

5 July 2018

Mark Brimble
Acting Managing Director
Financial Adviser Standards and Ethics Authority
Sydney NSW 2000

BY EMAIL: consultation@fasea.gov.au / mark.brimble@fasea.gov.au

Dear Mr Brimble,

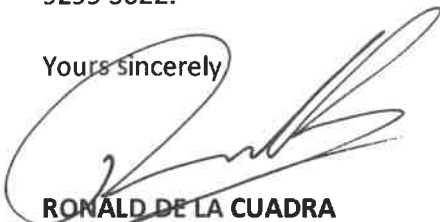
RE: FASEA's EDUCATION PATHWAYS FOR EXISTING ADVISERS - EXPOSURE DRAFT OF PROPOSED GUIDANCE

The Financial Services Council ("FSC") is the peak industry body representing financial services businesses in Australia. We welcome the opportunity to make a submission to the Financial Adviser Standards and Ethics Authority ("FASEA").

The FSC has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$3 trillion on behalf of 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Should you wish to discuss this submission further please do not hesitate to contact me on (02) 9299 3022.

Yours sincerely



RONALD DE LA CUADRA
Policy Manager

FINANCIAL SERVICES COUNCIL – SUBMISSION ON EDUCATION PATHWAYS

INTRODUCTORY COMMENTS

The FSC supports the need for education requirements for financial advisers who are authorised to provide financial advice under the Act¹. We believe these education reforms and ongoing training requirements, along with a Code of Ethics, would greatly assist in enabling financial advisers to regain the trust and confidence of consumers by consistently providing quality advice within a framework that fosters professionalism. Further, it provides for financial advisers to receive and maintain a higher level of education and standard of ethics in a similar manner as solicitors and accountants.

Notwithstanding this, we would like to make the below comments regarding parts of the education pathways for existing advisers ("**Education Pathways**") which we believe should be amended to provide financial advisers and Australian Financial Services Licensees ("**Licensees**") with more certainty regarding their requirements.

GENERAL COMMENTS ON THE PROPOSED GUIDANCE

Adherence to the Education Pathways will require greater clarity than is currently available. As presented, the Education Pathways present practical difficulties which may result in unintended consequences that may not necessarily deliver in enhanced consumer outcomes and may impede efforts to achieve a standardised profession for financial advisers. Various issues which relate to this can be found throughout the Education Pathways. These are set out below.

Ethics as a subject

One issue is the ability to build 120 hours of content around 'ethics'. A better option would be to incorporate the subject of ethics so it is taught across the curriculum rather than as a stand-alone subject.

Timeframes for consultation and implementation

The consultation period for the Education Pathways has been extensive. While we fully support effective consultation with the advisor community and other stakeholders, we believe there may be some unintended consequences arising from the length period for comment. The proposed start date for new entrants to undertake a Professional Year commences 1 January 2019. There will now be limited time available, following any final guidance from FASEA in 2018, to ensure members are able to update internal processes to meet the new requirements.

We are also concerned to see that FASEA does not limit the options in respect to several higher education providers being able to offer an Approved Graduate Diploma and/or Bridging Course subjects for existing financial advisers who intend on commencing their education pathways from 1 January 2019.

Assuming FASEA provide final guidance with respect to Education Pathways around late August/early September once a period of examination of submissions have occurred post-consultation deadline, this would leave higher education providers three to four months to:

¹ All references to the Act is to the *Corporations Act 2001*, as amended by the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*.

- Amend their offerings if they do not meet FASEA requirements;
- Submit their qualifications for assessment by FASEA to be listed as an 'approved qualification'; and
- Develop and/or submit bridging course subjects for assessment by FASEA to be included on the list as an 'approved bridging course'.

Clearly, the extent to which FASEA is able to expedite the finalisation of its guidance will be beneficial to the necessary planning that needs to occur to insure the delivery of the Education Pathways.

Recognition of Prior Learning (RPL)

We understand that each higher education provider currently uses their own methodology/checklist when assessing Recognition of Prior Learning ("RPL"). This differentiation between higher education providers when assessing RPL standards may lead to multiple RPL standards.

We believe there is an opportunity for FASEA to take a leadership position and work with industry representative groups and associations to design and implement a universally accepted standard with respect to RPL which, we submit, should recognise professional designation certification programs and prior 'relevant' education.

Related Qualifications

A major difficulty for our members has been defining what is and is not a 'related qualification' along with the omission of 'business' and 'commerce' as a 'related degree'. Many of our members have questioned why business/commerce has been omitted and law included. It seems to be an anomaly.

The majority of law subjects are unrelated with the provision of financial advice, with the exceptions being *elective* subjects relating to areas relevant to the provision of financial advice such as taxation law. It may be perceived that those with a law degree are receiving preferential treatment as opposed to a financial adviser with a commerce or business degree.

A potential solution includes FASEA expanding the current definition of 'related qualification' contained in the Education Pathways.

An alternative is to provide greater guidance and clarity as to the minimum number of subjects in a related field which must be studied in order for a degree to be recognised as being a related qualification. We observe this approach, where the individual units of study are assessed against areas of competency will be impractical to implement due to the cost and time of assessing adviser qualifications.

SPECIFIC FEEDBACK SOUGHT

1. *Different pathways exist for advisers with different qualifications.*
*Are the **proposed education pathways** appropriate for each type of Adviser:*
 - a) *New Entrant?*
 - b) *Existing Adviser with no qualifications at AQF 7 (or above)?*

- c) *Existing Adviser with qualifications in unrelated disciplines?*
- d) *Existing Adviser with qualifications in related disciplines at AQF 7 (or above)?*
- e) *Existing Adviser with qualifications at and post graduate qualifications in related disciplines?*
- f) *Existing Adviser with approved FPEC qualification?*

A) New Entrant:

This is a positive step to lift the minimum education standards as well as help the industry move forward towards becoming a profession in the same way as lawyers and accountants are part of a profession.

B) Existing Adviser with no qualifications at AQF 7 (or above)?:

We agree with the proposed requirement for existing advisers with no qualifications at AQF 7 or above to meet the new standard.

C) Existing Adviser with qualifications in unrelated disciplines?:

We submit that the requirement that an existing adviser with an unrelated degree be required to complete an Approved Graduate Diploma is appropriate.

Career Transition

In certain cases many professionals become financial advisers following alternative careers. The current proposal treats these professionals as “new entrants” and providers that from 1 January 2019 will need to complete a bachelor’s degree to enter the industry.

There is ongoing confusion about professionals who fall into this category. FASEA should consider existing qualifications at AQF 7 (or higher) for them. A reasonable solution is to allow these individuals to complete an approved Graduate Diploma (AQF8) instead of a bachelor degree. This proposed resolution is consistent with FASEA’s approach regarding existing financial advisers who do not have an approved or related qualification.

This potential solution would also, at least partially, alleviate the potential for an exodus of experienced advisers in the lead up to 1 January 2024. We believe a majority of advisers who leave would be above 55 years of age. This is because many may question the utility of undertaking additional study in light of their closeness to retirement age. The opening up of this study pathway for professionals transitioning to advice would also act as a mitigant to this reduced ability of the market to supply advice. We believe this would be in the best interest of consumers.

D) Existing Adviser with qualifications in related disciplines at AQF 7 (or above)?:

We support the proposed requirement for existing advisers with related degrees to complete three Bridging Courses by 1 January 2024. We believe this requirement may best support advisers to improve their understanding of the current regulatory framework, apply the Code of Ethics and provide greater client engagement and enhance consumer outcomes.

E) Existing Adviser with qualifications and post graduate qualifications in related disciplines?:

We agree with FASEA's approach for existing advisers with both qualifications at AQF 7 level and post graduate qualification at AQF 8 and 9 levels. We also see the benefit in advisers completing one subject of the Code of Ethics.

F) Existing Adviser with approved FPEC qualification?:

The Financial Planning Education Council ("**FPEC**") Approved List is a list of approved qualifications to meet the education standard as part of the admission requirements for entry into the Certified Financial Planner Certification Program. This was its sole purpose. This list, although a good starting point, could be made more comprehensive through the addition of other degrees deemed to be sufficient to meet the degree standards for advisers.

FEEDBACK ON PUBLIC OUTCOME SOUGHT

Do you think increased education standards will assist in providing higher quality advice?

We believe the increased provision of education standards tends to lead to higher quality service over time.

Do you think these education pathways meet the expectations of consumers?

- *If so, why?*
- *If not, why not?*

Due to a lack of clarity within the Education Pathways (as detailed under the various subject headings above) as well as the suggested timeframes for FASEA implementation of the current version may not necessarily achieve its intended purpose and meet consumer expectations. The Education Pathways as currently framed would be better placed to deliver on FASEA's intended purpose and meet existing consumer expectations if, as mentioned earlier, greater clarity was given to the Pathways and if timeframes for transition to the new regime could be influenced. The Pathways, along with the Code of Ethics will assist in moving the industry towards recognition as a profession in a similar manner as the legal and accounting professions.