

3 May 2010

FINANCIAL SERVICES INDUSTRY REFORMS

On 26 April 2010, Chris Bowen, the Federal Minister for Financial Services, Superannuation and Corporate Law released an announcement entitled "The Future of Financial Advice" (the Announcement).

The overriding objective of the proposed reforms described in the Announcement is to ensure there is a greater alignment between the provision of financial product advice and the client's best interests and to minimise distortions to remuneration which undermine this outcome.

DKN Financial Group Limited (DKN) supports this objective.

Distribution Activities

The Announcement refers to bans on commissions and volume based payments in relation to "*the distribution and provision of advice for retail financial products*".

Under the existing contractual arrangements for DKN's core platform offerings, DKN is responsible for the packaging and distribution of these platforms to wealth management practices and generates fees for performing these activities. As a consequence the fees generated do not give rise to the conflicts of interest described in the Announcement as:

- the distribution activities undertaken by DKN do not involve the provision of any financial product advice by DKN
- the packaging and distribution of its core platforms to wealth management practices

DKN therefore believes that, on the basis of the information released to date, the Government's proposal to ban commissions and volume based payments will not impact on the remuneration arrangements DKN has in place under its existing distribution contracts with its core platforms.

Fiduciary Obligation & Adviser Remuneration

Wholly owned subsidiary, Lonsdale Financial Group Limited, like all dealer groups, will need to consider the ramifications of the proposed reforms for its associated wealth management practices and assist these practices to manage any future changes to the law.

DKN holds minority equity positions in seven wealth management practices. DKN does not believe the financial impact of the proposed reforms on these practices will be material.

Once the legislation is released and the detail of the reforms are fully understood DKN believes it will be well positioned to assist wealth management practices deal with the changing regulatory environment which will result in fundamental changes to and consolidation within, the Australian financial services industry.

It is important to note that the Announcement is only a statement of the Federal Government's future policy initiatives.

As more detail in relation to the proposed reforms becomes available, DKN will communicate any material developments to the market as and when it is in a position to do so. DKN also intends to provide its clients with ongoing advice to assist them in implementing any changes to their business as further detail is provided in relation to the proposed reforms.

In summary DKN does not consider the proposed reforms are likely to have a material financial impact.

Phil Butterworth
Chief Executive Officer
DKN Financial Group Limited