

Aggregators react to ACL 'third way' proposal

By Kevin Eddy | 02 Sep 2010

Aggregators have produced mixed reactions to an 'alternative' way of fulfilling broker compliance under the new credit regime.

Craig Morgan of the I-Financial Group [suggested to *Broker News*](#) that there is a 'third option' for brokers other than becoming a credit representative of their aggregator or obtaining their own licence: instead, he suggests they could consider becoming a credit representative of a dedicated licensee company which may not be their aggregator. He argued that this approach "combines the benefits of both of the other options and removes the downsides".

[Steve Kane](#), managing director of FAST, wasn't surprised at the proposal.

"It makes sense for someone to offer a service like this, and from a legislative perspective I don't see an issue," he said. "My only comment would be that any broker looking at using such a service should make sure they're completely satisfied that the licensee has the technology, the systems, the experience and the capital to sustain that business."

[Mark Haron](#) from Connective was broadly supportive of the idea, commenting that compliance with the NCCP regime would be his main concern.

"Fundamentally, lenders and aggregators want to know that they are dealing either with someone who is licensed or someone who is a credit representative," he commented. "As long as the licensee is legal from an ASIC operational perspective, it shouldn't present any problems."

Dean Rushton, chief operating officer of LoanMarket, isn't keen, however.

"This isn't a model we would pursue," he said. "Our view is that the aggregator assumes responsibility for the conduct of its broker team, and it's very difficult to carve parts of that out. At the end of the day, we can deliver the credit representative model most effectively through our compliance team, and we already have the resources and relationships in place to do that."

Jeff Zulman, CEO of Vow Financial, was philosophical about Morgan's proposal.

"I welcome the creative thinking around alternative approaches to the licensing regimes," he commented. "It's certainly not necessary to have just two paradigms, and I'm aware of groups in the financial services space that have

successfully outsourced the compliance role. However, i think the devil is in the detail with this proposal: until people know the extent and complexity of what ASIC is proposing, it's very difficult to know what needs to be provided – and to price such a service. We would also need to make sure we're happy with the compliance programme in place."

Zulman also queried who would be responsible for training and CPD under such an arrangement, and questioned the overall benefit to brokers.

"The real question is 'what's in it for the broker'?" asked Zulman. "Ultimately, it must be good for the broker in a tangible way, and not just imposing another intermediary."