

4 February 2022



FINSIA SUBMISSION TO THE REVIEW OF THE QUALITY OF FINANCIAL ADVICE TERMS OF REFERENCE

Introduction

FINSIA (the Financial Services Institute of Australasia), welcomes the opportunity to make a submission to the Review of the Quality of Financial Advice Terms of Reference.

FINSIA's purpose is to deepen trust in financial services by raising standards of professionalism. It is a not-for-profit professional membership body for individuals working across the full spectrum of financial services industry in Australia.

As a connector between finance professionals and industry, FINSIA is keen to support the financial service industry's commitment to earn back trust and create an enduring customer focussed culture.

Overview of response

FINSIA very much endorses the Review and suggests that generally the Terms of Reference are – as they should be - wide enough to examine many relevant issues.

FINSIA notes the Review is an outstanding opportunity to identify and acknowledge the benefits of professionalisation, professional education and professional standards and the powerful role these will inevitably play in high quality, affordable and accessible financial advice into the future.

We hope the following specific suggestions are of assistance.

Purpose of the Review

Para 1 - FINSIA suggests the Review should be required to make positive and clear recommendations for change not merely make findings. Ideally it would consider what industry should ideally look like in 5-10 years and then recommend changes that will achieve that outcome.

Para 2 -

It may be beneficial for the Terms of Reference to not only require consideration of legislative change, but also other forms of change which can be made in the short and medium terms.

finsia.com

Level 4
16 Spring Street
Sydney NSW 2000
Australia

T 61 2 9275 7900
T 1300 346 742
F 61 2 9275 7999
membership@finsia.com

PO Box H99
Australia Square
NSW 1215
Australia

ABN 96 066 027 389

The Terms of Reference could also usefully include a reengineering of the advice process - particularly asking what the consumer values and how can that best be delivered - and what value to the parts of the process deliver to that end.

FINSIA suggests the Terms of Reference might also usefully direct the Review to specifically consider the effectiveness of professionalisation, professional education and professional standards to underpin the streamlining, principles-based regulation, clarity and avoidance of unintended consequences noted in 2.1 -2.4.

Para 3 -

3.1.1 - FINSIA suggests it would be beneficial to also examine “strategic advice” and that there would be benefit in expanding the role and bounds of intra-fund advice.

3.1.5 - The limited examination of Life Insurance is noted with some concern. FINSIA suggests expanding the area for examination in relation to Life Insurance beyond remuneration. For example are the reforms restraining the ability of the customer to access advice in relation to life insurance?

FINSIA also suggests the Terms of Reference might usefully be expanded to examine insurance more broadly including life, superannuation and group life arrangements. The critical area for examination is customer experience generally in insurance including levels of cover (including matters that may be contributing to underinsurance), claims experience and indemnity experience.

Importantly levels of incentives and remuneration ought not to drive outcomes that are not in the client’s best interests.

Para 4 –

FINSIA suggests the Terms of Reference might be enhanced to:

4.1 - have the Review look at the Single Disciplinary Body and assess whether as established, it will achieve the appropriate goals.

4.2 - in addition to considering overseas bodies, have the Review examine established professions and professional bodies in, for example, the legal and accounting professions.

4.3 – in the area of remuneration, ask customers what their preference is as to how their advisor is remunerated. Is there room for flexibility in remuneration in a way that suits the customer? Is the most important consideration that the client knows the available options for payment to the adviser and the relative advantages and disadvantages of each?

4.6 - consider data standardisation - without data standardisation it will be difficult and complex to share information relevant to Robo Advice or the Consumer Data Right.

Generally

In addition FINSIA suggests the Terms of Reference should note the expectation of all stakeholders - including the Government - that there will be fairness and balance in the conduct of the Review.

Process

FINSIA suggests that the Terms of Reference could usefully note that the Review should:

- collate and examine data from as many different sources as possible;
- proceed by the release of discussion papers on areas under consideration and requests for submissions on these in turn; and
- issue an interim or draft report for comment.

Conclusion

FINSIA's Council, leadership team and members are eager to engage with the settling of the Terms of Reference to support professionalisation of the industry, professional education and professional standards, all of which deliver the best community outcomes.

We would be delighted to discuss the important issues raised by the draft Terms of Reference in further detail at your convenience, including potential topics for discussion papers.



John Corcoran

Chair
Financial Advice & Services Council



Chris Whitehead
CEO & Managing Director