



2 September 2009

Investors push for post-Storm clean-up of financial products, services

The Australian Investors' Association will challenge a Federal Parliamentary Inquiry into a spate of financial service providers, including Storm Financial, to recommend sweeping changes to the regulation of financial products and services.

AIA president Jolyon Forsyth and Association Vice-President Scott McKenzie will appear before Inquiry in Brisbane tomorrow (Thursday, 3 September).

Mr Forsyth said the AIA wanted the Parliamentary Committee to better regulate the industry and better educate investors.

"The clear challenge to the Committee is to get to the bottom of the inherent conflicts of interest at present in the industry where financial advice and sales functions are not separated."

"The AIA believes the Inquiry should recommend that payment for financial advice be made directly by the client and that commissions should be banned."

Mr Forsyth said more stringent licensing conditions for financial advisers should require the adviser to sign off that the client understood what they were investing in as is the case for a person serving as a guarantor for a loan.

"In addition, we propose the qualifications required to become a financial adviser be beefed up to the equivalent of degree qualifications thus raising the standard for the industry," he said.

"Financial advisers should also be required to undertake two years of supervised service."

Mr Forsyth said ownership of any financial advisory firm should be made quite clear in advertising and in documents provided to clients by the firm. Ultimate ownership (often banks or insurance companies) is often not realized by investors.

"Australians have lost trust in banks and insurance companies to quite a degree in the last couple of decades. The result is that they go to financial advisory firms that seem like they are independent of banks and insurance companies, yet in fact they are not in most cases," he said.

Mr Forsyth said further assistance and education could be provided to investors through the offer of simple investment risk signals for consumers.

Media contact: Kirby Anderson 0418 197 350 Kirby Anderson CPR Brisbane General Manager
07 3228 0205
0418 197 350