



SHARES & INVESTMENTS

AAA Shares Pty Ltd

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24 January 2003

The Secretary
Parliamentary Joint Committee
On Corporations and Financial Services
Parliament House
CANBERRA ACT 2600



Dear Sirs,

Disclosure of Commission on Risk Insurance Products

Our company has obtained a new AFS Licence and we are expanding our business into risk insurance products with the view that our clients need to receive holistic planning advice. We had formerly held a securities dealers licence for over 10 years.

We disclose to clients all remuneration, commission, fees and other benefits that we will or are likely to receive in respect of business arising from our advice. At this time we have some disclosures that appear to us to be of little assistance to a client. For example, in a Financial Services Guide (where the product, client, amount for investment and the advisor are unknown) we must comply with the disclosure in Regulation 7.7.07. This prescribes the requirements for disclosure of all remuneration (including commission) and other benefits that a person may receive to the extent that the information is able to be ascertained at the time the FSG is given to the client.

Regulation 7.7.07 (2) (b) goes on to provide for the position where the "...benefits" are unable to be ascertained. It requires a description of the means by which the "...benefits" are to be calculated or provided.

Regulation 7.7.07 (3) requires, to the extent relevant, a range of amounts or rates of "...benefits" and sub-regulation (4) requires the statement to be presented in a manner that is easy for the client to understand.

We have looked at examples of the kind of detail referred to in 7.7.07 (3) and for most of our range of product the disclosure is not helpful. For example in share transactions, the statement could read something like "brokerage can be negotiated from a minimum of \$50.00 upwards and at a rate of from 0.2% to 100% depending upon the value of each transaction. The licensee would receive from 0% to 60% of the fee charged, depending upon the executing broker used and the value of the transaction. In the case of an individual advisor the licensee may pay the advisor from 0% to 100% of its share of the brokerage, depending upon our agreement with the particular advisor".

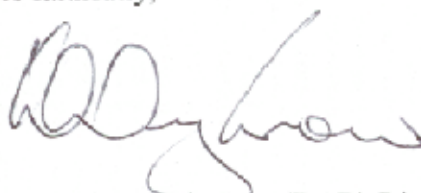
A statement such as above would be either extended to cover risk and other products so that it would become more meaningless or a new statement would be necessary for each product where the rate of commission may vary in such a way as to extend the parameters. The final statement may become farcical. **"The licensee may receive commissions and fees ranging from 0% to 100% of the amount lodged or paid as a premium and may pay the advisor from 0% to 100% of that amount"** is possible.

The important issue to clients is not who gets how much or how the commissions are calculated. The issue is simply can the client get a better deal (cheaper) by going elsewhere to do the business. The licensee and the advisor are obliged to act in a manner that is fair and reasonable and to disclose to clients (and prospective clients) at the earliest possible time matters that are or could be considered liable to have an impact on the advice given.

We believe that disclosure of the **method** of remuneration of advisors and licensees is sufficient if the client can see whether the advice may result in commission to the advisor and whether the licensee is associated or linked with the product provider.

We contend that the actual amount of commission is not to any extent relevant nor would it assist understanding to try to set out detail on how it is calculated.

Yours faithfully,



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Authorised Representative
Director