

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question No: AET 130

Topic: Financial Advice Stakeholder Team

Hansard Page: E 19

Senator Cormann asked:

Senator CORMANN—Interesting. I have a series of other questions. Is it correct that your financial advice

stakeholder team does not have a senior manager and has not had one for some time?

Mr Medcraft—The leader of the financial advice stakeholder team is Delia Rickard.

Senator CORMANN—So it does have a senior manager?

Mr Medcraft—She is actually a senior executive leader.

Senator CORMANN—So that is bad market intelligence, is it?

Mr D’Aloisio—The confusion may be that the financial advice area—I think they were put together.

Mr Medcraft—What we did was to put together two areas. The actual team was called ‘consumer advisers and retail investors’. We effectively merged it to create one team under Delia Rickard, basically because we saw a lot of synergies between consumer advice and retail investor literature.

Senator CORMANN—Is the effect of what you have done that the financial advice stakeholder team has essentially been downsized in recent years?

Mr Medcraft—In all of our groups, we have people leave. I cannot tell you what the numbers are currently. It is a merged team. In fact, what is interesting in that team is that many of the people who were in the consumer and financial literacy team are actually now starting to get involved in surveillance of financial advisers, and vice versa.

Senator CORMANN—Because I want to give Senator Bushby some time, I will quickly ask you, perhaps on notice, to give us some advice on what actually happened. You have said you have merged those two sections. How many staff were in those two sections before? What did they do before? How many staff are now in the merged section and what are they doing? I am just trying to get a sense of to what extent financial advice reform remains a priority in the context of what the government is doing.

Mr Medcraft—All I can say is that we will come back to you with that information. I think it is a very important priority, particularly with the initiatives announced.

Senator CORMANN—The suggestion on the street is that the whole focus has lessened somewhat. So I am giving you the opportunity to prove them wrong.

Mr Medcraft—Sure. We will come back to you.

Mr D’Aloisio—We will do that.

Senator SHERRY—We will take it on notice.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Answer:

At the time of the merger of the Consumers & Retail Investors and Financial Advisers teams in July 2010, there were 20 staff in the old financial adviser team (and an additional 2 on maternity leave and 1 on secondment); and 41 staff in the old consumer protection team. The new merged team began in July 2010 with a total of 61 staff (59.1 FTE).

Before the merger the Financial Advisers team was focused on:

- developing a deeper knowledge and understanding of the financial advice industry to better identify where the risks are;
- pro-active risk based surveillances of licensees and their authorised representatives providing financial advice;
- reactive surveillances that responded to issues brought to our attention by complaints or our own surveillance of the market;
- internal provision of financial planning expertise to support ASIC deterrence actions; and
- actively participating in the progression of the FOFA reforms.

Before the merger some of the major priorities of the old Consumers & Retail Investors team included:

- developing and implementing a national financial literacy strategy to improve the financial literacy of all Australians;
- developing targeted educational programs and materials for consumers and retail investors, including via online, print and media channels;
- maintaining ASIC's two (previous) consumer websites, www.fido.gov.au and www.understandingmoney.gov.au including content updates, an e-newsletter and supporting communications and media work;
- building a new and improved consumer website that kept the best of the FIDO and Understanding Money sites but improved on them to better assist and motivate people to make good financial decisions (the new MoneySmart site was launched on 15 March 2011);
- facilitating the quality teaching and learning of financial literacy through established educational pathways in schools, further education, the community sector and workplaces;
- promoting effective consumer protection law and policy, including contributing to the development of a national consumer law, developing and reviewing consumer standards and codes of conduct such as the EFT Code, and setting standards for and overseeing quality independent dispute resolution processes;
- identifying products and practices in the market that posed a particular risk for retail investors and taking action to diminish that risk (at the time in question there was a particular focus on CFDs).

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Overall, the work of both teams before the merger contributed to the ASIC priority of assisting and protecting retail investors and consumers; in particular by ensuring people had access to independent, high quality information, tools and advice about financial issues. The merger simply brought the various streams of that work together into the one team.

As at early March 2011, the merged team now contains 62 staff (62.49 FTE); and we are presently recruiting 2 new staff for the Financial Advisers team in Sydney. It should also be noted that a substantial amount of work in relation to the conduct of financial advisers is done in other parts of ASIC, in particular ASIC's Misconduct and Breach Reporting team and its Financial Services Deterrence teams.

The monitoring of financial advisers has always been and remains a key priority for ASIC.

For example:

- we are undertaking 3 very substantial risk-based assessments of financial advisers;
- we have over 40 current matters on foot, as well as 7 in which our team is assisting an ASIC Deterrence team
- we are launching a major shadow shopping project looking at retirement
- we are monitoring the implementation of several significant Enforceable Undertakings designed to improve the quality of advice in large licensees and
- we remain intensively involved in progressing the FOFA reforms.

Other work of the team at present includes:

- major projects on complex investment products (such as capital guaranteed products) and retirement incomes;
- reforms to the regulatory regime for external dispute resolution schemes and meeting ASIC's regulatory responsibilities in relation to the schemes we approve;
- finalizing the redrafting of the EFT Code into plain English and promoting expanded membership of the code;
- launch and ongoing development of our new consumer website www.moneysmart.gov.au;
- ongoing development and promotion of consumer education materials including ASIC's Investing Between the Flags initiative, where we are working with Centrelink in the rollout of seminars around the country this year;

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

- a range of credit related projects including planning around two forthcoming campaigns – one dealing with mortgage stress and the other targeting new arrivals in Australia, particularly humanitarian immigrants with core information about credit and how to interact effectively with Australia's financial services regime (this work is being done in conjunction with the Department of Immigration);
- ongoing work on financial literacy with a particular focus on implementing the Government's *Helping Kids Understand Finances* initiative which includes delivering face to face training for 6,000 teachers, developing online professional development resources for teachers and developing a suite of online and digital teaching resources.