



## Media Release

### Industry to Assess Draft Law on Margin Lending

7 May 2009

The Australian Financial Markets Association (AFMA) supports the Government's policy objectives in introducing new national laws to regulate margin lending under a single, national regime. Margin lending regulation that is implemented in keeping with the established principles of Better Regulation will provide a greater level of consumer protection to retail investors and assist margin loan providers by establishing minimum standards and promoting investor confidence in the market.

AFMA's members involved in the margin loan market aim to operate to a high standard and service their clients in an efficient and responsible manner. This necessarily includes procedures that support effective disclosure, proper margin call notification procedures and good lending practices. Hence, our interest primarily lies in the technical design of the law and the practical issues that it may present to lenders and their clients when it becomes operational. AFMA will work with its members over the coming weeks to assess the exposure draft legislation and consider whether it is sufficiently certain, cost effective and efficient in meeting its objectives.

In this context, we will also consider practical implementation issues, like systems changes, revisions to documentation and staff training, needed to implement the proposed reform. We note that the suggested transition period is likely to present significant challenges and greater flexibility may be required in this area.

More generally, AFMA encourages the Government to take a consistent whole of government approach to the treatment of retail investors who participate in our capital markets. Margin lending regulation is intended to help retail investors to manage their market risk exposure in an informed and secure manner. However, the change to the taxation of capital protected borrowing announced in last year's federal Budget is inconsistent with this approach, as it unfairly penalises investors who seek to limit their market risk by purchasing capital protection on their geared investments. The Government should seek to address this tax anomaly in conjunction with the regulatory changes announced today.

#### Notes for Editors:

1. Australian Financial Markets Association (AFMA)

AFMA represents participants in Australia's wholesale banking and financial markets. AFMA's members include the major providers of margin loans and capital protected products in the Australian market.

2. Contact details for further information

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