

30th April 2014

Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Doctor Dermody,

**Inquiry Into The Provisions of the Corporation Amendment  
(Streamline of Future Financial Advice) Bill 2014**

I would like to congratulate the Government on its initiative to cut red tape and provide greater clarity on the intent of the reforms without decreasing consumer protection. My submission addresses the proposed amendments to Part 7.7A of the Corporation Act 2001, specifically;

- Removing Opt-In Requirements
- Amending the Requirements of Fee Disclosure Statements
- Simplifying Best Interest Obligations (removing Paragraph 961 B(2) (g))
- Better Facilitating Sealed Advice
- Limited Exemption to Conflicted Remuneration

To begin with I am saddened by the apathy shown by many of my peers in not taking the time to provide submissions. I fear that most of the opinions and information provided to the Committee has been provided by powerful and well-resourced sections of the industry. Specifically major financial institutions including their wholly owned insurance and investment subsidiaries along with self interest groups like Industry Superfund Network, but not practitioners themselves.

**Removing Opt-In Requirements**

This is an entirely sensible move, the Financial Planning Industry would be the only profession in the country subject to this ludicrous concept if it were not removed.

Clients have now and have always had the ability to Opt-Out by simply changing advisers. By changing advisers a client doesn't need to incur any additional transaction fees they simply sign a change form provided by either in investment fund or insurer.

**Amendments to the Requirements of Fee Disclosure Statements**

Much in the same way removing Opt-In is an entirely sensible move, making Fee Disclosure Statements prospective is the only practical option.

Unlike large advice businesses owned by the banks or supported by Industry Super Funds, small independently owned Financial Advice Businesses do not have the resources to interrogate and report on all legacy products our clients hold. In many cases these legacy products have excessive fees to exit. To service the clients' best interest the advice business will ask a client to retain a product but in doing so would have created an expensive administrative burden that would ultimately be passed on to the client.

Fee Disclosure Statements should only apply to agreements entered into after 1st July 2013.

Despite this very helpful move a FDS still asks to identify not only what services the advice business provide which are funded out of the on-going fee but which of these services the client actually used.

This specific requirement still places an unreasonable administrative burden on small independently owned businesses.

An even simpler more transparent document is one which doesn't require services actually used to be separately identified. A client will know from the receipt of the FSD that they have various services provided many of which require the advice business to provide regardless of the consumption of that service. For example the cost of providing staff to answer the phone, the phone equipment used to answer the call, the line rental required to have a phone number, the chair the staff person sits on etc. All of these operational and capital costs come, in the case of small independently owned businesses out of the owner's resources. So even if the client doesn't use them, the money was spent to provide the service.

If an FDS is trying to draw some parallel between services and fees, how does the consumption of services alter the true cost to the business in providing these services in the first place?

Simply remove the need to report on services consumed and in doing so you will remove the cost of time spent in recording consumption versus provision.

### **Simplifying Best Interest Obligations**

I thank the Government for their intention to simplify the Best Interest Obligations, without diluting the protection for consumers.

I would offer an observation that has perhaps been overlooked, specifically as it relates to advisors employed by major institutions.

Within my practice I have employed a number of Salaried Financial Planners. Consistent amongst these people regardless of which major institution they previously worked for, their product knowledge is limited to ONLY those products provided by their previous employers' Insurer or Funds Manager.

In practice, salaried advisors working for major institutions do not know about, nor are they likely to recommend a product from another manufacturer other than the one they are associated with. How can salaried advisors of major institutions demonstrate Best Interest to their clients when the best solution may be provided outside of the single brand solution they would typically offer?

Where an advisor works for a firm with only one or two product options to recommend are they capable of satisfying a client's Best Interests - probably not.

Advisors working in an environment like the one described above are effectively agents and not truly Financial Advisors.

In order to provide the consumer with a clear understanding of the scope of these "Agents", the Best Interest Duties should be modified to cause a disclosure of the product limits placed on the advisor by the Licensee.

**Better Facilitating Scaled Advice**

I agree with the amendments to Scaled and Intra Fund advice and thank the government for seeking to remove more red tape and ultimately cost from the advice cycle.

**Conflicted Remuneration**

From an advisors perspective there are few points to raise, with one exception.

More clarity is required around The Execution - Only Exemption. Making clear any relationship between advice given/benefits received by salaried advisor of a small firm like my own and the overall benefit received within the practise or in other words, the Corporate Authorised Representative who in turn employs the Advisor.

Thank you for taking the time to review my submission.

Yours sincerely,

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