

# **AIOFP attacks research and ratings house conflicts**

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*Mike Taylor, Managing Editor/Publisher, Financial Newswire*

**Research and ratings houses have come under attacked from the Association of Independently Owned Financial Professionals (AIOFP) which has suggested they are conflicted and have avoided scrutiny and accountability for too long.**

The AIOFP's leadership believes that the application of the superannuation performance test to choice products will carry with the benefit of placing research houses under scrutiny.

"We are also hoping this will be the catalyst to enlighten and educate Canberra Bureaucrats on the difference between product manufacturing and financial advice and why they are diametrically opposed functions that need to be treated differently. This realisation should also have positive ramifications with how the CSLR funding model is calculated," the AIOF's Peter Johnston wrote to members.

"The conflicted role most Research Houses play in the advice industry should now come under the microscope after decades of avoiding scrutiny. The other calamitous consumer outcome needing scrutiny and resolution is the Managed Investment Scheme [MIS] legislation, both issues have been disastrous for consumer and Adviser protection and outcomes."

"The participation of Research House input with both advice and product over the past 30 years has largely avoided accountability, their 'all care but no responsibility' approach when products fail is almost legendary," Johnston's message said.

"After taking a generous, conflicted fee to positively rate a [destined to be] failed product, they then strategically position themselves behind lawyers and disclosure statements for protection whilst Advisers are interrogated/persecuted by the Regulator and consumers mourn their losses."

His message went on to detail the history of Managed Investments Schemes (MISs) and the role of research houses and research reports and then stated that "product manufacturers paying Research Houses to rate their own products is a profoundly conflicted process which still extensively exists today".

“The only stakeholder that should be funding Research Houses are advisers or non-conflicted clients, this ensures the Research House is always acting in the best interests of advisers/consumers.”

“This practice is so widespread in the industry, we recommend legislation banning conflicted payments to protect all consumers and Advisers going forward. Government has banned all other conflicted remuneration impacting advice to consumers why is this allowed to happen?”

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