

19 April 2013

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
O Box 6100
Parliament House
Canberra ACT 2600
Australia

By email: corporations.joint@aph.gov.au

Dear Sir/Madam

Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013

CPA Australia and the Institute of Chartered Accountants Australia (“the Institute”) welcome the opportunity to comment on Schedule 2 of the Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013, which proposes to restrict the use of the expressions ‘financial planner’ and ‘financial adviser’.

CPA Australia and the Institute represent over 150,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. Specifically, members of the accounting profession are increasingly becoming involved more widely in financial services and related advisory and service roles.

CPA Australia and the Institute support the government’s policy objective to improve consumer trust and confidence in the financial services sector and specifically in relation to those who provide financial advice services. Further, we understand the government’s need to ensure greater protection for Australian consumers by endeavouring to prevent anyone who is not licensed from promoting themselves to consumers as appropriately qualified to provide financial planning advice.

At a conceptual level the regulation of specific terms may introduce complexity and additional costs, which would inevitably be passed onto the consumer. Therefore, it needs to be clearly demonstrated that implementing further regulation is in fact in the public interest and will deliver positive benefits to the public and more specifically to those who seek professional financial planning advice.

Notwithstanding the above, we believe that restricting the term “financial planner” to only those individuals who are appropriately licensed to provide financial product advice may be in the public interest. The framework will apply penalties that will hopefully deter unqualified individuals from holding themselves out as appropriately competent to provide such advice to consumers. Restricting the requirements to reflect the current legislative obligations to provide financial product advice also appears appropriate. This will prevent imposing additional conditions on those individuals currently licensed to provide financial product advice to retail clients.

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However, it may also introduce additional risks and confusion for consumers. As drafted licensees with authorisations to give personal advice on a limited range of financial products, for example agricultural MIS, will still be able to call themselves a 'financial planner' or 'financial adviser'. Other examples of limited licence authorisations that would allow the individual authorised to call themselves a 'financial planner' or 'financial adviser' include:

- product issuers, for example issuers of timeshare schemes, horse racing schemes, property schemes
- limited licensees advising on only investment life and/or life risk products; and
- some superannuation trustees with authorisations to advise on their superannuation scheme and possibly insurance.

Allowing individuals with a limited scope of advice to call themselves a 'financial planner' or 'financial adviser' would not be in the public interest. These terms should apply to individuals who provide comprehensive financial advice. This must be addressed if the regulation is going to achieve its intended policy objectives of improving consumer trust and confidence

Further, we do not support restricting the use of the term 'financial adviser' and any other word or expression that is of like import. We believe this is unnecessary and overly restrictive. In addition, it would add complexity to consumers' understanding.

The term "financial adviser" is recognised and used in broader terms by professionals other than those licensed to provide financial product advice to retail clients. This includes professional accountants and financial institutions such as investment banks that provide financial advice both in Australia and internationally. It is also widely used by other professional advisers who provide financial product advice to wholesale clients.

We also have concerns about the potential implications of restricting any other word or expression that is of like import. This proposal will arguably impact commonly used terms in other related areas of financial advice. For example many professional accountants commonly use titles such as Financial Planning and Analysis Manager, Manager Finance and Planning, Manager Financial Planning or Financial Planning Manager. These titles are all reflective of individuals who operate in finance departments of national and multinational businesses who have no connection to regulated financial product advice and services.

There are further implications for professionals operating in the wealth management sector, including those individuals who are a 'wealth consultant', 'investment adviser', 'investment consultant', 'provider of financial advice' or 'financial consultant'. These terms could all be seen as expressions that are of like import. It is therefore unclear where the line is drawn as to what is a similar term. We believe this will create additional difficulties to both monitoring and enforcement. It may also create further confusion for the consumer that would not align with the overall objectives of the FoFA reforms of enhancing trust and confidence.

The underlying objective of this proposed regulation is to improve the trust and confidence of consumers in the financial planning industry. To achieve this objective, it is important that the proposed regulation provides clarity to the industry and clearly assists the consumer identify those individuals who are appropriately qualified to provide licensed financial planning advice. The most effective way to ensure this is to enshrine only one expression and ensure that the specific expression clearly reflects the primary function of the individual; to provide financial planning advice. We would therefore not be opposed to the implementation of new regulation, provided that it only restricted the use of the expression 'financial planner' and it can be demonstrated that implementing further regulation is in fact in the public interest. It must not only deliver positive benefits to the public but more specifically to those who seek professional financial planning advice.

For this measure to be successful, it would also require both the government and industry to work together to deliver an education campaign that provides consumers with a clear understanding on who can provide licensed financial planning advice and importantly, the very real benefits of seeking such advice.

If you have any questions regarding this submission, please do not hesitate to contact Keddie Waller (CPA Australia) at _____ or Hugh Elvy (the Institute) at _____

Yours sincerely

Stuart Dignam
General Manager, External Positioning
CPA Australia

Yasser El-Ansary
General Manager, Leadership & Quality
Institute of Chartered Accountants Australia