

16 September 2022

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

Email: FinancialAdvice@treasury.gov.au

Re: Submission on the “Financial adviser education standards” Consultation Paper

The Financial Planning Education Council (FPEC) welcomes the opportunity to provide input into Treasury’s review of the education and training standards for relevant providers, specifically the requirement to complete certain education requirements before being able to provide, or continue to provide, financial advice.

About The Financial Planning Education Council

The Financial Planning Education Council (FPEC) has been accrediting higher education courses and supporting research in financial planning for more than 20 years. FPEC seeks to raise the standard of financial planning education, promote financial planning as a distinct learning area and as a profession, and as a career of choice for new students and career changers. FPEC is comprised of representatives from the higher education sector, financial planning practice, and professional associations.

Prior to the establishment of FASEA, FPEC was tasked with the responsibilities of defining a financial planning curriculum for degree qualifications and raising the standard of financial planning education in Australia. FPEC developed a national Accreditation and Curriculum Framework for financial planning degrees that established an agreed foundation for financial planning qualifications and held responsibility for the accreditation of courses within the higher education environment. Under this framework, FPEC approved 22 course providers and 47 courses from 2013.

FPEC welcomes the opportunity to provide feedback on the Government’s Consultation Paper on financial adviser education standards, specifically on the minimum education requirements that all professional advisers should be expected to complete before being able to provide financial advice or to continue providing financial advice.

Introductory comments

Major elements of FPEC's work over the past 20 years has been the development of and advocacy for raising standards for financial adviser education in Australia. This is as part of the transformation of the delivery of financial advice from an industry to a profession. A significant characteristic of the recognition of a profession is the requirement for high-level formal qualifications. In gaining such qualifications, the adviser demonstrates professional commitment, consistent with the *Financial Planners and Advisers Code of Ethics 2019 (the Code of Ethics)*, Standards 10 which states: "You must develop, maintain and apply a high level of relevant knowledge and skills." Apart from ensuring that financial advisers possess the appropriate level of knowledge, skills, and competencies to act in the best interests of their clients, these qualifications also provide consumers with greater confidence and trust in the sector. Given the spate of corporate collapses, financial advice scandals, inquiries and Royal Commissions, the community's trust in the provision of financial advice has been significantly undermined. Accordingly, FPEC would be extremely concerned to see any diminution of the education standards and competencies that have been built up over the past few years. FPEC believes it is not unreasonable to infer that the raising of education standards for financial advisers over the past few years has been associated with a reduction in formal complaints being lodged against financial advisers.

We believe that the current degree requirement for advisers, both existing and new entrants, should be the minimum education level required to be a financial adviser. Similarly, FPEC believes that the national financial planning curriculum, designed and developed over the past 20 years, provides a strong basis for ensuring all advisers have the appropriate level of technical expertise and the skills to provide quality advice.

FPEC acknowledges that existing providers of financial advice are drawn from a wide variety of professional backgrounds, already hold qualifications at a range of levels recognised in the Australian Quality Framework (AQF) and possess professional qualifications and on-the-job experience outside the AQF framework. We also recognise that some areas of advice, such as stockbroking and FX and commodity brokers may differ in their focus. However, it is our view that all advisers on the Financial Adviser Register (whether new entrants or existing providers) should have a required minimum level of formal education covering core financial advice knowledge areas relevant to all types of work conducted by a financial adviser and which meet the expectations of society for a trusted professional. This is supported by the *Financial Planners and Advisers Code of Ethics 2019 (the Code of Ethics)*, specifically Standards 5 and 6 of the Code, which reflect section 961B of the *Corporations Act 2001*. Standard 5 requires that adviser recommendations to their client "... be in the best interests of the client and appropriate to the client's individual circumstances". Standard 6 expressly requires all advisers to "... take into account the broad effects arising from the client acting on your advice and actively consider the client's broader, long-term interests and likely circumstances".

Although our main concern is the preservation of the integrity of the education standards framework, FPEC does recognise the need for greater flexibility in curriculum and course structures. This will facilitate easier, more tailored and attractive education pathways for both existing and new entrants, as well as the scope to better recognise the needs of other sub-sets of financial advisers. An alternate curriculum model would mandate a foundational base of core knowledge areas that all financial

advice providers would be required to satisfy, supplemented by a second tier of specialised knowledge areas that would be tailored to meet the needs of the particular sub-set of financial adviser.

This submission also provides feedback on the structure and role of a standard-setting authority. FPEC believes that it is critical for the continued integrity and maintenance of a strong and robust education framework for financial advisers that a standard setting authority be retained in some form. FPEC believes it has the experience and expertise to undertake this role and would support a wider representation and role being played by professional associations in the setting of education standards for financial advisers. To ensure that an organisation such as FPEC could fulfil its role as the recognised standard setting authority, some form of government regulation is likely to be required.

We also make comments on proposals to reduce barriers in the current requirements of the Professional Year as well as questioning the current role of the national examination and the purpose it serves where all new entrants have already studied the same knowledge and skills areas as part of attaining an approved degree.

We have provided recommendations for each of the recognised pathways and as well as feedback on other related, additional considerations relating to the proposal.

Executive Recommendations

A summary of our main recommendations are as follows:

1. All financial advisers should continue to meet the requirement of the *Corporations Act* to have an approved degree (AQF level 7 bachelor's or above) or equivalent by 1 January 2026 to ensure a consistent and robust education standards framework is in place. Such a requirement simplifies and provides clarity on the specific pathway and units of study an individual must complete to meet the minimum education standard.
2. FPEC believes that responsibility for assessing and determining RPL at AQF level 7, 8, or 9 for both formal and informal learning (work experience) should rest with Higher Education Providers (HEPs) who already have established and robust processes in place to assess prior learning in accordance with the Higher Education Standards Framework (Threshold Standards) 2015 (HES Framework), as overseen by the Tertiary Education Quality and Standards Agency (TEQSA). We do not believe setting arbitrary time-based rules for assessing relevant and appropriate work experience is suitable for determining competencies for all advisers.
3. FPEC believes that the existing requirement to complete an approved bachelor's degree or higher qualification based on a core national financial planning curriculum is appropriate for both existing and new entrants from all sub-sets of the advice profession. However, FPEC acknowledges that current course structures are relatively rigid and would recommend increasing their flexibility so that students have greater choice to study specific areas of interest related to their career of choice and to undertake additional studies which complement, rather than repeat, their prior formal qualifications and experience.
4. FPEC believes in the essential and continued role of a National Financial Adviser Education Authority that would take on responsibility for the establishment of an appropriate and robust education framework and set of standards for the financial adviser sector. We believe FPEC should play a critical role in the establishment of this Authority.

5. Under a system where all approved degrees and curricula are evaluated and accredited by a relevant national education standards and accreditation authority, FPEC believes that the national examination serves no real purpose and should be replaced by an alternative form of assessment that provides a new entrant with a more effective means of demonstrating the achievement of knowledge, skills and competencies commensurate with the requirements of a professional financial adviser. One such example is through the introduction of “Professional Practice Credentials”.
6. If the exam is maintained, we believe there is a need to introduce greater flexibility in the timing of when new entrants are permitted to complete the national exam. We propose that the regulations be amended to allow a new entrant to complete the national exam at any time prior to becoming an accredited financial adviser.

The following section provides our feedback to the various proposals and issues raised in the Consultation Paper and our rationale for these recommendations.

Feedback on the Experience Pathway proposals

Existing advisers who have 10 or more years of full-time experience as a financial adviser in the last 15 years between 1 January 2004 and 1 January 2019 will not have to complete any formal education in order to continue providing financial advice.”

Much has already been written on the low level of trust that Australian consumers generally have of financial advice providers.¹ This lack of trust is not surprising, given evidence provided over numerous studies, reviews, reports, inquiries, and a Royal Commission,² highlighting that many consumers have not always received financial advice that has been in their best interests. Many of the financial advisers caught up in the scandals highlighted by the Royal Commission possessed years of experience in the industry, but this on its own was not sufficient in preventing their provision of poor advice.

Regaining the trust of clients is an essential requirement for the growth and professionalism of the advice sector. Australians are more likely to take up advice if they have confidence that a financial adviser has achieved a minimum standard of education befitting a professional.³ Work experience on its own is unlikely to be sufficient to demonstrate that a professional possesses the appropriate specialised level of knowledge and skills, or that they are competent to provide the client with the financial service they require and expect. As Commissioner Hayne states in his *Final Report*:⁴

“I said in the *Interim Report*, and remain of the view, that prevention of poor advice begins with education and training. Those who know why steps are prescribed are more likely to follow them than those who know only that the relevant manual says, ‘do it’.

I believe that, as they come into effect, the new education requirements will improve the quality of advice that is given and improve the way that financial advisers manage the conflicts of interests with which they are faced.”

Thus, whilst education on its own will not prevent the provision of poor advice, a combination of minimum education standards and hands-on-experience is likely to provide clients with the best safeguards that their financial adviser is competent and has the ability to deliver advice that is in their best interests. Competence is one of the key values of *the Code of Ethics* and the need for Professional Commitment (Standard 10) specifically requires advisers to demonstrate and apply high levels of relevant knowledge and skills.

FPEC believes that the proposed changes under the 10-year experience pathway that remove the requirement for any form of study or qualifications fail to address consumer concerns, including perceptions of the value of financial advice, trust in financial advisers, and so willingness to receive financial advice. If we believe good advice puts people in a better position and in a more secure financial future, then it is incumbent upon the Government to provide appropriate structures and an

¹ See for example, Australian Securities and Investments Commission (2010), REPORT 224: Access to financial advice in Australia, available at: <https://download.asic.gov.au/media/1343546/rep224.pdf>.

² The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, also known as the Banking Royal Commission and the Hayne Royal Commission.

³ Cull, M. and Sloan, T. (2016), ‘Characteristics of trust in personal financial planning’, *Financial Planning Research Journal*, Vol. 2, No. 1, pp. 12-35.

⁴ Commonwealth of Australia (2019), *Final Report: Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Vol. 1., p. 171, available at: <https://financialservices.royalcommission.gov.au/Documents/fsrc-volume-1-final-report.pdf>.

environment that encourage the public to seek advice. Our view is that implementing policies that enhance the standard and credibility of the financial advice sector will lead to higher growth and profitability of advice practices over the long term. Consumers that have higher levels of confidence in the competence of their advisers are more likely to seek out and demonstrate a willingness to pay for advice. Maintaining high education standards is one of the key factors contributing to consumer credibility and trust levels.

We do not believe the education requirement for existing advisers with 10 or more years of full-time equivalent experience is solely about increasing competency in the profession. Most existing advice providers already have the appropriate product knowledge and soft skills required of a professional adviser. However, what many advisers are lacking, which formal study can provide, is an understanding of the rationale behind why certain rules, regulations and ethical principles exist. It is this knowledge that is likely to lead to stronger adherence levels and ultimately to the provision of higher quality advice. Additionally, use of any time-based experience criterion raises questions about equity as well as embedding disparities in the characteristics (e.g., gender) of those providing financial advice. For example, how to address biases against those who have undertaken part-time work, such as parents caring for children, aged parents, or dependents with a disability.

FPEC acknowledge the Minister's commitment to existing advisers with at least 10 years of full-time equivalent experience and a clean disciplinary record. However, we are concerned that the attempt to 'streamline' the existing standard and remove any form of formal learning requirements puts at risk the established process for demonstrating appropriate technical and professional competence. Additionally, it places undue responsibility and imposes increased costs on licensees as the entity ultimately responsible for determining that their adviser satisfies the experience pathway requirements. This latter issue is complicated by professional indemnity insurance requirements, with insurers considering the competency, quality, and experience of staff in determining both the premium and scope of cover. Competency, as an assessed quality, is usually tied to completion of a recognised program of formal learning. We also believe that the proposals are unfair to the considerable number of existing advisers and financial planners who have been proactive in raising education standards, having already invested considerable time, effort and money undertaking further study.

Public commentary in the financial media and elsewhere has suggested that the increase in the minimum education standards introduced by FASEA is primarily responsible for the reduction in the number of advice providers listed on the Financial Advice Register, but this ignores the reality. Financial advisers are experiencing pressure from several concurrent factors that impact their business operations and financial viability. Whilst the imposition of education standards is one contributing factor, we do not believe it is a major reason for the exodus of experiencing financial advice providers departing the sector. Financial advisers are having to deal with increasing cost burdens arising from compliance and regulation, loss of passive income attached to commissions, increasing operating and professional indemnity insurance costs, pressures associated with the need to adopt and integrate FinTech into their practices, as well as the impact and lingering disruption of the Covid-19 pandemic. In addition, a major contributing factor to the loss of financial advisers has been the departure of banks from the financial advice sector over the past few years as a result of widespread allegations of misconduct.

Recommendation

FPEC recommends retaining the minimum education qualification of an 8-unit Graduate Diploma of Financial Planning incorporating a core body of knowledge for all existing advisers, but allowing for greater flexibility in awarding RPL so as to better recognise all forms of learning, both formal and informal. We believe that relevant work experience comprising 10 or more years' full-time equivalent experience as a financial advice provider, together with a clean disciplinary record and the adviser maintaining their knowledge and skills through regular CPD, certainly deserves to be more directly recognised. However, we believe recognition of work experience is best handled through existing Higher Education Providers (HEPs) credit assessment procedures, and that greater flexibility can be achieved in this area while also lessening the burden on advice practices to collect appropriate evidence and make arbitrary determinations. HEPs already have recognised and established practices and procedures for assessing student suitability for courses and eligibility for credit as mapped to learning outcomes, with these being required to be compliant with Tertiary Education Quality & Standards Agency (TEQSA) Acts and Standards. For example, whilst an experienced financial planner and stockbroker may both be providing financial advice to their clients, a stockbroker may be able to demonstrate the achievement of learning outcomes to claim credit for an Investment and Portfolio Management subject, whilst a financial planner is more likely to be able to demonstrate the achievement of learning outcomes for a Superannuation and Retirement Planning unit.

Alternative option

Whilst our preferred option is that all existing advisers complete an 8-unit Graduate Diploma of Financial Planning, we acknowledge the desire by the Minister to reduce the education requirements for experienced advisers satisfying the 10-year rule and possessing a clean record. Accordingly, we believe that completion of a 4-unit Graduate Certificate of Financial Planning (GCFP) may be a reasonable compromise. This represents a 50% reduction (from 8 to 4 units) compared with the current requirement and is equivalent to 4 units of unspecified credit in recognition of informal learning via practical experience. This provides for a more balanced approach, which appropriately recognises both on-the-job experience and any prior formal qualifications a financial adviser has completed.

The structure of the 4-unit GCFP should focus less on foundational product and technical knowledge competencies, and more on developing competency and awareness of areas such as Ethics, Financial Services Regulations and Behavioural Finance, which are critical areas for ensuring the provision of good advice for clients and that the best interests of clients are safeguarded. Furthermore, financial advice providers should be provided with the flexibility to undertake additional studies which complement, rather than repeat, their prior formal qualifications and experience. This would allow advisers to undertake more advanced studies in a specialised field of their choice that is complementary and relevant to their practice, based on an extended common body of knowledge.

Our recommendation for the units comprising the GCFP is as follows:

- Financial Advice Regulation and Legal Obligations
- Ethics for Professional Advisers
- Behavioural Finance: Client and Consumer Behaviour, Engagement and Decision-Making

- *Plus 1 elective in a specified field within an expanded common body of knowledge*

The extended common body of knowledge would comprise the core knowledge areas currently identified in the existing FASEA National Financial Planning Curriculum, along with select advanced knowledge areas relevant to the different sub-sets of advice providers that currently exist in the marketplace.

We believe this course structure and qualification would be a reasonable compromise for experienced professionals, but still maintain consumer trust and confidence that all financial advice providers are appropriately qualified and fully aware of their professional responsibilities and obligations in the provision of financial advice.

Feedback on the Qualification Pathway for Existing Providers

“Existing providers who do not meet the requirements under the “experience pathway” must complete at most an approved eight-unit Graduate Diploma or equivalent.”

FPEC’s view is that the existing structure of an 8-unit undergraduate financial advice specialisation or Graduate Diploma of Financial Planning, along with established RPL allowances administered by HEPs, should be retained as the minimum qualification appropriate for ensuring both new entrant and existing adviser competency. Many existing advisers without an approved degree are likely to be eligible for several units of credit based on previous qualifications, relevant work experience, and professional certification programs, allowing for a significant reduction in the number of units of study required. Additionally, those holding a bachelor’s degree or higher with at least 8 units in any combination in related fields of study, already receive considerable concessions, typically requiring study of a maximum of 4 additional courses (the 3 existing FASEA bridging units plus an approved capstone unit), with concessions also being provided for study of the Advanced Diploma in Financial Planning and/or professional association qualifications.

We believe it is important that all advisers, both existing and new, complete studies in an approved and broad financial planning curriculum as a means of building and evidencing their commitment to ethical standards and level of competency to act in the best interests of their clients. Whilst we recommend maintaining the approval and accreditation process of degrees and the benefits of mapping competencies against a national financial advice curriculum, we do acknowledge that existing approved degree course structures are relatively rigid and lack flexibility. Courses should provide existing advisers with the flexibility to undertake additional studies which complement, rather than repeat, their prior formal qualifications and experience. Furthermore, they should provide greater flexibility in the provision of elective options to better cater for the needs and interests of certain student cohorts (e.g., Stockbrokers, risk advisers, FX traders, etc.) and/or the specific interests, expertise, and specialisations of the education provider. Freeing up course structures would significantly reduce the concerns of some within the marketplace who argue that the existing structures do not account for their needs and interests and/or their work requirements. For example, units may be offered in such areas as stockbroking, aged care, advanced risk and insurance, advanced taxation, mortgage broking, family wealth management, options and derivatives, etc.

We believe there is scope to look at ways to rationalise the existing current national financial planning curriculum such that all financial advice providers would be required to complete core knowledge areas with existing advisers then able to undertake more advanced studies in a specialised field of their choice that is complementary and relevant to their practice. This could be achieved by allowing HEPs to offer approved Graduate Diploma courses that incorporate a specified number of electives from an extended common body of knowledge. Determining the core and specialised knowledge areas incorporated within an approved degrees requires further industry and professional association consultation, and we believe would be best facilitated by a National Education Standards and Accreditation authority, such as the Financial Planning Education Council (FPEC). The role of FPEC and the core and specialised knowledge areas that should form the basis of all approved degrees going forward will be discussed in further detail below.

Feedback on the Qualification Pathway for New Entrants

“All new entrants must complete an approved bachelor’s degree or qualification.”

A significant amount of work has been undertaken in recent years to raise education standards and bring the various parts of the financial advice sector together under a uniform set of education principles, standards, and professional requirements. We would strongly argue against any form of change that would dilute education standards and the quality of the financial planning curriculum and courses. Downgrading the competencies expected of new advisers is likely to reduce the credibility and status of the profession in the eyes of potential students (and their parents). Additionally, it will lead to increased confusion and uncertainty in the marketplace as to the specific competencies an employer and licensee will require of a graduate. The low level of qualifications required to be able to register as a financial adviser in Australia and provide financial advice services to retail clients was highlighted in the Banking Royal Commission and resulted in enormous criticism being placed on the professionalism of the financial services industry at the time. This criticism resulted in the approved degree qualification incorporating a generally accepted national financial planning curriculum becoming the minimum standard in 2019. Downgrading this standard now will provide a wrong signal in terms of maintaining high levels of competency and likely diminish the number of students seeking to enter the financial planning profession.

The proposed pathway for new entrants as outlined in the Consultation Paper, seeks to remove much of the long-established national curriculum. The result is that approved degrees will be replaced by broad generalist business degrees, with core knowledge area requirements consisting of commercial and financial regulation law, taxation, ethics and professionalism, behavioural finance, and client engagement. A number of degrees in economics, finance, accounting, and actuarial studies, etc., already include or may be able to accommodate these core knowledge areas. However, while they have a connection to financial advising, they are not sufficient to qualify someone as a financial planner or a financial adviser able to provide holistic advice. Under the proposed new entrant pathway, students seeking to become financial planners would not be required to undertake studies in key knowledge areas relevant to the requirements of the profession such as superannuation, insurance and risk, estate planning, social security, the construction of a Statement of Advice, and investments, which we believe is unacceptable. In no other profession is it sufficient for a new entrant to undertake a generalist qualification containing only a small number of core knowledge areas without the need to acquire specialised knowledge or training in the core competencies required of the profession as it is practiced.

Given the express requirements on all financial advisers to ensure recommendations to their client “... be in the best interests of the client and appropriate to the client’s individual circumstances” (*Financial Planners and Advisers Code of Ethics 2019 (the Code of Ethics)*, Standard 5) and “... take into account the broad effects arising from the client acting on your advice and actively consider the client’s broader, long-term interests and likely circumstances” (*Financial Planners and Advisers Code of Ethics 2019 (the Code of Ethics)*, Standard 6), we believe that all financial advisers should possess the required knowledge and skills to be able to provide holistic advice solutions. This is provided by the existing national financial planning curriculum. To meet appropriate education and training standards in accordance with subsection 921B(2) of the *Corporations Act 2001*, FPEC’s position is that the National Financial Planning Curriculum issued by FASEA and consisting of the 11 discipline areas

should basically remain a core area of all accredited degree programs. These 11 core knowledge areas are consistent with the development of global education standards for the industry, including those established by the Financial Planning Standards Board.⁵ All professions require new entrants to have basic competencies in core knowledge areas and FPEC believes this should also apply to all those seeking to provide financial advice. We have concerns that a new financial adviser would be unable to discharge their best interest duty obligations under the *Corporations Act 2001* if they lacked understanding of a client's holistic financial situation.

Finally, unlike the clear education standards which new entrants must currently meet, relaxing the minimum entry requirement of the profession to include generalist degrees that do not require any specialised technical study acts against the ability to make assessments with respect to the relevance of education requirements. The shift to a greater role for self-assessment has the potential to disadvantage Higher Education Providers (HEPs), advisers and AFSL holders authorising advisers, through increases in administrative costs. Self-assessment of necessary competence is costly in terms of the time required to undertake an assessment process. The removal of a centralised body, standard setter, and set of approved degrees and bridging units places the onus on HEPs and AFSL holders to develop their own assessment and record systems. Critical to determining relevant requirements is to establish a minimum benchmark for both content and level of the curriculum in financial planning. Previously this has been a role played by the FASEA education standards, and prior to this by FPEC. In the absence of a centralised body, universities will need to allocate additional resources for discussion and negotiation with industry associations and major employers within the financial planning sector, with each institution being required to establish such a set of benchmarks. This will lead to a duplication of administrative processes and effort across institutions, resulting in inefficiency and increased cost burdens for the sector. Perversely, this may potentially act to reduce the number of higher education institutions offering specialist financial planning education. For AFSL holders, as well as incurring extra administrative costs, the proposed changes add an additional element of uncertainty, and an increased exposure to disciplinary and litigation risks. It is also unclear from the proposal as to how this administrative burden will be shared across parties, with both Higher Education Providers (HEPs) and AFSL holders identified in upholding an educational standard that is not clearly defined. As a result, under the current proposal, there is a significant risk that the removal of the approved degree requirement and course accreditation process may lead to inconsistency in both the minimum training standards of individual financial advisers and the quality and standard of courses offered by education providers.

Whilst we are of the opinion that the existing national financial planning curriculum provides an effective foundation level of knowledge and skills that all financial advisers need to possess, we also recognize that greater flexibility could be introduced into approved course structures that would allow new entrants to specialise or undertake electives based on work requirements or particular interests. We would be supportive of any attempt to rationalize the 11 core knowledge areas in order to provide increased flexibility on the proviso that it would not sacrifice the integrity of the financial planning curriculum in ensuring that an adviser has the appropriate level of knowledge and skills to be able to adequately service the needs of their clients. As part of this rationalisation process, we believe it

⁵ Financial Standards Planning Board (FPSB) (2015), Financial Planning Education Framework, available at: https://www.fpsb.org/wp-content/uploads/2016/01/151027_doc_EducationFramework_FINAL.pdf.

would be an opportune time to undertake a review of each of the existing 'core knowledge areas' to determine the extent to which any areas were able to be streamlined.

FPEC contends that the requirements of more specialised areas of advice, such as stockbroking, and risk specialists, would be better satisfied through retaining approved degree structures and established national financial advice curriculum, but providing for greater flexibility in course structures.

Alternative option

Given the differing views from the various sub-sets of financial advisers on the core knowledge areas of relevance to their particular membership base, we have put forward an alternative education model for consideration.

This model proposes a 2-tier approach to the study of core knowledge areas within an approved degree.

The first tier would consist of a common set of foundational core knowledge areas that all financial advice providers would be required to study as part of an approved degree. The second set of knowledge areas would be specific to the needs of each specific sub-set of the advice sector, such as financial planning, and would be determined by the professions through a national education standards and accreditation authority. This will be discussed in further detail below.

The consultation paper proposes a streamlining of core knowledge areas from 11 areas to 5. These would be core knowledge areas that all financial advice providers would be required to study as part of an approved degree.

We believe that an appropriate core knowledge structure for all financial advice providers might consist of the following:

Tier 1

- Taxation Law (incorporating relevant commercial law provisions)
- Financial Advice Regulation and Legal Obligations
- Ethics and Professionalism
- Behavioural Finance and Client Engagement
- Investment and Portfolio Management

We believe these 5 core knowledge areas represent the minimum education requirements relevant to the overall provision of financial advice.

Tier 2

This would consist of the additional, specialised knowledge areas that would be deemed appropriate to each specific sub-set of financial advice providers. A national financial planning curriculum already exists for those seeking to become financial planners which should be maintained, whereas new entrants seeking to enter other financial advice sectors may have different knowledge requirements. We believe that this assessment would best be undertaken by a National Financial Adviser Education Authority after consultation with the various professional associations. Our proposed structure of this Financial Adviser Education Authority is considered below, on pages 14-15.

Other issues

Should education providers be able to self-declare that their degrees teach the core curriculum?

The consultation paper asks the question of whether HEPs should be ultimately responsible for ensuring their courses meet the relevant requirements.

We do not agree with this approach. We believe it is important for all financial advice education courses to be approved and accredited by an appropriate education authority. Financial advice is a relatively new academic area and in the early stages of its development. It is important for the credibility and confidence of all stakeholders, particularly clients, that courses are properly structured, cover appropriate curriculum, are taught by educators that have appropriate expertise and experience in the advice area, and that there is sufficient oversight by an experienced and qualified course leader. Additionally, as noted, the absence of a centralised set of minimum standards determined by a centralised body would require universities to establish own benchmarks, add to uncertainty over exposure to litigation risks, lead to a duplication of administrative processes and costs across institutions, and so reduce efficiency and increase cost burdens across the sector. The presence of an appropriate education authority for financial advice, is also consistent with current practices in professions such as accounting, law, nursing, medicine, etc., where professional bodies monitor and approve course offerings for entry into the profession.

Without an appropriate accreditation mechanism, there is a risk that new education providers that do not hold sufficient expertise, will seek to enter the market and offer courses that do not meet the needs of the financial advice profession, thereby impacting upon the credibility of qualifications and undermining the entire financial advice education sector. It is these very practices that led to the original recommendations to improve the education standards in financial advising. Furthermore, we do not believe that new entrants, employers, and AFSL licensees possess the necessary knowledge, experience, or resources to be able to appropriately assess whether a given course meets relevant education requirements. How would these parties undertake such as assessment?

Accordingly, we believe that the removal of the course accreditation mechanism will lead to inconsistency in both the minimum training standards of individual financial advice providers and the quality of courses offered by education providers. This, in turn, will create further uncertainty and inefficiency and only serve to further restrict the supply of new entrants into the profession. Further we believe it is important to maintain an approved degree register so that licensees as well as consumers have some assurance that their advice providers have completed an appropriate course of study.

Is there a need for a Financial Adviser Education Authority?

Without an accrediting authority, and in the presence of a more deregulated financial advice education system that allows for self-assessment of course and curriculum offerings, there is the risk of a fall in education standards impacting upon the credibility of all education courses and undermining the entire financial advice education sector. As outlined above, FPEC is of the opinion that new entrants, employers, and AFSL licensees would not have the necessary knowledge, experience, or resources to be able to appropriately assess whether a given course meets relevant education requirements.

Accordingly, we believe that the removal of the course accreditation mechanism will lead to a loss of consistency and in the quality of courses and curriculum offered by education providers. This, in turn, will

create further uncertainty and inefficiency and only serve to further restrict the supply of new advisers into the profession.

FPEC's recommendation is that it is essential that all financial advice courses and curriculum continue to be evaluated, monitored, and accredited by an appropriate education authority. We believe that the responsibility for approval and accreditation could be taken on by the Financial Planning Education Council (FPEC). FPEC is currently comprised of representatives from the higher education sector, financial planning practice, and professional associations. With wider representation across the various sub-sets of the advice sector, this authority could be modified and assume responsibility for establishing education standards, core knowledge areas, course accreditation, and maintaining an approved degree list for the entire financial advice profession. It could be relatively easily adapted into a National Financial Adviser Education Authority.

The existing National Financial Planning Curriculum has been established and developed over many years in Australia and is consistent with the curriculum previously established by the Financial Planning Education Council (FPEC) and global education standards established by the Financial Planning Standards Board as outlined in the *Financial Planning Education Framework* (FPSB, 2015).⁶ This should form the basis of every formal course of study in financial planning.

With some financial support for basic administrative functions, FPEC could take on the role of an approval and accreditation authority reasonably quickly and efficiently and work cooperatively with Treasury in the development and maintenance of financial advice standards.

Recommendations on the possible structure and role of a standard setting body

FPEC believes that the financial services profession needs a strong and robust education framework and supports the continued need for a Financial Adviser Education Authority to act as an expert advisory education board and establish a robust and transparent set of education standards and expectations for the financial services profession.

This body would be responsible for the overall development and administration of an education standards framework for the relevant financial advice sector, which would incorporate the following roles:

- The establishment and development of core knowledge areas that all financial advice providers would be required to complete under Tier 1, as detailed above.
- The accreditation and review of all approved degrees.
- The maintenance of an approved degree register.
- Undertake foreign qualification assessments
- Working with the professional associations to help develop appropriate Tier 2 specialised knowledge areas relevant to the different sub-sets of financial advice providers.

Whatever form the Education Authority takes, FPEC believes it is imperative that the organisation has strong legislative backing, is appropriately funded, and has strong support and representation by the

⁶ Available at: https://www.fpsb.org/wp-content/uploads/2016/01/151027_doc_EducationFramework_FINAL.pdf

professional associations within the financial advice profession. The professional associations are the appropriate gatekeepers for determining the education needs, requirements, and competencies of their specific profession.

There are a range of different models that could be used for the establishment of a Financial Adviser Education Authority.

- An Education Authority for Financial Services could be established and operated within an appropriate government agency, such as FAS or ASIC. The government agency would appoint members to the Education Authority and take on responsibility for the regulation and oversight of education standards for the financial advice sector. Given experiences with the previous education authority under this form of regulatory structure, FASEA, this is not FPEC's preferred option.
- The government agency would outsource the role of the education authority to an external independent organisation that would report back to the agency and act as an advisory body for FAS / ASIC. It would be important that the Education Authority had some form of regulatory support to ensure it was able to appropriately fulfil its role as the recognised advisory body on education standards for the financial advice profession. We believe that FPEC has the appropriate experience and expertise to be able to fulfil this role. This option could be implemented relatively quickly and efficiently, given that FPEC already exists.
- All advisers would be required to be a member of a Professional Standards Council (PSC) approved professional association in order to become a registered financial adviser. The PSC is an independent Australian government statutory body with responsibility for promoting professional standards and consumer protection and for the monitoring and enforcement of professional standard schemes. Any Australian professional association that meets the definitions and criteria outlined in professional standards legislation can apply for a Professional Standards Scheme. This is the model used by a number of long-established professions including accounting, law, computing and property valuation. A professional association would need to have an approved Professional Standards Scheme in place for its members to be registered as financial advisers. Once an application is approved, the association and its members have ongoing statutory obligations that must be met under professional standard legislation. The benefit of this model is that the professional associations play an integral role in the establishment and monitoring of standards and an education framework for the advice profession. We would also strongly recommend that the professional association be a member of FPEC.

Whilst it is unlikely that many of the existing professional associations would be in a position to have a Professional Standards Scheme approved because of the high standards required and their relatively small and diverse membership base, an alternative option to investigate would be the extent to which there may be an opportunity for the national regulatory agency within the PSC, known as the Professional Standards Authority, to take on responsibility for the approval of associations that have in place elements of the education framework.

Under all three models, FPEC believes that it has the expertise and experience to play a critical role in the establishment of a National Financial Adviser Education Authority that would be responsible for the establishment, monitoring and assessment of a robust education framework and standards for all financial advisers.

Should elements of the Professional Year be integrated into tertiary study?

We believe there is considerable benefit to the overall education of a new entrant and their transition into the workforce by completing work experience as part of their tertiary studies. In addition, relevant work experience completed during tertiary studies should be able to count towards the work requirements of the Professional Year. However, this is subject to two provisos. First, work experience should not be made a mandatory component of an approved degree, and education providers should maintain their existing flexibility to offer credit for relevant workplace learning as a value-add within their degree programs. Second, if the work experience is to count towards the requirements of the Professional Year, the student needs to be supervised and mentored by an appropriately qualified and experienced financial advice provider during their placement, and cover competency areas outlined in the Professional Year program requirements.

It should also be acknowledged that some students also undertake paid relevant work in financial planning on a full-time or part-time basis while undertaking tertiary studies. This work should also be able to count towards the work requirements of the Professional Year if it meets supervision and competency requirements.

Finally, the Professional Year should allow for more flexibility so that new entrants are able to move between different providers as they complete their Professional Year.

Is there a rationale to retain the national exam for new entrants in its current format?

We believe that the exam in its current format is an unnecessary hurdle in attracting new entrants into the advice sector and restricting their career pathway to being a professional financial adviser.

Given that under our proposed structure, all new entrants would continue to complete an approved degree containing the core knowledge areas of Ethics and Professionalism, Financial Advice Regulation and Legal Obligations, and Financial Behaviour and Client Engagement, we believe that the exam is simply re-testing knowledge, skills and competencies that have already been covered within the approved degree and therefore serves no real purpose.

The exam only serves a purpose as a controlling mechanism where there is a lack of confidence and assurance that approved degrees cover the minimum knowledge requirements or are not set at an appropriate standard. This would be the case if we were to operate under a system where education providers and licensees are permitted to self-declare their adherence to the education standards. Under a system where all approved degrees and curricula are evaluated and accredited by a relevant national education standards and accreditation authority, we believe that the national exam should be replaced.

We would recommend the introduction of an alternate form of assessment that provides a new entrant with a more effective means of demonstrating the achievement of knowledge, skills and competencies commensurate with the requirements of a professional financial adviser. One means by which a new entrant could evidence the level of proficiency in a key area is through “Professional Practice Credentials”. Credentials attest to a formal process and successful completion of a set of formal criteria that have been developed. These credentials would be developed in consultation with industry experts and professional associations and adapted to meet the needs of the various sub-sets of financial advisers. Credentials can be benchmarked against industry skill frameworks and the Australian Qualifications Framework. Professional Practice Credentials provide new entrants with the

ability to showcase their knowledge and skills developed over the period of the Professional Year through a portfolio of evidence. The assessment of the credentials could be undertaken at the end of the Professional Year as part of the process of demonstrating professional credibility prior to registration as a professional financial adviser.

However, if the exam is maintained, we believe there is a need to introduce greater flexibility in the timing of when new entrants are permitted to complete the national exam. The current provisions requiring new entrants to pass the exam before being able to commence Quarter 3 of their Professional Year places unnecessary restrictions on their education journey. We propose that the regulations be amended to allow a new entrant to complete the national exam at any time before becoming an accredited financial adviser.

Authors

This submission has been compiled by the following members of FPEC, [REDACTED]

[REDACTED]

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]