

[REDACTED]

From: Greg Cadwallader [REDACTED]
Sent: Wednesday, 8 April 2015 4:56 PM
To: Professional Standards
Subject: A submission to Professional Standards
Attachments: medium.pdf; Sherry 1.pdf; Sherry.pdf; Computer view.pdf

Categories: submission

Dear Sir,

You received the following from us on 31 March. Please tell us whether it is acceptable as a submission. Do you want signatures on it? We may not be stakeholders but we are definitely interested parties as per the last attachment .

Greg Cadwallader

From: [REDACTED]
To: professionalstandards@treasury.gov.au
Subject: FW: A submission to Professional Standards
Date: Tue, 31 Mar 2015 14:29:14 +1000

Professional Standards

Dear Sir,

My wife and I consider ourselves stakeholders. The words **'WARNING! SHARES ARE HIGH RISK'** must be printed on the front cover of EVERY financial product disclosure statement. Is the following satisfactory as an official submission?

[REDACTED]
30 March 2015

A submission to the consultation paper on
**'Lifting the professional, ethical and education standards
in the financial services industry'.**

The first attachment is a scan from page 4 of the product disclosure statement that was issued to us (Greg and Jenny Cadwallader). It is irrefutable proof that a bank will stop at nothing to mislead the gullible investor.

Almost eight years have passed since we decided to invest in Colonial First State's allocated pension. A financial adviser employed by the Commonwealth Bank, Mr Neil Hawkins, came to our house on 25 January 2007 and profiled us as moderate risk takers. He recommended the moderate option which, according to the risk dial (above), has medium risk.

Ten months later we discovered, by letter dated 9 April 2008 from the Commonwealth Bank, that more than half our investment was high risk. The revelation that we were defrauded prompted our campaign to have the unwritten law, that gives banks carte blanche to mislead the investor, changed. We wrote to ASIC and were promptly fobbed off to the Commonwealth Ombudsman. The Commonwealth Ombudsman's Senior Investigations Officer, Mr Michael Randell stated,

verbatim: 'IN ASSESSING PREVIOUS COMPLAINTS REGARDING THIS ISSUE, THE OMBUDSMAN HAS DETERMINED THAT SUCH AN INTERPRETATION OF THE LEGISLATION IS REASONABLY OPEN TO ASIC TO MAKE AND THIS OFFICE DOES NOT USUALLY INVESTIGATE SUCH COMPLAINTS UNLESS ASIC HAS NOT PROVIDED SUFFICIENT REASONS FOR REACHING ITS DECISION NOT TO INVESTIGATE.' Although there had been 'PREVIOUS COMPLAINTS REGARDING THIS ISSUE' ASIC still refused to investigate.

The financial ombudsman, in a 29-page determination, dated 30 July 2010 and signed by Panel Chair M W Gerkens, portrayed us as liars.

The Commonwealth Bank is currently issuing two product disclosure statements, one exclusively for employees of the bank, the other exclusively for the financially-uneducated. Privileged bank employees, in their PDS, are confronted with an additional page of vital information in which an easily-understood black and white 'SHARES ARE HIGH RISK' appears. The PDS that is issued to financially-uneducated investors contains a potpourri of incomprehensible colour-coded dials and charts.

Bank employees are issued with a PDS that is much more effective, by the addition of vital information, than the PDS that is issued to the unsophisticated man in the street. An ulterior motive lies behind the Commonwealth Bank's decision to sneak, into the bank employees' PDS, an extra page of information: if the average man in the street became aware that shares are high risk he would never consider investing in them, or in investment portfolios in which shares are prominent.

Every investor deserves precisely the same information, written in precisely the same way.

Therefore EVERY financial PDS MUST include a black and white unambiguous 'SHARES ARE HIGH RISK'. The Commonwealth Bank insists that colour-coded information is just as effective as written words. This is verbatim from an email to us signed by the Commonwealth Bank's Mr Erik Candido dated 6 March 2015: 'I AGREE THAT THE RISK AND RETURN POSSIBILITIES OF ANY INVESTMENT SHOULD BE INCLUDED IN A PDS, AND WE AT COLONIAL FIRST STATE HAVE INCLUDED THIS IN OUR PDS, BUT WE HAVE FORMATTED AND PRESENTED THIS INFORMATION A LITTLE DIFFERENT THAN THE COMMONWEALTH BANK EMPLOYEE FUND.' A LITTLE different? The information in the PDS for gullible investors is formatted and presented in an entirely illogical way, nothing like the information in the easily-understood page in the PDS for university-educated bank staff.

I have two questions that the Commonwealth Bank refuses to answer: (a) if there is no difference in effectiveness, why did we believe our investment would be medium risk? And (b) if there is no difference in effectiveness, why include the extra page? Even the Minister for Superannuation of the day, Senator Nick Sherry, in response to our suggestion, almost seven years ago, that EVERY PDS include *WARNING! SHARES ARE HIGH RISK* on its front cover, wrote this (see second attachment): 'THE QUALITY, COMPLEXITY AND LENGTH OF DISCLOSURE DOCUMENTS ARE MATTERS OF SIGNIFICANT CONCERN TO GOVERNMENT. I HAVE BEEN A LONG-TERM CRITIC OF HOW DISCLOSURE HAS EVOLVED INTO DOCUMENTS THAT MAY AS WELL BE WRITTEN IN LATIN AND DO NOT PROVIDE THE NECESSARY INFORMATION TO INFORM AND PROTECT CONSUMERS.'

An intelligent senator found the information hard to interpret. How can the average man in the street be expected to interpret it?

We believed we made an informed decision when we invested in the medium risk option. Our decision relied on misleading colour-coded information. We needed written words, not colour-codes. We would have immediately rejected the investment had we even an inkling that more than half of it would be high risk.

Greg and Jenny Cadwallader

Nick Sherry,

Even Perry Mason wouldn't try to convince a jury that the word 'statement' has the same meaning as 'indicator'. The Act specifies '**statement**' for one reason; to force financial institutions to use easy-to-understand words when disclosing risk. The 'risk indicator' is deliberately abusing the spirit of the Act. Colonial is aware there are some older people who are genuinely not interested in high risk investing. Because disclosing risk with easy-to-understand words could dissuade those people from becoming involved with shares Colonial devised the risk indicator. The risk indicator is so camouflaged on the PDS it is close to invisible (see attachment). Colonial's fine-print specialists are using '**indicator**' as a synonym of '**statement**'. An almost-invisible risk indicator cannot, by any stretch of the imagination, be considered a statement. A financial institution's fundamental moral duty is to 'effectively' disclose risk. I wonder whether any politician would be brave enough to table a bill to get a crystal-clear 'WARNING! SHARES ARE HIGH RISK INVESTMENTS' on the front of every PDS. No worries there. Every politician knows which side his bread's buttered!!!

Greg





**Senator the Hon Nick Sherry
Minister for Superannuation and Corporate Law**

Mr Greg Cadwallader
24 Sewell Road
TANAH MERAH QLD 4128

3 DEC 2008

Dear Mr Cadwallader

Thank you for your emails of 10 October and 15 October 2008 concerning the disclosure of risk in product disclosure statements for superannuation and managed investment products.

The quality, complexity and length of disclosure documentation are matters of significant concern to Government. I have been a long-term critic of how disclosure has evolved into documents that may as well be written in Latin and do not provide the necessary information to inform and protect consumers.

Now, as the Minister responsible for financial services, I am determined to fix this problem. I am committed to seeing that industry providers produce simple, standard, and readable financial services disclosure documents.

For this reason, the Minister for Finance and Deregulation, the Hon Lindsay Tanner and I created the Financial Services Working Group (the Working Group) earlier this year, comprised of officials from Treasury, the Department of Finance and Deregulation and the Australian Securities and Investments Commission (ASIC).

The over-arching aim of the Working Group is to facilitate short, simple and readable disclosure documents. The sorts of issues that you raise, such as the clarity of information about risk, are firmly on the agenda for the Working Group. Overall, I am confident that the Working Group will provide innovative solutions to the challenges of providing effective risk disclosure.

Your experience is being considered by senior officials of the Working Group, I can assure you, and I am confident that the process we have set in train will produce real progress for all Australians.

I trust this information will be of assistance to you.

Yours sincerely

NICK SHERRY

EDUCATION STANDARDS IN THE FINANCIAL SERVICES INDUSTRY

25 March 2015 | Consultation Paper

The Parliamentary Joint Committee on Corporations and Financial Services' inquiry into proposals to lift the professional, ethical and education standards in the financial services industry (PJC) presented its recommendations to Government on 19 December 2014.

The PJC report outlines a comprehensive model to increase the professional standards of advisers, involving a co-regulatory approach where Government, professional associations, industry and academia all work in partnership.

The Government is undertaking a period of consultation to seek views on the core elements of the PJC model, importantly including how these elements could be implemented

Making a Submission

Interested parties are invited to comment on the issues raised in the consultation paper.

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

07/04/2015