Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

August 2022

Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in Appendix 1. Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our submission guidelines for further information.

Closing date for submissions: 23 September 2022

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Appendix 1: Consultation template

Name/Organisation: Bongiorno Wealth Management Pty Ltd

Questions
Intended outcomes
1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?
Yes, in principle we agree with this statement as it will promote greater access to advice, with the only caveat being sufficient control mechanisms are in place to protect consumers from harm and that they receive “good advice”.
What should be regulated?
2. In your view, are the proposed changes to the definition of ‘personal advice’ likely to: **a) reduce regulatory uncertainty?** **b) facilitate the provision of more personal advice to consumers?** **c) improve the ability of financial institutions to help their clients?**
(a) Given the magnitude of change, more detail is required to reduce regulatory uncertainty (b) Yes, we believe it will facilitate more personal advice being provided to consumers (c) Yes, it will be beneficial for superannuation funds, banks and other product issuers to help their clients

3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

a) If not, what additional safeguards do you think would be required?

Misleading and deceptive conduct would need to be tested to know whether it would protect consumers from acquiring inappropriate product, however TMD's should assist with this, providing they are not too broad.

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

a) the quality of financial advice provided to consumers?

b) the time and cost required to produce advice?

(a) Provided the Code of Ethics, particularly Standards 3 & 6 can be modified, replacing b.i.d. with "good advice" should not impact on the quality of advice
(b) The proposals will reduce the time and cost required to provide advice, however more advice will be captured as personal advice and licensees will need to rethink their business models, business rules and record keeping obligations.

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

a) provide limited advice to consumers?

b) provide advice to consumers using technological solutions (e.g. digital advice)?

(a) Yes, it will place greater onus on advisers to use their professional judgement about the complexity of the advice provided and the documentation required to support the advice,

(b) Technological solutions – digital advice will be easier for institutions to provide. Small to medium sized licensees will require assistance with digital solutions as they usually will not develop their own rather partner with a technology provider. These smaller and medium sized licensees will generally need to reply on external specialists to undertake due diligence, including but not exhaustive issues such as

- What assumptions are embedded into the technology
- What algorithms have been used to determine the quality of the digital advice output
- The security of client data.

Some further guidance on what licensees are expected to undertake to satisfy themselves that the digital solution is sound would be helpful.

6. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:

a) the quality of financial advice?

b) the affordability and accessibility of financial advice?

(a) Uncertain how it will affect the quality of advice
(b) It will improve accessibility and affordability of advice

7. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?

a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?

(a) Perhaps a clarifying statement for consumers that the advice provided by non-relevant providers is limited and describe the breadth of the advice able to be provided.

Superannuation funds and intra-fund advice

8. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):

a) make it easier for superannuation trustees to provide personal advice to their members?

b) make it easier for members to access the advice they need at the time they need it?

(a) Yes, it will make it easier to trustees to provide personal advice to members and self-regulation should protect consumers.
(b) Yes, it will make it easier for members to access the advice.

Disclosure documents

9. Do the streamlined disclosure requirements for ongoing fee arrangements:

a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?

b) negatively impact consumers, and if so, how and to what extent?

(a) Yes it will reduce regulatory burden however it does not address the difficulty to maintaining a common anniversary date. The date the client signs the ongoing fee arrangement should not change the anniversary date. Rather providing consent is provided to the ongoing fee arrangement within 90 – 120 days the anniversary date, the anniversary date should remain unchanged. For example, we have a common anniversary date of 30 June so we can report on a financial year basis. This makes it easier for clients to provide information to their accountants when preparing annual tax returns.
(b) We can see no negative impact on consumers, rather a positive impact only having to consent once annually.

10. Will removing the requirement to give clients a statement of advice:

a) reduce the cost of providing advice, and if so, to what extent?

b) negatively impact consumers, and if so, to what extent?

(a) Yes, it should reduce the time and cost to deliver advice, possibly by a third in complex cases and potentially more for very simple advice.
(b) No, less documentation should make it clearer and easier for consumers to understand the advice.

11. In your view, will the proposed change for giving a financial services guide:

a) reduce regulatory burden for advisers and licensees, and if so, to what extent?

b) negatively impact consumers, and if so, to what extent?

(a) Yes, many of the proposed reforms will take time to think through a new operating model to ensure consumers are kept fully informed.
(b) No negative impact other than finding another way to advise clients about

- Limitations of advice that can be provided
- Who to contact with any concerns or complaints

Design and distribution obligations

12. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

a) the design and development of financial products?

b) target market determinations?

(a) TMD should be made more specific, not so broad, to provide consumers protection when purely seeking product advice

Transition and enforcement

13. What transitional arrangements are necessary to implement these reforms?

For all stakeholders to take a "no-action policy" for minor issues during the first 12 months to provide time for all participants to change systems, documentation, and business models.

General
14. Do you have any other comments or feedback?
We would like to thank and congratulate Michelle Levy, and the whole Quality of Advice Team, transitioning financial advice into a professional service. Thank you for the trust that good self-regulation will protect consumers from harm and make good advice more accessible and affordable.