1 February 2022

Assistant Secretary
Advice and Investment Branch
The Treasury
Langton Crescent
PARKES ACT 2600

By email: FAStandards@treasury.gov.au

Dear Assistant Secretary

Education Standards for Financial Advisers – Policy Paper

The Australian Financial Markets Association (AFMA) welcomes the opportunity to respond to Treasury on the proposed amendments to the education and training standards for relevant providers prior to providing financial advice or continuing to provide financial advice.

AFMA is dedicated to lifting the professional standards within the Australian financial services industry in an efficient manner. We have long supported the need to streamline education requirements for the industry, particularly for financial advisers. We appreciate Treasury's efforts to streamline the education requirements and to create a pathway that recognises industry experience as an appropriate alternative.

We welcome Treasury's proposals in the policy paper ('the paper') as it will assist in reducing impediments and costs faced by financial advice providers. Our comments below elaborate on our member feedback on the proposal.

AFMA Comments

1. **The impact of the proposal on industry and stakeholders, including the cost to business.**

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AFMA commends Treasury's work and very much welcomes the changes proposed under the Education pathway. The proposal greatly increases the flexibility of the system to better reflect the wide variety of roles that involve financial advice. The previous arrangements ignored the reality that there are many financial advice roles outside of financial planning and required a one-size-fits-all approach that was inappropriate and inefficient. The self-assessment aspects of the courses will greatly increase both the flexibility and efficiency of the arrangements for industry, for those entering the industry and for Government.

We also strongly support the ability to combine elements of different degrees as this will broaden the skills that new entrants can bring to the sector. Finally, we commend the inclusion of VET sector courses. While AFMA has recently entered a partnership with Macquarie University, a TEQSA sector provider, we are still strong believers in the value of VET sector courses in relation to employment related training.

AFMA welcomes the proposed policy that recognises the skill and knowledge of experienced advisers. We note this will expand customers' access to more experienced advisers who might have previously left the industry. We also appreciate the recognition of tertiary qualifications from relevant study areas that will equip advisers with skills and knowledge to provide advice on financial markets products. Reduced education uplift costs and adviser study hours will lower barriers to entry for both new and experienced advisers.

The paper proposes that to meet the experience requirement, "an individual must have been authorised to provide personal advice to retail clients in relation to relevant financial products for 10 or more years in the preceding 12 years".

AFMA seeks clarity on whether the experience requirement requires an adviser to have been registered on the Financial Advisers Register (FAR) for 10 out of the 12 years to qualify. We hold this should not be required and the focus should be on meeting the relevant experience threshold. There are advisers who were authorised to provide advice but who were not necessarily listed on the FAR before the FASEA requirements came in and who will therefore not benefit from this pathway when they would meet the substantive requirements. Treasury's clarification on this point would be appreciated.

2. **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.**

Education

AFMA supports that the proposed education pathway streamlines the education standard and will ultimately benefit end customer service outcomes. The proposals also address some of AFMA's long-standing concerns with the FASEA requirements that lacked recognition of relevant degrees. This approach also recognises the value of diverse tertiary education backgrounds to an organisation.

We also welcome that the proposals place the onus back on licensees to determine the requirements for a particular type of advice rather than proposing a one-size-fits-all standard based on the form of advice.

In line with our previous representations, AFMA sees potential benefits of the proposed education requirements in addressing specialist adviser roles, for example, retail FX advisers. For such roles, the proposed pathway would allow people to complement their AQF 7 or higher degrees (provided at least 6 units as described in the Annexure are covered), with industry recognised AQF 8 level courses such as Financial Markets Certificate (required for AFMA Accreditation and delivered by Macquarie University). The Financial Markets Certificate provides advisers the base level of knowledge required to provide advice on financial markets products, including conduct and ethics.

This would be a significant improvement over the FASEA requirements as specialist advisers would not be *required* to complete generic and non-relevant financial planning qualifications. The absence of restrictive requirements would increase the access to a larger talent pool of appropriately qualified people and save licensees the high costs of upskilling specialist advisers in their roles.

AFMA also seeks clarity on whether an adviser must have passed the FASEA exam to qualify for the experience pathway. There are several advisers who have removed their FAR registrations by 1 Jan 2022 assuming the current FASEA requirements would remain in place. These advisers may not be able to benefit from the new pathway unless the deadline for the FASEA exam is changed, as any period until the new legislation is passed would count as part of their 12 year experience window.

Experience

We note that prior to January 2019, a vast range of staff who could have gained more experience in providing advice to retail clients, ceased providing advice as the new education requirements came into effect, discouraged by the amount of study and related costs required for an experienced advisor to continue providing advice.

We propose that licensees should be allowed to count years of experience gained both (i) when authorised to provide personal advice to retail clients as well as (ii) similar experience, whether authorised or not. This recognises that there are people that may be providing financial product advice in a similar manner to an authorised adviser, where the product and other skills are comparable.

In these scenarios, AFMA supports that licensees would be required to assess which experience should qualify, in the same way that they previously would have done to authorise a representative, for example, in relation to CPD undertaken by an adviser.

Further, AFMA finds the proposed experience pathway to be restrictive in requiring 10 years as per the definition. We note from member feedback that a 5-years requirement would achieve the goal of sufficient capability and experience without rendering a whole cohort of capable advisers ineligible.

We also propose that the experience requirement should recognise both part-time as well as full-time work experience, accounting for: (i) part-time work and (ii) career breaks. Both scenarios are likely to disproportionately impact advisers who fall in these categories but are sufficiently experienced to provide personal advice to retail clients.

i. Part-time work: Under the FASEA CPD requirements, part time workers must complete 36 hours of CPD per annum compared to 40 hours for full time advisers. This recognises in principle that the level of experience and skills required to provide personal advice is essentially independent of the number of days worked per week. Considering that an AFSL holder may not license an adviser without ensuring that their representatives are adequately trained and competent to provide those financial services, we would support including part-time work.

ii. Career breaks: Advisers may have taken career breaks for a number of reasons; for example, parental leave; and a number of times over the 12-year period. Two parental leaves of just over 1 year each would automatically disqualify an adviser.

    AFMA supports an approach that would discount those periods entirely from the 12-year calculation. The policy should consider 12 years during which the adviser was undertaking their role rather than just the calendar period.

Further, AFMA seeks confirmation if the proposed changes are an addendum to existing pathway or a replacement, noting there should be clarity on the requirements for people who are in between the experience and new-entrant pathways. In such a case, we seek more understanding around pathways for people who have some experience (e.g. 3-5 years), may be in the process of meeting existing pathway requirements (spending effort, time and cost to meet with the current standard), and may or may not hold relevant degrees.

3. **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?**

AFMA welcomes the removal of the requirement for tertiary education providers to 'opt in'. The proposal opens up the opportunities to combine TEQSA and ASQA qualifications, thus ultimately increasing customer access to a wide range of firms. By leveraging the existing TEQSA accreditation process and accepting relevant courses, AFMA believes education providers will be able to, with greater ease, accommodate the proposed education requirements.

4. **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.**

AFMA notes that the Professional Year Standard should not be amended to mandate additional study at an AQF 8 level for new entrants. Professional year entrants already hold AQF 7 or higher qualifications, and further study required during the professional year may discourage new talent due to increased study load during the professional year.

We note that the professional year should continue to focus on providing a supervised environment for new entrants to apply their knowledge and skills in servicing clients.

We support that licensees should be allowed discretion or, in line with relevant industry bodies, be able to determine the applicability and need for any further study including the level and suitable timelines for completing such study. As noted above, licensees could determine that professional year entrants need to complement their qualifications through the Financial Markets Certificate to satisfy the structured training hours and obtain AFMA accreditation.

AFMA reiterates our strong appreciation of Treasury's efforts in streamlining entry pathways for financial advisers. We are keen to engage further with Treasury to assist in developing appropriate professionalism requirements in the advice industry. Please do not hesitate to contact us via AFMA secretariat for more information.

Sincerely

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