

2 February 2022

Email: AdviceReview@treasury.gov.au

Director
Advice and Investment Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

REVIEW OF THE QUALITY OF FINANCIAL ADVICE

The Stockbrokers and Financial Advisers Association (SAFAA) is the professional body for the stockbroking and investment advice industry, representing 8,000 professionals. Our members are Market Participants and Advisory firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

Thank you for the opportunity to provide feedback on the draft Terms of Reference for the review of the quality of financial advice. SAFAA has been arguing for some time that the added layers of regulation imposed on the financial advice industry over some years, particularly in response to the recommendations of both the Parliamentary Joint Committee on Corporations and Financial Services inquiry into professional and education standards and the Hayne Royal Commission, have increased both the costs of doing business and the regulatory risk, and have made the provision of advice to retail clients more costly and less accessible. We agree with industry commentators that the pendulum of regulation has swung too far.

SAFAA welcomes and supports the Quality of Advice Review and will be providing a submission when the final Terms of Reference are released.

We are also supportive of the draft terms of reference, as they are both comprehensive and broad. Notwithstanding this, we are of the view that a key issue is missing, which is that the regulatory framework needs to be assessed to better enable the full range of financial advice services on offer that meet different consumer needs. The term 'relevant provider' in the Corporations Act applies to all individuals providing personal financial advice to retail clients, yet regulatory attention over the past few years has almost exclusively considered financial planning.

The financial advice industry is comprised of those who provide advice on:

- securities and derivatives
- managed funds
- insurance
- superannuation
- taxation
- estate planning.

Financial planning is just one of many specialised areas of advice.

SAFAA recommends that the terms of reference be amended to include a consideration of how the regulatory framework could better enable the provision of the full range of financial advice, not just financial planning advice. We also recommend that the terms of reference refer to retail **clients** rather than retail **investors**, to ensure that the full range of clients are considered in the review.

We consider that regulators and government have often applied a financial planning lens to the financial advice process to the disadvantage of stockbrokers and investment advice firms and their clients, as well as other specialised advice services. Consumers want different advice for different needs and the regulatory environment must accommodate consumer preferences and requirements. It is important that regulators and government understand the way the stockbroking and investment advice industry works and don't seek to shoehorn all consumers into the one advice service.

The issues resulting from a 'one-size-fits-all approach' to financial advice have created undesirable and unintended consequences. We have previously pointed out that one of the most egregious examples of a 'one-size-fits-all' approach to financial advice impacting the stockbroking and investment advice industry was the approach by the Financial Adviser Standards and Ethics Authority (FASEA) to the education standards and Code of Ethics (which were administered by FASEA until 1 January 2022). FASEA's lack of understanding about how stockbroking and investment advice differs from financial planning provided significant challenges to the stockbroking and investment advice profession. It is an important example of the damage that can be done to an industry when those imposing standards upon it do not fully understand the way the industry works, or take a narrow view that excludes sections of the industry. It is vital that the problems caused by a myopic approach to financial advice not be repeated and that the review consider the full range of financial advice when undertaking its work.

We note that language is important in this regard. The draft terms of reference in Clause 2 states that: 'The Review will consider how the regulatory framework could better enable the provision of high quality, accessible and affordable financial advice for retail **investors** (*our emphasis*).'

We note that stockbrokers and investment advisers provide advice to retail **investors**, yet other advice services may not necessarily be advising on investment issues. For example, financial planners or risk advisers may be advising on insurance only, which would not be normally considered an **investment**. Financial advisers provide advice to retail **clients**, regardless of the advice service provided. Clarifying language in the final terms of reference, and referring to retail **clients** rather than **investors** will clarify that the review is covering the entire field of advice services.

Conclusion

If you require additional information or wish to discuss this matter in greater detail please do not hesitate to contact SAFAA's policy manager, Michelle Huckel, at michelle.huckel@stockbrokers.org.au.

Kind regards



Judith Fox
Chief Executive Officer