



The professional
excellence pathway

3 February 2022

FINSIA SUBMISSION ON EDUCATION STANDARDS FOR FINANCIAL ADVISERS

Introduction

FINSIA (the Financial Services Institute of Australasia), welcomes the opportunity to make a submission to the Treasury's consideration of Education Standards for Financial Advisers.

FINSIA's purpose is to deepen trust in financial services by raising standards of professionalism. It is a not-for-profit professional membership body for individuals working across the full spectrum of financial services industry in Australia, including the financial advice industry.

As a connector between finance professionals and industry, FINSIA is keen to support the industry's commitment to earn back trust and create an enduring customer focussed culture.

FINSIA is grateful for the extension of time to lodge its submission until 3 February 2022.

Overview of response

FINSIA acknowledges the positive intentions behind the proposals. However its overarching concern is that, having progressed to a situation where there is an expectation that financial advice is a profession for which proper qualifications are required, great care should be taken before making any retreat from this.

The impact of the proposal on industry and stakeholders, including the cost to business:

Subject to FINSIA's overarching concern, FINSIA acknowledges that provision needs to be made for good people with a long successful track record to enable them to stay in the industry, and not cause an exit of good advisers so depriving the community of a source of good and experienced advice.

finsia.com

Level 4
16 Spring Street
Sydney NSW 2000
Australia

T 61 2 9275 7900
T 1300 346 742
F 61 2 9275 7999
membership@finsia.com

PO Box H99
Australia Square
NSW 1215
Australia

ABN 96 066 027 389

Whether the proposal meets the policy objective of streamlining the education standard and whether the proposed approach appropriately recognises on-the-job experience while ensuring there is a base level of knowledge across the financial advice industry:

FINSIA suggests an extremely prescriptive approach will not work. The principles need to be broad. The onus should be placed on higher education providers to self-accredit their courses.

The onus should not be on individuals to self-assess as they are in a far less advantageous position to do so than providers.

The onus should not be on licensees. Licensees are not expert or skilled to do so. They also have a natural vested interest and may not be objective.

However while FINSIA acknowledges the positive intentions behind the proposals, we are concerned that 10 years' full time experience out of 12 years is too short, unnecessarily exclusionary and could easily be seen as a little too arbitrary.

As to length of experience, a planner who began in 2016, for example, has had no professional "lived" experience of the GFC, recession, rising interest rates or falling capital values. 20 years' experience would facilitate this lived experience and FINSIA suggests that 20 years should ideally be required.

However, those who have had parenting or other care responsibilities should not be unfairly disadvantaged or discriminated against. Those with this broader life experience should be positively encouraged to stay in the profession and 10 years full time out of 12 years overall experience would not facilitate this. FINSIA is concerned that a requirement for "full-time" gives no credit for substantial experience that might be less than 5 days per week but where the adviser had an active and valuable role completing CPD and seeing clients. FINSIA acknowledges that striking an appropriate balance is not easy, but suggests that a reasonable balance would be reflected in a requirement of 15 years of substantial paid work in the industry out of 20 years.

It would also be fair to note that due to the historical development of the profession there can be a range of specialists in financial planning with very different backgrounds - such as insurance or stockbroking/investments. These are a great resource for the community and worth bearing in mind in considering appropriate policy settings.

FINSIA suggests the possible use of professional bodies to assess whether professional experience has yielded the required knowledge and experience, such as the kinds of approach FINSIA uses in its Chartered Banker by Experience program. Professional associations are more likely than any other body to apply a tough but fair real-world approach in doing so. FINSIA's Chartered Banker by Experience program uses three assessments to assess across a wide range of knowledge.

FINSIA suggests the experience pathway should cease or "sunset" 5 years from 2026 i.e. in 2031. Consideration could be given to what qualification should be required for those who have very substantial experience but do not meet the "sunset".

What would enable other education providers such as registered training organisations and professional associations to offer courses that meet the proposed education requirements at an AQF 7, 8 or 9 level:

FINSIA believes the onus should be placed on Higher Education Providers (HEPs) to self-accredit their courses and whom have experience in assessing and determining both curriculum and prior learning which must include specific financial planning competencies aligned to the global education standards for the industry, based upon the Financial Planning Standards Board.

There are many education providers already offering courses that meet the current National Financial Planning curriculum as established by FASEA, and which are in line with other professions (for example accounting).

FINSIA notes that issues may arise as to whether earlier courses which may no longer be offered have a sufficient standard. There seems to be no real option but to allow consideration of each of them on their merits.

Professional associations are also able to deliver programs that are equivalent for example to AQF 7, 8 or 9.

Whether the professional year standard (set out in the Corporations (Work and Training Professional Year Standard) Determination 2018) should be amended to require additional study at a Graduate Certificate or Diploma (AQF 8) level to complement the broadening of the relevant fields of study. These could be done in a specialised area of the licensee and new entrant's choosing, allowing the professional year candidate to develop a deeper knowledge alongside their practical training:

Professional qualifications should not be required as part of a Professional Year (PY). FINSIA believes the best practical outcome will be achieved by the PY focussing on job skills rather than academic ones. FINSIA is conscious that many PY candidates are already holding down their existing jobs and are coming to the PY with a Graduate Diploma of Financial Planning qualification already. The PY requires about 1500 hours or 32 hours per week. Even a Certificate level qualification would require about 400 hours on top of this as well as approx. \$12,000 costs incurred (i.e. \$,3000/unit and a Graduate Certificate of Financial Planning comprises 4 units of study). FINSIA believes the ability of PY candidates to meet an additional qualification and still maintain reasonable work life would be impossible, for little added value. The candidate can choose to gain such a qualification if they wish but should not be required to do so.

If a requirement for professional qualifications were included (so as to ensure for example specific financial planning competencies) FINSIA suggests there ought to be a proportionate reduction in other requirements of the Professional Year.

General comments:

FINSIA considers the requirement for advisers on the experience pathway to have a “clean record” prior to 1 January 2026, is capable and perhaps likely to work unfairly. It seems arbitrary that the same conduct before 1 January 2026 has calamitous consequences of driving the individual out of the profession, but if it occurred after that date, it may have no great consequence. FINSIA suggests that a discretion to factor in the nature of the action and sanction would lead to a fairer process for the individual and more productive outcome for the community.

Conclusion

FINSIA believes that striking the right balance in policy in this area is critical and one in which FINSIA can play an important role, and FINSIA supports the maintaining of the current higher education standards with the addition of greater flexibility of course design and in the awarding of recognition of prior learning (particularly as it relates to relevant work experience). Maintaining higher education standards is one of the key factors that will enhance the credibility of the financial advice sector and lead to higher consumer confidence and trust of the profession.

FINSIA’s Council, leadership team and members are eager to engage with Treasury’s consideration of these important issues and would be very pleased to meet to discuss them in further detail.



John Corcoran
Chair
Financial Advice & Services Council



Chris Whitehead
CEO & Managing Director