



CHARTERED ACCOUNTANTS™  
AUSTRALIA + NEW ZEALAND

16 September 2022

The Assistant Secretary  
Advice and Investment Branch  
The Treasury  
Langton Crescent  
Parkes ACT 2600

**By email:** [FinancialAdvice@treasury.gov.au](mailto:FinancialAdvice@treasury.gov.au)

Dear Sir/Madam,

### **Financial adviser education requirements – Consultation paper (August 2022)**

Chartered Accountants Australia and New Zealand (CA ANZ) has long advocated for industry reform to ensure that more consumers are able to access high quality, ethical and professional financial advice.

We welcome the opportunity to comment on this Consultation Paper.

We accept that the government will want to proceed with the proposed ten-year experience pathway as it was an Australian Labor Party election commitment however we do not support it as we believe it will lower education standards for existing advisers..

If the definition of a profession is that 'members share a common body of knowledge, skills, and experience in a specialised field' (Financial Adviser Education Standards Consultation Paper, p7) then CA ANZ believes it is imperative education requirements of a Bachelor's degree at AQF 7 level in subject areas pertinent to the advice being provided should be a minimum requirement for existing advisers.

For financial advice to truly become a profession, as determined by the public and not just those who advocate within it, high education standards are important. Most other professions have minimum education standards, so if financial advice is to truly be recognised as a profession, it must also have minimum education requirements.

#### **Key comments: Experienced pathway**

1. If an experienced pathway is to be introduced, it should be for all practitioners – those with existing tertiary qualifications that don't meet the prescribed standards as well as those without tertiary qualifications.
2. We re-iterate that in our view, 10 years' experience is inadequate and that 20 out of 25 years from 2001 to 2026 would be more appropriate. CA ANZ believes considerable 'relevant experience' should mean, being in practice for at least 20 of the past 25 years with appropriate consideration being given to people who have had career breaks for illness, travel, parental or carers leave – to name a few. See <https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-on-education-standards-for-financial->

advisers. In view of the Minister's announcement a compromise of 15 years out of 20 years might be appropriate.

3. In conjunction with a group of other professional member organisations (CPA Australia, Institute of Public Accountants, Financial Planning Association and SMSF Association), we believe a 'clean record' should include:
  - no disciplinary actions recorded on the Financial Adviser Register (FAR),
  - never been suspended or banned from being licensed to provide financial advice to a retail client for any period,
  - no material complaint resulting in client suffering financial detriment with the Australian Financial Compliant Authority,
  - no disciplinary action taken by a relevant professional association, if applicable.
4. We believe self-declaration is appropriate and this should be done by way of statutory declaration, thus enabling penalties to be imposed for providing a false declaration record.
5. Also, in conjunction with the professional associations outlined above, we believe consumer protection interests are best served if any adviser benefiting from this experienced pathway must also be a voting member of a relevant non-profit professional association of a body that has:
  - Code of Ethics / Conduct / Professional Standards,
  - Mandatory CPD obligations,
  - Complaints / Disciplinary system,
  - A robust Quality Review system, and
  - Must remain a member to maintain eligibility under this pathway or alternatively.

If a person is not a member of such an association then the adviser must complete an approved ethics subject by 1 January 2026.

6. To assess the general standard of overseas tertiary qualifications, CA ANZ follows the guidelines of the National Office of Overseas Skills Recognition (AEI-NOOSR). For CA ANZ entrance purposes, individual subjects are examined to determine coverage of the required competence areas. If knowledge gaps are identified, the applicant will need to enroll in an accredited conversion course or Chartered Accountants Foundations units and pass any of the identified subjects. We recommend this established, rigorous process be utilised and/or replicated for the financial advice industry and the need for FASEA (now the Minister) to check this process is a waste of valuable resources.

### Key comments: Formal education and exam

1. In summary, CA ANZ does not believe the core knowledge areas are appropriate. Core knowledge areas need to be broadened and in line with other similar degrees such as accounting, commerce, business and economics.
2. Seven decades of subjects that were assessed to gain entry to the Chartered Accounting program (CA Program) have been provided as examples of varying pathways for entry to accountancy. Financial planning should also have similar flexibility.
3. Changes to core and elective modules should allow for the necessary subject matter in the exam to be covered in these units, thus making the current ASIC exam redundant.
4. The government must consider the considerable work undertaken by universities to be added to the FASEA list of approved courses, by AFS Licensees in mapping future study requirements for authorized representatives and for financial advisers who have already undertaken study at great time and cost. A self-regulating association body should be established to fulfil this role.
5. A solution that works for all needs further thought. CA ANZ believes the current system does not provide a level playing field for entrants from non-traditional financial planning backgrounds.
6. Professional associations should now be given the opportunity to provide clear direction on the core and elective units required for their area within the profession. Students will then have clarity on the subjects required to go down various pathways and this clear direction should also be provided for those who wish to specialise.
7. Foreign qualifications should be assessed via the universally accepted guidelines of the National Office of Overseas Skills Recognition (AEI-NOOSR). CA ANZ has a process for assessment in place and may be able to facilitate assistance in this area.
8. Top-up qualifications on a unit-by-unit basis should be encouraged. We need a competency-based framework for flexibility within the financial advice profession, and this can only be achieved on a subject-by-subject basis.
9. If the desired goal of the ASIC (FASEA) exam was to allow the community to be satisfied that all financial advisers who have passed it are competent in the body of knowledge, skills, and expertise common to their profession through a 'standardised assessment', then the exam should have been set to test these competencies.
10. As the exam primarily focused on legislative and regulatory issues, future new entrants should cover this material in their core and/or elective subjects, thus eliminating the need for an exam at PY level.

### Key comments: The Professional Year

We agree that practical supervision and mentoring plays a vital role in protecting consumers from inexperienced advisors. CA ANZ's mentoring program is for three years duration. Solicitors are required to complete 18–24 months of supervised practice (depending on the jurisdiction) before they can practise unsupervised.

The professional year must be crafted to be fit-for-purpose and, as such, the following changes should be adopted:

- Only allow candidates to commence the professional year once they have completed ideally the total of eight subjects that pertain to financial advice at an AQF 7 level.
- As noted above the ASIC (FASEA) exam is not required for those with a suitable AQF 7 degree or above.
- The professional year should be principles-based that focuses on the core knowledge areas. That is remove or reduce the more prescriptive elements of the professional year.
- Allow candidates to 'tick off' the various elements of the program at their own pace, but make the year a compulsory 12-month program before allowing an adviser to be placed on the FAR.

To allow the above changes to be made the composition of the program would need to be reformed by making it less administratively burdensome and more practically flexible.

In order to address of a shortage of financial advice practitioners an option may be to commencing the professional year whilst completing the final year of a relevant AQF 7 degree however no unsupervised client advice can be provided until that degree has been completed.

CA ANZ's detailed comments are on the pages to follow.

If you would like to discuss our submission, [REDACTED]

Yours faithfully

[REDACTED]

[REDACTED]

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[REDACTED]  
[REDACTED]  
[REDACTED]

# 1. Experienced pathway

## Questions – experienced pathway

### 10 years' experience

1. Is the proposed window for determining 10 years' experience (between 1 January 2004 and 1 January 2019) appropriate? If not, what alternative period could be considered?
2. If required (for example, due to an audit of their eligibility), how can advisers prove they have 10 years' full-time equivalent experience?

### **CA ANZ's position:**

Not only do non-tertiary qualified practitioners need an experienced pathway, but all practitioners also who have lengthy appropriate experience should be considered.

CA ANZ feels strongly that the lack of recognition of our professional CA qualification is an area which must be addressed in this consultation. Any amendments made for existing practitioners with experience should address the industry-wide problem we face that many experienced practitioners will leave the industry between now and 1 January 2026 when the new education requirements are due to commence.

Regarding the proposed window for determining 10 years' experience, we re-iterate that we do not believe that is an inadequate timeframe. CA ANZ supports experienced practitioners from accountancy and other fields of study remaining in the industry if they have significant experience and:

- have 20 out of the past 25 years of relevant industry experience.
- can demonstrate competencies in relation to their area of advice.
- have completed significant levels of study – preferably at Bachelor's degree level, not necessarily matched to financial planning competencies if they do not practice in traditional financial planning
- are bound by a strict industry related Code of Ethics that is enforced.
- complete at least 40 hours of relevant CPD per annum.

Whilst we acknowledge the Government's election commitment to remove tertiary education requirements for financial advisers who have passed the exam, have 10 years' experience and a clean record of financial practice, we believe this will be detrimental to the professionalisation of the financial advice industry.

In order to ensure consumers are adequately protected the proposed experience pathway requires amendment.

## On the job experience: 10/12 years between 2004 and 2019 is inadequate

As an industry, the financial advice sector has been through enormous regulatory change over the past 25+ years. The changes include, but are not limited to, the following:

Year	Regulatory Change
1997	Financial System Inquiry ('Wallis FSI')
1997	CLERP 6 released
1998	ASIC Established
2001	Financial Services Reform Act 2001 (FSR)
2004	FSR transition ends
2005	FSR Refinements
2005	Statutory conflicts management obligation
2007	Simpler Regulatory System Reforms
2009	Ripoll Report
2009	TASA Act
2010	Margin lending reforms
2010	Simple PDS Reforms
2010	Cooper Review of Superannuation
2012	FoFA Reforms (including Best Interest and conflicted remuneration)
2013	Limited AFS Licensing for accountants
2013	TASA Amendment
2014	Performance of ASIC Report
2014	Murray FSI
2015	Financial Adviser Register
2017	Ramsay Review of EDR
2017	ASIC Enforcement Review
2018	Life Insurance Commission Reforms
2018	Professional Standards and Ethics Framework
2018	Productivity Commission review of competition in the financial sector
2019	Productivity Commission review of competitiveness in superannuation
2019	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
2019	Royal Commission implementation commences
2020	Early access to super measures
2020	COVID-19 regulatory relief assistance
2021	CP 332 – Affordable Advice
2021	Better Advice Bill
2021	CSLR reforms
2021	Commencement of the ALRC review
2022	Treasury review into Education Standards for Financial Advisers
2022	Review of the quality of financial advice
*Significant input from FPA in this table is acknowledged	

As noted above we therefore believe that any recognition via an 'experienced adviser pathway' should include a significant number of years of experience (20+), so that practitioners qualifying via this pathway have seen the changes as and when they have occurred, thus making up for their 'lack' of 'related fields of study' at tertiary level.

Further experience must be relevant to the role of the adviser and the profession in which they serve, not just relevant to the role of a traditional financial planner.

We also believe the relevant experience should be benchmarked against certain competencies, with input relating to the requisite competencies being developed by a diverse group possibly including government representatives, professional member associations, industry participants as well as education providers – not just education providers as has appeared to be the case for the benchmarking of existing FASEA competency standards in education and the recognition of prior learning (RPL).

Consumers expect no less, particularly following the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

## Questions – clean record

### Clean record

3. Are the proposed sources for determining a clean record appropriate? Why/why not?
4. What other sources could advisers rely on to indicate that they have a clean record?
5. If required, what evidence can advisers rely on to prove they have a clean record?
6. What threshold should be adopted to identify whether conduct is minor, trivial, and isolated?
7. Is the non-time limited clean record requirement appropriate? If not, for what period should an adviser be expected to maintain a clean record to access this pathway?

### Assessment of eligibility

8. What should self-declaration of eligibility require? For example, should an adviser have to make a statutory declaration?

### CA ANZ's position:

In conjunction with a group of other professional member organisations (CPA Australia, Institute of Public Accountants (IPA), Financial Planning Association (FPA) and SMSF Association (SMSF) ), we believe a 'clean record' should include:

- no disciplinary actions recorded on the Financial Adviser Register (FAR),
- never been suspended or banned from being licensed to provide financial advice to a retail client for any period,
- no material complaint resulting in client suffering financial detriment with the Australian Financial Complaints Authority (AFCA),
- no disciplinary action taken by a relevant professional association, if applicable.

Self-declaration should be done by way of statutory declaration, thus enabling penalties to be imposed for providing a false declaration.

Also, in conjunction with the associations outlined above, we believe for consumer protection any adviser benefiting from this experienced pathway must also be a voting member of a non-profit association of a body that has:

- Code of Ethics / Conduct / Professional Standards
- Mandatory CPD obligations
- A complaints / disciplinary system
- A Quality Review system
- Remained a member to maintain eligibility under this pathway.

Or alternatively, if not a member, we believe the adviser must complete an approved ethics subject by 1 January 2026.

### **Sunset clause**

As such, any financial adviser who wishes to continue to practice after December 2031 would need to meet the then education requirements for existing advisers.

## **Questions – Future misconduct**

### **Future misconduct**

9. Are new tools required to specifically deal with advisers accessing the experienced pathway whose future conduct amounts to misconduct? Why/why not?

### **CA ANZ's position:**

Regarding future misconduct, we believe the recently introduced Financial Services and Credit Panel (FSCP) should be able to fulfil the role of both assessing and dealing with adviser misconduct.

Given the financial advice industry has been through tumultuous change over the past three years, using any newly established structure or regime that is already in place, rather than creating a new one, is supported.

## **Questions – Other**

### **Other**

10. For existing advisers not eligible for the experienced pathway but who have a foreign qualification at AQF 7 level or above, is it practical and appropriate for education providers or licensees to assess how these qualifications meet the education standard and what additional study may be required, rather than the Minister? Why/why not?

11. How many existing advisers do you expect to access the experienced pathway? How many of those have already started to undertake formal education to align with the current existing adviser requirements?
12. What else may be required to ensure an appropriate level of consumer protection is maintained and any potential harm is minimised?
13. Would any further requirements be necessary for the experienced pathway to ensure the professionalisation of the industry is maintained?

### **CA ANZ's position:**

Regarding foreign qualifications, CA ANZ has an existing program to assess foreign qualifications. For students wishing to enrol in the CA program, foreign qualifications are individually assessed. In addition, reciprocal arrangements for members of certain international accounting bodies are conducted, with different arrangements being in place for different bodies. In these cases, assessment is at a program level for each qualification and, generally speaking, assessment of individual foreign qualifications is not undertaken.

If an applicant seeking to enter the CA program holds an overseas qualification, it must be assessed by CA ANZ as comparable to the educational level of an Australian or New Zealand Bachelor's degree (AQF level 7 or higher).

Given the financial planning entry level requirement is also at AQF 7 level, CA ANZ may be able to be of assistance with the assessment of foreign qualifications for advisers.

To assess the general standard of overseas tertiary qualifications, CA ANZ follows the guidelines of the National Office of Overseas Skills Recognition (AEI-NOOSR). When it has been established that the qualifications satisfy CA ANZ's minimum requirements in terms of their educational level, individual subjects are examined to determine coverage of the required competency areas. If knowledge gaps are identified, the applicant will need to enrol in an accredited conversion course or CA Foundations units and pass any of the identified subjects.

We recommend this established, rigorous process be utilized and/or replicated for the financial advice industry and the need for FASEA (now the Minister) to check this process is a waste of valuable resources.

### **Tax (financial) Advisers (TFAs) are grandfathered to ASIC whereas Registered Tax Agents (RTAs) are not**

Amendments made to the *Corporations Act and Regulations* with effect from 1 January 2022 (*Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021*), TFAs will be grandfathered across to ASIC automatically whereas RTAs, who are more qualified in tax than TFAs, are currently not automatically being transferred.

CA ANZ understands this to be an accidental oversight and, as such, advisers who are RTAs should be automatically transitioned to ASIC and they should not need to complete additional study (tax and commercial law).

### **Consideration be given to allow professionals a window of opportunity to return**

Lastly, many Chartered Accountants have left the financial advice industry before this Consultation Paper was released. CA ANZ asks the Minister to consider any avenues possible to allow the many CAs who have recently left the industry prior to the release of this Consultation Paper to return, should they wish to do so. From a timing perspective, if members had known about these possible reforms last year prior to being removed from the Financial Adviser Register after 31 December 2021 for not having completed the (ASIC) FASEA exam, they may not have left the industry.

A possible solution is to allow professionals in this predicament to sit for the (ASIC) FASEA exam which would need to be reopened.

The loss of such highly qualified professionals in financial advice is to the detriment of Australian consumers.

## 2. New Entrants

### Questions – formal education and the exam

1. Are the proposed core knowledge areas appropriate for the financial advice profession? If not, what is missing and why is that area important?
2. Are there any specific areas under each core knowledge area that should be prioritised or emphasised? For example, a particular element of taxation or commercial law?
3. Would proposed changes to core knowledge areas necessitate changes to the exam content? Why/why not?
4. Is it practical and appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas? Why/why not?
5. What form should education providers' assurance to Government take?
6. If self-declaration is not appropriate, what alternatives could be adopted to streamline the degree approval process?
7. Is it practical and appropriate for education providers or licensees to evaluate a new entrants' completed tertiary courses against the new core knowledge areas to assess whether they have met the education standard or what additional study may be required? Why/why not? What oversight of education providers or licensees making this assessment, if any, is necessary?
8. Is it practical and appropriate for education providers or licensees to also evaluate foreign qualifications against the new core knowledge areas and assess what additional study may be required, rather than the Minister? Why/why not?
9. Should new entrants whose existing qualifications don't fully meet the education standard be able to 'top-up' their qualification by completing individual units, rather than a full qualification? Why/why not?
10. What other changes should be made to the education requirements for new entrants? How do your proposed changes support the professionalisation of the financial advice industry and ensure consumer protection?

### Formal education

#### **CA ANZ's position:**

CA ANZ undertakes a rigorous process to ascertain the academic criteria by which entrants can enrol into the program to become a CA, having completed an accredited appropriate course at AQF 7 which matches, subject by subject, the CA ANZ entry requirements. We note that this program is a post graduate course at AQF8 level.

We likewise believe that any new entrant to financial advice should have to satisfy suitably stringent criteria at AQF 7 level, at a subject-by-subject level.

We acknowledge much work has been done by AFSLs to map future study requirements for their representatives to complete financial advice studies to satisfy current entry level requirement and support those advisers and AFSLs to continue the pathways prescribed for them.

Given the education requirements have been littered with change and many advisers have now worked towards existing criteria, we do not propose to interfere with that course of progress, as time equals money to many, and the Australian consumer is the loser to the ever-changing regulatory regime as a result.

However, the educational mapping criteria has been primarily done against FPEC standards, and they do not represent all facets of the financial advice landscape. This process does not suit all professionals who wish to practice under an AFSL – limited or full.

We therefore believe that, if the financial advice profession wants to align themselves with students from other courses at AQF 7 Bachelor's levels, they need to consider 'core' and 'elective' subjects offered at likewise levels.

Please see the table below which outlines the criteria by which CA ANZ evaluates candidates who wish to enter the CA program.

It also illustrates a dissection of subjects that are representative of 'core' and 'elective' subjects studied over seven decades that enable students to choose an area of interest at AQF 7 level, thus enabling them to move forward into their profession of choice.

As the table also illustrates, appropriate relevant subjects to enter the post graduate CA program are clearly identified.

Professionals in financial advice come from many varied background qualifications, and in the future, this should be encouraged.

In order to do so, professional associations should be encouraged to make clear their required subjects, so that entrants to their professionals are clear about the subjects and /or competencies required to go down that pathway.

This is the pathway for new entrants to the financial advice industry.

We must enable this process of certainty at our earliest opportunity and to do this, we must make the 'core' units varied but broad in their knowledge areas, and we must make the number of 'electives' numerous, transparent and informative, so that new entrants can satisfy entry requirements to a profession of choice with as much information available as possible.

Of course, changes to subjects, competencies and knowledge level requirements change over time. However, new entrants need a higher level of direction in their studies than is currently being provided, for financial advice as a profession to be considered in the future.

Given CA ANZ follows the guidelines of the National Office of Overseas Skills Recognition (AEI-NOOSR), we do not believe it is appropriate for education providers or licensees to also evaluate foreign qualifications against the new core knowledge areas and assess what additional study may be required. This should be carried out through those who follow the NOOSR guidelines.

The table below outlines a sample of undergraduate qualifications since 1972 on a decade by decade basis, firstly matched against FASEA's 'relevant subject list' provided in 2018 and then matched against the recently expanded 'related fields of study list' provided in the Policy Paper.

Chartered Accountant	1970s	1980s	1990s	2000s	2010s	New entrant (completing CA program)	FASEA relevant subject 2018	FASEA 'related fields of study' 2022
<b>University qualifications</b>	Bachelor of Economics	Bachelor of Commerce	Bachelor of Education  Graduate Diploma Business Administration (partially completed)  Grad Dip Accounting	Bachelor of Commerce with Majors in Accounting and Finance  Bachelor of Commerce (Honours) Business Management	Bachelor of Commerce	Bachelor of Commerce with a major in accounting		
<b>Relevant subjects within qualifications</b>	<ul style="list-style-type: none"> <li>• Elements of Accounting 1</li> <li>• Microeconomics 1 H</li> <li>• Macroeconomics 1 H</li> <li>• Management Accounting 11</li> <li>• Economics Statistics 11</li> <li>• Microeconomics 11 H</li> <li>• Macroeconomics 11 H</li> <li>• Accounting Theory 111 H</li> <li>• Business Finance 111 H</li> <li>• Microeconomics 111 H</li> <li>• Economic Theory</li> <li>• International Economics 111 H</li> <li>• Income Tax 11 H</li> </ul>	<ul style="list-style-type: none"> <li>• Macroeconomics</li> <li>• Microeconomics</li> <li>• Quantitative methods</li> <li>• Intermediate microeconomics</li> <li>• Introductory accounting</li> <li>• Commercial contract law</li> <li>• Financial accounting</li> <li>• Managerial finance</li> <li>• Business organisation</li> <li>• Law of business organisation</li> <li>• Financial measurement systems</li> <li>• Taxation law</li> <li>• Auditing</li> <li>• Investment analysis</li> <li>• Accounting theory &amp; policy</li> </ul>	<ul style="list-style-type: none"> <li>• Mgt info systems</li> <li>• Economics 1</li> <li>• Accounting 1</li> <li>• Commercial law A</li> <li>• Accounting 2</li> <li>• Commercial law B</li> <li>• Quantitative methods</li> <li>• Financial management</li> <li>• Financial accounting</li> <li>• Taxation law and practice</li> <li>• External auditing</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting I</li> <li>• Computational mathematics I</li> <li>• Economics I</li> <li>• Commercial law I</li> <li>• Accounting II</li> <li>• Corporate &amp; managerial accounting</li> <li>• Corporate finance</li> <li>• Investment</li> <li>• Intermediate economic theory</li> <li>• Economic issues &amp; practice</li> <li>• Commercial law II</li> <li>• Business enterprise law</li> <li>• Mercantile law</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting &amp; financial management</li> <li>• Microeconomics</li> <li>• Macroeconomics</li> <li>• Accounting &amp; financial management</li> <li>• Corporate financial reporting &amp; analysis</li> <li>• Management accounting 1</li> <li>• Legal environment of commerce</li> <li>• Auditing &amp; assurance services</li> <li>• Business finance</li> <li>• Business transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting for decision making</li> <li>• Quantitative economics &amp; business analysis A</li> <li>• Business law</li> <li>• Financial reporting</li> <li>• Introductory microeconomics</li> <li>• Financial management</li> <li>• Principles of management accounting</li> <li>• Introductory macroeconomics</li> <li>• Corporations law</li> <li>• Introduction to management</li> <li>• Management accounting</li> </ul>	Accounting Taxation law Finance law Finance law Business law Investment Estate law Banking Economics	Financial planning Finance Financial Services Investments Accounting/accountancy Taxation/tax law (as approved by the TPB) Business law (as approved by the TPB) Finance law Estate law Banking Economics Econometrics Stockbroking Wealth Management or actuarial studies

	<ul style="list-style-type: none"> <li>• Commercial Law 11</li> </ul>			<ul style="list-style-type: none"> <li>• Business statistics</li> <li>• Accounting III</li> <li>• Business finance III</li> <li>• Investment management</li> <li>• Risk management</li> <li>• Advanced problems of business finance</li> <li>• International business</li> <li>• Strategic management</li> </ul>	<ul style="list-style-type: none"> <li>• Issues in financial reporting &amp; analysis</li> <li>• Business taxation</li> <li>• Business analysis &amp; valuation</li> <li>• Business entities</li> </ul>	<ul style="list-style-type: none"> <li>• Management of financial institutions</li> <li>• Income tax law</li> <li>• Auditing &amp; public practice</li> <li>• Macroeconomic theory</li> <li>• Banking &amp; lending decisions</li> <li>• Account for corporate structures</li> <li>• Quantitative economics &amp; business analysis B</li> <li>• Macroeconomic policy</li> <li>• Integrated commerce in practice</li> </ul>		
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## Core and elective units

As per the table above, 'core' units should be broad and inter-changeable across professional requirements.

'Elective' units should be specific to the financial advice profession.

We therefore disagree with the proposed new core knowledge areas to comprise as follows:

- Taxation law
- Commercial law
- Financial advice regulatory and legal obligations
- Ethics and professionalism
- Behavioural finance and client engagement

CA ANZ makes it clear which units, competencies and knowledge areas are required to become a Chartered Accountant.

In due course, other professional associations should do likewise, and to that end, in order to decide which knowledge areas are appropriate for a new entrant to financial advice, a self-regulating body should be established.

In agreement with other professional associations (CPA Australia, IPA, FPA and SMSFA), this body should have the following responsibilities:

- Only associations eligible for the experienced pathway could be a member,
- They should be responsible for setting core and elective units – including curriculum, quantum and approved assessment methods,
- They would be responsible for accrediting universities – noting this could be courses, qualifications, and subjects to provide flexibility to education providers and potential new entrants.

AFS Licensees should not be able to evaluate a new entrant's completed tertiary courses against the new core knowledge areas to assess whether they have met the education standard or what additional study may be required.

## The exam

### **CA ANZ's position:**

The Consultation Paper says that the requirement to pass it allows 'the community to be satisfied that all financial advisers are competent in the body of knowledge, skills, and expertise common

to their profession through a standardised assessment'. It does not test any practical application of the knowledge, skills and expertise required to be a financial adviser.

In CA ANZ's view the current ASIC exam does not satisfy these worthy objectives. In addition it applies a one size fits all approach because it does not allow for those who are not full time financial advisers.

As noted above we believe the current exam should be scrapped for new entrants who satisfy the relevant revised education requirements.

We believe that a Capstone subject should replace the exam and be provided by accredited education providers and be commensurate to advice being provided.

### 3. The professional year

#### Questions – professional year

1. How else could the professional year be amended to ensure it remains fit for purpose, ensuring appropriate supervision of graduate financial advisers without creating unnecessary barriers to entry?
2. In what ways do the professional year requirements create a barrier to entering the financial advice profession?
3. What are the risks and benefits of the possible amendments?
4. Will allowing integration of the professional year with tertiary study streamline the transition between education and work? Why/why not?
5. If the professional year is integrated into tertiary study, how many professional year work hours should be completed as part of a degree?
6. What role does industry play in encouraging new entrants into the industry?
7. Should the exam format be changed for new entrants? If so, how?

#### **CA ANZ's position:**

CA agrees that the professional year is administratively burdensome, acting as a barrier to taking on new advisers thereby restricting the growth of the profession.

We also agree that the purpose of the professional year is to ensure that new entrants have a structured mentoring program that develops and operationalises the competencies gained through the completion of tertiary education.

However, if the technical knowledge gained through the completion of a tertiary qualification will not necessarily give a graduate all the skills necessary to apply that knowledge to real world situations, then a practical capstone type course should be created to fill this void.

If the educational requirements are suitably structured, with desired flexibilities, an additional ASIC (FASEA) exam should not be necessary during the professional year.

We agree that practical supervision plays a vital role in protecting consumers from inexperienced advisors. Other professions have similar supervision requirements – CA ANZ has an outstanding program that is completed over three years. As mentioned in the Consultation paper, lawyers are required to complete 18–24 months of supervised practice (depending on the jurisdiction) before they can practise unsupervised.

The professional year must be crafted to be fit-for-purpose and, as such, the following changes should be adopted:

- Only allow candidates to commence the professional year once they have completed ideally the total of eight subjects that pertain to financial advice at an AQF 7 level.
- Delete the need for the ASIC (FASEA) exam
- Introduce a principles-based approach that focuses on the core knowledge areas and remove or reduce the more prescriptive elements of the professional year.
- Allow candidates to 'tick off' the various elements of the program at their own pace, but make the year a compulsory 12-month program before allowing an adviser to be placed on the Financial Adviser Register (FAR).

In order to address of a shortage of financial advice practitioners an option may be to commencing the professional year whilst completing the final year of a relevant AQF 7 degree however no unsupervised client advice can be provided until that degree has been completed.

## Appendix A

### About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.