



29 June 2018

Financial Adviser Standards and Ethics Authority

By email: consultation@fasea.gov.au

**Financial Adviser Standards and Ethics Authority
Proposed Guidance on Education Pathways for Existing Advisers**

Thank you for the opportunity to provide comments on the proposed guidance on education pathways for existing advisers.

The Australian Financial Markets Association (AFMA) is a member-driven and policy-focused industry body that represents participants in Australia's financial markets and providers of wholesale banking services. AFMA's membership reflects the spectrum of industry participants including banks, stockbrokers, dealers, market makers, market infrastructure providers and treasury corporations.

AFMA promotes the conditions that enable financial markets to enhance Australia's economic performance by:

- advocating policies and regulation that support development of the financial markets and user confidence in them;
- encouraging responsible conduct and efficient markets through industry codes, conventions, guides and preparing and maintaining standard documentation; and
- promoting high professional standards through education and accreditation programs.

For this last purpose, AFMA is also a Registered Training Organisation, regulated by the Australian Skills Quality Authority.

A number of AFMA members provide financial services to retail clients and their financial service providers are required to meet the FASEA requirements under the professional standards for financial advisers' regime. In particular, our comments reflect the views of our members who provide financial services related to financial markets, including but not limited to advice on exchange traded financial products, and other products including foreign exchange derivatives.

We make the following comments in relation to the proposed education pathways.

1. Pathways should recognise different specialisations and advice activities

While it is the case that a number of AFMA members are licensees who provide a full range of financial services to retail customers, a number of our members employ or otherwise authorise providers who provide advice only on a specific set of financial products. This set of products can be quite narrow and may be limited, for example, to financial products able to be traded on a licensed financial market, or even further limited to exchange traded equities or other single product classes. It can be the case that these providers are not authorised by the licensee to provide any other type of advice, and do not hold themselves out to customers as having the capacity or expertise to provide other types of financial services, including advice on other areas.

For ease, we will refer to these advisers as “financial market advisers”. These advisers are distinct from other types of advisers who engage in activities related to financial planning, strategic planning, wealth management or advice on superannuation arrangements and products, or taxation matters. These latter categories of advisers may be able to advise on a range of strategies and products, taking into account the client’s particular circumstances and needs, and the outcome that the client hopes to achieve (whatever that might happen to be). A financial market product adviser gives advice related to the acquisition or disposal of financial market products. Accordingly, their qualifications, skill set and competency should be relevant to that activity.

AFMA has been actively involved in the development of this regime since 2014 when the Government established a working group to progress options to enhance professional standards in the financial advice sector. The working group assisted in the development of the professional standards framework for financial advisers, which culminated in the implementation by the Government of the statutory regime including the establishment of FASEA as the standards body.

AFMA has always been supportive of the Government’s objectives to raise standards in the sector and to require minimum standards of education and qualifications that apply across the industry for all advisers. However, we do not believe it was the Government’s intention to require advisers to attain a level of more specialised education and qualifications that are not relevant to that adviser’s role or advice activities. The working group’s conceptual approach was based upon minimum standards that would apply across the board, together with more specialised streams that an adviser would undertake depending on their role, and any future employment prospects or changes in career for which advisers wish to prepare themselves.

AFMA understands that FASEA held various consultation forums in May of this year. AFMA was not invited to any of those forums but anecdotally we understand some of the feedback is that FASEA is of the view that all advisers, including those who advise in a single product area or a narrow product range, should potentially be required to study the same syllabus as that for financial planners who provide holistic advice services.

AFMA does not support this approach, and as noted above, we do not believe that this was the Government’s intended outcome.

AFMA strongly urges FASEA to adopt a model that sets a minimum (but still appropriately high) standard of qualifications and competency across the sector, but allows for appropriate streaming and specialisation in addition to the minimum standards that are common to all. To do otherwise will risk undermining the objectives of the professional standards regime, and will impose unnecessary cost and burden on licensees and advisers to obtain qualifications that they do not require.

2. Generalist qualifications

It would be helpful if FASEA provides detailed guidance to licensees about how to assess qualifications that do not specify the major or specialisation. Licensees will need to attest to ASIC that their representatives have met the education standards and bear the risk of providing incorrect information to the regulator.

Recognition of learning programs that have relevant content at AQF7 level, even if it is not delivered by a higher education body - for example the Financial Planning Association's certified financial planner program, or the Chartered Accountants Australian and New Zealand program - should be recognised for existing advisers and individuals who wish to change careers.

Individuals with experience in a related industry – for example accounting or paraplanning - should be able to move into a financial planning role by completing a graduate diploma. Existing relevant education should be eligible for recognition of prior learning.

3. Recognition of prior learning

We note that recognition of prior learning (RPL) will most likely be available and may apply to professional designation programs, education and experience. We support the recognition of prior learning but would encourage a consistent approach led by FASEA that standardises the assessment of RPL, rather than leaving it to individual institutions, with the attendant risk of different outcomes and financial incentives for the universities. At the very least, FASEA should provide guidance to higher education providers to ensure a consistent approach is applied for RPL.

We note that FASEA has used the FPEC Approved Degree List as a starting point for qualifications that meet the qualification requirements specifically in the area of financial planning. We suggest expansion of the list of approved degrees to cover all related degrees at all Australian universities, including business and commerce degrees. Assessing RPL against this framework would provide for a common approach, although some flexibility is desirable to accommodate qualifications regardless of the year of completion (unlike at present where FPEC accreditation applies only to certain years) and a broader set of education providers.

4. Existing adviser pathway - no degree

FASEA proposes completion of an eight subject graduate diploma with access to RPL.

We suggest that the pathway should be an approved degree OR a graduate diploma OR a Masters.

5. Existing adviser pathway - unrelated degrees

FASEA proposes completion of an eight subject graduate diploma with increased access to RPL.

We suggest that the education required should be 'Approved Graduate Diploma **or higher**'. Certified financial planner and similar study programs should be recognised as providing credits for graduate diplomas.

6. Existing adviser pathway - related degree

FASEA proposes completion of a three subject bridging course. A 'related degree' is defined on the basis of a degree with a major or specialisation in accounting, finance, financial planning/ advice/services, economics, law or tax. No provision for RPL is proposed for any of the bridging courses.

Both business and commerce are omitted from the above list of disciplines as a major/specialisation that can be identified as 'related qualifications', although they are referred to in proposed guidelines so their treatment is uncertain.

Omitting business and commerce for the purposes of related qualifications is likely to rule out a significant percentage of financial advisers with a commerce or business degree or similar postgraduate qualifications from the definition of 'related qualification', in our view without good reason.

We understand that for both business and commerce degrees there are broadly similar sets of mandatory subjects that form the underlying core subjects of the degrees, with additional subjects being chosen by the student to major in a specialisation. In a majority of business/commerce degrees, the specialisation can often be chosen by completing 4-6 subjects out of a 24 subject course – that is, the specialisation is not the majority of the total degree workload. In effect, a student may have completed up to 16 common core subjects of a 24 subject business or commerce degree, and for all intents and purposes has studied a similar amount of 'related degree' content as another student who has specialised in one of the listed majors/specialisations. This may lead to unintended consequences for students who have completed a business or commerce related degree, but have specialised in an area that is not listed on the related qualification list, being treated for FASEA's purposes as not meeting the definition of a 'related degree'.

Additionally, given that the regime will encompass advisers that provide financial services to retail clients related to financial markets, including but not limited to advice on exchange traded financial products and other products including foreign exchange, we would welcome recognition of additional majors/specialisations that reflect a financial markets component – for example, financial engineering or applied finance.

7. Existing adviser pathway – approved FPEC qualification

As noted in the above comments, financial markets advisers are not financial planners – that is, they do not create financial plans for clients – and do not intend to do so. While the use of the FPEC qualifications may be suitable for financial planners, it potentially discriminates against other advisers who provide specialist advice on relevant financial products.

Without recognition of other degrees outside of those that are approved qualifications as set out by FPEC, there is a risk that financial markets advisers will not be able to provide personal advice to retail clients on financial markets products, which will potentially lead to a reduction in the provision of advice in this area.

We strongly urge FASEA to consult further with providers of specialist advice in relation to approved qualifications.

8. FPEC/FASEA list of approved courses

Many of the courses on the FPEC list of approved courses are only valid for individuals who enrol prior to 31 December 2018.

We suggest that FASEA should take over responsibility for the approved list before the end of the year. It is important that licensees have certainty that courses will be accredited beyond 2018, as they make decisions about which education providers to engage on behalf of their advisers.

9. Ethics training

It is not yet clear from the consultation paper what FASEA's expectations are in relation to ethics training.

There are differing views as to whether the ethics component should be treated as a standalone course – particularly given the proposed 120 hours of content on ethics, or whether it should be embedded in the broader curriculum. We encourage FASEA to give further consideration to the best structure to achieve the overall aims of the framework.


We take this opportunity to draw to FASEA's attention the PwC Skills for Australia – [Business Ethics and Conduct Skills Set](#). PwC Skills for Australia is a skills service organisation contracted by the Federal Government to engage with industry to determine the knowledge and skills needed in particular vocations, and are charged with implementing government policy to actively engage with industry to ensure that all vocational qualifications reflect industry needs.

In 2017, AFMA worked with PwC Skills for Australia to develop an ethics and conduct skills set, which outlines the skills and knowledge required to apply ethical decision making frameworks to workplace situations and to speak up when faced with ethical issues. The business ethics and conduct skills set, which was endorsed by the Australian Industry Skills Committee (AISC) in December 2017, will

effectively become the VET sector standard for ethics and conduct education in the finance industry. The competencies are based on work undertaken by an AFMA working group, and their efforts have resulted in the first nationally recognised standards for ethics training in Australia.

Please contact me on 02 9776 7997 or tlyons@afma.com.au if you have any queries about this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tracey Lyons', written in a cursive style.

Tracey Lyons
Head of Policy