



Australian Government  
The Treasury

**TSY/AU**

# Quality of Advice Review

Template for response

August 2022



# Consultation process

## Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in [Appendix 1](#). Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

## Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our [submission guidelines](#) for further information.

## Closing date for submissions: 23 September 2022

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## Appendix 1: Consultation template

Name/Organisation: Brian May (Managing Director) - Horizon Wealth Management Pty Ltd

### Questions

#### Intended outcomes

1. Do you agree that advisers and product issuers should be able to provide personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?

Yes

#### What should be regulated?

2. In your view, are the proposed changes to the definition of 'personal advice' likely to:
  - a) reduce regulatory uncertainty?
  - b) facilitate the provision of more personal advice to consumers?
  - c) improve the ability of financial institutions to help their clients?

All the above but especially (a) above

**3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?**

**a) If not, what additional safeguards do you think would be required?**

Yes agree – current terminology is confusing as it's not advice – it's information

#### **How should personal advice be regulated?**

**4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:**

- a) the quality of financial advice provided to consumers?**
- b) the time and cost required to produce advice?**

This suggestion is sensible. Complying with the Safe Harbour legislation is laborious and cumbersome – at the end of the day there should be a principles basis to providing good advice.

**5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:**

- a) provide limited advice to consumers?**
- b) provide advice to consumers using technological solutions (e.g. digital advice)?**

We would hope that it's easier – however, we do need to 'flesh these proposals out' to determine what actual reductions there are to the advice work load and thus the time spent on dispensing advice in the current regime versus the proposed new environment.

With respect to technology solutions – it's important that the playing fields for advisers whether real or digital are level and fair.

What we want to avoid is creating more problems down the line where consumers are not protected through certain distribution channels.

**6. What else (if anything) is required to better facilitate the provision of:**

- a) limited advice?**
- b) digital advice?**

No comments

- 7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:**
- a) the quality of financial advice?**
  - b) the affordability and accessibility of financial advice?**

There has to be a fair trade off between quality and affordability.

Not every client can afford to pay for the most expensive advice and it's not necessarily suitable for everyone's requirements.

The Code of Ethics does also need to be tailored to ensure that they align with these proposals.

- 8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?**
- a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?**

No Comment

**Superannuation funds and intra-fund advice**

**9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):**

- a) make it easier for superannuation trustees to provide personal advice to their members?**
- b) make it easier for members to access the advice they need at the time they need it?**

No comment

**Disclosure documents**

**10. Do the streamlined disclosure requirements for ongoing fee arrangements:**

- a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?**



**b) negatively impact consumers, and if so, how and to what extent?**

The current process of doing an 'FDS/Opt In' and also completing a Product Provider Consent form for the same account and client is a duplication of essentially the same process and objective. So the recommendation to remove the requirement for 'FDS/Opt In' makes complete sense. It's currently both annoying and confusing for clients.

However, the Product Provider Consent process is a time consuming activity to complete for **every Account every year**.

With the introduction of the Code of Ethics and the requirement to appropriately service fee paying clients each year we would suggest that its cumbersome and time consuming to comply with this requirement each year considering and taking into account that the average client has 2 accounts and the average adviser has say 100 clients – that's 200 pieces of documentation that **require preparation each year** for clients to sign and for advisers to follow up. It should be noted that:

1. The client signed the application form for the fee when the account was opened.
2. The SOA disclosed the fee as well.
3. The Letter of Engagement most likely should have disclosed the fee.
4. The Provider Annual Statement discloses the \$ fee – they could quite easily include the fee scale (% if applicable) as well and include this in bold or in a bigger font to make it clearer to the client.
5. In each Record of Advice and review meeting at least each year, we disclose the fee to the client (we realise that is not mandatory but perhaps it could be built into the professional standards as well as 4 above).

The more preferable option is that the Providers make this clearer on the annual statement that is already sent to the account holder per 4 above.

The other less preferable option is that this requirement could be every say 3 years as opposed to every year.

We really have to use technology as much as possible and find 'a person free method' to achieve this objective.



**11. Will removing the requirement to give clients a statement of advice:**

- a) reduce the cost of providing advice, and if so, to what extent?
- b) negatively impact consumers, and if so, to what extent?

This should definitely reduce the cost of advice but we can only make a proper determination when we understand what will be the requirements for a Record of Advice going forward.

**12. In your view, will the proposed change for giving a financial services guide:**

- a) reduce regulatory burden for advisers and licensees, and if so, to what extent?
- b) negatively impact consumers, and if so, to what extent?

The current FSG serves no real purpose in its current format.

The key paragraphs for consumer protection should be incorporated into a Letter of Engagement

1. Not independent statement

2. Privacy
3. PI
4. Complaint
5. AML
6. Fees
7. etc

### Design and distribution obligations

**13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:**

- a) **the design and development of financial products?**
- b) **target market determinations?**

- Advisers who provide personal advice should be exempt from the DDO which is currently the case.
- Clients who deal with Advisers should be able to give instructions to advisers if they so wish on their portfolio without any concern with DDO – currently this is not possible as Platforms have imposed that advisers provide personal advice in circumstances when advice is not being sought by the client – they simply require execution.

**Transition and enforcement****14. What transitional arrangements are necessary to implement these reforms?**

FDS/Opt In can be removed immediately wef 30 June 2023.

Once it's clear what is to be repealed or replaced, a logical transition plan can be agreed per category/section.

**General****15. Do you have any other comments or feedback?**

None – many thanks

