

14 September 2017

Competition in Australia's Financial System Inquiry
Productivity Commission
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Canberra City ACT 2601

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Submission: Productivity Commission- Competition in the Australian Financial System

Thank you for the opportunity to make a submission to the Productivity Commissions (the Commission) inquiry.

About Dixon Advisory

Dixon Advisory assists more than 20,000 families with their superannuation decisions including over 8,000 SMSF trustees, with a combined asset base of \$6 billion for which Dixon Advisory provides a complete administration service. Dixon Advisory estimates that this makes it the fourth largest administrator in the \$600 billion SMSF market. Dixon Advisory employs more than 350 people in its 5 offices: Sydney, Melbourne, Canberra, Brisbane and New York (USA).

SMSF's are an important sector in the superannuation industry. In the five years to 2014-15 the number of SMSFs increased by 27 per cent to 557,000¹, with total assets worth \$590 billion. The latest ATO SMSF statistical report for March 2017, outlined that the total value of SMSF assets is \$674.7 billion², with the member base of SMSFs totaling over 1.1 million members³.

Significant and ongoing reviews

The Financial System faces significant ongoing regulatory reforms and the introduction of new consumer standards and protections. It will nevertheless take some time for these reforms to fully crystallise in system and consumer outcomes. The Productivity Commission should, as part of its assessment, consider the wide array of the existing reforms that are underway and consider what their ultimate impacts are before making further recommendations and conclusions. Such an approach will assist the Commission in formulating views that are holistic and proactive.

¹ Australian Taxation Office, 2015, 'ATO releases latest SMSF statistics', viewed on 14 September 2017

<<https://www.ato.gov.au/media-centre/media-releases/ato-releases-latest-smsf-statistics/>>

² ATO, SMSF statistical report- March 2017, viewed 14 September 2017 <<https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/News/SMSF-statistical-report---March-2017/>>

³ Above n2.

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Further, the Commission should also carefully consider how the Inquiry's final recommendations and conclusions fit into the full spectrum of the ongoing reforms. The introduction of any new standards or legislation must be synchronised and consistent with current and proposed legislative frameworks in order to avoid convoluting the process and creating legislative and regulatory complexities within the system.

Barriers of entry

Competition in the Australian advice and investment market is vital to addressing the diverse needs of retirees and consumers. For small and medium size businesses, ongoing reforms and standards usually increase barriers of entry and limit the opportunity for these businesses to expend on proactive innovative practices and staff development. Rather, their capacity is focused on a reactive engagement to meet the regulatory thresholds, which in turn ultimately restricts competition in the sector. As noted above, ensuring new recommendations are synchronised with current reforms will assist in alleviating some of these issues.

Technology neutral reforms

Any recommendations or conclusions resulting from the inquiry should be technology neutral. Such an approach will drive operational efficiency and reduce costs, as well as allow participants to deploy their resources towards system innovation and staff development; efforts that increase overall competitiveness and efficiency within the system.

Should you have any questions please do not hesitate to contact me directly

Kind regards,

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