Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

August 2022

Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in Appendix 1. Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our submission guidelines for further information.

Closing date for submissions: 23 September 2022

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Appendix 1: Consultation template

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Questions

Intended outcomes

1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?

Yes, we agree that the simplification and reduction of the regulatory obligations that apply when providing personal advice will facilitate innovation around how a recommendation or advice is provided and reduce the cost and complexity to provide advice.

The proposed reforms may encourage banks, superannuation funds, other financial product providers and new entrants to enter (or re-enter) advice. This will increase opportunity for Australians to access advice; currently most Australians are not able to access a personal financial advice service, with cost, perception and trust critical barriers.

What should be regulated?

2. In your view, are the proposed changes to the definition of 'personal advice' likely to:

a) reduce regulatory uncertainty?

b) facilitate the provision of more personal advice to consumers?

c) improve the ability of financial institutions to help their clients?

We believe a broadened definition of 'personal advice' and the removal of regulation around 'general advice' is a positive change for the industry but caution this needs to be implemented in a way that it can be adopted without ambiguity or confusion for financial advice providers.

Assuming superannuation funds, banks, other financial product providers and new entrants believe they can confidently manage the risks inherent in providing advice, this broadened definition may encourage them to offer financial advice, leading to increase choice and personal advice options for consumers.

Addressing the above two points should increase the willingness for financial institutions to invest in the provision of advice, which should lead to improved services and access to advice for their customers.

3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

a) If not, what additional safeguards do you think would be required?

No comment.

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

a) the quality of financial advice provided to consumers?

b) the time and cost required to produce advice?

Bravura welcomes the proposed shift to regulate the outcome of advice rather than the process, with a focus on providing 'good advice' as a more effective way to serve consumer needs.

We see a focus on consumer outcomes as a positive way forward for the industry, but only if advice providers are confident that they can invest in the innovation to provide 'good advice' rather than risk mitigation and compliance. This will reduce the need for RegTech solutions to manage complicated processes and open a path for increased innovation and differentiation around advice provision and the consumer experience.

Technology will be pivotal to enabling this innovation and is likely to lead to improvements in how advisers articulate or demonstrate good advice. It is also likely to reduce the time and cost required to produce advice.

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

a) provide limited advice to consumers?

b) provide advice to consumers using technological solutions (e.g. digital advice)?

Yes, we believe reducing the complexity of the current advice regime with a clear outcome based regulatory framework rather than process driven framework will encourage providers to offer limited advice and therefore increase the likelihood of them investing in digital advice services.

This simplification also translates to the provision of digital advice, as the cost and complexity to build and maintain a solution that benefits consumers will be lower without the prescriptive process currently required for manual advice. It will also be easier to demonstrate that a consumer is better off by comparing their current situation against the recommended situation, rather than following the current best interest obligation which arguably is not valued or understood by the consumer.

6. What else (if anything) is required to better facilitate the provision of:

a) limited advice?

b) digital advice?

Anything that will increase the clarity and therefore confidence of advice providers, such as regulatory guidance or use cases, will improve the likelihood that more providers will enter the segment, and that existing providers will invest in limited and digital advice technology and services.

7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:

a) the quality of financial advice?

b) the affordability and accessibility of financial advice?

No comment.
8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers? **a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?**
No comment.
Superannuation funds and intra-fund advice
9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging): **a) make it easier for superannuation trustees to provide personal advice to their members?** **b) make it easier for members to access the advice they need at the time they need it?**
No comment.
Disclosure documents
10. Do the streamlined disclosure requirements for ongoing fee arrangements: **a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?** **b) negatively impact consumers, and if so, how and to what extent?**
No comment.

11. Will removing the requirement to give clients a statement of advice:

a) reduce the cost of providing advice, and if so, to what extent?

b) negatively impact consumers, and if so, to what extent?

The current SOA regulations are a burden to advice providers, and it is questionable they provide much, if any, value to consumers.

We welcome the proposal to remove the requirement to provide an SOA and allow advisers to provide advice in the way that best suits their customers. However, we believe consumers will still want – and need - to be provided with an artefact, as a record of their engagement with a financial adviser, with the primary objective being to inform and explain the advice provided and demonstrate its value. Enabling advice providers to issue this information in a more user-friendly manner will support efficiency in demonstrating and recording the provision of good advice, leading to a better and more informative experience for consumers.

The obligation for good advice provides a potential control mechanism to record the advice recommendation at the time, or near the time it is given.

12. In your view, will the proposed change for giving a financial services guide:

a) reduce regulatory burden for advisers and licensees, and if so, to what extent?

b) negatively impact consumers, and if so, to what extent?

No comment.

Design and distribution obligations

13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

a) the design and development of financial products?

b) target market determinations?

No comment.

Transition and enforcement

14. What transitional arrangements are necessary to implement these reforms?

We strongly support providers being able to opt-in early as it will allow providers greater confidence to make investment decisions that in turn will drive innovation and competition.

General

15. Do you have any other comments or feedback?

The review has been deliberate around encompassing all advice providers. Broadening the scope of organisations that can provide professional advice is an opportunity to fill the consumer advice gap.

If the proposed reforms pass, superannuation funds, banks, other financial product providers and new entrants have an opportunity to become key players in the provision of financial advice. This will only work if these organisations have confidence that they can invest in and manage the risks inherent in providing personal advice.

Should these organisations enter (or re-enter) advice – which will become more viable if the proposed reforms move forward - there is an opportunity for relevant providers to differentiate from non-relevant providers through market forces as opposed to regulation.

The proposed changes will likely encourage superannuation trustees to use technology, or extend their existing technology, to make it easier to provide personal advice, and for members to access advice. We note 'good advice' and the technology that supports this will often encompass household objectives and circumstances which may be broader than an individual member's circumstances and product; our submission does not consider the trustees' other obligations.

Bravura believes that if the proposed changes pass, advice businesses will need to innovate and may need to accept additional business risk to be competitive. Pleasingly, the proposed reforms will support increased digitisation in the advice profession. Midwinter has already built and is continuing to develop new digital client facing technology that will support consumer engagement and 'good advice' outcomes through access, transparency, education, and increased adviser efficiency.

The future of the advice profession is a hybrid model, combining digital and adviser-led interactions. Digital technology will provide advice for simple consumer needs and support interactions with professional advisers. Advice providers will benefit from a single advice engine that can service all types of advice and channels including general information, self-directed, intra-fund, and comprehensive advice, leveraging efficiency and risk reduction from common components which can be tailored to different audiences or individual situations.