

30 September 2022

Bravura Positioning Statement: Quality of Advice Review Proposal

Treasury is currently undertaking the Quality of Advice Review, led by Ms Michelle Levy. The purpose of this review is to propose reforms to simplify the regulatory framework to better enable the provision of high quality, accessible and affordable financial advice for retail clients.

An industry consultation has been completed and subsequently a Proposals Paper released. Public feedback on the proposed reform is being sought ahead of the final report, scheduled to be provided to the Government by 16 December 2022.

This document outlines Bravura Solution Limited's view on the proposed reform to the regulatory framework governing financial advice as outlined in the Quality of Advice Review – Proposals Paper.

Background

Bravura Solutions Limited (Bravura) has an interest in the outcome of The Review as a provider of wealth management software solutions in Australia, including in the areas of superannuation, advice, and customer engagement.

Bravura wholly owns Midwinter Financial Services Pty Ltd (Midwinter) which develops and distributes financial advice and digital advice software in Australia. Midwinter is focused on delivering software and solutions that transform the way financial advice is delivered and consumed, for the better. Its purpose is to empower financial advice providers to better serve more Australians. The aim of The Review directly aligns with Midwinter's business values.

Bravura did not submit a response to the previous Issues Paper; our view is that this was the role of advice providers and consumers who would be most impacted by the issues outlined in the consultation. However, based on the outcome of the Proposals Paper, we believe advice technology will play a significant role. Due to our extensive experience and capability in this area, we believe Bravura can help shape the proposed reforms.

Key Points

- Bravura welcomes this review as a step towards improving both the adviser and consumer experience.
- The proposed reforms will drive innovation to demonstrate the quality of advice, as well as increase the scale and reach of advice services, lending to improved market competition.
- We welcome the proposal to remove the requirement for Statements of Advice (SOAs) and allow advice providers to issue advice in the way that best suits their customers; this should reduce the time required to provide advice and create a better customer experience. The obligation for good advice provides a potential control mechanism to record the advice recommendation at the time, or near the time it is given.

- The proposed reforms may encourage banks, superannuation funds, other financial product providers and new entrants to enter (or reenter) advice.
 - This will increase opportunity for Australians to access advice. Currently most Australians are not able to access a personal financial advice service, with cost and trust critical barriers.
 - It is not economical for advice businesses to support all Australians who could benefit from financial advice; however, the regulations do not prevent advisers from differentiating their offering from vertically integrated businesses.
 - We see technology as a key enabler for banks, superannuation funds, and other financial product providers to deliver a scalable personal advice service.
 - Superannuation funds are currently working through obligations and opportunities in response to the 'Retirement Income Covenant' which should to be considered in conjunction with this review.
 - We believe 'good advice' and the technology that supports this will often encompass household objectives and circumstances which may be broader than an individual member's circumstances and product; our submission does not consider the trustees' other obligations.
- The opportunity for superannuation funds to provide advice to members and provide more options about how the advice is paid for is welcomed.
 - We believe this will increase cost effective advice options for members who cannot afford, do not require, or do not want comprehensive advice at their current life stage.
 - More needs to be done so those entering the provision of advice can confidently manage the risks inherent in providing advice. This may take the form of industry collaboration and engagement with regulators.
- Bravura already has the technology that advice providers will need under the proposed reforms.
 - The core functionality of Midwinter financial advice software will continue to support advisers to deliver and implement comprehensive advice during and after the proposed reforms.
 - Midwinter has already built and is continuing to develop digital client facing technology that can support advice businesses, including Licensees and Practices, under the proposed reforms.
 - Midwinter's functionality already allows superannuation funds to deliver intra-fund, member self-directed, and comprehensive advice using digital advice technology.
 - Bravura's Sonata Alta administration solution and Midwinter digital advice technology can enable banks, superannuation funds, and financial product providers to implement advice efficiently and more cost effectively via straight-through processing.

Position

The Quality of Advice Review proposes a shift to regulate the outcome of advice rather than the process, with a focus on providing 'good advice' as a more effective way to serve consumer needs.

This is welcomed by Bravura as we believe it will facilitate innovation around how advice is provided. Technology will be pivotal to enabling this innovation and achieving the objectives of this review – to better enable the provision of high quality, accessible, and affordable financial advice – as well as supporting the health of the financial advice profession.



Bravura supports the removal of general advice and agrees that individuals and organisations providing financial advice should do so within a suitable regulatory framework. Any information that falls outside this framework (a broadened definition of personal advice) does not need to be regulated, as doing so creates unnecessary risk for organisations, and a barrier to useful information and guidance for consumers.

We agree that the current SOA is a burden to advice providers, and it is questionable that it provides much, if any, value to consumers. We welcome the proposal to remove the requirement to provide an SOA and allow advisers to provide advice in the way that best suits their customers. However, we believe consumers will still want – and need - to be provided with an artefact, as a record of their engagement with a financial adviser, with the primary objective being to inform and explain the advice provided and demonstrate its value. Enabling advice providers to issue this information in a more user-friendly manner will support efficiency in demonstrating and recording the provision of good advice, leading to a better and more informative experience for consumers.

We see the shift to focus on consumer outcomes as a positive way forward for the industry, but only if advice providers are confident that they can invest in the innovation to provide ‘good advice’ rather than risk mitigation and compliance. This will reduce the need for RegTech solutions to manage complicated processes and open a path for increased innovation and differentiation around advice provision and the consumer experience.

The review has been deliberate around encompassing all advice providers. Broadening the scope of organisations that can provide advice is an opportunity to fill the consumer advice gap.

If the proposed reforms pass, superannuation funds, banks, other financial product providers and new entrants have an opportunity to become key players in the provision of financial advice. This will only work if these organisations have confidence that they can invest in and manage the risks inherent in providing personal advice.

Should these organisations enter (or re-enter) advice – which will become more viable if the proposed reforms move forward - there is an opportunity for relevant providers to differentiate from non-relevant providers through market forces as opposed to regulation. This may be analogous with the independent financial adviser segment in the US that have fiduciary obligations to the client.

Bravura believes that if the proposed changes pass, advice businesses will need to innovate and may need to accept additional business risk to be competitive. Pleasingly, the proposed reforms will support increased digitisation in the advice profession. Midwinter has already built and is continuing to develop new digital client facing technology that will support consumer engagement and ‘good advice’ outcomes through access, transparency, education, and increased adviser efficiency.

The future of the advice profession is a hybrid model, combining digital and adviser-led interactions. Digital technology will provide advice for simple consumer needs and support interactions with professional advisers. All advice providers could benefit from a single advice engine that can service all types of advice and channels including general information, self-directed, intra-fund, and comprehensive advice, leveraging efficiency and risk reduction from common components which can be tailored to different audiences or individual situations.