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By email: FinancialAdvice@treasury.gov.au

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

Dear Financial Advice team

FINANCIAL ADVISER EDUCATION STANDARDS

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and Advisory firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

SIAA welcomes the opportunity to provide feedback on the consultation paper on financial adviser education standards.

SIAA provided a comprehensive submission to Treasury in response to its consultation paper on proposed amendments to the education standards that was issued in December 2021. In our response (a link to our previous submission is [here](#)) SIAA was very supportive of those proposals and disappointed that the previous government did not adopt them. At the time, we strongly recommended that the government implement the proposed changes on an urgent basis. We argued that advisers required certainty that the proposed changes would be passed as they would have a significant impact on their careers, choices and mental health. Professional Year candidates also required certainty about the new entrant pathway so they could commence the Professional Year.

Nine months have passed since that previous consultation and there has been no change to the education standard. While we understand that the proposals were those of the former government, we raise this because we consider that implementation of the new changes has become even more urgent, and we urge the government to implement new education standards without any further delay. It is not only the experienced adviser pathway that is urgent, but also the expanded qualification pathway, given advisers in the stockbroking and investment advice profession need certainty as to whether they need to complete unrelated education in financial planning or will have their existing tertiary qualifications recognised.

Executive summary

- SIAA warmly welcomes the implementation of the government’s pre-election commitment to remove tertiary education requirements for financial advisers who have passed the exam, have 10 years’ experience and a clean record of financial advice practice. This is a common-sense policy that needs to be introduced quickly.
- SIAA also welcomes consultation on changes to the current education requirements for new entrants.
- The proposals are an acknowledgement that the current education standards developed by FASEA do not work and that its one-size-fits-all approach has been a failure.
- The 10-year experienced pathway is extremely important for many of our members, not because they have no qualifications but because their qualifications are not considered to be ‘approved’ degrees by FASEA.
- The experienced pathway cut-off date should be extended from 1 January 2019 to 1 January 2021 to capture the experience of those advisers who provided stockbroking and investment advice during the period of market volatility caused by the COVID-19 pandemic, which also provided lived experience in volatile economic conditions.
- SIAA strongly opposes any provision introducing a sunset clause, that would require advisers who qualify for the experienced pathway to undertake further tertiary education. Such a sunset provision is inconsistent with the Minister’s election commitment, as it simply moves the FASEA 2026 deadline to a later date, defeating the very purpose of the experienced pathway which is to retain existing advisers who have developed significant, specialised knowledge through significant on-the-job experience.
- The most practical way for an adviser to prove they have 10 years’ full-time-equivalent experience is for the licensee to prepare a summary of the adviser’s record and for the adviser to sign it off.
- The threshold to exclude an adviser from the experienced pathway should be misconduct that involves unethical conduct, or an erosion of trust or result in client detriment, rather than a technical or administrative breach.
- A cross-check of court decisions, AFCA determinations and reportable breaches can be relied on as evidence that the adviser has a clean record and is eligible for the experienced pathway.
- Once an adviser has qualified for the experienced pathway, they should be considered to have accessed it.
- The details of how to administer the self-declaration should be left to the licensee — mandated, complex and cumbersome administrative processes are unnecessary.
- New tools introduced to specifically deal with advisers accessing the experienced pathway would be duplicative and unnecessary, as the Financial Services and Credit Panel already has a range of powers that enable it to respond to misconduct.
- It is more practical and appropriate for education providers or licensees to assess how foreign qualifications meet the education standard and what additional study may be required than for the Minister to hold this responsibility.
- Existing advisers who do not meet the experienced advisers’ criteria who have:
 - passed the national adviser exam
 - completed an ethics unit, and
 - hold a tertiary qualification

should be able to continue in their profession without having to undertake further unrelated tertiary study. Their existing degrees need to be recognised as appropriate for their financial advice service.

- SIAA agrees with the proposal to streamline the current 11 core knowledge areas to five.
- We were pleased to receive confirmation at the Treasury roundtable that in order to satisfy the education standards new entrants would not be expected to study all five core knowledge areas in one degree and could in fact study areas across multiple qualifications and could 'top up' their existing qualifications with bridging courses.
- We agree with the Minister that it is a 'no brainer' that a graduate with a commerce or finance degree should be eligible for the qualification pathway subject to the ability to 'top up' the core knowledge areas.
- The proposed qualification pathway for new entrants supports the professionalism of financial advice.
- SIAA broadly supports the current framework of the Professional Year.
- SIAA strongly recommends that there must be more opportunities to sit the exam, with Professional Year candidates able to sit it upon request. Candidates should be able to sit the exam as many times as is necessary to encourage PY candidates to remain in the PY program.
- Changes must be made to the exam to make it fit-for-purpose.

We provide contextual information in Part I of this submission, setting out why changes to the education standards are vital to retaining experience and creating a pathway into the stockbroking and investment advice profession.

Our detailed responses to the questions in the consultation paper are in Part II of this submission.

If you require additional information or wish to discuss this matter in greater detail, please do not hesitate to contact SIAA's policy manager, [REDACTED]

Yours sincerely

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PART I: BACKGROUND TO AND CONTEXT FOR SIAA RESPONSES TO CONSULTATION PAPER

Stockbroking has been in existence since the coffee houses of London and Amsterdam. Those providing investment advice are not ‘salespeople’, but professionals with a history that goes back centuries. The profession has made an incredible contribution to Australia’s economic strength, not only in terms of personal wealth creation, but also in all-important equity formation for Australian companies, ranging from CSL, BHP and CBA down to the smallest and smartest technology and science successes.

SIAA supports professional and educational qualifications for financial advisers, but we have long advocated that they should accommodate consumer preferences for specialist advice for different needs. This was not the FASEA approach, which was ‘one-size-fits-all’. This remains the existing professional standards approach even with the disbanding of FASEA.

The challenge that this approach poses for the financial advice ecosystem is two-fold. The current education standards are so narrow that new entrants are not being attracted to advisory roles, while experienced advisers are exiting due to not having their experience and prior learning recognised. This means the financial advice ecosystem is unsustainable and fewer Australians can access financial advice, with only 10 per cent of the population now receiving financial advice.

The challenge that the existing professional standards approach poses for the stockbroking and investment advice sector in particular demonstrates these negative impacts. First, there are many existing advisers with degrees and qualifications that are currently not approved. Second, there are many cases of individuals with commerce, business, finance and economics degrees wanting to join the industry, but who have decided not to proceed due to the requirement to complete an unrelated second degree or graduate diploma in financial planning. Educational standards are required that attract new talent to our profession, whereas the current framework is actively turning them away. It is vital that we create a pathway for new stockbrokers and investment advisers to ensure the sector has a sustainable future and our member firms continue to provide the critical investment advisory services that have supported their clients’ wealth creation.

This is important not just for consumers being able to access advice on investing in the equity capital market, but also for Australian businesses seeking capital. Emerging Australian businesses are supported by retail investors, not institutional investors. If the stockbroking and investment advice profession cannot attract new entrants, retail investors will lack access to these investment opportunities and emerging Australian businesses will struggle to attract capital or only be able to attract capital from high-net-worth clients. This would be the unfortunate outcome of maintaining a focus on educational pathways suitable to financial planning as the only pathway supported at law.

SIAA warmly welcomes the implementation of the government’s pre-election commitment to remove tertiary education requirements for financial advisers who have passed the exam, have 10 years’ experience and a clean record of financial practice. The effect of this change will ensure that experienced stockbrokers and investment advisers can continue in their chosen careers, provide for their families and continue to take pride in their years of experience, knowing it is finally being recognised and valued. They will also be the mentors of the next generation of stockbrokers and investment advisers. Importantly, their clients will not be orphaned but will continue to benefit from

their relationship with their adviser and emerging Australian businesses will continue to be able to seek support from retail investors. Retail investors will continue to be able to benefit from success stories such as CSL.

SIAA considers that this is a common-sense policy and looks forward to it being introduced quickly. It is heartening that the government is listening to the stockbroking and investment advice profession and is addressing the ‘hot mess’ caused by the previous mishandling of professional qualifications¹. We agree with the Minister that ‘By treating seasoned, respected advisers like undergraduates, the previous Coalition government drove much-needed experience out of the industry without addressing quality of advice standards’². We note that it was FASEA that deemed skills, knowledge and experience of our members unsuitable for recognition and would not recognise years of CPD as prior learning. This was not the intent of Parliament.

SIAA also welcomes consultation on changes to the current education requirements for new entrants. We agree with the government on the importance of improving the overall professional qualification framework to attract talent to the industry. We note that at a webinar held with our members on 11 May 2022, the Minister (then Shadow Minister) stated that the approval of commerce and finance degrees was a ‘no brainer’ in relation to the education qualification pathway. We also note the Minister’s comment that:

‘There’s more than one stream in the industry to date and there should be more than one stream in terms of qualifications.’³

We do not consider that the introduction of the experienced pathway and changes to the qualification pathway represent a ‘watering down’ of professional standards or a reduction in consumer protection. Without access to stockbroking or investment advice, retail investors are left to DIY investing online. There is significant research about the lack of financial literacy in the Australian population and DIY investing is not suitable for many investors. Moreover, not all individuals classed as retail want to undertake investing on a DIY basis and they should not be driven to it by education standards that reduce the capacity of stockbrokers and investment advisers to provide personal advice to them.

Consumers will continue to be protected under the proposals, given the stringent regulatory framework within which financial advisers operate.

Why the existing professional standards education standards do not work

While there is now widespread acknowledgement that the current education standards developed by FASEA do not work, we consider that it is important that the government understands **why** they do not work as this must underpin any changes to the standards to ensure that the FASEA mistakes are not repeated. We note that these issues were fully ventilated at the Treasury roundtable we attended on 7 September 2022 and there was agreement amongst the stakeholders who attended, including consumer and academic representatives, that the existing one-size-fits-all approach has been a failure. Nevertheless, we consider that it is valuable to repeat these issues for the record.

¹ John Kehoe and Aleks Vickovich, ‘Labor to clean up financial advice ‘hot mess’’, *Australian Financial Review*, 3 June 2022.

² Neil Griffiths, ‘Stephen Jones calls for industry feedback as consultation on adviser education standards opens’, *ifa*, 25 August 2022

³ Chris Dastoor, ‘ALP ‘100 pc committed’ to professionalism’, *Professional Planner*, 2 May 2022.

One-size-fits all approach to education

In developing the current education standards, FASEA treated all financial advisers as financial planners, notwithstanding the differences between the financial planning advice model where advice is provided on all aspects of a client's financial circumstances and stockbrokers and investment advisers who provide scaled advice on a client's investments and shares. The current professional standards do not recognise different forms of advice serving different client needs.

SIAA's members are highly educated and highly qualified, but FASEA only approved degrees in financial planning or with financial planning majors (with the exceptions being a wealth management bachelor's degree and a Masters in Commerce from UNSW). This is in spite of the Corporations Act not requiring financial planning qualifications to be the only approved courses for financial advisers. The legislation requires a 'degree equivalent'. The FASEA board narrowed the scope of the approved qualification, which means that SIAA members with degrees in commerce, economics, finance and business from top tier universities — the degrees most suitable for a career in stockbroking and investment advice — are currently required to undertake unrelated financial planning diplomas in order to continue to provide investment advice.

FASEA's board, that included financial planning academics who had compiled the curriculum for the Financial Planning Association (FPA) and sat on its education council, simply adopted the FPA curriculum for FASEA, thus excluding education qualifications suitable to all other financial advisers who are not financial planners. The issuers of the degrees approved by FASEA did not have to apply to FASEA for their courses to be approved. With FASEA viewing all degrees through the narrow lens of financial planning, its process of approving degrees was deeply flawed from the beginning as it was skewed towards only one form of financial advice. FASEA rigidly applied this template to compile lists of degrees that fitted a financial-planning-centric approach.

Degrees in economics, finance, commerce and business from all Australian universities, but particularly those from universities rated in the global top 100 – qualifications which until now have been considered most suitable to a profession in investing – were never approved by FASEA. They were only considered to be 'relevant' degrees, the individual units of which count towards a FASEA-approved degree. FASEA refused to approve degrees other than those in financial planning and stated that the universities must apply to FASEA for their degree to be considered as an approved course, despite the fact that the universities with degrees included in the FPA curriculum did not need to apply for approval. Our members have informed us that some of their advisers approached established universities and asked for their economics and business degrees to become FASEA-approved. The universities concerned advised that they would not go through the FASEA-accreditation process. This highlights that universities themselves doubted the FASEA-approval process and considered they should not have to apply for further approval of their courses.

Degrees best suited to stockbroking and investment advice

FASEA's impoverished understanding of the applicability of degrees that are appropriate to the provision of investment advice is illustrated by the fact that universities confirm for potential students that degrees in commerce, finance, economics and business are suitable for those interested in a career in stockbroking and investment advice.

This is because these degrees ensure that stockbrokers and investment advisers can:

- regularly monitor company balance sheets
- undertake sector analyses
- understand the growth and value opportunities of entities listed on the Australian and global exchanges, and
- consider micro and macro factors domestically and globally that may influence equity investment decisions.

These degrees prepare graduates to provide advice on buy/sell/hold recommendations in relation to investments in listed entities. These are not activities undertaken by financial planners and constitute a fundamentally different expertise than that required to give structuring, taxation or superannuation advice that is central to financial planning. The fact that FASEA did not understand the applicability of these degrees to stockbroking and investment advice confirms its lack of understanding of the financial advice ecosystem and its bias to financial planning.

We have case studies of advisers from a range of different firms who have significant undergraduate and postgraduate education qualifications in commerce, economics, finance and business from Australia's most established universities who are currently required to undertake a minimum of three additional units of study (plus ethics) because their qualifications do not appear on the list of approved degrees.

Of course, another perverse issue that arises from this approach is that, because most degrees in financial planning have been introduced only recently, FASEA's list of 'approved' degrees only contained relatively new courses. For example, as a result of its consultation in 2021 on amendments to the education legislative instrument to update the course list, FASEA added all bachelor's degrees from the University of NSW that include specified subjects as long as they were undertaken **after 1 January 2019**. We pointed out to FASEA at that time that a degree undertaken after 1 January 2019 is unlikely to be a helpful addition to the list for a stockbroker or investment adviser who has been working in the industry for 30 years and has a bachelor of commerce from the same university awarded in the 1980s. Again, FASEA refused to take this into account.

This approach of micromanaging degrees and creating long lists of degrees in legislative instruments has created complexity, confusion and frustration for advisers trying to work out if their degrees are 'approved' degrees or merely 'relevant' degrees. The current system essentially uses a 'black box' approach.

This is why the 10-year experienced pathway is so important for many of our members. It is not that they have no qualifications – it is that their qualifications were never considered to be 'approved' degrees by FASEA.

What is most concerning to us is that top graduate talent is being deterred from entering the stockbroking and investment advice profession. The lack of current Professional Year provisional advisers in the stockbroking and investment advice sector clearly demonstrates this. In a 2021 survey of SIAA members, we found nine Professional Year candidates in the stockbroking and investment industry and in 2022 have found not many more than 20 have commenced. Our industry has traditionally attracted the brightest and the best, but a graduate with a finance, economics, commerce or business degree will currently have to complete eight units of a financial planning graduate diploma before they can start the Professional Year. FASEA's approach did not take into

account the significant and increasing costs involved in undertaking additional university study. A graduate with a bachelor's degree majoring in finance subjects has already incurred a significant HECS debt. To require that individual to undertake additional study that is unrelated to the profession they wish to join is unreasonable and unnecessary.

The failure to approve degrees appropriate to the stockbroking and investment advice industry also acts as a disincentive for members of the financial services industry who have worked overseas in the head offices of some of the world's largest financial services firms to return and take up retail advice roles in Australia. Their expertise cannot be utilised in the provision of personal advice to retail clients, because they would have to 'start from scratch' and undertake an eight-unit diploma in financial planning and then commence a Professional Year, as if they were new entrants with no experience. While the Professional Year will of course apply to all new entrants, the fact that their degrees will not be recognised as appropriate to working in markets means that retail investors therefore miss out on opportunities to engage with advisers with global experience. This hurdle applies as well to institutional, back and middle office staff – traditionally a valuable pipeline for stockbroking and investment advice firms to fill financial adviser roles.

This shrinking pool of available advisers impacts on the availability and affordability of advice in investment in equity markets and takes place at the same time as retiring baby boomers come into their superannuation and a \$3.5 trillion of wealth is transferred between generations over the next two decades.⁴ This will be detrimental to retail investors, who will increasingly be left with the choice of either DIY trading online with no advice, or receiving advice from a financial planner who has minimal direct expertise in listed investments and markets. It is a common misapprehension that financial planners are investment experts. They are not. They outsource investment decisions to stockbrokers (particularly for SMSFs) and managed funds.

The impact of FASEA's one-size-fits-all approach to education on our profession is evidenced by recent analysis conducted by Wealth Data on advisers' qualifications recorded on the FAR⁵. The analysis shows that across all licensees with 80 or more financial advisers, only 18.7% of financial advisers had 'approved' degrees while 60.8% of financial advisers had degree qualifications of one sort or another that had not been 'approved'.

The analysis shows that SIAA's members have high percentages of degree-qualified advisers:

| | |
|---|-------|
| Morgans Financial (452 advisers) | 71.9% |
| Ord Minnett Group (286 advisers) | 61.2% |
| NAB (JB Were is the stockbroking arm —270 advisers) | 87.4% |
| Shaw and Partners (181 advisers) | 62.2% |
| Canaccord Genuity (113 advisers) | 58.4% |
| Morgan Stanley (92 advisers) | 70.7% |
| Evans and Partners (84 advisers) | 86.9% |

⁴ Productivity Commission, *Wealth transfers and their economic effects: Research paper*, November 2021

⁵ Mike Taylor, 'The AFSLs most exposed to the adviser degree qualification gap', Financial Newswire, 15 September 2022.

Many other stockbrokers and investment advisers have degrees that are not recognised in any way.

The statistics change dramatically if only 'approved degrees' according to the FASEA approach are taken into account:

| | |
|---------------------------------------|-------|
| Morgans Financial | 29.6% |
| Ord Minnett Group | 3.5% |
| NAB (JB Were is the stockbroking arm) | 29.3% |
| Shaw and Partners | 8% |
| Canaccord Genuity | 8.8% |
| Morgan Stanley | 28.3% |
| Evans & Partners | 19% |

While the findings are reliant on advisers' qualifications being accurately and completely recorded on the FAR to allow the analysis required to determine whether they are 'approved', they paint a stark picture nevertheless – the FASEA approach is not counting qualifications that matter.

Failure to recognise stockbrokers and investment advisers

Stockbroking has been in existence for centuries. In its public statements about professionalism FASEA refused to acknowledge our members' profession. It is difficult to imagine another scenario whereby a body set up to implement professional standards refused to recognise an existing profession. We note that financial planning has been in existence for some decades only. While we understand the desire of FASEA to embed professional standards in this recent form of financial advice, there is no excuse for its refusal to recognise a centuries-old profession and to conflate it with a different advice service.

The references by FASEA to advisers being 'salespeople' with a few hours of RG146 training as a rationale for why experience should not equate to a degree reveals a profound ignorance of the stockbroking and investment advice sector. Stockbroking is highly regulated, governed by the ASIC Market Integrity Rules and the operating rules of the various market operators such as ASX, Cboe, NSX and SSX as well as the Corporations Act. The Market Integrity Rules cover the operation of Market Participants and their representatives, client relationships, trading and capital requirements. Stockbrokers also have exceptionally high capital adequacy requirements. ASIC has a dedicated Market Supervisory Division. The requirement to keep abreast of regulatory and compliance matters, as well as to behave ethically, has been a constant for those in the stockbroking profession for a very long time. Stockbrokers have been required to undertake education since 1960. Experience means that the adviser has decades of education and CPD under their belt. To say that this counts for nothing shows a lack of understanding of the importance of CPD in maintaining professional standards. Financial advisers are required to undertake 40 hours of CPD per year. By way of comparison, lawyers in NSW are required to undertake 10 hours of Continuing Legal Education per year. SIAA's members are legally required to ensure their advisers are adequately trained and undertake CPD and many provide their own in-house training and CPD, with specialist staff employed to manage this. SIAA also provides a high standard of CPD through webinars and events, as well as accredited education courses.

Moreover, experienced stockbrokers and investment advisers have not only completed the national adviser exam, but also navigated a number of market corrections (for example, the crash of 1987; the Asian financial crisis of 1997; the global financial crisis of 2008). A degree does not and cannot provide this deep and practical experience. Experienced stockbrokers and investment advisers have been through cycles of market volatility and are the steady hand to make sure their clients do not make the sorts of emotional choices that can lead to bad investment outcomes when markets correct. They will be the mentors of the next generation of stockbrokers and investment advisers who have not yet experienced market downturns. Indeed, the impact of COVID-19 in 2020 resulted in extraordinary market volatility, through which experienced stockbrokers and investment advisers steered their clients safely, proving their competence and ethics as advisers. To conflate this level of experience with being a 'salesperson' is a particularly blinkered view of the world.

FASEA's failure to recognise previous experience and CPD is inconsistent with the 2017 Professional Standards Bill explanatory memorandum requiring the FASEA education standard to address: "For the avoidance of doubt, the new law explicitly states that courses undertaken before the new law commences must be taken into consideration. The body may take into account diploma or degree courses, licensee training courses or CPD."

[Our detailed feedback to the questions contained in the consultation paper is set out in Part II of this submission on the following pages.](#)

PART II: RESPONSES TO FINANCIAL ADVISER EDUCATION STANDARDS CONSULTATION PAPER

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?

As noted in Part I, SIAA warmly welcomes an experience pathway that enables advisers with 10 years' experience and a clean record to remain in the industry without having to undertake further study.

Data collected from our members at the time of the previous consultation shows that as of March 2022, 912 advisers at 11 firms would benefit from a 10-year experienced pathway that had a cut-off time of 1 January 2026 (as opposed to the cut-off time of 1 January 2019 for a 10-year experience pathway proposed currently). This represented over 290,000 client accounts at nine firms alone. Without the benefit of the experienced pathway most of these advisers would leave the industry or cease providing personal advice to retail clients. Many of the affected clients would lose their trusted adviser and become part of the 90 per cent of Australians who don't receive advice.

The experienced pathway recognises our members who have tertiary or other relevant qualifications that do not satisfy the existing financial planning-centric parameters mandated by FASEA. It also recognises our members' experience, CPD and training conducted over that time.

We note that as currently drafted, the 10-year experienced pathway actually requires an adviser to have at least 13 and a half years' experience to qualify, because the cut-off date for measuring the 10-year period is 1 January 2019. This means that advisers who currently have 10 years of experience do not qualify for the pathway. We understand that the rationale behind the 2019 cut-off time is to capture those who had experience dealing with the aftermath of the GFC. We agree that no degree can substitute for such deep experience of periods of market volatility. We consider that the impact of COVID-19 in 2020 through to the current time, which resulted in extraordinary market volatility and through which experienced stockbrokers and investment advisers steered their clients safely, also provided invaluable experience and proved our members' competence and ethics as advisers. Accordingly, experience during the COVID-19 pandemic is as valuable as that achieved during the GFC (and previous crises) and the experienced pathway should be amended to incorporate this.

SIAA recommends that the experienced pathway cut-off date should be extended from 1 January 2019 to 1 January 2021 to capture the experience of those advisers who provided stockbroking and investment advice during the period of market volatility caused by the COVID-19 pandemic.

The problems with a sunset clause

At the Treasury roundtable the issue of the implementation of a sunset clause for advisers who access the experienced pathway was raised by some stakeholders, even though the imposition of a

sunset provision, after which time advisers are unable to advise retail clients if they have not completed mandated additional tertiary education, has never been part of the Minister's proposal.

It is inconceivable that advisers who have qualified via the experienced pathway would be required to undertake further tertiary education in order to remain in the profession after a period of time – this would be totally inconsistent with and undermine the Minister's election commitment. It would also defeat the purpose of introducing an experienced pathway in the first place. The Minister's commitment on more than one occasion is that ten years' experience is the equivalent of a degree.⁶

Currently, advisers are required to satisfy the FASEA-imposed education requirements or cease providing advice to retail clients by 1 January 2026. Imposing a sunset clause on the experienced pathway to say, 1 January 2032, would essentially only move the drop-dead date by six years for experienced advisers. It essentially represents a replication of the current FASEA regime but with a later expiration date – it is 'kicking the FASEA can down the road'. This is not the basis of the experienced pathway that the Minister has proposed. An experienced pathway is meant to acknowledge the experience, qualifications and knowledge of existing advisers – not string them along for another period of time and impose mandated tertiary education requirements upon them in a different guise.

A sunset clause also ignores the obvious fact that in 10 years' time an adviser will have 10 years' more experience, training and CPD and will be an even more valuable member of the stockbroking and investment advice profession than they are now.

It would also be inconsistent with the treatment of experienced professionals in fields such as nursing and law. In those two professions tertiary qualifications were introduced as a mandatory requirement, but existing nurses and those lawyers who had joined the legal profession via the articulated clerk pathway were not required to 'go back to school' to continue working. It was considered highly desirable to retain these experienced nurses and lawyers, while requiring all new entrants to be degree qualified.

As we have stated previously, **many of our members already have tertiary and other appropriate qualifications and are highly qualified – it is just that these qualifications have not been approved under the current regime.** It is important that the experienced pathway not be used to introduce a punitive element, that disallows them from practising their profession in the future, when the aim has been to retain experienced advisers.

We note that concerns were raised in the Treasury roundtable that someone in their mid-30s could take advantage of the experienced pathway and not be required to undertake further study. We made the point that in the stockbroking and investment advice profession, someone in their mid-30s would never qualify for the experienced pathway. In our profession, no graduate would ever come

⁶ Alex Vikovich, 'Labor dumps uni degree for advisers with 10 years of experience', *AFR*, 9 December 2021: "We're going to assume that that ten years plus experience is worth at least a degree. We're going to treat you like professionals."; Maja Garaca Djurdjevic, 'Labor promises to scrap university degree for experienced advisers', *ifa*, 9 December 2021: "The Labor government will not ask you to take a bachelor's degree to keep your qualifications. We're going to assume that 10 years of experience is worth at least a degree."; Jassmyn Goh, 'Labor Govt would abandon uni requirement for advisers with 10 years', *Money Management*, 9 December 2021: "And it's treating mid-career professionals like undergraduates. We need a system that recognises the wealth of knowledge held by experienced advisers."

straight out of university and be put before a client. They spend time in back-office roles, in research or corporate finance and as a dealer's or desk assistant to develop a strong understanding of equity capital markets and they only become an adviser after considerable time in these roles. This argument is a 'straw man' and does not stand up to meaningful scrutiny.

We understand that other advice associations representing financial planners are advocating for a sunset clause to be applied to the experienced pathway and for advisers to undertake additional education before that date. We recommend that if they wish to apply a sunset clause to the members of their professional associations they should be allowed to do so. However, education standards best suited to financial planners should not again be imposed on other members of the advice profession when those standards do not suit the advice service that is being provided.

SIAA strongly opposes any sunset provision being applied to advisers who qualify for the experienced pathway. Once an adviser has satisfied the experienced pathway, they should be allowed to continue to provide advice to their clients in accordance with the provisions that apply to relevant providers, subject to continuing to undertake 40 hours of CPD annually.

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

The Financial Adviser Register (FAR) was established on 1 January 2014 and contains advisers' details from that date. When licensees registered their 'initial' advisers on the FAR, they were required to provide five years of history for each adviser. We consider that as a result, the information on the FAR is able to provide evidence for the 10-year requirement.

Concerns have been raised about the reliability of the information on the FAR. Our member firms have compliance departments that are responsible for updating the FAR so we do not consider that these concerns would be relevant for the adviser records of our member firms.

We consider that the most practical way for an adviser to prove they have 10 years' full-time-equivalent experience is for the licensee to prepare a summary of the adviser's record and for the adviser to sign it off. This should be appropriate given that individual advisers are also bound by the Code of Ethics.

Concern was raised at the Treasury roundtable that this would impose a regulatory burden on licensees. Our licensee members firmly dispute that this would be a regulatory burden.

SIAA recommends that licensees prepare a summary of the adviser's record and have the adviser sign it.

Clean record

- 3. Are the proposed sources for determining a clean record appropriate? Why/why not?**
- 4. What other sources could advisers rely on to indicate that they have a clean record?**
- 5. If required, what evidence can advisers rely on to prove they have a clean record?**
- 6. What threshold should be adopted to identify whether conduct is minor, trivial, and isolated?**

To be eligible for the experienced pathway an adviser would have:

- more than 10 years' experience
- passed the national adviser exam
- completed 40 hours of CPD per year which includes nine hours of ethics and professionalism.

Licenseses also have requirements under the Corporations Act to ensure their staff are adequately trained and competent and to do all things necessary to ensure their financial services are provided efficiently, honestly and fairly. These licensee obligations are ongoing.

Concern was raised at the Treasury roundtable that licenseses would not be able to evidence a clean record. We note the introduction of the reference checking obligations in October 2021 means that licenseses hiring advisers will have a clear view of the experience record. Furthermore, our members have always had a requirement to conduct employment screening. We include below an excerpt from the previous version of Regulatory Guide 104 that refers to the obligation of our members to undertake employment screening of new advisers.

Employment screening

RG 104.71 We expect your measures for monitoring and supervision will include carrying out appropriate background checks before you appoint new representatives. These checks could include, for example, referee reports, searches of ASIC's Register of Banned and Disqualified Persons, and police checks.

Note: In thinking through your monitoring and supervision obligations, you might find it helpful to look at:

- Australian Standard AS 4811–2006 *Employment Screening* and the related handbook, HB 323–2007 *Employment Screening Handbook*, available for purchase from www.saiglobal.com/shop; and
- HB 322–2007 *Reference Checking in the Financial Services Industry Handbook*, available for free from www.asic.gov.au. Standards Australia developed HB 322–2007 in conjunction with ASIC.

We consider it highly unlikely that any of our member firms will have any advisers without a clean record as our members are required to operate to a high standard. Licensees already consider these matters as they do not want unethical advisers in their business. We reiterate that none of these advisers will be 'new' advisers. They will have had over 10 years' experience as a financial adviser. We consider that the concerns expressed by other stakeholders about how to determine whether an adviser has a 'clean record' are overblown in this context and that mandated, complex and cumbersome processes to determine this are both unnecessary and fail to take into account the reality of the advice profession. Many of the longstanding advisers have been employed by the same firm for many years, and the exercise of considering a clean record will be relatively simple.

We disagree with the premise of the consultation paper that advisers qualifying for the experienced pathway are somehow accessing 'favourable arrangements' and can only access the pathway if they are 'exemplar advisers'. As we stated at the Treasury roundtable on 7 September 2022, the introduction of the experienced pathway is a recognition that the FASEA approach to existing advisers has been a failure and not fit for purpose. It is important that the government implement the experienced pathway in a common-sense and timely manner so that the profession can move on

from the 'hot mess' of financial adviser education regulation. The experienced pathway should not be used as punitive tool.

We agree that the proposed sources for determining adviser misconduct (namely an adverse finding at AFCA, CPD non-compliance and disciplinary action taken by a professional association) are sensible sources to consider when determining whether an adviser has a clean record, and indeed are matters to which licensees would have regard already.

We make the following general comments on matters to take into account when considering adviser misconduct:

- When considering an adverse finding at AFCA, it is important that those findings relate to misconduct of the adviser rather than adverse findings resulting from actions of the licensee or external factors. Any adverse finding must also be limited to a final AFCA Decision or Determination – it would be inappropriate for an adverse finding to be the result of findings from an AFCA Conciliation Conference or settlement negotiations. It should also relate to the adviser's conduct being unethical.
- The existence of a court judgement against an adviser is also an important matter to consider when forming a decision as to misconduct. However, allegations or the mere existence of legal proceedings should not be considered, and the majority of the adverse findings in the court decision would have to be a result of the adviser's unethical actions for it to be considered as misconduct. This would prevent a court decision resulting from contributing factors like poor licensee conduct or external factors amounting to misconduct.
- Information contained in an ASIC breach report could be considered as part of a determination on misconduct, as long as minor breaches or breaches of an administrative nature are not included.

SIAA agrees that isolated incidents of minor misconduct should not be sufficient to disqualify an adviser from accessing the experienced pathway.

SIAA recommends that the threshold to exclude an adviser from the experience pathway should be misconduct that involves unethical conduct, or an erosion of trust or result in client detriment, rather than a technical or administrative breach.

From a practical perspective, **SIAA recommends** that a cross check of court decisions, AFCA determinations and reportable breaches can be relied on as evidence that the adviser has a clean record and is eligible for the experienced pathway.

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?

Once an adviser has qualified for the experienced pathway, they should be considered to have accessed the pathway. All advisers on the FAR are subject to the Financial Services and Credit Panel (FSCP or Single Disciplinary Body) as well as disciplinary actions by their licensee and professional body (if relevant). A sitting panel has a range of powers that enable it to respond to misconduct.

These powers include:

- the power to direct financial advisers to undertake specified training, counselling, supervision or report certain matters to ASIC
- the power to suspend or prohibit a financial adviser's registration
- the power to issue infringement notices in specified circumstances
- the power to recommend that ASIC commence civil penalty proceedings, and
- the power to accept enforceable undertakings from financial advisers.

Procedures are already in place therefore to deal with misconduct on the part of an adviser. This does not need to be duplicated.

Assessment of eligibility

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

The details of how to administer the self-declaration should be left to the licensee. We repeat our previous point that mandated, complex and cumbersome administrative processes are unnecessary.

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?

No new powers are needed for the regulator. ASIC can refer the adviser to the FSCP (the Single Disciplinary Body) if they are involved in misconduct. 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.

Any new tools would be duplicative and unnecessary.

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?

The Department of Education Skills and Employment (DESE) is currently the approved body that maps the level of foreign qualifications to the Australian Qualifications Framework (AQF). Once the foreign qualification has been mapped by DESE, it is then assessed against current "approved qualification" requirements. One can access the current process via the Foreign qualification assessment tab that is available on the Treasury website - <https://fas.treasury.gov.au/>.

Accordingly, we consider that it is more practical and appropriate for education providers or licensees to assess how these qualifications meet the education standard and what additional study may be required than for the Minister to hold this responsibility.

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?

As previously stated, data collected in March 2022 from our members showed that 912 advisers at 11 firms would benefit from a 10-year experience pathway with a cut off time of 1 January 2026 (as opposed to the cut-off time of 1 January 2019 for a 10-year experience pathway proposed currently). This represents over 290,000 client accounts at nine firms.

Details of advisers who have already started to undertake formal education is information that can best be provided by individual licensees. The more important data is the education courses that the existing advisers would need to complete under the current system but have not done so. There has been considerable uncertainty around the education standards recently, particularly since the former government issued its proposal paper in December last year, and the current Minister made his pre-election promise allowing advisers with 10 years' experience and a clean record to access an experienced pathway also in December last year. Many advisers have paused their education in anticipation of these changes being implemented. The uncertainty about the future requirements and the subsequent mental health impact on affected financial advisers is the reason that these changes need to be made urgently.

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

Nothing else is required to ensure an appropriate level of consumer protection.

To access the experienced pathway advisers will have:

- a clean record
- completed 40 hours of CPD each year
- passed the national adviser exam
- considerable experience in the industry, that includes licensee training.

As previously mentioned, many already hold tertiary qualifications in commerce, economics, finance and business that are not currently approved but should be, as well as other relevant professional qualifications. The majority have passed the Ethics unit.

Nothing else is needed in the experienced pathway to maintain consumer protection for clients of our members. One indicator of the level of consumer protection in a profession is the level of complaints against its members. The stockbroking profession experiences very few client complaints. Recent complaints data from AFCA shows that for the period 2021/2022 out of the total number of 72,358 complaints, only 298 were made against stockbrokers. This represents a percentage of 0.41% and needs to be considered in the context of 2.3 million trades a day on ASX. Most complaints against stockbrokers relate to large online brokers and are not complaints relating to the provision of personal advice. In 2021/22 only six complaints were found in favour of the client and 40 were found in favour of the firm. For the previous year, complaints against stockbrokers amounted to 490 or 0.69% of total complaints. The number of complaints against our members is declining and is evidence that consumer protection will not be diminished.

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

Standard 10 of the Code of Ethics requires advisers to *develop, maintain and apply a high level of relevant knowledge and skills*. Advisers will continue to undertake CPD as well as other training and education that they (or their licensee) consider they need in order to provide advice to their clients. Any mandating of further educational requirements will not only be overly prescriptive and unnecessary but also duplicative of the Code.

We understand that advice associations representing financial planners may want the government to mandate further education for those advisers who satisfy the experienced pathway. It is always open to professional associations to mandate a higher level of education for their members if they wish. They can do that as a condition of membership of their associations. It does not require the government to 'hard wire' that into law and should not be a reason why such a requirement is imposed on other parts of the financial services ecosystem. Again, it is important to realise that many of the advisers in the stockbroking and investment advice profession are tertiary educated – but FASEA never approved their degrees.

Any further education that is undertaken by advisers must be relevant to the advice they provide. What is appropriate is best determined by the adviser and their licensee. By way of example, an adviser may decide that they want to provide advice to retail clients on Exchange Traded Options. In that instance, the licensee would require the adviser to undertake a course in derivatives trading before they would be authorised to provide advice on those products.

Existing advisers who do not meet the experienced advisers' criteria

We note that the consultation paper does not seek feedback on existing advisers who do not meet the experienced advisers' criteria. It notes that they currently are required to meet at most an approved eight-unit graduate diploma (or equivalent) by 1 January 2026.

SIAA recommends that existing advisers who do not meet the experienced advisers' criteria who have:

- passed the national adviser exam
- completed an ethics unit, and
- hold a tertiary qualification

should be able to continue in their profession without having to do further unrelated tertiary study.

Currently, they are required to undertake tertiary study in subject areas that, unless they are financial planners, are not relevant to the services they offer clients. This discriminates against those in the stockbroking and investment advice profession, given they are expected to allocate time and costs to study unrelated to the financial advice service they provide. The change to the education standards is an opportunity to cease this discrimination. Again, we note that the associations representing the financial planning profession can mandate further tertiary study for their members, but the law should not mandate that such study be imposed on other financial advice professions.

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?

SIAA supports the aim of the consultation paper to remove the current barriers to entry into the financial advice profession and ensure it develops into a career of choice.

We have set out earlier in our submission the many reasons why the current professional standards framework is failing the profession and discriminating against stockbrokers and investment advisers.

SIAA agrees with the proposal to streamline the current 11 core knowledge areas to five. The previous core knowledge areas contained subjects such as estate planning and insurance planning that were not relevant for our members and ignored areas such as derivatives, foreign exchange, alternative asset classes, fixed income securities and financial risk management that are. We agree that the proposed new core knowledge areas of:

- taxation law
- commercial law
- financial advice regulatory and legal obligations
- ethics and professionalism, and
- behavioural finance and client engagement

will ensure that all financial advisers share a common foundation of knowledge and learning outcomes.

At the Treasury roundtable we raised our members' concerns that, as currently drafted, the proposals seem to indicate that in order to satisfy the education standards new entrants will be required to study all five core knowledge areas in one degree, rather than being able to study areas across multiple qualifications. We repeat our point that rather than removing barriers, this outcome would result in the proposals essentially being a reboot of the FASEA system of 'approved degrees' which, as we have set out, is a flawed and discredited approach which has resulted in a collapsed advice profession pipeline.

We were pleased to receive confirmation at the Treasury roundtable that in order to satisfy the education standards new entrants would not be expected to study all five core knowledge areas in one degree and could in fact study areas across multiple qualifications and could 'top up' their existing qualifications with bridging courses.

At the roundtable we noted, for example, that a bachelor of commerce is likely to offer commercial law, taxation law and behavioural finance, but not financial advice regulatory and legal obligations. A bachelor of commerce may offer ethics or may have ethics built into most subjects offered in the course rather than as a stand-alone subject. The confirmation at the Treasury roundtable that new entrants could complete any missing core knowledge areas via bridging courses is therefore welcome.

Our profession recruits from the 'sandstone' universities. As degrees in commerce, finance, economics and business are currently not approved and financial planning degrees are not suited to our industry, the current regime has stifled recruitment for our profession. This is made even more challenging in some states, such as Western Australia, where licensee firms are limited to looking at graduates from only one university, as only one offers the current approved degrees. It is of great

concern that the stockbroking and investment advice profession in that state is denied access to competition among universities to produce graduates who will be sought by our profession.

SIAA considers that any common-sense solution to the problems caused by the current approach to qualifications must acknowledge the following important points:

- Our members recruit the top graduates from the ‘sandstone’ universities with commerce, finance, economics and business degrees. Our members report that between 60% to 100% of their new graduates have these degrees. These new entrants are highly qualified.
- These degrees are the ones best suited to provide the skills and knowledge necessary for stockbroking and investment advice, that is working in equity capital markets.
- Financial planning degrees are not suited to working in stockbroking and investment advice.
- Graduates in stockbroking and investment advice don’t immediately go into personal advice — they will work in other areas of the business first, such as back-office roles, research and dealer’s or desk assistant.
- Candidates interested in a career in investment advice are deterred from entering the advice profession if they are forced to undertake an additional financial planning degree from scratch and incur the costs and time involved in this.
- Most sandstone universities don’t offer financial planning courses or courses with financial planning majors and do not have plans to do so.
- The only degrees that include all five core knowledge areas are financial planning degrees or those with a financial planning major.
- While ‘sandstone’ universities offer most of the five core knowledge areas in their courses suitable to our profession, they do not offer all of them. Graduates should be able to complete any missing core knowledge areas through bridging courses rather than having to complete an entire unrelated second degree.

SIAA recommends and concurs with the Minister that it is a ‘no brainer’ that a graduate with a commerce or finance degree should be eligible for the qualification pathway subject to the ability to ‘top up’ the core knowledge areas.

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?

No specific areas under each core knowledge area should be prioritised.

It is important that the framework is flexible and not prescriptive and does not repeat the mistakes of the previous FASEA model. It is vital that education suited to one financial advice profession — financial planning — not be imposed on other financial advice professions to which it is not suited. For example, while taxation law is very important to financial planners, stockbrokers and investment advisers will give incidental tax advice such as franking credits and capital gains tax implications. They will not be structuring the taxation affairs generally of clients, so prioritising specific areas in taxation law would be ill-suited to our profession.

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

Our comments on the exam content are provided in the section on the Professional Year.

- 4. Is it practical and appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas? Why/why not?**
- 5. What form should education providers' assurance to Government take?**
- 6. If self-declaration is not appropriate, what alternatives could be adopted to streamline the degree approval process?**
- 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?**

We consider that there is now broad acknowledgement amongst stakeholders that the FASEA approach to accreditation was unworkable, inflexible, bureaucratic and must not be repeated. Commerce, economics, business and finance degrees from Australia's top universities were not accredited by FASEA even though they were the preferred degrees for those in the stockbroking and investment advice profession. Our licensee members are very clear about the degrees they would like new entrants to have completed.

As our licensee member firms employ financial planners as well as stockbrokers and investment advisers, they know better than any other part of the financial advice ecosystem what degrees are best suited to which financial advice service. They strongly support financial planning degrees for financial planners. However, they also strongly support commerce, finance, economics and business degrees for stockbrokers and investment advisers. We note that financial planning firms do not employ stockbrokers or investment advisers and are therefore unlikely to understand what education pathway best suits those roles.

We also note that Australia has a national education regulator (TEQSA) that has regulatory powers over course content. We question why the government would want to duplicate TEQSA and create a duplicate accreditation body.

We consider that in allowing education providers to self-declare, the following matters must be taken into account:

- It is important that students have confidence that the courses they are undertaking satisfy the claims made.
- Our members do not want new entrants to be placed in a position of having to re-take courses due to confusion about whether their courses have satisfied the core knowledge areas.
- It is likely that the universities offering the financial planning degrees that were accredited by FASEA will self-declare. It is less clear whether the sandstone and other universities that do not offer financial planning degrees will do so concerning their degrees. It is important

that our members are not left in the same position as before, that is, wanting to accept graduates from top universities' finance, commerce, economics and business degrees but being unable to do so due to an administrative technicality.

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 repeat our previous comments about evaluation of foreign qualifications.

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?

Yes. We repeat our earlier comments about the importance of new entrants being able to complete bridging courses to 'top us' their 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?

Commerce, economics, finance and business degrees are important to the stockbroking and investment advice profession because our new entrants need them if they are to work in equity capital markets. We consider that the inability to have these degrees approved diminishes consumer protection because it makes it harder to attract candidates with those qualifications to our profession. It diminishes consumer protection to have stockbrokers and investment advisers who have studied subjects unrelated to the advice service they provide and who have not studied subjects suitable to roles in equity capital markets. We consider that the proposed qualification pathway for new entrants supports the professionalism of financial advice.

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?

SIAA broadly supports the current framework of the Professional Year. As we have stated previously in this submission, the biggest problem our members face with attracting new entrants to the profession is that the current education requirements are unsuitable for our members. This has resulted in a collapse in the pipeline for new entrants.

Our members have very few Professional Year candidates. They have however, provided the following feedback concerning their experience with the Professional Year:

- Our members do not accept Professional Year candidates straight out of university. Candidates will have worked in other areas of our members' business before deciding to become a financial adviser, and almost certainly will have worked as a dealer's or desk assistant after experiencing other roles. This is an advantage. Candidates who have worked

in other areas of the business tend to be more rounded, understand equity capital markets and be a better cultural fit. The Professional Year is part of the ongoing career development of the individual.

- In the dealer's or desk assistant's role, the Professional Year candidate becomes familiar with the adviser they are supporting. It is a team structure. The adviser will be their supervisor.
- The structure of the Professional Year is useful. Our members with Professional Year candidates report that they either already had a similar structure or would have had to develop a structured training and supervision framework. The benefit of the current framework is that it encourages uniformity amongst the industry, but also allows for flexibility for individual licensees.

Our members do have issues with the exam — we set these out below.

More importantly, our members have concerns with the timing of the exam, which creates friction and delay and often results in the Professional Year taking 18 months or more rather than 12 months. While our members do not oppose an exam, more flexibility must be introduced to the exam timetable. Candidates must be able to sit the exam at any time up to quarter three.

At present, a candidate may complete the first two quarters of the Professional Year and find that the next exam is not scheduled for another three months and then results are not provided for a further four to six weeks. The Professional Year candidate cannot enter the third quarter when they go before clients until the exam has been passed. Some candidates may not pass the exam the first time, which extends the Professional Year further. This is why the Professional Year frequently extends beyond 12 months, with candidates unable to proceed due to an administrative issue of exam scheduling. This explains why Professional Year candidates should be able to sit the exam at any time in the first or second quarter. The timing of their movement through the quarters of the Professional Year should not be bound by an exam timetable but by their progress. Given the exam is proctored and venues and supervisors do not need to be booked, exams should be available to sit at any time. Markers can be commissioned on an 'as needs' basis.

Moreover, now that the vast majority of the existing adviser cohort have sat the exam, there is no reason why the exam can't be made available on request or on a rolling basis, particularly as the exam is offered online. The scheduling of the exam was designed to provide for up to 25,000 existing advisers to sit it. That demand no longer exists and there is no reason to so rigidly constrain the exam sitting timetable.

SIAA strongly recommends that there must be more opportunities to sit the exam, with Professional Year candidates able to sit it upon request.

SIAA also recommends that candidates should be able to sit the exam as many times as is necessary to encourage PY candidates to remain in the PY program.

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

The Professional Year requirements don't create a barrier to entering the financial advice profession — the current educational qualification pathway into the Professional Year is the barrier.

As we have stated previously, there are many cases of individuals with commerce, business, finance and economics degrees wanting to join the profession, but who have decided not to proceed due to the requirements to complete an unrelated second degree or graduate diploma in financial planning. For example, one member firm has 12 individuals wishing to enter the Professional Year who have spent considerable time in the industry and whom the firm believes are good candidates. However, none is willing to proceed as their degrees are not approved. The current educational pathway is actively discouraging new entrants from joining our profession.

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

We refer to our previous comments on the benefits of the proposed educational qualification pathway to ensuring there is a pipeline into the stockbroking and investment advice profession.

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

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

SIAA strongly opposes mandating the integration of the Professional Year with tertiary study. While such a proposal may work for some in the financial advice ecosystem it will not work for our members. As stated previously, our members do not accept Professional Year candidates straight out of university. The Professional Year candidates will have been working in the member firm for some time in other roles such as back office, research, corporate finance or as a dealer's or desk assistant. The Professional Year is not 'work experience'. It is part of an ongoing career development pathway for individuals in the firm. Member firms generally structure the role as a dealer's or desk assistant in an advisory team.

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

While associations such as SIAA, licensees and the professional community of which SIAA's members are an important part play a vital role in reinforcing the value of qualifications and education, it is difficult for industry at present to encourage new entrants due to the barrier created by the current education framework. They can play a role if the education qualification pathway is expanded to allow them to recruit graduates into starting roles with the appropriate degrees for the profession.

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

SIAA has been very vocal about the following significant issues existing advisers experienced with the exam which was not fit-for-purpose for stockbrokers and investment advisers:

- The scenarios in the exam on which questions were based were on matters on which they did not provide advice, such as insurance, aged care and Centrelink benefits all of which were more suitable for financial planners.
- Many of the questions were multiple choice and advisers were presented with two wrong answers and two 'correct' answers and they had to pick the 'most correct' answer. The answers 'could go either way', were essentially 'trick' questions and were aimed at tripping people up rather than testing their knowledge and competencies. Advisers were none the wiser at the end of the exam whether they had passed or failed, or why.

- Exam feedback for those failing the exam was opaque, imprecise and did not assist candidates in preparing a correct answer. The feedback was not individual but generic. All it did was repeat the curriculum item relating to the question that they failed. It did not tell them why they failed that question or what they should do to pass the question at the next sitting. Such detailed feedback is standard in all other educational environments, as it focuses the candidate on why they failed particular questions.

SIAA recommends the following changes be made to the exam format for new entrants:

- provide a broader range of scenarios than simply those based on financial planning so that the exam reflects the full spectrum of advice
- remove questions that have two correct answers requiring the candidate to guess the 'most correct' answer
- pick questions that test the candidates in ways that ensure they know the material rather than trying to trick them
- provide more tailored feedback to unsuccessful candidates that assists them to work out how they can improve in their next exam sitting. This is particularly important in light of the incapacity of the PY candidate to progress until they have passed the exam. As the exam is part of the PY, which is itself a structured training program, feedback on why they failed a question is central to the training experience that is the PY.