



Commercial Asset Finance Brokers Association of Australia Limited

ACN 129 490 133

National Professional Body of the Equipment Finance Industry

23 December 2011

Dr. Richard Chadwick
General Manager
Australian Competition & Consumer Commission
PO Box 3648
Sydney NSW 2000

By e-mail: adjudication@accc.gov.au

Dear Dr. Chadwick,

Third Line Forcing Notifications involving the MFAA -Interested Party Consultation

The Commercial Asset Finance Brokers Association of Australia Ltd (CAFBA) welcomes the opportunity to provide this submission in relation to third line forcing notifications involving the MFAA.

Commercial Asset Finance Brokers Association of Australia (CAFBA) is the result of a 2007 merger between the Australian Asset Finance Association (AAFA) and the Australian Equipment Finance Association (AEFA). CAFBA now represents more than 150 member firms, comprising approximately 500 individual business writers. The combined annual volume of Equipment Finance transactions arranged by CAFBA members is approximately \$6.1 Billion per annum. We are the only professional body in Australia which is specific to Commercial Equipment Finance broking.

CAFBA represents Finance Broking firms whose prime area of business is the distribution of Equipment Finance facilities to commercial clients. CAFBA members are career professionals who understand every aspect of the funding process, and recognise the potential difficulties which could be experienced by business borrowers in this market.

CAFBA-affiliated broking firms are small businesses whose client base is largely made up of other small businesses. This area of finance broking is long established and was well entrenched in business lending up to two decades before the growth of the distinctly separate Mortgage Broker market which emerged in the early 1990's.

Within the financial industry a mortgage broker and a finance broker are clearly differentiated between. A mortgage broker and a finance broker deal with different products, different client bases and face different accreditation processes with financiers.

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Many CAFBA members, are also members of the MFAA. This is due to lender accreditation processes that require brokers whom conduct a small component of mortgage finance broking to be a member of the MFAA. CAFBA agrees with the approach that brokers who sell specific products should be a member of the industry body specific to those products. In the case of the MFAA, brokers who sell mortgage products should be a member of the MFAA, and conversely brokers who sell commercial equipment products, for example leases and hire purchase, should be a member of CAFBA. This appears to be the case in the mortgage industry, however at this point in time most equipment finance lenders will accept any industry body as part of their accreditation process.

The role of an industry body represents far more than simply being the industry regulator. In the context of the NCCP, ASIC has adopted the role of industry regulator, whereas previously this role was undertaken by the MFAA. ASIC however does not set professional benchmarks, instead it sets minimum standards, which are considerably different to a professional benchmark, albeit in some cases these will be the same.

CAFBA believes that the industry has a right to continue to self regulate under its own standards, which at times may be more stringent than the standards imposed by ASIC. In the case of the MFAA, lenders have insisted on brokers being a member of an industry body, and in turn a number of firms have insisted that their brokers belong to one industry body, rather than allowing the brokers to choose. Brokers should however have the right to choose a professional body that is relative to the products that they sell.

The CAFBA committee greatly appreciates the opportunity to respond to your inquiry into third line forcing and we look forward to contributing further on behalf of commercial asset finance brokers.

Yours faithfully,



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