



Senator Sue Boyce
Queensland

MEDIA RELEASE

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SHAKE-UP FOR FINANCIAL PLANNING INDUSTRY

The Federal Government has been urged to implement as a matter of urgency all eleven recommendations of the Parliamentary Joint Committee on Corporations and Financial Services to clean up the financial planning industry and protect innocent and often naïve investors, Senator Sue Boyce said today.

“Requiring advisers to have a fiduciary duty to protect their clients’ interests would be a powerful step to changing this industry for the better,” Senator Boyce said.

Senator Boyce, a member of the Committee, said the unanimous conclusions of the Committee followed months of often harrowing evidence, especially from the victims of the collapse of Storm Financial.

“Our first recommendation that financial advisers be required to have a fiduciary duty – to put their client’s interests ahead of their own - is critical to the protection of investors and clients,” Senator Boyce said.

“We were also critical of ASIC and have urged them to undertake enforcement of legislative standards of advice with a more rigorous and targeted approach. ASIC must be focussed, alert and pro-active and keep licences under scrutiny with properly trained field staff that can enforce robust audit processes,” she said.

“The government has a clear responsibility to ensure ASIC is adequately funded and resourced to take on this recommended enhanced responsibility.”

Senator Boyce said the Committee had received more than 200 submissions from Storm Financial investors and it was tragic that so many people had been financially and emotionally devastated by the collapse.

“What emerged from the evidence of the former Storm investors is that many did not fully understand that by borrowing against the equity they had in their home that they were putting their ownership of that home at risk and that Storm advisers strongly downplayed the risk of losing the family home,” she said.

Senator Boyce said the unanimous view of the Committee about the founders of Storm was summed up in the Report which stated; “In particular, the committee is not persuaded by Mr Cassimatis’s explanation that Storm clients ‘self-selected’ after being told what the investment model was.”

She said that the Financial Planning Association which had only recently unveiled a Code of Professional Practice and an anonymous reporting policy to ‘dob-in’ suspect advisors had taken some positive action although it was regrettable that it had not acted far sooner.

“It is impossible not to conclude that these moves by the FPA only a few days ago were not motivated by the need to be seen to be doing something ahead of the Committee’s report.”

Senator Boyce said the financial planning industry had to be cleaned up and made accountable.

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