

3 November 2014

Ms Toni Matulick  
Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Via: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Ms Matulick

**Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry: additional information in response to questions on notice to COBA, Committee Hearing October 14, 2014**

The Customer Owned Banking Association (COBA) is pleased to provide this additional information following our appearance at the Sydney hearing of the Inquiry on October 14, 2014.

**Request for information about the number of Licenses held by Newcastle Permanent Building Society to facilitate its financial planning business**

Newcastle Permanent Building Society has one Australian Financial Services License (AFSL 238273) allowing it to provide financial product advice on various financial products, including Tier 1 and Tier 2 products. Newcastle Permanent Building Society's Financial Planning business has a team of seven Financial Advisers.

**Request for information on how Australian Financial Services Licences are held in the customer owned banking sector**

Typically, where a banking institution has in-house financial planning capabilities, one AFSL is held with authorisations to allow the provision of financial product advice on a variety of financial products.

A significant number of COBA members refer customers to external financial planning businesses, notably Bridges Financial Planning<sup>1</sup> and Clearview.<sup>2</sup>

Out of a sample of seven COBA member organisations, four do not carry-out financial planning activities in-house. For the three that do provide such services in-house, the relevant information is set out below.

Banking Institution A	One AFSL which allows for financial planning services to be provided in-house.
Banking Institution B	Co-owns a separate but linked financial planning business which holds its own AFSL. This business and its services are marketed under the same brand

<sup>1</sup> <http://www.bridges.com.au/>

<sup>2</sup> <http://www.clearview.com.au/>

	as the banking institution.
Banking Institution C	One AFSL which allows for financial planning services to be provided in-house.

### **Request for information on incentives for tier 2 advisers to refer customers to tier 1 advisers**

Based on a sample of COBA member organisations, the table below sets out information on incentives received by tier 2 advisers – typically front-line customer service staff – for referring customers to tier 1 advisers who are commonly referred to as financial planners.

Overall, such incentives are minimal.

Banking Institution 1	No incentives for tier 2 advisers who refer customers to tier 1 advisers.
Banking Institution 2	No direct incentives for tier 2 advisers who refer customers to tier 1 advisers. There is an aggregated scheme for tier 2 advisers (front-line staff) which captures referrals from staff to either business banking services or financial planning services. The most that tier 2 advisers could earn from this scheme is an amount equivalent to 2% of their salary.
Banking Institution 3	From time-to-time an incentive scheme is held. Currently, tier 2 advisers who refer customers to a tier 1 adviser, and that customer takes up a relevant financial product, the referring tier 2 adviser can receive a \$50 gift voucher. Otherwise tier 2 advisers who refer customers to a tier 1 adviser can be placed into a draw (competition) to win a \$200 gift voucher.
Banking Institution 4	From time-to-time an incentive scheme is held where the tier 2 adviser who completes the most referrals will win cinema tickets. There has only been one instance of this type of scheme in the past 12 months.
Banking Institution 5	No direct incentives for tier 2 advisers who refer customers to tier 1 advisers. Tier 2 advisers can participate in a balanced scorecard incentive scheme which recognises referrals as one of its measures.
Banking Institution 6	No direct incentives for tier 2 advisers who refer customers to tier 1 advisers. From time-to-time tier 2 advisers will be provided with a morning tea or cinema tickets by the financial planning business.
Banking Institution 7	No direct incentives for tier 2 advisers who refer customers to tier 1 advisers. From time-to-time tier 2 advisers will be provided with cinema tickets by the financial planning business.

### **Request for a sample of payment structures for tier 1 advisers**

Out of a sample of seven COBA member organisations, four do not carry-out financial planning activities in-house. For the three that do, all provide tier 1 advisers with a base salary.

The base salary ranges between \$80,000-\$110,000 across the organisations. One organisation has trainee tier 1 advisers starting from \$60,000.

All have incentive schemes for tier 1 advisers based on a balanced scorecard model. The schemes contain at least three components to assess the adviser's performance, including:

- customer satisfaction and the quality of advice;
- the quality of compliance including record keeping; and
- funds under management or revenue generated.

Yours sincerely

**Luke Lawler**  
**Acting Head of Public Affairs**