

TERMS OF REFERENCE

On 8 December 2004, the Parliamentary Joint Committee on Corporations and Financial Services resolved to inquire into the regulation of property investment advice by the Commonwealth, with reference to:

- (a) the effectiveness of current regulation (including the *Trade Practices Act 1974*, the *ASIC Act* and the *Corporations Act 2001*) of the property investment advice industry in protecting consumers;
- (b) allegations that property investment advisers engage in behaviour including:
 - i. characterisation of their activities (for instance, as "education seminars") in order to avoid regulation;
 - ii. habitual use of high pressure selling techniques in order to induce investment decisions;
 - iii. failure to disclose interests they may have in properties they are selling;
 - iv. failure to disclose commissions and fees associated with their services; and
 - v. failure to provide appropriate disclosure of downside risk associated with the property or financial products they recommend;
- (c) whether it is appropriate for property investment advisers to simultaneously sell an interest in property and financial products enabling such purchases;
- (d) advantages and disadvantages of possible models for reform of the property investment advice industry including:
 - i. national coverage through uniform state and territory legislation;
 - ii. Commonwealth legislation; and
 - iii. a scheme of self-regulation of property investment advisers on a national basis; and
- (e) whether current legal processes provide effective and easily accessible remedies to consumers in dispute with property investment advisers.

Table of Contents

CHAPTER 1	1
Introduction	1
Background	1
Conduct of the inquiry	2
CHAPTER 2	3
Key Issues	3
The key issues	3
Why is property investment advice important?	5
How spruikers operate	9
Why are spruikers able to operate?.....	11
Possible regulatory approaches.....	17
Is industry self-regulation appropriate?	20
Commonwealth or State responsibility?	21
CHAPTER 3	25
A new regulatory regime	25
What is the objective?.....	25
Proposed new regulatory regime	25
Enforcement.....	36
Remedies	37
Professional education & training.....	40
The issue of 'educational seminars'.....	41
CHAPTER 4	45
Buyer beware - a plea from the Committee	45
Seminars are marketing exercises	46
Check the internet	46
Choose your own lawyer and accountant	47
Get your own valuation.....	47
Get your own finance.....	48
Don't be rushed.....	48
Demand advice about downside risk	48
Understand that your home is at risk	49
Summary	49

APPENDIX 1.....	51
SUBMISSIONS RECEIVED BY COMMITTEE.....	51
APPENDIX 2.....	53
PUBLIC HEARINGS AND WITNESSES	53