Shorten may delay reforms

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Financial Services Minister Bill Shorten may push back next year's overhaul of financial advice. *Photo: Peter Braig*

BILL Shorten is considering delaying the government's plan for an overhaul of financial advice, amid industry claims the proposed start date of next July is unworkable.

Under its Future of Financial Advice reforms, the government will ban advisers from receiving commissions and require clients to approve their adviser's fees every two years.

With financial planners complaining that many of the changes were too complex to be introduced by July, the Australian Securities and Investments Commission last week said it might overlook inadvertent breaches during the first year of the reforms.

But amid intense industry pressure, the office of the Financial Services Minister, Mr Shorten, has signalled he could delay the start date for the reforms, before a decision on the matter next month.

"The minister is open to considering whether further transitional arrangements are required beyond what ASIC signalled in the last few days," a spokesman for Mr Shorten said. "We expect to have more say in mid to late January 2012."

Talk of a delay comes amid financial planners' claims that introducing the changes by July would be impossible because of the extensive administrative changes and the fact that legislation is still before Parliament. It is believed that the government considers some of the industry arguments for a delay are legitimate. It is also keen to avoid any unintended consequences caused by moving too quickly.

The director of policy at the Financial Services Council, Martin Codina, welcomed comments from Mr Shorten's office and argued the reforms should be pushed back until July 2013.

"The minister's comments that the issue of transition will be resolved in January are very encouraging, particularly given the legislation is unlikely to pass through Parliament until April or May of next year," Mr Codina said.

"It will not be possible for the industry to be compliant with these significant reforms only two to three months after the legislation has passed - particularly as much of the detailed requirements will be outlined in regulations which are yet to be released."

The reforms are linked to an overhaul of superannuation - which does not take effect until July 2013 - and will signal major changes in how advisers are paid. They also include new rules requiring advisers to act in clients' best interests.

Financial services firms have complained at having to make two major changes to their computer systems in the space of a year.

Mr Codina said delaying the reforms until July 2013 would avoid duplication in the industry.

Legislation for the financial advice shake-up is before two parliamentary committees and those committees are not due to report back until February and March.