Do managed accounts equate to in-house products?

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https://www.moneymanagement.com.au/news/financial-planning/do-managed-accounts-equate-house-products

Advisers using managed accounts have been cautioned to ensure that they are implementing clients' best interests in circumstances where the Australian Securities and Investments Commission's (ASIC's) managed accounts project will be closely examining the issue.

Partner with specialist financial services law firm, The Fold, Simon Carrodus, has drawn parallels between advice around managed accounts and that around in-house products which became the subject of ASIC scrutiny of the big five financial institutions – the Commonwealth Bank, Westpac, ANZ, National Australia Bank and AMP.

"It would be naive to think that such conflicts only occur at the big end of town. The same conflict affects many small to medium-sized advice businesses (including those that use managed accounts)," Carrodus wrote in an analysis covering ASIC Report 562.

"We know that ASIC's managed account project is focusing on a number of issues including fees, suitability and - you guessed it - conflicts!" he wrote.

Carrodus said that while in-house product recommendations were not prohibited pursuant to the *Corporations Act* or the FASEA Code of Ethics, advisers needed to take appropriate steps to prioritise their clients' interests above their own.

"It's not enough for an adviser to merely disclose the conflict. The adviser must explain why the in-house product is likely to leave the client in a better position and how it is more likely to satisfy the client's needs and objectives (vs the client's existing product)," he said.