



Media Release

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- **AFA calls for restriction on use of the term “ adviser”**

The Association of Financial Advisers (AFA) is calling for an overhaul of the use of the term 'adviser'.

Richard Klipin, Chief Executive Officer of the AFA says Treasury should restrict use of the term to those who are regulated by the Australian Securities and Investments Commission (ASIC) and who are required to adhere to the Corporations Act.

“In the interests of better serving the consumer, anyone using the term should be subject to the same intense scrutiny and have to adhere to the same strict regulatory requirements as financial advisers,” Mr Klipin says. “Those who can't ,have not earned the right to call themselves advisers.”

Mr Klipin said that at law, the role of adviser is to provide 'appropriate advice' based on a client's circumstances and objectives, in a clear, concise and effective manner. “The problem at the moment is that anyone offering 'advice' in the financial space, including accountants, mortgage brokers and real estate agents, can call themselves an 'adviser'. Understandably, this is very confusing to the consumer.”

Shadow Shopping Fair Play

Mr Klipin also expressed a hope that the shadow shopping exercise recently announced by ASIC, would be conducted fairly and the results reported without bias.

“Unfortunately, coverage of the findings of previous shadow shopper surveys have exaggerated the minority of cases in which advice was deemed to be inappropriate and largely ignored the vast majority of cases in which sound advice was delivered to the satisfaction of the consumer.”

Mr Klipin says an analysis of the 2006 shadow shopping exercise revealed that in fact 81% of the advice given was reasonable given the client's needs (as required by law) and a further 3% may have been reasonable.

"While the AFA acknowledges the need for improvement and welcomes the opportunity to work with Government and the regulator to raise the bar for advisers, these figures make it hard to argue that the financial advice industry does not deliver good advice," he says.

Consumer Education – Swimming between the flags

Jim Taggart, AFA President, says the global financial crisis has highlighted the need for common sense and practical responses from advisers to Government and the regulator and welcomed recent comments by the Deputy Chair of ASIC, Mr Jeremy Cooper, that consumer education and literacy are key to good outcomes for consumers.

"The better educated consumers are, the more engaged in the advice process they become and the more responsibility they take, the better the outcome is likely to be," Mr Taggart said.

Mr Cooper used a 'swimming between the flags' analogy to describe the investment process - if swimmers are between the flags they are reasonably safe, if not they're effectively on their own.

"According to Mr Cooper, in order to mitigate the risk of swimming on your own you can do a number of things," Mr Taggart says, "one of which is to get a stronger swimmer to accompany you – in adviser speak that means, getting professional advice."

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