

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

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 Planning¹ and Clearview.²

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

¹ <http://www.bridges.com.au/>

² <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
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