



MEDIA RELEASE

Bernie Ripoll MP

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Thursday 26 February 2009

New Inquiry into corporate collapses, financial services and products in Australia

Bernie Ripoll MP, Chair of the Parliamentary Joint Committee on Corporations and Financial Services, has today launched a new inquiry into the underlying issues associated with recent financial services company collapses such as Storm Financial, Opes Prime and MFS.

Bernie Ripoll MP made clear that given the current Global Financial Crisis and the recent collapses of high profile companies it was very important to ensure that the regulatory regime and regulator were adequately equipped to ensure that Australian investors have confidence in financial products and services.

The Committee is concerned that some operators may not be meeting their obligations or that the regulatory environment is not sufficient to deal with the number and type of financial services and products that exist, Mr Ripoll said.

It has been a long known fact that potential conflicts of interest exist in some financial products and the associated advisory services. In many cases, providers own or control distribution with various types of “incentives” such as commissions, rebates, shelf fees or complex fee structures.

A further issue is that current law only requires an adviser to “know the client” rather than to know what is in the “best interests of the client”. This creates difficulty in making fully informed decisions and providing effective competition, which is of concern, Mr Ripoll said.

The Inquiry will also look into the role played by financial advisers, the state of the general regulatory environment, the role played by remuneration models such as commissions, the role of marketing and advertising in financial product and service distribution, the licensing arrangements for those selling and marketing financial products and services and consumer protection and insurance matters.

It is important that we learn from recent events and company collapses and where necessary make appropriate legislative or regulatory change to protect Australian investors.

It is my belief that the structure and operation of the financial services sector in Australia should be rigorously examined to ensure proper governance, increase investor confidence and minimise fees, Mr Ripoll said.

The Committee will table its report to Parliament by 23 November 2009. The Terms of Reference for this inquiry are attached.

For further information or to make a submission visit the committee website at: http://www.aph.gov.au/Senate/committee/corporations_ctte/index.htm or call the Committee Secretariat on (02) 6277 3543.

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Contact Committee Chair, Bernie Ripoll MP 0418 763 351

Terms of Reference

On 25 February 2009 the Parliamentary Joint Committee on Corporations and Financial Services resolved to inquire into and report by 23 November 2009 on the issues associated with recent financial product and services provider collapses, such as Storm Financial, Opes Prime and other similar collapses, with particular reference to:

1. the role of financial advisers;
2. the general regulatory environment for these products and services;
3. the role played by commission arrangements relating to product sales and advice, including the potential for conflicts of interest, the need for appropriate disclosure, and remuneration models for financial advisers;
4. the role played by marketing and advertising campaigns;
5. the adequacy of licensing arrangements for those who sold the products and services;
6. the appropriateness of information and advice provided to consumers considering investing in those products and services, and how the interests of consumers can best be served;
7. consumer education and understanding of these financial products and services;
8. the adequacy of professional indemnity insurance arrangements for those who sold the products and services, and the impact on consumers; and
9. the need for any legislative or regulatory change.