

ASIC response to Question on Notice

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Hansard page ref: 27 & 28

Topic: Grandfathered commissions

Question

What is the total amount of invested funds in the products that are subject to grandfathered commissions? How many product providers and how many financial advisers are impacted? What is the total amount of annual payments of grandfathered commissions? What is the total amount of annual payments of volume bonuses and shelf space fees? To what extent does this include payments with respect to life insurance and annuities—because there are a range of products in the system that are not rebatable for a variety of reasons. How many of these clients are in products where the adviser service fee functionality is currently available, or where that service fee, if it's available, can or cannot be turned off? What, if any, consideration has been given to the impact on clients whose products can't be moved due to a range of factors including, but not limited to, exit fees, capital gains tax, Centrelink grandfathering arrangements, insurance et cetera? And what, if any, impact will there be on those clients in relation to their personal situation as a result of grandfathered commissions having to be rebated to those clients in terms of maybe their Centrelink situation et cetera?

Answer

ASIC received a Direction from the Treasurer on 21 February 2019 to investigate the extent to which persons who are giving or accepting grandfathered conflicted remuneration, are changing their arrangements to end the payment of grandfathered conflicted remuneration prior to 1 January 2021 and passing the benefit of ending the payment of grandfathered conflicted remuneration on to clients.

ASIC has commenced the investigation which involves a quantitative review of industry data and a qualitative review of a sample of industry participants.

From the quantitative review, ASIC will receive data for 7 intervals over the review period as follows:

1. 12 months ending 30 June 2019
2. 3 months ending 30 September 2019
3. 3 months ending 31 December 2019
4. 3 months ending 31 March 2020
5. 3 months ending 30 June 2020
6. 3 months ending 30 September 2020
7. 3 months ending 31 December 2020

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The quantitative review will provide ASIC with data which will respond to several of the questions raised. Additionally, the qualitative review will address other questions. Specifically:

Question	ASIC response
What is the total amount of invested funds in the products that are subject to grandfathered commissions?	<p>ASIC is obtaining data about the total amount of payments of grandfathered conflicted remuneration, as defined by the Direction, from identified payers of grandfathered conflicted remuneration.</p> <p>ASIC is also obtaining data about the percentage of grandfathered conflicted remuneration paid and from this data ASIC will be able to approximate the invested funds in products that are subject to grandfathered conflicted remuneration.</p>
How many product providers and how many financial advisers are impacted?	<p>ASIC is obtaining data about the number of:</p> <ul style="list-style-type: none"> <li>• product providers and products that pay grandfathered conflicted remuneration;</li> <li>• dealer groups/advice licensees that product providers pay grandfathered conflicted remuneration to; and</li> <li>• client accounts that grandfathered conflicted remuneration is paid in respect of.</li> </ul> <p>ASIC is not obtaining data about the number of individual financial advisers that dealer groups/advice licensees pass grandfathered conflicted remuneration on to.</p>
What is the total amount of annual payments of grandfathered commissions?	<p>ASIC is obtaining data about the total amount of payments of grandfathered conflicted remuneration, as defined by the Direction, from identified payers of grandfathered conflicted remuneration.</p>
What is the total amount of annual payments of volume bonuses and shelf space fees?	<p>ASIC is not obtaining data about annual payments of volume-based shelf-space or asset-based fees on borrowed</p>

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	amount as these are outside the scope of the Direction.
To what extent does this include payments with respect to life insurance and annuities—because there are a range of products in the system that are not rebatable for a variety of reasons.	<p>ASIC’s quantitative review includes life insurance and annuity product providers to the extent that they were identified as payers of grandfathered conflicted remuneration.</p> <p>The ability of product providers to rebate or impediments to them doing so is an issue ASIC intends to explore with a sample of product providers in its qualitative review.</p>
How many of these clients are in products where the adviser service fee functionality is currently available, or where that service fee, if it's available, can or cannot be turned off?	ASIC will seek to understand alternative adviser remuneration structures in its qualitative review.
What, if any, consideration has been given to the impact on clients whose products can't be moved due to a range of factors including, but not limited to, exit fees, capital gains tax, Centrelink grandfathering arrangements, insurance et cetera?	ASIC will seek to understand factors which impact the ending of arrangements, including potential adverse client outcomes, in its qualitative review.
And what, if any, impact will there be on those clients in relation to their personal situation as a result of grandfathered commissions having to be rebated to those clients in terms of maybe their Centrelink situation et cetera?	ASIC will seek to understand factors which impact the ending of arrangements, including potential adverse client outcomes, in its qualitative review.

ASIC will provide a final report to the Treasurer by no later than 30 June 2021, outlining the findings of the investigation. ASIC also plans to prepare interim reports during the review period. We will provide the PJC with a copy of our final report, and any interim reports.