

## **STOCKBROKERS ASSOCIATION TAKES ISSUE WITH FINANCIAL SYSTEM INQUIRY COMMENTS ON STOCKBROKING REMUNERATION**

The Stockbrokers Association of Australia Limited has challenged the conclusions in the Report of the Financial System Inquiry (FSI) relating to stockbroker remuneration.

In the Discussion relating to Recommendation 24, the FSI Report notes that “In recent years, ASIC has identified compliance issues in the stockbroking industry..” In support of this conclusion, the Report makes reference to two instances where ASIC has obtained enforceable undertakings from two firms.

The Stockbrokers Association understood those two cases as having related to the financial planning and wealth management businesses of those two firms, and compliance by financial advisers within those firms with obligations regarding retail financial advice. We would not have thought those cases should be characterized as stockbroking cases.

ASIC has not communicated any concerns to the Stockbrokers Association regarding the stockbroking industry in recent times, either generally or in relation to the question of remuneration.

In recent years, the level of complaints against stockbrokers lodged with the Financial Ombudsman Service have remained very low. The last Financial Year has seen a 17% drop to 42 in total, of which only 8 related to advice.

The Association was therefore surprised to read the conclusion in the FSI Report and the recommendation that stockbroker remuneration structures be reviewed as a result.

Existing arrangements for stockbroker remuneration do not present any risk of being conflicted remuneration. The Stockbrokers Association has been able to demonstrate this to the satisfaction of ASIC, the previous Labor Government and now the new Federal Liberal Government, in securing exemptions from the ban on conflicted remuneration prohibitions in FOFA.

These arrangements are product neutral and do not pose any risk of one product being recommended as opposed to another.

The stockbroking industry is aware that the FOFA exemptions granted in respect of remuneration are to be reviewed at a future time, this being one of the condition of the exemptions being granted. However, there have been no incidents that the Association is aware of that would suggest that there is any urgent reason to bring this review forward.

The FSI is to be commended generally on the quality of its Final Report and the recommendations it has made. However in this one instance, the Association believes that the evidence relied on does not justify the conclusion that was reached.

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