

22 March 2019

Via Electronic Transfer

FOFAGrandfathering@treasury.gov.au

The Treasury
Financial Services Reform Implementation Taskforce
Langton Crescent
Parkes Act 2600

Dear Sir/Madam,

Thank you for the opportunity to provide feedback on the Treasury Laws Amendment (Ending Grandfathered Conflicted Remuneration) Bill 2019.

QInvest has nine offices across Queensland, and since 2002 has helped nearly 223,000 clients and provided over 138,000 Statements of Advice. We provide professional financial advice that is in our clients' best interests, and guide our clients to make decisions that will improve their financial wellbeing. QInvest is ultimately owned by the QSuper Board, but is a separate legal entity responsible for the financial services it provides.

Removing grandfathering arrangements

The Bill proposes grandfathering arrangements for conflicted remuneration, and other banned remuneration, in relation to financial advice to retail clients are removed effective from 1 January 2021.

QInvest is a fee-for-service provider, and where possible, already removes or rebates all conflicted remuneration received from product providers. Therefore, QInvest supports the proposed changes to repeal and replace s1528 – s1531 in the *Corporations Act 2001 (the Act)*. It is QInvests' view that an industry-wide measure to remove grandfathered conflicted remuneration will decrease the risk of conflicted advice, and more closely align the interests of Financial Advisers with the interests of their clients.

Rebating Provisions for Conflicted Remuneration

The proposed new sections s963M – 963P in the Act, provide for a scheme under which amounts that would otherwise have been paid as conflicted remuneration after 1 January 2021, are rebated to affected retail clients.

QInvest supports the intent of rebating the conflicted remuneration to ensure the benefits of removing grandfathering arrangements flow to clients. However, QInvest questions whether both financial product providers and financial services licensees/representatives should be held responsible for rebating of grandfathered remuneration.

QInvest believes the overlapping in responsibilities could cause confusion, inefficiency and higher overhead costs in the administration of the rebate. In addition, having dual parties may lead to confusion, for all parties (including clients), regarding responsibility if a breach occurs.

If financial product providers fail to automatically facilitate the rebate on behalf of the licensees, it would be resource intensive, especially for small financial services business to rebate the conflicted remuneration to their clients. For example, the process of obtaining current contact and bank account details for clients who have not dealt with the financial services business for several years, may involve several steps, which in some cases, includes requesting the client's current details from their relevant financial product provider.

To ensure efficiency and consistency in the process of removing and rebating conflicted remuneration, QInvest believes that financial product providers who currently pay grandfathered conflicted remuneration to financial services licensees/representatives, and who should already hold client details, should have sole responsibility to remove this remuneration from being received by the licensees/representatives. If this occurs, there will be no need for further requirements on the other parties.

QInvest recommends that the draft legislation remove the need for the financial services licensees/representatives to rebate grandfathered conflicted remuneration to retail clients and make financial product providers the primary and only control required, with licensees being required to report receipt of conflicted remuneration from product providers to ASIC.

We trust this feedback will be beneficial. QInvest would welcome an opportunity to discuss our submission in further detail with Treasury. Chris Ramsay, Senior Manager External Affairs and Policy is the primary QInvest contact regarding our submission and can be contacted on 07 3029 9666 or christopher.ramsay@qsuper.qld.gov.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kim Hughes', written in a cursive style.

Kim Hughes
Chief of QInvest