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Consultation Draft of the Corporations Amendment Regulations 2011 First Home Saver Account and Statements

Dear Mr Mikula

ANZ is pleased to provide a submission on the Consultation Draft of the Corporations Amendment Regulations 2011 – First Home Saver Account (FSHA) and Statements.

Current Notification

FHSA providers are currently required to include messaging on FHSA statements which includes the following information:

- Financial years in which the annual contribution has been met (excludes current financial year)
- Customer contributions made in the current financial year
- Customer contributions made in last financial year
- Total Government contributions over the life of the account

Proposed Notification

Regulation 7.9.74 (2) of the *Corporations Regulations 2011* proposes that, where that holder of a FHSA has not acquired a qualifying interest in a dwelling at the time a periodic statement is issued, the periodic statement must include the number of financial years remaining that the holder must continue to make personal contributions. Alternatively, where the number of financial years left to make contributions is zero, the account holder must be notified that they may apply for payment out of the account.

Under the proposed subregulation 7.9.74 (3), where the holder of an FHSA has already acquired a qualified interest in a dwelling at the time the periodic statement is provided, the periodic statement must include the number of financial years remaining during

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which the account holder will be deemed to be making personal contributions before they are eligible to apply for payment out of the account.

<u>Implementation of Proposed Notification Requirements</u>

While it may be Treasury's intention to clarify that, where a property has been purchased, it would be incorrect to state that customers are required to make further contributions for a certain number of years, there are practical issues with complying with the proposed requirements.

Technology changes required for altering the periodic statement

Significant technology changes would be required to modify the information which currently appears on a periodic statement to that which would be required under proposed regulation 7.9.74. The cost of these changes would be disproportionate to the relatively small number of customers (less than 6,000) who hold FHSAs with ANZ.

When considered in conjunction with the costs of implementing other Government reform initiatives, the impact is even more significant. Within the context of the changes required to implement other reforms, ANZ's position is that it would be difficult to meet a six month implementation timeframe.

Knowledge of property ownership

There is a legal obligation on the holder of a FHSA to notify their FHSA provider within 30 days if they are no longer eligible to hold the account (including because they have purchased a property). However, it is not always the case that an account holder notifies ANZ that they have purchased a property.

In addition, an FHSA provider will not always be able to ascertain that the account holder has acquired a qualified interest in a dwelling because the acquired dwelling may not be mortgaged or the mortgage is not obtained from the FHSA provider.

Therefore, the requirement to tailor the notification to the account holder dependant on whether they have or have not acquired a qualifying interest in a dwelling may not result in the account holder receiving information relevant to their circumstances.

Even where the holder of a FHSA has notified ANZ of a property purchase, issues still arise with implementing notification tailored to the account holder's circumstances. Current systems work off a parameter that calculates the dollar amount of deposits by the holder of a FHSA during the fiscal year. This determines the number of qualifying years in which the annual contribution has been met.

Where a customer notifies ANZ of a property purchase, a 'hard hold' is placed on the account to prevent further deposits (and withdrawals if the four year requirement has not been met).

In order to implement the notification required under the proposed subregulation 7.9.74 (3) technology changes, again at a cost which would be disproportionate to the number of account holders, would be required so as to correctly 'flag' when the customer is 'deemed' to have made personal contributions, even with no actual deposits.

<u>Alternative Proposal</u>

ANZ submits that a more feasible means by which the intent of the proposed regulation could be met is for the regulation to allow for:

1. Retention of the number of "financial years in which the annual contribution has been met (excludes current financial year)" on the periodic statement;

2. Generic information, rather than customer specific information, to be provided about the significance of the number of "financial years in which the annual contribution has been met"; and

3. The information to be provided "together with the periodic statement" rather than on the periodic statement itself.

This would allow FHSA providers to give the information by way of a statement insert, in conjunction with the information currently provided on the account statement. ANZ considers that this is a more feasible solution within the prescribed timeframe, which would not require significant technology changes and expenditure to both the account statement and the system parameters. A statement insert also provides flexibility in allowing changes to the information to be made quickly and at minimal expense.

While ANZ does not endorse a prescriptive approach being taken to the information which would be required, under our suggested approach a FHSA provider might provide information as follows:

> Under the FHSA scheme you are required to deposit at least $1,000 a year in four separate financial years (they do not need to be in a row) to your account before you are eligible to access the funds.
>
> The number of financial years in which you have met the annual contribution is shown on your statement. If this number is **less than four** and:
>
> **1. You have not purchased a property**
> You must continue to make personal contributions to your FHSA until you have met the annual contribution requirement of a minimum of $1,000 in four financial years.
>
> **2. You have purchased a property and notified us of this**
> You will be deemed to be making personal contributions for the remaining balance of four years. For example:
> - Financial year 2009/10 - You deposited a minimum of $1,000. This is counted as year 1
> - Financial year 2010/11 - You deposited a minimum of $1,000. This is counted as year 2
> - Financial year 2011/12 - You bought a house. This is counted as year 3.
> - Financial year 2012/13 - Will be deemed to be year 4 and you will not be eligible to access your funds until the conclusion of that year.
>
> If the number of financial years in which the annual contribution has been met is **four** you may apply for payment out of the account.

In our view, this approach would meet the regulatory intent without being a significant impost on FHSA providers.

ANZ would be pleased to provide any further information on this submission. I can be contacted on (03) 8654 3459 or Michael.Johnston2@anz.com.

Yours sincerely

Michael Johnston
Head of Government & Regulatory Affairs