Financial Sector Reform Bill

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Advice Coaches

Madison PD Day March 2021

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Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Recommendation 2.1 – Annual renewal and payment

The law should be amended to provide that ongoing fee arrangements:

- Must be renewed annually by the client
- Must record in writing each year the services that the client will be entitled to receive and the total of the fees that are to be charged; and
- May neither permit nor require payment of fees from any account held for or on behalf of the client except on the client's express written authority to the entity that conducts that account given at, or immediately after, the latest renewal of the ongoing fee arrangement

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Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

"An important function of a renewal notice is to prompt a client who has entered into an ongoing fee arrangement to consider whether he or she values what he or she is receiving under that arrangement. A client who is asked to give positive consent to the renewal of an ongoing fee is likely to focus his or her mind on what he or she has received in exchange for that fee."

Ref: Final Report - Volume 1 (treasury.gov.au)

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Current vs New

	Current	New
FDS	All clients, annually. Includes fees paid for last 12 months, services that the client was entitled to, and whether they were provided	Same information included in the annual Enhanced FDS, plus fees payable AND what services the client is entitled to for next 12 months.
Opt-in/Renewal	Post FOFA clients only Every 2nd year Only states fees payable	All clients including grandfathered clients will opt-in annually via the Enhanced FDS process. Where relevant, written consent for fees to be deducted from product each year is required.
When provided	Within 60 days of Anniversary date	Within 60 days of Anniversary date
Renewal Period	30 days from when the RN was issued to client	120 days from the Anniversary date
Fees off	30 days from when client terminates or from end of Renewal Period (max 120 days from Anniversary date)	30 days from when client terminates or end of Renewal Period (max 150 days) Fee consent also expires in this period

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Looking back, looking forward and opt-in

Enhanced FDS

Outlines the fees paid, services the client was eligible for in the previous 12 months and whether or not the services were delivered.

AND

Information about the fees to be paid and services to which the client is entitled to receive in the upcoming year.

For renewing the arrangement:

- A statement that the client may renew the arrangement by giving the fee recipient notice in writing;
- a statement that the arrangement terminates and no further advice will be provided and no further fees will be charged, if the client does not renew the arrangement;
- a statement that the client is deemed not to have renewed the arrangement if the client does not give notice in writing before the end of the renewal period; and
- a statement that the renewal period is a period of 120 days beginning on the anniversary day.

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Record Keeping Requirements

For a minimum of 5 years, retain evidence:

- Ongoing Service Arrangements
- Enhanced FDS
- Responses from clients
- Provision of services

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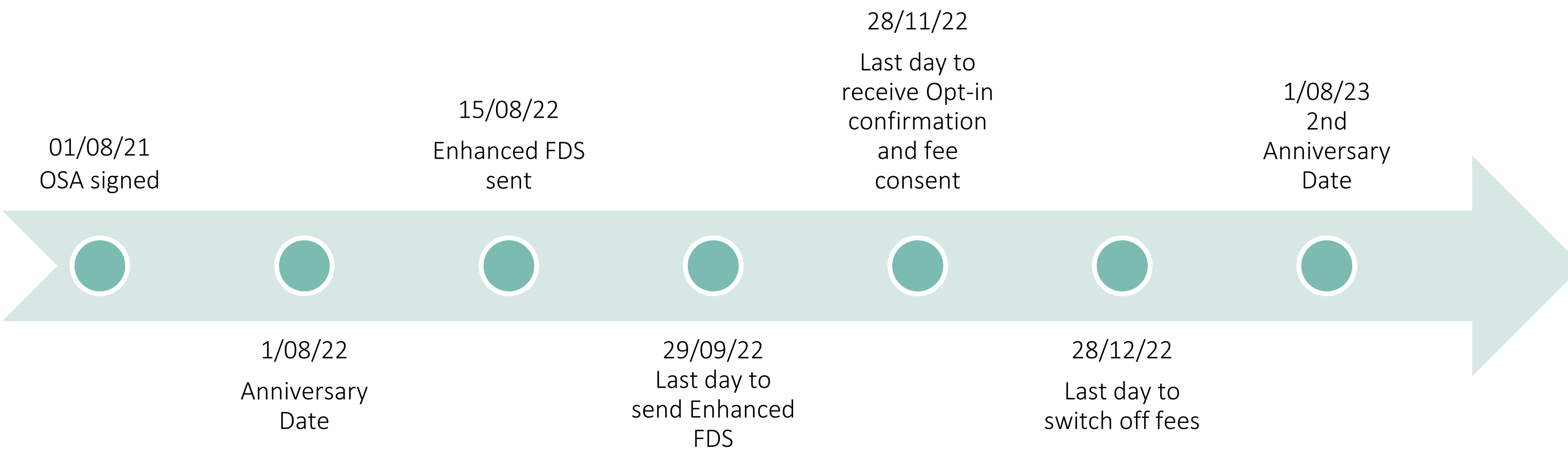
Timeline – New client

Client commences ongoing service arrangement 1st August 2021



Timeline – New client

Providing the Enhanced FDS early with the review will reset the anniversary date

01/08/21
OSA signed

01/01/22
Enhanced FDS – reset anniversary date

01/01/23
Anniversary date

01/03/23
Last day for Enhanced FDS (60 days)

01/05/23 Last day to receive opt-in (120 days)

Existing clients – Transition period

- Transition period is from 1st July 2021 – 30th June 2022.
- From 1st July, the existing anniversary date is no longer locked in. You can choose any time in the 12-month period to send the Enhanced FDS.
- The day that you SEND/PROVIDE the Enhanced FDS will be the new anniversary date.
- If you choose a day that is more than 12 months since the previous anniversary date, the Enhanced FDS will need to disclose fees for the full period since the last disclosure date to the day before the Enhanced FDS is issued. This ensures there is no disclosure gap. (EM 160).
- After the transition period (from 1 July 2022), you have 60 days from the new anniversary date to send the Enhanced FDS for all clients (as before).

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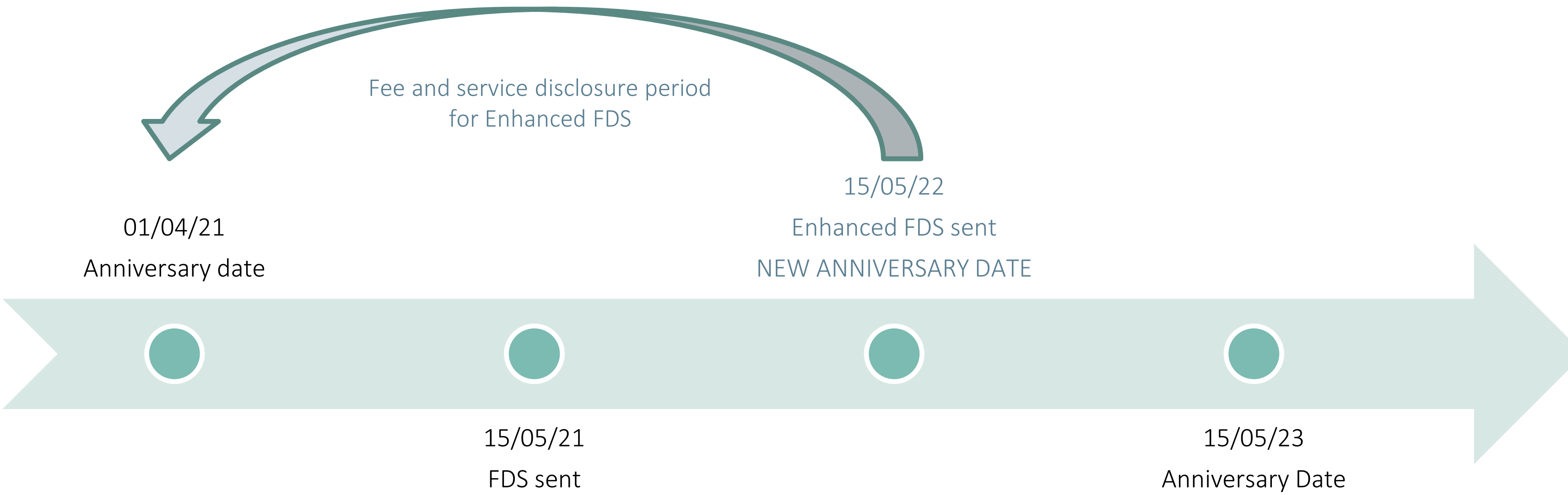
Timeline – Existing client transition

Client's anniversary date is 1st April 2021. Grandfathered client, retain anniversary date?



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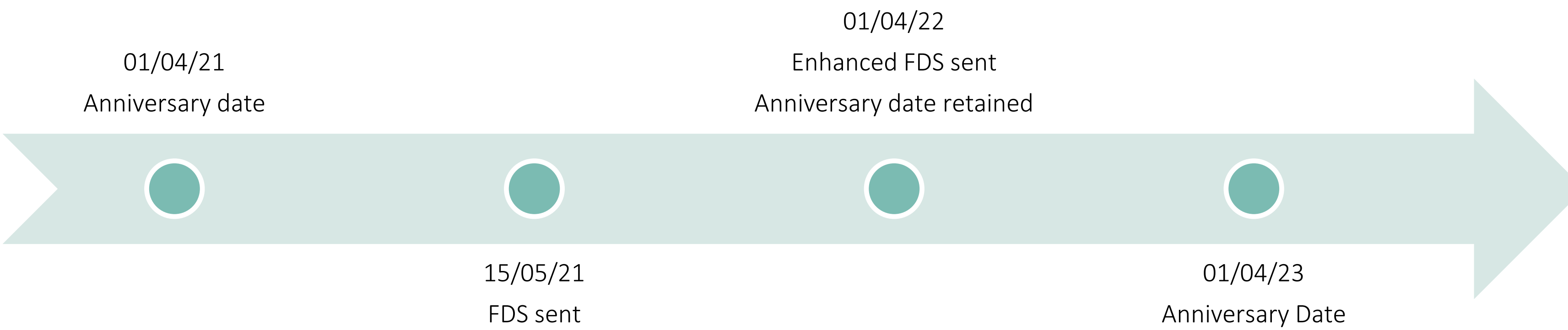

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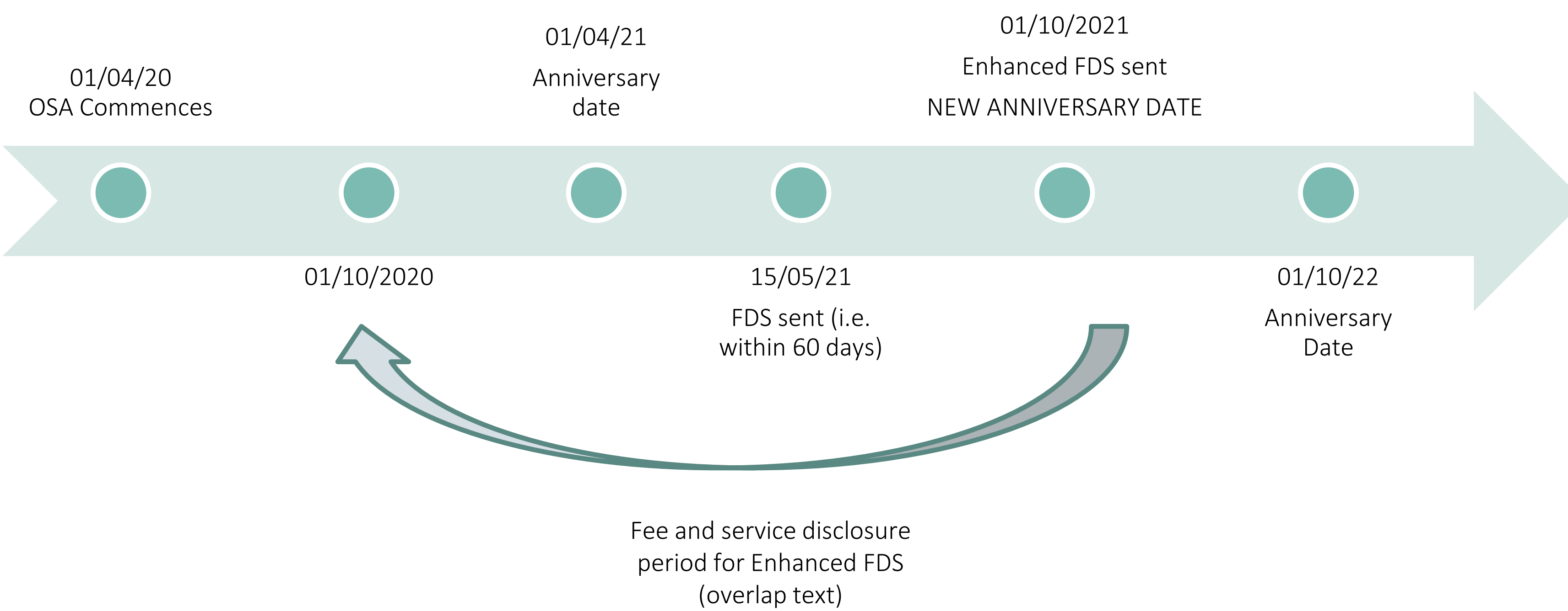
Timeline – Existing client transition

Re-setting the anniversary date



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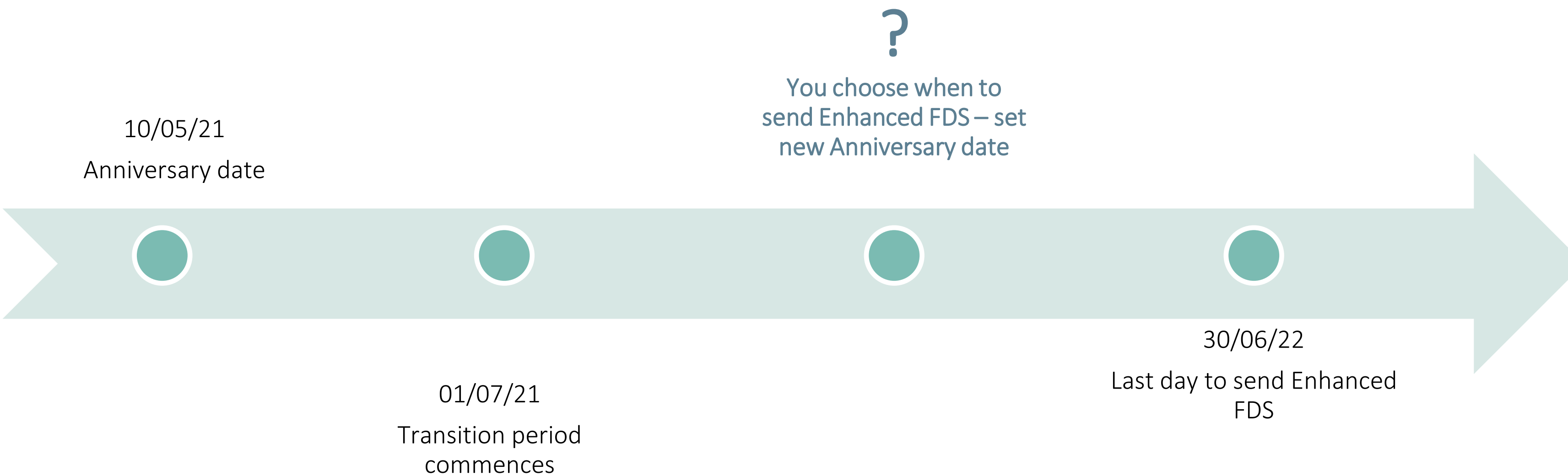
Lead-up to transition period (60 days)

Client's anniversary date is 10th May 2021 (within 60 days of 01/07/2021)



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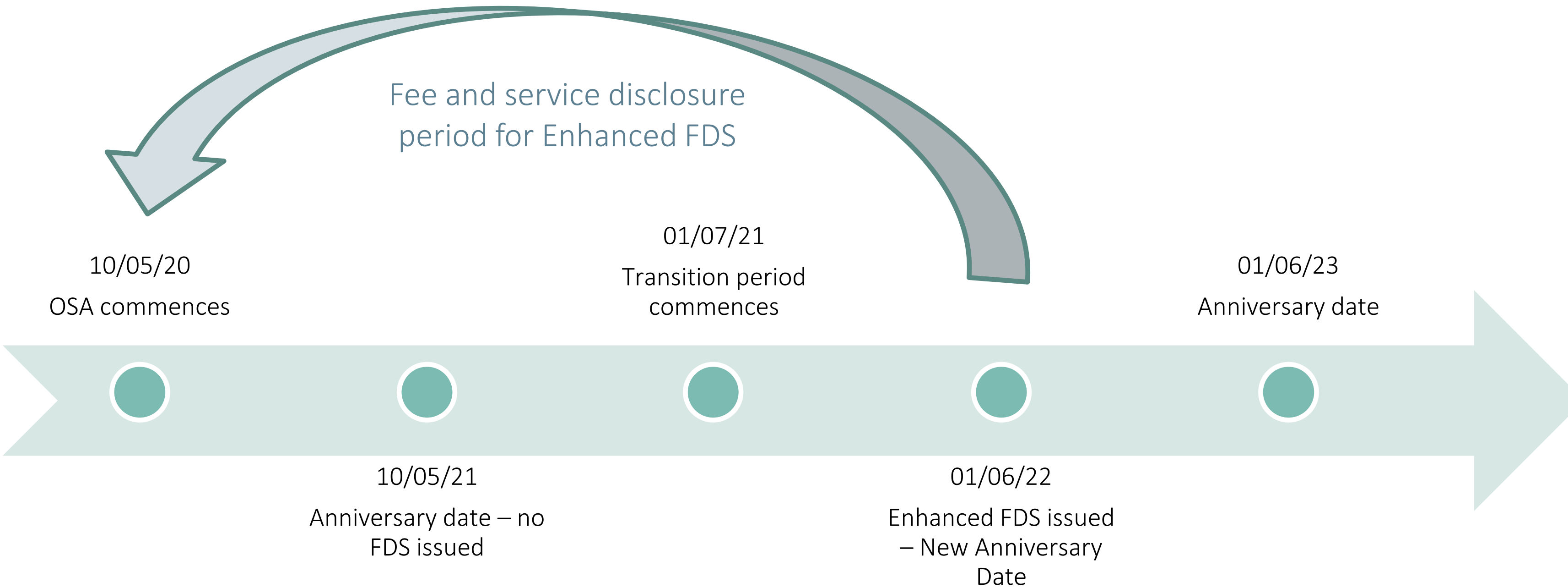

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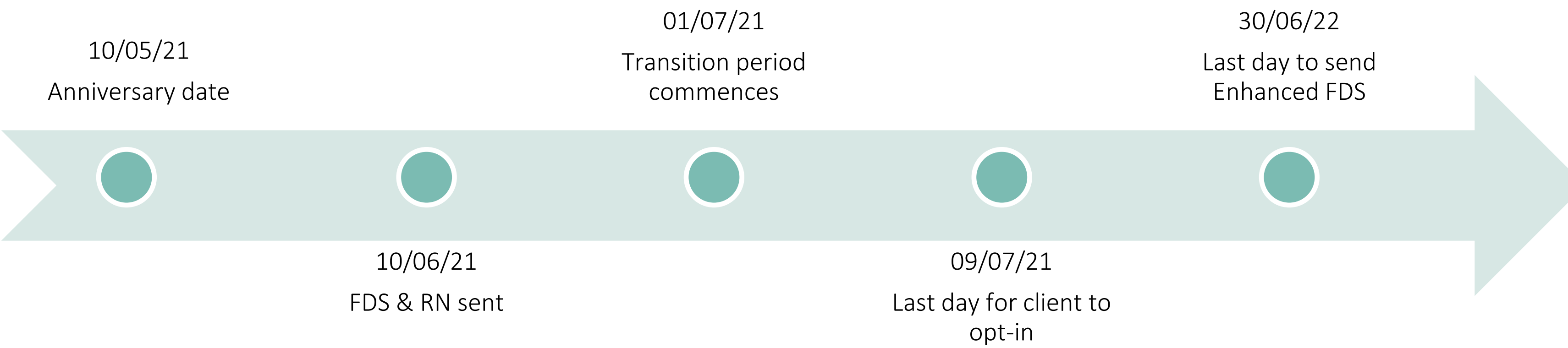

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Your transition plan

Key dates and minimum data

Monthly, quarterly, yearly?

What support will you need?

What else can Madison do?

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Annual Fee Consent

- Fee recipients must obtain the client's express written consent to deduct, arrange to deduct, or accept an amount for payment of, fees under an ongoing fee arrangement (AND PASS ON TO PRODUCT PROVIDER EACH YEAR)
- Not required for bank accounts / credit cards
- Refund fees received without consent within 10 days
- Joint accounts – consent from all parties required
- Consent lasts no more than 150 days after the anniversary date. Fee recipient must notify product provider within 10 days of OSA terminating/expiring
- If client withdraws consent, acknowledge the client and inform the product provider within 10 days

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Madison response

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The next few months

Enhanced FDS templates

Updated Wizards in XPlan

Tracking functionality in Xeppo

Legislative updates

Training webinars

Fee Consent process

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Other key points

No ongoing fees from My Super accounts

Disclosure about "lack of independence" (FSG)

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