Financial Services Royal Commission
Re. Interim Report

Dear Commission

Thank you for the opportunity to comment on the interim report and for not holding back on publicising the "guts" of commission thinking - it is honorable.

I would like to share something that happened to me in 2013 that, however, doesn't fit into the commission's view of financial services.

In the aftermath of the GFC in 2010, stock valuations were such that yields were up to 20%, and margin loans overseas were as cheap as 3%. Greedily and with no family to support or worry about, I loaded up on high yield stocks appropriate to the level of risk I was comfortable to take on. I did not need a licensed financial planner to give me useless advice, and I was using a US-based broker [redacted] to do it. I was, therefore, not blocked by the intense regulation required of Australian financial services firms. For comparison, the same margin loan in Australia costs more than twice as much (approx 7%), a difference due almost entirely to differences in the regulation affecting the cost of providing the service.

Then the joke happened. [redacted] managed to get itself involved. According to [redacted] had "illegally" lent me the money at 3% and they were required to return the interest payments to me - almost $20,000 worth. I had made a fortune already from those investments and the yields alone covered the interest cost by a factor of more than 2. Even if, say, the GFC had re-intensified, and I was margin called, and all the money had been lost, there is no earthly rationale for me being refunded that interest.

It is just bizarre and failure of the effect of the Acts to consider that the 3% interest rate product sold to me, apparently did not satisfy the definition of a "reasonably" suitable financial product within presumed meaning of the NCCP Act, while apparently a credit card charging 19% does. Where is the sanity? How is it rational?

Needless to say the penalty was a hit for [redacted]. In response they stopped offering services to Australian clients and sent a letter advising clients to liquidate or go to local margin lenders charging almost three times the interest rate (or twice the interest rate, adjusting for differences in the benchmark rate of different currencies). At this point I made the decision any sensible participant in the market economy would make - move to Hong Kong or Singapore. I chose Hong Kong saying bye Australian economy (although at my own volition I no longer hold a margin loan).

From this experience it's bizarre if not tunnel-visioned to be arguing that the regulators have been too weak. The [redacted] action was a distinctly zealous interpretation of the law by [redacted] and a joke of characteristically Australian over-regulation which feeds into the self-perpetuating cultural expectation that there should be no such thing as personal responsibility. With the local financial services firms specialised in how to hold onto their license as opposed to being even

remotely efficient businesses, gone is any hope of having globally competitive financial services companies.

This is a point I can personally attest to. I have worked for over 10 years as an independent contractor in the technology space for various financial services firms. Contrary to the assertions of the interim report that these firms are cesspits of salespeople, I, like 76%* of employees working for financial services companies, do not service the front line and am not in a role where it is relevant to be bonussed by sales. However, in terms of actually getting anything done, most of it is bouncing back and forth trying to satisfy what is often impossible to satisfy regulation - for example - we have to verify some information on our customer. Updates to the Privacy Act mean the intermediate information to do that cannot be legally made available. So we can't verify our customer. So we have literally thousands of people employed not doing much other than talking about the great things they would like to be able to do for our customers - while we are not actually able to do anything due to the regulations. It is simply frustrating. To assert that "too hard" means "too expensive" as the commission has done is cynical and incorrect - it's not profit - these firms have more money than Donald Duck *if they can get something done* - but in the regulatory environment these firms more often than not cannot get anything done. On the occasion that they can, they are swimming in cash and the mega truckloads they spent often isn't even a material consideration.

Business should be about operating efficiently to deliver value to customers; instead, Australian financial services firms are hamstrung and have limited breadth and depth of value that they can offer customers, with a high overhead in trying to achieve compliance. Surely, such factors must be taken into account when interpreting ambiguous matters of law such as where the word "reasonable" appears in legislation.

It is not clear that the commission has considered any such matters. In a search of the 347 pages of the interim report for "economy" the only matches are in the context of paraphrasing the letters patent. One wonders if the commission has performed its directive to consider "economic" impact.

A cynic may posit that this is because in trying to squeeze in as many "case studies" (read: sob stories) as possible, it has left no time to actually perform any big picture consideration, and that counsel assisting has become over-invested in these case studies and blinkered by them. It is said the former president Bush interviewed all 5000 families having victims in the September 11 terrorist attacks, before deciding to go to war.

There is a bigger picture and there are the terms of reference. Cruel though it may be to the case studies, the big picture is what should and must be front and center.

Thankyou, Simon

(note, I'm politically left-wing; the views expressed in this note though they may seem right-wing are in fact a result of personal experience in specific areas)