

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet122 (ASIC)

Topic: Money Management Bulletin

Hansard Page: E64-65

Senator SHERRY asked:

It does, yes. Talking of interest, I went back from the hearings this morning to have a cup of tea and I sat down in my chair and looked at the *Money Management* special bulletin that is up on the web, which informed me that the number of cases now being checked by AMP has increased from 7,000—that was a consequence of the enforceable undertaking we have discussed on previous occasions—to 35,000. I was a little taken aback at this. There was no further detail provided, but what can you tell us of this, Mr Cooper?

Can you offer some explanation of what is occurring here?

Mr Cooper—This is obviously very recent news. This release must have come out today, did it?

Senator SHERRY—Yes, it was this morning. I have not seen a press release from AMP. I had not checked the ASIC website to see if they had issued a press release around it, but I must say I had assumed that ASIC would have some knowledge of this.

Mr Cooper—We did know that the 7,000 figure was to be increased as part of the work that is being done pursuant to the enforceable undertaking and the external advisers and so on. The work that AMP has done there has taken longer than was expected, and as a result of looking into exactly how many files and advices were involved, the number has gone up from 7,000. I have not read the release, but I had understood that it was in that sort of dimension.

Senator SHERRY—Just to be clear on this, has AMP informed ASIC about this number?

Mr Cooper—There certainly were, as you would expect, a number of discussions going back and forth between the two organisations, but I was not aware that it had been released.

Senator SHERRY—As I say, it was in the *Money Management* special bulletin this morning—35,000. That seemed to me to be an extraordinary jump. Putting aside that figure of 35,000, which is very significant, what is the explanation for the increase in the number, whatever that is that you are finally informed about?

Mr Cooper—I must admit that I would have to take that one on notice. It was to do with some part of the methodology; they had originally identified the number as 7,000, but it turned out to be, on a closer examination, 35,000. But I would have to take on notice precisely what was the cause of that.

Senator SHERRY—I could understand a thousand or a couple of thousand or some reasonable variation of 7,000, but for it to suddenly go to 35,000 just seemed an extraordinary number. I think initially it represented about one per cent. It has now jumped to five per cent.

Senator WATSON—And are there more to come?

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Mr Cooper—Of people wanting a review?

Senator SHERRY—Yes. I am not so sure it is the individuals who have gone to AMP wanting a review, or whether that is the number of individuals identified as part of the enforceable undertaking process as needing now to be reviewed. Anyway, we will see what the response is. I am sure you will be issuing some press releases in the next day or two about this once you are more familiar with the information.

That brings me to the issue that we have discussed on previous occasions—the other activity that was being undertaken against other, as yet unidentified, firms in the financial services industry as a consequence of the shadow shopping and some of the identified misbehaviour. What point are we at with concluding those investigations and any action against other institutions?

Mr Cooper—With all of the other things we have on the go at the moment, I must admit I am not across exactly where that work is right at the minute, so we can take that on notice and give you an update.

Senator SHERRY—The last time I discussed this with Mr Lucy a number of firms—four or five, I think—were outstanding. To be fair to AMP, they were not the only firm with a major set of issues to deal with. From time to time I get questions and commentary, ‘If it’s AMP, who else is involved?’ We just do not know yet whether that has all been finalised?

Mr Cooper—Yes.

Answer:

On 27 July 2006, ASIC accepted an enforceable undertaking from AMP Financial Planning Pty Limited (AMPFP) to:

- modify key aspects of how it provides financial advice to its customers; and
- to offer a review, and if appropriate, rectification of advice given to clients who had received and acted on advice from an AMPFP planner to either reduce or cease contributions to a product or exit that product and commence contributions to a new superannuation product.

The EU required AMPFP to write to relevant clients offering to review the advice they received. If a dedicated review team can find no reasonable basis for the advice, clients will be offered rectification.

AMPFP initially said publicly that they anticipated that they would need to write to approximately 7,000 clients. However, both through AMPFP's own actions in identifying further clients who fell within the ambit of the EU's terms and further discussions with ASIC, it became clear that the number of clients to whom AMPFP would need to write would need to be revised upwards.

ASIC is unable to say whether all affected clients have been identified. The independent expert appointed under the EU (Deloitte) will review AMPFP's compliance with its obligations under the EU and will report its findings to ASIC. That review will include an assessment of whether all relevant clients have been identified and offered reviews of the advice given to them. The expert's report is due in July 2007.

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The first review was received in January 2007. It did not contain an assessment of whether AMPFP had identified all affected clients as AMPFP had not completed the process of doing so at that time.