

A simple plan

Industry professionals often lose themselves, and the people they want to communicate with, through jargon. The financial planning industry is no different and ASIC has been working with the industry to develop plain English financial planning advice.

As sections of the Federal Government's proposals paper on Refinements to Financial Services Regulation continue to be discussed by key stakeholders, ASIC has released its example Statement of Advice (SOA), and an accompanying guide, based on a hypothetical limited financial planning scenario (not requiring a full financial plan) for a new client.

It is one of eight projects ASIC has undertaken in accordance with the proposals paper released on 2 May 2005. The SOA is an "illustrative aid" and is ASIC's "interpretation of clear, concise and effective advice and disclosure in a specific financial advice scenario".

In late July, the Securities Institute participated in an industry round-table with the regulator, government, industry associations and consumer groups regarding ASIC's example SOA project. SIA welcomed ASIC's initiative and despite reservations about a 'one size fits all' approach the Institute views the illustrative guidance as positive for industry.

Indeed, ASIC has also opened the door for industry to produce other examples of SOAs in areas that could include: share portfolios, a 'whole of life' financial plan and superannuation issues. On this point, ASIC's guidance notes says that "we [ASIC] may in the future decide to produce further examples of SOAs (e.g. dealing with advice about general insurance products and superannuation), but this will depend in part on the preparedness of industry both to engage with the spirit of the example SOA and produce its own examples dealing with specific issues".

The notes also state that the aim of

the project is that, "we [ASIC] have released the example SOA to illustrate a clear, concise and effective SOA in 20 pages or less. Our [ASIC's] aim was to develop a worked example of good disclosure practice (but not necessarily best practice) for a particular financial advice scenario that satisfies a basic level of disclosure and complies with the law."

If advisers are concerned that the example SOA will be either used as a template or as a tool for compliance reviews and enforcement activities then ASIC has highlighted this is not the purpose of the example SOA.

ASIC's Deputy Chairman, Jeremy Cooper has emphasised that "ASIC does not intend to assess any adviser's SOA against the example SOA in a compliance review. It is just an example and is not supposed to reflect the 'perfect' SOA either. We were particularly careful not to produce an example that would take an unrealistic

and uncommercial amount of effort to prepare in a real-life situation. It is not a template that can be used in all situations. It provides a simple way for ASIC to communicate what we think an SOA dealing with these issues should look like. Licensees and their advisers should look at the general approach, rather than the specific details, of the example SOA."

In its guide, ASIC also revealed that the example SOA is not necessarily set in stone: "we [ASIC] will continue to monitor developments in SOA disclosure (e.g. the introduction of dollar disclosure requirements, the outcomes of FSR refinements and ongoing feedback from stakeholders) to adapt and improve the example SOA over time".

Further information is available at ASIC's website: [www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/Example_SOA_guide.pdf/\\$file/Example_SOA_guide.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/Example_SOA_guide.pdf/$file/Example_SOA_guide.pdf)

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