

Retirement, Advice and Investment Division
Treasury
Langton Crescent
Parkes ACT 2600
financialadvice@treasury.gov.au

6 December 2023

To whom it may concern,

Submission | Treasury Laws Amendment (2024 Measures No.1) Bill 2024: Quality of Advice Tranche 1

We refer to the draft legislation released by Treasury on 14 November 2023 relating to Delivering Better Financial Outcomes. Centrepoint Alliance Limited is supportive of the recommendations to reduce red tape that adds to the cost of advice with no benefit to consumers.

Centrepoint Alliance Limited ('Centrepoint') is an ASX listed financial services company (ASX Code: CAF) which provides licensee services to over 1,300 financial advisers who in turn provide financial advice to over 130,000 Australian consumers. As a key participant in the industry, Centrepoint is well placed to provide input based on the advice professionals we support and their client feedback.

We have reviewed the draft legislation and provide the following comments.

Recommendation	Comments
Superannuation	<p>Centrepoint supports the intent of these recommendations but not the execution</p> <p>Financial advisers regularly provide advice to clients on superannuation and pension accounts where the advice fee is paid from the members account.</p> <p>Many industry funds do not allow the deduction of advice fees from members account. This reduces the members ability to receive personal financial product advice unless they can pay for the advice through their own cash flow.</p> <p>Providing legal certainty for the payment of adviser fees from a member's accounts should see an increase in superannuation trustees allowing adviser fees to be funded from members accounts, and an increase in members access to personal financial product advice.</p> <p>However, the draft legislation places greater onus on the superannuation funds around the payment of adviser fees. The current legislation requires the superannuation funds to have 'controls' in place to ensure adviser fees are only paid where the client has consented, and the advice is related to the client's interest in the superannuation fund e.g., not in breach of the sole purpose test. Superannuation</p>

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	<p>funds typically monitor this via the annual consent forms and random sole purpose test audits.</p> <p>The proposed 99FA is negatively phrased in that superannuation funds <u>must not</u> charge against a member's interest in a fund unless certain conditions are satisfied. It appears that this is not a control step and now a required step. These required steps will increase administration costs to the adviser and the superannuation fund in that the superannuation funds may need to review the Statement of Advice (SoA) to determine the scope of the advice and proportion of the fee related to superannuation advice. This will require uploading of SoAs and a larger team within the superannuation fund to review these documents prior to agreeing to facilitating the payment. This will ultimately increase the cost to the client.</p> <p>Centrepoint suggest that if the intent of the draft legislation is to provide legal certainty for the payment of adviser fees from a members account, then the legislation should be framed as a positive and not a negative</p> <p>We disagree with 99FA(1)(b) which states the amount charged does not exceed the 'cost' of providing advice. Financial advisers charge a fee that covers the cost of the advice plus a margin to ensure they can run a profitable business. Centrepoint suggests either removing this requirement or if required change to wording such as the fee is commensurate with advice provided about the member's interests in the fund.</p> <p>Centrepoint also suggests removing 99FA note 1. which states trustees are not required to pay the cost of providing financial product advice. Allowing trustees to refuse to facilitate adviser fees will result in less personal advice to members unless they can afford to pay from cashflow or may result in unnecessary switching of funds to facilitate the payment of the advice fee from a superannuation fund that allows deduction of advice fees.</p> <p>We note these changes may take time for superannuation trustees to update systems and processes, so we suggest a transition time to allow them to comply.</p>
<p>Ongoing Fee Arrangements (OFA)</p>	<p>Centrepoint broadly support these recommendations.</p> <p>Centrepoint supports the removal of the requirement to provide a Fee Disclosure Statement (FDS) and the streamlining of the renewal and consent obligations.</p> <p>Centrepoint supports retaining the annual consent form and including content requirements of the form within the Corporations Act, as opposed to currently within a legislative instrument.</p> <p>Centrepoint supports s962H clarifying that the obligation to continue to provide services terminates when the OFA terminates. This will provide certainty to advisers where they have previously had concerns that they could face a complaint related to services not received after the OFA ceases.</p>

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	<p>Centrepoint strongly supports the intent of the Quality of Advice Final Report to have a single prescribed consent form. We oppose the draft legislation which does not require a product issuer to accept the approved form. The draft legislation does not eliminate a significant contributor to the cost of providing advice and the administrative burden on advisers. Product issuers would still have the ability to apply business rules pertaining to fee caps and restrictions while accepting a single prescribed consent form. It is not in the clients' interests to require multiple different consent forms to be signed.</p> <p>Centrepoint supports the extension of the renewal period to 150 days. However, we are concerned that the draft legislation has not considered a period to switch off the fee. Product issuer administration turnaround times can be several days. This could result in advice fees being deducted after the OFA terminates. If a client provides consent on the 150th day and advisers and product issuers have taken steps to turn fees off prior, it will be unnecessarily inconvenient for clients, advisers and product issuers to rectify.</p> <p>Centrepoint does not support the unnecessary requirement to provide written notice to the client to confirm the arrangement has been terminated within 10 business days. The Consent Form already includes a statement that the arrangement will terminate, and no further advice will be provided, or fee charged under it, if the consent is not given. We also disagree that this requirement should incur a civil penalty. We believe this requirement is an unnecessary duplication as there is also a second obligation to not continue to charge a fee if the fee arrangement terminates. This new requirement does not provide any added client protection but increases the compliance burden for advisers and Licensees.</p> <p>Centrepoint would support additional flexibility to allow the consent form to be signed before the anniversary date. The ability to renew an arrangement before the anniversary day would provide efficiencies for the adviser and reduce the confusion and administration for clients. Advisers prefer to align the renewal of the OFA with the annual review meeting. Without this flexibility the adviser may need to have two appointments with the client. One to conduct the review within the service period, and a second meeting to arrange the consent form. Alternatively, if the renewal period commenced 60 days prior to the anniversary day, consent could be obtained when providing an annual review.</p> <p>Centrepoint would like the legislation (s962A) to provide clarity on when an OFA is 'entered into'. Currently an OFA cannot be entered into that commences on a future date. The draft legislation (s962E) allows consent to be provided on or before a new arrangement is entered into, and starting when the arrangement is entered into. It would be efficient to allow a client to sign a consent form and enter into an ongoing fee arrangement with both to start on a future agreed commencement date.</p> <p>Centrepoint would support expanding the current obligations to switch off advice fees where annual consent is not provided to all product issuers and not only superannuation trustees. This would minimise client detriment as currently only</p>

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	trustees have an obligation to switch off fees. In the current environment Advisers will notify product issuers to switch off advice fees, but product issuers administration times vary and can result in fees being deducted after an OFA ceases. Placing the obligation on all product issuers will minimise client detriment and loss as fees could be automatically switched off when the renewal period ceases.
Financial Services Guide (FSG)	<p>Centrepoint supports these recommendations.</p> <p>Providing flexibility on how to provide the FSG is a logical step considering most advisers provide the FSG via links or attached to emails. This recommendation allows the client to decide upon how they like to receive this information. This change could also assist large Licensees like us to ensure the most up to date FSG is being provided as we can control the FSG link on our website.</p>
Conflicted remuneration	<p>Centrepoint supports these recommendations.</p> <p>Clarification that any benefit paid by a client or on behalf of a client in relation to financial product is not conflicted remuneration is a logical recommendation.</p>
Insurance commission	<p>Centrepoint supports some of these recommendations.</p> <p>Centrepoint supports insurance commission remaining exempt from conflicted remuneration and retention of the current insurance commission caps.</p> <p>Centrepoint supports informed consent for life insurance commission. Centrepoint supports that the intent that consent should apply to new policies only.</p> <p>Centrepoint does not support any intent for a separate consent form to meet the disclosure requirements. Consent could be built into existing documentation and not require a separate form. The SoA does (or can) include all information required by the draft legislation. The Authority to Proceed or other method used to demonstrate consent to proceed would also meet the requirement to have a record of consent to the insurance commission. However, the requirement to provide a copy of the consent to the client is an unnecessary additional step and we would like to see this requirement removed.</p> <p>Centrepoint is concerned about the implications should a client choose not to provide consent. In satisfying the disclosure requirements (such as providing the name of the insurer), consent may only be obtained after personal advice has been provided to the client. If a client did not consent to payment of commission, the adviser may be unable to charge the client a fee for their advice instead. Consent could be obtained prior to the advice if the insurer did not need to be nominated, noting that commission caps apply to all insurers.</p> <p>Centrepoint asks for clarification of what is meant by revocation of consent. In what circumstances would consent be irrevocable? It is important that clients and advisers understand the intent of this requirement. Once a policy is in force, the commission cannot be removed. Revoking consent after issue will not result in reduced premiums for clients. Clients can already remove their consent for commission to be paid to an</p>

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	adviser by removing them as the servicing adviser. Commission is then retained by the insurer. This does not benefit the client.

Sincerely,



Tara Foulkes
Group Executive Risk and Compliance
Centrepoint Alliance Limited

