



AFA Response to Recommendations from the Ripoll Inquiry

Sydney: 24 November, 2009 - AFA Fact Sheet on the 11 Recommendations

The AFA's responses to each of the recommendations are outlined below

<p><i>Recommendation 1</i></p> <p>Amendment of the Corporations Act to explicitly include a fiduciary duty for financial advisers to place their clients' interests ahead of their own</p> <p><i>AFA Comment</i> The recommendation formalises a responsibility already enshrined in the AFA's Code of Ethics which an adviser must sign before being accepted as a member of the AFA</p>
<p><i>Recommendation 2</i></p> <p>ASIC appropriately resourced to perform effective risk-based surveillance of the advice industry and conduct financial advice shadow shopping exercises annually</p> <p><i>AFA Comment</i> If done well, shadow shopping is a litmus test on the health of a financial advice business and therefore the financial advice profession. However the AFA has some concerns that if done poorly it becomes a witch hunt of financial advisers</p>
<p><i>Recommendation 3</i></p> <p>Amendment of the Corporations Act to require advisers to disclose more prominently in marketing material restrictions on the advice they are able to provide consumers and any potential conflicts of interest</p> <p><i>AFA Comment</i> The AFA endorses the Committee's recommendation for truth in labelling</p>
<p><i>Recommendation 4</i></p> <p>Government consultation with and support of the industry in developing the most appropriate mechanism by which to cease payments from product manufacturers to financial advisers</p> <p><i>AFA Comment</i> "Remuneration is a complex issue and the AFA is pleased the Committee chose to recommend the Government take a consultative approach to the issue," he said. "We believe consumers should always have a choice in the way they remunerate their advisers."</p>
<p><i>Recommendation 5</i></p> <p>Tax deductibility of financial advice</p> <p><i>AFA Comment</i> The AFA congratulates the Committee for recommending that advice become more accessible and affordable to everyday Australians by making the cost of financial advice tax deductible</p>

Recommendation 6

Amending the Corporations Act to provide extended powers for ASIC to ban individuals from the financial advice industry

AFA Comment

Anything that removes bad apples from the industry is a good thing for consumers and a good thing for the industry

Recommendation 7

Requirement for agribusiness MIS licensees to demonstrate they have sufficient working capital to meet current obligations

AFA Comment

The AFA endorses any recommendation which protects a consumer's invested assets

Recommendation 8

Amendment of the Corporations Act 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 their obligations under the licence

AFA Comment

The AFA has concerns that the recommendation shows a presumption of guilt

Recommendation 9

The establishment of an independent, industry-based professional standards board to oversee nomenclature, and competency and conduct standards for financial advisers

AFA Comment

The AFA supports the recommendation and now calls on the financial services industry to adopt a truly independent, consultative approach to improving standards for advisers

Recommendation 10

A statutory last resort compensation fund for investors

AFA Comment

This issue needs further investigation. The AFA looks forward to working closely with the Government on this issue. Our concern is about further cost imposts on the profession, on our members and ultimately on consumers.

Recommendation 11

ASIC develop and deliver more effective education activities targeted to groups in the community who are likely to be seeking financial advice for the first time

AFA Comment

The AFA applauds initiatives which educate and inform consumers