

BRIEFING | QUALITY OF ADVICE REVIEW – FINAL REPORT: RECOMMENDATIONS AND ANALYSIS:

This briefing includes a summary of the FSC’s recommendations, relevant commentary on the broad rationale for their inclusion referenced with current and an initial reading of the recommendations against existing FSC policy positions. Following confirmation of the scope and timeline of further consultation on the recommendations by government, the FSC will give further consideration to the report’s recommendations by its members offering refined policy recommendations in further submissions.

Quality of Advice Review Final Report recommendation	Commentary and extracts from the Final Report	Current FSC position
<p>1. Financial product advice would be broadened to become ‘personal advice’ extending to interactions or communications who has information about the client’s needs or objectives</p>	<p>“The Corporations Act should be amended to say that if the provider provides financial product advice to an individual client in circumstances where the provider or a related body corporate has information about one or more of the client’s objectives, financial situation or needs they will be giving personal advice.</p> <p>This will remove some of the difficulty people have now with what is sufficient to amount to consideration for the purposes of the definition and it will also mean that providers cannot deliberately ignore information they have about their customers when providing them with advice. If the customer gives the provider information or if the provider holds information, each time they provide a personal recommendation to the customer they will provide personal advice and the personal advice obligations will apply.”</p>	<p>The FSC supports this recommendation and will consider the final definition proposed in the final report as to the interactions it covers.</p>

	See Page 60.	
<p>2. General advice would be retained under this model, a departure from the proposals which recommended abolishing it in Michelle Levy’s proposals paper. However, the requirement to give a general advice warning would be abolished.</p>	<p>“While expanding the definition of personal advice will bring more financial product advice into the personal advice definition, it is not intended to and it will not convert all financial product advice into personal advice. There will still be circumstances in which a person will be able to provide general advice to a client. This will primarily be where they do not talk to the client on a one-to-one basis and where they do not hold information about the client. This will be general advice.”</p> <p>See Pages 63-65.</p>	<p>The FSC supported original proposals abolishing general advice with exceptions for services and products such as investment research to achieve the objective of properly separating advice and information and aligning the definition of advice with consumer understanding. The FSC will consider this final proposal.</p>
<p>3. Amend the definition of ‘relevant provider’ within the Corporations Act to say that personal advice must be provided where they are an individual, client is paying a fee for the advice or the issuer of the product pays a commission for the sale of a product.</p>	<p>“If the definition of personal advice is broadened as I have recommended (Recommendation 1), more advice will be personal advice and, under the current law, that advice would have to be provided by a financial adviser or a body corporate (for example, by online messages, superannuation calculators and digital advice tools). There are only around 16,000 financial advisers in Australia and their numbers are declining. If the regulatory framework</p>	<p>The FSC supports this definition of relevant provider.</p>

	<p>continues to require all personal advice to be given by a financial adviser (where it is given by an individual), it would exacerbate the existing accessibility and affordability issues which are part of the reasons for this Review.”</p> <p>See Page 69.</p>	
<p>4. Introduction of a Good Advice Duty in which the advice provided must be ‘fit for purpose’ having regard to the scope or question the advice relates to or is volunteered by the provider in a manner that reasonably considers the benefits to clients, and broadly considers their relevant circumstances.</p>	<p>“The intention of a duty cast in this way is to focus attention directly on what the consumer needs and wants (good advice) rather than on what the provider of the advice does. And so the duty focuses squarely on the content of the advice. But this does not mean that a provider of advice will breach their duty if the intended outcome does not eventuate. The adviser would not be asked to guarantee an outcome. Instead, the law would require the provider of the advice to consider, at the time they provide the advice, whether the advice is sound, fit for purpose and good. That would be measured objectively.”</p> <p>“What is fit for purpose will turn on all of the relevant circumstances. Advice is not provided in a vacuum and those circumstances are what should determine whether the advice is good</p>	<p>The FSC supports the introduction of a Good Advice Duty and called for greater detail in final proposals on what would constitute ‘Good Advice’.</p>

	<p>advice. This is why I have included in the definition that the provider have regard to the ‘scope, content and nature of the advice’ and the ‘likely relevant circumstances of the client’. It not only tells the provider what to do, but it provides the measure of the quality of the advice.</p> <p>The scope of the advice directs attention to the issue the advice addresses and the subject matter of the advice. The scope might be narrow or broad and either can be fit for purpose. What matters is that the scope of the advice addresses the intended purpose of the advice and the relevant circumstances of the client.</p> <p>The content of the advice looks at the opinions or recommendations provided and its suitability for the client having regard to the purpose of the advice and the relevant circumstances of the client. The content of the advice will also, to a large degree, be determined by the scope of the advice. For example, advice on a narrow topic could be brief, while more would be expected for comprehensive advice.</p> <p>See Pages 89-90.</p>	
<p>5. Reform of the Best Interests Duty to become the ‘Statutory</p>	<p>“It was clear from consultation and the survey</p>	<p>The FSC has long called for the abolition of the safe harbour steps</p>

<p>Best Interests Duty’ while abolishing the safe harbour steps. This would apply only to financial advisers. Other relevant providers would be subject to the Good Advice Duty.</p>	<p>of financial advisers that financial advisers focus more on the safe harbour steps than the primary duty – the duty to act in the best interests of their client. This has led to what Commissioner Hayne describes as a ‘tick a box’ approach to providing advice. This approach puts the cart before the horse.</p> <p>They also worry, a lot, about the final step in the safe harbour steps – to take any other step reasonably regarded as being in the best interests of the client.¹¹⁵ With their focus on stepping through the steps, they are nervous about what else they might be required to do and, on one view, it undoes the purpose of the safe harbour (to in fact provide a safe harbour from a breach of the primary best interests duty”</p> <p>See Page 86.</p>	<p>while retaining the Best Interests Duty and seeing it an overriding fiduciary obligation on advice provision. The Code of Ethics should be amended to reflect this reform.</p>
<p>6. Superannuation trustees should be able to provide advice to members and the requirement on collective charging of fees should be removed. Such advice could relate to a member’s interest in the fund including transition to retirement. Trustees would be obligated to account for members circumstances and entitlements relevant to the advice.</p>	<p>“agree that it is desirable for trustees to give advice to their members and I agree that all of these matters are likely to be relevant to the advice a member will need in making decisions about retirement and their superannuation. However, I do not think section 99F of the SIS Act needs to be amended to permit trustees to do so. The section restricts the topics on which the trustee may give financial product</p>	<p>The FSC will consider these final proposals but consistently recommended to the Review that superannuation funds be incentivised to provide personal advice.</p>

	<p>advice, it has nothing to say about what the trustee takes into account in providing that advice. Further, financial product advice is only that part of any advice which contains a recommendation or opinion that is intended to influence the member to make a decision about a financial product. It has nothing to say about advice on topics that are not about the financial product (for example social security or aged care), although to the extent fund resources are used to provide that advice the sole purpose test might.”</p> <p>Page 112.</p>
<p>7. Deduction of advice fees from superannuation permitted on direction of a member. Superannuation trustees should be able to pay a fee from a members superannuation account to an adviser for personal advice provided to the member about the member’s interest in the fund on the direction of the fund member.</p>	<p>“The direction would operate in the same way that investment directions and binding death benefit nominations work. In neither case is the trustee bound to offer investment choice or binding death benefit nominations, but if they choose to invite members to provide an investment direction or a binding nomination, the trustee is authorised by the SIS Act to act on that direction or nomination. An advice fee paid in accordance with the direction would be treated as an expense of the fund despite the fact that the trustee will not be a party to the arrangement with</p>

	<p>the adviser and despite the fact that the expense will not have been incurred personally by the trustee.”</p> <p>See Pages 117.</p>	
<p>8. Overhaul of fee disclosure and consent requirements to be replaced by a single consent form every 12 months outlining the services a client can expect to receive and the fee to be charged in that time.</p>	<p>“In addition to this, I am also recommending that there should be a single prescribed form that can be relied on by all product issuers, including superannuation trustees, as evidence of the client’s (their investor’s or member’s) consent to the ongoing fee arrangement and the fee that is agreed to be paid under that arrangement. This is slightly different from the proposal in the Proposals Paper. While I am recommending that the Corporations Act be amended to say that a product issuer is entitled to rely on the prescribed form, I am not recommending that the law require a product issuer to accept the form. This is because it is possible and should continue to be possible that different product issuers might apply different rules to the payment of ongoing fees. Some might apply caps on ongoing fees or permit ongoing fees to be provided in relation to some advice only (superannuation fund trustees are an obvious example here). While it is desirable to have a single consent form, it is not desirable to dictate whether</p>	<p>The FSC supports the overhaul of the existing fee consent obligations which have made industry-led efforts to achieve a Standard Form problematic.</p>

	<p>and in what circumstances a product issuer must allow a client to pay advice fees from their financial product.</p> <p>See Page 124.</p>	
<p>9. Statement of Advice abolished with record keeping requirements retained and a requirement to give advice in writing where the client requests it.</p>	<p>“Consumers In many cases, consumers do not read or do not carefully read a SOA. Consumers rely on what they are told by their adviser. Industry research shows that approximately 33 per cent of consumers who had received advice from a financial adviser did not read the SOA thoroughly (either skimming it, signing it without reading it or not even recalling that they received it).¹⁵⁹ Similar feedback was provided by financial advisers in the Review’s survey.</p> <p>See Page 128.</p>	<p>The FSC supports the abolition of the requirement to provide a Statement of Advice while retaining record keeping requirements.</p>
<p>10. Financial Services Guides to be given either in person or made available on a provider’s website.</p>	<p>“Consistent with the feedback on SOAs, one industry association observed that FSGs primarily serve to discharge an adviser’s disclosure obligations, rather than fulfilling their intended purpose of aiding a consumer to make informed decisions about the financial service (in this case, advice) they are receiving. Another industry association noted that there is unnecessary overlap</p>	<p>The FSC supports this recommendation.</p>

	<p>between the contents of the FSG and the contents of other prescribed documents”</p> <p>See Page 133.</p>	
<p>11. Introduction of written consent to be treated as a wholesale client.</p>	<p>“Currently, the risks associated with the classification of clients as wholesale clients under the assets and income test are 2-fold. First, it is not the case that someone who meets the assets and income threshold is in a better position to consider the merits of any financial advice and to weigh the risks than a person who does not. Second, there is nothing in the test which requires the client to be told about the consequences of being treated as a wholesale client or to agree to those consequences.</p> <p>I am not able to comment on the threshold amounts themselves, but I do think that the Corporations Act should be amended to require both disclosure and consent for wholesale clients under the assets and income limb of the test, in the same way as it does for sophisticated investors.”</p> <p>See Page 138.</p>	<p>This proposal is a new recommendation from the Review and was outside the scope of the Review and will be considered by members. The FSC has a position to update the whole sale investor test in particular the asset threshold and steps for determining a client’s suitability to become a wholesale client.</p>
<p>12. Amend the Design and Distribution Obligations</p>		

<p>to limit the exception to the requirement to take reasonable steps to ensure advice is consistent with its target market for relevant providers.</p>	<p>“Both product issuers and distributors must take reasonable steps to ensure that the retail distribution of financial products is consistent with the TMD for the products.¹⁷⁶ However, this obligation does not</p>	<p>The FSC sought that personal advice removed from the Design and Distribution Obligations completely, and removal of relevant providers providing personal advice is welcome step.</p>
<p>13. Amend the Design and Distribution Obligations to remove the requirement on relevant providers to report significant dealings outside of a target market; comply with additional reporting obligations specified by product issuers and report to the product issuer.</p>	<p>apply to a person who provides personal advice about the financial product.¹⁷⁷ This allows the provider of personal advice to recommend a financial product to a client who is not in the specified target market. The exception acknowledges the gap between what a product issuer might assume about the class of person for whom the product will be suitable and what the adviser knows about their individual client.”</p> <p>See Page 140.</p>	
<p>13.1 On benefits provided by clients: Amend the conflicted remuneration provisions in the Corporations Act 2001 so that benefits given by client to an AFS licensee or authorised representative are not conflicted remuneration:</p>	<p>“I too worry about the effect commissions and other forms of conflicted remuneration have on the quality of financial product advice. However, my worry is not a sufficient reason to recommend that all of the remaining exceptions be removed. It is necessary to consider them on a case by case basis. I have done so, and with some reservations, I have concluded that there are better reasons than not to retain insurance commissions and a number of the other exceptions”</p>	<p>This proposal is a new recommendation from the Review and will be considered by members.</p>
<p>13.2 Remove exceptions in the law permitting superannuation trustees to pay an AFS licensee or its representative a fee for personal advice where the client directs the trustee to pay the advice.</p>	<p>“I too worry about the effect commissions and other forms of conflicted remuneration have on the quality of financial product advice. However, my worry is not a sufficient reason to recommend that all of the remaining exceptions be removed. It is necessary to consider them on a case by case basis. I have done so, and with some reservations, I have concluded that there are better reasons than not to retain insurance commissions and a number of the other exceptions”</p>	<p>This proposal is a new recommendation from the Review and will be considered by members.</p>

<p>13.3 Removal of exceptions to conflicted remuneration provisions if a recommendation permits a monetary or non-monetary benefit (sections 963B(1)(d)(i); section 963C(1)(e)(i) o regulation 7.7A.12E.</p>	<p>See Page 149.</p>	<p>The FSC supports these recommendations subject to consultation on final legislative amendment.</p>	
<p>13.4 Remove the exceptions in relation monetary benefits where the AFS licensee has not given advice for at least 12 months prior to the date the benefit is given.</p>		<p>The FSC did not submit on exception to the provisions in relation to ADIs.</p>	
<p>13.5 Remove exceptions for agents or employees of Australian authorised deposit taking institutions (ADIs).</p>		<p>The FSC did not submit on initial proposals regarding time share schemes.</p>	
<p>13.6 Position of time sharing schemes should be undertaken by a separate review.</p>		<p>The FSC supports this recommendation.</p>	
<p>13.7 Retain exemption to the ban on conflicted remuneration for life insurance commissions.</p>		<p>The FSC did not submit on initial proposals regarding commissions for general insurance.</p>	
<p>13.8 Retain the exemption to the ban on conflicted remuneration for general insurance.</p>		<p>The FSC did not submit on initial proposals in relation to consumer credit insurance.</p>	
<p>13.9 Retain the exception to the ban on conflicted remuneration for benefits given in relation to consumer credit insurance.</p>		<p>Other issues</p>	
<p>Digital advice</p>		<p>“The recommendations in this Report, in particular the good advice duty and the</p>	<p>The FSC agrees that proposed reforms to disclosure, the safe harbour and broadening of the</p>

	<p>more flexible disclosure requirements, will make it easier to provide digital advice. There is no need for regulation specific to digital advice.”</p> <p>See Page 177.</p>	<p>personal advice category will support advice on what consumers want, when they want it, be it in digital or traditional reform, scoped or comprehensive.</p>
<p>Transition and implementation</p>	<p>“The recommendations in this Report are designed to complement one another and should be viewed as a package. Some recommendations will require a longer transition period than others. The recommendations will make some significant changes to the current regulatory regime. They will require changes to existing ASIC guidance and more guidance on the new regime may be helpful, particularly examples. Financial institutions and financial advisers have a responsibility to provide good quality personal advice to their customers and clients. The recommendations will give the industry the opportunity to think about how they can help their customers and clients with personal advice that best meets their needs. They should embrace that opportunity.”</p> <p>See Page 183.</p>	<p>The FSC supports the implementation of the Review’s proposals but will consider final proposals set out in the Report and submit to the Government’s consultation when the scope and timeline for such is confirmed.</p>

How the Final Report's recommendations differ from the Proposals Paper

- Retention of general advice, the Proposals paper proposed abolishing the category.
- Introduction a conscious form of consent to be treated as a wholesale client.
- A fit for purpose test for upholding the Good Advice Duty to apply to non-relevant providers.
- Exemptions for relevant providers from the Design and Distribution Obligations (DDO).

Next steps

The Government is expected to confirm a process for consultation on the Final Report's recommendations shortly. Members will be kept updated on developments. Following confirmation of the consultation process, submissions on final proposals will be developed through the Quality of Advice Working Group with final comment from relevant board committees. The Final Report will be considered by members against existing policy positions.

QUALITY OF ADVICE REVIEW FINAL REPORT

Full list of recommendations

Recommendation 1 – Personal advice

The definition of personal advice in the Corporations Act should be broadened so that all financial product advice will be personal advice if it is given to a client in a personal interaction or personalised communication by a provider of advice who has (or whose related body corporate has) information about the client's financial situation or one or more of their objectives or needs.

Personal advice means financial product advice prepared or adjusted for or directed to a particular client in circumstances where: a) the client tells the provider of the advice their financial situation or one or more of their objectives or needs; or b) the licensee responsible for the advice, or a related entity of the licensee, if the licensee is a body corporate, holds information about the client's financial situation or one or more of their objectives or needs.

Recommendation 2 – General advice

General advice should continue to be a financial service, but the requirement for a general advice warning to accompany general advice should be removed.

Recommendation 3 – Relevant providers

Amend the Corporations Act to provide that personal advice must be provided by a relevant provider where: a) the provider is an individual; and b) either: i) the client pays a fee for the advice; or ii) the issuer of the product pays a commission for the sale of the product to which the personal advice relates. In all other cases, personal advice can be provided by a person who is not a relevant provider. 6 | Quality of Advice Review Final Report

Recommendation 4 – Good Advice Duty

A person who provides personal advice to a retail client must provide the client with good advice. Good advice means personal advice that is, at the time it is provided: a) fit for purpose having regard to: i) if the advice is: 1) given in response to a request, question or inquiry from the client, the purpose of the client that the provider is aware of or should reasonably be aware of; or 2) volunteered by the provider, the reason the provider reasonably considers the advice might be of use or benefit to the client; ii) the scope, content and nature of the advice; and iii) the likely relevant circumstances of the client; and b) in all the circumstances, good. If the advice is provided by a financial adviser (relevant provider), this duty applies to the financial adviser. In all other cases, this duty applies to the AFS licensee.

Recommendation 5 – Statutory Best Interests Duty

The existing best interests duty and related obligations (the duty to give appropriate advice assuming the best interests duty is satisfied, the duty to warn the client if the advice is based on inadequate or insufficient information and the duty of priority if there is a conflict) should be replaced with a new statutory best interests duty. The new best interests duty would be a true fiduciary duty that reflects the general law and will not include a safe harbour. This duty will apply only to financial advisers (relevant providers).

Recommendation 6 – Superannuation advice

Superannuation fund trustees should be able to provide personal advice to their members about their interests in the fund, including when they are transitioning to retirement. In doing so, trustees will be required to take into account the member’s personal circumstances, including their family situation and social security entitlements if that is relevant to the advice. Superannuation fund trustees should have the power to decide how to charge members for personal advice they provide to members and the restrictions on collective charging of fees should be removed.

Recommendation 7 – Deduction of adviser fees from superannuation

Superannuation trustees should be able to pay a fee from a member’s superannuation account to an adviser for personal advice provided to the member about the member’s interest in the fund on the direction of the member.

Recommendation 8 – Ongoing fee arrangements and consent requirements

The current provisions which require a provider of advice to give a fee disclosure statement to the client, to obtain the client's agreement to renew an ongoing fee arrangement and the client's consent to deduct advice fees should be replaced. Providers should still be required to obtain their client's consent on an annual basis to renew an ongoing fee arrangement, but they should be able to do so using a single 'consent form'. The consent form should explain the services that will be provided and the fee the adviser proposes to charge over the following 12 months. The consent form should also authorise the deduction of advice fees from the client's financial product and should be able to be relied on by the product issuer. The form should be prescribed.

Recommendation 9 – Statement of advice

The requirement to provide a statement of advice (or record of advice) should be replaced with the requirement for providers of personal advice to retail clients to maintain complete records of the advice provided and to provide written advice on request by the client. Clients should be asked whether they would like written advice before or at the time the advice is provided and a request for written advice is required to be made before, or at the time the advice is provided. This requirement will not apply to a person who is currently exempt from the requirement to provide statements of advice (e.g. a person who provides personal advice about general insurance products). ASIC should provide guidance on how advice providers may comply with their record-keeping obligations.

Recommendation 10 – Financial Services Guide

Providers of personal advice should either continue to give their clients a financial services guide or make information publicly available on their website about the remuneration and any other benefits the provider receives (if any) in connection with the financial services they provide and their internal and external dispute resolution procedures (and how to access them). 8 | Quality of Advice Review Final Report

Recommendation 11 – Consent requirements for wholesale clients The Corporations Act should be amended to require a client who meets the assets and income threshold and who has an accountant’s certificate to provide a written consent to being treated as a wholesale client. The written consent should contain an acknowledgment that is given before they are provided with a financial product or service that:

- the advice provider is not required to be a relevant provider and

accordingly they will not have to comply with the professional standards; • the advice provider will not have a duty to give good advice or to act in the best interests of the client under the Corporations Act; • the advice provider is not required to give the client a product disclosure statement or financial services guide; and • the client will not be entitled to complain about the advice under the AFS licensee’s internal dispute resolution procedures or to AFCA. The existing consent requirements for sophisticated investors should be amended to require a written acknowledgement in the same terms.

Recommendation 12.1 – Design and Distribution Obligations (Distribution Requirements)

Amend the DDO distribution obligations in the Corporations Act to limit the exception to the requirement to take reasonable steps to ensure the distribution of a financial product is consistent with its target market to personal advice provided by relevant providers. Where personal advice is provided by someone who is not a relevant provider, the AFS licensee should, like any other distributor, be required to comply with the distribution obligations and take reasonable steps to ensure the financial product is only recommended in accordance with the target market determination. Recommendations | 9

Recommendation 12.2 – Design and Distribution Obligations (Reporting Requirements)

Amend the DDO reporting requirements in the Corporations Act to remove the requirement for relevant providers to: • report significant dealings outside the target market to the product issuer; • comply with the additional reporting obligations specified by the product issuer in the target market determination; and • report to the product issuer where there have been no complaints during the specified reporting period. These exceptions will not apply to someone who is not a relevant provider. All providers of personal advice (including relevant providers) will need to report the number of complaints received during a reporting period (if there have been any), as well as a description of the nature of these complaints to the product issuer.

Recommendation 13.1 – Benefits given by a client

Amend the conflicted remuneration provisions in the Corporations Act to explicitly provide that both monetary and non-monetary benefits given by a client to an AFS licensee or a representative of a licensee are not conflicted remuneration. This means that the prohibition on AFS licensees, or their representatives accepting monetary and non-monetary benefits would only apply to benefits given by a product issuer, not to benefits given by a **client**.

Recommendation 13.2 – Client directed payments from superannuation funds

Remove the exception in section 963B(1)(d)(ii) and 963C(1)(e)(ii) of the Corporations Act and replace it with a specific exception that permits a superannuation fund trustee to pay an AFS licensee or its representative a fee for personal advice where the client directs the trustee to pay the advice fee from their superannuation account. 10 | Quality of Advice Review Final Report

Recommendation 13.3 – Removing exceptions for benefits given by clients for issue, sales or dealings in financial products

If the recommendation that permits benefits (monetary and non-monetary) given by clients to an AFS licensee or a representative is accepted, the following exceptions to the conflicted remuneration provisions are no longer required and should be removed: • section 963B(1)(d)(i) of the Corporations Act – monetary benefits given by the client for the issue or sale of a financial product; • section 963C(1)(e)(i) of the Corporations Act – non-monetary benefits given by the client for the

issue or sale of a financial product; and • regulation 7.7A.12E of the Corporations Regulations – monetary benefits given to the provider by a retail client in relation to the provider dealing in a financial product on behalf of the client.

Recommendation 13.4 – Removing the exception for the issue of financial products where advice has not been provided in the previous 12 months

Remove the exception in paragraph 963B(1)(c) of the Corporations Act, which provides for monetary benefits given for the issue or sale of a financial product where the AFS licensee or representative has not given financial product advice about the product (or class of product) for at least 12 months prior to the date the benefit is given.

Recommendation 13.5 – Exception for agents or employees of Australian authorised deposit-taking institutions

Remove the exceptions in section 963D of the Corporations Act and regulation 7.7A.12H of the Corporations Regulations for benefits given to an agent or employee of an Australian authorised deposit-taking institution for financial product advice about basic banking products, general insurance products or consumer credit insurance.

Recommendation 13.6 – Time-sharing schemes

The Government should undertake a separate review of time-sharing schemes and their distribution to determine whether the regulatory framework for time-sharing schemes under Chapter 7 of the Corporations Act is appropriate. As part of this review, consideration should be given to whether the exception to the ban on conflicted remuneration for time-sharing schemes should be removed.

Recommendation 13.7 – Life insurance

Retain the exception to the ban on conflicted remuneration for benefits given in connection with the issue or sale of a life risk insurance product. Commission and clawback rates should be maintained at the current levels (60 per cent upfront commissions and 20 per cent trailing commissions, with a 2-year clawback). A person who provides personal advice to retail clients in relation to life risk insurance products, who receives a commission in connection with the issue or sale of the life risk insurance product, must obtain the client's informed consent before accepting a commission. This consent should be recorded in writing and should be obtained prior to the issue or sale of the life risk insurance product. In order for the client to make an informed decision, the advice provider must disclose: • the commission the person will receive (upfront commission and trail commission) as a per cent of the premium; and • the nature of any services the adviser will provide to the client (if any) in relation to the life risk insurance product (such as claims assistance). Consent will be one-off and apply for the duration of the policy. This requirement will only apply to life risk insurance products purchased after the commencement of this recommendation.

Recommendation 13.8 – General insurance

Retain the exception to the ban on conflicted remuneration for benefits given in connection with the issue or sale of a general insurance product. A person who provides personal advice to retail clients in relation to a general insurance product who receive a commission in connection with the issue or sale of the general insurance product, must obtain the client's informed consent before accepting a commission. This consent should be recorded in writing and should be obtained prior to the issue or sale of the general insurance product. Consent is not required for any renewals of the same type of cover provided the client's original consent applied to the commission payable on any renewed

cover. The advice provider must disclose details of the commission the provider will receive for the issue or sale of the general insurance product (including for subsequent renewals) and any services the provider will provide to the client (if any). The disclosure of the commission amount can be set out in the form of a per cent range of the premium. 12 | Quality of Advice Review Final Report

Recommendation 13.9 – Consumer credit insurance

Retain the exception to the ban on conflicted remuneration for benefits given in relation to consumer credit insurance. The current cap on commissions in relation to consumer credit insurance (of 20 per cent) should continue to apply. A person who provides personal advice to retail clients in relation to consumer credit insurance who receives a commission in relation to consumer credit insurance must obtain the client’s informed consent before accepting a commission.