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Financial Services Unit
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The Treasury
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By Email: ProfessionalStandards@treasury.gov.au

Consultation on recommendations of 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.

13 May 2015

Dear Treasury

Commonwealth Bank's Wealth Management Advice business (WM Advice) is Australia's third¹ largest financial advice business with employed and self-employed financial advisers. WM Advice provides financial advice through four Australian Financial Services Licensees, to both CBA and non-CBA customers. The Licensees include Commonwealth Financial Planning Limited, BW Financial Advice, Count Financial Limited and Financial Wisdom Limited.

WM Advice is determined to make quality advice more accessible and affordable in support of the Commonwealth Bank Group's vision which is "to excel at securing and enhancing the financial wellbeing of people, businesses and communities". We fully support the industry's efforts to raise professional standards.

WM Advice appreciates the opportunity to provide a submission to the Treasury in response to its consultation on recommendations of the Parliamentary Joint Committee on Corporations and Financial Services' (PJC) inquiry into proposals to lift the professional, ethical and education standards in the financial services industry (the Inquiry).

¹ Source: Rainmaker, December 2014

We support the findings of the Inquiry that the current education standards for financial advisers need to be lifted. We have already chosen to set higher educational standards for our financial advisers to those currently required by law. In July 2014 we announced new minimum education standards for Commonwealth Financial Planning Limited (CFPL) and BW Financial Advice (BWFA) financial advisers, supervisors and managers of advisers. In October 2014, we announced that all Count Financial Limited and Financial Wisdom Limited financial advisers and WM Advice employees responsible for supervision and monitoring roles would also be required to meet these higher standards. In addition, as a minimum standard, our advisers and relevant WM Advice employees are required to be a member of a relevant financial services industry association by 30 June 2015.

We have contributed to the Financial Services Council (FSC) and Australian Bankers' Association (ABA) submissions to this consultation and we endorse those submissions. Our specific comments in relation to this consultation are contained in the attachment. In this document we seek to emphasise and provide feedback on specific areas of the consultation. This approach does not in any way diminish our support for the recommendations proposed by the Parliamentary Joint Committee on Corporations and Financial Services following their inquiry into proposals to lift the professional, ethical and education standards in the financial services industry.

Thank you again for the opportunity to respond to the consultation. If you have further questions in relation to our submission please contact me on 02 9303 7131.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Perkovic', with a long horizontal flourish extending to the right.

Marianne Perkovic
Executive General Manager, Wealth Management Advice

ATTACHMENT

WM Advice agrees with the findings of the Inquiry that the current educational standards for financial advisers providing personal advice on tier 1 financial products needs to be increased to a degree level qualification as stipulated by the Australian Qualification Framework (AQF) at level 7. We recognised the need for standards to be increased and last year we moved to increase our educational standards to incorporate a relevant degree requirement for any new entrants wishing to join our business in a financial adviser or supervisor role.

In reviewing and resetting these internal standards we also enhanced standards for advisers and supervisors already operating within our business. For these individuals we increased our internal educational requirements to a minimum requirement of an Advanced Diploma, an AQF level 6 qualification. We recognised that for these individuals, raising standards to AQF level 6 qualifications enhanced their educational qualifications above the current regulatory requirements set by ASIC through Regulatory Guide 146 (RG146), and set them on a path towards achieving degree level qualifications aligning with the Inquiry's recommended education level of AQF level 7.

In addition to increasing our education standards, we acknowledged the fundamental role that industry association's play in defining what it means to be a financial planning professional. To support our dedication to professionalism, we committed to membership of a relevant financial services industry association as a minimum standard required of all our financial advisers and relevant WM Advice employees with direct responsibility for managing and supervising financial advisers by 30 June 2015.

1. Education level for financial advisers (tier 1 personal advice providers) and transitional arrangements for existing financial advisers

We acknowledge the PJC's proposed model for financial advisers being:

- Membership of a Professional Standards Council (PSC) approved professional association;
- A degree qualification;
- Completion of a professional year;
- Passing of a registration exam; and
- Undergoing ongoing professional development.

We support each element of this proposed model and believe that together these elements will drive the financial planning industry towards becoming a recognised profession.

In applying the proposed model we believe there are important distinctions to consider with respect to financial advisers already practising within the industry. In determining an appropriate transition pathway for these existing advisers, it will be important to take into account the varied experiences and qualifications that these advisers have already attained to ensure that any revised education standards do not adversely impact access to financial

advice for the many Australians that would benefit from it. We consider that existing advisers includes any advisers currently authorised to provide personal advice to retail clients under an Australian Financial Services Licensee as well as other individuals operating within the financial planning industry under a current licensing exemption such as the accountants' exemption².

We would like to draw Treasury's attention to the fact that currently there are different interpretations that exist within the financial advice industry on what may constitute a "relevant" degree qualification. We recommend that the standards setting body recognise that for existing advisers, a "relevant" degree should include degrees, with already well regarded related disciplines, such as finance, commerce, economics, business, tax or accountancy.

Furthermore the successful passing of a national exam by these financial advisers will be an important measure to ensure that these advisers can demonstrate that they have the technical competency to provide financial advice to clients.

2. Role of the licensee and professional association in the proposed model

A key element of the PJC's proposal is that new entrants to the financial advice industry are not able to provide financial advice until they have met all entry requirements (being attainment of an AQF level 7 qualification and completion of a professional year) and be entered on the financial adviser public register. In the PJC's proposal, the responsibility for notification to ASIC to enter the prospective adviser on the public register, thereby allowing the individual to provide personal financial advice, sits with the professional association.

Under the current regulatory framework the Australian Financial Services Licensee (AFSL) bears the legal responsibility to authorise the individual to be a Representative under their licence. In addition to the responsibility for authorisation, the AFSL bears the legal liability for the conduct of the Representative. Given the legal responsibilities rest with the AFSL, we recommend that the administrative responsibility for notification to ASIC to enter the individual onto the financial adviser public register sits with the AFSL. This alternative approach respects and aligns to the current regulatory framework for AFSLs.

² Regulation 7.1.29A of the Corporations Regulations 2001 permits accountants to provide advice on the establishment of self-managed superannuation funds (SMSF), without the need for an AFS licence