Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

13 – 14 February 2013

Question: AET 37

Topic: Annual Fee Disclosure Statement - FoFA

Written: Received from Committee – 19 February 2013

Senator BOYCE asked:

37.

a. There was a last minute change to the Annual Fee Disclosure Statement during the *Future of Financial Advice* (FoFA) discussions, which changed the measure from applying to New clients to applying to 'ALL' clients. What analysis did Treasury conduct in respect to the cost to industry, the cost to clients and the benefit that this would actually provide to consumers?

b. Did Treasury consider the existing fee disclosure obligations required under the *Corporations Act* and the duplication that the fee disclosure statement would create?

c. Why did Treasury make this measure a retrospective measure when all other FoFA measures are prospective in nature?

d. How can retrospective fee disclosure be relevant or of benefit when it applies to a different regulatory regime and not the FOFA regime?

e. There is no regulatory impact statement on this specific measure – that is the cost to industry and clients on requiring an annual fee disclosure statement on existing clients – why is this?

   I. How much will this measure cost consumers?

   II. How will this measure make financial advice more affordable and accessible to more Australians?

Answer:

(a) The media release of 29 August 2011 which accompanied the release of draft legislation for public consultation indicated that annual fee disclosure statements would apply to all clients. Previous media releases and the Future of Financial Advice (FOFA) Information Pack released in April 2011 did not restrict to which clients the fee disclosure statement would be provided.

(b) The disclosure requirements in the Corporations Act previously only required disclosure of fees at the time an investment was entered into and did not require periodic advice about the amount of fees paid. The Fee Disclosure Statement (FDS) requirements work in conjunction with the existing fee disclosure provisions in the Act and will ensure that clients will be in a position to assess whether they are receiving a service from their adviser commensurate with the ongoing fees they are paying.

(c)&(d) It is appropriate that all clients have access to full information about the fees they pay. The information in the FDS will provide clients with a clear picture of the fees they pay and enable them to make an informed decision about their ongoing fee arrangements.

(e) A regulation impact statement covering the FOFA reforms announced in April 2010 was cleared by the Office of Best Practice and was included as part of the explanatory material to the Corporations Amendment (Future of Financial Advice) Bill 2011 which introduced the FDS provisions into the Parliament.

The Government engaged with industry during the development of the FOFA reforms, particularly on the issue of implementation costs. The Government took feedback on implementation costs into consideration in finalising the reform package, for example, the Government amended the fee disclosure requirement to reduce the level of detail required.