



Commercial Asset Finance Brokers Association of Australia Limited

ABN 32 129 490 133

National Professional Body of the Equipment Finance Industry

CAFBA Newsletter – August 2010

Welcome to the August 2010 CAFBA newsletter. This newsletter will be available on the website and we welcome your feedback. Members are welcome to contribute articles and offer ideas.

Release from Treasury Dept of Phase Two Green Paper – National Credit Reforms

The 7th of July saw the release of the Green Paper on Phase Two of COAG National Credit Reforms.

The Green Paper set out key issues for consideration, including, and of particular interest to CAFBA the possible regulation of credit to small business;

The green paper is available to read at <http://www.treasury.gov.au/consumercredit/content/publications.asp>

CAFBA has provided a submission to Treasury department in response to the Green Paper. CAFBA's position is that there has been no demonstrated market failure in the supply of credit to small business by the commercial finance broking community, and therefore there is no basis for legislation in this market sector.

CAFBA's submission also clearly highlighted that CAFBA's membership consists of small businesses, and so we are therefore an industry group ideally placed to understand the needs of the small business community when it comes to sourcing finance.

To view CAFBA's response to the Phase Two Green Paper please access the member's only page of www.cafba.com.au

CAFBA will continue to lobby on this issue and will keep members informed on this very important topic.

Recent lobbying was undertaken by CAFBA President David Gandolfo, who recently attended dinner with Shadow Treasurer, Joe Hockey – one week prior to the election. David explained that the proposed regulation of credit to small business would only serve to further restrict the supply of credit to a market sector that has already seen access to credit severely impacted since the GFC.

At the time of writing an election result is unknown, however CAFBA will continue to lobby on this issue and looks forward to support from all CAFBA members on this important topic.

NATIONAL CONSUMER CREDIT PROTECTION REGULATION: CREDIT REPRESENTATIVES

CAFBA has recently had a large number of enquiries regarding the NCCP and credit representatives. The two frequently asked questions are:

Q. I only write commercial equipment finance transactions – do I need to be an authorised representative of a credit licensee?

A. *If you do not hold your own credit licence then you only need to be an authorised credit representative for the purpose of dealing with consumer credit. Consumer credit is defined as:

- (a) the debtor is a natural person or a strata corporation; and
- (b) the credit provided or intended to be provided wholly or predominantly:
 - (i) for personal, domestic or household purposes; or
 - (ii) to purchase, renovate or improve residential property for investment purposes;

Q. I am employed /I am a director in a finance broking firm that has registered for/has received a credit licence – do I need to be an authorised credit representative registered with ASIC?

A. *The employees and directors of a registered person or credit licensee do not need to be formally authorised. They can act as representatives of the registered person or licensee without a specific authorisation.

CAFBA has sourced this information from www.asic.gov.au/credit

ASIC has many fact sheets and bulletins for credit representatives and you are encouraged to visit their website for detailed information on this topic.

EDUCATION

CAFBA will be reviewing its existing training curriculum to align with both Australian Credit Licensing (ACL) as well as industry skill based programs.

It is a requirement for holders of an ACL to meet a minimum education standard, which will generally be a Certificate IV in Financial Services – as well as conducting 20 hours per annum of additional industry training. Holders of an ACL have until June 2014 to meet the minimum requirement. CAFBA is currently conducting a pilot of a Certificate IV course with providers AAMC that is based around a Recognition of Prior Learning (RPL) program.

The first pilot was held on 21st July, with 8 brokers attending. The aim of RPL is to allow brokers with the necessary skills the ability to demonstrate their understanding, rather than fully completing a Certificate IV program, which may take up to 3 days and cost in excess of \$1,000.00. Once the initial participants complete the program we will evaluate the best way to implement across CAFBA members.

For any queries in relation to CAFBA's education program please contact Mark Rayson on 0420 949 233.

GENERAL enquiries:

Please contact Raylene Carr

Phone: 1300 022 322

email: secretariat@cafba.com.au

ASSOCIATE membership enquiries:

Please contact Raylene Carr

Phone: 1300 022 322

email: secretariat@cafba.com.au

NEW membership enquiries:

Please contact Julie Reid

Phone: 1300 022 322

email: info@cafba.com.au

AFFILIATE membership enquiries:

Please contact Julie Reid

Phone: 1300 022 322

email: info@cafba.com.au

SHOULD YOU BE A MEMBER OF AN EXTERNAL DISPUTE RESOLUTION SCHEME?

CAFBA members who will be applying for a credit licence with ASIC will need to become a member of an external dispute resolution (EDR) scheme.

An EDR provides an independent and impartial dispute resolution service as an alternative to legal proceedings for resolving complaints with members.

Currently ASIC accepts membership of only two EDR schemes:

Credit Ombudsman Service COSL www.cosl.com.au
or
Financial Ombudsman Service FOS www.fos.org.au

Both EDR schemes can accept claims from consumers and small business. Definitions of consumers and small business are as follows; (information sourced from websites of FOS and COSL.)

"Consumer" means an individual or individuals (whether acting as a trustee or otherwise), a partnership comprising individuals or a Small Business, but does not include:

- (a) an individual that COSL determines is not a consumer for the purposes of the COSL Rules or Guidelines because of the assets, wealth, or both, that the person has, holds or controls; or
- (b) a Member of COSL if, at the time the events complained about occurred, the person, its directors or employees, had a business relationship with the Member against whom the Complaint is made.

"Small business" means a business employing fewer than:

- (a) 100 full-time (or equivalent) employees, if the business is or includes the manufacture of goods; or
- (b) otherwise, 20 full-time (or equivalent) employees

MEMBERS' ONLY SECTION

The members' only section of the CAFBA website can be accessed using the generic password assigned to your member firm. Please contact your nominated representative for details or if you are unsure who your representative is, please contact Raylene Carr, the secretariat for details. This section provides industry specific information for members –

- Privacy Form – written and endorsed by the AFC
- AELA Monthly Activity Statements
- Copies of submissions
- National Finance Broking Contract and National Finance Broking Agreement and Appointment to Act. Thank you to Phil Naylor for allowing CAFBA co-branding rights to these documents.

INFORMATION SESSIONS

Over the course of 2011, the association will host information sessions on relevant issues across all states. Affiliate member financiers have also offered to host sessions relevant to their products. All dates will be listed on the website.

CAFBA FUTURE EVENTS

The following events are held annually with updated details regularly posted on the CAFBA website Calendar/Events page.

CAFBA GOLF DAYS

Sydney – Muirfield Golf Club – 10 September

Melbourne – Waterford Valley Golf Club – March

Other states – to be advised

CAFBA AGM

Melbourne – 1 September, RACV Club, Melbourne

FINANCIER OF THE YEAR FUNCTION

The 2010 Financier of the Year function will be held in Sydney in November.

CHRISTMAS FUNCTION

The 2010 Christmas Function will be held in Melbourne on Thursday 9 December.

CAFBA MEMBERS INSURANCE

by Amanda Smith, Optimum Insurance Services Pty. Ltd.

PI Facility Update

The CAFBA Members Professional Indemnity Insurance Scheme is currently in its 5 year and continues to be widely supported by members. The insurer, Vero Insurance Limited, have confirmed their ongoing commitment in providing insurance to members of CAFBA. Vero's continued support of your industry is extremely pleasing, as insurance companies can be a bit like lenders, offering a certain product one minute and changing their appetite the next. Through changing times, Vero have consistently insured the finance industry and have substantial experience with claims management, having been insuring your industry for over 10 years.

We invite all new and existing members who are not currently insured through the CAFBA PI Scheme to contact me directly to discuss your insurance needs and obtain a quotation.

Overview of ASIC Regulatory Guide RG210 - Compensation and Insurance arrangements for credit licensees.

With the commencement of the National Consumer Credit Protection Act effective the 1st July 2010, we outline the Policy Objective and Key Principles for compensation and insurance.

Policy objective

Immediate – for credit licensees to have the highest standard of PI insurance cover that is reasonably commercially available in the current market

Long term – to encourage the development of PI products that deliver a higher standard of protection

Key principles

The key principles for credit licence holders to consider are:

Fit to achieve the policy objective -

A credit licensee (now also regulated by APRA) must have adequate arrangements in place for compensating clients for loss or damages arising from breaches of the National Consumer Credit Protection Act 2009 ("National Credit Act") by the credit licensee. These arrangements must include obtaining "adequate" PI insurance (unless exempted under the National Credit Regulations).

Responsibility of credit licensee to assess -

It is the basic responsibility of credit licensees to determine what is "adequate" PI insurance in the circumstances, having regard to the nature of the credit licensee's business and its potential liability for compensation claims.

Practical availability –

In determining what is "adequate", reference must be had to the type of PI cover available in the market at any given time.

In order to assist those members that are applying for their credit licence we have provided our commentary on the main requirements as outlined by ASIC. Please refer to the CAFBA members' only section to obtain the list of requirements.

http://www.cafba.com.au/members_area_login.htm

For further information contact Amanda Smith, Optimum Insurance Services Pty Ltd
Ph: 1300 739 861 Email: amanda.smith@optimuminsurance.com.au

FINANCIER FORUM

The 2010 Financiers Forum was held in May and we thank the members who put forward issues to be included on the agenda. All financiers spoke on their view of the current financial climate and their 'buying' appetite, which led to spirited discussion.

Each year, the same issue of poor quality applications is raised – CAFBA members need to ensure that applications include concise, quality information supported where necessary with qualified documents and that brokers have the background knowledge to discuss deals when necessary.

Each member should review the skill set of their business writers / staff on this issue.

Training by CAFBA and professional training days by the financiers will be available over the next twelve months to members covering this issue.

CAFBA reinforced that a membership of the Association should be a pre-requisite for financier accreditation, a view many of the financiers now support.

25 YEARS OF SERVICE

The Committee would like to pay tribute to Stewart Smith, Australian Commercial Credit who recently retired as a member of CAFBA after 25 years of continuous membership. The July 2010 minutes record Stewart's resignation as follows:

"David acknowledged Stewart Smith's long term membership of CAFBA and his valuable contribution over many years. Stewart has been a member since 1985 now of CAFBA, previously of AAFA and prior to that ALBA and has sacrificed countless hours to the Association. The Association owes Stewart a debt of gratitude and it is with regret that we accept his resignation."

Some will remember Stewarts many years of commitment serving on the Committee and all members of CAFBA wish him the very best.

CAFBA MEMBERS SURVEY

Thank you to the many members who participated in the recent online survey. The survey was designed to assist the committee with strategic planning for our growing organisation in the areas of education, marketing, communication and member benefits. Members gave valuable feedback on what is important to their business, which will assist the focus of the Association going forward. A more detailed report on the survey results will be advised after the AGM.

POLICE CHECKS

To enable the Association to remain as a self-regulatory body, members are from time to time required to refresh their police checks.

All police checks are kept strictly confidential and destroyed following examination.

You will soon be requested to refresh your police check. Further details will be available shortly.

Annual General Meeting
Wednesday 1 September 2010
RACV Club, Melbourne

RSVP – Wednesday 25 August 2010

Thank you to the
COMMONWEALTH BANK for
their ongoing and very generous
support of the AGM

NSW Golf Day
Friday 10 September 2010
Muirfield Golf Club, North Rocks
Entries close Friday 3 September

CAFBA has a NEW 1300 PHONE NUMBER

To reach any of the Executive team dial 1300 0 CAFBA (1300 022 322)
Select from the directory list to be connected to CAFBA office bearers, the Information Officer Julie Reid or Secretariat Raylene Carr