

# Simplifying client consent for advice fees

How Praemium can help you meet your OFA obligations



From 1 July 2021, new regulations come into effect which set out new requirements for the way in which licensees and/or advisers, superannuation trustees and product providers provide personal financial product advice information and manage the way advice fees are both consented to by clients and deducted from clients' accounts.

The changes are an outcome from the Hayne Royal Commission recommendations and aim to provide greater transparency around services provided for fees charged.

## Summary of the key changes for retail clients

- » Effective from 1 July 2021, a new client consent process will be required as part of arranging for advice fees to be deducted from your clients' accounts.
- » These arrangements will need to be agreed annually with your clients if they are subject to ongoing advice fee arrangements (OFA) or at the specified end date if fixed term fee advice arrangements are in place.
- » Any changes to existing advice fee arrangements after 1 July 2021 will be required to comply with the new advice fee requirements.
- » A 12-month transition period will apply from 1 July 2021 until 30 June 2022, for any fee arrangements that have been entered into prior to 1 July 2021. Any changes to existing fee arrangements during this time will need to comply with the new client consent obligations.
- » There is an obligation on superannuation trustees, Responsible Entities and IDPS operators to confirm that the client consent has been received prior to advice fees being charged to client accounts. This includes both one-off advice fees, ongoing and fixed term advice fee arrangements.
- » Failure to provide client consent within the advice fee renewal period will result in advice fees being switched off on the clients account. If consent is withheld or expires, notification must be given to the fee recipient within 10 days.

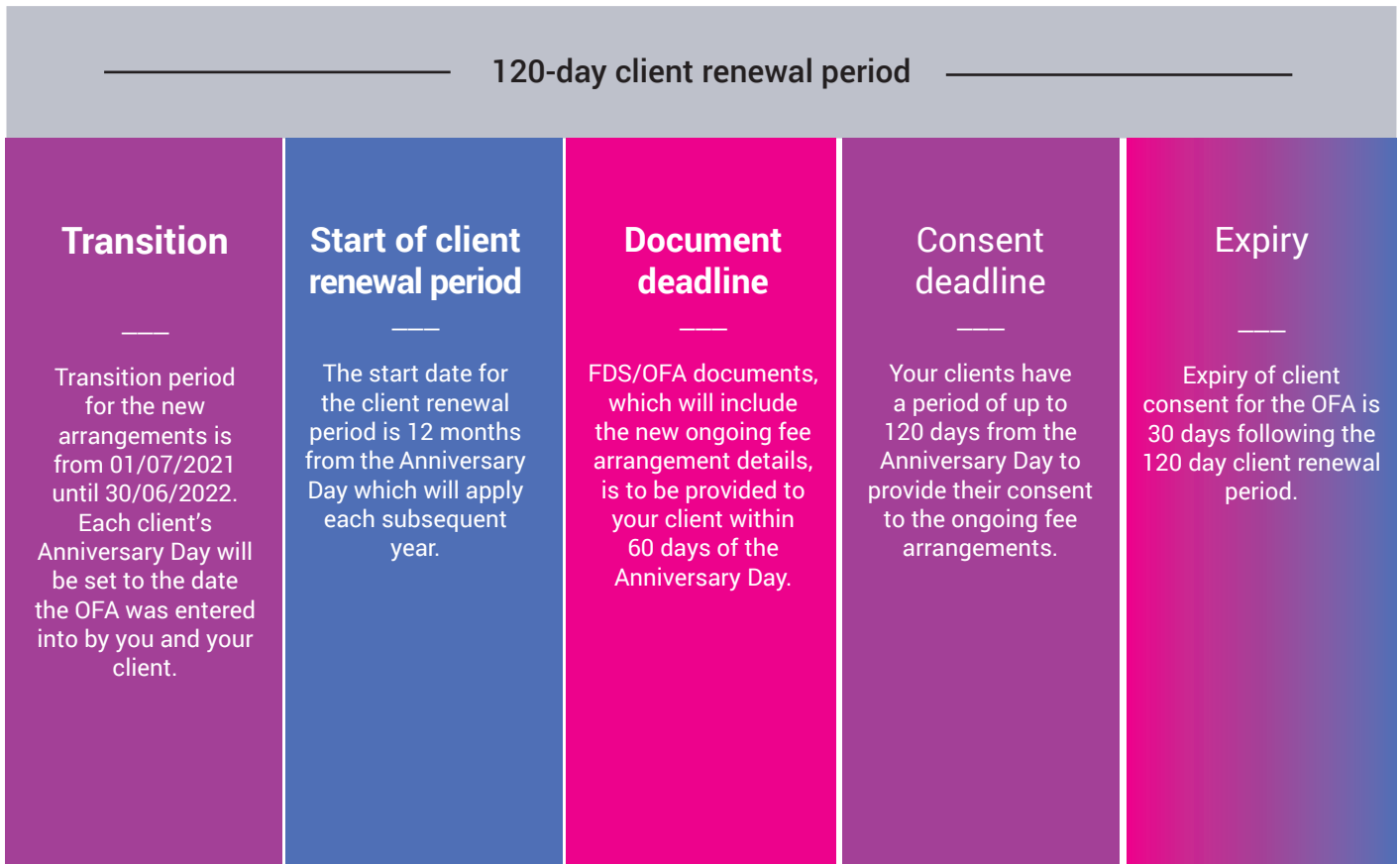
## What fees are impacted by the new regulations?

- » The advice fee regulations apply to all ongoing advice fees available through the Praemium SMA and SuperSMA as follows:
  - » Adviser Service Fee
  - » Dealer Group Service Fee
  - » Research Fee

**Note:** Given the new annual fee consent arrangements, the current option to index fees annually (by CPI or a fixed %) will be removed from the next rollover of the Praemium PDS documents which will be effective October 2021. Clients with existing advice fee CPI arrangements will have fees indexed early July 2021 for the final time.

## The 120-day Ongoing Fee Arrangements (OFA) Renewal Period

The following diagram describes the new ongoing advice fee process and timings effective 1 July 2021. The Renewal Period commences from 1 July 2022, following the 12-month transition period.



### OFA Transition Period

Clients who sign up to new arrangements post 1/7/2021 will be required to meet with the new OFA obligations as will clients that may have been provided with an FDS prior to 1/7/2021, however have not provided OFA consent by 1/7/2021.

For clients who have existing Fee Disclosure Statement (FDS) and fee renewal arrangements in place, you will need to ensure they are provided with an OFA notice and consent prior to the end of the transition period being 1/7/2022. This will ensure we capture the Anniversary Day for all clients during the transition period, which will form the basis of the renewal period during the following and subsequent years.



# Helping you with your OFA obligations

Praemium will make a range of tools and functionality available to assist you with meeting the new ongoing client fee consent regulations

## Automated forms for a simplified audit trail

You already have access to Praemium's Adviser Portal which allows you to efficiently send advice and product documentation directly to your client's Investor Portal for their review and consent using DocuSign.

This functionality has been further expanded to include the creation of an online Advice Fee Amendment and Consent Form. This new form will be populated with all the required information to satisfy the new regulatory requirements and;

- » Once sent to your client's Investor Portal, it will trigger an email to your client alerting them that an important document is available to them within their Portal for them to review.
- » The new online form can be used for both your SMA and SuperSMA clients.
- » When consent is provided by your client, a full audit trail is available to you online.

An off-line paper based form can also be accessed via your Adviser Portal which, once completed and signed, can be forwarded to the Praemium Service Team for processing. We recommend the use of the online fee form though, given the real time audit trail it provides.

### New applications (available Aug 21)

The online Application process will shortly be updated to include additional data fields to collect the required information to satisfy the new requirements.

### New Fixed Term Fee Option (available Aug 21)

Praemium will provide for the establishment of a new fixed term fee option that will be for a period not exceeding 12 months. Through the online Application process you will be able to select both a start and end date to apply for fixed term fee arrangements. Advice fees will automatically cease at the end of the fixed term, with a new fee arrangement required prior to advice fees being deducted again. An online Advice Fee Amendment and Consent Form will be available in Adviser Portal to capture client's consent.

## Tracking and monitoring your ongoing advice fee obligations

The Adviser Portal will provide you with a range of alerts and reporting to ensure you can stay up to date on the status of each client and their consent. This includes:

- » A summary of the key dates for each client, including Anniversary Day, fee lapsing date, date of OFA provided and your client's OFA consent date.
- » Online alerts will be provided 30 days prior to the next Anniversary Day as well as 30 days prior to advice fees being removed for the client, should the fee renewal period lapse.
- » Advisers can at any stage access a report on the OFA status of all their clients, across their entire client base on Praemium and/or at an individual account level.
- » Further client consent data is being added to the Praemium Report Data Library to allow you to access specific details to be used with your own advice documentation.

## Your SuperSMA clients and your SMA clients

The new client consent functionality detailed above will be available for both your SMA and SuperSMA clients if you choose.

## Need more information?

For further information and updates please visit our Help Centre or contact your usual BDM or call our support team on 1800 571 881 or [support@praemium.com.au](mailto:support@praemium.com.au).

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