

# REVIEW OF MORTGAGE BROKER REMUNERATION STRUCTURES

Final Scope – May 2016

ASIC has commenced a review at the request of the Government to examine the mortgage broking market to determine the effect of current remuneration structures on the quality of consumer outcomes. The Government has requested that the review be completed by the end of 2016. The Government will consider the findings as a first step prior to any potential change in remuneration structures for the mortgage broking industry.

ASIC has finalised the scope of the review (below). The scope sets out the review parameters and is intended to be read in conjunction with the scoping considerations detailed in the 'Review of Mortgage Broker Remuneration Structures: Scoping Discussion Paper February 2016'. The scope has been informed by input received from industry and consumer representatives at the Industry Roundtables and through subsequent written feedback.

Please be aware that review parameters may shift throughout the review if ASIC considers it appropriate, necessary or in the public interest to do so. ASIC may also consider out of scope items, or matters arising from this review, separately in the future.

## REVIEW SCOPE

<b>Participants</b>	ASIC will review the remuneration arrangements of all industry participants forming part of the value distribution chain. Participants will include: lending institutions, aggregation and broking entities, associated mortgage businesses (e.g comparison websites, market based lending websites etc.), and referral and introducer businesses.
<b>Products</b>	ASIC will review the remuneration arrangements associated with the sale of residential mortgage products (including white label products) only. Other products (e.g. reverse mortgages, construction loans etc.) which do not comprise a predominate proportion of the home lending mortgage market are out of scope.
<b>Channels</b>	ASIC will review remuneration structures across lender, broker, online and referrer and introducer channels.
<b>Ownership structures</b>	ASIC will review the ownership structures of all participant types. These structures may include fully vertically integrated businesses and other types of commercial alignments between review participants (e.g. equity stakes or licensing arrangements).
<b>Remuneration structures</b>	ASIC will review the remuneration structures (including non-monetary benefits) that relate to the distribution of home lending products present throughout the value chain. The review will predominately focus on the remuneration arrangements of lender, aggregator, broker and referrer and introducer staff associated with the sale of residential mortgage products.
<b>Consumer outcomes</b>	Consumer outcomes are multifaceted, and comprise a series of factors such as price, product accessibility, product features, loan performance which may vary in importance from consumer to consumer. ASIC will focus on consumer outcomes to the extent that they have the potential to be impacted by behaviour driven by different remuneration structures.
<b>Sample size</b>	ASIC will review a cross section of lending institutions, aggregation and broking entities, associated mortgage businesses, and referral and introducer businesses to provide a representative reflection of the market. Selected participants will be informed from May 2016 onwards.
<b>Data</b>	Where applicable, ASIC will measure loan performance data over a five year period.



**ASIC**  
Australian Securities &  
Investments Commission