

Submission to Treasury

Tranch 1 FoFA Reforms

Whilst the removal of Individual Advice Risk Commission in Superannuation is welcome, it is fair to point out that it should never have been included in the proposed FoFA legislation.

Further, clarification on quarantined business on the books prior to the effective FoFA dates removes much of the uncertainty for both the financial risks of existing business and the practical management of the 'opt' in and renewal requirements.

Concerns

1. The proposed reforms are already bringing about a concentration and centralisation of Advice capability. My contact with the industry confirms this will be a feature of the future for our industry which ultimately is unlikely to be in the client's best interest. Reduced access and choice and higher costs for Advice is contrary to FoFA intentions.

2. (i) Opt in and the service of best interest on the unintended opt out on Day 61.
On one hand the Adviser is faced with legal implications of the new law, on the other hand one has the best interest of the client to serve. Whilst this is not a planned outcome for 'opt in' it is an unintended consequence of involuntary opt out. Provision needs to be made for 'involuntary opt out' especially where family health, overseas or interstate travel or change of address for example, may impact on the Adviser's capacity to effect a timely opt in.

(ii) Opt in and the \$11.00 'estimated cost'
I can assure you that the overall costs to the industry from Adviser / client opt in service provision, follow up (and follow up again and again with many) and the direct costs associated, licence holder managing opt in and the fear of Adviser transgression and manufacturer management of commission entitlements will be a major cost impact.

Where are the outworkings for the Rice Warner \$11 / "likely cost" estimate?

Why will it cost much more? The Civil penalties of \$50,000 / \$250,000 will ensure that this is a very expensive, 'no risk ' exercise for all parties to the process!

(iii) Opt in and the sale / purchase of clients and registers where the business is considered pre-effective dates.
Clarification sought. Should this event trigger "opt in" it will have a significant detrimental impact on business valuations and future client management.

(iv) Opt in and renewal obligations

Who will be responsible and does it only apply to those retail fee clients post the effective dates. Clarification required.

3. Conflicted Political Outcomes

As a successful small business owner in the financial services sector, who always places the client's interest first, I am very alarmed at what one reads and hears of the lack of open disclosure in the ISN. I note this has met with a stony silence from the Minister and the proponents of the current reforms. The MTAA and Trustee Fees are but part of the problem.

If we are about 'the client's best interests' then surely this must also apply to emerging and unacceptable standards and disclosure impacting on clients of the members of the ISN.

I look forward to these concerns and clarifications being addressed in the final legislation for Tranch 1 of the Future of Financial Advice.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Kenn Williams', with a long horizontal flourish extending to the right.

Kenn Williams