

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: ASIC

Question: SBT4286

Topic: Financial advisers employed by banking institutions

Reference: Hansard page no. 81 - 11 November 2014

Senator: Williams, John

Question:

Senator WILLIAMS: Mr Medcraft, you might have to take this on notice. Apparently pre-2005 a financial adviser working for an institution had to clearly have displayed the institution's logo on business cards and any other promotional material to clearly demonstrate who they represented and the very likely direction of advice. Now, after 2005 this requirement suddenly disappeared, allowing institutionally aligned and owned advisers to masquerade as independent advisers, duping consumers and only selling their owner's products. Do you know if that was the case? Perhaps you need to take on notice why it was changed. I say because we are talking about transparency. We know that the four big banks plus Macquarie and AMP have such a share of the financial products in Australia, yet they have these little companies running underneath that they actually own. I think it is misleading if a financial planner hands a card over saying that they are working for Financial Wisdom that is actually owned by the Commonwealth Bank. Should it have the Commonwealth Bank logo on it as well or if it is Colonial or Macquarie? Could you check that out please?

Mr Kell: We will take it on notice. I might very quickly note that in our recent submission to the Financial System Inquiry one of the points that we suggested they consider included a clearer indication of the ultimate owner of the financial firm that the consumer is dealing with. We support that.

Answer:

We are not aware of any point in time where the law required a product issuer's branding to be included on the business cards or other promotional material of a financial adviser employed by an entity affiliated with or owned by the product issuer.

The law requires a Financial Services Guide (FSG) and a Statement of Advice (SoA) to disclose the nature of any relationship or association between an adviser and a product issuer if the relationship or association might be reasonably expected to be capable of influencing the advice. The FSG and SoA must be given by the adviser to the retail client.