



INSTITUTE OF
PUBLIC
ACCOUNTANTS®

**Submission to Treasury
Quality of Advice Review
Terms of Reference**

February 2022

04 February 2022

Director
Advice and Investment Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: AdviceReview@treasury.gov.au

Dear Sir/ Madam

Review of the quality of financial advice – draft Terms of Reference

The Institute of Public Accountants (IPA) welcomes the opportunity to comment on the draft Terms of Reference for the Quality of Advice Review.

Like many stakeholders, IPA has been a long-time advocate of the need for a full, comprehensive review of the financial advice sector. We note there are numerous reviews which are either under way or announced, many of which have resulted from the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Hayne Royal Commission), including recommendation 2.3.

We are looking forward to the outcomes of the ALRC *Financial Services Legislation Inquiry*, the announced review of the ASIC industry funding model, and so on, which will all impact the Quality of Advice Review. In addition, the sector has experienced numerous changes and upheavals resulting from the Future of Financial Advice (FoFA) reforms and various other ‘reforms’ going back over 20 years. We believe it is now overdue to evaluate the outcome of all these reforms and to reset for the benefit of all stakeholders, especially consumers. The Terms of Reference should be broad enough to incorporate the overall state of the sector.

IPA’s view is that whilst the timing and sequencing of the Quality of Advice review is not optimal, given the passing of the Better Advice legislation and other relevant reviews, it will still be possible to consider and implement necessary improvements. Despite the need for certainty and stability, we urge the government to stay open to further changes.

A guiding principle should be the policy objective of the FoFA reforms, which is to provide competent and affordable financial advice for Australian consumers. This objective appears to have been lost in the impenetrable legislation and regulation which governs the financial advice sector. In this regard, we refer to ASIC CP 332 *Promoting access to affordable advice for consumers*, which appears to be part of the Quality of Advice review Terms of Reference 2.1 and 4.5.

IPA supports the draft terms of reference contained in the consultation paper and believes they are broad enough to provide the reset needed for the sector, with the caveat noted above, that further changes are likely once the other reviews and inquiries are concluded. In the interim, we fully support reference to the interim findings of the ALRC review, which is related to the Terms of

Reference 2.2 and 3.1.1 and 5. We anticipate that the ALRC and Treasury will liaise with respect to these parallel reviews.

IPA fully supports Terms of Reference 3.1.7 and the reference to the Review of the Tax Practitioners Board recommendation 7.2. IPA has been a long-time advocate of enabling appropriately qualified and regulated advisers, no matter what profession or industry they identify with or are regulated under. This would mean that accountants could be qualified to provide certain limited advice to consumers under an expanded definition of 'tax agent services' under the Tax Agent Services Act 2009 and related Regulations, especially when doing so in the context of tax advice as Registered Tax Agents. This would create a level playing field and is consistent with the policy objective of providing competent, affordable financial advice to consumers. This would be encompassed in recommendation 7.2 which recommends the Government initiate a specific review of what advice accountants can and cannot give in respect of superannuation and which accountants that might apply to. However, we suggest that this should include self-managed superannuation funds. It would be appropriate to have this recommendation considered within the Quality of Advice review, not the Productivity Commission as recommended by the Review.

To ensure that the Quality of Advice review is comprehensive, we believe that certain issues should be included, which we outline below:

- All advice should be included, however defined, and whether it includes product recommendations or not, and whether provided to retail or wholesale clients. That is, whether characterised as strategic, structural, limited or otherwise.
- A consideration of the appropriateness of the delineation between retail and wholesale clients; if this delineation is appropriate, then what protections are appropriate for wholesale clients.
- A post-implementation review of all Hayne Royal Commission recommendations. If it is considered too early to make a proper assessment, then a commitment should be made to a review within two years of implementation.
- What is the appropriate regulation for innovative, emerging sources of financial advice and products, whilst encouraging innovation and entrepreneurial offerings. This relates to Terms of Reference 4.4.
- Given the point above, what is the role of financial literacy and how can it be promoted and even embedded in the culture of financial advice for the benefit of all consumers and other stakeholders.
- The introduction of individual registration for financial advisers. This has been canvassed in other reviews relating to the Better Advice legislation. This will encompass the role of licensees, including whether they have a different role in the financial advice ecosystem.
- A consideration of the role of professional indemnity insurance, including the reasons why the market is contracting with a consequent significant increase in premiums. No matter what the government does to address regulatory concerns, advisers will not be able to practice and provide advice to consumers if they are unable to access affordable professional indemnity insurance.
- Consideration of the appropriate qualifications for financial advisers. We appreciate the recent consultation on education standards and believe this should be viewed from the perspective of competent and affordable advice for consumers.
- The review should be undertaken by a panel of experts drawn from different backgrounds, including consumer, financial planning profession, and business.

If you have any queries with respect to our submission, please don't hesitate to contact Vicki Stylianou at vicki.stylianou@publicaccountants.org.au or on 0419 942 733.

Yours faithfully

A handwritten signature in black ink, appearing to read 'V. Stylianou', with a stylized flourish at the end.

Vicki Stylianou
Group Executive Advocacy & Policy
Institute of Public Accountants