

APPENDIX B: Information in respect of Commissions rebating mechanisms

Recent changes to the law and the introduction of *FoFA* prohibit product providers to earn commissions on new investments in managed funds. However *FoFA* reforms passed in June 2012 do not cover existing managed funds investments or insurance policies issued outside Group Superannuation plans and default superannuation. As a result, commissions are still earned by some product providers.

Our research indicates that there are companies providing rebate services that are available to Clients. Fee rebate companies are part of a fast growing industry that has emerged to help Clients recover hidden commissions paid as part of insurance, superannuation policies, home loans and investments. More than \$2 billion in commissions are being paid to providers of financial products (managed funds and superannuation) annually. With the fee rebate service offered by various fee rebate companies, Clients are able to recover some of these monies from their mortgage and insurance policies. This provides evidence that there are systems already existing to rebate commissions.

