

Banking and finance update

March 2016

ASIC to review finance broker remuneration

In late February 2016, ASIC released a discussion paper titled "Broker Remuneration Review – Scoping Discussion Paper" to assist in scoping out the parameters of its forthcoming review of mortgage broker remuneration structures.

ASIC is currently consulting with industry on the scope of the review.

This ASIC initiative follows a request by the Commonwealth Government in November 2015 for ASIC to review the mortgage broking market and determine the effect that current remuneration structures have on the quality of consumer outcomes.

ASIC proposes the review will comprise 3 main elements:

- overview of the home lending market;
- remuneration structures, and
- consumer outcomes, including whether those outcomes are currently influenced by remuneration structures.

The purpose of this alert is not to canvass or speculate on the scope of the review or its final outcome but to alert readers to the proposed timelines for completion of the review and the report to Government.

The proposed timelines are currently:

- Deadline for submissions on scope of review – 11 March 2016;
- ASIC determines scope of review – late March 2016;
- ASIC requests data from industry (March to April 2016);
- Data collected analysed (April to August 2016); and
- Report to Government (at this time expected to be in the period between September to December 2016).

The review of mortgage broker remuneration structures follows on from reforms in recent years to remuneration structures for financial services products and more recently the life insurance industry.

On life insurance, see media release dated 11th February 2016 issued by the Minister for Small Business and Assistant Treasurer the Hon Kelly O'Dwyer announcing introduction of legislation into Parliament to give effect to changes to life insurance remuneration structures. <http://kmo.ministers.treasury.gov.au/media-release/008-2016/>

Any change to the remuneration structure for finance broking has the potential to reshape that industry in Australia, as has happened with other industry sectors when their remuneration structures have been changed.

It is important to follow this review closely as it progresses during 2016 and beyond.

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