

## Media Release

### FoFA reform pause a surprise for many – Government & industry must get it right!

**Monday March 31, 2014.** Connect Financial Service Brokers (Connect) CEO Paul Tynan added this voice to the many that responded to the news that the Federal Government had decided to ‘pause’ the FoFA amendment process. Like others in the industry, Tynan agreed that the legislation was far too important to rush and additional comment and scrutiny would ultimately be beneficial for all.

Commenting further on the Federal Government’s decision, Tynan believes that the FoFA reforms still require some changes and fine tuning to raise both consumer awareness and ensure that their (consumers) interests are safeguarded.

“It’s an unfortunate reality that the overabundance of special interest groups lobbying so intensely in the support of their specific sector, business or association is not helping the situation and regrettably many are putting their own interests far ahead of the industry and consumer,” said Paul Tynan.

A strong advocate for a sensible and balanced approach, Tynan continues to lament the plight of the financial adviser that suffered so much during the stalemate at the end of 2013 and who thought that at last the process was underway and advancing towards a reasonable outcome – must again endure another period of uncertainty.

Tynan believes that the general advice exemption from FoFA’s ban on conflicted remuneration will result in the reintroduction of commissions back into product – and if this does become a reality he recommends the introduction of a full disclosure regime (“buyers beware”).

His solution is to ‘brand’ general advice as aligned advice – where the advice is given by a person who is aligned to a product. For example bank employees, industry fund and Superfund employees. The term personal advice would relate to non-aligned advice where the adviser charges a fee for service and owns the client rights.

An interesting fact in the FoFA debate is that both the banks and Industry Super Australia are in the same camp of general advice. The banks want to ‘incentivise’ their employees to sell products and ironically, ISA wants to restrict higher remuneration.

In Tynan’s opinion, the amended conflict of interest reforms are fair and wholeheartedly supports moving on as consumer rights are enshrined in common law, FoFA and professional standards and all financial advisers must act in the best interest of the client.

Furthermore, Tynan contends that the changes to assist institutions design remuneration structures are inherently wrong. He has no doubt that it will inevitably create a conflict of interest between clients and adviser interest – so get rid of it!

“The need to move forward has never been so important or paramount. I can only repeat that it is the financial advisers that continue to be the main casualties – especially those that have been unable to buy and sell businesses because of the grandfathering issue. This too is having an effect on consumer confidence and the reputation of the sector as a whole.

“It’s time for the lobby groups to stop their campaigns of scaremongering and exaggeration and to put the interests of the consumer and industry first,” concluded Paul Tynan.

**ENDS**

Issued by Connect Financial Service Brokers [www.connectfsb.com.au](http://www.connectfsb.com.au)

**Media enquiries**

Mr. Joe Perri  
Joe Perri & Associates Pty Ltd  
Tel/fax: +61 3 9324 0362  
Mobile: +61 412 112 545  
Email: [jperri@joeperri.com.au](mailto:jperri@joeperri.com.au)