



5 December 2013

Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
PARKES, ACT 2600

Email: fsi@treasury.gov.au

Dear Mr Lonsdale,

AFA Submission – Financial System Inquiry – Draft Terms of Reference

The Association of Financial Advisers Limited (“**AFA**”) has been serving the financial advising industry for over 65 years. Its aim is to provide members with a robust united voice, continually improve practices and focus firmly on the exciting, dynamic future of the financial advising industry. The AFA also holds the client to be at the centre of the advice relationship and thus support policies that are good for consumers and their wealth outcomes. We are driven to achieve great advice for more Australians.

With over six and half decades of success behind us, the AFA’s ongoing relevance is due to our philosophy of being an association of advisers run by advisers. This means advisers set the agenda, decide which issues to tackle and shape the organisation’s strategic plan.

Thank you for the opportunity to provide feedback on the draft terms of reference for the Financial System Inquiry. It is now twelve years since the FSRA changes to the Corporations Act became law and ten years since they were fully operational. In the meantime there has been significant change in the legislative framework and the marketplace. Thus we believe that there is the potential for significant value to arise as a result of this review.

Our comments are limited to the issues relevant to financial advice. We believe that the terms of reference are both high level and broad. As such we expect that they have the capability to cover the issues that we are keen to ensure are considered. We would like to take this opportunity to provide feedback, at a more specific level, on the issues that we would like to see addressed:

- A review of the effectiveness of the AFSL External Dispute Resolution framework and the interplay with the availability and affordability of professional indemnity insurance.
- Consideration of the education standards for financial advisers and the alignment of requirements across the Corporations Act and TASA regimes.
- A review of the impact of the FoFA and MySuper legislation on the competitive landscape for the provision of financial advice and services, including consideration of the impact on non-aligned licensees and corporate superannuation financial advisers.

- A review of the approach to consumer awareness and financial literacy. As an example the MySuper legislation is likely to have significant implications for a very large number of superannuation fund members, but there has been no consumer awareness campaign.
- Consideration of the interplay of the Corporations Act and the state based Payroll Tax obligations due to the apparent inclination of the states to view self-employed financial advisers, operating under an AFS Licensee, as an employee in certain circumstances.
- A review of the definition of 'personal advice' versus 'general advice' in the context of the significantly different obligations that apply to each scenario in terms of the provision of advice.
- Consideration of limitations on access to financial advice and the legislative options to enable the provision of more cost effective scaled advice.
- A review of the positive and negative implications for consumers of the emergence of a very active direct insurance market.
- Opening up direct investment opportunities into infrastructure for self-managed superannuation funds and individual investors.

Conclusion

We thank you for the opportunity to provide feedback on these terms of reference. We are very supportive of this Inquiry and look forward to the finalisation of the terms of reference and the full commencement of the Inquiry.

Should you have any questions, please do not hesitate to contact me on 02 - 9267 4003.

Yours sincerely,

Philip Anderson
Chief Operating Officer