

Australian Securities and Investments Commission

Answers to Questions On Notice

Public hearing: Parliamentary Joint Committee on Corporations and Financial Services

19 March 2021

Division/Agency: Australian Securities and Investment Commission

Question No: 008

Senator: Mr Bert van Manen MP

Question:

Ms Chester: And with our regtech initiatives as well. Commissioner Armour might want to share the regtech initiatives we are doing to try and get compliance costs down.

Ms Armour: We have had a program—we were funded specifically for this over the last two years—of running a number of regtech trials over a range of areas that we cover. We've run a number of trials, and that program is now at an end. That doesn't mean our interests in this area are at an end. We remain really interested in doing what we can to sponsor the development of new technology that helps firms meet their regtech engagements, as you've just discussed. We're very keen to be involved, and Ms Press has outlined how we are keen to be involved in this particular issue. More broadly, we see regtech as a really positive area of development that will help us with our job and help industry dramatically. We're very keen to be involved, and we're working not only locally but as part of the international regtech network of regulators. So we are busily learning from other regulators and developments overseas as well.

Ms Press: I'd be very happy to share with you the feedback that we got in CP 332 around digital advice, which we asked specifically about. We also asked about the technology on regtech and how we could get better compliance. Overwhelmingly, advisers seemed to want that type of fintech as opposed to the investment type of fintech, which is probably understandable. We had some quite interesting feedback there, which I'm very happy to share with you offline.

Mr VAN MANEN: You can even share it with the committee as a whole. I think we would all be interested in that.

Ms Press: Sure. I could read it to you now, but it's probably not that exciting for you!

Mr VAN MANEN: No; I'm happy for you to take that on notice!

Answer:

1. We received 469 submissions to Consultation Paper 332 *Promoting access to affordable advice for consumers* (CP 332).:
 - a. 244 financial advisers;
 - b. 110 other stakeholders (17 industry associations, 6 super funds, 2 insurers and 2 academics);
 - c. 72 respondents who were both adviser and licensee; and
 - d. 43 licensees.
2. 48 licensee respondents authorised or employed between 1 to 10 advisers. 152 adviser respondents worked for a large licensee (100+ advisers). 41 respondents described themselves as accountants.

3. Many respondents to CP 332 stated that they did not provide digital advice services. 134 of 183 respondents (who answered the question) said they did not want to provide digital advice in the future. Key issues identified with the provision of digital advice were:
 - a. development costs;
 - b. lack of demand; and
 - c. consumer preference for a human adviser.
4. However, advisers saw a role for digital advice support services (e.g. better document management systems, fact finding, online client interactions and reporting tools). Most considered that digital advice is only suited to simple advice needs and younger people. Respondents also noted that existing technologies often “promise a lot” but in practice do not integrate data well (assessing the interaction between income, tax and Centrelink entitlements for example), and do not allow for adequately tailored advice and strategies
5. Respondents to CP 332 cited the following **limitations** of digital advice:
 - a. **Digital advice only commercially feasible ‘at scale’**. The cost and scale to provide quality digital advice make it profitable only for larger entities, with the resources and systems in place.
 - b. **Digital advice is only useful for ‘single issue’ advice**. Respondents were of the view that human advisers are required for complex advice needs. Many respondents also considered that digital advice is not conducive to building long term relationships with clients.
 - c. Some respondents raised a **quality concern** with digital advice and that clients can receive poor advice if input information is provided incorrectly. Algorithms are not advanced enough to address the interaction of multiple advice needs and takes a limited view of a client’s solution.
6. Respondents to CP 332 cited the following **benefits** of digital advice:
 - a. Utilising technology is the only way **affordable advice** can be provided to more Australian households.
 - b. Technology such as voice recording, although harder to audit, better captures the advice process.
7. **Ideas** raised include:
 - a. **Public-Private partnership to develop digital advice**. A suggestion was made that the Government and private sector collaborate to deliver financial data in a standardised format to be used in financial planning software to deliver advice.
 - b. Making the **fact find process more efficient using technology**, for example:
 - i. Allowing the automated collection of client data, either through Government systems (ATO Portal /My Gov) or through regulatory change such as open banking;
 - ii. Client portals, to better enable the transfer of information between clients and advisers; and
 - iii. Digital recording of file notes and recording of client meetings on Zoom.
 - c. **Better presentation of advice to clients**. Use technology to move away from the text-based Statement of Advice, and consider delivery method, as there are

better ways to educate and communicate with clients. This could include improved client communication through video means, either live or pre-recorded.

- d. Automated mechanisms for the:
 - i. provision of client approval and consent; and
 - ii. the delivery of client consent forms through to product providers.