



Australian Government

# Delivering Better Financial Outcomes

## Detailed Overview

December 2023

### Comprehensive roadmap for financial advice reform

#### A modernised and flexible best interests duty.

The Government will introduce a modernised and flexible best interests duty which will apply to all providers of advice to ensure the provision of high quality advice that meets consumers' needs.

- The existing primary obligation to act in the best interests of the client and to prioritise the interests of the client in the event of a conflict will remain at the core of the renewed standard.
- The updated standard will provide clearer legislative support for scaled or limited scope advice where this meets the client's objectives and needs, and for advice where the advice provider has limited, but relevant, information.
- As announced in June 2023, the existing best interests duty "safe harbour" steps will be removed.
- The requirement to provide appropriate advice will be retained, ensuring that all advice is appropriate to the client and fit-for-purpose for their circumstances.
- The existing concessional treatment for personal advice provided by banks and general insurers on defined basic products will be maintained.

(Responds to recommendations 4 and 5 of the Quality of Advice Review)

## Comprehensive roadmap for financial advice reform

### A new class of financial adviser

The Government will introduce a new class of financial advice provider to support an increase in the availability and affordability of simple personal advice.

- As recommended by the Quality of Advice Review, this new class of adviser will not be able to charge a fee or receive a commission relating to the personal advice they provide.
- However, the new class of financial advice provider will be required to meet additional standards that were not recommended by the Review. This includes being subject to the modernised best interests duty, so that all personal advice is provided under a single uniform quality standard. This will give consumers confidence in the personal advice they receive, regardless of its source.
- Additional guardrails will also be introduced to ensure there are robust consumer protections in place for the new class of advice provider, including additional obligations on Australian Financial Services Licensees and legislated minimum competency standards for the adviser.
- In all cases licensees will be wholly responsible for the advice provided by this new type of financial advice provider.

(Responds to recommendation 3 of the Quality of Advice Review)

### Expanding superannuation advice

The Government will introduce a comprehensive framework for superannuation advice by:

- Legislating consistent rules on what advice topics can be paid for via superannuation. The same list of advice topics will apply to collectively charged advice, and advice that is charged direct to the individual member's superannuation account.
- Allowing superannuation funds to consider a broader range of a member's personal and household circumstances such as debt, spouse's income, or age pension eligibility.
- Supporting increased member engagement at key decision points in the retirement income journey by providing superannuation funds with legal certainty to provide members with personalised 'nudges', such as prompting members approaching retirement to consider options for how they may wish to drawdown on their super.

(Responds to recommendation 6 of the Quality of Advice Review)

## Comprehensive roadmap for financial advice reform

### A principles-based advice record.

Statements of Advice will be replaced with a more fit-for-purpose, principles-based, advice record which must address the following four principles:

- subject matter/scope;
  - the advice;
  - reasons for the advice; and,
  - the cost of advice to the client and/or benefits received by the adviser.
- The requirement to give the record to the client will be maintained.
  - Adviser record-keeping obligations will be updated to ensure key information that informs the advice is appropriately recorded, without burdening the advice record with information that makes it harder for the client to understand and make an informed decision about the advice.

(Responds to recommendation 9 of the Quality of Advice Review)

The Financial Planners and Advisers Code of Ethics 2019 will be reviewed following the implementation of the Delivering Better Financial Outcomes package, to ensure that the Code aligns appropriately with the Government's reforms to financial advice and remains fit-for-purpose as the financial advice industry continues to professionalise.

The Government will not proceed with recommendations 1, 2, 12.1 and 12.2 of the Review.

### Measures already progressed

The Government is progressing draft legislation to respond to 11 other Quality of Advice Review recommendations.

- Recommendation 7: clarifying the legal basis for superannuation trustees reimbursing a member's financial advice fees from their superannuation account, and associated tax consequences;
- Recommendation 8: streamlining ongoing fee renewal and consent requirements and removing the requirement to provide a fee disclosure statement;
- Recommendation 10: providing more flexibility on how FSG requirements can be met.
- Recommendations 13.1 and 13.3: clarifying that monetary or non-monetary benefits given by a client are not conflicted remuneration along with the removal of consequential exceptions;
- Recommendation 13.4: removing the exception to conflicted remuneration rules for the issue of financial products where advice has not been provided in the previous 12 months;
- Recommendation 13.5: removing the exception to conflicted remuneration rules for agents or employees of Australian Authorised Deposit-Taking Institutions (ADIs); and
- Recommendation 13.2: introducing a specific exception to the conflicted remuneration provisions that permits a superannuation fund trustee to pay a fee for personal advice where the client requests the trustee to pay the fee from their superannuation account.
- Recommendations 13.7 to 13.9: introducing new standardised consent requirements for life risk insurance, general insurance, and consumer credit insurance commissions.
- Recommendation 11 is being considered as part of Treasury's review into Managed Investment Schemes, with Recommendation 13.6 to be considered following that review.