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## **INEVITABLE NZ WILL FOLLOW AUSTRALIA'S EXAMPLE**

“In Australia there is a growing movement within the financial services industry to phase out commission on investment products as a step to improved quality of advice to investors. It is inevitable New Zealand will follow this change”, said Vance Arkininstall, CEO, Investment Savings & Insurance Association (ISI).

“Phasing out commission will remove the suggestion (often incorrect) that investment advice is related to the level of commission available to the adviser rather than the best interests of the consumer. In a market where consumer uncertainty regarding the quality of investment advice abounds we should do all we can to clear away any perceived impediments”, Vance Arkininstall said.

“Commission has long been an effective way of spreading the cost of investment advice and has made investment in products much more affordable. The downside is that if commission is phased out then advisers will charge a fee for investment advice. For some small investors being required to pay a fee may restrict access to some investment products. But equally there are a number of successful investment advisers who have already moved away from commission and charge a fee for their service. For these advisers the fee for service model works well. ISI product providers already offer the flexibility which enables advisers to forego any commission and to charge the investor a fee based on the service provided,” said Mr Arkininstall.

“In Australia the various industry associations for product providers and investment advisers have joined forces in promoting the change from commission to fee for services in respect of investment products. It is inevitable the NZ financial services industry must take a similar stance in the interests of building confidence in investment markets”, Vance Arkininstall said.

“This change is not a reflection on the many successful investment advisers who provide outstanding service but rather a means to build investor confidence following the many finance company failures and the impact of the Global credit crisis that have created financial havoc.”

For further information contact:  
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