

Thank you for the opportunity to comment.

Our financial planning office was approached in late 2005 to promote MIS products. These had recently been placed on 'approved product lists'.

Various seminars, visits from Business Development Managers, offers of site visits and promotional documentation centred on sustainable business structures.

They also tapped into both advisers and potential clients increasing environmental consciousness. However, our office has built an innate scepticism over many years.

Overselling, greater losses and lack of appropriate diversification would largely be due to two aspects;

- 10% Commission in our opinion distorted many advisers better judgements.
- 100% tax deductions focussed investors and possibly their accountants on saving money (tax) immediately rather than long term scheme viability.

Practical suggestions to improve regulation;

(i) Capping of investments.

- e.g up to \$15,000 caveat emptor
- above \$15,000 AFSL Authorised Rep Record of Advice required - copy for investor to lodge with application.
- above \$100,000 - AFSL Principal Statement of Advice requirement. Applications signed as such by AFSL Principal including a capping of 10% as a maximum asset allocated to the MIS Sector

(ii) Nil or capped commissions

- Product providers paying commissions to product sellers has compounded losses. This should be outlawed across a broad front i.e. not restricted to MIS.
- If this is not viable, cap the commission at 1% or \$1,000, whichever is lesser.
- Additional advice costs paid by the investor directly.

(iii) Scheme promoters that establish on AFSL / Dealer Group authorising the sale of their own product encourages conflicts of interest.

- We are reliably informed that some MIS providers established AFSL's / Dealer Groups that authorised accountants to sell their product.
- Consideration should be given to separating advice and product also on a broad front.

I wish the committee success in formulating "regulatory change to protect Australian investors".

Yours sincerely,

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