

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia



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To Whom it May Concern,

RE: FoFA Bill(s)

We thank the Senate Economics Committee for the opportunity to provide a submission on the Corporations Amendment (Future of Financial Advice) bills that have been read into parliament. We believe the overarching goals to be progressive and positive for consumers and the entire financial services industry. We hope to add value and substance to your endeavours.

ASDA believes the objectives of the proposed legislation are to enhance consumer protection. We also believe that it aims to provide the regulator (ASIC) with the power to effectively and efficiently supervise Australian Financial Services Licence (AFSL) holders and remove unwanted behaviors and practices from the financial planning industry.

Based on the stated beliefs and assumptions we would like to make the following comments;

1. Our members & their clients should not be disadvantaged: The majority of ASDA members are highly experienced Stockbrokers that have moved on from ASX participant firms to establish their own AFSL;

2. Our members are specialists in their businesses and would like to see inappropriate behavior by advisers and AFSL's removed from the industry regardless of their size, status or persuasion; and,
3. We are supportive of suitable regulation that enhances the efficient provision and supervision of financial services to retail clients in Australia.

Retail consumer whilst not wanting to have to read an AFSL's license conditions of an AFSL they seek advice from, we believe would like to know if they are being advised by someone that plans across their entire investment portfolio, or can someone that offers highly specialised advice within a product class.

In total there are approximately 5000 AFSL licensees in Australia and an additional 62,000 businesses or individuals providing financial products to Australian consumers as Corporate Authorised Representatives (CAR's) of the AFSL's.

The table below illustrates the weighting of popular license conditions in Australia.

Type of Licence	Total in Australia
Securities Wholesale	2869
Securities Retail	2064
Insurance	2749
Retirement Savings Accounts	1179
Superannuation	1705

There are approximately 90 Participants of ASX of which 42 are referred to as full service brokers who are represented by the Stockbrokers Association of Australia (SAA).

There is an additional 2064 licensees or nearly 40% of all licenses on issue that can offer advice within the product class of securities. Of this large number of AFSL's that ASIC is asked to supervise, we believe that 25% of the AFSL's on issue offer highly

specialised advice to retail clients on securities without advising on superannuation or insurance products.

Whether it is an ASX 200 stock or even the top 20, we feel that the skills required to offer advice within securities requires working in that product class on a daily basis. To this end, there seems to be a disconnect between licence conditions and operations that warrants a high level review of the financial services industry.

We ask the committee to ensure that given the importance of small business to the Australian economy as an employers, and a subset of the sector that is in general, closely attuned to its clients needs, that they ensure that the Bill(s) do not prejudice the ability of smaller AFSL's to service their clients.

ASDA has been asked by Treasury to engage on a potential "carve out" for stockbrokers and is satisfied that should such a carve out be applied appropriately, that capital markets will continue to operate in Australia as they do globally.

ASDA asks the committee to recommend that such a carve out is applied to all securities listed on an Australian Market Licence (AML) and those that intend to be, or pre-IPO products. This should be enshrined in the legislation similar to how life insurance products are not considered conflicted remuneration in Subdivision B 963B or otherwise through the regulations.

Please feel free to contact our association if you would like ASDA to elaborate on any of the issues raised in our submission and we would be available to present t any hearings that you may be undertaking.

Yours sincerely

Jamie Coote

About ASDA

The Australasian Securities Dealers Association (ASDA) is governed by its [committee of management](#) who come from our member firms. ASDA is committed to a well regulated & transparent market for financial products and works with Government, regulatory bodies and industry service providers on a wide range of issues.

Our [members charter](#) helps define what we feel a professional financial services firm should be and compliments the Corporations Act (2001). The 250+ businesses that we represent are engaged in providing advice and services to on pre-IPO, IPO and market listed securities to wholesale and retail client bases. Our members run highly specialised businesses and that are predominantly not members of ASX.

ASDA believes that the ever increasing number of boutique AFSL's who are responsible for an increasing percentage trades occurring on the ASX and other execution venues globally deserve a low cost & efficient operating environment. Our members have high levels of daily interaction with their staff over compliance and operational issues, and have generally been trained by ASX member firms.

Our figures show that boutique AFSL's either led or played an active role in 43% of all IPOs in Financial Year 2011. Additionally numerous capital raisings have been facilitated by our members for Australian companies with over \$3.5 raised in FY10-11.

The significance of the boutique AFSL is of course greater than just these statistics as non-ASX Participants are more likely to assist capital raising by small to medium business, the growth engine of the economy, and have far greater reach to retail investors.

Whilst many in the community and clients would recognise our members as "stockbrokers" (not understanding the technical differentiation) they are appreciative of the high level of client interaction that comes from dealing with a boutique AFSL.

More information on ASDA can be found at:

