



**Deloitte Response  
Treasury's Quality of Advice Review Issues Paper**

June 2022

Dear Secretariat,

Thank you for the opportunity to respond to the consultation in relation to the Quality of Advice Review Issues Paper.

We believe in the role that financial advice makes in contributing to better outcomes for Australians and Australian families. We are pleased to participate in the consultation to provide insights and recommendations to support regulatory reform to overcome well documented barriers, such as the affordability and accessibility of financial advice for Australians across their lives and in the key times where they need help.

Deloitte has been at the forefront of remediation activities associated with financial advice and is the leading practice on advice operating models in the Australian Wealth Management market (including digital advice). Through this experience, over the course of the last decade we have seen the intent of regulatory reform drive much greater accountability in relation to how Advisers and Licensees consider the best interests of their clients. As painful as many have found this reform, we believe it was necessary and appropriate.

With the benefit of the learnings from the royal commission, the industry's response and the current economic conditions, now is the time for regulators and industry bodies to collaborate constructively to rebuild optimism and confidence in the financial advice industry. This is required to benefit Australians in their financial decision making and ultimately help reduce the burden on the government funded welfare system.

In the past we tried to address how advice should be regulated. Instead, we think it is appropriate to flip the conversation, starting with the Customer perspective. How do we help more people make better financial decisions? Key financial issues for Australians continue to be: cost of living, housing affordability, debt management, retirement adequacy, spending in retirement, funding aged care, transference of wealth and adequacy of insurance arrangements.

The community wants "comfort and confidence" in making financial decisions and as an industry we need to create an environment with appropriate avenues to build that trust. To enable this we need to contemplate and build safe advice models which are flexible to consumer preferences, needs and financial circumstances.

In this response, we have proposed a concept of financial guidance and a reframing of product information and financial advice. These concepts are positioned to encourage greater participation by service providers and consequently Customer's accessibility to help with their financial decision making.

In considering the broader questions raised in the Issues Paper, in many instances we have not provided a detailed or any response for the following key reasons:

1. Industry players have competing views on particular regulatory changes and there are generally perfectly sensible pros and cons supporting those different perspectives which are being widely shared already.
2. To the extent regulatory change may be required as a consequence of changes to the proposed model to provide and deliver advice (including those proposed below), we are keen to participate in further discussion around options for regulation having regard to proposed changes.
3. Some of the current challenges around the provision of advice relate to clarity of guidance and Licensee's view of apparent (real or perceived) inconsistency between the obligations in Part 7 of the Corporations Act, the FASEA Code of Ethics and regulatory guidance and the way they have been interpreted and applied by ASIC. Addressing many of these issues may not therefore require law reform.
4. We consider that regardless of the model, there should be a level regulatory playing field which is agnostic as to how advice is provided – for example whether it is digital, in person or a combination of the two and whichever channel provides it - for example via superannuation funds or advice licensees.

We understand the challenges and opportunities related to transforming the advice industry and would welcome the opportunity to discuss our submission to further develop the vision of the future.

SINCERELY,



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# Creating an avenue for Financial Guidance to increase the supply side of accessibility

At the recent AIST Advice in Super session in Melbourne on the 24<sup>th</sup> May, the concept of 'Financial Guidance' was highlighted. In the following pages we have explored how the concept may be applied in a practical sense.



## Financial Guidance

There is an opportunity for the creation of a concept of 'Financial Guidance' that, in a practical sense, helps Australians with key questions and decisions that can give them confidence around the options and potential outcomes available to them.

This construct would enable the consumer to present their individual and family personal situation, however we are not proposing it would allow the service provider to be prescriptive or directly linked to a recommendation to acquire a financial product.

Importantly, this approach would remove the word "Advice" in these circumstances, which is confusing for consumers.

### *The existing framework is not easily understood by the consumer.*

Consolidate Information Only and General Advice into **Financial Product Information**



## Information Only



## General Advice



## Personal Advice

# What could Financial Guidance look like?

Customer needs and Regulatory considerations will need to be balanced.



## Financial Guidance

*No financial product recommendations*



## Customer Needs

<b>Example Customer Need</b>	<ul style="list-style-type: none"><li>• Savings goal e.g. a house</li><li>• Managing debt</li><li>• Injury, Illness and Death</li><li>• Retiring comfortably</li></ul>
<b>Example Advice Topic</b>	<ul style="list-style-type: none"><li>• Money management &amp; budgeting</li><li>• Insurance</li><li>• Retirement adequacy</li></ul>
<b>Example Consumer Fee</b>	<ul style="list-style-type: none"><li>• Event based fee</li><li>• Potential for annual subscription</li></ul>
<b>Example Delivery Channel</b>	<ul style="list-style-type: none"><li>• Digital, Phone, Face to face. The advice event may be undertaken solving through one channel or transitioned across channels with human interaction.</li></ul>
<b>Customer Data &amp; Documentation</b>	<ul style="list-style-type: none"><li>• Leveraging pre-existing customer data via KYC and supplementing with specific customer data for Guidance</li><li>• Letter of Financial Guidance with disclosure on limitations, conflicts of interest and no financial product advice</li></ul>












## Regulatory Considerations

<b>Consumer Complaints &amp; Protection</b>	<ul style="list-style-type: none"><li>• ASIC facilitated complaints portal and FAQs</li><li>• Ability to report individual and digital providers</li><li>• Investigative powers and customer tribunal determinations</li></ul>
<b>Regulatory Oversight &amp; Registration</b>	<ul style="list-style-type: none"><li>• Individuals are registered for Financial Guidance with ASIC</li><li>• Where digital Responsible Officers are registered for Financial Guidance with ASIC</li></ul>
<b>Qualifications</b>	<ul style="list-style-type: none"><li>• RG146 Compliant</li></ul>
<b>CPD</b>	<ul style="list-style-type: none"><li>• 15 hours via industry body or education provider e.g. KAPLAN</li></ul>
<b>Provider Penalties &amp; Sanctions</b>	<ul style="list-style-type: none"><li>• Banned on ASIC / public register</li><li>• Fines applicable for significant breaches</li></ul>

## Which “Professionals” may want to participate in providing Financial Guidance?

We have considered the potential number of roles that may want to participate in Financial Guidance. We have also provided an example of on the typical remuneration structure for the role and their motivation in providing the service. Note: conflicts of interest would need to be managed and disclosed noting that the proposed Financial Guidance model would not allow the role to recommend the acquisition of a financial product.

Treasury should consider how a Financial Guidance model would retain and attract quality participants and address accessibility to meet customer expectations and needs.

Role	 Financial Counsellor	 Accountant	 Mortgage Broker	 Superfund Educator	 Banker	 Insurance Broker	 Investment Manager	 Finfluencer	 Digital Advice
<b>Estimated # of roles in Australia</b>	2,500	30,000	20,000	1,000	40,000	4,000	500	500	20
<b>Example of how the role is remunerated (currently)</b>	State funded salary / pro-bono	Hourly rate	Commission	Institutional salary funded by membership administration fee charges	Institutional salary funded by product margin	Commission	Institutional salary funded by investment & administration fee charges	Subscriptions & advertising revenue	Subscription / asset management fee
<b>Motivation for the role/institution for providing Financial Guidance</b>	Provision of service to vulnerable people	Attract and retain customers (cross generational)	Serviceability of existing loan (non default) & retention of customers	Retention and attraction of customers	Retention and attraction of customers	Retention and growth of customers	Retention and attraction of customers	Provision of service / retention and attraction of customers	Retention and attraction of customers

# Example customer scenario

Transitioning from Financial Guidance to Product Information to Personal Advice whether under a traditional, hybrid or fully digital model.

Case study example: John and Bridget are young professionals, they are looking to purchase their first home.



## Financial Guidance

How much do I need to buy a house?

*John and Bridget use an online home loan calculator to determine how much they would need to save.*



How am I going to save for the house deposit? Should I use my Super as a saving mechanism?

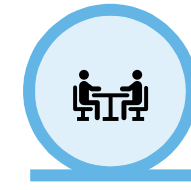
*John and Bridget seek Guidance from an Accountant on how best to manage their personal finances to save for a deposit.*



## Product Information

What products can I access to help me save?

*John and Bridget consult with their Super Fund about the First Home Super Saver Scheme*



## Personal Advice

What strategy and product is the best for me?

*John and Bridget seek Personal Advice from a Financial Adviser to help them with the appropriate product and strategy.*



In this example, the customer has engaged with a number of service providers. However it should be noted that a single provider could potentially facilitate all of these engagement points with the requisite controls and disclaimers pertaining to the scope of the specific interaction.

# **Response to Questions**

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# **Section 3**

## **Response**

## Section 3. Framework for Review

### Response to 3.1 Quality Financial Advice

#	Question	Summary Comment / Feedback
1	<b>What are the characteristics of quality advice for providers of advice?</b>	<p>Under the current framework, a licensee typically measures the quality of advice by fulfilling compliance obligations and does not necessarily consider consumer outcomes beyond regulatory requirements. An adviser may measure the quality of advice as a function of the satisfaction of their licensee and the consumer.</p> <p>Under the proposed Financial Guidance model, it would be measured based on the confidence of the customer and the relevance of the guidance to their circumstances without being influenced by the product decision.</p>
2	<b>What are the characteristics of quality advice for consumers?</b>	<p>Quality of advice for a consumer is more likely to be measured by:</p> <ul style="list-style-type: none"><li>• The amount of confidence and peace of mind it offers in financial decision making,</li><li>• The empowerment the consumer has to implement the advice,</li><li>• The overall benefit to the consumer and being better off as an outcome of having received advice.</li></ul> <p>In the current model, the level and detail of information required while also fulfilling regulatory requirements, is often not consumer centric and, in a worst case scenario, could leave the recipient less empowered to act. Ideally regulation should be adaptive for different cohorts of financial needs, taking into account the associated financial risks and potential for consumer harm, and not be an expensive compliance exercise that creates additional barriers to the provision of helpful financial guidance and advice where it is not warranted.</p>
3	<b>Have previous regulatory changes improved the quality of advice (for example the best interests duty and the safe harbour (see section 4.2))?</b>	<p>Previous regulatory changes have driven greater accountability and industry-wide consistency, with a major focus on the requirement to meet the Best Interest Duty. Save for the increased cost to the provision of advice – which has impacted accessibility, there does appear to be consensus that the changes have resulted in an overall improvement in the quality of advice for consumers</p>
4	<b>What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?</b>	<p>Consumer understanding and a consumer confidence rating. This may be measured by Treasury in the future by increased participation and affordability.</p>

## Section 3. Framework for Review

### Response to 3.2 Affordable Financial Advice

#	Question	Summary Comment / Feedback
5	<b>What is the average cost of providing comprehensive advice to a new client?</b>	<p>Within the advice marketplace, the cost of comprehensive advice can vary greatly as it relates to the scope of advice provided. Key determinants of cost include remuneration arrangements, infrastructure and technology costs, premises and licensee costs.</p> <p>Self-employed Advisers do not have the commercial capacity to help consumers out who can't afford their advice. With consumers prepared to only pay in the order of \$1,500 for financial advice, the outcome is two-pronged – consumers are unable to afford comprehensive advice – and Advisers are unable to provide comprehensive advice at the level consumers are prepared to pay.</p> <p>The lack of affordability results in most consumers not having access to holistic (or even partial) financial advice – even if they have a need for need it. A key cost driver is that Advisers feel that the flexibility to provide scaled advice to meet a customer's needs while demonstrating compliance is challenging and therefore they need to give holistic advice to mitigate the risk of breaching the law. Additionally, it is often considered that the compliance obligations to evidence compliant scaled advice do not appropriately flex to enable commensurately lower price points.</p>
6	<b>What are the cost drivers of providing financial advice?</b>	<p>Manual processes across: data collection and validation, investigation and comparison of existing products, production of SOA's (in particular scenario modelling) and implementation of recommendations. AFSL supervision and monitoring add further cost layers.</p>
7	<b>How are these costs apportioned across meeting regulatory requirements, time spent with clients, staffing costs (including training), fixed costs (e.g. rent), professional indemnity insurance, software/technology?</b>	<p>No response.</p>
8	<b>How much is the cost of meeting the regulatory requirements a result of what the law requires and how much is a result of the processes and requirements of an AFS licensee, superannuation trustee, platform operator or ASIC?</b>	<p>There is little evidence of an AFS Licensee, Trustee or platform imposing requirements beyond their interpretation (which is in part based on risk appetite) of regulatory requirements.</p>
9	<b>Which elements of meeting the regulatory requirements contribute most to costs?</b>	<p>See response to question 6. The concept of Financial Guidance is likely to make support a reduction in costs.</p>

## Section 3. Framework for Review

### Response to 3.2 Affordable Financial Advice

#	Question	Summary Comment / Feedback
10	<b>Have previous reforms by Government been implemented in a cost-effective way?</b>	Industry perception is that changes to the law and regulation has been implemented, updated and changed over time without proper regard to the operational and cost implications for Advisers and licensees which are ultimately borne by customers in the cost charged for advice.
11	<b>Could financial technology (fintech) reduce the cost of providing advice?</b>	<p>Yes, however the last 5 years have not produced a firm set of metrics to evidence the potential upside, in part because the model or models as to how fintech might support the provision of advice are not settled. For example fintech may support the provision of advice and the monitoring and supervision of advice.</p> <p>The development and application of fintech solutions particularly for the supervision of complex advice is challenging in the current regulatory environment.</p>
12	<b>Are there regulatory impediments to adopting technological solutions to assist in providing advice?</b>	<p>No, not explicitly – see above.</p> <p>Regulatory clarity on how all types of advice can be provided digitally would encourage confidence in technology investments.</p>

## Section 3. Framework for Review

### Response to 3.3 Accessible Financial Advice

#	Question	Summary Comment / Feedback
13	How should we measure demand for financial advice?	No response.
14	In what circumstances do people need financial advice but might not be seeking it?	<p>Key life events provide multiple advice needs, yet uptake is low. For example, when you take a home loan the bank recommends getting financial advice. As a matter of practice it is our experience that few consumers do. With many larger advice licensees exiting advice, this will become more problematic.</p> <p>Pre-retirement planning is another significant life event i.e. just prior to retirement many seek advice but few do so earlier enough to be able to plan for and make a difference to their retirement outcomes.</p>
15	What are the barriers to people who need or want financial advice accessing it?	<p>Cost, trust and a poor industry-wide reputation that was amplified by the Royal Commission and Media coverage.</p> <p>Consumers do not know how to find a trusted adviser and there is a lack of knowledge about what Advisers do and the benefits provided. Consumers feel that it is all too hard and difficult to receive effective point-in-time episodic advice.</p> <p>The effort and time commitment required on the part of customers to support an analysis of needs is also a deterrence.</p>
16	How could advice be more accessible?	<p>Categorisation of the different types of financial advice and separating some components out to be provided by other professionals such as financial counsellors, accountants, etc. or as a new type of 'advice' for example "Financial Guidance" as described earlier in this document. These other specialists can then connect consumers to specialist financial Advisers for episodic advice needs.</p> <p>Regulations should enable easier provision of limited advice to meet consumers' episodic needs. These iterative interactions build consumer financial knowledge, confidence in the industry and trusted relationships.</p> <p>Vertical integration continues, particularly within Superannuation funds with Intra-fund advice. This is cross subsidised and hence more accessible / affordable. Superannuation funds have an opportunity to provide access to more affordable advice for members.</p>
17	Are there circumstances in which advice or certain types of advice could be provided other than by a financial adviser and, if so, what?	<p>Education and financial literacy can improve consumers' ability to make their own informed decisions. Currently, there is in our view a grey area between 'factual information', 'general advice' and 'likely to influence' that would require refinement in their intent and definitions.</p> <p>See Financial Guidance concept at the front of this response.</p>
18	Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?	Yes. Fintech solutions can potentially reduce the cost of providing advice and the cost of monitoring that advice provided is compliant.
19	What is preventing new entrants into the industry with innovative, digital-first business models?	A number of aspiring new participants particularly from overseas have encountered complexities in navigating and configuring their digital solutions for Australian Tax, Social Security and Superannuation laws.

# **Section 4**

## **Response**

## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – General and Personal Advice

#	Question	Summary Comment / Feedback
20	<b>Is there a practical difference between financial advice and financial product advice and should they be treated in the same way by the regulatory framework?</b>	In our view, there is a difference between financial advice and financial product advice and the differences should, subject to whether and if so how the regulatory settings are adjusted overall, be recognised in the regulatory framework. Financial advice relates to the provision of strategic advice that is unconnected to product unless a product is required to discharge the strategic advice (in which event it would become financial product advice as well). Financial product advice is always linked to product and is more likely to give rise to perceived or actual conflicts of interest which should be managed more directly. In our view – as noted earlier, regulation should be flexible having regard to the likelihood and potential degree of consumer harm.
21	<b>Are there any impediments to a financial adviser providing financial advice more broadly, e.g. about budgeting, home ownership or Centrelink pensions? If so, what?</b>	The major impediment is profitability. To provide advice in each of these advice areas, it may require a similar level of data collection and analysis. Cost to service would not be reflected in the fee that could be charged. Alternatively, financial guidance could be provided with less prescriptive regulation that would be more cost effective and deliver positive outcomes for consumers.
22	<b>What types of financial advice should be regulated and to what extent?</b>	All ‘types’ of advice and guidance should be regulated to different degrees – for example financial counselling, budgeting and financial educators are presently not incorporated in the regulatory framework yet should be considered for regulation to ensure they understand where the advice crosses over and the implications of doing so (i.e. Minimum RG146 and ASIC registration recommended).
23	<b>Should there be different categories of financial advice and financial product advice and if so for what purpose?</b>	Yes there should be different categories as previously detailed.
24	<b>How should the different categories of advice be labelled?</b>	<p>Consumers (and particularly those who are vulnerable) are sometimes challenged to understand the difference between advice categories in the current regulatory framework and in particular General Advice v Personal Advice.</p> <p>As per industry guidance we suggest removing the term ‘general advice’. We recommend:</p> <ul style="list-style-type: none"><li>• Financial Information (i.e. financial product information);</li><li>• Financial Guidance (i.e. financial education / counselling);</li><li>• Strategic Financial Advice: (i.e. personal advice, limited or comprehensive) and</li><li>• Financial Product Advice: (i.e. personal advice)</li></ul>

## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – General and Personal Advice

#	Question	Summary Comment / Feedback
25	<b>Should advice provided to groups of consumers who share some common circumstances or characteristics of the cohort (such as targeted advertising) be regulated differently from advice provided only to an individual?</b>	No response
26	<b>How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?</b>	<p>As per the Financial Guidance concept, financial coaches / counsellors should be regulated and required to obtain minimum of RG146 plus ASIC registration.</p> <p>There should be clear guidance as to obligations and impact of breaches, with penalties and registration bans applicable.</p>
27	<b>How does applying and considering the distinction between general and personal advice add to the cost of providing advice?</b>	Sometimes the distinction between general advice and personal advice is not clear, particularly having regard to the nature of engagement between individuals and the questions posed by a consumer in the course of an engagement. Consequently, AFS Licensees typically maintain additional monitoring and supervision, additional staff and ongoing training to manage the risk of general advice conversations straying into personal advice. The additional cost of that framework is difficult to quantify because many of the implemented controls serve other purposes (for example call recording to address IDR obligations or business metrics to measure customer satisfaction).



## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – Intra-fund Advice

#	Question	Summary Comment / Feedback
28	Should the scope of intra-fund advice be expanded? If so, in what way?	No response
29	Should superannuation trustees be encouraged or required to provide intra-fund advice to members?	No response
30	Are any other changes to the regulatory framework necessary to assist superannuation trustees to provide intra-fund advice or to more actively engage with their members particularly in relation to retirement issues?	No response
31	To what extent does the provision of intra-fund advice affect competition in the financial advice market?	No response

## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – Limited Scope Advice

#	Question	Summary Comment / Feedback
32	<b>Do you think that limited scope advice can be valuable for consumers?</b>	<p>Yes – it provides tangible (i.e. meeting a point-in-time specific need) and intangible benefits (increasing financial literacy and knowledge of the advice process and benefits of receiving advice).</p> <p>Almost all advice interactions are limited in some manner, for example Wills, direct equities / insurance, superannuation contributions may all be advice needs at different points in time. Positive consumer outcomes are a result of taking action, however implementation is more likely when a consumer is provided with a clear and manageable list of actions rather than an extensive list that is more likely to cause confusion and be overwhelming for some consumers.</p>
33	<b>What legislative changes are necessary to facilitate the delivery of limited scope advice?</b>	No response
34	<b>Other than uncertainty about legal obligations, are there other factors that might encourage financial advisers to provide comprehensive advice rather than limited scope advice?</b>	Due to the cost pressures that exist in providing financial advice, the cost of limited scope advice is not commensurately lower than the cost of holistic advice, i.e. reducing the scope by half does not reduce the cost of providing advice by half. As a result, it can be difficult for an adviser to demonstrate value to a consumer for limited scope advice.

## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – Digital Advice

#	Question	Summary Comment / Feedback
35	<b>Do you agree that digital advice can make financial advice more accessible and affordable?</b>	<p>Within the current labels of financial advice there are possibilities for more accessible ‘general advice’ and ‘limited personal advice’ through digital platforms. Most digital technology providers have capabilities to provide single-need goals-based advice. Despite the limited advice outcomes, all advice journeys have the power to engage and build consumer confidence to re-engage in the future. In doing so, digital mediums also have the capacity to enhance consumers’ financial literacy capabilities with access to tools and simple, understandable advice outcomes.</p> <p>Artificial Intelligence (AI) has the capacity to assist with affordability and accessibility but there needs to be the availability of large data to make AI valuable. Technology itself could improve labour productivity within the limited labour pool of financial advisors by reducing the administration work time.</p>
36	<b>Are there any types of advice that might be better suited to digital advice than other types of advice, for example limited scope advice about specific topics?</b>	<p>Many of the existing wealth technology have focussed on providing goals based advice, predominantly for one independent goal. As technology capabilities expand, so too does the breadth of digital advice solutions. A simplified regulatory framework is likely to support more and broader technology solutions being made available to consumers.</p>
37	<b>Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?</b>	<p>As digital advice evolves, we are likely to see consumers not necessarily having to rely on adjacent human based advice conversation noting that some Licensees prefer this interaction to minimise the risk of consumers not fully understanding the implications, risks and alternative solutions.</p> <p>Additionally, there is a risk that a consumer via self direction will avail themselves of digital advice that does not address broader needs which exist but are being scoped out by the customer to use the digital tool.</p>
38	<b>Should different forms of advice be regulated differently, e.g. advice provided by a digital advice tool from advice provided by a financial adviser?</b>	<p>See Financial Guidance concept.</p>

## Section 4. Regulatory Framework

### Response to 4.1 Types of Advice – Digital Advice

#	Question	Summary Comment / Feedback
39	<b>Are you concerned that the quality of advice might be compromised by digital advice?</b>	Presently, digital advice may impact the quality of advice received by consumers with multiple needs / goals. Most current tools have difficulty in meeting complex advice needs for affluent consumers. However, digital capabilities are constantly expanding, with a current focus on meeting pre-retirement planning advice goals with access to supporting information and tools to enhance the outcome for consumers.
40	<b>Are any changes to the regulatory framework necessary to facilitate digital advice?</b>	No, only to align to changes to simplify.
41	<b>If technology is part of the solution to making advice more accessible, who should be responsible for the advice provided (for example, an AFS licensee)?</b>	The AFSL should remain responsible for the advice provided Testing of algorithms is of significance importance given the scale of consumers that may be relying on same for their advice recommendations.
42	<b>In what ways can digital advice complement human-provided advice and when should it be a substitute?</b>	The industry is seeking to automate elements of advice and help consumers to self-solve – and more people getting advice is a positive outcome. With a shift to a self-service model, as the needs increase in complexity, digitally enabled human advice may be the preference. At that point consumers pay Advisers for confidence and peace of mind. From a regulatory perspective, digital and human advice should be treated the same with the regulation requirements aligned to the type of advice provided.

## Section 4. Regulatory Framework

### Response to 4.2 Best Interests and Related Obligations

#	Question	Summary Comment / Feedback
43	<b>Do you consider that the statutory safe harbour for the best interests duty provides any benefit to consumers or advisers and would there be any prejudice to either of them if it was removed?</b>	No response
44	<b>If at all, how does complying with the safe harbour add to the cost of advice and to what extent?</b>	No response
45	<b>If the safe harbour was removed, what would change about how you would provide personal advice or how you would require your representatives to provide personal advice?</b>	No response
46	<b>To what extent can the best interests obligations (including the best interests duty, appropriate advice obligation and the conflicts priority rule) be streamlined to remove duplication?</b>	No response
47	<b>Do you consider that financial advisers should be required to consider the target market determination for a financial product before providing personal advice about the product?</b>	No response.

## Section 4. Regulatory Framework

### Response to 4.3 Conflicted Remuneration

#	Question	Summary Comment / Feedback
48	To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?	No response
49	Has the ban contributed towards improving the quality of advice?	No response
50	Has the ban affected other outcomes in the financial advice industry, such as the profitability of advice firms, the structure of advice firms and the cost of providing advice?	No response
51	What would be the implications for consumers if the exemptions from the ban on conflicted remuneration were removed, including on the quality of financial advice and the affordability and accessibility of advice? Please indicate which exemption you are referring to in providing your feedback.	No response
52	Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?	No response

## Section 4. Regulatory Framework

### Response to 4.3 Conflicted Remuneration

#	Question	Summary Comment / Feedback
53	Has the capping of life insurance commissions led to a reduction in the level of insurance coverage or contributed to underinsurance? If so, please provide data to support this claim.	No response
54	Is under insurance a present or emerging issue for any retail general insurance products? If so, please provide data to support this claim.	No response
55	What other countervailing factors should the Review have regard to when deciding whether a particular exemption from the ban on conflicted remuneration should be retained?	No response

## Section 4. Regulatory Framework

### Response to 4.4 Charging Arrangements

#	Question	Summary Comment / Feedback
56	Are consent requirements for charging non-ongoing fees to superannuation accounts working effectively? How could these requirements be streamlined or improved?	No response
57	To what extent can the requirements around the ongoing fee arrangements be streamlined, simplified or made more principles-based to reduce compliance costs?	No response
58	How could these documents be improved for consumers?	No response
59	Are there other ways that could more effectively provide accountability and transparency around ongoing fee arrangements and protect consumers from being charged a fee for no service?	No response
60	How much does meeting the ongoing fee arrangements, including the consent arrangements and FDS contribute to the cost of providing advice?	No response
61	To what extent, if at all, do superannuation trustees (and other product issuers) impose obligations on advisers which are in addition to those imposed by the OFA and FDS requirements in the Corporations Act 2001?	No response
62	How do the superannuation trustee covenants, particularly the obligation to act in the best financial interests of members, affect a trustee's decision to deduct ongoing advice fees from a member's account?	No response



## Section 4. Regulatory Framework

### Response to 4.5 Disclosure Documents

#	Question	Summary Comment / Feedback
63	<b>How successful have SOAs been in addressing information asymmetry?</b>	SOA's contain large amounts of information some for the benefit of the consumer and much of it to meet adviser and licensee regulatory obligations to demonstrate compliance. Having regard to the length and complexity of most SOA's, consumer understanding of the advice and its risks and benefits often relies heavily on the interactions between the adviser and their customer. Long, complicated SOA's therefore do not necessarily address information asymmetry.
64	<b>How much does the requirement to prepare a SOA contribute to the cost of advice?</b>	No response
65	<b>To what extent can the content requirements for SOAs and ROAs be streamlined, simplified or made more principles-based to reduce compliance costs while still ensuring that consumers have the information they need to make an informed decision?</b>	<p>Two key areas are:</p> <ol style="list-style-type: none"><li>1. Reducing the content in SOAs and</li><li>2. Reducing the requirement to provide an SOA for certain types of advice</li></ol> <p>We have observed in SOAs from multiple licensees, in the example SOA provided in RG90, and in some instances both, the following are opportunities to streamline an SOA.</p> <ol style="list-style-type: none"><li>1. Provide certain information outside of an SOA (e.g. the FSG, PDS or other document or media) and incorporate by reference within the SOA. For example:<ol style="list-style-type: none"><li>a) educational material</li><li>b) generic product information</li><li>c) generic information relating to fees and remuneration (FSG)</li><li>d) generic warnings (FSG);</li></ol></li><li>3. Reduce duplication across various sections of the SOA;</li><li>4. Providing information in tables instead of paragraph text;</li><li>5. Providing supporting visual aids (other than tables and text) in an SOA to help illustrate the advice.</li></ol>

## Section 4. Regulatory Framework

### Response to 4.5 Disclosure Documents

#	Question	Summary Comment / Feedback
66	<b>To what extent is the length of the disclosure documents driven by regulatory requirements or existing practices and attitudes towards risk and compliance adopted within industry?</b>	Although the regulatory requirements for the SOA are a significant contributor to the length of an SOA, another consideration appears to be a tendency by advice providers to over-disclose within the SOA to mitigate the risk of not demonstrating compliance if challenged.
67	<b>How could the regulatory regime be amended to facilitate the delivery of disclosure documents that are more engaging for consumers?</b>	As mentioned in the response to question 65, encourage disclosure through other non-traditional means including: <ol style="list-style-type: none"><li>1. Providing information in tables instead of paragraph text;</li><li>2. Providing supporting visual aids (other than tables and text) in an SOA to help illustrate the advice;</li><li>3. Presenting disclosure through other media e.g. video or digital presentation</li></ol>
68	<b>Are there particular types of advice that are better suited to reduced disclosure documents? If so, why?</b>	No response
69	<b>Has recent guidance assisted advisers in understanding where they are able to use ROAs rather than SOAs, and has this led to a greater provision of this simpler form of disclosure?</b>	No response
70	<b>Are there elements of the COVID-19 advice-related relief for disclosure obligations which should be permanently retained? If so, why?</b>	No response

## Section 4. Regulatory Framework

### Response to 4.6 Accountants Providing Financial Advice

#	Question	Summary Comment / Feedback
71	Should accountants be able to provide financial advice on superannuation products outside of the existing AFSL regime and without needing to meet the education requirements imposed on other professionals wanting to provide financial advice? If so, why?	No response
72	If an exemption was granted, what range of topics should accountants be able to provide advice on? How can consumers be protected?	No response
73	What effect would allowing accountants to provide this advice have on the number of advisers in the market and the number of consumers receiving financial advice?	No response
74	Is the limited AFS licence working as intended? What changes to the limited licence could be made to make it more accessible to accountants wanting to provide financial advice?	No response
75	Are there other barriers to accountants providing financial advice about SMSFs, apart from the limited AFSL regime?	No response

## Section 4. Regulatory Framework

### Response to 4.7 Consent Arrangements for Wholesale Client and Sophisticated Investor Classification

#	Question	Summary Comment / Feedback
76	<b>Should there be a requirement for a client to agree with the adviser in writing to being classified as a wholesale client?</b>	Many AFS Licensees / Advisers are already requesting client acknowledgment of the classification, albeit recognising that it may not provide protection if disputed but it does encourage discussion between adviser and client.
77	<b>Are any changes necessary to the regulatory framework to ensure consumers understand the consequences of being a sophisticated investor or wholesale client?</b>	As per the ALRC interim report being classified as a wholesale investor should not rely solely on financial metrics. There is a risk of over-complicating and over-regulating the process though.
78	<b>Should there be a requirement for a client to be informed by the adviser if they are being classified as a wholesale client and be given an explanation that this means the protections for retail clients will not apply?</b>	It is important that clients understand the protections which are or are not available to them depending upon their classification along with the risks and benefits.

# **Section 5 Response**

## Section 5. Other measures to improve the quality, affordability and accessibility of advice

Response to 5.3 Professional industry associations

#	Question	Summary Comment / Feedback
79	<b>What steps have licensees taken to improve the quality, accessibility and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?</b>	No response
80	<b>What steps have professional associations taken to improve the quality, accessibility and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?</b>	No response
81	<b>Have ASIC's recent actions in response to consultation (CP 332), including the new financial advice hub webpage and example SOAs and ROAs, assisted licensees and advisers to provide good quality and affordable advice?</b>	No response
82	<b>Has licensee supervision and monitoring of advisers improved since the Financial Services Royal Commission?</b>	No response
83	<b>What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?</b>	See Financial Guidance concept at the beginning of the response.



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