

16 September 2022

By Email: FinancialAdvice@treasury.gov.au

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

Dear Sir or Madam,

Submission - financial adviser education standards

This submission is on behalf of the members of The Advisers Association Ltd (TAA) in response to Treasury's consultation paper on the experience pathway and new entrants education requirements. TAA values the consultative approach being taken by Treasury on this matter.

BACKGROUND

TAA is a non-profit member-based organisation established in 1925 that represents over 500 adviser businesses with over 1,000 advisers authorised by the Charter, Hillross and AMP Financial Planning licensees.

TAA supports policies that improve consumer access to accessible, affordable advice and recognise advice as a valued profession.

TAA is part of the Joint Associations Working group and a signatory on their submission. We will also respond to the Quality of Advice review that is more broadly seeking to address the issues that have significantly impacted the cost of providing advice, increased unnecessary regulatory red tape and limited access to affordable quality advice for consumers.

KEY COMMENTS (SUMMARY)

The dramatic fall in adviser numbers over recent years has made it difficult for consumers to access affordable quality advice. The government's proposed solution of recognising experienced advisers who have passed the exam and have a clean record may help to

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alleviate that in the short term. Still, it should be balanced against the need for advice to be recognised by consumers as a profession.

For financial advice to be recognised as a profession, advisers must have 'relevant' tertiary level qualifications. What needs to be determined is what qualifications are relevant, by when and for whom, as one size doesn't fit all.

In TAA's submission to Treasury's Quality of Advice Review in January 2022, TAA suggested the experience pathway extension should only apply to highly 'competent' advisers rather than 'experienced' advisers. This was based on TAA's view that competency can be assessed at the AQF7 level. In contrast, experience may not always be an indicator of advice quality, even with the requirement to pass an exam and have a clean record.

During discussions on the Joint Associations Working Group (JAWG), TAA refined our views to align with JAWG's joint submission ie we moved from 15 years of experience to 10 years in the last 15 years and agreed to change the sunset clause for advisers to have relevant qualifications or exit the profession from 30 June 2030 or 2035 to 1 January 2032.

Our members have commented to us that many advisers just got on and undertook the study required, often at great personal and professional expense. To have an open-ended extension based on experience is not fair to those who did complete their study.

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?**

Yes, it provides a wide enough window.

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

It will be hard to objectively audit eligibility records back to 2004, as there wasn't a centralised register, advisers may have moved licensees, records over seven years old may have been destroyed, etc.

We recommend that advisers complete a statutory declaration listing where they were authorised and during what time.

Clean record

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

Yes, within the constraints of being able to define clean.

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

A statutory declaration, based on their own assessment, with penalties for false statements.

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

It will be hard to have evidence to rely on other than the adviser's word, as a clean record assumes there has been nothing to note.

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

Applying a threshold and quantifying it consistently will be hard, e.g. even a meritless client complaint may be settled, as it could cost more to defend it than to pay the claim.

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?

We believe the experience pathway should have an ongoing clean record requirement to the end of the sunset clause.

Assessment of eligibility

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

Due to the lack of centralised records, the length of time, the challenge in defining a clean record, etc., it will be hard to obtain comprehensive records on all aspects. Therefore, a self-declaration is a sensible approach. Using a statutory declaration reinforces the importance of an honest and accurate response.

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?

We expect the current tools to deal with misconduct to be adequate for advisers accessing the experience pathway.

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?

Yes. Although our preference is for the profession to assess qualifications for consistency. We will formally respond to foreign qualifications and the broader recognition of other subjects taken at AQF7 or above as part of the Joint Associations Working Group submission on this topic.

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?

Most of our members have completed or are well progressed in meeting the current adviser education requirements. We would expect that even with the experience pathway being available most will complete the studies they have commenced. We

expect those taking the experience pathway alone would be 5-10%, i.e. 50-100 advisers in our network.

The requirement to have passed the exam will have reduced the number able to access the experience pathway.

Broadening the range of recognised qualifications, allowing the top-up of existing studies, and a competency-based framework will likely impact adviser retention and encourage new entrants significantly.

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

We expect most advisers taking the experience pathway to be authorised by a licensee, who would continue to supervise and monitor them. In addition, the current Code of Ethics obligations and continuing professional development requirements would apply. These should provide appropriate levels of consumer protection.

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

Applying a sunset clause to the experience pathway of 1 January 2032, by which time the adviser must leave the industry or demonstrate competency at AQF7 or above and/ or have met the education requirements. Not having a sunset clause, along with better recognition of prior learning, the introduction of a competency framework and a broader range of recognised qualifications, could result in another 40 years of advisers without AQF7 level qualifications or being able to demonstrate competency at that level.

New Entrants

Formal education and the exam

TAA will participate in the Joint Associations Working Group submission on this topic. As an initial observation, there appears to be a focus on new entrants leaving university and joining the advice profession. As they will be degree qualified, must complete a professional year and have completed 40 CPD points, we wonder about the benefits of requiring them to complete the exam.

There should be broader consideration and more pathways for career changers that recognise prior learning, a wider range of study at AQF7 and above (including overseas), and a competency-based framework to encourage a broad and diverse range of new entrants into the advice profession.

Our view is that developing and implementing the new entrants' changes for all advisers could better assist many of those on the experienced adviser pathway beyond the proposed sunset date of 1 January 2032, as many of these experienced advisers have tertiary level education, often at Masters level, but not within the relatively narrow framework and requirements that currently apply.



Thank you for the opportunity to make our submission.

Yours sincerely

For The Advisers Association Ltd

