

**Significant opportunity to professionalise financial advice in the post-Hayne era  
say CFA Societies Australia and CFA Institute**

*Series of policy reforms and structure changes proposed to improve customer outcomes and  
rebuild trust in the industry*

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**Sydney, 13 May 2019**

CFA Societies Australia and CFA Institute today released policy recommendations in response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in Australia.

The report, entitled “Professionalising Financial Advice”, was developed following extensive consultation with CFA Societies Australia Advocacy Council and other investment management industry leaders in collaboration with the global CFA Institute advocacy team. It proposes a series of policy reforms and structural changes that should run simultaneously to improve outcomes for customers accessing financial advice and rebuild trust in the industry.

Stephen Dunne, Chair of CFA Societies Australia Advocacy Council highlighted the significant opportunity to professionalise the industry in response to the findings of the Royal Banking Commission.

Dunne said: “The interests of firms were often put ahead of the interests of customers, leading to compromised outcomes for customers which severely diminished confidence in the investment industry and caused loss of trust in its professionals.

“We believe the future of the industry depends on policy reforms aimed at professionalising the industry regardless of which party is in government post 18 May. All industry stakeholders including the government and regulators must work closely to take decisive, visible and impactful actions that address these issues and rebuild investors’ trust,” added Dunne.

The policy recommendations report highlights that a genuine long-lasting impact cannot be achieved with a single solution. Rather, a series of policy reforms and changes should run simultaneously to improve outcomes for customers including strengthening best interest duty and ensuring appropriate consequences; outlawing conflicted remuneration practices; ensuring independence of advice; and importantly enhancing the professionalisation of the financial advice industry.

Dunne says: “We strongly recommend that the grandfathering of commissions be outlawed within next 12 months. This allows firms to take a short sunset period to adjust, and customers of financial advice firms to see actual changes taking place. Further transparency

and disclosure need to be offered to customers around all fees and costs that they may incur including adviser remuneration and platform fees”.

For policy to deliver positive outcomes, the remuneration of both advisers and senior executives should be aligned to the interests of customers. This requires banning ‘product pushing’ and rewarding ethical practices and decision making.

CFA Societies Australia and CFA Institute also hold the view that the duty to act in clients’ best interest should be an imperative commitment made by all advisers.

Dunne stated that, “we believe policy needs to establish strong deterring consequences for those who act against the interests of customers, including suspension or banning from the industry. In the long term, the industry should aspire to a principles-based approach to managing adviser-customer relationships, and the adoption of the fiduciary duty standard should be considered”.

Lisa Carroll, CEO, CFA Societies Australia added, “we strongly believe that customers should be made aware of the ownership structure or exclusive product relationships that advisers may have with other organisations. At present, we think that a ban on vertical integration is not warranted however, it should remain under active consideration based on an assessment of the progress made”.

In the report, CFA Societies Australia and CFA Institute call for the set-up of an independent industry body that individually registers and monitors its professionals to ensure ongoing and long-term professionalism of the financial advice industry as a recognised profession.

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### **Media Enquiries**

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CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organisation is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow. There are more than 163,000 CFA charterholders worldwide in 165+ countries and markets. CFA Institute has nine offices worldwide and there are 154 local member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org) or follow us on Twitter at @CFAINstitute and on Facebook.com/CFAINstitute.

### **About CFA Societies Australia**

CFA Societies Australia consists of associations based in Sydney, Melbourne and Perth of local investment professionals engaged in a wide variety of roles, including corporate



finance, portfolio management, security analysis and investment advice. CFA Societies Australia's mission is to enhance the reputation of the CFA designation in Australia by promoting ethics, integrity and professional excellence; and to improve the competency and standards of the investment profession in Australia. With over 2,500 members across Australia, CFA Societies Australia aims to increase local public awareness of the CFA Program and add value to members by providing exceptional programs and continuing-education events, professional development opportunities, career development, placement, networking and social activities.