

21 September 2022

Quality of Advice Review Secretariat
Financial System Division
The Treasury
Langton Crescent
Parkes ACT 2600

Attn. Michelle Levy

By email: AdviceReview@treasury.gov.au

Dear Michelle

Quality of Advice Review

I have read your proposals paper.

As the proposal stands it does not provide a pathway for public accountants to re-engage in financial planning. In order to achieve this, we need to draw distinctions between financial planning advice and investment advice before we define personal advice and general advice.

Public accountants should not be excluded from providing basic, non product, financial planning advice. Our clients are currently forced into expensive Statements of Advice for such vanilla financial planning as commencing a pension on retirement.

In general, there has always been a fundamental flaw in the financial services reform framework in that it combines a financial plan and investment advice into one document called a Statement of Advice. The client should have a Personal Financial Plan which can be shopped around for investment advice.

Prior to financial services reform public accountants who were not investment advisors (most of us) could help clients prepare a personal financial plan and when the plan revealed funds for investment the client could seek investment advice. This concentrated investment advice within banks and reputable broking firms.

It is disappointing that the stockbrokers share of providing retail clients with personal financial advice has declined significantly during my 40 years as a public accountant.

Similarly, where the financial plan revealed insurable risks, the client could seek insurance advice from insurance agents and brokers who were not investment advisors.

As a CPA with a Public Practise Certificate, I should be regarded as qualified to assist clients prepare personal, family or business financial plans but not to give investment advice.

.../2.

It has not been brought to your attention that the current form of the Wholesale Investor Certificate conflicts with the ethical obligations of a CPA Public Practice Certificate holder. CPA Australia considers that members should look beyond the facts of income and assets in issuing these certificates. This obligation arises under the Accounting Professional & Ethical Standards Board Standard APES 110. The certificate issued by an accountant who is not a licenced financial advisor can never be evidence that the client has the necessary competency in financial matters as well as an understanding of risk and complex financial products to justify being treat as a wholesale investor.

There should be three parties to these certificates, an accountant who certifies income or assets, a financial advisor who certifies the relevant investment experience and the client who acknowledges that they understand that they are giving up the rights and protections afforded to a retail investor. These certificates must cite the investment area in which the client claims and the financial advisor has determined the client to have significant knowledge and experience.

The income and assets threshold for wholesale investor certificates should be increased.

Thank you for taking the time to read this letter.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ross Clarke', written over the text 'Yours faithfully'.

Ross Clarke