**Laws and regulations**

**Understand**

**1 Complete the statements in your notebook by selecting the correct words from the list below.**

(a) *ASIC* has the function of monitoring the financial services industry.

(b) A key change in the *FSR* Act is the requirement for *product* disclosure.

(c) All financial organisations and financial *advisers* need to be *licensed*.

(d) A *product disclosure* statement must be given to a consumer before she or he makes a final agreement.

(e) Consumers must be informed of the *risk* involved with any investment advice or product and the level of *fees* to be charged.

(f) Consumers should contact the NSW office of *Fair* Trading to complain about a possible breach of theConsumer Credit *Code*.

**2 What is the name of the Act that reformed the financial services industry?**

The *Financial Services Reform Act (FSRA) 2001* reformed the financial services industry.

**3 Briefly outline the role of ASIC.**

ASIC’s role is to monitor the financial services industry and the provision of investment advice, and to give consumer protection in financial services.

**4 (a) What do the letters PDS represent?**

**(b) What information is contained in a PDS?**

(a) PDS stands for product disclosure statement.

(b) The PDS contains information about the risks, fees to be charged, a full description of the product, and tax information.

**5 Outline the main roles of the Consumer Credit Code.**

The main roles of the Consumer Credit Code are:

• to standardise credit transactions and practices across Australia

• to ensure that credit information is presented in a clear and easy format

• to require credit providers to truthfully disclose information regarding credit agreements

• to protect consumers if they get into difficulty with their credit.

**Think**

**6 In small groups, brainstorm these questions:**

**(a) Why was a new law dealing with financial information and advice needed?**

**(b) What are the benefits of the FSRA to consumers?**

The following points could be considered in the discussion:

(a) Financial institutions may have failed to provide certain information in order to make their offer sound more appealing.

Without consequences for their actions, financial institutions could use unethical practices to persuade people to sign contracts. Without licensing, there would be no minimum standards of conduct for advisers. Many people are not well informed about the questions they need to ask when asking a financial institution for advice.

(b) The main benefit of the FSRA for consumers is that they know that they will be provided with all the information they need when deciding what product to choose.