



[AFA concerned about “unintended consequences” with RG 126.](#)

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The Association of Financial Advisers has given provisional backing to the Australian Securities and Investment Commission new regulatory guide, *Regulatory Guide 126: Compensation and insurance arrangements for AFS licensees*.

AFA Chief Executive Officer, Richard Klipin, said RG 126 addresses some of the key concerns raised by the Industry in the wake of Westpoint & other recent collapses. The key focus is to ensure that consumers are protected.

However, whilst RG 126 addresses some of the Industry's key concerns, there are a number of unintended consequences that stem from the regulations.

First, RG 126 will make it harder & significantly more expensive for small/ medium independent licensees to get cover. These cost increases will then either be absorbed by the Licensee or the Adviser or passed on to the consumer.

Due to large institutions being exempt, institutionally owned licensees thus get a cost competitive advantage over smaller & medium sized licensees. The AFA is calling for a level playing field on this issue.

“Independent licensees may well be priced & squeezed out of the market”, said Dennis Bateman, President of the AFA.

There are however a number of commendable parts to the new regulations said Mr Bateman.

The two year transition period will greatly assist financial planners in sourcing appropriate professional indemnity cover.

The AFA is currently negotiating a professional indemnity solution for members. said Mr Klipin.

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