 2025.

- Increased transparency: A new reporting framework on retirement outcomes will be implemented commencing from 2027. APRA will collect and publish data on an annual basis. The design of metrics and process will be informed by Treasury-led consultation from next year.

The FSC will work with Government and members to ensure these principles are fit-for-purpose.

Please contact [Kirsten Samuels](#) if you would like any further information.

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APRA releases review into Governance of Unlisted Asset Valuation and Liquidity Risk Management in Superannuation

In December, APRA released its [review](#) into the governance of unlisted asset valuation and liquidity risk management in superannuation, tracking industry progress since the updates to SPS 530 and SPG 530 commenced in January 2023. The review covered 23 RSE licensees, categorising their practices into three levels:

- Favourable (Green): 3 licensees (31% of FUM, 5.7 million accounts)
- Acceptable (Amber): 12 licensees (48% of FUM, 8.6 million accounts)
- Requires Improvement (Red): 8 licensees (21% of FUM, 4.4 million accounts)

While APRA noted an overall improvement since its 2021 thematic review, it identified several key areas requiring further enhancement:

- Conflicts of Interest Management: Investment staff often had undue influence over valuation processes, weakening governance. Independent valuation committees improved outcomes.
- Revaluation Practices: Many funds lacked proactive revaluation triggers, leaving valuations outdated during periods of volatility.
- Board Oversight: Some boards lacked independent valuation expertise and relied excessively on external managers without adequate scrutiny.
- Liquidity Risk Management: APRA found weaknesses in stress testing, scenario analysis, and contingency planning, particularly among platform funds.

APRA's Next Steps

The FSC has met with APRA's investment governance team following the review and they indicated ongoing supervisory actions, including:

- Letters to funds requiring improvements, sequenced alongside other supervisory activities.

- Fund action plans to address governance issues, incorporated into broader supervision.
- Potential smaller, targeted reviews focusing on specific asset classes, such as private credit.

For more information, please contact [Aidan Johnson](#).

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APRA Releases final response paper for Phase 2 of Superannuation Data Transformation

APRA has released its [final response](#) to Phase Two of the Superannuation Data Transformation (SDT) project, focusing on RSE profile, RSE licensee profile, and investments. The response introduces new and amended reporting standards, expected to be determined in early 2025, with implementation beginning from the December 2025 reporting period.

Key changes to the final reporting standards include:

- Delayed Implementation: Liquidity and Investment Exposure collections are due by 9 February 2026, with other collections due in December 2026.
- Ad-hoc Reporting: Now aligned with quarterly schedules, with financial year-end reports due within three months.
- Directorship Reporting: Limited to positions at period-end, with privacy safeguards introduced.
- Liquidity & Valuation Reporting: Materiality thresholds added; reporting focused on internally managed investments.
- Stress Test Scenarios: "Worst-case" stress test defined, allowing flexibility in trustee methodologies.

The SDT Working Group will continue to meet to address implementation challenges, seek APRA clarifications, and align industry interpretations. Ongoing engagement with APRA remains a priority to ensure practical implementation of the new requirements.

APRA also plans to consult on confidentiality and publication of the newly collected data later in 2025.

For more information, please contact [Aidan Johnson](#).

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Regulations released for legacy retirement product conversions and reserves

In December, the Government made [regulations](#) to allow consumers to exit certain legacy retirement products that are no longer fit-for-purpose and transition to more modern options which better meet their needs.

The Minister announced that social security treatment will not be preserved for those who choose to transition out of their legacy retirement product. However, no debts will arise from the re-assessment of these products' asset values for the period before conversion. The FSC has engaged Treasury on this matter who have said that they are working with the Department of Social Services to issue the required debt waiver instruments to give effect to this announcement.

In January, the ATO held targeted consultation on the need for Public Advice and Guidance regarding commutation values of benefits under the Treasury Laws Amendment (Legacy Retirement Product Commutations and Reserves) Regulations 2024. This follows previous consultations by Treasury and discussions through the Superannuation Industry Stewardship Group Public Advice Feedback Forum.

Consistent with our earlier submission to Treasury, the FSC has encouraged the ATO to issue joint guidance with Services Australia to provide a single source of truth. This is particularly important for older consumers who need to understand how commutation affects eligibility for future pensions and benefits.

Additionally, participant feedback highlighted:

- The need for clarity on interactions with the Transfer Balance Cap.
- Guidance on the treatment of errors in miscalculating total commutation values.

The FSC will continue to engage with the ATO and Treasury to ensure clear and practical guidance is provided to superannuation funds and consumers. We welcome further member feedback on this issue.

For more information, please contact [Aidan Johnson](#) or [James Young](#).

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Senate Economic References Committee Releases Third Interim Report for Inquiry into Consumer Experiences in Superannuation

See update under 'Parliament, Legislation & Regulation'.

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INVESTMENTS

Compensation Scheme of Last Resort – FY26 Levy Announcement

On 30 January 2025, the CSLR operator announced that the scheme's total cost is projected to surge to \$78 million in FY26, with \$70 million attributable to the financial advice sector - far exceeding the subsector cap of \$20 million. The operator also indicated that levies are likely to rise further in FY27 due to additional financial licensee collapses. Furthermore, the CSLR operator has brought the FY27 levies forward, so it is likely that two annual levies and one special levy may be payable within the same 12 months.

For more information, please contact [Jack Morgan](#) or [Julia Hukka](#).

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Compensation Scheme of Last Resort - Review into CSLR

The FSC has successfully called for a Treasury-led review of the CSLR, with submissions due by 28 February 2025. This was the result of the FSC's long-standing advocacy efforts highlighting the scheme's unsustainability.

The terms of reference can be found [here](#).

In order to reduce the ongoing costs of the scheme and place it on a more sustainable footing, the FSC will be providing a submission to Treasury that reiterates our position on scoping the scheme to solely compensate actual losses, rather than hypothetical unrealised capital gains, reducing administrative costs of the scheme and exploring other cost-cutting measures.

The FSC is resisting calls for the inclusion of managed investment schemes, which would exacerbate existing moral hazard issues with the CSLR and reduce the imperative for the government to undertake a more comprehensive overhaul of its structural framework.

As a result of this review, the reporting date for the related Dixon Inquiry has been postponed from March to July 2025.

For more information, please contact [Jack Morgan](#) or [Julia Hukka](#).

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ASIC report on public-private market efficiency

ASIC is consulting on the opportunities and risks emerging from shifts in the dynamics between public and private capital markets.

For private markets, ASIC is interested in the implications of growth in private markets and concerned about their opacity, conflicts, valuation uncertainty, illiquidity and leverage. ASIC is also interested whether consumer protections are adequate.

For public markets, ASIC is interested in ideas for making them a more attractive investment destination.

The FSC will be preparing a submission in consultation with individual working groups, including its Private Markets Working Group.

For more information, to join the Private Markets Working Group (which is presently open to non-members), or get involved in the preparation of the FSC's submission, please contact [Jack Morgan](#).

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Parliament Joint Committee on Corporations and Financial Services: Wholesale investor/client test inquiry

See update under 'Parliament, Legislation & Regulation'.

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Climate-related financial disclosures

The new regime commenced on 1 January 2025, which means many Group 1 reporting entities' first reporting period has now started.

ASIC is in the process of finalising its [draft regulatory guide](#) to the regime. The FSC is advocating a range of changes set out in its [submission](#), notably clarification on entity versus fund level reporting obligations and the breadth of Scope 3 reporting obligations.

Treasury has [consulted](#) on minor, urgent changes concerning voluntary sustainability reports to clarify their assurance requirements and protection under the modified liability regime. The FSC has made a [submission](#).

Treasury is also [consulting](#) on measures to consolidate the Financial Reporting Council, AASB and AUASB, which would entail the likely creation of a permanent technical committee responsible for sustainability standards.

The AUASB recently finalised its assurance standards for climate reporting.

In early January 2025, the Coalition committed to abolish emissions reporting. This followed comparable developments in the USA.

For more information, please contact [Jack Morgan](#).

Sustainable Finance Taxonomy

A final round of consultation on the Sustainable Finance Taxonomy was conducted by the Australian Sustainable Finance Institute, concluding in December 2024.

According to the Sustainable Finance Roadmap, the finalised taxonomy is scheduled for release in mid-2025, combined with a review of initial use cases for regulation and governance arrangements by the government.

For more information, please contact [James Young](#).

Product labelling for sustainable and responsible investments

Treasury consultation on sustainable investment product labels is expected to commence in the first half of 2025, in accordance with the Sustainable Finance Roadmap. The FSC has been advocating for a product labelling regime to give greater certainty to industry when making claims related to ESG objectives that influence the decisions of investment managers.

We are looking to encourage the government to adopt a labelling scheme that allows for a range of investment strategies and is focused on enabling investors to make informed choices in line with their preferences.

For more information, please contact [James Young](#).

Regulatory initiatives grid

Treasury has released the first edition of a [Regulatory Initiatives Grid](#) (RIG). The RIG lists various upcoming consultations and regulatory activities, including the following relevant items:

Q1:

- ASIC Market integrity rules: consultation on updates (Q1 2025 consultation, possible rule changes in Q2, with any rule changes causing updates to the ASIC regulatory guides (RGs 172, 241, 265 and 266) in Q3)
- ACCC/Treasury subordinate merger reform legislation: consultation
- ASIC Competition in clearing and settlement reforms: rules to be created.
- Treasury consultation on sustainable investment product labels.

Q2:

- Treasury new exposure draft of digital asset legislation: consultation

- APRA CPS220 (Risk Management): consultation on possible updates re climate-related financial risk
- ASIC RG168 (Product Disclosure Statements): consultation on updates
- RBA new draft Clearance and Settlement facility resolution guidance: consultation.

Q3:

- ASIC RG183 (Approval of financial services sector codes of conduct): consultation on updates
- ASIC RG181 (Licensing: Managing conflicts): consultation on updates
- ASIC financial market infrastructure guidance: consultation on updates.

Q4:

- ASIC consultation on updates to RG53 (The use of past performance in promotional material) and RG234 (Advertising financial products and services (including credit))
- Treasury post-implementation review of the 2020 Foreign Investment reforms (to be completed by Q4 2025).

For more information, please contact [Jack Morgan](#).

Digital Assets

The FSC is preparing a submission to ASIC in relation to proposed changes to Information Sheet 225 for digital assets such as crypto-currency and tokens. ASIC's proposal may raise questions about the licensing arrangements for AFS licensing issues for existing REs who offer MISs with an exposure to digital assets. It may also erect licensing barriers to platforms offering digital assets in the future and deter the broader adoption of technologies which underly digital assets, such as the use of tokenisation to facilitate transactions.

Separately, Treasury is expected to soon consult on exposure draft legislation for a new licensing regime for digital asset service providers.

For more information, please contact [Jack Morgan](#).

Significant Investor Visa (SIV)

In the 2024-25 Budget, the Government announced the implementation of a new National Innovation Visa (**NIV**) to replace the existing Global Talent and Business Innovation and Investment Program streams (which included the SIV). The new visa aims to target exceptionally talented migrants who will drive growth in sectors of national importance.

In December 2024, regulations came into effect which permanently closed the SIV to new applications while not creating an equivalent stream or visa subclass as part of the new NIV. Importantly, the NIV does not mandate that visa holders invest in Australia.

The FSC is advocating the adoption of a replacement investment visa which is more clearly designed to target mid-career professionals. Through this change, we aim to reduce the politicisation of the issue by seeking out individuals who will clearly add significant economic value over time by actively building businesses and creating opportunities for Australians.

For more information, please contact [Jack Morgan](#).

Beneficial ownership reforms for listed securities

In late 2024, Treasury consulted on exposure draft legislation aiming to enhance the disclosure of beneficial ownership in listed securities. This would help to lay the groundwork for a beneficial ownership register.

In December 2024, the FSC made a [submission](#) focusing on concerns about how the reforms would capture interests in cash-settled equity derivatives and thereby create an unnecessary regulatory burden and has directly engaged Treasury on this matter.

For more information, please contact [Jack Morgan](#).

Foreign investment review of interfunding transactions

Following prolonged FSC advocacy, in late 2024 the Government made regulations to exempt interfunding transactions from Australia's foreign investment review framework.

The FSC will remain engaged with the Government on broader reforms to the Foreign Investment Framework, including through advocacy for an expansion of the forthcoming exemption to apply to passive investing strategies more broadly.

For more information, please contact [Jack Morgan](#).

CHESS replacement release 2 and T+1 settlement

On 20 December 2024 there was a well-publicised CHESS outage which was remedied by the next trading day. The ETF Working Group is considering the issue, particularly options for ETF issuers to seek compensation.

More broadly, the ASX has [indicated](#) that it remains committed to its previously published CHESS replacement sequencing under which release 2 goes live in 2029 and a move to T+1 settlement (if it occurs at all) will occur in 2030 or beyond.

For more information, please contact [Jack Morgan](#).

Operational Due Diligence

The FSC will review its Operational Due Diligence questionnaire template (Guidance Note 37) over the course of 2025, ensuring it remains effective in harmonising and reflecting industry practice. We intend to consult broadly across the funds management membership and the superannuation sector.

The review process will be conducted through the Operational Due Diligence Working Group. We encourage members to nominate staff to participate in the review and update of the industry guidance.

For more information, please contact [James Young](#).

Survey on T+1 settlement in the UK

As part of the UK's journey toward transitioning to T+1 settlement by 11 October 2027 (see their latest report on the [UK Implementation Plan for transition to T+1](#)), the UK Accelerated Settlement Taskforce (AST) is keen to gather industry insights to help shape this significant change and ensure a smooth and successful transition for all market participants.

You are invite to participate in a [survey](#) conducted by the ValueExchange, sponsored by the UK AST, DTCC and Euroclear, and supported by several international industry associations (including ASIFMA), which focuses on key aspects of the transition, including:

- Your current trade processing practices.
- Your plans for adapting to T+1.
- Your expectations and challenges for the UK's accelerated settlement timeline.

This is an opportunity for your voice to be heard and for your input to influence the framework of the UK's T+1 settlement implementation.

The survey should take only approximately 10 minutes to complete. We encourage you to respond by **7 March**, as your insights will be vital for finalising the industry's roadmap. Feedback will play a crucial role in refining the operational recommendations detailed in the UK AST Technical Group's draft report.

You can find the latest information about UK T+1 accelerated settlements on the AST's website: <https://acceleratedsettlement.co.uk>.

For more information, please contact [Jack Morgan](#). If you have any issues with the survey, do not hesitate to contact info@thevalueexchange.co.

FINANCIAL ADVICE

Tranche 2 update

In December, the Minister made a policy decision with respect to Tranche 2 of *Delivering Better Financial Outcomes reforms*. This followed Treasury's confidential consultation on certain policy parameters for changes to modernising the Best Interests Duty and the introduction of the New Class of Adviser (NCA).

The Government's policy principles confirm the NCA is designed to 'provide safe and simple advice to more Australians, such as choosing an insurance policy or basic questions about retirement' as well as committing the Government to a competitively neutral model. That is, the New Class of Adviser can:

- be employed by advice licensees and other APRA regulated entities including superannuation funds; and
- charge one off fees for service or on a collectively charged basis (under a superannuation fund model).

The FSC supports this announcement, which comes after strong advocacy efforts to ensure the model was sector neutral and not limited solely to a collective charging mechanism. However, in order to differentiate between fully qualified professional advisers and the new class of adviser, and ensure appropriate consumer protections, further detail will be required including what limitations will be placed on the advice topics and products NCAs can advise on.

The Government proposes a prohibited list of complex topics and products (a blacklist) in regulations, including setting up a self-managed superannuation fund or advising on

a managed investment scheme. As a baseline the Government has proposed the NCA can advise on products issued by APRA regulated entities only.

Other features confirmed by Government include that NCAs can only advise existing clients/customers or new clients if the client initiates the contact, and NCAs will be qualified to a diploma (AQF5) level. The Government has also confirmed its commitment to a number of the reforms already announced including: modernising the best interests duty by providing legal clarity to allow advice on limited scope issues and removing the safe harbour steps; reforming statements of advice; clarifying the rules on what topics can be paid for through super; and allowing super funds to provide 'nudges' to drive greater member engagement at key life stages.

The FSC expects exposure draft legislation to implement Tranche 2 to be released prior to the election, however, given the timing of the Federal Election is expected to be in the next few months, the ability for a package to be legislated in the time available before the election is extremely narrow. Nonetheless, this announcement provides the basis for ongoing Labor policy. The FSC is advocating that whichever party forms the next Government should continue to prioritise advice reform in the next parliament.

For more information, please contact [Harvey Russell](#) or [Julia Hukka](#).

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Dataset Education standards reform

On 10 February, the Government issued a [media release](#) announcing its intention to reform financial advice education standards. The key changes announced included:

- Expanding recognition of degrees to any AQF7 qualification: The current standards require entrants to the profession to undertake an approved degree outlined in the determination. The proposed change is that any higher education degree would be acceptable, given that relevant units are completed (four of which are prescribed). This will also make it a lot easier for career changers already working in the financial services industry to become financial advisers.
- Prescribing four units of study: Under the new model, the following units will be compulsory at an AQF7+ level: 1) ethics and professionalism 2) regulatory and legal obligations, 3) behavioural finance, and; 4) financial advice fundamentals.
- Creating the education pathway for the new class of adviser to become relevant providers: Government has already indicated that education requirements for an NCA will be situated at an AQF5 level. This latest media release indicates that education standards reform will be accompanied by the introduction of an education pathway for the NCA to become a relevant provider.

The Government does not intend to make changes to the Financial Adviser Exam or Professional Year requirements at this stage.

Treasury has also released a [fact sheet](#) about the proposed reforms.

The FSC supports this direction of travel, which comes after industry-wide advocacy to make the education requirements more flexible. However, further details will need to be worked through.

For more information, please contact [Julia Hukka](#) or [Harvey Russell](#).

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Consultation on Draft ATO Practical Compliance Guideline

On 15 January, the ATO released its Draft Practical Compliance Guideline: ‘Fees for personal advice paid from member accounts – calculating the deduction and PAYG withholding obligations for superannuation funds’ for consultation. The FSC was engaged by the ATO late last year on a confidential draft where we provided detailed feedback which has largely been addressed and will significantly streamline compliance efforts for superannuation funds. The draft PCG has substantially changed from the earlier version with changes including:

- the removal of prescriptive advice sampling processes (including a high tolerance level requirement);
- clarification of the scope of the ‘account-based method’; and
- further explanation for the treatment of pay as you go prior to the 2019-20 financial year.

The FSC has largely welcomed these changes but will provide further comments in a submission to the current public consultation.

For more information, please contact [Harvey Russell](#) or [Julia Hukka](#).

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New fee consent requirements in place

From 10 January 2025, the changes to fee consent introduced by Schedule 1 of the *Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Act 2024* commenced.

The changes remove the requirement to provide a fee disclosure statement, introduces flexibility in anniversary date timing for ongoing fee arrangements, amends the mandatory content for ongoing fee consents and replaces ASIC ability to prescribe this content with Ministerial ability.

In November ASIC has released information sheets on the new provisions for ongoing fee arrangements ([INFO286](#)) and non-ongoing fee arrangements ([INFO287](#)).

For more information, please contact [Harvey Russell](#) or [Julia Hukka](#).

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TECHNOLOGY AND INNOVATION

Scam Prevention Framework Legislation Passes Parliament

See update under 'Parliament, Legislation & Regulation'.

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ASIC asks Trustees to improve Scam Mitigation procedures

ASIC recently wrote to Superannuation Trustees asking that they further uplift their scam mitigation tactics.

The letter asks that Trustees;

- conduct a preliminary assessment of your anti-scam and anti-fraud measures – including for services provided by external administrators – to identify any areas for improvement
- read REP 761 on scam prevention, detection and response by the four major banks and REP 790 on anti-scam practices of banks outside the four major banks, and address the baseline measures that are set out, in addition to the areas of risk and weakness identified in this letter
- consider whether it is appropriate to allocate the scam (and fraud) management key function to an accountable persons under the incoming Financial Accountability Regime, and
- leverage industry bodies and bilateral relationships to share information and promote improvements across the industry.

The letter can be viewed [here](#).

For more information, please contact [Kirsten Samuels](#).

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LEGAL, TAX AND CROSS-PORTFOLIO

Deregulation and regulatory simplification agenda

The FSC is undertaking a stream of work to identify unnecessary ‘red tape’ adversely impacting financial services businesses. This builds on the FSC’s call as part of its 2025 Election Policy Priorities for Government to establish a red tape razor gang responsible for slashing inefficient regulation.

This work is relatively targeted to avoid overlap/doubling up with what the FSC is already working on and accordingly is limited to *existing* provisions in the law, regulation, regulatory guidance and approaches to supervision and enforcement of current law, where in any given case:

- cost to industry is outweighed by the burden of complying, having no apparent benefit to consumers and where breach does not result in consumer harm; and/or
- involves regulatory duplication; and/or
- ambiguity creates regulatory uncertainty and therefore cost to industry; and/or
- cost to industry is outweighed by the opportunity cost due to a reduction in investment activity; and/or
- regulator is inappropriately interpreting or administering the law in a way that does not lead to better consumer outcomes and adds unnecessary burden to industry.

Examples of the types of issues the FSC is considering include:

- Breach reporting/reportable situations - minor breaches which do not result in financial loss or damage to the client should be exempted from the breach reporting regime.
- Design and distribution obligations – narrow the definition of “retail product distribution conduct” which the DDO regulates so that it does not include the mere giving of a PDS as this arguably serves no clear consumer benefit and discourages disclosure.

The FSC secretariat is reaching out to relevant working groups to invite members to provide further feedback. The FSC suggests members consult with their legal and compliance teams who are close to this work on a day-to-day basis. Based on the feedback received from members via individual working groups, the FSC will assess whether a dedicated new working group should be established to take forward this initiative.

For more information, please contact [Ashley Davies](#).

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Reportable situations (breach reporting)

ASIC announced that they are inviting feedback on a proposal to provide additional relief under the reportable situations regime. ASIC proposes relief from reporting certain breaches of the misleading and deceptive conduct (MDC) provisions and certain contraventions of civil penalty provisions (CPPs).

They propose to provide relief from reporting breaches of the MDC provisions and CPPs when:

- the breach has been rectified within 30 days from when it first occurred (this includes paying any necessary remediation), and
- the number of impacted consumers does not exceed five, and
- the total financial loss or damage to all impacted consumers resulting from the breach does not exceed \$500 (including where the loss has been remediated), and
- the breach is not a contravention of the client money reporting rules and clearing and settlement rules.

The FSC is discussing with members the proposed scope of the relief with a view to making a submission to ASIC.

For more information, please contact [Ashley Davies](#).

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Anti-Money Laundering and Counter-Terrorism Financing

Anti-Money Laundering and Counter-Terrorism Financing Amendment Act

On 29 November 2024, Parliament passed the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill*, amending the AML/CTF Act 2006. The new laws reform Australia's AML/CTF regime to make it more effective and fully compliant with international standards.

As a next step, AUSTRAC is now updating the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1), (**Rules**). The Rules provide detailed information in relation to specific requirements under the AML/CTF Act. A Future Laws Compilation of the AML/CTF Act containing the amendments within the existing AML/CTF Act 2006 has also recently been made available by AUSTRAC which should be read in conjunction with the updated Rules.

The new Rules are intended to provide current and future reporting entities with more detail on their AML/CTF obligations, allow them greater flexibility in how they meet their

obligations, reduce regulatory impacts and support them to better detect and prevent financial crime.

The draft Rules cover among other matters:

- AML/CTF programs
- reporting groups (formerly ‘designated business groups’)
- customer due diligence
- travel rule
- compliance reports
- keep open notices (formerly ‘Chapter 75 notices’)
- correspondent banking relationships.

The FSC filed a submission on the new Rules and a submission on an urgent basis in respect of the new draft Guidance to accompany the revised tipping-off offence under the AML/CTF Act. The submissions touch on areas where there remains uncertainty as to the extent of the requirements, particularly around due diligence requirements.

The FSC and is now working with AUSTRAC and members on further Guidance to be published in connection with the new Rules. In addition, AUSTRAC will in due course publish a second set of draft Rules covering exemptions from the AML/CTF Act.

The FSC and members are regularly meeting with AUSTRAC to discuss industry concerns and provide feedback to AUSTRAC.

For more information, please contact [Ashley Davies](#).

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Privacy reform

The *Privacy and Other Legislation Amendment Act 2024* (the Privacy Act) was passed at the end of November 2024.

The legislation represents a first tranche of reforms to the *Privacy Act 1988* to implement some of the proposals that were agreed by the Government in its September 2023 Response to the Privacy Act Review.

Given that many of the proposals contained in the Privacy Act Review have not been included in the Act (for example, including a right to erasure similar to that contained in European law, greater restrictions on targeted and direct marketing, and increased prescription for the content of privacy policies and collection notices) it remains to be

seen if and when future draft legislation will address these issues - it is not expected during the current term of Parliament.

For more information, please contact [Ashley Davies](#).

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Design and distribution obligations

The FSC has completed its consequential changes to the FSC suite of target market determination templates (TMDs) to address the new guidance contained in revised RG 794 as well as ASIC Report 795 *Design and distribution obligations: Compliance with the reasonable steps obligation*, which were both released by ASIC in September.

The new TMDs have now been published on the FSC website, see: [Resources - Financial Services Council](#).

In addition, at the end of January the Federal Court ordered Firstmac Limited to pay \$8 million in penalties for failing to meet its design and distribution obligations (DDO).

See: [25-003MR Firstmac ordered to pay \\$8 million in penalties for failing to comply with its design and distribution obligations | ASIC](#)

In ASIC's first civil penalty action against a distributor involving DDO breaches, the Court found Firstmac contravened section 994E(3) of the Corporations Act when it failed to take reasonable steps that would have resulted in, or would have been reasonably likely to have resulted in, distribution of its High Livez investment product to term deposit holders being consistent with its target market determination.

The FSC has been discussing the ramifications of this case with members.

For more information, please contact [Ashley Davies](#).

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Financial Accountability Regime (FAR)

APRA and ASIC continue with their series of webinars and information drop-in sessions on superannuation, general insurance and life insurance.

Recently, insurance and superannuation entities were able to attend FAR drop-in sessions on registering accountable persons. The drop-in sessions provided a walkthrough of the APRA Connect 'Financial Accountability Regime – Registration' form and were targeted at individuals who are assigned the APRA Connect 'FAR Administrator' role. The form must be submitted between 13 – 22 February 2025 for each identified accountable person of the accountable entity and its significant related entities to ensure that all accountable

persons are registered by the FAR commencement date of 15 March 2025.

The FSC convenes the FAR Working Group on an ad hoc basis to discuss implementation practicalities.

For more information, please contact [Ashley Davies](#).

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Derivatives

The Derivatives working group continues to meet on an ad hoc basis to discuss implementation of the ASIC Derivative Transaction Rules (Reporting) 2024 (2024 Rules) and any issues arising pursuant to Regulatory Guide 251 Derivative transaction reporting (RG 251), as well as the accompanying technical guidance.

For more information, please contact [Ashley Davies](#).

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No action letters

ASIC has released updated regulatory guides Regulatory Guide 51 Applications for relief (RG 51) and Regulatory Guide 108 No-action letters (RG 108) following their consultation on these RGs last year.

Some of the changes made by ASIC:

- updated RG 108 to include a reference to relevant content in RG 51 to consider when making a request for a no-action letter
- updated RG 51 to include a reference that an applicant may have a right to seek review of ASIC's decision to the Administrative Review Tribunal
- updated RG 51 to remove the proposed reference in Table 2 that a cost and benefit analysis needed to accompany an application.

For more information, please contact [Ashley Davies](#).

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Unit pricing

The FSC continues to update the FSC Unit Pricing Training Manual and accompanying online assessment facility to reflect changes in law, regulation and market practice

For more information, please contact [Ashley Davies](#).

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Global and Domestic Minimum Tax

Legislation to implement Pillar Two of the international agreement for a minimum global and domestic corporate tax rate has been passed by Parliament and received assent in December 2024.

Based on the OECD Global Anti-Base Erosion (GloBE) Model Rules, the framework establishes a 15 per cent minimum rate of tax globally and in each jurisdiction for multinational entities with global revenue greater than €750 million for fiscal years commencing after 1 January 2024.

Despite the passage of this legislation, there is a degree of uncertainty on the potential effectiveness of the global agreement following the decision by President Trump to withdraw the United States from the framework. The FSC will continue to monitor international developments and potential implications for Australian tax policy over time.

For more information, please contact [James Young](#).

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Public Country-by-Country Reporting (CbCR)

Parliament passed legislation implementing an Australian public CbCR regime in November 2024. The FSC has been providing feedback to the ATO on draft guidance relating to exemptions from the CbCR regime in advance of public consultation expected early this year.

The FSC remains closely engaged with the ATO on the exemption guidance ahead of the formal public consultation period.

For more information, please contact [James Young](#).