

Mark Hoven
Adviser Ratings Pty Ltd
0413 614 640
mark@adviserratings.com.au

Adviser Ratings responds to Royal Commission with new financial adviser rating system

Sydney, NSW: Adviser Ratings, Australia's only independent rating service of financial advisers, today announced the establishment of an external governance committee to oversee a new quality-of-advice rating system on financial advice licensees. The need for these ratings has been reinforced by the findings of the Royal Commission that identified material failures of governance in licensee management and recommended greater availability of information to help consumers make informed decisions.

"The Royal Commission has made it abundantly clear that the operation and supervision of the financial advice licensee ecosystem lacks transparency, and financial incentives embedded in the system have influenced behaviours not in consumers' best interests," said Adviser Ratings founder and Managing Director Angus Woods. "This is a watershed moment for substantive industry reform. For a sector already servicing over 2.4m Australians worth \$1.5T and seeking to help more consumers towards improved financial well-being, the stakes have never been higher."

The licensee rating system is an industry-led initiative to be launched later this year that will support current and future legislative requirements and provide useful signals to consumers, advisers, industry and regulators in differentiating over 2,200 licensee businesses comprising 27,000 financial advisers. The ratings will also provide much needed intelligence for the product manufacturers under the Design and Distribution Obligations and Product Intervention Powers Bill currently before Parliament and supported by both sides of politics. It follows that manufacturers will have a greater shared responsibility with the advice channel to ensure consumers are served in their best interests.

An external ratings committee (ERC) has been formed to ensure the rating system is managed according to a reputable governance regime. Reporting directly to the Board of Adviser Ratings, the ERC will be chaired by Jerry Parwada, Professor of Finance and former Head of Banking and Finance at UNSW Business School. Parwada led the development of original terms of reference for the rating system through engagement with industry, regulators and government last year. Other members comprise:

- Peter Kell, former Deputy Chair of ASIC
- Paul Coughlin, former global head of credit ratings at Standard & Poor's
- Janice Sengupta, former CIO Aon, Asia Pacific

"The ERC is a significant milestone in the development of this new service," said Professor Jerry Parwada. "The quality of individuals that have agreed to serve on the ERC is testimony to the importance of this initiative and their commitment to building the industry into a respected profession."

"The Royal Commission advocates for increased information disclosure however the challenge for consumers is processing this deluge of information. This necessitates a carefully thought out and regularly updated summary measure of quality," said Parwada. "A key differentiator of the proposed rating methodology is that it will be backed up by a standing research capability designed to stress

test the factors predicted to influence quality of advice as well as keep track of changing dynamics in the industry.”

The ERC will be supported by an expert panel that may grow over time as evolution of the sector demands new specialist experience. The inaugural expert panel members comprise:

- Dr Deen Sanders OAM, Partner Governance, Regulation and Conduct, Deloitte
- Tom Reddacliff, Director and CEO Encore Advisory Group
- Dr Michelle Cull, Director of Academic Program, Accounting & Financial Planning, School of Business, Western Sydney University

The advice industry now faces a tumultuous transformation as it adjusts to the recommendations from the Royal Commission and stronger enforcement of existing regulation. The removal of commissions related to grandfathering and life insurance will compel all businesses to switch to fee-for-service models to replace lost revenue. The new FASEA educational and ethics standards also come into force this year adding new compliance and cost burdens. Furthermore, the continued hyper-growth in the number of registered licensees and unprecedented rates of movement of advisers increases systemic pressure on the industry.

To accelerate rollout of this rating system and related initiatives to improve industry transparency, Adviser Ratings is currently in the midst of a Series A capital raising round.

Biographies of ERC members

Jerry Parwada	Professor of Finance and ex Head of Banking and Finance at University of NSW Business School. Member of the Credit Suisse Endowment Advisory Council, Financial Services Institute of Australasia Industry Council For Institutional Markets, and the Australian Lenders Index expert panel.
Peter Kell	Ex Deputy Chair of ASIC, ex Deputy Chair of ACCC, ex CEO of CHOICE
Paul Coughlin	Teaching Associate at the Monash University Business School and director of Ambulance Victoria. Ex non-executive director of Treasury Corporation of Victoria, ex Executive Managing Director and Global Head, Analytics & Operations, Standard & Poor’s Rating Services.
Janice Sengupta	Ex Chief Investment Officer at Aon, Asia Pacific

Biographies of ERC expert panel

Dr Deen Sanders OAM	Partner Deloitte, ex CEO of FASEA, ex CEO of Professional Standards Authority
Tom Reddacliff	Director and CEO Encore Advisory Group. Chair of various advice practice advisory boards. Holds advisory board positions with Professional Planner and MLC Insurance Ltd. Ex GM MLC Advice Solutions, ex MD Godfrey Pembroke
Dr Michelle Cull	Director of Academic Program, Accounting & Financial Planning, School of Business, Western Sydney University

About Advice Licensee Ratings

Adviser Ratings will apply a consistent and transparent methodology to assess if licensees are creating and nurturing a culture and operating environment that allows financial advisers to deliver high-quality professional advice in the best interests of their customers. The ERC will be responsible for oversight of the development, application and maintenance of the ratings methodology, and to ensure it remains relevant as the industry evolves. The inaugural members of the ERC have been

selected taking into account the diversity of technical areas to be evaluated under the rating system, their specialist knowledge and experience, and their excellent professional standing. The standing members of the ERC will also be supplemented where necessary with expert consultants, particularly in areas like technology and artificial intelligence that will be central to the efficient operational execution of the rating process including data capture, processing and interrogation.

For more information, see the [White Paper: Proposed Quality of Financial Advice Rating System](#).

About Adviser Ratings

Adviser Ratings is Australia's only independent rating service of financial advisers. The business launched in October 2014 in the wake of the Future of Financial Advice reforms (FOFA), the Financial System Inquiry (FSI) and financial planning scandals of the time. Adviser Ratings' vision is to improve the penetration of advice amongst Australian consumers. There are more than 27,000 financial advisers on its independent platform, enabling consumers to browse and search for an adviser suited to their needs, rated and reviewed by other consumers. Adviser Ratings has evolved into a data and technology company providing services to the wealth management industry including advice licensees, super funds, life insurers, fund managers, investment platforms and software providers.

For more information, visit <http://www.adviserratings.com.au>

FOR MORE INFORMATION

Mark Hoven | CEO of Wealth | Adviser Ratings | 0413 614 640 | mark@adviserratings.com.au