AVCAL
Australian Private Equity &
Venture Capital Association Limited

05 December 2013

Response to draft Terms of Reference

The Australian Private Equity and Venture Capital Association Limited (AVCAL) welcomes the opportunity to provide comments in response to the release by the Government of the draft terms of reference for the proposed Financial System Inquiry.

A review to modernise and strengthen Australia's financial system is critical to our nation's future prosperity. In Australia as well as globally, the financial services sector has witnessed a considerable amount of change over recent years, and it is timely that we take an opportunity as part of this inquiry to focus on how best we can position Australia to be a more globally competitive and innovative nation over the next decade and beyond. A key element of the work that needs to be undertaken as part of this inquiry is to examine the frameworks that underpin how capital is allocated across listed and non-listed business entities, because those factors will have a significant bearing on the strength of our economy in the future.

The draft terms of reference appear to have been drafted with an expectation that there will be a broad range of issues that can, and should, be canvassed as part of the inquiry. In helping to sharpen the focus of the inquiry's work programme, especially during the first few weeks and months of the consultation phase, AVCAL believes it would be useful to consider some key points of reference for where the most significant and impactful of the policy and regulatory issues within the financial services sector might fall. Identifying the main points of reference could potentially be achieved through the carrying-out of structured 'focus group'-type discussions across a broad range of business, industry and consumer groups across Australia. Adopting such an approach will, in our view, help to identify the focus the inquiry's work given that the overall timeframes for the preparation of a draft and final report back to the government will be tight.

In AVCAL's view, it will be important for the scope of work of the inquiry that adequate discussion and consultation can occur in relation to role of Australia's superannuation industry in helping to build a stronger and more prosperous economy in the future. Millions of Australians depend on the investment decisions of institutional investors such as superannuation funds to safeguard their retirement savings. In our view, the combination of short-term performance pressures and increasing regulation has – although unintended – resulted in outcomes whereby funds have been invested in a manner that does not always deliver maximum value for members (investors).

Also, these pressures can often stymie the efficient allocation of capital to where it is most needed. There is an opportunity as part of this review, therefore, to set out a clear roadmap that helps to address any real or perceived policy barriers and excessive regulatory and compliance burdens that stand in the way of superannuation funds delivering on their core purpose of optimising their members' investment returns.

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AVCAL very much looks forward to participating in the Financial System Inquiry throughout 2014. If there is any way we can assist in facilitating discussion with members or other stakeholders as part of this inquiry, please do not hesitate to contact me on 02 8243 7000.

Yours Sincerely

Yasser El-Ansary
Chief Executive
AVCAL