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FPA, ISN back further FOFA measures

Reforms will boost professionalism

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The FPA and Industry Super Network (ISN) have supported the second tranche of draft Future of Financial Advice (FOFA) legislation.

FPA chief executive Mark Rantall said the association backed the banning of investment commissions and other conflicted remuneration, as this would promote trust and confidence in financial advice and provide a better outcome for all consumers.

"We released our remuneration policy on banning investment commissions to members in 2009 - well before the issue was raised in the FOFA reforms - and welcome this being enacted under legislation," Rantall said.

"We also support the banning on soft-dollar benefits, which further supports our existing joint venture with the Financial Services Council - setting an industry benchmark on how alternative forms of remuneration paid by third parties are managed and disclosed."

A report released by Investment Trends said 45 per cent of planners received soft-dollar benefits from third parties in the past year, while 16 per cent got both financial and non-financial incentives to recommend their licensee's products.

The firm's July 2011 Planner Business Model Report, released last week, said 7 per cent of advisers had received cash, gifts or entertainment valued over \$300 from third parties.

ISN chief policy adviser Matt Linden said the measures released yesterday would lift the transparency and quality of financial advice to consumers.

"It is only because of commissions and other financial inducements that poorly performing superannuation funds have been able to gain such a large foothold in the Australian superannuation market," ISN chief policy adviser Matt Linden said.

"Just a few years ago the suggestion that financial inducements from product providers to financial planners should be banned was unthinkable for many in the industry.

"Now there is virtually unanimous agreement that financial inducements from product providers to planners must end.

"This is a giant step forward for the professionalisation of the industry. "

However, the FPA called on the government to also provide further clarification on outstanding measures to provide more certainty.

The association said the government should provide clarity on issues including whether a last resort compensation fund was needed for consumers, resolution on the replacement of the accountants' exemption and the FPA's call to restrict the term financial planner.

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