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Assistant Secretary
Advice and Investment Branch
The Treasury
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By Email: FinancialAdvice@treasury.gov.au

Submission to the Financial Adviser Professional Standards -Education Standards consultation

Fiducian Financial Services Pty Limited (ABN 46 094 765 134/ AFS License 231103) (Fiducian) is a subsidiary of Fiducian Group (ASX code: FID) and provides financial planning services to approximately 15,000 clients across Australia.

Fiducian has a keen interest in the financial planning regulatory environment and we provide the following submission as the organisation's response to the consultation questions.

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?

This would seem to be appropriate if this is to proceed.

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

This should be recorded on the FAR.

Clean record

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

These sources seem reasonable, including those other than just the FAR. It is important that any sources are independent of the licensee, as standards of behaviour differ significantly between licensees.

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

I would think those outlined in the document are sufficient.

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

See above

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

This is difficult to assess, it would need to be significant, either in terms of scope or persistency. We would

expect that this meant that any such conduct was not reported to either the regulator or the Industry Body of the individual under consideration.

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?

I would think this is appropriate, but if not at least from 1/1/2004.

Assessment of eligibility

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

Yes, we think this should be the level of requirement.

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?

Unless the standard applies to all advisers this would seem unfair. If it is determined that an adviser is registered through the experience pathway, future misconduct should be dealt with it is with any adviser.

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?

We think education providers yes, they have the experience and processes through the provision of RPL already, we are not sure licensees have, or would be able to source, this experience or resource.

We believe this would remove a significant time delay in the process and is consistent with education providers recognising RPL.

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?

We have very few, maybe half a dozen. Most of our advisers have already completed their educational requirements, or are significantly progressed along this track. We will continue to encourage and recommend all our advisers complete the educational path where possible.

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

Don't mess with the protections in place through the Future Quality of Advice consultation.

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

Don't do it? Retain the current process.

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?

This actually overlooks the key competencies required to provide Financial Advice. In fact I would argue a fundamental understanding of Superannuation, Retirement Income Stream, Life Insurance and Investment fundamentals, is significantly MORE important than any of the five core competencies proposed. Particularly Tax and Commercial Law which are at best incidental competencies to the appropriate provision of financial advice.

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?

See above, I believe the whole premise of what are core competencies actually misses the mark of what financial planning actually represents.

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

Clearly if this proposal goes ahead you're going to need to expand the Exam to include Tax and Commercial Law, but again, I question these as CORE competencies.

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

On the basis that you trust education providers to actually deliver the competencies sort, why would you not allow them to self-declare. It would certainly remove a significant road block in developing new training avenues.

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

Effectively the providers are required to provide a statutory declaration, I'm not sure you need anything else, unless you want to include a provision to strip accreditation if they breach their obligations.

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

Really couldn't say

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?

Even at the moment education providers recognise and assess RPL, effectively evaluating existing educational achievements. I question if licensees (especially smaller ones) have the capacity to do this. We require certified transcripts which we check against the legislated list of approved courses, we are comfortable as a licensee in making the decision as to which course to approve.

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?

We think education providers yes, they have the experience and processes through the provision of RPL already, we are not sure licensees have, or would be able to source, this experience or resource.

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?
I would think yes. It doesn't make sense that someone with 90% of the required competencies needs to complete full course to obtain the remaining competencies. This does not benefit the industry or the clients, only education providers.

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?

I believe there needs to be considerable thought around career changers entering the industry. As it stands right now, there is very little chance of attracting even the highest quality applicants from outside of the industry to join our ranks.

There needs to be a better transition path for external professionals, rather than a Bachelors in FP and a full PY. To attract such applicants there must be a way for them to become productive planners more quickly, and to take into account their existing qualifications and both work and life experiences.

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? Allowing participants to commence PY whilst finishing their study requirements, especially the first 6 months.

Some form of accelerated program for those professionals changing jobs/careers.

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

It is very expensive to place an individual in the program, especially the first six months when they cannot see clients in their own right. This creates a significant cost barrier for smaller licensee's and small practices. This carrying cost is probably the major impediment given the hours required to complete the PY preclude participants from performing other functions whilst undertaking the PY.

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

The proposed changes to the PY would likely reduce the time and complexity of the program. However, allowing a principles based process might allow some unintended short cuts. It should be remembered that certain licensee's made a habit of fast tracking potential staff to complete courses in a more collaborative format than was intended to push through RG146 compliance, even allowing groups of potential advisers to sit open book exams together with very limited supervision.

Integrating elements of the PY into tertiary study doesn't really help serve the idea of a PY. The key reason for a PY is for the participant to gain experience in real life work experience. This is unlikely to help smaller players to participate in this program, and given the dearth of larger licensees with the recent exit of the major banks and the winding back of AMP advice, there are now very limited options for development outside of the smaller players.

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

See above.

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

I don't think this appropriate, but I'd think somewhere between 100 and 400 hours, so potentially removing the first quarter of the PY. This would equate to approximately 10 weeks of on the job training.

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

The industry effectively has to be able to subsidise the PY participants in their PY journey, especially the first 6 months. For pour organisation this has in effect required to creation of new roles to allow participants to meet their PY requirements, whilst still providing some benefit to the organisation sponsoring them.

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

Our primary concern with the exam is for existing advisers. We have been concerned that the exam will exclude many potential advisers who are perfectly acceptable as advisers, with great skills and knowledge, but who are not able to meet exam stresses and pass marks.

We would argue that many good and potential career change advisers are frightened off by the idea of exam.

Likewise, an exam is a blunt instrument to determine appropriate status in such a people orientated profession. We note that even access to many high profile university courses (including Medicine), now require additional requirements such as interview. Maybe a portfolio of work, or something similar could be considered in similar circumstances to the adviser educational changes noted earlier.

Please call me on 0416 036 987 or email me at [REDACTED] should you wish to discuss any of the matters raised in our submission above.

Yours faithfully

