



Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
PARKES ACT 2600

By email: fsi@treasury.gov.au

5 September 2014

RE: Financial System Inquiry – Final Report

Dear FSI Panel Members,

The Financial Planning Association of Australia (FPA) welcomes the opportunity to offer a supplementary response to the Financial System Inquiry's Interim Report.

The FPA's supplementary submission specifically addresses the issues raised by the FSI's Interim Report regarding adviser education standards, as well as the possibility of an adviser register. It draws on our contributions to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry, as well as consultation with members of the FPA and stakeholders.

Thank you again for the opportunity to make a submission to the Inquiry and we welcome further opportunities to provide feedback and consultation to the Panel.

If you have any questions, please do not hesitate to contact me on 02 9220 4500 or dante.degori@fpa.asn.au.

Yours sincerely,

Dante De Gori
General Manager Policy and Conduct
Financial Planning Association of Australia



Financial System Inquiry

Supplementary Second Round Submission

FPA submission to:
FSI Panel

05 September 2014



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

1. Summary of recommendations

As previously stated, the FPA agrees that there is a need to change the current education requirements to increase the minimum education standards and requirements for those providing tier 1 personal financial advice to consumers. The FPA recommends the following financial planner and financial adviser education framework to raise the standards:

| Education framework | Course requirement | Course approval | CPD | Experience / on the job training | Adviser register |
|---------------------|---|---|---|---|---|
| Purpose | <p>Detailing the minimum course requirements an individual must undertake to provide financial advice under an AFSL:</p> <ul style="list-style-type: none"> • course level and award • curriculum or core subject matter, and • course duration | <p>A central authority must be empowered to approve courses to ensure courses meet the minimum education standards.</p> <p>A list of approved courses must be maintained and publicly available to enable individuals and industry to check the accreditation of courses.</p> | <p>A minimum level of CPD must be set to ensure an individual maintains and builds on their knowledge and skills relevant to the services they provide to consumers. CPD build on the knowledge gained by completing the initial course requirements.</p> | <p>Work experience allows theory to be put into practice, and facilitates learning outcomes that cannot be achieved through a text book.</p> | <p>An Adviser Register will assist consumers and industry with validating the education undertaken and the qualifications held by individual financial planners and financial advisers.</p> |
| Requirement | <p>An individual must hold:</p> <ul style="list-style-type: none"> – a degree or post-graduate qualification (from an Australian tertiary institution) approved by the FPEC, or – a degree or award (from an equivalent institution) at a minimum level of AQF7 approved by the FPEC, or – equivalent tertiary education approved by the FPEC at a minimum level of AQF7 | <p>Course must be approved by the Financial Planning Education Council (FPEC) against its Australian Higher Education Curriculum and Accreditation Framework in Financial Planning</p> <p>FPEC should maintain a public register of the courses it approves.</p> | <p>Financial planners and financial advisers must undertake a minimum of 90 CPD points / hour over a triennium period, with a minimum of 25 points / hours in any given year</p> | <p>An individual must have a minimum of one year of relevant experience in the preceding 3 years to be permitted to provide tier 1 personal advice.</p> | <p>All representatives and authorised representatives who provide personal advice under an AFSL should be listed on a public Adviser Register</p> |

This submission discusses the costs, benefits and trade offs of changing the education requirements for financial planners and financial advisers, as well as the advice register, below.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

2 – ADVISER COMPETENCE

The FSI Interim Report sought views on the costs, benefits, and trade-offs of the following policy options or other alternatives:

- No change to current arrangements.
- Raise minimum education and competency standards for personal advice (including particular standards for more complex products or structures, such as SMSFs) and introduce a national examination for financial advisers providing personal advice.
- Introduce an enhanced public register of financial advisers (including employee advisers) which includes a record of each adviser's credentials and current status in the industry, managed either by Government or industry.
- Enhance ASIC's power to include banning individuals from managing a financial services business.

Our first submission addressed ASIC's powers with respect to banning individuals from managing a financial services business.

2.1 – Minimum education standards

Under the Corporations Act 2001, advice providers and licensees are required to ensure they are competent to provide their advice services. The enactment of the Tax Agent Services Act (TASA) Amendment Bill in June 2013 has created dual regulatory oversight and education requirements for financial advisers and financial planners. Under this dual system both regulators – ASIC and the Tax Practitioners Board (TPB) – are charged with setting education standards for financial advice providers.

The detailed training obligations set by ASIC in its Regulatory Guide *RG146: Licensing: Training of financial product advisers* are based on the definition of financial product advice in the Corporations Act and therefore are focused on training on financial products rather than building competencies in providing financial advice. The TPB sets guidelines regarding training requirements for tax (financial) advisers focused on the provision of tax advice only.

RG146 was developed in 1997 prior to the introduction of both the Financial Services Reform (FSR) Act and the Future of Financial Advice (FOFA) reforms. The changes introduced under these two regimes were so substantial they have significantly changed the shape of the financial planning profession and financial services industry more generally. The FPA argues that basing any changes to financial adviser and financial planner education on the existing structure of the RG146 will significantly undermine the objectives of the change and will create substantial issues in the practical implementation of any proposed new requirements, particularly for education providers and licensees, which will impact on the success of the new higher training requirements.

The lack of an overarching framework to financial adviser and financial planner education has led to a piece-meal approach developed and added to over more than two decades, which contains unworkable, incompatible and inappropriate requirements, as well as gaps in the holistic system



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

needed to ensure an increase in advice provider competency is achieved. A holistic and coordinated framework must be developed and put in place which clearly separates the provision of advice from the sale of financial products. This can be achieved through a co-regulatory approach compelling professional bodies to provide the holistic framework for financial planners and financial advisers, and RG146 to focus on financial product training.

The different approaches used by the two regulators and the lack of alignment of the requirements for financial adviser and financial planner education exacerbates this issue further. For example:

Table 1

| | TPB | ASIC |
|---------------------|---|--|
| Training register | Approves appropriate training courses and maintains register of courses approved by the Board as meeting its requirements | Permanently closed its training register |
| Education level | Minimum education level of AQF5 or equivalent | Currently at AQF5 or diploma level. Has proposed an increase to AQF 7 level. |
| Course duration | Proposes a course duration of 100 to 130 hours or equivalent of one semester | Is silent on course duration. |
| Assessment criteria | Proposes a range of appropriate assessment tools; and to mandate independent supervision requirements | Is silent on assessment |

While this is not a detailed analysis or extensive list of the requirements, the above table serves to illustrate the differences in both the requirements and the approach to financial adviser and financial planner education being adopted by the two regulators. This has led to confusion for financial advisers and financial planners, licensees and education providers. The lack of a consistent and streamlined approach to financial adviser and financial planner education will inevitably increase training costs, which may lead to an increase in financial advice fees for consumers. Facilitating professional bodies to provide the holistic framework for financial planners and financial advisers could address this issue.

Further, there is a fundamental difference in the approach used to set training standards by each regulator – ASIC sets training standards based on competencies, which are a combination of learned and assessed knowledge and skills; the TPB sets training standards based on knowledge alone, as evident in the education requirements for BAS and Tax Agents and the proposed education requirements for tax (financial) advisers.

Financial advisers, financial planners, and licensees currently need to consider and collate the requirements from various sources and assess, as best they can, whether they have undertaken adequate training to fulfill the education standards under each of the following requirements:

- ASIC Regulatory Guide 146



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

- TASA Regulations regarding training for Tax (financial) Advisers
- TPB proposed policies regarding training requirements for Tax (financial) Advisers
- The proposed SRO with a mandate to review the standards of competency for advice providers
- specialist advice accreditations
- CPD requirements of ASIC, professional associations and the TPB
- Professional association requirements.
- Licensee requirements - individual Licensees often provide their own additional training to ensure their authorised representatives/representative are at a consistent level. This highlights the issues of the portability of financial adviser training.

This issue has been further exacerbated by the permanent closure of the ASIC training register, which served as a guide to RG146 compliant courses for licensees and financial advisers and financial planners. The absence of the training register makes it extremely difficult, time consuming and costly for financial advisers, financial planners and licensees to determine and evidence compliance with RG146.

Considering the education sector is very important in understanding the current environment of financial adviser and financial planner education. Education providers have no guidelines as to the level of detail that they need to provide on financial advice knowledge areas that are covered in RG146 beyond the items themselves. The result is that a faculty can choose to state that a course covers multiple financial planning knowledge areas even when all knowledge areas are covered in just one subject rather than being more appropriately provided through a number of in-depth units of study. There are very short courses on the previous ASIC Training Register because of the absence of a defined requirement. The FPA has taken the initiative in developing the FPEC to support education providers in this area.

AQF7 level falls under the jurisdiction of the higher education sector who are regulated by the Tertiary Education Quality and Standards Agency (TEQSA). These are in the main universities. TEQSA does not regulate the curriculum (course content) higher education providers offer. Its oversight is limited to ensuring higher education providers put in place and adhere to appropriate processes.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

ASIC requirements under RG146 are generally not considered by TEQSA when undertaking accreditation of education providers. The FPA has a list of approved degrees which meet the required standard for entry into the Certified Financial Planner Program. Universities on FPA's approved degree list have all taken RG146 very seriously but there are other universities that offer introductory courses that do not adequately cover RG146 requirements.

RTOs operate in the vocational education and training (VET) space under the course standards set by the regulator, the Australian Skills Quality Authority (ASQA) (with variations for Victoria and WA). ASQA approves the competencies for RTO course curriculum in financial advice as defined in the IBSA Training Package, which is based on RG146. However, there are no specifications from ASQA or IBSA of what constitutes a sufficient number of competencies in a course.

While RTOs currently develop courses to comply with RG146, RTOs are not permitted to provide courses at the AQF7 level, unless they are also registered with and regulated by TEQSA. However, this kind of dual-regulation is rare as it is not cost-effective.

Significant changes have occurred both at a regulatory and market level in the financial advice space, and within the education sector.

The FPA recommends the structure and requirements in RG146 are inappropriate in today's financial planning education environment and unnecessarily burdensome and complex. The FPA recommends the current RG146 be dropped and replaced with a holistic framework to financial adviser and financial planner education that ensures the key objective of raising education standards can be delivered. Using RG146 as the base to change education standards will not achieve this objective.

2.2 – Educational framework for the financial planning profession

The Financial Planning Association whole-heartedly agrees that there is a need to increase the minimum education standards and requirements for those providing financial advice to consumers. A key tenet of the FPA's drive towards achieving the highest standards of professionalism is the requirement for higher levels of education for financial advisers and financial planners. The FPA already leads the way with an approved degree and minimum experience requirements for membership.

As demonstrated by the issues discussed in this submission, determining an appropriate framework for financial adviser and financial planner education is an extremely complex issue which crosses multiple regulators, multiple industries, and impacts on the availability, accessibility and affordability of advice for consumers. Such a framework must consider the practical implications for existing financial advisers and financial planners while not restricting new entrants into the profession, and ensuring consumer protection is enhanced while the accessibility and affordability of advice for consumers is maintained.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

The FPA supports an increase to training standards and education requirements for financial advisers and financial planners, however the FPA does not believe it is appropriate to mandate an increase in the minimum education level in the absence of recognition of a solid framework for financial adviser and financial planner education which clearly shows how all the elements work together to improve financial adviser competency. The FPA has an established strong professional framework that incorporates a holistic education framework, supported by the work of the FPEC and its *Australian Higher Education Curriculum and Accreditation Framework in Financial Planning*. (See *Attachment 1: FPEC Australian Higher Education Curriculum and Accreditation Framework in Financial Planning*).

The FPA believes an effective and appropriate framework for financial adviser education must include the following elements and describe the essential role each part plays, and how all parts must work effectively together to deliver a complete education system to assist in the delivery of quality and affordable advice for consumers.

| Course requirement | Course approval | CPD | Experience / on the job training | Adviser register |
|--|---|---|--|---|
| <p>Detailing the minimum course requirements an individual must undertake to provide financial advice under an AFSL:</p> <ul style="list-style-type: none"> course level and award curriculum or core subject matter, and course duration | <p>A central authority must be empowered to approve courses to ensure courses meet the minimum education standards.</p> <p>A list of approved courses must be maintained and publicly available to enable individuals and industry to check the accreditation of courses.</p> | <p>A minimum level of CPD must be set to ensure an individual maintains and builds on their knowledge and skills relevant to the services they provide to consumers. CPD build on the knowledge gained by completing the initial course requirements.</p> | <p>Work experience allows theory to be put into practice, and facilitates learning outcomes that cannot be achieved through a text book.</p> | <p>An Adviser Register will assist consumers and industry with validating the education undertaken and the qualifications held by individual financial planners and financial advisers.</p> |

The elements of the framework are discussed in detail below.

2.3 - Course requirements

There is currently no consistent education qualification requirement an individual must meet to be able to provide personal advice on tier 1 products. RG146 details knowledge areas and skill requirements at the Australian Qualifications Framework¹ (AQF) level of AQF5 to be able to provide tier 1 financial advice. The requirements do not include the course duration which is vital to ensure there is an adequate quantum or depth of study undertaken on each knowledge area.

¹ The Australian Qualifications Framework is the national policy for regulated qualifications in Australian education and training, www.aqf.edu.au.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

While there are some excellent qualifications, together with professional designations such as the Certified Financial Planner® designation, these are not “required” under the current minimum training requirements to provide tier 1 financial advice.

The current regulatory requirements have created a fragmentation of training requirements allowing people to be compliant in single areas of knowledge with no training in other knowledge areas contained within RG146. This, and the lack of a quantum requirement, facilitates the allowance of some existing inadequate courses to be undertaken to become RG146 compliant and to sell financial products under the guise of financial advice. This issue is exacerbated by the current lack of any restrictions on who can hold themselves out to consumers as a financial planner or financial adviser. RG146 does not distinguish minimum training or qualification requirements for a person selling a product and a person offering comprehensive advice. Consumers have no way to discern between the relevance of the qualifications themselves.

ASIC lists 14 different knowledge areas in RG146.

- A 2.1 Financial Planning
- A 2.2 Securities
- A 2.3 Derivatives
- A 2.4 Managed Investments
- A 2.5 Superannuation
 - Self Managed Superannuation Funds
- A 2.6 Insurance
 - General Insurance
 - Life Insurance
 - Insurance Broking
 - Miscellaneous Financial Risk Products
- A 2.7 Deposit Products and Non-Cash Payments
- A 2.8 Foreign Exchange
- A 2.9 First Home Saver Accounts
- A 2.10 Margin Lending Facility
- A 2.11 Regulated Emissions Units (defined but not implemented)

A whole qualification is not required to be authorised to give financial advice. Rather a course comprising generic knowledge, specialist knowledge and skills (in the case of tier 1 personal advice) is mandated.

“Financial planning” is defined as being a product by itself and there is no requirement that a financial adviser should be able to advise on any financial product other than the financial plan. The current education minimum requirements position the training requirements as more akin to a financial counsellor. The financial planning education component gets treated as the introduction to the rules of providing advice. It is currently possible to be authorised to give “general advice in financial planning” by itself. This usually means a person fulfilling a role of selling products or



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

property can leverage their status with a claim to being a financial planner or financial adviser. Consumers are confused when the titles financial planner and financial adviser can be used in such a misleading way, in part because they have met the minimum RG146 training requirements.

Since it was first introduced in 1997, ASIC has included extra knowledge areas 'shoe-horned' into RG146 without considering what is relevant and without removing out dated requirements. This has resulted in vital elements being squeezed out of the minimum requirements and made it difficult for education providers to adequately cover the ever growing list of knowledge areas within an AQF5 level program.

Developing the minimum training requirements for financial advice providers is a complex issue.

As previously mentioned, in 2012 the FPA established the Financial Planning Education Council (FPEC) as an independent body to bring together academics and financial planning practitioners to define a financial planning curriculum for degree qualifications and to raise the standard of financial planning education. FPEC has developed a national Accreditation and Curriculum Framework for financial planning degrees, establishing an agreed foundation for qualifications that encompasses and exceeds the current regulatory requirement for financial planning education courses in Australia. The FPEC course accreditation guidelines and curriculum were developed by academics and practitioners and following extensive consultation with universities and other providers of degree-level education. (See *Attachment 1: FPEC Australian Higher Education Curriculum and Accreditation Framework in Financial Planning.*)

Minimum training requirements must identify appropriate core knowledge areas essential to providing tier 1 personal advice under the current regulatory environment, and inline with consumer needs and expectations. These must be compulsory learning at degree level in order to provide tier 1 personal advice and be called a financial planner and financial adviser. These core knowledge areas should be focused on the provision of personal financial advice, not on financial products.

The quantum or duration of a course must also be mandated as it is vital in ascertaining the depth of knowledge the training must offer on each required topic area.

The FPA believes the FPEC has identified appropriate core knowledge areas essential to providing tier 1 personal advice. These must be compulsory learning at a degree level in order to provide tier 1 personal financial advice and be called a financial planner and financial adviser. FPEC requires degree programs to cover its curriculum through a minimum of the following 8 subjects, with a major in financial planning.

1. Introduction to finance/ personal financial planning
2. Client relationships
3. Superannuation and retirement planning



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

4. Estate planning
5. Insurance
6. Financial plan construction
7. Taxation 1
8. Investments
- (9. Commercial law – will be mandated after the TPB finalises its course requirements)

A number of universities across Australia have designed and are currently offering courses based on this curriculum. Financial planning programs are diverse in length, sequencing and entry requirements. The FPEC encourages this diversity. At the same time, financial planning programs need to be of sufficient duration to ensure a graduate at the beginning of their financial planning career has the necessary attributes, skills, knowledge and attitudes.

Importantly, the FPEC sets course duration requirements. Each core curriculum body of knowledge should be regarded as being equivalent to a typical university unit of study. They do not require that the curriculum is delivered as 8 discrete units of study, and each core body of knowledge may be integrated across a range of units within a program. However, each core body of knowledge should be delivered as the equivalent of approximately 39 hours of contact time and 120 hours of non contact time. FPEC expects that the total core curriculum would be over 300 hours contact time and 960 hours of non contact time.

The FPEC requires assessment to be integrated across the curriculum to encourage the learning of important principles with more generic applications and reduce the tendency to learn excessive amounts of detailed information.

Within the range of program structures available, an important principle is that student learning should occur in a structured and integrated curriculum. The FPEC states that this should include opportunities for both horizontal (within a program segment) and vertical (across successive program segments) integration of related subject matter. The process of integration can enhance student learning by demonstrating the relationship between program material and subsequent professional practice. Topic areas taught in isolation tend to be forgotten by students. Vertical integration should include opportunities to revisit and further develop material covered previously in the program. Schools/faculties are encouraged to explore different means of achieving horizontal curriculum integration, such as professional practice experience, interdisciplinary seminars and problem-solving exercises.

The FPA understands concerns have been raised about the availability of relevant degree programs. However, in the mid-1960s the professional accounting bodies instigated tertiary level



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

education standards for entry into their associations. The result was the widespread development of accounting courses in universities and colleges of advanced education. The shift to requiring tertiary qualifications had been proposed by a US academic Professor William Vatter, who had visited Australia in 1955, and who was invited by the professional accounting bodies to prepare a survey on accounting education. His report together with the Martin Committee Report recommending an expanded tertiary education sector in Australia, provided 'great impetus' to the advancement of tertiary accounting education. As degree and diploma entry into the profession expanded, the professional bodies were able to vacate much of the extensive examining function they had undertaken since their inception. Indeed, during this phase university-level accounting education and research became a close and respected partner with the accounting profession in producing and shaping future generations of accountants in Australia and beyond.²

The FPA has consulted with practitioner members, licensee and education providers regarding the minimum course requirements an individual must meet to provide tier 1 personal advice. Based on the feedback of this consultation, the FPA recommends the FPEC curriculum be adopted as the minimum course requirements for financial planners and financial advisers. This would require new financial advisers and financial planners to have completed:

- a minimum of a degree program (AQF7 level)
- covering at least the 8 core knowledge areas
- each as discrete units of study
- delivered as the equivalent of approximately 39 hours of contact time and 120 hours of non contact time for each of at least the 8 core FPEC subjects
- with assessment undertaken at a minimum AQF7 level.

The FPA recommends the new course level of a minimum of AQF7 is appropriate for all providers of tier 1 personal advice. New financial advisers and financial planners should be required to meet the new requirements from 1 January 2018 providing 3 years until the commencement of the new standards; existing planners should be transitioned with appropriate exemptions, bridging course options, and core knowledge area assessment options to test knowledge, for those who meet certain qualification plus experience requirements.

The FPEC curriculum clearly sets out topics that must be covered, which is consistent with the approach taken by the TPB. It is also more transparent for consumers.

An AQF7 level entry requirement for new entrants providing tier 1 personal advice has the potential to increase the professionalism of the industry, enhance the community standing of the profession,

² Carnegie, G.D. 2009, 'The Development of Accounting Regulation, Education and Literature in Australia, 1788 to 2005', *Australian Economic History Review*, vol. 49, no. 3, pp. 276-301.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

and increase the demand and quality of university course in financial planning. It is also consistent with education entry requirements into other professions such as accountancy.

Consideration should be given to bridging courses for those entering the profession under alternative education pathways. The FPEC is currently developing bridging pathways defined on a topic basis rather than competencies.

The FPA acknowledges the current training requirements for those providing general advice on tier 1 products. However, the FPA believe general advice should be re-termed 'general or product information' and be limited to the provision of 'factual information and/or explanations' related to financial products; and the term 'advice' should apply to personal advice only. As such, we have not suggested changes to education requirements for general advice on tier 1 products.

The FPA strongly recommends appropriate transition arrangements be put in place for both new and existing financial advisers and financial planners. Recommendations for transitioning to new course requirements based on the FPEC curriculum are discussion in the *Transition arrangements* section below.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Recommendation 1:

The FPA recommends the Committee support increased education standards for financial planners and financial advisers:

1. **New financial advisers and financial planners** – From 1 Jan 2018, to be eligible to provide personal financial advice on Tier 1 products under an AFSL, either as a representative or Authorised Representative, an individual must hold either:
 - a degree or post-graduate qualification (from an Australian tertiary institution) approved by the FPEC, or
 - a degree or award (from an equivalent institution) at a minimum level of AQF7 approved by the FPEC, or
 - equivalent education approved by the FPEC at a minimum level of AQF7.
2. **Existing financial advisers and financial planners** - are those who are providing tier 1 personal advice under an AFSL at the commencement date of the new education requirements (ie. Registration of the Regulations, or effective date of ASIC Regulatory Guide, detailing the new education requirements), and may be eligible for the transition arrangements for the new education requirements.

The FPEC Higher Education Curriculum and Accreditation Framework in Financial Planning should be adopted as the minimum course requirement. It recommends a minimum of eight subjects should be required to adequately address the core knowledge areas in a degree program at minimum AQF7 level, with the following course duration:

- Each core curriculum body of knowledge should be regarded as being *equivalent* to a typical university unit of study. They do not require that the curriculum is delivered as 8 discrete units of study, and each core body of knowledge may be integrated across a range of units within a program.
- However, each core body of knowledge should be delivered as the *equivalent* of approximately 39 hours of contact time and 120 hours of non contact time.
- It is expected that the total core curriculum would be over 300 hours contact time and 960 hours of non contact time.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

2.4 – Course approval

To ensure the integrity of the system, education courses must be approved as being compliant with new course requirements. There must also be a public register of approved courses.

As previously stated, ASIC held a training register of approved courses however this was removed in September 2012 and the FPA understands that the Regulator does not want to be responsible for approving courses or managing a training register.

Without the ASIC training register to provide certainty that a training course completed by a financial adviser or financial planner has been independently assessed as RG146 compliant, licensees do not have any tools/mechanism by which to assess whether a financial adviser competently meets the training requirements of RG146.

Further, universities are limited in their capacity to complete any form of assessment or provide documentation showing compliance that the study each individual has undertaken is compliant with RG146.

The FPA questions how a licensee can determine whether a financial adviser or financial planner is RG146 compliant without the ASIC Training Register or an individual document from the education provider.

The absence of a training register of courses compliant with the minimum requirements means there will be no mechanism for licensees or individuals to tell whether a course will result in the individual meeting the minimum training requirements without having them independently reassessed or to redo training. This will come at great expense and will increase the cost of providing advice to consumers.

The issue of course approval also significantly impacts the portability of the individual practitioner's education as each licensee must ensure compliance with the minimum requirements. As stated above, when a practitioner changes licensees this can result in the new licensee requiring the individual to complete an independent reassessed or to redo training, rather than to accept the qualifications already undertaken.

The FPA notes that ASIC representatives have stated on a number of occasions that the corporate watchdog is not an education regulator. However, because ASIC currently mandates minimum training requirements, licensees, financial planners and financial advisers look to satisfy ASIC, not the education regulators, when determining whether a course meets the minimum standards, or whether a financial adviser or financial planner is trained and competent to provide advice to consumers. In the vocational education and training space, this drives the Regulator, the Australian Skills Quality Authority (ASQA), and Registered Training Organisations (RTOs) to ensure courses are RG146 compliant. So in practice, ASIC strongly influences and even dictates the current course curriculum, and as such is acting in the education regulator space.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Under the current structure, ASIC is the body empowered to ensure compliance with the training requirements in RG146. However, by closing the training register, ASIC has assigned the regulation of those requirements to organisations, such as education providers, that do not have the responsibility to enforce them.

Even so, ASIC has made it clear that it does not want to take on the role of approving courses or managing a training register to facilitate adherence to minimum education requirements for financial advisers and financial planners. This has left a significant gap in the framework that is required to ensure there is the necessary quality and consistency in the education courses available.

As previously mentioned, there is no regulator with a mandate over the curriculum at the AQF7 level. TEQSA does not mandate the curriculum; it manages process. The vocational education regulators also do not set the curriculum – it is the Industry Skills Council (in this case Innovation and Business Skills Australia) who sets the requirements of the curriculum. As IBSA regulates the curriculum in the VET space at AQF5, 6, and 8 level (not AQF7), it could create guidance for postgraduate VET training. However, currently only a tiny proportion of RTOs offer postgraduate qualifications of their own curriculum design.

ASIC has previously proposed that authorised assessors of courses would be universities, RTOs and professional associations. At the time of writing, there is no financial planning specific professional association that is an authorised assessor as the requirements currently exceed the requirements for an RTO or university. An RTO may not be able to offer assessment of current competency at an AQF7 level; and universities do not offer assessment of current competency. The result will likely see a significant shortage and decline in the number of authorised assessors to check to compliance of education programs for financial advisers and financial planners.

The absence of curriculum accreditation has created a growing disparity between course providers. The result has been a growing vacuum of responsibility and hence confusion in the marketplace. There has also been fragmentation of information as to what courses are available.

When RG146 was implemented the impact was felt gradually. The impact of the loss of the ASIC training register is only being felt as people discover that the register is out of date. Individuals do not discover the changes until after they have studied, which is often too late.

The FPA notes ASIC's statements that "we are not the regulator of training courses in Australia and that is not our role and function". ASIC lists the regulators of education without identifying that there is no regulation of the *curriculum* at the university sector and therefore no common test against the current requirements in RG146.

This raises the question – Who will match against ASIC's requirements in the absence of ASIC and the ASIC Training Register? This again highlights the lack of a solid framework for financial adviser education detailing all the essential components needed to work together to achieve ASIC's



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

objective to improve financial adviser and financial planner training. One part cannot work without the other parts.

The FPEC has addressed this issue. Under its *Australian Higher Education Curriculum and Accreditation Framework in Financial Planning*, the FPEC currently has in place a formal assessment and accreditation program to determine which financial planning education programs meet the FPEC accreditation standards, including its financial planning curriculum, and how such courses will continue to satisfy those standards during the accreditation period.

The FPEC currently has 14 higher education providers and 17 education programs on its approved list (including TAFE NSW and Kaplan who are not universities but offer degree programs). Importantly the FPEC curriculum covers all the regulatory education requirements under the current RG146, and the requirements proposed by the TPB for the purposes of the Tax Agent Services regime.

The FPA supports the quality FPEC curriculum and the vital role the FPEC currently plays in approving tertiary education programs for financial advisers and financial planners. Government policy should provide a co-regulatory model that supports the established role of the FPEC and facilitates its position in developing and overseeing a holistic framework for financial planner and financial adviser education. However, it may be necessary to review the membership and operating elements of the FPEC to solidify this support.

The membership of the FPEC is currently composed of volunteer experts who have given their time and expertise to develop the FPEC Australian Higher Education Curriculum and Accreditation Framework in Financial Planning, and approve universities and programs. Should the FPEC be formally requested to take on the role of approving education programs against the new minimum standards, the FPA suggests the membership of the FPEC be expanded to include all recognised professional bodies. The current membership of the FPEC is:

| Name | Role |
|-----------------------------|--|
| FPEC Chair: Dr Mark Brimble | Associate Professor (Finance) Griffith University, Director, Centre for Financial Independence and Education, Co-Chair, Financial Planning Academics Forum |
| Sharon Taylor | Associate Head of School Engagement, University of Western Sydney, Deputy Chair, FPEC – Program Accreditation |
| Louise Lakomy CFP® | Crystal Wealth Partners, Deputy Chair, FPEC Industry & Client Engagement |
| Diana Bugarcic | Head Teacher Accounting & Finance & Course Coordinator – Bachelor of Applied Finance (Financial Planning) – TAFE NSW |
| Amelia Constantinidis | AMP Horizons Director |
| Dr Kingsley Fong | Senior Lecturer and Associate Head of School in Banking and Finance, Australian School of Business, The University of New South Wales |
| Martin McIntosh CFP® | Managing Director, Planning Partners |



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

| | |
|---|--|
| Chris Morcom CFP® | Director/Private Client Adviser, Hewison Private Wealth |
| Marc Olynyk AFP® | Senior Lecturer in Financial Planning, La Trobe University |
| Dr John Teale | Senior lecturer, The University of New England |
| Rebecca Watt CFP® | Stream Financial |
| Belinda Robinson | FPA Head of Academic Relations |
| Ex officio member: Mark Rantall CFP® | FPA CEO |

It may also be necessary to assess the funding arrangements or independent secretariat support for the FPEC given the significance of the role and the requirements to maintain a public course register, potentially including the approval of bridging courses.

Recommendation:

The FPA recommends the Committee support the FPEC

- as an appropriate independent body to assess and accredit/approve education programs as meeting new minimum course requirement;
- continue to assess and accredit courses against the FPEC curriculum; and
- publish on a website a list of the education programs it has accredited / approved as meeting the new minimum education standard for financial advisers and financial planners.

Consideration should be given as to whether FPEC could also approve bridging courses for those entering the profession under alternative education pathways.

2.5 – Experience requirements and on the job training

Requiring new entrants into a profession to meet experience requirements is a widely used practice. The medical, building, accounting and legal professions, for example, all require new entrants to undertake on the job training to apply the theoretical knowledge they have gained through meeting the education requirements of the relevant profession. Work experience allows theory to be put into practice, and facilitates learning outcomes that cannot be achieved through a text book. Work experience requirements are a vital element of the education framework as they reinforce the knowledge gained through the formal education undertaken to meet the course requirements.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Work experience for new entrants into the financial planning profession permits individuals to understand and develop the soft skills required for effective client relationships; be involved in the development of financial plans specifically to meet the needs and circumstances of each client; and comprehend and learn the advice processes that must be followed to comply with the legal obligations of providing personal financial advice under an AFSL.

There is currently no mandated minimum experience requirement to be able to be authorised to provide personal financial advice in Australia. It is up to each licensee to determine supervision and experience requirements of the individuals that provide financial advice under their license. The FPA has a minimum 1 year supervised experience requirement before being eligible to be a 'Financial Planner AFP' member, and 3 years experience to be eligible for 'CFP Professional' membership.

The FPA supports an obligation on new entrants to meet minimum work experience requirements to be able to provide tier 1 personal financial advice. However, there must be a balance in relation to the duration of the requirement - if the duration is too lengthy it would create significant financial pressure on the licensee/employer who would carry the cost of employing the new entrant who is not in a legal position to generate an income for the business until they have completed the experience requirements. This could particularly impact sole traders and their ability to expand their business or take on new financial advisers and financial planners, especially in regional areas. It may also deter large licensees from taking on new planners, which will impact on the effectiveness of the new education standards and framework, and the availability of advice for consumers.

Therefore, the FPA recommend that in addition to meeting the education requirements, an individual must have a minimum of one year of relevant experience in the preceding 3 years to be permitted to provide tier 1 personal advice.

Measuring experience in providing personal financial advice as a representative or authorised representative of a licensee is different to measuring employment within financial services either in a related or unrelated role. Therefore it is important that 'relevant experience' for new and existing financial planners and financial advisers is appropriately defined.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Recommendation:

The FPA recommends the Committee support a requirement that in addition to meeting the education requirements, an individual must have a minimum of one year of relevant experience in the preceding 3 years to be permitted to provide tier 1 personal financial advice.

For new entrants into the profession, the FPA recommends the following definition:

Relevant experience can be gained by an individual (including but not limited to):

- providing limited financial advice under the supervision of an experienced senior financial planner or financial adviser (for example, a CPF with a minimum of 5 years experience),
- in a paraplanning role assisting representatives in the provision of financial advice to consumers,
- in a compliance role involved in the oversight of representatives providing financial advice to consumers, or
- as part of a financial planner internship program.

It is important that relevant experience includes mentoring and coaching from senior financial planning professionals experienced in providing tier 1 personal financial advice to consumers.

2.6 – Continuing Professional Development (CPD)

It is not possible for a university program to train students in all the attributes required for high quality financial planning practice. Rather, initial education needs to be supplemented by further vocational training and meaningful Continuing Professional Development (CPD) experiences enabling individuals to critically evaluate progressive changes in financial planning professional practice requirements, and to apply their knowledge appropriately throughout their professional career.

The current requirement in ASIC RG146 is for licensees to implement policies and procedures to ensure that they and their advisers undertake continuing training to maintain and update the knowledge and skills that are appropriate for their activities. There is no prescribed minimum hours or points required.

The TPB requires registered tax (financial) adviser to maintain their knowledge and skills relevant to the tax (financial) advice that they provide through a minimum of 60 hours of CPD over three years (with a minimum of seven hours in one year), both to be eligible for TPB registration and to meet ongoing compliance requirements. The TPB will also accept that their CPD requirements have been



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

met if the individual is a member of a TPB recognised professional body and has met the CPD requirements of the professional body.

Most licensees use the FPA CPD policy as their guide to ongoing professional development, however there remains a gap in the industry for those licensees and financial advisers that are not bound by membership of a professional body and therefore have chosen little or no ongoing training.

The FPA already recognises the vital role of CPD which is a key element of our professional framework. The FPA requires its members to meet the following minimum CPD requirements:

| Member | CPD points | Non Accredited CPD |
|--------------------------|--|-----------------------------------|
| CFP professionals | 120 points/triennium with a minimum of 35 points each year | Capped at 60 points per triennium |
| AFP practitioner members | 90 points/triennium with a minimum of 25 points each year | Capped at 45 points per triennium |

The FPA and the profession recognise the importance of CPD as an integral part of not just the education framework, but also a fundamental part of the professional framework. Not only is it a way of maintaining currency of technical knowledge and ensuring financial planners and financial advisers remain professional; it is also a way of growing new knowledge and expanding an individual's abilities as professionals.

CPD should help financial planners and financial advisers to develop characteristics and skills beyond the technical competencies and aligned to their professional and personal goals. CPD requirements should permit financial planners and financial advisers to:

- consider CPD not as a compliance challenge but as an opportunity to maintain personal and professional confidence and proficiency;
- take opportunities to reflect upon their own professional practice;
- participate in learning activities which meet the legal and ethical obligations of the profession; and
- pursue opportunities for engagement with the profession and the wider community.

Recommendation:

The FPA recommends the Committee support a requirements for financial planners and financial advisers to undertake a minimum of 90 CPD points / hour over a triennium period, with a minimum of 25 points / hours in any given year.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

2.7 – Transitioning to new requirements

Transitioning to new education standards and identifying appropriate commencement dates are complex matters. It is vital that appropriate and separate transition arrangements are developed for the following two groups:

1. new financial planners and financial advisers, and
2. existing financial planners and financial advisers.

The commencement date of the new education standards and the transition arrangements must provide adequate time for new entrants to undertake the necessary study to complete the education needed to meet the new standards. It must also provide appropriate transition arrangements for those new entrants who are currently enrolled in an education program that may not meet the new standards.

While the FPA believes no blanket grandfathering should apply, there is a need to acknowledge Recognised Prior Learning (RPL), including existing qualifications, ongoing Continued Professional Development (CPD) and licensee required training, as well as relevant experience, of existing financial planners and financial advisers.

The transition arrangements must also reflect that the FPEC curriculum was only released in late 2012 with the first course accredited as meeting the FPEC requirements in 2013. It is therefore not possible for the bulk of existing financial advisers and financial planners to currently meet the new minimum standard, even if they hold a relevant degree qualification or higher, as their degree would probably not have been approved by the FPEC.

As existing financial planners and financial advisers generally work full time, any further education would be undertaken on a part time basis. The transition arrangements for existing financial planners and financial advisers must reflect this and ensure an appropriate timeframe is provided to enable any necessary upgrading of initial qualifications to be undertaken part time.

Many good existing financial planners and financial advisers have a wealth of experience in providing quality tier 1 personal advice to consumers, and hold a diploma qualification. The relevant diploma qualifications have changed significantly over the past decade as the legal requirements set in RG146 have been amended many times. However, RG146 never required an individual to gain a qualification such as a Diploma to be compliant. The amendments to RG146 increased the number of knowledge areas to be covered in a program. An individual could complete a program of study at AQF5 level and limit this to a specialisation area of knowledge such as superannuation or insurance rather than cover all the knowledge areas. This significantly changed the quality of RG146 compliant courses and highlights the need to consider each individual's qualifications on its merits, combined with their experience, to determine the appropriate transition arrangements.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

For example, a financial adviser may have completed a financial planning diploma in 2009 which was RG146 compliant. The adviser also holds a Life Risk Specialist (LRS) accreditation from the FPA, has maintained CPD throughout his professional career, and has been providing life risk personal advice (only) to consumers for more than 5 years. While the adviser's diploma was compliant with the RG146 requirements current in 2009, it did not cover some of the core knowledge areas contained in the FPEC curriculum, specifically taxation and estate planning. Acknowledging this life risk adviser's qualifications and experience, appropriate transition arrangements could require the successful completion of an assessment in the missing knowledge areas such as estate planning and taxation for the TPB requirements.

This example highlights the complex issue of identifying appropriate arrangements for transitioning to new education standards. Even though the financial adviser may have addressed tax in the initial diploma and ongoing through CPD activity, this previous training will not be sufficient for the purposes of the taxation and commercial law course requirements for registration under the TASA regime. The TPB may also not accept the successful completion of an assessment for the purposes of meeting its course requirements for registration. For this reason the financial adviser may be required to undertake a tax course - the FPEC curriculum meets the TPB's proposed education requirements. Therefore, this adviser may also be required to undertake units of study in tax and commercial law from an FPEC approved degree to satisfy both the TASA requirements and the new requirements for providing tier 1 financial advice.

Because of the important role work experience plays in the development of an individual's knowledge and skills, and the different learning outcomes gained depending on the education program undertaken, universities universally assess each individual's previous education, training and experience against course pre-requisites and in considering appropriate exemptions. This includes assessing whether an individual needs to undertake a full degree program, or whether a bridging course or individual subjects to fill education or knowledge 'gaps' is appropriate. This is a well established process that should be leveraged and can appropriately assist existing financial planners and financial advisers, and licensees, to transition to the new education standards.

The FPA has consulted with its practitioner members, licensees, education providers and the FPEC regarding appropriate and workable transition arrangements and commencement dates for moving to a new education standard for financial planners and financial advisers. Due to the plethora of complex issues involved, we would recommend and support further detailed consultation to identify how the introduction of new standards could be achieved for both new entrants into the profession and existing financial planners and financial advisers.

However, the FPA suggests the following commencement dates for the application of the new education standards for financial planners and financial advisers, for further discussion and consideration:



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

1. [New financial advisers and financial planners](#) – From 1 Jan 2018, to be eligible to provide tier 1 personal financial advice under an AFSL, either as a representative or an Authorised Representative, an individual must hold either:
 - a degree or post-graduate qualification (from an Australian tertiary institution) approved by the FPEC, or
 - a degree or award (from an equivalent institution) at a minimum level of AQF7 approved by the FPEC, or
 - equivalent education approved by the FPEC at a minimum level of AQF7.

New financial planners and financial advisers must also meet relevant experience requirements of one year in the previous three years.

2. [Existing financial advisers and financial planners](#) - are those who are providing tier 1 personal advice under an AFSL at the commencement date of the new education requirements (ie. Registration of the Regulations, or effective date of ASIC Regulatory Guide, detailing the new education requirements), and may be eligible for the transition arrangements for the new education requirements. The transition arrangements for existing financial planners and financial advisers will cease on 1 January 2019. The transition arrangements should provide exemptions, bridging and assessment options that appropriately acknowledge the previous education, qualifications, CPD and experience in providing tier 1 financial advice, of existing financial planners and financial advisers.

The FPA suggests the following [transition arrangements](#) for new and existing financial advisers and financial planners for consideration and further discussion.

[New financial advisers and financial planners](#)

The following requirements take into account those new financial advisers and financial planners who may have enrolled in an existing RG146 course prior to the new requirements being finalised.

Bridging course requirements could be satisfied by undertaking a unit(s) of study of an FPEC approved degree program. To facilitate this, the FPEC would have a list of the subjects that can be taken from approved courses to enable new and existing financial advisers and financial planners to only do the pieces of study needed to upgrade existing qualifications.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

| | Approved Tertiary course | Non-approved degree pathway | RG146 |
|---|--|--|--|
| Primary qualification | <ul style="list-style-type: none"> a degree or post-graduate qualification (from an Australian tertiary institution), or a degree or award (from an equivalent institution) at a minimum level of AQF7 that is approved as meeting the Financial Planning Education Council (FPEC) curriculum. | Any tertiary qualification that does not meet the FPEC curriculum requirements. For example, a new financial planner who commenced a degree program that does not meet the FPEC curriculum prior to the new requirements being finalised. | DFP ADFP RG146 – product specific course For example, a new financial planner who commenced a training program consistent with the current RG146 requirements, prior to the new requirements being finalised. |
| Requirement to meet new course requirement | Not required. Has completed an FPEC approved degree. | Required to complete education at a minimum of AQF7, which has been approved by FPEC. This may be a bridging course or units of study to fill knowledge and education 'gaps'. | Required to complete an FPEC approved education program at a minimum of AQF7 level. |
| Experience requirement | Will be required to meet the minimum experience requirements to practice. This is one year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years | Will be required to meet the minimum experience requirements to practice. This is one year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years | Will be required to meet the minimum experience requirements to practice. This is one year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years |
| Voting member of a recognised professional body | Required | Required | Required |

[^] Relevant experience can be gained by an individual (including but not limited to):

- by providing limited financial advice under the supervision of a senior financial planner or financial adviser,
- in a paraplanning role assisting representatives in the provision of financial advice to consumers,
- in a compliance role involved in the oversight of representatives providing financial advice to consumers, or
- as part of a financial planner internship program.

It is important that relevant experience includes mentoring and coaching from senior financial planning professionals experienced in providing tier 1 personal financial advice to consumers.

Existing financial advisers and financial planners

Bridging course requirements could be satisfied by undertaking a unit(s) of study of an FPEC approved degree program. To facilitate this, the FPEC would have a list of the subjects that can be taken from approved courses to enable new and existing financial advisers and financial planners to only do the pieces of study needed to upgrade existing qualifications.

The FPA also recommends that an assessment option be available for existing financial advisers and financial planners, where appropriate.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

| | Certified Financial Planner and other professional designations of ASIC approved bodies** | Tertiary qualification in a relevant discipline +++ | Tertiary qualification in a non-relevant discipline | RG146 specialisation, Diploma or Advanced Diploma |
|---|---|---|---|---|
| New Course requirement | Not required | Not required | Required to meet the requirements of an FPEC approved degree or education at AQF7 level or higher. It is up to the education provider to assess the relevance of the individual's existing education and experience. | Required to pass a course at a minimum of AQF7, which has been approved by FPEC. This may be a: <ul style="list-style-type: none"> • bridging course or units of study to fill knowledge and education 'gaps', or • undertake additional education of four set units of study from an FPEC approved program at a minimum of AQF7 level • assessment options in the knowledge or education 'gaps', if appropriate. |
| Experience requirement | One year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years | One year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years | One year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years | One year full-time equivalent of <i>relevant experience</i> [^] in the preceding 3 years |
| Voting member of a recognised professional body | Required | Required | Required | Required |

**A professional body should meet the ASIC criteria for approval, and require individuals who hold their designation to undertake ethics training and maintain CPD.

+++ A *relevant discipline* is a discipline related to finance, financial planning, commerce, economics, business, tax, accountancy, or law

[^] Existing financial planners and financial advisers must meet the relevant experience requirements by providing tier 1 personal financial advice, as an Authorised Representative or employed representative, under an AFSL.

Individuals who commence a course based on the current AQF5 level requirements in RG146 during the transition period and after the education requirement were changed, must complete an FPEC approved degree and one year full-time equivalent of *relevant experience*[^] in the preceding 3 years.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Recommendation:

The FPA recommends the Committee support further industry consultation to identify appropriate and workable commencement dates and transition arrangements for the introduction of new education requirements for both new entrants into the profession and existing financial planners and financial advisers.

2.8 – SMSFs and complex products

The FPA recommends a new course requirement of a degree approved by the FPEC and based on the FPEC curriculum. Importantly, any increase in education standards must have the provision of personal financial advice at its core, not a focus on financial products which is a key failing of the current structure of RG146. The FPEC curriculum requires, within its core knowledge areas, study to be undertaken in key subject matter vital to providing personal financial advice on SMSFs and complex financial products including the following:

| | Core knowledge area | Example of relevant topic requirements |
|------------------|--|---|
| SMSFs | Superannuation and retirement planning | <ul style="list-style-type: none"> • SIS legislation • Types of super funds • Self managed super funds • Taxation in relation to super |
| | Taxation 1 | <ul style="list-style-type: none"> • Superannuation taxation |
| | Investments | <ul style="list-style-type: none"> • Investment structures • Investment strategies • Investing in property and collectibles |
| Complex products | Client relationships | <ul style="list-style-type: none"> • Behavioural finance: risk profiling vs investment behaviour |
| | Superannuation and retirement planning | <ul style="list-style-type: none"> • Transition to retirement • Account-based pensions • Annuities |
| | Insurance | <ul style="list-style-type: none"> • Life insurance and estate planning strategies in financial planning • Taxation consequences of premiums and benefits • Personal insurance |
| | Taxation 1 | <ul style="list-style-type: none"> • Gearing • Investment structures with tax implications • Tax strategies in financial planning |
| | Investments | <ul style="list-style-type: none"> • Investment Strategies • Indirect investments • Investing in property and collectibles • Research and research methodologies |
| | Investments 2 and fund analysis | |

While SMSFs and complex products are addressed in the core knowledge areas of the FPEC curriculum, the FPA suggest this is adequate at the introductory or base level of education, but the provision of financial advice on SMSFs and complex products such as derivatives, warrant additional minimum education standards to be able to be authorised to provide advice in these areas.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Recommendation:

The FPA recommends the Committee support the FPEC curriculum as adequately and appropriately providing minimum education requirements for providers of personal financial advice, and require additional minimum education standards to be able to be authorised to provide advice on SMSFs and complex products, within a proposed holistic education framework for financial planners and financial advisers.

2.9 – National exam

The FPA does not support the introduction of a national exam for financial advisers and financial planners. A national exam for providers of tier 1 personal financial advice was initially proposed by ASIC in April 2011 to achieve the following objectives:

- To ensure all advisers have the requisite competence to perform their duties to a reasonable minimum standard.
- To provide a benchmark for training organisations to ensure that the individuals they train have the necessary skills, knowledge and competence to pass the exam.

It was proposed that the national exam would also serve as a mechanism to develop a register of individual advice providers.

The new requirements proposed by the FPA in this submission combine to achieve these objectives in a much more efficient, effective and timely manner with significantly less impost and cost on government, consumers and the profession as they leverage proven systems and structures already in place.

The FPA proposes a holistic education framework for financial planners and financial advisers, including increased course requirements, course approval mechanisms, CPD standards, minimum work experience, and an adviser register.

The FPA proposes the criteria for the recognised professional associations must require bodies to ensure individual practitioners meet or exceed the new education requirements including CPD, and issue a practising certificate to enable individuals to provide personal financial advice and use the title financial planner or financial adviser. In conjunction with the proposal of compelling membership of a recognised professional body (to be permit to use such titles) and adherence to professional obligations, these measures will exceed the objectives and potential benefits of a national exam. These improvements make the need for a national exam redundant.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

A national exam is a checklist type approach to raising education standards. This is inadequate. Education standards for financial planners and financial advisers must be raised to a degree requirement within a holistic education framework. However, as previously stated, education standards alone are not enough. A co-regulatory approach must be used to compel those who use the title financial planner or financial adviser to adhere to professional and ethical standards set by professional bodies.

The development of the new Adviser Register (as per the Government's commitment) will deliver a superior outcome with more certainty than developing a list of advisers via a national exam. The Government has proposed its Adviser Register will be a legal requirement for all representatives, employed and authorised representatives, not just limited to those who sit an exam. It can also be implemented in a significantly shorter timeframe as it is not reliant on, and does not need to wait for, an exam to be developed.

Recommendation:

The FPA recommends the Committee oppose the introduction of a national exam for financial planners and financial advisers.

2.10 – Adviser register

A key element of a holistic education framework for financial planners and financial advisers is a registry of all representatives, including employed and Authorised Representatives (current and those who have ceased providing advice), who provide personal advice under an AFSL. An Adviser Registry is vital as it will bring transparency to the education and training framework which is fundamental to building trust and confidence in the professional. More importantly, it will enhance consumer protection as it provides an authoritative source of validation about each individual financial planner and financial adviser and their bone fides.

The FPA acknowledges and supports the work the Government is currently undertaking to develop an Adviser Register through its Industry Working Group. The development of a register must take into consideration the time, costs and resources needed from both government and the profession the structure of the financial advice industry, the benefits it must deliver to consumers, and implementation and timing issues. While we understand the IWG is working through these matters, the FPA recommends an Adviser Register, once fully developed, must include the following elements:

- Name
- Licensee (current and previous)
- Name of business



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

- Representative number, status, and date the individual commenced providing advice
- Professional membership of a recognised professional body
- Qualifications
- CPD maintained
- Advice authorisation areas
- ASIC action against the individual
- Registration with the TPB

Recommendation:

The FPA recommends the Committee support the Government's work on the development of an Adviser Register through the Industry Working Group.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

Attachment 1: FPEC Australian Higher Education Curriculum and Accreditation Framework in Financial Planning

Provided as a separate supporting document due to its size and content.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

APPENDIX A – LIST OF RECOMMENDATIONS

Recommendation 1: From 1 January 2018, new financial planners and financial advisers must:

- a. hold an approved degree (AQF7 level) as a minimum entrance education standard to be eligible to provide tier 1 personal financial advice
- b. meet relevant experience requirements equalling one year full time in the previous three years

Recommendation 2: Existing financial planners and financial advisers to be eligible for appropriate transition arrangements, including bridging courses, completing additional units of study, or completing assessment options to meet the new education requirements by 1 January 2019

Recommendation 3: Remove the current RG146 qualification and replace it with a holistic framework to financial adviser and financial planner education, including a new curriculum approved by the Financial Planning Education Council (FPEC) at AQF7 level.

Recommendation 4: Require financial planners and financial advisers to meet minimum continuing professional development (CPD) requirements of 90 points/hours over a triennium

Recommendation 5: Require additional minimum education standards in order to be authorised to provide advice on SMSFs and complex products, within a proposed holistic education framework for financial planners and financial advisers.

Recommendation 5: No implementation of a national exam, as it will not be required if new degree qualification and education framework implemented

Recommendation 6: Support the Parliamentary Joint Committee on Corporations and Financial Services and the Industry Working Group on the development of an adviser register.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

APPENDIX B – THE FPA’S EDUCATION FRAMEWORK

Entry Requirements

Membership of the FPA requires a qualifying degree.³ This is on top of requiring at least one year’s supervised experience and set well above the minimum standards in the law (e.g. compliance with RG146 Licensing: Training of Financial Product Advisers).

Training and Competence

Members have minimum ongoing training requirements in line with FPA’s Continuing Professional Development (CPD) Policy. Compliance is mandatory and audited annually. Failure to demonstrate compliance can result in disciplinary sanction including expulsion.

The FPA’s dedicated in-house team of training development and delivery experts oversee the implementation of its world class CPD Program. Programs span 6 disciplines: Capability, Professional Conduct, Critical thinking, Reflective Practice, Interdependence, Attributes and Performance. Programs go beyond the requirements in RG146 (Licensing: Training of Financial Product Advisers) while achieving compliance.

Certification and Accreditation

The FPA administers a two tiered accreditation system through the certification of either an AFP® or CFP® mark which are both tightly integrated with the CPD Program.

The AFP® mark confirms that the financial planner is a professional, qualified and experienced member of the FPA, committed to the world-leading FPA Code of Professional Practice.

The CFP® designation is the highest level of certification that a financial planner can achieve. The CFP® mark is internationally recognised and represents standards of excellence. It demonstrates a commitment to professionalism in financial planning to the public and peers alike.

From a regulatory perspective, CFP® professionals account for over 35% of the financial planner population but only approximately 7% of ASIC enforcement action.⁴ This exemplifies the effectiveness of FPA’s systems, policies and vision to professionalise the industry, and the vital role professional bodies play in ‘norming’ good professional behaviour beyond legal minimum standards.

CERTIFIED FINANCIAL PLANNER™ Professionals (CFP®)

³ http://www.fpa.asn.au/media/FPA/CFP/Education_2013ApprovedDegreeList1_13.pdf

⁴ According to ASIC and FPA Data since 2009.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

The CERTIFIED FINANCIAL PLANNER[®] designation is the peak certification for financial planners globally, with some 150,000 CFP[®] professionals operating in 24 countries around the world. United Kingdom, United States, Canada, France, Germany, Ireland, Japan, New Zealand, South Africa, Switzerland, Australia, Austria, Brazil, People's Republic of China, Chinese Taipei, Hong Kong, India, Indonesia, Malaysia, The Netherlands, Republic of Korea, Singapore, Thailand, and Columbia who is in the process of preparing to administer the CFP program.

To gain CFP certification, a planner must have completed an undergraduate degree, masters degree or PhD and have successfully completed all of the units of study in the CFP Certification Program. To enter the CFP program, at least three years of financial planning experience is also required. The CFP program is an advanced education program that covers the knowledge a financial planning professional must be able to draw on to deliver financial planning to clients, or when interacting with colleagues or others in a professional capacity.

The program consists of five units; four education units and one certification (examination) unit, which tests the ability to apply knowledge to financial planning situations in accordance with a globally recognised competency profile. The initial CFP certification process rests on the 'Four Es' (education, examination, experience and ethics). Importantly, there is a dedicated education unit on Ethics and Practice Standards.

Education: Candidates for CFP certification must master theoretical and practical financial planning knowledge by completing a comprehensive course of study that meets standards set by global Financial Planning Standards Board (FPSB).

Examination: Candidates for CFP certification must pass a comprehensive CFP Certification Examination that assesses their ability to apply integrated financial planning knowledge to real world client situations. Based on regular research of what planners do, the CFP Certification Examination covers the financial planning process, tax planning, employee benefits and retirement planning, estate planning, investment management and insurance.

Experience: Candidates for CFP certification must meet relevant work experience standards (one-year supervised experience or a minimum of three years of unsupervised practice experience) in the financial planning process prior to being awarded CFP certification to ensure they possess financial counselling skills in addition to financial planning knowledge.

Ethics: Candidates for CFP certification must agree to abide by a strict Code of Ethics and Professional Responsibility that defines their ethical responsibilities to the public, clients and employers. CFP professionals must disclose any investigations or legal proceedings related to their professional or business conduct and agree to place the interest of clients first, act fairly, diligently and with integrity, and offer clients professional services that are objective and based on clients' needs. CFP professionals must disclose in writing to clients information about their sources of compensation and conflicts of interest.



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

In addition, CFP professionals are required to maintain technical competence and fulfil ethical obligations. In Australia, every three years, they must complete at least 120 hours of continuing professional development education to stay current with developments in the financial planning profession.

The certification unit of the CFP program consists of the preparation of a comprehensive financial plan incorporating Statement of Advice (SOA) requirements, written verification of the planner's communication and interpersonal skills by the planner's supervisor and a 3 hour multiple choice question examination. The program reflects the six step financial planning process of:

1. gathering client financial information;
2. identifying client goals;
3. identifying client's financial issues;
4. preparing client's financial plan;
5. implementing the recommendations based on the client's agreed financial plan;
6. reviewing and revise the plan at regular intervals, or when circumstances change.

CFP professionals must also adhere to the FPA Code of Professional Practice which includes the Code of Ethics, Rules of Professional Conduct and Practice Standards; and undertake 120 hours of quality on ongoing Continuing Professional Development (CPD) every three years.

Ongoing CPD requirements

Continuing Professional Development needs to be dynamic and up-to-date with the changes in the industry, financial services market, regulatory environment and economic conditions, and evolving consumer needs. Therefore, the FPA recommends the responsibility for setting, over-seeing and maintaining compliance with CPD requirements are being placed with industry rather than the Regulator.

The industry is already well established in developing, maintaining and monitoring CPD requirements for financial advisers. For example, the following table summarises the key CPD requirements for practitioner members of the FPA.

| CPD Points | CFP® Professionals 120 points/triennium with a minimum of 35 points each year | Associate Financial Planners 90 points/triennium with a minimum of 25 points each year |
|---------------------------|--|---|
| Non Accredited CPD | Capped at 60 points per triennium | Capped at 45 points per triennium |
| Ethics Points Requirement | Minimum of 3 points per triennium in the Professional Conduct specifically covering Ethics | |



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

| | |
|----------------------|--|
| Content Requirements | <ul style="list-style-type: none"> CPD activities undertaken <i>must</i> be captured in a Professional Development Record Members are encouraged to take a holistic approach to CPD and as such should look to include CPD activities across all professional dimensions |
| Record Keeping | <p>The following records must be kept for 5 years</p> <ul style="list-style-type: none"> Professional Development Record (or CPD register) Professional Development Plan Additional Evidence for non accredited activity |

The FPA uses a Professional Dimensions Model for developing, maintaining and monitoring its CPD requirements. Being a professional is more than being technically competent. It's about being a rounded individual with ability to think critically and respond to client needs in a professional way. The Professional Dimensions describe the holistic skills and knowledge that it takes to be a professional.

The FPA's CPD Policy encourages members to identify development opportunities across the 6 professional dimensions. In our view any and all educational activity can fall under one or more of the dimension



| | |
|----------------------------|---|
| Capability | The technical, legal, product and industry knowledge that it takes to advise clients and run a business |
| Professional Conduct | All the skills and knowledge that go into making good, informed and client centred decisions |
| Critical Thinking | The skills of how to process complex information and create new solutions |
| Reflective Practice | Skills in developing others and yourself - thinking about the professional and personal needs of others as well as your own |
| Interdependence | Engagement with the profession, the industry and peers in ways that instil consumer confidence |
| Attributes and Performance | Skills in building professional relationships and improving professional performance |

CPD monitoring and enforcement

Adherence to the FPA's CPD Policy is a practitioner member requirement and failure to comply may ultimately result in suspension of membership.

The FPA undertakes audits of a random sample of Member Professional Development Records at the conclusion of each triennium. Members are be required to produce the following:



Financial System Inquiry

FPA SUPPLEMENTARY SUBMISSION | 05 SEPTEMBER 2014

- An up-to-date Professional Development Plan
- A copy of their Professional Development Record
- Supporting materials for non accredited CPD (if requested)

To comply, the Professional Development Record should show evidence of CPD activity that:

- Links to the Professional Development Plan;
- Includes 3 points in the Professional Conduct Dimension specifically on Ethics
- A minimum of 25 points annually⁵ with a minimum of 90 points over the triennium;
- No more than 45 points accumulated through non accredited activities; and
- No more than 15 points accumulated through non-accredited professional reading.

CFP Professionals may also be asked to provide a record of their CPD activity as part of the CFP professional membership renewal process. If a member's CPD record is found to be in deficit, the member will be given 90 days to rectify the deficit. Failure to cooperate with the audit process will result in disciplinary proceedings being brought against the member, which may lead to fines, cancellation of CFP Professional status or cancellation of FPA membership.

⁵ The FPA measures CPD over financial years, from 1 July to 30 June.