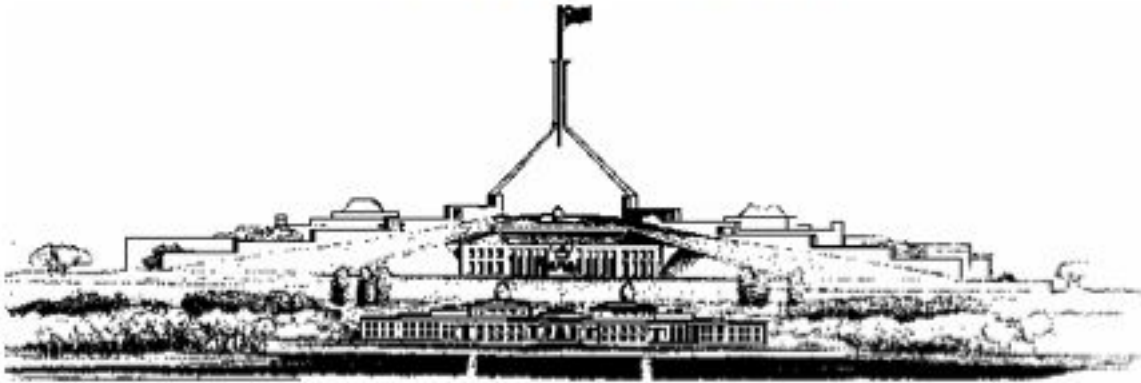




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
MATTERS OF PUBLIC IMPORTANCE

Future of Financial Advice

SPEECH

Tuesday, 25 March 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Tuesday, 25 March 2014
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Questioner
Speaker Taylor, Angus, MP

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Mr TAYLOR (Hume) (16:10): Only the Labor Party could believe that they know how to define professionalism, and only Labor could think it wise to legislate every aspect of a professional's behaviour. Perhaps this is because of their own failures of professionalism which are so widespread. Indeed the failures of professionalism amongst union officials have been truly extraordinary. But I have bad news for those on the other side of the House: the character and conduct of a professional cannot be defined by legislation that regulates every aspect of their behaviour.

The overriding requirement for all professionals is that they act in the best interest of their clients. I have spent 20 years working in management consulting and I know this. Every professional knows that conflicts of interest emerge almost every day, and no set of rules will ever resolve those conflicts. Whether it is the temptation to sell unnecessary time to clients or to try to sell them the wrong product or service, there are myriad reasons to do wrong. Professionalism takes common sense and a mindset which puts the clients' interests above all else.

Those of us—particularly on this side of the House—who have worked as professionals over long periods of time have learnt those skills and that mindset, but the truth is that you cannot legislate for every circumstance. It is no secret that financial planners have a less-than-ideal reputation in the public eye at times—they could take a little advice themselves and work on their PR. That said, the government is not about legislating to try and abolish all poor advice—you simply cannot do it. The very whiff of an adviser taking a commission for a sale that goes against sound financial advice is wrong on anyone's ledger, but similar issues exist in all professions and you cannot—I repeat, cannot—legislate against all bad behaviour because there are too many ways to behave badly if you have built trust with a client.

Time and time again we see that Labor thinks it can legislate its way to nirvana, whether it is 18C, FoFA reforms or the 50,000 pages of legislation we have been left to repeal, but their attempt to control, you, me and every other Australian will never cease. From this starting point, the government is making amendments to existing FoFA laws.

In recent weeks, there has been either deliberate or misguided smearing of the government's objectives in reference to the reforms. It is worth restating what we are not doing. We are not repealing the FoFA laws; we are improving them. We are not getting rid of the best-interest duty, the most important part of this legislation; we are ensuring there is certainty about the obligations facing financial advisers to act in the best interests of their clients. That is sacrosanct. We are not reintroducing product specific sales commissions for financial advisers; that is totally misleading. The government is not reintroducing sales commissions, as I said; incentives for volume sales that do not conflict with sound advice from a financial adviser should be permissible. That is all we are saying.

The government is wholly committed to protecting consumers, but we do not need Labor's legislation to do this. In principle, we support the underlying goals of the FoFA reforms, but Labor's FoFA laws were bad for consumers. They went too far and they will cost too much. Do not just take our word for it. Listen to the Chief Executive of the AMP, Craig Meller. He says:

Some of the issues with the legislation as it went through first time added an awful lot of bureaucracy to the system and made it difficult for providers to work out exactly whether something was in someone's best interests or not.

He goes on to say:

We think the policy adjustments proposed by the new government significantly reduce red tape and make it much clearer to Australians and their advisers that the advice being given is absolutely in their best interests. We're very much supportive and in agreement with the changes that the government is proposing.

Thank you, Mr Meller. We agree.

What this country needs now, what our consumers need now, is more freedom to move, not more regulation. The government has undertaken extensive consultation on the FoFA bill, and the bill reflects the feedback we have received. In the interests of consumers, the government is committed to amending the FoFA legislation to reduce costs and to make financial advice more affordable for all Australians. These are fine goals, and I support them wholeheartedly.