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Financial planners need ethics classes, not ready for self regulation: ISA, AIST

Industry Super Australia (ISA) and the Australian Institute of Superannuation Trustees (AIST) have argued in a joint parliamentary submission that the financial planning industry should be subject to mandatory ethics classes for planners, and is a long way from being ready for any kind of self-regulation.

The submission, to the Parliamentary Joint Committee on Corporations and Financial Services, says that in addition to restoring the consumer protections in the original FoFA laws, any new standard setting in this area has to be overseen by an authority independent of the industry.

ISA Chief Executive, David Whiteley, welcomes the proposals made by the committee towards lifting professional, ethical and education standards in the financial services industry, but argues that they don't constitute a silver bullet.

"Despite the vast majority of planners doing the right thing, the bad apples have made measures such as mandatory ethics classes important for investor confidence.

"The reputation of the financial advice industry is in tatters. Improved educational standards are important, but iron-clad consumer protections that remove conflicts of interest are the foundation for community trust.

"The efforts of the industry to address educational requirements, while lobbying for a "claytons" best interests duty and the return of sales incentives, is contradictory and will significantly retard achievement of professional status.

"In short: the last thing this industry needs is what effectively amounts to more qualified sales advisers."

AIST CEO Tom Garcia said that improved standards will give every day Australians a chance at receiving adequate financial advice.

"We need to move with the times and incorporate solid ethics and conduct training in line with other industries such as law and medicine.

"Financial planners are providing a service that is just as important - the requirements of the industry should reflect that."

With regards to increasing education and training standards, ISA and AIST support a minimum degree requirement for advisers giving personal advice, including a national exam for existing advisers with mandatory competencies, incorporating ethics and conduct as well as a requirement for continuing professional development (CPD).

"Australians need confidence that when they see a financial planner they are seeing someone who is able to take their personal circumstances into account and competently act on that information, not someone who has simply gone through the motions," Mr Garcia said.

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Mr Garcia said that while countries such as Canada and Singapore have national examination requirements for advisers, the Australian system lacks such provisions.

“We need to establish a system with a focus on the best interests of members, and we must question whether the current education requirements for advisers do this.”

In relation to improving professionalism, the joint submission calls for a ban on all forms of conflicted remuneration, a principles-based best interest duty and an enhanced register for financial advisers with a uniform code of professional practice for all advisers, monitored independently.

The submission proposes either the establishment of a tripartite professional and competence standards body, or a co-regulatory approach to be overseen by ASIC.

Mr Whiteley strongly cautioned against any move to self-regulation.

“When you look at the serious problems in the financial planning industry, and the trauma this has caused so many Australians, to hand the keys back to the industry at this time would send a very bad signal to investors.”

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