

AUSTRALIAN FINANCIAL MARKETS ASSOCIATION

Response to ASIC Consultation Paper 153  
– Licensing: Assessment and professional  
development framework for financial  
advisers

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## Executive Summary

AFMA's submission is in three parts:

Part 1 - comments about regulatory issues that arise in relation to the assessment and professional development framework proposed in the consultation paper;

Part 2 - AFMA's observations and experiences as a registered training organisation about assessing professional competency; and

The appendix - aggregated comments in table form from AFMA members in response to the consultation paper, although their views are also reflected in Parts 1 and 2.

## Part 1: Regulatory feedback

### 1.1 The framework is not mandatory

The objective of the national certification exam process and the knowledge update review proposed under this framework is to provide a consistent national standard and assist to overcome criticisms of the current ASIC Regulatory Guide 146 regime. This is in response to an identified lack of consistency in the quality of qualifications offered by the different training providers. Similarly, the RG 146 Training Register is not comprehensive and is not viewed as representing all of the suitable and relevant courses that are available.

However, it should be noted that notwithstanding the proposed framework, licensees have an existing obligation enshrined in law to ensure that their representatives are adequately trained and competent to provide financial services. Many organisations already have comprehensive procedures in place to ensure that this objective is achieved, including policies on recruitment and the supervision of staff and training, which together foster a culture of corporate compliance.

The passing of a national exam and the new framework as a whole cannot in itself ensure that all advisers will apply their knowledge appropriately in practice. It will not prevent problems arising where an adviser has a lack of care, or deliberately sets out to do the wrong thing, and there is no mechanism to detect this at an early stage.

It is not clear from the consultation paper that ASIC intends to enforce the proposed framework as a licence obligation under the Corporations Act – either by way of regulation, licence condition or legislative amendment. AFMA understands from discussions with ASIC that ASIC intends adherence to the framework to be voluntary and adopted as industry best practice. AFMA appreciates that any of the above mechanisms to require compliance would be administratively complex and would take some time to achieve. The proposed start date of the framework does not appear to contemplate sufficient time for the imposition of new licence conditions or to obtain a legislative amendment.

There is a risk that while most segments of the financial markets will embrace what ASIC is hoping to achieve through the introduction of the framework, other licensees may be less enthusiastic or slow to adopt, or may seek to have the requirements changed. This will result in higher costs to participants who do strive to meet the requirements of the framework, compared to participants who do not. There is also potential confusion for investors who may not be aware of the assessment framework; may not always have access to full information about whether the person from whom they seek advice has undertaken the assessment process; or whether the licensee of whom the

## 1.2 No case to apply the framework to wholesale advice

adviser is an authorised representative is fully compliant with the framework.

It is conceivable that a licensee will be able to demonstrate that it is meeting its obligations under s912A(1)(e) and (f) of the Corporations Act, respectively, to maintain the competence to provide financial services, and ensure that its representatives are adequately trained and are competent to provide financial services, without adhering to the framework proposed in CP 153 or requiring its representatives to undertake the national exam and/or knowledge update review.

It is not clear what the consequences will be for a licensee who does not implement the framework, and what courses of action will be available to ASIC (beyond moral suasion) in relation to a licensee that does not implement the framework.

Generally speaking, it is highly desirable that licensee compliance obligations and responsibilities are clear and unequivocal. Licensees providing comparable services should be subject to the same regulatory obligations to ensure a level playing field.

If the framework is to be implemented, AFMA urges ASIC to closely monitor the adoption of the framework by licensees to assess whether there is a level playing field in terms of the costs to organisations who provide comparable services. While AFMA does not have a view that the framework should be made mandatory through licence conditions or legislative amendment, ASIC may need to consider further action if any mis-alignment or asymmetry in adoption of the framework by licensees emerges.

There is no case or rationale made out in the consultation paper that warrants application of the framework in the context of wholesale advice.

The distinction between retail and wholesale clients is made in law to recognise that retail clients should be afforded a higher degree of protection because of their relative lack of sophistication and access to information and resources, compared to wholesale and institutional clients. Application of the proposed framework to wholesale advice would be inconsistent with that position in law.

There has not been a market failure in the context of wholesale advice that would be addressed by requiring an adviser who gives non-retail advice to sit the national exam and the knowledge update review. Wholesale and institutional clients are well informed about financial products and can access expertise from sources not generally available to a retail investor. Similarly, wholesale and institutional clients do not require or expect the same level of investor protection afforded to retail clients.

CP 153 refers to situations such as the collapse of Storm Financial and Opes

Prime, which primarily affected retail investors. Cases like these, where inappropriate advice may have been given, are far less prevalent in the wholesale context, perhaps due to the very nature of the client base.

Licensees have an obligation at law to ensure that their representatives are adequately trained and competent to provide financial services. AFMA members already have comprehensive procedures in place to ensure that this objective is achieved, including in relation to staff involved in providing advice and other services to wholesale clients.

Due to the number of additional advisers who would be caught if the framework were to apply to wholesale advice, there would be a substantial incremental cost to industry, both in the monetary cost of courses and exams and in the time spent studying and sitting for exams.

Advice to wholesale clients is often highly complex, involving matters such as capital structuring, debt and equity issues, mergers and acquisitions, taxation, accounting issues and so on. It may involve a number of advisers and other persons who would not be subject to the proposed framework in any event – for example, other professional advisers.

Advisers who provide these types of financial services are highly skilled and experienced. It is not clear what the benefit would be in extending the application of the framework to include these types of advisers.

The business processes involved in providing advice to wholesale and retail clients can also be distinctly different. Advice to wholesale clients is often deal-based, "bespoke" in nature and customised to suit the needs and circumstances of the client. It would be unusual for a wholesale client, based on advice from their adviser, to acquire a more standardised or widely distributed product that has been designed for mass market/retail customers, simply because these types of products will not meet the wholesale client's needs.

AFMA suggests that ASIC's limited resources in this area are best targeted to the protection of retail investors and improving the standard of advice that they receive.

To the extent there are concerns about the level of sophistication of some clients who have been able to deal in wholesale-style products to date, these kinds of issues are more appropriately addressed in other ways – for example, through the Treasury review of the distinction between wholesale and retail investors in the Corporations Act.

### 1.3 Application of the framework to some forms of general advice is unnecessary

The application of the proposed framework to employees who give general advice is not consistent with the distinction between general and personal advice in the Corporations Act. Some employees who provide strictly general advice (scripted or otherwise) may not have the level of knowledge and experience required to pass a national exam. They are not held up to the same standard as advisers who provide personal advice to retail clients, because the very nature of general advice is different to personal advice.

Division 4 of Part 7.7 of the Corporations Act makes it clear that general advice is of a particular nature and it is not clear what benefit there is in requiring employees that only provide specified general information – that is, they do not exercise discretion or tailor information to a client's circumstances – to sit a national exam as the content of the modules could logically only be general in nature. Many employees in this category will have already completed tertiary and other courses that have assessed the employee on these general areas, and/or may have attended training and development programs that the licensee considered appropriate for their role. Extending the framework to employees who give general advice only will create a considerable burden and increased compliance costs for industry without a clearly demonstrable benefit to investors.

AFMA suggest that responsibility for the appropriate way of ensuring that these types of employees are adequately trained and competent to provide general advice is best left to licensees to determine.

There are other types of general information that are not provided to a retail client by the person who prepares or collates the information, and where the information does not take into account the personal circumstances of a retail client. There may be circumstances where an employee of a financial services licensee who prepares general information (for example, an analyst who writes reports on market conditions or market sectors) will not know whether that information might be used by another person (for example, an adviser who gives personal advice to a retail client) and cannot be expected to know whether that information will be used in the context of giving personal advice to a retail client. In this situation, the onus is on the adviser giving the personal advice to ensure that they utilise the knowledge and information that is appropriate to the circumstances of the retail client and the type of advice being given.

If the proposed framework were to apply in relation to an employee of a financial services licensee whose role is to prepare or collate general information such as research reports, because the information is deemed to potentially be part of general advice provided to a retail client, it may have the effect over time of limiting or lessening the amount of information that financial services licensees make available to retail investors.

Accordingly, the focus of any national assessment framework should be on the competence and skills of the adviser giving the personal advice. It is not clear what additional benefit to investors will accrue from requiring employees who prepare general information to sit for a national exam.

AFMA suggests that responsibility for the appropriate way of ensuring that these types of employees are adequately trained and competent to this type of general advice is best left to licensees to determine.

## Part 2: Assessing professional competence

### 2.1 Professional competence

The central question underpinning Consultation Paper 153 is how can professional competence be identified and assessed. This question is of central concern to all authorities responsible for licensing professionals, most particularly in medicine and the finance industry.

The question itself cannot be answered without addressing the more fundamental question of what is competence. In the Australian vocational education framework competence is used as a catch-all concept to cover all of the skills, knowledge and attitudes needed to perform a particular job role or function. In competency-based education, competence is assessed by judging how well an individual has applied knowledge and skills in a workplace setting. Competent individuals can generally:

- apply knowledge, skills and attitudes in a range of familiar situations
- deal with the responsibilities and expectations of the workplace
- use problem solving skills to handle unforeseen and ambiguous situations
- transfer their skills and knowledge to new situations.

Considerable research has been conducted into professional competence and expertise; the research literature on competence consistently finds that the distinguishing feature of competent professionals is not how much they know but their ability to use their knowledge. Donald Schon — perhaps the most important writer in the field of professional learning — considers professional competence is more than factual knowledge and the ability to solve problems with clear-cut solutions; it is also the ability to manage ambiguous problems and to make decisions with limited information.

Knowledge, although an important component of competence, does not in itself constitute competence. Interestingly, some theorists argue that some kinds of knowledge are more important than others for competence. For example, Michael Polanyi argues that competence is defined by tacit rather than explicit knowledge, that which we know but do not normally explain easily, like the use of rules of thumb and intuition.

### 2.2 Can professional competence be assessed by a national exam?

Given that competence comprises tacit and explicit knowledge, skills and attitudes, is it possible to assess that advisers have the competence to perform advising skills?

A national exam can be a reliable and valid method of assessing explicit knowledge and some cognitive processes such as application and

### 2.3 Using an exam to assess knowledge underpinning competence

interpretation, both clearly important components of professional competence. However, knowledge and abstract problem-solving skills do not in themselves constitute competence. For example, while an adviser may know what a share is and how to calculate a dividend stream, it does not mean that they can competently devise investment strategies that are both compliant with their firm's operational guidelines and meet the needs, objectives and risk profile of a client. Competence of this nature cannot be assessed in an exam. The most valid methodology for evaluating an individual's competence is to assess how they perform in the workplace. This is because competence is context-dependent and involves applying knowledge, skills and attitudes in an authentic professional situation.

One of the strengths of the current RG 146 adviser accreditation scheme is that the training courses run via the vocational education sector are based on teaching and assessing the competence (i.e. the knowledge, skills and attitudes) required to advise a client — not just the formal explicit knowledge of advising theory.

Subject to the limitations described in 2.7.1, provided an exam is fair i.e. based on a national, clearly articulated syllabus with valid well-constructed questions broadly covering all important areas of that syllabus, a national exam can assess whether advisers have a sound grasp of the requisite knowledge to work effectively in an advising role.

Multiple choice question (MCQ) -based exams are frequently used to assess knowledge by licensing bodies because they are seen as more reliable. They are considered reliable because they are more time efficient to complete than an exam requiring written responses, and so allow a wider sample of the syllabus to be assessed in a shorter and more reasonable time period. Given the scope of the content of the proposed certification exam, it seems sensible to use MCQs.

There are other advantages to an exam based on MCQs— they can be completed online, marked electronically and questions may be re-used. It is important to note that there is some controversy over the reuse of MCQs in high-stakes exams such as the certification exam, because evidence shows that examinees do sometimes transmit information about questions to others.

It is also important to note that it is not sufficient that a question focus on important content; they must also be well structured and easy to understand. Simple issues such as the use of negatives or imprecise terms can confuse examinees. Poorly written and constructed questions can invalidate an exam. There is a large body of technical literature discussing the construction of multiple-choice questions, which it will be important for ASIC to consult should it decide to construct the certification exam using MCQs.

## 2.4 Constructing an MCQ exam

A potential danger of implementing a certification exam based solely on knowledge is that it may cause individuals to focus solely on knowledge acquisition when learning to be an adviser, because it is only knowledge that is being assessed. Any education or training provider knows that all student learning in a course is focused on the assessment. Students will only study as much as they need to in order to pass an assessment because they have limited time, assessments are generally hard and time consuming to complete and so from a strategic perspective it makes no sense to study anything other than the exam. If it is competence standards that ASIC wishes to raise then it should be mindful that this approach is unlikely to fully achieve its stated objectives.

The costs of setting up and administering a national exam are considerable. We cannot estimate the cost of setting up the system itself, but the cost of inputting exams into the system from our experience is significant, as the questions must be keyed into the system and then checked to ensure that there are no inputting errors.

As this is a high-stakes exam, we would recommend that ASIC tender the exam administration to an organisation such as Educational Assessment Australia, a not-for-profit testing organisation owned by UNSW. EAA has years of experience running large scale national MCQ tests and have the capability to provide considerable statistical analysis of both exams and questions.

The cost of writing good quality, robust questions, particularly those that assess at a higher level, are considerable. At AFMA we use MCQ exams for our accreditation qualifications and we have found that the full cost of writing, reviewing and editing MCQs averages at about \$100 per question. Higher-level questions in more complex technical areas e.g. electricity financial products, are usually more costly. Good practice in assessment requires that a database contain at least three times the number of questions that are actually required for one exam in a database e.g. if there are 50 questions in an exam, then the database should hold a minimum of 150 questions. Assuming that the certification exam was composed of 250 questions like the Series 7 exam, then the database should include 750 questions at a minimum. Given the number of individuals who will sit the exam in the first few years, it is desirable that there are at least 1250 questions in the database when the new exam is launched.

Based on experience, AFMA suggests that the exam MCQs be written by education consultants who specialise in writing MCQ questions.

Exam committees composed of expert practitioners from education and industry would be well-placed to determine the areas of knowledge to be assessed in the exam, but not to actually write the questions. Writing

assessment questions, particularly multiple-choice questions, is a technical skill that requires a comprehensive knowledge of learning design and assessment principles. We understand that the certification exam will be pitched at a high level; writing high-level multiple choice questions is particularly difficult and requires a great deal of skill and experience.

AFMA's approach is to ask industry practitioners to determine course content and learning outcomes and then to hire consultants to write the questions at the required level to the learning outcomes, based on the learning materials. We find it is generally difficult to convince individuals to perform tasks like writing questions on a voluntary basis. Most senior industry practitioners work long hours at demanding jobs and also have family commitments and so do not have time for this kind of extracurricular work. As much as individuals may wish to contribute to ASIC's initiative to raise standards in financial advising, most will not have the time to take on more than attending occasional meetings to determine assessment strategies.

It is important to allocate resources to maintaining and developing the database. We find that, over time, due to changes in financial markets and the regulatory environment, questions must be amended or removed from the database as they are no longer correct. Further, as mentioned earlier, information on the nature of the questions will travel. Over the course of a year, at least four weeks of editorial time is required to monitor the database and to commission and edit new questions.

It will not be possible to charge a full cost recovery fee for the exam as the setting up costs alone will be considerable, and the industry will need to bear the cost of the training to prepare all advising staff to sit the exam. An administrative fee would be considered reasonable; a fee of over \$100 per person would be onerous.

## 2.5 Competence and specialisation

We believe that if the new regime is to be of benefit to clients, then it is important that advisers sit exams that are relevant to their authorisation. For example if an individual needs advice on derivatives, then it is critical that the advisers they consult have an in-depth knowledge of derivative products. There is an enormous range of products, ranging from the simple to the complex, in each asset area and to use those products effectively to assist a client in meeting their objectives, the adviser must have a comprehensive knowledge of those products, their risk profile, how they work and the trading and tax rules. It is not realistic to expect an adviser to have this depth of knowledge across all product areas.

An advantage of constructing certification exams based on the product areas and types of advice that the individual wishes to provide, is that it should be possible to merge the Accredited Derivatives Adviser accreditation that all advisers who wish to advise on ASX-traded options and warrants must

achieve into the ASIC advising framework. Currently advisers who want to advise on these products must achieve the ASIC competency 'Advise on Derivatives' AND the ADA Level 1 or 2 qualification. It has always seemed an anachronism that individuals advising clients on ASX-traded options and warrants must undertake two training courses and satisfy the requirements of two different accreditation schemes.

## 2.6 Modules for the certification exam

There should be a core module for all advisers that covers the economic and regulatory environment and financial markets. However, we question whether ethics should be covered in this module. Ethics is concerned with knowing the right actions to take in particular circumstances and different areas of financial markets confront different ethical dilemmas. We believe that ethics issues should be assessed in the context of the market that the adviser is working in if they are to be covered in a meaningful and relevant way.

It is important that risk is covered in the core module, particularly the different varieties of risk e.g. market risk and credit risk, analysing product risk, and client risk profiling. Risk is a core concept for understanding the concept of suitability i.e. whether a product is suitable for a client.

The best preferred mechanism for examining the knowledge components of the individual's competence is through a single exam that includes the core modules plus all the modules that an individual must undertake for an appropriate authorisation. This would be more straightforward for individuals and their employers to manage and cause less disruption to work commitments.

## 2.7 The monitoring and supervision requirement

This section discusses the proposal that new advisers should be supervised by their employers for the period of one year, during which any advice that they provide must be vetted prior to it being given — where feasible — or as soon as practicable afterwards if unfeasible.

### 2.7.1 Introduction — limitations of this approach

We note it is proposed that existing advisers will be exempted from this regime.

Where supervision takes the form of senior industry participants mentoring new entrants, it can genuinely improve the quality of advice given. Our own qualitative research in this area, as well as a substantial amount of quantitative academic research indicates that learning on-the-job is one of the most effective ways in which new entrants can gain additional knowledge and skills customised to their own workplace context (e.g. David Boud et al, 1993).

However, our experience as a Registered Training Organisation (RTO) is that when a supervision period acts effectively as an additional form of competence 'assessment', particularly for higher levels of professional

competence, it is not without its limitations. In education terms, the ability to synthesise and evaluate information (to use Bloom’s taxonomy) –cannot be tested via an exam. However, it is a knowledge and skill area that must be assessed — preferably in the workplace where the abilities must be displayed. An example of synthesis/evaluation is the development of a full financial plan — it is the ability to devise a strategy for a portfolio of complex and correlated financial products that will meet the client’s financial goals and carries up with their risk profile. An exam cannot assess this finished product, but clearly it is critical to know a potential financial adviser is capable of producing one.

This is because it is only when assessment is based around a mimic of the core deliverables within a job role that you can have some reasonable assurance that someone has the not only the practical skills required to perform a job role (which we note in CP 153.81 is a core aim of this reform), but can ‘string it all together’ fluently and coherently as they would in real life — something multiple-choice online exams cannot test. By definition, these sorts of exams can only offer atomistic testing, not the holistic testing required to establish real professional competence. It is the difference between someone being tested on how to play tennis by making them write an essay on the topic versus actually observing them play tennis — it is clear which one provides more obvious clues as to their capabilities.

### 2.7.3 Who should supervise?

We do not believe that the person supervising must have five years’ experience — less may be adequate. What is important is that this person has demonstrated certain levels of competence themselves, and is experienced in assessing competence. It may be that they require some training in assessment equivalent to a Certificate IV in Workplace Assessment, or demonstrate equivalent current competence.

Supervisors/assessors will require substantial training and documentation on what to look for and what equates to competence — preferably in the form of marking criteria or assessor evidence guides.

### 2.7.4 The risks and limitations of this approach

AFMA used this mechanism for assessment, and found in some circumstances that managers would sign off staff as competent because they were good at their jobs, or approached their job in the same way as the manager did — but that is not the same as doing the job as per ASIC’s benchmark for competence. It was not deliberate — managers simply didn’t understand there was any difference. Additionally, we have found when undertaking our own cognitive tasks analysis and job mapping that job roles within financial services vary widely, and sometimes dramatically. Thus it is also important that some alternative mechanism be provided for those jobs that do not directly correlate to the tasks identified by ASIC as critical for professional. For example, they may mimic three-quarters of a defined job role, but not all — and thus a manager may not be able to ‘sign them off’ as

having met all of the professional competencies ASIC identifies in its Cognitive Task Analysis (CTA). This person will typically still be able to pass a certification exam as they may be able to learn the theory, but they could never pass a skills observation because they simply don't do it in practice. Employers are able under the current RG146 framework to have this assessed externally, and this is the advantage of the current vocational education system.

#### 2.7.5 Cost and administrative implications of this approach

We believe that the requirement for supervision may well be regarded by employers as time consuming and a dramatic impost on compliance costs. It will divert resources from retail clients towards compliance in terms of managerial activities, and lessen the overall expertise being devoted to clients (as all the juniors are advising, and the seniors are watching them do it). It is difficult to know the full impact this may have on standards. It will most certainly have an impact on costs. Given that supervisors will need to have a reasonably high level of experience and ability in providing complex advice, their salary would be substantial relative to their peers. It would need to be, frankly, to encourage them to take the role on. It also stands to reason that the optimal candidates for supervisory roles are generally those with recognised higher skills and abilities i.e. by definition, the higher income earners within the firm. Diverting them from their revenue-earning activities will provide a further cost impost. Questions regarding their legal liabilities and indemnities while acting in this role would also need to be resolved in order to encourage participation. These additional costs (e.g. PI insurance) will also need to be factored in.

#### 2.7.6 Length of supervisory period

We note the suggestion is to have a supervisory period of twelve months. Our experience as educators has shown that competence does not follow a linear, algorithmic development line, but rather is more lateral and based on the situations/advice scenarios to which the junior adviser is exposed. Thus we believe that professional competence is best ascertained via requiring that the person demonstrate their skills against a defined set of tasks/advising scenarios, stepped up in levels of complexity. Because there would be a number of levels, it would by definition take time to determine if a candidate is competent to the level required, but if anything, we would suggest a minimum time parameter (e.g. no less than six months), not an outside limit at which it is assumed they must be competent.

#### 2.7.7 Vetting advice

We note the suggestion is for all advice to be vetted prior to provision unless it is oral, in which case it must be post-vetted.

We believe that this is impractical and will impose a substantial cost burden on a licensee, as effectively supervisors will be on-call for new advisers and thus unable to undertake many of their own revenue-earning activities,

particularly where things such as travel or external meetings are required.

This is particularly the case for AFMA's members, where the type of transaction-based advice is typically very time and market sensitive, and retail clients will not tolerate waiting if the market is moving. The reality is that AFMA members operate in global markets where other jurisdictions do not require such labour and time-intensive monitoring, and the inevitable cost-sharing with clients and inability to move as quickly may result in regulatory arbitrage.

Post-vetting of advice is problematic — in some instances, the damage could already be done and the client may have suffered some loss. Questions would then arise as to who is responsible for this loss, given the adviser is under supervision, and whether reparation is appropriate. Clearly, some form of internal coaching or performance management will need to take place if advice is found to be inadequate, but again, this comes at some considerable cost to firms that currently are able to outsource this training via undertaking reputable courses listed on the Training Register. The obvious person to undertake the coaching would be the supervisor, but again, this comes at some cost to the firm as it takes them away from their normal job.

Additionally, there is the issue of portability — when employees change employers, they will need some certification from their employer that they have partially completed or met their supervisory period requirements. We note that Section F of CP 153 appears to only address the adviser certification and leaves the impression this only includes the exam — but evidence of having met the supervisory requirements will also be required for portability purposes.

## 2.8 The knowledge update and review requirement

This element of the proposal is unclear and requires further scoping. At first glance, it seems to advocate something similar to an triennial online learning module, given it quotes the FINRA 'Regulatory Element' as an example of its desired aims (and this is an online training session).

As an industry body with its own professional education requirements, AFMA is well aware of the importance of maintaining and extending professional capabilities and has conducted much research into this area over the past two years as part of a project to update our professional development policy. However, our research into this area raises concerns with the proposed approach, as we do not believe it will achieve its desired aims of raising adviser standards.

### 2.8.1 Limitations of this approach

Our chief concern with the proposed knowledge update review is that by definition it will be very generic, as presumably everyone from the most

**2.8.1.1 Your minimum level of knowledge depends on your role**

junior salesperson to the managing director will sit the same course, and ASIC does not mention that it would be tailored to specific content areas.

Secondly, whilst we appreciate that it will be regularly updated and focus on new changes, we would still argue that individual firms are best placed to determine the relevant information based on their AFSL and specific product range. Secondly, individual firms can also ensure the training being offered is at the correct pitch. For example, the average Division Head no longer needs to know the granular details of how to open a new client account, but they will need to know their firm's broad requirements and management information systems for this obligation.

Determining what is the relevant content to include is difficult. For example, under the current model, topics such as contract law would typically be excluded as they do not fit the focus on regulation/regulators — but for senior managers working in this space, a knowledge of what is required and to what they are exposed (as individuals and for their firm) when entering into contracts, which most do every day, is incredibly important. Whilst it could be argued that this sort of specific knowledge and training can be managed by the organisation outside the knowledge update review, it does serve to highlight that finding relevant, targeted and specific information on such a large scale is tremendously difficult, and while a one-size-fits-all approach has the advantage of practicality and cost-efficacy, the trade-off is generally that it ends up too generic and people are not having their specific needs or gaps targeted successfully and/or there is insufficient identification of the depth to which they need to know this material— which is what this component should set out to do. We note that the FINRA model is targeted only at the 'basic levels' of knowledge and understanding (see: <http://www.finra.org/web/groups/industry/@ip/@comp/@ced/documents/industry/p120307.pdf>). Arguably, if pre-existing knowledge is being reviewed and updated for someone with at least two years' industry experience, then the 'basic' level is already too low.

See the example of the Division Head quoted above: the FINRA suggestion in the 'Regulatory Element' is to test them on how to open a client account. In all likelihood, they will need to sit a refresher training session on how to do this every three years in order to 'pass' the knowledge update review. But this will not make them better at their job i.e. handle their clients as per their direct and appropriate obligations; arguably, if anything they will be prevented from learning something that really is imperative to meeting their job role's obligations because they are instead re-learning how to open a client account. Because this information will not be used for another three years, and isn't directly relevant to their role, it will be forgotten until the requirement to undertake the review arises again.

AFMA has experience of this, having recently moved away from purely

technical content-based CE policy in recognition that what was required often bore little relation to the training people needed, particularly once they had been in the industry for more than three years.

**2.8.1.2 Training needs evolve over time**

Briefly, our research found that industry participants' training needs broadly fall into three categories: technical, managerial or conceptual. These three areas have been identified as the three key skill areas for managers and professionals (Robert Katz, 1974).

Research demonstrates that the skills required by a professional change as their career develops, moving from a primary reliance on technical work skills at the beginning of their career to a greater reliance on both managerial skills (the ability to build cooperative effort in the teams and individuals they work with and lead) and conceptual skills (the ability to see the business as whole, recognise how the different functions depend on each other, and how changes in one part affect the others).

As the amount of training the individual requires in each of the three skills will vary, according to their job and seniority, AFMA has elected not to specify minimum hours for these categories. Figures 1 and 2 below set out sample skills allocations for training for client advisers with two and six years of work experience in the financial services industry respectively.

Figure 1: Sample skill training breakdown for an adviser with two years of work experience in financial services

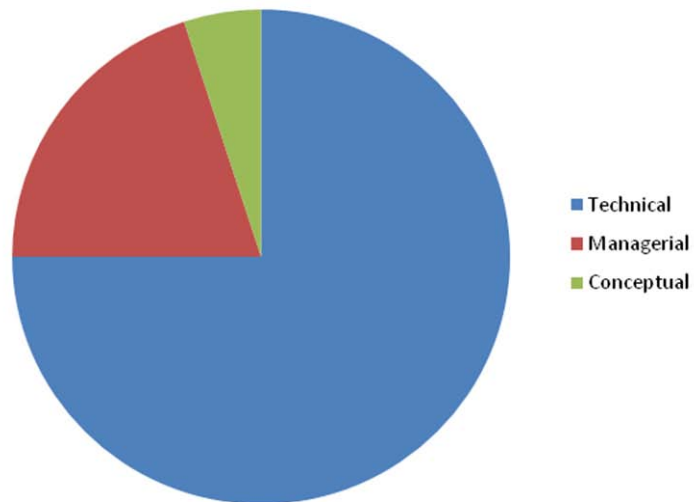
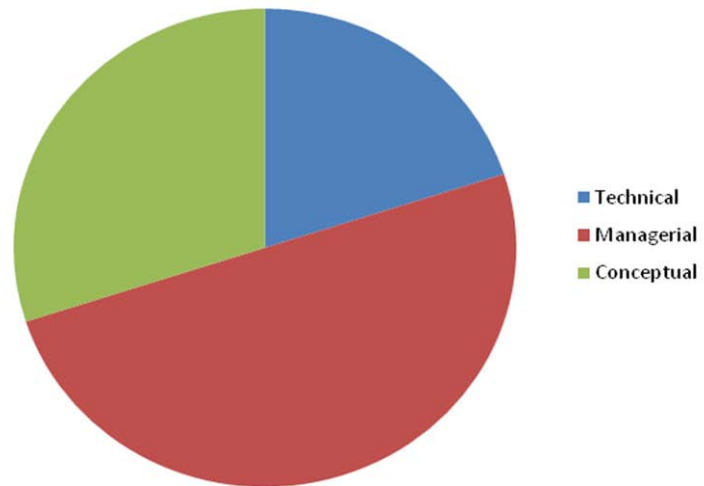


Figure 2: Sample skill training breakdown for an adviser with six years of work experience in financial services



The questions component of the Review, conducted by FINRA as a series of drag and drop activities, is also problematic for this reason. By standardising the assessment to such a low level (lower than the MQ in the initial exam), it provides no assurance that someone is meeting their requirements in the context of their role, and relevant to the way they specifically interact with their clients.

This brings to mind the fundamental question of what is professional development and its intention. Throughout the course of the review of our professional development guidelines, we have sought to establish best practice for continuing education. It soon became apparent during the academic research, benchmarking against similar or like industry associations and industry consultation that we undertook that knowledge-based guidelines/requirements soon become a compliance burden that bears little relation to what advisers need to know/be able to do. Building performance efficacy should not be assumed to be the logical consequence of undertaking a knowledge review; rather our evidence indicates that the two rapidly become unaligned the more experienced/senior a person is.

**2.8.1.3 Who decides the content?**

Another issue is the difficulty of ensuring the knowledge update review accurately reflects current industry practice. This can be particularly problematic when working with voluntary industry taskforces, as our experience has shown (AFMA sometimes uses this model when developing new course materials/assessment). The risk is that of ending up with a ‘supply-driven’ approach to content that reflects what is easily accessible and known to the content advisory team — but it risks becoming self-referencing and consequently disengaged from what the broader industry does. We strongly suggest that ‘seats’ on the industry committees are regularly rotated, and members are thoroughly briefed and trained on the outcomes desired by the review. We also urge that each committee have representatives from a broad cross-section of industry participants by size, experience and business model, to ensure any review adequately reflects market reality. The

alternative is that people learn material not relevant to them then promptly forget it the next day because they have no need of it.

#### ***2.8.1.4 Limitations of online courseware***

Our research indicates that online training is highly disparaged by most of the people undertaking it. Whilst it has the clear advantage of being scalable and can be completed at any time and in any location, these same features that make it attractive from an administrative perspective also result in widespread employee resentment i.e. it is too generic, too passive (little interactivity, mostly just text on a screen, a few drag and drop activities) and they rarely leave their workstations to complete it, hence they are distracted by other work tasks and rarely pay it full attention. Most feel it takes longer to complete than it actually does for this reason. The more experienced the practitioner, the more strongly they feel this — the content is generally regarded as being much too low level.

This standardised approach means that most employees struggle to apply the theory to their own workplace contexts i.e. they complete the training still under-educated on whether they need to change their personal practice. They only know they ‘must’ know it.

Further, computer-based training using multiple-choice quizzes to test knowledge are notoriously poor at teasing out the complexities of an ethics-based situation, or synthesising multiple concepts — and very few major ethics breaches to date have been black and white, single issues requiring the selection of a single response.

#### ***2.8.1.5 Expertise reversal***

Finally, before embarking on this strategy, we urge further investigation be undertaken into known phenomenon of ‘expertise reversal’ – by repeatedly training senior people on the 101s, you effectively ‘dumb them down’ by filling their brains with simplistic, irrelevant information that they struggle to retain in long-term memory as it is not used in their day-to-day jobs. This comes at the expense of having them focus on problem-solving in areas they will need expertise in (see the work of Professor John Sweller and also Dr. Slava Kalyuga, UNSW as an example of the quantitative academic research in this area). The effect is to reverse the expertise they do have i.e. they end up knowing less than they did to begin with.

#### ***2.8.1.6 Cost implications***

We also note that attempting to overcome this genericising of content to make it relevant would be tremendously difficult and expensive, and it would be problematic to only have a single firm provide access to it, as their profit model would demand full cost recovery for the ongoing content development costs, especially if it was streamed into different topic areas and pitched at different levels, as it would need to be to have hope of achieving its stated aims. The final cost to firms needing to put staff through it (or to individuals, whoever bears it) would be extremely expensive and burdensome for little

apparent gain, as demonstrated by the issues above. As a proposal, we consider it counter-productive to its stated aims. Instead, we advocate the emphasis remain upon industry-based continuing education requirements only, for reasons we will discuss following.

## 2.8.2 CPD requirements

The second aspect of FINRA's guidelines is, of course, the Firm Element, and we believe this is a strong and useful requirement. It specifies that each firm must establish a formal training program annually for each of those staff providing advice to retail clients to keep them up-to-date on job- and product-related subjects. Firms must devise these training plans having considered their size, structure, scope of business and regulatory concerns. Each firm must administer its Firm Element Continuing Education Program in accordance with its annual needs analysis and written training plan, and must maintain records documenting the content of the program and completion of the program.

This broadly reflects what most of AFMA's members already do, and the way we believe CPD should be managed. However, a substantial body of academic research has indicated that the most valuable training often occurs on the job, so we would urge the basic assumption that all training has to arrive externally via a training program (either online or face-to-face) be questioned. What matters most is that it is tailored, current, relevant and specific — and documented. Sitting refreshers or repeats is of little use, as they are too generic and people generally forget them within a week because of their limited relevance. However, specific, targeted training has high retention success because it is quickly integrated into a person's professional practice.

## 2.9 Centralised records of adviser certification

AFMA has no feedback on the proposals relating to adviser certification records from a professional competence assessment perspective, other than those relating to portability when employees move on, as raised in section 2.7.7.

## 2.10 Transition period adequacy

AFMA believes that the transition period suggested is ambitious, and our experience in syllabus and assessment development as well as devising robust frameworks for supervision/skills assessments indicate that it is more realistically achieved within a three-year period.

The first year should be spent on devising a syllabus and confirming/ratifying the professional competencies identified by the CTA and industry advisory boards.

The second year will need to be spent on exam development, particularly if the plan is to develop as many modules as listed.

The third and final will be allocated to devising frameworks for supervision,

adviser certification recording, and the vast amount of change communications that will need to be done to explain and implement the new system, devise FAQs, road shows, etc.

## Appendix: Member feedback on specific questions

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<p><b>C1</b> We propose requiring any individual who provides personal or general advice to retail clients on Tier 1 products to pass a national exam. This recognises the additional protections that are required when advice is provided to retail clients.</p>	<p><b>C1Q1</b> Do you agree that a national exam is an objective and efficient method of ensuring all advisers have the requisite competence to perform their duties (assuming examinations would be tailored specifically to occupations in the industry—for example, financial planners, stockbrokers and insurance brokers)? If not, are there any alternative methods of assessment that could be used to assess advisers' competence that would help to ensure advisers are adequately trained?</p>	<p>If the national exam is to be introduced, it could assist in providing an objective and efficient method of ensuring advisers competence. However, more information is needed about the content of the proposed exams and whether the current requirements under RG146 would remain.</p> <p>There should be sufficient flexibility to deliver training tailored to the needs of each licensee.</p> <p>It is not clear if the scope of this CP extends to exclusions contemplated in RG146, at 146.20 for preparation of advertisements, and at 146.21 in relation to provision of advice to wholesale clients.</p>	<p>Section 2.2—2.6</p>
	<p><b>C1Q2</b> Do you think advisers who only give advice to wholesale clients should also be required to sit an exam? (If so, we would conduct further consultation.)</p>	<p>There is no clear basis or rationale to require advisers giving advice to wholesale clients to sit the exam. The licensee should determine what training is required, having regard to the type of product, client and the nature of the advice provided.</p>	<p>Section 1.2</p>
	<p><b>C1Q3</b> What impact will the proposal have on the current training industry?</p>	<p>Will have an impact as there are currently a number of different training providers offering a variety of RG146 accredited training courses.</p>	<p>-</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	<p><b>C1Q4</b> Do you think advisers should still be required to complete courses on the ASIC Training Register if they are also required to complete an exam?</p>	<p>There is insufficient information about the content of the exam to be able to form a conclusion about what type of courses or training an adviser would need to undertake, in conjunction with their workplace learning, to successfully pass the exam.</p>	<p>-</p>
	<p><b>C1Q5</b> For advisers who only provide general advice to retail clients on Tier 1 products, do you think there are scenarios where an adviser should not be subject to an exam?</p>	<p>One option to consider is separate exam requirements for those providing general and personal advice, that reflects the different skill and knowledge levels required.</p> <p>There are circumstances where the national exam requirements need not apply, such as where an individual may be regarded as giving general advice, however that general advice is limited to providing scripted information about their own product, and the person providing the advice does not deviate from the script or provide any additional information/answer questions that are beyond the scope of the script.</p> <p>As the scope of who are advisors is very broad, it may be appropriate for advisors who provide general advice only in relation to their own product not to complete the exam, but for the licensee to determine what training is required in this regard.</p>	<p>Section 1.3</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	<p><b>C1Q6</b> What costs would you expect to be involved in the setup and administration of a national exam? What costs would you expect to be incurred by industry (both advisers and licensees) in being required to sit such an exam?</p>	<p>Would expect to see anticipated costs presented by ASIC as there will be costs to industry in requiring advisers to sit exams.</p> <p>It is difficult to estimate the costs without more information about the style and content of the exam. Industry costs would be monetary as well as time and resources and would include:</p> <ul style="list-style-type: none"> <li>(a) Monetary cost of the actual exam;</li> <li>(b) Impact on the lead time to start new advisers therefore a loss of productivity;</li> <li>(c) Study time and time to take the exam</li> <li>(d) Additional costs associated with the supervision requirement.</li> </ul>	Section 2.4
<p><b>C2</b> We propose using a module-based approach to structuring the exam, with modules principally targeted at an adviser's authorisations. A compulsory core module could be prescribed, while other modules could be used to demonstrate competence for relevant authorisations.</p>	<p><b>C2Q1</b> Do you agree that an exam should assess a person according to the authorisation they wish to obtain?</p>	Yes.	Section 2.5

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	<p><b>C2Q2</b> Do you agree there should be a core module for all financial advisers that includes the economic and regulatory environment and ethics? What else should be included in a core module?</p>	<p>Yes.</p>	<p>Section 2.6</p>
	<p><b>C2Q3</b> What would your preferred method of examining advisers be? For example:</p> <p>(a) multiple examinations (with or without a core module) at different times depending on the authorisation the person wishes to obtain; or</p> <p>(b) a single examination (with or without a core module) that includes all modules and the person undertakes only those modules relevant to their authorisation.</p>	<p>There is no clear preference among members but one exam would reduce disruption to work commitments.</p>	<p>Section 2.6</p>
	<p><b>C2Q4</b> If a module-based examination system is used (i.e. using examples in paragraph 60 of this paper), what is your percentage estimate of advisers in the industry that would be subject to:</p> <p>(a) one module;</p> <p>(b) between two and four modules; or</p> <p>(c) more than four modules?</p>	<p>Difficult to answer as members have different types of business models.</p>	<p>-</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	<b>C2Q5</b> Please provide details of any further modules you believe advisers should be certified for.		-
	<b>C2Q6</b> What costs would you expect to be involved in the creation of an appropriate multi-module examination, including the development and upkeep of an appropriately sized question bank?	It is not clear who will bear these costs.	Section 2.4
<b>C3</b> We propose either a pass/fail grade or a graduated result (pass, credit, distinction) be awarded to people who sit the exam. Advisers would be required to only re-sit those modules that they fail until they pass every module to attain the relevant authorisation.	<b>C3Q1</b> Do you agree that a pass/fail grade or a graduated result (e.g. pass, credit, distinction) is an appropriate result for each module of the exam? If so, which is the preferred grading method?	There is no clear preference among members.	-
	<b>C3Q2</b> Do you agree a person should only be required to re-sit those modules that they fail?	Yes, and within a specified timeframe from the failure.	-
<b>C4</b> We propose that advisers who are unable to sit or pass an exam due to extenuating circumstances be able to undertake an alternative method of assessment.	<b>C4Q1</b> In what circumstances should a person be entitled to undertake an alternative to the exam?	Limited circumstances such as ill health or disability.	-

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	C4Q2 What alternative methods should be made available? Who would be in the best position to offer these alternative arrangements?		-
C5 We propose using exam committees to develop the pool of questions for the exam. The exam committees could comprise education and competence experts, industry representatives, exam experts, education providers and members of the Advisory Panel on Standards and Ethics.	C5Q1 Do you agree that exam committees would be well placed to develop the pool of questions for the exam on an ongoing basis?	Yes.	Section 2.4
	C5Q2 If so, who do you think should be represented on the exam committees?	Industry representatives, as well as academics, industry professionals such as advisers and compliance personnel, educationalists.	Section 2.4
	C5Q3 What level of interest would there be from industry experts to sit on the exam committees on a voluntary basis?	This will vary between organisations, but it is likely there will be more interest if there is confidence that the framework is achieving its objectives.	Section 2.4

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<p><b>C6</b> We propose outsourcing the administration of the exam through a tender process, but would ensure the administrators of the exam work in consultation with the exam committees, the Advisory Panel on Standards and Ethics and us.</p>	<p><b>C6Q1</b> What type of organisation do you think would be best placed to administer the exam?</p>	<p>Agree with tender process, but the administration of the exam should not be a significant profit-making exercise.</p>	<p>Section 2.4</p>
<p><b>C7</b> We propose leaving who pays the cost of an exam to the discretion of individual advisers, authorised representatives and/or the AFS licensee.</p>	<p><b>C7Q1</b> Do you agree with this proposal?</p>	<p>Yes.</p>	<p>-</p>
<p><b>C8</b> We propose that all advisers, whether new or existing, be required to pass the exam to improve trust and confidence and the professionalism of the whole industry.</p>	<p><b>C8Q1</b> Do you agree that all advisers (whether new or existing) should be required to pass the adviser certification? If not, what other options are there to ensure existing advisers are competent to provide advice at the requisite standard?</p>	<p>ASIC should give further consideration to grandfathering for existing advisers who already hold the RG146 accreditations, given the level of disruption for industry that will otherwise occur from requiring all advisers to sit the exam. Alternatively, ASIC could consider a staged process of requiring only new advisers to sit the national exam in the initial stage.</p> <p>Existing advisors who provide general advice only in relation to their own product (as issuer), and have already met the training requirements under RG146, need not complete the certification. It may be appropriate</p>	<p>-</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
		<p>that they complete either CPD or the knowledge update review.</p> <p>Advisers providing advice to wholesale clients should be excluded from the requirements.</p>	
<p><b>D1</b> We propose including a mandatory monitoring and supervision period that is managed predominantly by industry.</p>	<p><b>D1Q1</b> Do you agree that a monitoring and supervision period would be useful for improving the skills and ethical decision making of advisers?</p>	<p>AFMA understands the principle. However, Section D on monitoring and supervision is quite specific. Less specific requirements – i.e. a requirement to supervise and monitor as appropriate to an organisation – would be more appropriate. To meet the expectations as they are set out in Section D would require full-time supervisors to be appointed to meet the supervisory requirements of vetting all written and oral advice.</p> <p>A 12 month supervision period seems overly long. A 6 month period may be more workable, on the basis that a licensee has the discretion to implement a longer supervision period, or other arrangements as it thinks necessary. This is consistent with a licensee's obligations under the Act.</p>	<p>Section 2.7.5</p>
	<p><b>D1Q2</b> Do you agree that the monitoring and supervision period should be managed predominantly by industry? Why?</p>	<p>Yes, including that the licensee has the discretion to decide the type of supervisory arrangements that will apply.</p>	<p>Section 2.7.1</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
	<b>D1Q3</b> What is the estimated cost of supervision per adviser, including the supervisor's time away from productive work?	This is largely dependent on the extent and scope of the supervision and the timeframe.  The experience of some members suggests that a supervisor would need to spend a minimum of 10% of their time on supervisory functions.	Section 2.7.5
	<b>D1Q4</b> What arrangements would you suggest (e.g. in extremely small licensees or isolated offices) to cater for when a supervisor may not be available at all times?		-
<b>D2</b> We propose a monitoring and supervision period of 12 months full-time or equivalent to be completed after adviser certification.	<b>D2Q1</b> Do you agree that a 12-month (full-time or equivalent) monitoring and supervision period is reasonable? Why or why not?	If this requirement is implemented, 6 months will be sufficient.	Section 2.7.7
	<b>D2Q2</b> Do you agree that new advisers should only start their monitoring and supervision period after having passed all relevant adviser certification modules? If not, do you think advisers should be able to count any practical experience (e.g. internships) undertaken during their studies, but before completing the exam, towards their monitoring and supervision period?	Relevant experience should be counted towards the required period.	-

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<p><b>D3</b> We propose requiring a supervisor to have at least five years relevant experience before supervising a new entrant.</p>	<p><b>D3Q1</b> Do you think a supervisor should have at least five years experience in the provision of financial services? What other requirements could be imposed on a supervisor?</p>	<p>A supervisor should be sufficiently experienced in financial services. 5 years is an arbitrary time frame. More relevant factors might include the track record and performance of the supervisor as an adviser. Licensees are in the best position to decide who will be appointed as a supervisor.</p>	<p>Section 2.7.3</p>
	<p><b>D3Q2</b> What should be the maximum number of advisers a supervisor could supervise at any given time? Should there be any maximum limit or should this be left to the individual licensee?</p>	<p>This should be left to a licensee to determine.</p>	<p>-</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<p><b>D4</b> We propose that during the monitoring and supervision period, new advisers would be authorised to provide financial services subject to the following conditions:</p> <p>(a) all written advice must be vetted and signed off by the supervisor before the advice is given to the client; and</p> <p>(b) all time-critical or oral advice must be vetted and signed off by the supervisor within a 48-hour period from the advice being given.</p>	<p><b>D4Q1</b> Do you agree that a supervisor should review and sign off all advice provided by a new adviser (i.e. SOA) before it is given to a client?</p>	<p>This is not necessary in relation to general advice.</p>	<p>Section 2.7.8</p>
	<p><b>D4Q2</b> Do you agree oral advice should be post-vetted? If not, what other ways could oral advice be vetted?</p>	<p>This is not necessary in relation to general advice.</p> <p>It is not clear how this requirement would work in practice.</p>	<p>Section 2.7.8</p>
	<p><b>D4Q3</b> What consequences should apply if post-vetted advice is found to be inadequate?</p>	<p>There need not be any consequences provided the "inadequate" advice is amended as soon as possible and the client is satisfied with the situation.</p>	<p>-</p>
	<p><b>D4Q4</b> What costs would pre-vetting of advice likely impose on industry?</p>		<p>Section 2.7.8</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<b>E1</b> We propose requiring a knowledge update review to improve advisers' knowledge and the quality of advice.	<b>E1Q1</b> Do you agree that a knowledge update review would improve advisers' knowledge and therefore improve the quality of their services?	It could help improve an adviser's knowledge but it does not automatically follow that the quality of service will improve.	Section 2.8.1
	<b>E1Q2</b> Based on the above model, what costs would you expect to be incurred in developing the training material and questions for the knowledge update review? What costs would likely be incurred by industry in having advisers sit the review?	It is difficult to estimate the costs without more information about the style and content of the review. Industry costs would be monetary as well as time and resources and would include: (a) Monetary cost of the actual review; (b) Preparation time and time to undertake the review.	Section 2.8.1.3-6
<b>E2</b> We propose using the knowledge update review to complement CPD.	<b>E2Q1</b> Do you agree with the need for both CPD and knowledge update review requirements? If not, which do you think would be a more effective way of ensuring advisers keep updating their knowledge of changes to the regulatory environment and financial products and markets?	There is no clear preference among members and organisations have different approaches to the amount of CPD and training they require their employees/representatives to undertake. One suggestion is that in years where the knowledge update review is undertaken, this could count as some of the required CPD for that year.	Section 2.8.1— 2.8.2

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<p><b>E3</b> We propose running the knowledge update review as an online, computer-based training session that needs to be completed within the first two years of passing the adviser certification exam, and then every three years thereafter.</p>	<p><b>E3Q1</b> Do you agree that a triennial requirement is a reasonable period of time after which advisers should undertake a knowledge update review? If not, what would be a suitable timeframe?</p>	<p>Every three years is acceptable if this would provide some required CPD for that year.</p>	<p>-</p>
<p><b>E4</b> We propose using the knowledge update review to focus on changes to the regulatory environment and the market, and include a component on ethics.</p>	<p><b>E4Q1</b> Do you agree that a knowledge update review should be limited to changes to the regulatory environment, the market and ethics? If not, what else do you think should be included?</p>	<p>Suggested additional topics include product/new product knowledge and business environment changes.</p>	<p>Section 2.8.1.2</p>
<p><b>E5</b> We propose that there would be consequences for advisers who fail to complete the review within the requisite period of time. The result would be intended to assist the adviser in identifying areas where they should undertake CPD to improve their knowledge.</p>	<p><b>E5Q1</b> Do you agree that there should be consequences for failing to complete the knowledge update review? Do you agree with options (a) and/or (b) in paragraph 92? What other consequences (if any) should there be for a person who does not complete the review?</p>	<p>There should be some consequences for not completing the knowledge update review, otherwise the framework loses validity. It should be left to the licensee to decide what action to take.</p>	<p>-</p>

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<b>E6</b> We propose that the knowledge update review be developed by the same committees that prepare questions for the adviser certification exam.	<b>E6Q1</b> Do you agree that the same committees should be used to prepare the questions and case studies for the knowledge update review?	Yes.	Section 2.8.1.3
<b>E7</b> We propose that the knowledge update review be computer-based and testing centres be used to administer the programs.	<b>E7Q1</b> Do you agree that independent testing centres should administer the knowledge update review?	No clear preference among members.	-
	<b>E7Q2</b> Which organisation should administer the knowledge update review?		-
<b>E8</b> We propose leaving who pays the cost of the knowledge update review to the discretion of individual advisers, authorised representatives and/or the licensee.	<b>E8Q1</b> Do you agree with this proposal?	Yes.	-

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<b>E9</b> We propose retaining CPD requirements as part of the assessment and professional development framework for financial advisers, as well as the proposed knowledge update review.	<b>E9Q1</b> Do you agree that CPD is a useful mechanism for helping financial advisers maintain the competence to provide financial services?	Yes.	Section 2.8.2
	<b>E9Q2</b> Do you agree that CPD should continue to be managed by industry? If not, who should manage CPD?	Yes, but there needs to be clarity about how CPD fits with the assessment framework.	Section 2.8.2
	<b>E9Q3</b> Do you think ASIC should provide any further guidance concerning CPD requirements? If so, what additional guidance is needed?	See E9Q2.	Section 2.8.2
<b>F1</b> We propose to record all adviser certification and knowledge update review results in Australia. We propose that the adviser certification exam provider would collate these results and forward them to ASIC.	<b>F1Q1</b> Do you agree that the adviser certification and knowledge update review results should be recorded? If not, why not?	Yes, it would be useful to have a central registry of accreditation and exams.	Section 2.9

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<b>F2</b> We propose that these records would be accessible to AFS licensees to check the certification status of advisers.	<b>F2Q1</b> Do you agree with this proposal?	Yes.	-
	<b>F2Q2</b> Who else should be allowed access to these records (e.g. members of the public or other licensees) to allow for reference checking of new advisers?	Members of the public and licensees.	-
	<b>F2Q3</b> If records were not accessible, how would you propose that interested parties check the certification status of an adviser?	A certificate could be provided to the advisor once completed and this can be provided to interested parties on request. Alternatively independent checks could be made with the exam provider.	-
	<b>F2Q4</b> What costs would you expect in regards to the operation of a central training register? Would you expect any cost savings as a result of having a central point for certification checking?	Ideally access to records should not incur a fee. There would be cost savings as well as expediency in having a centralised register.	-
	<b>F2Q5</b> Should the record holder be permitted to charge a fee for access to information on the record?	Only if there were specific costs to the record holder associated with access to the information.	-

ASIC proposal	Question	Comments	AFMA submission section reference (where appropriate)
<b>G1</b> We propose using the transition period schedule set out in Table 2 (see below).	<b>G1Q1</b> Do you agree with the proposed transition period? If not, do you think it should be longer or shorter?	Seems reasonable for new advisers, but greater clarity is needed about application of the framework to existing advisers, and in relation to the monitoring and supervision requirements. ASIC could consider a staged approach as suggested above for new and existing advisers.	Section 2.10
	<b>G1Q2</b> Do you think a 1 July 2012 start date is reasonable?	Members have different views about the reasonability of the proposed start date.	Section 2.10