



Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Response from Six Park Assessment Management

August 2022



Name/Organisation: Six Park Asset Management Pty Ltd

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?

1. Yes. We have observed that despite RG244 and RG255 outlining how digital and scaled advice can be delivered to consumers in a compliant manner, advisers and others who have engagement with consumers have shown reluctance to embrace and deploy such digital/scaled services due to ambiguity between these regulations and the obligations of best interests' duty and the code of ethics. In our view, a vital component of the solution of accessibility and affordability of financial advice lies in the digital delivery of services (efficient, scalable, lower cost), and clear ability to deliver discrete packets of advice (scaled), as most mass-market consumers do not need/want what is called 'holistic advice' at the onset of their wealth creation journey.
2. We also believe that the definition of a wholesale client should be reviewed, as the current requirements can be met relatively easily by a consumer who is not necessarily financially literate. If the bar is higher to be eligible to be classified as a wholesale client, then advisers will need to consider how they are better able to serve retail investors/consumers. This will be an impetus of change in the advice industry that currently has a material sized cohort who are resistant to change.

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?

Six Park believe the proposed regulatory changes will be positive for consumers and will have a positive impact on Six Park as a digital advice provider. The proposed changes will reduce regulatory uncertainty and will streamline Six Park's ability to provide scaled personal advice to consumers. Six Park believe the proposed changes will have a more material impact on financial institutions and those providing "face to face" financial advice than digital advice providers given many digital advice providers have already leveraged technology to deliver compliant advice more efficiently to consumers. Technological solutions could be further developed to aid in the delivery of limited or scaled advice solutions and support the delivery of personal advice for financial institutions and traditional face to face advisers.

As a digital advice provider, a large proportion of our resources are used to educate clients and our partners about digital advice and how the advice we provide complies with the law. One important enabler in making affordable financial advice more accessible is to strengthen and support awareness of digital advice (i.e. what is digital advice and is it

acceptable) to build credibility of digital advice across consumers and the broader financial services market. Six Park would like to see the Treasury, ASIC, and the government voice their support for compliant, digital advice as part of the delivery of the proposed regulatory changes.

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?

Six Park supports the de-regulation of 'general advice' and believes the general consumer protections will be a sufficient safeguard for consumers, provided the authorities enforcing those protections are adequately resourced to do so effectively.

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?

Six Park does not believe the replacement of the best interest obligations with the obligation to provide 'good advice' will have a material impact on the time and cost required to produce scaled digital advice if it is already being provided in an efficient manner. It will, however, have an impact on the time and cost required to produce advice by financial institutions and traditional financial advisers. Ultimately, the impact will be determined by the quality of the definition of "good advice" and what is required from a provider to demonstrate that good advice has been provided.

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)?

Likely on both fronts. This will depend on how the definition of "good advice" is constructed, and whether it is made very clear how limited and digitally delivered advice can function from a compliance and regulatory perspective. As per above, this is currently unclear in the minds of providers, so they are currently reluctant to provide such services.

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

- a) limited advice?
- b) digital advice?

As part of the proposed regulatory changes, Six Park would like the Treasury to conduct a review of the advice related requirements of the *ASIC Corporations (Managed Discretionary Account Services) Instrument 2016/968*, particularly the requirement to provide personal advice about whether the MDA contract is suitable in light of the person's relevant personal circumstances at least once every 13 months. This review requirement creates challenges for digital advice providers using a Managed Discretionary Account model where the majority of client contact is online. As an example, Six Park, which provides its services under a Managed Discretionary Account arrangement, has a large number of clients who do not wish to re-engage digitally and confirm their current personal circumstances, which inhibits Six Park's finalisation of the 13 month review and its ability to continue to provide its investment service. Six Park believes in the value of quality ongoing advice and does not suggest a 'set and forget' approach, however, more responsibility should be placed on the consumer to inform their advice provider of any change to their personal circumstances.

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 response.

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 response.

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 response.

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 response.

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?

A statement of advice (SOA) for a digital advice service can be automatically generated, so the cost can be relatively low with the right/compliant inputs. We believe that the main industry concern is that they are too long and detailed (as required) for consumers to reasonably digest.

We believe that if an adviser provides any form of personal advice, there should be at least some form of document made available to the consumer explaining the basis (and limitations) of the advice and associated risks. This can be shorter and more transparent for the consumer than an SOA, but again, can leverage technology to be delivered in a low-cost manner. Scaled advice is critical because we do not believe it is the SOA itself that is driving costs, it's the fact that to provide advice, advisers feel that they need to spend excessive amounts of time collecting additional information to ensure that they are meeting their best interest's duty and other compliance requirements.

Removing the requirement for an SOA or any form of documentation of the advice could negatively impact consumers unless there are appropriate checks in place to ensure advisers continue to generate and retain appropriate records.

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 response.

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 response.

Transition and enforcement

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

No response.

General

15. Do you have any other comments or feedback?

No response.