



The professional
excellence pathway

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AFFORDABLE AND ACCESSIBLE ADVICE

FINSIA (the Financial Services Institute of Australasia), welcomes the opportunity to submit comments and feedback on the Financial Services Council 'Affordable and Accessible Advice: FSC Green Paper on Financial Advice' (**Green Paper**).

FINSIA's purpose is to deepen trust in financial services by raising standards of professionalism. It is a not-for-profit professional membership body for individuals working across the full spectrum of financial services industry in Australia including the financial advice industry.

With a focus on the financial advice industry, FINSIA agrees with the proposals put forward in the Green Paper and believe them to be comprehensive and substantial in addressing the problems we are trying to solve regarding **complex regulation, escalating costs of operating advice businesses with increased regulatory requirements, and future policy reform.**

Overall, the approach and model proposed in terms of tiering advice complexity, and the way the services related to these tiers, makes sense and are heading in the right direction. We contend; however, it appears to be light on detail of the framework. FINSIA suggests that the UK approach and model should be considered where:

- Regulator authorises professional bodies.
- Professional bodies issue practising certificates of capability.

FINSIA encourages the FSC to consider this model – and to understand the role of professional bodies and practitioners. We agree the financial advice industry needs to move away from an overly compliance-based approach to a more principle-based model focusing on professionalism, however the Green Paper lacks detail in this regard. The FSC should provide more detail on the mechanisms of professionalism. How is it going to ensure professionalism is entrenched across the financial advice industry to the benefit of consumers?

The UK model essentially revolves around the regulation requirements of education. Just like the UK model, some form of education and ethical component should be standardised across professional bodies to avoid arbitrage. There are some complexities to be determined – understanding who delivers the education, what framework it aligns to, and the efficiencies in delivering it. There are also numerous advantages of having the membership model responsible for the discipline - there is no financing for the discipline and the fees you pay to be a member will provide all the infrastructure for the disciplinary body. In addition, you are disciplined by your peers. It is positive from an efficiency, cost benefit and from a relationship basis.

FINSIA believes the advice types need to be defined further. The current definitions of general advice, personal advice and intra-fund are either grey or limited in their utility. For example, the subject matter of advice that a superannuation fund can provide is limited, often to a member's disadvantage. The definitions of these types of advice should be defined precisely in a manner that enables the recipients of that advice to benefit from it.

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Following from this, the laddering approach is crucial and is a good starting point where advice is triaged based on the experience, education, and qualifications needed to provide the different levels of advice. It is important to recognise that clarity of current definitions is needed as simple advice for one individual may not be simple for another. The same can be said for complex advice.

FINSIA supports the segregation of general advice and personal advice; albeit the labels may not be appropriate. Consumer perception of what constitutes complex versus simple complex advice can be challenging and should be tested within the market. The model is also unclear as to how wholesale/sophisticated investors should be treated. We contend that the definition of a wholesale/sophisticated investor should be reviewed to ensure adequate consumer protection.

FINSIA also proposes consumer advocacy to ensure the consumer voice is captured in the white paper. Appropriate associations, such as those that advocate for retirees should be engaged.

FINSIA's Council, leadership team and members are eager to be engaged with the FSC and associated bodies to take on the role of leading a financial advice profession to deliver the best community outcomes. Australia and Australians need to have trustworthy financial advice. It must be appropriate to their circumstances – affordable and accessible. It must help them to achieve their financial goals and protect their financial wellness.

In addition to this letter in response to the Green Paper, we would like to propose a meeting with the Council and FINSIA leadership to discuss in further detail as needed.



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