



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: Prepared by Sequoia Financial Group Limited on behalf of AFSL InterPrac Financial Planning ,Libertas Financial Planning Sequoia Wealth Management .

### 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?

We agree that the obligations need to be simplified to make it easier to access and provide clear and affordable advice. However, we do not agree with the removal of “all of the obligations”. Further information is included below.

#### 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) No. Advisers are fully aware of the meaning of personal and general advice. Expanding the definition of personal advice to include a ‘recommendation or opinion’ will further enhance this for consumers to understand when in receipt of personal advice.
- b) To some extent. We are concerned that the quality of advice may reduce, and conflict of interest will return where product providers/vertical integration is granted the opportunity to provide personal advice recommendations that are limited to their employers product. Product Providers can never

understand or have the experience, expertise, education or motivation to understand the wider range of options outside their own product range in this environment. This will increase implications to clients where products fail and reduce the quality and breadth and magnitude of advice.

- c) To a large extent, but we do not believe that this is beneficial as per b) above. We are genuinely concerned that this form of personal advice in essence is a version of general advice, that does not take in to account a client's personal circumstances and does not consider other alternatives. History shows this form of advice has caused enormous loss over the last 25 years and should not return. Advisers need to be acting in the clients' interests and be impartial to product and charge a fee for doing this. The advice industry has improved dramatically, and we do not wish to see this eroded with product sale advice being considered personal advice and thus increasing real conflicts of interest,

**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?**

We often see instances where consumers have been provided with personal product advice under the guise of general advice, so we do agree that expanding the breadth of personal advice is appropriate. However, we believe that changing the terminology to 'general **information**' is appropriate and removing the word 'advice' will assist consumer understanding and reduce confusion. Where general advice is followed appropriately it does help reduce the cost of some forms of advice and should not be removed entirely.

**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.**

We agree that advice needs to be 'good advice' and more importantly that it must be 'likely to benefit the client'. We believe that this was the intention of the Best Interest Duty and the Safe Harbour steps. However, the complexity and depth of BID have led to the requirement for additional administration and paperwork to substantiate adherence to the legislation, which has resulted in higher costs and advice becoming less accessible. Removing or reducing these

requirements and concentrating on good advice which benefits the client shall reduce the time and cost required to produce advice, resulting in more consumers receiving quality advice.

**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)?**

We agree that it shall be easier for institutions to provide limited advice under the 'good advice' proposals, especially if they are not a relevant provider. Under the Code of Ethics Standard 6, all relevant providers must still actively consider the client's broader, long-term interests and likely circumstances, which does not align with Limited or Scoped Advice. We are concerned that the proposals shall result in it being too easy for institutions to sell product and not consider the client's broader, long-term interests and likely circumstances, resulting in incomplete or inappropriate advice that although 'good'; would be better advice when more comprehensive and provided by a relevant provider.

- a)** Agree that it would become easier to provide digital advice. However, we continue to have concerns that digital advice is not yet accurate or reliable enough to provide substantial benefits at present and is not sufficient to educate most consumers and has been established to sell product rather than provide personal advice.

We note that proposal #4 refers to a commission being an ongoing advice relationship. Insurances can be held without there being an ongoing advice arrangement. This is supported by ASIC statement, INFO256, which states that an insurance premium is not an ongoing fee arrangement.

**6. What else (if anything) is required to better facilitate the provision of:**

- a) limited advice?**
- b) digital advice?**

- There should be no conflict of interest.
- Standardised Terms for Risk Profile Asset Allocations.
- Greater Financial Education of Consumers
- Clear guidelines or warnings that advice may not be complete (onus on consumer)

**7. 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?**

We strongly disagree with proposal #4. We believe that anyone providing personal advice must be a relevant provider adhering to professional standards. To become a Profession, we need to have Professionals providing advice (not sales consultants or phone operators who are often not experienced or adequately educated).

The number of AFSLs should be reduced not increased, and be required to have independent compliance, audit, practise management, and educational support to be able to provide the advice providers (the adviser) oversight. Where an adviser is one and the same is a significant risk to the industries professional standards.

We are very concerned that allowing banks, super funds, and insurance companies etc to provide advice that is limited to their own product without needing to abide by the same controls as a relevant provider, will result in the sales environment returning and a reduction in the quality of advice.

For example, a client approaches a product provider to review their insurances. The superannuation fund provides good advice limited to Life, TPD and Income Protection which benefits the client. However, they do not consider the client's need for trauma insurance, their cash flow, debt situation, other investments, superannuation, structures, estate planning or other product providers policy definitions and offerings. This will see the client disadvantaged and 'sold' the institution's product.

Qualified professionals are more knowledgeable and can provide the clients with options. The fee that they charge for this is higher but so are the benefits to the client.

**8. 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?**

We adamantly believe than anyone providing personal advice must be a relevant provider and abide by professional standards.

The number of licensees should be reduced in the same manner APRA has done for super trustees .

### **Superannuation funds and intra-fund advice**

**9. 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?**

As mentioned previously, we believe that all providers of personal advice must be relevant providers, including employees of superannuation funds. We are concerned that enabling (often uneducated) employees of superannuation funds to provide advice to members shall result in inappropriate or incomplete advice, conflicts of interest, as well as a return to the sales environment of the past.

We support the deduction of advice fees from all superannuation funds, whether retail, industry, corporate, public sector or MySuper funds. We also support amending the SIS Act to expand the sole purpose test to include financial advice. This would enable more people to access advice, and the recommendations would then be about the strategic advice rather than the product. A reasonable fee cap is appropriate.

## Disclosure documents

### 10. 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) To a large extent.
- b) No

We agree that removing the Fee Disclosure Statement and continuing with a standardised Consent Form will be a significant improvement and shall improve trust and provide greater clarity with consumers. Additionally, it will considerably reduce the time taken by advisers and therefore reduce the cost of ongoing advice, while allowing advisers to assist more clients.

Having one consent standardised consent form is also very beneficial, sensible and more productive.

We support the opt out rather than forever asking customers to opt in each and every year of receiving advice

Potentially extending the opt in to every 3 years rather than every 12 months may be worth considering to further assist reduce the cost of providing advice

### 11. 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?

Although we agree that the current Statements of Advice are too long and need to be more concise and clearer for the consumer, our research indicates that the majority of clients and advisers still want a short form advice document (required for initial advice), which includes at a minimum:

- Summary of Clients Situation
- Confirmation of Client Goals and outcome/ability to achieve
- Summary of the Recommendations/What/Why/Benefits/Risks, and where to find more information if required
- The Fees



- a) We estimate that the average time taken for preparation and checking of a simple SoA is approximately 9.5 hours, so reducing the time taken shall result in significant reductions to the cost to produce advice and also enable advice to be provided more efficiently and quickly.
- b) We believe that removing the requirement to provide an SoA would be detrimental to the clients. Especially for the initial provision of advice. Clients want confirmation and clarity about what they are doing, why, the costs and next steps. We are also concerned that having no written document may result in the return of the product sales environment, reducing the quality of advice. Additionally, a written document/summary provided to clients also provides a reference for clients as well as greater protection to advisers.

**12. 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?**

We are neutral about the FSG proposals and not concerned if the current requirements remain.

### **Design and distribution obligations**

**13. 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?**

We agree that reporting obligations should be simplified, especially for relevant providers and AFSLs. Relevant Providers are professionals, who are educated and complete sufficient research to understand if a product is suitable to a clients.

Target Market Determinations are appropriate for those who are not relevant providers, to assist those who may be uneducated to be able to have a better understanding of when a product is suitable.

**Transition and enforcement**

**14. What transitional arrangements are necessary to implement these reforms?**

- Clear guidelines and expectations on changes  
Although we are keen to have the majority of proposals implemented immediately, we suggest a 6-12 month transition period be allowed to provide sufficient time for CRM’s to be adjusted, Licensee Guidelines to be updated, and training to be provided

**General**

**15. Do you have any other comments or feedback?**

We feel that only relevant providers (who have the relevant experience, expertise and education) should be allowed to provide personal advice and strategy recommendations.

In Summary:

Proposal	
1	Agree
2	Disagree
3	Agree
4	Strongly Disagree
5	Strongly Disagree
6	Strongly Disagree
7	Strongly Agree
8	Strongly Agree
9	Needs Refinement
10	Agree/Neutral
11	Agree
12	Agree