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Quality of Advice Review Secretariat  
Financial System Division  
The Treasury  
via email: [advicereview@treasury.gov.au](mailto:advicereview@treasury.gov.au)

8 June 2022

Dear Sir/Madam

**Re: Quality Advice Review: Submission by Chris Cornish**

The former federal Liberal government created significant new costs on the many small businesses which provide financial advice, as well as introducing copious amounts of unnecessary red-tape. This attack on the financial advice profession was spear-headed by former treasurer Josh Frydenberg and former Minister for Financial Services Jane Hume.




The additional charges (which I refer to as great big new taxes) and unnecessary red-tape is to blame for the dramatic collapse in adviser numbers, increased costs to consumers, and the culling of lower income generating clients who are now simply too expensive to service. The Frydenberg/Hume changes have been an abject failure for everyone bar the government departments who expand their services to implement the changes.

As an [independent financial adviser](#) with absolutely no ties or loyalties to any product provider, as well as an adviser who embraces the opportunity to provide [one-off financial advice](#), also known as episodic advice, I am pleased to have the opportunity to offer a few suggestions on how to improve the financial advice profession.

Yours faithfully,

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## Quality of Advice Review Submission by Chris Cornish from Cornish Wealth Management

2.1 - *Opportunities to streamline and simplify regulatory compliance obligations to reduce cost and remove duplication ... and*

2.4 - *Whether parts of the regulatory framework have in practice created undesirable unintended consequences and how those consequences might be mitigated or reduced.*

With the introduction of fee arrangements being renewed annually, where Australian adults sign that they wish to continue paying for an advice relationship with their existing financial adviser, there should be a dramatic reduction in compliance paperwork. For example, what is the point of an annual fee disclosure document when the client has already signed off on the fees and is reminded of them with every superannuation statement?

Furthermore, if an Australian adult believes the services they are receiving from a financial adviser is of sufficient value that they wish to actively sign-on for another year, what right do ASIC and APRA have in dictating how those services are to be provided? There are elements of socialism when government bodies dictate fee levels and service standards. For example, if I wanted to charge a fee which entitled a client to call me once in the following 12 months, and the client agreed to that fee, who are ASIC and APRA to take issue with that?

Yet, in [a letter to all RSE licensees](#) dated 30 June 2021, ASIC and APRA state Australian adults are not capable of determining things themselves,

*“Over-reliance on member consent should be avoided. Instead reliance on the consent should be combined with further trustee oversight practices, in particular, proactive reviews of a sample of Statements of Advice (SOAs) and/or related documents to evidence the provision of services”*

And they actively want to dictate service levels,

*“there may be more limited ability to check the general advice provided to members by third-party providers. For this reason, trustees should be cautious about permitting third parties to charge fees for the provision of general advice”.*

And fee levels,

*“trustees should give careful consideration to the size of any fee cap. A high fee cap is unlikely to safeguard against inappropriate balance erosion, particularly where there are automatic deductions of advice fees” and “The existence of various types of advice fees risks confusing members and the charging of multiple fees risks eroding superannuation balances.”*

The active annual agreement from an Australian adult to pay an adviser a fee is a game changer in that virtually everything else should fall away. If the adult does not feel there is value, then they will not actively sign-on and continue the relationship, whereas if they do feel they are receiving value, who is ASIC and APRA to say otherwise?

ASIC and APRA are the problem with the financial advice industry, not the solution.

*2.3 - How to simplify documentation and disclosure requirements so that consumers are presented with clear and concise information without unnecessary complexity;*

With regards to the provision of advice, initial advice should be by way of a Statement of Advice (SOA) as things currently are. However, once there is an active advice relationship, there needs to be acknowledgement that the adviser has a deep understanding of the client's situation, needs and objectives and desires.

As such, is a Statement of Advice really required to provide ongoing advice to clients? For example, if I believe a client will be better served by selling share XYZ and replacing with share ABC, I think I should be able to simply email the client a couple of sentences on why, whereas ASIC would want a 30 page document. Whilst ASIC may claim otherwise, if you were to ask ASIC to produce a compliant document covering this basic scenario, you would see what I am talking about.

SOA's should be required for initial advice, but not ongoing advice to existing clients who have had a continuous relationship with the same adviser.

*3.1.1 – Key concepts such as 'financial product advice', 'general advice', 'personal advice' ... The Review should also consider the role and bounds of advice that is scaled, intra-fund or limited in scope*

'General Advice' should be called 'general information'.

Scaled and scoped advice should be welcomed by regulators as a method for controlling costs to consumers.

Intra-fund advice should have the same compliance requirements as personal advice; for that is what it is.

*3.1.2 - The safe harbour provision for the best interests duty, in line with Commissioner Hayne's recommendation that 'unless there is a clear justification for retaining (the safe harbour provision), it should be repealed'*

The safe harbour provision should be repealed.

*3.1.3 – Financial advice documentation and disclosure requirements, including statements of advice;*

ASIC regulatory guidance and reports, the Code of Ethics, Design and Distribution Obligations, Target market determinations have all added significant cost in financial advisers being able to demonstrate procedural compliance at every step of the advice process. Hardly any of this compliance provides a benefit to the consumers but simply increases costs.

### *3.3 - Actions undertaken by ASIC, including regulatory guidance and class orders;*

ASIC are not fit for purpose. They are responsible for the shocking state of the financial advice industry. It would be best if they were removed from the equation. It is also nigh impossible to contact them if you seek guidance on something.

### *3.4 - The role of financial services entities and professional associations.*

If a professional association receives remuneration from product providers, and allows the product provider (or their representative) to be represented in various organisational positions, then the association is conflicted and needs to be treated as such. Their involvement in any government initiated stakeholder consultation should be held at a lower level than independent associations which are not funded by product providers.

### *4.1 - Structural changes and professionalisation of the sector;*

As with lawyers, liability should be limited by a scheme approved under professional standards legislation. This will hopefully reduce the out of costly PI insurance premiums.

### *4.5- Opportunities to reduce compliance costs on industry, while maintaining adequate consumer safeguards*

One of the greatest errors of Ministers Frydenberg and Hume was to allow a government bureaucracy to simply impose their costs onto financial advisers. The former Liberal governments great big new tax (ASIC levy) should be cancelled, or at a minimum, capped indefinitely.

Furthermore, personalised advice should attract a lower ASIC levy than general advice; afterall personal advice is superior and is what should be preferred by the government and their associated bureaucracies.