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## **RE: Review of the quality of financial advice – Draft Terms of Reference**

### **1.0 Introduction**

Grain Trade Australia (GTA) welcomes an opportunity to provide feedback on the draft Terms of Reference for the Government's *Review of the Quality of Financial Advice to consider how the regulatory framework could better enable the provision of high quality, accessible and affordable financial advice for retail investors*.

### **2.0 About GTA**

Grain Trade Australia (GTA) is a national member association and is the focal point for the commercial grain industry within Australia.

GTA has over 270 organisations as members. Their businesses range from regional family businesses to large national and international trading/storage and handling companies who are involved in grain trading activities, grain storage, processing grain for human consumption and stock feed milling. GTA Members are substantial employers, from the farm gate through to end point consumption, and notably in rural and regional Australia. A full list of GTA Members can be found [here](#).

GTA's core focus is to "facilitate trade" in the Australian grain industry. Its products and services, including the Australia Grain Industry Code of Practice, provides a self-regulatory framework across the grain industry to facilitate and promote the trade of grain within the Australian grain value chain.

A key segment within this industry framework are GTA members who provide commodity marketing & price risk management services (advisory services) to Australian grain producers.

### **3.0 GTA Comments – Draft Terms of Reference**

GTA is supportive in principle to a regulatory approach that is relevant to the context, has simplicity in its design, understanding and subsequent application. This approach will minimise the cost burden on business, avoid cost increases to consumers and minimise distortion in business efficiency and serve the desired outcomes.

GTA and its members support the Treasury review of the regulatory framework for financial advice as those members that provide advisory services to Australian grain producers are acutely aware of the impact of the current regulatory framework on the ability to maintain advisory services for the grain industry.

We believe in many areas the current framework is not "fit for purpose", disproportionate and results in excessive regulation and cost burden for advisors providing focussed advice on specific commodity and foreign exchange derivatives to grain growers. GTA is of the view the impact of the current 'one size fits all' regulatory and policy approach (especially towards education standards and Continuing Professional Development (CPD)) will lead to a lack of knowledgeable, specialist advisors available (or willing) to advise grain growers.

This will be detrimental for growers and likely, and ironically, lead to an increase in the incidence of growers receiving poor and inappropriate advice on commodity price risk management for grain.

A grain marketing advisor with an AFSL provides advice specifically to help a grain producer manage their price risk in relation to the particular commodity using financial products. The advisor in this case is not providing holistic plans in relation to a producers' broader investment needs (superannuation, insurance etc) but scoped, focussed advice related to commodity price risk – which is a condition or limitation under their AFSL.

GTA strongly suggests the review consider how best to align and contextualise the AFSL framework to the specific forms of advice that is provided, and the particular conditions imposed by the conditions of a grain advisory services AFSL.

### 3.1 Draft Terms of Reference for Financial Advice

The following comments are provided in relation to specific points in the Treasury inquiry paper Review of the Quality of financial Advice - Draft Terms of Reference.

Treasury Reference	Item	Discussion
2.1	Opportunities to streamline and simplify regulatory compliance	GTA supports the investigation and examination of ways to streamline and simplify regulatory costs and compliance and agree with the recognition by Government that costs borne by customers are an impediment to consumers accessing quality advice. We would add that the review should examine how inappropriate costs may also harm some businesses and lead to experienced practitioners forced to withdraw or restructure, resulting in good quality advice not being available to industry. This is particularly an issue for small business in regional areas.
2.2	Principle based regulation	GTA support and expect principle-based regulation will provide greater opportunity to adapt regulations to contextualised scenarios and situations on a practical needs-based approach.
2.3	Clarity and availability of documents	GTA support and encourage clarity and simplicity of regulatory documents.
2.4	Creation of undesirable unintended consequences	The existing regulation and arrangements have created unintended consequences. GTA has raised issues and examples of these in a recent submission to Treasury on Education Standards and will provide further feedback in future submissions.
3.1.1	Different forms of advice	The key concepts of the different forms of 'advice' must be included in the Terms of Reference for the review. GTA seeks improvements in clarity and recognition within the framework (and the education standards) that deal with the differences in the provision of general advice, personal advice, retail advice and wholesale advice.
3.2	Designation of investors	GTA seeks clarity in the regulatory framework and the processes that determine how clients of commodity marketing & price risk management services are designated.  GTA members who provide advisory services provide grain producers with the information and advice needed to make informed decisions on their commodity marketing and price risk management. They do not provide investment advice. The advice they provide includes: <ol style="list-style-type: none"> <li>1. Commodity (grain) market analysis and price discovery,</li> <li>2. Brokerage of physical grain,</li> <li>3. Use of price risk management tools (derivatives like Swaps, Futures, Options),</li> <li>4. Hedging foreign exchange (either a part of a derivative or for cash flow purposes), and</li> </ol>

Treasury Reference	Item	Discussion
		<p>5. Grain sale and contract optimisation.</p> <p>Only some of these aspects of advice (e.g., derivatives) require an AFSL, however we support the principles of providing quality advice.</p>
3.3	Regulatory guidance and class orders	<p>GTA support actions, including regulatory guidance and class orders if this allows ASIC to be able to contextualise how it applies the regulatory framework.</p> <p>Ongoing legislation and regulation since 2016 in relation to financial advice, in particular the Corporations Amendment (Professional Standards of Financial Advisors) Act 2017 and the ASIC Supervisory Cost Recovery Levy Act 2017 are placing an increasing compliance burden and financial cost on our relevant members. This is especially the case regarding the AFSL Education Standards.</p> <p>We see an opportunity for Government to better align or contextualise the education standards to categories of financial advisors, other than more broadly to financial planners, as a more relevant approach. The current standards include content that is to a large degree irrelevant to the day-to-day business and role of grain marketing advisors.</p>
3.4	The role of financial service entities including professional associations	GTA is open to considering the role of financial services entities including professional associations.
4.5	Opportunities to reduce compliance costs on industry	GTA supports this aspect of the review, noting that compliance costs are passed to the consumer or absorbed by the business (usually a small business in the contact of grains). This is a risk to suitable and experienced advisors remaining in the industry, and ultimately risking the availability of appropriate quality advice to grain producers. We further suggest this review include the costs of training requirements and Continuing Professional Development.

GTA supports licensing of financial advisors and supports the ability of consumers (in this case grain producers) being able to access professional, ethical and high-quality advice. GTA welcomes this Treasury review and will make further submissions as required.

I look forward to the progress of this review.

Yours faithfully,



**Pat O'Shannassy**  
CEO, Grain Trade Australia