

Dear Sirs,

Thank you for your consideration in this matter and comment as follows;

1. Its questionable the FOFA legislation is a reform agenda, it adds little value to the client who will face increased costs. FOFA is predisposed towards industry super funds and with new 'perceived concessions' such as limited scaleable advice, the MySuper concept is a new innovation and may have a role to play in benefiting Australians. Its unclear at this stage 'the limits on limited advice?' the compliance and compensation process to be put in place for limited advice. It should be pointed out that providing financial advice under the current legislation is perceived by professional indemnity insurers as a high risk business, just to comply with RG 126 has my P.I. premium is \$7500 p.a. or \$3.90 an hour, (no claims), it is perhaps indicative of the haste of the legislation that the latter points are unclear and the industry is expected to implement major reforms to commence on 1 July 2012.
2. Part of the proposed reform is the prospective ban on conflicted remuneration structures, such as commissions and volume-based payments, FOFA remains silent on wholesale commissions paid by fund management groups to platform providers and to industry superannuation funds. These commissions will continue to be paid upstream to obtain distribution, wholesale commissions are an additional cost to the end user and drag on the performance of the investment fund, hence its questionable that FOFA is a reform agenda.
3. As a fee based adviser, it is clear all clients will not want to pay direct fees, currently an agreed fee paid from the clients cash account by the superannuation fund is tax deductible to the fund, a direct fee charged to the client under FOFA is not tax deductible, hence its questionable that FOFA is a reform agenda.
4. In our firm a mid level adviser or senior para planner has a current billable hourly rate of \$168 an hour, (no great surprise that \$11 equates to 3.92 minutes). It is preposterous to even consider that systems and client communication can be formulated and despatched within this time frame, or remotely near it. To have such figures bandied around as part of purported formula to 'Opt in Clause' is disingenuous, indeed Rice Warner have failed to provide their computations as requested by me personally on 2 separate occasions, its questionable that FOFA is a reform agenda.
5. If you drill down and analyze the opt in clause, its loaded with conflict and extra work, its human nature not to be motivated to pay a bill or sign an agreement to opt in. People are naturally tardy when it comes to paying bills or signing agreements. FOFA is silent if a client does not opt in, advisers have a fiduciary duty to the client, yet without being remunerated how should advisers act, advisers are compelled to act because of a fiduciary duty, FOFA provides for conflict therefore its questionable that FOFA is a reform agenda.

There has been significant change in the industry over the last 10 years, we are burden with compliance and red tape which all adds to the cost of providing financial advice. The usual answer being technology will relieve the load? Technology produces Statement of Advice and I have not had one client todate who has either had the time to read it or understand it, yet a minimum 8 to 10 hours of research, collation and preparation goes into the SoA preparation, a real cost to the client, FOFA will add to these costs and its questionable that FOFA can be considered a reform agenda.

We appreciate having the opportunity to make comments at this late stage, we trust this feedback will be considered from an industry practitioner with over 30 years experience. I believe some of my peers may formalize issue's better and I have appended the following from the Association of Financial Advisers for further consideration, as their view concur with my own and hope this submission in its entirety will be considered.

Yours faithfully

Barry Collins

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