

From the Desk of Director Marija Pajeska



31 August 2018

Financial Adviser Standards and Ethics Authority

By email: consultation@fasea.gov.au

Response to FASEA Consultation – Continuing Professional Development

The Association of Securities and Derivatives Advisers of Australia (ASDAA) appreciates the opportunity to provide these comments to FASEA in respect of FASEA Consultation Paper – Continuing Professional Development.

ASDAA's members are comprised of individuals who are either directors or employees of firms which hold Australian Financial Services Licences (AFSLs).

We draw your attention to the Code of Ethics defined by FASEA, in particular,

Standard 10 Develop and maintain a high level of relevant knowledge and skills.

We note that Compliance Schemes have the duty to ensure compliance with the Code of Ethics.

The proposed guidance sets out what FASEA appears to deem as relevant knowledge and skills however does not seem to make any reference to Standard 10. We feel that if FASEA wants industry to take this guidance seriously and to ensure that the guidance is enforceable under the Code of Ethics it should make reference to Standard 10 of the Code of Ethics.

FASEA should also provide guidance on its expectations of Compliance Schemes to monitor and supervise compliance with Standard 10 of the Code of Ethics taking into consideration the guidance provided with regards to Continuing Professional Standards. What would be of great assistance is a reporting framework between the relevant provider and its Compliance Scheme. This would provide a mechanism for an AFS Licensee and/ or a regulator to verify a relevant provider's continued compliance with Standard 10.

We also have concerns regarding FASEA's guidance on Types of CPD, in particular the following comments:

Education that is measurable, appropriately assessed and leads to further qualification outcomes for participants is preferred as it more likely provide structured and independent results for the participant's work and training records.

The purpose of this guidance is Continuing Professional Development not accreditation. We understand that if a person is seeking accreditation to become a relevant provider, then education that is measurable, appropriately assessed and leads to further qualification outcomes if paramount.

However when discussing continuing professional development, education that is measureable, appropriately assessed and leads to further qualifications is not necessarily the best option or preferred method. The objective is to encourage relevant providers to complete continuing professional development and attendance of workshops, seminars or internal training sessions which do not have an assessment are sometimes the best forum to use as you can engage the attendees and clearly get the message across as attendees are more focused on the material being provided rather than completing an assessment.

We feel that FASEA is trying to take a one-size fits all approach to defining the minimum standard for the number of hours that should be completed by a financial adviser in relation to Continuing Professional Development. We do not agree that increasing the requirement for Continuing Professional Development to 50 hours is warranted. Instead we feel that taking a tailored approach to the number of hours required for Continuing Professional Development would serve the industry and clients better. We feel that 20 hours CPD is sufficient for advisers that provide personal advice in exchange traded financial products only, being the current industry standard, whilst 40 hours is sufficient for all other advisers.

Our specific comments to each of FASEA's proposals in the Consultation Paper are detailed in Annexure A of this letter.

ASDAA appreciates the opportunity to provide this Submission to ASIC on these significant proposals. We would be happy to discuss any issues arising from our submissions on this issue, or to provide any further material that may assist. Should you require any further information, please contact Brad Smoling, Director of Communications, on (07) 5532 3930 or email brad@asdaa.com.au.

Yours Sincerely

Marija Pajeska
Compliance Director

Annexure A: Response to FASEA Questions

S3 Responsibility for Continuous Professional Development

FASEA Proposes that the relevant provider develop and maintain a PDP on a continuing basis, completes at least 50 hours of CPD activity in each CPD Year, maintain a continuous up-to-date and accurate record of their CPD activities, and provide their records to the Licensee in order for them to meet their CPD requirements. See section 3 for more details.

ASIC Question		Response
S3.1	Do you agree with the proposed requirement for 50 hours of CPD per year, 70% of which should be approved by the licensee? If not, why not?	<p>We do not agree with the 50 hours of CPD per year. We feel that 20 hours CPD for advisers that provide personal advice in exchange traded financial products only, being the current industry standard is sufficient, whilst 40 hours is sufficient for all other advisers. This is consistent with the standards set within other professions (eg. a chartered accountant must meet a CPD requirement of 120 hours over the triennium, and a larger portion of the retail population relies on the tax advice provided to them by accountants than personal advice provided by financial advisers).</p> <p>We feel that as a transitional measure having the licensee approve 70% of the CPD completed by a relevant provider is acceptable however feel that to ensure the portability of the training completed by a relevant provider and to ensure that there is consistency across the industry the Compliance Schemes (which are responsible for ensuring compliance with the Code of Ethics) should maintain an approved list of providers and or courses that a relevant provider can complete in order to meet the CPD requirements.</p>
S3.2	Do you agree with the proposed Licensee approved CPD approach and the proposal for a published CPD policy? If not, why not?	<p>We refer to our response to S3.1 in regards to the proposed Licensee approved CPD approach.</p> <p>In relation to the proposal for a published CPD policy, FASEA needs to provide further guidance on what it means by published CPD policy. FASEA should instead consider using the wording a Board approved CPD policy or a CPD policy approved by Sole Director.</p> <p>Over the long term FASEA should consider the practical application of the law and the role of the Compliance Scheme to ensure compliance with the Code of Ethics and instead change the requirement or the Compliance Scheme to publish a CPD Policy on its website. This seem to be an industry standard and using the accounting profession as an example, Chartered Accountants publish their CPD requirements on their website.</p>
S3.3	Do you agree with the proposal to develop and maintain a Professional Development Plan? If not, why not?	We agree with this proposal.

S4 CPD Requirements

FASEA proposes that an Hour system for calculating CPD and that formal education will contribute to the CPD requirement. FASEA also provides a framework for different categories of learning and the rules for accrual of hours for each category. FASEA will provide guidelines for Licensee's to provide a self-assessment approval of different types of non-formal CPD. FASEA requires CPD record keeping by the relevant provider and the Licensee and will provide a CPD Activity template for guidance. Further details in Section 4.

ASIC Question		Response
S4.1	Do you agree with the proposal for an hours based system of CPD calculation? If not, why not?	We agree with the proposal for an hours based system of CPD calculations.
S4.2	Do you agree with the types of CPD activities proposed? If not, why not?	We agree with the types of CPD activities proposed.
S4.3	Do you agree with the proposed evidence and record keeping requirements? If not, why not?	The guidance on CPD Evidence is confusing as it refers to accreditation of CPD whilst the guidance on CPD Approval states that 'FASEA does not propose that it will accredit/approve CPD activities or providers for CPD'. As neither FASEA or any other body, at this stage, will be responsible for accrediting or approving CPD activities or providers of CPD then the wording should be amended to 'The appropriate evidence is to be determined at the time of accreditation of CPD and <u>may</u> include documentation of activities undertaken, evidence of completion and outcomes obtained.'
S4.4	Do you agree with formal education as a contribution to the CPD requirement? If not, why not?	We agree that formal education can contribute to the CPD requirement.
S4.5	Do you agree with the CPD framework which provides examples of the different categories of learning activity and the rules for hours accrual in each category? If not, why not?	We agree with the proposed CPD categories however find the rules for hours accrual in each category confusing. FASEA should consider one set of minimum hours being the minimum approved hours. The remainder of the time should be flexible so that (under the current framework) the relevant provider and the AFS Licensee can work together to address any weaknesses identified with the practices and process adopted by the relevant provider.

ASIC Question		Response
S4.6	Do you agree with the proposal that FASEA will not accredit CPD activities or providers, but will provide a guide with principles, to optimise the consistency in the Licensee self-assessment approach? If not, why not?	We agree that FASEA should not accredit CPD activities. We feel that over the long term accreditation of CPD activities and providers would be beneficial however this is an activity that should be managed by the Compliance Schemes which have the responsibility for monitoring and supervising compliance with the Code of Ethics.

S5 Proposed Templates as guidance only

FASEA proposes that it will make available CPD Activity and Professional Development Plan templates as a guide only.

ASIC Question		Response
S5.1	Do you agree that templates are useful and should be used as a guide only?	We agree that the templates may be useful depending on the content requirements. FASEA needs to remember that industry has been maintaining training records since the commencement of AFS Licensing requirements so in developing its templates FASEA should take into consideration existing proven standards and processes.
S5.2	Are there any other resources or templates that would be useful?	We have no comment.