

Financial Adviser Professional (Education) Standards Consultation Paper

Introduction

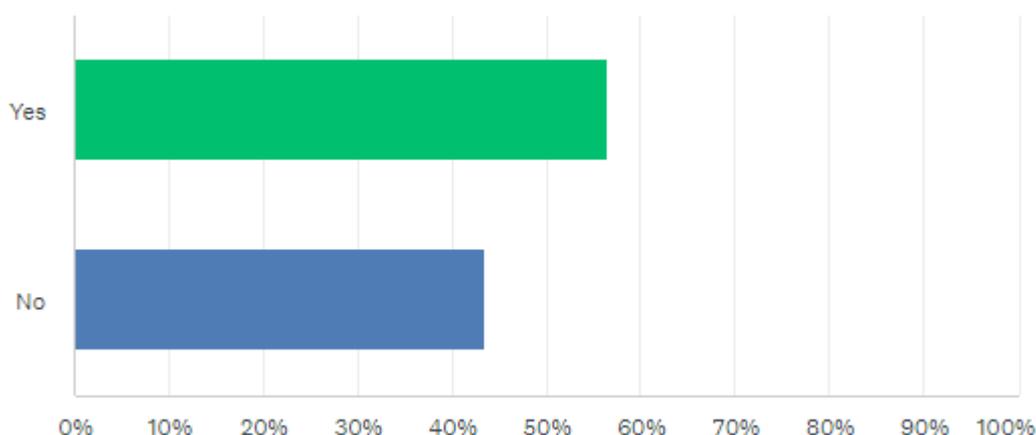
Sequoia Financial Group Limited (ASX:SEQ) is an integrated financial services company providing products and services; including personal advice provided through InterPrac Financial Planning (275 advisers) and Libertas Financial Planning (35 advisers).

In completing the consultation paper, we approached advisers for their opinions and have summarised and interpreted the results as follows:

Experience pathway

10 years' experience

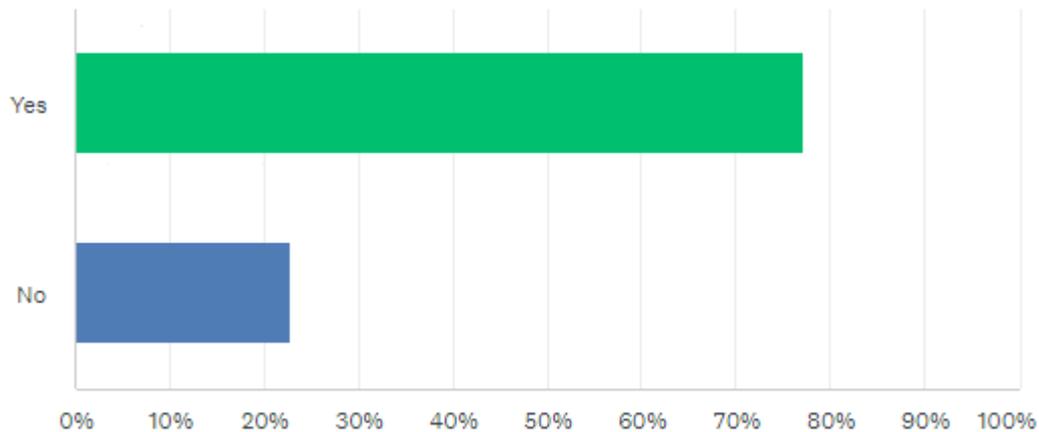
Is the proposed window for determining 10 years' experience (between 1 January 2004 and 1 January 2019) appropriate? If not, what alternative period could be considered?



- The majority feel that the 10 years' experience as proposed is appropriate. However, it was evident that those who have made the effort to already complete the study feel some unfairness.
- Of those who did not agree that the 10 years' experience was appropriate, the majority felt that it should be 15 years' experience over the 20 years ended 31st December 2025.
- The CEO of the group believes that it should be grandfathered for those advisers who were in the industry prior to the FOFA reforms were amended in 2013 with an aged based carve out, for those over aged 60 they should not be expected to sit further exams if they commenced in 2015 (being 10 years at in 2025 when new requirements are to be enabled.)

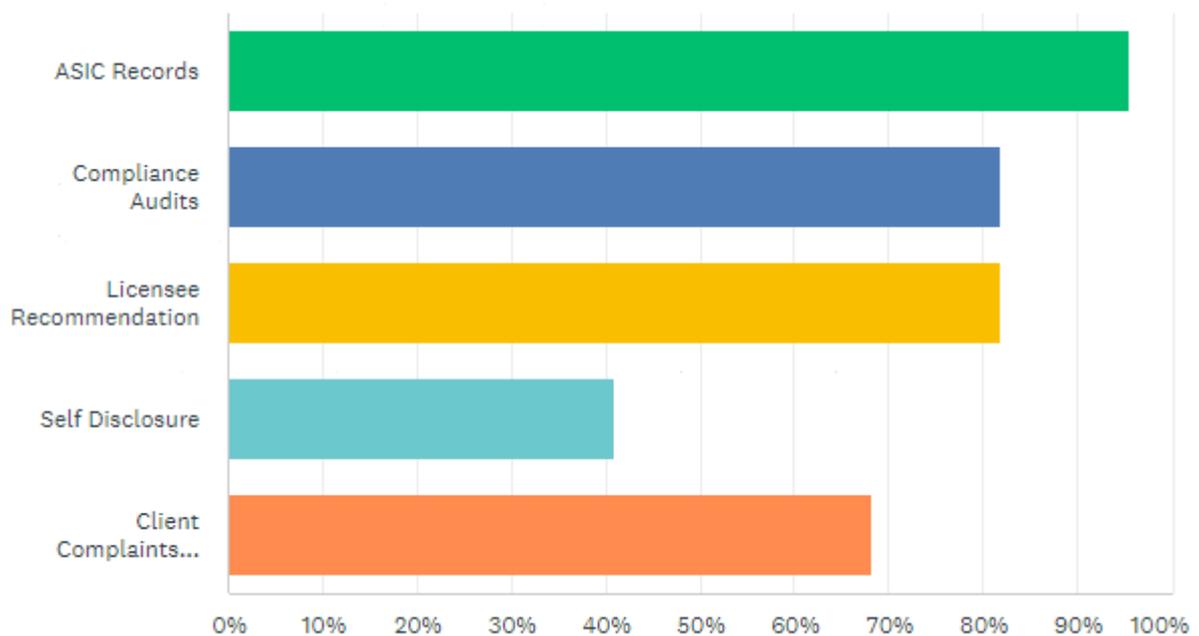
Clean record

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



The majority feel that the proposal is sound.

What other sources could advisers rely on to indicate that they have a clean record? If required, what evidence can advisers rely on to prove they have a clean record?

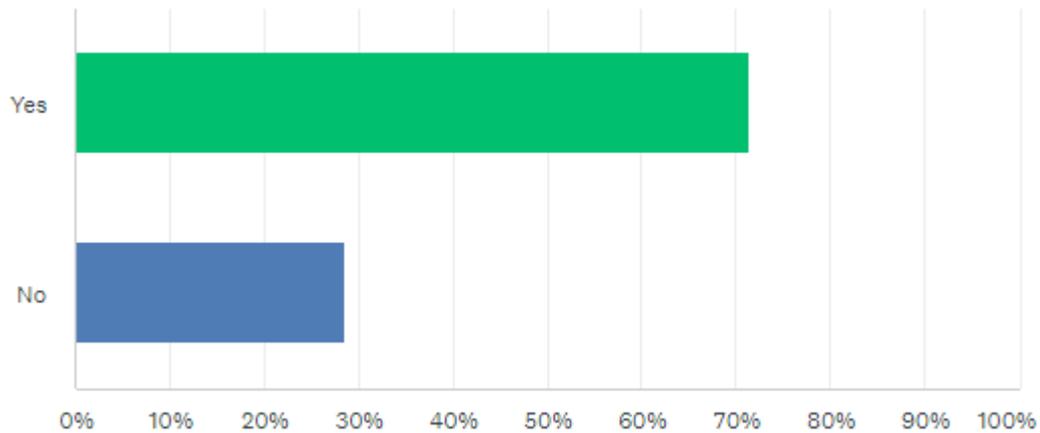


The majority of advisers feel that in addition to ASIC records that compliance audits and licensee recommendation could confirm that advisers have a clean record.

It was also suggested that advisers must be a member of Professional Organisation (like doctors, lawyers and accountants).

The CEO of the group believes those advisers moving to self-licensing provide a high risk and must use the services of external providers for supervision , audit and training and not be the single source of the advice and its supervision

Is the non-time limited clean record requirement appropriate? If not, for what period should an adviser be expected to maintain a clean record to access this pathway?



Assessment of eligibility

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

Self declaration is not considered to be the best assessment of eligibility. If approved then it is suggested that a stat dec is imperative.

Future misconduct

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

Licensees to be required to report any misconduct and the adviser to be remediated and required to complete education (over say 3 years)

Other

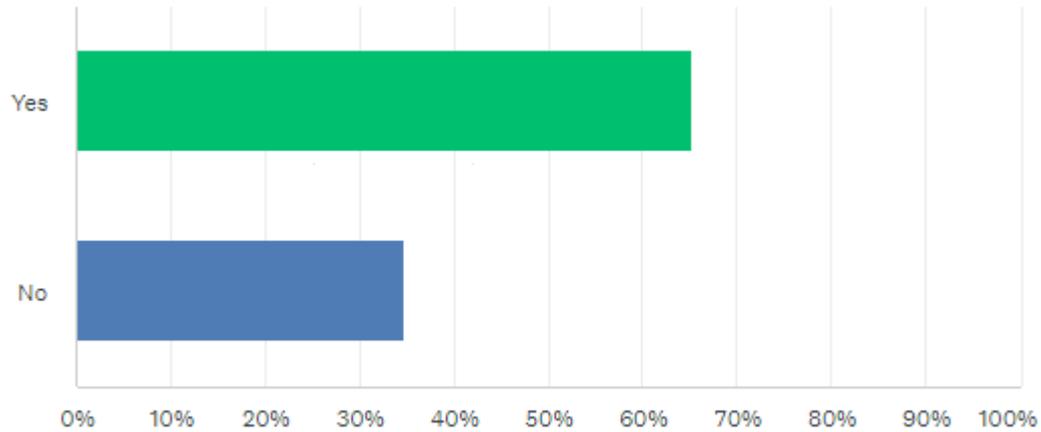
How many existing advisers do you expect to access the experienced pathway? How many of those have already started to undertake formal education to align with the current existing adviser requirements?

We estimate that 30% of our advisers shall access the experience pathway as proposed.

New Entrants

Formal Education & Exam

Are the proposed core knowledge areas appropriate for the financial advice profession? If not, what is missing and why is that area important?

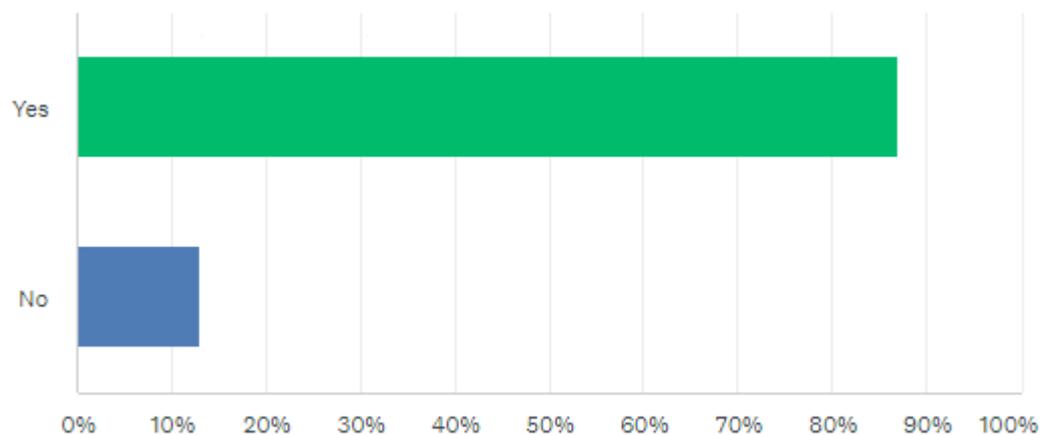


Suggest that electives are included and streamlined based on the areas of advice to be provided or specialised. Specialist knowledge could be gained in specific areas if required.

Over 75% of advisers felt that Regulatory Compliance, Financial Advice Construction and Strategic Knowledge should be included in the Adviser Exam:

| | |
|---|--------|
| ▼ Ethical and Professional Reasoning (Code of Ethics) | 61.90% |
| ▼ Regulatory and Compliance | 80.95% |
| ▼ Financial Advice Construction | 76.19% |
| ▼ Behavioural Finance and Client Engagement | 57.14% |
| ▼ Strategic Knowledge | 76.19% |
| ▼ Specialist Advice Knowledge | 57.14% |

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? 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?



The Professional Year

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?

Defined training plan. Common Syllabus at university.

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

Cost of employment to small and medium size businesses prevents many advisers from taking on new entrants. It is suggested that the Professional Year is included in traineeship and apprenticeship programs to allow government subsidies to assist small and medium sized businesses to employ new entrants.

New Entrants suggested that there should be clearer expectations about the requirements of the Professional Year in the university curriculum.

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

We (InterPrac and Libertas) have had four advisers successfully complete the Professional Year and there are a further 12 new entrants currently at varying stages of the Professional Year.

All agree that the on-the-job learning, as well as having an experienced mentor has been instrumental to learning.

Therefore it is believed that the on the job training is instrumental to developing confident and competent advisers of the future.

Many university courses include a 3 month unpaid placement, which often leads to later employment. If this was implemented as part of the tertiary financial planning studies, together with traineeship subsidies, it would be beneficial to encouraging more businesses to hire Professional Year candidates, as well as assisting to transition the students.

It is suggested that there needs to be consistency across universities and it should be compulsory.

Work placements shall also assist the trainee confirm and that it is a suitable career and also enable future employers to assess the appropriateness of a potential future employee.

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

Uncertain. Perhaps the first quarter (say 100 hours), which could be offset against the Professional Year

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

The Banks ceasing advice has substantially reduced the number of new entrants to advice.

Licenses do need to be more active with universities to provide information to financial planning students prior to graduation. Graduates currently don't know what to expect and do not understand the day-to-day operations of a financial planning firm.

Advice does not presently have graduate programs like accountants etc. This is due primarily to affordability. Small to Medium businesses often do not have the capacity to implement graduate programs. Therefore developing university placement programs shall encourage small business to employ graduates after their placement when they can determine suitability.

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

No. The New Entrants, who are accustomed to study and exams, have found the Adviser exam easier than some of the older advisers who have been in the industry for some time but not recently studied or sat exams.

It is important that there are sufficient resources available to assist prepare for the exam.