

Clash of the Titans – MLC & NAB Wealth

Platforms, wraps and masterfunds conference 2009

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State of the world today

- Global financial crisis
- Flight to quality
- Corporate collapses
 - Storm Financial
 - Opes Prime
- Consumer and media scrutiny
 - Adviser remuneration
 - Conflicts of Interest
- Regulatory and government review of the industry
- Industry bodies – IFSA, FPA



Transform the industry to a profession

- Need to gain trust by establishing a transparent model
 - Fee for Service, remove commissions (excluding insurance)
 - Remove volume based rebates and shelf space fees
 - Full disclosure to customers on **what** is being paid and **to whom** during each stage of wealth value chain
 - Remove distribution chain models that assert independence but conflicts exist due to opaque remuneration arrangements between product/platform provider, AFSL and planner
- Lift the bar on quality of advice
 - Min requirements for financial planners either:
 - CFP designation; OR
 - Undergraduate degree and ADFS plus min 12 months' experience
 - Federally regulated terms for “affiliated” or “independent” financial planners



The MLC model

- Vertically integrated model / institutional ownership
 - Institutions have strong brands and reputations to protect and stand behind the advice their representatives provide
 - Institutions have the capital backing to protect consumers if something does go wrong - PI insurance is not a substitute for capital in compensation matters
- Any conflicts that exist will be managed through governance structure
 - Separate licensee board
 - Majority independent directors
 - At least one independent director and all sub-committees (approved product, dealer advice standards, risk and compliance)
 - Independent and expert input into product research
- No remuneration bias for sale of in-house product



MLC's position

- Licensee of Choice
 - Stance on fees and trust and transparency since 2006
 - MasterKey Fundamentals – fee for service platform across IDPS, super and pension
 - No volume rebates paid to external platforms or licensees
 - No shelf space fees paid to external platforms
 - Program to assist licensees to transition to a Fee for Service model
- Corporate structure and financial strength
 - Acquisition of Aviva
 - Strategic alliance with JB Were
 - Acquisition of Challenger Mortgage Management



Where to for the industry

- Further consolidation of the industry
- Changing dynamics – Customer must be at the centre
- Increasing importance of brand and reputation
- Transparency and value
- Adapt to impact of regulatory change
- Support adviser business
 - Efficiency and administration capability
 - Flexibility to accommodate adviser business model especially different fee models
 - Develop functionality to cater for non-managed fund investments eg direct equities, SMA/IMA

