



27 February 2026

Investment Funds Unit
Financial System Division
Department of the Treasury
Treasury
Langton Crescent
PARKES ACT 2600
Via email: MISregulation@treasury.gov.au

Dear Director

ENHANCING OVERSIGHT AND GOVERNANCE OF MANAGED INVESTMENT SCHEMES

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.¹ We appreciate the opportunity to respond to the Treasury's consultation paper on enhancing oversight and governance of managed investment schemes (MISs).²

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

² Department of the Treasury, [Enhancing oversight and governance of managed investment schemes](#), 10 February 2026.
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INTRODUCTORY COMMENTS

AFIA welcomes Treasury’s consultation on enhancing oversight and governance of managed investment schemes (MISs) and supports reforms that are balanced and targeted—lifting standards where needed while preserving innovation, competition, and investment choice for consumers. Recent MIS collapses have highlighted gaps in governance, conduct, and regulatory visibility, including poor compliance planning, conflicts of interest, related-party dealings, and inadequate visibility over superannuation switching practices.

It is also essential to differentiate registered MIS operators from non-bank lenders (NBLs). NBLs are not MISs, do not pool investor funds, and are governed under a completely separate legal and regulatory framework. Policy reforms should therefore avoid conflating these sectors.

AFIA further emphasises that strengthened MIS oversight should be aligned with efforts to minimise consumer harm and reduce indirect calls on the Compensation Scheme of Last Resort (CSLR). Even though MIS failures are not directly covered by the CSLR, advice-related claims linked to MISs can still generate substantial CSLR payouts. AFIA supports industry positions that the CSLR should be a true last-resort mechanism, focused on actual capital losses, avoiding underwriting of investment performance, and minimising administrative leakage.³

DISTINGUISHING BETWEEN NON-BANK LENDING AND MANAGED INVESTMENT SCHEMES

It is fundamental to stress that NBLs are distinct from managed investment schemes, in that they do not pool investor money and operate under credit and financial services laws, not investment-scheme obligations.

NBLs rely on corporate debt, bank warehousing, and wholesale/market-based funding to provide loans, often using securitisation and leveraging funding from parent companies or private equity partners.

While Treasury has outlined the characteristics that distinguish MISs from other financial products and activities, it is important that reforms developed for MIS governance remain focused on the MIS sector alone. Measures such as enhanced compliance plan requirements, strengthened audit obligations, responsible entity board expectations, related-party safeguards, and MIS-specific data reporting are most effective when applied to the settings they were designed for, and should not be broadened to sectors with fundamentally different business models and regulatory risks.

³ AFIA, [AFIA submission on CSLR special levy](#), 29 August 2025.

PROPOSALS TO IMPROVE THE MIS SECTOR

Treasury has identified several persistent issues in the MIS sector:

- MIS collapses have often involved governance failures, conflicted advice pipelines, poor oversight, and problematic related-party transactions.
- Compliance plans have frequently been generic, incomplete, and untethered to real scheme risks.
- Compliance plan audits have lacked enforceable standards, resulting in weak assurance.
- Inadequate data reporting has prevented timely identification of emerging problems.
- High-risk superannuation switching has allowed large numbers of consumers to be funnelled into unsuitable higher-risk MISs.

These failures have caused substantial consumer harm, including loss of retirement savings, distress, and reduced confidence in the integrity of the financial system.

While the existing laws should have been sufficient to prevent many of the governance and conduct failures observed in recent MIS collapses, the scale and persistence of harm indicate that enforcement alone has not been enough. Where compliance plans are weak, related-party controls are opaque, and high-risk switching patterns go undetected, the regulatory framework requires a broader and more durable toolkit to address systemic vulnerabilities. Strengthening ASIC's information access, improving governance standards, and embedding early-warning mechanisms should therefore be seen not as substituting for enforcement, but as long-term regulatory infrastructure that ensures risks are visible sooner, detected earlier, and acted upon before consumer harm becomes widespread. This broader toolkit is essential to sustain confidence in the sector and protect retail investors over the long term.

AFIA supports reforms that directly address these issues without imposing unnecessary burdens on low-risk or unrelated sectors.

IMPLICATIONS FOR THE CSLR

AFIA supports the financial industry's position that:

- The CSLR should compensate actual capital losses, not hypothetical gains.
- The CSLR should not underwrite investment risk, including MIS-related investment losses disguised as advice claims.
- Compensation should be targeted only to those who need it, with reasonable means-testing where appropriate.
- Costs of scheme administration must be reduced to minimise leakage to overheads.
- Special levies should not become a permanent feature of the system.

Reforms to MIS oversight should be designed with view to directly reducing the causes of advice failures that burden the CSLR.

Early, well-targeted ASIC intervention is essential when clear indicators show retail investor funds are at risk—such as rapid spikes in redemptions, valuation shocks in illiquid assets, or suspicious superannuation switching patterns—because timely supervisory action can contain losses before they cascade across large cohorts of consumers. To avoid a chilling effect on otherwise healthy market activity, these interventions should be grounded in proportionate, data-driven triggers (for example, event-based alerts and calibrated recurrent reporting) and accompanied by transparent guidance so responsible entities can distinguish routine volatility from conduct-risk red flags. Embedding this “early warning, proportionate response” model not only protects investors but also reduces the pipeline of advice-linked failures that ultimately flow into the CSLR—helping keep the CSLR truly a last-resort mechanism rather than a backstop for investment risk.

Further consultations on reforming the CSLR should also take into account this preventative posture, to ensure the CSLR becomes truly ‘last resort’.

CLOSING COMMENTS

AFIA supports Treasury’s objective to enhance MIS governance in a way that lifts standards, protects consumers, and strengthens market integrity while maintaining proportionality and regulatory clarity. Aligning MIS reforms with CSLR sustainability will reduce consumer harm and preserve confidence in the financial system.

AFIA welcomes continued engagement with Treasury, ASIC and other stakeholders, and stands ready to participate in technical working groups.

I would appreciate the opportunity to discuss our recommendations and provide the Treasury with further information about the specialised products, services and technologies offered by smaller lenders. Should you wish to discuss our submission or require additional information, please contact AFIA Senior Policy Advisor, David Delprat, at david.delprat@afia.asn.au.

Yours sincerely



Roza Lozusic
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