



Australian Government
The Treasury



Quality of Advice Review

Webinar: Overview of Proposals for Reform

Consultation Process

- The interim consultation paper can be found on the Quality of Advice Review website: <https://treasury.gov.au/review/quality-advice-review>.
 - A template is available on the website for making submissions.
 - You can email or mail in your submissions, with electronic lodgement preferred.
- We are seeking feedback on the proposals with submissions closing 23 September 2022.

Review principles and stakeholder views

Guiding principles for the Review's recommendations

Quality	Affordability	Accessibility	Sustainability
<p>Advice that:</p> <ul style="list-style-type: none"> ➤ is fit for purpose; ➤ is of benefit to the recipient; and ➤ is reasonably likely to put the consumer in a position to achieve their objectives. 	<p>A range of advice offerings that:</p> <ul style="list-style-type: none"> ➤ are available at reasonable prices to consumers who need it; and ➤ can be prepared at a reasonable cost. 	<p>Consumers have access to a broad range of advice offerings, through an appropriate channel at the time they need it.</p>	<p>A system where regulation:</p> <ul style="list-style-type: none"> ➤ is aligned to the risk of consumer detriment; ➤ facilitates innovation; ➤ is simple, able to be understood and coherent; and ➤ supports sustainable business models that allow the provision of quality, affordable advice.

Key themes of from submissions and meetings

Complexity of Regulation	Accessibility of Advice	Affordability of Advice	Sustainability of industry
<ul style="list-style-type: none"> • Requirements are overly burdensome. • Law is interpreted inconsistently and with additional layers. • Advice boundaries are uncertain. • Disclosures do not meet client needs and are time/cost intensive. 	<ul style="list-style-type: none"> • Regulation impedes innovation/technology. • Difficult to provide limited/episodic advice. • Advisers need access to consumer data. • Product providers are unable to help their clients. • Lower income consumers are unable to access advice. 	<ul style="list-style-type: none"> • Systems costs are high and are being passed on to consumers. • Consumers do not value advice – mismatch between what customers are willing to pay and the cost of advice. 	<ul style="list-style-type: none"> • System costs and ban on conflicted remuneration have made advice business models unsustainable. • Fear of the consequences of non-compliance have led to risk-averse/compliance-driven approach . • High barriers to entry for new advisers.

What should be regulated?

1) Regulate the provision of 'personal advice'

- Broader definition of personal advice.
- Applies whenever:
 - an opinion or recommendation is provided to a client about a financial product (or class of financial product),
 - and, at the time the advice is provided, the provider holds information about the client's objectives, needs or financial situation.
- This would replace the current 'personal advice' definition which applies where the provider actually considers the client's objectives, needs or financial situation, or where a reasonable person might expect the provider to have considered these matters.

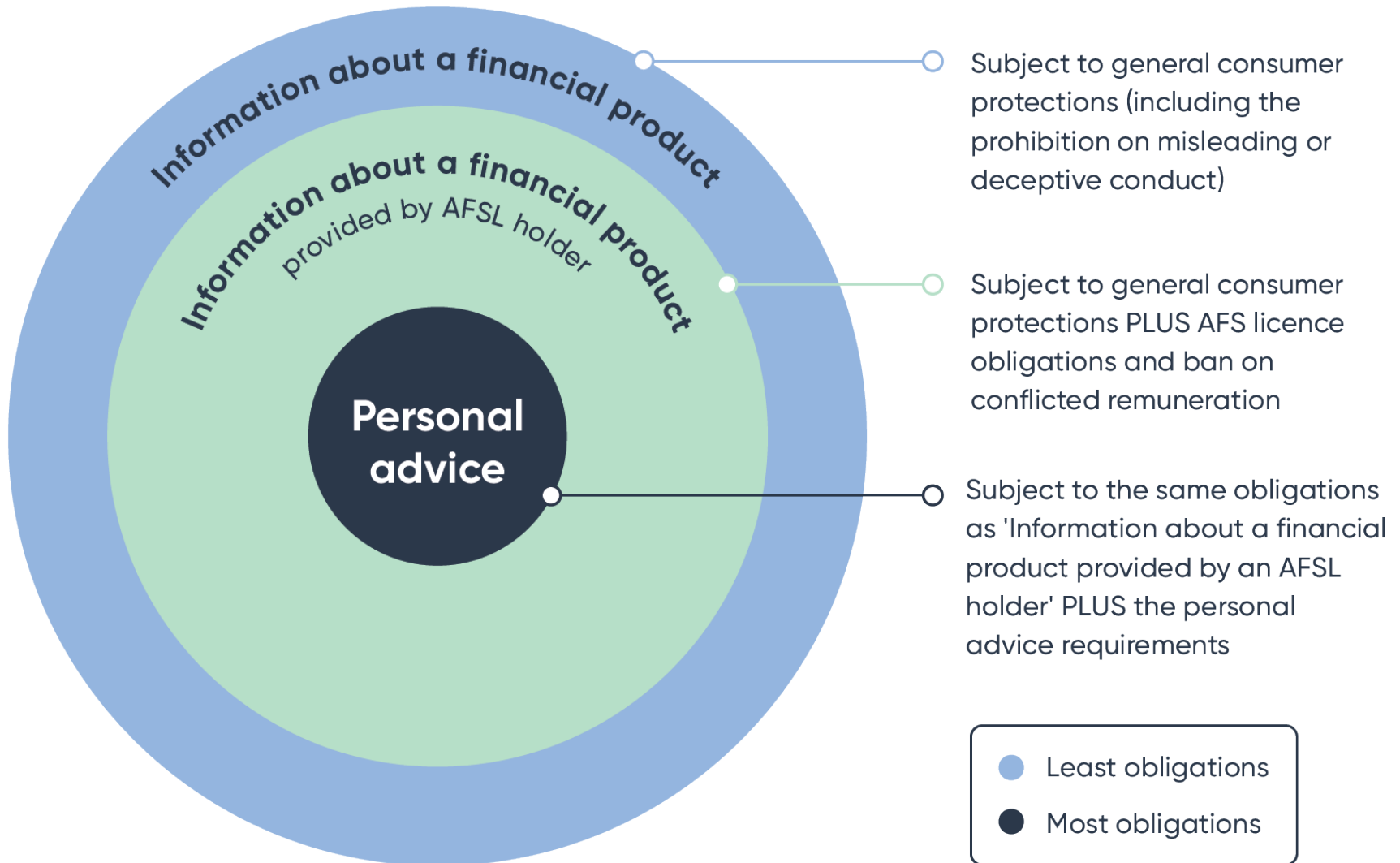
Outcome: aimed at reducing regulatory complexity and enabling advice providers to provide more helpful guidance and advice to their customers.

2) 'General advice' would not be regulated as a financial service

- The definition of 'general advice' should be removed together with the obligation to give a general advice warning.
 - General consumer protections continue regarding misleading or deceptive conduct in connection to the supply of financial services.
 - Conflicted remuneration provisions would be adjusted so they continue to apply to conduct.

Outcome: aimed at reducing regulatory complexity and aligning the regulatory regime with customer expectations.

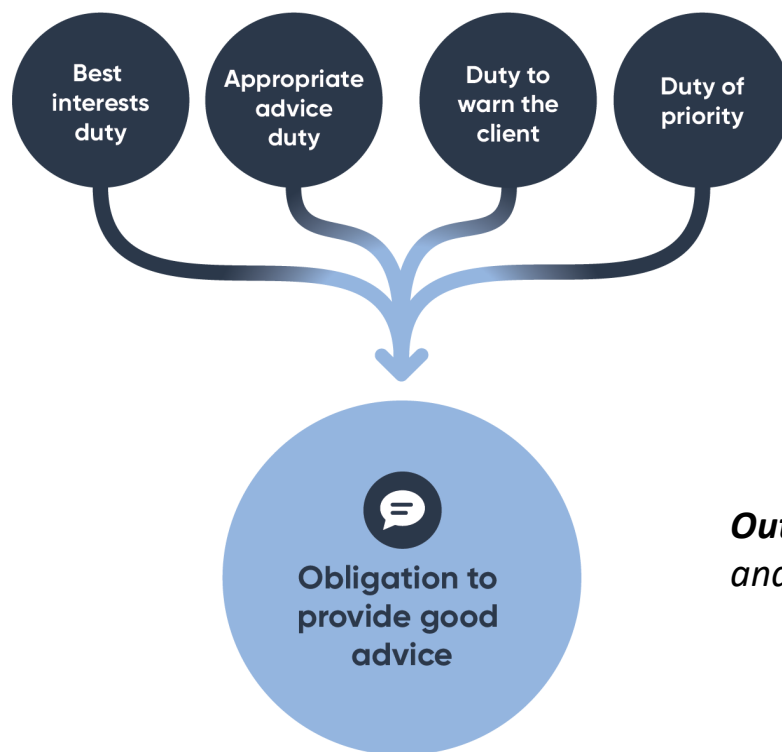
Proposed Financial Advice Framework



How should personal advice be regulated?

3) Obligation to provide good advice

- A person who provides personal advice should be required to provide 'good advice'.
 - The 'good advice' obligation will replace the existing Chapter 7 best interest obligations.
- 'Good advice' is advice that would be reasonably likely to benefit the client, having regard to the information that is available to the provider at the time the advice is provided.

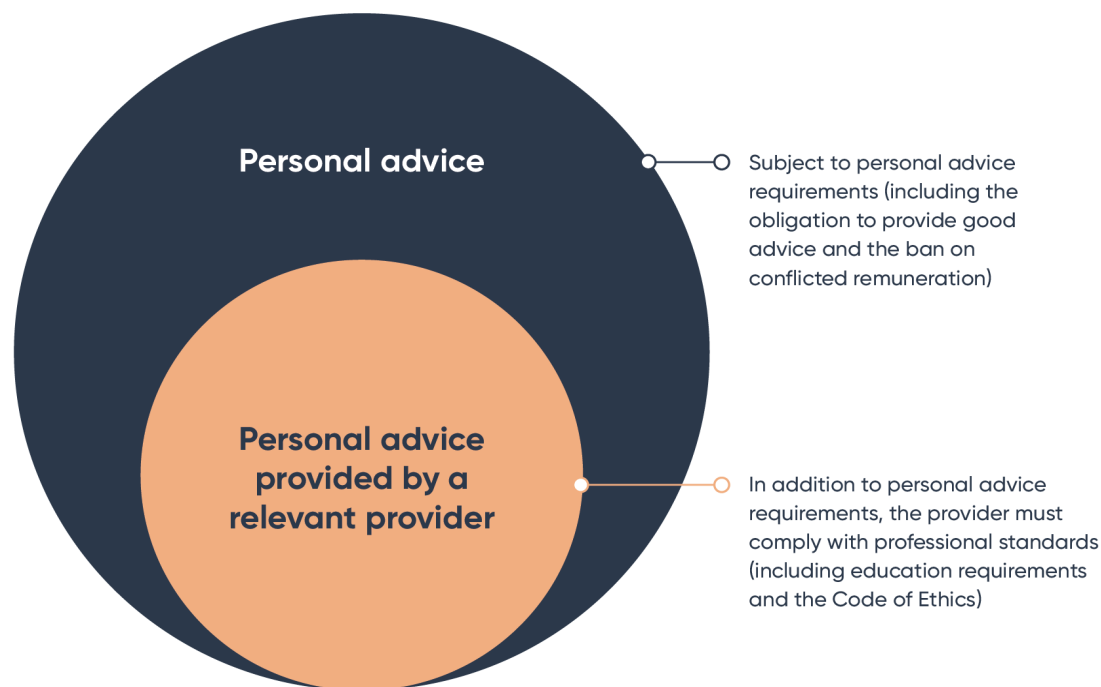


Outcome: aimed at reducing regulatory complexity and burden while improving the quality of advice.

How should personal advice be regulated?

4) Requirement to be a relevant provider

- An individual providing personal advice should be a 'relevant provider' where:
 - the client pays directly for the advice;
 - the provider receives a commission in connection to the advice;
 - there is an ongoing advice relationship; or
 - the client has a reasonable expectation of such a relationship
- 'Relevant providers' must comply with the professional standards (education and training standards and Code of Ethics)



Outcome: aimed at aligning obligations with the risk of consumer harm and increasing consumer access to financial advice.

Intra-fund advice and paying for advice through superannuation

5) Personal advice to superannuation fund members

- Superannuation fund trustees should be able to provide personal advice to members about their interests in the fund, including when they are transitioning to retirement.
 - Trustees would be required to take into account the member's personal circumstances, including their family situation and social security entitlements if that is relevant to the provision of the advice.

6) Collective charging of advice fees

- Trustees should have discretion to decide how to charge members for personal advice they provide to members.
 - The restrictions on collective charging of fees should be removed.

7) Fees for advice provided to members about their superannuation

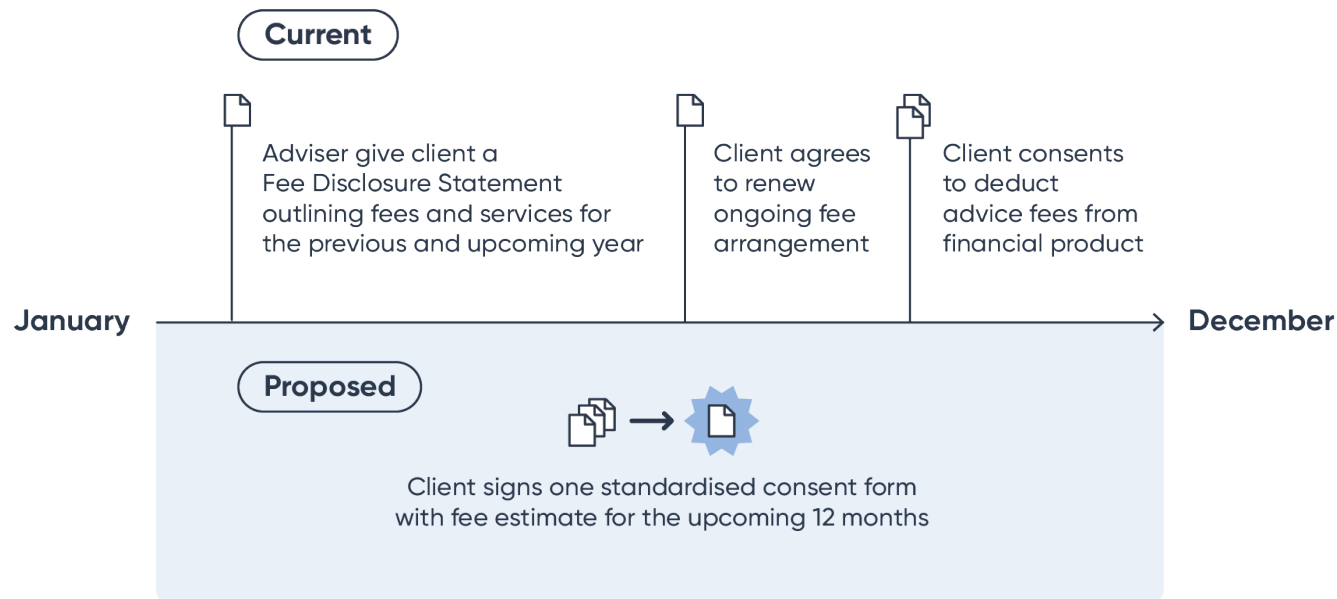
- Superannuation trustees should be able to pay a fee from a member's superannuation account to an adviser for personal advice provided to the member about the member's interest in the fund on direction of the member.

Outcome: aimed at improving the access and affordability of personal advice for superannuation fund members and to provide increased regulatory certainty for superannuation trustees.

Advice Fees

8) Ongoing fee arrangements and consent requirements

- Providers of personal advice should obtain annual written consent from their client to deduct advice fees from a financial product.
 - The consent form should explain the services that will be provided and the fee the adviser proposes to charge for the upcoming 12 months.
- Where advice fees are deducted from more than one product, a single consent form should cover each of the products issued by a product issuer.



Outcome: aimed at reducing regulatory complexity and the cost of providing advice. Increasing the accessibility and affordability of advice without consumer detriment.

Disclosure documents

9) Statement of advice

- Personal advice providers will be required to maintain complete records of the advice.
- They will also be required to provide a written record of the advice to a client on request.
 - Allows providers of personal advice to be able to determine what form of advice would best suit their clients.

Outcome: *Outcome: aimed at reducing regulatory complexity and the cost of providing advice.*

Increasing the accessibility and affordability of advice without consumer detriment.

10) Financial Services Guide

- Providers of personal advice should either continue to give their clients a copy of the financial services guide or make information available to their clients on their website.
 - The website option should include information about the remuneration and other benefits they receive, internal dispute resolution procedures and AFCA details.
 - This information should be available at the time the advice is provided.

Outcome: *aimed at allowing advice providers more flexibility in the way they provide information to their clients.*

Design and distribution obligations

11) Design and distribution obligations reporting requirements

- Simplify requirements by requiring that ‘relevant providers’ only need to report to product issuers where they have received a complaint in relation to a product.
 - The reporting of complaints will be expanded to cover sufficient details on the nature of the complaint for product issuers.

Outcome: aimed at reducing regulatory burden and the cost of running an advice business, which could increase the accessibility and affordability of financial advice.

Transition arrangements

12) Transition period and enforcement

- There should be an adequate transition period for implementing these changes
 - This could include allowing providers to 'opt in' early.

Outcome: *aimed at ensuring that the implementation of the reforms are workable and sustainable.*

End.