

From: Nathan Baker
Sent: Sunday, 13 February 2011 5:00 PM
To: Cost_recovery
Subject: Submission on Cost Recovery

Dear Sir or Madam,

We are an independantly owned financial services business who hold our own AFSL. We run a very personalised service for long term clients, whom we tend to know very well. We are not transactionally based and our procedures would not allow us to simply process a sum of money for a potential client. In relation to your Cost Recovery Impact Statement - Exposure Draft I would like to raise the following concerns:

- Our business model and mode of service delivery make it virtually impossible that we will ever have a need for your services. If we are to be charged a fee, you should be required to demonstrate exactly how your service is of some benefit to our business. A similar cost recovery model is run by FOS or which we are required to be a member. In 16 years of financial services we have never had a complaint either, however it is clear to us how this service 'could' be of benefit to our business should the need arise. I can see absolutely no benefit of AML or AUSTRAC in the context of our business, our client service delivery, nor to public safety or fiscal integrity.
- We already deal with client's personal data. We place money with external product providers or through the ASX, or with a bank, and need to provide TFN details of the client, perhaps entity details such as ACN, ABN, TFN details. We do not deal in very large sums of money and do not accept deposits directly from a client and do not run a trust account. Surely in all these other identifiers and regulatory steps, there are better people than us to determine if there is identity and/or monetary fraud occurring.
- Complying with our AML requirements is already an economic burden on our business. We don't have to do a lot in order to comply, but it still takes time, the diversion of resources and an imposition on clients who quite frankly don't see the point. I don't want to make light of what you do, and this is not my intention, but to tell a client who has been with your company for over a decade that you must verify their identity to ensure they are who they say they are - well you should be able to see that this makes little sense. The point being that the administrative cost of AML compliance already costs our business well over \$290 pa already, for literally no improvement in anti money laundering or anti terrorism measures. It is costly bureaucratic nonsense.
- Even if we assume that applying this measure to businesses such as ours is necessary or holds a legitimate purpose, is this not a public safety/law enforcement function? AUSTRAC is not a business that provides us with a service. It is a public protection mechanism (both personal and fiscal) and should be funded as such. To

impose a fee on business, which already incurs the administrative burden, is not justifiable unless you can show a very specific benefit to that business.

- As a small business who employs 8 people (including the 3 principals) I would assume that we do not fit within the definition of micro-business, although by any normal definition this is certainly what we are.
- In your explanation of changes to the base component, please do not try to 'sell' the Gillard government's small business credentials. Small businesses like ours are already drowning in a sea of bureaucracy aimed at customer or systemic protection. The problem with this is that businesses such as ours who always endeavour to do the right thing, suffer productivity losses due to the compliance effort required. Any business bent on doing the wrong thing, simply ignores your rules, does what they like and is not so burdened. Making us pay to carry the data gathering burden for you, is a bit like deliberately rubbing lemon juice into a paper cut we received while filling out one of your forms.

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Regards

NathanBaker CFP SSA

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