

By email: FAStandards@treasury.gov.au

Attention Anna Schneider Rumble

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

Dear Ms Schneider Rumble

Canaccord Genuity Wealth Management ("Canaccord") has long standing expertise in successfully servicing the private client segment of the Australian equity capital market. Our clients have access to extensive global resources and the deep regional expertise of 100+ years in the finance industry. We provide investment advice, portfolio management and wealth planning services to retail, high net worth, and intermediary clients (financial planners and family offices). As of the 31st of August 2022, Canaccord have 122 Advisers providing advice on \$22 bn of assets.

Canaccord welcomes the opportunity to provide feedback on the proposed amendments to the education standards.

1. Background

The introduction of the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* ("Professional Standards Act") and the establishment of FASEA as the standards-setting body for relevant providers was hugely disruptive to the Canaccord business along with the wider Stockbroking & Wealth Management industries. Despite this disruption Canaccord was and continues to be supportive of increasing professionalism in the financial services industry and supportive of the introduction of minimum qualifications, an industry exam, and the professional year. It was our view that all three were reasonable and would increase professionalism in our industry and as such we moved quickly and put in place programs to ensure the bulk of our Adviser base would meet the requirements prior to the deadline.

However, the ultimate application of this regime by FASEA (either intentionally or unintentionally) moved away from the original intent of the legislation. This has had ramifications on the affordability of advice and the ability to meet the growing need for advice by making it prohibitive to bring on new entrants to our industry.

Adviser numbers have dropped significantly since the introduction of the Professional Standards Act at a time when financial advice has never been more important to retail consumers grappling with an increasingly complex landscape of financial products, schemes, and scams. With reduced adviser numbers and the increase of compliance cost there is limited supply for the increased demand leading to affordability issues on receiving advice. Unless sensible adjustments are made there will be a lack of new entrants to meet the void left by departed and departing Advisers.

Canaccord Adviser network has fared well in meeting the additional requirements and our existing Adviser base is well positioned. Our primary concern is not for the elder cohort, most of whom have now either met the standards or made retirement plans to coincide with the 2026 date, but for the future of our industry and the significant education barrier facing suitably qualified candidates. It was never the intention of the legislation to narrow the focus of the base 'approved' degree to a financial planning specialisation. That decision was taken unilaterally by a FASEA board heavily influenced by the financial planning associations. Financial Planning is a subset of the wider financial services industry. In taking this approach FASEA rendered long standing business degrees such as Commerce, Economics & Finance from Australia's most prestigious universities effectively meaningless for those graduates aspiring to a career in providing financial advice across all disciplines of the financial advice chain.

Canaccord welcomes the *The Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021* action to wind-up FASEA and move the standard setting function to the Minister for Superannuation, Financial Services and the Digital Economy. We found FASEA to be narrow minded, unrealistic in its interpretations of the standards and most of all having a significant lack of understanding of the different types of advice in operation in the financial services industry. Stockbroking and investment advice as a discipline, specialisation and function separate from the development of a financial plan. Stockbroking and Investment advice plays a critical role in the Australian financial system that needs to be recognised as a separate discipline from financial planning.

2. Canaccord response to questions asked in the consultation paper

EXISTING ADVISERS

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?

Answer :

- We do not believe the proposed window is appropriate. Our preference is to have the window extended to include experience up to 1st January 2022. During recent covid periods advisers had to show considerable experience and empathy to successfully navigate.
- Covid pandemic should be treated as equally as valuable as the GFC. We stress the value to clients of obtaining advice during covid and how advised clients benefitted from that advice.

2. If required (for example, due to an audit of their eligibility), how can advisers prove they have 10 years' full-time equivalent experience?

Answer:

- The FAR was established on 1 January 2014 and contains historical data. The licensee can prepare a summary of the adviser's record and the adviser can sign it off.
- Self-assessment via an application. There would also be current licensee oversight on this application with reference to each applicant's existence on the FAR register. Possibly supported by an attestation and, if need be, evidence via previous licensees.

Clean record

3. Are the proposed sources for determining a clean record appropriate? Why/why not?

Answer:

- The proposed sources are no disciplinary actions recorded against the adviser on the FAR, adverse finding at AFCA, CPD compliance, disciplinary action taken against the member by a professional association.
- Our proposed sources are:
 - Court – limited to a judgement handed down by a court (not just allegations or the mere existence of legal proceedings against an adviser) in which most of the adverse findings can be linked to the actual adviser (i.e., not other contributing factors like poor licensee conduct or external factors)
 - AFCA – limited to a final 'Decision/Determination' in which most of the adverse findings can be linked to the actual adviser (i.e., not other contributing factors like poor licensee conduct or external factors)/ This should not include an AFCA "Recommendation/Preliminary Decision' or an outcome of a Conciliation Conference or settlement negotiations.
 - ASIC – limit it to reportable breaches which are reasonably likely to have an adverse effect/harm on clients or the industry (i.e., minor breaches or breaches of an administrative nature should not be included).
- Licensees shouldn't have any advisers that have a poor record on their books. Those accessing this pathway have been around for over 10 years, have passed the exam and have been completing 40 hours of CPD including 9 hours of professionalism and ethics per year.
- Isolated issue should not be a reason for them to be denied access to the experience pathway. To exclude them from the experience pathway the issue of misconduct should involve an erosion of trust or involve client detriment – the impact on the client should be the measure not the administrative impact.

4. What other sources could advisers rely on to indicate that they have a clean record?

Answer:

- As per the answer to question 3. Advisers have completed the exam, done their 40 hours of CPD which includes 9 hours of ethics and professionalism and will continue to complete 40 hours of CPD per year which includes ethics as a component. A clean record means the adviser is of good character.

5. If required, what evidence can advisers rely on to prove they have a clean record?

Answer:

- A cross check of court decisions, AFCA determinations and reportable breaches as per the answer to question 3.

6. What threshold should be adopted to identify whether conduct is minor, trivial, and isolated?

Answer:

- See the answer to question 3.

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?

Answer:

- Once an adviser has qualified, they should be considered to have accessed the pathway. All advisers on the FAR are subject to the Single Disciplinary Body as well as disciplinary actions by their licensee and professional body (if relevant).

Assessment of eligibility

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

Answer:

- Licensees do not want advisers without the appropriate skills and ethics in the business. The administrative details should be left to the licensee.

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?

Answer:

- ASIC can refer the adviser to the Single Disciplinary Body if they are involved in misconduct. No new powers are needed for the regulator. The FSCP has the power to require advisers to undertake additional training and may use these powers as part of a disciplinary action to require additional training regardless of the pathway under which an adviser meets education requirements.

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?

Answer:

- Currently licensees have a process in place where they refer the qualification to the state-based body that assesses and maps that qualification against our standards.

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?

Answer:

- We have around 50 advisers eligible to access this pathway that have not already completed the education pathway.
- Around 50% of those advisers have already started to undertake formal education to align with current existing adviser pathways.

12. What else may be required to ensure an appropriate level of consumer protection is maintained and any potential harm is minimised?

Answer:

- We do not believe anything additional to the above is required.

13. Would any further requirements be necessary for the experienced pathway to ensure the professionalisation of the industry is maintained?

Answer:

- We believe this should be determined by the licensee, as they are best placed to make this decision.

NEW ENTRANTS

Questions – Formal education and 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?

Answer:

These are appropriate and we don't believe anything is missing.

2. Are there any specific areas under each core knowledge area that should be prioritised?

Answer:

- No.

3. Would proposed changes to core knowledge areas necessitate changes to the exam content? Why/why not?

Answer:

- Yes . As estate planning, superannuation and insurance have been removed as core knowledge areas they can be removed from the exam. People can do electives in these areas. We don't believe Advisers should have to undertaken an exam on areas where they will not be providing advice.
- In our experience, the scenarios used in the exam covered areas that people are not authorised to provide advice in. This caused distress to many participants in the exam. The case studies need to be more appropriate to a generalist exam.

4. Is it practical and appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas? Why/why not?

Answer:

- We have a national education regulator (TEQSA) that has regulatory powers over course content. If there are 5 core knowledge areas the government should be able to liaise with TEQSA so that no university has to self-declare. It is important that students have confidence that the course they are doing is the right course and an education provider may not understand whether the course qualifies. It is more appropriate that TEQSA is the body that can qualify the course.
- Our priority is that new entrants don't need to re-study unnecessary qualification dependent on whether their university has applied for self-declaration
- If the government is genuine about financial advice as a profession it should be accredited by TEQSA. It is the role of the regulator – we don't want a second accreditation body.

5. What form should education providers' assurance to Government take?

Answer:

- The same point as above.

6. If self-declaration is not appropriate, what alternatives could be adopted to streamline the degree approval process?

Answer:

- Same points as above. The financial planning degrees will all self-declare. The courses we rely on such as commerce, economics, finance, and business degrees may not and this will lead to a difficult pathway for Advisers that are not becoming Financial Planners.?

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?

Answer:

- It would be difficult for a licensee to complete this review. It is not a core skill that the licensee would have and many universities have different naming conventions. Licensees need to be able to map out the courses correctly, with the flexibility to have additional "bridging" subjects completed.

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?

Answer:

- As per above, we do not believe this should be pushed to the licensee. This adds additional risk and it would be prudent to have clearer direction rather than a self-evaluation by licensees.

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?

Answer:

- Yes. This will mean appropriate study will be targeted and relevant study can still place a part in obtaining the qualifications.

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?

Answer:

- We want to ensure there is a clear pathway for the Advice industry that is broader than just financial planning advice. Commerce, economics, finance and business degrees are important to us as our new entrants need these skills to work within the stockbroking industry. Our changes support the professionalism of financial advice by ensuring the graduate of top universities are maintained within the financial advice industry.

Questions – professional year

11. 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?

Answer:

- Allowing candidates to sit the exam at any time, rather than just the professional year would greatly assist the efficiency of the program. It must be acknowledged there are three parties to the professional year program: The licensee, candidate and also supervisor, and all three parties work together to ensure this program is efficiency managed to enhance client outcomes.
- Presently candidates must pass the exam prior to beginning Quarter 3 which may be restrictive if candidates fail on the first attempt.
- Accelerated pathway. If licensees decide to accelerate candidates through quarters 1 and 2 of the program currently candidates still must complete the full 1600 hours of work and training over a 12-month period. We would like to propose some flexibility around the 1600 hours in line with quarters undertaken.

12. In what ways do the professional year requirements create a barrier to entering the financial advice profession?

Answer:

- We believe the professional year is a good initiative and is currently structured appropriately. What creates a barrier to entering the financial advice profession are "New Entrant" education requirements - our answers to solve these issues are listed in the above "New Entrants" section.

13. What are the risks and benefits of the possible amendments?

Answer:

- The benefit of amendments is to be an industry of choice for aspiring Advisers, and to ensure we can attract the top minds from top universities to the industry. We don't see any risks amending the program.

14. Will allowing integration of the professional year with tertiary study streamline the transition between education and work? Why/why not?

Answer:

- Our preference is for the professional year to be conducted and administered by the licensee, not part of tertiary education. This would ensure the licensee is able to monitor and supervise the candidate. We also believe the professional year program should be left to the licensee to administer as it forms part, but not all, of a candidate's professional development and training.

15. If the professional year is integrated into tertiary study, how many professional year work hours should be completed as part of a degree?

Answer:

- Please see answer to Q 14

16. What role does industry play in encouraging new entrants into the industry?

Answer:

- The industry plays a very significant role in encouraging new entrants into the industry. It is our belief we need to make entry requirements for "New entrants" as appropriate as possible.

17. Should the exam format be changed for new entrants? If so, how?

Answer:

- We do not have a strong view on whether the exam should be changed.

