



Joanna Bird
Executive Director, Wealth Management
Australian Securities and Investment Commission
GPO BOX 9827
Brisbane QLD 4001

feeconsentsandindependence@asic.gov.au

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Dear Joanna

RESPONSE TO CONSULTATION PAPER 329

Iress appreciates the opportunity to provide ASIC with input to **CP 329 Implementing the Royal Commission recommendations: Advice fee consents and independence disclosure**.

Iress is an ASX-listed technology company providing software to financial services organisations globally. This includes providing software that thousands of Australian advisers use on a daily basis to provide advice to their clients.

Iress' focus in its submission is on how technology can be used to effectively implement the regulatory changes, rather than on the underlying policy proposed. Iress believes it is important for the regulation and supporting guidance issued by ASIC to take into consideration technology that can enhance the efficiency of compliance for the industry. Without this, there will be a significantly higher administrative burden for advisors and ultimately a higher cost for consumers seeking financial advice.

Iress has responded to select questions in CP329 where Iress' experience with the practicalities of advice workflows and data can assist ASIC in the implementation of, and guidance provided on, aspects of the law reform arising from Royal Commission Recommendations 2.1, 2.2 relating to advice fee consents.

Iress has facilitated a discussion, and now has a committed early adopter group, including adviser groups and platforms, and other relevant parties, to establish a blockchain platform for advice fee consent. The goal is a single source of truth to allow all parties to be confident in the accuracy, timeliness and currency of fee consent data.

Yours sincerely



Andrew Walsh
CEO, Iress



Iress Response

CP329 Implementing the Royal Commission recommendations: Advice fee consents and independence disclosure

A single source of truth to allow all parties to be confident in fee consent data

Iress believes technology has a key role in supporting the delivery of accessible, compliant financial advice to more Australians.

Iress also believes the proposed draft legislative instruments governing the advice fee consent process can only be delivered efficiently and effectively if all parties (licensees, advisers and product issuers/platforms) adopt an industry-wide approach that is standardised and automated.

Iress does not believe that any party single can address verified client consent and its transmission between multiple parties on a timely basis.

Without an industry-wide technology solution providing consistent, persistent, and immutable fee consent data:

- The cost of advice will be higher for the industry and for Australians needing affordable advice.
- There is a high risk that despite the best intentions of advisers and the industry the objectives of this regulatory change will be thwarted by errors inherent in manual and document-based processes.

Iress has facilitated discussion between advice businesses, licensees, platform providers, and other relevant parties, to explore the creation of an industry advice fee consent platform. An early adopter group has been established to collaborate with Iress on the design and implementation of this solution. This group will work within existing industry data standards, such as External Platform Interface (EPI) format, to create a blockchain platform for advice fee consent providing a single source of truth allowing all parties to be confident in the accuracy, timeliness and currency of fee consent data.

Appendix

Iress' response to select questions in CP329 where Iress' experience with the practicalities of advice workflows and data can assist ASIC when considering the implementation of this legislation and its impacts on advisers, licensees and platforms.

Consent to the deduction of ongoing fees

B1 We propose to prescribe the requirements set out in draft ASIC Corporations (Consent to Deductions—Ongoing Fee Arrangements) Instrument 2020/XX for the written consent that fee recipients must receive from clients before deducting, arranging to deduct, or accepting the deduction of ongoing fees from a client's account.

B1Q1 Do you agree with our proposal? If not, why not?

Iress does not have a view on the principle of the proposal. However, Iress believes there should be clarity on the **format of notice** to be received by the client, and the **format of the written consent** to be received by fee recipients and those who will administer the deduction of the fee from a client account.

Despite the capability of technology, the current coronavirus pandemic exemplifies the limitation and inadequacy of paper-based notices and authorisation. The nature and scale of fee consent authorisation between multiple parties (the client, the adviser and licensee, and the product/platform provider or operator) makes paper-based controls inappropriate.

In the absence of a specific statement from ASIC with regard to digital authorisation as a valid authorisation, the industry may fall back on traditional paper-forms of authorisation to the detriment of overall industry efficiency. We believe it would be helpful for the industry if ASIC confirms that the use of a digital signature is a valid authorisation from a client.

B1Q2 Should the legislative instrument require the written consent to include information about the services that the member will be entitled to receive under the arrangement?

Will this lead to unnecessary duplication given the consent will often be sought at the same time that an ongoing fee arrangement is being entered into or a fee disclosure statement is given?

This will lead to unnecessary duplication between fee consent and fee disclosure statements.

- The fee consent and annual renewal processes (including Fee Disclosure Statements (FDS)/Opt-in) are expected to be issued at similar times. Both will have information about the fees and service entitlements for the upcoming year, and hence will lead to a level of duplicated information with the potential for client confusion.
- The details of the forward-looking arrangement to be included in the consent document (and FDS/opt-in) can be included and automated in a similar way to retrospective fees and services included in the FDS. However, the prospective nature of the arrangement is likely to lead to high-level prospective service descriptions and will be less detailed than the actual services documented retrospectively in an FDS.

B1Q3 Should the legislative instrument require any further information to be disclosed in the written consent? If so, what other information should be required?

Iress' view is any additional data requirements should be in the form of structured data for ease of consumption, analysis and reporting. This would mean technology can be used where necessary to manage data requirements, maximise efficiency and minimise the potential risks associated with human error.

B1Q4 Should the legislative instrument take a more prescriptive approach to specifying the information required in the written consent? If applicable, please explain where further prescription would help. For example, should we prescribe a maximum length for the consent form?

Iress believes that for the advice fee consent to be efficient and automated for all participants, including oversight, the consent content should be prescribed by ASIC.

There is no competitive advantage in the fee consent data points and there should be no room for creativity in presentation (design, look & feel, length) which may lead to limitations in implementation and inefficiencies across all participants.

Iress strongly recommends that fee consent content be defined and made explicit by ASIC to reduce ambiguity or uncertainty in interpretation. This will lead to consistency and confidence in what is collected by operators and providers, and allow for automation across multiple parties.

The prescription of this approach should also extend to electronic communication and electronic signatures, which will remove the costly requirement for scanned copies of paper. As an example, in this current pandemic situation, this is not practical and ASIC should look beyond 'written'.



It is also possible that ASIC extends beyond the 'written' nature of the consent, and encourages the industry to examine the potential for consent to be specified and authorised via an electronic message and content. This would further streamline the industry approach.

B1Q5 Will the requirement for written consent cause practical problems for clients or advisers if a fee is to be deducted from accounts with different third party account providers (i.e. product issuers)? If so, please outline these problems and set out any views on how ASIC or industry can address these problems.

In our response to CP 329, Iress has already referred to the inadequacy of a consent model that is prescriptively paper-based. Increased consumer protection through the proposed fee consent legislation can only be achieved where there is not an undue impost on the industry and, consequently, a negative impact on consumers seeking advice. Rather, it requires ASIC support through regulation to prescribe or permit a digital fee consent process that immutably communicates consent to the required parties.

The practical problems for issuing consent and follow up for advice firms are real, but go to the core proposal relating to consent to deduct fees. Iress' submission is not commenting on the substantive nature of the proposal, but rather the workflow and data collection associated with it.

By ASIC encouraging a digital solution for the consent workflow and data collection and immutable communication of consent to required parties, the practicalities of a client's fees being deducted from multiple product issuers is immediately resolved. This is because the client's advice fee consent can be digitally allocated to multiple product issuers without disclosing private or competitive information. This is not possible if the process relies on signed authorisation by clients on paper.

Paper-based consent will reduce the data collection opportunity to scanned copies of paper which will be more burdensome for advisers and consumers. Not only does this require printing and scanning or mailing, but processing by advisers, and in turn sending copies to third-party administering the deductions. This adds significantly to the cost of advice for consumers and hence limits the number of consumers who can afford to receive advice. This also results in poorer quality of advice as advisers will need to spend more of their time on administration and less time on increasing their expertise and giving the benefit of that expertise to their clients.

Iress believes ASIC should also regulate for a standard consent format and data requirements. This will support a streamlined and automated process. Allowing flexibility in the format or data required for consent will result in a more cumbersome and less efficient workflow and data collection. This becomes worse if there are different interpretations by operators or trustees as to what evidence of consent is sufficient.



Separate to the intrinsic additional workflow that may be generated, the practical implementation for advisers will extrapolate if different providers or different licensees implement different solutions to collect consent authorisations (processes or systems) and different data formats and content. On average advisers use 2.1 platforms¹, but the range of third-party platforms at a licensee will far exceed this number.

The inefficiency of different implementations will compound and inevitably increase costs for every party - operators, advisers, licensees, consumers.

Iress proposes a technology-driven solution to facilitate efficient data collection and workflow, that is underpinned by consistency, persistency, and an immutable blockchain ledger that all parties can rely upon.

The need for an industry approach to this is critical to allow all parties to meet reporting obligations in the timeframe set out by ASIC.

B1Q6 Do you think worked examples of the written consent would be helpful? If so, what examples do you think should be provided?

Iress believes worked examples of the written consent would be helpful. Examples that should be provided include each type of customer, including joint customers and Self Managed Super Funds.

B1Q7 Do you think ASIC should provide other guidance to help fee recipients comply with the legislative instrument? If so, what guidance?

Iress believes the following guidance should be provided by ASIC with a view to ease of implementation, scale, efficiency of operation industry-wide, and a data-driven approach to collection and surveillance for the future:

- Form and format of the consent should be clarified explicitly; and
- Clarity on paper vs digital form and authorisation.

This is needed to harmonise the consistency and adequacy of consent given to platforms, otherwise some may require scanned paper consent, which may introduce industry-wide inefficiency.

¹ Source: Investment Trends 2019 Planner Technology Report.
<https://www.professionalplanner.com.au/2019/07/platform-wars-the-blood-sport-continues/>



Consent to the deduction of non-ongoing fees

B2 We propose to prescribe the requirements set out in draft ASIC Superannuation (Consent to Pass on Costs of Providing Advice) Instrument 2020/XX for the written consent that superannuation trustees must receive from members before non-ongoing fees are passed on to a member's account.

Iress considers its responses to B1 equally applicable to B2. An approach which is consistent with the consent for ongoing fees (where relevant) would ensure ease of adoption for and scalability of any solution implemented.

B2Q1 Do you agree with our proposal? If not, why not?

We agree with this proposal. Prescribing requirements would provide a clear industry standard for non-ongoing fee consent with a view to ease of implementation, scale and efficiency of operation industry-wide.

B2Q2 Should the legislative instrument require any further information to be disclosed in the member consent form?

Please refer to answer in B1Q3

B2Q3 Should the legislative instrument take a more prescriptive approach to specifying the information required in the member consent form? If applicable, please explain where further prescription would help. For example, should we prescribe a maximum length for the consent form?

Please refer to answer in B1Q4

B2Q4 Do you think worked examples of the written consent would be helpful? If so, what examples do you think should be provided?

Iress believes worked examples of the written consent would be helpful. Worked examples across a range of scenarios and entity types, along with explanatory notes, would provide a clear understanding of requirements, minimising errors arising from erroneous interpretation.



B2Q5 Do you think ASIC should provide other guidance to help superannuation trustees comply with the legislative instrument? If so, what guidance?

Iress believes ASIC should provide other guidance to help superannuation trustees comply with the legislative instrument. Providing guidance will facilitate the establishment of an industry standard process and consent form for non-ongoing fees, thus maximising efficiency within the industry and minimising lag time between consent being received and fees being paid.

Iress' view is that guidance on the following should be provided:

- Data required to be consumed by superannuation trustees - to facilitate consistency in trustee requirements so that an industry-standard consent form is possible.
- The form of client consent to superannuation trustees - to encourage industry-wide electronic consent, guidance on the underlying data, the form in which it is provided and the types of client authorisation (incl digital authorisation), that are sufficient for superannuation trustees to approve fees to be paid
- Worked examples of compliant (fees can be released) and non-compliant (fees not to be released) consent forms

Lack of independence disclosure Proposal B3

Iress is not making a submission in relation to Proposal B3.



C1 We propose to issue guidance on ongoing fee arrangements that includes information about: (a) whether an FDS can be issued before the end of the 12-month period to which it relates; (b) whether an FDS must specify the 12-month period to which it relates; (c) when a defect in an FDS or renewal notice will be such that the document is no longer an FDS or renewal notice; (d) the fees that should be included in an FDS; (e) the services that should be identified in an FDS as services the client is entitled to; (f) the scope of the definition of an ongoing fee arrangement—for example, whether the scope covers: (i) agreements that have a period of longer than 12 months, but are cancelled before 12 months have elapsed; or (ii) a series of substantially similar agreements that each have 12-month terms; (g) whether an ongoing fee arrangement must only be renewed through a renewal notice; (h) when an ongoing fee arrangement commences; and (i) whether the FDS and renewal notice requirements apply to MDA operators.

C1Q1 Do you agree with our proposal? If not, why not?

Iress agrees with this proposal. Iress observes among its clients a range of interpretations of FDS obligations. For this reason, guidance provided by ASIC would facilitate clearer compliance and do so in a more automated and efficient way.

C1Q2 Are there any additional areas relating to ongoing fee arrangements where we could provide guidance?

In relation to your proposed guidance, point (d) “the fees that should be included in an FDS.”

Iress would like to highlight that the industry-wide transmission of advice fee data between products providers and advisers/licensees has been structured around licensees accounting for the fees to be paid to advisers, rather than the fees taken from a client’s account. Any change to this may lead to significant costs for platforms, product issuers, licensees and advisers.