

## Quality of Advice Review

### Section 3.1 Quality Financial Advice

#### 1. What are the characteristics of quality advice for providers of advice?

Primary focus on customer needs that can be delivered via repeatable processes. From a Licensee or collective perspective, the ability to achieve a consistent perspective on how to achieve appropriate consumer outcomes is important i.e., what would a reasonable person expect (in this case, a reasonable financial adviser)

#### 2. What are the characteristics of quality advice for consumers?

Advice that firstly meets their needs and addresses their 'wants.' The advice should be well understood by the consumer.

#### 3. Have previous regulatory changes improved the quality of advice (for example the best interest's duty and the safe harbour (see section 4.2))?

The FSR changes laid a sound foundation for the industry and reasonable entry barriers at the time. FOFA reforms were well intended and contributed to better advice but was complex to apply and too subjective to provide the confidence to financial advisers and consumers. The LIF reforms were beneficial, again in laying a more consistent foundation (supported by various ASIC regulatory guides). The Professional Standards introduced in 2019 were significant in raising standards in many areas and despite the 'noise' are likely to lead to better consumer outcomes. Of the Royal Commission outcomes, the heightened focus on conflicted arrangements and commissions was beneficial in raising expectations and removing bias/unconscious bias. The requirement to re-affirm ongoing fees annually, although popular outside the industry adds a layer of administrative burden that contributes to the cost of advice. This, along with the likes of new breach reporting and Design and Distribution Obligations impose cost overlay that does not appear to advantage consumers significantly. The reference checking protocol concept clearly is beneficial, but the complexity relating to ASIC's interpretation of how to apply it and either lack of understanding or consideration for industry impacts is another example of administrative overlay for financial planning businesses.

#### 4. What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?

- i) Are the consumer needs adequately met?
- ii) Is the advice clearly scoped with the ramifications understood by the consumer?
- iii) Are the strategy and implementation recommendations reasonable in the circumstances?
- iv) Is the consumer adequately informed, and capable of making an informed decision?
- v) Are the costs reasonable and commensurate with the complexity of the advice?

### Section 3.2 Affordable Financial Advice

#### 5. What is the average cost of providing comprehensive advice to a new client?

n/a

#### 6. What are the cost drivers of providing financial advice?

n/a

**7. How are these costs apportioned across meeting regulatory requirements, time spent with clients, staffing costs (including training), fixed costs (e.g., rent), professional indemnity insurance, software/technology?**

n/a

**8. How much is the cost of meeting the regulatory requirements a result of what the law requires and how much is a result of the processes and requirements of an AFS licensee, superannuation trustee, platform operator or ASIC?**

n/a

**9. Which elements of meeting the regulatory requirements contribute most to costs?**

n/a

**10. Have previous reforms by Government been implemented in a cost-effective way?**

My experiences in large licensees were:

FSR – reasonably cost effective. Clear requirements and definitions supported effective implementation.

FOFA – cost was significant driven by uncertainty, ambiguity, and changes to interpretations throughout the process, and beyond.

Better Advice Reforms/Royal Commission – generally effective, but in some cases, they present low value to consumers seeking financial advice i.e., new breach reporting, DDO requirements.

**11. Could financial technology (fintech) reduce the cost of providing advice?**

The fintech discussion needs to be compartmentalised so the discussions are on the same topic:

- i) In the context of educational material, self help calculators and guides, absolutely, yes.
- ii) In the context of CRM capability, consumer engagement and general interaction efficiency, yes.
- iii) In the context of bespoke personal advice limited to a single topic i.e., life insurance, yes (albeit the overall wealth protection considering life, disability and health collectively is more difficult).
- iv) In the context of personal financial advice (I deliberately left out ‘product’), there would need to be a much more sophisticated IT environment with complex algorithms and code to enable reasonable trade-offs to be considered when assessing multiple, maybe competing needs.
- v) Note: for options iii) and iv) to be effective they would need to be accompanied by a general uplift in the financial literacy of consumers and a significant investment by IT/software engineers.

**12. Are there regulatory impediments to adopting technological solutions to assist in providing advice?**

Yes and no. My understanding is the same rules apply to advice provided by a financial adviser or a 'robo' advice provider, so in that context there are not additional regulatory impediments. Where the 'impediment' lay in my view are:

- in the investment required to develop these solutions which are outside the capability of financial advisers (and their licensees), both in expertise and financial capacity
- the actual complexity of the laws and standards underpinning the provision of financial advice, and
- the lack of genuine support by the primary regulator, and absence of a clear medium-term landscape limiting the confidence of financial advisers and related businesses (i.e., platform/technology providers) in investing and pursuing the necessary evolution

### 3.3 Accessible Financial advice

#### **13. How should we measure demand for financial advice?**

Demographic shifts, particularly related to age and/or circumstance should be one consideration. There is a latent demand where financial literacy, and general lack of understanding has potentially detrimental effects on people as they move through life stages, being unaware of the need and value of advice. Of the more obvious area, clearly entering retirement is one. With the numbers of people seeking advice, and the number of financial advisers on the supply side there are many consumers who are not seeking advice when they would clearly benefit. The complexity of superannuation law, and to a degree other areas such as Centrelink, etc. make it impossible to know how best to maximise retirement incomes. Similarly, for many having adequate protection for themselves and family is not well understood leaving many people exposed.

#### **14. In what circumstances do people need financial advice but might not be seeking it?**

- i) Protection of self, family, and assets
- ii) In the years approaching and into the early phases of retirement
- iii) Budgeting/managing household cashflow

#### **15. What are the barriers to people who need or want financial advice accessing it?**

- i) Lack of awareness as to the need and the benefits at all life stages
- ii) Potential, or as a minimum, the fear of the associated costs
- iii) Financial literacy of consumers
- iv) The reputation of the industry where repeated negative messages from the regulator that are perpetuated through the media influence consumer sentiment

#### **16. How could advice be more accessible?**

- i) Government supported awareness programs for consumers (maybe building from ASIC's Money Smart platform)
- ii) Find a way to enable bespoke, one-off or event driven personal advice
- iii) Embrace the 'Retirement Covenant' requirements and expand to facilitate advice decisions by consumers through product providers (with appropriate limitations and governance requirements)

- iv) Create a regulatory sandpit for adviser businesses and Technology providers to develop technology solutions
- v) Attract the 'big players' back and/or OS start-ups. Consider adopting/adapting the UK model of restricted vs independent financial planners' models (and overlay adequate product requirements like what APRA are doing with superannuation funds).
- vi) Separately, introducing a tax deduction for consumers would make seeking advice more affordable.

**17. Are there circumstances in which advice or certain types of advice could be provided other than by a financial adviser and, if so, what?**

- i) Budgeting and cashflow does lend itself to a technology solution
- ii) Bespoke life insurance (more difficult of life and income protection are in scope)
- iii) Investment advice

**18. Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?**

Yes, noting that the technology provides the interface but the content, it is accuracy and completeness is paramount, which is then linked properly to solutions. However, much of the discussion around fintech currently relates to 'compliance' and having a degree of confidence that the output meets various regulatory requirements. This benefits the financial adviser and their licensee who is subject to action (or as a minimum activity such as breach reporting) if they do not comply but is of little genuine benefit to the consumer at the current level.

**19. What is preventing new entrants into the industry with innovative, digital-first business models?**

- i) The complexity of the financial services laws in Australia
- ii) The complexity of interrelated laws impacting international organisations investing i.e., employment laws, etc. Australia is still a relatively small markets with significant regulatory obligations
- iii) The absence of a regulatory medium-term runway that supports innovation, allows some failure, and does not retrospectively re-assess outputs under a different regulatory lens.
- iv) Lack of incentive for the superannuation and product distribution businesses to invest. This in part raises the question as to where vertical integration could play a role if managed within clearer boundaries.

#### 4.1 Types of Advice

**20. Is there a practical difference between financial advice and financial product advice and should they be treated in the same way by the regulatory framework?**

Financial advice should be defined discretely in law so as to differentiate it from the product component, and allow it to expand it into areas not currently captured such budgeting, cashflow, property, (crypto?), collectibles in relation to SMSF exposures, etc. It may also facilitate business models that disaggregate the advice from the product implementation, with the former focussed on the strategic advice element.

**21. Are there any impediments to a financial adviser providing financial advice more broadly, e.g., about budgeting, home ownership or Centrelink pensions? If so, what?**

Yes, as above. This is probably more evident in licensee models where there is greater risk aversion with limited or no professional indemnity cover.

**22. What types of financial advice should be regulated and to what extent?**

Clearly personal financial advice, and probably all financial advice provided on commercial terms (including via endorsements to capture 'influencers'), but only to the extent it made sense and was cost effective.

**23. Should there be different categories of financial advice and financial product advice and if so for what purpose?**

In my view there should be:

- i) Personal financial advice
- ii) Information only
- iii) Some form of product/fund specific advice that allows consumers to obtain guidance from the fund provider on basics/fundamentals i.e., akin to the intent around intra-fund advice
- iv) General advice should be abolished as it is increasingly difficult to substantiate that a financial adviser, or representative of an organisation did not know something of a personal nature regarding the consumer.

**24. How should the different categories of advice be labelled?**

As above but noting that consideration should be given to complementing this with the UK adviser model that differentiates between 'restricted' and 'independent' advice when offering personal advice.

**25. Should advice provided to groups of consumers who share some common circumstances or characteristics of the cohort (such as targeted advertising) be regulated differently from advice provided only to an individual?**

Yes, otherwise it would be virtually impossible for providers to promote their products. There may be 'degrees' of regulation spanning cold calling, media, seminars, etc. that adopt adequate and clear disclosures.

**26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?**

Anyone providing financial advice to consumers should be governed by the same laws and regulations. One area that may be worth further consideration is in relation to 'wellbeing' with some advice models now overtly incorporating this into their financial advice proposition. It has merit but is likely to straddle financial services and health services laws.

**27. How does applying and considering the distinction between general and personal advice add to the cost of providing advice?**

A financial adviser is trained and obligated to know the consumer, so it is virtually impossible for a financial adviser to provide general advice, thereby leading the consumer to personal advice and the associated cost (the trade-off being getting no advice).

At the product level there is significant training, policy, monitoring, and oversight required to ensure that the personal/general tripwire is not triggered. It is either costly to manage, or (as with the Westpac verdict and outcome) presents too much risk to pursue.

**Intra- fund Advice**

**28. Should the scope of intra-fund advice be expanded? If so, in what way?**

No. Beyond the current parameters take the consumer into the personal advice category. There may be a risk that the recently introduced 'Retirement Covenant' requirements may inadvertently drive consumers into making financial decisions that are detrimental, not adequately considering their broader assets and needs.

**29. Should superannuation trustees be encouraged or required to provide intra-fund advice to members?**

Yes, within the current parameters. Superannuation trustees are conflicted in that they would seek to maximise membership and fund size. They should be encouraged to facilitate the provision of personal advice, beyond providing self-help education material at various life stages (not just retirement).

**30. Are any other changes to the regulatory framework necessary to assist superannuation trustees to provide intra-fund advice or to engage with their members particularly more actively in relation to retirement issues?**

The framework should consider the current intra-fund carve-outs to be 'information' and the legislation tweaked to facilitate the funds providing assistance to the members without providing any personal or general advice.

**31. To what extent does the provision of intra-fund advice affect competition in the financial advice market?**

I cannot see it having a major effect on competition. It is better viewed as hygiene at a consumer level.

**Limited Scope Advice**

**32. Do you think that limited scope advice can be valuable for consumers?**

Definitely, as it provides for a specific need and is likely more affordable.

**33. What legislative changes are necessary to facilitate the delivery of limited scope advice?**

Possible none if updated regulatory guidance can be provided to support it. 'Limited scope advice' is still personal advice so added legislative changes create additional impost rather than making it easier. The parameters and requirements to support it just need to be made clearer and more succinct, so it is easier to apply.

**34. Other than uncertainty about legal obligations, are there other factors that might encourage financial advisers to provide comprehensive advice rather than limited scope advice?**

- i) Financial advisers are trained to provide comprehensive advice, and the legal uncertainty reinforces it.
- ii) Licensees typically see it as both reducing the regulatory legal risk but also leading to greater opportunity/revenue generation.
- iii) The fixed cost of advice may not be materially different. Limited scope is likely to have a reduced research component, but the steps, outputs and requirements generally are the same e.g., all the safe harbour steps must be addressed, SoA produced, etc.
- iv) Regulation has effectively removed bespoke advice providers i.e., risk (life) advisers, stockbrokers, accountants who would provide limited scope advice but do not want to operate under what they perceive as the somewhat oppressive advice related obligations.

**35. Do you agree that digital advice can make financial advice more accessible and affordable?**

- i) Digital capability can make the provision of financial advice cheaper when offered via a financial adviser. It can support the financial adviser's process
- ii) Tools that can facilitate consumer education and placement of funds, typically investments, do offer accessibility benefits, but are different to financial advice. I think it is better categorised as information/education than either personal or general advice.
- iii) Proper personal financial advice could potentially be delivered digitally in the future, but significant investment would be required, and I feel would be better supported by way of 'assisted advice' where there is a limited financial adviser overlay.

**36. Are there any types of advice that might be better suited to digital advice than other types of advice, for example limited scope advice about specific topics?**

- i) Budgeting/cashflow
- ii) Life insurance
- iii) Investment, especially non-super

**37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?**

There is greater risk of the consumer making a uniformed or ignorant decision. The consumer also would have no points of recrimination, subject to the offering being offered diligently.

**38. Should different forms of advice be regulated differently, e.g., advice provided by a digital advice tool from advice provided by a financial adviser?**

No. It would be difficult to substantiate why different rules and protections would apply to personal financial advice offered through different mediums.

**39. Are you concerned that the quality of advice might be compromised by digital advice?**

Yes, to the extent the level of financial literacy impacts the consumers' understanding of the full impacts associated with the advice. As an industry abiding by the myriad of laws in place to protect consumers is extremely difficult and to subvert responsibility and accountability to the consumer and it may not be in their interests.

**40. Are any changes to the regulatory framework necessary to facilitate digital advice?**

Possibly, but not extensive. It is more about supporting the industry to innovate and build solutions that can evolve over time.

**41. If technology is part of the solution to making advice more accessible, who should be responsible for the advice provided (for example, an AFS licensee)?**

To the extent a financial adviser is involved then they cannot and should not subvert responsibility. Beyond that, the licensee/principal would need to make sure that the solution deployed met the regulatory expectations, and, they have strong governance over the algorithms, etc. utilised.

**42. In what ways can digital advice complement human-provided advice and when should it be a substitute?**

- i) Practice/business management i.e., CRM and engagement activities (assist advisers)
- ii) RegTech solutions to help check advice, ideally before presentation to consumers (assist advisers)
- iii) CRM/client data flags to help identify triggers for new advice i.e., a change in superannuation laws (assist advisers)
- iv) Sophisticated tools leading consumers through specific personal advice requirements such as life insurance (assist advisers, but ultimately possibly stand-alone options)

## 4.2 Best Interests and Related Obligations

**43. Do you consider that the statutory safe harbour for the best interests' duty provides any benefit to consumers or advisers, and would there be any prejudice to either of them if it was removed?**

The best interest obligations afford a structured way that a financial adviser can assess a consumers' situations and construct a reasonable solution and as such are beneficial to both financial advisers and consumers. The 'any other step' component however is problematic for financial advisers to practically apply. The steps are not the only way a financial adviser can demonstrate they have provided advice that is appropriate to the consumer, so other means should be equally promoted with financial advisers and licensees.

**44. If at all, how does complying with the safe harbour add to the cost of advice and to what extent?**

Yes, but in complying with the broad steps the financial adviser is performing their role diligently. The steps make sense in that understanding the client, undertaking strategy and product research, etc. are already requirements the financial adviser needs to fulfil.

**45. If the safe harbour was removed, what would change about how you would provide personal advice or how you would require your representatives to provide personal advice?**

n/a. I am not a provider, but my expectation is that the financial adviser would still largely apply the steps

**46. To what extent can the best interests' obligations (including the best interest's duty, appropriate advice obligation and the conflicts priority rule) be streamlined to remove duplication?**

The principles of all three still hold true, so if the wording for each could be refined (ideally with much removed) and the guidance supporting the principles made clear it would go a long way to simplifying the requirements. As noted previously, the removal of 'any other step' would be beneficial.

**47. Do you consider that financial advisers should be required to consider the target market determination for a financial product before providing personal advice about the product?**

Yes, to the extent it should form part of their research into the product. They would need to make sure that the product is suitable for the consumer, and they should make the consumer aware of the product providers target market summary (not dissimilar to the provision of a PDS, but the TMD's are likely to be much more easily understood by consumers). The financial adviser

should not have an ongoing responsibility to review or advise further unless the consumer is engaging the financial adviser for further or ongoing advice.

#### 4.3 Conflicted remuneration

**48. To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?**

Significant. In my experience in a large licensee the payment of various commissions contributed to conflicted decision making and preserved legacy financial arrangements that should not form part of a contemporary financial environment. It will however take time to for the benefits to play out for consumers (via product sales and consolidations) as the charge to consumers often was not directly impacted.

**49. Has the ban contributed towards improving the quality of advice?**

I have not seen any empirical evidence to support this, but it has definitely contributed towards the positive evolution of the advice industry.

**50. Has the ban affected other outcomes in the financial advice industry, such as the profitability of advice firms, the structure of advice firms and the cost of providing advice?**

Yes, cross subsidisation was evident in many organisations which once removed destroyed the profitability of the businesses (noting they may still be profitable, but not sufficiently so to warrant investment i.e., there were better alternatives). That said, taken alone the impact may not have been that great, but combined with many factors driven through new regulation, reputation, legal cases etc. collectively the cost was deemed too high for inadequate return.

**51. What would be the implications for consumers if the exemptions from the ban on conflicted remuneration were removed, including on the quality of financial advice and the affordability and accessibility of advice? Please indicate which exemption you are referring to in providing your feedback.**

The most controversial is likely to be that of commissions paid on life insurance. Consumer choice should be the dominant factor in this case with commissions being a payment option. The ability for the life insurer to pay a fixed fee to the financial adviser from the product commission until the advice is paid for could complement this approach. One downside is potentially the service associated with claims which is when a consumer is least likely to want to pay a new financial advice fee.

**52. Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?**

As above. Also, competition is a key driver and making insurance accessible via technology or superfunds (albeit there are many steps to facilitate this) could assist.

**53. Has the capping of life insurance commissions led to a reduction in the level of insurance coverage or contributed to underinsurance? If so, please provide data to support this claim.**

n/a. I am unaware.

**54. Is under insurance a present or emerging issue for any retail general insurance products? If so, please provide data to support this claim.**

n/a. I am unaware.

**55. What other countervailing factors should the Review have regard to when deciding whether a particular exemption from the ban on conflicted remuneration should be retained?**

n/a

#### 4.4 Charging Arrangements

**56. Are consent requirements for charging non-ongoing fees to superannuation accounts working effectively? How could these requirements be streamlined or improved?**

n/a

**57. To what extent can the requirements around the ongoing fee arrangements be streamlined, simplified, or made more principles-based to reduce compliance costs**

Consideration should be given to the effectiveness and benefits a consumer receives through the production of an FDS. The level of complexity to ensure the FDS is complete and accurate is excessive for financial advisers and licensees and in my experience, there is limited discernible benefit. Some form of simplified annual statement combining the ongoing advice consent, services provided, and fees paid to the adviser directly by the consumer (as opposed to product fees) may assist.

**58. How could these documents be improved for consumers?**

As above

**59. Are there other ways that could more effectively provide accountability and transparency around ongoing fee arrangements and protect consumers from being charged a fee for no service?**

The industry has likely learnt the requirements and now considers ongoing advice under financial services, rather than contract law. That said, ensuring through guidance, and manifestation of governance through APRA regulations that:

- i) Regulatory guides are explicit on the requirements for licensees to have adequate controls in place and appropriate governance
- ii) Where payments are deducted from products, there are parallel guidelines in place
- iii) Ensure the requirement is built into the FAR framework (BEAR requirements)

**60. How much does meeting the ongoing fee arrangements, including the consent arrangements and FDS contribute to the cost of providing advice?**

n/a

**61. To what extent, if at all, do superannuation trustees (and other product issuers) impose obligations on advisers which are in addition to those imposed by the OFA and FDS requirements in the *Corporations Act 2001*?**

n/a

**62. How does the superannuation trustee covenant, particularly the obligation to act in the best financial interests of members, affect a trustee's decision to deduct ongoing advice fees from a member's account?**

I suspect they will be challenged to understand the value of the advice and whether it is fair, and the extent to which the advice is aligned specifically to their member. Without being licensed to provide personal advice they may struggle to effectively apply adequate consideration, and if they do have the capability then there is likely a higher cost.

#### 4.5 Disclosure Documents

**63. How successful have SOAs been in addressing information asymmetry?**

As a document they are largely unsuccessful. The engagement around the document can be effective. The new Code of Conduct for Financial advisers requires them to ensure the consumer understand the advice. Much of this is through dialogue rather than the 'evidence' contained with the SoA.

**64. How much does the requirement to prepare a SOA contribute to the cost of advice?**

The SoA represents the outworking's of the obligations. Each step in the process from fact finding, strategy consideration, product research all takes time and the production of the SoA is an additional step to document it. Despite the length, many contain templated text often covering broad issues rather than specific content i.e., a 'catch-all' on risk rather than the real and specific risks associated with the advice. Although a legitimate cost, I think the cost may be over-estimated and with sensible streamlining and use of technology it could be improved. I struggle to see what material components could be left out, and although supportive of a 'letter of advice' I am not sure on the practicality at this point in time when the complexity of much advice may not be clearly represented.

**65. To what extent can the content requirements for SOAs and ROAs be streamlined, simplified, or made more principles-based to reduce compliance costs while still ensuring that consumers have the information, they need to make an informed decision?**

- i) Superfluous content obtained, validated, and stored elsewhere could be removed i.e., much of the client data
- ii) Simplified remuneration structures affording not conflicts, gifts and rewards may remove significant text from SoAs
- iii) Consumers may not benefit directly from a more principles-based regime. It would be reliant on them being adequately informed to make the right decisions with a sufficient level of financial literacy to understand what they should consider. This may not always be evident and is in part why the FOFA reforms and ASIC guidance seeks to define the principles.

**66. To what extent is the length of the disclosure documents driven by regulatory requirements or existing practices and attitudes towards risk and compliance adopted within industry?**

Significant. It is not only the regulatory environment, but also to provide a level of protection between product businesses and advice distribution licensees to deal with complaints and litigation.

**67. How could the regulatory regime be amended to facilitate the delivery of disclosure documents that are more engaging for consumers?**

Encourage product manufacturers to design simpler products with clear target markets that better align to their desired consumer.

**68. Are there particular types of advice that are better suited to reduced disclosure documents? If so, why?**

n/a

**69. Has recent guidance assisted advisers in understanding where they are able to use ROAs rather than SOAs, and has this led to a greater provision of this simpler form of disclosure?**

n/a

**70. Are there elements of the COVID-19 advice-related relief for disclosure obligations which should be permanently retained? If so, why?**

n/a

#### **4.6 Accountants Providing Financial Advice**

**71. Should accountants be able to provide financial advice on superannuation products outside of the existing AFSL regime and without needing to meet the education requirements imposed on other professionals wanting to provide financial advice? If so, why?**

No. Consumers should be confident that if they are receiving personal financial advice that it is being provided by an appropriately informed and regulated entity that deals

**72. If an exemption was granted, what range of topics should accountants be able to provide advice on? How can consumers be protected?**

n/a

**73. What effect would be allowing accountants to provide this advice have on the number of advisers in the market and the number of consumers receiving financial advice?**

I believe it would create confusion for consumers and an apparent unlevel playing field for industry participants. It may also promote an argument to create separate rules for other industry participants such as stockbrokers and life agents. All these would increase 'advisers' but I am not sure it would lead to better consumer outcomes or a more professional industry.

**74. Is the limited AFS licence working as intended? What changes to the limited licence could be made to make it more accessible to accountants wanting to provide financial advice?**

n/a

**75. Are there other barriers to accountants providing financial advice about SMSFs, apart from the limited AFSL regime?**

n/a

#### **4.7 Consent arrangements for Wholesale Client and Sophisticated Investor Classification**

**76. Should there be a requirement for a client to agree with the adviser in writing to being classified as a wholesale client?**

The wholesale investor classification should be revisited to better define when it is an appropriate classification. Incomes and asset based have risen disproportionately with the original intent of the classification.

**77. Are any changes necessary to the regulatory framework to ensure consumers understand the consequences of being a sophisticated investor or wholesale client?**

Yes, although it may be partially addressed through the financial adviser code of ethics.

**78. Should there be a requirement for a client to be informed by the adviser if they are being classified as a wholesale client and be given an explanation that this means the protections for retail clients will not apply?**

Yes, but beyond this there needs to be a full and complete understanding (which the adviser code explicitly requires now). This would benefit from updated and relevant guidance for financial advisers.

#### **5. Other measures to improve the quality, affordability, and accessibility of advice**

**79. What steps have licensees taken to improve the quality, accessibility, and affordability of advice? How have these steps affected the quality, accessibility, and affordability of advice?**

The effect of the recent regulation, and some poor organisational decision making, has seen the accessibility and affordability of advice fall with the exit of several the larger licensees. It is yet to be determined whether the quality has improved and may be difficult to assess as the regulatory sentiment adjusts under new leadership.

Anecdotally it would appear many remaining licensees are investing heavily in 'compliance' which may have a positive impact on the quality of advice but is likely to have a negative impact on the accessibility and affordability components.

**80. What steps have professional associations taken to improve the quality, accessibility, and affordability of advice? How have these steps affected the quality, accessibility, and affordability of advice?**

n/a

**81. Have ASIC's recent actions in response to consultation (CP 332), including the new financial advice hub webpage and example SOAs and ROAs, assisted licensees and advisers to provide good quality and affordable advice?**

n/a

**82. Has licensee supervision and monitoring of advisers improved since the Financial Services Royal Commission?**

Yes. It has recalibrated to the revised standards but is compliance heavy.

**83. What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility, or affordability of financial advice?**

- i) Consider a regime where restricted advice may be possible alongside independent advice (UK model)
- ii) Create a genuine technology sandpit for participants to develop technology, and provide adequate resources for ASIC to be integrally involved throughout the evolution
- iii) Simply financial services laws and align specifically to the provision of personal advice (separately addressing information and if retained, general advice)