



ASIC

Australian Securities & Investments Commission

REPORT 407

Review of the financial advice industry's implementation of the FOFA reforms

September 2014

About this report

Between October 2013 and April 2014 ASIC met with representatives of 60 Australian financial services (AFS) licensees to discuss their experiences with implementing the Future of Financial Advice (FOFA) reforms. This report describes the findings from those interviews, and from questionnaires completed by licensees, and analyses the information obtained.

This report is for members of the financial advice industry, including financial advisers, risk and compliance professionals, responsible managers, and others involved in the management and operation of AFS licensees that provide financial product advice to retail clients.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

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Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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Executive summary

- 1 This report presents the findings from a review of the implementation of the Future of Financial Advice (FOFA) reforms by a sample of 60 Australian financial services (AFS) licensees.¹ The project forms part of ASIC's facilitative approach to the regulation of FOFA in its first year of operation.
- 2 The purpose of this project was to assess how the advice industry had adapted to the new requirements, to ensure industry was making necessary changes to their business practices, and to assist industry with areas of uncertainty. The discussions have also been very useful for ASIC in understanding the issues that the advice industry is facing.

About the reforms

- 3 The FOFA reforms amended the *Corporations Act 2001* (Corporations Act) and introduced:
- (a) a ban on certain conflicted remuneration structures, including investment commissions and volume-based payments;
Note: This ban is subject to a number of exemptions.
 - (b) a duty for advice providers to act in the best interests of their clients, and place the client's interest ahead of their own when providing advice;
 - (c) an opt-in obligation requiring advice providers to renew their clients' agreements to ongoing fees every two years;
 - (d) an annual fee disclosure statement requirement; and
 - (e) enhanced powers for ASIC.
- 4 In June 2014 the Corporations Amendment (Streamlining Future of Financial Advice) Regulation (Amendment Regulations) made a number of amendments to the FOFA reforms, detailed at paragraphs 18–19.

Scope of the research sample

- 5 The sample comprised a combination of large, medium, small and very small licensees, as measured by the number of their advisers. All licensees were authorised to provide financial product advice to retail clients on managed investment schemes, superannuation and life insurance. They were located in the inner suburbs of Sydney, Melbourne, Brisbane and Perth.
- 6 Licensees in the sample accounted for close to 10,000 advisers and 4.6 million retail clients. Approximately 74% of individual advisers covered

¹ In this report, we use the term 'licensee' to mean an AFS licensee that provides financial product advice to retail clients.

by the sample were authorised representatives (not employees) of a licensee. The remaining 26% were employees of licensees.

Impact on adviser numbers, products and services

- 7 We found that for most licensees in the sample, the type of advice they provided, and their adviser numbers, had not changed as a result of FOFA. Most licensees did not change their service offerings as a result of FOFA, although some indicated an increase in scaled advice and strategic advice. Most licensees had reviewed their approved product lists in light of the FOFA reforms, and the reforms affected the composition of approximately one-third of the licensees' approved product lists.
- 8 Most retail clients captured by the sample were concentrated in the group of large licensees, and most of these licensees were affiliated with issuers of financial products. In our sample, the largest licensees represented just 25% of the sample's licensees, but over 90% of the sample's retail clients. The large licensees also had the highest number of retail clients per adviser, and the highest proportion of 'passive' clients.²

Impact on revenue and remuneration

- 9 Most licensees indicated that their revenue streams had changed as a result of the ban on certain forms of conflicted remuneration, often with a reduction in the relative value of investment commissions and an increase in advice fees.
- 10 Blended fee models were common, with licensees stating that their advisers charged for advice through a range of methods, including advice fees and commissions. Advice fees were often calculated as a fixed fee (e.g. a flat fee or a fee based on an hourly rate), and/or as a percentage of clients' assets.

Compliance challenges and risks

- 11 Most licensees stated that the biggest challenges they had experienced in implementing the FOFA reforms related to the requirement to provide fee disclosure statements, and the changes they needed to make to their systems.
- 12 Looking ahead, the licensees considered that the best interests duty posed a relatively high risk of non-compliance in the future. To mitigate this risk, licensees had revised their advice systems and procedures, and most were relying on the 'safe harbour' steps under s961B of the Corporations Act to demonstrate their compliance with the best interests duty and related obligations.

Note: Licensees made these observations and expressed these concerns before the making of the Amendment Regulations.

² For this project, we defined 'passive' clients as retail clients who had not received advice or services in the previous 12 months.

Overall impact of FOFA

- 13 In general, licensees reported that they understood what was required under the FOFA reforms, and most of the unpreparedness that reportedly existed before 1 July 2013 seemed to have been addressed. At the time of our research, some uncertainties for the industry remained, as the Government's proposed amendments to FOFA had not been implemented.
- 14 While a number of licensees stated that they and their advisers had already complied with aspects of FOFA before July 2013, most licensees generally spent significant time and resources on implementing the reforms.
- 15 While licensees were generally supportive of the objectives of FOFA, some queried whether the changes would be effective in increasing access to affordable financial advice, and some were critical of the form of the changes and the associated compliance costs.

A Background

Key points

Compliance with the FOFA reforms was mandatory from 1 July 2013. The reforms included a ban on certain forms of conflicted remuneration, a duty to act in the client's best interests and to prioritise the client's interests, a requirement to provide fee disclosure statements to certain clients, and the enhancement of ASIC's powers.

This project formed part of our facilitative approach to compliance with FOFA during the first year. We sought to engage with the financial advice industry to better understand the challenges that it experienced in complying with the reforms, to ensure it was making necessary changes and to provide assistance where possible.

Our interaction with industry for this project entailed interviewing and conducting questionnaires with representatives of a sample of 60 licensees.

Overview of the reforms

- 16 The FOFA reforms are contained in the following legislation:
- (a) the *Corporations Amendment (Future of Financial Advice) Act 2012*; and
 - (b) the *Corporations Amendment (Further Future of Financial Advice Measures) Act 2012*.
- 17 The FOFA legislation was passed by Parliament on 25 June 2012. Compliance with the FOFA reforms was mandatory from 1 July 2013. However, licensees could choose to comply with the FOFA reforms from 1 July 2012. The legislation amended the Corporations Act and introduced:
- (a) a prospective ban on conflicted remuneration structures, including commissions and volume-based payments, in relation to the distribution of and advice about a range of retail investment products;³
 - (b) a duty for advice providers to act in the best interests of their clients, and place the best interests of their clients ahead of their own when providing personal advice to retail clients. There is a 'safe harbour' that advice providers can rely on to show they have met the best interests duty;

³ The ban is subject to exemptions, including, for example: certain performance bonuses paid to employees of licensees; certain forms of conflicted remuneration paid in relation to general advice; life insurance commissions; general insurance where the benefit only relates to a general insurance product; basic banking products where advice is only given on a basic banking product; financial product advice given to wholesale clients; and advice where the client pays the benefit to the provider (e.g. advice fee arrangements).

- (c) an opt-in obligation requiring advice providers to renew their clients' agreements to ongoing fees every two years, with ASIC having the ability to exempt advisers from the opt-in requirement if satisfied that the adviser had signed up to a professional code which made the need for the opt-in provisions unnecessary;
- (d) a requirement that advice providers receiving fees for giving personal advice under an ongoing arrangement with a retail client provide the client with an annual fee disclosure statement setting out information about the fees paid by the client, the services provided to the client, and the services that the client was entitled to receive; and
- (e) enhanced powers for ASIC.

The amendments

- 18 The Amendment Regulations, made on 26 June 2014, modify a number of the FOFA requirements. In particular, the Amendment Regulations:
- (a) remove s961B(2)(g)—the so-called the 'catch-all' element—from the 'safe harbour' for the best interests duty;
 - (b) make amendments to the ban on conflicted remuneration;
 - (c) introduce changes to the best interests obligation to facilitate scaled advice;
 - (d) remove the requirement for fee disclosure statements to be sent to pre-1 July 2013 clients; and
 - (e) remove the opt-in obligation for ongoing fee arrangements entered into after the commencement of the Amendment Regulations.

The Amendment Regulations also made a number of other changes to the FOFA reforms.

- 19 Under the Amendment Regulations these changes apply until 31 December 2015 only. However, the Government intends to give ongoing effect to these amendments by legislation by implementing the Amendment Bill. Additionally, under the Amendment Bill, the opt-in obligation will be repealed and will not apply to any ongoing fee arrangements: see Sch 1, cl 21 of the Amendment Bill.

ASIC's facilitative approach to compliance

- 20 We announced before the introduction of the reforms that we would take a facilitative compliance approach in relation to FOFA for the first 12 months, until 30 June 2014. Consistent with our stance during the introduction of other major policy reforms, such as the national credit laws, we have been committed to working with industry participants to assist them to comply with the new laws. We stated that we would adopt a measured approach

where inadvertent breaches arose or system changes were underway, provided that industry participants were making reasonable efforts to comply. However, we stated that, where we found deliberate and systemic breaches, we would take regulatory action.

- 21 We recognised that FOFA would require businesses to undertake major work so that systems and compliance requirements were in place for the new regime.
- 22 Before the commencement of FOFA, we liaised with industry associations and licensees to understand where the most significant implementation challenges would arise, and adapted our regulatory approach during the introduction of FOFA to account for these issues.
- 23 We have continued our dialogue with industry about the reforms, to help ensure that the introduction of the new requirements takes place in a measured and sensible way. This interaction has been useful for ASIC in understanding issues for the industry in implementing the reforms. Our initiatives have included the following:
- (a) *Regulatory guidance*: we published or updated a range of regulatory guides, following a consultation process, to assist industry to comply with the changes. This included new guidance on fee disclosure statements, conflicted remuneration and scaled advice, and updated guidance on advisers' conduct and disclosure requirements under the best interests duty and related obligations.

Note: This guidance has not been updated to refer to the Amendment Regulations. Given the other demands on our resources and the fact that the changes in the Amendment Regulations are yet to be made ongoing, we are unlikely to update this guidance in the short term.
 - (b) *ASIC FOFA workshops*: in February and March 2013, we conducted FOFA roadshows throughout Australian capital cities. Industry leaders and senior executives from ASIC's Financial Advisers team provided an overview of the obligations and our approach to FOFA compliance, including enforcement and our facilitative approach.
 - (c) In response to the Government's announcement of the impending FOFA amendments, we issued Media Release (13-355MR) *ASIC update on FOFA* on 20 December 2013, which stated that, as part of our facilitative approach until 30 June 2014, we would not take enforcement action in relation to the specific FOFA provisions that the Government was planning to repeal.

Enforcement action

- 24 Our facilitative approach does not mean that we have not taken enforcement action in relation to financial product advice. In the year following the start of FOFA, we achieved the following enforcement outcomes through our work in the financial advice industry:

- (a) five criminal convictions;
- (b) three infringement notices issued and paid;
- (c) 15 people banned permanently from providing financial services;
- (d) seven people banned temporarily;
- (e) 13 licences cancelled;
- (f) one licence cancelled at the licensee's request after action by ASIC;
- (g) two licences suspended;
- (h) enforceable undertakings accepted from:
 - (i) four advisers, requiring three of them to permanently cease providing financial services, and one temporarily;
 - (ii) two licensees requiring them to improve their compliance procedures;
- (i) additional licence conditions imposed on one licensee; and
- (j) agreements negotiated with three licensees requiring them to review and improve their advice provision.

Purpose and scope of this project

- 25 This project forms part of our facilitative approach to compliance with FOFA during the first year of implementation.
- 26 Before the commencement of FOFA, we received some information as part of our consultation process about how licensees had implemented the reforms and about some of the challenges they faced. We did not, however, have comprehensive information about whether licensees had resolved these challenges, and whether they had implemented measures to ensure that they and their advisers were equipped to provide advice that complied with FOFA from 1 July 2013.
- 27 We were aware of public reports that industry was struggling to cope with, and implement, some of the changes. Research by Investment Trends, published in May 2013, suggested a widespread level of unpreparedness. For example, the research found that:
- Many planners were not ready for FOFA even with a little over a month left until 1 July 2013, when the FOFA reforms were due to come into effect. Only 23% are ready to administer fee disclosure statements.⁴

⁴ Investment Trends, *Planner business model report*, May 2013.

Project objectives

- 28 In light of the scale of the changes and the apparent difficulties being experienced by the industry, the objectives of this project were to:
- (a) gather and analyse publicly available information relating to the impact of the reforms on the financial advice sector, including structural changes, changes in advice service offerings and changes to the accessibility of advice;
 - (b) meet with 60 financial advice licensees to gather information about their 'FOFA readiness', whether they were making the necessary changes to their business practices and any outstanding issues they faced; and
 - (c) use the information gathered from research and interviews to inform the activities and focus of ASIC's Financial Advisers team during the 2014–15 financial year.

B Research methodology

Key points

We contacted a sample of small, medium and large licensees authorised to provide personal advice to retail clients on managed investment schemes, superannuation and life insurance.

We collected information about the licensees' business and their experiences in implementing the FOFA reforms, through a questionnaire and interviews with representatives of the licensees.

Participation was voluntary for licensees. Participants were not required to provide documentation under ASIC's compulsory information-gathering powers. The engagement with licensees did not take the form of a surveillance or investigation.

Sampling methodology

- 29 At the time of writing, our database contains over 5,100 licensees. For this report, the sample was drawn from those licensed to provide financial product advice to retail investors at 30 June 2013 (3,394 licensees).
- 30 Licensees had to meet further criteria for inclusion in the sample:
- (a) All licensees had to be authorised to provide financial product advice to retail clients on managed investment schemes, superannuation and life insurance. This decreased the sample size to 1,223 licensees.
 - (b) Twelve licensees were then excluded from the sample due to a current ASIC surveillance or other regulatory action.
 - (c) The research design included face-to-face interviews, requiring the licensees to be in a convenient location accessible to ASIC employees. All licensees in the inner suburbs of Sydney (271), Melbourne (245), Brisbane (110) and Perth (123) were included, resulting in a total of 749 licensees.
- 31 Licensees were then categorised according to size, based on the number of their advisers. We referred to ASIC's register of authorised representatives and other ASIC information, as well as publicly available information—such as IFA Magazine's *Top 50 dealer group report 2012* and Money Management's listing of the top 100 dealer groups—to determine the size of each licensee.⁵

⁵ Under the current financial services regulatory regime, authorised representatives must be registered with ASIC; however, there is no central register of employee representatives. Our submission to the Financial System Inquiry in April 2014 recommended law reform to introduce a register of employee representatives.

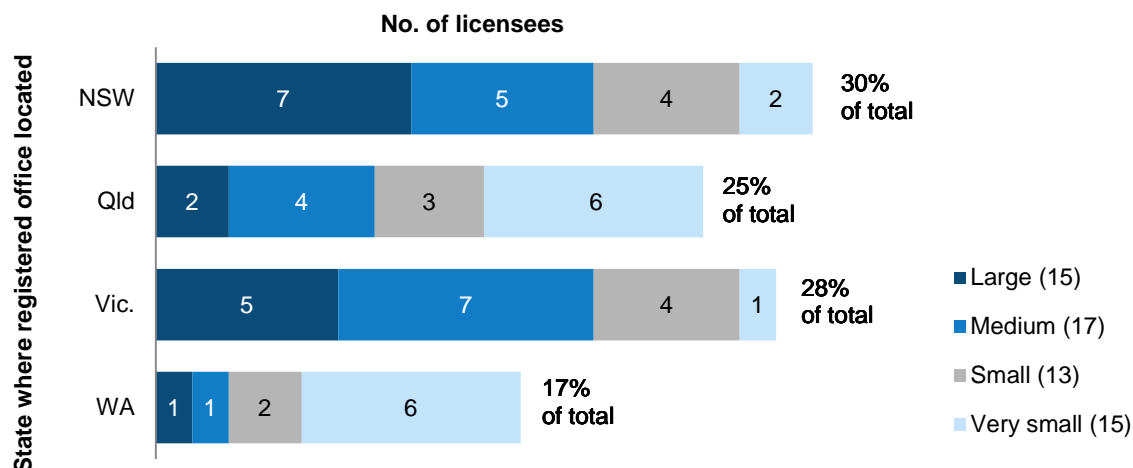
- 32 The size categories were:
- (a) large (over 200 advisers);
 - (b) medium (50 to 199 advisers);
 - (c) small (eight to 49 advisers); and
 - (d) very small (seven or fewer advisers).
- 33 This enabled us to capture the experiences of a wide range of licensees. Table 1 shows the distribution of the 749 licensees that met our criteria.

Table 1: Licensees meeting our criteria—by location of registered office and size of licensee

State where licensee's registered office was located	Size category of licensee				Total no. of licensees
	Large	Medium	Small	Very small	
New South Wales	13	13	6	239	271
Victoria	5	9	6	225	245
Queensland	3	5	2	100	110
Western Australia	2	2	2	117	123
Total	23	29	16	681	749

Final selection of licensees

- 34 From the sample of 749 licensees, we made a random selection of 80 licensees, including a mix of licensee size categories.
- 35 Participation in the project was voluntary for licensees. Twenty of the licensees that we contacted did not participate. They tended to be the small and very small licensees, although some medium and large licensees also declined to participate.
- 36 Figure 1 shows the distribution, according to the size of the licensee and the state where the licensee's registered office was located, of our final sample of 60 licensees.
- 37 Most major banking and financial services groups in the advice industry were represented in the final sample. In some cases, several licensees owned by the same banking or financial services group were included. This was not surprising because it reflected the concentrated and vertically integrated nature of the advice industry. Several banks' responses were limited to their financial advice business divisions, rather than all bank employees and representatives that were authorised to provide financial advice.

Figure 1: Final sample of licensees—by state where licensee's registered office was located

38 In some cases, we combined our interviews with several licensees, where these licensees were part of the same group and had a centralised compliance function responsible for implementing the FOFA reforms.

Research methodology

39 To collect information and commentary from licensees, we used:

- (a) a questionnaire; and
- (b) interviews with licensees, usually at their business premises.

40 We did not obtain information through formal notices, and the engagement with licensees did not take the form of a surveillance or investigation.

41 A small number of participants completed a pilot questionnaire in October 2013. Following analysis of their responses and feedback, a final questionnaire was sent to the remaining licensees. Responses were received between October 2013 and March 2014.

Licensee visits

42 After responses to the questionnaire were received, we interviewed licensees to discuss their responses, to ask additional questions about the licensees' experiences with implementing the reforms, and to offer licensees an opportunity to discuss queries or remaining uncertainties. Almost all of these interviews were also completed between October 2013 and March 2014.

43 Some licensees indicated a preference to meet with ASIC in a state other than where their registered offices were located. Table 2 shows the location of all interviews.

Table 2: Location of licensees' interviews with ASIC

State where interviews took place	Size category of licensee					Percentage of sample
	Large	Medium	Small	Very small	Total	
Queensland	1	3	3	6	13	22%
Western Australia	0	1	2	6	9	15%
Victoria	1	6	2	1	10	17%
New South Wales	7	5	5	2	19	32%
No separate interview*	6	2	1	0	9	15%
Total	15	17	13	15	60	100%

* See paragraph 37.

Research limitations and disclaimer

- 44 The findings in this report are based on information provided by licensees to ASIC in questionnaires and in interviews. As we did not seek to gather information from licensees using ASIC's formal information-gathering powers (by issuing notices), we could not verify that all of the information provided by the licensees was accurate.
- 45 The report describes the licensees' opinions and views of the FOFA reforms. We do not necessarily share these views. Additionally, we should not be taken to express the view that the conduct described by licensees in questionnaire responses and in interviews necessarily complies with the law.

C About the sample of licensees

Key points

Licensees in the sample represented nearly 10,000 advisers and 4.6 million retail clients. In our sample, the 15 largest licensees represented 25% of the sample's licensees, but over 90% of the sample's retail clients.

Approximately 74% of individual advisers in the sample were authorised representatives (not employees) of a licensee. The remaining 26% were employees of licensees.

Many licensees in the sample were wholly owned by financial product issuers, or formed part of the same financial services or banking group as a financial product issuer. Large licensees were much more likely to be affiliated with product issuers—93% of the large licensees were affiliated with issuers, compared to 13% of very small licensees.

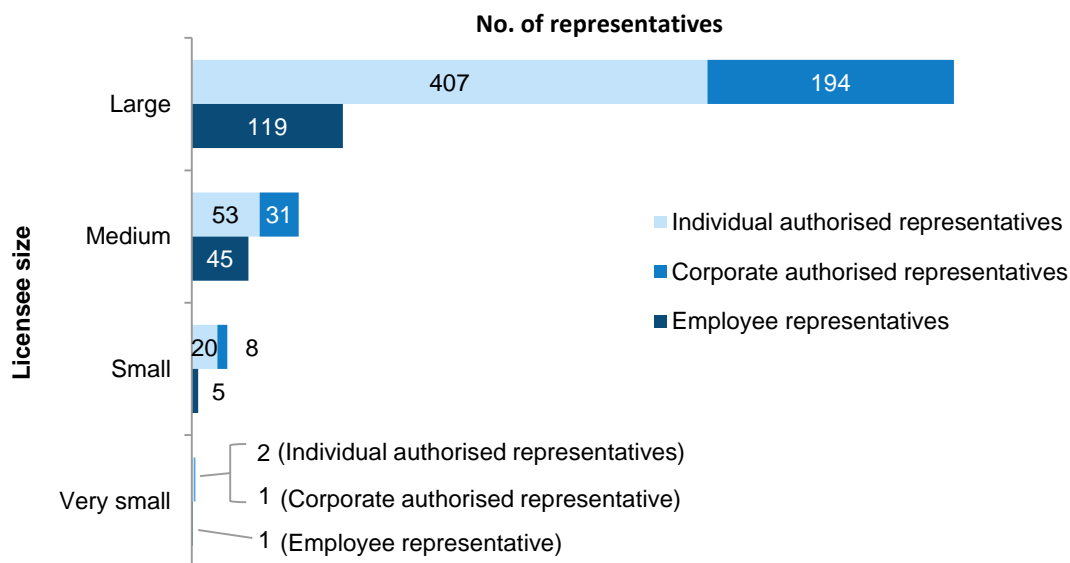
Population of advisers

- 46 The licensees in the sample reported having 9,918 individual advisers. This comprised:
- (a) 7,293 advisers who were authorised representatives of licensees (74% of the advisers captured by licensees in the sample);⁶ and
 - (b) 2,625 advisers who were employed by the licensees (26% of the advisers captured by licensees in the sample).
- 47 Figure 2 shows the average number of authorised representatives and employee representatives for the different size categories of licensee. It also shows the proportion of authorised representatives that were companies (i.e. corporate authorised representatives) rather than individual authorised representatives.

Employee representative or authorised representative model

- 48 Financial advice licensees in the sample can be broadly separated into two categories: those with predominantly employee representatives (employee representative model), and those with predominantly non-employee representatives that are authorised by the licensee to provide financial product advice (authorised representative model).

⁶ One licensee stated that many of its employees are also registered with ASIC as authorised representatives under s911 of the Corporations Act. We counted these advisers as authorised representatives.

Figure 2: Average number of authorised representatives and employee representatives for each size category of licensee

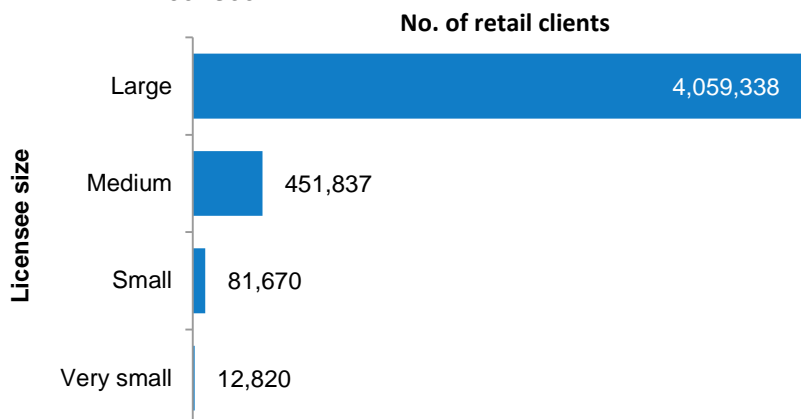
Note 1: An authorised representative is a person authorised under s916A or 916B of the Corporations Act to provide a financial service or financial services on behalf of the licensee. We have split this definition into two terms, where 'individual' means a natural person and 'corporate' means a company or other non-natural entity. Employee representatives are natural persons who provide advice as an employee of the licensee.

Note 2: Data is based on the sample of 60 licensees (i.e. the 'complete sample', consisting of 15 large, 17 medium, 13 small and 15 very small licensees).

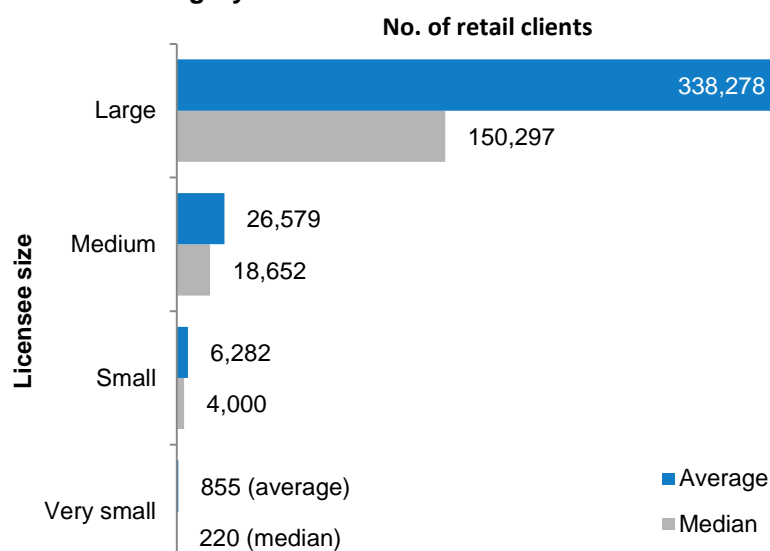
- 49 About one-third of the licensees in the sample had an employee representative model, with most of their advisers being employees of the licensee. In many cases, all of these licensees' advisers were employees (e.g. in the financial planning arms of major banks).
- 50 The remaining licensees operated a predominantly authorised representative model. Often, their representatives were small businesses or business owners with a separate identity and branding to the licensee, but with authorisation to provide advice as a representative of the licensee. These small businesses often had autonomy to decide how to charge clients for services and advice.

Population of retail clients

- 51 The licensees in the sample reported having approximately 4.6 million retail clients. This figure may include some double counting of clients because clients may be clients of more than one licensee in the sample.
- 52 Figure 3 illustrates the concentration of the majority of clients in the large licensee category. Over 90% of the retail clients of licensees in the sample were clients of the 15 largest licensees (25% of the sample), with the remaining 75% of licensees in the sample accounting for just 10% of the clients. The 28 small and very small licensees (close to half of licensees in the sample) held just 2% of the clients. Figure 4 provides details on the average and median number of retail clients for each size category of licensee.

Figure 3: Total number of retail clients for each size category of licensee

Note: Data is based on a sample of 57 licensees (12 large, 17 medium, 13 small and 15 very small). Three licensees were unable or chose not to provide this data.

Figure 4: Average and median number of retail clients for each size category of licensee

Note: Data is based on a sample of 57 licensees (12 large, 17 medium, 13 small and 15 very small). Three licensees were unable or chose not to provide this data.

Proportion of active and passive retail clients

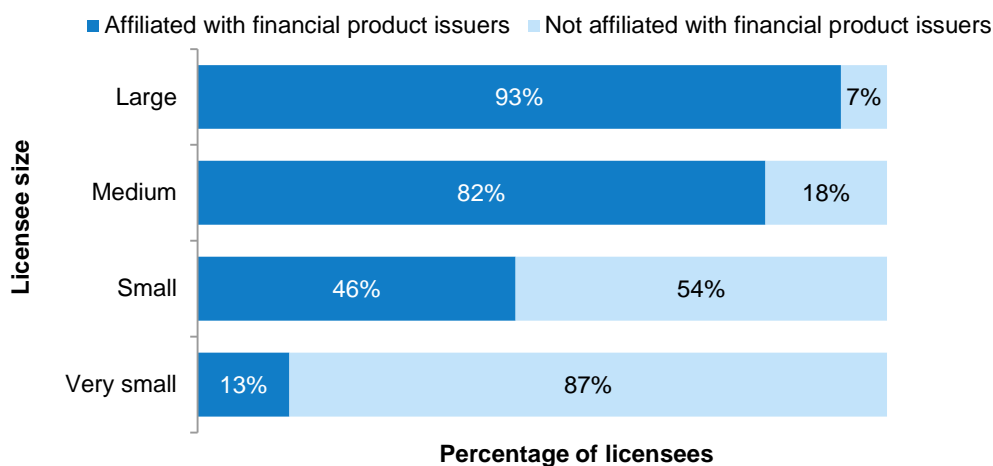
- 53 On average, licensees in the sample indicated that about 60% of their clients were 'active' clients, having received some advice or service in the previous 12 months, while 40% of the clients were 'passive' clients.
- 54 However, there were wide variations between the different size categories of licensee. Some large licensees, including several bank-owned licensees, reported that between 60% and 80% of their clients had received no advice or service in the past year.
- 55 A small number of licensees were unable to state their approximate number of retail clients, or how many were active and passive. Some who were unable to easily provide this information were licensees with an authorised representative model.

- 56 We did not ask licensees to report the proportion of their passive clients that were paying for advice through fees or commissions. Further, licensees classified their passive clients in different ways—these clients could be:
- (a) legacy clients who had received advice or services in the past and had remained on the licensee's database or systems; and
 - (b) clients who have products for which ongoing trailing commissions were being paid to advisers but who had not received advice or services in the past year.

Relationship with product issuers

- 57 Approximately 63% of licensees in the sample were affiliated—generally through ownership structures—with issuers of financial products. They were usually wholly owned by the product issuer or formed part of the same banking or financial services group as the product issuer.
- 58 The larger the licensee, the higher the likelihood that it was affiliated with a financial product issuer. As Figure 5 shows, 93% of the large licensees in the sample, and 82% of medium-sized licensees, were affiliated with product issuers. A much lower proportion of small licensees (46%) were affiliated with product issuers—and only 13% of the very small category.
- 59 Not being affiliated with a financial product issuer does not necessarily imply that a licensee is 'independent'—as that term is defined in s923A of the Corporations Act—because most of these non-affiliated licensees receive commissions or other payments from product issuers and/or operate with restrictions on financial products in respect of which they provide financial services. Therefore, they cannot use this term to describe their services or activities.

Figure 5: Licensees' relationship with financial product issuers for each size category of licensee



Note: Data is based on the complete sample of 60 licensees.

D Impact on adviser numbers, products and services

Key points

This section describes how FOFA has affected the licensees' business models, including changes to:

- adviser numbers;
- advisers' engagement with clients;
- types of advice services; and
- approved product lists.

Changes to licensees' revenue streams and advisers' remuneration are described in Section E.

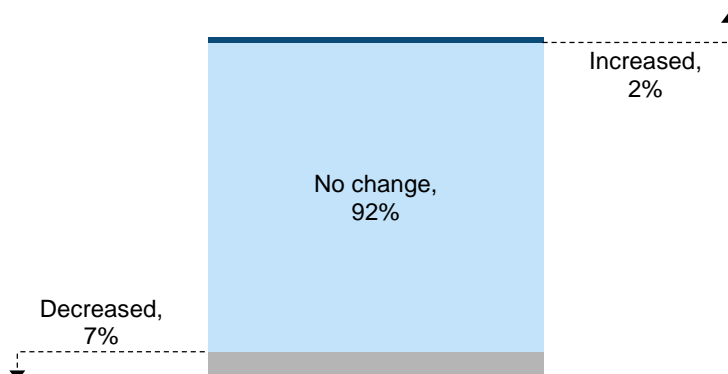
We found there had been little change in overall adviser numbers, and most licensees had not changed their advice services, although some had increased their provision of scaled advice and strategic advice.

Some licensees told us they were seeking to proactively reduce their high number of passive clients.

The best interests duty and related obligations under FOFA have affected the composition of approximately one-third of the licensees' approved product lists. Most licensees had reviewed their approved product lists, often using internal and external research.

Adviser numbers

- 60 Before the implementation of the FOFA reforms, some parts of the industry expressed concern that the reforms would lead to an exodus of many financial advisers from the industry.
- 61 Our research found that, in our sample, there had been little change in overall adviser numbers as a result of FOFA. While some licensees told us that some of their advisers had left the industry or accelerated the date of their retirement because of FOFA, over 90% of licensees indicated that there had been no change in the number of their employee representatives or authorised representatives as a result of the reforms: see Figure 6.
- 62 There is a level of 'natural attrition' in the financial advice industry, as with any other industry. Investment Trends, in its May 2013 *Planner business model report*, stated that dealer groups (i.e. AFS licensees) saw a natural level of financial planner movement in 2013, with 11% of the 1,141 planners surveyed saying they had changed dealer groups in the previous 12 months. The study found a corresponding figure of 10% in each of the previous three years.

Figure 6: Percentage of licensees whose adviser numbers have changed as a result of FOFA

Note: Data is based on the complete sample of 60 licensees. Percentage values shown do not add up to 100% due to rounding.

- 63 In addition, most licensees in the sample indicated that they had not bought or sold books of clients as a result of the reforms, with 5% of licensees stating that they had sold client books, 3% stating that they had bought client books, and the remaining 92% stating that they had neither bought nor sold client books as a result of FOFA.

Advisers' engagement with clients

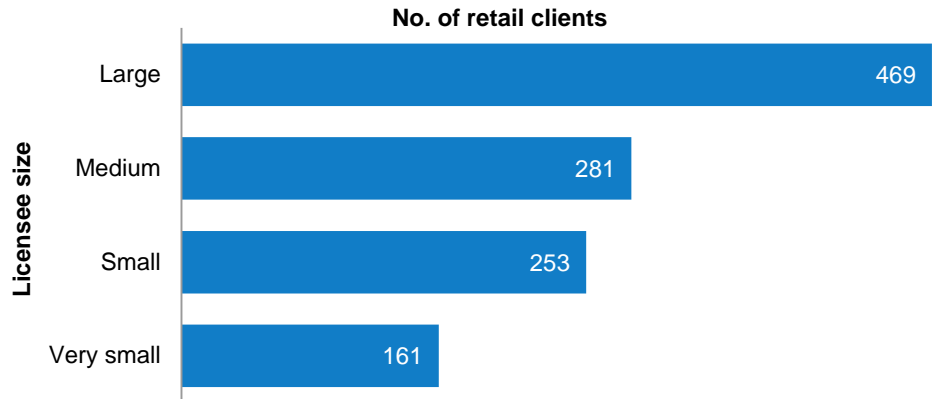
- 64 One of the primary policy aims of FOFA is to increase the level of consumer engagement with their financial advisers.
- 65 We found a wide range in the levels of client engagement throughout the industry. In general, there was a close link between:
- the size of licensees;
 - the number of licensees' advisers;
 - the ratio of licensees' advisers to their retail clients; and
 - the proportion of licensees' passive clients.

Note: While we did not ask licensees for data on the direct or indirect advice fees or commissions accruing from their passive clients, many of these clients may nevertheless have held financial products for which ongoing commissions were being paid to advisers.

Adviser to client ratio

- 66 Figure 7 shows the average number of total retail clients (both active and passive) per adviser. To provide a more accurate picture, we excluded a small number of 'outliers' from the average (i.e. one very small licensee had no retail clients, while another had 2,000 mostly passive retail clients and only one adviser).

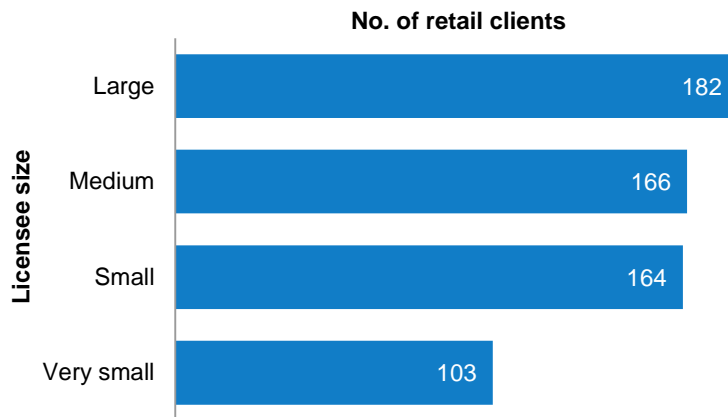
Figure 7: Average number of total retail clients per adviser (both active and passive)



Note: Data is based on a sample of 55 licensees (12 large, 17 medium, 13 small and 13 very small). Three licensees were unable or chose not to provide this data and two 'outliers' were (intentionally) excluded: see paragraph 66.

67 Figure 8 shows, for each category of licensee, the average number of *active* retail clients per adviser.

Figure 8: Average number of active retail clients per adviser



Note: Data is based on a sample of 50 licensees (8 large, 16 medium, 11 small and 15 very small). Ten licensees were unable or chose not to provide this data.

Initiatives to increase client engagement levels

68 Some licensees reported initiatives to increase engagement with passive clients. Some stated that fee disclosure statements and data analytics systems, developed as a result of FOFA, would help the licensees to better understand their clients and to clarify which clients were 'genuine' clients:

'Fee disclosure statements will determine how many of the clients are actually customers rather than [occasional clients, or legacy clients] that remain on the database.'

69 Another licensee was planning to use scaled advice to increase passive client engagement:

‘We are launching a new process for providing advice that will result in more streamlined advice that can be provided in approximately one hour, including a review component. This would reduce the adviser to client ratio.’

70 One small licensee said it was not focusing on increasing engagement with passive clients because it was comfortable that such clients were not paying for advice or services that they were not receiving:

‘We do not plan to reduce our number of inactive clients, as we are not getting an income stream from them. We have always been a fee-for-service business.’

Types of advice services

71 We asked all licensees in the sample whether they had changed the type of advice services they provided as a result of FOFA. In the majority of cases, there had been no change that they attributed to FOFA.

72 Nonetheless, as shown in Figure 9, there were some changes to the advice services provided. The most common changes attributed to FOFA by licensees were increases in scaled advice and strategic advice.

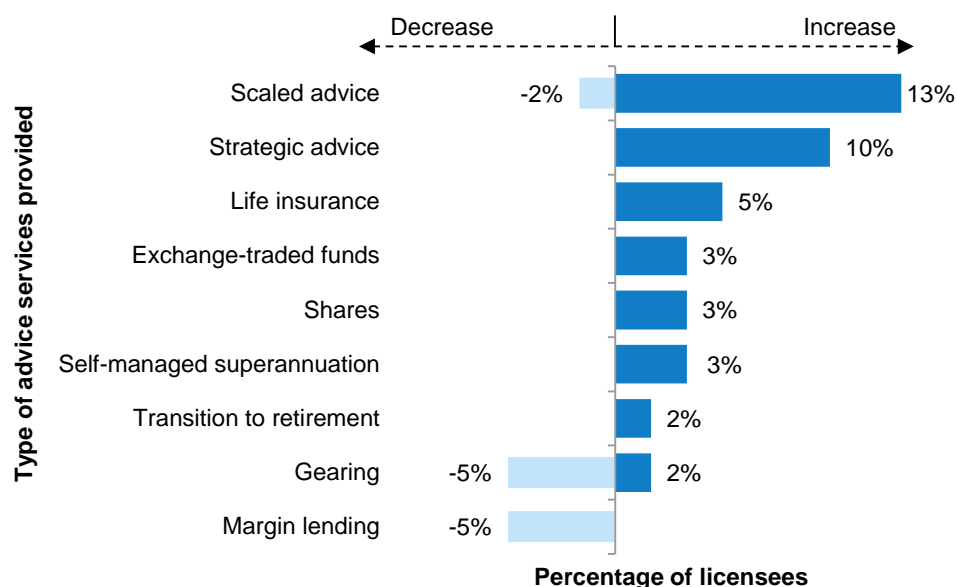
73 Some licensees noted a reduction in their advice on margin lending and other forms of gearing, which was influenced by the ban on asset-based fees on borrowed amounts. Under the FOFA reforms, licensees and authorised representatives that provide financial product advice to retail clients are generally prohibited from charging asset-based fees on borrowed amounts that are to be used to acquire financial products by or on behalf of a client.

74 The following licensee stated that it had increased both scaled advice and strategic advice:

‘Comprehensive advice was previously provided to all our clients. However, scaled advice is now being provided—for example, intra-fund advice to accumulation-phase clients. Ninety per cent of the time spent with clients is on strategy and not products; often clients are not financially literate.’

75 While several other licensees stated that they were interested in developing scaled advice services and were exploring ways to do so, a small number expressed the view that it was too difficult to provide scaled advice that would meet the best interests duty. According to one licensee:

‘Scaled advice has been thrown out the window with best interests. Best interests provisions mean that you can never reduce [the scope of] the advice. This is a shame because there is a need for scaled advice.’

Figure 9: Changes to advice services made by licensees

Note: Data is based on the complete sample of 60 licensees.

76 This view is contrary to our regulatory guidance, which states that scaled advice can be provided in line with the best interests duty. Regulatory Guide 175 *Licensing: Financial product advisers—Conduct and disclosure* (RG 175) states at RG 175.388 that the requirements of the best interests duty can be scaled up or scaled down. In addition, Regulatory Guide 244 *Giving information, general advice and scaled advice* (RG 244) provides specific guidance, with examples, about complying with the best interests duty and related obligations when giving scaled advice.

77 Licensees expressed these views before the making of the Amendment Regulations, which introduced changes to the best interests duty intended to facilitate the provision of scaled advice.

Approved product lists

78 Almost all licensees in the sample had an approved product list for advisers.

79 The best interests duty and related obligations under FOFA have affected the composition of approximately one-third of the licensees' approved product lists. Most licensees had reviewed their approved product lists, often using internal and external research.

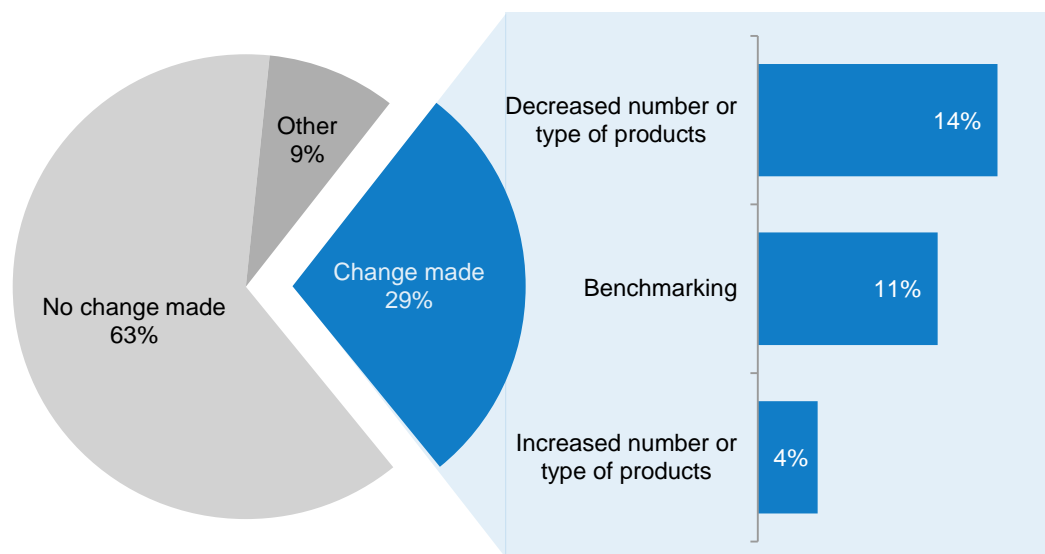
80 These changes were a result of FOFA, and our updated guidance in RG 175, which states that the best interests duty does not prevent or require the use of approved product lists, and that:

In some cases, an advice provider can conduct a reasonable investigation into financial products under s961B(2)(e) by investigating the products on their AFS licensee's approved product list. (RG 175.325)

In other cases, an advice provider will need to investigate and consider a product that is not on their AFS licensee's approved product list to show that they have acted in the best interests of the client when providing them with personal advice. (RG 175.326)

- 81 While many licensees (63%) concluded that no changes were required to their approved product lists, others had decreased (14%) or increased (4%) the number or type of financial products they approved: see Figure 10.

Figure 10: Percentage of licensees that changed their approved product lists as a result of FOFA



Note: Data is based on a sample of 59 licensees (15 large, 17 medium, 13 small and 14 very small). One licensee was unable or chose not to provide this data. Percentage values shown do not add up to 100% due to rounding.

- 82 Reasons for these changes included:
- rationalising approved product lists to remove uncompetitive products and products accruing conflicted forms of remuneration;
 - reducing the number of products on the list so that adequate research could be provided on each included product; and
 - expanding approved product lists to include a wider range of external products (i.e. products that are neither in-house products nor products issued by related parties).

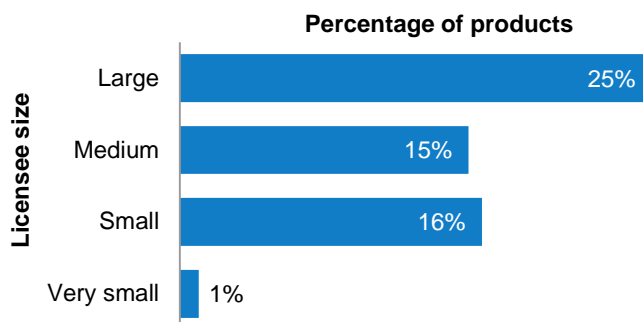
- 83 Figure 10 also shows that several licensees (11%) have introduced or amended product benchmarking for their approved product lists, which they said improved the quality of products available to their advisers. For example, one large licensee commented that its product benchmarking process, introduced as a result of the best interests duty, had introduced competitive pressure on the product manufacturing side of the business. The licensee claimed that the features or costs of certain products had been improved so that they would meet the criteria for inclusion on the advice licensee's approved product list.

Licensees affiliated with financial product issuers

84 As described in paragraph 57, over 60% of licensees in the sample were affiliated with financial product issuers. Usually, these licensees were wholly owned by the product issuers or formed part of the same financial services group. For licensees who were affiliated with financial product issuers, the average percentage of products on their approved product lists that were issued by related parties is shown in Figure 11 (for each size category of licensee).

85 While the average for large licensees was 25%, in some cases this related to their managed funds only. However, some large licensees stated that up to 85% of the insurance products and 100% of the platforms on their approved product lists were issued by related parties.

Figure 11: Average percentage of products issued by related parties on licensees' approved product lists

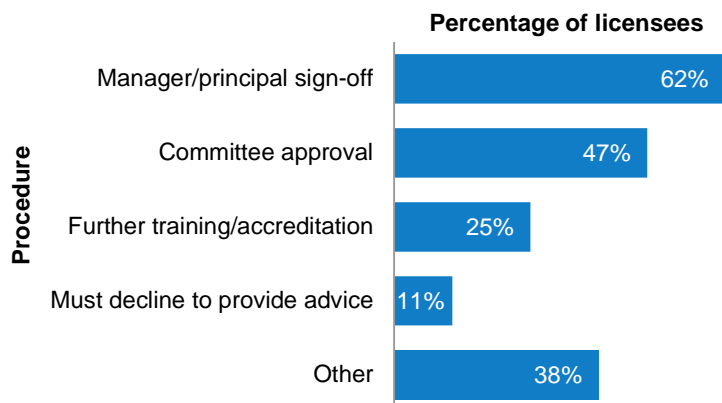


Note: Data is based on a sample of 31 licensees (7 large, 14 medium, 5 small and 5 very small). The remaining 29 licensees were either not affiliated with a financial product issuer or did not provide this data.

Advising on products outside the approved product list

86 To meet the best interests duty, financial advisers may need to consider products that are not on their licensee's approved product list. Our regulatory guidance in RG 175 indicates that, in some cases, advisers may be required to advise on products that are not covered by their licensee's approved product list, or advisers may need to decline to provide advice.

87 The questionnaire asked licensees to indicate the procedures that apply in such instances. Figure 12 shows their responses, which included requiring the adviser to obtain special approvals or sign-offs from their licensee to advise on such products, or requiring that advisers undergo further training.

Figure 12: Procedures used by licensees for giving advice on products outside the approved product list

Note: Data is based on a sample of 55 licensees (15 large, 17 medium, 13 small and 10 very small). Percentages do not add up to 100% because multiple responses were allowed.

- 88 In some cases, advisers are not permitted by their licensee to provide advice on certain non-approved products and must decline to do so. For example, one licensee told us that its advisers were not allowed to advise switching clients out of particular superannuation funds and into products issued by related parties of the licensee, because the client's existing product was likely to be at least as competitive as, if not better than, the related party's products.
- 89 Another licensee's Financial Services Guide (FSG) indicated that its advisers were only authorised to provide advice on the licensee's approved products. We asked this licensee how it ensured that advice met the best interests duty in light of this restriction. The licensee indicated that it might allow advisers to advise on other products, but stated that this was rarely required because the vast majority of its clients sought advice on approved products (which included products issued by related party superannuation funds).

E Impact on revenue and remuneration

Key points

We asked licensees in the sample how FOFA had affected their revenue flows, both at the licensee level and at the individual adviser level.

Following the ban on certain forms of conflicted remuneration, the value of advice fees increased, and the value of commissions decreased, as a proportion of the licensees' total revenue.

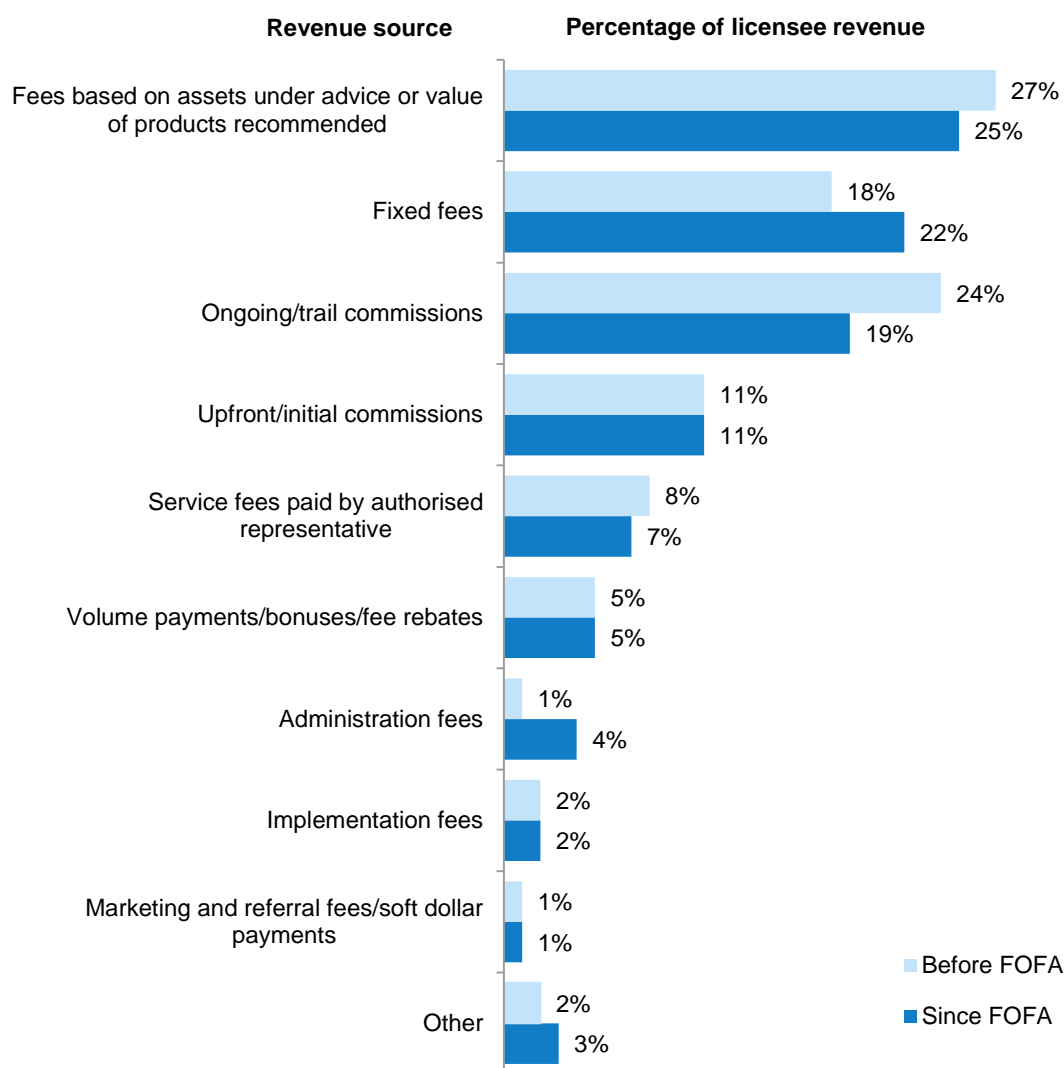
Relatively few licensees in the sample were charging for advice on a purely fixed-fee basis (e.g. a set rate or hourly rate), but some licensees stated that they expected this method of charging to increase over the next three years.

Some licensees calculated bonuses paid to their advisers with reference to the amount of revenue generated from advice fees charged by the adviser, or the volume of assets under advice. However, these licensees often had 'gate-openers' that had to be met before a bonus could be paid, such as a high level of compliance.

We also asked licensees what other steps they have taken to ensure compliance with the ban on certain forms of conflicted remuneration. Many licensees had engaged their staff in further workshops and training, reviewed policies and procedures, increased supervision and monitoring, and obtained external compliance advice.

Licensee revenue streams

- 90 Licensees provided approximate figures for their sources of revenue both before and after FOFA. On average, fees based on the volume of assets under advice were the largest source of revenue both before and after FOFA. This was followed by revenue from fixed fees, and initial and ongoing commissions.
- 91 Figure 13 shows how licensees' revenue streams changed as a result of FOFA, based on the average of all licensees' responses (i.e. giving an equal weighting to all licensees in the sample). The key changes, generally, across licensees have been:
- (a) a reduction in fees received by the licensee based on the volume of assets under advice or product recommendations;
 - (b) an increase in fixed fees paid to licensees—these fixed fees included fixed fees for advice paid by clients, and fixed fees paid by superannuation funds to their licensee subsidiaries to cover the cost of providing intra-fund advice to members; and
 - (c) a reduction in product commissions paid to licensees by product issuers.

Figure 13: Licensees' average revenue source before and after FOFA

Note: Data is based on a sample of 48 licensees (9 large, 13 medium, 12 small and 14 very small), with equal weighting given to each of these licensees' responses that described their revenue sources. Twelve licensees were unable or chose not to provide this data.

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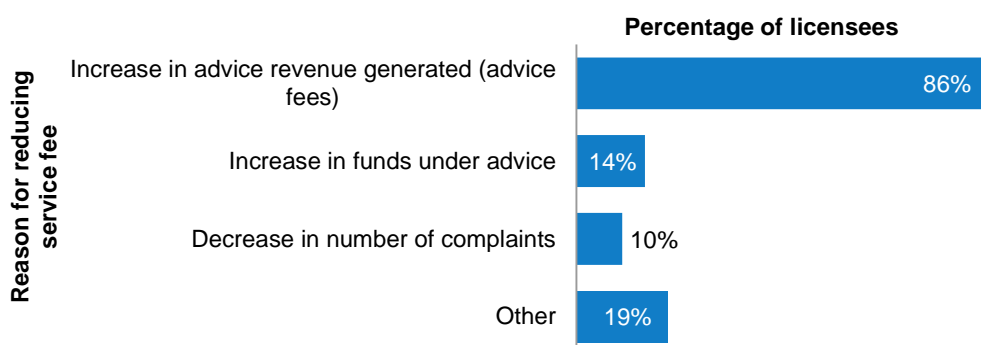
Some licensees' revenue models differed substantially from the average figures for all licensees shown in Figure 13. For example:

- (a) Some licensees continued to receive the majority of their revenue from commissions, including investment commissions from arrangements that existed before July 2013, and insurance commissions that were not subject to the conflicted remuneration ban. For example, while commissions were worth 25% of licensees' revenue on average, the average for nine large licensees in the sample was approximately 40%, and for some the figure exceeded 50%.
- (b) A small number of licensees charged for advice on a fixed-fee basis only (with no asset-based percentage fees).
- (c) Several licensees in the sample were wholly owned by industry superannuation funds and their main source of income (90% or more)

was through fixed fees from those funds—mainly to cover intra-fund advice, the cost of which was borne by all members of the fund.

- 93 Licensees with predominantly authorised representative advisers usually received service fees from their advisers, as well as a proportion of revenue from the advice fees and commissions generated by the advisers. The value of these service fees varied widely—for some licensees it represented up to 70% of their revenue.
- 94 We asked licensees whether these service fees could be reduced, based on the activities of the authorised representatives. The most common reason for rebates or discounts was the amount of advice revenue the representative generated. No licensees responded that the service fee could be reduced by the authorised representative meeting targets for the sale or recommendation of products issued by particular financial product issuers. Figure 14 summarises licensees' responses.

Figure 14: Licensees' reasons for reducing authorised representative service fees



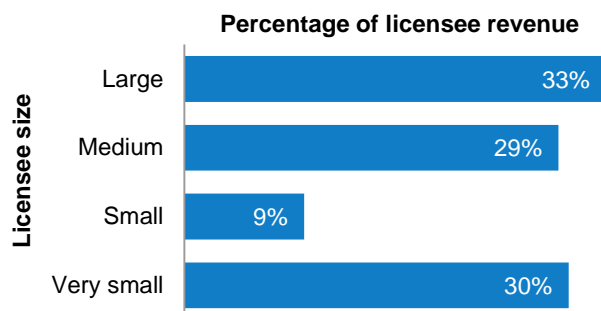
Note: Data is based on a sample of 21 licensees (8 large, 7 medium, 5 small and one very small). This question was relevant to approximately 40 licensees in the sample that had predominantly authorised representative advisers. Most of the remaining 19 licensees indicated that this service fee could not be varied. Percentages do not add up to 100% because multiple responses were allowed.

Value of 'grandfathered' benefits

- 95 Under the FOFA reforms, a number of sources of revenue were excluded from the conflicted remuneration ban because the arrangements had been in place before 1 July 2013 (known as 'grandfathered benefits'). For example, licensees and advisers may continue to receive trailing commissions for investments that pre-date the FOFA reforms.
- 96 On average, licensees indicated that grandfathered benefits were worth around one-third of their total income (though substantially more or less than the average, in some cases). Grandfathered benefits tended to be a greater proportion of the large licensees' revenue streams, on average. These licensees stated that they expected the relative value of this revenue to reduce over time.

97 Figure 15 shows the value as a percentage of total revenue of grandfathered benefits across the licensees in the sample, by size category of licensee.

Figure 15: Licensees' revenue from grandfathered benefits as a percentage of total revenue



Note: Data is based on a sample of 48 licensees (8 large, 14 medium, 12 small and 14 very small). Twelve licensees were unable or chose not to provide this data.

Changes expected in the future

98 We asked licensees how they expected their revenue mix, at a licensee level, to change over the next three years as a result of FOFA. Many stated that they expected an increase in advice fees (including variable and/or fixed fees, and fees based on assets under advice) and a reduction in revenue from commissions. Some of the licensees commented:

‘Over the next three years we anticipate that advice fees and ongoing service fees will increase as a percentage of total revenue, with an associated reduction in trail commissions and volume payments. It is also expected that grandfathering arrangements and conflicted remuneration streams will progressively diminish over time.’

‘[We expect an] increase in revenue from fee for service [and a] decrease in ongoing commissions (trail commissions) and volume bonuses.’

‘[We expect] a migration to fixed fees.’

‘We expect commissions from legacy products to decline as a result of clients wanting improved platforms and products with unbundled fees; and we expect the mix of fixed and asset-based fees to remain the same because our clients consistently choose asset-based fees when offered the choice.’

99 However, about one-third of the sample stated that they did not expect their revenue mix to change over the next three years as a result of FOFA. Some of these licensees stated that they had been operating under an advice fee model for some years. One stated:

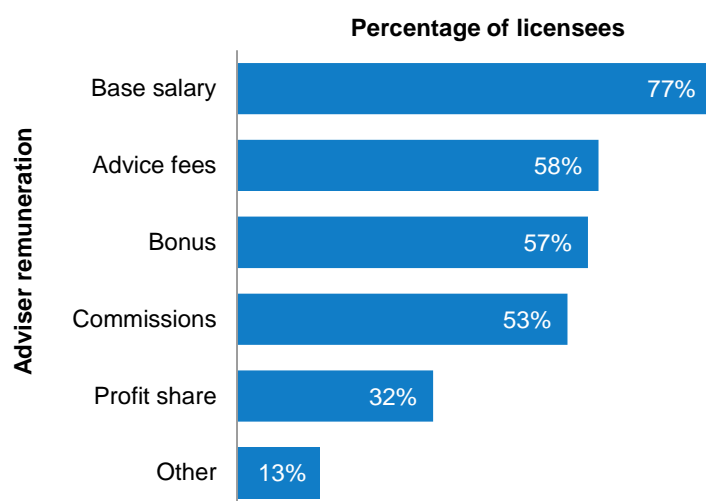
‘We do not believe there will be a change—we have been attempting to be a fee-for-service business since inception. We have never taken volume overrides and/or soft dollar [payments].’

Individual adviser remuneration

How advisers are paid

100 In general, the licensees' advisers were paid by a combination of methods. For example, most large licensees stated that their advisers received a mixture of salary, bonuses, advice fees and commissions, with a smaller percentage of advisers being remunerated through profit share. Figure 16 shows the results for all licensees in the sample.

Figure 16: How advisers are paid



Note: Data is based on the full sample of 60 licensees. Percentages do not add up to 100% because multiple responses were allowed.

101 Advice fees may be charged or calculated in a number of different ways, including:

- (a) a fixed dollar amount;
- (b) a fee based on the time taken to provide the advice to the client (e.g. a fee based on the adviser's hourly rate); and
- (c) a fee based on the client's investments or assets under advice.

102 Over half of the licensees reported that there had been no change in their advisers' remuneration as a result of FOFA. In some cases, licensees indicated that this was because they were already compliant with the FOFA requirements. For example, one licensee said:

'[Our advisers] moved to a fee-for-service model well before the first proposed introduction date for FOFA.'

103 Around one-quarter of licensees indicated their advisers had increased the use of advice fees. Comments included:

'[There are] less upfront commission structures and more flat fee and fee-for-service arrangements.'

‘A greater proportion of advisers’ remuneration is now generated from fee-for-service-based charging.’

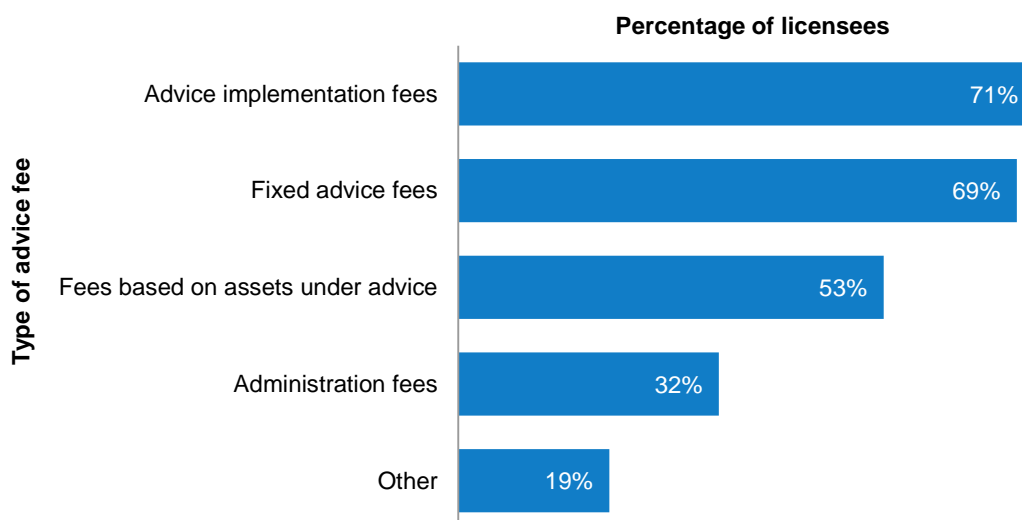
‘The product issuers on our approved product list have changed over from commissions to adviser service fees, which individual advisers negotiate with each client.’

‘Despite grandfathering provisions, clients are being switched away from fees based on a percentage of [funds under management] to a flat fee model during each annual planning meeting.’

How advice fees are calculated

104 We also asked licensees how their advisers’ advice fees were calculated, when they were paid directly by clients (often described by the industry as a ‘fee-for-service’ arrangement). Most licensees indicated that their advisers calculated advice fees in a variety of ways, as shown in Figure 17. Calculating advice fees based on a percentage of the client’s assets or investments was common across the sample (just over half of the licensees).

Figure 17: How licensees’ advisers calculate advice fees



Note: Data is based on a sample of 59 licensees (15 large, 17 medium, 13 small and 14 very small). One licensee was unable or chose not to provide this data. Percentages do not add up to 100% because multiple responses were allowed.

Bonuses and balanced scorecards

105 The ban on certain forms of conflicted remuneration has affected the bonuses paid to financial advisers. Just under a third of licensees reported paying bonuses to advisers using a ‘balanced scorecard’ approach, which determined adviser bonuses using a range of measures that were not solely linked to the recommendation or sale of financial products.

106 Of those licensees using a balanced scorecard approach, some indicated that their scorecard had a compliance ‘gate-opener’, which meant that an adviser

with a poor compliance record may not be entitled to any bonus. Licensees commented that:

‘An “unsatisfactory” compliance rating leads to no bonus as well as a supervision program.’

‘An adviser will not be eligible for a bonus unless their goals, behaviours and contribution amount to a “job well done” rating.’

107 Eligible advisers received bonuses calculated using metrics such as revenue generated, new business generated, client satisfaction, compliance, behaviour and other key performance indicators.

108 In calculating bonuses under a balanced scorecard approach, licensees often stated that the bonus was based on (among other things) advice fees generated by the adviser. Because advice fees were, in turn, often based on the assets under advice, including the value of financial products recommended, in some cases there may be a risk that adviser remuneration remained linked to product sales and may therefore be reasonably expected to influence the advice:

‘Performance bonuses are based on revenue targets, compliance ratings and [key performance indicators].’

‘[Bonuses are] typically determined by revenue generated (combination based on fees and commissions) and then other factors.’

109 Some licensees stated that their bonus structures were not sales oriented and did not create a conflict of interest, with comments such as:

‘Goals and weightings vary from adviser to adviser but none include incentives that could conflict advice.’

‘Bonuses don’t apply (other than in relation to performance appraisal, which is a separate and distinct process to the provision of a bonus based on sales).’

‘A variable reward is calculated once revenue levels have been achieved. Revenue is source agnostic (i.e. reward levels do not vary depending on type or source of revenue).’

‘There is no sales incentivised bonus scheme in place for planners.’

Monitoring compliance with the conflicted remuneration ban

110 We asked licensees what other steps they had taken to ensure compliance with the ban on certain forms of conflicted remuneration. Forty-one licensees responded to this question. The most common responses are described below.

111 Many licensees stated that they had engaged their staff in further training and workshops. This was particularly relevant for licensees with an authorised representative model, because their representatives (including small business owners) would have direct control and discretion over how

advisers were remunerated. Licensees are responsible for ensuring that their representatives comply with the law:

‘[We have] ongoing training in dialogue with each of the advisers.’

‘Initial and ongoing training and work is currently being developed for implementation in advance of [the] sunset date for grandfathering of 1 July 2014.’

‘[We have] run face-to-face FOFA workshops and briefed the practice principals across the licensees with regard to conflicted remuneration.’

112 Many licensees had also modified their policies or guidelines:

‘Adviser policies have been updated (including [our] pricing policy and consequence management policy).’

‘[Our new policies and guidelines reflect the] ban on investments commissions for new clients, development of acceptable remuneration arrangements for corporate authorised representatives (CARs), development of employee remuneration guidance for payments from CARs to authorised representatives, and soft dollar policy review and update.’

113 The ban on certain forms of conflicted remuneration had a direct impact on most licensees’ remuneration structures. Licensees reported having reviewed and modified their fee arrangements in light of FOFA:

‘Approved product lists have been updated to remove products paying conflicted remuneration (other than where grandfathering exists).’

‘All commissions on geared amounts have been banned. All new distribution agreements (by which fees/commissions are paid) are reviewed by legal and compliance to ensure the arrangements are FOFA-compliant.’

‘We do not receive commissions on products, and are converting asset-based fees on geared products to a flat fee on net funds. There is continual review of the approved product lists to ensure flexibility and choice of available products, and implementation of appropriate policies at a group level on soft dollar requirements.’

114 Some licensees indicated that they were monitoring compliance with the conflicted remuneration changes through audits, compliance reviews and monitoring.

‘[We] conducted a full review of brokerage and revenue accounts of our authorised representatives and corporate authorised representatives, coupled with [group] risk and compliance [for the] overarching policy and procedures.’

‘[We conduct] ongoing monitoring and supervision of client files.’

115 Some licensees referred to having engaged external consultants or lawyers, and using our regulatory guidance, to ensure compliance with the conflicted remuneration provisions:

‘Legal advice has been sought to verify that all existing remuneration arrangements/agreements meet the specified tests under the FOFA regime.’

‘We have taken counsel from third parties and amended policies.’

‘[We] reviewed legislation and regulatory guides. [We] reviewed all contracts prior to the implementation of FOFA. [We] reviewed all internal policies and procedures.’

F Compliance challenges and risks

Key points

We asked licensees what their biggest challenges had been in implementing the FOFA reforms. Fee disclosure statements and system changes were nominated as the major challenges. Problems with the data received from product issuers, and the timeframe for making system changes, were often highlighted.

Licensees reported that they provided their advisers with extensive training on the FOFA requirements. Most of the larger licensees provided this training internally, as part of their centralised FOFA implementation programs. Smaller licensees generally outsourced their training.

We also asked licensees which elements of FOFA they thought were at the greatest risk of non-compliance for their business. Licensees considered the requirement to provide fee disclosure statements posed a high risk of non-compliance in the future. One reason for this given by licensees was the poor quality of fee and commission data that licensees received from financial product issuers.

Licensees also considered that the best interests duty posed a relatively high risk of non-compliance. Most licensees stated that they were using the 'safe harbour' steps to demonstrate compliance. Licensees were generally comfortable that their advisers understood the relevant obligations, and were providing compliant advice.

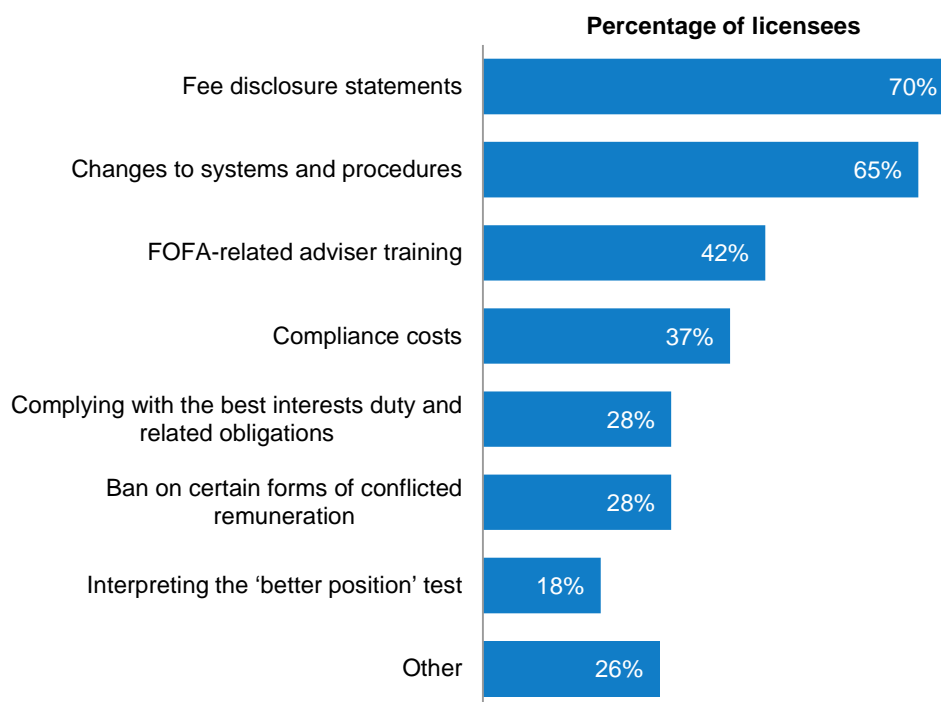
Challenges licensees experienced in implementing FOFA

- 116 We asked licensees what their biggest challenges had been in implementing the FOFA reforms. The results are shown in Figure 18. Across all licensees, the key challenges most commonly selected related to the requirement to provide fee disclosure statements (70%) and the changes licensees needed to make to their systems and procedures (65%).

Note: All responses were received before the making of the Amendment Regulations, which, notably, have modified the fee disclosure statement requirement and the 'safe harbour' to the best interests duty.

Fee disclosure statements

- 117 Fee disclosure statements were consistently highlighted as an issue and challenge for licensees. Many had experienced difficulties with disaggregating fee and commission data, particularly because financial product issuers did not report these figures to licensees in a consistent way. However, other licensees commented on the benefits for clients:
- 'Fee disclosure statements have resulted in better transparency, better client engagement ...'

Figure 18: Challenges licensees experienced when implementing FOFA

Note: Data is based on a sample of 57 licensees (15 large, 17 medium, 13 small and 12 very small). Three licensees were unable or chose not to provide this data. Percentages do not add up to 100% because multiple responses were allowed.

118 A small number of licensees considered fee disclosure statements to be an unnecessary regulatory burden that did not provide a benefit to their clients:

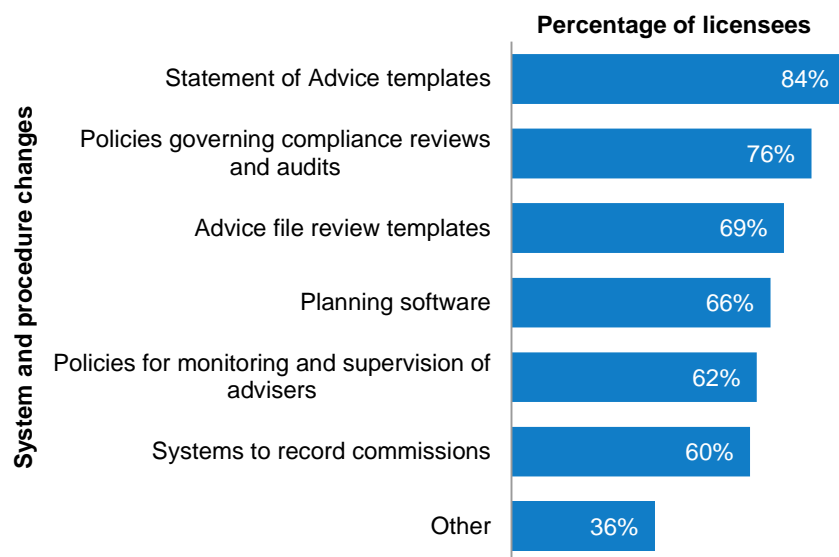
‘Clients don’t seem to understand why we are giving them a [fee disclosure statement]. They ask “what is this? You are duplicating information you have already told us”.’

‘[Some] customers actually think that the [fee disclosure statement] is an invoice requesting payment. This distracts from the intent of the document.’

Changes to systems and procedures

119 Licensees reported having made a wide range of changes to their systems and procedures as a result of FOFA. As Figure 19 shows, changes to Statement of Advice templates and advice file review templates, and changes to licensee policies governing compliance reviews and audits, were the most common changes.

Figure 19: System and procedure changes made as a result of FOFA



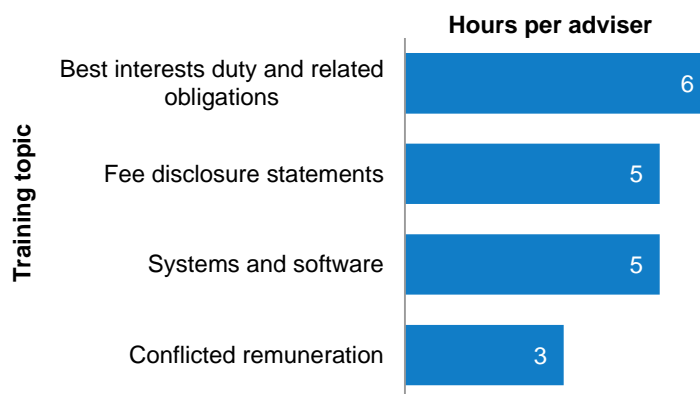
Note: Data is based on the full sample of 60 licensees. Percentages do not add up to 100% because multiple responses were allowed.

FOFA-related adviser training

120

Most licensees indicated that training had been provided to all their advisers. On average, licensees indicated that approximately 20 hours of training had been provided to each of their advisers. Of this, the most training time was spent on the best interests duty: see Figure 20.

Figure 20: Average hours of training provided to each adviser per topic



Note: Data is based on a sample of 57 licensees (15 large, 16 medium, 13 small and 13 very small). Three licensees were unable or chose not to provide this data.

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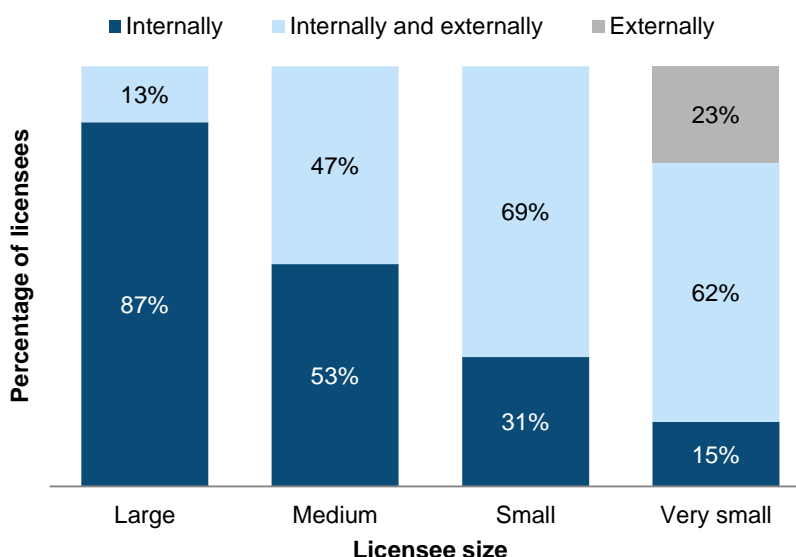
Apart from providing training on the best interests duty, fee disclosure statements, systems and software, and conflicted remuneration, some licensees also provided training on the following topics:

- (a) the business impact of FOFA;
- (b) preparing for a fee-for-service environment;
- (c) delivering value to clients in light of FOFA;
- (d) managing conflicts of interest; and
- (e) product replacement advice.

122 Large licensees tended to conduct all adviser training internally (87%), while only 15% of the very small licensees relied exclusively on internal training: see Figure 21.

123 Most licensees indicated that they had plans for providing further FOFA-related training—in particular, on the best interests duty and related obligations, which was often perceived as a challenging and difficult topic.

Figure 21: How training was provided by licensees to their advisers



Note: Data is based on a sample of 58 licensees (15 large, 17 medium, 13 small and 13 very small). Two licensees were unable or chose not to provide this data.

Compliance costs

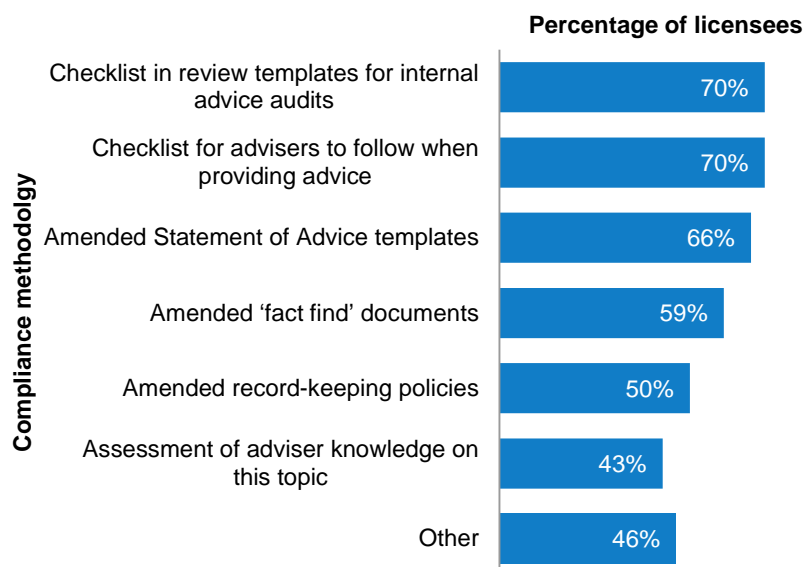
124 A range of licensees referred to the costs associated with implementing OFA in their advice businesses. For details of their comments, see Section G.

Complying with the best interests duty and related obligations

125 To prove compliance with the best interests duty, advice providers may choose to show that they have followed a series of steps under s961B(2) of the Corporations Act, known as the ‘safe harbour’.

126 The majority of licensees (92%) stated that they used the safe harbour provisions to test and ensure compliance with the best interests duty. As Figure 22 shows, 70% of all licensees had included checklists in review templates for internal advice audits, as well as checklists for advisers to follow when providing advice, in order to test compliance with the best interests duty and related obligations.

Figure 22: How licensees tested compliance with the best interests duty



Note: Data is based on a sample of 56 licensees (15 large, 17 medium, 13 small and 11 very small). Four licensees were unable or chose not to provide this data. Percentages do not add up to 100% because multiple responses were allowed.

127 Many licensees considered that they were already providing advice in the client's best interests before FOFA.

'We understand what is meant by safe harbour, but do not understand why it is such an issue. Every other profession—doctors, teachers, etc—have to act in the best interests of their clients and they do not need a safe harbour test; therefore, why do advisers? It is about giving good quality advice and doing the right thing for clients.'

Changes to the safe harbour

128 Approximately mid-way through our research for this project, the Government announced that it proposed to amend the safe harbour steps for complying with the best interests duty by removing s961B(2)(g) of the Corporations Act. (This change was made by Amendment Regulations in June 2014.) This section of the safe harbour for the best interests duty provided that an advice provider needed to take 'any other step that, at the time the advice is provided, would reasonably be regarded as being in the best interests of the client, given the client's relevant circumstances'.

- 129 We asked the remaining licensees how (if at all) this amendment, if enshrined in law, would change their systems and processes for providing personal advice to retail clients, and the substance of the advice itself.
- 130 Many licensees commented that their advice would not change, but that acting in accordance with s961B(2)(g) was nevertheless a part of providing good advice:
- ‘We do not think this carve-out will make a great difference to the quality of advice. This step is part of providing good advice.’
- ‘If you are doing things correctly, it won’t make a difference anyway.’
- ‘Removal of the catch-all will not change the quality of the advice. It is not a retrograde step. Individual advisers still need to satisfy themselves that they have taken steps to provide advice that is in the client’s best interests, and to provide appropriate advice.’
- 131 However, a number of licensees also referred to the removal of s961B(2)(g) as providing more legal certainty and less risk:
- ‘The catch-all provision made the obligation very broad. It was hard to know what it meant. Its removal makes it more logical and less legal— [providing assurance that the law is not] “out to get you”. It is easier to comply with if you are clear about what is required.’
- ‘[We] don’t think [the removal of the catch-all] will change anything. It will give more certainty. The lack of clarity around its intention has bred fear in industry participants, so it will be good [if] it is removed.’
- 132 Some licensees’ comments suggested that the fear around s961B(2)(g) may be based on a perception of risk, rather than a risk that has a legal basis:
- ‘We see the removal of the any other step requirement as a positive. It creates a fear among advisers that if they don’t “cross a T or dot an I” they will be found to have breached [the law], even though that [interpretation of the law] is probably not [correct].’

Interpreting the ‘better position’ test

- 133 We asked licensees how they measured whether their advisers were ensuring that clients were left in a better position as a result of the advice they received. The most common responses were (in descending order):
- (a) there was evidence of a material improvement in the client’s position;
 - (b) advice was linked to a client’s goals and objectives;
 - (c) advice took multiple factors into account; and
 - (d) advice resulted in lower fees or cheaper products.
- 134 Some licensees commented that ‘better position’ is self-explanatory and fundamental to good advice.

- 135 Some licensees commented that good financial advice may not entail a change in the client's financial products. One small licensee stated that:
- ‘[We apply] a variety of tests to ensure the client is comfortable with [the recommended] risk and strategy [and to ensure advisers] can offer true value. [Our advisers] decline to provide advice where they feel they cannot meet this objective, or will provide advice but will charge only a small fee, basically to say that they feel the client may be no better off by switching products and should remain in their current super fund [for example].’

Prioritising clients' interests if a conflict arises

- 136 We asked licensees how they monitored and ensured that their advisers prioritised their clients' interests ahead of their own (or those of related parties) in the event of a conflict. Fifty-nine licensees provided responses to this question.
- 137 The most common response was that licensees were conducting internal audits or arranging external audits, compliance reviews and spot checks:
- ‘Through our compliance audit program we specifically assess “Does the recommended strategy/product give priority to the interests of the client?”’
- ‘Checks are conducted by the licensee on an ongoing basis on individual client files to review the advice provided, and this includes an assessment of whether there were any conflicts and how they were prioritised.’
- ‘[Our] monitoring and supervision framework includes periodic on-site compliance reviews of advisers ... These reviews include assessments as to whether individual files have met the best interests requirements and conformance to the conflicts priority rule.’
- 138 Licensees often cited the development (or updating) of internal standards, frameworks or checklists that their advisers were required to comply with:
- ‘As a result of FOFA our governance and supervision framework was reviewed and updated [including] our policies, training requirements, compliance review standards [and] remediation activities and consequences.’
- ‘[We make] use of a checklist derived from RG 175.373–RG 175.382.’
- ‘[We have] developed and implemented a number of advisory standards which must be complied with by all advisers. Those standards include our requirements for meeting the best interests for clients and conflicted priority rule.’
- 139 Licensees referred to fostering a culture that puts clients' interests first:
- ‘The licensee provides ongoing training on the best interests obligations, including the conflict priority rule and the value of advice for clients.’
- 140 Other responses included:
- (a) removing potential sources of conflicts of interest (e.g. commissions and other incentives);
 - (b) active identification and disclosure of conflicts of interest (including maintaining a conflicts register);

- (c) focusing attention on high-risk areas (e.g. new advisers);
- (d) using para-planners or quality control teams for extra independence and review;
- (e) manager observation and supervision; and
- (f) using a consequence management policy for transgressions.

Conflicts caused by affiliations with product issuers

- 141 Licensees with affiliations with financial product issuers were asked how they managed the associated risk of non-compliance with the best interests duty and related obligations.
- 142 The most common response was that research ensured that the licensee had a robust and competitive approved product list. Comments included:
- ‘In addition to the seven safe harbour steps, the licensee has also implemented benchmarking guidelines which set out how the products on its approved product list have been benchmarked with regards to the best interests duty and the conflicts priority duty, specifically when advisers are recommending financial products to clients ... This ensures that the investments are competitive relative to a reasonable representation of similar products on the market.’
- ‘Any product that has associations with the licensee is reviewed regularly to ensure that it is a competitive product in the market.’
- 143 Some licensees relied on their advice procedures and adviser training to ensure that clients’ interests were prioritised:
- ‘As part of the training undertaken by the licensee for our advisers, we specifically addressed the need for advisers to research products and select the appropriate product that met the client’s needs/objectives and strategy. We have reformatted our advice documents to better capture the client needs, subject matter of advice, adviser expertise, advice strategy that meets the need and suitable product selection.’
- 144 As explained in paragraphs 86–89, licensees often had processes for enabling advisers to provide advice on products that were outside the approved product list. Some licensees stated that exceptions were made to the approved product list when this would be best for the client. Some stated that advisers were not given incentives to recommend particular products over others.

Other steps required

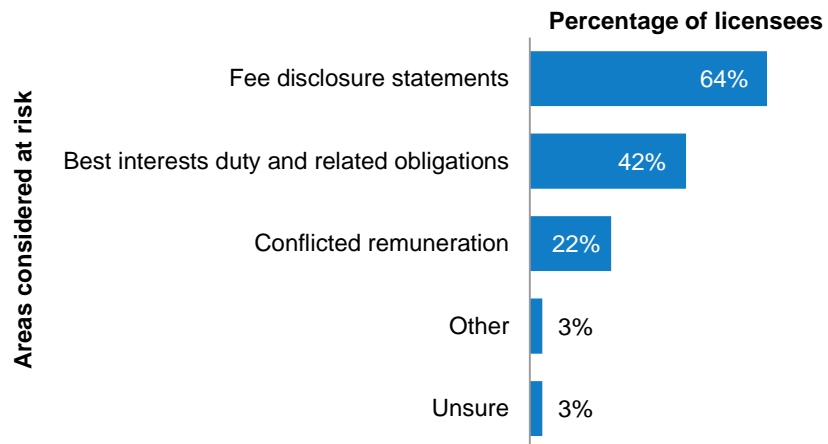
- 145 We asked licensees what other steps they had taken to ensure their advisers met the best interests duty and related obligations. The most common responses were (in descending order):
- (a) staff training and workshops (including assessment tasks);
 - (b) provision of new or updated checklists, guides or standards;

- (c) greater levels of, or more systematised, monitoring and supervision;
- (d) cultural focus on meeting clients' best interests; and
- (e) removal of incentives for advisers to recommend particular products.

Elements of FOFA at greatest risk of non-compliance

- 146 We asked licensees which elements of FOFA they thought were at the greatest risk of non-compliance for their business. Figure 23 shows the areas considered by licensees in the sample to present the highest risk of non-compliance. The responses indicated that the requirement to provide fee disclosure statements represented the highest risk of non-compliance: 64% of licensees cited this as a risk for their business. This was seen as a challenge across all size categories of licensees, with 40% of very small, around 65% of small and medium, and over 85% of large licensees having selected this response.
- 147 Licensees often referred to the lack of clarity in the product and fee information provided to licensees by financial product issuers, and the difficulty in disaggregating this data when preparing fee disclosure statements.

Figure 23: Areas considered by licensees to pose a risk of future non-compliance



Note: Data is based on the full sample of 60 licensees. Percentages do not add up to 100% because multiple responses were allowed.

G Overall impact of FOFA: Licensees' feedback

Key points

We asked licensees for their general views about the impact of FOFA on their advisers, retail clients, the quality of advice and their advice businesses. We also asked for their views on how the reforms would affect the wider industry. This section summarises the feedback and commentary we received.

Many licensees supported the guiding philosophy behind FOFA, and acknowledged the need for improvements in the industry.

Improvements in the content and quality of advice

- 148 Many licensees stated that FOFA would increase the general standards and professionalism of the industry:
- ‘At the weaker end of the market it will improve; poor advisers will find it harder and have to increase their standards.’
- ‘[The] push to professional standards and education does help.’
- 149 As a result of FOFA, some licensees reported that the quality of their approved product lists had improved, and that advisers were giving greater consideration to their clients' existing products and providing more strategic advice. This was seen as improving the quality of advice across the industry:
- ‘Quality of advice will improve dramatically on replacement products and strategies.’
- ‘We think FOFA will have a positive impact on the advice industry from a compliance perspective, as it will lift the overall benchmark of good quality of advice.’
- 150 Although many licensees claimed that the substance or content of their advice had not changed, they referred to improvements in how the advice was documented—for example, to demonstrate and have evidence that advice was in the client's best interests:
- ‘A lot of the changes have been around the licensees' disclosure and documentation of advice, rather than conduct/the content of the advice.’

Impact on clients

- 151 Some licensees reported that FOFA had generally had a positive impact on clients, and the professionalism of the advisers had improved. Some noted that FOFA had caused the industry to move away from a ‘sales-oriented’ culture:
- ‘[We have] started to see a change in culture and a greater sense of a financial industry “profession” emerging. [We] hope this will continue to lead to improvements in the provision of true advice versus sales culture.’

- 152 However, some licensees considered that FOFA would have a negative impact on clients, with minimal changes to the accessibility of advice and increased costs as a result of additional compliance requirements. They questioned whether some of the policy objectives of FOFA had been achieved, including increasing access to affordable advice:
- ‘There has been no change to access to advice, while the additional compliance costs will increase the cost of advice. [We query] whether the policy aim of more advice for more Australians has been achieved.’
- 153 Some licensees stated that there had been little or no impact on clients:
- ‘There has been no benefit for clients. They are disinterested; they don’t care about FOFA.’
- 154 In relation to fee disclosure statements, some licensees commented that there had been little feedback from clients, although a small number of clients were confused by the statements. Overall, the licensees reported that very few clients had ended the advice relationship as a result of being made aware of the fees they were paying.

Impact on advisers

- 155 Some licensees reported that their advisers had embraced the long-term benefits of FOFA:
- ‘We are happy with the adviser feedback. They are all very engaged and all have turned up to the party. To say that we have embraced FOFA would be an understatement.’
- ‘[Our] advisers have taken on board the FOFA changes very willingly. They have embraced the vast amounts of training rolled out to them. They were particularly happy about the fact that most of their advice processes were already in line with FOFA. There was great focus on content as well as documentation of the advice process. FOFA is a good piece of work, so we’ve taken it on board and ensured that we roll it across all of our business and advisers.’
- 156 However, some licensees reported an initial reduction in adviser productivity—for example, advisers initially had less time to seek new clients and to meet with and provide advice to clients, because they were required to attend FOFA-related training and undertake other activities to ensure compliance with the new legislation. This was reported by some licensees as a significant burden:
- ‘Most advisers aren’t positive about FOFA. It has taken away commissions, but yet failed to address the structural conflicts in the banks. Additionally, it has created more paperwork for advisers and clients.’
- ‘Advisers believe that FOFA has been a total waste for them, because they already do what FOFA is aiming to achieve, but perhaps in a different format.’
- ‘Some advisers feel that FOFA has led to an unnecessary increase in workload and that the process is too lengthy.’

‘Initially, there was a 30% reduction in adviser productivity due to additional requirements for Statements of Advice, file notes, etc. But it was like learning to ride a bike: initially, there were a few wobbles, but now our advisers are moving in a straight line and picking up speed.’

Commercial impact on licensees

- 157 FOFA had a significant commercial impact on licensees, particularly in the short term. Licensees spent considerable time and resources on system changes, compliance assistance and adviser training:
- ‘There is a lot of behind-the-scenes cost, at the adviser level and internally.’
- ‘We thought FOFA would be much more onerous than it was, after FOFA was being discussed for years. But it would have been helpful if we had an extra 12 months to implement the changes.’
- 158 This resulted in an opportunity cost because some licensees did not focus on expanding their business, and advisers had less time to engage in income-generating operations, such as seeking new clients and providing advice:
- ‘We spent [millions of dollars], including dealing with other new regulations such as SuperStream as well. However, over the medium to long term the impact will be neutral.’
- ‘[There was a] high initial cost with FOFA implementation and also ongoing costs to provide advice have risen.’
- 159 Some small licensees stated that complying with the reforms was more challenging for them:
- ‘A small firm that offers good quality tailored advice does not have [economies of] scale and therefore its costs are impacted more. We believe there should be different provisions for the large bank-type organisations to the small independents that provide better tailored advice.’
- 160 Several licensees commented that there had been a lack of clarity about what happens to grandfathered revenue when a representative or business changes licensees, and that this had affected the growth of their business, or had impeded the ability of authorised representatives to move to a ‘better’ licensee. We also received some feedback that representatives had been offered substantial incentives to move to a different licensee, or to stay with their existing licensee.
- 161 Some licensees commented that the changes would benefit their businesses in the medium term and that, overall, FOFA was a positive initiative. In some cases, FOFA prompted licensees to do work that was overdue—such as the analysis and segmentation of clients and improvements to the approved product list—and these changes would benefit the licensee:
- ‘Some changes required by FOFA were fortuitous as they are changes the business would have needed to make anyway.’
- ‘Commercially, FOFA has been a costly process [in terms of] resources and money in the short term. However, the commercial benefit will emerge.’

H Questions from licensees

Key points

This section provides a summary of some of the questions asked by licensees about FOFA, and details our responses to the issues raised.

162 In general, most licensees did not raise issues or ask questions that indicated a lack of understanding of what was required under FOFA. However, we did receive some technical questions during our discussions. A summary of some of these questions, and our responses to the issues raised, is provided in Table 3.

Table 3: Summary of questions asked by licensees about FOFA, and our responses

Licensee question	Our response
Conflicted remuneration	
<i>Would a paid conference (including flights) for advisers to discuss and workshop product design with a product issuer (as opposed to a conference relating to product sales) be considered a soft dollar benefit from the product issuer to the licensee?</i>	<p>Yes. In general, the test is whether the paid conference and flights could reasonably be expected to influence the choice of financial product or advice the adviser will offer.</p> <p>The test is objective. The nature and generosity of the benefit and the apparent intention of the person or entity giving the benefit should be considered.</p> <p>In this example, a reasonable person may consider that such a generous benefit may be provided in the expectation of favourable treatment by the adviser.</p>
<i>What is the limit for soft dollar benefits—is it \$300 per adviser per event, or \$300 per adviser per year?</i>	The \$300 limit refers to a single event, although this must be evaluated in conjunction with reg 7.7A.13 of the Corporations Regulations 2001—that identical or similar benefits are not given on a frequent or regular basis.
Advice fees	
<i>Is it acceptable to charge more for advice on particular financial products if the issuers of those products make it difficult for the licensee to obtain information from them?</i>	Advice fee structures are a commercial matter for licensees, not ASIC (as long as the licensee is compliant with the disclosure requirements and the ban on conflicted remuneration, and other relevant provisions).
Fee disclosure statements	
<i>Does FOFA require us to give a fee disclosure statement to a client if they die, don't want to pay or run out of money within the 12 months?</i>	<p>You are not required to give a fee disclosure statement to a client who has died.</p> <p>The obligation to provide a fee disclosure statement is imposed on the current fee recipient for an ongoing fee arrangement. The obligation does not exist if the ongoing fee arrangement has been terminated before the disclosure day.</p>

Licensee question	Our response
<i>My client's circumstances have changed and I have varied our ongoing service agreement to provide new services to the client. I now charge the client a higher fee. Am I required to give the client a fee disclosure statement for the new arrangement?</i>	<p>The Amendment Regulations removed the requirement to provide a fee disclosure statement to clients who entered into their ongoing fee arrangement before 1 July 2013. An ongoing fee arrangement exists when a licensee or its representatives give personal advice to a retail client and the retail client enters into an arrangement with the licensee or representative, the terms of which provide for the payment of a fee during a period of more than 12 months.</p> <p>Varying the ongoing fee arrangement does not necessarily terminate the arrangement or the relationship of the fee recipient with the client. If a new ongoing fee arrangement has not been entered into, the client is not reclassified as a 'new client' and the requirement to provide a fee disclosure statement is not triggered.</p> <p>However, you may wish to consider Regulatory Guide 245 <i>Fee disclosure statements</i> (RG 245) at RG 245.25, which explains that an arrangement under which a client receives unrelated separate pieces of advice does not necessarily constitute an ongoing fee arrangement, even when the client uses the same adviser over a period of more than 12 months.</p>

Key terms

Term	Meaning in this document
advice	Financial product advice
advice provider	A person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply when providing personal advice to a client. This is generally the individual who provides the personal advice. However, if there is no individual that provides the advice, which may be the case if advice is provided through a computer program, the obligations in Div 2 of Pt 7.7A apply to the legal person that provides the advice (e.g. a corporate licensee or authorised representative)
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
Amendment Bill	Corporations Amendment (Streamlining Future of Financial Advice) Bill 2014
Amendment Regulations	Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014
ASIC	Australian Securities and Investments Commission
authorised representative	A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee Note: This is a definition contained in s761A.
best interests duty	The duty to act in the best interests of the client when giving personal advice to a client as set out in s961B(1) of the Corporations Act
best interests duty and related obligations	The obligations in Div 2 of Pt 7.7A of the Corporations Act
client	A retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
Corporations Regulations	Corporations Regulations 2001

Term	Meaning in this document
financial product advice	<p>A recommendation or a statement of opinion, or a report of either of these things, that:</p> <ul style="list-style-type: none"> • is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or • could reasonably be regarded as being intended to have such an influence. <p>This does not include anything in an exempt document</p> <p>Note: This is a definition contained in s766B of the Corporations Act.</p>
Financial Services Guide (FSG)	<p>A document required by s941A or 941B to be given in accordance with Div 2 of Pt 7.7 of the Corporations Act</p> <p>Note: This is a definition contained in s761A.</p>
FOFA	Future of Financial Advice
grandfathered	<p>In the context of the conflicted remuneration provisions in Div 4 of Pt 7.7A of the Corporations Act, a benefit to which the conflicted remuneration provisions do not apply because it is given under an arrangement entered into before 1 July 2013 (or before the date that an AFS licensee elects to comply with Pt 7.7A)</p>
licensee	An AFS licensee
passive client	A retail client who has not received advice or services in the previous 12 months
personal advice	<p>Financial product advice given or directed to a person (including by electronic means) in circumstances where:</p> <ul style="list-style-type: none"> • the person giving the advice has considered one or more of the client's objectives, financial situation and needs; or • a reasonable person might expect the person giving the advice to have considered one or more of these matters <p>Note: This is a definition contained in s766B(3).</p>
platform	<p>Includes investor directed portfolio services (IDPS), IDPS-like schemes, superannuation master trusts, other superannuation funds, self-managed superannuation funds or managed discretionary account services, as defined in Regulatory Guide 179 <i>Managed discretionary account services</i> (RG 179).</p> <p>It does not include nominee and custody services, as defined in Regulatory Guide 149 <i>Nominee and custody services</i> (RG 149).</p> <p>See also Regulatory Guide 148 <i>Platforms that are managed investment schemes</i> (RG 148)</p>

Term	Meaning in this document
providing entity	A person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or an authorised representative that provides the financial product advice
related party	A related party of an advice provider is: <ul style="list-style-type: none"> • an associate of the advice provider; • an AFS licensee of whom the advice provider is a representative; • an associate of an AFS licensee of whom the advice provider is a representative; • an authorised representative who has authorised the advice provider to provide financial services (or a financial service) on behalf of an AFS licensee; or • an associate of an authorised representative who has authorised the advice provider to provide financial services
representative of an AFS licensee	Means: <ul style="list-style-type: none"> • an authorised representative of the licensee; • an employee or director of the licensee; • an employee or director of a related body corporate of the licensee; or • any other person acting on behalf of the licensee <p>Note: This is a definition contained in s910A.</p>
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations
RG 175 (for example)	An ASIC regulatory guide (in this example numbered 175)
s961 (for example)	A section of the Corporations Act (in this example numbered 961), unless otherwise specified
safe harbour for the best interests duty	The steps set out in s961B(2) of the Corporations Act. If an advice provider proves they have taken these steps, they are considered to have met their obligation to act in the best interests of their client
scaled advice	Personal advice that is limited in scope
Statement of Advice (SOA)	A document that must be given to a client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act <p>Note: See s761A for the exact definition.</p>
switching advice	Personal advice that is, or includes, a recommendation that the client dispose of, or reduce their interest in, all or part of a financial product (or investment option) and instead acquire, or increase their interest in, all or part of another financial product (or investment option). This includes where the client's original holding is money in a bank account

Related information

Headnotes

AFS licensees, approved product lists, Australian financial services licensees, advisers, authorised representatives, best interests duty, conflicted remuneration, employee representatives, fee disclosure statements, financial product advice, Financial Services Guide, Future of Financial Advice reforms, grandfathered benefits, personal advice, representatives, retail clients, safe harbour, Statement of Advice

Regulatory guides

RG 98 *Licensing: Administrative action against financial services providers*

RG 146 *Licensing: Training of financial product advisers*

RG 148 *Platforms that are managed investment schemes*

RG 175 *Licensing: Financial product advisers—Conduct and disclosure*

RG 183 *Approval of financial services sector codes of conduct*

RG 244 *Giving information, general advice and scaled advice*

RG 245 *Fee disclosure statements*

RG 246 *Conflicted remuneration*

Legislation

Corporations Act, s911, 916A, 916B, 923A, 961B, 961B(2)(e), 961B(2)(g)

Corporations Regulations, reg 7.7A.13

Report

REP 362 *Review of financial advice industry practice: Phase 2*

Media and other releases

13-355MR *ASIC update on FOFA* (20 December 2013)