Quality of Advice Review – Issues Paper Response by Steve Melling

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Foreword

It is quite clear that the increased "cost of advice" – or more pointedly, the significantly increased difficulty in profitably providing financial advice to "mum and dad" clients – has been caused by new and additional layers of regulation introduced in the past 10 years (starting with *Corporations Amendment (Future of Financial Advice) Bill 2012* and culminating in *Financial Sector Reform (Hayne Royal Commission Response No. 2) Bill 2020*.

If you are looking for the cause of the financial advice industry's woes, you need look no further than the content of these (and related) Acts.

I made a submission to the Quality of Advice Review in February 2022.

I have included below a copy of that February 2022 submission (which itself contains emails to the Treasurer dated 2019 and 2021) which goes to the heart of these matters. Accordingly it has been placed before the Issues Paper Questions and Responses.

I have answered the questions posed in the issues paper.
The most important questions, and my responses, have been highlighted in yellow.

I have also included my thoughts on applying **good economic principles in law** which I think should be kept at top of mind when considering how financial advice should be regulated**.**

Laws and regulations do not exist in a vacuum – these are family businesses, livelihoods and lives we are dealing with. Without good economic principles in place, there will be no financial advice industry, no financial advice businesses, no financial advisers and no financial advice clients.

Submission to Treasury Review of the quality of advice

Submission by Steve Melling, Managing Director
Paul Melling & Associates Pty Limited AFSL 231247

3rd February 2022

This submission is made in the context of two prior emailed submissions made to Josh Frydenberg and Jane Hume in 2019 and 2021 (attached to the end of this document). These two submissions related to a) the forced removal of grandfathered commissions from retail advice products (appendix a) and b) the imposition of "enhanced" (additional complexity) annual advice fee renewal requirements on all retail financial advice clients (appendix b). These two appendices form part of this submission.

A primary driver of financial advisers exiting the retail financial advice industry could be summarised simply as "it is simply no longer worth the time and risk" of continuing to operate these businesses.

Reduced revenue (commissions removed and low-revenue clients terminated) and **increased time wasted** (time spent on unnecessary and time-consuming compliance such annual renewal documentation and unnecessarily complex and high risk "Statements of Advice") make the endeavour no longer commercially attractive – with the notable exception of advisers who focus on high-net-worth clients.

With significantly reduced income, significantly increased time spent on meaningless tasks and the risk that it could all disappear with the stroke of a regulators pen, it is not surprising that so many advisers, even those with long-standing client bases and well established businesses, are considering whether there are less stressful ways of making a living than providing financial advice to average "mum and dad" retail clients.

What should be done?

<u>The following should be implemented without delay:</u>

1) **Removal of the "opt-in" annual renewal requirements and annual "trustee consents" but retain annual fee disclosure.**

   All financial advice clients already have the ability to Opt-Out of their monthly advice fees at any time – there is no need to additionally require them to constantly "Opt-In".

   This simple act (in combination with item 2 below) will restore the operational EFFICIENCY of the "commission system" without losing any of the TRANSPARENCY or INVESTOR CONTROL of the "fee system" - thereby allowing advisers to retain small-asset-value clients on their books at little cost and for those advisers to be available to these clients whenever they need advice or assistance (and without requiring an expensive, full "review" every single year).

2) **Allow platform providers to generate and provide annual fee disclosures to clients**.

At present, this obligation falls on the individual financial advisor (or their licensee), despite the fact that exactly the same fee information is provided anyway by the platform provider.

There is no logic in preventing the platform from performing these fee disclosure tasks.

A new definition: "Financial Advice Fee Intermediary" should be added to Corporations Act Section 9 – Definitions.

Section 962G should be amended to replace the words "Fee Recipient" with the words "*Fee Recipient or Financial Advice Fee Intermediary*" so that section 962G reads: *"Fee recipient or Advice Fee Intermediary must give fee disclosure statement…."*

3) **Simplify annual fee disclosure documents**

There is no need to complicate these documents with individual descriptions of services previously provided, details of services yet to be provided and unreliable forward projections of fees to be paid. Most advisers have standard service agreements arranged with clients – inclusion of these standard service details in the annual statement should be sufficient. Disclosure of the past year's fees (in dollars) plus the basis upon which fees are calculated (eg % of account balance) is all that is necessary, and keeps the process of disclosure both straightforward and accurate. As above, these documents can then be easily produced by the platform (or by the adviser if the adviser prefer to continue to produce these documents).

4) **Allow experienced financial advisers to continue to trade** where they have 10 years experience and financial planning qualifications (such as Diploma of Financial Planning, Certified Financial Planner). Current FASEA rules require such advisers to complete a new degree (with varying levels of exemptions) if they are to continue beyond 2025. These advisers should simply be required to complete the single "Ethics" subject plus pass a (improved and more relevant, see point 5 below) Financial Adviser exam.

Advisers with 20 years experience but without financial planning qualifications should be allowed exemption from the educational requirements, with the exception of the Ethics subject and Financial Adviser exam. These suggestions have been made in a separate Submission to Treasury in relation to Financial Adviser Education Standards.

<u>The following should be implemented as soon as is practical – perhaps from 1-July-2022:</u>

5) **Fix the "FASEA" exam (Financial Adviser Exam).**

The current "FASEA" exam is only vaguely relevant to a financial advisers role. Much of the FASEA exam is geared towards licensees and compliance staff, not financial advisers. Advisers should be able to sit an exam which is suited to their areas of specialisation – for example, Stockbroking, Insurance, Accumulation (pre-retirement) planning, Retirement Planning or aged care – or a mixture of these areas of specialisation.

A compliance-focussed exam (focussing on the Corporations Act, Privacy Act, etc – as per the current FASEA exam) should be required to be passed by compliance and licensee staff (such as Responsible Managers and Directors of licensees) only.

6) Replacement of complicated and legally verbose "Statements of Advice" with a less prescriptive "Letter of Advice" or "Customer Advice Record".

These documents should include details of any fees or commissions, and disclose any material conflict of interest, but should be assessed on the basis of providing financial and advice and financial product recommendations which are suitable and appropriate to the client based on the client's needs and desires. In short, a requirement to "know your client", "know your product" and to provide advice which is subject to a "suitability test" when recommending products to ensure that they are aligned with the client's interests.
This concept worked well for many years prior to the introduction of SOA's.

7) **Acting in the interest of the client – removing the impossible standard of "best interest".**

Whilst at first glance no-one could argue against the principal of acting in their clients "<u>best</u> interests", this leaves open an unknown and (without the benefit of hindsight, unknowable) legal liability. This is exacerbated by the requirement of Section 961B (2) (g) to also take *"<u>any</u> other step that, at the time the advice is provided, would reasonably be regarded as being in the best interests of the client…".*

Statements of Advice have thus become defensive legal documents, full of disclaimers, product comparisons and excessive verbiage designed to protect against legal challenge at a later date.

It is impossible to know in advance which of many possible investment products will be the "best". Yet this is the wording of the legislation, which can then be used against the adviser by an aggressive lawyer or regulator. No wonder many SOAs are so verbose yet unhelpful to the client's understanding of the advice being given.

Section 961B of the Corporations Act should instead require the advice provider to "act in the interest of the client" which is aligned with the common law principles well established in this area.

Section 961B of the Corporations Act should be amended to replace the words “Best Interest” with “Interest” where these words appear. Failing this, Section 961B (2) (g) of the Corporations Act should be removed at the very least.

8) Remove of Strict liability and potential jail terms for minor administrative errors.

The maximum penalty for not providing (for example) a single Financial Services Guide (FSG) or failing to even provide evidence of having provided an FSG to a retail client, and other administrative “crimes” under section 952C(1) is 5 years imprisonment. Further, this is a strict liability “offence” with no regard for intent or error.

Strict Liability for these so-called “offences” must be removed so that there must be some level of ill-intent before such penalties apply – advisers should not have to fear being jailed for 5 years for administrative errors such as failing to keep a record of proof that an FSG, SOA etc has been provided to every client.

I hope these suggestions are received in the spirit in which they are made – a desire to repair and rebuild a sustainable financial advice industry to serve the millions of Australians who can benefit from an ongoing relationship with a qualified, experienced and professional financial adviser.

About Paul Melling Retirement Planning and Steve Melling

Paul Melling Retirement Planning was established by Mr Paul Melling in the mid 1980’s and has provided retirement planning advice and peace of mind to thousands of Australian retirees. Steve Melling joined his father Paul in the business in 1994 and has now been with the business for over 25 years.

Paul Melling is a Fellow of the Institute of Actuaries (London). He has retired from an active role in the business. Steve Melling holds an undergraduate degree in Economics and holds post-graduate qualifications in Superannuation, Applied Finance and Investment and in Corporate Governance.

Steve also holds Masters degrees in three fields - Banking and Applied Finance, Banking and Financial Services Law and in Systems Administration. Steve is a CFA Charterholder and a CAIA Charterholder.

Appendix A

From: Steve Melling
Sent: Thursday, 28 January 2021 3:37 PM
To: 'Josh.frydenberg.mp@aph.gov.au' <Josh.frydenberg.mp@aph.gov.au>; 'senator.hume@aph.gov.au' <senator.hume@aph.gov.au>
Cc: 'senator.paterson@aph.gov.au' <senator.paterson@aph.gov.au>
Subject: Financial Sector Reform (Hayne Royal Commission Response No. 2) Bill 2020

Dear Josh,

I write in relation to the "***Financial Sector Reform (Hayne Royal Commission Response No. 2) Bill 2020***" which you introduced to the House of Representatives in December.

As you are aware, ASIC recently released Consultation Paper 332 – Promoting Access to affordable advice for consumers, and asked for responses.
I have attached an excellent response paper produced by experienced financial adviser Steve Blizard. I could not have written it better myself.
Whilst the response is worth reading in full, the following points cannot be emphasised enough:

Annual Opt-In … forces advisers to only consider … clients who are able to pay them enough so that they can deliver enough ongoing services to a client in a year to get them to actively opt-in.

**The Financial Sector Reform (Hayne Royal Commission Response No. 2) Bill 2020, specifically requiring retail advisers … to seek annual fee renewals, will simply increase the cost for
low-income families to access advice services, and will reduce the amount of advice reviews and service support these families could have received during their lifetime. Private Banking Divisions have already withdrawn advice services to the elderly and low income retail clients due to excessive regulatory requirements.**

The government should repeal the opt-in requirement (or make it less frequent than every year).

As it stands, your proposed **Financial Sector Reform (Hayne Royal Commission Response No. 2) Bill 2020** is headed in exactly the wrong direction and will be the final nail in the coffin for thousands of retail advisers and their businesses.
Given the significant damage already done to the lives and mental health of so many in the industry as a result of Mr Hayne's opinions, it may also be the literal nail in the coffin for more advisers in the years to come.

It is time to cease putting the highly biased opinions of one person (Kenneth Hayne) and his staff before the experienced views (and common sense) of thousands who work in the retail advice industry **and their clients**.

As it stands, your proposal will simply result in personal financial advice being available only to those who are sufficiently wealthy to either 1) qualify as wholesale or 2) pay enough in fees to justify the compliance risk involved with the constant production and follow-up of opt-in notices.

All financial advice clients already have the ability to Opt-Out at any time – there is no need to additionally require them to constantly "Opt-In".

You have done so much to support Australian business over the past year – please consider extending this supportive approach to the retail financial advice sector.

Kind regards,

Steve Melling
Managing Director
Paul Melling Retirement Planning
1/486 Lower Heidelberg Road
Heidelberg Victoria

CC: Senator Jane Hume
Senator James Paterson

Appendix B

From: Steve Melling
Sent: Tuesday, 30 July 2019 1:48 PM
To: senator.hume@aph.gov.au <senator.hume@aph.gov.au>
Subject: Comments on the proposed forced removal of grandfathered commissions on all retail financial advice client accounts

Dear Senator Hume,

My apologies for not including you in this original email (below) – I have just read that the proposed introduction was a joint press release.
I am unfortunately not experienced or familiar with the process of communicating on proposed government legislation.

I hope that have the opportunity to consider these comments. It is perhaps too late but I feel I could not just watch this happen without at least giving my view and a suggestion for improvement.

All the best,

Steve Melling

From: Steve Melling
Sent: Tuesday, 30 July 2019 1:36 PM
To: Josh.frydenberg.mp@aph.gov.au; senator.paterson@aph.gov.au
Subject: Comments on the proposed forced removal of grandfathered commissions on all retail financial advice client accounts

Dear Josh,

I write in reference to your intention to introduce legislation to force the removal of grandfathered commissions from all retail client accounts.

I commend the spirit in which the proposed legislation is being introduced – to improve member outcomes.

However, as a result of this legislation many thousands (likely hundreds of thousands) of retail clients who have previously enjoyed the benefits of having a financial adviser available to them to assist them as required, will no longer be able to enjoy this benefit.
You are no doubt already aware of the reasons for this – the administrative and compliance cost (and compliance risk!) of operating on an ongoing adviser fee basis is significantly higher than the cost of providing ongoing, ad-hoc advice on a commission basis.
For many “smaller balance” clients in particular, the cost and in particular the risk to financial advisers of operating on an ongoing fee basis will make them unwilling to continue to provide financial advice to these clients - resulting in them becoming “advice orphans”.
This will not be a problem for wealthy clients.

I make the suggestion that if you wish to improve client/member outcomes (for these "smaller" clients in particular), you should give members the choice of continuing on a commission basis, or of having the commission refunded to their account (and therefore no longer able to access an adviser without an explicit fee).

This choice can only benefit fund members. If you are concerned that fund members will not make an informed choice, it would be reasonable to establish the Default position that commissions be turned off (and refunded to the member) where they did NOT elect to continue to have the commission paid to the adviser. This election by the member to retain the commission should be only required once, but the member must always retain the right to withdraw consent to have the commission paid to their adviser any time (at which point the commission must be paid to the members account).

Thousands of excellent, trustworthy and experienced financial advisers have operated on this basis of implied service for decades – if you don't look after the client, they will go elsewhere (and the commission will leave).
This is how business should be run – happy clients mean a successful business. No government intervention necessary.

I suggest that instead of introducing legislation to remove this happy relationship (for so many) by force of law, without the consent or approval of either client or adviser, you instead introduce law to reinforce the voluntary and consensual nature of a good client-adviser relationship, without the administrative and compliance overhead – and instead seek to **introduce legislation which removes grandfathered commissions only for investors who do NOT elect to continue the grandfathered commission relationship**.

I hope that you can see the logic in this approach.

I would of course be happy to discuss this proposal in more detail if this would be helpful.

All the best,

Steve Melling
Managing Director
Paul Melling Retirement Planning

CC: Senator James Paterson

Good economic principals applied to law

Laws should be simple, efficient and minimise interference between free, consenting agents and entities.

Law should not be made to specifically benefit one group or entity at the expense of another.

Regulation of law should aim to guide and improve agent behaviour (forward looking) rather than intentionally “snare” and then punish.

Government should not dictate private arrangements between private businesses and their clients.

Issues Paper Questions and Responses

1) What are the characteristics of quality advice for providers of advice?

We first need to define what is poor quality advice and compare it to high quality advice.

Types of poor quality advice;

1) Poor structural or technical advice (eg Mrs McDowell Royal commission example),
2) Poor investment quality or mismatched risk (leveraged products, CDOs etc)
3) High cost or poor service products

Good financial advice can sometimes be as simple as avoiding poor quality or unsuitable products – there are countless examples – risky mortgage funds, CDO'S, some leveraged investments, structured products, crypto etc.

Good financial advice needs to be technically correct, understandable by the client and result in client goals and objective being met.

2) What are the characteristics of quality advice for consumers?

Is the advice suitable to the client? Do they trust the adviser? Are they happy with the outcome?

For retirees: Advice that gives them Peace of Mind and comfort, knowing that they are taking a suitable level of risk.

High frequency of review (eg annually) does not indicate high quality advice. Most clients' circumstances do not change materially with a frequency which necessitates annual review. In fact, high frequency of review may indicate a poor level of understanding by a client of their long-term financial plan and objectives. There are of course exceptions, such as periods of market turbulence, which may necessitate earlier reviews, but again if this was widespread it would indicate a lack of understanding of investment fundamentals by a client, which would not indicate a high quality of financial advice.

How do we determine where high quality advice been provided;
Are the clients goals and objective being met? Is the client happy? Do they refer their friends and family?

3) Have previous regulatory changes improved the quality of advice (for example the best interests duty and the safe harbour (see section 4.2))?

There have probably been less instances of poor advice (such as overleveraged investing ie Storm financial and likely less of use expensive, poorer value products).

However, the vast majority of financial advice (suitable, good quality advice) has possibly on balance lowered in "quality" if you include "ability of the consumer to understand the advice that they have been given" in that definition. Financial Advice has often become harder to understand.

The bigger issue is of course that a lot less people now receive advice.

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

Look at the instances of complaints (ie AFCA).
Do you see many complaints in relation to financial advice?
Are the numbers of complaints in relation to financial advice increasing or decreasing?

Ask AFCA to give a "rating" to poor advice (the worse the advice or outcome, the lower the rating). Observe the data and the trends.

Both before and after the Royal Commission it would seem that the majority of financial advice provided to clients **was and still as is of high quality.** The statistics provided by AFCA seem to bear this out.

There were of course instances of poor-quality financial advice raised by the Royal Commission – as would be expected by a Royal Commission who's purpose was to investigate cases of poor financial advice and who had complete access to the Australian Financial Complaints Authority's database, as well as the internal complaints registries of the major financial advice providers.

If you were looking for instances of truly bad advice, that would be the best place to find it.

In fact, it might be suggested that the fact that these cases existed in the system and were well documented might indicate that the "system" was working pretty well already.

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

The cost of providing advice to a new client is best measured by assuming that there are limited numbers of hours in a day (there are) and by acknowledging that the time spent bringing a new client onboard is time spent not looking after an existing client.

To determine the "cost" of providing comprehensive advice to a client we need to consider

1) **Direct Financial Costs:** fixed, ongoing costs of the running the business – rent, professional indemnity insurance, software and IT, compliance/licensee fees, payroll tax, postage, ASIC fees, etc as well as the salaries of the staff (financial adviser, administrative staff, etc). These of course ignore the need for a business to derive a profit not just cover its costs! (if it is to continue to exist) and, perhaps most importantly,

2) the opportunity cost of that **time** spent NOT looking after existing clients.

The first item is largely fixed. If ongoing costs are $500,000 and you have 500 clients, the cost (with zero profit) of looking after each client is $1000pa.

So what is the cost of taking on a new client? Assuming that an existing client takes only say 3 hours of staff time over the year – but a new client will take say 12 hours of time to bring onboard, then to bring on a new client you will need to drop 4 existing clients (as you are at capacity – you can't magically create more hours in the day).

Assuming that these are "low-value" clients which only generate say $1,100pa in revenue each – then the opportunity cost of bringing on a new client would be $1,100 x 4 clients dropped = $4,400.

You might charge the new client the first years $4,400 upfront to at least cover you for the first year. You might be reluctant to take on that new client (who you don't know – and might leave after the first year) and you don't really want to terminate your relationships with four loyal, long-term clients who want to stay with you and who need your help. But if the business is to be sustainable (i.e. profitable) then this is exactly what you need to do – and what thousands of advisers have been doing. Its not a pleasant process, terminating long-term relationships with low-fee ongoing clients, but the long-term result is that you have a profitable business – and the externally perceived "cost of advice" continues to up.

In this example, the "cost of providing comprehensive advice to a new client" was $4,400. But it is not a straightforward or relevant calculation. A single upfront $4,400 is not the same as 4 x $1,100pa from 4 loyal, ongoing clients but hopefully the new client will stay on board and revenue has gone up.

This is an oversimplified example (as the adviser has now opened up a little more capacity by dropping 4 clients and picking up 1), but the point is that most advisers are at or close to capacity already, and this is largely due to the amount of wasted time on pointless administrative and compliance tasks.

To convince an adviser to undertake the time-consuming task of taking on a new client, when they are already busy with the maintenance of their existing client book, the new client must essentially offer the adviser a "bribe" (fee) high enough to convince the adviser to drop one or more existing clients to take on that new client. As the "average" fee across an adviser's client base rises, so does the fee required to take on a new client. It is simple economics – limited time/capacity and rising demand.

6) What are the cost drivers of providing financial advice?

See my previous answer. The time spent on documentation is the primary cost driver. This includes time spent on administrative documentation (compliance activities such as complex Fee Disclosure Statements, Opt-In documents and Trustee Fee Consents – and of course the time spent following up and processing these documents). It also includes time spent on actual advice documents, which are often a lot lengthier and more complex than they would need to be if they were designed to be understood by the client. Most Statements of Advice are written with the (perhaps sub-conscious) expectation that they will be read by a hostile lawyer – not just by the end client. This is of course not a surprise given recent history.

Each adviser only has a limited number of waking hours each day. A large proportion of these waking hours are consumed by compliance and administrative functions. Of the remaining hours each day, most of this time is spent assisting existing clients. This leaves relatively little time for seeing new clients.

For an adviser to see a new client, the new client must logically pay a higher fee than the existing client who the new client will be replacing (given the adviser has limited capacity to manage clients – if an adviser is at capacity they must drop an old (smaller) client to see a new client).

The reality is that most advisers have already dropped off a significant number of low-revenue clients (often around a third of their client base) which brings up the "average" fee for the remaining client base. This is a desirable state for the adviser. For this process to continue, this means that each additional new client must pay a higher fee than the average fee for the existing client base. This is one reason that the perceived "cost of advice" to a new client is rising – literally month by month, as advisers drop low-revenue clients in favour of higher revenue clients.

But why did this not happen before?

What has changed is that in the past a large proportion of the now "marginal/unprofitable" client base were previously easy to service and could be serviced at low cost - say $500pa or $1000 per client in trailing commissions for a phone call or two per year, perhaps a meeting if circumstances required it - no complicated FDS, no opt-in, no "annual trustee consent" - and often no SOA (unless there was an actual change in circumstances/advice), just a phone note "record of advice" on the CRM.

On this basis an adviser could handle many hundreds of clients, and pretty much all of the advisers time was spent helping those clients – not on administration. The adviser would even have time to take on new clients, even with the SOA requirements, because the adviser knew that once onboard, the client would be profitable – even if the revenue was only $500pa or $1000pa. The client would be profitable because the adviser didn't need to spend additional hours each year on that clients administrative and compliance requirements.

Many advisers would charge an upfront fee of say $2000 or more, but for most this was a once-off and just covered the cost of the initial SOA – after which the client would be profitable.

This is no longer the case, so both upfront fees and ongoing fees increase to cover the increased ongoing administration and compliance cost, the increased risk and to attempt to continue to make a profit after all the stress and time spent on what used to be an enjoyable job.

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?

See previous responses.

Fixed costs (including staff salaries) are the major **financial cost.**

Time spent on dealing with existing clients and their administrative and compliance tasks are the major **time cost**.

Assuming that financial costs are apportioned by time cost, the majority of financial costs are expended on administrative and compliance tasks for existing clients.

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?

Most of these costs are a result of what the law requires. The law has become significantly more onerous over recent years.

Most of what superannuation trustees and platform providers impose is a result of the law – although varying approaches do complicate this.

We have seen the regulatory apply demands to some advice providers which are beyond those required by law – one example is the "10 year look-back" which applied standards of law which did not even exist when the advice was provided.

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

Administrative burden of endless ongoing fee / trustee fee consent / FDS documentation, plus excessive complexity in providing new advice documents (Statements of Advice).

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

No. I don't really see how they could have been.

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

Quite likely – technology does tend to improve efficiency.

However, it would seem that the primary impediment to this is over-regulation – not lack of technology.

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

I don't think there are any impediments which apply specifically to technology solutions. The impediments apply to all licensees – technology solutions are doing their best to work within these constraints.

13) How should we measure demand for financial advice?

Superannuation trustees and platforms providers should be able to provide you with details of the number of clients who 1) are currently advised and 2) were previously advised before being orphaned in recent years 3) are currently seeking advice.

CoreData has some data on this topic.

However, I don't really think this question is central to this review – clearly there is substantial unmet demand (in excess of 2 million "orphaned" clients). The question is how do we fix the system to serve as many of these people who were previously advised, in addition to future demand (up to 30,000 Australians retire each month).

I don't think that anyone is suggesting that lack of demand for financial advice is a problem to be addressed.

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

Some examples:

- When contemplating a risky or unsuitable investment "opportunity".
- When seeing an advertisement about a "cheaper" or "higher performing (sic)" super fund and then rolling over their super to the new fund on the basis of lower fees or promoted past performance tables. Often losing insurance coverage in the process.
- When they should be taking out insurance but are not fully aware of the importance of cover, levels of cover available and quality/cost of cover.
- When share markets have been strong and they "don't need investment advice" based on their recent high-performing DIY results.

Again, I don't think that anyone is suggesting that lack of demand for financial advice (or consumers not seeking advice when they should be) is a problem that needs to be addressed as a priority.

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

The capacity of financial advice firms to take on new clients given the significant time spent on just compliantly running the business and looking after existing clients. Assuming an advice business is running “at capacity”, to take on a new client the new client would logically need to pay significantly more in ongoing fees than the old, existing client that they are replacing.

Smaller, less profitable clients are of course dropped to make space for new, more profitable clients.

Ultimately, the primary barrier is an artificial one created by excessive administrative and compliance burden placed on those who seek to provide financial advice.

16) How could advice be more accessible?

Make it easier for an advice business to maintain its existing client book. That way they can have more time available to see new clients and increase the number of ongoing clients they look after.

See my submission of 3rd February 2022.

Remove never-ending Opt-In and Trustee Consent requirements (to be replaced with a Once-off Opt-In/Trustee Consent – which can of course be opted out of at any time).

Allow super funds / trustees / platforms to generate FDS’s (they already provide this information to members regularly) and simplify the content of these FDS’s (replacing detailed, individual descriptions of “services provided and to be provided” with standard services agreed with by the adviser).

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?

Financial advice should be provided by a license holder (often via a human financial adviser). Advisers may and do specialise in particular areas of advice. This works well.

It may be that non-product advice can be provided by a person (say a “financial coach”) who is not authorised to provide product advice – this person would not be authorised to “deal” – but should still be required to be registered and licensed to provide this “financial coaching” only service.

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

Yes – technology does tend to improve efficiency.

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

Nothing – they do enter from time to time. They just don't seem very profitable or sustainable. I assume this is because they market themselves as low-cost and don't have sufficient margin to be sustainable. They are generally not "full advice" offerings but usually ETF sales funnels using "age/risk profile" as a tool to sell ETFs.

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?

See my comments re **Advice and Sales - and Dealing**

Financial Product Advice should be regulated more stringently (including higher education requirements for new entrants) than financial advice which does not involve a financial product.

Furthermore, financial product sales which do not include advice should be licensed as such – under a financial product sales license regime.

However, there are some investments (such as real estate) which are excluded from the definition of financial product. This does not seem logical. Financial advice on real-estate should be licensed along with other financial products.

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?

No, there are no impediments to providing advice on these broad topics.

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

See Appendix – Rethinking Advice and Product Sales (Dealing)

All financial advice to the general public should be sensibly regulated.

Financial product sales which do not include advice should be regulated and licensed as such – under a financial product sales license regime.

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

See Appendix – Rethinking Advice and Product Sales (Dealing)

Licensee product authorisations (e.g. superannuation, securities, etc) seems to work okay.

24) How should the different categories of advice be labelled?

See Appendix – Rethinking Advice and Product Sales (Dealing)

24) 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?

I don't think that would be helpful.

25) How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?

See Appendix – Rethinking Advice and Product Sales (Dealing)

26) How does applying and considering the distinction between general and personal advice add to the cost of providing advice?

It doesn't – in my experience, licensed professional financial advisers don't rely on general advice definitions – it is too difficult. Most advice is personal and takes into account a person's situation/objectives etc. This is not an issue for most advisers.

27) Should the scope of intra-fund advice be expanded? If so, in what way?

It would seem sensible that a fund should be able to provide financial advice to its own members on topics which relate to the member's balance. To be effective this will need to take into account a member's broad financial situation – but the advice itself should be limited to the members balance in the fund.

28) Should superannuation trustees be encouraged or required to provide intra-fund advice to members?

Not required, not encouraged, but not discouraged. Leave this between the fund and its members.

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

I am not close enough to provide an informed view on this. It seems to be that most funds to a pretty good job of engaging with members. They sensibly (largely) steer away from providing personal financial advice to members due to the complexities and risks of providing such advice.

Remove the complexities and risks to financial advice in general and you might find more funds start considering it safer to dip their toes in the water without fear of losing them (or a full leg – see Hayne Royal Commission!).

30) To what extent does the provision of intra-fund advice affect competition in the financial advice market?

I don't think it does. Perhaps it will in the future.

31) Do you think that limited scope advice can be valuable for consumers?

Yes of course.

32) What legislative changes are necessary to facilitate the delivery of limited scope advice?

Remove the excessive complexity and risks of personal financial advice overall.

An excellent example of the risk and complexity of financial advice is itself "limited scope advice".

Defining a piece of advice as "limited scope" actually increases the complexity (and regulatory risk) of that particular piece of advice, because trying to get a piece of advice to fit into the "limited scope" is itself a risky exercise. Fail to meet the definition and the advice would be treated by aggressive lawyers as "deficient" comprehensive scaled advice (especially under the FASEA standards). Much safer to treat all advice as "comprehensive".

If financial advice was safer to provide, this protective and defensive approach would not be necessary.

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?

Higher fees for comprehensive advice, which is to be expected as compensation for the risk and complexity (and lack of operational efficiency) of such advice.

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

Yes – of course. Digital advice, however defined, can only be more efficient. But first we need to address the current high risk and high complexity environment (over-regulation).

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?

Yes – probably smaller 'bite sized" advice pieces would be best suited to this – but of course lots of smaller bites can add up to a comprehensive service, over time.

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

I don't know. The risks are generally that 1) the advice is inappropriate or 2) the consumer doesn't understand the advice. This can occur in digital delivery and human-driven advice.

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 – there should be a level playing field. We need to simplify advice provision for both human and robots and let each customer decide how they want to receive their advice.

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

Not concerned – if a client is not happy with digital advice they can see an human adviser.
But we do need to keep an eye on this.

Regulatory Framework

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

Yes – the same changes to the regulatory framework needed to facilitate non-digital advice.

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)?

The AFS Licensee should continue to be responsible for the advice provided.

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

I would expect that video-driven advice would be a prime candidate to complement and/or substitute, but leave this between the advice provider and their clients to work out what works for them.

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?

In my view the safe harbour steps do provide an option which licensees can use to satisfy the best interest duty. I don't think there is a benefit to removing them – they are not compulsory.

I don't have a strong opinion on this issue.

However, as stated in my Feb 2022 submission- Section 961B (2) (g) of the Corporations Act should be removed.

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

Where licensees require advisers to use the safe harbour provisions, and have complex procedures for doing so, this can add cost and complexity. This is an issue for each individual licensee. Perhaps it needs to be explained (or made clearer) to some licensees that the Safe Harbour steps are optional.

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?

We would not materially change our process.

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

I don't see these obligations as duplicatory – they do overlap but they are largely complementary.

However, as stated in my Feb 2022 submission- Section 961B (2) (g) of the Corporations Act should be removed.

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?

In practice they should consider a TMD in the way they consider a PDS, professional research ratings and any other material which is relevant to making a suitable product recommendation to a client.

But they should not be required to document every source of research (TMD, PDS, ratings) in an SOA.

They should not be required to report "use outside of TMD target market". A product may be entirely suitable for a client, as part of a diversified portfolio, but fall outside the Target Market as defined by a product provider's legal team.

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

To the extent that advisers who previously received ongoing commissions have had to replace this ongoing commission revenue with fee revenue (from the same or similar products), it has not improved alignment between adviser and client.

Replacing ongoing commissions revenue with ongoing fee revenue has simply increased the cost and complexity of maintaining this revenue. This has meant that most advisers cannot continue to serve "small" clients who generate a low level of revenue.

When commissions were allowed, the cost of managing these commission was very low – they were extremely efficient.

Advisers are now just as aligned with their clients as they were before – they just have a lot less clients than they had before.

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

No. Advice quality (to those who can afford it) has arguably improved through stricter compliance procedures such as pre-vet and stronger oversight. The commission ban (along with the imposition of Endless Opt-In/Endless Consents) has simply contributed to the removal of access to advice to an estimated 2 million[1] "previously advised" "advice orphans".

The "quality of advice" to those 2 million people has dropped to zero, as there is no advice provided or available.

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 – profitability has fallen significantly (except for those who advise high-net worth / high revenue clients) because low-cost, low-risk revenue has been removed and high-cost, high-at-risk revenue means a much less efficient, less profitable business.

[1] CoreData / Andrew Inwood – May 2022

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.

This is not an area of expertise for me. Assuming this question refers to insurance commissions: I expect that the number of advice business which advise on risk insurance would reduce further. There would be further reductions in the number of people insured. This would lead to further increases in premiums which would likely lead to further reductions in the number of people insured.

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

I am not convinced that removing exemptions will result in better outcomes.
It certainly hasn't done so far on balance.

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.

I believe this to be the case but have no direct experience in this area.
Insurance companies and insurance brokers should have this data readily available – some of whom should be making submissions to this review.

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

I have no view on this.

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?

Please consider why you think there should be ban on commissions.
Consider the impact on the level of service and the availability of coverage provided to consumers.
Consider the impact on premiums when the number of insured members falls significantly.
We have seen so much destruction in the financial advice industry following the removal of ongoing trailing commissions and reduced insurance commissions – why would you want to repeat that in the insurance broker and mortgage broker industries?

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

I have no experience in charging on-off (non-ongoing) fees from superannuation accounts.
Our client relationship are long-term, ongoing advice relationships not transactional relationships.

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

See my submission of 3rd February 2022.

Remove the "opt-in" annual renewal requirements and annual "trustee consents" but retain annual fee disclosure.

All financial advice clients already have the ability to Opt-Out of their monthly advice fees at any time – there is no need to additionally require them to constantly "Opt-In".

This simple act (in combination with item 2 below) will restore the operational EFFICIENCY of the "commission system" without losing any of the TRANSPARENCY or INVESTOR CONTROL of the "fee system" - thereby allowing advisers to retain small-asset-value clients on their books at little cost and for those advisers to be available to these clients whenever they need advice or assistance (and without requiring an expensive, full "review" every single year).

Allow platform providers to generate and provide annual fee disclosures to clients.

At present, this obligation falls on the individual financial advisor (or their licensee), despite the fact that exactly the same fee information is provided anyway by the platform provider.

There is no logic in preventing the platform from performing these fee disclosure tasks.

A new definition: "Financial Advice Fee Intermediary" should be added to Corporations Act Section 9 – Definitions.

Section 962G should be amended to replace the words "Fee Recipient" with the words "Fee Recipient or Financial Advice Fee Intermediary" so that section 962G reads: "Fee recipient or Advice Fee Intermediary must give fee disclosure statement…."

Simplify annual fee disclosure documents

There is no need to complicate these documents with individual descriptions of services previously provided, details of services yet to be provided and unreliable forward projections of fees to be paid. Most advisers have standard service agreements arranged with clients – inclusion of these standard service details in the annual statement should be sufficient. Disclosure of the past year's fees (in dollars) plus the basis upon which fees are calculated (eg % of account balance) is all that is necessary, and keeps the process of disclosure both straightforward and accurate. As above, these documents can then be easily produced by the platform (or by the adviser if the adviser prefer to continue to produce these documents).

58. How could these documents be improved for consumers?

See my submission of 3rd February 2022. See previous question above.

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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?

See my submission of 3rd February 2022. See previous question above.

Clients who feel they are getting "no service" are free to opt-out at any time.
They always have been able to.

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

These take up a considerable amount of time and energy and involve significant levels of complexity and customisation. The risk of getting these wrong (inaccuracies in fee amounts, fee periods, services provided/to be provided, anniversary days, review days etc) is high under the current regulatory settings. Large firms who have departments dedicated to this function have an advantage over smaller firms, where often it is the principals or advisers who need to prepare these documents. For many, especially those without IT skills and especially those who use more than one "platform" or super fund, gathering fee data and correctly preparing the FDS is a time consuming exercise which never ends. Not only is this a significant time burden which detracts from looking after those ongoing clients (as well as running the business), it most certainly detracts from the capacity of an adviser to see a new client.

Furthermore – details of advice fees are already provided to the client by the super fund or investment platform on a regular (6-monthly or annual) basis! It is a complete waste of time and energy.

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?

Trustees have required additional trustee Consents to Deduct Advice fees which have been in addition to the licensee FDS/OFA requirements.

These should be changed to one-off consents (other than where there is a change of fees which needs to be reauthorised). These consents can be withdrawn of course at any time (Opt-Out)

62. How do the superannuation trustee covenants, 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 am not aware of any adverse impacts of this covenant.
It should be noted that there are member outcomes (such as Peace of Mind and comfort in retirement) which are not strictly "financial" but nonetheless very important to the member.

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

They are helpful. Shorter, more concise "Letters of Advice" would also serve the same purpose.

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

It is a large contributor to the cost of advice for a new client. It is a smaller contributor to cost for ongoing clients.

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?

See my submission of 3rd February 2022.

1) Replacement of complicated and legally verbose "Statements of Advice" with a less prescriptive "Letter of Advice" or "Customer Advice Record".

   These documents should include details of any fees or commissions, and disclose any material conflict of interest, but should be assessed on the basis of providing financial and advice and financial product recommendations which are suitable and appropriate to the client based on the client's needs and desires. In short, a requirement to "know your client", "know your product" and to provide advice which is subject to a "suitability test" when recommending products to ensure that they are aligned with the client's interests.
   This concept worked well for many years prior to the introduction of SOA's.

2) Acting in the interest of the client – removing the impossible standard of "best interest".

   Whilst at first glance no-one could argue against the principal of acting in their clients "best interests", this leaves open an unknown and (without the benefit of hindsight, unknowable) legal liability. This is exacerbated by the requirement of Section 961B (2) (g) to also take *"any other step that, at the time the advice is provided, would reasonably be regarded as being in the best interests of the client…".*

   Statements of Advice have thus become defensive legal documents, full of disclaimers, product comparisons and excessive verbiage designed to protect against legal challenge at a later date.

   It is impossible to know in advance which of many possible investment products will be the "best". Yet this is the wording of the legislation, which can then be used against the adviser by an aggressive lawyer or regulator. No wonder many SOAs are so verbose yet unhelpful to the client's understanding of the advice being given.

   Section 961B of the Corporations Act should instead require the advice provider to "act in the interest of the client" which is aligned with the common law principles well established in this area.

   Section 961B of the Corporations Act should be amended to replace the words "Best Interest" with "Interest" where these words appear. Failing this, Section 961B (2) (g) of the Corporations Act should be removed at the very least.

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?

Disclosure documents are almost entirely by the risk and compliance attitude of the licensee.

Most licensees have an understandably low tolerance for risk given the regulatory environment which has built up in recent years.

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

One option might be to encourage video (live or pre-recorded) advice, perhaps even instructional "gamified" advice.

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

Advice which does not require the establishment of a new financial product / account. Examples: Contributions to an existing super or investment account, withdrawals from that account, changes in investment risk/allocation.

This does NOT mean that the adviser should not provide reasoning or important, relevant details – good business practice would dictate that supporting reasoning and facts be supplied. But this is the type of advice which is suited to smaller, more concise documentation (ie, a Record of Advice).

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?

It should have, but gun-shy and traumatised licensees understandably often err on the side of caution – requiring full SOA's.

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

I don't have a view on this. The Covid-19 relief was very narrow and generally did not apply to our client base.

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?

Yes, accountants should be allowed to establish, operate and wind-up SMSFs and provide administrative and tax guidance/advice – including on contributions or withdrawals.

This should not extend to investment advice (including asset allocation advice) which should require a licensed financial adviser.

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

As above - accountants should be allowed to establish, operate and wind-up SMSFs and provide administrative and tax guidance/advice – including on contributions or withdrawals.

This should not extend to investment advice (including asset allocation advice) which should require a licensed financial adviser.

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

It would logically increase the number of accountant-advisers.

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?

I don't have a view on this – it seems most limited-licences have now been closed, so I would suggest it is not working effectively.

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

I'm not aware of any, but I'm not an accountant.

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

Yes.

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

Yes. A standard ASIC-approved statement which a wholesale client would need to sign. This statement would explain that the investor would not have the protections provided by the retail advice regime.

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.

<u>Other measures to improve the quality, affordability and accessibility of advice</u>

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?

To my knowledge most actions taken by licensees are designed to protect the business (compliance), increase fees to cover increased costs (and lost revenue) and to cull unprofitable clients. These are business survival techniques and do not improve the accessibility or affordability of advice. Quality of advice has generally been improved through pre-vetting and thorough compliance checks.

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?

I believe the professional associations will be making submissions to this Quality of Advice Review, with these goals in mind. They can presumably provide more detail on this. I have not had much involvement with the professional associations.

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?

Yes – it is somewhat useful, but it is of course not legal advice.

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

Yes. That has been one positive outcome.

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

ASIC: Recognise that most people are trying to do the right thing. If they make genuine mistakes and make the effort to correct and prevent them in future, please treat them accordingly – with guidance and education before punishment. First ask, why litigate? Is there a better way?

Leave the punishment for those who intentionally or recklessly break the law - or for those who do not exhibit an intention to correct their behaviour.

Appendix – Rethinking Advice and Product Sales (Dealing)

It should be considered that properly regulated financial product sales can exist as well as financial advice.

Examples:

a) A “Financial Counsellor” or “financial coach” may wish to **provide financial advice to a client which does not involve a product sale**. This is happening right now (by many ex-advisers) and should not be discouraged – but it should be licensed and lightly regulated.

b) A real-estate agent (or say an “apartment complex” salesperson), may wish to sell a home (or new apartments as an investment property) but does not wish to provide financial advice in relation to the home/apartment. They just want to sell the product (and get their commission!).

At the moment these people are not regulated under financial services law – they get a complete free kick with no supervision or regulation at all (largely due to the fact that real estate is not considered a financial asset!). These people should be required to be licensed and lightly regulated (licensed for financial product sales but not advice). This category would also allow sales of superannuation products and investment products but would not include advice and it must be made VERY clear to consumers that these sales (whether of apartments, super funds or managed funds) are NOT advice and that they should seek advice.

What is currently called “general advice” or “general information” would fit under this category – but the name “general advice” should have the word “advice” – removed/banned. It is not advice, it is either general information or sales material.

3) **A fully licensed financial adviser** would continue to be **licensed for both advice and sales**. A qualified and regulated adviser will continue to be able to both advise on their authorised products and also “sell” (ie Deal) this product.

No change to legal framework required

We already have the legal and regulatory framework for this system. It is just not widely used or promoted in this way. We already have a licensing system which allows sales (dealing), or advice – or both.

We already have a system which allows for both financial product advice and financial product sales to exist separately or together. We just need to use it in this manner.

We also need to add some categories of financial product – such as real estate.

We should also define educational requirements for the non-advice or non-sales categories above (presumably lower educational requirements than “fully licensed” (advise & deal) financial advisers).