Stockbrokers and Investment Advisers Association
Serving the interests of investors

4 September 2025

Email: rri.consultation@asic.gov.au

Attention: Maria Hadisutanto

Senior Manager
Regulatory Reform and Implementation
Australian Securities and Investment Commission
GPO Box 9827
Melbourne VIC 3001

Dear Ms Hadisutanto

Proposed update to RG 181 Licensing: Managing Conflicts of Interest

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and wealth management firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

SIAA members represent the full range of advice providers from full-service and online brokers to execution-only participants and they provide wealth advice and portfolio management services.

The history of the stockbroking profession in Australia can be found here.

Thank you for the opportunity to provide feedback on *Consultation Paper 385 - Proposed update to RG 181 Licensing: Managing conflicts of interest.* (Consultation Paper).

Overview

SIAA considers that overall, the draft guidance is clear and does not require any major changes. We have proposed some small changes which we set out below. Our references are to the relevant provisions of the draft guidance.

Our main feedback is that the draft guidance highlights yet again the discrepancy between the *Financial Planners and Advisers Code of Ethics 2019* (Code of Ethics) and the Corporations Act concerning the management of conflicts of interest. Standard 3 of the Code of Ethics requires advisers to **avoid** advising, referring or acting for a client where there is a conflict of interest or duty. This makes the Code impossible to comply with in practice. The draft guidance identifies that the key

obligation is to manage conflicts of interest appropriately by using a combination of avoiding, controlling and disclosing them – not avoiding them in every instance. SIAA has noted in multiple submissions on Standard 3 of the Code that avoiding any conflict of interest is impossible under the Code, given that the test in Standard 3 has no element of materiality or proportionality. Every time an adviser is paid (regardless of form), they are potentially conflicted, so for the Code to promulgate that conflicts have to be avoided altogether is clearly unworkable.

While outside the ambit of this consultation, we reiterate the importance of changes being made to the Code to ensure there is consistency between the provisions of the Code and this draft guidance.

Specific feedback

Table 1: Illustrative examples of conflicts – Individual conflicts

We query the inclusion of the following as an illustrative example of an individual conflict of interest:

- *An adviser recommending a client invest in a company the adviser holds significant shares in.*

We consider that this is not necessarily an example of a conflict. Greater clarity on what 'significant' means would be necessary to provide context. We also consider that there may be many situations where an adviser has a significant investment in a listed stock that they may later recommend to their clients as an investment. This is not uncommon. Owning recommended stock aligns the adviser's interests with those of the client and ensures that the adviser has 'skin in the game'.

Remuneration

We refer to RG 181:78:

…you should:

b) avoid remuneration structures that rely solely on commission-based pay (ie when no salary or other remuneration is paid).

Remuneration structures that rely solely on commission-based pay (ie when no salary or other remuneration is paid) is a common remuneration structure for stockbrokers. The provision in the guidance should be amended to take this into account rather than being presented as a prohibition on this type of remuneration structure.

Fair treatment of clients and members

We refer to RG 181.83:

This does not prevent you from 'market making' – that is, making a profit or expecting a return (eg fees) in exchange for providing products and services.

The use of the term 'market making' in this context is not correct. Market Making has a specific term in our industry. It is not earning fees *in exchange for providing products and services* – that's the business of stockbroking and investment advice. Market Making means that an entity is willing to trade a security against a counterparty by producing a firm bid to buy and offer to sell. Market makers display buy and sell quotes for a guaranteed number of shares, take orders from buyers, and then sell shares from their inventory to complete the order. Our members are not Market Makers in that sense. The reference to market making should be removed from the guidance as its use is confusing and unnecessary.

Conclusion

If you require additional information or wish to discuss this submission in greater detail please do not hesitate to [redacted] using the contact details in the covering email.

Yours sincerely

[redacted]

[redacted]