

From the Desk of Director Marija Pajeska



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Financial Adviser Standards and Ethics Authority

By email: consultation@fasea.gov.au

Response to FASEA Consultation – Proposed Guidance on Education pathways for Existing Advisers

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 – Proposed Guidance on Education pathways for Existing Advisers.

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

We note that the proposed guidance 'Existing Adviser Qualification Pathway' dated 14 December 2017 raises a number of concerns in the industry as summarised below:

- The proposed guidance focuses and uses the FPEC approved register as a focal point for assessing whether an adviser meets the educational requirements and/ or whether the degree/ qualifications completed by an adviser is a recognised qualification. In its proposed guidance it seems that FASEA has failed to address the educational requirements from an industry perspective and has focused on one sector of the industry (being the financial planning sector).

FASEA needs to remember that it is an independent body and it is responsible for setting the educational pathways for the entire industry not just the financial planning sector. FASEA needs to spend time understanding the other sectors in the industry and ensure that the standards it sets are applicable to each sector.

We note that in the consultation paper titled 'Proposed Guidance on Education Pathways for All Advisers' dated 20 March 2018, FASEA has attempted to do this through its broader definition of related qualifications however as FASEA has not released any information on what would be considered an approved course or updated its list of approved courses (other than those courses approved by the FPEC) it is difficult to assess the impact this would have on the non-financial planning sector.

- In the proposed guidance, FASEA mentions that 'Admission into an AQF8 program without a Degree will typically require at least 5 years' experience'. We note that in the consultation paper titled 'Proposed Guidance on Education Pathways for All Advisers' dated 20 March 2018, FASEA makes no comments as to how the number of years' experience an adviser has will impact the educational requirements or whether it would give rise to any exemptions.
- We find the following requirement confusing and not consistent with the information included in the consultation paper titled 'Proposed Guidance on Education Pathways for All Advisers' dated 20 March 2018:

Proposed Guidance Statement on Qualifications Pathways for Existing Advisers who already hold qualifications at AQF7 or above

B. Advisers who have previously undertaken qualifications (at AQF7 or above), that are not approved qualifications (i.e. they are not within Category A).

- 1) For those Advisers, holding a qualification that is titled as a Financial Planning/Advice qualification (or has a recognised major in financial planning/advice), but:
 - is NOT an approved qualification (i.e. it is not on the FASEA/FPEC approved register, which has been in existence since 2011), OR
 - it was NOT completed within the last 10 years, THEN

The Standards Authority issues the following proposed guidance that Advisers in this circumstance may choose to:

- a) Undertake an approved qualification before the compliance date of 1 January 2024. There is a range of programs in the marketplace already and FASEA anticipates more options will become progressively available, OR
- b) Undertake an approved bridging course before the compliance date of 1 January 2024. FASEA has not yet approved any bridging course options, and anticipates these courses will become available from 2019 (see section on bridging courses), OR
- c) Approach an approved education provider to make up those studies through individual unit study.

Note: As part of its consideration of the Degree Equivalence Standard FASEA intends to include consideration of the means by which existing advisers may have their qualifications reviewed.

Disregarding the qualifications acquired by an adviser more than 10 years ago is inappropriate as these are the qualifications that have been recognised by ASIC, relevant regulators, industry, relevant associations, etc to date. The 10 year condition should be removed.

We feel that industry and FASEA would have benefitted more and this consultation would have been more productive if FASEA had updated its proposed Guidance paper.

In reference to consultation paper titled 'Proposed Guidance on Education Pathways for All Advisers' dated 20 March 2018 our comments are:

- The table included on page 3 under the heading 'Education pathways' is beneficial however is inadequate:
 - as it has a caveat that the only 'approved qualifications' are those approved by the FPEC at AQF7 and AQF 9. This means that an adviser that is not a financial planner cannot assess the true impact on their career or the educational requirements these standards will have;
 - if an advisers ability to qualify for a certain educational pathway will be governed by the number of years' experience they have then this information should be included in the table; and
 - it does not address the scenario of an Existing Adviser with qualifications in unrelated discipline that has already completed a Graduate Diploma.
- Level of course delivery – We have no objections with FASEA setting a standard that only Higher Education Providers can offer Bridging Courses provided that such courses are accessible. The number of advisers that will be required to complete these courses over the next 5 years (as none are likely to be available until 2019) will be high and accessibility to these courses will be extremely important.
- What is a related qualification? – FASEA needs to consider incorporating into the guidance a pathway for advisers to request that their degree be considered as a RELATED field on the basis that there were many degrees available in the Higher Education system which resulted in the adviser completing the appropriate modules without being issued with a certificate which includes a related discipline as a major/ specialisation. For example, many advisers have completed a Bachelor of Commerce or Business degree (which includes relevant modules and subjects) yet it seems FASEA is completely ignoring these completed qualifications.

FASEA needs to understand that included amongst top tier financial advisers within AFSL firms are people who were formerly geologists, chemists, scientists, engineers, accountants and teachers. This is an argument against being overly narrow or prescriptive about the range of Bachelor Degrees that could be considered relevant to being a sound Financial Adviser. What is of more significance is the further professional development and training undertaken on an ongoing basis throughout an adviser's professional career.

Furthermore, we feel that Commerce and Business should also be considered a related field just like Economics. A Bachelor of Commerce and a Bachelor of Business covers very similar areas as a Bachelor of Economics and students who complete the degree have a range of electives to choose from however such electives form part of the degree and are not considered a major/ specialisation.

- Most importantly FASEA needs to remember that some advisers have acquired their qualifications before any Higher Education was available in the field and that they need a pathway which specifically takes into account the qualifications, skills and experience they have acquired. To expect an adviser with 30 years of experience, for example, to commence a university degree and to be told that their qualifications and experience are no longer adequate is wrong to be put nicely.
- What is Recognition of Prior Learning (RPL) – We note FASEA’s comments that it does not intend to allow RPL in the bridging course programs. We feel that FASEA needs to be practical with its approach taking into consideration the enormity of the task at hand and the pressure it will put on higher education providers over the next 5 years.

We agree that RPL in relation to FASEA’s Code of Ethics may not be appropriate however FASEA should consider whether RPL recognition for the Corporations Act course and / or the Behavioural Finance course would be appropriate considering that some of these aspects would have been covered through the courses completed by advisors as part of the training that they undertook to become accredited under Regulatory Guide RG146.

Our comments on FASEA’s request to Feedback on pathways:

- Are the proposed education pathways appropriate for each type of Adviser?

Type of Adviser	Comments
New Entrant	We provide no comment
Existing Adviser with no qualifications at AQF 7 (or above)	FASEA needs to take into consideration the possibility of having a pathway available to advisers who have in excess of 20 years’ experience to ensure that they can stay in the industry without having to complete additional higher education or the education they need to complete is in the form of a Bridging Course designed to give recognition for skills and knowledge acquired during the years’ experience. To see these invaluable resources leave the industry because of an arbitrary requirement which disregards the knowledge, skills and experience they have acquired over the years is wrong.
Existing Adviser with qualifications in unrelated discipline	FASEA needs to understand that included amongst top tier financial advisers within AFSL firms are people who were formerly geologists, chemists, scientists, engineers, accountants and teachers. This is an argument against being overly narrow or prescriptive about the range of Bachelor Degrees that could be considered relevant to being a sound Financial Adviser. An adviser needs the ability to apply to FASEA to have their degree assessed for the purpose of being classified as a qualification in a Related field.
Existing Adviser with qualifications in related discipline at AQF 7 (or above)	Accessibility to the bridging courses will be the critical factor here.
Existing Adviser with qualifications and post graduate qualifications in related disciplines	FASEA needs to reconsider its position on RPL when it comes to bridging courses as there is a chance that the Higher Education System may not be able to cope with the number of advisers that need to meet the educational requirements. FASEA needs to remember that any prior learning completed is relevant and should not be disregarded.

Type of Adviser	Comments
Existing Adviser with approved FPEC qualifications	FASEA is an independent body and it needs to form its own list which is not limited to the financial planning sector. Taking into consideration the length of time FASEA has been in existence and the proposed commencement date for New Advisers one would have thought that this information would already be available.

- Do you think increased education standards will assist in providing higher quality advice?

As part of the new education pathways there appears to be a focus on behavioural finance (ie. client and consumer behaviour, engagement and decision making). FASEA and the decision makers should take a step back and consider the behavioural science relating to education. Part of our education as individuals is acquired through the theoretical concepts taught at schools and through our Higher Education. But the other part of our education as individuals is acquired through hands on experience. As an adviser the theory is important however what is more important is the experience acquired in the work place.

We note that a New Adviser needs to complete a professional year which seems to take this into account. However, the requirements for Existing Advisers do not seem to give much recognition to the length of an advisers experience in the industry, especially in circumstances where the adviser does not hold any formal education.

See ASDAA Submission to Treasury - [Raising Professional Standards of Financial Advisers](#). It is ASDAA's opinion that an adviser actively involved in the industry pre-2002 – being when the new Corporations Act and the requirement to have an AFS Licence were introduced - be grandfathered on the requirement to hold a relevant Bachelor's Degree.

- Do you think these education pathways meet the expectations of consumers?

On paper they may do so, however when the requirements are formalised in 2024 and some advisers are no longer able to service their clients then consumer expectations won't be met. FASEA needs to remember that it takes a long time (in some circumstances) to acquire the trust of a client and this is developed over time and as a result of experience. This is not a skill you acquire as a result of completing an educational requirement.

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

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