



MEDIA RELEASE

AFA Response to Recommendations from the Ripoll Inquiry The Rubicon has been Crossed

Sydney: 23 November, 2009 - The Association of Financial Advisers (AFA) welcomes the dawn of a new era in financial advice, with the handing down tonight of recommendations from the Parliamentary Joint Committee on Corporations and Financial Services (the Ripoll Inquiry).

AFA National President, Jim Taggart, said the recommendations represent an important step forward in the journey towards making the financial advice industry one of Australia's most trusted professions.

"The Committee has recognised the complexities of our industry and addressed all the major issues," he said. "The Rubicon has been crossed."

AFA CEO, Richard Klipin said overall the AFA was pleased with the recommendations.

"The recommendation to impose a fiduciary duty on financial advisers to place their clients' interests ahead of their own is formal recognition of a responsibility we at the AFA have already enshrined in our Code of Ethics," Mr Klipin said. "We are pleased the Committee has endorsed the action we have already taken with our members."

Mr Klipin said he was also pleased that the Committee stopped short of recommending a ban on commissions.

"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."

Mr Klipin also congratulated the Committee for recommending that financial advice become tax deductible. "If adopted, tax deductibility will make advice

more accessible and affordable to everyday consumers, which is a win for middle Australia,” he said.

However, Mr Klipin expressed some concerns on increasing the surveillance of advisers via annual ASIC shadow shopping exercises.

“If done well, shadow shopping is a litmus test on the health of a financial advice business and therefore the financial advice profession as a whole,” he said. “However the AFA has some concerns that, if done poorly, it has the potential to become a witch hunt of financial advisers.”

Mr Klipin says the establishment of a professional standards board is a great opportunity for the industry to unite and collaborate on the key issues of professional standards and education. “We look forward to working with ASIC and the industry on this important, ground-breaking initiative,” he said.

Mr Klipin called on all sectors of the financial services industry to now work together for the common good. “If all industry players can work together in the best interests of the consumer, we believe the future is bright,” he said. “The AFA looks forward to taking a consultative approach in working with ASIC, the government and the industry to improve the financial services landscape.”

Mr Klipin also commended the Committee on the intensive work it has done. “The Committee has put in many months of tireless effort,” he said. “We believe that their hard work will be rewarded and expect that, like the Wallis Report, the Ripoll Report will have an important place in the history of financial services.”

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