

**"Inquiry into Financial Products and Services in Australia" by the Parliamentary Joint Committee on Corporations and Financial Services (November 2009)**

**Recommendations and Suggestions for Regulatory Reform**

**Standards of Advice**

Add a fiduciary duty into the Corporations Act for financial advisers to place their client's interests ahead of their own (Recommendation 1)

Government should ensure ASIC is adequately resourced to perform risk-based surveillance (Recommendation 2)

ASIC should perform risk based surveillance, particularly for licensees that

ASIC should perform annual financial advice shadow shopping

- have come to ASIC's attention previously
- recommend a high proportion of high risk products
- have limited products on their APL
- disproportionately recommend one product type
- have limited experience or qualifications

**Disclosure**

Particularly for vertically integrated financial institutions where conflicts due to ownership issues will exist even if product commission payments cease

Amend Corps Act to require advisers to prominently disclose in marketing materials (Recommendation 3)

- restrictions on the advice they can provide
- potential conflicts

**Remuneration Practices**

Government should consult with Industry to develop plan to cease payments from financial product manufacturers to advisers (Recommendation 4)

Financial advice should be made tax deductible (Recommendation 5)

**Transparency, Competency, and Accountability in Licensing**

Amend s920A to provide extended powers to ASIC to ban individuals from the financial services industry (Recommendation 6)

Impose licence conditions on agribusiness MIS to demonstrate sufficient working capital to meet current obligations (Recommendation 7)

Amend s913B and s915C to allow ASIC to deny an application or suspend or cancel a licence where there is a reasonable belief that the licensee "may not" comply with obligations (currently "will not" comply) (Recommendation 8)

ASIC consults with industry on the establishment of an independent Professional Standards Board to oversee the competency and conduct standards of financial advisers (Recommendation 9)

**Financial Literacy**

ASIC should aim to educate individuals who are seeking financial advice for the first time (Recommendation 11)

**Last Resort Statutory Compensation Scheme**

Government should investigate the costs / benefits of a statutory last resort compensation fund for investors to address the deficiencies of PI insurance (Recommendation 10)

**Restrictions on Complex / Risky Investment Products**

No recommendations made - government cannot decide for whom particular investments are appropriate

**Lending Practices**

No recommendations made - margin lending reforms will help to address poor lending practices



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