



Your Ref:
Our Ref: DP099074

Ms Ruth Smith
Market Integrity and Payments Unit
Financial System Division
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Ms Smith

Thank you for providing the Department for Consumer and Employment Protection with the opportunity to comment on the issues and options paper titled "Compensation for loss in the Financial Services Sector". I have referred the paper to the Consumer Protection Division of this Department for consideration.

I am advised that the paper provides strong justification for consumer protection in the form of appropriate compensation of consumers for loss suffered as the result of a failure in the provision of financial services. It is noted that, in this regard, a range of alternative options have been outlined in the paper by which such compensation can be applied.

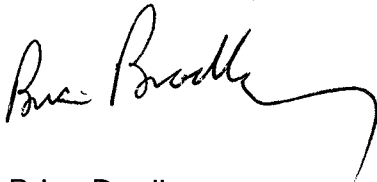
It is considered that option E in chapter 11 of the paper would provide the most effective protection mechanism of the options outlined. This option would see the introduction of a requirement for market operators to have a consolidated market compensation scheme, together with an additional requirement for individual operators to have professional indemnity insurance. This ensures that a broad range of avenues are available by which consumers could pursue compensation for losses suffered.

.../2

Many of the remaining options appear to rely on a single protection mechanism such as professional indemnity insurance. It is important to note that such insurance does not generally apply where the insured is responsible for fraud or some other form of defalcation, which can result in the consumer suffering considerable loss particularly where there is an absence of an effective alternative by which compensation can be obtained.

Please do not hesitate to contact my liaison officer in this matter, Mr Gary Prior, Manager of Consumer Policy, on telephone number (08) 9282 0903, facsimile (08) 9282 0727 or e-mail gprior@docep.wa.gov.au should you require any further information in relation to this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brian Bradley", with a long, sweeping horizontal flourish extending to the right.

Brian Bradley
Acting Director General

25 November 2002