

I-Financial proposes licensing 'third option'

By Kevin Eddy | 01 Sep 2010

Brokers who do not wish to become a credit representative of their aggregator may not have to obtain their own credit licence, according to a financial services company.

Craig Morgan, managing director of the I-Financial Group, said there is a 'third option' for brokers which "combines the benefits of both of the other options and removes the downsides of the other alternatives": essentially, becoming a credit representative of a company other than their aggregator.

"Brokers should select their aggregator based on business need and what the aggregator brings to the table by way of products, commissions, training and support," Morgan said. "On the other hand, their licensee should be selected on the basis of being able to provide a compliant regime that is operationally-focused and does not unduly hinder the broker's business nor restrict their access to a wide range of products and services."

Morgan added that the I-Financial Group is planning to launch a 'centralised licensing model', which will allow brokers, financial planners and accountants to access an ACL and/or an AFSL in this way without changing their current aggregator. He continued that pursuing this strategy could also see the broking industry avoid some of the issues that have beset the financial services industry.

"The fear that remains for many brokers around becoming a credit representative is a repeat of what has happened within the financial planning sector under the FSR regime," he said. "Where product aggregation and licensing are centralised we have seen clear evidence of constraint of advice and 'product pushing' by licensees and advisers. In fact, this has caused so much concern for consumer groups and the Government alike that financial planners will now be banned from receiving commissions on investment products.

"In short, a broker has perhaps a one-time opportunity to select the aggregator that best suits their business and the licensee that best suits their needs – even if they are two entirely separate organisations," he added.