

InvestorDaily

Licensees slam platforms over reforms

Consultation, fees key issues

Kate Kachor

Mon 29 Aug 2011

Financial advisory executives have hit out at Australia's platform industry over the level of its government consultation in regards to financial services reform.

Matrix Planning Solutions managing director Rick Di Cristoforo said there are two big issues that the platform sector has not dealt with particularly well.

Di Cristoforo said the first issue is the platform industry has "completely failed" in explaining, in a proactive fashion, that they are offering a service, not a product.

"I believe that probably is the key issue, that if you think about the one thing that would have made the platform world a lot clearer to our Treasury friends is that there were very few people saying, 'Please understand this is an administrative response; it's not a security or product'," he told delegates as part of a panel discussion at the annual Wraps, Platforms and Masterfund conference on the Sunshine Coast.

"I don't think we've have done a terribly good job. You could never have expected the licensees to defend that position. That is actually something that we think is a real shame because, unfortunately, the Treasury, to a greater extent or to a lesser extent, did understand it but, unfortunately, those people in legislation have not understood the difference between the product and a service."

He said the second issue is the difference between the words "margin or business-to-business margin" and a rebate.

"In our world, there is a world of difference between engaging with a platform and building a business-to-business margin in for the work of a license and adviser does, versus being paid a rebate. The decision to how much is being paid and why it's been paid is in the platform provider's decision-making bucket," he said.

Fellow panel member, Pivotal Financial Advisers executive manager Maria Cheer weighed into the fee discussion, stating that given the confusion with the volume rebate versus margins, all licensees are talking to their platform providers to negotiate fees.

"At the end of the day, the way that it will work is that, if the margin continues to be paid one way or another, then the licensee will continue to reduce their fees for the adviser that they pay for joining the licence," Cheer said.

"The rippling effect is that the clients don't have to pay that much because if the licensees don't get that margin, whatever form it comes through, then they are forced to charge the advisers more and the advisers are going to be forced to charge the consumers - the very people that this FOFA is trying to protect are going to end up paying the price."

For Fiducian Portfolio Services managing director Indy Singh, issues for his company surround the combining of service organisations when financial planning groups merge.

Singh said the management of merging advisers/dealer groups needs to be carefully managed because advisers use different platforms, have separate relationships with management of various platforms, and "advisers talk".

"Price is not always the issue as the media and many of the platforms operators believe it is," Singh said.

"I think that's one important thing [and] the other is when you have a dealer group taking on another dealer group and they come up with another platform and they want to negotiate with you a better share of your fee."

This story appeared on InvestorDaily.com.au ©2006 InvestorDaily