

ORD MINNETT

10 May 2024

Committee Secretary
Parliamentary Joint Committee on Corporations
and Financial Services
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Re: Inquiry into the Wholesale Investor Test

As the title would suggest, the classification of 'Wholesale Investor Test' was originally implemented to recognise that accumulation of significant wealth was generally a good indicator of a person's understanding of financial matters.

When the sophisticated investor test was introduced into the Corporations Act over 20 years ago, clients needed to earn \$250,000 or hold \$2,500,000 in net assets, or have \$10,000,000 in assets as a professional investor, to be classified as a 'wholesale' investor. At this time, these limits were appropriately high as the number of clients who were eligible to be treated as wholesale investors was limited to genuinely wealthy investors.

However, the monetary limits which apply to wholesale investors have not changed, notwithstanding there has been a fourfold increase in the value of residential property in that time.

Many investors who fall within the definition of 'wholesale' investor as set out in the Corporations Act, are not financially 'literate' or indeed sophisticated.

By affording such clients 'wholesale' investor status, the law permits them to participate in higher risk investments without having been provided with the full disclosure mandated under the Corporations Act for retail clients. Such clients may also find their right to recovery compromised given that the Australian Financial Complaints Authority has discretion to exclude claims from wholesale Investors.

One of the unintended consequences of the implementation of Professional Standards for retail financial advisors is 'gaming' of the advice model by some financial services providers to classify as many of their clients as wholesale as possible. A number of financial advice firms now 'specialise' with only wholesale clients without having to comply with the minimum educational requirements mandated for retail advisers. A bizarre 'two' tier educational system.

In our view this will diminish the protections afforded to consumers of financial services in Australia.

Ord Minnett Limited

AFS Licence 237121 ABN 86 002 733 048

Level 18, Grosvenor Place, 225 George Street, Sydney GPO Box 2613, Sydney NSW 2001
Telephone 61 2 8216 6300 Facsimile 61 2 8216 6311 www.ords.com.au

A Market Participant of Australian Securities Exchange Limited

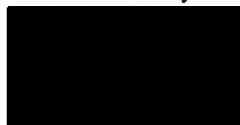
This document was prepared for the private use of the addressee and may not be passed to any third party without the prior written consent of Ord Minnett. We believe the advice and information herein to be accurate and reliable, but no warranty of accuracy or reliability is given.

Qualified advisers that meet Professional Standards requirements will be in the best position to confirm if the clients they are dealing with are wholesale in the true sense (i.e. not just rich/windfall/high income) and should be exempt from disclosure obligations or investing in 'wholesale only' products.

We believe that all financial advisers should be registered with ASIC. This will significantly expand the number of advisers capable of giving financial advice to all Australians.

Thank you for considering this submission. I would be happy to discuss any issues arising from these comments, or to provide any further material that may assist. Should you require any further information, please do not hesitate to contact me directly.

Yours Sincerely



Karl Morris AO
Chief Executive Officer & Managing Director

T 
M 
E 

Enc.



Karl Morris AO

Karl Morris is the Chief Executive and Managing Director of Ord Minnett Ltd, with a career spanning over 36 years in financial services and wealth management. He is a Commerce graduate of Griffith University and holds diplomas from the Stockbrokers and Financial Advisers Association of Australia, FINSIA and the Australian Institute of Company Directors.

Karl is Chairman of the Brisbane Broncos Ltd, Chair of Bravehearts Foundation Fund, Patron of the Mary MacKillop Fund, and National Vice Patron of Bravehearts. He is a former Chair of the American Chamber of Commerce in Australia (AmCham) Council of Governors in Queensland Master Member (and former Chair 2012-2018) of the Stockbrokers and Financial Advisers Association of Australia, former Chairman of QSuper (2013-2019) and was also a Board Member of the Australian Catholic University and the University of Notre Dame Australia. He also sits on the Investment Committees of the Catholic Archdioceses of Brisbane and Sydney.

Karl is still an active investment adviser.

Ord Minnett Ltd

With a history dating 150 years, Ord Minnett Ltd is one of Australia's largest financial advisory firms, with 270 advisers advising over 39,000 active clients, \$62b FUA, \$22b FUM and 7,000+ 'wholesale' clients.