

Consultation of the regulatory framework for managed investment schemes

Morgans Submission

29 September 2023

Manager
Media Unit
The Treasury
Langton Crescent
Parkes ACT 2600
Email: media@treasury.gov.au

Dear Sir/Madam

Morgans Financial is Australia's largest national full-service stockbroking and wealth management network with more than 220,000 client accounts, with 520 authorised representatives and 950 employees operating from offices in all states and territories and many regional areas.

We appreciate the opportunity to provide a submission to Treasury in relation to the regulatory framework for managed investment schemes. Morgans supports the attached submission by the Stockbrokers and Investment Advisers Association (SIAA), the professional body for the stockbroking and investment advice industry. Feedback focusses on the questions concerning the wholesale client thresholds.

In summary,

- Morgans does not support the changes to the wholesale client thresholds as proposed under Chapter 1 of the '*Review of the regulatory framework for managed investment schemes*' consultation paper.
- Morgans recommends the review of the wholesale client framework be separated out from the Managed Investment Scheme consultation as it should be subject to its own standalone consultation. This will enable appropriate participation by all relevant industry stakeholders and will ensure all possible consequential impacts are considered.

We would not support changes where the unintended consequences could result in many advisers in the industry who have structured their business model as a wholesale-client-only model losing their client base and business. Advisers have already gone through substantial change due to the introduction of FASEA education requirements. The industry has suffered significant loss over the past few years in terms of advisers leaving the industry. Changing the wholesale client thresholds may result in advisers no longer being able to retain their wholesale-only business model and thus have no option but to leave the industry.

We also believe wholesale clients themselves may suffer unintended consequences should the thresholds change. Wholesale clients are able to access wholesale client opportunities and products that retail clients cannot. Advisers have structured their businesses to meet the demands of clients in this respect. Changing the current regime may impact what products and strategies clients can invest in.

Morgans Financial Limited

Level 29, 123 Eagle Street Brisbane QLD 4000 | GPO Box 202 Brisbane QLD 4001 Australia
Telephone 1800 777 946 | Facsimile +61 7 2104 1367 | morgans.com.au
ABN 49 010 669 726 AFSL 235410 A Participant of ASX Group

It may also result in clients having to sell out of their wholesale products, which could result in other complications such as incurring tax and other transactional costs.

We concur with the Stockbrokers and Investment Advisers Association (SIAA) who highlight the potential impact on other provisions of the Corporations Act should the wholesale client definition in Chapter 7 of the Corporations Act change. What would such change have on financial markets as a whole. Hence, why we strongly recommend any review of the wholesale client definition be subject to a standalone consultation.

If you have any questions in relation to this submission, please feel free to contact Terri Bradford, email terri.bradford@morgans.com.au or phone 07 3334 4979.

Yours sincerely

A handwritten signature in black ink that reads 'Terri Bradford'. The signature is written in a cursive style with a long horizontal flourish extending to the right.

Terri Bradford
Head of Wealth Management