

Submission on ASIC Consultation Paper 254 – Regulating digital financial product advice

The National Insurance Brokers Association of Australia (NIBA) appreciates the opportunity to make a brief submission on the ASIC Consultation Paper 254 – Regulating digital financial product advice.

NIBA represents over 300 insurance broking firms across Australia, the majority of which are small to medium businesses. Insurance broking firms provide traditional insurance broking and risk management advice in the areas of property and liability insurance, and in many cases broking firms also provide advice in relation to life risk insurance.

NIBA is grateful for the opportunity to provide these brief comments on ASIC CP 254.

Draft Regulatory Guide

NIBA supports the proposal to issue a Regulatory Guide in relation to providing digital financial advice to retail clients. We also support the thrust of the proposed guidance in section D of the draft regulatory guide, as this is critical to ensure that the client is aware of the scope of the advice being offered, and any limitations on that advice because of the way in which the digital advice process and algorithms have been designed to work. The overall test must always be: is the advice being provided – either verbally or digitally – in the best interests of the client?

Responsible Manager

NIBA agrees that a digital advice licensee should have at least one responsible manager who meets the minimum training and competence standards for advisers.

The Consultation Paper does not appear to link the responsible manager to the operation of the digital advice process. We believe it is important that a properly qualified and experienced responsible manager should be closely involved in the design, operation and monitoring of the digital advice process, not merely that there is one employed in the business.

Whilst it probably does not need to be stated, for the avoidance of doubt NIBA suggests ASIC confirm that where a person stops using the digital advice process and starts to talk with a person in the advice firm, that person must have the necessary qualifications and experience required of those who give personal advice to retail clients.

NIBA supports a transition period of six months for those who do not currently hold the necessary qualifications. As general insurance has been excluded from the proposed changes to adviser education requirements, a general insurance adviser will have to attain a RG 146 “Tier 1” qualification, and these can be attained by a diligent student within a six month period.

Monitoring and Testing Digital Advice

NIBA believes ASIC should communicate the core principles in relation to regulating digital financial advice – as it is currently doing – but should allow the greatest flexibility possible to enable advice firms to develop digital advice models that will truly deliver cost effective advice to retail customers. This is an area where entrepreneurial activity should be allowed to

develop, so long as the core regulatory obligations are met by the providers of financial advice.

Rather than mandating self certification or third party monitoring and testing, we believe ASIC should monitor developments carefully as this area of activity grows, and be in a position to hold firms accountable in circumstances where the core regulatory obligations are not being met or where the advice being provided is not in the best interests of the client.

Thank you for the opportunity to provide these brief comments on CP 254.

16 May 2016