



Tuesday, 27 June 2023

I am writing to express my deep concerns regarding the current state of financial services legislation, and some of the likely poor outcomes that will result in the implementation outlined in the interim report C. Implementing SOME of the recommendations and not all simply delays the day consumers have access to reasonably prices really good financial advice. Why slow walk changes that have been needed for years AGAIN.

The key challenges facing the market are known fairly well:

- large institutions selling financial products and services have repeatedly abused their clients' best interests when they have a chance to offer financial.
- The Australian Securities and Investments Commission (ASIC) has shown reluctance in taking decisive action against influential players (Senate estimates recently), while penalizing smaller advisory firms for technical breaches, rather than client harm.
- The regulatory environment is over complex and obtuse and makes it very difficult to innovate or offer new products and services to consumes. Uncertainty around the advice environment preclude new entrants and any adaptive changes. limiting consumers choices and access to good advice, while keeping costs high.
- Complaints about advice usually result in a default judgement again the adviser rather than a meaningful process, driving up the costs of PI insurances and placing burdensome compliance overheads on business and driving out good players.
- The advice industry has a two tier licensing system that creates additional costs without much in the way of benefits to anyone. Lawyers, Accountants are not subject to these restrictions and so why should advisers.
- The rules of the road are in an act of parliament rather than regulations that can be amended as required by agencies.

The results of the challenges are:

- The cost of advice to consumers is too high and accessing good advice is a challenge.
- Advisers are subjected to a straightjacket set of rules that dictate what they have to do and how they have to do it without being linked to really helping clients get good advice.
- The advice industry has shrunk as a result just as more Australians need advice.

I firmly believe that the financial services industry would greatly benefit from implementing the following changes:

- Simple stringent regulation focused on a smooth running industry and a penalty regime focussed on actual client harm and not technical breaches: The current regulatory framework relies heavily on checkbox-style compliance, which often fails to adequately protect clients. Instead, I propose a shift towards a regulatory approach primarily focused on preventing client harm. By emphasizing the outcome and impact on clients, rather than mere procedural checkboxes, we can create a more robust and effective system.
- Much more flexible approach to advice: The industry is largely professional now. Advisers know how to help clients. We should be allowed to deliver advice as we see fit so long as we provide and keep appropriate evidence that the advice is fit for purpose and in the clients best interest. The industry would benefit from a move away from rigid documentation protocols. This change would reduce administrative overhead and encourage advisers to focus on delivering personalized, high-quality service.
- Streamlined Licensing Regime: To alleviate the regulatory burden on advisers and promote efficiency, I recommend transitioning to a single level licensing regime. The current multi-tiered licensing structure creates unnecessary complexity and administrative costs. Simplifying the licensing process inline with streamlined regulation would enable advisers to allocate resources towards enhancing client outcomes and assisting more clients.
- Performance Evaluation of the Corporate Regulator: The evaluation and assessment of ASIC's effectiveness should be centered on its ability to ensure the smooth running of the financial services industry and protect clients from harm, rather than merely scoring the number of enforcement actions taken. This approach would incentivize ASIC to adopt a proactive and preventative role, promoting overall industry well-being and safeguarding clients' interests.
- Large institutions selling financial products and services should largely be limited from offering advice. Time it again these institutions have shown a lack of interest in client's best interest and a focus on their bottom line. The conflict in offering advice whilst also selling products is insurmountable and opening this genie bottle again will result in the same outcome as last time. A large number of clients impacted negatively. Adviser who are NOT connected to product offerings and have to know their clients in detail rather than an automated outcome are going to give better personalised and tailored advice.

Interim report C goes part of the way but nowhere near far enough to free up the experts that ALREADY exist are ready to help consumers in Australia. It basically gives up on making substantial changes and instead says that product providers will solve the problem. In my mind this is a substantial mistep that adviser and consumers will pay for for years to come.

Implementing all the proposed changes and considering some points my points above would foster a more ethical and client-centric financial services industry. It would encourage a culture of accountability, deter malpractice, and ultimately enhance the trust between clients and service providers.

I kindly request that you consider these recommendations seriously during the formulation of the final financial services legislation report. It is crucial to prioritize the best interests of clients and create an environment that supports responsible practices.

Thank you for your time and attention to this matter. I am hopeful that our collective efforts will lead to positive changes that benefit all stakeholders in the financial services industry.

Yours sincerely,

Anthony Wolfenden