

# MEDIA RELEASE



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**Date: 4 November, 2004**

## **Finance Industry Guide brings clarity on rebates and commissions**

The Financial Planning Association of Australia (FPA) and the Investment and Financial Services Association (IFSA), today jointly released a finance industry guide on rebates and related payments.

The Guide forms part of a broader initiative by the two bodies to improve payment and remuneration practices in the financial services industry in Australia. It sets out standard definitions and summarises all of the rebate practices and disclosure requirements at different stages of the advisory and sales process.

“The use of common terminology and higher disclosure standards by financial planners will enable consumers to better understand what they pay for and any remuneration their financial planner may receive”, commented Kerrie Kelly, CEO of the FPA.

“Consumers should know the total fees that they will be required to pay and how they are paid, as well as any remuneration practices that might be seen to influence product recommendations. Without this knowledge, they are unable to evaluate the advice they receive.

“Adherence to the Guide will be mandatory for FPA members. Those people who are clients of an FPA member can be assured of open and clear disclosure of fees and commissions. They are dealing with a planner who has made a commitment to a code of ethics and to higher professional standards than are required under law.

“The guide takes effect from 1 January 2005 and compliance by FPA members will be proactively enforced after 1 July 2005. Alleged breaches by our members will be investigated and handled under the FPA’s disciplinary scheme”, Ms Kelly added.

The key principles underlying the Guide are :

- Consumers should know what discounts they are receiving when paying for advice and/or investments, and which service they relate to. The Guide specifies that only discounts that are passed through to the consumer should be called ‘rebates’.

- Consumers need to be made aware of the revenue received by their adviser and the licensee when the adviser recommends a platform or product. The Guide says that any payment received from a platform or fund manager which is not passed straight through to the consumer should be disclosed as 'commissions'.

Similar provisions apply to fees paid by a fund manager to a platform / licensee and fees paid by the platform provider to a licensee.

The FPA is engaged in a three phase process to improve the clarity and transparency of payment and remuneration practices in financial planning and to improve client understanding. Phase 1 was completed on 1 August 2004 with release of the Code of Practice on Alternative Remuneration in the Wealth Management Industry. Phase 2 is complete with the adoption of the industry Guide on rebates & related payments and work is well developed on phase 3, the establishment of principles to help members manage areas where potential or perceived conflicts of interest may exist.

The FPA Position Paper on improving payment and remuneration practices in financial planning is available on the website, with the full text of the industry guide on rebates & related payments. [www.fpa.asn.au](http://www.fpa.asn.au)

The media release from IFSA can be obtained at [www.ifsa.com.au](http://www.ifsa.com.au)

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