

Robert M C Brown AM FCA
Chartered Accountant

Review of the Quality of Financial Advice
Submission on the Draft Terms of Reference

The Writer

I am a chartered accountant and registered company auditor with over 30 years of experience in public practice, including taxation, personal financial advice and superannuation. Throughout that time, I have written extensively about ethical and structural reforms in financial advice and in superannuation laws and practice. This includes the policy paper “Reinventing Financial Planning” for the Institute of Chartered Accountants in Australia which analysed the meaning of “profession” and the impacts of conflicts of interest on the financial advice industry.

I was a member of the Australian Government’s Financial Literacy Board and a director of The Ethics Centre. I am currently a member of ASIC’s Consumer Consultative Panel and a member of the Technical Working Party on Financial Planning of the Accounting Professional and Ethical Standards Board. I have extensive experience in designing and delivering financial capability education, especially in the Australian Defence Force through the ADF Financial Services Consumer Centre which I established within the Department of Defence in 2006.

Comments on Terms of Reference

The draft terms of reference appear to cover most of the key issues that should be reviewed. However, it is important to emphasise that this review, while seeking opportunities to simplify regulatory compliance obligations for advisers, should not make recommendations at the expense of professional and ethical principles to which financial advisers must adhere under law when dealing with consumers, especially the recently mandated Code of Ethics.

That is, it will be important to ensure that the **quantity** of compliance obligations are not reduced at the expense of the **quality** of advice. That would be counterproductive and detrimental to the interests of consumers, the financial advice industry (as it seeks to “professionalise”) and the Australian community.

Specifically, it will be important to recognise that conflicts of interest, especially remuneration-based conflicts, continue to have considerable impact on the ethics and behaviour of the industry (as originally identified by the Royal Commission). These include %-based asset fees (the industry's workaround conflicted remuneration of choice on investment products after the passage of the Future of Financial Advice laws in 2013), life insurance commissions, mortgage broking commissions and profit shares on in-house products, white-label platforms, related product incentives and bonuses. The Review should consider the impact of these and other conflicts on the (in)ability of the regulatory framework to deliver high quality, accessible and affordable financial advice.

I support the reference in the draft terms of reference to the importance of identifying ways to deliver high quality advice to consumers based on their needs, complexity of circumstances and stages of life. This is a major challenge for the industry, the impact of which I observe every day in my education work. It must be resolved if the review is to achieve its principal purpose.

I am also supportive of the proposed examination of the role of professional associations in developing a trusted profession of financial advice. For example, do professional associations exist to support members' interests or the public interest?

I am looking forward to offering specific comments during the Consultation Process on strategies to achieve the objectives of the Review. In the meantime, I am thankful for the opportunity to make this submission and trust that the points herein will be helpful in clarifying and settling on the final terms of reference.

Robert M C Brown AM FCA
3rd February 2022