



ASIC
Australian Securities &
Investments Commission

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20-107MR ASIC warns consumers: Investment advertising is not always ‘true to label’

ASIC warns consumers about investment advertising that compares fixed-term investment products to bank term deposits. A surge in such marketing of fixed-term investment products in recent months has prompted ASIC to caution consumers to take care making investment decisions based on such advertising.

ASIC is monitoring such advertising and the entities involved because of reports about fixed-income products being advertised as term deposit ‘alternatives’ or ‘substitutes’, and consumers investing significant sums as a result.

ASIC views these investment products as riskier than term deposits because they may be issued by entities that are not well-capitalised, not protected by the Government’s Financial Claims Scheme, and not supervised by the Australian Prudential Regulation Authority (APRA). Some are also backed by concentrated portfolios of higher risk unlisted and illiquid assets.

ASIC recognises that many consumers may be seeking higher and regular returns on their investments during this time because of low interest rates and market volatility. But there are significant differences between bank term deposits that are relatively low-risk products and fixed-term funds and debentures offering regular, fixed distributions that are higher risk investment products.

Bank term deposits are considered relatively low-risk because:

- they are protected by the Government’s Financial Claims Scheme, also known as the Government guarantee, which guarantees the first \$250,000 invested (per depositor, per bank); and
- the ability of banks to honour their commitments to depositors is actively supervised and monitored by APRA.

ASIC Deputy Chair Karen Chester said, “If an investment product offers higher returns than a term deposit, it is more likely than not to be higher risk. In the current uncertain and volatile markets, higher risk investment products are, more than ever, not for everyone. Especially for smaller investors, be they retail or wholesale, when they are not investing as part of a diversified portfolio.

“Be wary of investments that claim to be ‘like’ a ‘term deposit’. Products spruiking even a two or three percentage point higher return than a term deposit represent significantly higher risk. We are also seeing products offering only marginally higher returns with much higher risk profiles.”

Ms Chester said, “Investment products marketed to consumers should be ‘true to label’. Products should not be marketed as having features like low risk of loss, regular returns or easy access to withdrawals unless the product issuer has reasonable grounds to believe they have and will continue to have such features through the economic cycles. Product issuers need to ensure broad statements in their product marketing reconcile with the fine print in any offer document.

“When choosing an investment product, carefully assess if the product is appropriate for your circumstances, particularly when comparing relatively low-risk products such as bank term deposits with other higher return and thus higher risk investments. If in doubt, seek independent financial advice,” she said.

Consumers who are looking for independent information about investment choices should visit ASIC’s Moneysmart website, which has useful information on [term deposits](#), as well as tips on [how to choose a financial adviser](#).

Background

In Australia, terms deposits can be issued only by [authorised deposit-taking institutions](#) (banks, building societies and credit unions).

ASIC is aware of a number of investment products where the issuer implicitly or expressly compares their product to term deposits, and is considering potential regulatory action where appropriate.

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