

From the Desk of Director Marija Pajeska



Association of Securities & Derivatives Advisers of Australia

24 April 2019

Manager
Financial Services Reform Taskforce
The Treasury
Langton Crescent
PARKES ACT 2600

By email: FOFAGrandfathering@treasury.gov.au

Response to Treasury Consultation Paper titled 'Ending Grandfathered Conflicted Remuneration for Financial Advisers: Draft regulations'

The Association of Securities and Derivatives Advisers of Australia (ASDAA) appreciates the opportunity to provide these comments to Treasury in respect of the Consultation Paper titled 'Ending Grandfathered Conflicted Remuneration for Financial Advisers: Draft regulations'.

ASDAA represents the interests of its members, who are from the Securities and Derivatives advisory profession. Its members are comprised of individuals who are either directors, or employees, of small to medium sized firms which hold an Australian Financial Services Licence (AFSL), but are not a Participant Member of the Australian Stock Exchange.

We see the benefits of what is proposed by these changes and are of the view that clients should have full transparency of the fees that they are paying.

We note that the law provides for an AFS Licensee and its representatives to continue receiving any and all fees that they are entitled to receive as a result of the exclusion from the ban on conflicted remuneration given under 'Benefits given by the client' (ie. Section 963B(1)(d) and 963C(e), and regs 7.7A.11C(1)(d), 7.7A.11C(2)(d), 7.7A.11D(1)(d) and 7.7A.11D(2)(e)).

Under this exemption, as long as there is an agreement in place between the AFS Licensee and the client clearly specifying how much and what fee the client will pay to

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ASDAA

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the AFS Licensee and any other person that is part of the chain, the AFS Licensee is entitled to charge and receive the fee as such fees are excluded from the ban on conflicted remuneration.

Unlike some advisers who feel that this may be an issue, we at ASDAA feel that this is something that every financial services provider should be seeking from their clients to ensure that the client not only understands the services that are being offered and provided but also understands the costs of those services.

The only concern we have is the ambiguity surrounding the drafting of Regulation 7.7A.15AM(3). We feel that the current wording is open to interpretation in that a client or third party can claim that what they received was not just and equitable. The law needs to be clear on the total sum available to be rebated to clients and that such amount should be available to those clients for distribution in a just and equitable manner.

ASDAA appreciates the opportunity to provide this Submission to Treasury on these significant proposals. We would be happy to discuss any issues arising from our submissions on this issue, or to provide any further material that may assist. Should you require any further information, please contact Brad Smoling, Director of Communications, on (07) 5532 3930 or email brad@asdaa.com.au.

Yours Sincerely



Marija Pajeska
Compliance Director