THE HON CHRIS BOWEN MP
MINISTER FOR FINANCIAL SERVICES, SUPERANNUATION & CORPORATE LAW & MINISTER FOR HUMAN SERVICES

OVERHAUL OF FINANCIAL ADVICE

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The Rudd Government is today announcing reforms to financial advice that will improve the trust and confidence of Australian retail investors in the financial planning sector.

The Minister for Financial Services, Superannuation and Corporate Law, Chris Bowen MP, said that the *Future of Financial Advice* reforms are designed to tackle conflicts of interest that have threatened the quality of financial advice that has been provided to Australian investors, and the mis−selling of financial products that culminated in high profile corporate collapses such as Storm Financial, Opes Prime, and Westpoint.

These reforms are the Government's response to the Parliamentary Joint Committee on Corporations and Financial Services' *Inquiry into financial products and services in Australia.*

"Australia is facing the challenge of an ageing population. Access to quality advice remains an important part of planning for the future," Mr Bowen said.

"These reforms will see Australian investors receive financial advice that is in their best interests, rather than being directed to products as a result of incentives or commissions offered to the financial adviser.

"ASIC's powers to act against unscrupulous operators will also be strengthened and professional standards for advisers will be reviewed by an expert advisory panel."

The *Future of Financial Advice* package includes the following:

- A **prospective ban on conflicted remuneration structures including commissions and volume based payments,** in relation to the distribution and advice of retail investment products including managed investments, superannuation and margin loans. The measure does not initially apply to risk insurance.
- The introduction of a **statutory fiduciary duty so that financial advisers must act in the best interests of their clients,** subject to a 'reasonable steps' qualification, and to place the best interests of their clients ahead of their own when providing personal advice to retail clients.
- Increasing transparency and flexibility of payments for financial advice by introducing **'adviser charging'** that will help align the interests of the financial adviser and the client; is clear and product neutral; and where the investor will be able to opt in to the advice in response to a compulsory, annual renewal notice.
- **Percentage-based fees** (known as assets under management fees) will only be charged on ungeared products or investment amounts and only if this is agreed to with the retail investor.
- **Expanding the availability of low-cost 'simple advice'** to provide access to and affordability of financial advice.
- **Strengthening the powers of the Australian Securities and Investments Commission (ASIC) to act against unscrupulous operators.**
- The examination of a **statutory compensation scheme** by Mr Richard St John, who has significant corporate law experience.

The majority of these reforms will commence from 1 July 2012 and the Government will consult with industry on the implementation of the reforms.

"The expansion in the provision of low-cost, simple advice will be of particular benefit to individuals and families who may not currently have access to financial advice," Mr Bowen said.

Furthermore, the Government's progress on simple disclosure for investors and financial literacy will better enable individuals to understand, and therefore benefit from, the advice they receive.

"I welcome the significant efforts of industry, including the Investment and Financial Services Association (IFSA) and the Financial Planning Association (FPA) to remove commissions and improve professional standards. These reforms clearly support their efforts."