

MEDIA RELEASE

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Consumers are being misled on FoFA – FSC exposes the facts

Consumers are being misled by a scare campaign on FoFA orchestrated by Industry Super Australia the Financial Services Council said today.

John Brogden, FSC CEO said: “We are concerned about a document that has been circulated by Industry Super Australia – *Commissions by another name* – which contains statements on the Future of Financial Advice regime that are wrong and misleading consumers.”

“The FoFA regime is not being wound back. It is not opening up the industry to commissions. And it is not removing the best interests duty,” Mr Brogden said.

“Here are the real facts,” he said.

- “The existing FoFA law along with the regulation introduced by the government on 30 June explicitly bans commissions on general advice. This exemption means financial planners cannot earn a commission for general advice.
- The execution-only provisions do not re-introduce commissions.

Basic Banking Products were already exempt under the FOFA laws introduced under the former government.

- The government has not amended the provisions governing ongoing asset-based fees. It has removed the Opt-in requirement as advisers are already required to issue annual fee disclosure statements under the Corporations Act.
- FoFA grandfathering provisions have been improved by the government’s FoFA amendments as they address unintended consequences and facilitate competition in the financial advice industry.
- The regulations do not allow commissions where the client opens up a new pension account because commissions are banned.
- The government’s amendments do not allow new volume bonuses to be passed onto new advisers and each benefit must pass the FoFA conflicted remuneration test. This means a payment received by a planner cannot be passed on to another adviser unless the payment is not conflicted in the hands of the second planner.
- The government’s amendments clarify the operation of the ban on volume-based shelf space fees. The changes do not broaden the opportunity to pay wholesale commissions.”

Mr Brogden said: “Consumers are more protected than they have ever been under the FoFA law.”

“Australia’s FoFA legislation is being used as a global benchmark because there is nothing anywhere else in the world that comes close to it in terms of consumer protection. The FoFA amendments support this position.”

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 125 members who are responsible for investing more than \$2.3 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.