



Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

August 2022



Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in [Appendix 1](#). Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our [submission guidelines](#) for further information.

Closing date for submissions: 23 September 2022

Email	AdviceReview@TREASURY.GOV.AU
Mail	Secretariat, Quality of Advice Review Financial System Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU

Appendix 1: Consultation template

Name/Organisation:

Questions

Intended outcomes

1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?

Yes

What should be regulated?

2. In your view, are the proposed changes to the definition of 'personal advice' likely to:

- a) reduce regulatory uncertainty?
- b) facilitate the provision of more personal advice to consumers?
- c) improve the ability of financial institutions to help their clients?

- a) Yes, the concept of general advice has always been a blurry and confusing line for both adviser and clients. A lot of conversations are referred as 'general advice' when in reality they have been in some way shaped by the information they know about the client.
- b) Yes
- c) Yes

3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

a) If not, what additional safeguards do you think would be required?

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

a) the quality of financial advice provided to consumers?

b) the time and cost required to produce advice?

a) The impact on the quality of the advice will be influenced by

b) The time and cost to produce advice will fall meaningfully

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

- a) provide limited advice to consumers?**
- b) provide advice to consumers using technological solutions (e.g. digital advice)?**

- a)** Yes, the combination with the removal of the SoA will dramatically open up the ability to provide more limited advice; we do not currently provide based on high costs to serve.
- b)** Yes, the combination with the removal of the SoA will accelerate innovation and the use of technological solutions. We can shift from being a compliance led industry to a client experience led industry.

6. What else (if anything) is required to better facilitate the provision of:

- a) limited advice?**
- b) digital advice?**

- 7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:**
- a) the quality of financial advice?**
 - b) the affordability and accessibility of financial advice?**

- 8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?**
- a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?**

Superannuation funds and intra-fund advice**9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):**

- a) make it easier for superannuation trustees to provide personal advice to their members?**
- b) make it easier for members to access the advice they need at the time they need it?**

- a) Yes. I doubt that many super funds will move to collective charging. The commercial forces of their marketplace include price sensitive consumers and a ratings system that is based on returns net of administrative fees will likely result in super funds opting to charge for advice separately. There's many consumers that don't have the resources or complexity to justify a professional financial adviser and should be served by their super fund for low complex super related advice.
- b) Yes, as per above.

Disclosure documents**10. Do the streamlined disclosure requirements for ongoing fee arrangements:**

- a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?**
- b) negatively impact consumers, and if so, how and to what extent?**

- a) Yes, I anticipate that this will reduce the administrative time of delivering an annual service by potentially 5 to 10%; in addition to improving the client experience by reducing duplicated documented which are not creating any value.

- b) So long as the fees and service for the following 12 months are documented, I foresee no negative impacts of the new streamlined requirements, coupled with a continuation of opt-in arrangements to mitigate the fees-for-no-service risk.

11. Will removing the requirement to give clients a statement of advice:

- a) **reduce the cost of providing advice, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

- a) Yes. The cost reduction will vary depending upon the nature of the advice & scope however our initial estimates are that this change alone could reduce the cost of advice by 20% to 30%. It is worth noting that most advice firms are operating on little to no margin currently due to the complex compliance regime, high costs to serve and the consequently lack of product-to-market fit. Reductions in costs to serve will likely result in a combination of both lower advice fees and more commercial advice firms/practices. It is really important to note that advisers and support staff across the industry are generally overwhelmed and stressed by their workload, a situation that is a reflection of firms/practices being unable to provide the resources they need to support their team & their wellbeing. This cannot be emphasised enough.
- b) No, as SoA's are barely read by the majority of consumers, as they are not designed for consumers. The removal of the SoA will pave the way for faster, efficient advice that is delivered to the client in a way that suits them. We can start with the advice & client experience, and work backwards from there. So in effect we are the current SoA documents, we are about to shift to video SoA's.

12. In your view, will the proposed change for giving a financial services guide:

- a) **reduce regulatory burden for advisers and licensees, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

- a) It wouldn't make a huge difference, relative to other proposals however in our view is still an improvement. Our website is our shop front, and the place the consumers who aren't yet clients go to get information on us. It would negate the need to give what is in our view unnecessary, an updated FSG that may have only minor changes to a long-term client before we give them advice. They don't look at it.
- b) As above, long-term clients don't look at updated FSG's. For new clients, there is no negative impact, provided that the necessary information can be located and accessed easily via the website. To ensure that all clients are aware of this information, firms may need to direct clients to this content as part of their client communications.

Design and distribution obligations

13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

- a) the design and development of financial products?
- b) target market determinations?

Transition and enforcement

14. What transitional arrangements are necessary to implement these reforms?

We believe that very little time is required to implement these changes, as most changes simply require the cessation of current processes and documentation. We could implement the below changes almost effective immediately if given the opportunity:

- Removal of SoA's
- Removal of RoA's
- Streamlined fee disclosure and ongoing fee arrangements
- FSG changes

- Removal of general advice

We are fully supportive of a fast implementation schedule, or at the least an ability to opt-in to the changes quickly.

General

15. Do you have any other comments or feedback?

We believe that the proposals put forward will radically improve advice for both consumers and advisers; and without question will improve the access and affordability of advice. We currently get around 100 enquiries per month, however have to turn away more than half of these potential advice seekers based on our costs to serve and the complexities & documentation we need to navigate to give more limited advice. We would like to sum up the proposals in a range of statements:

- Common sense
- Treating a profession like a profession
- Focusing on the outcome, rather than the process
- Advice can go from being compliance led to client experience led
- We can begin to innovate with a relentless focus on the client and their experience, rather than procedures and compliance
- Complexity is disempowering, simplicity is empowering
- The health & wellbeing of the advice industry will improve dramatically as many are burned out
- Many more Australians will get advice, in a manner that makes sense to them based on their advice needs
- The bad old days aren't coming back as to many things have changed including barriers to entry, professional standards, changes to commissions, opt-in arrangements. These are the foundation for a profession.

