

The General Manager  
Retail Investor Division  
The Treasury

I am writing to you on behalf of Wealthsure Pty Ltd ("Wealthsure"). Wealthsure holds an Australian Financial Services License which represents over 400 authorised representatives and is one of the largest independently owned groups in Australia.

Wealthsure does not oppose many of the changes proposed in the Exposure Drafts. However, we are most concerned that there appears to be no grandfathering provisions in relation to platform overrides and rebates being paid from platform providers to licensees and advisers.

The destruction that would be created by simply abolishing these payments would cripple the independent sector as most independently owned licensees (non-bank owned) do not engage in product manufacture and rely on commercial arrangements with the product manufacturers (banks).

The payments allow licensees to subsidise the cost of advice to clients as the payments are paid directly from the manufacturers retained earnings, NOT client funds. The payments are made from a majority of platform providers which enable independently owned licensees to use multiple platforms providing more choice for investors.

In comparison the banks generally subsidise their advisory networks with the income they generate from their product manufacture. The bank owned adviser distribution makes up approximately 80% of all advisers in Australia. Based on my investigations, a majority of clients' funds goes into the banks' own platforms and products. The banks offer very little choice for investors to use platforms that they do not own or control. There appears to be a bias based on the fact that there is no recommendations in the Bill that will have a significant effect in providing more platform choices to clients when dealing with a Bank owned AFSL.

By abolishing the platform payments to independently owned licensees, the payments will simply go back to the banks with no requirement for this payments to go to the clients. The banks will have increased profits at the expense of the independently owned AFSL's who will either perish, increase their charges to clients, or become product manufacturers. This outcome could surely not be intended as it clearly disadvantages all parties except the banks and further reduces competition to the financial system which is already heavily dominated by the banks.

I believe a strong independent financial planning sector is paramount in maintaining competition and keeping costs down. Wealthsure currently has over 20 platforms on its approved list and manages in excess of 3 billion dollars. We are able to offer such a large range of platforms due to our independent ownership and not relying on manufacturing our own platform.

Wealthsure currently has over 400 contractors and staff and provides advice to over 80 thousand clients. The proposal to abolish the platform payments will put the future of our employees and clients in serious doubt, as well as thousands of other industry participants.

The costs of compliance and education have risen significantly over the last 7 years and to meet our obligations, significant additional resources have been required. The platform rebates have enabled us to meet some of this additional cost without having to significantly increase costs to clients.

Without the grandfathering provisions of platform payments to Licensees, there will only be destruction of the independent groups and the loss of benefits to the public of not having a strong independently owned sector, with no apparent benefits to existing clients.

Having strong independently owned licensees is extremely important to ensure competition and efficiency within the future of financial advice. It would be an absolute travesty to have the financial advice industry run by product manufacturers.

It appears the intention of the proposed Bill is to diminish or eliminate any real or perceived conflict between a product provider and financial adviser and licensee when providing advice to clients.

Administration platforms are merely the vehicle that provide reporting, administration and custodial services to clients. It is the underlying investment products on the administration platform menu that the clients invest in that expose the client to potential investment losses. It is failure to perform of the underlying investments that has caused investor losses.

Overrides or rebates are payable from the administration platform revenue based on funds under management in the platform. **This is irrespective of the underlying investment.**

Advisers and licensees use platform providers because they are an efficient method of reporting and administrating client investment. The investment decision and/or recommendation made by the adviser/licensee to the client is not influenced by the volume based override and/or rebate because the override or rebate payable remains the same no matter the recommended product mix of underlying investments.

It therefore follows that due to the platform not paying overrides or rebates based on the underlying investments, the platform acts as a conduit in removing the conflict associated with the adviser/licensee receiving a volume based override/rebate based on the underlying investment. The override/rebate is payable no matter what the recommendation is.

To truly address the concern of real or perceived conflict between product failure and a financial adviser/licensee, greater scrutiny needs to be applied to the underlying products on an investment menu. Cancelling or diminishing overrides and/or rebates based on these platforms will not address this issue.

I hope the proposed legislative changes will improve the quality of financial advice in the future and trust you will ensure a strong independently owned sector remains critical to future of that advice.

Regards

**Darren Pawski**  
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**Chief Executive Officer**  
**Wealthsure Pty Ltd**  
**Australian Financial Services Licensee**  
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