AUSTRALIAN INSTITUTE of SUPERANNUATION TRUSTEES

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Backdown on banning conflicted financial advice will leave consumers exposed

Thousands of consumers of financial products, including superannuation, will remain exposed to conflicted financial advice if proposed regulations on grandfathered conflicted remuneration get the green light, **the Australian Institute of Superannuation Trustees** has warned.

The draft legislation – *The Regulations and the Exposure Draft Treasury Laws Amendment (Ending Grandfathered Conflicted Remuneration) Bill 2019* –is the Coalition Government's response to a key recommendation from the Hayne Royal Commission to end grandfathered conflicted remuneration as soon as practicable.

However while the Bill would repeal the grandfathered conflicted remuneration provisions from 1 January 2021, the regulations allow product issuers to completely avoid the ban on grandfathering arrangements, by setting up a rebate scheme.

AIST CEO Eva Scheerlinck said while the Government's proposal would put a stop to financial advisers charging fees-for-no-service, it did not remove the incentive for advisers to recommend that clients stay in existing, often poorly performing and expensive products.

"Banning conflicted remuneration to financial advisers was a key recommendation from the Royal Commission," Ms Scheerlinck said. "There is no justification for the Government backing away from a full and immediate ban, particularly when the Commission hearings revealed the extensive consumer harm caused by conflicted financial advice."

Ms Scheerlinck said the government's proposed method to tackle conflicted advice was unnecessarily complex and also flawed in that it put the onus on product issuers to do the right in providing rebates back to clients.

"The evidence uncovered at the Royal Commission demonstrated a history within the retail financial services industry of deliberately undermining the regulator's efforts to address problems conflicted financial advice," Ms Shcheerlinck said.

"ASIC has a lot on its plate investigating misconduct referred to it by Commissioner Hayne. The regulator should not be forced to divert resources to monitoring whether rebate schemes established under these regulations are in the best interests of members,

"This includes monitoring whether the regulations leave members to languish in poor performing products to receive a rebate for a commission they paid in return for no services whatsoever."

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AIST is the peak body for the $1.4 trillion profit-to-member superannuation sector which includes industry, corporate and public-sector funds.

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