



20 July 2009

Shona Batge (Committee Secretary)  
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Dear Shona

**Re: FPA Submission and evidence concerning Agribusiness Managed Investment Schemes**

Further to the FPA's appearance at the PJC Hearing on Wednesday 15 July 2009 I wish to provide the following additional material arising in response to the Committee's questions to the FPA.

**FPA survey of Principal Members**

The FPA conducted a survey of its Principal Members between 21 and 25 April 2009. Details of the survey and results are contained in the attached report.

**Complaints concerning Agribusiness financial advice**

In the course of the FPA's oral testimony before the committee I was asked about the number of complaints the FPA has received about Agribusiness advice. I wish to inform the Committee that we have in fact received one (1) complaint concerning Agribusiness.

The matter is in the inquiry phase of our Professional Accountability Process. Our initial inquiries indicate whilst the consumer concerned was a financial planning client of our member, he received advice and recommendations to invest in Great Southern investment projects from a different firm of accountants whose principals were authorised representatives of Great Southern Securities Limited. Nevertheless, until the process is complete we treat this as a complaint against the member, and I wish to formally correct the record.

Yours sincerely,

Jo-Anne Bloch  
Chief Executive Officer

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# FPA MIS Agribusiness Survey Results

## General observations

The FPA represents nearly 12,000 members of whom around 550 are Australian Financial services Licensees, called Principal members, and the balance are individual members.

Small Principal members have less than 20 representatives, medium Principal members have between 20 and 100 representatives, and large Principal members have more than 100 representatives.

The FPA's survey was only sent to Principal members who are responsible for the conduct of their representatives.

General observations based on all available data:

- **Over one third** of Principal members have responded to the survey (**36.7%**).
- **Less than half** of those recommend agribusiness MIS to their clients at all (**44.2%**).
- Where it has been recommended to clients, agribusiness generally accounted for **no more than 10%** of the clients assets (excluding the family home).
- Great Southern accounts for **about one third** of all agribusiness MIS FUM (**31.1%**).
- **Half** of Great Southern investor clients\* are leveraged (**51.5%**) with **three quarters** of these clients\* borrowing through Great Southern Finance (**74.8%**).
- Commissions paid by Great Southern to financial planners were **5-10%**. Commission rebates paid to clients were rare.
- There was no volume rebate percentage paid by Great Southern to financial planners that responded to this survey.
- Instances of conference sponsorship and other forms of payment to financial planning firms by Great Southern were rare.
- FPA members are monitoring the situation closely and keeping their clients informed of ongoing developments.

*\*Great Southern investor client numbers have been estimated by multiplying total MIS agribusiness clients by Great Southern % FUM*

**Survey percentages by Principal member size**

- **What proportion of Principal members recommend agribusiness MIS to their clients?**

	<b>Do</b>	<b>Don't</b>
Small	51 (37.8%)	84 (62.2%)
Medium	16 (69.6%)	7 (30.4%)
Large	6 (85.7%)	1 (14.3%)
Total	73 (44.2%)	92 (55.8%)

- **What proportion of all agribusiness MIS FUM is invested with Great Southern?**

	<b>% GS FUM</b>
Small	29.5%
Medium	40.8%
Large	2.0%
Total	31.1%

- **What proportion of Great Southern investor clients\* are leveraged?**

	<b>% GS FUM</b>
Small	24.1%
Medium	66.9%
Large	0%
Total	51.5%

- **What proportion of leveraged Great Southern investor clients\* are leveraged through Great Southern Finance?**

	<b>% GS FUM</b>
Small	64.1%
Medium	76.9%
Large	0%
Total	74.8%

*\*Great Southern investor client numbers have been estimated by multiplying total MIS agribusiness clients by Great Southern % FUM*

## Survey question set

1. What size Principal Member (AFSL) are you responding for?\*

- Small principal (1 to 20 authorised representatives)  
 Medium principal (21 to 100 authorised representatives)  
 Large principal (101+ authorised representatives)

2. Do you have any funds under management currently invested in managed agribusiness schemes (including Timbercorp and Great Southern Plantations)?\*

- Yes  No

3. Did you permit your representatives to refer clients to Great Southern for direct advice?\*

- Yes  No

4. Please estimate the number of clients referred to Great Southern for direct advice:\*

5. Please also estimate the amount of referral income you received from Great Southern last financial year:\*

6. Please estimate the value of funds under management invested in any managed agribusiness schemes (including Timbercorp and Great Southern Plantations)?\*

7. Please estimate the number of your clients currently invested in a managed agribusiness scheme. \*

8. Please provide names and approximate funds under management of the agribusiness providers your clients are currently invested with. \*

9. What percentage of your managed agribusiness scheme funds under management is currently invested in Great Southern Plantations?\*

The value must be between 0 and 100, inclusive.

10. Do any of those clients also have borrowings linked to those investments?\*

Yes  No

11. If so, please estimate the percentage of clients who have borrowings.

The value must be between 0 and 100, inclusive.

12. What percentage of those clients who have borrowings (if any) were sourced through Great Southern Finance?

The value must be between 0 and 100, inclusive.

13. Are any of those clients with borrowings at risk of further asset loss through loan default?

No

Yes (please provide details)

14. Great Southern paid commissions to advisers. What rate of commission was generally passed to the individual planner who advised the client?\*

The value must be between 0 and 100, inclusive.

15. Did you require your representatives to rebate any portion of commissions paid by Great Southern on to their client?

No

Yes (please indicate the portion to be rebated).

16. What volume rebate percentage did you receive from Great Southern (if any)?\*

The value must be greater than or equal to 0.

17. What other forms of payment (conference sponsorships, promotion etc.) if any, did you receive from Great Southern?

We did not receive any other forms of payment

We did receive other forms of payment

Please estimate the type and value of these other forms of payment

18. Please describe any controls or limitations that you place on client investment into managed agribusiness schemes including any measures to limit client exposure\*

19. What advice are you providing to affected clients?

20. The FPA strategy in relation to these issues is to respond to consumer complaints and instances of unprofessional advice, if any, as they are brought to our attention.

Do you know of instances of poor advice (or other concerns) you think we should be aware of in relation to these schemes?

If you wish to make any general comments about the survey itself or, wish to share your thoughts on good practice with respect to advising on tax effective investments, please feel free to email the Professional Standards team at FPA at: [Professional.Conduct@fpa.asn.au](mailto:Professional.Conduct@fpa.asn.au).