

MEDIA RELEASE

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STOCKBROKERS WELCOME NEW TRANSPARENCY – BUT TIME NOW FOR DETAIL

The Stockbrokers Association of Australia today congratulated the Ripoll committee in providing a platform for discussion about measures to lift transparency and quality in the provision of financial advice but stressed that attention to detail was needed before any recommendations are accepted.

“Details around the proposal for a professional standards board, to oversee professional qualifications and standards, need to be thought through”, said David Horsfield, MD and CEO of the Stockbrokers Association of Australia.

“For example, how the regime fits with both the ASIC and the existing Professional Standards legislation overseen by the Professional Standards Council will be crucial.

“We would be concerned about any impact on the regulation of the term ‘stockbroker’ which is already a term whose use is restricted by the Corporations Act. We would also hope that any change – together with enhanced ASIC banning powers and a ‘fit and proper’ test - would address the gap in our regulation in relation to ‘bad apples’, where those responsible for client losses and misconduct may move between firms with impunity.

“While the report stops short of an absolute ban on commissions, it is important to distinguish between commissions paid direct by client to the adviser, which are well disclosed and understood, from those paid by the issuer of a financial product to the adviser, where disclosure has been found wanting”, said Mr Horsfield.

“While the Government’s response to the Report is not expected until after the conclusion of the Cooper Superannuation Review, the Report has addressed some important issues in relation to the regulation of financial services in Australia.

Mr Horsfield said that while the recommended statutory fiduciary duty was a positive step, he questioned whether consumers would in fact be better protected than under the current common law.

“Financial literacy of investors is also a welcome focus of the Report. It’s important that investors have a threshold level of understanding of investment and financial products before they invest. Financial literacy should be a key component of secondary education. Much of the unfortunate losses we have seen may have been avoided if clients at least knew the relationship of risk and reward in making investment decisions, and knew enough to ask the right questions.

“In relation to the proposal for a statutory compensation scheme of last resort, we look forward to discussion of costing, cover for investors, and how it would address the issue of moral hazard, where those responsible for losses do not bear the consequences”, he added.

For further information:

David Horsfield, Managing Director & CEO, SAA, ph: 612 8080 3200

Michael Meagher, CPR Communications, ph: 0410 482 367

Stockbrokers Association of Australia ABN 91 089 767 706

(Address) Level 6, 56 Pitt Street, Sydney NSW 2000 | PO Box R1461, Royal Exchange NSW 1225 (tel) +61 2 8080 3200 (fax) +61 2 8080 3299