

Article Information

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Draft legislation to end grandfathered conflicted remuneration for financial advisers

Recommendation 2.4 of the Royal Commission in Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) provided that the grandfathering arrangements for conflicted remuneration in relation to financial advice provided to retail clients to be removed as soon as practicable.

Conflicted remuneration was prohibited by amendments to the Corporations Act that commenced on 1 July 2013, but pre-existing arrangements were allowed to continue in place. The Royal Commission found that conflicted remuneration did not die off as pre-2013 arrangements came to an end, and so recommended law reform to end such grandfathered arrangements as soon as is reasonably practicable.

If enacted, the draft legislation would abolish the grandfathering of conflicted remuneration and volume-based shelf-space fees from 1 January 2021. It would also allow for regulations to provide for a scheme under which conflicted remuneration that continues to be payable from 2021 onwards (due to contractual arrangements that provide for the remuneration) to be rebated to the affected clients. The Treasury has also published exposure draft regulations providing for the rebating of conflicted remuneration to clients.

The exposure draft amending Act is available at <https://treasury.gov.au/consultation/c2019-t364682>. It was open for consultation from 22 February 2019 to 22 March 2019.

The exposure draft regulations are available at <https://treasury.gov.au/consultation/c2019-t370896>. The draft regulations were open for consultation until 25 April 2019.